



## INTERNATIONAL HOLDING STRUCTURES

## COMPARISON

UPDATED INFORMATION  
JULY 2013

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### Andorra

<b>Description</b>	Article 38 of the Corporate Income Tax Law establishes a special tax regime for those incomes that comes from international holdings.
<b>ETVE's requirements</b>	<ul style="list-style-type: none"> <li>■ These entities should be a Public Limited corporation or a Limited Liability corporation.</li> <li>■ The activity of these entities is the management and holding shares in other companies established abroad.</li> <li>■ These entities must carry out exclusively the activity detailed, and it cannot be developed jointly with another kind of activities.</li> </ul>
<b>Shareholders' requirements</b>	■ The company stock must be split into nominative and individual shares.
<b>Investment requirements</b>	■ The Company should hold and manage its participations in other entities which should not be established in Andorra.
<b>ETVE's incomes (Tax exemption)</b>	<p><b>Dividends:</b></p> <ul style="list-style-type: none"> <li>■ The dividends proceeding from the participated entities from abroad are exempt from taxation under Corporate Income Tax.</li> </ul> <p><b>Participation sales (non resident companies):</b></p> <ul style="list-style-type: none"> <li>■ Incomes derived from transferring the participations held by the Company are also exempted from taxation.</li> </ul>
<b>Tax regime about ETVE's shareholders</b>	<p><b>Shareholders' dividends:</b></p> <ul style="list-style-type: none"> <li>■ Dividends derived from exempt income are also exempt in case the shareholder is an Andorran entity.</li> </ul> <p><b>Participation sales (ETVE's shareholders):</b></p> <ul style="list-style-type: none"> <li>■ They are also exempt the income received by the shareholders as long as they derive from exempt benefits.</li> </ul>
<b>Other exemptions</b>	■ In general terms, please note that dividends received by Andorran entities are exempt as long as they have been already taxed by another tax similar to the Andorran Corporate Income Tax.

 Bulgaria	
	Shareholders can be local or foreign physical or juridical persons - no limitations.
<b>Investment requirements</b>	<p><b>Capital:</b> at least 25% of the holding capital must be submitted directly in daughter companies. A daughter company of a holding is that company, in which the holding owns or controls directly or indirectly at least 25% of the shares or can specify directly or indirectly more than 50% of the members of the management board.</p> <p><b>Financing:</b> The Holding company can give loans only to companies in which it has direct participation or which it controls.</p> <p>The amount of the given sums cannot exceed 10 times the size of the capital of the holding company. The amount of the deposited by the daughter companies and enterprises in the holding company cannot be 3 times bigger the size of the capital.</p>
<b>BHC's incomes (Tax exemption)</b>	<p><b>Dividends:</b> 0% tax on dividend for received by BG or EU company</p> <p><b>Participation sales (non resident companies):</b> based on the respective DTT ; for sales of listed shares in Bulgaria - no tax; for non listed shares in BG - part of usual company annual profit, 10% CIT;</p>
<b>Tax regime about BHC's shareholders</b>	<p><b>Shareholders' dividends:</b> 5% tax on dividend for individuals; 0% for EU member companies</p> <p><b>Participation sales (BHC's shareholders):</b> taxable under the requirements of CIT or PIT, depends if the shareholder is company or individual;</p>

 Cyprus	
<b>Description</b>	Holding companies in Cyprus are widely used for the purposes of tax structures due to the benefits that it offers. Holding companies are not distinguished by trading companies in Cyprus and their treatment is the same as any other Cyprus company. Nevertheless, Cyprus Holding Companies enjoy certain tax advantages due to their nature.
<b>Requirements</b>	<p>In order for a Holding Company to be able to enjoy the beneficial regime provided both by the local tax legislation and the extensive network of DTTs Cyprus has entered into, it needs to prove that its tax residency indeed is, i.e. that its management and control is indeed exercised, in Cyprus. In the absence of a formal definition regarding the establishment of the management and control in Cyprus, it is advisable that the following parameters be taken into account.</p> <ul style="list-style-type: none"> <li>■ The majority of the Directors of the Company are residents in Cyprus,</li> <li>■ Important Company decisions are taken in Cyprus by the local directors,</li> <li>■ The headquarters of the Company are maintained in Cyprus,</li> <li>■ The Company has an economic substance in Cyprus</li> </ul>
<b>Shareholders' requirements</b>	No special requirements
<b>Investment requirements</b>	No special requirements
<b>Taxation</b>	<p>Holding Companies resident in Cyprus are taxed on their worldwide income with CIT 12,5%</p> <p>Dividend income received by a company which is a tax resident of Cyprus is exempt from corporation tax.</p> <p>Outgoing dividends paid by the Cyprus Company to the ultimate non-resident beneficial owner are exempt from any withholding taxes irrespective of the existence of any DTTs and irrespective of the applicability of the EU Parent - Subsidiary Directive.</p> <p><b>So if a Cyprus Holding Company is only acting as a parent company, then there will be no taxation, as dividends received and dividends paid to non - resident of Cyprus are 0% taxed</b></p> <p>The EU Parent-Subsidiary Directive is also applicable in Cyprus with no holding participation requirement and no holding period requirement.</p>

