Workshop International Taxation

21 April 2007

Le Meridien Limassol Spa & Resort

Chairman:
Graham Busch

Participants:
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Minutes:
Dr. Karin Reisinger

The Netherlands – Cees Roeleveld, Robert van den Wall Bake

Tax System in Holland

- BIP change in the tax system 2001
- BIP role in the international tax planning
- Box system → number of boxes
  → corporation tax reduced on 20,5 % on the income → more attractive for the Dutch people

International holding and license companies

- passive subsidiaries
- for taxation you need accounting skills
- more than 60 % → participation examples
- depreciation of goodwill has totally changed to 10 years
- finance companies in Holland extremely inter ship

The double tax treaties are all the same.

Dividends in Holland → every interest of more than 5 % without a tax.

Romania – Ionut Zeche

Corporate tax	=	place tax rate 16 %
Reduced rate	=	9 %
Corporate tax rate	=	16 %
Micro company	→	1.5% flat
Transfer pricing	→	3 % - 10%

The comparable price method → are accepted by the Tax authorities

→ Great network of double tax treaties
→ VAT refund is a big problem for the investors, because they have to wait for 6-9 months to get the VAT back!
→ Profits goal → tune sheets internal members Participation → 2 years holding period

→ 16 %
→ 6,5 %
Social fee →

21% effective tax rate

Equity financing is now extremely popular and interests on the loan.

Austria – Dr. Karin Reisinger

Tax Opportunities in Austria

Please find below an overview on tax optimising possibilities in Austria:

1. For Companies

1.1. Different tax rates for partnerships and corporations

Austrian tax law provides for different tax rates for partnerships and corporations:

- Profits of partnerships are taxed with the partners proportionately and attract the current tax rate (10 % - 50 %)
- Corporate profits are subject to a 25 % flat rate tax. The profit distributions attract half the current tax rate with the shareholders.

It is a matter of careful tax planning what type of company is more favourable.

1.2. Group taxation for corporations

In 2005, a new group taxation scheme was introduced for groups of corporations: The total of profits and losses of all controlled companies attracts corporate income tax with the holding company.

Highlights of this model are:

- Loss carryforwards can be netted with profits
- The subsidiary can be established outside Austria
- Possibilities to depreciate company goodwill are enhanced
- With the business year differing from the calendar year, it is possible to defer taxation into later years

2. For Individuals

2.1. Tax benefit on 13th and 14th salary

In Austria, employees receive 14 salaries, with the 13th salary being paid in June ("holiday allowance") and the 14th salary paid in November ("Christmas allowance"). Holiday and Christmas allowance attract a flat tax rate of 6 %, with an amount of € 620,00 remaining tax free.

When comparing Austrian income tax rates with those of other countries, this tax benefit always needs to be accounted for.

For optimising models, it is necessary not only to account for tax, but also for social security aspects. Salary income furthermore attracts payroll overheads (municipal taxes, contributions to family allowance fund) of approx. 8,5 % in Austria.

2.2. Capital gains tax release

In Austria, gains from the sale of assets are released form income tax, if a certain retention period is kept:

- 10 years for real estate
- 1 year for other assets

Only capital gains of private persons attract this tax benefit, but not of companies dealing with these assets. For family residences, special rules apply.

When selling assets in Austria, careful planning with attention to the above deadlines is requested.

To make best use of these opportunities, careful planning is necessary. Our tax experts are specialised on all questions incurred.

Cyprus - Nikiforos P. Nikiforou

There is a brochure of Cyprus - a summary of all the actual tax facts.

Corporation tax
Income tax
Defence tax → dividends, interests
→ 10 % rents,

Resident → 15 %
Non resident → non tax for the dividends

<u>Group Company</u>

Subsidiaries abroad, no tax on real estate

→ No capital gain tax

Income tax:	EUR 70,000	=	tax free
	next EUR 8,000	=	15%

next EUR 8,000	=	30 %

VAT = 15%

Flat rate = 20% for capital gains

How to become a resident?

meeting of directors → a board of directors → every decision has to be the company contracts, every step is controlled

<u>Germany – Dirk Reineke</u>

Trade tax	=	16 %
Corporate tax	=	25 %

Solidarity tax for East Germany

Totally 39 %

Dividend → no taxes
1 %

If you add the income tax to the corporate tax you'll be over 50 %.

They expect a new corporate tax rate to 25 % totally.

Solutions will transfer price –> because Germany for the taxes is absolutely not attractive.

Local tax on buildings → hybrid financing

<u>Czech Republic – Dr. Peter Kopa</u>

Flat tax = 10 % → now

Most of the people have a Swiss company → model with loans

15 % taxation on money of Europeans

15 % corporate tax is reduced next years → to be competitive against Slovakia

<u>Russia – Maria Saprykina</u>

Personal tax	=	13 %
Corporate tax	=	24 %

Most companies with a Cyprus Holding company → than only 5 %

→ Strict rules for incoming and out coming countries

→ For investments

Italy – Dr. Sergio Finulli

Corporation tax	=	33 %
Local tax	=	4,25 %

Taxable basis → many things are not deductable → for example marketing costs for individuals
capital gain tax → 27 % for more than 20 %

Limited participation external

Group taxation → like in Austria

VAT refund → problems

VAT	=	20 %

United Kingdom – Graham Busch

40 % income tax

Social securities

11 % on salary

Capital gains tax → not more than 10 %

VAT = 7.5 %, no VAT refund problems

Minimum share of a limited company – one pound

30 % → main corporation rate
Layer and investment companies

20 % → for smaller company → 21 % next year

Personal tax = 22 % up to € 60,000 → 20 % next year

International

Tax planning → personal tax
to be domiciled → more than 180 days you have to spend in the United Kingdom.

UK – Holding Companies

Substantial shareholders holding 10 %

UK Company is a trading company

Tax on no dividends for the holding company

No dividends for non residents.

UK Company which stands behind an offshore company UK company retains a small fee → 5 % fee

Total tax on profits = 1 %