

**INVESTING IN EUROPE –
A US PERSPECTIVE**

BY

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POTENTIAL INVESTORS

INDIVIDUALS

PARTNERSHIPS

LIMITED PARTNERSHIPS

C CORPORATIONS

S CORPORATIONS

LIMITED LIABILITY COMPANIES

TRUSTS

- **GRANTOR**
- **GRANTEE**

LLCs – FISCAL TRANSPARENCY IF:-

NO MORE THAN 2 OUT OF:-

- 1) LIMITED LIABILITY**
- 2) CENTRALISED MANAGEMENT – DELEGATION
OK**
- 3) CONTINUITY OF LIFE, NO TERMINATION ON THE
DEATH, RETIREMENT, EXPULSION ETC OF
MEMBER**
 - ELECTION TO CONTINUE OK**
- 4) FREE TRANSFERABILITY OF INTEREST**

**SIMILAR RULES APPLIED TO FOREIGN ENTITIES
UNDER CHECK-THE-BOX RULES**

CONTROLLED FOREIGN CORPORATION

- **US TAX IF**
- **50% + STOCK BY VALUE OR VOTING OWNED BY US SHAREHOLDERS**
- **AND 10% + INCOME FROM INVESTMENTS – DIVIDENDS-ROYALTIES – INTEREST-CAPITAL GAINS**

APPLIES TO PASSIVE INCOME

DIVIDENDS – ROYALTIES – INTEREST – RENTS

CAPTIVE INSURANCE COYS INSURING US RISKS

10% + FOREIGN BASE COMPANY INCOME – SALES – SERVICES – SHIPPING – LEASING - OIL

HYBRID ENTITIES

- **FOREIGN CORPORATIONS TREATED AS PARTNERSHIPS IN US OR VICE VERSA**
-UNDER CHECK-THE-BOX RULES

EG BELGIAN CO-ORDINATION CENTRE ELECTED FOR PARTNERSHIP TREATMENT

HYBRID COMPANIES LIMITED BY SHARES AND GUARANTEES

ISLE OF MAN

SHARES HELD BY PROFESSIONALS

MOST OF VALUE ACCRUES TO GUARANTEE MEMBERS

OTHER ANTI-AVOIDANCE RULES

ALTERNATIVE MINIMUM TAX

TRANSFER PRICING

US MODEL TREATY vs OECD MODEL TREATY

TREATY LIMITATION OF BENEFIT RULES

**STATUTORY LIMITATION OF BENEFIT
UNLESS**

**ENTITY IS QUALIFIED RESIDENT OF TREATY
COUNTRY**

**(STOCK OWNERSHIP) 50% BY VALUE OWNED BY
INDIVIDUAL RESIDENTS OR US
CITIZENS/RESIDENTS**

**(BASE EROSION) 50% OF INCOME NOT USED TO
MEET OBLIGATIONS OF NON RESIDENTS OF
TREATY COUNTRY**

EXCHANGE OF INFORMATION

TREATY OVERRIDES – NO PRECEDENCE TO INTERNATIONAL TREATIES

FOREIGN PERSONAL HOLDING COMPANIES

- **MORE THAN 50% OF SHARES**
- **HELD BY 5 OR FEWER US CITIZENS / RESIDENTS**
- **MORE THAN 60% PASSIVE INCOME**
- **UNDISTRIBUTED PROFITS TAXED AT 39.6%**

PASSIVE FOREIGN INVESTMENT COMPANIES

- **50% ASSETS PRODUCE PASSIVE INCOME**
- **OR 75% INCOME IS PASSIVE**
- **DEEMED INTEREST CHARGE ON EXCESS DISTRIBUTION**

GRANTOR TRUSTS

- **SETTLOR CONTROL**
- **DEEMED PROPERTY OF SETTLOR**
- **INCOME SETTLOR'S**

FOREIGN TRUSTS CLASSIFIED AS GRANTOR TRUSTS UNLESS NO PART OF TRUST ASSETS CAN BE ACCUMULATED OR PAID TO US BENEFICIARY

FISCALLY BENEFICIAL RULES

- **DOMESTIC INTERNATIONAL SALES CORPORATIONS (DISC)
NOW-INTEREST CHARGE DISC**
- **FOREIGN SALES CORPORATIONS**
- **FREE TRADE ZONES**

CREDIT FOR FOREIGN TAXES

- **DIVIDENDS – 10% + STOCK**
- **BASKET BASIS**
- **6 TIER LIMITATION**
- **EXCESS CREDITS CARRIED BACK 2 YEARS –
FORWARD 5 YEARS**

INCORPORATION OF FOREIGN BRANCHES

- **INITIAL LOSSES, DOUBLE DIP**

FOREIGN HOLDING COMPANIES

EUROPEAN UNION PARENT / SUBSIDIARY DIRECTIVE

- **ANTI TREATY SHOPPING RULES**

TREATY PROVISIONS TO REDUCE WHT IN EUROPE

**DEBT OR EQUITY
INTEREST DEDUCTIBLE DIVIDENDS NOT
NO WHT ON LOAN REPAYABLE**

OFTEN REDUCED WHT ON INTEREST

NO CGT ON LOAN REPAYMENTS

IDENTIFYING DEEMED EQUITY

- **THIN CAPITALISATION (US 4-1)**
- **NO FIXED MATURITY DATE**
- **INTEREST FREE OR NO REQUIREMENT TO PAY INTEREST ON TIME**
- **LACK OF SECURITY OR CREDITOR PROTECTION**
- **NOT AVAILABLE ON SAME TERMS ELSEWHERE**

