Doing Business in the Netherlands 2022

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Introduction

PwC

I am pleased to present the 2022 edition of PwC's publication Doing Business in the Netherlands. Doing business internationally expands a company's horizon and offers unique opportunities for being able to contribute to society, growth, innovation and trust. When doing business in the Netherlands, a company enters one of the most open economies in the world. It offers an outstanding infrastructure – including Europe's largest port – a competitive business climate and a strong workforce. The Dutch tax system features several incentives to stimulate innovation and business activities. And as an internationally oriented country, the Netherlands is home to many – most of them highly educated – foreign workers.

The world is experiencing constant change, and the worldwide COVID-19 pandemic is unprecedented for almost everyone. We are lucky to realise that even during the worst pandemic the modern world has ever experienced, the Netherlands has proven to remain a relatively stable and resilient country. This is even more important, considering other uncertainties such as the recent Brexit, international trade disputes, the mitigation of climate change effects and a strong rise in cybercrime. These are but a few of the challenges that businesses face and despite these uncertainties, the Dutch financial, economic and social climate remains stable and the government is keen to keep it that way. Hence, the Netherlands remains a great place to invest in and can surely be seen as a gateway to Europe and as a solid basis for a successful business on the EU internal market.

This guide is intended to provide a broad understanding of the key aspects of doing business and investing in the Netherlands. We answer many questions that foreign businesses and entrepreneurs have when making their first venture into the Dutch market, leveraging on our extensive experience in regard to establishing businesses in the Netherlands.

You will find all the key aspects of doing business in the Netherlands in this publication: the economic climate, big industries and business segments, what it is like to live in the Netherlands and different workforce aspects. It describes the most popular legal forms of businesses in the Netherlands and the key aspects of tax, human resources, employment law, audit and accountancy.

However, as a guide, this publication primarily serves as a starting point. If you need more information, our advisors will be happy to assist you.

On behalf of PwC NL, I trust that you will find this guide useful and wish you every success in setting up a sustained business in the Netherlands.

Marc Diepstraten
Chairman of PricewaterhouseCoopers Belastingadviseurs N.V.

Why invest in the Netherlands?

A pro-business climate, its strategic location, a stable legislative system, a highly educated multilingual workforce and superior infrastructure are just some of the many advantages of doing business in the Netherlands. These elements show, in our view, that the Netherlands serves as the (digital) gateway to Europe.

Economic overview

Best country for business and a great place to live

Ranked number 4 in the world by the World Competitiveness Ranking 2021 of the Institute for Management Development (IMD), the Netherlands, is a truly world-class destination for business activity and has a very competitive international climate. According to the IMD ranking, the Netherlands scores particularly strong on economic performance (2nd) and business efficiency (4th). On infrastructure the Netherlands ranked 7th and on government efficiency 12th.

In the World Economic Forum Global Competitiveness Report Special Edition 2020, which focuses on priorities for recovery and revival in relation to the COVID-19 crisis, the Netherlands ranks fourth on general economic transformation readiness, after Finland, Sweden and Denmark. The Netherlands scores particularly high on transformation readiness priorities like infrastructure and digital networks and skills and training for the future labour market. Also on priorities like reliable public institutions, social protection and labour reforms for the new economy, expansion of care infrastructure, public-private partnerships for future markets and the stimulation by companies of diversity and inclusion, the Netherlands scores relatively well. Two years after the COVID-19 pandemic started, the Dutch economy has proven to be very resilient. De Nederlandsche Bank, the central bank of the Netherlands, in December 2021 expected the Dutch economy to have grown by 4.5 per cent in 2021, after a decline of 3.8 per cent in 2020.

The Netherlands' strategic location at Europe's front door provides the perfect springboard into the European market – with access to 95 per cent of Europe's most lucrative consumer markets within 24 hours of

Amsterdam or Rotterdam. Add to that its supportive legal and tax structure to set up operational business, highly educated, multilingual workforce and superior logistics and technology infrastructure and it is no wonder so many multinational businesses – from small and mid-sized to Fortune 500 leaders – have chosen the Netherlands as their gateway to Europe.

