

This document provides you with 'at a glance' information about the tax aspects of Holding Companies across jurisdictions in Europe. We've tried to keep the information as simple as possible (not always easy in such a complex area) and we hope it will offer you a useful starting point when it comes to dealing with the issues involved.

It is, of course, just a starting point. If you require advice in this area our highly-regarded tax team can assist with on the spot support wherever and whenever you need it.

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Comparative tax aspects for European holding companies

Focusing on the key issues



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Comparative tax aspects for European holding companies

	Austria	Belgium	Denmark	France	Germany	Hungary
1 Registration or other duties on transfers of shares	No	No	No	No ¹	No ²	No
2 Capital duty (on increase in share capital)	1%	No	No	No	No ²	No
3 Deduction for interest on acquisition finance	Yes	Yes	Yes	Yes ⁷	Yes ⁸	Yes
4 Thin capitalisation rules Restrictions on interest rate Debt/equity ratio	No	Yes 7 : 1 (corp) 1 : 1 (ind)	Yes Yes 4 : 1	Yes Yes 1.5 : 1 ¹²	Yes 1.5 : 1 ¹³	Yes 3 : 1
5 Full corporate income tax rate	25%	33.99%	28%	33.33% ²⁰	37-41% ²¹	16%
6 Tax on dividends received	No ²⁴	95% exempt ²⁵	Yes ²⁶	95% exempt ²⁷	95% exempt ⁸	No
7 Participation/exemption regime re dividends Minimum participation	Yes 25%	Yes 10% or €1.2m ³²	Yes 20% ³³	Yes 5%	No N/A ⁸	No N/A
8 Withholding tax on divs paid to foreign shareholder (subject to DTTs and EU parent/subsid directive)	25%	25%	Yes ³⁶	25%	21.1%	20%
9 Capital gains tax on sale of shares in subsidiary ³⁸	No ³⁹	No ⁴⁰	Yes	95% exempt ⁴¹	95% exempt ^{42, 8}	Yes ⁴³
9a Minimum participation	10%	No	No	N/A	No ⁸	N/A
9b Minimum period (months) of continuous ownership	12	No	36	24	No ⁸	N/A
9c Must subsidiary be active?	Yes	No	Yes	N/A	No ⁸	N/A
9d Must subsidiary be within the charge to tax?	Yes	Yes ⁵²	Yes ⁵³	N/A	Yes ⁵⁴	No
10 Tax on capital distribution on liquidation of holding company	No ⁵⁵	Yes ⁵⁶	Yes ⁵⁷	Yes ⁵⁸	Yes ⁵⁹	Yes ⁶⁰
11 Consolidated tax group Minimum participation	Yes ⁶³ 50%	No	Yes >50% of votes	Yes 95%	Yes >50% of votes	No
12 CFC rules	No	No ⁶⁵	Yes	Yes	Yes	Yes

1 Except on transfers of shares in companies whose balance sheet is composed of 50 % or more land or buildings: contribution duties at a rate of 4.80 %.

2 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 (including an entry into the company via a capital increase) to a single taxpayer or group.

3 Relief is available for certain reorganisations.

4 For privately owned shares only; otherwise fixed sum registration tax of €168 and stamp tax of €11.

5 Subject to certain exemptions, the premium is subject to 1% capital duty.

6 Capital contributions up to CHF 1m are tax exempt.

7 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.

8 Special rules apply in relation to municipal trade tax.

9 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.

10 Subject to anti-abuse legislation.

11 Some optimization solutions are currently still possible.

as at 1 October 2006

Ireland	Italy	Luxembourg	Netherlands	Poland	Spain	Switzerland	UK
1% ³	0.14% ⁴	No	No	1%	No	0.15%	0.5% ³
No	No	1% ⁵	No	0.5%	1%	1% ⁶	No
Yes ⁹	Yes	Yes	Yes ¹⁰	No ¹¹	Yes	Yes	Yes
No ¹⁴	Yes 4 : 1 ¹⁵	Yes 15 : 85	Yes No ¹⁶ 3 : 1 ¹⁷	Yes Yes 3 : 1	Yes 3 : 1 ¹⁸	Yes 7 : 3	Yes Yes 1 : 1 ¹⁹
12.5% ²²	33%	Max 29.63% ²³	29.6%	19%	35%	7.83%	30%
Yes ²⁸	95% exempt	Yes ²⁹	Yes ²⁹	Yes ³⁰	No ⁴	Yes ²⁹	Yes ³¹
No	Yes ³⁴	Yes	Yes	Yes	Yes	Yes	No
N/A	N/A	10% or €1.2m	5%	20% ³⁵	5% or €6m	20% or CHF 2m	N/A
20%	27%	20%	25%	19%	No ³⁷	35%	No
No ⁴⁴	No ⁴⁵	No	No	Yes	No ⁴⁶	No	No ⁴⁷
5% ⁴⁸	No	10% or €6m	5%	N/A	5%	20%	10%
12 in last 24	18 ⁴⁹	12	None	N/A	12	12	12 in last 24
Yes ⁵⁰	Yes	No	Yes	N/A	Yes ⁵¹	No	Yes
Yes	No	Yes	Yes	N/A	Yes	No	Yes
Yes ⁶¹	No	Yes ⁶⁰	Yes ⁶⁰	19%	No	Yes ⁶⁰	No ⁶²
No ⁶⁴	Yes	Yes 95%	Yes 95%	Yes 95%	Yes 75%	No	No ⁶⁴
No	Yes	Yes	No ⁶⁶	No	Yes ⁶⁷	No	Yes

12 The thin cap rules apply only to loans from direct shareholders.

13 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.

