DOING BUSINESS IN THE

NETHERLANDS

TOGETHER WE MAKE IT HAPPEN

FOREWORD

The Netherlands offers an excellent choice for organizations around the world looking to expand or grow their business. In addition to the nation's vast resources and population, the government has created a variety of incentives aimed specifically to attract new business activity. This guide has been prepared for the clients, partners, and staff of HLB member firms. It is designed to provide general information to those contemplating doing business in The Netherlands. However, this is not intended to be a comprehensive document. Therefore, we strongly recommend consulting us before taking further action and conducting business in the country.

HLB and HLB Netherlands cannot be held liable for any action or business decision taken on the basis of information in this guide. Laws in the Netherlands that regulate businesses and taxes can be complex. Therefore, we advise anyone interested in doing business in the Netherlands to consult the HLB member firm in the Netherlands before taking any specific action.

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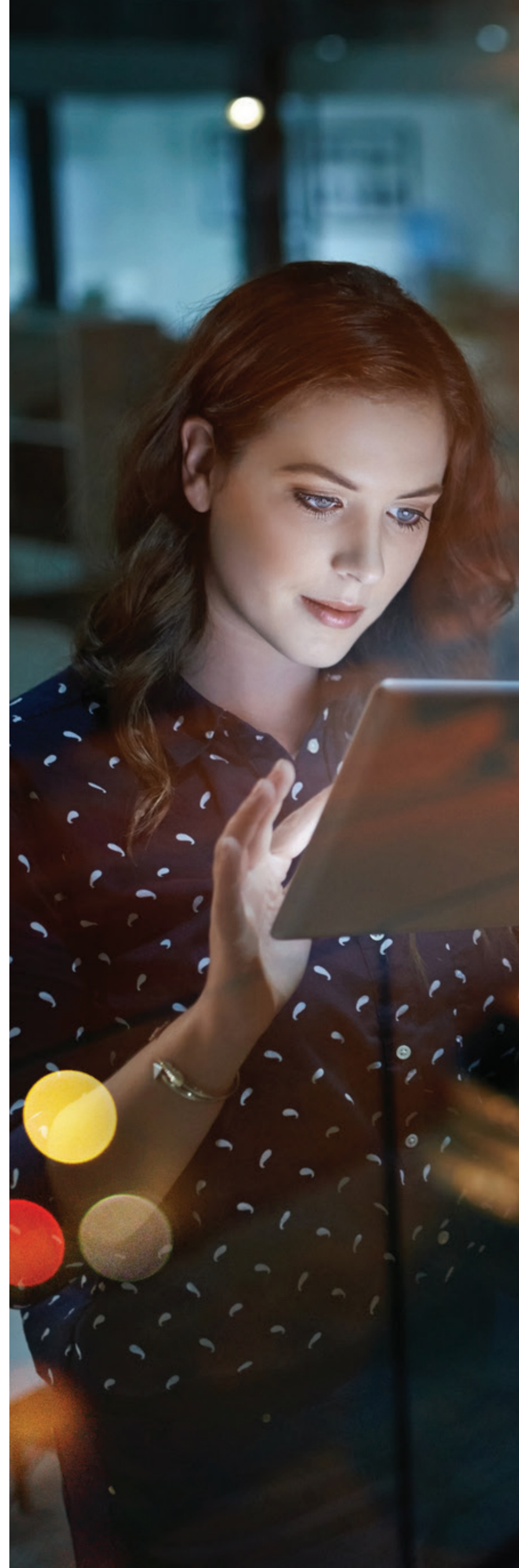

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ABOUT HLB

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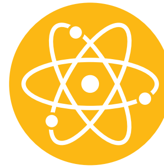
GENERAL INFORMATION

ECONOMY

The open and international nature of the Dutch economy means that it is not immune to international developments. Persisting supply-chain problems, labour market tightness, ongoing inflationary pressures and associated monetary measures such as rising interest rates, can present obstacles to business profitability, finance, and investment. At the same time, these risks also provide significant opportunities for innovation, in the field of sustainability for example, and for new business activities. Companies and knowledge institutions are coming together to work in these areas. The Dutch economy generally is resilient, and the country seems to be withstanding the above challenges relatively well.

Many companies, especially those operating internationally, exhibit a strong financial position, typically characterised by healthy profitability and solvency. This emphasises the Netherlands' attractive investment climate.



FISCAL CLIMATE

For several years, the Netherlands has worked to adjust certain aspects of its fiscal regime to be in line with worldwide efforts to combat tax avoidance and undesirable use of national legislation, as well as mismatches in the fiscal treatment of income and cost deductions between countries' fiscal regimes. The Dutch government has worked to the best of their abilities to link fiscal benefits to real economic activities from which the Dutch economy benefits. For instance, in recent years, the Netherlands has worked diligently to shed its reputation as a fiscal 'transfer country' by restructuring its corporation and dividend tax regime to discourage tax avoidance

in the country. This effort involves not only fiscal adjustments, but also the introduction of measures aimed to increase government control and transparency regarding the activities of these companies. Through this gradual approach, the Dutch government aims to shift focus towards the fiscal stimulation of real activity and maintaining its status as an attractive host country.

COUNTRY AND GOVERNMENT

The Netherlands has a total population of 17.9 million (January 2024) and is governed by a monarchy. The ministers serve as the people's representatives with respect to the actions of the government. The head of state in the Netherlands does not hold political responsibility and thus cannot be held politically accountable by the parliament. Elections are held every four years, and the government typically consists of a coalition of parties, ensuring a certain degree of continuity with regards to policy and business climate, from both a national and international perspective.

The Netherlands is composed of 12 provinces, each of which has its own local authorities.
The Netherlands, together with the countries of Aruba, Curacao, and Sint-Maarten, form part of the Kingdom of the Netherlands. The islands of Bonaire, Sint-Eustatius and Saba all maintain a separate status and belong to the Caribbean part of the Kingdom.

INDUSTRIES

Most of the Netherlands' major industries are situated in the country's western regions. Notably, the Port of Rotterdam stands out as one of the most prominent global ports. The railway line known as the 'Betuweroute' ensures fast and efficient transport from the port to the European hinterland, including Germany, Central and Eastern Europe, and even China. Utrecht serves as a pivotal transportation hub, and the Schiphol Airport is not only the primary airport in the Netherlands, but it also ranks among the world's biggest hub-airports. Eindhoven, in the southern part of the Netherlands, is known as a 'Brainport' housing high-tech companies. The Netherlands plays a crucial role in the functioning of key transport arteries. Amsterdam is considered the country's main financial centre, while The Hague is known as the legal capital of the world. Around 160 international organisations now have offices in The Hague.

LANGUAGE AND CURRENCY

Dutch is the spoken language of the people in the Netherlands. In most Dutch schools, English, German and French are taught as foreign languages. People engaged in business normally speak English or German.

The accepted currency in The Netherlands is the EURO, denoted as €, and usually as EUR in English.

IMPORT AND EXPORT

The country's prime geographical location and healthy financial policy have helped the Netherlands grow into an important import and export nation. The country's most important industrial activities include oil refineries, chemicals, foodstuff processing, and the development of electronic products. Germany, Belgium, Luxembourg, China, Great Britain, France, and the United States are the country's main import partners. All the abovementioned countries, as well as Italy, are also the country's most influential export partners. However, it is important to note that trade with Russia is currently restricted by a number of international sanctions packages. Consequently, the import and export partnership with Russia has roughly halved since the start of the war in Ukraine. At the same time, trade with the Eurasian Economic Union, which is associated with Russia, has significantly increased.

FINANCES

The Dutch National Bank (De Nederlandsche Bank, DNB) oversees the monetary flow within the Netherlands. One of the government's primary objectives is to maintain price stability and consequently control inflation. Dutch banks provide a comprehensive range of financial services: some banks are specialised, while others offer an extremely wide range of services. Dutch banks are known for their reliability, with most financial institutions employing organisational structures designed to prevent conflicts of interests. The general prohibition on commission further reinforces this commitment. At the same time, Dutch banks also perform a gatekeeper role in the battle to combat money laundering and prevent terrorist financing.

RIGHT TO ESTABLISH A BUSINESS

Foreign companies wishing to establish operations in the Netherlands can set up the existing foreign legal entity through a representative office or establishment in the country without needing to convert it into a Dutch legal entity. However, they will be required to comply with both international and Dutch laws and regulations. Additionally, all foreign companies with establishments in the Netherlands must be registered with the Chamber of Commerce and remain compliant with Dutch laws and regulations at all times.

COMPETITIVE ECONOMY

The Netherlands is an attractive base for investment and doing business. Its open and international outlook, well-educated workforce, and strategic location are key factors that contribute to its reputation and potential. The attractive fiscal climate and technological infrastructure create favourable propositions for international business.

STARTING A BUSINESS IN THE NETHERLANDS

OVERVIEW

Under Dutch law, a foreign individual or company may operate in the Netherlands through either an incorporated or unincorporated entity or branch. Dutch corporate law provides a flexible and liberal framework for the organisation of subsidiaries or branches, and there are no special restrictions for foreign entrepreneurs seeking to conduct business in the Netherlands. This section will provide details on the different types of entities and structures, as well as intellectual properties rights and the advantages of doing business through a subsidiary or brach.

Business operations in the Netherlands can be established with or without a legal personality. If a legal entity has legal personality, the entrepreneur cannot be held liable for more than the sum they contributed to the company's capital.

Dutch law recognises two types of companies, both of which possess legal personality: the private limited liability company (besloten vennootschap met beperkte aansprakelijkheid – BV) and the public limited liability company (naamloze vennootschap – NV). These legal entities are commonly used for doing business in the Netherlands. Other frequently used legal entities in the Netherlands are the cooperative (coöperatie) and the foundation (stichting). The foundation is a common form used among non-profit entities and firms in the health care sector.

Other common business forms are the sole proprietorship (eenmanszaak), the general partnership (vennootschap onder firma – VOF), the (civil) partnership (maatschap) and the limited partnership (commanditaire vennootschap – CV). Notably, none of these forms possess legal personality, and as a consequence, the owner or owners are held fully liable for the obligations of the entity. All entrepreneurs engaged in commercial activities, as well as legal entities, are obligated to register their business with the Trade Register (Handelsregister) at the Chamber of Commerce (Kamer van Koophandel).

BRANCHES AND SUBSIDIARIES

Branch

A branch is not a separate legal entity from its parent organisation. Instead, it is a permanent establishment of a company from which business operations are carried out. As a result, the company that establishes a branch in the Netherlands is liable for claims incurred by actions carried out by the branch.

Subsidiary

In contrast to a branch, a subsidiary is a separate legal entity established by one or more shareholders. The subsidiary is a legal entity that is controlled by the parent company. Control of a subsidiary is largely achieved through the ownership of more than 50% of the subsidiary's shares by the

parent company. However, under certain circumstances it is also possible to obtain control by special voting rights or diversity of other shareholders. These shares or rights give the parent company the necessary votes to determine the composition of the subsidiary's board and thereby to exercise control. Since a subsidiary has limited liability, a shareholder (the parent company) is generally only liable to the extent of its capital contribution.

PRIVATE LIMITED LIABILITY COMPANY (BV)

Incorporation

A private limited liability company (BV) is incorporated by one or more incorporators pursuant to the execution of a notarial deed of incorporation before a civil-law notary. The notarial deed of incorporation must be executed in the Dutch language and must at least include the company's articles of association and the amount of issued share capital. As of 1 January 2024, the possibility to incorporate a BV digitally is legally regulated.

During the incorporation process of a BV, business activities may be conducted on its behalf, provided that the letters 'i.o.' (for 'in oprichting', meaning in the process of being incorporated) are added to its name. The individuals acting on behalf of the BV i.o. are liable for damages incurred by third parties until the BV (following its incorporation) has expressly or implicitly ratified the actions performed on its behalf during the process of incorporation. A similar liability arises for the individuals responsible if the BV is not incorporated or if the BV fails to fulfil its obligations under the ratified actions, and if they were aware that the BV would be unable to do so. In the event of bankruptcy within one year of incorporation, the burden of proof lies with the responsible individuals.

Furthermore, members of the board of directors are also liable to third parties for legal acts performed after incorporation but preceding the registration of the BV with the Trade Register.

Share Capital

A BV is required to have a share capital, which is divided into a specified number of shares with a par value expressed in Euro or another currency. There are no requirements for a minimum share capital for a BV, and it is sufficient if at least one share with voting rights is held by a party other than the BV. The payment for shares can be made either in cash or in kind. Payments in kind involve contributions of property and/or other non-cash items. These payments are restricted to items that can be objectively appraised. Here, the method of payment is stipulated in the articles of association. In the case of payments made upon incorporation of the BV, the incorporators are obligated to detail the contributed assets.

If the payment for shares is postponed, for instance because the BV does not yet have a bank account, it is permissible to defer the full payment of the shares. Please be advised that the end of the deferment must be notified to the Chamber of Commerce after the share capital has been paid in full.

Shares

A BV may only issue registered shares. In addition to the ordinary shares, a BV may also issue priority shares, to which certain (usually voting) rights are allocated in the articles of association. Preference shares can also be issued, which entitle the shareholder to fixed dividends that have preference over any dividends on ordinary shares. Within a given type of share, the articles of association may also create different classes of shares (e.g. A, B and C shares) to which certain specific rights are allocated (e.g. upon liquidation). The voting right is linked to the nominal value of the share. However, it is possible to attach different voting rights to different classes of shares (even when the nominal values of the various classes are the same). Moreover, it is possible to create non-voting shares and shares without any profit right. Non-voting shares must give a right to profit.

It is not mandatory to include share transfer restrictions in the articles of association. However, if a BV opts to include such restrictions in its articles of association, it will be also be able to include detailed rules on how the price of the shares will be determined. The articles of association may also include a lock-up clause prohibiting the transfer of shares for a specific period. Furthermore, it is possible to include provisions in the articles of association imposing additional obligations on shareholders (e.g. the obligation to extend a loan to the BV or to supply products to it). Shares in a BV can be transferred by a deed of transfer executed before a civil-law notary.

The board of directors of a BV is required to maintain an up-to-date shareholders' register, which lists the names and addresses of all shareholders, the number of shares, the amount paid-up on each share, and the particulars of any transfer, pledge or usufruct of the shares.

Management Structure

The management structure of a BV consists of the board of directors and the General Meeting of shareholders. Under certain circumstances, a BV may also have a supervisory board.

Board of Directors

The board of directors is responsible for managing the BV. Members of the board of directors are appointed and dismissed by the shareholders (unless the BV is categorised as a large BV). There are no legal requirements regarding the nationality or residency of the director(s), meaning the board members do not need to reside in the Netherlands. Typically, the articles of association state that each director is solely authorised to represent the company. However, the articles of association may state that the directors are only jointly authorised. Such a provision in the articles of association can be invoked against third parties.

The articles of association may provide that certain acts of the board of directors require the prior approval of another corporate body, such as the shareholders' meeting or the supervisory board. Such a provision is only valid internally and cannot be invoked against a third party, except where the party in question is aware of the provision and did not act in good faith.

Members of the board of directors of the company can be held liable by the BV, as well as by third parties. The entire board of directors can be held liable to the BV for mismanagement, while individual members of the board of directors can be held liable with respect to specific

duties assigned to them. Shareholders can discharge board members from their liability to the company by adopting an express resolution barring statutory restrictions. In addition to the aforementioned liability prior to incorporation and registration, liability towards third parties can occur in several situations. For instance, in the event of bankruptcy, the board members are severally liable for the deficit if the bankruptcy was caused by negligence or improper management in the preceding 3 years. In such a case, individual members of the board of directors can exonerate themselves by proving that they are not responsible for the negligence or improper management. In order to combat possible bankruptcy fraud more effectively through the programme to reassess the bankruptcy law legislation, legal measures have now been taken with the aim of strengthening the position of the official receiver in a bankruptcy.

In addition to the two-tier board structure that involves both a management board and a separate supervisory board, Dutch law also provides statutory provisions for the one-tier board structure, comprising both executive and non-executive directors. The law provides a one-tier board structure for NV companies, for BV companies, and for companies that are subject to the Large Companies Regime (structuurregime). In a one-tier board, the tasks within the management board are divided between executive and non-executive members of the management board. The executive members will be responsible for the company's day-to-day management, while the non-executive members are charged with supervising the management performed by all board members. The tasks of the non-executive members therefore extend beyond those of the supervisory director. The one-tier board is even chaired by a non-executive member. The company's general course of affairs will be the responsibility of all board members (executive and non-executive). The non-executive members in a one-tier board are part of the management board and are therefore subject to director's liability.