 <b>India</b>	
<b>Description</b>	There are no specific provisions for a Holding company in India. A Holding company of other Indian companies is treated as any other Indian company. All overseas direct investments are governed under Foreign Exchange Management Act (FEMA) as notified by Reserve Bank of India
<b>What qualifies as Overseas Direct Investments?</b>	Direct investment outside India means investments, either under the Automatic Route or the Approval Route, by way of contribution to the capital or subscription to the Memorandum of Association of a foreign entity, signifying a long-term interest in the overseas entity (setting up / acquiring a Joint Venture (JV) or a Wholly Owned Subsidiary (WOS)). An eligible Indian entity is free to acquire either a partial stake (JV) or the entire stake (WOS) in an already existing entity overseas, provided the valuation is as per the laid down norms.
<b>Activities allowed as overseas direct investment</b>	Overseas direct investment is allowed in any activity except Real estate and Banking. However, Indian banks operating in India can set up JVs/WOSs abroad provided they obtain clearance under the Banking Regulation Act, 1949, from the Department of Banking Operations and Development (DBOD), CO, RBI. Real estate business means buying and selling of real estate or trading in Transferable Development Rights (TDRs) but does not include development of townships, construction of residential/commercial premises, roads or bridges.
<b>Requirements for direct investment to be made under the Automatic Route</b>	The criteria for direct investment under the Automatic Route are as under: <b>1)</b> The Indian Holding company can invest up to 400% of its net worth (as per the last audited Balance Sheet) in JV / WOS for any bonafide activity permitted as per the law of the host country. The ceiling of 400% of net worth will not be applicable where the investment is made out of balances held in the EEFC account of the Indian party or out of funds raised through ADRs/GDRs; <b>2)</b> The Indian Holding company is not on the Reserve Bank's exporters' caution list / list of defaulters to the banking system published/ circulated by the Credit Information Bureau of India Ltd. (CIBIL) /RBI or any other credit information company as approved by the Reserve Bank or under investigation by the Directorate of Enforcement or any investigative agency or regulatory authority; and <b>3)</b> The Indian Holding company routes all the transactions relating to the investment in a JV/WOS through only one branch of an authorised dealer to be designated by the Indian Party.
<b>Requirements for direct investment to be made under the Approval Route</b>	Some of the proposals which require prior approval are: <b>i)</b> Overseas Investments in the energy and natural resources sector exceeding 400% of the net worth of the Indian companies as on the date of the last audited balance sheet; <b>ii)</b> Investments in Overseas Unincorporated entities in the oil sector by resident corporates exceeding 400% of their net worth as on the date of the last audited balance sheet, provided the proposal has been approved by the competent authority and is duly supported by a certified copy of the Board Resolution approving such investment; <b>iii)</b> Overseas Investments by proprietorship concerns and unregistered partnership firms satisfying certain eligibility criteria; <b>iv)</b> Investments by Registered Trusts / Societies (satisfying certain eligibility criteria) engaged in the manufacturing / educational / hospital sector in the same sector in a JV / WOS outside India;
<b>Valuation Norms</b>	In case of partial / full acquisition of an existing foreign company where the investment is more than USD five million, share valuation of the company has to be done by a Category I Merchant Banker registered with the Securities and Exchange Board of India (SEBI) or an Investment Banker/ Merchant Banker outside India registered with the appropriate regulatory authority in the host country and in all other cases by a Chartered Accountant/ Certified Public Accountant.  However, in the case of investment by acquisition of shares where the consideration is to be paid fully or partly by issue of the Indian Party's shares (swap of shares), irrespective of the amount, the valuation will have to be done by a Category I Merchant Banker registered with SEBI or an Investment Banker/ Merchant Banker outside India registered with the appropriate regulatory authority in the host country.  In case of additional overseas direct investments by the Indian promoter to its WOS which is made at premium or discount, the concept of valuation as indicated above shall be applicable.
<b>Tax Regime</b>	All Interest & Royalties are treated as Income and corporate tax rate is applied. Current corporate Tax rate is 30% plus surcharge & cess as applicable. Dividend income from Indian subsidiary is exempted from tax in hands of the holdco. Dividend income from Foreign subsidiary is subject to a special tax rate of 15% if the Indian Holding company holds 26% or more in share capital. Else, the dividend is treated as Income and corporate tax rate is applied. Capital gains from sale of asset is taxed separately. Current rate of tax ranges from 10-20%

