# Appendix Table 1 Participation Exemptions in OECD Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Deduction or Exemption</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Applicable criteria</td>
<td></td>
<td>Applicable criteria</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dividends from foreign subsidiaries of which Australian companies hold least 10% are considered &quot;Nonassessable, Nonexempt&quot; (NANE) income, which is excluded from taxable income.</td>
<td>100%</td>
<td>Capital gains and losses on the disposal of shares, proportionate to the degree to which the company’s assets are used in active business.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10% holding</td>
<td></td>
<td>In both cases Australian entity or individual must hold 10% interest or participation.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The 10% is held for a year continuously.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>From January 2019 the exemption method changed to a credit method.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>100%</td>
<td>Dividends received by a nonresident company if the company is similar to an Austrian company.</td>
<td>100%</td>
<td>Capital gains on the sale of qualifying participations are tax-exempt.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Parent holds 10% equity or capital.</td>
<td></td>
<td>From January 2019 the exemption method changed to a credit method. (incorporation of CFC rules).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The 10% is held for a year continuously.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>From January 2019 the exemption method changed to a credit method.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>100%</td>
<td>€2.5 million acquisition value requirement.</td>
<td>100%</td>
<td>€2.5 million acquisition value requirement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10% holding</td>
<td></td>
<td>10% holding.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The distributor must be subject to CIT on the profits.</td>
<td></td>
<td>The distributor must be subject to CIT on the profits.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Full ownership for a period of at least 1 year.</td>
<td></td>
<td>Full ownership for a period of at least 1 year.</td>
</tr>
<tr>
<td>Canada</td>
<td>100%</td>
<td>Dividends received by corporate shareholders out of the &quot;exempt surplus&quot; of foreign affiliates are not taxable; &quot;exempt surplus&quot; generally relates to active business income in a country with which Canada has an income tax treaty.</td>
<td>50%</td>
<td>Applies to all capital gains, regardless of tax residency of affiliates.</td>
</tr>
<tr>
<td>Chile</td>
<td>No</td>
<td>N/A</td>
<td>No</td>
<td>Chile had a special regime that excluded dividends from withholdings on publicly traded stock corporations. The regime was repealed, and it will phase out in 2022.</td>
</tr>
<tr>
<td>Colombia</td>
<td>100%</td>
<td>Applies to domestic holding companies.</td>
<td>No</td>
<td>None.</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>100%</td>
<td>Dividends are exempt when transactions are made between EU or EEA residents and the holding is more than 10% for an uninterrupted period of 12 months.</td>
<td>100%</td>
<td>Capital gains are exempt when transactions are made between EU or EEA residents and the holding is more than 10% for an uninterrupted period of 12 months.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dividends are exempt for sales of shares in non-EU/EEA resident subsidiaries when that subsidiary is a tax resident in a country that has concluded a tax treaty with Czech Republic, has a specific legal form, meets the requirements for the dividend exemption under the EU parent-subsidary directive, and is subject to a home country tax of at least 12%.</td>
<td></td>
<td>Capital gains are exempt for sales of shares in non-EU/EEA resident subsidiaries when that subsidiary is a tax resident in a country that has concluded a tax treaty with Czech Republic, has a specific legal form, meets the requirements for the dividend exemption under the EU parent-subsidary directive, and is subject to a home country tax of at least 12%.</td>
</tr>
<tr>
<td>Denmark</td>
<td>100%</td>
<td>Dividends and capital gains received by a Danish company on subsidiary shares and group shares are generally exempt.</td>
<td>100%</td>
<td>Dividends and capital gains received by a Danish company on subsidiary shares and group shares are generally exempt.</td>
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<tr>
<td>Estonia</td>
<td>100%</td>
<td>CIT is not charged again in a distribution of dividends if there is a 10% holding for EEA members, or Switzerland. For non-EEA countries a 10% holding is required, and income tax was paid or withheld in the foreign jurisdiction.</td>
<td>100%</td>
<td>CIT is not charged on capital gains unless there is a distribution. For non-EEA countries a 10% holding is required, and income tax was paid or withheld in the foreign jurisdiction.</td>
</tr>
<tr>
<td>Finland</td>
<td>100%</td>
<td>Dividends received from companies in the EEA or EU members are exempt.</td>
<td>100%</td>
<td>Capital gains from the sale of shares are exempt when earned from sales of fixed assets that are deemed to be part of the seller’s business income generating assets if: seller owns at least 10% of capital; shares held at least for 1 year; shares are not of a real estate or LLC.</td>
</tr>
<tr>
<td>France</td>
<td>95%</td>
<td>95% net dividend exclusion. French parent holding 5% of subsidiary. 2-year holding period. 99% exemption on dividends in consolidated groups.</td>
<td>88%</td>
<td>French parent holding 5% of subsidiary. 2-year holding period. 88% of capital gains exempted if gains arise from the sale of shares that form part of a substantial investment, and the shares have been held for at least 24 months.</td>
