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Business and Tax Features of Selected Holding Company Jurisdictions

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PwC Netherlands, supported by the robust Knowledge Centre and the ITS/EUDTG network of EU colleagues, endeavors to offer coordinated assistance to non-EU clients in navigating the intricate EU tax and legal landscape. Furthermore, PwC Netherlands assumes a proactive role in apprising clients of significant EU tax law and EU27 domestic developments through the monthly EU Gateway newsletter, thereby establishing itself as the primary point of contact for non-EU clients and colleagues within the EU.

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This EU Gateway publication offers a concise yet comprehensive overview of key tax and business features in five prominent European jurisdictions for establishing companies with a holding function. The selected jurisdictions include Ireland, Luxembourg, the Netherlands, Switzerland, and the United Kingdom.[1] The provided information is sourced from PwC Worldwide Tax Summaries[2] and PwC's Pillar Two Country Tracker[3], as well as from publicly available information and surveys.

It is essential to note that the information included in this publication is succinct, but if you require further clarification or detailed insights, our dedicated EU Gateway team can connect you with the local PwC office. They will provide you with tailored information, assisting you in making well-informed decisions based on your specific business needs and goals. Please feel free to reach out to us for additional information.

[1] The inclusion or exclusion of any specific jurisdiction should not be interpreted as a judgment by PwC The Netherlands and the EU Gateway team on that particular jurisdiction.
[2] PwC Worldwide Tax Summaries: https://taxsummaries.pwc.com
[3] PwC's Pillar Two Country Tracker: https://www.pwc.com/gx/en/services/tax/pillar-two-readiness/country-tracker.html. As Pillar Two rules have not yet come into effect, the provided information is based on draft or proposed legislation.

Part 1: General Key Tax Features

'We believe that this selection of General Key Tax Features offers a comprehensive high-level overview of the corporate tax systems in each selected jurisdiction. It is essential to emphasize that all these elements must be meticulously scrutinized, with varying degrees of attention, but nonetheless, they should all be considered when establishing a company with a holding function in a selected jurisdiction.'

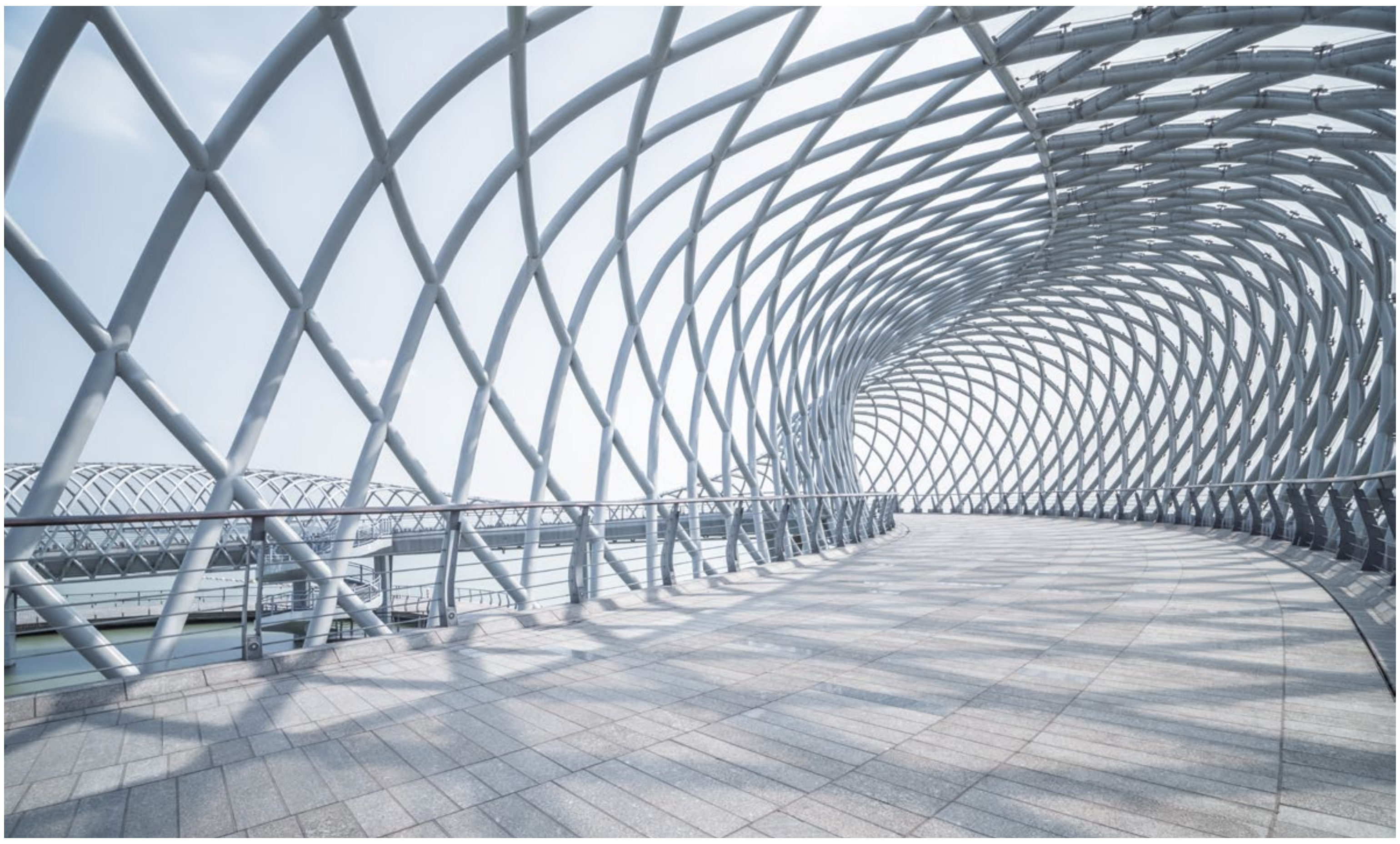
'A low statutory corporate income tax rate should not be the decisive factor when setting up a company with a holding function.'

