

Holding Regimes in Europe

A comparison

(* as at 1 January 2003)

Countries

- Luxembourg
- The Netherlands
- Switzerland
- Austria
- Spain
- Denmark
- Belgium
- UK
- Germany
- Italy
- France

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

See note * page 1	Luxembourg	Netherlands	Switzerland	Austria
Exemption of dividends - participation - retention period	Yes (100%) -10%, or Euro 1.2 million -12 months or commitment	Yes (100%) -5% (lower if connected business) -None	Yes (virtually) (95% to 100%) -20%, or CHF 2 million - None	Yes (100%) -25% -2 years
Exemption of capital gains - participation - retention period	Yes -10%, or Euro 6 million -12 months or commitment	Yes -5% (lower if connected business) -None	Yes -20% -12 months	Yes -25 % -2 years
Subject to tax condition for foreign subsidiary	Yes (min. 15% effective tax rate if non-EU subsidiary, unless DTT)	Yes (federal profits tax, rate not relevant)	No	No, if ultimate shareholders are non- Aus.
Deduction of interest	Yes (for the excess of exempt income + claw- back)	No (unless costs generate NL taxable income)	Yes	No
Deduction of capital loss	Yes	No (unless in case of liquidation of sub, restrictions apply)	Yes	Yes (over a period of 7 years)
Deduction of write down in value	Yes (but claw-back)	Only during first 5 years of ownership (claw-back, specific rules apply)	Yes (but claw- back)	Yes (over a period of 7 years)
Thin-capitalisation rules	No formal rules (in practice 6/1, but alternatives available)	No (in rulings: 85/15 for holdings)	Yes (7/3)	No formal rules (in practice 85/15)
Domestic WHT on dividends (can be reduced by DTT)	20%	25% (+credit of incoming WHT against WHT payable of max 3%)	35%	25%
Exemption of WHT on dividends to EU parent - level of participation - retention period	Yes -10%, or Euro 1.2 million -12 months or commitment or repayment	Yes -25%/10% -12 months or commitment	DTT (0%to 15%)	Yes -25% -2 years
Application to branches	Yes	Yes	Yes	EU branches
Tax consolidation between taxable holding companies	Yes (if 95% shareholding)	Yes (if 95% shareholding). Fiscal unity with Dutch permanent establishment of foreign entity also possible	No	Yes
CFC legislation/anti-avoidance rules	No	No	No	No, if ultimate shareholders non-Austrian
Exemption of passive income	Yes	No, unless EU subs (but detailed rules)	No: Federal Yes: Cantonal	No
WHT on interest (domestic law, can be reduced by DTT)	No	No	Yes, unless inter- company loans	No
WHT on liquidation distribution to -a EU company -a non-EU company	No (domestic law) -N/A -N/A	-None -25% (unless DTT)	35%, if DTT applicable: 0-15%	No -N/A -N/A
Receive / grant interest-free loan	Yes / No except to another Lux Co.	Yes / Yes (specific rules apply)	Yes / No	Yes/No
Capital duty	1% (exemptions apply)	0.55% (exemptions apply)	1% (exemptions apply)	1% (exemptions apply)
Transfer tax/stamp duty on the transfer of shares	No	No, unless real estate company	Only for securities dealer companies	No, but Real Estate Transfer Tax
Valuation report for share transfer against capital increase	No: SARL Yes: SA	No, if no issuance of shares	No: SARL Yes: SA	No
Extensive advance written ruling practice	Yes	Yes	Yes	Yes
DTT network	40+	70+	60+	40+
Tax rate	30.38% (15% for some non-qualifying dividends)	34.5% (29% on first EUR 22,689)	8%-25%	34%