 <b>Greece</b>	
<b>Description</b>	Holding companies are not distinguished by trading companies in Greece and their treatment is the same as any other Greek company.
<b>Requirements</b>	<p>In order for a Holding Company to be registered, it needs to prove that its tax residency indeed is in Greece. In the absence of a formal definition regarding the establishment of the management and control in Greece, it is advisable that the following parameters be taken into account.</p> <ul style="list-style-type: none"> <li>■ The headquarters of the Company are maintained in Greece,</li> <li>■ The Company has an economic substance in Greece</li> </ul>
<b>Shareholders' requirements</b>	No special requirements
<b>Investment requirements</b>	No special requirements
<b>Taxation</b>	<p>Holding Companies resident in Greece are taxed on their worldwide income with CIT 26%</p> <p>Dividends received by companies registered in an other EU country are exempted from dividends' tax, as long as the Parent-subsidiary relationship applies. The exempted amount must be shown as a reserve.</p>

 <b>Netherlands</b>	
<b>Description</b>	The Netherlands has been for many years the location to establish a holding company as a result of its participation exemption and its extensive tax treaty network. As a result dividends and capital gains on participations can be received tax free and in most cases distributed to its shareholders without dividend withholding tax.
<b>Holding requirements</b>	<p>In order to benefit from the participation exemption the Holding company should own at least 5% of the nominal sharecapital of the subsidiary and:</p> <ul style="list-style-type: none"> <li>■ the subsidiary is not held as portfolio investment, or</li> <li>■ the subsidiary is subject to an effective tax rate (based on Dutch standards), or</li> <li>■ less than 50% of the assets of the subsidiary consist of passive assets. This test should be performed on the basis of the fair market value of the assets.</li> </ul>
<b>Shareholders' requirements</b>	There are no specific shareholders' requirements.
<b>Investment requirements</b>	There are no specific investment requirements.
<b>Holding company's incomes (Tax exemption)</b>	<p><b>Dividends:</b> If the participation exemption applies, dividends are not taxable in the hands of the Holding company</p> <p><b>Participation sales (non resident companies):</b> Capital gains are not taxable provided the participation exemption applies.</p>
<b>Tax regime about Holding company's shareholders</b>	<p><b>Shareholders' dividends:</b> Dividends are subject to 15% dividend withholding tax. This percentage is mitigated under the application of tax treaties. Within EU situations in most cases 0% dividend withholding tax is due.</p> <p><b>Participation sales (shareholders):</b> Realized capital gains are in principle taxable in the Netherlands. However, taxation is usually avoided through the application of a tax treaty in which taxation of capital gains is allocated to the country of residence of the shareholder.</p>

 Spain	ETVE'S regime (*)
<b>Description</b>	In the Spanish tax law there is a special regime about holding companies that holds shares from no resident companies with economic activity abroad. This special regime for the Spanish holding companies establishes substantial tax benefits concerning dividends and capital gains in case of sales carried out by the holding company or the subsidiary companies.
<b>ETVE's requirements</b>	<ul style="list-style-type: none"> <li>a) The Spanish holding company must be dedicated to administrate the shares of the non resident companies.</li> <li>b) Shares must be nominative.</li> <li>c) The Spanish holding must have, during at least more than one year, 5% capital of the non resident companies or an acquisition value &gt; 6 million euros.</li> <li>d) It must have personal and material media to develop the activity of foreign shares management.</li> </ul>
<b>Shareholder's requirements</b>	<ul style="list-style-type: none"> <li>a) Shareholders of the ETVE company could be resident or non resident, individuals or companies, but they can not be resident in a tax haven.</li> <li>b) Their income should be taxed at a similar tax than in Spain (country with Doble Taxation Treaty)</li> </ul>
<b>Investment's requirements</b>	Investments should be made in other non residents companies that develop economic activities.
<b>ETVE's incomes (Tax exemption)</b>	<p><b>Dividends:</b> An exemption over dividends proceeding from benefits from the activity of the non resident company is applied.</p> <p><b>Participation selling:</b> An exemption is also applied in case of selling the participation that the Spanish holding company holds of non resident companies.</p>
<b>ETVE's shareholders incomes (Tax exemption)</b>	<p><b>Spanish resident shareholders' dividends:</b> it could be applied double internal or international deduction (100%), in relation to companies or individuals.</p> <p><b>Non resident shareholder's dividends:</b> incomes recieved are not considered as they are obtained in Spain, so they are not taxed in Spain.</p> <p><b>Spanish resident shareholder's participation selling:</b> Double internal deduction (100%) could be applied to shareholders which are companies, but it's normally taxed for individuals.</p> <p><b>Non resident shareholder's participation selling:</b> incomes recieved are not considered as they are obtained in Spain, so they are not taxed in Spain.</p>
<b>Other exemptions</b>	Tax exemption also applies when a shareholder leaves voluntary the company or in case of liquidation of the ETVE holding company.

