PB First Global Tax
Our Expertise, Your Advantage

PB First Global Tax Information Booklet

No.11. Where Should I base my Holding Company?

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Where should I base my Holding Company for maximum efficiency?

When considering which jurisdiction is the optimal place for your prospective holding company, it is important to bear in mind that this isn't simply a question of finding a country with the lowest headline tax rate.

Ideally, we are looking for a jurisdiction that optimally combines **advantageous Participation exemption** (dividends and capital gains) **rules** with a **low or zero withholding tax leakage**.

Alongside these elements, we would also wish to benefit from a place with a **strong tax treaty network**, and it also needs to be a place where there is both **acceptable substance and BEPS risk**, as well as a place that can demonstrate an **internationally accepted banking and reputational background**.

Summary

Therefore, these are the factors to consider when choosing a jurisdiction:

- **advantageous Participation Exemption rules**
- **low or zero withholding tax leakage**
- **strong tax treaty network**
- **acceptable substance and BEPS risk**
- **internationally accepted banking and reputational background**

The detail

If we tabulate these factors and map them against a selection of jurisdictions that are notable for their treatment of holding companies, we can clearly see the advantages each country has to offer.

Country	Corporate Tax %	VAT %	Withholding Tax % (Dividends)	Ease of Establishing	Risk Assessment	Key Pertinent Factors
Netherlands	19% (≤€200k) / 25.8%	21%	0–15% (often 0% via treaties / EU)	High	**Low–Medium**	Participation exemption, 100+ treaties, cooperative structures, advance tax rulings
Luxembourg	~23.9% effective (SOPARFI)	17%	0–15% (often 0%)	Medium–High	**Low–Medium**	SOPARFI regime, EU Parent-Subsidiary Directive, strong asset/IP holding
Singapore	17% (effective often 4–12%)	9%	**0%**	Very High	**Low**	One-tier system, no capital gains tax, strong treaty network
United Arab Emirates (Free Zone)	0% (qualifying income) / 9%	5%	**0%**	Very High	**Medium**	Substance required, newer regime, no outbound WHT
Switzerland	12–21% (cantonal)	8.1%	0–35% (treaty-reduced)	Medium	Medium	Stability, IP and financing hub, higher admin
Ireland	12.5% (trading)	23%	0–25% (treaties)	High	Medium	EU access, IP holding, less pure holding-focused
Hong Kong	0–16.5%	0%	0%	High	Medium	Territorial regime, limited treaty coverage
Malta	35% (refund system → ~5%)	18%	0%	Medium	**Medium–High**	Scrutiny risk, refund complexity

Key Observations

1. As a factor to consider when choosing a jurisdiction, a casual observer may look at **Corporate tax** to inform their decision making but in fact **Corporate Tax is** secondary to the following items, and it is a mistake to use this as the principal yardstick with which to judge a jurisdictions' advantages.

For holding companies therefore, it is the **Participation Exemptions** that dominate outcomes. The Netherlands, Luxembourg, and Singapore effectively eliminate tax on both **Inbound dividends** and **Capital gains on qualifying subsidiaries,** often overshadowing the effect of Corporate tax on profits.

2. Withholding tax leakage can be a real cost.

In terms of Withholding tax, Singapore and the UAE are unique in having **zero outbound dividend WHT**, making them exceptionally clean for shareholder distributions.

3. Treaty access vs. substance risk trade-off

When considering which jurisdictions have the most favourable suite of Double Taxation Agreements in place, there is little doubt that the **Netherlands & Luxembourg** have unrivaled treaty access. However, they both also have higher economic substance expectations. The UAE on the other hand, offers simpler tax, but has been seen to increase its economic substance scrutiny, which may or may not impact decision making. It is **Singapore** though, which offers the best balance of treaty access and credibility.

Recommendations

1) Singapore – Best Overall Holding Company Jurisdiction

- **0% withholding tax on dividends**
- No capital gains tax
- One-tier system → no shareholder-level taxation
- Effective tax rate often below 10% through exemptions
- Extremely high reputational standing with tax authorities & banks

Singapore is the **cleanest jurisdiction globally** for:
- Regional APAC holdings
- IP & financing structures
- PE / VC exit planning

Unlike EU holding hubs, Singapore avoids complex anti-abuse directives while remaining fully OECD-compliant.

Ideal when: You want minimal tax leakage, low audit risk, and maximum banking acceptance.

2) Netherlands – Best Treaty-Driven Holding Platform

- Best participation exemption in Europe
- 100+ tax treaties
- EU Parent-Subsidiary Directive access
- Cooperative structures eliminate dividend WHT

- Advance tax rulings provide certainty

The Netherlands remains the **gold standard** **for treaty-driven dividend routing**, especially for complex multi-jurisdictional groups.

Downside: rising substance and anti-abuse scrutiny.

Ideal when: You need treaty optimization across multiple jurisdictions.

3) Luxembourg – Best for Asset, Fund & IP Holding

- SOPARFI participation exemption
- EU-compliant structure
- Excellent for investment funds and asset holding
- Lower VAT (17%) and financial ecosystem strength

Luxembourg excels in **capital-intensive, fund-linked, and IP-driven holding structures**, though at a slightly higher effective tax cost.

Ideal when: Holding investments, funds, or IP with EU substance.

Honorable Mention – UAE Free Zones

While not top-3 due to **evolving rules**, UAE Free Zones are compelling where:

- Dividend repatriation is key
- Middle East / Africa exposure dominates
- Substance can be demonstrated

However, reliance on qualifying income and BEPS risk keeps it just outside the top tier for pure holding companies.

Final Practical Guidance Summary

For most multinational structures:

- **Singapore** → Cleanest and safest default
- **Netherlands** → Best treaty engineering
- **Luxembourg** → Best for funds & assets

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