



Holding Company in Europe – Comparative tax aspects as at 1 October 2007

	Austria	Belgium	Denmark	France	Germany	Hungary	Ireland	Italy	Luxembourg	Netherlands	Poland	Spain	Switzerland	UK
1 Registration or other duties on transfers of shares	No	No ¹	No	No ²	No ³	No	1% ⁴	0.14% ⁵	No	No	1%	No	0.15%	0.5% ⁴
2 Capital duty (on increase in share capital)	1%	No ⁶	No	No	No ³	No	No	No	1% ⁷	No	0.5%	1%	1% ⁸	No
3 Deduction for interest on acquisition finance	Yes	Yes	Yes	Yes ⁹	Yes ¹⁰	Yes	Yes ¹¹	Yes	Yes ¹²	Yes ¹³	Yes	Yes	Yes	Yes
4 Thin capitalisation rules Restrictions on interest rate Debt/equity ratio	No	Yes 7 : 1	Yes Yes 4 : 1 ¹⁴	Yes Yes 1.5 : 1 ¹⁵	Yes 1.5 : 1 ¹⁶ 30% EBITDA	Yes 3 : 1	No ¹⁷	Yes 4 : 1 ¹⁸	Yes 85 : 15	Yes No ¹⁹ 3 : 1 ²⁰	Yes Yes 3 : 1	Yes 3 : 1 ²¹	Yes 7 : 3	Yes Yes 1 : 1 ²²
5 Withholding tax on payments to foreign parent* of – interest – royalties	No ²³ 20%	15% 15%	No ²⁴ No	No 33.33%	31.65% ²⁵ 21.1%	No No	20% 20%	27% 22.5% ²⁶	No ²³ No	No ²³ No	20% 20%	18% 24%	35% No	20% 20%
6 Full corporate income tax rate	25%	33.99%	25%	33.33% ²⁸	37-41% ²⁹	20% ³⁰	12.5% ³¹	33%	Max 29.63% ³²	25.5%	19%	35%	7.83% ³³	30% ³⁴
7 Tax on dividends received	No ³⁵	95% exempt ³⁶	Yes ³⁷	95% exempt ³⁸	95% exempt ¹⁰	No	Yes ³⁹	95% exempt	Yes ⁴⁰	Yes ⁴⁰	Yes	No ⁴¹	Yes ⁴⁰	Yes ⁴²
8 Participation/exemption regime re dividends Minimum participation	Yes 25%	Yes 10% or €1.2M ⁴³	Yes 15% ⁴⁴	Yes 5%	No N/A ¹⁰	No N/A	No N/A	No N/A	Yes 10% or €1.2M	Yes 5%	Yes 15% ⁴⁵	Yes 5% or €6M	Yes 20% or CHF2M	No N/A
9 Withholding tax on divs paid to foreign shareholder*	25%	25%	corp: 16.5% individuals: 28%	25%	21.1%	corp: 0% individuals: 25%	20%	27%	15%	15%	19%	No ⁴⁶	35%	No
10 Capital gains tax on sale of shares in subsidiary**	No ⁴⁷	No ⁴⁸	Yes	95% exempt	95% exempt ⁴⁹ 10	Yes ⁵⁰	No ⁵¹	84% exempt ⁵²	No	No	Yes	No	No ⁵³	No ⁵¹
10a Minimum participation	10%	No	No	N/A	No ¹⁰	30%	5% ⁵⁴	No	10% or €6M	5%	N/A	5%	20%	10%
10b Minimum period (months) of continuous ownership	12	No	36	24	No ¹⁰	24	12 in last 24	18	12	None	N/A	12	12	12 in last 24
10c Must subsidiary be active?	Yes	No	Yes	N/A	No ¹⁰	N/A	Yes ⁵⁵	Yes	No	Yes	N/A	Yes ⁵⁷	No	Yes
10d Must subsidiary be within the charge to tax?	Yes	Yes ⁵⁷	No	N/A	Yes ⁵⁸	No	Yes	No	Yes	Yes	N/A	Yes	No	Yes
11 Tax on capital distribution on liquidation of holding company	No ⁵⁹	Yes ⁶⁰	Yes ⁶¹	Yes ⁶²	Yes ⁶³	Yes ⁶⁴	Yes ⁶⁵	No	No	Yes ⁶⁴	Yes ⁶⁶	No	Yes ⁶⁴	No ⁶⁷
12 Consolidated tax group Minimum participation	Yes ⁶⁸ 50%	No	Yes >50% of votes	Yes 95%	Yes >50% of votes	No	No ⁶⁹	Yes	Yes 95%	Yes 95%	Yes 95%	Yes 75%	No	No ⁶⁹
13 CFC rules	No	No ⁷⁰	Yes	Yes	Yes	Yes	No	Yes	No	No ⁷¹	No	Yes ⁷²	No ⁷³	Yes
14 Binding pre-transaction rulings	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No

*If the EU parent/subsidiary directive does not apply and no DTT relief is available.