In addition to having an outstanding business climate, the Netherlands offers an affordable cost of living and an exceptional quality of life. Ranked as the 5th happiest place on earth by the World Happiness Report 2021 and ranked 1st in the area of children's well-being according to a survey by UNICEF, the Netherlands has a high standard of living. The Netherlands occupies a 7th position in the OECD Better Life Index. The Netherlands has a top position in work-life balance and scores above average in jobs and earnings, housing, education and skills, subjective well-being, social connections, environmental quality, personal security, civic engagement, and health status.

According to the World Bank, the government of the Netherlands is one of the most effective in the world, ranking 6th worldwide in the government effectiveness index. To add, the Netherlands is one of the most politically stable nations in the world, thus making it easier for companies to make medium and long-term decisions.

The Netherlands also offers a wide tax treaty network, special measures for highly skilled expats and often certainty in advance of interpretation of tax law — just a few of the features that help multinational companies to thrive in the Netherlands.

Workforce

Highly skilled, productive and multilingual workforce

The Netherlands is home to a highly skilled, productive, flexible and multilingual workforce. The country ranks 1st out of 100 countries on the EF English Proficiency Index 2021. In addition to English, a higher percentage of the Dutch population than their counterparts elsewhere also speaks German and French. According to the OECD Skills Outlook 2019, the Netherlands, together with a few other countries, is ahead in the digital transformation of the workplace, with most of its workers intensively using technology in their job and predominantly performing non-routine tasks. It also mentions the Netherlands as being among the countries with the highest share of individuals with well-rounded cognitive (literacy, numeracy and problem-solving) skills.

The Netherlands has been named as one of the world's best countries for talent competitiveness. The annual Global Talent Competitiveness Index 2021 (INSEAD, 2021) ranks the Netherlands 6th. According to the specific GTCI Country Report on the Netherlands: The Netherlands (6th) is ranked in the top 10 in three of the six talent competitiveness pillars: Grow (4th), Enable (5th), and Retain (8th). Its scores on the Grow and Enable sub-pillars Business and Labour Landscape (3rd) and Access to Growth Opportunities (2nd) are particularly impressive.

The Netherlands has a population of 17.65 million people. A large proportion of the Dutch population is in the economically 'active' age range (15-67 years) and the availability of skilled labour outpaces major competitors. The Dutch workforce outranks many of its competitors when it comes to productivity, largely as a result of our high standard of education and training, pragmatic labor laws and commitment to IT investment. Thanks to the stability of the Dutch government and its pragmatic approach to business, very little time is lost to labor disputes or labor relations compared to Europe as a whole.

As an internationally oriented country, the Netherlands is home to many foreign workers and offers a 'Highly Skilled Migrant Visa', which allows companies to bring highly qualified expats to their Dutch operations.

Innovation and incentives

Part of the Dutch DNA

The Netherlands ranks 6th on the Global Innovation Index 2021 (World Intellectual Property Organization 2021). The Netherlands scores highly for the innovation inputs sub-rankings in ICT infrastructure (4th) and knowledge absorption (2nd). Dutch innovation outputs continue to rank highly (3rd) due to the Netherlands' strengths in online creativity (3rd) and knowledge creation (6th) and diffusion (8th). The country remains in the 1st position for IP payments.

Dutch industry includes a large number of innovative and knowledge-intensive companies that enjoy a worldwide high reputation and that carry out a great deal of R&D. The Netherlands houses a number of highly successful and innovative clusters like agrifood, life sciences & health, hightech systems, chemicals, clean energy, IT and creative industries.

