

A guide to business relocation in Europe



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Introduction

Many companies are choosing to relocate part or all of their operations. For example, recent media attention has focused on Google setting up its headquarters in Ireland, Apple setting up its iTunes headquarters in Luxembourg and Ineos migrating from the UK to Switzerland. Many other companies, from large multinationals to small entrepreneurial start-up businesses, have already relocated part of their operations to new territories or are actively considering doing so.

Grant Thornton member firms around the world have significant experience in advising clients on how their businesses can benefit from relocation. The highest profile cases involve full corporate migrations or inversions – the head office and holding company structure transferring to a new jurisdiction. However the options are numerous and the right answer may be much more simple, from setting up a regional hub to offshoring support services, or setting up an offshore Intellectual Property (‘IP’) management vehicle.

As governments seek to attract successful, entrepreneurial businesses through the introduction of favourable tax and legal regimes the level of business relocations is likely to intensify in coming years.

Our guide outlines what type of activity is commonly relocated and the benefits of doing this, it profiles key locations within Europe which are popular destinations for business relocation. We explain the reasons for their popularity and summarise key commercial and tax factors to be taken into account when relocating.

The key to successful business relocation is early planning, working to achieve commercial objectives and careful execution.

We hope you will find this guide useful in assessing whether business relocation is right for you. If you would like to discuss the next steps please contact your own Grant Thornton adviser or one of the Grant Thornton contacts listed on page 12.

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Key country summary



Nine key European jurisdictions

① **Belgium** – perhaps not the immediate choice of groups for tax reasons but the commercial benefits of being located at the heart of Europe, a good IP regime for patents and a very attractive financing regime (with notional interest deductions) means it is often used, particularly as an IP holding company location.

② **Cyprus** – widely used for investment into Russia and Central Eastern Europe owing to a strong treaty network, it is increasingly used for services companies, including the financial services sector, attracted by a 10% corporate tax rate, simple regime, and relatively low cost.

③ **Ireland** – a flexible regime, with commercial benefits, low corporate tax rates of 12.5% for active trades, and a good IP regime makes Ireland a popular location for holding companies and IP holding companies, particularly in the technology and pharmaceutical sectors.



4 Luxembourg – pre-eminent within the finance sector, it is a common holding company location and is often used as a treasury/financing location. Advance agreements with the tax authorities are possible whereby Luxembourg only taxes a small spread on financing flows.

5 Malta – a relatively low cost of living combined with a good quality workforce make this a popular jurisdiction for services companies. With careful tax planning, corporate tax rates of less than 5% are achievable.

6 Netherlands – once widely regarded as the holding location of choice, its regime is perhaps not as competitive as a decade ago. With an excellent treaty network and a flexible tax regime, it still remains popular as a holding company location, and is widely used by service, trading and logistics groups.

7 Spain – not widely recognised as a holding company location but its strong treaty network with Latin America means that it is a very good holding company location to access these markets. Its attractive R&D credits and IP regime can also result in an effective tax rate of 0%.

8 Switzerland – extensively used as a holding and IP holding company location. Although very expensive, with a complex tax regime, overall effective corporate tax rates can be low and with access to a sophisticated workforce, it is widely used as an entrepreneurial hub, especially in the food and drink, pharmaceutical and financial services sectors.

9 UK – whilst the complexity of the tax regime is a deterrent for many, US multinationals in particular continue to use the UK as a holding company regime – this is driven by commercial factors, particularly relative ease of set-up, language factors and communication links.

These nine key European jurisdictions are widely used for holding companies and IP holding companies. The choice of location is very much driven by the commercial requirements of the business. Whilst it can be possible to relocate without a strong commercial driver, the best results are typically where commercial needs and tax and legal benefits go hand in hand. The table below summarises principal tax factors for the nine key European jurisdictions.

	Belgium	Cyprus	Ireland	Luxembourg	Malta	Netherlands	Spain	Switzerland	UK
EU member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Tax rates									
Headline corporation tax rate	33.99%	10%	12.5%/25%	28.8%	35%	25%	30%	12-25%	26% (from 1 April 2011)
Income taxes	up to 50%	up to 30%	up to 41%	40.56%	up to 35%	up to 52%	up to 49%	up to 42%	up to 50%
Holding company regime									
Dividend exemption	yes	yes	no	yes	yes	yes	yes	yes	yes
Capital Gain exemption	yes	yes	yes	yes	yes	yes	yes	yes	yes
CFC rules	no	no	no	no	no	no	yes	no	yes
Other incentives	Notional Interest Deduction	–	–	tax rulings for non-Luxembourg source income	–	–	–	effective tax rate of 7-12% for holding companies	–
Transfer pricing rules	yes	yes	limited	yes	no	limited	yes	yes	yes
Capital/stamp duty on shares	no	yes – only on initial issuance of shares (0.6%)	yes – only on transfer of shares (1%)	no – however 0.5% annual net wealth tax on non-qualifying assets	yes – only on transfer of shares (2%). No if more than 90% of business is derived from outside Malta	no	no	yes – on initial share issuance (1%) and an annual capital tax on equity value (0.001%-0.01%)	yes – only on transfer of shares (0.5%)
Number of double tax treaties	90+	40+	55+	60+	55+	110+	80+	100+	120+

	Belgium	Cyprus	Ireland	Luxembourg	Malta	Netherlands	Spain	Switzerland	UK
IP regime									
IP tax rate	6.8% (effective)	10%	12.5%	5.76% (effective)	0-10%	5% / 25%	15-30%	9-11% (effective)	26% (from 1 April 2011)
IP regime	yes – patents owned and developed by company	yes – patents and patent rights	yes – applies to most intangibles including patents, know-how and goodwill	yes – applies to most registered intangibles	yes, 0% applies to registered patents, 5% (active) -10% (passive) income from other IP/intangibles	yes – 5% applies to IP of a technical nature. 25% rate applies to goodwill and trademarks	yes – applies to registered intangibles	yes – applies to all intangibles	yes – applies to all intangibles
Capital gains on IP	qualifying gains taxed at IP rate of 6.8%	exemption on capital gain if non-trading	capital gains on IP disposal	80% exemption on capital gains	capital gains taxed at 5%	capital gains on qualifying assets effectively taxed at 5%	capital gains on IP disposal at a rate of 15%-30%	capital gains on IP taxed at 9-25%	capital gain on IP disposal but can be deferred
IP amortisation deduction	yes	yes	yes	yes	yes	yes	yes	yes	yes
Domestic WHT rates									
WHT on dividends	15/25%	no	20%	15%	no	15%	no (for ETVEs)	35%	no
WHT on interest	15%	no	20%	no	no	no	19%	0%	20%
WHT on royalties	15%	0-10%	20%	no	no	no	24%	no	20%

General notes:

1. Information used in this table was collated in January 2011
2. Withholding tax rates may be reduced when payments made within the EU or under relevant treaties
3. Further details are included in the relevant key country profiles in Part 3

Key:

WHT=withholding tax
CFC=controlled foreign company

Relocation options

What is business relocation?

Whilst most people instantly think of full corporate migrations for business relocations, there are a number of much simpler options which can also achieve excellent efficiencies and cost savings.

Determining the right structure and location for a business requires assessing numerous competing factors and will be individual to each group, but some common examples are:

Full migration

This type of relocation has been highlighted by some recent high profile migrations and can be either a relocation of headquarters or holding company or both. A migration of the holding company typically involves an inversion, whereby a new holding company is set up above the existing group holding structure. However, it can sometimes be achieved by migrating the management and control of a holding company to a different jurisdiction.

Whilst the benefits can be significant, for example, achieving a reduction in the overall effective tax rate or moving to a country with a simpler tax and legal framework, there can be issues in terms of exit costs and there needs to be a strong appetite for change to make this relocation work.

Use of IP holding companies and regional hubs

Increasing use is being made of IP holding regimes by many international groups. Such companies are responsible for the ongoing development, protection and exploitation of intellectual property or development of regional business.

Given the need for IP protection and the significant income it can generate, groups are considering the best place to locate these assets to maximise protection and minimise taxes.

Whilst such assets are physically easy to relocate, this type of restructuring often has a high cost of relocation.

Offshoring

There can be significant cost savings through offshoring. In its simplest form offshoring could be the relocation of a support function overseas. Increasingly, this has been extended to more value-add functions including research and development centres and treasury companies. For the former, such centres may be located where there is a wealth of technical staff and favourable Research & Development (R&D) tax regimes.

Changing the risk model

Where it is not appropriate to physically relocate certain functions, then an alternative may be to operate through a commissionaire, franchising or licence model. Under such an arrangement, the risks borne by local distribution or manufacturing entity may be substantially reduced. This in turn can limit the profits attributable to these entities, with increased profits being generated by the entrepreneur company. This involves limited physical disruption to the business.



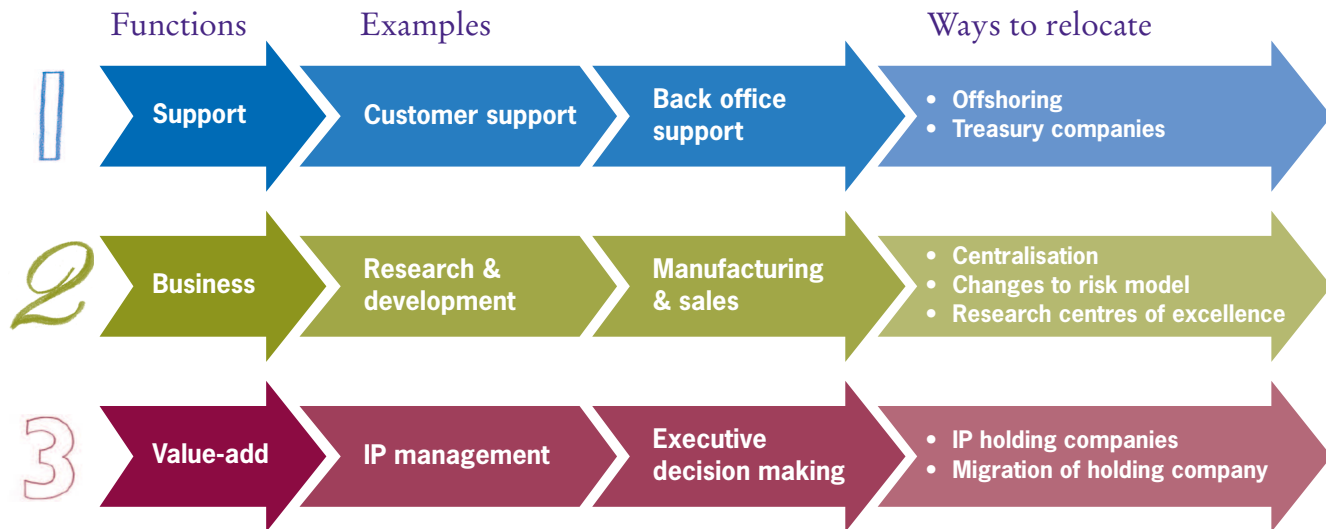
How can relocation add value?

There are significant potential benefits to relocating abroad – access to markets, simplified compliance and tax savings are cited as key reasons. The popularity of business relocations is driven by a series of global economic factors, creating “a perfect storm” in business restructuring:

- **globalisation:** the disparity in growth rates between emerging markets and mature economies is accelerating the pace of globalisation, as companies seek to access capital, goods or markets in different regions of the world. There is a growing pool of internationally mobile employees willing to relocate for these opportunities
- **economic downturn:** pressure on businesses to reduce costs is immense as they respond to the recent global recession. There can be significant operational, administrative and tax savings arising from centralising functions and relocating them offshore to an appropriate location
- **tax incentivisation:** tax is increasingly used as a lever by various governments to attract inward investment, resulting in low tax rates and some very generous tax incentives, particularly around intellectual property management and other high-value functions. Significant tax savings can be obtained by relocating activity and assets into these jurisdictions
- **increased compliance burdens:** other regimes, particularly in the G20 economies, are introducing complex compliance systems to control behaviour and discourage loss of tax revenue offshore. This is creating a huge compliance burden for groups and arguably is accelerating the migration of businesses away from those jurisdictions
- **competitive advantage:** as more corporate groups take advantage of the opportunities arising from relocation, it is important to remain ahead of the game in terms of maximising value by reducing costs, thereby keeping a competitive advantage.

