Netherlands Country Profile

EU Tax Centre

June 2017

Key tax factors for efficient cross-border business and investment involving Netherlands

EU Member State Yes

Double Tax Treaties With

Albania	Curacao	Italy	Nigeria	Suriname
Argentina	Czech Rep.	Japan	Norway	Sweden
Armenia	Denmark	Jordan	Oman	Switzerland
Aruba	Egypt	Kazakhstan	Pakistan	Taiwan
Australia	Estonia	Rep. of	Panama	Tajikistan
Austria	Ethiopia	Korea	Philippines	Thailand
Azerbaijan	Finland	Kosovo	Poland	Tunisia
Bahrain	France	Kuwait	Portugal	Turkey
Bangladesh	Georgia	Kyrgyzstan	Qatar	Turkmenistan
Barbados	Germany	Latvia	Romania	UAE
Belarus	Ghana	Lithuania	Russia	Uganda
Belgium	Greece	Luxembourg	Saudi Arabia	UK
Bermuda	Hong Kong	Macedonia	Serbia	Ukraine
Bosnia &	Hungary	Malaysia	Singapore	US
Herzegovina	Iceland	Malta	Slovakia	Uzbekistan
Brazil	India	Mexico	Slovenia	Venezuela
Bulgaria	Indonesia	Moldova	South Africa	Vietnam
Canada	Rep. of	Montenegro	Spain	Zambia
China	Ireland	Morocco	Sri Lanka	Zimbabwe
Croatia	Israel	New Zealand	St Maarten	

Forms of doing business

Public company (NV)
Private company(BV)
Cooperative association (Coop)

Legal entity capital requirements

The minimum paid-up share capital of an NV must be EUR 45,000. There are no minimum share capital requirements for BVs.

Residence and tax system

A company is considered to be resident in the Netherlands if it is incorporated under Dutch law. Companies incorporated under foreign law are considered to be Dutch residents if they are effectively managed from the Netherlands. Resident companies are taxed on their worldwide income. Non-resident companies are taxed only on their Dutch source income.

Compliance requirements for CIT purposes

Companies must file their tax returns electronically by the date set by the tax inspector. This applies to corporate income tax returns, VAT returns and payroll tax returns. Tax and accounting firms may apply for a special extension of the filing date for their clients. The tax return must be accompanied by copies of documents that may be relevant with respect to preparing an assessment, most notably the annual financial statements for financial reporting purposes and explanatory notes. Accounting records relevant to taxation must be kept for a period of 7 years. They should be maintained in such a way that tax liabilities are easily recognizable. The filing date may not be less than 1 month after the tax inspector has sent the tax return. In general, corporate income tax returns must be filed before June 1 of the year following the tax year (provided that the tax year coincides with the calendar year).

Tax rate

The standard corporate income tax rate is 20 percent on the first EUR 200,000 of taxable profits and 25 percent on the excess.The first bracket in which the 20% rate applies will be gradually extended as follows:

in 2018: from EUR 200,000 to EUR 250,000;

in 2020: from EUR 250,000 to EUR 300,000;

in 2021: from EUR 300,000 to EUR 350,000.

Withholding tax rates

On dividends paid to non-resident companies

15 percent. This rate may be reduced to zero under domestic law (payments to qualifying recipients within the EU/EEA) or to a lower rate or zero under applicable tax treaties.

On interest paid to non-resident companies

No withholding tax is levied on interest (except on interest on hybrid loans which based on their characteristics are reclassified as equity for tax purposes).

On patent royalties and certain copyright royalties paid to non-resident companies

No withholding tax is levied on royalty payments.

On fees for technical services

No

On other payments

No

Branch withholding taxes

No

Holding rules

Dividend received from resident/non-resident subsidiaries

Exemption method (100 percent):

■ Participation requirement: 5 percent or more of the nominal paid-in share capital (smaller shareholdings may also qualify under certain conditions, e.g. if a related entity holds 5 percent or more),

■ No minimum holding period,

■ The participation may not be a passive investment participation ("PIP") i.e. a participation which is either held with the objective of gaining no more than the return that reflects an ordinary portfolio investment or which, based on its assets/activities is deemed to be passive. A PIP may generally qualify for the participation exemption if its profit is taxed effectively (based on Dutch standards) at a rate of 10 percent or more.

In case of a low taxed PIP, a tax credit may apply (set at 5 percent); in the case of profit distributions received from a low taxed PIP resident within the EU or the EEA, the real amount of the underlying tax may be credited upon request and subject to conditions.

Capital gains obtained from resident/non-resident subsidiaries

Generally taxable, however subject to the participation exemption (same conditions as above with regard to dividend distributions).