Stimulating Foreign Investment and Entrepreneurship

With a competitive corporate income tax rate in Europe – 15 per cent on the first 395,000 euro and 25.8 per cent for taxable profits exceeding 395,000 euro – as well as a number of attractive incentive programs, the Netherlands offers a supportive fiscal climate for international companies.

The Netherlands actively promotes engaging in R&D activities through a favourable corporate tax structure and specific R&D tax incentives to stimulate innovation.

We will elaborate on the Dutch incentives and taxes later on.

Infrastructure

A superior logistic and technology infrastructure

The Netherlands has ranked first on the DHL Global Connectedness Index every year since 2005. In the 2020 edition of the index the country is praised for its deep integration of global trade and links to many different countries.

Driven by world-class seaports and airports, an extensive network of roads, rail and waterways and a telecommunications network that ranks among the world's best for quality, speed and reliability, the Dutch infrastructure is one of the best on the planet. With its logistics infrastructure and central location in the heart of the European Union, the Netherlands gives companies unparalleled access to the continent and beyond. By rail, road or water, companies can reach 170 million consumers within 24 hours of Amsterdam or Rotterdam.

Furthermore, the Dutch dense, high-quality telecommunications infrastructure offers fast connections no matter how or where you and your products or services are traveling. With one of the highest broadband penetrations per capita in the world, one of the world's fastest average broadband speeds and a 99% 4G coverage, the Netherlands is also the digital gateway to Europe. It directly links continental Europe to North America, with most transatlantic sea cables going directly to the Netherlands.

The European Investment Bank (EIB) ranks the Netherlands as one of the digital frontrunners (2nd position after Denmark) on its EIBIS Digitalisation Index. According to the EIB, the Netherlands is the best performing EU country on the digital intensity and digital infrastructure index components. Furthermore, it has adoption rates of the technologies IoT, big data and platforms which are above the EU and US average.

Business operations

Headquarters

Strategically located at the center of Europe's largest markets, the Netherlands has established itself as a magnet for international companies and a leading site for European or regional headquarters. With its strong international orientation, pro-business environment, highly educated workforce and its top logistics and technology infrastructure and innovation ecosystem the Netherlands offers companies a perfect climate to compete successfully in Europe. Being one of the European Union's most dynamic trading and industrial hubs, the Netherlands is a perfect springboard for Europe for many international companies.

Logistics and distribution

The Dutch transport and logistics infrastructure, including world-class seaports, centrally located airports and an extensive, modern network of roads and highways, and presence of top-grade logistic service providers is a major asset to companies looking to establish international logistics/distribution operations in Europe. Amsterdam Airport Schiphol is the world's 2nd best-connected airport based on direct connectivity (Airports Council International, 2019) and one of the largest cargo airports in Europe. The Port of Rotterdam is the largest seaport in Europe and the world's largest seaport outside of East Asia.

These and other factors make the Netherlands a true gateway to Europe and home to an abundance of European and regional distribution centers across a multitude of industries like agri/food, fashion, high-tech and medical technology and for e-commerce and spare parts logistics activities.

Start-ups

Renowned internationally for its open culture and emphasis on entrepreneurship and innovation, the Netherlands is home to a thriving, collaborative startup ecosystem. The Netherlands boasts a creative atmosphere for entrepreneurs and is developing into a startup hub in Europe. Dutch society is open to new concepts and thus seen by many as a 'living lab'.

In 2021 several Dutch companies made it to the Financial Times FT1000 fastest growing company list. According to NimbleFins the Netherlands is the 4th best country in Europe for startups, while according to Startup Genome the Amsterdam-Delta is among the top three best startup ecosystems in Europe Ranked number 5 in the EU on the 2021 European Innovation Scoreboard of the European Commission, the Netherlands is home to more than ten leading innovation hubs, where start-ups benefit from world-class incubators and R&D facilities. Under conditions, the Dutch startup visa scheme makes it possible to apply for a temporary residence permit as 'start-up', which gives ambitious starters one year to get their innovative business started.