What activities can be relocated?

A group's typical supply chain has three key aspects and examples of functions and ways to relocate these are set out below:



Support functions

Offshoring:

Relocation of routine functions such as support services is common and is often relatively straightforward. Typically the moves are driven by operational savings with low costs in Indian call-centres being a prime example. There can also be tax advantages. Malta is a popular offshoring location, and if structured correctly can offer significant tax savings.

Treasury companies:

Treasury companies have widely been used in group structures to manage and pool the cash facilities for the group to maximise its return on surplus cash and minimise its expense on overall group debt. Careful consideration should be given to the preferred location which will be driven by commercial factors, but also by the favourable tax treatment on the interest. Withholding tax costs should be understood when choosing a location as these can give rise to significant tax leakage on interest flows if not managed properly.

Business functions

Centralisation:

Typically the location of volume-adding functions is driven by commercial factors such as the location of suppliers, customers and a skilled workforce. However there may still be opportunities to centralise these in a regional hub and Hong Kong or Singapore are commonly used regional hubs for expansion into the Far East. While such structures will be commercially driven, tax savings can be significant.

Change to the risk model:

Where it is not commercially viable to relocate volume-adding functions, these can be restructured using a different model such as franchising and licensing.

Such a group restructure could involve a fully-fledged sales company becoming a limited risk distributor, transferring key risks (such as stock obsolescence risks, bad debts and foreign exchange) to another company. Alternatively it could operate as a sales commission agent, not actually entering into sales contracts, rather receiving a commission for soliciting sales on behalf of the principal.

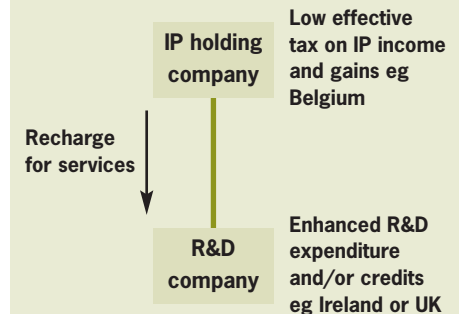
This can be an effective way of transferring profit-generation from the sales or manufacturing entity to the principal with minimal physical disruption to the business as very few staff need to relocate.

Research centres of excellence:

The tax benefits of establishing a global R&D centre can be extensive given the various tax incentives and other grants available in different jurisdictions. It is important to ensure these incentives are taken into consideration when undertaking cost-benefit analysis on the choice of location.

When considering the best structure for an R&D centre of excellence, it is key to understand whether the centre will undertake research on its own behalf, effectively owning the associated IP, or whether it will perform contract R&D on behalf of the IP owner. This is key to deciding where the IP should be located.

With careful planning, it may be possible for a contract R&D company to obtain research and development tax credits in one country, and the IP owner to benefit from a favourable tax rate on the income generated from the IP in a second jurisdiction.



3 Value-add functions IP holding companies:

By locating the IP and the associated active management in one company, its value may be maximised. The income generated from such activity will be either royalties, or, if the IP holding company is included in the supply chain, through the mark-up on the pricing of goods or services.

The profits attributed to IP can be very significant, and there are some very favourable regimes – Ireland for example allows amortisation of IP transferred from group companies, based on market value. As a result, the opportunities for tax-effective planning are significant.

Migration of holding company:

This typically entails setting up a new holding company above the existing group holding company and is known as an inversion.

There are a number of reasons why a company may migrate, including:

- commercial opportunities to re-focus the business on a new territory or region, more closely aligned with customers, suppliers and/or workforce
- opportunities to exit from a complex legal / tax compliance and reporting regime of the existing country of residence, and adopt a more straightforward regime in a territory such as Luxembourg, Netherlands or Ireland
- potential to side-step tax anti-avoidance provisions in the previous parent jurisdiction, which can limit flexibility
- ability to generate profits in the medium-term in a favourable location.

Migration has a very significant impact on the business, with the key decision-makers either relocating offshore or regularly travelling to the overseas location.

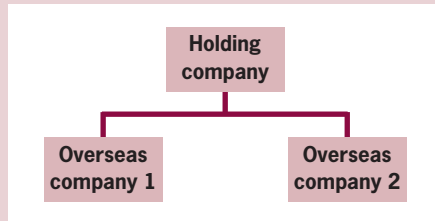
It can also impact the shareholders as some jurisdictions have high withholding tax rates on payment of dividends to non-resident shareholders. If treaty protection is not available, complex structures such as “dividend access schemes” may be required to manage withholding tax costs to the ultimate shareholders.

There needs to be an appetite for change at board level and a good commercial reason for restructures of this nature and an awareness of the potential negative media exposure.

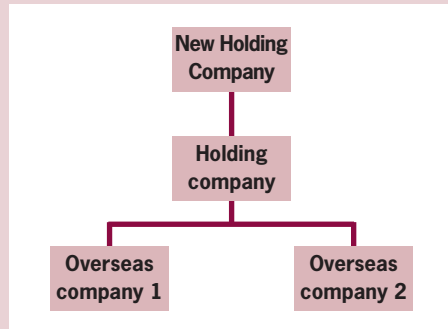
An inversion

The key steps to an inversion are as follows:

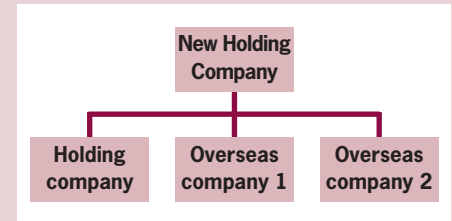
Existing structure



Set up a new overall holding company in a favourable jurisdiction by way of share for share exchange by the existing shareholders

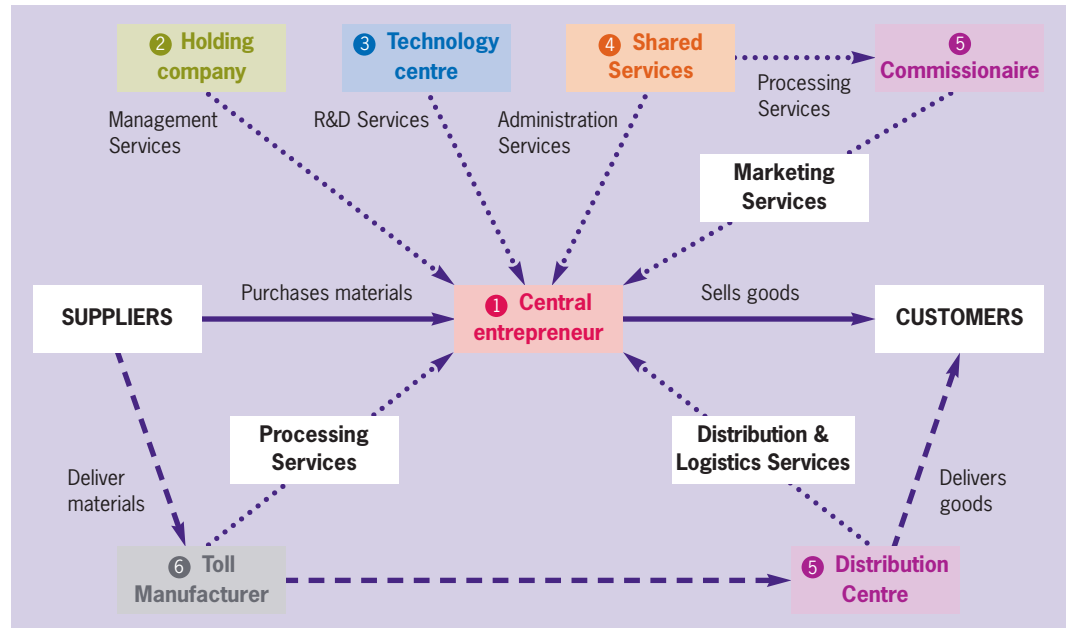
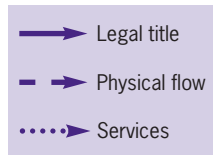


Transfer subsidiary companies under the new Holding Company



Where is the optimal location?

There is no right answer as to where a company should locate. It depends on a myriad of business factors but the classic supply chain model highlights the options available.



❶ The **central entrepreneur** is the hub of the structure and therefore its location will be key. As it will often also hold the group's intangibles, identifying a good IP tax regime can significantly improve the group's effective tax rate.

Popular jurisdictions include Ireland and Switzerland – the group can benefit from excellent commercial regimes, access to a sophisticated labour force and with careful structuring, effective tax rates of 12.5% (Ireland) and 9-12% (Switzerland).

❷ The choice of **holding company** location is determined by shareholder considerations as well as company law. Popular locations are Luxembourg, Switzerland, Belgium and Ireland.

❸ A **technology centre** will be responsible for R&D, and therefore its location will be influenced by a generous R&D tax regime in the form of enhanced tax relief and repayments and access to appropriate staff. France has an excellent R&D regime, as does Ireland.

❹ **Shared services** are often relocated to overseas jurisdictions. Call centres for example are usually located in low cost environments with popular locations in Europe including Malta and Cyprus.

❺ Operations in high tax jurisdictions which cannot be moved – for example sales and **distribution**, which are driven by customer location, can be structured to minimise tax. By structuring these operations as a **commissionaire** or a limited risk distributor, this means that the risk and therefore the level of profits associated with the function can be limited.

❻ **Toll or contract manufacturing** is ideally located where there is a low cost base – East European states and increasingly North Africa are widely used.

What is the impact of relocation?

It is important to understand the potential impact any relocation has on the operational, legal and tax affairs of the business. These are generally manageable but careful planning is necessary to ensure groups are aware of all the costs of the relocation.



Operational issues

Customers, suppliers and markets

Depending on the type of business, the location of suppliers and/or customers will be key to the decision on location. Proximity to these key stakeholders is often a critical factor in driving relocations.

Substance

Whenever activity is being relocated, there will need to be real “substance” in the chosen location. The exact level of substance depends on the functions undertaken and the assets and the jurisdiction they are to be relocated to. While this may be obvious for volume-adding functions such as manufacturing, holding and

IP holding companies will need to have real substance in them with appropriate levels of local management with the relevant expertise to manage the assets. Failure to introduce sufficient substance is likely to give rise to tax concerns as set out further below.

People

Groups must consider how any relocated function will be staffed. This may involve relocating staff or recruiting locally. For existing staff, account must be taken of their desire to move, in addition to their ability to move in terms of work permits (where such locations are outside of the EU). If existing staff do not want to move, there will need to be

a suitable workforce available locally. Both options will have associated costs.

Reputation

Some businesses are sensitive to market perception. Any restructuring which could result in headline news in the media of a move to a new jurisdiction could detrimentally impact the profitability of those businesses. While high profile movers have paved the way, when reviewing the strategy of the business all key players in the business, from CEO to corporate affairs need to understand the implications of a move and need to be clear of their stance.

Legal Issues

Employment law

It is important to recognise when moving staff to an overseas location, or indeed hiring new staff, that the employment laws in different jurisdictions are unlikely to be the same. Even within the EU, there can be working hour restrictions, and employees may have more rights in one country compared to another. In addition, works councils in certain member states can be powerful bodies influencing business decisions.

Contract renegotiation

When moving business operations overseas, it may be necessary to renegotiate contracts with current suppliers and customers. The appropriate law governing these contracts will need to be considered and, where different, existing contracts will need to be agreed with customers and suppliers.

Company law

Company law factors must be taken into consideration when setting up a new entity including the different reporting requirements. The full migration of listed entities will give rise to numerous legal and listing requirements.

Tax issues

Residency and CFC rules

Many tax authorities levy tax not just on companies incorporated in the territory in question, but also where companies are managed there. It is often important therefore that companies have an appropriate level of substance and are appropriately managed locally, otherwise additional tax costs could arise under the tax residence and CFC rules.

