# Denmark offers unique opportunities as a holding company location

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Denmark had introduced a tax reform aimed at improving its position as a holding company regime by which it has made exempt dividends and capital gains on shares in subsidiaries and group companies. The authors present the significant factors affecting investments by a foreign company through a Danish holding company alongside a comparative survey of Denmark with few other European countries as a holding company jurisdiction.

## I. Introduction

On May 28, 2009 the Danish parliament adopted a tax reform which significantly improved the Danish holding company regime. Accordingly, dividends and capital gains on shares in subsidiaries and group companies are generally tax exempt with no holding period requirements.

International holding companies are often established with the purpose of avoiding local withholding taxes on distributed dividends, avoiding taxation of capital gains on shares and to obtain dividends from high and low tax countries to utilise tax credits. Naturally, numerous factors are of importance in the decision of placing a holding company, including tax and non-tax factors.

The following provides a brief overview of the most important tax rules for a foreign investor considering investing through a Danish holding company. Furthermore a comparison is provided of Denmark as a holding company jurisdiction compared to the traditional holding company jurisdictions within the EU; Belgium, Cyprus, Ireland, Luxembourg, the Netherlands and Sweden.

## II. General tax rules

In Denmark no special tax regimes for holding companies exists. Thus, the general corporate tax legislation applies, including the EU Parent-Subsidiary Directive, the Interest and Royalty Directive and the Danish Double Tax Treaties.

However, specific legislation exists regarding so-called investment companies. Such investment companies are fully tax-exempt and can be used to invest in securities for foreign investors. Foreign investors will generally not be taxable in Denmark on income from an investment company if certain ownership requirements are met. The investment is not a direct alternative to a holding company.

In Denmark no capital duties are imposed on the formation of companies. Furthermore no duties are

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imposed on the issue of shares, the increase in share capital and the transfer of shares.

Despite the fact that no favourable tax regime for holding companies exists in Denmark, the use of a Danish holding company might be advantageous as the improved (general) tax rules on dividends and capital gains on shares apply as well as the fact that no capital duties are imposed in Denmark.

### A. Corporate tax rate and tax base

Resident companies are subject to Danish corporate income tax. The corporate tax rate on net income is 25 percent, i.e. no local taxes are levied. Resident companies are not taxed on income from foreign immovable property and income from foreign permanent establishments. All other types of income of resident companies, e.g. dividends, interest and royalties derived directly, as well as CFC income are subject to worldwide taxation.

Public and private companies established (registered) under Danish law are considered resident companies for Danish tax purposes. In addition, foreign-incorporated companies and other entities not registered in Denmark are considered resident in Denmark if their place of management is located in Denmark.

The Danish corporate tax rate is generally competitive.

### B. National and international joint taxation

Danish companies controlled by voting power within the same group are subject to mandatory joint taxation. This rule applies to all Danish companies within the same group, including real estate and permanent establishments located in Denmark. Consequently, tax losses of one company are automatically used by other companies within the same group with positive income.

A Danish company may opt for international joint taxation with non-resident group companies. This choice must include all non-resident group companies for a period of at least 10 years. All group companies will be subject to Danish taxation if international joint taxation is established.

With respect to national and international joint taxation the use of a Danish holding company is favourable.

### C. Transfer pricing

The Danish transfer pricing rules are based on the arm's length principle and follow the OECD Transfer Pricing Guidelines and apply to national and cross-border transactions between affiliated Danish and foreign companies.

## III. Taxation of dividends and capital gains on shares

### A. In general

As of the tax income year 2010 the Danish tax legislation regarding dividends and capital gains on shares has been harmonised. Generally the tax treatment is now dependent on the classification of the shares in three different categories:

#### 1. Subsidiary shares

The parent company owns at least 10 percent of the shares of the subsidiary. The subsidiary is a company resident in Denmark or Denmark is obliged to give up or reduce taxation under the EC Parent/Subsidiary Directive or under a tax treaty with the country in which the subsidiary is resident.

#### 2. Group shares

The parent company and the subsidiary are subject to Danish international joint taxation, i.e. the parent company has a direct or indirect control of more than 50 percent of the voting power in the group company or an ultimate parent company has a direct or indirect control of more than 50 percent of the voting power in the parent company and the group company.

#### 3. Portfolio shares

All other shares, including convertible bonds (i.e. non-subsidiary shares and non-group shares).