General Meeting of Shareholders

The Annual General Meeting (hereinafter: AGM) is a meeting held by the shareholders of the company and should be held at least once each year. Typically, the AGM is held to adopt the financial statements and execute important decisions concerning the company's operations and governance, such as approving the appointment of auditors and electing members of the board of directors. Shareholders' resolutions are typically adopted by a majority vote, unless specified otherwise in the company's articles of association. According to Dutch laws and regulations, the AGM must be held at the company's registered statutory office, as stipulated by the company's articles of association. However, in certain circumstances, the AGM may also be conducted online, allowing shareholders to participate remotely.

Supervisory Board

The sole concern of the supervisory board is the interest of the BV. Its primary responsibility is to supervise and advise the board of directors. Pursuant to the Large Companies Regime (structuurregime), the supervisory board is only mandatory for Large BVs, but it is optional for other BVs.

Liability

Under certain circumstances, the management board and supervisory board may be held personally liable for liabilities of the BV (directors' liability). However, this largely occurs only in cases that involve clear mismanagement. It could also arise for other reasons, such as if management has harmed the creditors' interests by deliberately and knowingly entering into unsecured financial obligations.

In the absence of the minimum capital requirement, creditors may have relatively limited security. In addition to the option of legal redress, when directors' liability is involved, the law on BVs also offers other legal redress options. Upon any distribution of funds, whether involving repayment of capital or profit distribution, the management board must first verify the distribution is not at the expense of the creditors' interests. This requires an equity test. Here, dividend distributions are only possible when the shareholders' equity of the BV is greater than the statutory reserves or the reserves that must be kept according to the articles of association. The board must also verify that after the distribution the BV can continue to pay its debts payable (distribution test). If the general meeting of shareholders decides to distribute a dividend, the board must in principle approve the distribution. However, if in light of a distribution test the board concludes that the BV will non longer be able to meet all its debts payable, the board must refuse to cooperate with the distribution. If the distribution still takes place, the directors and shareholders may be held liable and must reimburse the deficit. The law does not define any specific timeline for the amount of the debts repayable. However, it is assumed that this involves debts over a period of at least 12 months after the distribution.

PUBLIC LIMITED LIABILITY COMPANY (NV)

In general, the principles and concepts related to BV's also apply to public limited liability companies (NV's). This section will outline the most significant differences between the two types of business.

Share Capital and Shares

An NV must have an authorised capital, of which at least 20% must be issued and at least 25% of the par value of the issued shares must be paid up. The issued and paid-up capital of an NV must amount to at least € 45,000.

In addition to registered shares, an NV may also issue bearer shares. Bearer shares must be fully paid up and are freely transferable. Registered shares have to be transferred by executing a deed of transfer before a civil-law notary, and an NV is authorised to issue share certificates (certificaten).

If payment on shares is made in kind upon incorporation of the NV, the incorporators must describe the contributed assets, and an auditor must issue a statement to the effect that the value of the contribution is at least equal to the par value of the shares. The auditor's statement is to be delivered to the civil-law notary involved prior to incorporation.

The articles of association of an NV can stipulate limitations on the transferability of the shares. Dutch law provides for two possible restrictions, which require the transferor to:

- offer their shares to the other shareholders, with the right of first refusal, or;
- obtain approval for the transfer of shares from the corporate body, as specified in the articles of association.

LARGE NVS AND BVS: SPECIAL REQUIREMENTS

A company is considered a 'large NV or BV' (structuur-vennootschap), and is thus subject to the 'structure regime' (structuurregime), if it meets these three criteria:

- The company's issued share capital, reserves, and retained earnings according to the balance sheet amount to at least 16 million Euro.
- The company, or any other company in which it has a controlling interest, has a legal obligation to appoint a works council (> 50 employees).
- The company, alone or together with a company (or companies) in which it has a controlling interest, typically maintains at least 100 employees in the Netherlands.

Unless an exemption is granted, such a company is required to appoint a supervisory board (Raad van Commissarissen). This board is given specific powers not granted to the supervisory board of a relatively 'small' B.V. Such a supervisory board has the following powers:

- Appointment/dismissal of the management board.
- Approval of major amendments with respect to governance, including proposals to amend the articles of association, proposals to dissolve the company, the issuance of new shares, and proposals to increase the issued share capital.

This structure regime is also not compulsory for companies whose holding company is established in the Netherlands and the majority of whose employees work abroad. In fact, such multinationals have the option to apply the structure regime voluntarily.

The regulations of the structure regime may also apply for the Cooperative (coöperatie) structure discussed below.

COOPERATIVE (COÖPERATIE)

The cooperative is an association incorporated as a cooperative by notarial deed and executed before a Dutch civil law notary. At the time of incorporation, the cooperative must have at least two members. These members can be legal entities or natural persons.

The objective of a cooperative must be to provide certain material needs for its members under agreements other than insurance agreements, concluded with them in the business it conducts or causes to be conducted to that end for the benefit of its members. The articles of association of the cooperative may stipulate that such membership agreements may be amended by the cooperative. The name of a cooperative must also contain the word 'coöperatief' or 'coöperatie'.

In general, the members of the cooperative are not liable for the obligations of the cooperative during its existence. In case of dissolution or bankruptcy of the cooperative, the current members and members who ceased to be members less than 1 year prior thereto are liable for a deficit on the basis provided for in the articles of association of the cooperative. If a basis for the liability of each member is not provided for in the articles of association, all shall be equally liable. A cooperative may, however, by its articles of association (i) exclude or (ii) limit to a maximum, any liability of its members or former members to contribute to a deficit. If the first case is applied, the cooperative

shall place at the end of its name the letters 'U.A.' (Uitsluiting van Aansprakelijkheid – exclusion of liability). For the second case, the cooperative shall place the letters 'B.A.' (Beperkte Aansprakelijkheid – limited liability) at the end of its name. In all other cases the letters 'W.A' (Wettelijke Aansprakelijkheid – statutory liability) shall be placed at the end of its name.

Most cooperatives choose a system of excluded or limited liability. They can also create different classes of members who are each liable to a different extent (or not at all). If the liability is not excluded, 'U.A', a copy of the member list must be filed with the Trade Registry of the Chamber of Commerce. Any changes must be filed within 1 month after the end of each financial year.

The cooperative has no minimum capital requirements, and the capital does not have to be in Euro. The profits may be distributed to its members if the cooperative wished to do so. The articles of association of the cooperative must also provide for a provision regarding the entitlement of any liquidation balance.

In international structures, the cooperative is often used as a holding and financing company. This offers benefits related to international tax planning opportunities due to the cooperative's corporate flexibility.

FOUNDATION (STICHTING)

A foundation is a legal entity under Dutch law with two main characteristics:

- A foundation does not have any members or shareholders and is therefore governed solely by its board.
- A foundation is incorporated with the aim of realising a specific goal by using capital designated for that purpose. The goals or objective of a foundation are stipulated in its articles of association.

A foundation is incorporated by means of the execution of a notarial deed of incorporation, which must be executed before a Dutch civil law notary.

Pursuant to mandatory law, a foundation may not make distributions to its incorporators and the members of its corporate bodies. It may only make distributions to other persons if such distributions are of an ideal or social nature.

The foundation's management board may consist of individuals and/or legal entities. After incorporation, members are appointed by the board itself, unless otherwise stated in the articles of association of the foundation. The foundation is represented by the entire management board or by board members acting individually.

Foundations are often used to create a separation between legal ownership and beneficial ownership of assets (Stichting AdministratieKantoor STAK, or Trust Office Foundation). An example of this could be to safeguard continuity in family owned businesses.

GOVERNANCE AND SUPERVISION OF LEGAL ENTITIES

All the aforementioned legal entities are subject to the Governance and Supervision of the Legal Entities Act (Wet bestuur en toezicht rechtspersonen (WBTR). This Act was created in response to the call for measures to improve the quality of governance and supervision in the semi-public sector. The Legan Entities Act applied the rules that already in place for directors and supervisory directors of BVs and NVs to the other legal forms with legal personality. As part of the WBTR, cooperatives

(coöperaties), mutual insurance associations (onderlinge waarborgmaatschappijen), foundations (stichtingen), and associations (verenigingen) will have the option of using a one-tier board with executive and non-executive directors. However, the date on which this language will take effect is not yet known.

TRUST

Under Dutch civil law, the trust is vague and large unaddressed. Dutch civil law is familiar with the distinction between personal rights and real rights, however it is unfamiliar with a distinction between legal interests in property and beneficial interests in property rights. Despite this ambiguity, the Netherlands signed the 1985 Hague Treaty into law to at least recognize trusts.

OTHER COMMON BUSINESS FORMS

Sole Proprietorship (eenmanszaak)

A sole proprietorship (eenmanszaak) is a business structure in which one (natural) person is fully responsible and liable for the business. A sole proprietorship does not possess legal capacity, and there is no distinction between the business assets and private assets of the (natural) person.

Partnership (maatschap)

Entrepreneurs in the liberal professions (such as doctors, lawyers, and graphic designers) often set up partnerships (maatschap) for their businesses.

General/Commercial Partnership (VOF)

A general partnership is defined as a public partnership that conducts a business instead of a profession. A VOF and its partners must be registered in the Commercial Register at the Chamber of Commerce.

A partnership is an arrangement by means of which at least two partners, who may be individuals or legal entities, agree to conduct a joint business. Each partner brings money, goods, and/or manpower into the business. Each partner is personally, either jointly or severally, liable for all the obligations of the partnership. A partnership does not possess legal personality, and registration with the Chamber of Commerce is required for a partnership (maatschap). However, this is only required if it enters into a business.

A public partnership (openbare maatschap) participates in judicial matters under a common name. The possessions of a public partnership are legally separated from the possessions of the partners.

Limited Partnership (CV)

A limited partnership is a special form of the general partnership (VOF) that involves both active and limited (or sleeping/silent) partners. An active partner is active as an entrepreneur and is liable, as in the case of the general partnership. The silent partner, however, tends to finance the business and is not typically involved in the operations. The silent partner is liable only up to the amount of their capital contribution and is not allowed to act as an active partner. Further, their name cannot be used in the name of the partnership. If the silent partner enters the business in an active role (to provide extra finance for growth), they then become liable as an active partner.

Partnerships Modernisation Act (Wet modernisering personenvennootschappen)

Until recently, partnership law in the Netherlands was outdated and complicated. This led to a variety of problems and ambiguity related to the legal processes. This new legislation is intended to facilitate legal matters for the entrepreneur.

Currently, updates to the legislative process are still ongoing. Once implemented, the legal distinction between a VOF (general/ commercial partnership) and 'maatschap' (partnership) will disappear. Only the term 'vennootschap' (company or partnership) will then be used. The legal form 'commanditaire vennootschap' (limited partnership) will then exist as such. Under the new legislation, it will be possible to assign legal personality to the partnership (personenvennootschap).

BRANCH OR SUBSIDIARY?

Many foreign companies make use of a subsidiary rather than a branch. The key difference between these entities is liability. As a shareholder of a subsidiary, the foreign company's liability is limited to the extent of its capital contribution; whereas, if the foreign company makes use of a branch, it is fully responsible for all the obligations and liabilities of the branch.

However, there are advantages to the branch approach. Namely, a branch does not generally require the same legal formalities required for setting up a subsidiary. However, the simplification and flexibility of the Dutch limited company law (as mentioned above) may well diminish this advantage.

Another important aspect to consider when deciding between a branch or a subsidiary in the Netherlands is the matter of local tax regulations. The decision of whether to establish a branch or a subsidiary will be determined based on the unique circumstances and factors with respect to that business as such, as well as Dutch tax regulations and tax treaties.

For more detailed information on tax legislation and participations, please refer to Section 5.

TRUST COMPANY

A trust company is entitled to perform corporate trust services for payment, such as the administration and management of a company that conducts business in the Netherlands. A trust company can take care of (required) administrative services, such as the preparation of annual reports. In certain instances, the trust company is the (sole) director of the company for which it provides the services. A trust company offers expert guidance to tax beneficial international structures and opportunities to foreign legal entities and private persons for their holding, finance or investment activities in the Netherlands. A trust office is subject to authorisation and is supervised by the Dutch National Bank (De Nederlandsche Bank).

ACCOUNTING REQUIREMENTS

General

European Union legislation applies for the preparation and publication of annual reports for companies with the NV and BV structures, as well as for some other legal entities. However, the legislation does not apply to privately owned businesses.

In addition, Dutch tax and company law provides specific requirements as to the form and content of the books of account of business enterprises. Books of account, together with all underlying documentation, must be retained for a minimum of seven years and are liable to inspection by tax and social security officials. Accounts may be expressed in foreign currency, and tax returns can also be filed in a foreign currency.

Accounts

The Dutch Civil code requires that the Board of Directors prepare and present to the shareholders within five months after the balance sheet date. They must present the following information.

The annual report, comprising the balance sheet and profit and loss account, with explanatory notes and consolidated financial statements of the group.

The directors' report, which provides with the company's state of affairs and information about the prospects of the company for the next year.

Additional relevant information, including the auditors' report, certain legal matters (such as statutory rules concerning result appropriation), and a statement of post-balance sheet events that materially affect the company's financial position.

The Code also requires that within three months after the compilation of the annual report, the Board of Directors must arrange a shareholders' meeting, as outlined in the articles of association.

Publication

The Board of Directors must file a copy of these accounts in Dutch, English, French or German with the Trade register of the Chamber of Commerce within eight days of the shareholders' meeting. If a shareholders' meeting has not taken place, publication of the unapproved accounts must take place within twelve months after the balance sheet date. If the Board of Directors does not fulfill these requirements in due time, they may be liable in person for damages caused by lack of punctuality or other related issues.

It is important to note that the legal obligations of small and medium size companies are more relaxed, especially related to the publication of an annual report

A company is considered small or medium sized if it meets two of the three following criteria during two consecutive financial years and on a consolidated basis:

	MICRO	SMALL	MEDIUM	LARGE
Balance sheet total	< € 450.000	€ 450.000 - € 7,5 mln	€ 7,5 mln - € 25 mln	> € 25 mln
Turnover net of VAT	< € 900.000	€ 900.000 – € 15 mln	€ 15 mln - € 50 mln	> € 50 mln
Average number of employees	< 10	10 – 50	50 – 250	> 250
Filing	Summary balance and limited notes	Summary balance and limited notes	Limited balance sheet and profit & loss account, notes in full	Balance sheet and profit & loss account, full inclusive notes, director's report

UBO register

In order to prevent money laundering and financing of terrorism throughout Europe, several anti-money laundering directives have been approved by the Dutch government. Part of this anti-money laundering policy includes the introduction of a UBO register, where UBO stands for the Ultimate Beneficial Owner.
The latest anti-money laundering directive states that some of the information included in the UBO register must be made public. In its judgment of 22 November 2022, however, the Court of Justice of the European Union ruled (in response to questions referred for a preliminary ruling by Luxembourg's highest court) that the provision contained in the European anti-money laundering directive relating to providing public access to the UBO information had been insufficiently substantiated and was therefore invalid. In anticipation of further consultation with the European Commission, this resulted in a decision to end public access to the UBO register, but not the obligation referred to below to register UBO information.

In the fight against money laundering or financing of terrorism it is considered essential to have sight of the ultimate stakeholder (UBO), being the party that has the ultimate control or who is entitled to the results of the corporate body.
The responsibility for investigating the correct UBO data is laid on the so-called institution falling under the WWFT (Wet ter voorkoming van witwassen en financieren van terrorisme – Act to prevent money laundering and financing of terrorism). This includes, among others, members of professions such as auditors, lawyers, tax advisers, and notaries. The UBO is at all times a physical person, who can exercise more than 25% of the voting rights in a corporate body, has an interest of more than 25%, or has the actual control over the corporate body. If it is not possible to identify the UBO by the voting right or ownership structure, organizations can register a pseudo-UBO in the person of the management. Direct and indirect interests must be totaled here.

Foreign legal entities with only a branch in the Netherlands are not required to register UBOs in the Netherlands. They must, however, be registered in the UBO register of the EU state in which they are established. The UBO will then be registered in the commercial register of the Chamber of Commerce. In the case of international structures, setting up a UBO can be difficult. Therefore, it is recommended to consult an adviser on this.

INTELLECTUAL PROPERTY

The Benelux Convention on Intellectual Property regulates provisions regarding the registration, use, and protection of intellectual property (merk- en modelrecht – trademark and model right) in the Netherlands, Belgium and Luxembourg and, in cooperation with BIP SXM, also the trademark registration for Sint Maarten (part of the Kingdom of the Netherlands). Intellectual property includes various forms such as copyright, database right, trademarks, trademark right, model right, or patent.

A registered merkrecht (trademark) is protected for a period of 10 years from the registration date, and the protection can be extended by another 10 years. Renewal must be requested, and all due fees paid. The rightful owner is entitled to claim damages for infringement of its rights (such as the use of the trademark by another party).

A model is the new appearance of a utility product. A registered model is protected for 5 years from the registration date onward, and the protection can be extended by 4 periods of 5 years each, up to a maximum of 25 years. Renewal will be effective upon timely settlement of all fees due. The rightful owner is then entitled to claim damages for any infringement of its rights (such as the use of the model or design by another party).

