

# Tax Brochure

## Parent Companies | 2015



### A European Comparison

The AGN European Region conducts annual surveys of corporate tax, parent companies, self-employed, value added tax (VAT), salary and social security and inheritance taxes. These surveys have been produced for a number of years and provide interesting comparisons from year to year and from country to country and give an insight into trends.

**Introduction:** Parent companies are used to hold participations in group companies, to collect dividends and make capital gains from the sale of subsidiaries in the most tax efficient way.

**The objective** of the survey of parent company jurisdictions is to compare and contrast the conditions for the exemption of dividends and capital gains and to try to identify the most useful and flexible jurisdiction to place the parent company. The tax calculations are based on a standard profit and loss account and balance sheet with subsidiaries in France, Germany, USA and Switzerland.

**Countries Covered:** The 2015 survey covers 26 countries, which is made up of 19 EU countries plus Isle of Man, Liechtenstein, Norway, Russia, Switzerland, Turkey and Ukraine.

#### Results of the 2015 Survey:

**Net cash receivable by non-resident parent company:** The Isle of Man pays the highest net dividend to a shareholder resident in a non-treaty country which amounts to 100% of the profit made by the parent company, followed by Switzerland (98,52%), Cyprus (95,08%) and Liechtenstein (95,08%) and Denmark (93%). Bottom of the list comes Portugal (54%), the Czech Republic (60,14%) and Greece (63,68%).

**Dividend income (re: foreign subsidiaries):** Most parent company jurisdictions apply a full dividend income exemption system for dividend income from foreign subsidiaries. However, in Turkey, dividend income is fully taxed. Only 95% of the dividend income is exempt in Belgium, France, Germany and Italy.

**Dividend withholding tax credits (re: foreign subsidiaries):** A tax credit for the withholding tax on dividend income from a USA participation is granted in Italy, Norway, Poland and Russia, from a Swiss participation in Italy, Norway and Russia and from a French and German participation in Italy and Russia.

**Capital gain (re: foreign subsidiaries):** Capital gains resulting from the sale of shares in foreign subsidiaries are fully tax exempt in most parent company jurisdictions. However, in Greece, Poland, Russia, Slovakia, Turkey and Ukraine capital gains are fully taxed, whereas 88% is exempt in France while 95% is exempt in Italy and Germany.

**Investment costs write down (re: subsidiaries):** Investments can be fully written down in the jurisdictions of Isle of Man, Luxembourg, Slovakia and Switzerland.

**Interest deduction:** Interest paid on a loan taken by the parent company to purchase a foreign subsidiary can be fully deducted in most jurisdictions. It is not deductible in Austria, Cyprus, Italy and Turkey.

**Interest withholding tax:** Fourteen countries participating in the survey (Austria, Cyprus, Denmark, France, Germany, Isle of Man, Liechtenstein, Luxembourg, the Netherlands, Norway, Poland, Portugal, Sweden and Switzerland) do not impose any withholding tax on interest paid. The rate in the rest varies between 15% and 30%, The Czech Republic being on the higher end.

**Corporate income tax payable:** The corporate income tax rate due on taxable profit varies from 0% in the Isle of Man and 12,5% in Cyprus and Liechtenstein to 34% in Belgium and 33% in France.

