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jìnfā S.à r.l. (Société à résponsabilité limitée) **ADRESSE** 5, Heienhaff, L-1736 Senningerberg **WEB** www.jinfa.tax

AGENDA

REASONS TO CHOOSE LUXEMBURG 1/2

A strategic location:

→Situated in the heart of Europe, between Germany, France & Belgium

Politically & economically stable:

→Standard & Poor‘s, Moody‘s & Fitch rating rated the Luxembourg economy «AAA»

→Political enviroment characterised by continued stability over the past 60 years enabling the implementation of investor-friendly legislation

REASONS TO CHOOSE LUXEMBURG 2/2

Strong financial ties between Luxembourg and China

→ Several important Chinese asset management companies have chosen Luxembourg for their development of their European activities e.g. China AMC, ICBC Europe etc.

→ Several important Chinese banks have chosen Luxembourg for their development of their European activities e.g. Bank of China, ICBC, China Merchants Bank etc.

→ Several important Chinese industrielcompanies have chosen Luxembourg for their development of their European activities e.g. Huawei etc.

A PRAGMATIC TAX REGIME 1/2

A number of key features make Luxembourg a tax efficient place to conduct business:

→Access to all advantages resulting from EU Directives

→Flexible use of tax efficient structures for repatriation of profits

→Dividends and capital gains are tax exempt according to the participation exemption regime

→No withholding tax on interest, license fees and dividends (if certain conditions are met)

→No capital duty/stamp duty

→Stable and consistent tax legislation

A PRAGMATIC TAX REGIME 2/2

(…) **A number of key features make Luxembourg a tax efficient place to conduct business:**

→Planned activities may be discussed in advance with the Luxembourg tax authorities leading to a certainty of outcomes

→Tax authorities apply a pragmatic approach

→Access to a wide variety of over 75 double taxation treaties; these types of agreements between countries tend to eliminate the taxation of the same income in two countries (i.e. elimination of double taxation)

RISKS OF DOUBLE TAXATION 1/2

Incorporated in Country A, but management or control in Country B

If Country A regards tax resident based on incorporation and Country B regards tax
resident based on management or control

⇒ **potential double taxation**

Incorporated in Country A, but carries on business in Country B

If Country A taxes on worldwide income and Country B taxes income on source basis

⇒ **potential double taxation**

RISKS OF DOUBLE TAXATION 2/2

(...)

Dividends

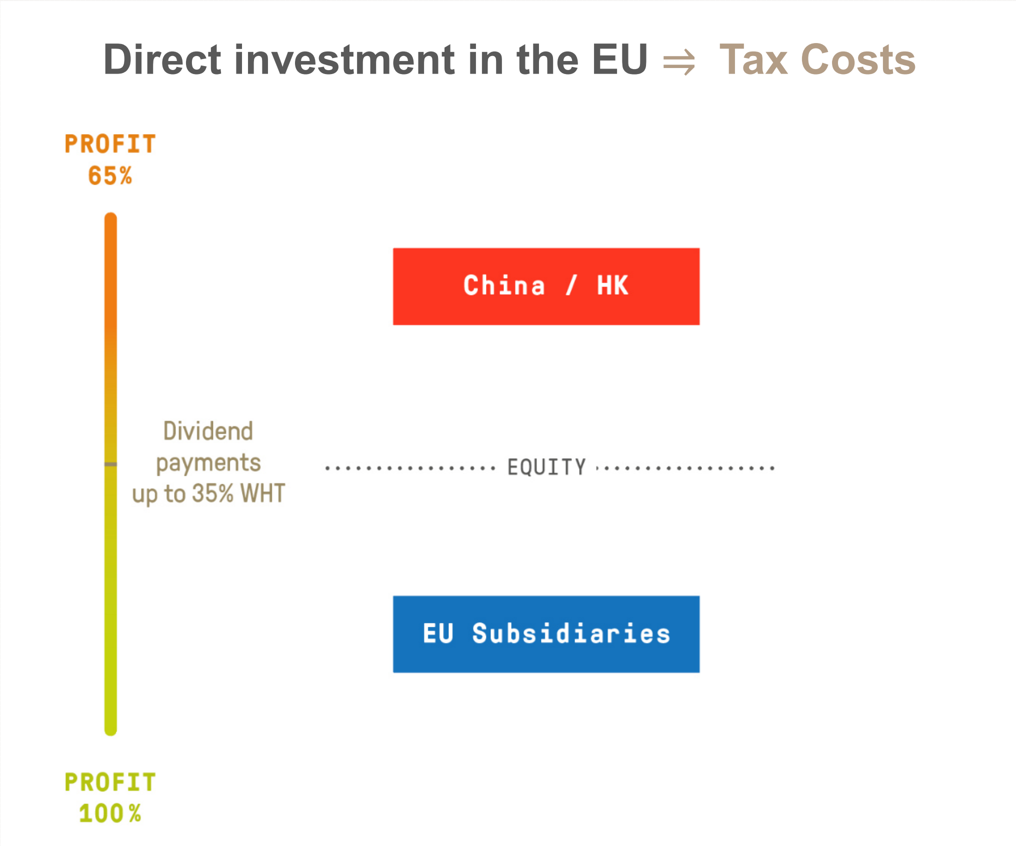
- China incorporated company distributes dividend to parent company, which is subject to 10% WHT in China.
- The parent company distributes dividend to ultimate shareholder, which is subject to 20% WHT.