The Council of the European Union created the European Union trademark as a legal instrument in EU law and established the European Union Intellectual Property Office (EUIPO). The EUIPO (formerly called the OHIM) has financial, administrative, and legal autonomy. The result is that this Community trademark system of the European Union enables the uniform identification of products and services of enterprises throughout the European Union. Requiring no more than a single application to EUIPO, the Community trade mark has a unitary character in the sense that it produces the same effects throughout the Community. The Community trade mark contains provisions concerning the registration and use of Community trademarks by (legal) persons and the protection of the rightful owners of such Community trademarks. The unitary patent for Europe offers protection in all EU member states.

FINDING A LOCATION

The office market in the Netherlands is very decentralised, meaning that each city has its own distinct office market. In Amsterdam, the focus is on finance and international trade, with various agencies playing a significant role. The Hague serves as the national administration centre, primarily housing the government and public departments. Rotterdam, boasting one of the world's largest ports, has a traditional focus on insurance and trade within its office market. Utrecht, centrally located in the heart of the country, specialises in transportation and domestic commercial services. Lastly, in Eindhoven, office occupiers are closely associated with industries such as electronics, chemicals, equipment, and energy supply. Rents for office space differ by region and vary within each region depending on the subsectors and quality of the location and accommodation. The rent range for the key regions can be found in the table below.

LOCATION	RANGE OF LETTING ASKING PRICES (JAN 2024) EURO/SQ.M./YR (source NVM)
Amsterdam	125–450
Rotterdam	100–250
The Hague	90–250
Utrecht	90–300
Eindhoven	100–225

TOWN PLANNING

The Netherlands has implemented strict regulations with respect to the development of offices, retail, industrial, and residential schemes. The municipal system of zoning plans determines in detail what can and cannot be built. In general, developers are only granted building permits if their plans fit in with the zoning plans or if an exemption has been granted. The zoning plans also apply to all redevelopment projects. It is therefore not easy to change the use of a building without cooperation from local authorities. Municipal approval is mandatory with respect to zoning plan changes, and procedures for obtaining permits are scheduled according to strict timetables.

It is important to note that it can take several years to obtain approval for complex building plans in which public authorities have a dominant role.

LEASE OR BUY

The general practice in the Netherlands is to lease office space: approx. 65% of all office buildings are owned by investors. Owner-occupier situations are more common in the industrial real estate market, although this has changed over the past 10 years as a result of sale-and-lease back transactions. Leasing has advantages such as a positive impact on the company's cash flow, flexibility, the possibility of off-balance presentation, and negotiation on incentives with landlords. Lease contracts can be subject to value added taxes (VAT); which may result in VAT savings in specific situations. Depreciation is an important consideration with respect to the ownership of real estate, and the tax depreciation on real estate is limited both for BVs and for IB entrepreneurs (natural persons). Depreciation for tax purposes is exclusively permitted where and in as far as the book value of the building exceeds the so-called base value. The level of the base value depends on the intended use of the building.

LEASING PRACTICES AND TAXES

Offices and Industrial

Typical lease length	Negotiable, but generally 5 years + auto-renewal for another 5 years
Typical break options	Negotiable
Frequency of payment	Negotiable, but generally quarterly in advance
Annual index	Linked to consumer price index (CPI; all households)
Rent reviews	To market prices only if agreed upon (frequency usually 5 years, by expert panel)
Service charge	Varies based on contract
Tax (VAT)	21%, 9% for leases in the hospitality market
Real Estate Transfer tax	Change of ownership; 0% or 2% for housing facilities (in self-occupancy); 10.4% for other real estate
Tax (others)	Property tax, water tax, sewer tax

Landlord and Tenant Responsibilities

The tenant has security of tenure as the lease automatically renews at expiry, bearing in mind the notice period. The exception to this is if the landlord wishes to occupy, tear down, or redevelop the building. These conditions are rather strict, and in reality the landlord's options of terminating the lease are limited. The following practices also apply:

- The tenant pays for internal repairs and utilities.
- The tenant is responsible for insurance of contents.
- The landlord pays for the external and structural elements of the building.
- The landlord is responsible for building insurance and non-recoverable service charge items.
- The landlord provides property management services that are not recoverable through service charges.

More about Taxes

The landlord and the tenant are each partially responsible for the property tax levied by the local authority. Each property is assessed for taxation purposes, known as 'onroerende zaak belasting' (OZB). The local government assigns a value for the property, and that value applies for 1 year. Each year the authorities collect taxes based on the local authorities and a percentage of the value according to the Immovable Property Act.

Purchase Practices and Taxes

The purchaser is responsible for the so-called 'kosten-koper' (buyers' costs), which means that the buyer is liable for payment of all additional costs. These costs include transfer taxes (10,4% for offices and industrial buildings), notary costs (0.2-0.4%), legal costs (negotiable), and some minor administration costs, such as land registration (Kadaster).

SUBSIDIES AND FINANCING

The Dutch government offers a number of incentive schemes in various sectors to support companies in their business operations. Foreign entrepreneurs who set up companies in the Netherlands and who register their companies with the Dutch Chamber of Commerce can also apply for a number of incentives.

The most important subsidy agency in the Netherlands is the Netherlands Enterprise Agency, RVO (Rijksdienst voor Ondernemend Nederland), which is part of the Ministry of Economic Affairs and Climate and is based in The Hague. The latter organisation is responsible for the execution of most of the schemes available in the Netherlands. In addition, there are also a number of important regional and provincial schemes available, as well as a number of international schemes offered by the Ministry of Foreign Affairs, the Ministry of Economic Affairs, and Brussels.

This section outlines several of the schemes that are currently available. This is not an exhaustive list, so it is recommended to contact a consultant for more detailed information.

MISSION-DRIVEN TOP SECTORS AND INNOVATION POLICY

The Dutch government has defined 10 Top Sectors in which the Netherlands seeks to be strong worldwide and to which the government is paying special attention. These sectors are: AgroFood, Horticulture, High Tech, Energy, Logistics, Creative Industry, Life Sciences, Chemicals, Water, and Dutch Digital Delta. Additional venture capital and fiscal support seek to drive more research and development in companies and institutions that fall within these sectors. By driving technological innovation, the Dutch government aims to achieve a number of goals related to social challenges such as climate change, food scarcity and other theme missions.

To achieve this, each top sector has signed an innovation contract in a Public Private Partnership (PPP) with the Dutch government, setting out the innovation agenda. Special programs (MIT-programs) are open for small and medium-sized enterprises (SMEs) in each Top Sector for feasibility studies, research and development, cooperation arrangements, and research vouchers. Organizations that operate in or have a project related to a Top Sector are encouraged to contact their adviser about the current subsidy options.

Dutch Research and Development Act (WBSO, Wet Bevordering Speur & Ontwikkeling)

WBSO stands for the Dutch Research and Development Act. Technological innovation is extremely important, and the WBSO helps those looking to renew their technical processes or develop new technical products or software. This is accomplished by tax allowances for research and development expenditure. The WBSO offers a tax benefit for wage costs and other R&D costs by offsetting a percentage of the costs against the wage tax to be deducted in the form of a wage tax rebate (S&O-afdrachtvermindering – R&D rebate).

The R&D rebate amount depends on the total qualifying costs. R&D projects qualifying for the WBSO can be split into technical-scientific research (technisch-wetenschappelijk onderzoek – WTO), development of a product, and development of a technically new physical product/production process/software. There are assessment criteria that apply for different categories of R&D projects. For pharmacy projects, there is even a separate list of R&D work eligible for the WBSO. It is recommended to contact a consultant for the specific options and qualifying criteria.

Starting in 2024, for the first tranche of € 350,000 the rebate is 32%, with a 16% rebate on higher amounts. For start-up entrepreneurs with a personal enterprise, the rebate is 40% of the first € 350,000. For these rebates, the application period ranges from 3-12 months. Applications must be submitted online and at least 1 month before the start of the application period. However, for enterprises with personnel the application can be submitted up to the day before the start of the application period.

Innovation Box

The innovation box provides a special tax regime for innovation profits to stimulate R&D activities. This regime is explained in detail under section 5.

REGIONAL SUBSIDIES

Under the European EFRD (European Fund for Regional Development) programme, different regions in the Netherlands can maintain their own incentive policy. Within this programme, the focus lies in subsidising projects on innovation and research, digital agenda, SME support, and creating a low-carbon economy.

INVESTMENTS

MIA (Milieu Investerings Aftrek) (Environmental Investment Deduction Scheme)

The purpose of the Environmental Investment Deduction scheme (MIA) is to stimulate investment in environmentally-friendly capital equipment in fields such as the circular economy, agriculture and horticulture, mobility, sustainable buildings, and climate and air. Companies that invest in the environment are entitled to additional tax deductions at a percentage of their investment cost. The total amount of environmental investments that are eligible for MIA per enterprise and/or operating asset is a minimum of € 2,500 and a maximum of € 25 million per calendar year. For some categories of capital equipment, a maximum of € 50 million applies. Depending on the type of investment, 45%/36%/27% (2024) of the investment amount for which an MIA declaration has been received can be deducted from the taxable profit. The Environment Investment Deduction scheme is only available for capital equipment listed in the Environment List 2024 (Milieulijst 2024), which is updated on an annual basis.

EIA (Energie Investerings Aftrek) (Energy Investment Deduction Scheme)

The purpose of the Energy Investment Deduction scheme (EIA) is to stimulate investment in energy-saving technology and sustainable energy, i.e. so-called energy investments. Companies that invest in the energy industry are entitled to additional tax deductions at a percentage of their investment cost. The total amount of energy investments per enterprise that are eligible for EIA is a minimum of € 2,500 and a maximum of € 149 million (up from € 136 million in 2023) per calendar year.

In 2024, 40% of the investment amount for which an EIA declaration has been received can be deducted from the taxable profit. The energy investment deduction is only available for capital equipment that complies with the specified energy performance requirements. The energy performance requirements and the capital equipment that are subject to the energy investment deduction are provided in the Energy List 2024 (Energielijst 2024), which is updated on an annual basis.

KleinschaligheidsInvesteringsAftrek (Small-scale Investment Deduction)

The Small-scale Investment Deduction allows entrepreneurs to deduct a portion of their investments in capital equipment in the year they incur a payment obligation. This deduction applies to investments between € 2,801 and € 387,580 in 2024. The investment deduction can be applied in the year the investment is made. If the company does not intend to use the capital equipment in the year in which the investment is made, then part of the investment deduction may sometimes be carried forward to the next year.

FINANCE

BMKB (Borgstelling MKB Kredieten) (Credit Guarantee Scheme for SMEs)

The Credit Guarantee Scheme for SMEs (BMKB) serves to stimulate credit provisions to small and medium-size enterprises (SMEs, or MKB in Dutch) by guaranteeing banks a portion of the credited amount. This scheme is designed for companies with a maximum of 250 employees (FTE) with annual turnover up to € 50 million, or a balance sheet total up to € 43 million. This category includes most professional entrepreneurs. If the entrepreneur is unable to provide the bank with sufficient security or collateral to secure a loan, the bank can appeal to

the BMKB for the necessary guarantees. The government will then, under certain conditions, guarantee up to 90% of the amount under this scheme. This reduces the bank's risk exposure and increases the creditworthiness of the entrepreneur. Start-ups and innovative companies can then profit from additional favourable conditions. This scheme has now been made even more favourable for sustainability-related investments (so-called green investments) by SMEs. To qualify, these investments must fall under the aforementioned EIA list. The property management, insurance and finance companies, publicly insured care, agriculture, horticulture and fisheries sectors are excluded from this scheme as sector-specific schemes have been established for those companies.

GO (Garantie Ondernemingsfinanciering) (Corporate Credit Guarantee)

The Corporate Credit Guarantee enables large and medium companies to borrow large amounts more easily. Here, financiers who provide capital get a 50% guarantee from the government. The maximum term of the guarantee is 8 years. Companies are only eligible for this scheme if they are established in the Netherlands and if the business activities take place mainly within the Netherlands. Companies can borrow amounts ranging from €1.5 to €150 million. Temporary enhancements related to the COVID pandemic have also been established for this scheme.

Other Financial Schemes

The Dutch government also offers the business community an extensive range of financial schemes to enable organizations to convert ideas into profitable products, processes, and services more easily and quickly. There are various financial instruments that are available for innovation to finance rapidly growing innovative enterprises both small and large.

Contact your consultant for detailed information on the current subsidies and financing options.

TAX LEGISLATION

The tax system in any given country is invariably an important criterion when deciding on a country of incorporation. The view taken by the Dutch government is that the tax system should under no circumstances act as an impediment for companies wishing to incorporate in the Netherlands. In addition, the Netherlands has also signed tax treaties with many other countries to prevent the occurrence of double taxation. At the same time, the nation's vast network of tax treaties offers instruments for international tax planning.

In this context, it is possible to obtain advance certainty regarding the fiscal qualification of international corporate structures in the form of so-called Advance Tax Rulings (ATR) / Advanced Pricing Arrangements (APA). The present Dutch ruling policy is still primarily aimed at making agreements in advance with companies who make a considerable contribution to the national economy (so-called economic nexus presence) with an establishment – branch or subsidiary – in the Netherlands that is not primarily established for tax reasons.

The following are a few of the benefits offered by the Dutch tax system:

- The Netherlands does not charge withholding tax on interest and royalties, except for payments to low-taxation countries and in situations of abuse.
- In most cases all profits that the Dutch parent company receives from foreign subsidiaries are exempted from tax in the Netherlands (participation exemption).
- The Netherlands offers attractive tax-free compensation in the form of the 30% rule for some foreign personnel who are temporarily employed in the Netherlands.
- The Netherlands maintains a highly competitive system of rates for tax on profits.

However, it should be noted that the fiscally attractive establishment climate in the Netherlands does have downsides, namely because it can be abused to avoid taxation. As a result of international and national political pressure, the Dutch government is currently working to tackle companies and individuals that have set up or wish to set up in the Netherlands for the sole purpose of tax avoidance. In addition to the introduction of various European anti-avoidance laws, a Controlled Foreign Corporation regime has been introduced with effect from 2019 to fight tax avoidance. It is also no longer possible to agree to an ATR/APA with the Tax Authorities where transactions are involved that relate to companies established in countries included in the Dutch list of low tax countries or the EU list of non-cooperative jurisdictions for tax purposes. Low tax countries are defined as countries with an income tax rate of less than 9%. In the fight against undesirable tax evasion and as a result of European legislation enacted 1 January 2021, Mandatory Disclosure Rules apply for taxpayers and their consultants. The most important anti-tax avoidance measures are covered below.

As much as possible, the Dutch government wants the country's fiscal establishment to serve businesses with a realistic economic presence and impact in the Netherlands.

The Dutch tax system can be divided into taxes based on income, profit and assets, and cost price increasing taxes.

CORPORATE INCOME TAX

Corporate income tax (CIT) is charged to legal entities of which the capital is partially or fully divided into shares, such as the NV and BV. Companies based in the Netherlands are taxed on the basis of their local revenues. Whether a company is considered based in the Netherlands for tax purposes (resident companies) depends on factual circumstances, including where the actual management is located, the head office's location, and where the Annual General Meeting of shareholders is held. Entities incorporated under Dutch law are deemed to be established in the Netherlands. Resident companies are generally subject to Dutch corporate income tax for any profits received worldwide as well. Non-resident companies may also be subject to Dutch corporate income tax on income sources from the Netherlands. Further information on this is provided later in this section.

Non-Resident Companies

Non-resident companies may be subject to corporate income tax in the Netherlands on Dutch-source income. A non-resident company receives Dutch-source income in three ways.

The first case is if a non-resident company operates in the Netherlands through a Dutch permanent establishment or permanent representative. Here, the determination of taxable profits of a permanent establishment/ representative is similar to the rules applicable to a subsidiary. Second, Dutchsource income may arise if a non-resident company holds a so-called substantial interest representing at least 5% of the shares in a company established in the Netherlands. This tax applies to dividend income and capital gains derived from its Dutch subsidiary. This is provided that the main purpose of holding the substantial interest is to avoid the levying of Dutch personal income tax at the (in)direct shareholder level and there is an artificial arrangement or a series of artificial arrangements which are not put in place for valid commercial reasons.

Moreover, non-resident companies may be liable to corporate income tax on remuneration received for formal directorship of companies residing in the Netherlands, as well as for fees received for executive management services. Typically, taxation rights for these remunerations are allocated to the non-resident company's country of residence under a tax treaty.

Tax Base and Rates

Corporate income tax (CIT) is charged on the taxable profits earned by a company in any given year less the deductible losses. Please refer to the following table for the applicable 2024 corporate income tax rates:

PROFIT GREATER THAN	PROFIT UP TO AND INCLUDING	RATE
-	€ 200,000	19%
More than € 200,000		25.8%

Dutch Loss Settlement Rules

The Dutch loss settlement rules have been changed with effect from 1 January 2022. Offsettable losses can be carried forward indefinitely to the extent that the taxable profit for a year is € 1 million or less. When a taxable profit of a year exceeds € 1 million, only 50% of that taxable profit can be used to offset losses from previous years. The term for carry back remains limited to one year.

