Status: July 1, 2017

Selected Holding Company Regimes 2017

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	Austria	Belgium	France	Germany	Italy	Luxembourg	Netherlands	Spain	Switzerland	UK	USA
General corporate income tax rate (incl. surcharges)	25%	33.99%	28 - 33.33%	28 - 30%	24%	27.08%	25% (20% up to EUR 200k)	25%	11.3 - 24.4% (federal, cantonal, communal)	19% until 2020 and 17% thereafter	35%
Treatment of dividends											
Domestic shareholdings	Exempt	95% exempt	95% exempt (unless tax-saving scheme)	95% exempt	95% exempt	Exempt	Exempt	Exempt	Exempt	Exempt	Dividend received deduction (DRD)
- minimum holding percentage	-	10% or EUR 2.5m	5%	10% corporate tax / 15% trade tax	-	10% or ≥ EUR 1.2m	5%	5% or > EUR 20m	10% or ≥ CHF 1m	-	≥ 80% vote and value (100% DRD); ≥ 20% (80% DRD); < 20% (70% DRD)
- minimum holding period	-	1 year	2 years	-	-	1 year	-	1 year	-	-	> 45 days (longer for preferred stock)
Foreign shareholdings	Exempt (EU corporations and comparable corporations with legal seat in a state with which a comprehensive administrative assistance exists)	95% exempt	95% exempt (unless tax-saving scheme) 99% exempt for subsidiaries with legal seat in the EU or EEA, if ≥ 95% French share holding (unless tax-saving scheme)	95% exempt	95% exempt. Fully taxable if the distributing company is resident in a low tax jurisdiction. Fully taxable if the shareholding in the distributing company is indirectly held through another company resident in a non-low tax jurisdiction	Exempt	Exempt	Exempt	Exempt	Exempt	Generally taxable subject to foreign tax credits
- minimum holding percentage	-	10% or ≥ EUR 2.5m	5%	10% corporate tax / 15% trade tax	-	10% or ≥ EUR 1.2m	5%	5% or > EUR 20m	10% or ≥ CHF 1m	-	-
- minimum holding period	-	1 year	2 years	-	-	1 year	-	1 year	-	-	-
Treatment of capital gains											
Domestic shareholdings	Taxable	Exempt (general rule) Taxable at 0.412% ("large" companies)	88% exempt (if the subsidiary is not predominantly invested in real estate)	95% exempt	95% exempt. Fully taxable if the sold shares belong to a real estate company	Exempt	Exempt	Exempt	Exempt	Exempt	Generally taxable
- minimum holding percentage	-	-	5% (including voting rights) or participating shares	-	-	10% or ≥ EUR 6m	5%	5% or > EUR 20m	Disposal of ≥ 10%	10%	-
- minimum holding period	-	1 year, if not taxable at 25.75%	2 years	-	12 to 13 months	1 year	-	1 year	1 year	1 year	-
Foreign shareholdings	Exempt (EU corporations and comparable non-EU corporations)	Exempt (general rule) Taxable at 0.412% ("large" companies)	88% exempt (if the subsidiary is not predominantly invested in real estate)	95% exempt	95% exempt. Fully taxable if the sold shares belong to a company resident in a low tax jurisdiction or to a real estate company	Exempt	Exempt	Exempt	Exempt	Exempt	Generally taxable but, in the case of CFCs, gain may be recharacterised as dividend income to U.S. parent
- minimum holding percentage	10%	-	5% (including voting rights) or participating shares	-	-	10% or ≥ EUR 6m	5%	5% or > EUR 20m	Disposal of ≥ 10%	10%	-
- minimum holding period	1 year	1 year, if not taxable at 25.75%	2 years	-	12 to 13 months	1 year	-	1 year	1 year	1 year	-
WHT on qualifying dividends											