</tr>
<tr>
<td>Germany</td>
<td>95%</td>
<td>Not applicable if dividends are tax-deductible for the payer.</td>
<td>95%</td>
<td>95% of capital gains from the sale of shares exempt if taxpayer held a 1% direct or indirect interest within the last 5 years.</td>
</tr>
<tr>
<td>Greece</td>
<td>100%</td>
<td>Exemption applies for dividends received from domestic or EU subsidiaries if 10% of shares held for a minimum of 24 months in hands of the parent company.</td>
<td>100%</td>
<td>Exemption applies for capital gains from domestic or EU subsidiaries if 10% of shares held for a minimum of 24 months in hands of the parent company.</td>
</tr>
<tr>
<td>Hungary</td>
<td>100%</td>
<td>Applies to dividends without any holding requirements.</td>
<td>100%</td>
<td>Applies to capital gains derived from the sale of an investment, if the taxpayer holds a subsidiary (a non-CFC) for at least one year and the acquisition must be reported to the Hungarian authorities. Similar rules apply for capital gains derived from the sale of qualifying intellectual property.</td>
</tr>
<tr>
<td>Iceland</td>
<td>100%</td>
<td>Dividends paid to a company within the EEA are not taxed if a tax return from the company is submitted.</td>
<td>100%</td>
<td>Tax withheld will be reimbursed in the year following the year of the payment. Capital gains from a sale of shares of a company are exempt.</td>
</tr>
<tr>
<td>Ireland</td>
<td>0%</td>
<td>Dividend exemption for Irish dividends and other EEA company dividends with specific requirements. Tax credit for withholding and underlying corporate tax is available for foreign-sourced dividends.</td>
<td>100%</td>
<td>Exempts capital gains between treaty countries (5% holding requirement). Investee must be a trading company or a member of a trading group. Interest held for a continuous 12-month period, ending with 2 years from the date of the disposal.</td>
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<td>Applicable criteria</td>
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<td>Applicable criteria</td>
</tr>
<tr>
<td>Israel</td>
<td>100%</td>
<td>Only for an Israeli holding company, investing abroad. Dividend exemption for dividends from a qualifying subsidiary.</td>
<td>100%</td>
<td>Only for an Israeli holding company, investing abroad. Capital gains from the sale of shares of the subsidiary are exempt.</td>
</tr>
<tr>
<td>Italy</td>
<td>95%</td>
<td>Domestic and foreign dividends are 95% exempt from CIT. No minimum requirements for the exemption.</td>
<td>95%</td>
<td>Capital gains are 95% exempt if they: have been held for 12 or 13 months continuously; are classified as financial fixed assets; are not located in low-tax jurisdiction; and the company carries on business activities.</td>
</tr>
<tr>
<td>Japan</td>
<td>95%</td>
<td>To qualify for the exemption, the taxpayer’s ownership stake in the foreign firm must be at least 33.3% with a holding period of more than 6 months.</td>
<td>0%</td>
<td>No exemption applies.</td>
</tr>
<tr>
<td>Korea</td>
<td>0%</td>
<td>No exemption applies.</td>
<td>0%</td>
<td>No exemption applies.</td>
</tr>
<tr>
<td>Latvia</td>
<td>100%</td>
<td>Redistributed dividends are exempt when: the payer pays corporate tax in its country of residence, and the dividends have been subject to withholding at the distributing jurisdiction; the payer is not from a &quot;blacklist&quot; country; dividends are not treated as a tax-deductible expense in the payer’s residence.</td>
<td>100%</td>
<td>Applies to holding companies that have held shares for at least 36 months. Does not apply to gains from sale of shares where more than 50% of assets are Latvian real estate or from sale of shares of companies in low-tax jurisdictions.</td>
</tr>
<tr>
<td>Lithuania</td>
<td>100%</td>
<td>Dividends are exempt from CIT if the company holds at least 10% of the shares of the subsidiary for at least 12 months.</td>
<td>100%</td>
<td>Capital gains derived by a Lithuanian resident holding company or PE, if the company is in Lithuania or in an EU/EEA member or the country has a treaty with Lithuania. The company must hold 10% of the voting rights for at least 2 years. In the case of a reorganization the period is 3 years.</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>100%</td>
<td>See applicable criteria for participation exemption for capital gains.</td>
<td>100%</td>
<td>Dividends and capital gains exempted if: held for uninterrupted period of 12 months; at least 10% or not below acquisition price of €1.2 million (€6 million for capital gains).</td>
</tr>
<tr>
<td>Mexico</td>
<td>No</td>
<td>N/A</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>Netherlands</td>
<td>100%</td>
<td>See applicable criteria for participation exemption for capital gains.</td>
<td>100%</td>
<td>Dividends and capital gains derived from 5% shareholder: subsidiary is not a mere portfolio investment; reasonable effective tax rate (subject to tax test); less than 50% of the assets are passive (asset test). If the exemption is not applicable credit is available.</td>
</tr>
</tbody>
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<tr>
<td>New Zealand</td>
<td>100%</td>
<td>None.</td>
<td>100%</td>
<td>None.</td>
</tr>
<tr>
<td>Norway</td>
<td>97%</td>
<td>Dividends received by a Norwegian resident limited company from another company in the EEA are 97% exempt. If it is nonresident in the EEA, then there is a 10% holding requirement for at least 2 years. Intragroup dividends are 100% exempt.</td>
<td>100%</td>
<td>Capital gains derived from the disposal of shares by a Norwegian Limited company or EEA resident are exempt. In low-tax jurisdictions the exemption applies when the company held has business activities. For shares in non-EEA countries there is a 10%- and 2-years holding requirement. The sold company cannot be in a low-tax jurisdiction.</td>
</tr>
<tr>
<td>Poland</td>
<td>100%</td>