**Assuming conditions 10a-10d are met if applicable and that the shares are held as a financial fixed asset.

- 1 Except for 0.17% stamp duty on transfers of publicly traded shares.
- 2 Except on transfers of shares in companies whose balance sheet is composed of 50% or more real estate or interests therein: transfer duty of 5%.
- 3 Real Estate Transfer Tax at a rate of 3.5% is triggered where at least 95% of the shares in a real-estate holding company are transferred directly or indirectly to a single taxpayer or group.
- 4 Relief is available for certain reorganisations.
- 5 For privately owned shares only; otherwise fixed sum registration tax of €168 and stamp tax of €11.
- 6 Except if shares issued for contribution of real estate, in which case stamp duty of 10% (Flemish region) or 12.5% (Walloon and Brussels region) applies.
- 7 Applies to premium, subject to certain exemptions. No substantial duty payable in practice.
- 8 Capital contributions up to CHF 1m are tax exempt.
- 9 Subject to the thin capitalisation rules, possibility to offset the acquisition debt against the profits of the subsidiary companies via the setting up of a tax consolidated group.
- 10 Special rules apply in relation to municipal trade tax.
- 11 Investee company must carry on trade or letting business or be a holding company of a group fulfilling those criteria. No capital may be returned to investor company.
- 12 May adversely affect the exemption of capital gains and dividends in certain situations.
- 13 Subject to anti-abuse legislation.
- 14 If controlled debt is above DKK 10 million.
- 15 As from 2007, thin cap rules apply to interest paid to related entities (companies controlling the borrower or under common control, directly or indirectly).
- 16 Restriction on tax deductibility of interest does not normally apply up to an amount of €250, 000 p.a. Escape by reference to "third party test" is possible. As of 2008: thin cap regulations replaced by new regime: if interest paid exceeds interest received, only 1 M Euros of the net amount is deductible; any net interest in excess of 1 M. Euros is deductible up to 30% of EBITDA (carry forward possible).
- 17 Where at least 75% of the shares are held by a company not resident in Ireland, the EU or a country with which Ireland has a DTT, interest on loans from group companies may be reclassified as a distribution.
- 18 The rule applies to interest on loans granted or guaranteed by controlling shareholders (and parties related to them).
- 19 As long as the interest rates are at arm's length.
- 20 Only deductibility of interest payable to affiliated entities is restricted. There is an alternative test that may be applied on request. This test concerns the equity ratio at group level, based on the commercial accounts.
- 21 Applies only if lender is not resident in EU.
- 22 Varies according to industry sector but will generally be acceptable if the company also has an income cover of 3 times the return payable on the debt.
- 23 If debt is reclassified as equity, the withholding tax rates for dividends may apply to interest payments.
- 24 Except on interest to controlling companies not at arm's length where withholding tax of 30% applies.
- 25 Under certain conditions. Generally WHT on interest to non residents will be reimbursed in full.
- 26 In the case of royalties derived from the use of intangible assets purchased for valuable consideration; 30% in all other cases.
- 27 Phased implementation of Directive. Withholding tax of 10%, reducing to 5% from 1 July 2009 and nil from 1 July 2013.
- 28 Plus an additional social contribution of 3.3% on excess of profits over €783K, resulting in marginal tax rate of 34.43%.
- 29 Regional variations; represents combined total of federal taxes (corporation tax and solidarity surcharge) as well as local municipal trade tax (deductible in calculating the federal tax). As of 2008, lower tax rates apply: 29.83% – 33.7%.
- 30 Comprises 16% corporate income tax + 4% solidarity tax.
- 31 12.5% for active/trading income; 25% for passive income.
- 32 Comprises corporation tax 22%, contribution to unemployment fund 4% and municipal tax on income.
- 33 Cantonal taxes of between 10% and 25% apply in addition unless company's status is approved as that of holding company.
- 34 Decreasing to 28% from April 2008.
- 35 Unless foreign subsidiary's profits are not subject to tax comparable to Austrian income tax (eg at less than 15%).
- 36 Except that normal corporation tax applies to dividends from companies which are not subject to a similar tax base, or which benefit from a special tax regime (such as financing, treasury and investment companies) and for non-EU resident subsidiaries if corporation tax rate is less than 15%.
- 37 66% of the dividend received is taxed at normal corporation tax rate unless the participation exemption applies.
- 38 The 95% exemption applies under the participation exemption regime.
