

The background of the slide is a light beige color with a faint, stylized topographic map. The map consists of white contour lines of varying thicknesses, representing elevation. In the lower-left corner, there is a semi-circular compass rose with a central needle pointing towards the top-left. The compass rose is marked with cardinal and ordinal directions: 'N' for North, 'NE' for Northeast, 'SE' for Southeast, and 'SW' for Southwest. A dollar sign (\$) is also visible near the bottom-left of the compass rose.

Case Study on international holding and trade companies

Marbella,
20 February 2015

Case Study on international holding and trade companies

Where the holding Company should be based?

- Hungary
- Switzerland (Holding / Domiciled company)

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Hungary

-Withholding tax on royalties

from USA and EU-countries:	0,0%
from India	10,0%
from Malaysia	10,0%

-A company receiving royalties may deduct 50% of the royalties received. As a result, only 50% of the royalty income is taxable.

-Effective corporation tax rate is only 9,5% (15% India and Malaysia)

-Dividends from Hungary to USA are no subject to withholding tax.

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Switzerland (Holding / Domiciled company)

-Withholding tax on royalties

from USA	0,0%
EU-countries:	0,0%
from India	10,0%
from Malaysia	10,0%

-Corporate income tax mainly consists of federal tax and cantonal tax. The federal tax is 8.5%. Each canton levies an income tax, usually at progressive rate. Total tax rate Canton Zug is 14,8% (9-10% domiciled company).

-1/3 of withholding tax paid in previous country is to be credited against tax payable in this country. Effective corporation tax rate is only 17,3%.

-Dividends paid to USA are subject to withholding tax of 5%. Total taxation including withholding tax is 20,9%.

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Trade Company

Where to base the trade company?

- Ireland (sale to Europe)
- Other

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Trade Company

Ireland (sales to Europe)

- Corporation income tax of only 12,5%
- Withholding tax on dividends to Hungary and Switzerland is 0,0%
- Dividends are tax exempt in Hungary and Switzerland. Effective tax is only 12,5%.

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Trade Company

Sales to Asia (different options)

- Macau; corporation tax is 12%. No withholding tax on dividends to Hungary or Switzerland.
- Honk Kong; corporation tax is 16,5%. No withholding tax on dividends to Hungary or Switzerland.
- Singapore; corporation tax is 17,0%. No withholding tax on dividends to Hungary or Switzerland.

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Trade Company

Sales to America

- Panama; corporation tax is 0%. No withholding tax on dividends to Hungary or Switzerland is only 10%.

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Taxation of the founder

- Our recommendation is that the founder fixes his residence in the Community of Wollerau, Freienbach or Feusisberg (Switzerland). The dividend payments are taxed at about 13% income tax / no private capital gains tax.

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Conclusions:

- We recommend the holding to be in Hungary as this country has the more convenient double Taxation Treaties concerning royalties.
- The best location for the trade company seems to be Ireland. Effective taxation on profit and dividends paid from Irish company to holding company is only 12,5%. Nevertheless Macau and Panama are also good options for sales to Asia and America.
- Our recommendation is that the founder fixes his residence in the Community of Wollerau, Freienbach or Feusisberg (Switzerland).

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Thank you for your attention

Marbella, 20 February 2015