<td>Dividends received by a Polish resident company from other Polish companies or EU/EEA, or Swiss companies are exempt. To qualify for the exemption there must be economic reality to the transaction.</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>Portugal</td>
<td>100%</td>
<td>See applicable criteria for participation exemption for capital gains.</td>
<td>100%</td>
<td>Dividends received and capital gains realized by a resident company from a domestic or foreign shareholding are exempt, provided that the shareholder is not considered a transparent entity and has held directly or indirectly 10% of the capital or voting rights of other company for at least 12 months. The subsidiary may not be resident in a listed tax haven and must be subject to an income tax that is equal to at least 60% of the Portuguese corporate tax rate.</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>100%</td>
<td>Dividends are exempt to the extent they have not been deducted by the payer of the dividends and Slovakia has a treaty or an agreement for the exchange of information with the other country.</td>
<td>100%</td>
<td>Capital gains from the sale of shares and ownership interests are exempt from tax if: income arises no earlier than 24 months after the acquisition date of at least a 10% direct interest in the registered capital. the taxable person carries out significant functions in Slovakia and has the personnel and equipment to carry the functions.</td>
</tr>
<tr>
<td>Slovenia</td>
<td>95%</td>
<td>95% dividend exemption on dividends received from another Slovene company, an EU subsidiary, or from any other country that is not &quot;blacklisted&quot; in Slovenia.</td>
<td>47.50%</td>
<td>Capital gains exemption applies if at least 8% of shares have been held for more than six months. Capital gains subject to the EU merger directive are exempt.</td>
</tr>
<tr>
<td>Spain</td>
<td>95% (prior to January 1, 2021 a 100% exemption applied). See applicable criteria for participation exemption for capital gains.</td>
<td>95% (prior to January 1, 2021 a 100% exemption applied).</td>
<td>Dividends and capital gains from shareholdings in Spanish and foreign subsidiaries may be exempt if 5% is held in the subsidiary for a one-year period.</td>
<td></td>
</tr>
</tbody>
</table>
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<td></td>
<td>Applicable criteria</td>
<td></td>
<td>Applicable criteria</td>
</tr>
<tr>
<td>Sweden</td>
<td>100%</td>
<td>See applicable criteria for participation exemption for capital gains.</td>
<td>100%</td>
<td>Dividends and capital gains derived from another resident company are exempted if the shares qualify as business related. Shares must be held for at least one year. The same exemption applies in specific cases for nonresident companies; features need to be like Swedish LLC or economic associations. Shares in an EU resident company can qualify as tax-exempt if the holding represents at least 10% of the capital.</td>
</tr>
<tr>
<td>Switzerland</td>
<td>100%</td>
<td>Dividends received from a qualifying participation in a resident or nonresident company. A participation is considered qualifying if the recipient company owns at least 10% of the capital of the payer company or the value of the participation is at least CHF 1 million.</td>
<td>100%</td>
<td>There is a participation relief for capital gains if 10% of shares in a company have been held for more than one year.</td>
</tr>
<tr>
<td>Turkey</td>
<td>100%</td>
<td>See applicable criteria for participation exemption for capital gains.</td>
<td>100%</td>
<td>In the case of foreign companies, nonresident payor is a foreign company or an LLC; the taxpayer owns 10% of the paid in capital in the last year; foreign profits are subject to at least 15% foreign income tax; dividends remitted to Turkey by the date that the corporate tax return is due; capital gains derived from the sale of foreign participations held at least for two years are exempt from corporate income tax.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>100%</td>
<td>Exemption applies to dividends except for dividends received by banks, insurance companies, and other financial traders.</td>
<td>100%</td>
<td>Capital gains are exempt when the selling company continuously owned at least 10% of the shares of the company sold for at least 12 months in the 6 years before the disposal.</td>
</tr>
<tr>
<td>United States</td>
<td>100%</td>
<td>Parent holds 10% of a foreign corporation, 100% dividend received deduction allowed (foreign portion of the dividend).</td>
<td>No</td>
<td>N/A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>CFC Regime?</th>
<th>Year Implemented</th>
<th>Shareholding Requirement</th>
<th>Corporate Tax Requirement</th>
<th>Income Type Requirement</th>
<th>Other Application Metrics or Exemptions</th>
<th>Income Assessable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Yes</td>
<td>1990</td>
<td>One of three tests must be satisfied:&lt;br&gt;1) 40% shareholding for a single entity, no other controlling&lt;br&gt;2) 50% shareholding for up to 5 shareholders&lt;br&gt;3) up to 5 shareholders have effective managerial control.</td>
<td>None</td>
<td>5% passive (tainted)</td>
<td>Status as an &quot;unlisted&quot; country. If passive income and tainted sales and services income are less than 5% of total income then no CFC inclusion. &quot;Whitelist&quot; countries CFCs only include certain passive income.</td>
<td>Passive</td>
</tr>
<tr>
<td>Austria</td>
<td>Yes</td>
<td>2019</td>
<td>50% through either direct or indirect ownership (profits, shares, or voting rights).</td>
<td></td>
<td>12.5% effective rate</td>
<td>CFC with substantive economic activities exempted.</td>
<td>Passive</td>
</tr>
<tr>
<td>Belgium</td>
<td>Yes</td>
<td>2017</td>
<td>50% through either direct or indirect ownership (capital, profits, or voting rights).</td>
<td>50% of Belgian effective rate</td>
<td>Income from non-genuine arrangements</td>
