

# RSM Henri Grisius & Associés

Expert Comptable – Conseil Fiscal

6, rue Adolphe, L-1116 Luxembourg  
B.P. 908, L-2019 Luxembourg  
T (+352) 26 97 97 1 F (+352) 26 97 97 34 60  
prenom.nom@rsm.lu - www.rsmi.com

## SOPARFI HOLDING COMPANIES

A “Soparfi” is a fully tax resident Luxembourg company limited by shares. As such, it benefits from double tax treaties concluded by Luxembourg. A Soparfi can be incorporated under the form of a public limited company (société anonyme), a private limited liability company (société à responsabilité limitée) or a partnership limited by shares (société en commandite par actions).

The aim of a Soparfi consists in general in the taking of financial participations in resident or foreign companies and in the management of these participations. It may also carry out commercial activities, provided the required authorizations are obtained.

Although the principal tax aspects applicable to Luxembourg companies limited by shares are summarized hereunder, each specific situation has to be analyzed with one of our specialists.

### Capital duty

As from 1 January 2009, capital contribution duty has been abolished. A fixed registration fee of EUR 75 is levied at the incorporation of companies. This fee is also levied each time the articles of association are amended.

### Maximum taxation of revenues

Corporate income tax (CIT):	21,00%
Contribution to the national employment fund: 0,84%	
Municipal business tax (MBT)*:	<u>6,75%</u>
	28,59%

\* for Luxembourg city

### Net wealth tax

Companies are subject to an annual tax of 0,5% calculated on the net wealth of the company. Participations benefiting from the participation exemption may be eliminated from the tax basis of the net wealth tax.

The company may reduce net wealth tax by the creation of a book reserve. The maximum reduction of net wealth tax amounts to one fifth of the book reserve under the condition that this reserve remains in the annual accounts during at least five years. The reduction of the net wealth tax may not exceed the amount of the corporate income tax due for the year.

### Participation exemption

Dividends received from a qualified participation are tax exempt if the Soparfi holds or undertakes to hold the said participation during an uninterrupted period of at least 12 months, and if, during that period, the participation rate never passes below 10% of the share capital of the participation, or the acquisition cost below EUR 1.200.000.

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Expenses related to tax exempt dividends (for example interest on a loan used to finance the purchase of the participation) are only tax exempt if they exceed the exempt dividend income for a given year.

Capital gains realized on the sale of a qualified participation are tax exempt if, at the day of sale, the seller holds or undertakes to hold the said participation during an uninterrupted period of at least 12 months and if, during that period, the participation rate never passes below 10% of the share capital of the participation, or the acquisition cost below € 6.000.000.

The exempt amount of the capital gains is reduced by the sum of the expenses related to the participation which has been tax deductible over the year of disposal and over the previous years.

Qualified participations are fully taxable resident companies limited by shares, non resident companies limited by shares taxed at a similar tax rate than the corporate income tax and companies of an EU member state mentioned in the appendix to article 2 of the EEC Directive 90/435 of 23rd July 1990.

Dividends may also be exempt under the provisions of some double tax treaties.

## **Withholding tax**

Dividends paid by a fully taxable Luxembourg company limited by shares are subject to a withholding tax of 15%. The withholding tax may be reduced by double tax treaties.

Dividends paid to:

- a parent company resident in an EU member state mentioned in the appendix to article 2 of the EEC Directive 90/435 of 23<sup>rd</sup> July 1990;
- a non-resident capital company subject to a tax that corresponds to the Luxembourg corporate income tax and resident in a country with which Luxembourg has concluded a double tax treaty ;

are exempt from withholding tax provided that the parent company holds or undertakes to hold, during a period of at least 12 months, a participation in the Luxembourg company of at least 10% of the share capital or of an acquisition cost amounting to at least € 1.2 million.

Liquidation proceeds are not subject to withholding tax.

Luxembourg does not levy any withholding tax on interest payments (except interest paid to private persons, who are within the European Savings Directive and if the latter is applicable to the interest payment).

In addition, Luxembourg has also abolished in 2004 the withholding tax on royalty payments.

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For further information, please contact:

**Laurent Heiliger**  
**E: [laurent.heiliger@rsm.lu](mailto:laurent.heiliger@rsm.lu)**  
**T: +352 26 97 97 1**

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