'In addition to these General Key Tax Features, other factors also hold substantial importance when selecting the most suitable jurisdiction for establishing a company with a holding function. For example, the implementation of Pillar Two (as discussed in Part 2) and Business Features (as outlined in Part 3) are equally crucial considerations.'

We have identified 15 General Key Tax Features considerations that must be carefully evaluated when establishing a company with a holding function. These considerations provide an overview of the tax system applicable in a chosen jurisdiction. Please note that exceptions may apply to the information provided.

General Key Tax Features	NETHERLANDS	LUXEMBOURG	SWITZERLAND	UNITED KINGDOM	IRELAND
Tax rate (top bracket)	25,80%	24.94% for Luxembourg City	8.5%. Cantonal and communal CITs are added to federal CIT, resulting in an overall effective tax rate between 11.9% and 21.0%, depending on the company's location of corporate residence in Switzerland	25%	12.5% for trading income / 25% for passive income
Tax residency	Incorporation / effective management	Registered office / central administration	Legal seat / domicile / registered office / effective management	Incorporation / management and control	Incorporation / management and control
Substance requirements for holding companies	No	No	No	No	No
Treatment of income (dividends and capital gains) from shares	Participation exemption	Participation exemption	Participation reduction**	Participation exemption	Participation exemption (all domestic dividends, portfolio investors). Foreign dividends are fully taxable, credit available. Participation exemption available for capital gains
Controlled Foreign Company (CFC) Rules	Yes, 50% association, focused on structures involving low-taxed jurisdictions.	Yes, 50% association	No	Yes, 50% association	Yes, broad control concept
Withholding taxes (on dividends/interest/royalties) Potential WHT rate reduction under tax treaties	Dividends: 15%, 0% for qualifying EU/EEA*/Swiss companies/tax treaty countries, Interest & Royalties: No, but 25.8% on interest and royalties paid to related companies situated in low-tax jurisdictions, as well as in cases of abuse	Dividends: 15%, 0% for qualifying EU/EEA/Swiss companies/tax treaty countries / 0% for holding companies which meet the criteria of the participation exemption or UCITS, Interest: 0%, 15% on interest from profit-sharing bonds	Dividends: 35%, Interest: 35% on bonds issued by Swiss debtors and on bank deposits, 0% for qualifying interest to EU companies, Royalties: No.	Dividends: 0%, Interest: 0%, Royalties: 20%	Dividends: 25%, 0% for qualifying EU companies, Interest: 20%, 0% for certain Eurobonds, pension schemes and bank deposits, 0% for associated EU/Swiss companies, Royalties: 20% on patents only, 0% on patent royalties for qualifying EU/Swiss companies
Core interest deduction limitation rules	EBITDA rule (20%, EUR 1 mio, indefinite carry forward), restrictions on deduction for interest paid on intra-group debts	EBITDA rule (30%, EUR 3 mio, indefinite carry forward), informal thin cap rule	Thin cap rules with certain debt-to-equity ratios and safe harbour interest rules	EBITDA (30%, 2 million GBP, indefinite carry forward, 5-year carry forward unused interest allowance)	EBITDA rule (30%, EUR 3 mio, indefinite carry forward, 60-month carry forward unused interest capacity)
Exit taxation rules	Yes	Yes	Yes	Yes	Yes
Operating Losses treatment	Indefinite carry forward. Losses fully deducted up to EUR 1 million profit. If profit > EUR 1 million, losses deductible up to 50% of profit - EUR 1 million.	Carry forward, 17 years.	Carry forward, 7 years	Indefinite carry foward. Losses up to GBP 5 million of the company/group's profits and gains plus 50% in excess of that amount deductible/ carry back: 1 year	Indefinite carry forward: indefinite / carry back: 1 year or 3 years in case of terminal losses
Non-resident capital gains taxation	No unless in limited situations where Dutch personal income tax is avoided.	Yes, except for qualifying participations held less than 6 months, unless the treaty says otherwise	No, unless capital holding of below 10%	No	No, unless capital gains from shares in unquoted resident companies with over 50% value from Irish land, in which case a 15% WHT applies
Tax on capital contributions (capital duty / stamp duty)	No	No	Capital duty (exceptions apply) / transfer stamp tax on securities transfers	No capital duty / stamp duty for the transfer of shares in a UK incorporated company (exceptions apply)	No capital duty / stamp duty in certain instances
Double tax treaties (as per 27 July 2023)	102	75	119	135	76
Bilateral investment treaties (in force) (as per 6 September 2023)***	75	60	110	85	0
Expat regime	Yes	Yes	No	No	Yes
Certainty in advance / ruling practice	Yes (including Pillar Two rulings)	Yes (administrative fee applicable)	Yes	Statutory and non-statutory clearances	Yes (opinions of the Revenue)

Do you want to know more about these General Key Tax Features, including possible exceptions/ special rules? Or do you want to know more about other Tax Features that you consider important? Please check PwC's Worldwide Tax Summaries available *here*!



* EEA/European Economic Area: The EEA includes EU Member States and also Iceland, Liechtenstein and Norway. It allows them to be part of the EU's single market. Switzerland is not an EU or EEA country.

** reduction of tax for the part attributable to net dividends or net capital gains

*** input provided by Investment Policy Hub of United Nations UNCTAD available *here*.

Part 2: Pillar Two Key Features

'The information included in this table is based on the input included in PwC's Pillar Two Country Tracker. The Tracker provides the status of Pillar Two implementation in different countries and regions and is available here.'

*'A good and **qualifying** IIR location may make the Pillar Two compliance and administrative burden easier and reduce the risk of potential scrutiny in other jurisdictions.'*

'As Pillar Two rules change rapidly, please make sure that you liaise with your PwC advisor to update you on the status of Pillar Two implementation in each territory. The EU Gateway Team can connect you with a specialist in the specific country's Pillar Two regulations for further information.'