<td>None</td>
<td>Passive (connected to non-genuine arrangements)</td>
</tr>
<tr>
<td>Canada</td>
<td>Yes</td>
<td>1976</td>
<td>50% through either direct or indirect means.</td>
<td>None</td>
<td>None</td>
<td>Multiple rules may exempt CFC from taxation.</td>
<td>Passive</td>
</tr>
<tr>
<td>Chile</td>
<td>Yes</td>
<td>2014</td>
<td>50% through either direct or indirect means or bylaws can be unilaterally amended by the Chilean entity.</td>
<td>30% of Chilean effective rate</td>
<td>10% passive; 80% passive triggers full inclusion</td>
<td>The passive income is less than 10% of the total profits; the value of the assets of the CFC that may generate passive income do not exceed 20% of the total value of its assets; or CFC with lower than 30% rate requirement exempt if there is a treaty between third party and Chile.</td>
<td>Generally proportional to passive income</td>
</tr>
<tr>
<td>Colombia</td>
<td>Yes</td>
<td>2017</td>
<td>10% through direct or indirect means.</td>
<td>None</td>
<td>80% passive</td>
<td>If 80% or more of total income is passive, then 100% is deemed passive. If 80% or more of total income is active, then 100% is deemed active.</td>
<td>Generally proportional to passive income</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Yes</td>
<td>2019</td>
<td>50% through either direct or indirect ownership.</td>
<td>50% of Czech effective rate</td>
<td>None</td>
<td>None</td>
<td>Passive</td>
</tr>
<tr>
<td>Country</td>
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</tr>
<tr>
<td>Denmark</td>
<td>Yes</td>
<td>1995</td>
<td>50% through either direct or indirect ownership.</td>
<td>None</td>
<td>33 1/3% passive triggers inclusion</td>
<td>None</td>
<td>Passive</td>
</tr>
<tr>
<td>Estonia</td>
<td>Yes</td>
<td>2000</td>
<td>Separate rules for natural persons and companies. For companies, 50% through either direct or indirect means (shares, profits, voting rights).</td>
<td>None</td>
<td>Income from fictitious transactions with a purpose to obtain a tax advantage</td>
<td>CFCs in countries that are Estonian tax treaty partners are exempt. A CFC is exempt if the entity has accounting profits of no more than EUR 750,000 and non-trading income of no more than EUR 75,000.</td>
<td>All income from fictitious transactions</td>
</tr>
<tr>
<td>Finland</td>
<td>Yes</td>
<td>1995</td>
<td>25% through either direct or indirect means (voting, or assets).</td>
<td>60% of Finnish effective tax rate</td>
<td>Primarily passive</td>
<td>No exemption if CFC is in a blacklist jurisdiction. Exemption applies if CFC is in whitelisted jurisdiction (based on exchange of information agreements). Other exemptions apply based on activities and substance.</td>
<td>All income</td>
</tr>
<tr>
<td>France</td>
<td>Yes</td>
<td>1980</td>
<td>50% ownership requirement through either direct or indirect means. Tax liability owed by single shareholders if portion of attributable profits exceeds 5%.</td>
<td>60% of French effective tax rate</td>
<td>None</td>
<td>CFC exempt if located in EU or EEA and not an artificial arrangement or if CFC carries out trading or manufacturing (commercial or industrial) activity.</td>
<td>All income</td>
</tr>
<tr>
<td>Germany</td>
<td>Yes</td>
<td>1972</td>
<td>50% through either direct or indirect means.</td>
<td>25% of German effective rate</td>
<td>None</td>
<td>CFC exempt if located in EU or EEA and not an artificial arrangement; income amounting to no more than 10% of company’s total gross earnings (if it does not exceed a value of EUR 80,000) is excluded.</td>
<td>Passive</td>
</tr>
<tr>
<td>Greece</td>
<td>Yes</td>
<td>2014</td>
<td>50% through either direct or indirect means (shares, voting rights, equity, right to profits).</td>
<td>50% of Greek effective tax rate</td>
<td>30% passive</td>
<td>Principal shares are not traded on a regulated market; subsidiary located in a non-cooperative state. CFC exempt if located in EU or EEA and not an artificial arrangement.</td>
<td>Passive</td>
</tr>
<tr>
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</tr>
<tr>
<td>Hungary</td>
<td>Yes</td>
<td>1997</td>
<td>50% through either direct or indirect means.</td>
<td>50% of the Hungarian nominal rate</td>
<td>50% passive</td>
<td>CFC exempt if located in EU, OECD, EEA, and treaty countries and not an artificial arrangement.</td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td>Accounting profits not to exceed HUF 243,952,500 and non-trading income does not exceed HUF 24,395,250.</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td>Accounting profits not more than 10% of its operating costs.</td>
<td></td>
</tr>
<tr>
<td>Iceland</td>
<td>Yes</td>
<td>2010</td>
<td>50% through either direct or indirect means.</td>
<td>67% of Icelandic statutory tax rate</td>
<td>None</td>
<td>Exemption if CFC is resident in a treaty country and its income is not mainly financial income.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>CFC exempt if located in EEA countries, or has a double-tax treaty with Iceland and not an artificial arrangement.</td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>Yes</td>
<td>2019</td>
<td>50% through either direct or indirect means.</td>
<td>50% of Irish effective rate</td>
<td>None</td>
<td>Exclusions include:</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>CFC with accounting profits of €750,000 or less.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Non-trading income of €75,000 or less.</td>
<td></td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Transfer pricing exemption.</td>
<td></td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>Essential purpose test, income that comes from arrangements that do not have the purpose to secure a tax advantage.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Several exemptions do not apply if the CFC is in jurisdiction on the EU list of non-cooperative jurisdictions.</td>
<td></td>
</tr>
</tbody>
</table>