(\*) ETVE: Entities holding foreign securities



 <b>Uruguay</b>	
<b>Description</b>	The financial activity of investment in assets abroad, and all other kinds of economic activity outside the national territory can be performed by Uruguayan corporations regulated by law 16.060, provided that these tasks are included within its corporate purpose.
<b>Investment corporations</b>	Investment corporations from the implementation of the law 18.083 are considered those Uruguayan corporations which express in their bylaws that their main object is to participate in the capital of other corporations, not existing a limit on the amount of their participation. In the case of the common corporations, such participation may not exceed the amount of their social heritage.
<b>18,930 LAW</b>	The 18,930 law regulates the holding of bearer shares. From the entry into force of this law, it is necessary to register in the Central Bank of Uruguay to the holders of bearer shares.
<b>Shareholder's requirements</b>	There is no restriction in relation to the number or origin of shareholders, except for the inscription detailed above.
<b>Investment's requirements</b>	There is no restriction in relation to the investments to be done, so it could be invested in any type of company.
<b>Incomes (Tax exemption)</b>	<p>Under the principle of territoriality accepted by our legal regime, the income of a company incorporated in the country arising from activities developed, located assets or rights used economically outside the territory of the Republic will not be reached by national taxes, other than the I.CO.SA.</p> <p>The ICOSA is a tax fixed annually by the Executive. For the year 2013 it was fixed at USD 600 approx.</p> <p><b>Dividends:</b> An exemption over dividends proceeding from benefits from the activity of the non resident company is applied.</p> <p><b>Participation selling:</b> An exemption is also applied in case of selling the participation that the Uruguayan holding company holds of non resident companies.</p>
<b>Shareholders incomes (Tax exemption)</b>	<p>The payment of dividends or profits to non-residents by Uruguayan companies are not taxed when these correspond to income generated abroad.</p> <p><b>non-resident shareholders:</b> distribution is not reached by any tax since they derive from an income generated abroad.</p> <p><b>resident shareholders:</b> in case of receiving dividends from the outside, the distribution is taxed at a rate of 12%.</p> <p><b>Shareholder's participation selling:</b> Physical person resident and non-resident shareholder: taxed the sale at the rate of 2.4% over the price of sale in case of sale of nominative shares; exonerated in the case of bearer shares.</p> <p><b>Resident legal person shareholder:</b> taxed the sale at the rate of 25% of the capital gain.</p>





 <b>Germany</b>	<i>(initial overview)</i>
<b>Description</b>	<p>Under German tax law there is no special regime about holding companies that holds shares from no resident companies with economic activity abroad. The general rules apply.</p> <p>In Germany exist tax benefits for Holding companies: These are in particular:</p> <ul style="list-style-type: none"> <li>a) possibilities to balance profits and losses within a tax group,</li> <li>b) tax- exemption for dividend payments plus possibilities to deduct dividend related costs like financing costs.</li> </ul>
<b>Tax group requirements</b>	<ul style="list-style-type: none"> <li>a) Profit &amp; Loss Transfer agreement between parent company and subsidiary for at least 5 years,</li> <li>b) if parent company is a limited partnership with a corporation as a limited partner, the parent company must have its own business,</li> <li>c) parent company can be also foreign company but must hold the shares of the subsidiaries in a German taxable entity</li> <li>c) subsidiary must have registered seat in an EEA member state and must have place of management in Germany</li> </ul> <p>Consequence: Just the parent company pays taxes: Tax assessment basis: balance of the profits and losses of the tax group.</p>
<b>Taxation of holding company (if no tax group)</b>	<ul style="list-style-type: none"> <li>a) if Holding company is a corporation:               <ul style="list-style-type: none"> <li>1. dividend payments are tax free</li> <li>2. 5% of the dividend payments are treated as non-deductible expenses (flat-rate scheme independent of the expenses relating to the dividend payments in fact).</li> <li>3. Expenses relating to the tax-free dividend payments (e.g. financing costs) are tax deductible.</li> </ul> </li> <li>b) if Holding company is a partnership (tax-transparent):               <ul style="list-style-type: none"> <li>1. 40% dividend payments are tax-free</li> <li>2. 40% of the expenses related to the dividend payments are not tax-deductible.</li> </ul> </li> </ul>



ANDORRA  
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