

Netherlands Country Profile

EU Tax Centre

June 2018

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	
Most important 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).
Corporate income 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.
Withholding tax rates	<p>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 under applicable tax treaties.</p> <p>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).</p> <p>On patent royalties and certain copyright royalties paid to non-resident companies No withholding tax is levied on royalty payments.</p> <p>On fees for technical services No</p> <p>On other payments No</p> <p>Branch withholding taxes No</p>

Holding rules	Dividend received from resident/non-resident subsidiaries
	Exemption method (100 percent):
	<ul style="list-style-type: none"> - 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.
	<p>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.</p>
	Capital gains obtained from resident/non-resident subsidiaries
	<p>Generally taxable, however subject to the participation exemption (same conditions as above with regard to dividend distributions).</p>
Tax losses	<p>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.</p>
Tax consolidation rules/Group relief rules	<p>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 <i>SCA et seq.</i> (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 (<i>Papillon</i>).</p>
	<p>Currently, two cases are pending before the Dutch Supreme Court as to whether or not taxpayers, despite being unable to enter into a fiscal unity with subsidiaries established elsewhere in the EU, are nevertheless eligible for benefits from separate elements of the fiscal unity regime (the 'per element' approach). On February 22, the CJEU decided in a preliminary ruling that not granting these benefits would be in breach of the freedom of establishment. This would have the result that the more favorable treatment by virtue of the</p>

consolidation in domestic situations, can also per element be invoked in similar EU situations. The Deputy Minister of Finance has announced emergency remedial measures for domestic situations with retroactive effect until October 25, 2017. These measures will be followed by group rules that are EU-proof in the near future. The consolidation character of the current fiscal unity will probably not be maintained in the new regime.

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/Anti-Hybrid rules	<p>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:</p> <ol style="list-style-type: none"> 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. <p>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.</p> <p>As of January 1, 2016, two new anti-avoidance rules were introduced in order to implement the amendments to the EU Parent-Subsidiary Directive:</p> <ol style="list-style-type: none"> 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 7 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 A special tax regime applies for maritime shipping companies. The tonnage regime is applied upon request.

Other relevant points of attention No

Source: Dutch tax law and local tax administration guidelines, updated 2018.

Contact us

Robert van der Jagt

KPMG EU Tax Centre

T +31 (20) 656 1356

E vanderjagt.robert@kpmg.com

Paul te Boekhorst

KPMG in the Netherlands

T +31 (0)20 656 1462

E teboekhorst.paul@kpmg.com

kpmg.com



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG International Cooperative ("KPMG International"), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.