DOUBLE DIP INTEREST DEDUCTION

HOLDING COY BORROWS TO FINANCE LOCAL OPERATIONS

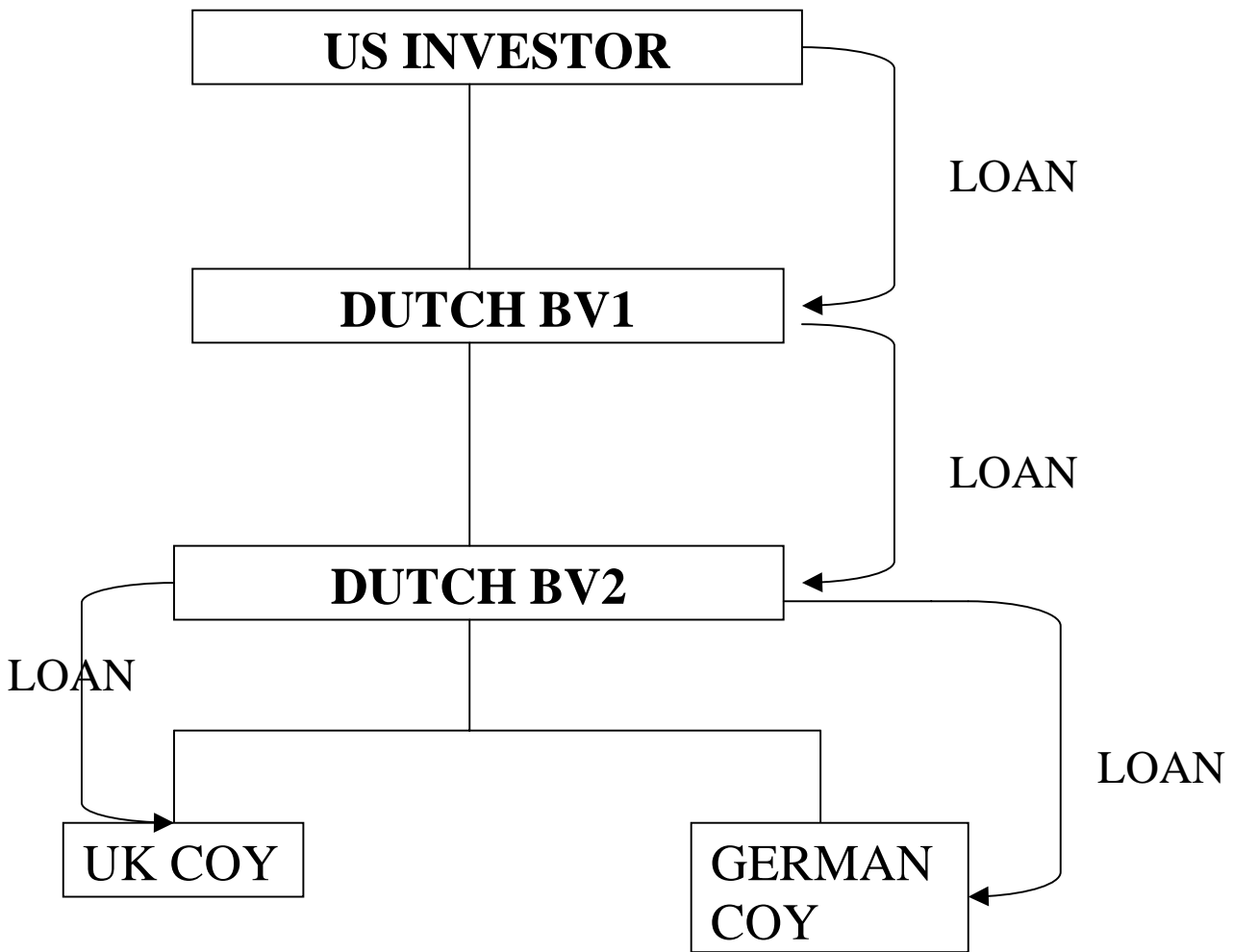
ALLOCATE RESULTANT LOSS TO LOCAL SUBSIDIARIES

UNDER GROUPING / CONSOLIDATION

ELECT FOR HOLDING COMPANY TO BE FISCALLY TRANSPARENT UNDER CHECK-THE-BOX REGULATIONS

INTEREST ALLOCATED TO US PARENT COY WHICH HAS MAJORITY OF US ASSETS

UK ANTI-AVOIDANCE PROVISIONS TA 1988 s404



CHECK-THE-BOX ELECTION FOR BVI

DUTCH FISCAL UNITY BVI + BV2

ACCRUED INTEREST DEDUCTION

**CHECK-THE-BOX ELECTION FOR UK AND GERMAN
COYS**

Withholding tax rates %

<i>Location of recipient</i>	<i>Dividends</i>		<i>Interest Industrial royalties</i>	
	<i>Portfolio</i>	<i>Related companies (2) (1)</i>	<i>(1)</i>	<i>(3)</i>
Australia	15	15	10	10
Austria	15	5	0	0
Barbados	15	5	5	5
Belgium	15	5	15	0
Canada	15	5	10	0
C.I.S. and Georgia	30	30	0	0
China	10	10	10	10
Czech Republic	15	5	0	10
Cyprus	15	5	10	0
Denmark	15	5	0	0
Egypt	15	5	15	0
Finland	15	5	0	5
France	15	5	0	5
Germany	15	5	0	0
Greece	30	30	0	0
Hungary	15	5	0	0
Iceland	15	5	0	0
India	25	15	15	10
Indonesia	15	15	15	10
Ireland	15	5	0	0
Israel	25	12	17	15
Italy	15	5	15	10
Jamaica	15	10	12.5	10
Japan	15	10	10	10
Korea	15	10	12	15
Luxembourg	15	5	0	0
Mexico	15	5	15	10
Morocco	15	10	15	10
Netherlands	15	5	0	0
Netherlands Antilles, Aruba	30	30	0	30
New Zealand	15	15	10	10
Norway	15	15	0	0
Pakistan	30	15	30	0
Philippines	25	20	15	15
Poland	15	5	0	10
Portugal	15	5	10	10
Romania	10	10	10	15
Russia	10	5	0	0
Slovakia	15	5	0	10
South Africa	15	5	0	0
Spain	15	10	10	8
Sweden	15	5	0	0
Switzerland	15	5	0	0
Thailand	15	10	to	5
Trinidad & Tobago	30	30	30	15
Turkey	20	15	15	10
Tunisia	20	14	15	10
United Kingdom	15	5	0	0