An anti-avoidance rule applies to avoid fulfilment of the ownership requirement through a chain of companies. According to this anti-avoidance rule, the corporate shareholders of the recipient parent company are considered direct owners of the distributing company (i.e. the subsidiary or group company) if the following cumulative requirements are fulfilled:

- The recipient parent company's primary function is ownership of subsidiary shares or group shares; and
- The recipient parent company does not exercise real economic business with respect to the shareholding; and
- More than 50 percent of the share capital in the recipient parent company is directly or indirectly owned by companies that could not receive tax free dividends from the distributing subsidiary or group company if they owned the shares directly; and
- The shares in the recipient parent company are not admitted for trading on a regulated market.

A change in status from portfolio shares to subsidiary- or group shares or vice versa, e.g. due to additional acquisitions or disposal, is treated as a taxable disposal at the market value of the existing shares owned.

### B. Capital gains on shares

Danish companies are not taxed on capital gains on sale of subsidiary- and group shares, whereas capital gains on portfolio shares are taxable (25 percent). Gains and losses on portfolio shares are taxed according to the mark-to-market principle. The realisation principle may however apply on gains and losses on non-listed portfolio shares, if this principle is chosen as timing principle for all such shares and the mark-to-market principle has not earlier been used with respect to the taxation of gains and losses on portfolio shares.

There are no Danish withholding taxes on capital gains on shares.

### C. Outbound dividends

Generally dividends are levied withholding taxes at a rate of 28 percent (27 percent as of January 1, 2012). The rate is reduced to 15 percent if:

- The recipient holds less than 10 percent of the capital of the resident company; and
- The tax authorities of the recipient's residence state are obliged to exchange information with the Danish tax authorities by virtue of a bilateral tax treaty, an international treaty or an administrative agreement.

However, dividends on subsidiary and group shares are tax exempt if Denmark is obliged to give up or reduce taxation on the dividends under the EC Parent/ Subsidiary Directive or under a tax treaty with the country in which the recipient company is resident. If Denmark is obliged to reduce the withholding tax by, for e.g. 10 percent according to an applicable Double Tax Treaty, the withholding tax will be waived in full according to the Danish national legislation.

Recently, the Danish tax authorities have challenged foreign holding companies that are established merely to avoid withholding taxes (conduit companies); by arguing that such companies should not be considered beneficial owners of dividends and interest payments. Thus, the Danish tax authorities consider the payments for being received directly by the ultimate investors. However, a recent case law from the Danish tax tribunal has ruled in favour of the taxpayer in one specific case. The ruling on a leading case is still awaited.

### D. Inbound dividends

Danish recipient companies can receive tax free dividends on subsidiary- and group shares if the distributing company is unable to deduct the dividend payment. This condition – on non deductibility - does not apply to dividends covered by the EU Parent/ Subsidiary Directive.

Dividends on portfolio shares are taxable in the year of realisation.

### E. Taxation of liquidation proceeds

Accumulated profits in a Danish holding company may be distributed as dividends, realised due to disposal of the holding company-shares or by liquidation of the holding company.

According to Danish law, no withholding taxes are in general levied on liquidation proceeds, as liquidation is treated as a disposal of shares, provided that the liquidation proceeds are paid in the calendar year in which the liquidation is finalised.

However, if the corporate shareholder owns at least 10 percent of the share capital and is resident in a non-EU country with which Denmark has not entered a Double Tax Treaty the liquidation proceeds will be subject to withholding tax at the rate of 28 percent.

According to Danish tax law the sale of shares to the issuing company is considered a dividend payment. In situations where an exit may trigger withholding tax, strategies are available to eliminate the taxation.

> “...dividends, capital gains and liquidation proceeds on subsidiary- and group shares are generally tax exempt with no holding period requirement.”

Conclusively, dividends, capital gains and liquidation proceeds on subsidiary- and group shares are generally tax exempt with no holding period requirement. As shown, in regard to resident companies' dividend payments, capital gains on shares are subject to a harmonised tax treatment. Thus, the use of a Danish holding company is very favourable with respect to taxation of dividends, capital gains and liquidation proceeds on subsidiary- and group shares.