14 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 will be reclassified as a distribution.

15 The rule applies to interest on loans granted or guaranteed by controlling shareholders (and parties related to them).

16 As long as the interest rates are at arm's length.

17 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 debt-equity ratio at group level, based on the commercial accounts.

18 Applies only if lender is not resident in EU.

19 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.

20 Plus social contributions giving total income tax rate of 34.43% for 2006

21 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).

- 22 12.5% for active/trading income; 25% for passive income.
- 23 Comprises corporation tax 22%, contribution to unemployment fund 4% and municipal tax on income.
- 24 Unless foreign subsidiary's profits are not subject to tax comparable to Austrian income tax (e.g. at less than 15%).
- 25 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 CT rate is less than 15%.
- 26 66% of the dividend received is taxed at normal corporation tax rate.
- 27 The 95% exemption applies if the conditions of the participation exemption regime are met.
- 28 No tax is payable on dividends received by Irish resident companies from other Irish resident companies. A 25% tax rate applies on dividends received by an Irish resident company from non Irish resident companies. However a system of onshore pooling of tax credits on foreign dividends exists, enabling Irish resident holding companies to pool foreign tax credits for dividends received from companies in different jurisdictions. Unused credits can be carried forward indefinitely.
- 29 Unless the participation exemption applies.
- 30 Domestic dividends are tax neutral.
- 31 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.
- 32 Shares must be legally and beneficially owned 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.
- 33 Reducing to 15% in 2007 and 10% in 2009.
- 34 91% effective from 2006 and 84% effective from 2007.
- 35 From 1 January 2007 reducing to 15%.
- 36 28% in the case of individual shareholders, 19.8% for corporate shareholders.
- 37 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).
- 38 Assuming that relevant conditions re minimum participation, period of ownership and activity of subsidiary are met and that the shares were held as a financial fixed asset.
- 39 Provided that subsidiary is resident in a country where CT rate is at least 15%.
- 40 Except that normal corporation tax applies to 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%.
- 41 From 2007. For 2006 8% tax rate applies to gain.
- 42 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 7 years prior to disposal.
- 43 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.
- 44 The investee company must not derive its value from Irish land/buildings, minerals, mining and exploration rights; and must be resident in the EU (including Ireland) or a DTT jurisdiction.
- 45 The investee company must not have been resident in a tax haven for the preceding three consecutive years.
- 46 The subsidiary must be a trading company, although some investment activities such as financing of non-Spanish entities and holding of intellectual property are allowed.
- 47 The holding company must itself qualify as a member of a trading group.
- 48 Ownership of required percentage may be direct or through group members.
- 49 Effective from 2006.
- 50 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.
- 51 The subsidiary is permitted to carry out some passive activities, for example, financing of non-Spanish entities, exploitation of intangible assets (eg patents, trade marks, etc).
- 52 Subsidiary must pay corporation tax at a rate of at least 15%.
- 53 Taxable if subsidiary is financial and if its total foreign tax liability is less than 75% of what it would have been in Denmark. Must be carrying on an active business, not a financial activity.
- 54 Various benefits are denied with respect to shareholdings to which the German CFC Rules under the Foreign Tax Act (Aussensteuergesetz) apply.
- 55 In the absence of a tax treaty the foreign shareholder must file a tax return if the gain on liquidation exceeds €3,630.
- 56 10% withholding tax may apply.
- 57 Taxed as dividend (subject to participation exemption) if received in the year before dissolution, as capital gain if received in year of dissolution.
- 58 Taxation as a standard profit: 33.33% plus the social contributions or potential application of the participation/exemption regime resulting in 95% exemption of liquidation surplus.
- 59 Tax will not be payable if the exemptions relating to capital gains on disposal of shares in subsidiary apply.
- 60 Treated as dividends.
- 61 Non-residents will be chargeable to capital gains tax on the disposal of their shares in liquidation in limited circumstances only. Dividend withholding tax will apply at the rate of 20% subject to exemptions based on control from an EU/DTT jurisdiction – may need to look at residency where the parent of the group is listed. Stamp duty at the 1% rate may not be payable on the transfer of ownership of shares in certain circumstances.
- 62 No UK tax is payable by non-residents in respect of capital gains arising on capital distributions from a UK company.
- 63 Cross-border tax group with foreign subsidiaries is possible, subject to DTTs.
- 64 Tax losses can be surrendered between companies which, applying the 75% ownership test, are within the same group.
- 65 Specific anti-avoidance legislation may apply.
- 66 Only in a specific situation whereby the Dutch holding company holds 25% or more in a foreign subsidiary whose assets consist of portfolio investments.
- 67 The rules do not apply to EU resident companies.