Under the OECD Inclusive Framework, over 140 countries have agreed to implement a two-pillar solution to tackle challenges related to the digital economy. Pillar Two introduces a global minimum Effective Tax Rate (ETR) where multinational groups with consolidated revenue over EUR 750m will be subject to a minimum ETR of 15% on income earned in low-tax jurisdictions. The EU Member States, including Ireland, Luxembourg, and the Netherlands, have formally adopted the Minimum Tax Directive** and are required to incorporate it into their domestic laws by 31 December 2023.

Pillar Two Key Features	NETHERLANDS	LUXEMBOURG	SWITZERLAND	UNITED KINGDOM	IRELAND
Implementation status	Adopted legislation	Draft legislation	Public consultation	Final law in force	Draft legislation
Timing introduction (Q)DMTT/ IIR/UTPR*	QDMTT: 01/01/2024; IIR: 01/01/2024; UTPR: 01/01/2025	QDMTT: 01/01/2024; IIR: 01/01/2024; UTPR: 01/01/2025	QDMTT: 01/01/2024; IIR: 01/01/2024; UTPR: 01/01/2025, to be confirmed	QDMTT: 01/01/2024; IIR: 01/01/2024; UTPR: to be confirmed but not be earlier than 01/01/2025	QDMTT: 01/01/2024; IIR: 01/01/2024; UTPR: 01/01/2025
Covered Taxes	The draft legislation and its parliamentary history have aligned with the OECD outputs in any explications on taxes constituting covered taxes. Taxes levied on corporate income include and so do taxes in lieu of corporate income taxes, as well as dividend taxes. No formal position has been taken on the qualification of source taxes on interest and royalty payments for Netherlands' Pillar Two purposes. The same holds for the qualification of the conditional source taxes that have been in the Netherlands on certain outbound interest and royalty payments (introduced per 2021), and dividends (introduced per 2024 in addition to the existing dividend withholding tax).Notably, parliamentary history has forwarded that a non-qualifying top-up tax qualifies as a covered tax for Pillar Two purposes.	The draft law does not outline which Luxembourg taxes should be treated as covered taxes. The commentary to the draft law mentions that in "a non-exhaustive manner, the taxes concerned include notably corporate income tax, municipal business tax and net wealth tax".	The list of which Swiss taxes should qualify as Covered Taxes is still to be defined.	The definition in UK legislation is broadly in line with the OECD Model Rules. However a specific list of Covered Taxes has not been published.	The Finance (No.2) Bill 2023 included the draft legislation of what is a "covered tax" and what's not included in such definition. See Chapter 4, 111T (1) for list of items included and (2) list of items not included. To date, Ireland has not specifically identified Irish or foreign taxes which would or would not constitute covered taxes.
Qualifying Refundable Tax Credits	The Netherlands has legislated its Pillar Two rules in alignment with the OECD outputs in relation to tax credits and qualified refundable tax credits (QRTCs). The Dutch Pillar Two legislation involving tax credits and QRTCs is in alignment with the OECD Model Rules and Commentary. The objective of the Netherlands government is to fully align with the issued Administrative Guidance. Parliamentary history has noted that any administrative guidance will be incorporated in Dutch tax law by means of interpretation. To the extent necessary the State Secretary for Finance has explicated that this will otherwise be done via decrees. No such decrees have been issued yet. The legislative amendment of 13 October 2023 has not incorporated the Administrative Guidance on tax credits issued in July 2023.	No information available.	Cantons are currently analyzing to what extent compensation measures could be introduced; these could potentially also take the shape of Qualifying Refundable Tax Credits. The Swiss Federal Department of FInance has published the first report on the expected effects of the implementation of the OECD minimum tax on the individual cantons and on the measures planned by the cantons. The report is based on a survey of the cantons as of 31 May 2023.	A refundable tax credit is "qualifying" to the extent that, under the law of the territory in which it is given, it entitles a person to receive (by way of payment or discharge of liability) the amount of the refundable tax credit within 4 years of meeting the conditions for receiving it.	R&D tax credit rules have been amended to come within a qualified refundable tax credit regime. Also, in Finance (No.2) Bill 2023, it was announced that the Digital Gaming Tax Credit has been amended in order to be considered as a qualified refundable tax credit.
Transitional Safe Harbour More on the transitional safe harbour: see PwC's tax policy alert	The Netherlands has introduced a temporary CBCR Safe harbour in the legislative proposal introducing Pillar Two in the Netherlands of 31 May 2023. The temporary safe harbour rule has been drafted in alignment with the framework as agreed upon within the Inclusive Framework in December 2022. The safe harbour rule allows eligible group entities to make use of existing financial data and already existing country-by-country reporting data as a basis for the Pillar Two effective tax rate calculations. If the simplified conditions in the safe harbour rule are met, any additional top-up tax under any of the proposed top-up tax mechanisms will be set at nil for application of the detailed. The Netherlands has legislated a UTPR Safe Harbour via the 13 October 2023 amendment to the Minimum Tax Act 2024. Parliamentary history has observed that it has been established within the context of the OECD that it may be undesirable to apply the UTPR in relation to states that have not timely implemented QDMTT or domestic IIR.	