Notes

- (1) In certain cases, where stock ownership and residence requirements under the agreement are met, the withholding tax on dividends is subject to further reduction.
- (2) Interest from funds deposited with banks and insurance companies is generally exempt.
- (3) Copyright or film royalties may be withheld at a different rate.

EUROPEAN UNION – 15 COUNTRIES

AUSTRIA

BELGIUM

DENMARK

FINLAND

FRANCE

GERMANY

GREECE

IRELAND

ITALY

LUXEMBOURG

NETHERLANDS

PORTUGAL (MADEIRA)

SPAIN (CANARY ISLANDS)

SWEDEN

UNITED KINGDOM & GIBRALTAR

OTHER COUNTRIES IN EUROPE

ALBANIA

ANDORRA

BULGARIA

BELARUS

BOSNIA-HERZEGOVINA

CROATIA

CZECH REPUBLIC

ESTONIA

GUERNSEY

HUNGARY

ICELAND

ISLE OF MAN

JERSEY

LATVIA

LIECHTENSTEIN

LITHUANIA

MACEDONIA

MALTA

MOLDOVA

MONACO

NORWAY

POLAND

ROMANIA

RUSSIA

SLOVAK REPUBLIC

SLOVENIA

SWITZERLAND

TURKEY (PART)

**UKRAINE
YUGOSLAVIA
(SERBIA AND MONTENEGRO)**

HIGH TREATY WHT FOR COUNTRIES IN EUROPE

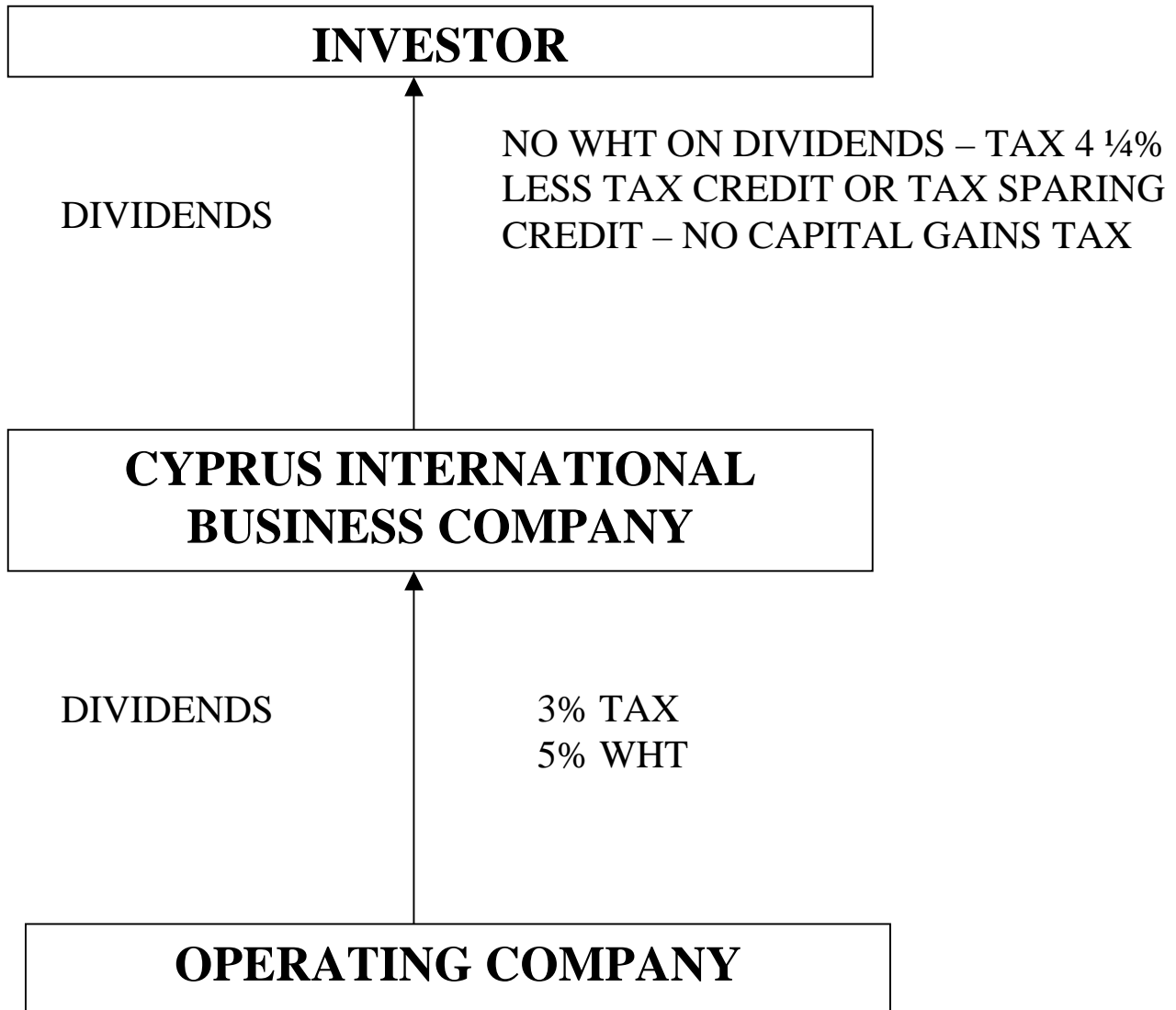
COUNTRIES IN EUROPE

	Dividends	Interest	Royalties
Greece (Actual 0%)	30%		
Norway (Cyprus 5%,	15%		
Romania (Hungary 5% Malta 5%)	10%		
Spain (Hungary 5%)	10%	10%	8%
Turkey	15%	15%	10%
Macedonia	5%		
Belgium (Netherlands and Luxembourg 0% unsecured below 25%)		15%	
Czech Republic (Cyprus 5% Netherlands 5%)			10%
Italy (Bulgaria, Czech Republic, Hungary 0% on interest) (Cyprus, Hungary, Ireland 0% on royalties)		15%	10%
Poland (Austria, Germany 0%)			10%
Portugal (UK. France, Belgium 5% on royalties)		10%	10%
Romania (Malta 5%)		10%	15%