Tax losses

Tax losses may be carried forward for 9 years, and carried back for 1 year (up to the taxable profits in those years). A significant change in ownership of the company may prevent losses from being carried forward and/or carried back. Tax losses made by group holding and/or finance companies may only be offset against profits realized from group holding or finance activities.

Tax consolidation rules/Group relief rules

Yes. A parent company and its 95 percent subsidiaries can apply for treatment as a fiscal unity. As a fiscal unity, the parent company and its subsidiaries can file what is in effect a consolidated tax return. By virtue of CJEU case law in the joined cases of SCA et seq. (C-39/13, C-40/13 and C-41/13) and further to codification of this case law, a fiscal unity between sister companies of a common parent company resident in another EU/EEA Member State is now also possible. The same applies for a Dutch parent company with its sub-subsidiaries held through an intermediate company in another Member State of the EU/EEA (Papillon). Currently, a case is pending before the Dutch Supreme Court on whether or not fiscal unity treatment should also be granted under shareholder non-discrimination clauses (similar to the provisions of Article 24, paragraph 5 of the OECD Model Convention 2014) under tax treaties with non-EU/EEA countries.

Registration duties	No
Transfer duties	On the transfer of shares Transfers of shares in real estate companies may be subject to 6 percent real estate transfer tax depending on the activities of the company, the composition of its balance sheet and the size of its Dutch real estate assets. Exemptions may apply. A reduced rate of 2 percent applies, insofar as the assets of the company qualify as dwellings or holiday homes. On the transfer of land and buildings Transfers of Dutch real estate are subject to 6 percent real estate transfer tax; 2 percent for owner-occupied dwellings, rented out dwellings and holiday homes. Exemptions may apply. Stamp duties No Real estate taxes Yes, landlord charge on rental dwellings and local tax.
Controlled Foreign Company rules	No. However, a shareholding of 25 percent or more in a low taxed PIP should be revalued annually to its market value.
Transfer pricing rules	General transfer pricing rules Dutch tax law contains a set of rules that allows for a profit adjustment if transfer prices are not at arm's length. Documentation of how transfer prices are set is required. Documentation requirement Yes
Thin capitalization rules	Abolished as from January 1, 2013.
General Anti-Avoidance rules (GAAR)	Dutch courts may apply the abuse of law doctrine.
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions	Dutch law provides for anti-dividend stripping rules under which a reduction of the Dutch dividend withholding tax rate or the creditability of withholding tax is denied. Deduction of interest may also be denied e.g. if a related party grants a loan with respect to: 1. Profit distributions or repayment of capital to a related company or related person; 2. A capital contribution in a related company; or

3. The acquisition of a participation in a company which becomes a related company after the acquisition.

As of January 1, 2013, an interest deduction restriction applies to the excessive debt financing of the acquisition of participations. This restriction is intended to prevent the excessive deduction of interest related to the financing of participations. The non-deductible interest, i.e. the excess participation interest, is the interest related to the participation debt. A participation debt is present if the acquisition price of the participation exceeds the equity of the acquiring company. The amount of the excess participation interest is equal to the interest and costs, multiplied by a fraction made up of the average participation debts, divided by the average loans at the beginning and end of the financial year. The first EUR 750,000 of interest is always deductible.

As of January 1, 2016, two new anti-avoidance rules were introduced in order to implement the amendments to the EU Parent-Subsidiary Directive:

1. The participation exemption no longer applies to payments received from or made by a subsidiary insofar as the subsidiary can deduct those payments for profit tax purposes (anti-hybrid provision).

2. The already existing anti-abuse provision that covers foreign shareholders with a substantial interest (in short: an interest of at least 5 percent) in a Dutch-resident company for corporate income tax purposes now also applies to capital gains on disposal and therefore does not only apply to dividends. This means that benefits are taxed if the primary objective, or one of the primary objectives, for holding the substantial interest is to evade dividend withholding tax or personal income tax and this involves an artificial arrangement. In practice, this means that tax is levied on tax-driven investment and business structures without sufficient substance.

Advance Ruling system

Yes. A company can enter into an Advance Pricing Agreement (“APA”) or an Advance Tax Ruling (“ATR”) with the tax authorities.

IP / R&D incentives

The Innovation Box provides for an effective tax rate of 5 percent on qualifying profits from innovative activities for which a patent has been granted and a WBSO payroll tax subsidy is granted (these requirements do not apply to software development). As of January 1, 2017 the modified nexus approach applies.

A transitional regime applies until January 1, 2021 for income from patents obtained before January 1, 2017 or activities performed before that date for which the WBSO payroll tax subsidy was granted.

Other incentives

A special tax regime applies for maritime shipping companies. The tonnage regime is applied upon request.

VAT

The standard rate is 21 percent, and the reduced rates are 6 and 0 percent.

Other relevant points of attention No

Source: Dutch tax law and local tax administration guidelines, updated 2017.

Contact us

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