The draft bill includes the Transitional Safe Harbour rules and are mainly based on information included in a group's country-by-country report (CbC-report), i.e., the transitional safe harbour de minimis test, the simplified effective tax rate test and the routine profits test (applicable for fiscal years starting before or on 31 December 2026 and excluding fiscal years ending after 30 June 2028). Certain adjustments to the data included in the CbC-report should be made.	Switzerland plans to follow the respective OECD guidance.	The UK legislation includes transitional safe harbour provisions comprising a 'threshold test"" (de minimis test), simplified effective tax rate test and a routine profits test. In line with the OECD safe harbour guidance, the UK legislation confirms that for a CbCR to be '***qualifying***' it must be prepared using qualified financial statements, however the UK legislation also requires the CbCR to be prepared in accordance with the OECD's published guidance on country-bycountry- reporting, and filed in accordance with legislation implementing that guidance.	In Finance (No.2) Bill 2023, Ireland provided the draft legislation to apply the various safe harbours, including the transitional CbCR & UTPR safe harbours and the QDMTT safe harbour. The CbCR safe harbour is closely aligned to the OECD guidance.
Compliance / Filing Requirements	Any top-up tax due under the QDMTT, IIR, or UTPR is formalized on the basis of a self-assessment tax filing mechanism. The tax return period for this purpose, in principle, is 17 months following the Fiscal Year in which the top-up tax has accrued (if any). A deadline of 20 months applies for the first fiscal year. The timing has been chosen to follow-up on adhere to the GloBE Information Return (GIR) filing process. The formalization stage of the tax in the Netherlands follows 2 months after of the GIR-filing process (15 months, 18 months after Fiscal Year end), in full alignment with the OECD outputs including and adhering to the dissemination approach.	The draft law mentions that all Luxembourg constituent entities shall register with the Luxembourg direct tax authorities (Administration des Contribution Directes) at the latest within 15 months after the end of a Pillar Two fiscal year (which would generally follow the group consolidated financial year) or within 18 months after the end of the transition year (first year of application of the rules). This registration is separate from the existing corporate tax registrations and would be only for Pillar Two purposes.	Based on the 2nd draft ordinance, the top-up tax shall be levied based on a "one-stop shop" concept in Switzerland. In other words: only one canton will levy the top-up tax and distribute the respective funds to the Federation / other cantons. As such, a taxpayer will file the Pillar Two tax returns (QDMTT return, IIR return and UTPR return) with one canton only; further developments in terms of the GloBE Information Return will be monitored and would be built into the ordinance once available. The relevant Swiss filing entity will be the top-tier company in Switzerland. In case no such top-tier company exists, the economically most relevant Swiss company has the respective filing obligation (relevance being measured by reference to the highest average net income throughout the last three tax periods or the highest average equity during the same period). The Pillar Two tax returns are to be filed within 18 months after a Group's year-end (for the first year it is subject to the Pillar Two rules) respectively within 15 months after a Group's year-end in following years. The top-up tax amounts will become due at the same dates (i.e., alignment between filing and payment deadlines). Declaration / assessment procedure: the relevant Swiss filing entity will need to file the Pillar Two tax returns by submitting a self-declaration, which is then reviewed and assessed by the One-stop shop Canton. The declaration will be done electronically on a portal designed specifically for Pillar Two purposes. The respective portal shall be available from 2025.	The UK reporting processes for the UK IIR and UK DTT include a one-time requirement for the "filing member" of in-scope groups to register with HMRC within 6 months of the end of the first accounting period when they first come into scope of the rules. The filing member is the ultimate parent entity of the group, unless a nomination is made in respect of another group company. Notably any such nomination must apply for the purpose of both the UK IIR and the UK DTT. Both an information return and a self assessment return must be filed (and top-up tax paid) within 15 months of the end of the accounting period (18 months for the first period). As with the IIR, an information return is not required in the UK if a return has already been submitted to an overseas tax authority which has an information sharing agreement with HMRC.	Top-up tax information return (GloBE information return) or notification of filer: this must be filed by each Irish constituent entity unless a designated local entity is appointed. When? 15 months from end of the fiscal year (extended to 18 months for Transition Year) Ireland provides for the GIR transitional simplified reporting framework.
Last seen on:	3 November 2023	9 August 2023	16 August 2023	9 August 2023	30 October 2023