**STRUCTURES TO CONSIDER FOR HOLDING
SHARES IN OPERATING COMPANIES LOCATED IN
EUROPE**

**(SEE THE HOLDING COMPANY AND ZERO TAX
INVESTOR –EDITED BY MILTON GRUNDY)**

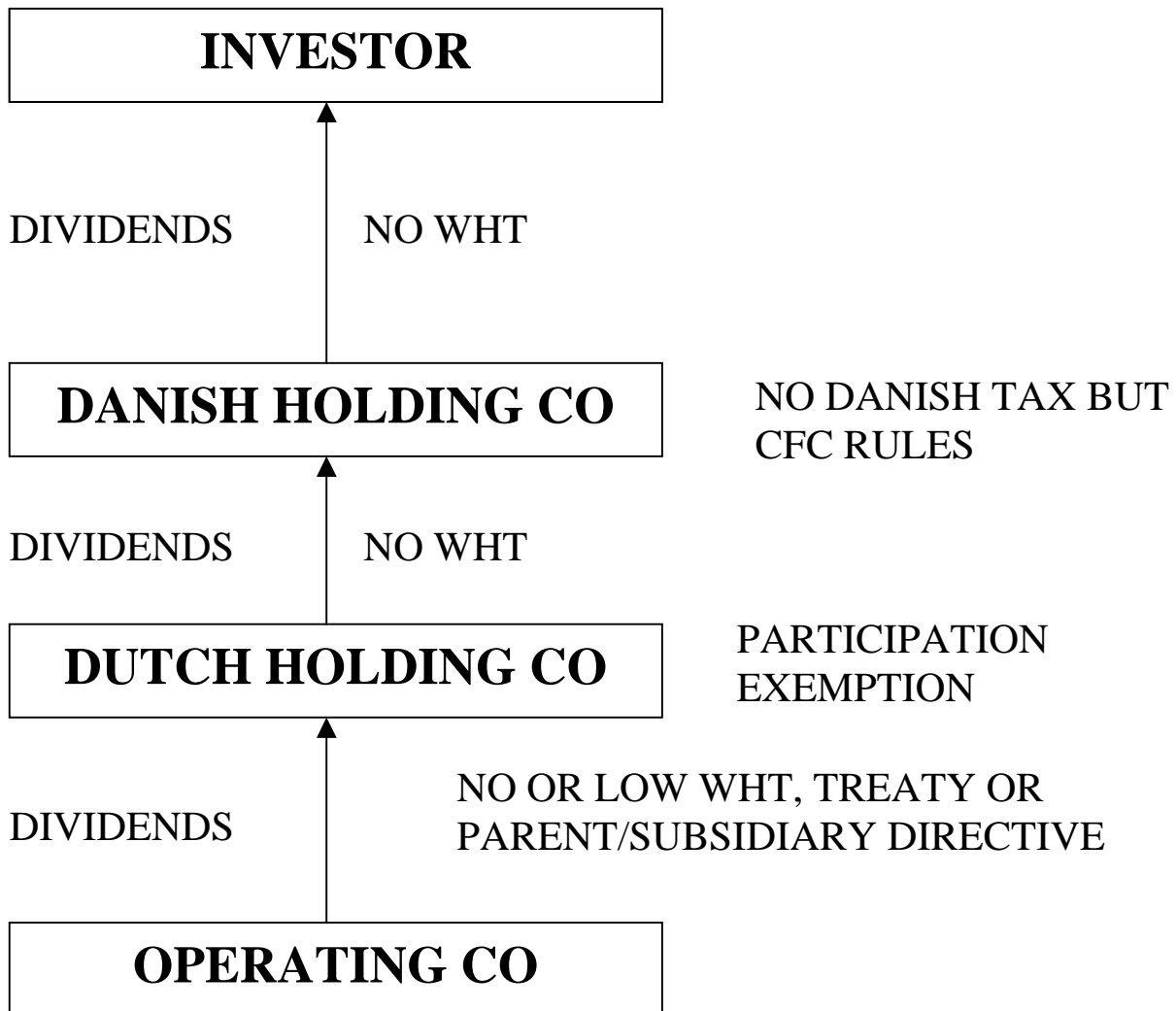
CYPRUS



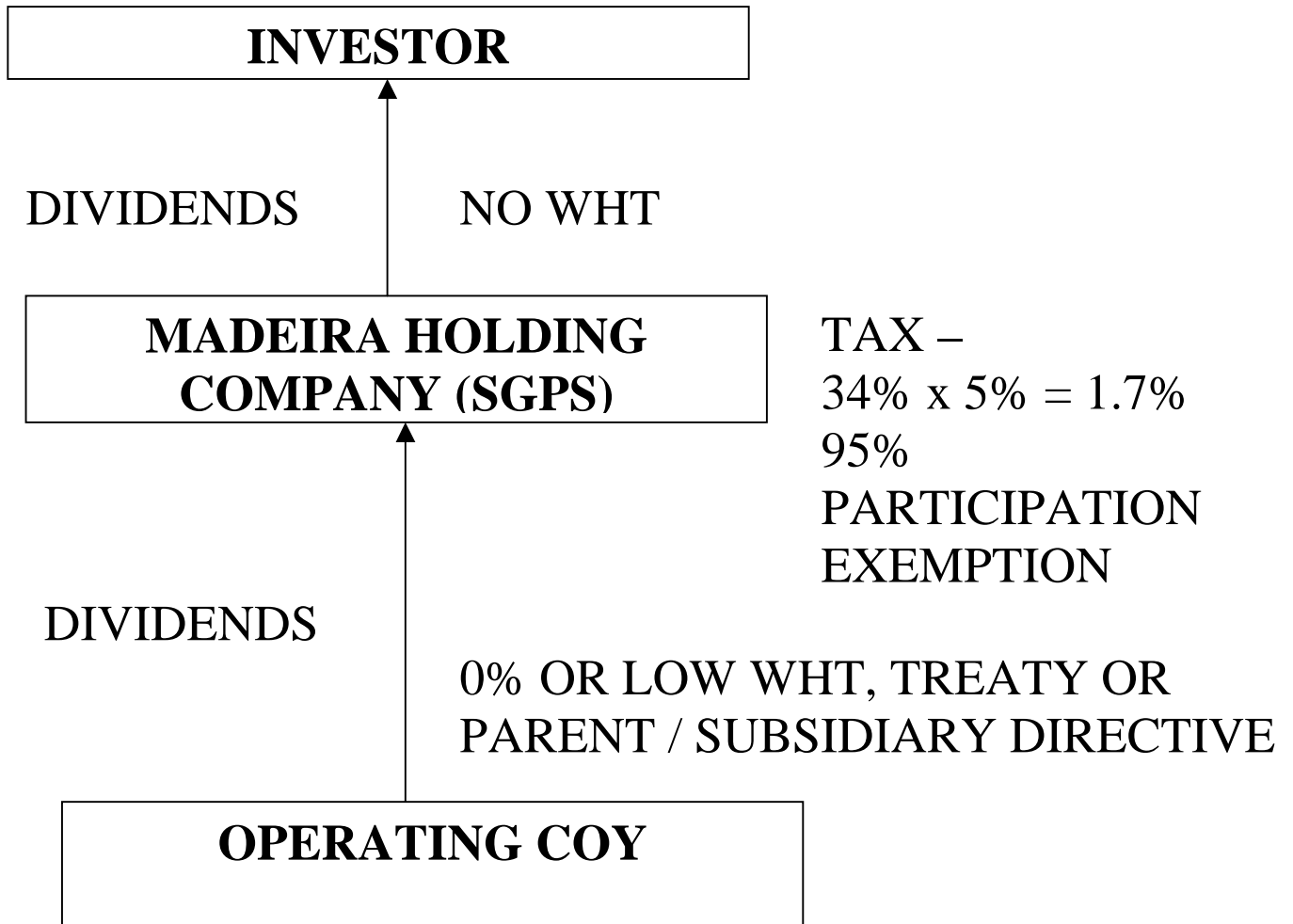
EASTERN EUROPEAN COUNTRIES

IRELAND, NORWAY

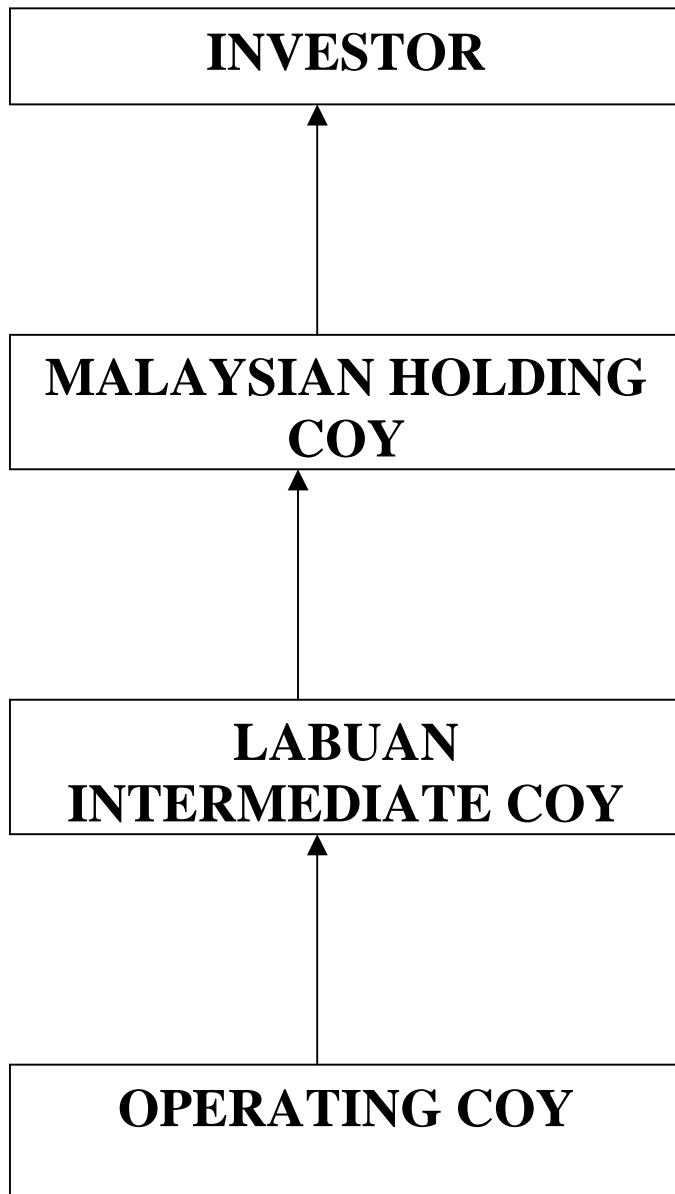
