

UK Holding Companies

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Locating your Holding Company in the UK

Tax issues

Dividends paid by subsidiary companies are subject to low or reduced rates of withholding tax dependent upon location.

Holding Companies are subject to nil or low rates of tax on dividend income received.

Dividends paid out by holding companies are not subject to withholding tax.

Sales of shares in subsidiary companies give rise to low or nil rates of capital taxes.

How the UK fits that model

Dividends

Dividends can be received from most countries in the world at competitive rates of withholding taxes. This is due to the UK's extensive Tax Treaty network. Where withholding tax is deducted, tax relief is normally available.

Dividends received by a UK company from outside the EC are subject to corporation tax at 21-28% (from April 2008). Tax relief is usually available for tax paid on the dividend by the home country prior to distribution. In many cases this will bring the tax due in the UK down to zero.

Capital income

No Capital Gains Tax on the sale of shares in a subsidiary (provided more than 10% ownership, and subject to some further restrictions).

	UK	Holland	Germany	Australia	New Zealand
Withholding tax dividends*	nil	5%	15%	5%	15%
Corporate taxes**	28%	20.25%	29.875%	30%	30%

* With the exception of the UK, all rates vary depending upon tax treaties and other conditions.

** Rates given will vary depending on location, size of company, etc

The tax treatment of international transactions is a complex issue - professional advice should always be sought.

Disclaimer:

This note does not contain a full statement of the law and it does not constitute legal advice. Please seek legal advice if you have any questions about the information set out above.