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Holding company

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In short: A holding company owns shares in other companies (its subsidiaries) rather than trading itself. Groups use holding companies to separate risks, centralise ownership and, where the rules allow, receive dividends and capital gains from subsidiaries with little or no tax through participation exemptions and tax treaties.

In UK law, a company is a holding company of another if it holds a majority of the voting rights, is a member and can appoint or remove a majority of the board, or controls a majority of the voting rights under an agreement (section 1159 of the Companies Act 2006). Other laws use similar control tests.

Popular holding locations include the Netherlands, Luxembourg, Cyprus, Ireland, Malta and the UAE, mainly because of participation exemptions, wide treaty networks and EU directives such as the Parent-Subsidiary Directive. Anti-abuse rules, substance requirements and controlled foreign company rules limit what a holding company can achieve; see withholding tax and double tax treaties.

See also

- Subsidiary and branch
- Withholding tax
- Double tax treaties

References

1. Companies Act 2006, section 1159: Meaning of "subsidiary" etc. . legislation.gov.uk. Accessed November 2026.
2. Council Directive 2011/96/EU (Parent-Subsidiary Directive) . EUR-Lex. Accessed November 2026.

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