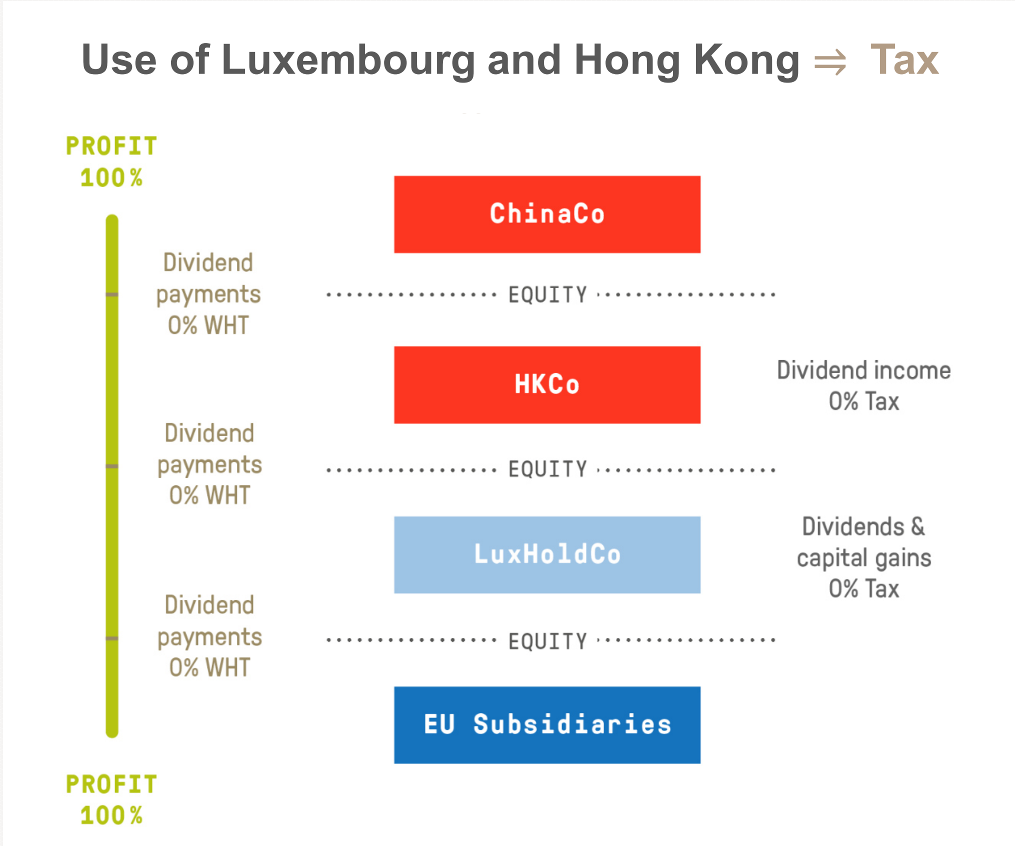
⇒ **potential double taxation**

DOUBLE TAXATION (AVOIDANCE) AGREEMENTS

- Clarifies the taxation rights of two states
- Relieves residents from double taxation
- Grants favorable withholding tax rates
- Agrees on exchange of information

EXAMPLE OF STRUCTURING





*Before any taxation in China / Hong Kong / ** After taxation in EU country (between 8.5% and 35%)

PARTICIPATION EXEMPTION REGIME

→ **Luxembourg levies Corporate Income Tax (CIT) and Municipal Business Tax (MBT) on corporate income**

→ **Under the participation exemption regime, the following exemptions are however available:**

- Dividends, liquidation proceeds and capital gains received on qualified shareholdings in eligible subsidiaries are exempt from CIT and MBT
- Dividends distributed to eligible parent companies are exempt from the 15% dividend withholding tax (WHT)
- Qualified shareholdings in eligible subsidiaries are exempt from the net worth tax (NWT)

INTERPOSITION OF A LUXEMBOURG HOLDING COMPANY – TAX ADVANTAGES 1/3

Tax-free pooling of funds: the use of LuxHoldCo is an effient mechanism to pool profits from different EU companies within the group without triggering additional taxes on those profits

No withholding tax on dividends paid by the EU Subsidiaries to LuxHoldCo based on the EU Parent-Subsidiary Directive.

INTERPOSITION OF A LUXEMBOURG HOLDING COMPANY – TAX ADVANTAGES 2/3

(...)

Dividends, capital gains and liquidation proceeds received by LuxHoldCo realized
on the disposal of shares in a EU Subsidiary are exempt from tax in Luxembourg according to the Luxembourg participation exemption regime under certain conditions:

→ **Ownership:** A 10% participation; or an acquisition price of at least EUR 1,200,000 to qualify for the dividend and liquidation proceeds exemption; or an acquisition price
of at least EUR 6,000,000 to qualify for the capital gains exemption.

→ **Minimum retention period (or commitment to hold):** at least 12 months.

INTERPOSITION OF A LUXEMBOURG HOLDING COMPANY – TAX ADVANTAGES 3/3

(...)

→The participations held by LuxHoldCo in the EU Subsidiaries are also exempt from net wealth tax in Luxembourg (same ownership conditions as above).

→No withholding tax on dividends paid by LuxHoldCo to HKCo according to the Hong Kong-Luxembourg tax treaty.

→Dividends paid by LuxHoldCo to HKCo are exempt from tax in Hong Kong.

→No withholding tax on dividends paid by HKCo to ChinaCo based on Hong Kong domestic law (no „subject to tax“ requirement).

OUR SERVICES

→ Establishing and setting up your company in Luxembourg e.g. support for the application for a business permit (autorisation d'établissement or autorisation de commerce)

→ Support for a set-up of a business solutions service center for Luxembourg companies i.e. for domiciliation and „substance office“ services

→ Accounting services according to (local) LuxGAAP as well as international standards (IFRS)

→ Compilation of annual financial statements according to (local) LuxGAAP as well as international standards (IFRS).

→ Tax services

CONTACT US

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