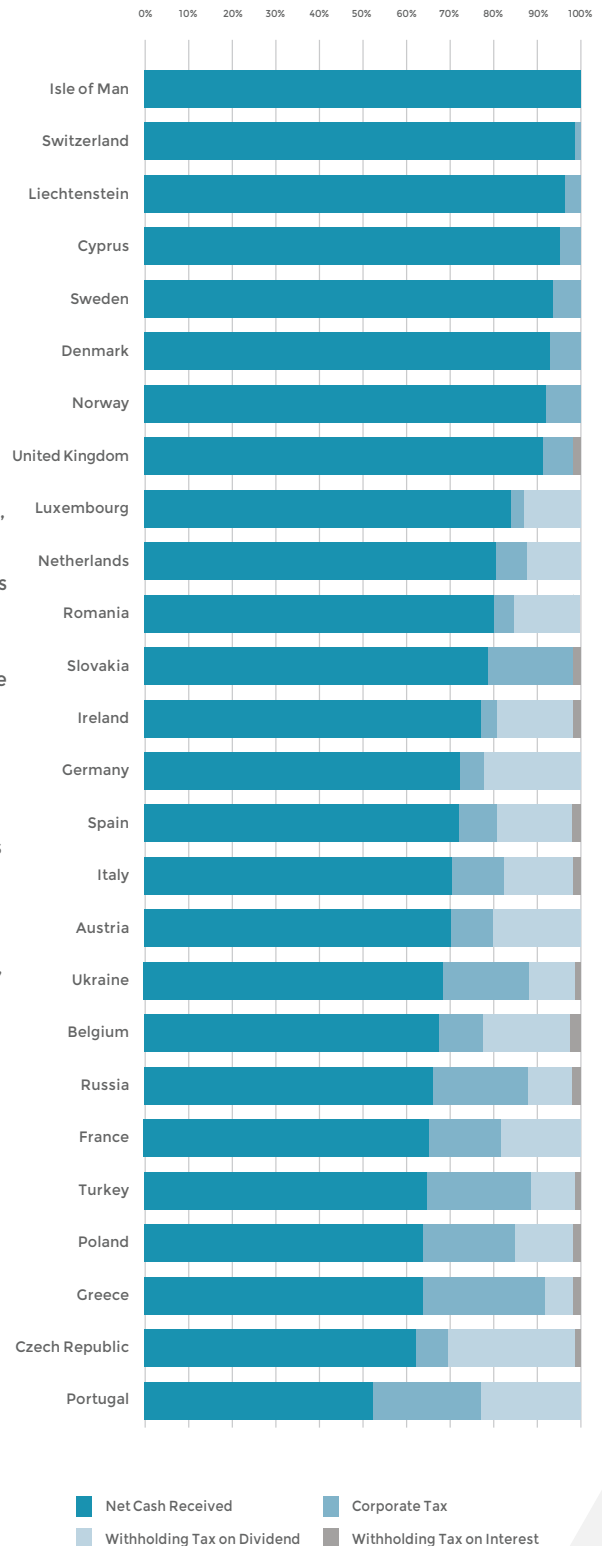
**Dividend withholding tax (re: non-resident parent company):** In most of the jurisdictions a withholding tax on dividend applies in respect of a distribution of dividend to the non-resident parent. The rate varies from 10% to 35% except in the case of Cyprus, Denmark, Isle of Man, Liechtenstein, Norway, Slovakia, Sweden, Switzerland, and the UK where no withholding tax is imposed.

#### Conclusion

Most parent company jurisdictions apply a full dividend income and capital gains exemption system. From a tax point of view and particularly with regard to a low tax burden and a short-term realisation of dividends, a non-resident taxpayer will gain most benefit from a parent company in the Isle of Man, Switzerland and Cyprus.

However, it may be necessary to establish a combination of parent companies in different jurisdictions to achieve all tax saving objectives.

*Before taking or refraining from action in relation to the above, specific professional advice should be taken.*