Transfer pricing

Increasing numbers of jurisdictions have introduced transfer pricing rules to ensure that intra-group pricing (of goods, services, interest and royalties) is deemed to take place at arm's length. The aim is to ensure that profits are not artificially diverted to another territory

through manipulation of prices. As a result, the level of profits which can be generated in a territory is typically driven by the level of substance in that territory – both in terms of assets held, functions performed, and risks borne. Careful supply chain planning is therefore essential to maximise the benefit from the chosen structure.

Exit charges

As part of any restructuring, the exit charges in moving a function or asset out of a jurisdiction need to be included in relocation costs. For most countries, there will, *prima facie*, be a tax charge on exit. However, with some careful planning it is often possible to minimise the charge arising on exit and in some cases reduce this to zero. If moving within the EU there is

also the argument that such charges are discriminatory and contrary to EU law and in particular the Freedom of Establishment and Free Movement of Capital.

Indirect taxes

Thought needs to be given where any restructuring alters the flow of goods, services or other payments. For example royalty, interest and dividend flows need to be modelled to ensure that the resultant structure is not tax inefficient by virtue of non-recoverable withholding tax. Where there is a physical movement of goods or services, indirect tax cost leakage (particularly sales taxes and duties) will need to be built into the bigger picture of the cost of the restructuring.

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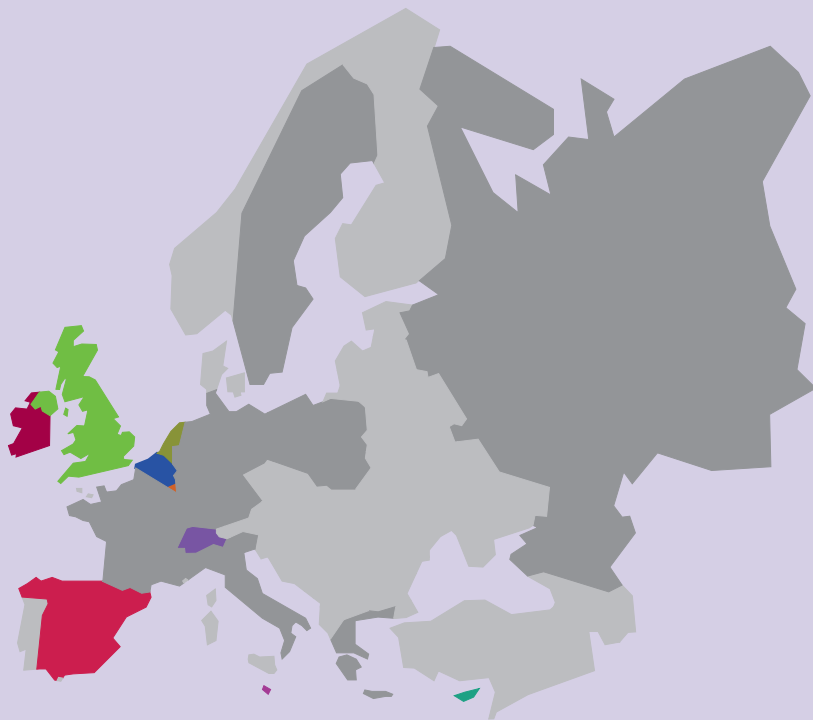
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Key country profiles

For the nine key holding company locations, we provide an overview of the commercial and legal benefits of the jurisdiction, the holding company and intellectual property holding regimes, as well as expatriate costs and tax planning opportunities.



Belgium

Belgium key facts

Investment climate

- local currency Euro (€)
- stable economic and political environment
- skilled and semi skilled workforce, including technical and professional personnel
- strict labour laws which can become onerous for companies employing 50 or more employees.

Quality of living

- good infrastructure especially transport
- high standard of education including international schooling available for expatriate families
- excellent healthcare.

Recreation

- foods and specialised beers
- culture
- historic cities.

Belgium is recognised as a holding company location primarily due to commercial reasons. Its high headline corporate tax rate does not lend itself easily to a favourable holding company location, although a participation exemption in terms of dividends and capital gains and the absence of any CFC rules offers enough tax incentives for groups to headquarter here.

It is one of the best locations for industry and logistics as a prominent gateway to the European market. A large part of Belgium's success in international trade is due to its excellent infrastructure which allows it to leverage off its strategic location.

Trade in intermediate goods, destined for final production in other countries account for nearly 45% of gross domestic product (GDP). Belgium's main industries include food, automotive, pharmaceuticals and logistics.

Belgium is regarded as having a high standard of living and while it is expensive, it is not as expensive as some of its EU neighbours relative to the standard of living.

Belgium does have a very favourable IP regime, especially for patent income which is taxed at a rate of 6.8% and which can often be reduced to zero depending on the level of deductions available.



Holding company

Corporate taxation

The effective headline rate of corporate tax in Belgium is 33.99%, one of the highest in the EU.

Notional interest deduction rules are available, giving companies a deduction against profits for the cost of equity (for 2011 this is 3.425% of capital). It is therefore possible to benefit from significantly reduced corporate tax rates, with some relatively simple planning.

Stamp taxes and other capital duties

There is no capital duty or stamp duty applicable in Belgium.

Exemption from Belgian corporate tax

A 95% dividend exemption is generally available on dividends from shareholdings of at least 10% (or €2,500,000) where they have been held (or are intended to be held) for at least one year.

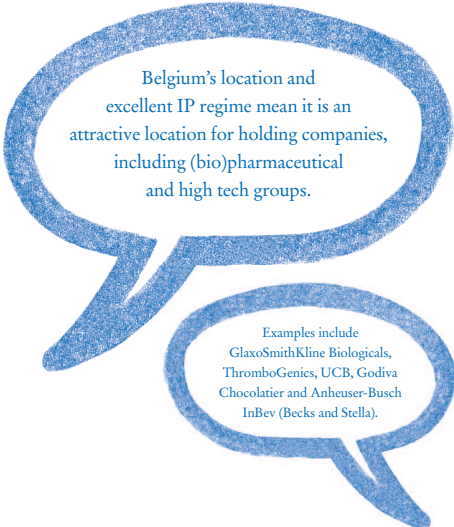
Capital gains on the disposal of shares are exempt where the investee company is not resident in a country with a considerably more favourable tax regime than Belgium (in practise this is taken as an effective tax rate of less than 15%).

Anti avoidance legislation

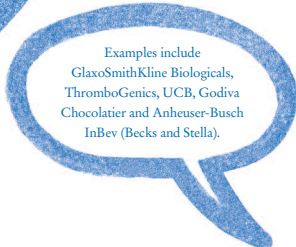
Belgium has transfer pricing rules (based on OECD principles) which require related party transactions to be conducted at arm's length. In addition, there are interest deductibility restrictions on interest payable to "low tax" jurisdictions (ie <15% effective tax rate).

Belgium does not have any controlled foreign company (or equivalent) legislation. However, the availability of the capital gain exemption may be restricted if the investee company is in a "low tax" jurisdiction (as detailed above).

It is possible for companies to obtain advanced rulings from the tax authorities on the treatment of complex tax matters. These are not compulsory.



Belgium's location and excellent IP regime mean it is an attractive location for holding companies, including (bio)pharmaceutical and high tech groups.



Examples include
GlaxoSmithKline Biologicals,
ThromboGenics, UCB, Godiva
Chocolatier and Anheuser-Busch
InBev (Becks and Stella).

Withholding taxes (WHT)

The domestic rate of WHT applied on dividends is 25% (15% when certain conditions are met) although there is no WHT on dividends to EU countries (where holding requirements are met) or countries that have a double tax treaty with Belgium (for shareholdings of at least 10% or €2,500,000) and there are significantly reduced rates in many of the double tax treaties.

The domestic rate of WHT applied on interest to non residents is 15%. An exemption is available for interest payable to EU countries (where holding requirements are met) and reduced rates of WHT apply on interest to most treaty countries.

The domestic rate of WHT applied on royalty payments to non residents is 15%. An exemption is available for royalties payable to EU countries (where holding requirements are met) and reduced rates of WHT apply on royalties to most treaty countries.

Double tax agreements

Belgium has more than 90 agreements in effect.

Foreign shareholders

There is no Belgian tax payable by foreign shareholders on the disposal of shares in a Belgian company.

IP regime

Legal

Belgium offers a high level of legal protection and recognition, broadly following EU law, for patents, trademarks, copyrights and industrial design and models.

IP rules

The IP regime includes patents that are owned and that have been fully or partly developed by the company.

Under the regime, there is an 80% deduction on qualifying gross patent income resulting in an effective tax rate of 6.8% before other deductions. In addition, amortisation is deductible over the useful economic life, and this deduction, coupled with the notional interest deduction can result in an effective tax rate of zero.

Income and gains on IP outside the regime (including acquired patents and know-how and brands) are subject to tax at the normal headline rate of tax of 33.99%.

R&D rules

Tax incentives are available for R&D related activity in the form of either an enhanced deduction (13.5% on investment or 20.5% on the investment amortisation from 2011) or a tax credit (13.5% or 20.5% of the value of qualifying expenditure from 2011). It is also possible for companies to retain 75% of researchers payroll tax in respect of qualifying activities.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Belgium, on a progressive scale of income tax between 25% and 50% depending on level of income. Local taxes are also payable.

There are relatively generous deductions available including child care, mortgage payments and related insurance premiums. Tax credits are also available for pension contributions and life insurance premiums.

Social security contributions

Employee social security contributions are payable at 13.07%. These are deductible for income tax purposes.

Expatriate rules

Expatriates are subject to Belgian tax on the portion of income attributable to working in Belgium. In addition, they can receive tax free payments to cover expenses such as housing, cost of living, relocation expenses, settling expenses, tax equalisation and a schooling allowance.

Corporate set up

Cost

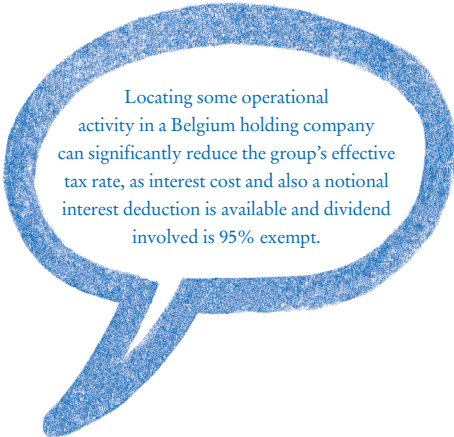
Company set up costs start at around €3,000 and can take up to two weeks.

Corporate entity

The most common type of corporate entity is an NV/SA but a common alternative is the less formal BVBA/SPRL.

The minimum share capital for the above types of entity are currently €61,500 (NV/SA) and €18,600 (BVBA/SPRL).

For an NV/SA there is a requirement for at least 2 shareholders and at least 3 directors although there are no specific residence requirements (the director requirement is reduced to 2 if there are only 2 shareholders).



Locating some operational activity in a Belgium holding company can significantly reduce the group's effective tax rate, as interest cost and also a notional interest deduction is available and dividend involved is 95% exempt.

Cyprus

Cyprus key facts

Investment climate

- local currency Euro (€)
- stable economy
- robust legal system with strong English Law influence.

Quality of living

- relaxed pace of life
- great weather
- good telecommunications infrastructure
- high standard of education
- low crime, unemployment and homelessness.

Recreation

- beaches and sunbathing
- eating out.

Cyprus has the lowest headline rate of corporation tax in the EU at 10%. Its generous exemptions can sometimes result in a nil effective tax rate making it a very attractive jurisdiction for holding companies.

Its location lends itself well to international trade, as it is central to three different continents and close to trade routes between Europe and Asia. Good transport links (sea and air) and an excellent telecommunications system further compliments the potential for international trade.

The services sector accounts for three quarters of the country's GDP with the main sectors being tourism, transport and communications, real estate and banking.

The quality of life in Cyprus is very good and the cost of living is low compared with many Western European countries.

Cyprus does not have any specific IP rules, but its headline tax rate means that any income arising as a result of IP is taxed at a low rate.

Cyprus is very widely used for investment into Russia and Eastern Europe due to the favourable treaty provisions.