Domestic law	27.5% (Exempt if minimum holding percentage 10% and minimum holding period 1 year)	Nil	30%; 75% if paid into a non-cooperative state or territory	26.375%	26% or 1.2% if the shareholder is a EU or EEA company liable to corporate tax	In general 15% but nil if ≥ 10% shareholding or ≥ EUR 1.2m and 1 year holding period and distributed to e.g. (i) a fully taxable Luxembourg company, (ii) an EU parent company (provided GAAR is not applicable), (iii) Swiss company being effectively subject to tax in Switzerland without benefiting from an exemption or (iv) a company which is resident in a country with which Luxembourg has concluded a tax treaty and is subject to a tax comparable to the Luxembourg corporate tax	15%, but a distribution made by a Coop is not subject to WHT (provided that anti-abuse provision does not apply). A full exemption for WHT generally applies if the distribution is made to (i) a resident company that holds at least 5% of the total paid-up capital of the distributing company, (ii) a company that forms together with the distributing company a fiscal unity for corporate income tax or (iii) a shareholder established in the EU or in the EEA that holds a qualifying stake of 5%	Nil	35%	Nil	30%
To EU parent company	27.5% (Exempt if minimum holding percentage 10% and minimum holding period 1 year)	Nil	Nil	Nil	1.2% (Nil if shareholding ≥ 20% and holding period ≥ 1 year)	Nil if ≥ 10% shareholding or ≥ EUR 1.2m and ≥ 1 year holding period	Nil, provided that the EU parent company holds a qualifying stake (5% of capital or voting rights) and certain other requirements are met	Nil. Strong anti-abuse clause	Nil	Nil	30% subject to treaty relief (generally 5% if ≥ 10% owned; in some treaties, nil if ≥ 80% owned by vote plus other requirements)
To U.S. parent company	5%	Nil	5% or nil if ≥ 80% owned by vote for ≥ 1 year and LoB provison met	5% or nil if ≥ 80% owned by vote for ≥ 1 year and LoB provison met	5% or 15%	Nil if U.S. parent meets condition (iv) of the WHT exemption as well as holding period and threshold. Treaty provides 5% if ≥ 10% of votes and LoB provision met	5% or nil if ≥ 80% owned by vote for ≥ 1 year and LoB provison met	10% or nil	5%	Nil	Nil
Deductibility of capital losses											
Domestic shareholdings	Deductible (over 7 years) (not deductible within a tax group)	Not deductible, except for liquidation losses	Not deductible (unless subsidiary is predominantly invested in real estate or holding not participating shares and < 5% or < 2 years)	Not deductible	Not deductible, unless holding period < 1 year or target is a real estate company	Deductible	Not deductible, unless liquidation	Losses on shares qualifying for the participation exemption are not deductible, except in the event of liquidation of the subsidiary, unless within a restructuring process. However, losses deriving from the liquidation of a subsidiary must be reduced by the amount of dividends received within the prior 10 years in case such dividends did not reduce the acquisition value of the participation and were entitled to tax relief pursuant to the participation exemption regime or the tax credit regime	Deductible	Not deductible	Generally deductible (special rules apply if subsidiary was member of a consolidated group)
Foreign shareholdings	Not deductible (generally), unless the taxpayer opts for the capital gains or losses being taxable upon acquisition of the participation, then over 7 years	Not deductible, except for liquidation losses	Not deductible (unless subsidiary is predominantly invested in real estate or holding not participating shares and < 5% or < 2 years)	Not deductible	Not deductible, unless holding period < 1 year or target is a real estate company	Deductible	Not deductible, unless liquidation	Subject to certain conditions, losses on shares not qualifying for the participation exemption may be deductible	Deductible	Not deductible	Generally deductible but, in some cases, treated as foreign source deduction
Write down of participation											
Domestic shareholdings	Deductible (over 7 years) (not deductible within a tax group)	Not deductible	Not deductible (unless subsidiary is predominantly invested in real estate or holding not participating shares and < 5%)	Not deductible	Not deductible	Deductible subject to recapture	Not deductible	Not deductible	Deductible subject to recapture	Not deductible	Not deductible