* The Qualified Domestic Minimum Top-Up Tax Safe Harbour allows Multinational Enterprise (MNE) groups to undertake one computation under the QDMTT and then automatically reduce the top-up Tax to zero in a jurisdiction applying the GloBE Rules, thereby avoinding the need to undertake a further calculation under those rules.

The Income Inclusion Rule (IIR) imposes top-up tax on a parent entity in respect of the low taxed income of a constituent entity.

The Undertaxed Profit Rule (UTPR) denies deductions or requires an equivalent adjustment to the extent the low tax income of a constituent entity is not subject to tax under an IIR.

** Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union (available *here*).

Part 3: Business Features

'We believe that considering how a jurisdiction scores in relation to Business Features is essential when establishing a company with a holding function.'

'The list on the right is merely a selection of Business Features. Should you desire further information regarding jurisdiction scores in relation to other Business Environment Features, please do not hesitate to get in touch with the EU Gateway team.'

In addition to the General Key Tax and Pillar Two Features, we have compiled a list of Business Environment Features specific to each selected jurisdiction. Please note that the input may be based on surveys that relate to previous years.

Pillar Two Key Features	NETHERLANDS	LUXEMBOURG	SWITZERLAND	UNITED KINGDOM	IRELAND	LINK
Harbor connection	Rotterdam, position 1 in Europe based on total tonnage (largest by far), Amsterdam, position 2 in Europe, Zeeland Ports, Groningen Ports	Landlocked	Landlocked	Immingham, Felixstowe, Tees, London, Liverpool, Milford Haven, Southampton, no top 10 positions in Europe	Dublin, Shannon Foynes and Cork, relatively small ports, no top 10 positions	
Airport direct connectivity ranking Europe 2023 - top 20	2 (Amsterdam)	N/A	17 (Zurich)	3 (London Heathrow)	14 (Dublin)	Link
Cost of living index - capital	70,3	73,3	133,2	84,6	79,1	Link
Global Innovation Index 2022 - WIPO	5/132	19/132	1/132	4/132	23/132	Link
The Digital Skills Gap Index 2021 (global ranking) - Wiley	8/134	7/134	11/134	9/134	20/134	Link
Investment Environment - The Legatum Prosperity Index 2023 (global ranking)	3/167	20/167	12/167	10/167	14/167	Link
Infrastructure and Market Access - The Legatum Prosperity Index 2023 (global ranking)	3/167	6/167	11/167	12/167	24/167	Link
Living Conditions - The Legatum Prosperity Index 2023 (global ranking)	1/167	6/167	5/167	9/167	19/167	Link
World Competitiveness Ranking 2023 - Overall (IMD)	5/64	20/64	3/64	29/64	2/64	Link
Global Talent Competitiveness Index 2022	6/133	11/133	1/133	10/133	13/133	Link
Broadband coverage (>100mbps) 2021	98,5	99,4	98,6	63,2	87,7	Link

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