DENMARK



MADEIRA



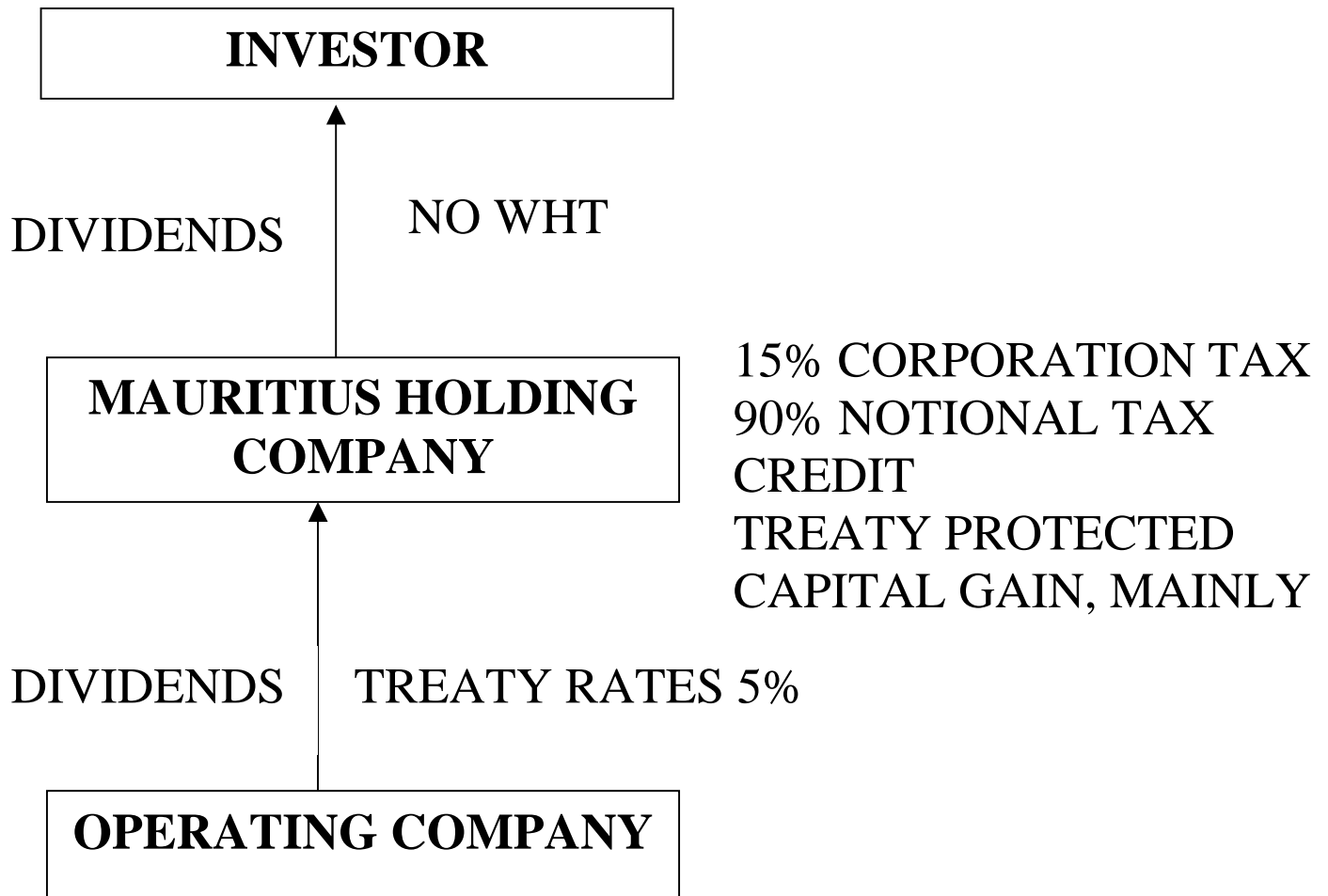
MALAYSIA / LABUAN



**TERRITORIAL SYSTEM
EXEMPTS DIVIDENDS
FROM ABROAD**

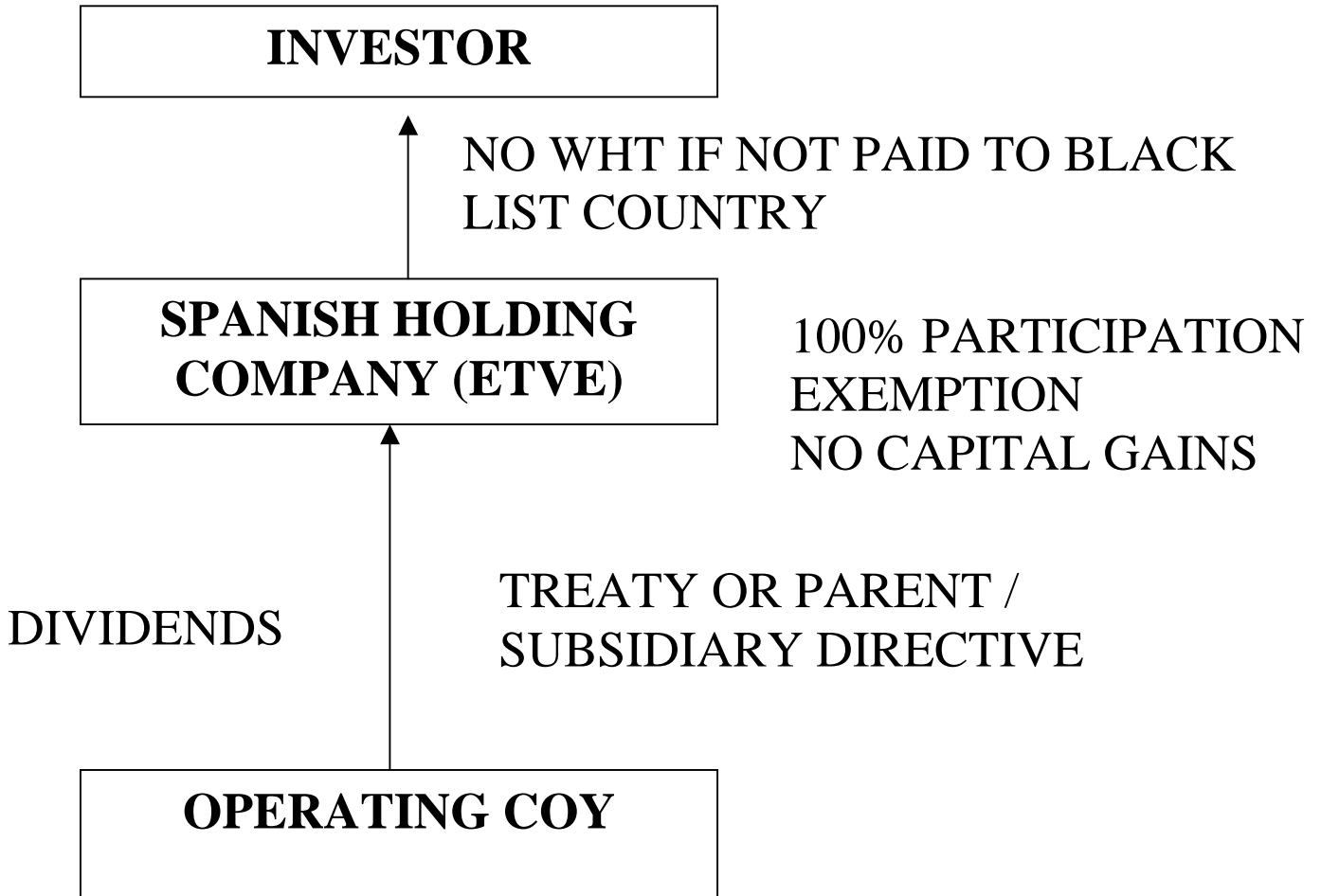
