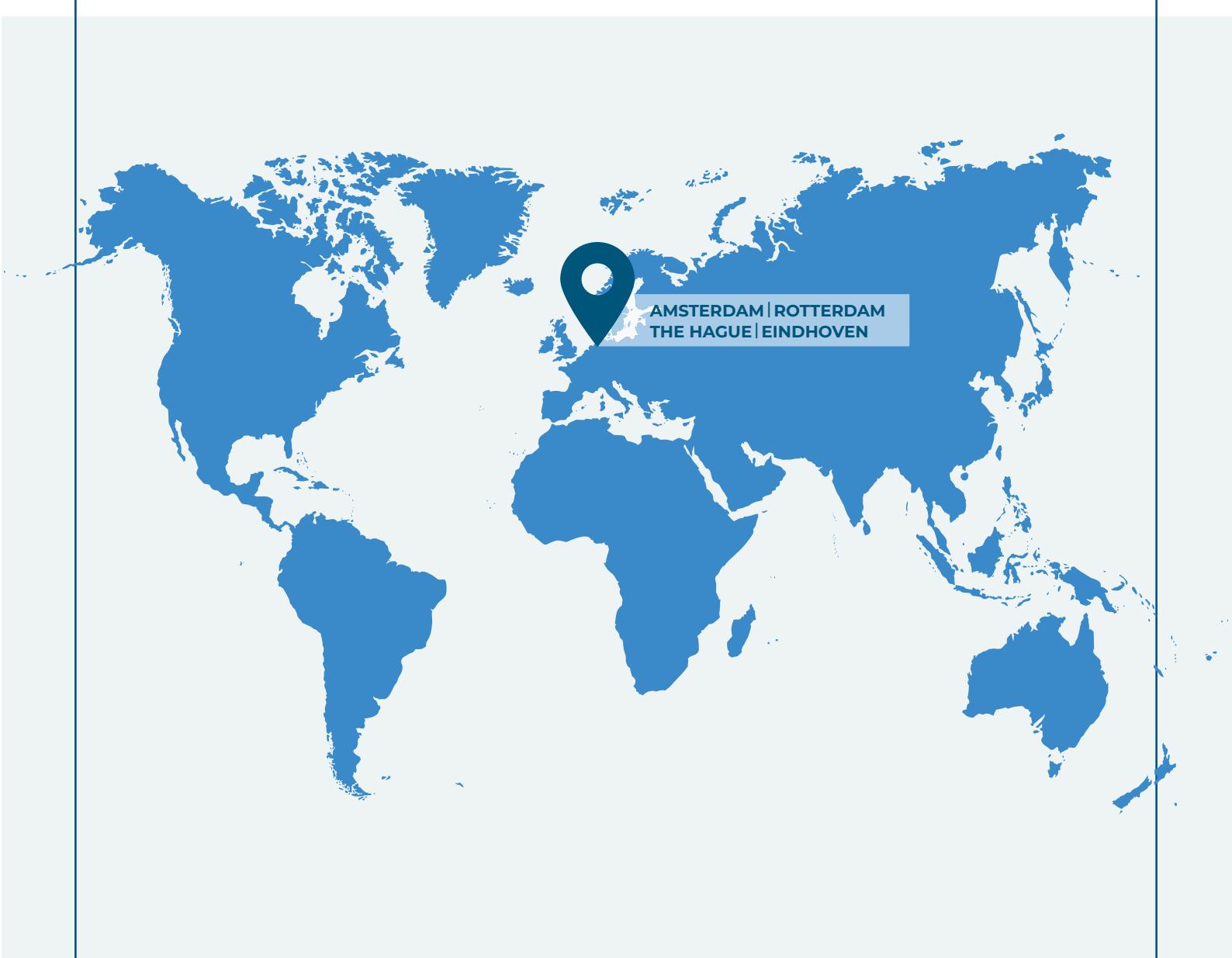


DOING BUSINESS IN THE NETHERLANDS



winglobally 

 **BRIDGE**
LEGAL & FINANCE

TO SET UP A BUSINESS IN THE NETHERLANDS YOU CAN EITHER:

Register a branch office of your foreign entity OR set up a Dutch company as a subsidiary

BRANCH	SUBSIDIARY
Not a company on its own	Legally independent company
Does not require notary for minimum capital	Requirement of Dutch notary and minimum capital
Executing the same activities as the parent company, but needs to report local income	Legally independent but connected to the parent company commercially
Directors of the foreign Head Office need to be registered	Separate management team and accounting system
Its liability extends to the foreign Head Office	Limited liability
Double tax treaties concluded by the Netherlands	Double tax treaties concluded by the Netherlands
Subject to the Dutch taxation system	Subject to the Dutch taxation system
Taxation on their worldwide income – Prevention of double taxation according to the double taxation agreements (DTA)	Taxation on their worldwide income – Prevention of double taxation according to the double taxation agreements (DTA)

TYPES OF SUBSIDIARIES AND THEIR CHARACTERISTICS:

A subsidiary in the Netherlands is an affiliated company that is independent and can take its own legal structure. It is registered with the Dutch Trade Register under its own registration number and it is taxed according to its residency which is the Netherlands.

The most common types of entities are:

Besloten Venootschap, in short B.V. or BV (Limited Liability Company)	Naamloze Venootschap, in short N.V. or NV (Public Limited Company)
No minimum share capital	Minimum share capital in the amount of EUR 45,000
One shareholder minimum for incorporation	One shareholder minimum for incorporation
The liability of the shareholders is limited to the amount of their shares	The liability of the shareholders is limited to the amount of their shares
Can issue shares without voting or profit rights	Can list shares at the Dutch Stock Exchange
Double tax treaties concluded by the Netherlands	Double tax treaties concluded by the Netherlands
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TAXES

1. Value Added Tax (VAT)

General Rates

In the Netherlands, VAT is levied on the supply of goods and services. The standard VAT rate is 21%.¹ There are reduced rates of 9% for certain essential goods and services, such as foodstuffs, medicines, and public transport, and a 0% rate for exports and intra-community supplies.

