TAX REGIME HOLDING COMPANIES

LAW & NUMBERS

Switzerland
by Yves Auberson
Felten Assa & Associés

Corporate tax rate	**Dividends**	**Capital gains on shares**	**Deduction acquisition costs of shares**	**Fiscal substance**
Between 12 – 21 %, depending in which canton the company has its seat	100% exemption under conditions* * Ownership in the distributing company of at least 10 % of its share capital or acquisition of this shareholding for an amount of at least CHF 1’000’000)	100% exemption under conditions * The shares disposed of represent at least 10 % of the participation’s nominal share capital and the shares must have been held for at least 12 months		No specific anti -abuse provision

France
by Céline Boisselier
TGS Avocats

Corporate tax rate	Dividends	Capital gains on shares	Deduction acquisition costs of shares	Fiscal substance
Standard rate: 25% Reduced rate: 15% on profits not exceeding €42,500 for SMEs with a turnover < €10 million and share capital held at least at 75% by individuals	95% exemption under conditions* * Parent-subsidiary regime : the EU holding owns 5% or more of the distributing company's share capital, the subsidiary's shares must be kept by the holding for at least two years)	Included in the CIT basis 88% exemption on the gain if the holding holds at least 5% of the share capital of a subsidiary for at least 2 years (does not apply for shares in real estate companies "société à prépondérance immobilière")	Yes	Requested

United States (USA)
by Gregory M. McKenzie
FischerBroyles LLP

Corporate tax rate	Dividends	Capital gains on shares	Deduction acquisition costs of shares	Fiscal substance
21%	100% dividends-received deduction for members of an affiliated group (80% ownership test)	Taxable at 21% rate	No, must be capitalized into basis of shares	No specific anti-abuse provision

Hungary
by Pal Jalsovszky
Jalsovszky Law Firm

Corporate tax rate	Dividends	Capital gains on shares	Deduction acquisition costs of shares	Fiscal substance
flat 9%	100% exemption	100% exemption under conditions* *The participation has to be held for an uninterrupted period of one year minimum, and has to be reported to the tax authority	Yes	No specific anti -abuse provision

Portugal
by Sofia Quental
Valadas Coriel & Associados (VCA)

Corporate tax rate	Dividends	Capital gains on shares	Deduction acquisition costs of shares	Fiscal substance
Portugal Mainland: 21%. Madeira and Azo res: 14,7% Small or medium companies: 17% (for the first € 50,000 of taxable income) Municipal and State surtaxes may also apply	100% exemption under conditions** ** 10% minimum shareholding or of the voting rights of the entity that distributes profits and reserves; participation held held consecutively in the year prior to the distribution or maintained for the necessary period of time if held for less time.	100% exemption under conditions** ** 10% minimum shareholding or of the voting rights and participation held for an uninterrupted period of one year minimum ** If acquired before January 1st 1989	Yes	Requested

Luxembourg
by Bernard Felten
Felten Assa & Associés (1/3)

Corporate tax rate	
Effective maximum Corporate Income Tax **(“CIT”)** : **24.94%** Consists of : • Luxembourg CIT : 17% • Solidarity surtax : 1.19% • Municipal Business Tax : 6.75% (Luxembourg City) Tax losses can be carried forward for 17 years except for losses incurred from 1991 -2016 which can be carried forward without any time limit. **+ Annual Wealth Tax (“NWT”)** Levied on the net assets of the company as per the first of January • 0,5 % below EUR 500 million of taxable net wealth • 0.05% above EUR 500 million of taxable net wealth	Participations benefiting from the participation exemption are exempted from NWT **Withholding taxes levied in Luxembourg** **Dividends : 15% (**17.75% if a gross-up applies) but domestic exemption may apply. **Liquidation proceeds :**

Luxembourg
by Bernard Felten
Felten Assa & Associés (2/3)

Dividends	**Capital gains on shares**
Fully exempt from CIT if the following 3 cumulative conditions are met: (i) a minimum participation of at least **10%** or a minimum acquisition price of at least **EUR 1.2 million** is held in a qualifying subsidiary. (ii) Qualifying subsidiary means ; a) A capital company subject to Luxembourg CIT or a comparable foreign CIT at a CIT rate of at least 8.5%, or, b) AN EU entity listed in the EU Parent Subsidiary Directive. (iii) The company has held the qualifying participation continuously or commits to hold such participation for **at least 12 months** Could be subject to the application of the EU anti-abuse rules and anti-hybrid rules Could be subject to different rules based on Tax treaties concluded by Luxembourg	Fully exempt from CIT if the following 3 cumulative conditions are met: (i) a minimum participation of at least **10%** or a minimum acquisition price of at least **EUR 6 million** is held in a qualifying subsidiary. (ii) Qualifying subsidiary means ; a) A capital company subject to Luxembourg CIT or a comparable foreign CIT at a CIT rate of at least 8.5%, or, b) AN EU entity listed in the EU Parent Subsidiary Directive. (iii) The company has held the qualifying participation continuously or commits to hold such participation for **at least 12 months** **Recapture rule** : The capital gains exemption above does not apply to previously deducted expenses, write-offs and capital losses which have been offset against tax loss carry forwards. Could be subject to different rules based on Tax treaties concluded by Luxembourg

Luxembourg
by Bernard Felten
Felten Assa & Associés (3/3)

Deduction acquisition costs of shares	Fiscal substance
Costs relating to a qualifying participation are deductible if at arm's length and not in the scope of the following limits: • Costs that are incurred during a given year are tax deductible only if they exceed the exempt dividend received in the same year • Limitation of interest deduction of ATAD 1 • Hybrid mismatch rules implemented by ATAD & and ATAD 2 • If received from specific non-cooperative jurisdictions If recapture rule applies	Local requirements for finance companies and from a transfer pricing perspective (Circular LIR 56/1 – 56 bis dated 27 December 2016 issued by the Luxembourg director of taxation) Appropriate substance in Luxembourg is key when considering cross-border transactions and the potential benefit of EU directives and/ or double taxation treaties. Potential future EU Directives such as ATAD III should be anticipated in terms of substance.