**NO CAPITAL GAINS
TAX**

MAURITIUS



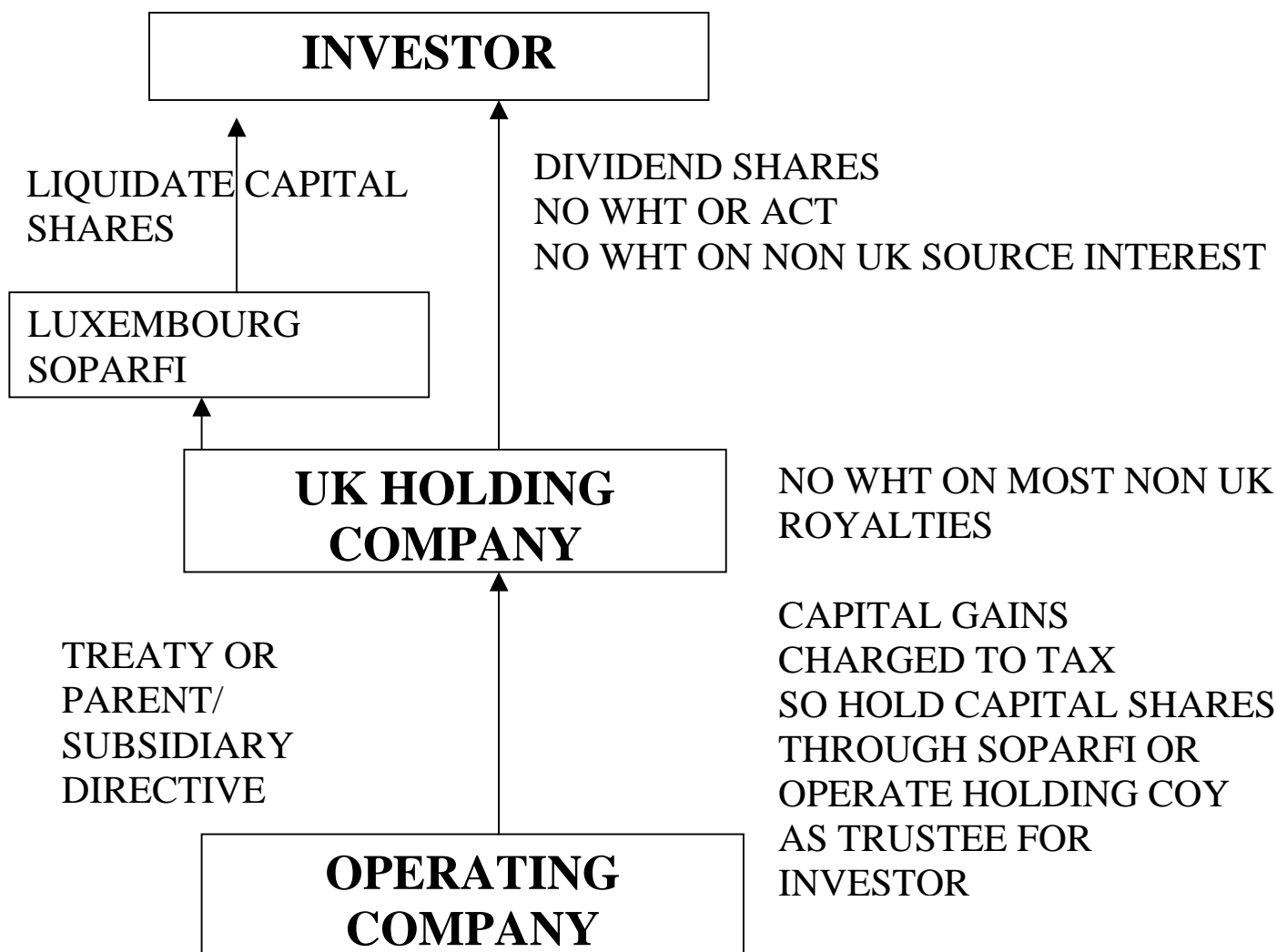
**MAURITIUS OFFSHORE BUSINESS ACTIVITIES
AUTHORITY TAX RESIDENCE CERTIFICATE
REQUIRED**