Holding company

Corporate taxation

The standard rate of corporation tax in Cyprus is 10%, although certain passive income is subject to the special defence contribution at a rate of 15%.

No tax deduction is available on the interest costs of financing subsidiaries unless the company is treated as a finance vehicle within the group.


Stamp taxes and other capital duties

Stamp duty of 0.6% applies on the initial issuance of shares. There is no stamp duty on the subsequent transfer of shares.

Exemption from Cyprus corporation tax

A full dividend exemption is available provided that the company paying the dividend does not derive more than 50% of its income from investment activities or it is not subject to tax at a significantly lower rate than in Cyprus (in practice this is interpreted as a tax rate of less than 5%). If the exemption does not apply, the dividends are subject to the special defence contribution, at a rate of 15%.

Capital gains arising on the disposal of shares are only taxable if the company holds immovable property that is situated in Cyprus (at a rate of 20%).



Cyprus is widely used for investment into Russia and Eastern Europe owing to very favourable treaty provisions.

Anti avoidance legislation

Cyprus does not have detailed transfer pricing rules, although transactions between connected parties should be on an arm's length basis.

Cyprus does not have any controlled foreign company (or equivalent) legislation. However, the availability of the dividend exemption may be restricted if the paying company is in a lower tax regime (ie less than 5% tax rate).

It is possible for companies to obtain advanced rulings from the Cypriot tax authorities on the treatment of complex tax issues. These can usually be obtained in less than three weeks, but are not compulsory.

Withholding taxes (WHT)

Cyprus does not impose withholding taxes on interest or dividends payable to non residents.

The domestic rate of WHT on royalty payments to non residents for the use of royalties in Cyprus is 10% (other than film royalties on which a 5% WHT applies). An exemption is available for royalties payable to EU countries (where certain requirements are met) and reduced rates of WHT apply on royalties to certain treaty countries.

Double tax agreements

Cyprus has more than 40 agreements in effect, although it does provide a credit system for foreign tax suffered even where no treaty is in place.

Foreign shareholders

There is no Cypriot tax for foreign shareholders on the disposal of shares in a Cypriot company.

IP regime

Legal

Cyprus offers legal protection and recognition, broadly based on EU law, for patents, trademarks and industrial designs.

IP rules

IP amortisation is tax deductible over the useful life of the asset. Capital gains on the disposal of IP are not subject to tax, unless the gain is deemed to be a result of trading activities of the company. If it is considered to be within trading activities the cost is written off over the life of the IP and any income receivable from the sale of the IP or royalties from that IP will be included on the company's chargeable income.

R&D rules

Although there is no specific R&D tax regime a tax deduction is available for revenue scientific expenditure and capital expenditure may be amortised over six years.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Cyprus, on a progressive scale from 0% to 30%.

Various personal expenses are allowed as a deduction for tax purposes including life insurance premiums, social insurance contributions, approved provident fund contributions, approved medical scheme contributions, professional subscriptions and approved charitable donations.

Social security contributions

Employee social security contributions are payable at 6.8%.

Expatriate rules

Expatriates can be entitled to an income tax exemption for the lower of 20% of emoluments and €8,543 per annum for the first 3 years following taking up employment in Cyprus.

Corporate set up

Cost

Company set up costs start at around €2,000 and can take up to two weeks.

Corporate entity

The most common type of corporate entity is a private limited liability company, for which there is no minimum share capital requirements.

A Cypriot company can be established with only 1 shareholder and 1 director but a company secretary, who is not a sole director, must also be appointed.



Cyprus has the lowest corporate tax rate in the EU and its tax regime is relatively simple. There are no specific IP rules, but the low headline tax rate makes it attractive for both holding and IP holding companies.

Ireland

Ireland key facts

Investment climate

- local currency Euro (€)
- relatively stable political environment
- respected regulatory regime.

Quality of living

- advanced IT and telecommunications infrastructure
- improvements being made to transport infrastructure
- high standard of education
- english speaking but access to multilingual skills
- large population of foreign nationals.

Recreation

- fantastic stout and whiskies
- sport.

Ireland's low tax rate, dividend exemption, limited transfer pricing and lack of CFC rules means that it is an attractive holding company location. In addition, there have been a number of high profile companies relocate their headquarters to Ireland including WPP and Shire.

Included in the EU, with a young and highly educated workforce, Ireland has a wider draw as a holding company location than just its tax regime.

Key sectors in which Ireland has built up a concentration of expertise are manufacturing include pharmaceuticals, technology, software and financial services.

Ireland is very attractive for groups looking for tax efficient financing structures, such as interest free loans via intermediary locations such as Luxembourg or the Netherlands.

The cost of living in Ireland is relatively high and expatriates can therefore demand high remuneration packages.

One of the key draws as an IP holding company location is the potential effective rate of tax on IP related income of 2.5% (after deduction of tax depreciation) – which is one of the lowest in Europe. Ireland's R&D tax regime works well for groups moving to Ireland and also offers advantages for groups already located in Ireland.



Holding company

Corporate taxation

The standard rate of corporation tax in Ireland is 12.5% for trading activities. Passive income such as dividends, interest, rents and royalty income (where it is not regarded as being trading income) is taxable at 25%.

Stamp taxes and other capital duties

There is no stamp duty on the issuance of shares. However, there is stamp duty of 1% on the transfer of shares.

Exemptions from Irish corporate tax

Whilst there is no dividend exemption, the credit system operating in Ireland means that dividends received from a jurisdiction with a higher rate of corporate tax than is applied in Ireland are effectively exempt. Any unrelieved foreign tax credits can be used to credit other foreign dividends received.

Capital gains arising on the disposal of shares in EU or relevant treaty country companies are exempt where those shares represent at least 5% of the shares in a trading company and have been held for a period of 12 months out of the previous two years.

Anti avoidance legislation

Ireland has recently introduced limited transfer pricing rules which require related party trading transactions to be conducted on an arm's length basis. Interest on connected party loans is outside these rules. There is also an exemption for small and medium sized enterprises.


Ireland does not have any controlled foreign company (or equivalent) legislation.

It is possible for companies to obtain advanced rulings from the Irish tax authorities on the treatment of certain tax matters. They are not compulsory and can be relatively cheap to obtain.

Withholding taxes (WHT)

The domestic rate of WHT applied on dividends is 20%, although there is no WHT applied on dividends to EU or treaty countries.

The domestic rate of WHT on annual interest payable is 20%. An exemption is generally available on interest payable to EU or treaty countries subject to certain conditions being met.



Ireland is an attractive holding company jurisdiction. Tax on IP related income can be as low as 2.5%, and its R&D tax regime works well for groups moving to Ireland.



Ireland is favoured by high tech, pharmaceutical and manufacturing companies. Examples include Apple, Oral B, Dell, Microsoft and Hewlett Packard.

The domestic rate of WHT on patent royalty payments is 20%. An exemption is generally available on patent royalties payable to EU or treaty countries subject to certain conditions being met. Patent royalty payments to non treaty countries can also be made free of WHT, subject to certain conditions being met.

Double tax agreements

Ireland has more than 55 agreements in effect.

Foreign shareholders

There is no Irish tax payable for foreign shareholders on the disposal of shares in an Irish company unless the shares derive their value from specified assets such as Irish land and minerals.

IP regime

Legal

Ireland has a robust legal framework, based on EU legislation, for the protection of intellectual property including patents, copyrights, trademarks, computer software and industrial designs and models.

IP rules

The IP regime includes most intangible assets (including software and goodwill) acquired after May 2009. To qualify these assets must be used in active trade.

Under the regime, IP amortisation is tax deductible in line with the accounting treatment. Alternatively, an election can be made to spread the expenditure over a 15 year period in the form of an allowance. Amortisation is based on the market value of the asset, even when it is acquired from a connected party.

Income arising from qualifying IP can be offset by the amortisation or the elected allowance (as above) and also finance costs of acquiring that IP. The deduction for interest and amortisation is capped at a maximum of 80% of the trading income derived from that IP. This can result in an effective tax rate of 2.5%.

Capital gains arising on the disposal of IP are subject to tax at the standard rate of 25%.

R&D rules

A 25% tax credit is available on qualifying R&D expenditure (both capital and revenue) in addition to a deduction for the revenue expense. The credit can be reclaimed as a cash refund, although this is capped at the higher of payroll taxes paid in the year or corporation tax paid in the last 10 years. For revenue expenditure, the level of credit is calculated with reference to the expenditure in the base year (2003) and will therefore depend on the R&D spending profile of the company in 2003. For capital R&D, the level of credit is based on actual expenditure.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Ireland, on a two tier system of income tax rates starting at 20% up to €32,800 and 41% on income exceeding €32,800.

Social security contributions

Employee social security contributions are payable up to 4%. A universal social charge (USC) is a tax payable on gross income from all sources. The rates are 2% on the first €10,036, 4% on the next €5,980 and 7% thereafter. A rate of 10% applies to individuals who have income from self employment that exceeds €100,000 a year.

Expatriate rules

Tax free subsistence payments are possible for secondments in certain circumstances.

Corporate set up


Cost

Company set up costs start at circa €1,000 and can take up to 3 weeks.

Corporate entity

The most common type of company is a Limited Company, for which there are no minimum share capital requirements.

An Irish Limited Company can have a minimum of 1 shareholder, although at least 2 directors (1 being EEA resident) and a company secretary are required.



Top planning tip: By transferring existing group IP to an Irish company the allowances on the IP in Ireland are calculated on the market value at the time of acquisition (even if transferred from a connected party).

Luxembourg

Luxembourg key facts

Investment climate

- local currency Euro (€)
- stable economy
- very stable political environment with a pro-business government
- access to a pool of highly skilled, hardworking, multilingual employees.

Quality of living

- neutral country considered one of the safest in Europe
- low crime
- very good infrastructure
- high standard of education.

Recreation

- fine dining
- central location for access to Europe.

Luxembourg has long since been a favoured holding company location. Despite its high headline tax rate (i.e. 28.8% for businesses established in Luxembourg City in 2011), there are a number of deductions which can significantly reduce the effective tax rate. In addition, its dividend exemption, exemption for capital gains and nil withholding tax on interest and royalties, together with its flexible company law which allows partial liquidations, mean that there are tax benefits of locating here.

In addition, Luxembourg's government understands the need for a close working relationship with businesses and the resilient stable tax regime offers groups certainty about the tax system.

A member of the EU, it is a neutral country, which is very stable politically and with a very high quality of living for a reasonable cost. Luxembourg is renowned as a safe country, encouraging high calibre expatriates.

Companies locating here also have access to a highly qualified workforce, not just Luxembourgers, but those from France, Germany and Belgium, as commuting is widespread.

Luxembourg is known for financial and logistics/transport companies, although more recently it has attracted a number of high technology companies.



Holding company

Corporate taxation

Tax is levied at both the statutory level and the municipal level. For a company based in Luxembourg City, the total effective tax rate would be 28.8% in 2011.

Stamp taxes and other capital duties

There are no stamp taxes applied on the issuance or transfer of shares.

There is an annual net wealth tax of 0.5% on all non-qualifying assets, such as cash or receivables as at 1 January of any given year. However, qualifying participations (as set out below) and IP held by a Luxembourg holding company are not included in the calculation of net wealth tax.

Exemptions from Luxembourg corporate tax

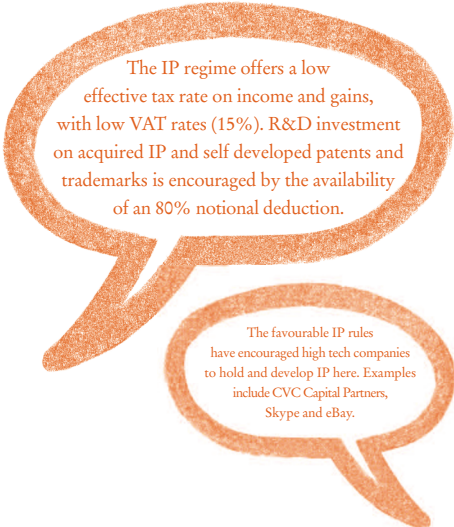
A full dividend exemption is generally available on dividends received from qualifying shareholdings. The conditions to qualify are shareholdings of at least 10% of the share capital (or an acquisition price of at least €1.2 million) and shareholdings which have been held for at least 12 months.