One-Stop-Shop (OSS)

The OSS scheme simplifies VAT compliance for businesses selling goods or services cross-border within the EU. Instead of registering in each EU country where sales are made, businesses can declare and pay VAT in the Netherlands through a single OSS registration.

Fiscal Representative

Non-EU businesses (without substance) that engage in taxable transactions in the Netherlands may need to appoint a fiscal representative. This representative is responsible for the VAT administration and compliance on behalf of the foreign business. Fiscal representation prevents a company from registering with the Dutch Chamber of Commerce or setting up a Dutch B.V.

Deferment of import VAT (Art. 23 license)

The Netherlands has set up a system that allows for the postponement of the actual payment of import VAT at the time of import. Instead of paying import VAT when the goods are brought into the EU, the payment can be postponed until the regular VAT return. This means that, in principle, there is no immediate payment of VAT at the time of import, which helps to avoid cash flow disadvantages.

Additional Considerations

The Netherlands offers specific VAT schemes, such as the

VAT reverse charge mechanism which applies to certain goods and services, reducing the need for businesses to pay VAT upfront.

2. Corporate Income Tax (CIT)

General Rates

The Dutch CIT rate is 19% on taxable profits up to €200,000 and 25.8% on profits exceeding this amount.

Participation Exemption

The Dutch participation exemption is a cornerstone of the CIT system; the Dutch participation exemption aims to eliminate economic double taxation on dividends and capital gains by a subsidiary to its parent company, connected with a qualifying shareholding, in general, a shareholding of at least 5 percent. This encourages international business operations and holding company structures.

Net Operating losses

Dutch tax loss utilization rules result in an indefinite loss carry-forward period. However, losses can only be fully deducted (on an annual basis) up to an amount of EUR 1 million plus 50% of the taxable profit that exceeds EUR 1 million. There are no transitional rules for already available tax losses, which implies that all (expected) cumulated tax losses available as of December 31st, 2021, can be used indefinitely.

Fiscal unity

Under the Dutch fiscal unity regime, a group of companies can be treated as one taxpayer for Dutch tax purposes. The advantages of such group treatment include the following. Filing a single CIT return for all companies within the 'fiscal unity', offsetting losses of group companies within the fiscal unit, and elimination of certain intercompany transactions.

Rulings and Transfer Pricing

The Netherlands offers the possibility to discuss the tax

treatment of certain operations via Advance Pricing Agreements (APAs) or Advance Tax Rulings (ATRs) to provide certainty on transfer pricing and tax positions, respectively. These rulings enhance predictability for businesses, particularly those with complex international structures.

3. Withholding Tax

Dividend Tax Rate

In the Netherlands, the standard withholding tax rate on dividends is 15%. Dividends paid to corporate entities in other EU/EEA countries or to corporate entities in countries with which the Netherlands has a bilateral tax treaty are often exempt from dividend withholding tax.

Interest and Royalties

As of 2021, the Netherlands introduced a conditional withholding tax of 25.8% on interest and royalties paid to related entities in low-tax jurisdictions or in case of abusive situations.

4. Tax Incentives for R&D

General

The Netherlands offers several tax incentives to encourage research and development (R&D), including the WBSO (R&D tax credit) and the Innovation Box regime. The WBSO reduces wage tax for R&D employees, while the Innovation Box allows income derived from qualifying intangible assets to be taxed at an effective rate of 9%.

5. Personal Income Tax (PIT)

General

In the Netherlands, worldwide income is categorized into three different types of taxable income, and each type is taxed separately under its own „box,“ each with its own tax rate(s). An individual's taxable income is based on the total income in these three boxes.

Boxes

- **Box 1:** Income from employment, business activities, and homeownership (principal residence). Box 1 has a progressive rate of 36.97% and 49.5% for income over €75.518.
- **Box 2:** Income from a substantial interest in a company (5% or more of shares). Box 2 has a progressive rate of 24.5% and 33% for income over €67.000.
- **Box 3:** Income from savings and investments. Box 3 has a flat tax rate of 36% over the deemed return on your savings and investments.

30% Ruling

Expats in the Netherlands may benefit from the 30% ruling, which allows up to 30% of their gross salary to be tax-free for up to five years, compensating for the extra costs of working abroad. Please be informed that certain conditions need to be met in order to become eligible for the 30% ruling.

ATTRACTIVE FEATURES OF THE DUTCH TAX SYSTEM:



1. The efficient fiscal unity regime, allows a group of companies to be treated as a single entity for tax purposes, thereby simplifying tax administration and reducing the tax burden.
2. With over 90 bilateral tax treaties in place, you can be confident that double taxation is effectively prevented, and reduced or no withholding tax on dividends, interest, and royalties is provided.
3. Rest assured, the Netherlands provides clarity and certainty regarding the tax implications of your proposed major investments, giving you the confidence to move forward.
4. A broad participation exemption with a 100% exemption for qualifying dividends and capital gains.
5. Favorable expat tax program that provides personal income tax advantages for qualified, skilled foreign employees.
6. The Netherlands' tax system is fully compliant and aligned with international developments in the OECD and EU, ensuring that you are part of a global business community.



**WE TAKE YOUR BUSINESS
PERSONALLY.**



Briddge Legal & Finance

Kabelweg 37, 7th Floor, 1014 BA Amsterdam

+31 85 0187 471

info@briddge.com

www.briddge.com