**Type of Income Taxed If CFC Rules Apply**

- All income associated with non-genuine arrangements
## Appendix Table 2 Controlled Foreign Corporation Rules in OECD Countries, Continued

<table>
<thead>
<tr>
<th>Country</th>
<th>CFC Regime?</th>
<th>Year Implemented</th>
<th>Shareholding Requirement</th>
<th>Corporate Tax Requirement</th>
<th>Income Type Requirement</th>
<th>Other Application Metrics or Exemptions</th>
<th>Income Assessable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Israel</td>
<td>Yes</td>
<td>2003</td>
<td>50% through either direct or indirect means; or 40% and together with a relative owns more than 50%; or Israeli resident has veto rights with respect to material management decisions, incl. distributions of dividends or liquidation. Tax liability owed by single shareholders if portion of attributable profits exceeds 10%.</td>
<td>15% effective rate</td>
<td>Primarily passive</td>
<td>If a resident can make substantial managerial decisions, then an entity can be considered a CFC; resident firm exempt if CFC is publicly traded and 30% or more of its shares/other rights have been issued to the public or listed for trade.</td>
<td>Passive</td>
</tr>
<tr>
<td>Italy</td>
<td>Yes</td>
<td>2001</td>
<td>50% through either direct or indirect means (voting rights, dominant influence, right to profits).</td>
<td>50% of Italian effective rate</td>
<td>33% passive</td>
<td>CFC exempt if located in EU or EEA and not an artificial arrangement; by means of an advance ruling, or the tax audit process, showing that the CFC carries on substantive economic activity.</td>
<td>All income</td>
</tr>
<tr>
<td>Japan</td>
<td>Yes</td>
<td>1978</td>
<td>50% Japanese firms/individuals through either direct or indirect means; multiple shareholders. Tax liability owed by single shareholders if portion of attributable profits exceeds 10%.</td>
<td>20% effective rate test except for &quot;paper,&quot; &quot;cash box,&quot; or &quot;black-listed&quot; companies which have a 30% effective tax rate requirement</td>
<td>Passive income must exceed JPY 20 million or passive income share of profits greater than 5 percent</td>
<td>Exemptions exist for economic substance and certain control/location criteria.</td>
<td>Primarily passive (all income of &quot;paper,&quot; &quot;cash box,&quot; or &quot;black-listed&quot; companies)</td>
</tr>
<tr>
<td>Korea</td>
<td>Yes</td>
<td>1995</td>
<td>50% Korean ownership of voting shares (including relatives or specially related persons who are owners). Tax liability owed by single shareholders if portion of share capital exceeds 10%.</td>
<td>15% effective rate over the three most recent consecutive years</td>
<td>50% passive</td>
<td>CFC rules don't apply to active income if CFC has fixed facilities engaged in business in the foreign country. If annual income is KRW200 million or less, then CFC rules do not apply.</td>
<td>All income</td>
</tr>
<tr>
<td>Latvia</td>
<td>Yes</td>
<td>2019</td>
<td>50% through either direct or indirect means (capital, voting rights, profits).</td>
<td>None</td>
<td>€75,000 passive</td>
<td>CFC not taxed until profits reach €750,000 or passive income exceeds €75,000. If CFC is incorporated in tax haven limits do not apply.</td>
<td>All income associated with non-genuine arrangements</td>
</tr>
<tr>
<td>Country</td>
<td>CFC Regime?</td>
<td>Year Implemented</td>
<td>Shareholding Requirement</td>
<td>Corporate Tax Requirement</td>
<td>Income Type Requirement</td>
<td>Other Application Metrics or Exemptions</td>
<td>Income Assessable</td>
</tr>
<tr>
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</tr>
</tbody>
</table>
| Lithuania    | Yes         | 2004             | 50% through either direct or indirect means.                                             | 50% of the Lithuanian effective rate | 33% passive            | If CFC income is less than 5% of the Lithuanian controlling party income, then there is no CFC taxation.  
Active income not attributable to parent if establishment requirements are satisfied.  
EEA and white-listed countries are exempt. | Passive          |
| Luxembourg   | Yes         | 2019             | 50% through either direct or indirect means.                                             | 50% of Luxembourg’s effective rate | None                   | CFC with accounting profits of no more than €750,000.  
Accounting profits no more than 10% of the operating costs of the period. | All income from non-genuine arrangements |
| Mexico       | Yes         | 1997             | 50% through either direct or indirect means; "Management Control."                     | 75% of effective Mexican rate | 20% passive            | An exemption may apply for non-resident financial entities. | All income       |
| Netherlands  | Yes         | 2019             | 50% through either direct ownership or through an ownership group.                      | 9% statutory CIT threshold; "low-tax jurisdiction" | 70% passive            | An exception applies for companies carrying out substantial economic activities.  
A minimum substance threshold includes annual salary costs of at least €100,000 and office space that is available to the company for at least 24 months. | Passive          |
| New Zealand  | Yes         | 1988             | 40% for a single shareholder; up to 5 shareholders hold >50%; up to 5 shareholders have significant decision-making power. | None                        | 5% passive             | <10% income interest by individual corporate shareholder.  
CFC may be exempt from rules if operating in Australia and satisfies other criteria. | Passive          |
| Norway       | Yes         | 1992             | 50% through either direct or indirect means.                                             | 66.67% of Norwegian effective rate | Primarily passive      | CFC exempt if located in EEA countries and not an artificial arrangement if the income is not predominately passive.  