## IV. Withholding taxes on interest and royalties

Generally there is no withholding tax on interest. However, interest paid to a foreign related/ controlling entity is subject to withholding tax of 25 percent if the lending company is not covered by the EU Interest and Royalties Directive or protected by a Double Tax Treaty. A foreign related/ controlling entity is defined as an entity owning, directly or indirectly more than 50 percent of the share capital or controlling, directly

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or indirectly more than 50 percent of the voting power in the company paying the interest. Withholding taxes on interests paid to affiliated companies is usually only levied if the lending company is resident in a tax haven.

Royalties from Danish companies are subject to a withholding tax at the rate of 25 percent. For the purposes of withholding tax, the concept of royalties includes payments for the use of, or the right to use, e.g. patents, trademarks, designs or models, plans, secret formulas or process or information concerning industrial, commercial or scientific experience. Payments for copyrights and for the use of industrial, commercial or scientific equipment are not considered royalties. The concept of royalties also does not include consideration for the transfer of ownership of the above-mentioned rights or information. The withholding tax on royalties may be reduced or exempted under the Interest and Royalties Directive or a Double Tax Treaty.

As stated earlier, the Danish tax authorities have recently challenged such conduit companies, which are foreign holding companies established with the intention to avoid withholding taxes on the premise not to consider such companies as beneficial owners of dividends and interest payments. However, recent case law from the Danish tax tribunal has ruled in favour of the taxpayer in one specific case. The ruling on a leading case is still awaited.

The use of a Danish holding company is not most favoured with respect to withholding taxes on interests to a foreign related/ controlling entity if the lending company is not covered by the EU Interest and Royalties Directive or protected by a Double Tax Treaty. In all other situations the use of a Danish holding company is in line with the use of a holding company resident in Belgium, Cyprus, Ireland, Luxembourg, the Netherlands and Sweden with respect to withholding taxes on interests and royalties

## IV. Anti-avoidance rules

### A. CFC taxation

Under the Danish CFC legislation a Danish resident parent company is liable to tax on the net financial income of a non-resident subsidiary or a foreign permanent establishment to the extent of its participation if:

- The Danish parent company owns more than 50 percent of its voting power (other group indicators are available under the broad definition of a group used for CFC-purposes),
- More than 50 percent of the subsidiary's taxable income derive from financial income and
- At least 10 percent of the subsidiary's assets are financial assets.

Financial income comprises dividends, interest, capital gains, royalties, income from financial leases and insurance premiums. An exemption from CFC taxation exists for intermediate local holding companies. Transactions between a subsidiary resident in the same country and the intermediate holding company are in principle disregarded. Provisions exist to prevent double taxation upon distribution of dividends and realised capital gains on the shares if they originate from income already taxed under the CFC rules.

With respect to CFC-legislation, the use of a Danish holding company is not most favoured. However, similar rules exist in most countries, including countries known for a favourable holding regime for tax purposes.

### B. Thin capitalisation and other restrictions on interest deductibility

> “With respect to CFC-legislation, the use of a Danish holding company is not most favoured.”

Thin capitalisation rules apply to Danish companies having a debt exceeding DKK 10 million to a controlling legal person. 'Control' is defined as:

- Direct or indirect ownership of more than 50 percent of the share capital or
- Direct or indirect control of more than 50 percent of the voting power.

Interest expenses relating to controlled debt in excess of a debt/equity ratio of 4:1 are not deductible. A company can avoid the debt/equity ratio limitation to the extent it demonstrates that a similar loan relationship could exist between unrelated parties.

Anti-avoidance rules exist to prevent:

- The contribution and subsequent withdrawal of equity capital;
- Dilution of the 4:1 debt/equity ratio through the use of a chain of companies; and
- The use of back-to-back loans through third parties.

Non-deductible interest expenses are not recharacterised as dividends either for purposes of domestic law or tax treaty purposes.

Two additional general restrictions on interest deduction apply. Firstly, the deductibility of net financing expenses is limited to a cap computed by applying a standard rate of 5.0 percent (for 2010) on the tax value of the company's business assets as listed in the law. However, expenses below DKK 21.3 million (for 2010) are always deductible under this rule. Secondly, limitation is based on annual profits according to which, the net financing expenses may not exceed 80 percent of Earnings before Interest and Taxes (EBIT) at the debtor company level.

Furthermore, an anti-abuse rule preventing deductibility of interests on hybrid debt exists. Accordingly, interest expenses are non-deductible if the loan is granted by an affiliated company and this affiliated company treats the loan as equity.