For financial years up to and including 2018, losses incurred in any given year can be set against the taxable profits of the previous year and the 9 subsequent years. As of 2019, the carry forward is reduced to 6 years. Part of this reduction is the introduction of a transitional measure from which the losses of 2019 and 2020 can be used before losses incurred in 2017 and 2018.

It is worth noting that company profits must be determined on the basis of sound commercial practice and on the basis of a consistent operational pattern. This means, among other things, that unrealised profits do not need to be taken into consideration. Losses, on the other hand, may be taken into account as soon as possible. The system of valuation, depreciation, and reservation that has been chosen must be fiscally acceptable and, once approved, must be applied consistently. The tax authorities will not subsequently accept random movements of assets and liabilities.

As a general rule, all business expenses are deductible when determining corporate profits. There are, however, a number of restrictions with respect to what qualifies as business expenses.

Valuation of Work and Orders in Progress

In work and/or orders in progress, profit taking may not be postponed. Work in progress should be valued at the portion of the agreed payment attributable to the work in progress already carried out. The same applies for orders in progress.

Arm’s Length Principle

The Dutch corporate income tax legislation includes an article stating that national and foreign related companies are entitled to charge one another commercial prices for mutual transactions. This is, however, subject to an obligation to keep due documentation of all relevant transactions. This enables the Dutch tax authorities to determine whether the transaction between the applicable related companies are conducted based on market prices and conditions. It is possible to obtain prior assurance of the fiscal acceptability of the

internal transaction with the use of the so-called 'Advance Pricing Agreement'.

Limited Depreciation on Buildings

The annual depreciation is deductible from the annual profits from business operations. The taxpayer is entitled to depreciate the building until the book value has reached the so-called base value. The base value is determined with reference to the WOZ value ('Wet waardering onroerende zaken' or Real Estate Valuation Regulations). The base value is equivalent to the WOZ value . Based on the latter regulations, the value of a building for tax purposes is determined, to the greatest extent possible, on the basis of its value in the economic environment. As of 2019, the tax base value for buildings used as investments and owner-occupied buildings is 100% of the WOZ value. Prior to 2019, owner-occupied buildings had a tax base value of 50% of the WOZ value.

There is a transitional ruling for buildings taken into use before 2019 and which have not yet been written down over 3 full financial years before 2019. In this case, for the remaining period a building in own use can be written down on the basis of 50% of the WOZ. This further restriction in writing down does not apply as of 2019 for the entrepreneurs/natural persons discussed above.

Arbitrary Depreciation

In the Netherlands, the rule is that no more than 20% per year of acquisition or production costs may be depreciated on operating assets, aside from buildings and goodwill. The minimum depreciation period is therefore 5 years. Under certain conditions goodwill can be depreciated by a maximum of 10% per year.

Innovatiebox (Innovation box)

Companies that have developed intangible assets (an invention or technical application) can deduct the development costs from the company's annual profits in the year in which the asset was developed. The innovation box as a facility is, in principle, now only open to enterprises with actual economic activities in the Netherlands.
The intention here is to only grant tax subsidies for innovations developed in the Netherlands. The innovation box benefits are then determined via a ratio between qualifying and non-qualifying innovation expenditure (nexus break). Only 'intangible fixed assets' produced by the enterprise itself can qualify for the innovation box. Purchased intangible fixed assets do not qualify, except for a purchased intangible asset that is then developed further. It may again qualify if the further development results in a 'new' intangible asset.

Under these rules, access to the innovation box is only open to intangible assets for which a so-called R&D declaration has been issued by the Netherlands Enterprise Agency (RVO). Holding a patent is insufficient for the company's option to place the benefits in the so-called innovation box.

Furthermore, for access to the innovation box a distinction is made between small and bigger taxpayers. Bigger taxpayers are defined as those with a consolidated group turnover of more than € 250 million in the financial year in which the innovation box is used plus the four previous financial years, and turnover from intangible fixed assets of more than € 37.5 million in this five-year period. In addition to an R&D declaration, these organizations must have a recognised legal access ticket. This includes among

other things, patents, rights similar to patents such as utility models, cultivator rights, drugs and software. Intangible assets that relate to biological crop protection products based on live (micro-)organisms may also qualify for the innovation box. These stricter access requirements of a recognised legal access ticket do not apply for smaller qualifying enterprises as such.

The rate for corporation tax for innovative activities amounts to 9% (2024). Losses on innovative activities can now be deducted at the normal corporate income tax rate. The outsourcing of R&D work is also possible if the principal has sufficient activities and knowledge present. It is also possible to include innovation advantages obtained between the application for a patent and the granting of a patent in the innovation box. There is no applied maximum to the profit taxed at the special rate of 9%.

Companies have the option to declare an innovation box benefit equal to 25% of the company's total profit instead of complex profit allocation to the qualifying intangible asset(s). The benefit is however limited to a maximum of € 25,000. The option is valid in the investment year and in the subsequent 2 years.

A number of additional technical and administrative conditions must however be fulfilled to qualify for the aforementioned tax benefits. The innovation box does not apply to brands, logos, TV formats, copyrights on software and so on. The choice must be specified in the corporate income tax declaration.

Participation exemption

The participation exemption, also known as the substantial holding exemption, is one of the main pillars of corporate income tax. It is designed to prevent double taxation and aims to facilitate tax-free profit distribution between group companies.

A participation refers to a situation where a company (the parent company) is the owner of at least 5% of the nominal paid-in capital of a company that is based either in the Netherlands or abroad (the subsidiary). A cooperative membership qualifies as well, regardless of its share in the cooperative's capital.

Under the participation exemption, all benefits derived from the participation are tax exempt. Benefits include dividends, revaluations, profits and losses on the sale of the participation and acquisition, and

sales costs. The participation exemption also applies to revaluations of assets and liabilities from earn-out and profit guarantee arrangements. If the value of the participation falls due to losses incurred, devaluation by the parent company is in principle not permitted. Losses arising on liquidation of a participation can, under certain conditions, be deducted.

With effect from 2021, the conditions have however been tightened, and the following limits are now in place:

1. Time limit: A liquidation loss must be taken within 3 years after ceasing operations. Until 2021 there was no time limit for this.
2. Origin limit: Only liquidation losses from participation in EU or EEA states may be deducted. Until 2021 there was a deduction for global losses.
3. Affiliation limit: Liquidation losses may only be deducted in the case of a participating interest with 'sufficient' control (often for an interest of over 50%).
4. The origin and affiliation limits only apply for liquidation losses greater than € 5 million.

As a general rule, participation exemption does not apply if the parent company or subsidiary is an investment institution. It is however possible to appeal for a 'reduced tax investment participation.' An intent test is used here to determine whether the participation exemption applies. This assesses whether or not the participation is held as an investment. A participation in a company whose balance sheet consists of, for example, liquid assets, debentures, securities and debts is regarded as an investment. In the latter case the participant is not entitled to participation exemption, but is however entitled to apply for a tax credit. It is common practice to apply for an Advance Tax Ruling on the qualification of the participation under the participation exemption provision.

Because a number of conditions must be satisfied in order to apply for a tax credit exemption, factual and circumstantial changes can affect the tax (exempt) status of a participation. In this case, the capital gains or losses on this participation must be partitioned into a taxable and non-taxable part (partitioning doctrine). In addition, tax law provides for a participation to be revalued at fair market value once

the participation tax regime changes. The revaluation result (positive or negative) is, amongst other qualifying occurrences, added to a separate reserve (partitioning reserve). The reserve must be released upon disposal of the corresponding participation. A partial disposal triggers a pro rata release.

As a result of an amendment in the European Parent/Subsidiary Directive intended to combat abuse and undesirable schemes, with effect from 2016 the participation exemption no longer applies to benefits from foreign enterprises. This is true if these benefits consist of fees or payments that can be deducted by the participation when determining its profit for tax purposes and are hence regarded as deductible interest charges. The place of establishment of the participation is not relevant here; the exclusion of the participation exemption is also aimed at benefits received that serve to replace the aforementioned fees. This relates to so-called hybrid finance. The restriction of the participation exemption does not apply for benefits obtained with the disposal of the enterprise and currency results obtained.

Controlled Foreign Corporations

As of 2019, Controlled Foreign Corporation (hereinafter: CFC) rules have been introduced, with the aim of preventing profit shifting to low-tax jurisdictions. The new CFC ruling ensures that certain ‘tainted’ income categories of a CFC are included directly in the Dutch tax basis. Examples include income in the form of interest, royalties, and dividends.

A corporation qualifies as a CFC if it meets the following criteria::

1. The Dutch tax paying body – together with a related body or natural person – has a direct interest of more than 50% in a foreign body, or if this is a permanent establishment.
2. The foreign body or the permanent establishment is in a country with a low statutory income tax rate (less than 9%) or in a country included in the EU list of non-cooperative jurisdictions for tax purposes.

If the foreign company or permanent establishment qualifies as a CFC, undistributed ‘passive’ income (including interest, royalties, dividends, and leasing income) are taxed at the level of the Dutch controlling company, unless the activities of the CFC include significant economic activities. The latter is true when the CFC (a) receives at least 70% non-passive income or (b) meets the Dutch relevant substance requirements, or the CFC qualifies as a financing vehicle for which at least 70% of the tainted benefits are received from third parties.

For profits that are already taxed in the Netherlands and later paid out to the Dutch parent company, the avoidance of double taxation is provided.

Object Exemption for Permanent Establishments

An object exemption exists for foreign permanent establishments of companies based in the Netherlands. As a result the profits and losses of a foreign permanent establishment do not affect the Dutch tax basis. Final losses of foreign permanent establishments that remain upon cessation (termination) can however still be deducted. The object exemption does not apply to profits from so-called passive permanent establishments in low-taxation countries

and to passive income of permanent establishments qualifying as CFCs.

Fiscal Unity

If the parent company owns at least 95% of the shares of a subsidiary, the companies can submit a joint application for fiscal unity to the tax authorities, whereby the companies will be treated as a single entity for corporate income tax purposes. To qualify, the 95% shareholding should represent 95% or more of the voting rights and at least a 95% entitlement to the subsidiary's capital. Here, the subsidiary is thereby effectively absorbed by the parent company. One of the most important advantages of fiscal unity and its tax consolidation of companies is that the losses of one company can be set against the profits of another company in the same group. The companies can also supply goods and/or services and transfer assets to one another without fiscal consequences.

Fiscal unity is only permissible where all of the companies concerned are effectively established in the Netherlands. Current legislation provides the option to include a Dutch permanent establishment of a non-resident group in the tax consolidation of the fiscal unity. In addition, the parent company and subsidiaries must also use the same financial year and be subject to the same tax regime.

Dutch legislation also permits fiscal unity via a foreign company. As a result, fiscal unity is permitted between:

- A Dutch parent company and a Dutch sub-subsidiary with a foreign intermediate company established in an EU/EEA member state.
- A Dutch subsidiary and a Dutch permanent establishment of a non-Dutch EU/EEA resident company, if the latter as the parent company holds at least 95% of the shares in the (sub-)subsidiary.
- Dutch sister companies with a foreign parent company established in an EU/EEA member state that holds at least 95% of the shares in the companies.
- Companies established in the Netherlands that are affiliated via a foreign EU/EEA intermediate holding company.

It is important to note that the status of fiscal unity with UK companies is currently unclear in light of Brexit. For the present, the Dutch tax authorities are however taking the view that unity here is prevented or terminated with UK companies. On 22 February 2018, the Court of Justice of the European Union (CJEU) concluded that the Dutch fiscal unity is in violation of the EU freedom of establishment. According to the CJEU ruling the Dutch fiscal unity regime may not favour domestic groups by allowing a benefit that is not open to cross-border groups, while such a fiscal unity in cross-border situations is not permitted. As a result, the Dutch government has introduced repair measures which adjust the fiscal unity regime with retroactive effect to 1 January 2018. It is expected that this will ultimately lead to an alternative fiscal consolidation regime.

LIMITATIONS OF INTEREST DEDUCTION AND OTHER ANTI TAX EVASION MEASURES

Earnings Stripping Rule

The earnings stripping rule came into effect from 1 January 2019 and applies for financial years beginning on or after that date. The earnings stripping rule is a generic interest deduction for the balance of the interest payable on third-party and group loans. It

concerns the difference between the interest charges and interest income relating to loans and similar agreements (balance of interest). Using a fixed percentage of earnings before interest, tax, depreciation and amortisation (roughly speaking the gross operating result, EBITDA), the balance of interest is subject to restricted deduction.

The earnings stripping rule limits the deductibility of net interest expenses to the higher of (i) 20% (2024) of the EBITDA or (ii) a threshold of € 1 million. The rule does not make a distinction between third party and related party interest and is therefore a generic limitation of interest deduction. By using EBITDA for tax purposes as the starting point, the interest deduction is thus linked to the taxable economic activity of a taxpayer. In the case of fiscal unity the earnings stripping rule is applied at the fiscal unity level. Finally, the earnings stripping rule applies to both existing and new loans. Interest that cannot be deducted based on the earnings stripping rule can be carried forward indefinitely. The Dutch government is proposing to exclude real estate companies from applying the aforementioned threshold of € 1 million with effect from 1 January 2025.

Anti-base Erosion Regulation

The anti-base erosion rules in Dutch corporation taxation restricts the deduction of financing costs of intragroup loans if these loans relate to the conversion of equity into financing through debt without sound business motives. This comprises loans relating to dividend distributions, repayment of formal and informal capital, and capital contributions. On the other hand, the anti-base erosion rules also include the ability to overrule this restriction in tax deduction of the relating financing costs if the taxpaying company can demonstrate a sound business motive for this debt financing or the interest payment is effectively taxed at a rate of 10% or more. However, the Dutch tax authorities may demonstrate that in the case of a group transaction no business considerations are involved, even if the recipient pays 10% or more tax abroad. In that case the interest paid within the group is not deductible. The interest for ordinary business transactions does however remain deductible.

Prevention of Mismatches with the Arm's Length Principle

In a group context to determine the profit for tax purposes, internal transactions and relationships must take place on an arm's length basis. Non-arm's length pricing must be adjusted for tax purposes to the level of arm's length pricing. A correction is not always made in one country to a corresponding correction in the other, resulting in an international mismatch in the tax base. For tax purposes, this is processed as a so-called informal capital payment or disguised profit distribution. In international group contexts these mismatches may be abused, resulting in companies paying too little tax (at consolidated level). With effect from 2022, these mismatches are being controlled. The Dutch tax base can no longer be corrected (read: reduced) with an arm's length correction in the absence of a corresponding increase in the tax base for the other party. The 'at arm's length' correction is however maintained, but the deduction of the correction (in the form of a fictitious cost deduction) is limited. For example, interest-free intragroup financing for a group company established in the Netherlands can no longer automatically lead to a fictitious interest charge (so-called interest

imputation) and hence to a reduction in the tax base. From now on, it will be linked to the extent to which the receiving foreign group company also charges the correction to its profit. This measure not only looks to payments in the so-called cost sphere, such as an interest imputation to group finance or intragroup fee payments, but it also looks to transferred assets resulting in a limitation of the deductible depreciation charge.

Tax Liability Measure for Joint Ventures

Joint ventures such as a VOF or CV (described in a previous section) do not have any legal personality, and for this reason they are not established independent taxpayers. For these entities there is so-called fiscal transparency. Dutch fiscal transparency related to joint ventures has often been used in recent decades to obtain fiscal (group) benefits. If a majority of the joint venture's members belong to a country that taxes the venture as an independent taxpayer, there is a so-called hybrid mismatch in the Netherlands. This is now prevented with effect from 1 January 2022 by setting aside the fiscal transparency of the joint venture and treating it as an independent entity in the corporation tax. This measure comes from the second EU Anti-Tax Avoidance Directive (ATAD2).

OESO Standard Transfer Pricing Documentation and Country-by-Country Reporting

Documentation obligations apply for multinationals regarding the internal transfer prices used between enterprises in different countries. These companies are now required to create and submit a country-by-country report, a master file, and a local file.

This applies if the consolidated group revenue is more than € 750 million. Here, the parent company submits the country-by-country report in the country where it is established. The master file contains a summary of the transfer pricing policy of the group. The local file provides a listing of intracompany transactions of the local enterprise(s). Companies established in the Netherlands that form part of a multinational group with a consolidated turnover of at least € 50 million in the previous year must create an OECD-based master and local file for transfer pricing and branch profit documentation purposes. These files must be kept in the company's records until the last day for submitting the return (after any extension granted) for the relevant year.