Capital gains arising on the disposal of shares are exempt where those shares represent at least 10% of the share capital or if the acquisition price is at least €6 million and the shares have been held for at least 12 months.

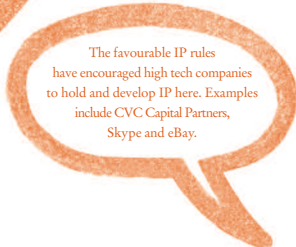
Anti avoidance legislation

Luxembourg has transfer pricing rules, which require all related party transactions to be reflected on an arm's length basis for tax purposes. Domestic related party transactions fall outside these rules.

It is possible for companies to obtain an advanced tax agreement from the Luxembourg Tax authorities on the treatment of certain complex tax matters. These are not compulsory and can be costly. Advanced tax agreements are commonly obtained for financing or IP structures.



The IP regime offers a low effective tax rate on income and gains, with low VAT rates (15%). R&D investment on acquired IP and self developed patents and trademarks is encouraged by the availability of an 80% notional deduction.



The favourable IP rules have encouraged high tech companies to hold and develop IP here. Examples include CVC Capital Partners, Skype and eBay.

Withholding taxes

Dividends paid from Luxembourg are subject to WHT at 15%, reduced to nil for payments made to a company resident in the EU or in the vast majority of countries with which it has a double tax treaty.

There is no WHT on interest or royalty payments.

Double tax agreements

Luxembourg has more than 60 agreements currently in effect.

Foreign shareholders

There is generally no Luxembourg tax payable by foreign shareholders on the disposal of shares in a Luxembourg company.

IP regime

Legal

Luxembourg offers good legal protection and recognition for patents, trademarks, copyrights and industrial designs and models.

IP rules

The IP regime applies to many registered intangible assets (including patents and trademarks) acquired or developed after 31 December 2007.

100% amortisation is available on the market value of IP, even when transferred intra group.

Under this regime, there is an 80% exemption on the net royalty income arising from qualifying IP. In calculating the net royalty, a deduction is available for amortisation and other directly related costs. This results in a maximum effective tax rate of 5.76% in 2011.

On the disposal of the qualifying IP, 80% of the capital gains realised are exempt from tax.

R&D rules

There is a deemed deduction in relation to self developed patents, trademarks or copyrights on software used in the company. This notional deduction is calculated as 80% of the net income that would have been received if the patent, trademark or copyright had been licensed to a third party.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Luxembourg, on a progressive scale from 0 to 39%. In addition, a solidarity tax is payable at 4% of the calculated income tax due.

There are general deductions allowable in determining an individual's taxable income for both business and private purposes such as life assurance and health insurance premiums, childcare costs, loan interest and personal pension contributions.

Social security contributions

Employee social security contributions are payable at 13.25% in 2011.

Expatriate rules

From 1 January 2011 there is a special tax regime for expatriates. The regime only applies to highly skilled expatriates and provides for tax relief in respect of certain relocation expenses incurred. A written application must be submitted to the Luxembourg tax authorities within two months of the start of the experiment and if the relevant conditions are met the Luxembourg tax authorities will confirm that the regime applies.

Corporate set up

Cost

Company set up costs start at around €6,500 including notary fees, and the process can take less than a week.

Corporate entity

The most frequently used company form is a SARL, which has a minimum share capital requirement of €12,500. This can be set up with only 1 shareholder and requires the appointment of 1 manager (with no resident or nationality requirements).

Other companies used are SAs (public limited companies) and SCAs (equivalent of a partnership limited by shares) although in practice the latter of these entities are rarely used.

SAs can be set up with a minimum of 1 shareholder but require a minimum of 3 directors with no residence or nationality requirements. The minimum share capital requirement is €31,000.

Malta

Malta key facts

Investment climate

- local currency Euro (€)
- politically and economically stable
- access to a productive workforce.

Quality of living

- very low crime
- good weather
- reasonably priced international schools
- relaxed pace of life.

Recreation

- good water sports
- sunbathing and beaches
- culture and heritage.

Malta has a high headline tax rate but the tax refund system and some relatively simple planning can significantly reduce the effective tax rate. In addition, the dividend exemption and absence of transfer pricing and CFC rules attract groups to locate their holding companies in Malta.

Located in the Mediterranean, midway between Europe and Africa, its local currency is the relatively stable Euro. The Maltese workforce are educated and very hard working.

Malta relies on foreign trade and given its location this is mainly with the EU, Asia and the US. Its economy is dominated by tourism, manufacturing, technology and finance.

For expatriates, the living costs in Malta are one of the lowest in Europe, and the international schools reflect this low cost of living. In addition, the good climate and relaxed

pace of life make it an attractive location for expatriates and their families.

For IP, the rates are 0% for patent royalty income from inventions and 5% for other royalty income actively used in the trade. This is one of the lowest taxation regimes for IP.



Holding company

Corporate taxation

The standard rate of tax in Malta is 35%. A refundable tax credit is available as follows

- 6/7ths for dividends from active companies
- 5/7ths for dividends from passive income or royalty income
- 2/3rds where Double Tax Relief is claimed.

Indirect taxation

There is a 2% duty on the transfer of shares. An exemption is available if 90% of the company's business activities are overseas.

Exemptions from Maltese corporate tax

A full dividend exemption is generally available on receipt of dividends where the holding is at least 10%. Broadly, for the exemption to apply, the paying company must either be EU tax resident, or have at least 50% of its income from trading activities, or be subject to a tax rate of at least 15% (5% in the case of passive interest and royalties), in its own jurisdiction.

Capital gains arising on the disposal of participating holdings in both foreign and local companies are exempt.

Anti avoidance legislation

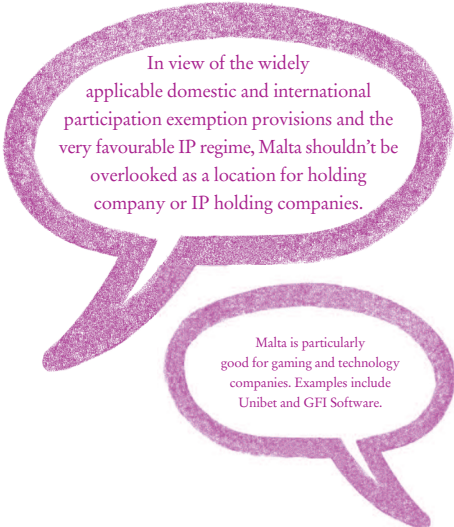
Malta does not have any transfer pricing rules or controlled foreign company (or equivalent) legislation.

Interest expenses related to the financing for the acquisition of participations can be offset against dividend income and capital gains derived from the particular participation being financed.

It is possible for companies to obtain an advance ruling from the Maltese tax authorities on the treatment of specific tax matters. In limited circumstances these are compulsory.

Withholding taxes (WHT)

There is no WHT payable on dividends, interest or royalty payments to non residents.



In view of the widely applicable domestic and international participation exemption provisions and the very favourable IP regime, Malta shouldn't be overlooked as a location for holding company or IP holding companies.



Malta is particularly good for gaming and technology companies. Examples include Unibet and GFI Software.

Double tax agreements

Malta has 55 agreements currently in effect and a further 8 are awaiting ratification.

Foreign shareholders

There is no Maltese tax payable for foreign shareholders on the disposal of shares in a Maltese company.

IP regime

Legal

Malta offers a high level of legal protection, in line with international protocols, for patents, copyrights and trademarks.

IP rules

The IP regime applies to registered IP including patents, copyrights, trademarks and written know how.

Under the regime, royalties and similar income derived from registered patented inventions are exempt from tax.

The rate of tax for other royalties depends on whether they are actively used in the trade or passively held. Income from ‘trading’ IP is effectively taxed at 5%, whilst that from ‘passive’ IP is taxed at 10%.

The tax treatment of IP amortisation depends on whether it is capital or revenue. If revenue (i.e. it is recurring), it is tax deductible in line with the accounts. If capital, this is deductible straight line over 3 years for IP rights, 6 years for scientific research and over the useful economic life for patents.

Capital gains in respect of IP are taxed at an effective rate of tax of 5%.

R&D rules

The R&D regime provides for tax relief of 150% of qualifying R&D expenditure if the activity is undertaken by the company.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in Malta, on a progressive scale from 15% to 35%.

Social security contributions

An amount equivalent to 10% of the weekly wage (up to a maximum of €1,840 per annum for 2011) is deducted from the employee's salary and an equivalent amount is payable by the employer. EU citizens may be exempt from the payment of social security contributions if they are in Malta on a temporary basis and pay statutory contributions in their home country.

Expatriate rules

Expatriates are only taxed in Malta on their Maltese sourced and remitted income.

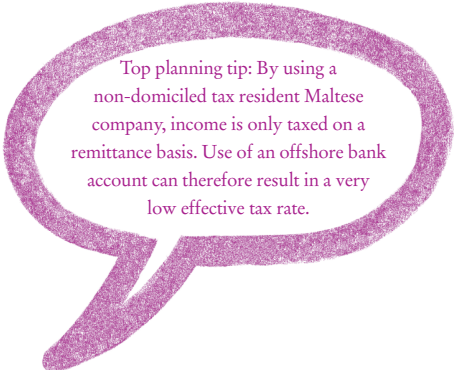
Corporate set up

Cost

Company set up costs start at around €2,000 (including share registration fees) and can be completed in less than a week.

Corporate entities

The most frequently used company form is the Private Limited Liability company which has a minimum share capital of €1,165. This company must be owned by a minimum of 2 shareholders but only requires 1 director and a company secretary. It is also possible to have a private exempt single member company.



Top planning tip: By using a non-domiciled tax resident Maltese company, income is only taxed on a remittance basis. Use of an offshore bank account can therefore result in a very low effective tax rate.

The Netherlands

The Netherlands key facts

Investment climate

- local currency Euro (€)
- stable economy
- politically stable with a pro-business government
- access to a pool of highly skilled, hardworking, multilingual employees
- robust labour laws can become onerous for companies employing 50 or more employees.

Quality of living

- consistently outranks many of its EU counterparts for quality of living and attracting talented foreigners and developing highly qualified staff
- low crime
- excellent infrastructure especially transport
- high standard of education.

Recreation

- café culture
- museums.

The Netherlands is a popular holding company location mainly driven by commercial reasons as the country is central to, and has good connections with, Europe (and the rest of the world). The high headline tax rate is balanced by the dividend exemption, the capital gains tax exemption on disposal of shares, the absence of comprehensive CFC rules and a very good treaty network.

Due to the scarcity of natural resources and raw materials and the small size of the domestic market, the Netherlands is seen somewhat as a “processing economy” with the manufacturing sector being dependent on imported materials. Major export industries include oil and gas, chemicals, electronics, office equipment, telecommunications, pharmaceuticals and food. It also has a sophisticated and growing financial services sector.

There is a large pool of highly skilled, hardworking, multilingual employees and foreign businesses find it easy to integrate due to the very open culture.

For expatriates, the Netherlands offers a high quality of living at a reasonable cost and a favourable expatriate tax regime is available upon request.



Holding company

Corporate taxation

The standard rate of corporation tax in the Netherlands is 25%. A tax deduction is available for interest on loans to acquire subsidiaries. Within thin capitalisation regulations, the interest deduction can be limited if the loan is from a related company (shareholding of 33.3% or more). Limitations can also exist with respect to specific transactions.

Stamp taxes and other capital duties

There is no capital duty or stamp duty applicable in the Netherlands.

Exemption from Dutch corporate tax

A full dividend exemption is available on dividends from shareholdings of at least 5% with no holding period requirement.

Capital gains arising on the disposal of shares are exempt where those shares were part of a holding of at least 5% of the company with no holding period requirement.

