

# Ireland as a platform for investment into China

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China is a significant investment location for many multi-national companies (MNC's). With a considerable number of those MNCs using Ireland as a base from which to do business in Europe, there are interesting opportunities for MNC's to use their existing Irish operations as a platform for investing into China.

## Challenges

Key structuring challenges for MNC's investing into China include:

- Identifying a suitable holding company to make the investment,
- Repatriation of funds and achieving a tax efficient exit strategy,
- Relocating existing group capital to fund the investment without incurring tax costs,
- Financing the Chinese investment tax-efficiently, and
- Managing the group tax rate in respect of the investment.



### Opportunities

The Irish tax regime may offer opportunities to help manage these challenges:

- Existing Irish subsidiaries typically retain low taxed reserves, suitable for use as capital for any Chinese investment,
- Direct investment from Ireland to China avoids the need to extract cash from Ireland and thereby avoid possible tax costs.
- Ireland has an extensive treaty network and access to EU directives which reduce/eliminate withholding tax on payments from Ireland.
- Ireland has no CFC or thin capitalisation rules.
- The Irish holding company regime facilitates tax efficient exit planning.
- The Ireland/China tax treaty provides for particularly favourable treatment of capital gains:
  - possible to avoid both Chinese and Irish capital gains tax on exit.
- Ireland allows for the efficient repatriation of profits from China:
  - dividend withholding tax of 5% under Ireland/China tax treaty (provided a minimum 25% shareholding exists),
  - dividends taxed at 12.5% (where paid out of trading profits) with foreign tax credits available for dividend withholding tax and underlying tax suffered thus reducing/eliminating any Irish tax arising.
- Ireland's low tax rate (12.5%) facilitates the financing of the Chinese investment:
  - opportunity to reduce Chinese effective tax rate, and
  - improve management of overall group effective tax rate.
- Existing Irish operations can provide the required infrastructure and expertise to support the execution and management of the new investment.
- Ireland's favourable tax regime, coupled with its strong treaty network makes Ireland the ideal platform for investment into China.

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