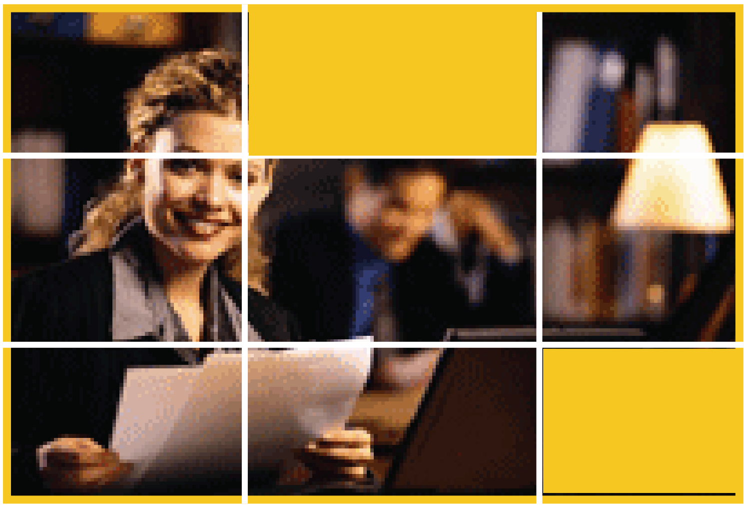
Cyprus Holding Company — example



International Tax planning through a Cyprus Holding Company.

Country	Activity	EUR
EU	Dividend distributed	100.000
	Dividend paid out	100.000
LUX-H	Dividend distributed	100.000
	Dividend paid out	95.000

Fig.1 Tax structuring through Luxemburg

The EU company distributes dividends at 0% withholding tax based on the EU parent/ subsidiary directive.

Non EU countries can distribute dividends based on Double Tax Treaties at mitigated rates. The Luxembourg Holding Company can distribute profits at 5% provided that participation is 25% for a minimum of 12 months.

If it was a Belgian Holding company (instead of Luxemburg) then 15% withholding tax on dividends would apply.

The Cyprus Holding Company (CHC) can extract dividends from the EU country (including Luxemburg) at 0% withholding tax rate by accessing the parent/subsidiary directive. The exemption is given provided there is minimum 1% participation (there is no minimum holding period) and less than 50% of the income comes from investments of the subsidiary and the subsidiary is taxed at a corporate rate higher than 5%.

I this case, the CHC could replace the Luxemburg holding company or act as a Holding to it. The advantages of replacing it are lower corporate tax of 10%. There is no capital gains tax on the disposal of shares or liquidation of Cyprus Holding company.

Cyprus is remarkable on not imposing withholding tax on dividends distributed to non-resident shareholders (EU or non EU countries, or other countries with or without double tax treaty). There is also no withholding tax on interest or royalties. Therefore as a holding jurisdiction it can distribute dividends with no further tax structuring which renders it as an excellent exit point.

If the subsidiary company resides in a non EU country then Double Tax Treaties may apply.

Country	Activity	EUR
EU	Dividend distributed	100.000
	Dividend paid out	100.000
CY-H	Dividend distributed	100.000
	Dividend paid out	100.000

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