See note * page 1	Spain	Denmark	Belgium
Exemption of dividends - participation - retention period	Yes (100%) -5% or Euro 6 million (direct participation) -12 months	Yes (100%) -20% -12 months	Yes (95%) -10%, or Euro 1.2 million -12 months or commitment
Exemption of capital gains - participation - retention period	Yes -5% or Euro 6 million (direct participation) -12 months	Yes -None -3 years	Yes -None -None
Subject to tax condition for foreign subsidiary	Yes	Yes (if significant financial activity)	Yes (min. 15% effective tax rate if non-EU subsidiary)
Deduction of interest	Yes	Yes	Yes
Deduction of capital loss	Yes	No (some exceptions)	No (except for paid-up capital in case winded-up)
Deduction of write down in value	Yes (some exceptions). Depreciation of goodwill.	No	No
Thin-capitalisation rules	Yes (3/1) Ruling can be obtained	Yes (4/1)	No, except -7/1 if financed by low tax Co. -1/1 if financed by foreign director.
Domestic WHT on dividends (can be reduced by DTT)	15%	28%	25% or 15%
Exemption of WHT on dividends to EU parent - level of participation - retention period	Yes (unless Offshore) -25% -1 calendar year (except ETVE)	Yes -20% -12 months	Yes -25% -12 months
Application to branches	No (ETVE must be a Corporation)	No	Yes
Tax consolidation between taxable holding companies	Yes	Yes	No
CFC legislation/anti-avoidance rules	Yes	Yes	No
Exemption of passive income	No	No	Yes
WHT on interest (domestic law, can be reduced by DTT)	No (if EU Co.)	No	Yes (some exceptions)
WHT on liquidation distribution to -a EU company -a non-EU company	No unless Offshore	Same treatment as capital gains	-No, if 25% and 12 months -10% (unless DTT)
Receive / grant interest-free loan	Yes/ No in case of related parties	No / No (arm's length)	Yes / No (unless economic justification in the interest of the grantor)
Capital duty	1% (exemptions apply). Special exemption for ETVE.	0%	0.5% (exemptions apply)
Transfer tax/stamp duty on the transfer of shares	Exempt, unless real estate company	No	No, except on stock market transactions (max. Euro 250)
Valuation report for share transfer against capital increase	Yes (No in a SL)	Yes	Yes
Extensive advance written ruling practice	No (Not necessary)	On concrete tax issues only	Yes
DTT network	40+	70+	60+
Tax rate	35%	30%	33.99%

See note * page 1	UK	Germany	Italy	France
Exemption of dividends - participation - retention period	No (credit method) -10%voting -N/A	Yes (100% domestic; 95% foreign) -10%(only TT) -None	Yes (95%) -25% -12months	Yes (95%) -5% -2 years
Exemption of capital gains - participation - retention period	Yes: -10% and <u>trading group</u> -12 months	Yes -None -None	No -N/A -N/A	No -N/A -N/A
Subject to tax condition for foreign subsidiary	N/A	-CIT: no, except CFC -TT: activity/DTT	Yes (dividends: EU Directive + white list)	No
Deduction of interest	Yes	-Yes (foreign) -Domestic only if consolidation.	Yes	Yes
Deduction of capital loss	No, if exempt participation. Yes, if not exempt participation.	No	Yes	Yes: short-term No: long-term, but can be offset against long-term gains of the year or of next 10 years
Deduction of write down in value	No	No	No, if determined by dividend distributions	No
Thin-capitalisation rules	Yes, no safe-harbour rule. Guidelines: 3/1 interest cover, 1/1 debt/equity.	Yes (1.5/1, 1/3 for holdings)	No	Yes (1.5/1, only on loans by direct parent)
Domestic WHT on dividends (can be reduced by DTT)	None	21.1%	27%	25%
Exemption of WHT on dividends to EU parent - level of participation - retention period	Yes -None -None	Yes -25%/10% -12 months unless DTT	Yes -25% -12 months	Yes -5% -2 years
Application to branches	Yes	Yes, except thin cap rules	Yes (EU + white list)	Yes
Tax consolidation between taxable holding companies	Yes (loss relief and tax free asset transfers)	Yes	No	Yes
CFC legislation/anti-avoidance rules	Yes	Yes	Yes	Yes
Exemption of passive income	Yes (“excluded countries”). Otherwise no.	Yes (except for TT)	No	No
WHT on interest (domestic law, can be reduced by DTT)	Yes (20%)	Yes, only if collateral German real estate	Yes	Yes (avoidable)
WHT on liquidation distribution to -a EU company -a non-EU company	-No -No	(retained earnings) -0%(EU Dir.) -21.1% (unless DTT)	-No, if 25% and 12 months -Yes	-None -DTT
Receive / grant interest-free loan	Yes / No except to another UK Co.	Yes / No except to a domestic corp.	Yes/No	Yes/No
Capital duty	No	No	Euro 130	Euro 230
Transfer tax/stamp duty on the transfer of shares	Yes (0.5%), but exemptions	No, but Real Estate Transfer Tax	Yes, but exemptions	Yes, 1% but max Euro 3,050 for SA/SAS, or 4.8% on sale price/market value
Valuation report for share transfer against capital increase	Yes	Yes	Yes	Yes
Extensive advance written ruling practice	No	No (limited)	No (limited)	Yes (in theory)
DTT network	90+	70+	60+	90+
Tax rate	30%	39.96% (TT local mult. 400%)	38.25%	35.33%