



International Holding Companies

For the international businessman or company active in cross-border investments there are several tax related issues that need to be examined before making the investment. Perhaps the two most important questions are:

- ◆ How can I transfer profits out of the country of investment in the most tax efficient way?
- ◆ When I wish to exit my investment, partly or wholly, how can I minimize the profit tax payable on the capital gain?

The answer to the above two questions can be the setting up of a Holding company in another country.

The main functions of Holding companies are:

- ◆ To hold shares in other companies
- ◆ To finance the companies they hold shares in by supplying them with funds
- ◆ To collect income consisting of dividends, loan interest, patents or royalty fees

For a country to be an attractive location in which to set up a holding company several factors need to be clarified such as:

Dividends remitted: Dividends remitted by the subsidiary to the holding company must either be exempt from or subject to low withholding tax rates in the subsidiary's country.

Dividends received: Dividend Income received by the Holding Company from the subsidiary must either be exempt from or subject to low corporate income tax rates in the holding company's country.

Outgoing Dividends: Outgoing Dividends paid by the holding company to the ultimate parent company or individual shareholder must either be exempt from or subject to low withholding tax rates in the holding company's country.

Capital Gains Tax on Sale of Shares: Profits realized by the holding company on the sale of shares of the subsidiary must either be exempt from or subject to a low rate of capital gains tax in the holding company's country.

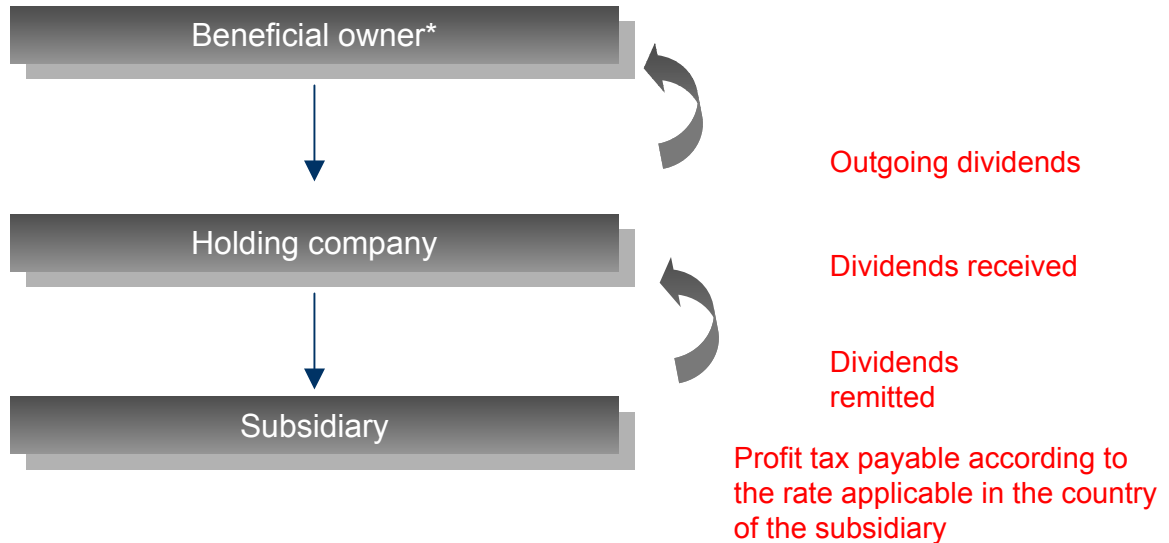
Capital requirements: the capital requirement to set up the Holding company and the management and administration costs of the company need to be reviewed.

The existence of a double tax treaty between the country where the investment is made and the country where the holding company is located in order to minimize the withholding tax rates.



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To understand the structure better let's look at an example:



**Beneficial owner can be physical persons or legal entities*

There are many countries that offer advantageous tax regimes for Holding companies. Examples of such countries are:

- Cyprus
- The Netherlands
- England
- Denmark
- Belgium
- Malta
- Switzerland

All those countries have their individual characteristics and advantages. For more comprehensive information and a confidential consultation please contact our head office in Cyprus or one of our branch offices.



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