Also with respect to thin capitalisation and other restrictions on interest deductibility, the use of a Danish holding company is not most favoured. However, similar rules exist in most countries, including countries known for a favourable holding regime for tax purposes.

### C. Hybrid entities

A specific Danish anti-arbitrage provision exists whereby if a Danish entity is considered a transparent entity in the country in which the parent company is resident, the Danish entity is also considered a transparent entity for Danish tax purposes. Thus, if a Danish check-the-box entity is considered a transparent entity for US tax purposes, it is also considered a transparent entity for Danish tax purposes. Consequently, the Danish holding company is no longer separately subject to Danish taxation. Instead the US company will be taxed as if it has a permanent establishment in Denmark.

## V. Binding rulings

To obtain full certainty of the tax consequences of specific transactions it is necessary to apply for a binding ruling from the tax authorities.

## VI. Double tax treaties

Denmark has signed a large number of double tax treaties with most potential investor countries.

## VII. Accounting and company law

### A. Accounting

Danish registered companies must prepare an annual financial statement in accordance with the Danish generally accepted accounting principles or the International Financial Reporting Standards (IFRS) as well as a consolidated financial statement. The annual financial statement must be audited by an external and independent auditor and approved by the general meeting no later than five months after the end of the financial year.

The annual financial statement may be prepared in DKK, EUR, USD or other functional currencies, making the Danish accounting requirements flexible.

### B. Company law

A Danish holding company may be set up as either a public limited company (*Aktieselskab, A/S*) or a private limited company (*Anpartsselskab, ApS*). The setup of a limited company can be formed online (at www.webreg.dk) and completed within a day. However, if the company is established by a non-Danish company (or person) an increased processing time must be expected. With respect to the setup there are no notary requirements. Alternatively, a self-company can be acquired.

An *ApS* must have a minimum share capital of DKK 80,000 and a public limited company must have a minimum share capital of DKK 500,000. The minimum share capital may be paid by cash or non-cash contributions. Accordingly, assets (including shares) may be contributed to the Danish company as a non-cash contribution. Non-cash contributions generally require that an auditor prepare a valuation declaration concerning the value of the assets contributed. Only a partial payment of the capital is required, i.e. it is required that 25 percent of the nominal share capital is contributed. However, the contributed capital must not be less than DKK 80,000. Any non-cash contribution must be paid in full.

Dividends must be distributed at the annual general meeting, in connection with redemption of the share capital following a four-week public notification period or as interim dividends. The share premiums are considered free reserves eligible for dividends contributions. Dividends may be distributed for the first time at the first general annual meeting at which the first annual financial statement is approved.

### C. Tax returns

Danish registered companies must prepare and file an annual tax return no later than six months after the end of the financial year. The tax return may be prepared in any currency the company might choose. Thus, the tax return is assessed in its functional currency where after the net taxable income is converted into DKK by using the average exchange rate for the past year.

## VIII. Comparative survey

Table A in the following pages shows a comparative survey of the holding tax regimes in Belgium, Cyprus, Luxembourg, Netherlands and Sweden.

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Table A

| | Belgium | Cyprus | Ireland | Luxembourg | The Netherlands | Sweden |
|---|---|---|---|---|---|---|
| **Does special tax regimes for holding companies applies?** | **No** | **No** | **Yes** | **Yes**<br>In 2007 a new private wealth management vehicle, the "Société de Gestion de Patrimoine Familial" (SPF) was introduced. The SPF succeeds the classical 1929 holding company regime repealed in December 2006. Existing 1929 holding companies benefit from a grandfathering clause until the end of 2010 the extent shares of these companies are not partially or entirely transferred during the transitional period. | **No** | **No** |
| **Is capital duty payable?** | **No** | **Yes**<br>Stamp duty is payable on authorized share capital at a flat rate of EUR 102.52, plus 0.6 % of the nominal value of authorized share capital, and on issues of share capital at a flat rate of EUR 17.09. | **No** | **No** | **No** | **No** |
| **Effective corporate tax rate** | **33.99%**<br>(33% standard rate + 3% crisis contribution surcharge) | **10%** | **12.5% (trading income)**<br>25% (non-trading (passive) income) | **28.59%**<br>(21.84% standard rate + 6.75% Municipal Business Tax for Luxembourg city only) | **25.5%** | **26.3%** |
| **Is inter-national joint taxation of groups available?** | **No** | **No**<br>Group relief for losses is available. | **No**<br>Limited relief are available for losses, certain costs and management expenses and for capital gains in groups but there are no provisions for consolidation of income. | **Yes**<br>A fully taxable resident company, of which at least 95% of the capital is directly or indirectly held by another fully taxable company or by a Luxembourg permanent establishment of a nonresident company subject to a tax comparable to the Luxembourg CIT, may apply for fiscal consolidation with its parent company. | **Yes**<br>Economic and legal ownership of at least 95% of the shares is required. | **No**<br>A form of tax consolidation is possible through group consolidation |