Minimum Tax Act 2024 (Wet minimumbelasting 2024)

As a result of international agreements on a global minimum tax rate, the Netherlands has now introduced the Minimum Tax Act 2024. Under this legislation, group entities with a global turnover of € 750 million or more are subject to an additional levy if the effective tax rate in a country is lower than 15%. These rules are highly technical and could result in the Netherlands applying additional taxes on profits taxed at a low rate elsewhere within the group.

Tax Declarations

The corporate income tax declaration must be submitted to the tax authorities within 5 months of the end of the company’s financial year. If a firm of accountants submits the return, a postponement scheme applies. The ultimate deadline for filing, including extension, is 16 months after the end of the financial year.

INCOME TAX

Income tax is a tax levied on the income of natural entities with domicile in the Netherlands (domestic taxpayers). They are taxed on their full income regardless of which country the income is earned. Any natural person who is not domiciled in the Netherlands but earns an income in the Netherlands, is liable to pay income tax on Dutch source income (foreign taxpayers). Foreign taxpayers may be eligible for 'qualifying foreign taxpayer' status if at least 90% of their global income is taxable in the Netherlands according to Dutch assessment principles. This status entitles the individual to the same deductions applicable for domestic taxpayers, such as the own home scheme discussed below. One of the requirements to pursue this status is to submit the annual report on non-Dutch income using an income return format signed by the tax authority of the country of residence.

In principle, income tax is charged on an individual basis: married persons, registered partners, and unmarried cohabitants (under certain conditions) can however mutually distribute certain joint income tax components.

Tax Base

Income tax is charged on all taxable income. The different components of taxable income are broken down into three 'closed' boxes, each at a specific tax rate. Box 1 includes income from work and home, Box 2 includes income from interest, and Box 3 includes income from savings and investments. These boxes will be discussed in further detail later in this section.

Each source of income can only be entered in one box. A loss in one of the boxes cannot be deducted from a positive income in another box. A loss generated in Box 2 can be deducted from a positive income in the same box in the previous year (carry back) or in one of the 6 subsequent years (carry forward). Whereas a loss in Box 2 cannot offset, the tax law offers a contribution in the form of a tax credit. This means that the remaining loss is deducted from the tax burden payable at the applicable Box 2 rate, with the condition that no substantial interest exists in the current tax year and the previous year. The tax credit amounts to the Box 2 rate of the remaining loss. A loss in Box 1 can be deducted from a positive income in the same box in the 3 preceding years or in one of the subsequent 9 years. Box 3 does not recognise any amount of negative income.

BOX 1: TAXABLE INCOME FROM WORK AND HOME

For Box 1, income from work and home is calculated as the sum of:

- Profits from business activities;
- Taxable wages;
- The taxable result of other work activities (e.g. freelance income or income from assets made available to entrepreneurs or companies);
- Taxable periodic benefits and provisions (e.g. alimony and government subsidies);
- Taxable income derived from the own home (fixed amount reduced by a deduction equivalent to a specified interest paid on the mortgage bond);
- Negative expenditures for income provisions (e.g. repayment of specific annuity premiums);
- Negative personal tax deductions.

The following allowances apply to the above-mentioned income components:

- Expenses for income provisions (e.g. premiums paid for an annuity insurance policy or a disability insurance);

- Personal deductions. This concerns costs related to the personal situation of the taxpayer and their family that influence the ability to support themselves and any dependents (e.g. medical expenses, school fees and specific living expenses for children).

A non-resident taxpayer who performs the function of director or member of the supervisory board of a body established in the Netherlands is always deemed to have performed this function in the Netherlands either using a permanent Dutch establishment or by virtue of a Dutch employment relationship, or a result obtained in the Netherlands from other work. This extends the scope of the tax levy for foreign taxpayers, barring the effect of a tax treaty on Dutch tax jurisdiction.

For supervisory directors and non-executive members of a comparable one-tier board, their working relationship is not regarded as employment and is therefore not subject to wage tax. A tax obligation for income tax does however apply for their respective income.

The tax rate in Box 1 is progressive and can accumulate to a maximum of 49.50% (2024).

Profit from Business Activities

A natural person who derives income from business activities qualifies for tax allowances for entrepreneurs under certain circumstances. The tax allowances for entrepreneurs include self-employed allowance, research and development allowance, discontinuation allowance, and SME allowance. In addition, a new entrepreneur is also entitled to a start-up allowance.

The SME Allowance (MKB-winstvrijstelling) entitles entrepreneurs to an additional exemption of 13.31% (2024) of the profits following the deduction of the above entrepreneur's allowance (tax allowances). This tax advantage and the aforementioned tax allowances for entrepreneurs is limited by the new rate structure and phasing out of allowances discussed below. The fiscal profit concept in income tax is virtually identical to the profit concept in corporation tax. For example, the provisions discussed under Corporation Income Tax relating to the valuation of work in progress and orders in progress, arm's length principle, limited depreciation on buildings, arbitrary depreciation, and WBSO (see section 4) apply accordingly.

Private Home and the Own Home Scheme (Eigenwoningregeling)

A private home is viewed as the complete unit of the home with the garage and other buildings on the property. Houseboats and caravans are also viewed as private homes. The only provided condition is that they are permanently bound to a single address. A private home is only considered as such where the home is owned by the occupant (taxpayer) and where it serves as permanent domicile and not as a temporary domicile. The purchase of a private home is subject to transfer tax. Since 2021, buyers aged under 35 years will on one occasion be exempt from payment of transfer tax (0%) subject to the condition that the purchase price is less than € 510,000 (2024). In other cases, the rate for the home buyer remains 2%. Other buyers, such as investors in housing and buyers of other real estate (e.g. commercial property) will pay 10.4% (2024).

Once it has been determined that a home can be viewed as an 'Own Home,' the home automatically qualifies for for the Own Home Scheme based on Box 1 (Work and Home: maximum tax rate 49.50% for 2024).

The Own Home scheme works as follows: The fixed sum assumed by the legislator for the enjoyment derived from the own home is expressed for tax purposes in the Own Home fixed sum. The Own Home fixed sum is determined based on a fixed percentage of the value of the home in question. The value here is determined based on the WOZ value, which is set by municipal decree. Certain costs such as financing costs (i.e., interest paid on the mortgage) are, under certain conditions, deductible from the abovementioned Own Home fixed sum. The financing costs (including interest paid on a mortgage bond) are tax deductible where the loan qualifies as an Own Home Debt. This tax deduction is restricted to mortgages with a minimum annuity repayment scheme of 30 years. This means that to qualify for tax deduction, the mortgage scheme should guarantee full mortgage payment within 30 years or less.

The Own Home financing costs are tax deductible at a tax rate of up to 36.97% (2024).

New Rate Structure and Phase Out of Allowances

The income tax and payroll tax includes a two-tranche rate, with a basic rate of 36.97% (for income up to € 75,518) and a maximum rate of 49.50%. On the other hand, a phasing out of allowances has come into effect. For 2024, the maximum deduction rate of virtually all allowances (including Own Home financing costs and entrepreneur's allowances) is equal to the 2024 basic rate of 36.97%.

BOX 2: TAXABLE INCOME FROM SUBSTANTIAL INTEREST

Substantial interest applies where the taxpayer, with or without their partner, is a direct or indirect holder of a minimum of 5% of the issued capital in a company of which the capital is distributed in shares. The income from substantial interest is the sum of the regular benefits and/or sales benefits less deductible costs. Regular benefits include dividend payments and payments on profit-sharing certificates. Sales benefits include the gains or losses on the sale of shares. Examples of deductible costs include consultancy fees and interest on loans taken out to finance the purchase of the shares. With effect from 2023, the income in box 2 also includes notional income if excessive loans are taken out from their own company (i.e. a company in which they hold a substantial interest). If, at the end of the year 2024 (with the exact reference date being 31 December 2024), debts to the company exceed € 500,000, the excess amount is taxed as a notional benefit in box 2. Home acquisition debts secured by a mortgage in favour of the lending company do not qualify as debts that count towards the above debt ceiling. Other debts do, however, count towards the ceiling.

Non-resident taxpayers are subject to taxes on income from substantial interests if the interest is held in a company residing in the Netherlands. If this company was resident in the Netherlands for a minimum of five or the the past ten years, the company is regarded as being resident in the Netherlands.

In 2024, the tax rate in Box 2 comprises two bands, with a rate of 24.5% for income up to € 67,000, and 33% for amounts in

excess of that figure. These bands apply on a per-person basis for tax partners.

BOX 3: TAXABLE INCOME FROM SAVINGS AND INVESTMENTS

Box 3 charges tax on the taxpayer's assets. The taxable base is based on a fixed return on investment of the yield base. The yield base is the difference between the assets and the liabilities and is determined on 1 January of the calendar year. The reference date of 1 January also applies if a taxpayer does not yet owe any inland tax on 1 January, or if the inland tax obligation ends during the calendar year for reasons other than death.

The assets in Box 3 include: savings, a second home or holiday home, properties leased to third parties, shares that do not fall under the substantial interest regime, and capital payments paid out on life insurance.

Liabilities in Box 3 include: Consumer loans and mortgage bonds taken out to finance a second house. Per person, the first € 3,700 (2024) of the average debt is not deductible from the assets.

To determine the taxable income in Box 3 from 2017, a lump sum asset mix has been used with the assumption that the capital partly consists of savings and partly of investments. The income is calculated on the basis of a lump sum yield that increases progressively according to 3 (asset) tranches (see below). Inherent in the lump sum asset mix and the linked gradual tariff setting is a phenomenon in which taxpayers with a relatively large proportion of savings (with a negligible yield) experience an actual yield that exceeds the effective tax. At the end of 2021, the highest tax court (Supreme Court) ruled that in a number of cases the Box 3 tax in its current set-up contradicts the European Convention on Human Rights (ECHR). To comply with this, the tax must be in line with the actual yield obtained. The result is a lack of clarity about the effects of the ruling for the Box 3 tax as now included in the law. As of 2023, the law contains a new calculation method that takes into account the actual level of savings, other investments, and debts. A fixed return is, however, still calculated for each asset category. Under the new method, the outcome should therefore be more in line with the actual return. This is a transitional arrangement that will apply until 2026, and the intention is that from 2027 tax will only be levied on the actual return achieved.

Taxed Assets

All taxpayers are entitled to untaxed assets in Box 3 of € 57,000 (2024). The amount is intended to reduce the yield base. A fixed return, depending on the assets, is calculated on the amount remaining after deduction of the exemption. The fixed return percentage is 1.03% (2024) for the bank balances category, 6.04% for other assets and 2.47% for debts (2024). Retroactively, these fixed returns are adjusted annually in light of the statutory returns in prior years. The tax rate is then paid on this return. The tax rate in Box 3 is 36% (2024).

Tax allowances

Once the tax due has been calculated for each box, certain tax allowances are deducted from those amounts. All domestic taxpayers are entitled to a general tax allowance of € 3,362 (2024). The general tax allowance is reduced by 6.63% of the taxable income from work and home exceeding € 24,812 (2024), as a result of which the general tax credit may ultimately be zero for an income of € 75,518 (2024). Depending on

the personal situation of the taxpayer and the actual amount of annual income, the taxpayer may also be entitled to specific tax deductions.

Advance Tax Payments

Tax is withheld in advance over the course of the tax year for income from work activities and dividends. Both wage withholding and dividend tax are advance tax payments on income. The withheld amount may be deducted from the income tax due.

Tax Declaration

The income tax declaration for any given tax year must be submitted to the tax authority in principle before 1 April of the next year. For 2023 returns, the deadline was extended until 1 May 2024. If a firm of accountants produces the return, an extension scheme applies. This means that the return may also be submitted later in the year.

DIVIDEND TAX

Companies often pay out profits to their shareholders in the form of dividends. The following are further examples of dividend situations:

- Partial repayment of the moneys paid-up on shares by shareholders.
- Liquidation payments above the average paid-up equity capital.
- Bonus shares from profits.
- Constructive dividends, which are payments made by a corporation primarily for the benefit of a shareholder as opposed to the business interests of the corporation.
- Interest payments on qualifying hybrid debt. These debts are treated as informal equity of the borrowing company.

Cooperatives

Up to 2018, cooperatives were in principle not obligated to deduct dividend tax on profit distributions to a holder of a membership right unless the main objective or one of the main objectives of the membership of the cooperative was to avoid dividend tax or foreign tax. In addition, the chosen structure must not have been set up for business reasons that reflect the economic reality. This anti-abuse regulation was replaced with effect from 1 January 2018 by the introduction of a more generic dividend tax obligation for qualifying holder cooperatives established in the Netherlands. These are holder cooperatives established in the Netherlands whose actual work includes at least 70% holder work in the year preceding the profit distribution.

The deduction of dividend tax moreover only concerns membership rights that give a right to at least 5% of the annual profit or profit on liquidation, irrespective of whether this entitlement falls independently to the holder of the membership right or in combination with the rights of associated persons or the cooperating group.

Exemption

No tax is withheld, among others, in the following situations:

- Where, in inland relationships, benefits are enjoyed from the shares, profit-sharing certificates, and cash loans of participations to which the participation exemption applies.
- If a Dutch company pays out dividends to a company established in a member state of the European Union/EEA and the participation exemption would have been applicable if the shareholder was a resident in The Netherlands.

As of 2018, the exemption has been extended to qualifying dividends paid to residents (for tax treaty purposes) in a state with which the Netherlands has concluded a tax treaty including a dividend provision.

The dividend withholding tax exemption is subject to anti-abuse regulations, which specifies that the beneficiary of the dividends should not be considered to hold the interest in the distributing entity with the main purpose to avoid taxation with another entity or individual (subjective test), and the arrangement transaction should not be considered artificial (objective test).

In addition, several specific provisions have been introduced in case the shareholder of the Dutch entity is a hybrid entity. If the distributing entity applies to the withholding tax exemption, the tax authorities should be notified of this within one month after payment.

Step-up Tax Basis of Cross-Border Legal Mergers and Divisions

In the case of a cross-border merger or division, an unintentional Dutch dividend tax claim on foreign profit reserves may arise.

To prevent this on certain conditions, the value of the assets that are transferred as a result of a legal merger or division to the acquiring corporate body in the Netherlands is regarded as (untaxed) paid-up capital for dividend tax purposes. This does not apply for assets that consist of shares in a Dutch corporate body.

Refund Scheme for Foreign Taxpayers

The law includes a provision that provides for the refund scheme for dividend tax for foreign taxpayers (natural person or a legal entity). For foreign taxpayers with a holding in Dutch shares, under certain conditions it is possible to request a refund of dividend tax deducted. To apply for this, the shareholder must qualify as beneficial owner of income from shares for which a foreign taxpayer exists. A refund is possible when the dividend tax is higher than the income or corporation tax that would be payable if the relevant taxpayer had been a resident or established in the Netherlands. Refund of dividend tax is not granted if the foreign taxpayer is entitled to a full offset of the Dutch tax in the state of residence or establishment based on a tax treaty signed between the Netherlands and the relevant state of residence or establishment.

Tax Rate

The tax rate for dividends is 15% (2024).This tax is withheld by the company that pays out the dividends and is responsible for paying it to the tax authorities. The dividend tax withheld serves as an advance tax payment on income and corporate income tax. The Netherlands has signed tax treaties with various other countries, as a result of which a lower tax rate will apply in many instances.

With effect from 2024, the Netherlands has also introduced an additional conditional dividend tax, which will be levied on dividend payments to a low-taxation country. The dividend tax owed is equal to the highest rate of corporation tax (25.8%). This is an additional instrument to discourage companies from using the Netherlands as a link in undesirable fiscal evasion routes. This is discussed in more detail below.

Proposal for Dividend Tax Exit Levy

The Dutch Parliament is currently discussing a bill to retain the Dutch dividend tax claim when companies move abroad. This levy would involve situations where the registered office moves to a country with no dividend tax or where a so-called step-up for (potential)

distributable profit reserves is granted. This exit dividend tax is only levied from investors in non-EU/EEA states with which the Netherlands has not signed a tax treaty. The levy is included in the existing tax system for dividend tax and levied immediately without the option for postponement of payment or a debt moratorium.

For reasons of efficiency, a threshold (tax-free allowance) of € 5 million will apply for this scheme. The scheme will apply for registered office moves and cross-border mergers, divisions, and share mergers. If one of these taxable conditions occurs, a dividend tax declaration must be submitted with the tax base ‘net profit’ (visible and deferred tax reserves). The recognised paid-up capital and tax-free allowance are then deducted from this amount. Withholding exemptions in participating interests are not affected. In practice, this exit levy will particularly affect profit reserves to which portfolio shareholders of listed companies are entitled. In both situations, the exit dividend tax qualifies as an (offsettable) withholding tax or the final tax levy for the shareholder in question.

For the reverse situation in which a company has moved its registered office to the Netherlands, a step-up applies for the existing ‘net profit.’