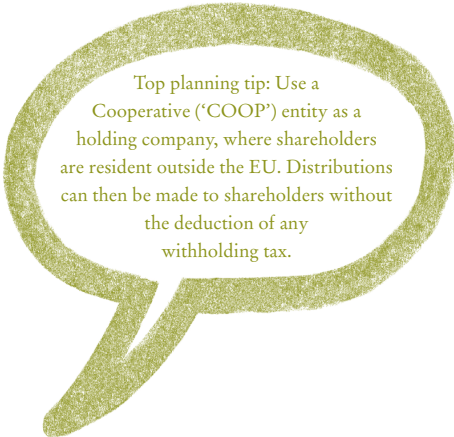
The above exemptions generally apply to the disposal of shares in trading companies and, in certain circumstances, passive investment companies.

Anti avoidance legislation

The Netherlands has transfer pricing rules, which require all related party transactions to be conducted on an arm's length basis.

There is some legislation regarding tax havens, but there is no comprehensive controlled foreign company (or equivalent) legislation.

It is possible for companies to obtain advanced rulings from the Dutch tax authorities on the treatment of complex tax matters. They are not compulsory and are generally moderately priced.



Top planning tip: Use a Cooperative ('COOP') entity as a holding company, where shareholders are resident outside the EU. Distributions can then be made to shareholders without the deduction of any withholding tax.

Withholding taxes (WHT)

The domestic rate of WHT applied on dividends is 15%. An exemption is available on dividends paid to companies in EU countries subject to certain conditions being met and reduced rates of WHT apply on dividends to certain treaty countries. On an international level, the WHT can be reduced to zero by making use of a cooperative entity.

There is no WHT on interest and royalties payable to non residents.

Double tax agreements

The Netherlands has more than 110 agreements in effect.

Foreign shareholders

Generally, there is no Dutch tax payable for foreign shareholders on the disposal of shares in a Dutch company.

IP regime**Legal**

The Netherlands offers good legal protection and recognition for patents, trademarks, copyrights and industrial designs and models.

IP and R&D rules

The Netherlands operates an “Innovation Box” regime which offers generous IP and R&D tax relief for intangible assets of a technical nature (this includes IP, R&D and know-how but excludes goodwill and trademarks).

The innovation box regime is optional and the group elects for assets to be included, although once elected, the asset must stay in the regime until sold.

Under the regime, income and gains of the qualifying assets are effectively taxed at 5%.

IP amortisation is tax deductible.

Income and capital gains in relation to IP outside the regime will be taxed at the headline rate of 25%.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in the Netherlands, on a progressive scale up to 52%, inclusive of social security contributions.

Benefits in kind

Generally certain benefits can be provided on a tax efficient basis including child care arrangements, company car, cost of living allowance, schooling, housing, medical expenses, relocation expenses and pension arrangements.

Expatriate rules

If all relevant conditions are met, 30% of gross income may be paid out free of income tax. This results in an effective rate of income tax (and social security contributions) for expatriates of 36.4%.

Expatriates may also be entitled to special deductions for relocation related expenses.

Corporate set up

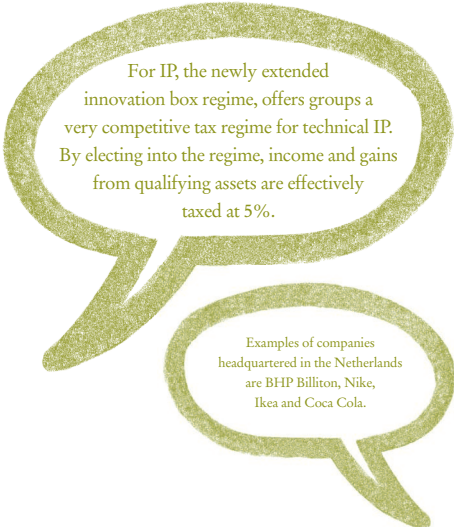
Cost

Company set up costs start are generally at €1,500 and can take up to 2 weeks.

Corporate entity

The most common type of company in the Netherlands is a BV, however, COOPs are becoming more popular for smaller businesses and for those wishing to distribute profits outside the EU without withholding tax.

For a BV, the minimum share capital requirement is €18,000 (for a COOP this is €nil), it is permitted to have only 1 shareholder and there are no director requirements.



For IP, the newly extended innovation box regime, offers groups a very competitive tax regime for technical IP. By electing into the regime, income and gains from qualifying assets are effectively taxed at 5%.



Examples of companies headquartered in the Netherlands are BHP Billiton, Nike, Ikea and Coca Cola.

Spain

Spain key facts

Investment climate

- local currency Euro (€)
- respected regulatory regime
- skilled and semi skilled labour, including technical and professional personnel, widely available.

Quality of living

- good weather
- relaxed pace of life.

Recreation

- sunbathing and beaches
- good food and restaurants
- culture and entertainment.

Although Spain has a relatively high corporation tax rate, it has a good holding company regime which offers a participation exemption for dividends and capital gains and a good treaty network. Spain's economy is largely service orientated, with services accounting for more than 66% of its GDP. It has a modern countrywide infrastructure in terms of transport and also wireless technology. Spain's main industries are tourism, manufacturing, construction and real estate.

The quality of life in Spain is very good and the cost of living is low compared with many other European countries and therefore it can be a desirable location for expatriates.

In terms of IP, Spain has a favourable R&D tax regime which offers generous tax credits and, together with the IP exemption regime, a company may be able to obtain an effective tax rate of 0% on its IP income.

Culturally, linguistically and economically, Spain is considered a strategic location for accessing Latin America, and its favourable treaty network with these countries further its attraction for investing in Latin America.



Holding company

Corporate taxation

The standard rate of corporation tax in Spain is 30% for trading activities, although a tax credit of 12% is available if cash from the disposal of assets is reinvested in qualifying assets.

Stamp taxes and other capital duties

There is no capital duty or stamp duty applicable in Spain from 1 January 2011.

Exemptions from Spanish tax

If a company qualifies as a Spanish holding company, an 'ETVE', it is exempt from Spanish corporate tax on foreign-source income, including dividends, that it receives and the capital gains it realises on the sale of foreign participations if the conditions set out below are met:

A full dividend exemption is available on dividends from shareholdings if at least 5% of shares (or a participation acquisition value over €6 million) is held for the previous 12 month period.

Capital gains arising on the disposal of shares are also fully exempt, where those shares represent at least 5% of the share capital (or a participation acquisition value over €6 million). As with dividends, the shareholding must have been held for the previous 12 months.

For an entity to qualify as an ETVE, it must hold shares in overseas subsidiaries and notify the Spanish Tax Authorities.

Anti avoidance legislation

Spain has controlled foreign companies' legislation that applies where there is a 50% shareholding and the effective tax rate of the non-resident is less than 75% of the Spanish tax rate.

There are also anti avoidance rules regarding dividends and capital gains from subsidiaries resident in tax havens.

Withholding taxes (WHT)

An ETVE can distribute to its non Spanish resident shareholders (without a permanent establishment in Spain), the profits that result from receipt of foreign exempt income, as described above, free of any Spanish withholding tax.

The domestic rate of WHT on annual interest payable is 19%. This rate may be reduced to 0% under the EU parent subsidiary directive and this rate can also be reduced under Treaties.

The domestic rate of WHT on royalty payments is 24%. This rate may be reduced to 10% under the EU parent subsidiary directive (until July 2011 and 0% thereafter). This rate can also be reduced with certain treaty countries.

Double tax agreements

Spain has more than 80 agreements in effect.

Foreign shareholders

A capital gain realised on the liquidation of an ETVE or on the sale (fully or partly) of the company will be tax exempt. Any part of the consideration which relates to Spanish subsidiaries would not be exempt.

IP regime

Legal

Spain offers a high level of legal protection and recognition for patents, trademarks, know-how, goodwill, copyrights and industrial design and models.

IP rules

The IP regime applies to many registered intangible assets. Companies can benefit from an IP tax exemption of 50% of the revenues arising from the right to use certain qualifying IP rights. Such qualifying IP includes patents or information concerning industrial, commercial or scientific experience. Royalties from any other source are excluded from this incentive. In addition there is a 100% deduction of the development costs of any IP.

This incentive is compatible with the R&D tax credit, so that in many situations both incentives can apply at the same time.

R&D rules

Spain has an R&D regime under which companies can obtain a deduction of between 25% and 42% of the R&D expenditure in a tax year.

An additional deduction of the 17% can apply over the personal expenditures of qualified investigators, as well as a deduction of 8% for assets used specifically within the R&D activity.

Expatriate issues

Income tax

Individuals are taxed on all earned income and passive income and rates are progressive from 24% to 49%. Savings income is taxed at 19-21%.

Social security contributions

Employees pay social security at 6.35%.

Expatriate rules

Spain has a special regime for expatriates assigned to Spain as a consequence of an employment contract.

Expatriates eligible for this regime are only taxed on income obtained in Spain, and this is taxed at a 24% flat rate.


Corporate set up

Cost

Companies set up costs start at circa €1,000 and can take up to 2 weeks.

Corporate entity

The most common entity in Spain is an SL (Limited Liability Company). For a SL the minimum share capital requirement is €3,000.



Due to its holding company regime and a strong treaty network Spain is commonly used as a location for investments into South America.

Switzerland

Switzerland key facts

Investment climate

- local currency – Swiss Franc (CHF)
- economic and political stability
- free movement on persons agreement in place with a number of EU countries allowing those workers to have the same rights as a Swiss Citizen to live and work. A work permit is still required.

Quality of living

- low crime
- good infrastructure in terms of roads, airports and energy
- numerous languages spoken
- high standard of public education, with very good schools available for expatriate families
- picturesque.

Recreation

- good skiing
- outward-bound activities.

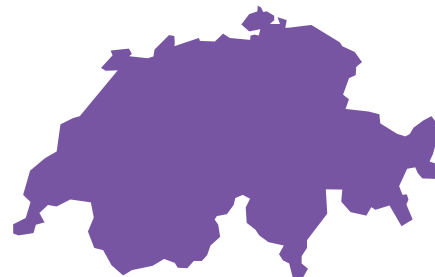
Switzerland is a highly recognised European holding company location. Although Switzerland has a complex tax system, its low corporate and personal tax rates, excellent treaty network and sophisticated work force mean it is popular as a holding company location.

Commercially, Switzerland's stable currency and political conditions lend themselves to a suitable holding company location.

Historically, Switzerland is renowned as a financial services hub, other key sectors include manufacturing, pharmaceutical and consumer business as well as food.

Switzerland is one of the wealthiest countries in the world and has a very high cost of living such that expatriates demand the best remuneration packages.

It is located at the centre of Europe and has forged close ties with the EU despite not being a member itself. It has agreements on the free movement of persons with the EU countries, although work permits are still required. In addition, the Switzerland-EU savings directive provides Switzerland with access to benefits similar to those in the EU parent subsidiary directive.



Holding company

Corporate taxation

Corporate tax is levied at the federal and cantonal level. The effective federal tax rate is 7.8% (after deducting income tax in arriving at the taxable income). The cantonal tax rate varies significantly and can bring the effective rate of tax between 12.5% and 25% depending where the company is located in Switzerland.

For those companies granted holding company privilege, they are exempt from cantonal taxes and therefore only federal tax is payable at the effective rate of 7.8%. Holding company privilege only applies for companies whose primary activity is the holding of qualifying investments and who have no active trade or business in Switzerland and two thirds of their total assets/income are in the form of subsidiary investment/dividends.

If a company is granted a mixed company status it reduces cantonal tax. Cantonal tax is only payable on 10-25% of foreign source income such that the total effective tax rate is typically 9-11%. The mixed company status is granted to companies with predominantly foreign business activities where at least 80% of revenue and expenses are foreign source.