Research and development

Fueled by world-class research institutes, supportive R&D tax credits and a number of strategic partnerships between science, industry and government, the Netherlands is a hub for R&D activities.
As the European R&D location of various major multinationals, the Netherlands has the 4th highest number of patent applications per million inhabitants in Europe (2020, European Patent Office). Also, the flourishing startup scene results in a large number of patents every year.
The Netherlands has many innovation hubs across the country among which ten campuses designed to facilitate ground-breaking advances, including High Tech Campus Eindhoven, TU Delft Campus, Kennispark Twente, Wageningen Campus, Amsterdam Science Park and Campus Groningen. These clusters of companies and knowledge institutes offer an excellent opportunity to collaborate and accelerate research and innovation.

Marketing and sales

Home to marketing and sales operations of major multinational companies and a thriving creative industry, the Netherlands has established itself as a magnet for foreign-owned marketing and sales operations.

The Netherlands' strategic location in Europe ensures easy access to Europe's most lucrative markets. Moreover, the presence of international talents allows international companies to reach a wide range of consumers around the world.

Service centres

The Netherlands' strategic location, highly developed telecommunications and transportation infrastructure and international service-oriented culture, provide an ideal environment to establish or consolidate a shared service centre (SSC) in Europe.

As one of the multilingual hotspots in Europe, the Netherlands is home to a diverse, skilled and productive workforce. The Netherlands' cultural amenities and relatively low cost and high standard of living make it easy to attract skilled employees and expatriates to an SSC.

Data centres

Considered one of the most wired and cyber-secure countries in the world, the Netherlands is home to one of the most advanced markets for data center operations in Europe. About one third of all European data centers are located in the Amsterdam area and take advantage of AMS-IX – one of the world's largest internet exchanges. According to the Dutch Datacenter Association almost all important players in the international digital economy are established in our country with equipment and head offices.

The Dutch telecommunications network ranks among the world's best for quality, speed and reliability. Plus, the country's mild climate and robust renewable energy cluster provide sustainable and affordable options for data center energy efficiency needs.

Manufacturing

The Netherlands' highly skilled engineering workforce and advanced collaborative networks of suppliers in a wide variety of value chains offer major advantages to companies looking to establish or reshore manufacturing operations in Europe. Major multinationals in a wide range of industries have already established advanced manufacturing operations in the Netherlands - from life sciences to chemicals, maritime industry and IT. Through research and development, the Netherlands is advancing manufacturing operations in nearly every sector. Embracing Industry 4.0, also known as 'Smart Industry', manufacturing companies can optimise production processes and create more efficient business models. In 2018 the Dutch government launched the Smart Industry Implementation Agenda. As part of this approximately 40 fieldlabs have been created to develop, test and implement Smart Industry solutions, and train people to apply them. Around 300 companies, knowledge institutions and governments are collaborating in the fieldlabs and use Pilot Plants to develop new production processes and test technological innovations before they are introduced to the market.

Industries

From life sciences & health to creative industries, the Netherlands is home to thriving industry clusters driven by talent, innovation and collaboration. Some of the biggest and fastest growing companies in every sector have chosen the Netherlands as their gateway to Europe.

In order to remain a leader in solving global challenges, the Dutch focus lies on measures for all businesses and a number of key industries in particular. We elaborate on some key industries below:

Agrifood

- Number 2 largest exporter worldwide, second only to the U.S.
- Along with Denmark, the Netherlands leads in agricultural production efficiency ‘precision farming’
- Leading Dutch export sector - 19.7 per cent of total exports
- One of the highest private agrifood R&D investment rates (as a percentage of GDP) in Europe
- Export 95.6 billion euro in 2020
- 15 of the world’s largest agrifood companies worldwide have major production or R&D sites in the Netherlands
- Best global university for agricultural sciences - category agriculture and forestry (Wageningen University)