Another important aspect of the bill relates to legal entities established according to foreign law. On certain conditions for the application of this exit levy these entities are still deemed for a period of up to 10 years after moving their registered office to be established in the Netherlands. The bill provides for a retroactive effect up to 8 December 2021.

WITHHOLDING TAX ON INTEREST AND ROYALTIES

With effect from 2021, the Netherlands introduced a conditional withholding tax on interest, royalty payments, and dividend payments to affiliated entities in designated low-taxation countries as well as in situations of abuse. The withholding tax is the same as the highest corporation tax rate (in this case 25.8% for 2024). Up to 2024, the conditional tax did not apply to dividend payments. The effect of a tax treaty may mean that the actual rate is lower. Withholding tax also arises for payments between affiliated entities. Here, affiliation is defined as a case where the shareholder can exercise a direct or indirect decisive influence on the operations of the Dutch entity and must therefore be looked at on a case-by-case basis. In any case, a formal interest such as a minimum voting right of 50% results in an affiliation. For the levy of the withholding tax, the receiving entity must be established in a jurisdiction with a tax on profits at a maximum statutory rate of 9% or in a jurisdiction included in the EU list of non-cooperative jurisdictions (so-called Designated Low-Taxation Jurisdictions). Another option to tax arises in situations of abuse, including artificial arrangements where payments are diverted via an entity with marginal substance in non-low-taxation jurisdictions with the motive of evading this withholding tax. An arrangement set up without substantive reasons that reflect the economic reality is regarded as artificial.

MANDATORY DISCLOSURE RULES (MDR)

From 1 January 2021, taxpayers and their agents have a disclosure obligation under

the so-called Mandatory Disclosure Rules. These rules are a result of the European Directive dating from 2018 on the mandatory automatic exchange of information in the area of taxation relating to disclosable cross-border arrangements (DAC6). The disclosure obligation (to the tax authorities) applies for potentially aggressive cross-border tax arrangements. The scope of the rules is still unclear, but it is intended for fiscal arrangements where residents of various countries are involved and which can be used for tax evasion. The disclosure obligation also has retroactive effect to 25 June 2018 because the disclosure obligation arises for cross-border arrangements in which taxpayers and their agents are involved from 25 June 2018.

PREVENTION OF DOUBLE TAXATION

Residents of the Netherlands and companies that are registered in the Netherlands must pay taxes on all revenue generated worldwide. This could result in any given income component being taxed both in the Netherlands and abroad. To prevent this double taxation, the Netherlands has signed tax treaties with many other countries. These treaties are largely modeled on the OESO Model Treaty for the prevention of double taxation.

If an income tax component is nevertheless double-taxed as income or corporate income tax, the taxed amount is reduced based on the exemption method (i.e., reduction in double taxation with progression clause) or the credit tax method (i.e., offset of foreign tax). The method to be used is linked to the form of the income component. The reduction of double taxation on the income tax is calculated per income tax box.

Double taxation of dividend payments and interest payments and royalties is prevented with the use of the settlement method. The use of this method means that the Dutch tax is reduced by the amount of tax charged abroad.

In certain situations, it is also possible to deduct the foreign tax directly from the profits or as costs related to income.

In 2017, the Dutch government signed the multilateral treaty on international tax evasion (Multilateral Instrument or MLI). This treaty is a result of the BEPS project against tax avoidance. It offers the opportunity to implement measures against tax evasion in one instance, without the need for separate negations. It also provides for faster mutual agreement procedures. The MLI bill came into effect as of 1 July 2019.

WAGE TAX

As explained earlier in this section, wage withholding tax is an advance tax payment on income tax. Anyone deriving an income from employment in the Netherlands is liable to pay income tax on the income. In addition, employees in the Netherlands are generally covered by social security. The employer withholds the social security premium and wage tax due from the wages as a single amount and subsequently pays this to the tax authorities. The combined amount is referred to as wage tax. The wage tax is subsequently settled against the amount of income tax due.

Withholding Obligation

The Wage Tax Act links the withholding obligation with the presence of an employment relationship, whether or not it is notional. One of the characteristics of such an employment relationship is the employer-employee relationship. Given the increase

in the labour market of freelancers and self-employed sole traders (ZZP), the importance of delimiting 'whether or not' there is an employment relationship (and the associated withholding and social security obligation) has grown considerably.

To this end, the so-called law on the Deregulation of the Assessment of Employment Relationships (DBA) was adopted and formally came into force in 2016. The government came up with the law on the Deregulation of the Assessment of Employment Relationships (DBA) to replace the so-called Declaration of Independent Contractor Status (VAR). The VAR indemnifies the client from the risk of a withholding obligation. Under the DBA the client can only get an indemnification for the absence of a withholding obligation when using the (model) agreements assessed and approved by the tax authority. However, because of the apparent social impact and the implementation problems for this law, the habituation period has been extended repeatedly. Meanwhile, the government has decided to replace the current DBA law with the aim of establishing new measures in due course. Until that occurs, the DBA law remains in effect. Enforcement of the law (i.e., imposing penalties and retrospective assessments) is only aimed at malicious parties and serious cases.

With regards to supervisory directors or non-executive members of a one-tier-board, the income tax section above states that for both relationships there is no fictitious employment relationship and corresponding withholding obligation. There is, however, the option via the opting-in regulation to create or maintain an employment relationship, for example in the case of a non-executive board member who qualifies for the 30% scheme discussed below.

Tax Rate

The wage tax rates in 2024 are:

- 36.97% for the first € 38,098 of taxable in come (9.32% wage tax and 27.65% social security premium);
- 36.97% for the next € 37,420 of taxable income (36.97% wage tax);
- 49.50% for all additional income.

When withholding the wage tax, the employer must also take into account the general tax allowance and the labour allowance. The latter discounts are discussed above.

Taxable Wage

For wage tax, a broad wage definition is used. Dutch tax legislation allows numerous options for rewarding personnel in fiscally friendly ways. Wage tax is calculated on the full value of the remunerations received by the employee based on the employment contract. The remuneration may take the form of cash, such as a salary, holiday allowances, overtime, commissions, and payments for a thirteenth month. Employees can however also receive remuneration 'in kind,' such as in the form of products from the company or holiday trips. The concept of remuneration also includes various other claims, compensations, and provisions.

All compensations and provisions from the employer to the employee form the taxable wages. Exceptions to this include:

- Fringe benefits (e.g. car in case of illness);
- Intermediary costs that are incurred by the employee on behalf and for the account of the employer;

- Exempt claims and benefits (e.g. pension claims, benefits on death, travel allowance).

The other compensations and provisions in principle form part of the taxable wage. Depending on the category of the compensations and provisions, the employer has the option to include compensations and provisions in the final levy payment. Wage tax is then paid by the employer.

It should be noted that the COVID-19 pandemic led to changes in work patterns and conditions, where compulsory working from home has become the norm. It is anticipated that this trend of working from will continue to be common. As a result, the amount of travel to and from work in an office will decrease, which has consequences for the nature and amount of employees' work expenses. The reimbursement system described below may in part be amended and supplemented with reimbursements to adapt to this new work model.

Work Expenses Scheme

Compensations and provisions to employees are subject to the work expenses scheme. Through this scheme an employer may spend a maximum of 1.92% (2024) of the total wage for tax purposes (the 'free scope') up to a total wage bill of € 400,000 (2024) on untaxed compensations and provisions for employees. On amounts above the free scope, the employer pays wage tax in the form of a final levy of 80%.

Not all compensations and provisions can be included in the free scope. Under the work expenses scheme, compensations and provisions are only included in the free scope and successively qualify as final levy payment (taxed at 80%) where and insofar as the compensations and provisions do not belong to the following categories:

1. *Compensations and provisions that are exempted from final levy payment.*
   This includes, among other things, private use of a company car, company bike, and reimbursement of fines.
2. *Compensations and provisions belonging to another final levy payment.*
   This category includes, for example, gifts and provisions to a third party and additional assessments not recovered from the employee.
3. *Specific exemptions of work expenses.* Exempted work expenses include compensations and provisions for business travel expenses by public transport (100% compensation), travel expenses by own transport (max. € 0.23 per km for 2024), course costs, study and training, meals during overtime and business travel (see below), extraterritorial costs (e.g. 30% rule; see below), costs of tools and ICT equipment (see below), and products from the company's own sector (see below). For some of the specific exemptions a lump sum applies (see below). A tax-free travel expenses allowance must be based on the actual journeys made. For days spent working from home, a free allowance of € 2.35 per day (2024) can be granted.
4. *Provisions to be valued at zero.*
   This includes provision of work clothing, provisions in the workplace, and refreshments provided in the workplace.

If and insofar as compensations and provisions do not fall under the previously mentioned exemptions, the employer has the option to regard the (remaining) compensations and provisions as final levy payment or as regular wage (with the deduction of wage tax from the employee). The employer may indicate compensations and provisions as a component of final levy payment on condition that these

do not differ substantially from what is usual in similar circumstances. This means that depending on the nature it is usual to indicate the relevant compensation or provision as a component of the final levy payment. A compensation or provision relating to costs incurred by the employee in relation to the proper exercise of the employment relationship will be qualified as usual rather than the indication of pure salary elements, such as bonuses.

With regard to the scope of the compensation or provision, this may not be substantially (30% or more) higher than indicated as usual in comparable circumstances. The additional amount shall be included in the levy as regular wage. For some work expenses such as meals at the workplace, which are taxed by the employer as regular wage different lump sum, valuations apply in addition. The final levy payment is then first deducted from the free scope and the additional amount taxed by the employer at 80%.

Group Scheme

The final levy under the work expenses scheme is in principle calculated per employer. There is the option to calculate the final levy at the group level. This is subject to the condition that the parent company directly or indirectly holds at least 95% of the shares in the group company. For an employee who works for more than one group member, groups no longer need to calculate the compensations and provisions per group member (employer). In addition, under this scheme the use of the free scope can be optimised for all group members by paying all compensations and provisions designated as final levy payment from the total free scope. The final levy payable on the total amount that exceeds the collective free scope is then paid by the group member with the highest pay taxed for the employees.

Tools and ICT Equipment

Compensations and provisions related to this equipment are exempt if they meet the 'necessity criterion.' This means that the exemption applies if, in the opinion of the employer, the compensation or provision is necessary for performance of the work. These costs must be paid by the employer without being passed on to the employee. In addition, the employee must return the equipment used or pay the employer the residual value once the equipment is no longer necessary for the work.

Company Products

Employers are entitled to offer their employees discounts or compensation for purchasing products produced or manufactured by the company. This can be done tax-free subject to the following conditions:

- They must be products that are not from another sector.
- The maximum discount or compensation per product must be 20% (2024) of the product's market value (including VAT).
- The total value of the discount or compensation may not exceed € 500 (2024) per calendar year.
- This may also extend beyond the termination of the employment contract due to disability or retirement.

Relocation

If an employee is required to relocate for work purposes, the employer is entitled to compensate the employee free of tax for the moving costs for their household goods.

In addition, the employer may provide a tax-free moving expenses allowance of up to € 7,750 (2024). However, the move must be entirely related to the employment in order to qualify. This in any case applies if the employer gives the allowance within 2 years after the employee accepts the new employment (or after transfer), and the employee lives more than 25 kilometres from their work and moves, as a result of which the distance between the new home and the work is reduced by at least 60%.

THE 30% RULING

Foreign employees who come to work in the Netherlands temporarily qualify for the 30% ruling under certain circumstances. This states that the employer must pay the employee a tax-free remuneration to cover the extra costs associated with their stay in the Netherlands (extraterritorial costs). The compensation amounts to 30% of the salary, including the compensation, or 30/70 of the salary excluding the compensation. Based on this salary, the employee is not entitled to prevention of double taxation. If the employer reimburses more than the maximum amount, this salary is subject to wage tax. The employer may deduct a final levy on this additional amount. Since 1 January 2019 the disposition is only valid for a maximum period of 5 years; prior to this date the period was 8 years. A transitional ruling applies for employees who already used this scheme before 2019. For this group, the change came into effect on 1 January 2021.

Conditions for Qualification

1. The employee was hired from abroad.
2. The employee has a specific expertise that is scarce or not available in the Dutch employment market. This is called the scarcity and expertise requirement. For this specific expertise, the legislator introduced a salary standard.
3. The employee has lived more than 150 km from the Dutch border in the 24 months preceding their first working day in the Netherlands.

An employee is regarded as fulfilling the conditional specific expertise if their remuneration exceeds a defined salary standard. For 2024, the salary standard is fixed at a taxable annual salary of € 46,107 (2023: € 41,954) or € 65,867 including the 30% allowance (2023: € 59,934). This salary standard excludes the final levy components and thus excludes the 30% allowance. In most cases no specific check is made for scarcity, but this is conducted if, for example, all the employees with a particular expertise meet the salary standard. The following factors are then taken into account:

a. The level of the employee's training.

b. The employee's relevant experience.

c. The pay level of the present job in the Netherlands in relation to the pay level in the employee’s country of origin.

For scientists and employees who are physicians in training to become specialists there is no salary standard. For employees who are aged under 30 years and have completed their Master’s degree there is a reduced salary standard of € 35,048 for 2024 (2023: € 31,891) or € 50,068 (2024) including the 30% allowance.

The 30% ruling also contains a rule on post-departure remuneration. As a result, the 30% rule also applies effectively until the end of the wage tax period that follows the wage tax period in which the employment ended.

From 2024, however, an upper limit has been introduced for the salary qualifying for the 30% ruling. The 30% ruling will apply up to an amount of € 233,000 (2024). In addition, from 1 January 2024, the tax-free benefit will be gradually tapered by lowering the untaxed percentage, after the first 20 months of the scheme, from 30% to 20% for the following 20-month period. The untaxed percentage will then be reduced further to 10% over the remaining 20 months of the five-year period.

150 Kilometre Limit

The 30% rule only applies if the incoming employee can substantiate that they have lived a distance greater than 150 kilometres from the Dutch border for at least two thirds of the 24 months (i.e. 16 months) preceding the start of employment in the Netherlands.

Extraterritorial costs

The extraterritorial costs consist of the following, among other items:

- Increased cost of living in the Netherlands compared to the country of origin (cost of living allowance).
- The cost of an introductory visit to the Netherlands, with or, without family.
- The cost of the application for a resident's permit.
- Double housing costs (for example hotel costs) if the employee continues their residence in the country of origin.

The following aspects are not covered by the extraterritorial costs and can therefore not be compensated or provided untaxed:

- Overseas posting allowance, bonuses, and comparable compensations (foreign service premium, expat allowance, overseas allowance).
- Loss of assets, such as the purchase and sale of a home (reimbursement of home purchase expenses, agent's fee).
- Compensation for higher tax rates in the Netherlands (tax equalisation).

If the employee has children, the employer is entitled to offer the employee tax-free compensation for school fees at an international school in addition to the 30% rule. Other professional costs can be compensated untaxed based on the normal rules applicable to the Wages and Salaries Tax Act (Wet op de loonbelasting).

If the extraterritorial costs add up to more than 30%, then the actual costs that have reasonably been incurred can also be compensated tax-free. Recipients must, however, be able to demonstrate that the costs incurred are justifiable.

To make use of the 30% rule, the employer and the employee must jointly submit an application to the Foreign Office of the tax authorities in Limburg (Belastingdienst/kantoor Buitenland). If the application is approved, the tax authorities will issue a decision.

The decision is valid for a maximum of 5 years (8 years until 2018). Should the request be made within 4 months after the start of employment as an extraterritorial employee by the employer, the decision shall be retroactive to the start of employment as an extraterritorial employee. If the request is made later, the decision shall

apply starting the first day of the month following the month in which the request was made. The five-year period is reduced by previous periods of stay or employment in the Netherlands.

In addition, until 2021 the employee with the 30% ruling could also submit an application for registration as a partial foreign taxpayer for tax purposes in the Netherlands. This meant that they would be entered as a foreign taxpayer in Boxes 2 and 3 and taxed only on Dutch income. With effect from 2021, this option was removed.

VALUE ADDED TAX (VAT)

Dutch turnover or value added tax system is based on Directive 2006/112/EC - the EU's common system of value added tax (VAT) or 'BTW' in Dutch). This tax is charged at each stage of the production chain and in the distribution of goods and services. Taxable persons (VAT-registered businesses) charge one another VAT for goods and/or services provided. The taxable person that charges the VAT is required to pay the VAT amount to the tax authorities. If a taxable person is charged VAT by another taxable person, they are entitled to reclaim this VAT if they perform VAT taxable activities themselves. By doing so, the system ensures that the end user is effectively responsible for paying the VAT.

Entities that constitute an economic, financial, and organisational unit may form a VAT group in which no VAT is payable on internal services provided between them. In principle, the entities belonging to the VAT group are regarded as a single taxpayer. The existence of a VAT group does, however, give rise to joint and several liability for the VAT obligations of the participating entities.