SPAIN



FORM IN CANARY ISLANDS TO AVOID CAPITAL DUTY

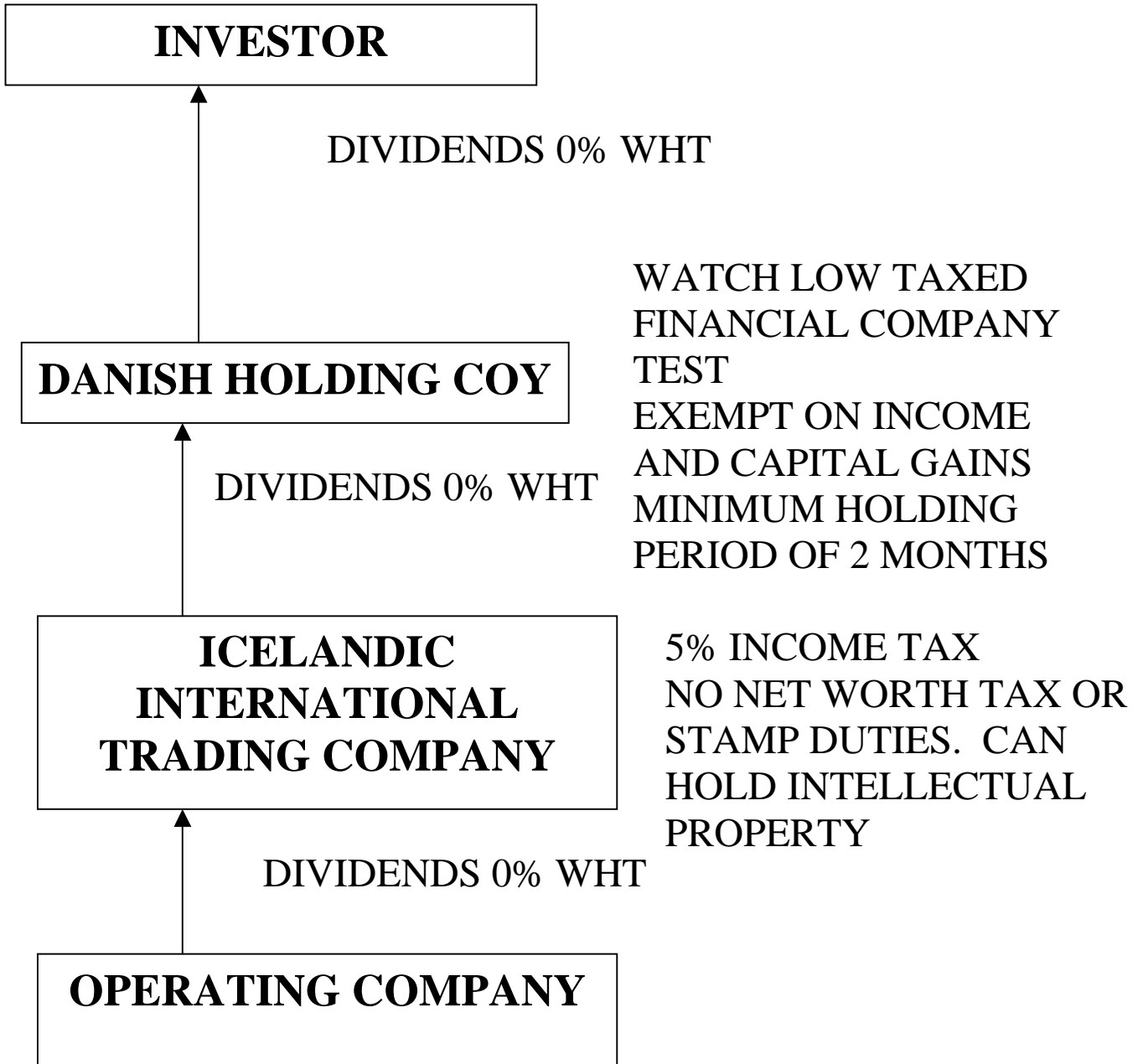
UNITED KINGDOM



WIDE TREATY NETWORK

NON UK DOMICILED STAFF TAXED ONLY ON REMITTANCES OF MOST NON UK INCOME AND GAINS

ICELAND



EUROPEAN ECONOMIC AREA MEMBER

SWEDISH HOLDING COMPANIES

PLANNING