CFC exempt if located in tax treaty countries. | All income       |
<table>
<thead>
<tr>
<th>Country</th>
<th>CFC Regime?</th>
<th>Year Implemented</th>
<th>Shareholding Requirement</th>
<th>Corporate Tax Requirement</th>
<th>Income Type Requirement</th>
<th>Other Application Metrics or Exemptions</th>
<th>Income Assessable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>Yes</td>
<td>2015</td>
<td>50% through either direct or indirect means.</td>
<td>50% of Polish effective rate</td>
<td>33% passive</td>
<td>CFC exempt if located in EU and EEA countries and not an artificial arrangement; carries on genuine economic activity (physically exists, i.e., premises, staff, equipment). Exchange of information with Poland or the EU required.</td>
<td>All income</td>
</tr>
<tr>
<td>Portugal</td>
<td>Yes</td>
<td>1995</td>
<td>25% through either direct or indirect means.</td>
<td>50% of Portuguese effective tax rate</td>
<td>25% passive</td>
<td>CFC exempt if located in EU and EEA countries and not an artificial arrangement and carries out agricultural, commercial, industrial, and services activities.</td>
<td>All income</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Yes</td>
<td>2019</td>
<td>50% through either direct or indirect means.</td>
<td>50% of the Slovakian effective rate</td>
<td>None</td>
<td>Exemptions for CFCs that are carrying out substantive activities.</td>
<td>All income from non-genuine arrangements</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Yes</td>
<td>2019</td>
<td>50% through either direct or indirect means.</td>
<td>50% of the Slovenian effective rate</td>
<td>Passive</td>
<td>Substantial economic activities exemption.</td>
<td>Passive Income</td>
</tr>
<tr>
<td>Spain</td>
<td>Yes</td>
<td>1995</td>
<td>50% through either direct or indirect means.</td>
<td>75% of Spanish effective rate</td>
<td>15% passive</td>
<td>CFC exempt if located in EU and EEA countries and not an artificial arrangement.</td>
<td>Passive Income</td>
</tr>
<tr>
<td>Sweden</td>
<td>Yes</td>
<td>1989</td>
<td>25% through either direct or indirect means (capital or voting rights).</td>
<td>55% of Swedish effective rate</td>
<td>None</td>
<td>CFC exempt if located in EEA countries and not an artificial arrangement or located in whitelist countries.</td>
<td>All income</td>
</tr>
<tr>
<td>Switzerland</td>
<td>No</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Turkey</td>
<td>Yes</td>
<td>2006</td>
<td>50% through either direct or indirect means (capital, dividends, voting power).</td>
<td>10% effective rate</td>
<td>25% passive</td>
<td>Gross revenue is greater than TRY 100,000.</td>
<td>All income</td>
</tr>
<tr>
<td>Country</td>
<td>CFC Regime?</td>
<td>Year Implemented</td>
<td>Shareholding Requirement</td>
<td>Corporate Tax Requirement</td>
<td>Income Type Requirement</td>
<td>Other Application Metrics or Exemptions</td>
<td>Income Assessable</td>
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<td>-------------------</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Yes</td>
<td>1984, 2013</td>
<td>25% or more ownership interest.</td>
<td>75% of British effective tax rate</td>
<td>None</td>
<td>A special exemption applies to intra-group financing profits. Such profits can receive an exemption of between 75% and 100% of the financing profits on qualifying loans. Territories are excluded. Multiple “gateway tests” for exempting CFC income from additional taxation.</td>
<td>All income</td>
</tr>
<tr>
<td>United States</td>
<td>Yes (Subpart F), 2017 (GILTI)</td>
<td>1962</td>
<td>50% through either direct or indirect constructive means. Tax liability owed by single shareholders if ownership exceeds 10%.</td>
<td>Foreign effective tax rate should be at least 90% of U.S. statutory rate</td>
<td>None</td>
<td>Subpart F: Excludes active Income GILTI: 10% exclusion for tangible assets, 50% general exclusion, 20% reduction in foreign tax credits.</td>
<td>All income</td>
</tr>
</tbody>
</table>

## Appendix Table 3 Interest Deduction Limitations in OECD Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Interest deduction limitations</th>
<th>Applicable criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Yes</td>
<td>Safe harbor ratio (debt-to-equity) 1.5:1, interest over the ratio is not deductible. Multinational payments not affected if comply with arm’s length borrowing, or if passes specific “worldwide leverage test,” depending on status as inbound or outbound investor.</td>
</tr>
<tr>
<td>Austria</td>
<td>Yes</td>
<td>Interest limitation rule applies for “excessive borrowing costs,” i.e., costs greater than EUR 3 million and greater than 30% of adjusted EBITDA; arm’s length standard applicable.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Yes</td>
<td>Interest charges limited to the higher of €3 million or 30% of EBITDA. 5:1 debt to equity ratio applies to intragroup loans. 1:1 debt to equity ratio for receivables from shareholders or directors, managers, and liquidators.</td>
</tr>
<tr>
<td>Canada</td>
<td>Yes</td>
<td>Interest-bearing debt owed by Canadian corporation to nonresidents cannot be greater than 1.5 times the amount of equity.</td>
</tr>
<tr>
<td>Chile</td>
<td>Yes</td>
<td>Thin cap rules apply to related party loans. If debt to equity exceeds 3:1 threshold excess interest is subject to 35% withholding.</td>
</tr>
<tr>
<td>Colombia</td>
<td>Yes</td>
<td>If debt to equity exceeds 2:1, then interest is not deductible. Certain exemptions apply.</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Yes</td>
<td>Loan/credits equity ratio cannot exceed 4:1, or 6:1 when debtor is a bank or insurance company. CZK80 million threshold or 30% of EBITDA. Financing expenses contingent on the profit of debtor are not deductible.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Yes</td>
<td>4:1 debt to equity test for thin cap. Asset test, interest is limited to 2.3% of assets if net financing costs exceed DKK 21.3 million. Interest and depreciation deduction limited to 30% of EBITDA, a minimum deduction of DKK 22.3 million is allowed.</td>
</tr>
<tr>
<td>Estonia</td>
<td>Yes</td>
<td>€3 million threshold or 30% of EBITDA.</td>
</tr>
<tr>
<td>Finland</td>
<td>Yes</td>
<td>Intragroup interest expense limited to 25% of the company adjusted taxable income (“taxable EBITD”). Subject to certain exceptions. Interest expense does not exceed the interest income derived by the company that pays. Net interest expense up to €500,000 fully deductible. Company equity/assets ratio is equal or greater than the group ratio.</td>
</tr>