Foreign taxable persons that perform taxed services in the Netherlands are in principle also liable to pay VAT. Those taxable persons, too, will be required to pay the VAT due in the Netherlands and will therefore also be able to claim the VAT invoiced by other taxable persons. The VAT system includes formal invoicing rules specified by the EU Directive on VAT Invoicing rules. These rules are implemented by EU Member States in their national VAT Law.

As a basic rule, VAT returns have to be filed quarterly. On request or as a 'penalty' for late payment, returns may also be required monthly or yearly. For services and goods moving from one EU member state to another EU member state, an intracommunity listing has to be filed. In principle this return must also be filed quarterly. However, if the threshold (per quarter) of € 50,000 for goods is met, monthly returns have to be filed. If a taxable person acquires more than € 1,000,000 of goods or has transferred more than € 1,200,000 of goods to other countries per year, Intrastat declarations have to be filed (monthly). All the above returns and declarations help the EU authorities to keep track of goods and services and determine whether sufficient tax has been paid. Today, it is more common for a member state to request specific data from another member state to tax and penalise a taxable person that did not pay the tax or did not follow procedures. Data analysis is often the basis for these requests.

Exemptions

Not all goods and services in the Netherlands are subject to VAT. The following services are VAT exempt: medical services, services provided by educational institutions, most banking services, insurance transactions, services performed by sports organisations, and property rentals. As of 2023 no VAT will be levied on the costs of supplying and installing solar panels for homes. Taxable persons that provide exempted services are not entitled to charge VAT for their services. In addition, they are also not entitled to deduct the VAT charged to them for goods and services, though there are some exceptions. Taxable persons that perform both VAT liable and VAT exempt services will assign VAT to those specific services on which VAT is due. A specific pro rata percentage may, in that case, determine the reclaim rate of VAT on general costs.

Capital Goods

The legislation also includes provisions to limit the VAT deductible. One important provision reviews VAT on capital goods sold. In the case of tangible capital goods the deductible VAT must be reviewed for a period of 5 years, or 10 years in the case of immovable goods. This is called 'the capital goods scheme' or 'revision period.' The entrepreneur who reclaimed VAT on such acquisitions must re-establish the right to reclaim VAT in each of the revision years. Following the first year of use, 20% or 10% of the reclaim basis is attributed to each year. In the first year, the full amount may have to be revised. The reclaim percentage is usually determined on the basis of the revenue (VAT taxable revenue divided by total revenue) or actual use (square meters, time, etc.). The rules and case law are quite specific and should be closely monitored on a case-by-case basis. Currently, this 'revision period' does not apply for expensive services. The government has launched a proposal to apply this review provision for this category of expenditure as well, though no commencement date has been set. This new measure will apply primarily for industries with relatively expensive services, such as in the health care, financial, and real estate sectors.

The VAT System in the Internal European Market

The European Union has recognised the free traffic of goods, persons, services and capital in the EU. Transactions within the European Community are referred to as the intracommunity supply and acquisition of goods and intracommunity services. Here, VAT is charged based on the destination country principle. This means goods that cross the border to another EU country are taxed in the destination country. The rules differ considerably for business-to-business (B2B) and business-to-consumer (B2C) activities.

Over the years, it has been found that the current VAT system for B2B supplies between businesses in EU member states is prone to fraud. The European Commission has therefore submitted a proposal for significant changes. The intention in the new system is for the supplier to charge the VAT of the EU member state where the customer is established. This supply will then be declared via a One Stop Shop (OSS) and the VAT due (by the other EU member state) will be paid. In this proposal, the above VAT procedure may be ignored if the customer is registered in the other EU member state as a Certified Taxable Person (CTP). The qualification requirements for CTP status are not yet known. It is also still unclear when this new system might go into effect.

Services Provided between a Head Office and Permanent Establishment

Historically, services provided between a head office and a permanent establishment fell outside the scope of VAT. This type of transaction represents internal services rather than services provided between different VAT-registered businesses. In its Danske Bank judgment, however, the EU Court of Justice ruled that services provided between a permanent establishment and its head office are in fact subject to VAT if both entities belong to separate VAT groups or if one of them belongs to a VAT group. Since 1 January 2024 this has been implemented in Dutch legislation, which may now lead to additional VAT declaration obligations in the event of a situation involving a permanent establishment and head office. This is also relevant within the context of the VAT deferment discussed below.

Digital Services

Digital services (communication, broadcasting, and electronic services) are taxed in the country where the customer resides. It is not relevant whether the customer is (a business) registered for VAT. To facilitate the administration of this, the 'mini One Stop Shop scheme' has been introduced. This scheme offers the business registered for VAT the option to declare the VAT in one EU member state for digital services provided to private customers in all Member States. Note that taxable persons supplying digital B2C services in general need two separate and non-contradictory pieces of evidence to determine where their customers reside (billing address, IP address, bank details, etc.).

As of 1 January 2019, additional simplifying rules have been implemented for taxable persons providing digital services, specifically electronic services:

1. Taxable persons supplying B2C electronic services in the EU with a turnover under € 10,000 may apply the VAT rate applicable in their own Member State.
2. The MOSS scheme can also be used, unlike before, by taxable persons not established in the EU and who have no fixed establishment.
3. Taxable persons using the MOSS scheme may apply the invoicing rules of their own Member State instead of the customer's Member State.
4. Taxable persons supplying B2C electronic services in the EU with a turnover under € 100,000 can determine the residence of their customers with one piece of evidence.

From 1 July 2021, the other (bigger) part of the e-commerce VAT Directive related to distance sales of goods has been implemented. This new Directive has a major impact for EU and non-EU suppliers of goods to private consumers, as well as for marketplaces facilitating such supplies. For example, upon entry into force in all EU countries one threshold of € 10,000 will apply, instead of the current system of different thresholds for each country. The threshold will then apply for the total of distance sales of goods including the sale of digital services to consumers in the EU. Once the total amount of sales within the EU in a year exceeds € 10,000, the consumer must be charged the VAT of the member state in which they are established. The VAT due in the other member state is then declared and paid via the OSS portal of the (national) tax authority. The national tax authority is responsible for the further distribution of the VAT paid.

In addition, from 1 July 2021 upon importation of goods irrespective of the value of the consignment (EU) VAT is payable. Until 1 July 2021 there existed a VAT exemption for goods of low value (€ 22 value limit).

The new rules for e-commerce also hold a business liable for the VAT payment on products sold to consumers via a platform that plays an 'active part' in the purchase and delivery. Examples here are the additional facilitation of orders and the financial transaction. Simply bringing supply and demand together digitally is not sufficient to be classed as playing an active part.

VAT Deferment

The Netherlands utilizes a so-called deferment system that offers cash-flow advantages. This system's benefit involves payment of VAT to be moved from the time of import to when the company declares taxes, usually monthly. The VAT due for the import will be recorded in the declaration as payable, while at the same time, amounts will be subtracted as pre-paid taxes. To obtain this deferment, the importer must apply for a license from the tax department. To obtain this license, the company (importer) must be registered for VAT in the Netherlands as a domestic taxable person or as a foreign taxable person with a fiscal establishment for VAT in the Netherlands. This company (importer) should also have regular imports to the Netherlands, and their bookkeeping is subject to specific requirements.

It is also possible to appoint a fiscal representative to make use of the deferment licence. In some cases it is even restricted to using a fiscal representative.

Tax Rates

The standard VAT tax rate is currently 21%, which is levied on most goods and services. However, certain items, such as basic necessities like food, books, and cultural activities, may qualify for a reduced rate of 9%. Additionally, some goods and services, like healthcare, education, and certain financial services, are exempt from VAT altogether.

Tables 1 and 2 of the Turnover Tax Act (Wet op de omzetbelasting 1968) provide a detailed list of goods and services subject to the 9% reduced rate as well as those exempt from VAT. The zero rate for the VAT in the Netherlands applies to goods and services that are exported outside the European Union (EU) or to other EU member states. This means that no VAT is charged on these transactions.

EXCISE AND OTHER DUTIES AND TAXES

Excise Duty

The Netherlands charges excise duties on alcohol-containing beverages, tobacco, fuel, and other mineral oils. Manufacturers, traders and importers pay excise duties to the tax authorities. The Excise Duty Act (Wet op de accijns) in the Netherlands is fully harmonised with the applicable EU directives.

Environmental Taxes

The Netherlands charges the following environmental taxes:

- Tax on mains water
- Fuel tax
- Energy tax
- Waste tax

Tax on Mains Water

The Netherlands charges tax on mains water. All companies and households pay tax on a maximum amount of 300 cubic metres of water per connection per annum. The rate is € 0.42 (2024) per m3.

Fuel Tax

Fuel tax is paid by the producers and importers of coal at a rate of € 18.10 (2024) per 1,000 kg.

Energy Tax

The purpose of the energy tax is to reduce CO2 emissions and reduce energy consumption. The energy tax is charged to the user of the energy (natural gas, electricity, and certain mineral oils). The rates are related to the amounts used and progressively decrease as consumption increases. By means of a Climate Agreement, the government is promoting an energy transition from the use of fossil fuels to sustainable energy with the ultimate aim of being CO2-neutral in 2050. The rate is expected to be used as a policy tool in the coming years. As part of a broad package of measures to encourage industrial companies to become more sustainable, on 1 January 2021 the Industrial CO2 Levy Act (Wet CO2-heffing industrie) came into effect for industrial companies falling under the European Emissions Trading Scheme (EU ETS).

Waste Tax

The waste tax rate for 2024 is € 39.23 per 1,000 kg of landfill.

Bank Tax

Legal entities carrying out banking activities inside the Netherlands are subject to bank taxation. The bank tax is levied on unsecured debt at a rate of 0.058% (2024) for short term debt (term of less than 1 year) and 0.029% for longer term debt.

Insurance Premium Tax

The insurance premium tax is levied upon the conclusion of an insurance contract with an insurer. The insurance premium tax rate is 21% of the premium due. Some types of insurance contracts are exempt from this taxation, such as health insurance, unemployment insurance, accident, transport, disability, and life insurance. The insurance premium tax imposed is paid by the designated intermediaries and insurers.

PERSONNEL

Finding and retaining personnel is crucial for the success and expansion of any organisation. The individuals employed by a company often define its character, capabilities, and success. Fortunately, Dutch tax legislation provides various options for rewarding personnel in tax-efficient ways, as outlined in section 5. These policies enable companies to attract and retain talented individuals while also managing their tax liabilities effectively.

Dutch legislation includes various provisions to secure the rights and obligations of both employers and employees in the Dutch employment market. As a general rule, the employer and employee should behave according to the standards expected of a good employer and employee. With this, the employer has a number of specific legal obligations with respect to work and rest times, leave policy, and working conditions.

EMPLOYMENT RELATIONSHIPS

According to Dutch law, three different general types of agreements are used to determine the rights and duties of persons performing activities in the course of a business for another party. The employment agreement ('arbeidsovereenkomst') is the most common agreement. The assignment agreement ('overeenkomst van opdracht')c such as a freelance agreement, consultancy agreement or a management agreement, is often used in an attempt to avoid an employment agreement. A third type of agreement is the contracting agreement ('aannemingsovereenkomst'). This agreement is concluded between parties if the purpose of the activities is to construct an item with a physical nature.

Essential features of the employment agreement are: the obligation to perform labour in person in return for pay, and the authority of the other party to give instructions as to how the labour is to be performed. Other agreements lack one or more of these features. The employment agreement itself is not subject to rules as to its form (oral agreements are valid, although problems as to proof may arise). However, according to Dutch labour law the employer is under the obligation to provide certain information in writing to the employee with respect to the employment agreement. This relates to items such as the place of work, job title, the date the employment agreement enters into force, remuneration, working hours, terms and conditions relating to holidays, and the applicability of any collective labour agreement.

Furthermore, Dutch labour law takes the legal presumption of an employment agreement as a starting point if a person has performed labour every week for 3 consecutive months, with a minimum of 20 hours a month. The contracted work in any given month is presumed to amount to the average working period per month over the 3 preceding months.

Governing Law

As a rule, an employment relationship is governed by the law of the country to which it is most closely connected (typically the country where the labour is performed). As a rule, parties in an employment agreement are free to choose a different law to apply to their relationship. However, according to European legislation, the effect of any choice of law in international employment agreements is limited to the extent that the employee will not lose protection on the basis of mandatory provisions of the law of any member state which would apply if no choice of law had been made. Mandatory rules are legal provisions which cannot be contracted out. For example, many provisions of Dutch labour law regarding the termination of an employment agreement are considered to be mandatory.

The parties in an employment agreement are limited to negotiations of their own terms and conditions by both Dutch labour law and any applicable collective labour agreement, since these contain many mandatory rules on terms and conditions of employment.

Employment Law Regulations

Employment relationships in the Netherlands are mostly regulated by the Dutch Civil Code ('Burgerlijk Wetboek'). An important principle of the employment provisions of the Dutch Civil Code is the protection of what is known as the weakest party, i.e. the employee. Apart from the Dutch Civil Code, regulations concerning labour law can be found in several other regulations and legislative acts, such as the Works Council Act (Wet op de ondernemingsraden), Work and Care Act (Wet Arbeid en Zorg) and the Working Conditions Act (Arbowet). Furthermore, employment regulations are laid down in the Collective Labour Agreements.

As a result of the unification of Europe, Dutch regulations are increasingly influenced by European treaties and case law of the European Court of Justice. One example is the Act implementing the EU Directive on transparent and predictable working conditions, which entered into force on 1 August 2022. The purpose of this Act is to provide more transparency around the content of the employee's work in advance. This relates, for example, to working hours, the possibility of performing sideline activities, and the possibility of attaching restrictions to a study costs repayment scheme in the event of resignation or dismissal for culpable behaviour. The Act includes new regulations prohibiting a repayment scheme for training that is necessary to carry out the employee's role and a restriction on prohibiting sideline activities. Under this Act such activities can only be prohibited for justifiable objective reasons, such as protecting the health of staff.

Minimum Wage

There is a statutory minimum wage for employees aged 21 or over. These minimum wages are indexed and may be adjusted twice a year on 1 January and 1 July. This amount applies for a full working week. The duration of a working week may differ by type of business sector and is normally between 36 and 40 hours.

Since 1 January 2024, these rules have been supplemented by the Minimum Hourly Wage Act (Wet inimumuurloon), as a result of which, regardless of the number of hours that make up their working week, means employees now receive the same hourly wage and, in the event of a working week longer than 36 hours, are also paid for the additional hours at this hourly rate. There is also a minimum wage for employees aged between 15 and 21, the level of which varies according to age. Since 2018, there has also been a minimum wage for self-employed contractors. This includes people who do not have an employment contract, but work on the basis of a specific agreement, such as the above-mentioned contracting agreement ('aannemingsovereenkomst'). The new regulation does not apply for self-employed contractors who are hired.

Collective Labour Agreements ('CAOs')

As mentioned above, employment agreements are also influenced by collective labour agreements ('CAOs'). Collective labour agreements are negotiated between representatives of employers and employees and are intended to provide consistent employment conditions within specific branches. Collective labour agreements can be negotiated for a branch or for a single company (also called the company Collective labour agreement). Furthermore, the Minister of Social Affairs can impose the application of a collective labour agreement for an entire industry or sector by declaring a collective labour agreement generally binding. Any provision in an individual employment agreement that restricts the rights of the employee under an applicable collective labour agreement is considered void. In such cases, the provisions of the collective labour agreement prevail.

Trade Unions

Although the influence of trade unions in the Netherlands is generally waning, Trade unions are still well organised in the manufacturing industry and the semi-public sector or privatised sector. Today, the most important trade unions are the National Federation of Christian Trade Unions ('Christelijk Nationaal Vakverbond' (CNV)) and The Netherlands Trade Unions Confederation ('Federatie Nederlandse Vakbeweging' (FNV).The main employers' association is the Confederation of Netherlands Industry and Employers (VNO-NCW).

Employment Agreements

An employment agreement may be agreed upon for an indefinite or fixed period of time. If an employment agreement for a fixed period of time is continued, a new agreement will then be deemed to have been entered into under the same conditions and for the same period of time (subject to a maximum of 1 year) as the former employment agreement.

Parties are free to enter into consecutive employment agreements for a fixed period of time, ending by operation of law. However, two restrictions (chain provision) apply:

- Since 1 January 2020 the aggregate duration of the consecutive employment agreements (with interruptions of no more than 6 months) may not exceed 36 months. If the aggregate exceeds 36 months (interruptions included), the last employment agreement shall be deemed to be an employment for an indefinite period of time.
- The number of consecutive employment agreements must be less than 4. If the number of consecutive employment agreements exceeds 3 (while there are no interruptions of more than 6 months

in between the employment agreements), the fourth employment agreement will be considered to be an employment agreement for an indefinite period of time.

Under strict conditions, exceptions may only be made to the Collective Labour Agreement for the new chain provision. In the Collective Labour Agreement, however, no more than 6 temporary contracts over a period of 4 years are permitted. The gap of 6 months is also binding for the Collective Labour Agreement.

