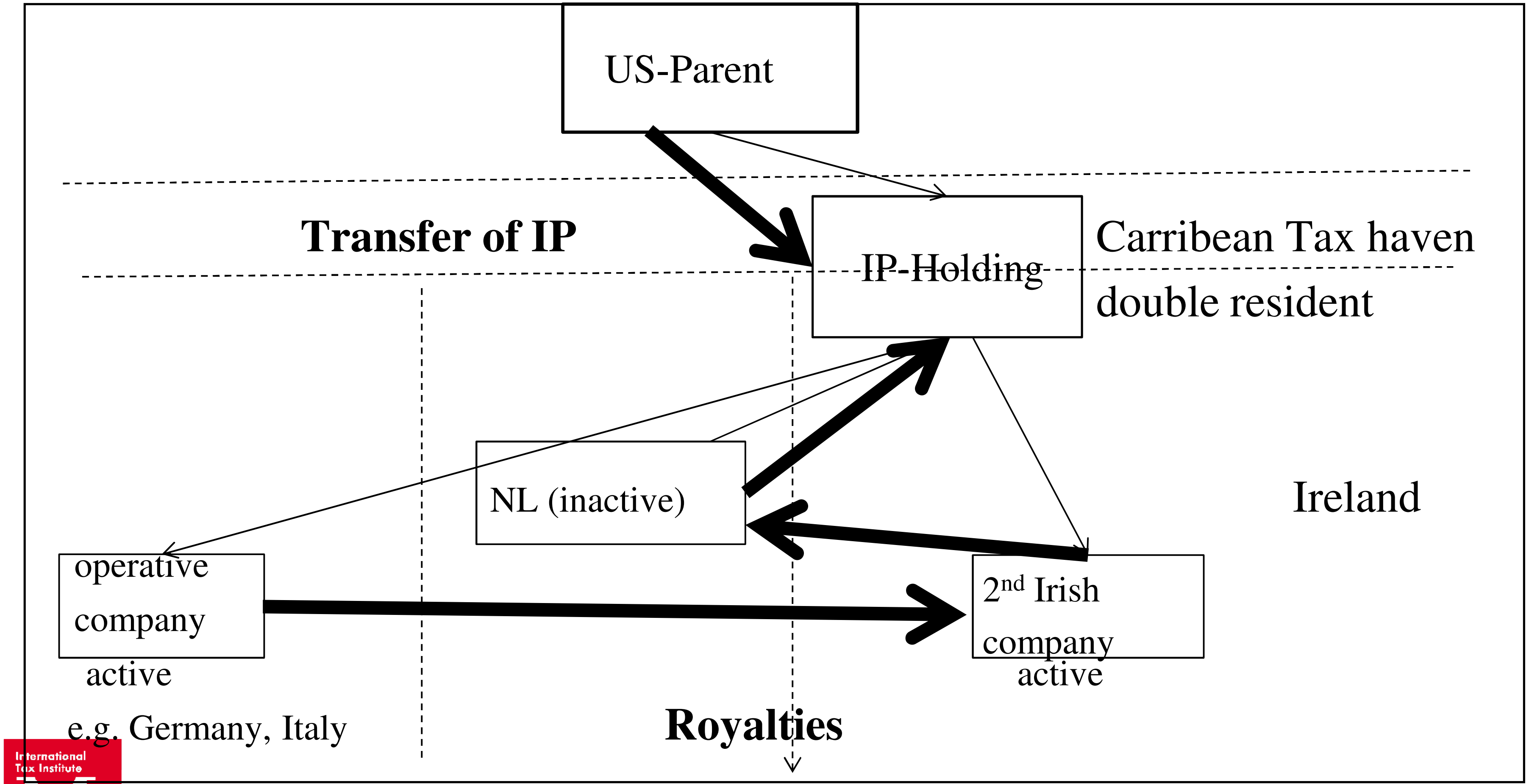
Double Irish-Dutch Sandwich



Double Irish-Dutch Sandwich

- US Parent company transfers IP to IP Holding
- IP Holding is double resident in Carribean State and in Ireland with management in Carribean State
  - ➢ IP Holding not taxable in Ireland
    - ❖ because management is in Carribean State
    - ❖ the shareholder are resident in a treaty country (US);
    - ❖ IP Holding controls an Irish comapny with active business
  - ➢ for US purposes IP Holding is Irish company because founded under Irish law
- 2nd Irish company „checks the box“; IP Holding and 2nd company are treated as one person und US law → therefore „active“, CFC-rules do not apply
- IP Holding gives general license to inactive NL company; NL company gives license to active Irish company
- Flow of license fees therefore: operative company → active Irish company → inactive NL company → IP Holding; no dividend distribution to US Parent
- For US: all companies except IP Holding „check the box“ to avoid application of US cfc-rules

Double Irish-Dutch Sandwich

Effects:

- Ireland has no anti-abuse- and transfer pricing rules
- Flow of Royalties:
  - Royalties in state of operating companies deductible als long as at arm‘s-length
  - Royalties not subject to withholding tax due to interest/royalties directive or DTA
  - Royalties from NL to IP holding not subject to withholding tax since NL do not levy tax on royalties