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Country	Profit before interest and tax (%)	Withholding tax on interest paid (%)	Withholding tax on dividend paid (%)	Corporate Tax (%)	Net cash received by Parent Company (%)	Dividend exemption (%)	Capital gains exemption (%)	Passive income allowed (%)	Trading activities allowed (Y/N)	Related interest expense allowed (Y/N)	Investment cost writedown allowed (Y/N)	Goodwill write-off (Y/N)	Company legal form	Company minimum share capital (€)	Company formation period (weeks)	Company shareholders (Minimum)	Company directors (Minimum)	Capital contribution tax (%)	Disclosure of beneficial owner (Y/N)	Does banking secrecy exist (Y/N)	File accounts (Y/N)	Parent - subsidiary directive minimum holding (%)	Parent - subsidiary directive minimum period (months)
Austria	100.00%	0.00%	20.08%	9.84%	40.49%	100.00%	100.00%	50.00%	Y	Y/N	Y/N	Y	GBMH	€ 10,000.00	1	1	1	1.00%	Y	Y	Y	10.00%	12
Belgium	100.00%	2.46%	20.02%	10.07%	67.45%	95.00%	100.00%	100.00%	Y	Y	N	N	BVBA/SPRL	€ 18,500.00	1	1	1	0.00%	Y	Y	Y	10.00%	12
Cyprus	100.00%	0.00%	0.00%	4.92%	95.08%	100.00%	100.00%	100.00%	Y	N	N	N	LTD	€ 1.00	1	1	1	0.60%	N	Y	Y	0.00%	0
Czech Republic	100.00%	3.44%	28.94%	7.48%	60.14%	100.00%	100.00%	100.00%	Y	Y	N	Y	SRO	€ 1.00	4	1	1	0.00%	N	Y	Y	10.00%	12
Denmark	100.00%	0.00%	0.00%	7.00%	93.00%	100.00%	100.00%	100.00%	Y	Y	N	Y	A/S or ApS or IVS	€ 67.00	1	1	1	0.00%	Y	Y	Y	10.00%	0
France	100.00%	0.00%	18.00%	16.00%	65.00%	95.00%	88.00%	0.00%	Y	Y	N	Y	SARL	€ 1.00	3	1	1	0.00%	Y	Y	Y	10.00%	24
Germany	100.00%	0.00%	22.05%	5.37%	72.59%	95.00%	95.00%	100.00%	Y	Y	N	Y	GmbH	€ 1.00	4	1	1	0.00%	Y	Y	Y	10.00%	12
Greece	100.00%	1.97%	6.20%	28.15%	63.68%	100.00%	0.00%	100.00%	Y	Y	N	N	LTD	€ 0.00	2	1	1	1.00%	Y	Y	Y	20.00%	0
Ireland	100.00%	1.97%	17.26%	3.84%	76.93%	100.00%	100.00%	0.00%	Y	Y	N	N	LTD	€ 1.00	1	1	1	0.00%	Y	Y	Y	5.00%	0
Isle of Man	100.00%	0.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%	Y	Y	Y	Y	LTD	€ 1.00	1	1	2	0.00%	N	N	N	0.00%	0
Italy	100.00%	2.56%	20.28%	12.14%	65.02%	95.00%	95.00%	0.00%	Y	N	N	N	SRL	€ 10,000.00	1	1	1	0.00%	Y	N	Y	10.00%	12
Liechtenstein	100.00%	0.00%	0.00%	4.92%	95.08%	100.00%	100.00%	100.00%	Y	Y	N	N	LTD	€ 45,454.00	1	1	1	0.00%	N	Y	Y	0.00%	0
Luxembourg	100.00%	0.00%	13.07%	2.99%	83.93%	100.00%	100.00%	100.00%	Y	Y	Y	Y	SARL	€ 12,500.00	2	1	1	0.00%	Y	Y	Y	10.00%	0
Netherlands	100.00%	0.00%	12.42%	7.38%	80.20%	100.00%	100.00%	100.00%	Y	Y	N	Y	BV	€ 1.00	2	1	1	0.00%	Y	Y	Y	5.00%	0
Norway	100.00%	0.00%	0.00%	8.00%	92.00%	100.00%	100.00%	100.00%	Y	Y	N	N	AS	€ 3.75	1	1	1	0.00%	Y	N	Y	0.00%	0
Poland	100.00%	2.00%	13.00%	21.00%	64.00%	100.00%	0.00%	100.00%	Y	Y	N	N	Sp. z o.o.	€ 1,250.00	2	1	1	1.00%	Y	N	Y	10.00%	24
Portugal	100.00%	0.00%	24.00%	23.00%	54.00%	100.00%	100.00%	100.00%	Y	Y	N	N	LDA	€ 1.00	1	1	1	0.00%	Y	Y	Y	10.00%	24
Romania	100.00%	1.57%	13.67%	4.72%	80.03%	100.00%	100.00%	100.00%	Y	Y	N	N	SRL	€ 47.00	2	1	1	0.00%	Y	Y	Y	10.00%	12
Russia	100.00%	2.00%	10.00%	22.00%	66.00%	100.00%	0.00%	0.00%	Y	Y	N	N	LLC & CJSC	€ 150.00	1	1	1	0.00%	Y	Y	Y	0.00%	0
Slovakia	100.00%	2.00%	0.00%	19.00%	79.00%	100.00%	0.00%	0.00%	Y	Y	Y	Y	SRO	€ 5,000.00	2	1	1	0.00%	Y	Y	Y	0.00%	0
Spain	100.00%	1.97%	16.38%	8.27%	73.39%	100.00%	100.00%	100.00%	Y	Y	N	N	SL	€ 3,000.00	3	1	1	0.00%	Y	N	Y	5.00%	12
Sweden	100.00%	0.00%	0.00%	6.00%	94.00%	100.00%	100.00%	100.00%	Y	Y	N	Y	AB	€ 5.50	2	1	1	0.00%	Y	N	Y	15.00%	0
Switzerland	100.00%	0.00%	0.00%	1.48%	98.52%	100.00%	100.00%	100.00%	Y	Y	Y	Y	GmbH	€ 18,000.00	1	1	1	1.00%	N	Y	Y	10.00%	0
Turkey	100.00%	1.00%	10.00%	24.00%	65.00%	0.00%	0.00%	0.00%	Y	N	N	N	LTD	€ 21.00	1	2	1	0.00%	Y	Y	Y	0.00%	0
Ukraine	100.00%	1.00%	11.00%	19.00%	68.00%	100.00%	0.00%	100.00%	Y	Y	N	Y	LTD	€ 0.00	0	1	1	0.00%	Y	Y	Y	0.00%	0
United Kingdom	100.00%	1.97%	0.00%	6.87%	91.17%	100.00%	100.00%	100.00%	Y	Y	N	Y	LIMITED	€ 1.00	1	1	1		Y	Y	Y	0.00%	0