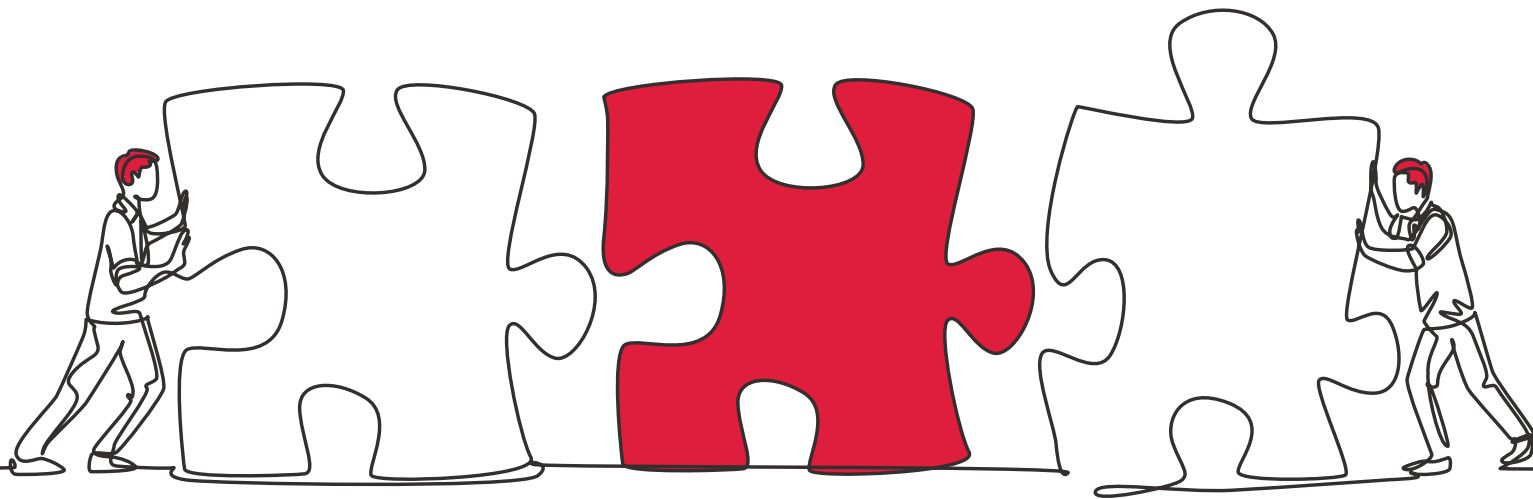


Holding Companies



Deciding where to locate your group's holding company is a major decision which may have a significant impact on the group's tax position. This guide examines the key characteristics of an Ideal Holding Company and compares

6 common holding company locations based on these characteristics.



Characteristics of an Ideal Holding Company location

- No tax on dividends received
- No withholding tax on dividends paid out to anywhere in the world
- Large tax treaty network
- Sale of shares in a subsidiary are exempt or have a reduced rate of tax
- Respected and robust legal system with little or no corruption.
- Strong protection for Directors & Company
- Easy access to sources of finance
- No restrictions on overseas share ownership
- No requirement for resident director(s)
- No requirement for resident Company Secretary
- Low rate of Income Tax
- Little or no administrative burden if acting solely as holding company
- IP tax incentives for holding IP in holding company – e.g. R&D tax credits and reduced rate of tax on royalty income.
- Ability to receive and hold funds (large banking options)

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

	UK	Ireland	Switzerland*	Singapore	Hong Kong	Delaware C Corp
Withholding Tax on Dividends	0%	0/20%†	0-35%	0%	0%	0%
Corporate Taxes on Dividends**	0%	12.5/25%	11.9-21%††	0%	0%	0%
Standard Rate of Corporation Tax**	19-25%	12.5%	11.5-24.2%	17%	8.25/16.50%	8.7%
Capital Gains Tax on Disposal of a Subsidiary	0% ^	0% ^	0% ^^	No CGT	No CGT	0%
Number of Tax Treaties	154	76	93	89	40	58
Resident Director?	No	EU Resident Required/ Non Resident Director Bond	Yes – Majority of board must be resident	Yes	No	No
Resident Shareholder?	No	No	No	No	No	No
Tax Relief on Disposal of Shares in Subsidiary?	Exempt, if share in subsidiary is more than 10% and held for more than a year	Exempt, if share in subsidiary is more than 5%, held for more than one year and the company is resident in the EU or there is a double tax treaty.	Participation reduction, if share in subsidiary is at least 10% and held for more than 1 year. The relief is a percentage reduction based on net participation income and taxable income.	Exempt, if share in subsidiary is more than 20% and has been held for more than 2 years.	No tax on capital gains.	No exemption for shareholdings.
R&D Tax Credits	33%/13% cash back for activity conducted anywhere in the world	25% cash back for eligible expenditure. Limited to tax already paid	No tax credit available, permits a 50% additional deduction for qualifying Swiss Costs.	No tax credit available, qualifying companies may apply for a reduction or exemption in the applicable tax rate.	No tax credit available, some categories of expenditure may qualify for an additional 100/200% deduction.	20% Tax credit based on qualified research expenditure.
Other IP Reliefs	Patent box – 10% tax rate on Patented Intellectual Property (IP)	IP Regime - Capital allowances on qualifying IP expenditure may be offset against up to 80% of relevant IP profits. Knowledge Box – 6.25% tax rate on assets resulting from qualifying R&D.	Patent box – income from Patented IP exempt from tax up to a maximum of 90%. Requires the IP to have arisen from previously incurred R&D expenditure.	Intellectual Property Development Incentive – Approved companies are eligible for a tax rate of 5/10% on qualifying income from IP.	No other IP reliefs available	No other IP reliefs available

Comparison of Common Holding Company Locations

*Rates vary depending upon tax treaties and other conditions, and level of shareholding.

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

^Relief available when held for 1 year with 10%+ share capital held

^^ Relief available when held for 12 continuous months with 5%+ share capital held

†Exemptions available for withholding tax.

†† Relief available where at least 10% of dividend paying company's share capital is held

	UK	USA	Australia	Germany	Netherlands
Withholding tax on dividends†	0%	0-30%	0-30%	0-25%	0-15%
Corporate taxes on Dividends**	0%	Federal 21% State 1-12% Average 25.7%	0%	0%	0%
Standard Rate of Corporation Tax**	19-25%	Federal 21% State 1-12% Average 25.7%	30%	~30.82%*	25.8%. Lower rate of 19% for first €200,000
Number of Tax Treaties	154	58	45	96	97
Resident Director?	No	No	Yes	No	No but majority Dutch resident for tax purposes
Resident Shareholder?	No	No	No	No	No
Other Requirements		Registered Agent resident in relevant state.	Resident Company Secretary, Written permission to use registered address	Minimum Capital for GmbH €25,000 UG €1 but must transfer 25% to reserves until GmbH level is reached	

*German tax is a mixture of federal (15%) and state (varies, average 15.82%) tax

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

† Withholding tax varies based on the location of the recipient and in some cases the level of shareholding.

Comparison of Commonly Used Company Locations

Frequently a holding company will not use an ideal location whether that be due to a desire for a simple group structure or lack of knowledge about the available options. Below is a comparison of some of the more typical locations used:

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

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