



UK Holding Companies

The UK is regarded as the best location for a Holding Company jurisdiction judged in the context of dividend flow through. The criticism of the UK has always been that taxation is charged on the gain realised on sale of subsidiary companies. This final obstacle has now been removed.

The advantages of the UK as a holding company location are as follows:

- No Withholding Tax on EU source dividends under the Parent Subsidiary Directive.
- Reduced or zero Withholding Tax on other source dividend under the UK's Double Taxation Agreements.
- New legislation for Medium and Large companies exempts foreign dividends from taxation in the UK.
- In general there is no liability to UK corporation tax on dividends received.

This is because the UK will give credit for foreign tax paid by the overseas subsidiary. Provided the foreign tax paid is greater than the UK tax due there will be no liability to UK tax. As the rate of tax in the UK is between 21% and 28% this is usually the case.

- No withholding tax on outbound dividends.

This will apply even where dividends are paid to a tax haven or other low tax jurisdiction.

- No capital gains tax on the disposal of shares in the underlying subsidiaries.
- No withholding tax on outbound payment of the gain.

Other relevant factors include:

- The UK has more than one hundred double taxation agreements with the rest of the world.
- Losses may be transferred up a group structure to the UK holding company to set off against UK profits. This includes losses incurred in an overseas subsidiary.
- Tax deduction is given for interest paid on borrowings to finance the acquisition of a subsidiary. A tax deduction is given for the administrative costs of running the holding company.
- There is no stamp duty or capital duty upon incorporation and in most circumstances, upon allotment of UK company shares.



- There is no minimum share capital requirement unless the company is a public company.

Qualification

1. EU Parents Subsidiary Directive

- At least 10% of the EU subsidiary company must be owned by the UK company for (two years).

2. Exemption from UK capital gains.

- At least 10% of the subsidiary company must be owned by UK holding company for two years.

For more information please contact us at info@trust4trust.com