| | Belgium | Cyprus | Ireland | Luxembourg | The Netherlands | Sweden |
|---|---|---|---|---|---|---|
| **Taxation of capital gains (sale of subsidiaries)** | **Exempt**<br>If the shareholding satisfies the taxation requirement ( i.e. subsidiaries located in an EU Member State are generally considered to be subject to a tax regime similar to Belgian corporate income tax and for subsidiaries located in a non-EU Member State, a nominal or effective tax rate of at least 15% is required).<br>**Required ownership percentage:**<br>No ownership requirements<br>**Required holding period:**<br>No holding requirements | **Exempt**<br>Disposals of shares in a subsidiary are exempt from capital gains tax unless the subsidiary owns immovable property in Cyprus, in which case gains related to that property are taxable.<br>**Required ownership percentage:**<br>No ownership requirements<br>**Required holding period:**<br>No holding requirements | **Exempt**<br>The exemption applies to shareholdings in 'subsidiary' companies resident in the EU or countries with which Ireland has a tax treaty. Other capital gains are normally taxed at 25% where HoldCo is Irish resident at the date of disposal. In calculating the gain, the acquisition cost is increased for inflation from the date of acquisition or its market value on 6 April 1974, if later, up to 31 December 2002.<br>**Required ownership percentage:**<br>5 %<br>**Required holding period:**<br>12-month period ending within the 24 months prior to disposal. However, prior periods of ownership can be transferred in certain restructurings/intra-group transactions | **Exempt**<br>However, any costs, such as interest related to the acquisition of the shares or write-downs on participations linked to dividend distributions in/by a qualifying subsidiary, deducted from the taxable profit in previous years, will be recaptured in the tax base of the year of disposal, reducing the amount of capital gain qualifying for exemption. Any such expenses incurred in the year of disposal are set off against any qualifying tax-exempt dividends received; the remaining amount is recaptured.<br>The SPF is exempt from corporate income tax.<br>**Required ownership percentage:**<br>10 % of acquisition costs of at least EUR 6 million.<br>**Required holding period:**<br>1 year or commitment to hold for 1 year | **Exempt**<br>**Required ownership percentage:**<br>5% of the shares in the subsidiary (which has a capital divided into shares) and does not hold these shares as a portfolio investment ("intention test"). Subsidiaries which are held as portfolio investments can still qualify for the participation exemption if more than 50% of the assets are active or if the subsidiary is taxed at a rate of at least 10%, calculated upon a tax base which does not systematically differ from the Dutch tax base. For passive portfolio investments with an effective tax rate below 10%, a tax credit system applies.<br>**Required holding period:**<br>No holding requirements | **Exempt**<br>Capital gains on the sale of "business-related" shares are tax-exempt provided the shares sold are in a company regarded as equivalent to a Swedish limited liability company. Gains on the sale of shares held as portfolio investments are taxed at the 26.3% corporate rate. In the case of a domestic or cross-border intragroup transfer (share-for-share or straight transfer), tax may be deferred if certain conditions are satisfied. Taxation of external share-for-share transfers may also be deferred.<br>**Required ownership percentage:**<br>Unquoted shares are always deemed business-related.<br>Quoted shares are business-related if more than 10% of the votes are held or if the company can demonstrate that the shares are held for business purposes. Shares held as inventory will not qualify for exemption.<br>**Required holding period:**<br>No holding period for unquoted shares. For quoted shares, a 1-year holding requirement exists. |


