# Replacing tax havens in Russian tax strategy – a Netherlands case study

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# Dutch holding company

- NOT a special tax status
- Corporate income tax (2004: 34,5%)
- Capital tax (2004: 0,55%; exemptions!)
- No withholding tax on interest and royalties

# Dutch holding company: Dividend withholding tax

- Domestic rate 25%
- Tax treaty with the Russian Federation: 5/15%
- Withholding tax on the pass-through dividends reduced with 3%

# Dutch holding company

- Fiscal unity regime
- Functional currency
- Advance tax rulings
- Tax treaties network
- Participation exemption regime

# Participation exemption regime

Exempt are:

- any benefits derived from a qualifying participation such as dividends and capital gains
- capital losses

Liquidation losses deductible subject conditions

# Qualifying participation

Any shareholding, except for:

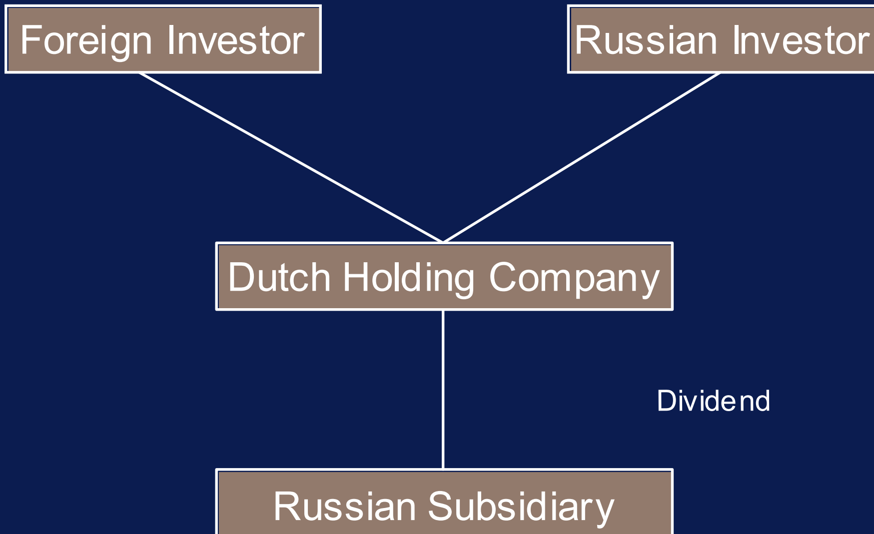
- Shares held as portfolio investment
- Shares in passive group financing companies
- Shares in companies which are not subject to corporate tax

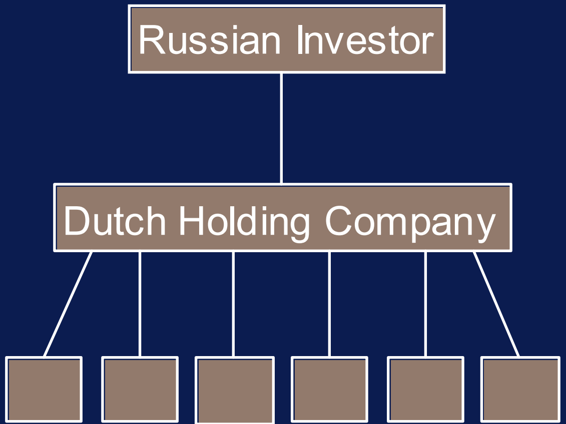
Unless covered by the Parent-Subsidiary Directive

# Participation exemption regime

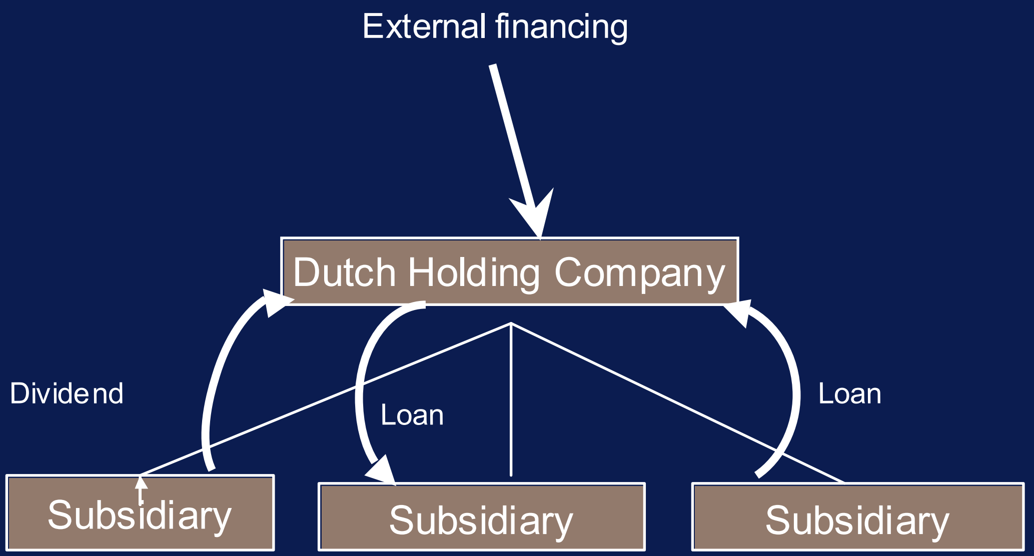
- Expenses related to a participation are deductible, BUT

- Thin capitalisation rules
- Other limitations of tax deduction of interest on the loans from related party
- Limitation on carry-forward of losses


Foreign Investor
Russian Investor
Dutch Holding Company
Dividend
Russian Subsidiary




Foreign and Russian Subsidiaries


External financing
Dutch Holding Company
Dividend
Loan
Loan
Subsidiary
Subsidiary
Subsidiary