Stamp taxes and other capital duties

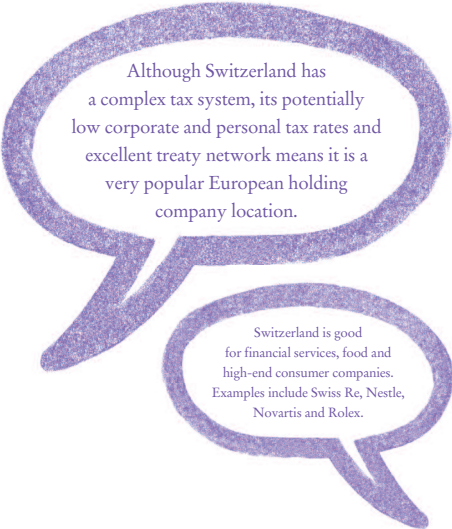
There is an annual capital tax on the value of equity of the Swiss company, the rate of which depends on the canton and ranges from approx. 0.001% to 0.01%.

Stamp duty at 1% is payable on the initial issuance of shares exceeding the amount of CHF 1 million. Exemptions are granted for some group reorganisations.


Participation exemption

A full dividend exemption is generally available from shareholdings of at least 10% (20% prior to 1 January 2011) with no holding period requirement.

Capital gains arising on the disposal of shares are exempt where those shares represent at least 10% of the share capital (20% prior to 1 January 2011) and are held for at least 1 year.



Although Switzerland has a complex tax system, its potentially low corporate and personal tax rates and excellent treaty network means it is a very popular European holding company location.



Switzerland is good for financial services, food and high-end consumer companies. Examples include Swiss Re, Nestle, Novartis and Rolex.

Corporate information

Anti avoidance legislation

Switzerland has transfer pricing rules, which require all related party transactions to be conducted on an arm's length basis.

Switzerland does not have any controlled foreign company (or equivalent) legislation.

It is possible for companies to obtain private rulings from the Swiss Tax Administration on the treatment of certain tax matters, but they are not necessarily required.

Withholding taxes (WHT)

The domestic rate of withholding tax applied to dividends is 35%, although there are significantly reduced rates with treaty countries. In addition, under the Switzerland-EU savings directive withholding tax is reduced to 0% on cross border dividend payments between related EU companies provided certain conditions are met.

Under domestic law there is no withholding tax on interest payable. However a 35% withholding tax is applied to interest derived from deposits with Swiss banks and bonds. This rate can be significantly reduced under treaties.


There is no withholding tax payable on royalties.

Double tax agreements

Switzerland has more than 100 agreements in place.

Foreign shareholders

There is no Swiss tax payable for foreign shareholders on the disposal of shares



Top planning tip: Withholding tax on dividends may be a real barrier to locating in Switzerland. This can be mitigated with some relatively simple planning, for example by making payments to shareholders out of a share premium account.

IP regime

Legal

Switzerland offers a high level of legal protection for all forms of IP including patents, industrial design and models, trademarks and copyrights.

IP rules

The IP regime in Switzerland applies broadly to all types of intangible assets, including goodwill and know-how.

Income arising from this IP is taxed at an effective rate of 9%-11% (depending on the canton and subject to agreement with the tax authorities) providing at least 80% of total income and expenses are foreign source income.

IP amortisation is tax deductible, either on a straight line basis (20% of the value each year) or on a reducing basis (40% declining balance).

Capital gains arising on the disposal of IP are taxed at between 9%-25% (depending on the canton and subject to agreement with the tax authorities).

R&D rules

Companies can claim an allowance in respect of qualifying R&D expenditure to third parties, capped at a maximum amount of 10% of current taxable profit and up to a maximum of CHF 1m.

Expatriate issues

Income tax

Individuals are taxed on all remuneration for duties performed in Switzerland, on a progressive scale between 22% and 42% (depending on the canton). The cantons of Schwyz and Zug are widely considered to have the lowest effective rates for personal tax.

Social security taxes

Total contribution is 10.3% of remuneration, of this half is paid by the employer and the other half by the employee. Additional compulsory pension plan contributions by the employee start at 10% and are dependent on age and the scheme chosen. Individuals are also required to contribute to unemployment insurance, with the employee broadly contributing half of the 2.2% contribution.

Expatriate rules

There are special deductions against taxable income for expenses such as housing, relocation and schooling costs unless reimbursed by the employer.

If expatriates are affiliated to their own social security system, they are exempted from paying Swiss social security taxes.

Corporate set up

Cost

Company set up costs start at CHF 5,000 (c.€3,800), and can take up to 4 weeks.

Corporate entities

The most frequently used entity is the corporation or AG. However, the Swiss limited liability company, the GmbH has less formal requirements than an AG entity and its use is increasing in popularity.

For both legal forms, there are minimum share capital requirements, and the entity must have at least 1 shareholder and at least 1 Swiss resident board member or director.

United Kingdom

United Kingdom key facts

Investment climate

- local currency GBP (£)
- stable political environment and respected regulatory regime
- large local pool of skilled labour
- labour laws are less stringent than EU labour laws
- predominantly English speaking.

Quality of living

- high quality infrastructure
- high standard of education
- high crime in some areas
- an increasingly more multicultural society.

Recreation

- “the British pub”
- sport
- theatre.

The UK has historically been a popular holding company location as a commercial gateway to Europe. From a tax perspective, there is a strong treaty network, a dividend exemption, an exemption from capital gains on disposal of shares, and no withholding tax on dividends, although the high headline rates and complex legislation, including the current controlled foreign company legislation, do deter some groups.

Commercially, the UK offers stability both politically and economically, and has extensive links with the rest of Europe.

Whilst the UK work force is well educated, the level of linguistic skills is often limited to English.

The key sectors for the UK include construction and property, financial services and media and entertainment.

With a free health service and good schools it can attract high-calibre expatriates. As the cost of living in the South is high, expatriates will expect high remuneration packages.



In terms of IP, the UK has a favourable, although complex, R&D tax regime which offers generous tax deductions and credits, the magnitude of which depends on the size of the group. This is currently under review and it is expected that the regime will be more focused on high technology businesses in the future.

Holding company

Corporate taxation

The headline rate of corporation tax will be 26% from 1 April 2011 (28% prior to this date). The Government has announced its intention to reduce this by 1% each year for the next four years bringing this down to 23% by 1 April 2014.

Stamp taxes and other capital duties

Stamp duty of 0.5% applies to the transfer (but not issue) of shares.

Exemptions from UK corporate tax

The UK has a dividend exemption (effective from 1 July 2009), with the majority of dividends now being exempt from UK tax.

Capital gains arising on the disposal of shares in a trading company where the UK company has owned at least 10% of the share capital for 12 months out of the last 24 months are exempt.

Corporate information

Anti avoidance legislation

The UK has transfer pricing rules, that require all related party transactions to be reflected at arm's length for tax purposes. In addition, the UK recently introduced the worldwide debt cap legislation that seeks to restrict interest deductibility where the level of debt in the UK entity is deemed to be excessive compared to the level of worldwide debt.

The UK has complex controlled foreign company legislation, which is in need of modernisation. Interim changes were announced in November 2010, with a new CFC regime due in 2012. This is expected to make the UK more attractive for international trade.

It is possible for companies to obtain advanced rulings from the UK tax authorities on the tax treatment of certain matters. These are not compulsory and can be costly.

Withholding taxes (WHT)

The UK does not impose WHT on dividends paid by a UK company.

The domestic rate of WHT on interest payable to non residents is 20%. There is no WHT on interest payable to companies in EU countries where either the payer or payee holds directly or indirectly at least 25% of the share capital in the other. In addition, there are reduced WHT rates with treaty countries.

The domestic rate of WHT on royalty payments to non residents is 20%. There is no WHT on royalty payments to companies in EU countries where either the payer or payee holds directly or indirectly at least 25% of the share capital in the other. In addition, there are reduced WHT rates with treaty countries.

Double tax agreements

The UK has more than 120 agreements currently in effect.



IP regime

Legal

The UK has a robust legal framework for the protection of intellectual property including patents, copyrights, trademarks, service marks and industrial designs and models.

IP rules

The UK IP regime applies to broadly all intangible assets (including goodwill) whether acquired or internally generated post March 2002. Under the regime, amortisation is deductible in line with the accounts or the taxpayer can elect for relief at 4% per annum.

Gains on the disposal of IP assets are taxed at the headline tax rate, gains may be deferred, where the proceeds from sale are re-invested in qualifying assets.

A patent box regime was announced at the end of 2010, under which patent income will be taxed at 10%. It is anticipated that the regime will be effective from 2013.

R&D rules

The UK R&D rules offer enhanced deductions and credits for qualifying expenditure, depending on the size of the group.

For small and medium enterprises (SME), from 1 April 2011 a 200% deduction is available for qualifying R&D expenditure. Other companies benefit from an enhanced deduction of 130% deduction of expenditure.

In addition, loss making SMEs incurring qualifying R&D expenditure can claim a tax repayment by surrendering tax credits.

Qualifying capital R&D expenditure is wholly allowable as a tax deduction by way of a 100% capital allowance in the year it is incurred.

Expatriate issues

Income tax

Individuals are taxed on all remuneration (including benefits in kind) for duties performed in the UK, on a three tier scale 20%, 40% and 50%, although the 50% rate only applies to taxable income in excess of £150,000 (c.€175,000).

There are numerous deductions and exemptions, in particular, taxable income is determined after deducting a personal tax free allowance of £6,475 (c.€7,500) and qualifying pension contributions. Most benefits in kind are taxable.

Social security contributions

Employee social security contributions are payable at 11% (12% from 6 April 2011), with employers required to pay an additional 12.8% (13.8% from 6 April 2011) employer contributions on salaries.

Expatriate rules

Assuming there is no intention to stay in the UK, expatriates will only be taxable on their UK earnings together with any investment income or gains arising in or remitted to the UK (subject to the payment of £30,000/£50,000 (c.€35,000/c.€60,000) depending on how long the expatriate has been resident in the UK for).

For short term employment there are generous deductions for personal expenses for individuals on short term secondments (for up to 2 tax years).

Corporate set up

Cost

Company set up costs start at €500 and can be completed in a week.

Corporate entities

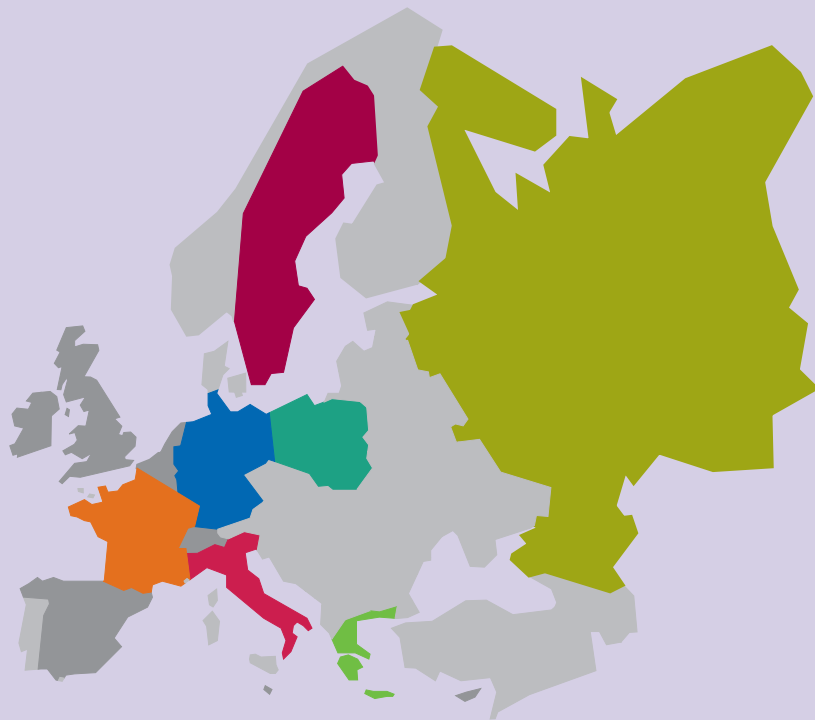
The most frequently used entity is the limited company, which has no minimum share capital and only requires 1 shareholder and 1 director. The LLP, a limited liability partnership is becoming increasingly more widely used.



The UK tax authorities have committed to simplifying the R&D regime and introducing a patent box regime. Both these measures will increase the UK's draw as an IP holding company location.

Other territory profiles

The nine key holding company locations are not exclusive – we summarise key issues to consider in various other European territories.