- 39 No tax is payable on dividends received from other Irish resident companies. A 25% tax rate applies on dividends received from non Irish resident companies. A system of onshore pooling of tax credits on foreign dividends exists, enabling an Irish resident holding company to pool foreign tax credits. Unused credits can be carried forward indefinitely.
- 40 Unless the participation exemption applies.
- 41 Unless under Spanish law the subsidiary is resident in a tax haven or pays the dividend from passive income arising outside Spain.
- 42 Credit given for distribution tax and underlying tax suffered by payer, provided there is no avoidance motive. No tax is payable on dividends received from other UK companies.
- 43 Shares must be legally and beneficially owned as investments for a minimum of one year. It is not necessary for the one-year period to have elapsed at the moment of payment of the dividends.
- 44 Reducing to 10% in 2009. Only applies to corporate shareholders.
- 45 From 1 January 2009 reducing to 10%.
- 46 Unless the shareholders of an ETVE holding company are resident in a tax haven as defined in the corresponding Spanish regulations (which do not cover all low-tax jurisdictions).
- 47 Provided that subsidiary is resident in a country where CT rate is at least 15%.
- 48 The exemption applies only to net amount of the gain (i.e after deduction of related costs).
- 49 The exemption will not always apply on the sale of shares in German companies. Tax will be payable if the shares were issued in exchange for a contribution of assets tax free at net book value within seven years prior to disposal.
- 50 50% of the capital gains on transactions on a recognized stock exchange by a company other than an insurance or financial institution are exempt, subject to limitations.
- 51 The holding company must itself qualify as a member of a trading group.
- 52 The investee company must not have been resident in a tax haven for the preceding three consecutive years.
- 53 The disposal must constitute at least a 20% shareholding in the investee company.
- 54 Ownership of required percentage may be direct or through group members. The investee company must be resident in the EU (including Ireland) or a DTT country.
- 55 Or active on a group basis. Must carry on a trade and not derive its value from Irish land/buildings, minerals, mining and exploration rights.
- 56 The subsidiary must carry on a business, but is permitted to carry out some passive activities, for example, financing of non-Spanish entities, exploitation of intangible assets (e.g. patents, trade marks, etc). Must not be resident in a country classified as a tax haven under Spanish law.
- 57 Exemption is not available on capital gains on shares in companies which are not subject to a similar tax base, or which benefit from a special tax regime such as financing, treasury and investment companies) and for non-EU resident subsidiaries if CT rate is less than 15%.
- 58 Various benefits are denied with respect to shareholdings to which the German CFC Rules under the Foreign Tax Act (Aussensteuergesetz) apply.
- 59 In the absence of a tax treaty the foreign shareholder must file a tax return if the gain on liquidation exceeds €3,630.
- 60 The excess of liquidation distributions over paid up capital is treated as a dividend to which 10% withholding tax may apply. Exemption is available under EU directive and many DTTs if recipient holds more than 15% of the shares.
- 61 Taxed as dividend (subject to participation exemption) if received in the year before dissolution, as capital gain if received in year of dissolution.
- 62 Liquidation surplus taxed as a profit at standard CT rate except if participation exemption applies (95% exemption if direct interest of at least 5%).
- 63 Tax will not be payable if the exemptions [relating to capital gains on disposal of shares in subsidiary] apply.
- 64 Treated as dividends.
- 65 Non-residents will be chargeable to capital gains tax on the disposal of their shares in liquidation in limited circumstances only. Stamp duty at the 1% rate may not be payable on the transfer of ownership of shares in certain circumstances.
- 66 Treated as dividend. Withholding tax of 19% unless participation exemption applies.
- 67 No UK tax is payable by non-residents in respect of capital gains arising on capital distributions from a UK company.
- 68 Cross-border tax group with foreign subsidiaries is possible, subject to DTTs.
- 69 Tax losses can be surrendered between companies which, applying the 75% ownership test, are within the same group.
- 70 Specific anti-avoidance legislation may apply.
- 71 Only in a specific situation whereby the Dutch holding company holds 25% or more in a foreign subsidiary whose assets consist of portfolio investments.
- 72 The rules do not apply to EU resident companies.
- 73 Swiss anti-abuse provisions may apply.

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