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| | Belgium | Cyprus | Ireland | Luxembourg | The Netherlands | Sweden |
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| **Withholding taxes on dividends to non-resident parent companies** | **Non-treaty: 15% - 25%**<br>**Treaty: 0% - 15%**<br>**EU: 0%**<br><br>Dividends are exempt from withholding tax if paid to a parent company located in a country with which Belgium has a tax treaty which includes an exchange of information clause. | **Non-treaty: 0%**<br>**Treaty: 0%**<br>**EU: 0%** | **Non-treaty: 20%**<br>**Treaty: 0%**<br>**EU: 0%** | **Non-treaty: 15%**<br>**Treaty: 0% - 15%**<br>**EU: 0%**<br><br>No withholding tax is levied on dividends distributed by a Luxembourg company to a parent company located in a treaty country if conditions similar to those in the Luxembourg participation exemption regime are satisfied. The requirements for the exemption are that the parent company (i) holds at least 10% of the company paying the dividends or a participation acquired for at least EUR 1.2 million; (ii) holds or commits to hold the shares for an uninterrupted period of at least one year; (iii) has a legal form similar to the one of the forms listed in the Luxembourg corporate income tax code; and (iv) is subject to a tax similar to the Luxembourg corporate income tax.<br>There is no withholding tax on dividends distributed by an SPF. | **Non-treaty (Coop): 0%**<br>**Non-treaty (BV): 15%**<br>**Treaty: 0% - 15%**<br>**EU: 0%**<br>For Coops: the Dutch Coop is an upcoming legal form for Dutch holding companies. Dividend distributions from a Dutch Coop are not subject to dividend withholding tax. If the participation in the Coop represents a substantial interest (at least 5% of the subscribed capital) and the investment is not a business asset of the shareholding entity (e.g. in case of passive activities), there is a remote risk that dividends may be subject to 25.5% corporate income tax (with a credit for the 15% Dutch withholding tax in cases where a withholding tax is levied).<br>For BVs: when a tax treaty or directive applies, the dividend withholding tax in corporate structures is usually reduced to a maximum of 5%. A 0% rate is available under the treaties with Mexico, Norway, Singapore, Switzerland and the U.S.. Under most treaties, the rate is 5% where the beneficial owner is a company. If the participation in the BV represents a substantial interest (at least 5% of the subscribed capital) and the investment is not a business asset of the shareholding entity (e.g. in case of passive activities), there is a remote risk that dividends may be subject to 25.5% corporate income tax (with a credit for the 15% Dutch withholding tax in cases where a withholding tax is levied). | **Non-treaty: 0% - 30%**<br>**Treaty: 0% - 30%**<br>**EU: 0%**<br><br>A final withholding tax of 30% applies to dividends paid by a Swedish company to a foreign company. Sweden has implemented the EC Parent/Subsidiary Directive under which the dividend withholding tax rate can be reduced to 0% in certain situations. The 0% rate also applies if the receiving company is a 'foreign company' (as defined in domestic legislation) regarded as equivalent to one of the Swedish entities included in a list, provided the shares held are business-related. |