France



Holding company

- **Corporation tax rate**
33.3% (plus social surcharge).
- **Participation exemption on dividends?**
Yes, dividends received are 95% exempt (conditions are +5% holding for more than 24 months).
- **Participation exemption on capital gains?**
Yes, gains are 95% exempt (conditions are +5% holding for more than 24 months).
- **Interest deductibility?**
Yes.
- **Transfer pricing regime?**
Yes, transactions between related parties must be on an arm's length basis.
- **Controlled foreign company regime?**
Yes, there must be a 50% shareholding to fall within the rules and safe harbour clauses exist for both EU and non-EU countries.

- **Local tax on disposal of shares by foreign shareholder?**
Yes, 18%, unless reduced under the relevant treaties.
- **Withholding tax on dividends?**
Yes, 25% but reduced to 0% under EU parent subsidiary directive and also may be reduced under treaties.
- **Withholding tax on interest?**
No, unless interest paid on some specific debt instruments issued prior to 31 March 2010.
- **Number of Double Taxation Treaties**
110+.

IP holding company

- **IP regime?**
Yes, applies to a regime of IP, with amortisation available on either costs or purchase price. The level of tax deduction amortisation depends on the IP, with rates ranging from 100% in the year of acquisition to 20% over 5 years.

- **Tax rate on IP income**
15% on royalties from patents and deemed patent licensing and sales of such patents.

Other information

- **Local currency**
Euro.
- **Income tax rate**
Progressive, ranging from 5.5%-41% (in addition to high social security costs).
- **Expatriate regime**
A French tax charge arises on employment income derived from duties performed in France. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc. A tax exemption on the allowances paid to employees seconded to France can be implemented if certain criteria are met.

Germany



Holding company

- **Corporation tax rate**
Approximately 30% (this includes corporate and trade tax).
- **Participation exemption on dividends?**
Yes, dividends received are 95% exempt (no shareholding conditions to be met).
- **Participation exemption on capital gains?**
Yes, gains are 95% exempt (no shareholding conditions to be met).
- **Interest deductibility?**
Yes, subject to interest ceiling rules.
- **Transfer pricing regime?**
Yes, transactions between related parties must be on an arm's length basis.
- **Controlled foreign company regime?**
Yes, passive foreign income is taxed if that income was subject to tax at an effective rate of less than 25%. Exemptions apply for EU based subsidiaries.

- **Local tax on disposal of shares by foreign shareholder?**
No, provided there is a treaty.
- **Withholding tax on dividends?**
Yes, 26.375% but this is reduced to 15.825% if the shareholder is a corporation. The rate may be reduced to 0% under EU parent subsidiary directive and may also be reduced under treaties.
- **Withholding tax on interest?**
No (except on interest from German banks/financial institutions).
- **Number of Double Taxation Treaties**
100+.

IP holding company

- **IP regime?**
Yes, applies to a variety of IP, with tax deductible amortisation based on the purchase price of the IP. The rate depends on the type of IP, but is broadly available over 15 years.

- **Tax rate on IP income**
No special regime. Taxed at usual corporate tax rate 30%.

Other comments

- **Local currency**
Euro.
- **Income tax rate**
Progressive, ranging from 14%-45%.
- **Expatriate regime**
Individual taxpayers are allowed to claim all expenses directly incurred with their incomes from employment. There is a tax free lump sum for employees at an amount of €920. Thereafter, various other deductions and allowances apply on taxable income from employment. The German income tax law does not provide for special deductions or tax free expatriate premiums.

Greece



Holding company

- **Corporation tax rate**
20%.
- **Participation exemption on dividends?**
No.
- **Participation exemption on capital gains?**
No.
- **Interest deductibility?**
Yes, subject to transfer pricing and thin capitalisation rules.
- **Transfer pricing regime?**
Yes, transactions between related parties must be on an arm's length basis.
- **Controlled foreign company regime?**
Yes, quasi-CFC rules may apply for the EU transparent entities. In addition transactions with "black listed" countries may not be deductible.
- **Local tax on disposal of shares by foreign shareholder?**
No, provided there is a treaty.

- **Withholding tax on dividends?**
Yes, 25% of this rate may be reduced to 0% under EU parent subsidiary directive and also may be reduced under treaties.
- **Withholding tax on interest?**
Yes, 40% but reduced to 5% under EU parent subsidiary directive (until July 2013 and then 0% thereafter) and also may be reduced under treaties.
- **Number of Double Taxation Treaties**
50+.

IP holding company

- **IP regime?**
Yes, applies to a variety of IP including patents, trademarks and designs. Amortisation is available on the historic cost basis of the IP, and the company can choose to take a deduction either in the year of acquisition at 100% or spread over five years at 20% per annum.

- **Tax rate on IP income**
No special regime. Taxed at usual corporate tax rate of 20%.

Other comments

- **Local currency**
Euro.
- **Income tax rate**
Progressive up to 45%.
- **Expatriate regime**
A Greek tax charge arises on employment income derived from duties performed in Greece. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, perquisites, benefits etc. There is also a requirement on the expatriate's employer to deduct Greek payroll withholding tax from the assessable employment income. There are no specific expatriate concessions in Greece.

Italy



Holding company

- **Corporation tax rate**
27.5% (plus regional tax, 3.9%-4.82%).
- **Participation exemption on dividends?**
Yes, dividends received are 95% exempt (no shareholding conditions to be met) unless received from “black listed” countries (broadly tax havens).
- **Participation exemption on capital gains?**
Yes, gains are 95% exempt (shareholding must be held for more than 12 months, the company invested in must have real business activity and must not be resident in a “black listed” country).
- **Interest deductibility?**
Yes, subject to certain limitations.
- **Transfer pricing regime?**
Yes, transactions between Italian entities and connected non-residents must be on an arm’s length basis.
- **Controlled foreign company regime?**
Yes, applies where broadly subsidiary is resident in a “black listed” country.

- **Local tax on disposal of shares by foreign shareholder?**
Yes, 18%, unless reduced by the relevant treaties.
- **Withholding tax on dividends?**
Yes, 27% but reduced to 1.375% if paid to companies resident in the European Economic Area, or to 0% under EU parent subsidiary directive and also may be reduced under treaties.
- **Withholding tax on interest?**
Yes, 12.5% (27% if paid to “black listed” country), may be reduced to 0% under EU parent subsidiary directive and also may be reduced under relevant treaties.
- **Number of Double Taxation Treaties**
80+.

IP holding company

- **IP regime?**
Yes, this applies to a variety of registered and unregistered IP. Tax deduction for amortisation is available, 50% per annum for patents and know-how, 5.5% per annum for trademarks and goodwill.

- **Tax rate on IP income**
No special regime, taxed at ordinary corporation tax rate.

Other comments

- **Local currency**
Euro.
- **Income tax rate**
Progressive, rising from 23-43% plus regional taxes.
- **Expatriate regime**
Income from an office or employment includes all amounts received by 12 January of the following year as salary, wages, commissions, director’s fees, bonuses and taxable benefits. There are no specific concessions for expatriates. However, tax planning opportunities exist in the years of entering/leaving the country.

Poland



Holding company

- **Corporation tax rate**
19%.
- **Participation exemption on dividends?**
Yes, dividends received are 100% exempt (conditions are +10% holding for more than 24 months).
- **Participation exemption on capital gains?**
No.
- **Interest deductibility?**
Yes, subject to transfer pricing and thin capitalisation rules.
- **Transfer pricing regime?**
Yes, where transactions are not on an arm's length basis then the tax authority may require adjustments.
- **Controlled foreign company regime?**
No.
- **Local tax on disposal of shares by foreign shareholder?**
Generally no, subject to treaties.

- **Withholding tax on dividends?**
Yes, 19% but reduced to 0% under EU parent subsidiary directive and also may be reduced under treaties.
- **Withholding tax on interest?**
Yes, 20% but may be reduced under EU parent subsidiary directive (5% to 30 June 2013, 0% thereafter), and also may be reduced under relevant treaties.
- **Number of Double Taxation Treaties**
80+.

IP holding company

- **IP regime?**
Yes, applies to most IP excluding general know-how. A tax deduction for amortisation is available on the purchase price of the IP and the minimum period of amortisation is 60 months.
- **Tax rate on IP income**
No special rate. Taxed at usual corporate tax rate 19%.

Other comments

- **Local currency**
Polish Zloty.
- **Income tax rate**
Progressive, ranging from 18%-32%.
- **Expatriate regime**
A Polish tax charge arises on employment income derived from duties performed in Poland. Assessable employment income includes all wages, salaries, overtime pay, bonuses, gratuities, benefits in kind etc. There is no specific tax exemption for expatriates.

Russia



Holding company

- **Corporation tax rate**
20%.
- **Participation exemption on dividends?**
Yes, dividends received are 100% exempt (conditions from 1 January 2011 are more than a 50% holding, holding period is more than 1 year and the entity must not be a resident in a tax haven).
- **Participation exemption on capital gains?**
Yes, gains are 100% exempt on shares in companies (conditions include that shares were purchased after 1 January 2011 and are held for more than 5 years).
- **Interest deductibility?**
Yes, subject to transfer pricing and thin capitalisation rules.
- **Transfer pricing regime?**
Yes, where pricing regime deviates more than 20% from market price, assessment can be made.

- **Controlled foreign company regime?**
No.
- **Local tax on disposal of shares by foreign shareholder?**
Yes, 20%, where more than half the assets of the Russian company consist of real estate situated in Russia.
- **Withholding tax on dividends?**
15%, may be reduced under treaties.
- **Withholding tax on interest?**
20%, may be reduced under treaties.
- **Number of Double Taxation Treaties**
75+.

IP holding company

- **IP regime?**
Yes, applies to various types of IP (excludes goodwill and customer relationships held for over 12 months). Amortisation is available on the actual cost of the IP, and is amortised over the useful life of the IP.

- **Tax rate on IP income**
No special rate. Taxed at the usual corporation tax rate of 20%.

Other comments

- **Local currency**
Russian Rouble.
- **Income tax rate**
Flat rate of 13% for Russian residents 30% for non-residents on Russian source income.
- **Expatriate regime**
All forms of remuneration received in respect of the performance of employment duties are treated as employment income. Where income has been subject to tax in Russia and also a foreign jurisdiction, relief can be granted by the Russian tax authorities where provided for in the relevant Double Taxation Agreement.

Sweden



Holding company

- **Corporation tax rate**
26.3%.
- **Participation exemption on dividends?**
Yes, dividends received are 100% exempt (passive investment conditions are +10% holding for more than 12 months).
- **Participation exemption on capital gains?**
Yes, gains are 100% exempt (passive investment conditions are +10% holding for more than 12 months).
- **Interest deductibility?**
Yes, subject to transfer pricing regime. Certain limitations may apply.
- **Transfer pricing regime?**
Yes, transactions must be on an arm's length basis.
- **Controlled foreign company regime?**
Yes, rules apply where the foreign entity is deemed to be subject to an effective tax rate of less than 14.5%.

- **Local tax on disposal of shares by foreign shareholder?**
No.
- **Withholding tax on dividends?**
30%, may be reduced to 0% under EU parent subsidiary directive and also under treaties.
- **Withholding tax on interest?**
No.
- **Number of Double Taxation Treaties**
80+.

IP holding company

- **IP regime?**
Yes, applies to all IP. Amortisation is available on the historic (acquisition) value of the IP, and the maximum rate of deduction is 30%.
- **Tax rate on IP income**
No special rate of tax. Taxed at the usual corporation tax rate of 26.3%.

Other comments

- **Local currency**
Swedish Krona.
- **Income tax rate**
Progressive, ranging from 31%-57%.
- **Expatriate regime**
Generally, all earnings are taxed as income from employment provided the income is not considered business income or income from capital. All earnings from an employer to an employee are taxable as income from employment, i.e. wages, fees, sickness allowances, severance pay as well as benefits in kind. Under certain conditions, foreign employees working in Sweden for limited periods may qualify for a reduction of the income tax liability on their earnings. The reduction amounts to 25% and is applicable for only the first three years and if the employer/employee has applied for a ruling within three months after the work started in Sweden.



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