The chain provision described above forms part of a wider revision package of the labour and dismissal law, the Balanced Labour Market Act (Wet Arbeidsmarkt in balans/WAB) came into effect on 1 January 2020. This new legislation also includes the introduction of limiting conditions for so-called standby contracts. With the introduction of the WAB it has been decided to make a considerable amendment to labour law. The WAB aims for a better balance between permanent and flexible contracts. Flexible work has become more expensive, and dismissal is easier (and as a result, cheaper) than before. In addition, it will be made more attractive for employers to offer employees a permanent contract at an earlier stage.
As of 1 January 2020, flexible work that meets the new legal definition of 'on-call worker contract' creates specific new employer's obligations, including the duty to offer an on-call worker a new employment contract each year with a fixed number of hours. Companies are incentivized to offer a permanent contract through differentiation in the employer's charges. Here, the social insurance contributions applicable for employees with a permanent contract is more favourable than for an employee without a permanent contract.

TERMINATION OF AN EMPLOYMENT AGREEMENT

With respect to termination of an employment agreement, a distinction must be made between an employment agreement for a fixed period of time and an employment agreement for an indefinite period of time. There are several ways for employment agreements to terminate.

Probation Period

Parties can agree upon a probation period. However, it should be noted that a probation period is subject to strict rules. It is not permitted to include a probation period in temporary employment contracts of up to 6 months. This also applies for a subsequent contract unless the content of the contract differs in essence from the old contract. In a Collective Labour Agreement, different rules may apply for probation periods for temporary employment contracts.

Also under the rules, a probation period of up to 2 months can only be concluded if parties have agreed upon an employment contract for a fixed period of at least 2 years, or in case of an employment contract an indefinite period of time. Employment contracts exceeding 6 months but less than 2 years and employment contracts for a specific project with no indicated termination date may only contain a probation period of 1 month.

For temporary contracts with a term of at least 6 months, a notice period is provided. At least 1 month before the expiry of the agreement term, the employee must be informed of an extension or termination of the employment contract.

Upon extension, the employer is obliged to indicate the extension conditions. In the absence of this the employment contract is deemed to have been extended for the same period and conditions but for a maximum period of 1 year. In the absence of the notice obligation the employee is entitled to compensation of 1 gross all-in monthly salary or in case of late notification a pro rata part of the monthly salary.

During the probation period both the employer and the employee can terminate the employment contract directly at any time. In order to be valid, the probation period has to be expressly agreed upon by the parties in writing. Any deviation from the aforementioned rules will result in a void probation period.

Lapse of the Agreed Period

An employment agreement for a fixed period of time will terminate by operation of law at the end of the agreed period of time without formalities.

Summary Dismissal

The employment agreement can be terminated for urgent cause; for instance, if the employee has committed a serious crime such as, but not limited to, theft, fraud, etc. Before a summary dismissal can be given, all circumstances must be taken into consideration. Dismissal must be given without delay, where only the time necessary for an investigation into the facts is typically allowed. The grounds for dismissal must be conveyed to the employee at the moment of dismissal. The employment then ends immediately, without notice, and the employee is not entitled to compensation. Usually, payment of unemployment benefits is also denied. Dutch courts do not easily accept that sufficient grounds are present to deem a summary dismissal valid. Before deciding on a summary dismissal, it is always recommended to consult a legal advisor.

The employee may challenge the dismissal itself within 2 months, stating that they are still employed and thus entitled to pay. Alternatively, the employee may acquiesce in the termination of the employment, but claim damages for reasons that the grounds for the dismissal were not valid. As a risk containment measure, it is advisable to file for dissolution of the employment (see below).

With regards to the grounds for dismissal, the WAB introduced aims to simplify the dismissal procedure. The employer can now also combine several grounds for dismissal and in this way (before the court) provide one valid reason for dismissal.

Death of the Employee

The employment agreement will terminate by operation of law in case of death of the employee. If this occurs, the family of the employee is entitled to be paid approximately 1 month's gross salary.

Mutual Consent

The employment agreement can be terminated by mutual consent; the entitlement to unemployment benefits still exists unless the employee themselves have taken the initiative for termination or they have acted in such a way that there is an urgent cause for summary dismissal. From the time of agreement the employee has a statutory cooling off period of 2 weeks. This period is extended to 3 weeks if the employer fails to include the statutory cooling off period in the agreement.

Dismissal Procedure

The dismissal procedure is subject to a clearly defined process: dismissal for economic reasons and dismissal in case of long-term sickness will be via the labour office (UWV). Dismissal for all other reasons, such as personal reasons, is reviewed by the district court. In all cases the employee has the
right to a statutory transitional allowance.

Until the introduction of the Balanced Labour Market Act (WAB), employees had the right to a transitional allowance. This allowance was intended to be used for training and transferring to a different profession or employer after an employment contract (temporary or permanent) of a minimum of two years. The transitional allowance ruling was also amended with the arrival of the WAB. With effect from 1 January 2020 all employees have the right to a transitional allowance if the employment contract ends on the initiative of the employer. This also applies for notice of termination during the probation period discussed above. Before the introduction of the WAB, for both employees aged 50 years or older and who had been employed for more than 10 years under certain conditions a different scheme applied, which could result in a higher transitional allowance than for other employees. This difference in treatment lapsed as of 1 January 2020. The amount of the transitional allowance will with effect from 2020 be calculated based on the actual number of days that the employment contract lasted. The formula for the calculation is equal to A x B, where A stands for the duration of the employment (in days) and B for 1/3 of the gross monthly salary. The gross monthly salary includes gross hourly pay, plus holiday allowance (8%) and other fixed wage components multiplied by the contractual duration of employment per month.

The allowance is payable from the 1st day of employment. For the transitional allowance in 2024 a statutory maximum of € 94,000 applies. For an annual salary greater than € 94,000, the maximum transitional allowance is the relevant annual salary, irrespective of the result of the above calculation formula.

Notice

An employer who wishes to terminate an employment agreement for an indefinite period of time can give notice to the employee observing the notice period – employment agreements for a fixed period of time can only end by giving notice if this possibility is explicitly stated in the employment agreement. However, in order to do so, the employer must first obtain approval of the UWV before serving the notice of termination, stating the reason(s) for the intended termination. The UWV approval procedure typically takes about 2 months provided that the reasons for termination are clear.

After having obtained such approval to terminate the employment agreement, the notice period may be shortened by 1 month.

The statutory notice period that has to be observed may vary from 1-4 months, depending of the duration of the employment.

An employee whose employment has been properly terminated (i.e., after consent of the UWV and with due observance of the applicable notice period) may nevertheless claim damages on the grounds that they have been unreasonably dismissed (comparable to ‘unfair dismissal’). There is no general rule for the calculation of such damages.

Sham Employment Arrangements Act (Wet aanpak schijnconstructies)

The Sham Employment Arrangements Act (WAS) provides various measures to combat exploitation, underpayment of personnel, and unfair competition in the labour market. One of these measures concerns the supply chain liability for clients to make the correct payment of the agreed wage. This is the case for the hiring of personnel from another employer or in the performance of work by an employee of another employer based on an assignment agreement or contracting agreement. If the latter employee does not receive the (full) wage from their formal employer, this employee must make a claim against the employer. In the absence of (full) payment, this employee has the option of then holding the client jointly and severally liable. The court rules on the joint and several liability of the client. In practice, by assessing contractors for reliability a liability risk may be reduced or avoided.

Another obligation for employers is that they must, as a minimum, transfer the net legal minimum wage to the employee by bank giro. The net legal minimum wage is equal to the gross legal minimum wage (see discussion in a previous section) less the compulsory and permitted deductions, such as pension contributions and wage tax payments. The excess may however be paid in cash. An additional prohibition on deductions and offsets (e.g. for a traffic penalty or damages charged to the employee) applies for the minimum wage or the payment of part of the minimum wage as reimbursement of expenses. An exception to the ban on deductions and offsets has been introduced. Under certain conditions the ban does not apply to the costs of accommodation and healthcare insurance.

WORKING CONDITIONS

Dutch working condition standards are rather strict in comparison with international worker protection standards. In light of a recent action plan of the Dutch Government (Simplifying Social Affairs and Employment Regulation), it is expected that these regulations will be simplified to bring them more in line with the international worker protection standards and to strengthen the position of the Netherlands on the international labour market.

Under Dutch law, the employer is responsible for organising work in such a way that protects the safety, health, and well-being of the employees in accordance with a statutory set of standards and criteria. In principle, it is highly recommended that all employers utilize a certified occupational health service ('Arbodienst') with respect to the implementation of a significant part of the applicable health and safety measures (for example the occupational health medical examination). Under certain circumstances, the employer's own employees may provide this assistance if they are properly certified.

Foreign Nationals (Employment) Act (Wet arbeid vreemdelingen)

Workers from the European Union, EEA countries (Norway, Iceland and Liechtenstein), and Switzerland do not need special permits to work in the Netherlands. As of 1 July 2018 employees from Croatia can also be employed in the Netherlands without requireing a work permit. To work legally in the Netherlands, depending on their work situation non-qualifying nationals, individuals do need either a work permit (TWV) or a combined permit for residence and work (GVVA).

Under the Foreign Nationals (Employment) Act, the employer applies for the residence permit. There are different types of permits, including permits for regular employment, as a highly skilled migrant, holder of a European Blue Card, lecturer, (guest) lecturer, trainee doctor or scientific researcher. If several permits are applicable, the employer must choose. For highly-skilled people with no employer, it is possible to obtain a permit for a search year. This residence permit gives them the right to find an appointment as a highly skilled migrant within one year.

When applying for the permit, the employer acts as sponsor. The sponsor is responsible for the employee complying with the conditions. A permit for regular employment can be applied for by any employer with a branch or commercial agent in the Netherlands. Registration of the employer with the Chamber of Commerce is required.

To be admitted as a highly skilled migrant, income requirements are also established. The employer submitting the application for a highly skilled migrant must be a sponsor authorised by the IND (Immigration and Naturalisation Service of the Ministry of Security and Justice). Authorisation is carried out by the IND. The authorisation as a sponsor is, in a number of cases, a condition for the application for the residence permit. Income requirements also apply for holders of a European Blue Card (i.e., a European work and residence permit for highly educated non-EU employees).

Employees with a European Blue Card are employees who carry out highly qualified work within the European Union and meet the salary and training requirements. For scientific researchers, admission to the Dutch labour market is regulated by EU Directive 2005/71/EC. Since Brexit, the rules applying to British citizens have also changed. British citizens who were already living in the Netherlands before 2021 can continue to live and work in the Netherlands on the condition that they hold a residence permit. If they arrived in the Netherlands later than this date, the rules for nationals of non-EU/EEA countries apply.

The UWV is obliged every year to check a job taken by a foreign employee (from outside the European Union, EEA countries or Switzerland) against the labour market status. The recruitment efforts of employers who wish to recruit or continue to employ foreign workers are required by law to issue employment permits for a maximum of one year. After five years, labour migrants gain free access to the Dutch labour market. After that, a permit may be refused if an employer has in the past been sentenced for infringing upon labour legislation.

The government is currently working to make the Foreign National Employment Act more flexible and future-resistant while also strengthening the position of employees. As such, a proposal to amend the law is expected in the near future.

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RIJKSDIENST VOOR ONDERNEMEND NEDERLAND (MOST IMPORTANT SUBSIDY AGENCY IN THE NETHERLANDS)

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Website: www.rvo.nl
Phone: +31 88 042 42 42

BELASTINGDIENST/KANTOOR BUITENLAND (FOREIGN OFFICE OF THE DEPARTMENT OF INLAND REVENUES)

Address: P.O. Box 2865 NL-6401 DJ Heerlen
Website: www.belastingdienst.nl
Phone: +31 555 385 385

BENELUX-BUREAU VOOR DE INTELLECTUELE EIGENDOM (BENELUX OFFICE FOR INTELLECTUAL PROPERTY)

Address: P.O. Box 90404 NL-2509 LK Den Haag
Website: www.boip.int
Phone: +31 70 349 12 42

CNV (NATIONAL FEDERATION OF CHRISTIAN TRADE UNIONS THE NETHERLANDS)

Address: P.O. Box 2475 NL-3500 GL Utrecht
Website: www.cnv.nl
Phone: +31 30 751 10 01

CPB (NETHERLANDS BUREAU FOR ECONOMIC POLICY ANALYSIS)

Address: P.O. Box 80510 NL- 2508 GM Den Haag
Website: www.cpb.nl
Phone: +31 88 984 60 00

DOUANE (CUSTOMS AND EXCISE DEPARTMENT)

Address: P.O. Box 3070 NL-6401 DN Heerlen
Website: www.douane.nl
Phone: +31 45 574 30 31

EUROPEAN PATENT OFFICE (EPO)

Address: P.O. Box 5818 NL-2280 HV Rijswijk
Website: www.epo.org
Phone: 00 800 80 20 20 20

FNV (THE NETHERLANDS TRADE UNION CONFEDERATION)

Address: P.O. Box 9208 NL-3506 GE Utrecht
Website: www.fnv.nl
Phone: +31 88 368 0 368

IND (IMMIGRATIE- EN NATURALISATIEDIENST) (IMMIGRATION AND NATURALISATION SERVICE)

Address: P.O. Box 17 NL-9560 AA Ter Apel
Website: www.ind.nl
Phone: +31 88 043 04 30

KAMER VAN KOOPHANDEL NEDERLAND (CHAMBER OF COMMERCE)

Address: P.O. Box 48 NL-3500 AA Utrecht
Website: www.kvk.nl
Phone: +31 88 585 15 85

MINISTERIE VAN BINNENLANDSE ZAKEN EN KONINKRIJKSRELATIES (MINISTRY OF THE INTERIOR AND KINGDOM RELATIONS)

Address: P.O. Box 20011 NL-2500 EA Den Haag
Website: www.government.nl/ministries/ministry-of-the-interior-and-kingdom-relations
Phone: +31 70 426 64 26

MINISTERIE VAN BUITENLANDSE ZAKEN (MINISTRY OF FOREIGN AFFAIRS)

Address: P.O. Box 20061 NL-2500 EB Den Haag
Website: www.government.nl/ministries/ministry-of-foreign-affairs
Phone: +31 70 348 64 86

MINISTERIE VAN ECONOMISCHE ZAKEN EN KLIMAAT (MINISTRY OF ECONOMIC AFFAIRS AND CLIMATE POLICY)

Address: P.O. Box 20401 NL-2500 EK Den Haag
Website: www.government.nl/ministries/ministry-of-economic-affairs-and-climate-policy
Phone: +31 70 379 89 11

MINISTERIE VAN FINANCIËN (MINISTRY OF FINANCE)

Address: P.O. Box 20201 NL-2500 EE Den Haag
Website: www.government.nl/ministries/ministry-of-finance
Phone: +31 88 442 80 00

MINISTERIE VAN SOCIALE ZAKEN EN WERKGELEGENHEID (MINISTRY OF SOCIAL AFFAIRS AND EMPLOYMENT)

Address: P.O. Box 90801 NL-2509 LV Den Haag
Website: www.government.nl/ministries/ministry-of-social-affairs-and-employment
Phone: +31 70 333 44 44

MKB-NEDERLAND (DUTCH AGENCY FOR SMALL AND MEDIUM-SIZE ENTERPRISES OR SMES)

Address: P.O. Box 93002 NL-2509 AA Den Haag
Website: www.mkb.nl
Phone: +31 70 349 09 09

NETHERLANDS FOREIGN INVESTMENT AGENCY (NFIA)

Address: P.O. Box 93144 NL-2509 AC Den Haag
Website: www.investinholland.com
Phone: +31 88 042 11 42

ACM (AUTORITEIT CONSUMENT EN MARKT) (AUTHORITY FOR CONSUMERS & MARKETS)

Address: P.O. Box 16326 NL-2500 BH Den Haag
Website: www.acm.nl
Phone: +31 70 7222 000

UWV (EMPLOYEE INSURANCE SCHEMES IMPLEMENTING BODY)

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SRA (UMBRELLA BODY FOR ACCOUNTANTS)

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CONCLUSION

The Netherlands offers organizations an excellent opportunity to conduct their operations, with fair practices and competitive incentives created specifically to attract new business activity. The country's resources, landscape, and population also contribute to the Netherlands' favorable business environment. For businesses looking to establish operations or do business in a new country (or even continent), the Netherlands provides an excellent option.

Doing Business in the Netherlands is a practical guide created to help you deal effectively and efficiently with the most important issues facing your business upon arrival in the Netherlands. Obviously the information contained in this manual is not exhaustive; instead, it is meant to serve as an overview and starting place when considering operating in the Netherlands. In many instances, only the main points are discussed in this guide, so you should consult a specialist for more details on the items discussed here. Your consultant will be able to advise you and offer in-depth guidance; so, please do not hesitate to contact your consultant for more detailed information.

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