



Roberts Nathan Corporate & Private

Case Study 1

Methods of distributing accumulated funds for an Irish Holding Company.

BACKGROUND

An Irish holding company has been in existence for some years. This company is under the control of three individuals who are all tax resident in the EU or a country with which Ireland has a double tax treaty. None of these shareholders are tax resident/ordinary resident in Ireland.

This Irish company is a holding company which owns 100% of the issued share capital of a Swiss holding company. The Swiss holding company in turn controls a number of EU manufacturing companies.

Over the years a substantial sum of earnings, in excess of €2,500,000, have been accumulated in the Irish holding company from the receipt of various dividends from its subsidiaries.

These funds are not required to service borrowing or other costs. Accordingly the shareholders require that the funds should be considered as distributable profits of the Irish company.

OUR BRIEF

Our brief was to explore a number of possible solutions to allow the distribution of the accumulated funds in the most tax efficient manner.

OUR FINDINGS

We highlighted that there are two possible ways of extracting these funds from the Irish holding company to its shareholders as follows:

1. Granting of loans to related companies of the group.

The excess funds available to the Irish company could be used as loans given to related companies in the group as and when required. Under Irish company law there is no requirements for loans granted by the company to be subject to interest. This does not give rise to any adverse Irish tax implication under current legislation.

It should be noted, in the event that interest is to be applied to any loan granted, the interest on this will be subject to Irish Corporation tax.

2. Dividend payments to shareholders.

The Irish holding company may decide to declare and pay dividends to its shareholders. No dividend withholding tax arises in Ireland on these dividends once certain conditions are satisfied.

Please note the beneficiaries of these dividends may be taxable in their home countries at their marginal income tax rate.

OUTCOME

In the circumstances of this case the shareholders used a combination of loans and dividends to extract the accumulated funds from the Irish holding company. The three non Irish resident shareholders continue to enjoy regular distributions in a tax efficient manner.

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