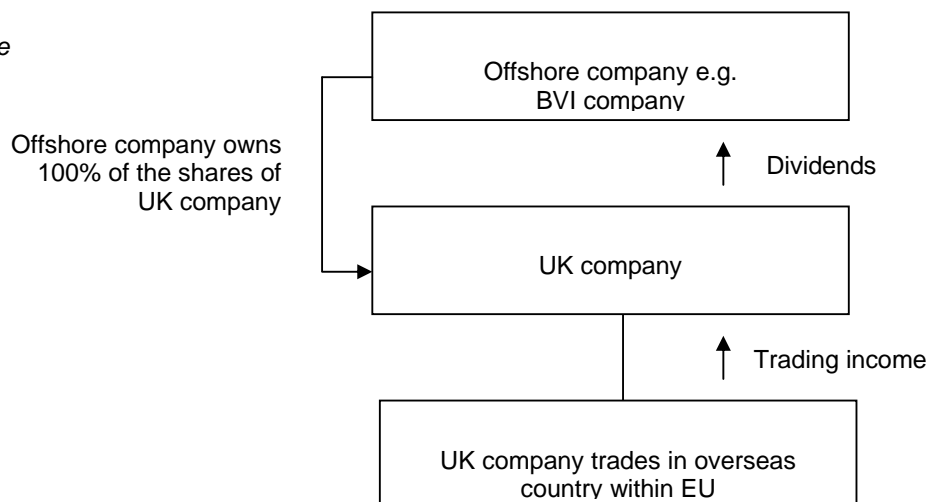


# INFORMATION SHEET

## CASE STUDY: OFFSHORE AND UK COMPANY FORMATIONS

UK companies can interact tax efficiently with offshore companies, and furthermore UK companies can offer solutions to certain technical problems facing offshore companies.

### Example



### Comment

- A UK company will provide limited liability protection equal to that of a domestic company within the EU country in which it trades (e.g. Italy/Germany/Poland/Austria) but UK incorporation fees and ongoing UK statutory administration costs will be much lower. Also a UK company need not pay up any minimum share capital, unlike many other intra-EU registered companies.
- European law has now clarified that deliberately incorporating a UK company to trade exclusively in e.g. Austria to avoid the costs and paid up share capital requirements of an Austrian company is a legitimate exercise of the freedom of establishment principle.
- The UK company can trade freely in the EU territory under the European Treaty principle of freedom of establishment (an offshore company cannot rely on this protection). The UK company pays tax in the country of source on its trading profits. This foreign tax can then be credited against the UK company's UK corporation tax liability. The tax credit will often completely relieve the UK company from UK corporation tax.
- The UK company can dividend profits to the offshore company free of any UK withholding tax.

This feature sheet is correct to the best of our knowledge and belief at the time of publication. It is, however, written as a general guide only. We recommend that specific advice is sought before applying the information contained in this feature sheet to specific issues or transactions.

- UK companies can now also receive foreign dividends free of UK corporation tax since 01 July 2009.
- UK companies can use the UK double tax treaty network to mitigate or eliminate source withholding taxes on foreign dividends. Offshore companies cannot benefit from this tax mitigation without being shielded from foreign source dividends by e.g. a UK holding company.

### Conclusion

The UK company can be used as a subsidiary or agent of an offshore company to generate trading profits which can then be distributed tax efficiently by the UK company to offshore companies by way of dividends, or licence fees. Such an arrangement can, with appropriate planning, avoid expensive withholding taxes or administrative enquiries which might otherwise apply to offshore companies attempting to trade or acquire direct interests in non-UK trading companies.

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