Logistics

- The Netherlands ranks 1st on the DHL Global Connectedness Index (2020)
- The Netherlands is known for its excellent knowledge of logistics, innovative transport and logistics concepts and chain management
- The quality of Dutch infrastructure is among the best in the world
- Over 1,000 American and Asian companies have centralised their European distribution activities in the Netherlands
- Rotterdam is the maritime capital of Europe and the world’s 10th largest container port (2020)
- The Netherlands has the largest inland shipping fleet in Europe
- Schiphol, occupies the 2nd position on the list of Europe’s busiest airports and 3rd on the list of Europe’s largest cargo airports

Information and technology

- 4th position in the EU Digital Economy and Society Index 2021 and among the global leaders in digitalisation
- One of the highest broadband penetration per capita in the world and one of the world's fastest average broadband speeds.
- A hotspot for companies active in the global gaming industry — both serious and entertainment gaming
- One of the leading players in quantum technology
- Europe's largest security cluster and one of the most advanced markets for data center operations in Europe
- 60% of all companies in the Forbes 2000 list that are active in the IT industry have operations in the Netherlands
- Scored number 4 in the world on the factor future readiness, number 4 on the sub-factor talent and number 3 on the sub-factor capital on IMD's 2021 World Digital Competitiveness Ranking
- Home to one of the world's leading internet exchanges – AMS-IX

Energy

- Leader in offshore, renewable and smart energy
- Top position in renewable energy R&D, particularly in wind turbine technology
- The Netherlands is home to various major international offshore wind energy initiatives, including Gemini Offshore Wind Park, one of the largest offshore wind parks in the world
- Renewables are expected to turn the Netherlands from a net importer into a net exporter of electricity in the coming years
- The Netherlands offers outstanding energy related R&D facilities and incentive programs that support and stimulate innovation
- Home to some of the world's best engineering talent in the energy sector
- One of the world's leading countries with respect to the adoption of electric vehicles
- The Dutch government has adopted a Hydrogen strategy in order to boast production and use of hydrogen
- Occupies the 11th position on the global WEF Energy Transition Index

Creative Industries

- Renowned internationally for its entrepreneurial spirit and out-of-the-box thinking
- One of the world's most multicultural hubs for creative talent
- Home to a thriving creative industry for fashion, advertising, entertainment and media and architecture
- The Netherlands has more than 30 Dutch knowledge institutions offering Creative Arts and Design courses.
- A global hub for media and broadcasting, housing many of the industry's biggest players
- 3rd largest exporter of television formats globally

High Tech Systems

- World leader in the development of new technologies and materials for use in communication systems, aircraft and automobiles, medical devices, energy generation and semiconductor production
- Stands out in aerospace and automotive tech, high tech manufacturing, robotics, quantum technology, semiconductor technology, nanotechnology and photonics.
- On the front of the digital manufacturing revolution, from 3D printers to the Internet of Things, cloud computing and big data to smart robots
- Often called the 'Silicon Valley' of embedded systems and nanotechnology, the Netherlands leads in high tech equipment, components and materials
- At the heart of Dutch high tech innovation are robust public-private partnerships and cutting-edge R&D ecosystems
- Eindhoven is ranked 2nd in the science & technology cluster ist of the Global Innovation Index 2021 report, High Tech Campus Eindhoven houses 12,000 researchers, developers and entrepreneurs.
- Other world class technology and research centres are YES!Delft (Delft University of Technology) and Kennispark Twente (University of Twente)

Chemicals

- One of Europe's leading suppliers of chemical products and services
- Home to 2,000 leading chemical companies located over 8 major chemical industrial clusters and covering the entire supply chain
- Right in the middle of the greater Antwerp-Rotterdam-Rhein-Ruhr Area (ARRRA), one of the top 5 chemical clusters in the world
- Host to 19 of the world's top 25 leading chemical companies
- Port of Rotterdam is one of the strongest refining and chemical clusters in the world
- High-tech clusters for industrial biotechnology, fine chemicals and high-performance materials
- World-class R&D institutes for fundamental and applied research such as TNO and the universities of Delft, Eindhoven, Twente and Wageningen