<tr>
<td>France</td>
<td>Yes</td>
<td>Exemptions apply for companies that are members of a consolidated group for financial accounting purposes. Bank and credit institution exemptions. Net borrowing costs are deductible up to the greater of 30% of EBITDA or €3 million.</td>
</tr>
</tbody>
</table>
### Appendix Table 3 Interest Deduction Limitations in OECD Countries, Continued

<table>
<thead>
<tr>
<th>Country</th>
<th>Interest deduction limitations</th>
<th>Applicable criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Yes</td>
<td>30% EBITDA. Carryforwards allowed. Limitation does not apply to interest less than €3 million. Taxpayer is not part of a group of companies. Taxpayer cannot demonstrate that the equity ratio of the borrower is not more than 2 percentage points below worldwide group’s equity ratio.</td>
</tr>
<tr>
<td>Greece</td>
<td>Yes</td>
<td>Net interest deduction limitation in certain categories of interest if it exceeds €3 million or 30% of EBITDA after tax adjustments.</td>
</tr>
<tr>
<td>Hungary</td>
<td>Yes</td>
<td>Excess borrowing costs are deductible up to 30% of EBITDA. Standalone entities are exempted as borrowing costs under €3 million. Loans concluded before June 2016 are subject to the previous thin cap rules and a 3:1 debt to equity ratio applies instead.</td>
</tr>
<tr>
<td>Iceland</td>
<td>Yes</td>
<td>Interest on related party debt generally may be deducted but not exceeding 30% of EBITDA. Interest exceeding this amount is not deductible unless: the taxpayer is a financial institution or an insurance company; the total interest paid does not exceed ISK 100 million during the year; taxpayer’s debt to equity ratio is not less than 2% below the consolidated equity ratio of the group.</td>
</tr>
<tr>
<td>Ireland</td>
<td>No</td>
<td>Interest can be reclassified as a dividend in specific cases. New interest deduction limitations are expected to be effective on January 1, 2022.</td>
</tr>
<tr>
<td>Israel</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>Italy</td>
<td>Yes</td>
<td>Net interest is only deductible to an amount up to 30% of EBITDA, plus financial leasing installments. Excess interest may be carried forward.</td>
</tr>
<tr>
<td>Japan</td>
<td>Yes</td>
<td>Net interest payments to related persons exceeding 20% of adjusted taxable income in a fiscal year are not deductible. Payments under JPY 20 million or that do not exceed 20% of total interest expenses are deductible. The deduction of interest payable by a Japanese corporation or a foreign corporation liable to tax in Japan is limited when the interest is subject to Japanese tax in the hands of the recipient. Control over 50% of one corporation to the other is a limitation when applying the interest deduction. There is a debt to equity safe harbor of 3:1 and 2:1 for repo transactions.</td>
</tr>
<tr>
<td>Korea</td>
<td>Yes</td>
<td>Limited 2:1 debt to equity ratio (6:1 for financial institutions) on loans. Deductions are also limited to 30% of EBITDA.</td>
</tr>
</tbody>
</table>
### Appendix Table 3 Interest Deduction Limitations in OECD Countries, Continued

<table>
<thead>
<tr>
<th>Country</th>
<th>Interest deduction limitations</th>
<th>Applicable criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latvia</td>
<td>Yes</td>
<td>Interest includible in the taxable base if:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Debt to equity exceeds 4:1; the interest exceeds €3 million and 30% of EBITDA.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The limitation does not apply to payments made to EU or EEA, credit institutions, or treaty signors, or for EU/EEA public debt securities.</td>
</tr>
<tr>
<td>Lithuania</td>
<td>Yes</td>
<td>4:1 debt to equity ratio applies to interest paid to controlling entities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>€3 million or 30% of EBITDA interest expense limitation.</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Yes</td>
<td>€3 million or 30% of EBITDA interest expense limitation. Interest payments to a related entity in a jurisdiction included on the EU list of noncooperative jurisdictions will be denied.</td>
</tr>
<tr>
<td>Mexico</td>
<td>Yes</td>
<td>3:1 debt to equity ratio for interest payments between related parties.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thresholds of 30% of adjusted taxable income and MXN 20 million total interest expense apply.</td>
</tr>
<tr>
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<td></td>
<td>Debts for construction, operation, or maintenance of productive infrastructure linked to strategic areas are excluded from the rule.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Yes</td>
<td>Difference between interest expenses and interest income from third party and group loans. Balance of interest is deductible up to 30% of EBITDA. Or net amount of €1 million if the 30% threshold is exceeded.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Excess interest carryforward allowed.</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Yes</td>
<td>Interest deductions limited to a debt to assets ratio safe harbor.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inbound company’s interest will be apportioned if the debt percentage of the NZ group is more than 60% and exceeds 110% of the debt percentage of the worldwide group.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For outbound companies, interest will be apportioned if the debt percentage of the NZ group is more than 75% and exceeds 110% of the debt percentage of the worldwide group.</td>
</tr>
<tr>
<td>Norway</td>
<td>Yes</td>
<td>Interest on related party debt generally may be deducted but not exceeding 25% of adjusted EBITDA. A de minimis threshold of NOK 5 million in net interest expense applies at the company level.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For group companies, external debt is treated as related party debt when applying the threshold.</td>
</tr>
<tr>
<td>Poland</td>
<td>Yes</td>
<td>Deductions of debt financing costs that exceed interest or “interest type” income are limited to 30% of “tax EBITDA” and/or PLN 3 million in a fiscal year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5-year carryforward for disallowed deductions.</td>
</tr>
<tr>
<td>Portugal</td>
<td>Yes</td>
<td>Net financial costs are deductible only up to the greater of:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>€1 million; 30% of EBITDA as adjusted for tax purposes.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Companies reporting under a tax group must apply the thresholds at a group level.</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>Yes</td>