Foreign shareholdings	Not deductible (generally), unless the taxpayer opts for the capital gains or losses being taxable upon acquisition of the participation, then over 7 years	Not deductible	Not deductible (unless subsidiary is predominantly invested in real estate or holding not participating shares and < 5%)	Not deductible	Not deductible	Deductible subject to recapture	Not deductible	Not deductible	Deductible subject to recapture	Not deductible	Not deductible

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Capital duty											
Cash contributions	Nil	Nil	Nil	Nil	EUR 200 fixed registration tax	Nil (EUR 75 fixed duty)	Nil	Nil	1%	Nil	Nil
Contributions of shares in a foreign subsidiary	Nil	Nil	Nil (generally)	Nil	Nil	Nil (EUR 75 fixed duty)	Nil	Nil	Nil if reorganisation	Nil	Nil
Deductibility of interest expenses											
Interest linked to foreign shareholdings	Deductible under certain conditions (no low taxation in the state of residence of the recipient - see below)	Deductible	Deductible if shareholdings are managed from France	Deductible	Deductible under the ordinary interest barrier rule	Arm's length interest expenses in excess of the amount of tax exempt income in the same year is deductible but subject to recapture (i.e., when the participation is sold at a capital gain in a future year, the amount of the capital gain will be taxable up to the amount that is subject to recapture)	Deductible (provided that a loan should not be recharacterised into equity which depends on the intentions of the parties involved and the specific loan conditions). However, the deduction of interest paid under a loan may be limited under (i) anti-base erosion rules (10a) (ii) anti-arbitrage clause (10b) (iii) denial for excess debt related to participations (formula), unless operational expansion (13l; also applies to third party debt) and (iv) debt cap for consolidated / merged targets (15ad; see below; also applies to third party debt)	Yes, in intragroup reorganisations only deductible if sound business reasons	Deductible	Deductible	Deductible
Interest barrier rule	No statutory rules, rather general principles (arm's length standard, anti-abuse). However, foreseen under the Anti-BEPS Directive	No	Yes	Yes	Yes	No	No	Yes, 30% EBITDA	No	No, but the UK will introduce an interest barrier in 2017. Current proposal is a barrier of 30% of EBITDA or external debt costs (possibly further restricted) for certain groups. The future of this proposal is uncertain following the 2017 Election	No
- related party debt	Limitations if interest income is not taxed at a level of ≥ 10% abroad	-		Net interest expense deductible up to 30% of tax EBITDA; up to EUR 3m de-minimis and escape clause based on equity ratio (not lower than 2% of the group's equity ratio), trade tax deduction of gross interest expense 75%		-	-		-	-	-
- third party debt	-	-	If net interest expense > EUR 3m, only 75% of the expense is deductible		Net interest expense deductible up to 30% of adjusted EBITDA. Exceeding net interest are indefinitely carried forward	-	-	Anti-hybrid rules	-	-	-
Debt-to-equity limitations / other limitations	No statutory rules, rather general principles (arm's length standard, anti-abuse)	No general rules	Yes	-	No	Yes	In practice debt / equity ratio of 85:15 applies to holding activities	No	Yes	Need to consider: (i) transfer pricing / thin cap (ii) worldwide debt cap (iii) anti-arbitrage rules (iv) distribution rules and (v) unallowable purpose	Yes. Also, case law (examining a multitude of factors) can recharacterise debt as equity, thereby eliminating the interest deduction and possibly imposing dividend withholding tax In addition, regulations under Section 385 could cause certain related party debt instruments to be treated as equity either due to (i) failure to satisfy documentation requirements or (ii) the debt being deemed to have funded a distribution (subject to various exceptions)