| | Belgium | Cyprus | Ireland | Luxembourg | The Netherlands | Sweden |
|---|---|---|---|---|---|---|
| **Taxation of dividends from subsidiary companies** | **95 % exempt**<br>On shares qualifying as financial fixed assets. Five specific categories of dividends listed in the legislation are excluded from the 95% deduction.<br><br>**Required ownership percentage:**<br>10 % of acquisition cost of at least EUR 2.5 million.<br><br>**Required holding period:**<br>1 year | **Exempt**<br><br>**Required ownership percentage:**<br>Foreign dividends are exempt if the Cyprus company owns at least 1% of the share capital of the payer and i) the payer does not engage in more than 50% investment activities (excluding dividend income received directly or indirectly from trading subsidiaries); or ii) where investment activities exceed 50%, the foreign tax burden on the company's income is not significantly less than the Cyprus tax on the Cyprus company (in practice, less than 5%).<br><br>**Required holding period:**<br>No holding requirements | **Exempt** (domestic dividends)/ Taxable with credit for foreign tax<br>In many instances, the 12.5% tax rate for qualifying foreign dividends, combined with onshore pooling of foreign tax credits, can result in an effective dividend exemption for qualifying foreign dividends.<br><br>**Required ownership percentage:**<br>5 % (no minimum participation in companies resident in Ireland).<br><br>**Required holding period:**<br>No holding requirements | **Exempt**<br>The participation exemption does not apply to nonresident joint stock companies which are not liable to an effective tax rate of at least 10.5%, with the tax base determined in a manner not similar to that employed by Luxembourg. Any costs during the year that are economically related to exempt dividend distributions will not be deductible from the tax base up to the amount of exempt dividends received in the same year. The remaining amount will be added to the tax base in the year of disposal.<br>The SPF is exempt from corporate income tax.<br><br>**Required ownership percentage:**<br>10 % of acquisition costs of at least EUR 1.2 million.<br><br>**Required holding period:**<br>1 year or commitment of to hold for 1 year. | **Exempt**<br><br>**Required ownership percentage:**<br>The participation exemption applies if HoldCo holds at least 5% of the shares in the subsidiary (which has a capital divided into shares) and does not hold these shares<br>as a portfolio investment ("intention test"). Subsidiaries which are held as portfolio investments can still qualify for the participation exemption if more than 50% of the assets are active or if the subsidiary is taxed at a rate of at least 10%, calculated upon a tax base which does not systematically differ from the Dutch tax base. For passive portfolio investments with an effective tax rate below 10%, a tax credit system applies.<br><br>**Required holding period:**<br>No holding requirements | **Exempt**<br>Exemption is available if the shares held are "business-related" and the subsidiary is regarded as equivalent to a Swedish limited liability company (not required if the subsidiary qualifies under the EC Parent/Subsidiary Directive).<br>**Required ownership percentage:**<br>Unquoted shares are always deemed business-related.<br>Quoted shares are business-related if more than 10% of the votes are held or if the company can demonstrate that the shares are held for business purposes. Shares held as inventory will not qualify for exemption, unless the subsidiary qualifies under the EC Parent/Subsidiary Directive.<br>**Required holding period:**<br>No holding period for unquoted shares.<br>For quoted shares, a one-year holding requirement exists. Dividends received within the one-year period are tax exempt provided the shares are not disposed of before the end of that period. |
| **With-holding taxes on liquidation proceeds** | **Yes** | **No**<br>No withholding tax where the liquidation is part of a reorganization or where the shareholder is nonresident in Cyprus. In other cases, on liquidation, undistributed profits of the previous five years are treated as a distribution on dissolution and subject to a 15% defense contribution. | **No** | **No** | **Generally no**<br>Any excess of the liquidation payment over the paid in capital is treated as a dividend and subject to dividend withholding tax. | **Yes**<br>A 0% rate applies if the parent company is a company listed in the EC Parent/Subsidiary Directive and controls at least 10% of the share capital of the distributing company. The 0% rate also applies if the receiving company is a 'foreign company' (as defined in domestic legislation) regarded equivalent to one of the Swedish entities included in a list provided that the shares held are considered business-related. If not business-related, the domestic 30% rate or a reduced treaty rate applies. A refund of withholding tax paid is available. |
| **With-holding taxes on interests** | **Non-treaty: 15%**<br>**Treaty: 0% - 15%**<br>**EU: 0%** | **Non-treaty: 0%**<br>**Treaty: 0%**<br>**EU: 0%** | **Non-treaty: 20%**<br>**Treaty: 0% - 20%**<br>**EU: 0%**<br>In addition to tax treaties and the EC Directive, Ireland also has a broad range of domestic exemptions from interest withholding tax, which allow gross interest payments to be made in a range of situations. | **Non-treaty: 0%**<br>**Treaty: 0%**<br>**EU: 0%**<br>Legislation implementing the EC Savings Directive into Luxembourg law introduced a withholding tax on interest paid by a paying agent situated in Luxembourg to individual beneficial owners (or to some extent also 'residual entities') resident in another EU Member State or in certain Dependent and Associated Territories. | **Non-treaty: 0%**<br>**Treaty: 0% %**<br>**EU: 0%** | **Non-treaty: 0%**<br>**Treaty: 0%**<br>**EU: 0%** |



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|---|---|---|---|---|---|---|
| Does CFC rules applies? | No<br>No specific CFC legislation, but general anti-avoidance measures may achieve the same effect. | No | No | No | No<br>No specific CFC legislation but general anti-avoidance measures (non-applicability of the participation exemption) apply to low taxed portfolio investment companies. | Yes |
| Does Thin Capital-ization rules applies? | Yes | No | No | (No)<br>Safe haven debt-to-equity ratio of 85:15. For holding companies, a debt-to-equity ratio of 99:1 may also be applicable.<br>There is no thin cap limit for an SPF but the annual subscription tax is due on the amount of debt exceeding eight times the paid-up capital and share premium | Yes | Yes |
| Number of jurisdictions with active Double Tax Treaties | 88 | 45 | 48 | 57 | 82 | 80 |


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