<td>Maximum amount of tax-deductible interest on related party loans is limited to 25% of EBITDA.</td>
</tr>
</tbody>
</table>
### Appendix Table 3 Interest Deduction Limitations in OECD Countries, Continued

<table>
<thead>
<tr>
<th>Country</th>
<th>Interest deduction limitations</th>
<th>Applicable criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>Yes</td>
<td>Interest loans are not deductible when received from: a shareholder that owns at least 25% of equity, capital, or voting rights; a lender that has the same 25% shareholder as the borrower; a lender where a family member of the shareholder at any time during the tax period holds directly or indirectly 25% of equity, capital, or voting rights; the loan exceeds a 4:1 ratio at any time during the period.</td>
</tr>
<tr>
<td>Spain</td>
<td>Yes</td>
<td>Net interest deductions capped at 30% of tax adjusted EBITDA. Net interest expense is deductible if it does not exceed €1 million per year.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Yes</td>
<td>Targeted rules, interest expense on intragroup loans will be allowed where the beneficial owner is in a treaty country or in the EEA area or the interest is subject to a tax rate of at least 10%. If an intergroup loan is deemed to be exclusively for a group to achieve a tax benefit, then interest is not deductible. Interest on certain hybrid loans is not deductible. Net interest expense limited on related and third-party loans to 30% of tax-adjusted EBITDA. A de minimis rule allows SEK 5 million to be deductible.</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Yes</td>
<td>Different debt to equity ratios for each class of assets; receivables may be 85% debt-financed; investments at 70% as intellectual property.</td>
</tr>
<tr>
<td>Turkey</td>
<td>Yes</td>
<td>3:1 debt equity ratio in loans from shareholders and related parties. Related expenses, foreign exchange losses and interest payments are nondeductible.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Yes</td>
<td>Arm's length standard applicable. Thin cap advance agreements available. Aggregate tax reductions for net financing costs limited to 30% of EBITDA and a de minimis exemption for the first GBP 2 million in interest expenses. Interest deductions subject to debt cap limits.</td>
</tr>
<tr>
<td>United States</td>
<td>Yes</td>
<td>Business interest deductions limited to business interest income, 30% of adjusted taxable income (EBITDA until the end of 2021, then EBIT), and floor plan financing interest. Non-deductible interest maybe carried forward under certain conditions.</td>
</tr>
</tbody>
</table>

## Appendix Table 4 EU Anti-Tax Avoidance Directive Implementation for CFC Rules and Interest Deduction Limitations

<table>
<thead>
<tr>
<th>EU Member State</th>
<th>CFC Rules</th>
<th>Interest Deduction Limitations</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Model A</td>
<td>Model B</td>
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<tr>
<td>Austria</td>
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<td>Spain</td>
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<td>Sweden</td>
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<table>
<thead>
<tr>
<th>Country</th>
<th>Provision</th>
<th>Description</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Multinational Anti-Avoidance Law (MAAL)</td>
<td>The MAAL penalty applies to business structures or transaction arrangements for which one of the main purposes of the structure is to gain Australian tax benefits or both an Australian and foreign tax benefit. Applies to significant global entities (SGEs) which are multinational businesses with global revenues of AUD $1 billion or more or an entity which is part of a multinational group with at least AUD $1 billion in global revenue.</td>
<td>Up to 120% of the amount of avoided tax.</td>
</tr>
<tr>
<td>Australia</td>
<td>Diverted Profits Tax (DPT)</td>
<td>Penalty regime for business practices that result in corporate taxes being paid at a rate lower than what the tax authority would deem appropriate or avoiding taxes altogether. Applies to significant global entities (SGEs) which are multinational businesses with global revenues of AUD $1 billion or more or an entity which is part of a multinational group with at least AUD $1 billion AUD in global revenue.</td>
<td>40% tax rate on profits that are deemed to have been diverted from the Australian tax base.</td>
</tr>
<tr>
<td>Germany</td>
<td>Royalty Barrier Rule</td>
<td>Applies to royalties paid on intra-group transactions that result in an effective tax rate below 25%. The royalty barrier does not apply when the recipient of a royalty is covered by Germany’s CFC rules.</td>
<td>Denial of deductibility of payments that trigger the rule.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Diverted Profits Tax (DPT)</td>
<td>This policy is meant to target specific transactions that tax authorities deem to be abusive.</td>
<td>25% tax rate on profits that are deemed to have been diverted from the Australian tax base.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Income Tax on Offshore Intangible Property</td>
<td>This policy applies to any foreign company with more than GBP 10 million in sales derived from intellectual property (IP) in countries with corporate tax rates below 50 percent of the UK rate. Offshore income could be exempt from the tax if there is sufficient business substance in the offshore location or if the UK has a double tax treaty with the jurisdiction that includes a nondiscrimination provision.</td>
<td>Corporate income tax applied to offshore income.</td>
</tr>
<tr>
<td>United States</td>
<td>Global Intangible Low-Tax Income (GILTI)</td>
<td>A new category of foreign income that includes earnings exceeding a 10 percent return on a company’s invested foreign assets.</td>
<td>Tax rate of between 10.5 and 13.125 percent on GILTI (though not in all cases); 80% limitation of foreign tax credits.</td>
</tr>
<tr>
<td>United States</td>
<td>Base Erosion Anti-Abuse Tax (BEAT)</td>
<td>Targets multinational corporations with gross receipts of at least USD 500 million in the previous three taxable years, with base erosion payments to related foreign corporations that exceed 3 percent (2 percent for certain financial firms) of the total deductions taken during the fiscal year.</td>
<td>3% rate on base-eroding payments; 2% for financial firms.</td>
</tr>
</tbody>
</table>