- related party debt	No statutory rules, in practice 3:1 to 4:1 (taking into account third party debt)	5:1 on loans to intra-group companies	1.5:1 or 25% of operating income before tax and amortisation or if interest income received exceed interest paid. Interest paid under loans granted by "related parties" are not deductible if they are not subject (for the lender) to corporate tax rate at least equal to 25% of French corporate tax rate	-	-	Arm's length requirement for the level of interest charged. Debt-to-equity ratio of 85:15 upheld in practice in respect of Luxembourg resident holding companies owning participations qualifying for the participation exemption regime	Arm's length requirement for interest payable on loans between related parties; in case of back-to-back finance activities the holding company should be actually exposed to minimum risks (equity should cover ≥ 1% of the loans outstanding or EUR 2m)	-	-	-	If over 1.5:1, in general, interest paid to related parties is not deductible to the extent net interest expense exceeds 50% of adjusted taxable income (roughly EBITDA)
- third party debt	-	5:1 on loans to companies located in a tax haven	No, unless third party debt is guaranteed by related parties	-	-	No, unless shareholder guarantee	As stated above: 13l and 15ad	-	≤ 70% debt along with maximum interest rate	-	-
Cross-border consolidation	Yes with subsidiaries in EU member states and non-EU states with comprehensive administrative assistance	No	No	No	Yes but very rarely used	No	No	No	No	No	No
WHT to interest payments											
To EU parent company	Nil	Nil	Nil	Nil	Nil if shareholding ≥ 25% and holding period ≥ 1 year	Nil	Nil	Nil	Nil	Nil	30% withholding tax subject to treaty relief - generally reduced to nil
To U.S. parent company	Nil	15% or nil (+ some exemptions based on specific domestic legislation)	Nil	Nil if plain vanilla loan	10%	Nil	Nil	10%	Nil	Nil	Nil
Double tax treaties (DTT)	89	94	over 120	96	93	81	over 120	over 90	102	112	over 60
CFC / Subpart F provisions	No statutory rules, rather general principles (anti-abuse)	No	Yes	Yes	Yes	No, but subject-to-tax test for non-EU participations	No, but for low-taxed passive subsidiary (i) no participation exemption and (ii) possibly annual taxable revaluation	Yes; no if active EU subsidiary and sound business reasons for incorporation	No	Yes	Yes

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Country Contacts

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Country	Company	Name	Telephone	Email
Austria	Schindler Rechtsanwälte GmbH	Clemens Philipp Schindler	+43 (1) 51 22 61 3	clemens.schindler@schindlerandpartners.com
Belgium	Tiberghien	Bernard Peeters	+32 (2) 77 34 00 0	bernard.peeters@tiberghien.com
France	BDGS Associés	Guillaume Jolly	+33 (1) 42 99 22 22	jolly@dbgs-associes.com
Germany	P+P Pöllath + Partners	Pia Dorfmueller	+49 (69) 24 70 47 10	pia.dorfmueller@pplaw.com
Italy	GIOVANNELLI e ASSOCIATI	Eugenio Romita	+39 (02) 9769 7800	eugenio.romita@galaw.it
Luxembourg	Arendt & Medernach	Jan Neugebauer	+352 (40) 78 78 497	jan.neugebauer@arendt.com
Netherlands	Houthoff Buruma	Sylvia Dikmans	+31 (20) 6056933	s.dikmans@houthoff.com
Spain	Cuatrecasas, Gonçalves Pereira	Andreas Trost	+34 (932) 90 55 90	andreas.trost@cuatrecasas.com
Switzerland	LENZ & STAEHELIN	Pascal Hinny	+41 (58) 45 08 00 0	pascal.hinny@lenzstaehelin.com
UK	Macfarlanes LLP	Mark Baldwin	+44 (20) 78 49 26 03	mark.baldwin@macfarlanes.com
USA	Sullivan & Cromwell LLP	S. Eric Wang	+44 (207) 95 98 41 1	wangs@sullcrom.com