Life Sciences and Health

- Home to the European Medicine Authority
- World-renowned for its healthcare system, in a 2021 study of the Commonwealth Fund among 11 high-income countries, the Netherlands ranked 2nd in a healthcare system assessment
- One of the most concentrated life sciences regions in the world, the Dutch Life Sciences & Health community includes 2,900 R&D life sciences companies of which 420 biopharmaceutical companies
- Houses 26 campuses, 8 University Medical Centers, and 13 universities engaged in life sciences research
- The Netherlands has more than 300 life sciences and health public-private partnerships
- Ranks high worldwide in patent applications for medical technology, biotechnology and pharmaceutical patents
- Number 1 importer and exporter of medical devices in Europe

Legal system

Doing business via a legal entity

There are several ways to operate a business in the Netherlands via a legal entity. A distinction can be made between entities with legal personality (corporate entities) and entities without legal personality (non-corporate entities). It is also possible to perform business activities through a branch office of a foreign legal entity. Below we discuss the main legal entities used by foreign investors and companies expanding their businesses to the Netherlands.

Corporate entities

The bv and nv

Under Dutch law, two types of limited liability companies can be distinguished:

- bv ('besloten vennootschap', a private limited liability company); and
- nv ('naamloze vennootschap', a public limited liability company).

Both the bv and the nv are entities with legal personality and a capital divided in shares. They can be used for the same business purposes, which should be included in their articles of association. The bv is the more flexible

legal entity form of the two. Consequently, the bv is the most frequently used corporate entity form in the Netherlands. Due to its flexible character, the bv is highly popular as a holding company in (international) group structures and as an operational company.

Incorporation of a bv or nv:

- In general, an establishment permit is not required to start a business in the Netherlands. This may be different for certain regulated sectors. An example is the food sector, where an environmental permit may be required, or the financial sector, where licences to operate are required.
- Incorporation of a bv or nv requires a notarial deed of incorporation, to be executed by a Dutch civil law notary. Execution of the notarial deed of incorporation can be done on the basis of powers of attorney to avoid unnecessary travelling or delays.
- There are no minimum capital requirements for the bv; an nv should be incorporated with a capital of at least 45,000 euro.
- Incorporation of an nv, requires a statement by a bank or an auditor, confirming that the minimum share capital has been paid up. This statement must be obtained prior to incorporation. There is no such requirement for a bv.
- The articles of association should contain the name, corporate seat and objects of the bv/nv. The name of the bv/nv must be unique to the extent that it does not cause confusion with the names of other companies or brand names.
- A bv or nv must be registered with the trade register of the Dutch Chamber of Commerce. The trade register holds publicly available information of the company, such as the registered address of the company, names of board members and the articles of association.
- A bv or nv can already conduct business while it is in the process of being incorporated. However, for the bv this possibility lost most of its interest as the incorporation of a bv requires only few formalities and can be carried out very quickly and easily.

For more information about the bv and nv we refer to the box on page 19.

The cooperative

The Dutch cooperative ('coöperatie') was historically used mainly in the agricultural sector. Over the last few decades, this legal entity form has been reinvented as a holding company in international group structures, among others due to its corporate flexibility. A cooperative is a special type of association. Similar to the nv and bv, it is an entity with legal personality, governed by its articles of association.

Participants in a cooperative are members (instead of shareholders) and a minimum of two members is required to incorporate a cooperative. By law, the purpose of a cooperative should be to 'provide for physical needs' of its members. When used in holding structures, it is customary that the purpose of a cooperative is to make profits through investments. The members' entitlement to the cooperative's profits is usually (pro rata) related to their respective contributions. Members can be individuals, partnerships or legal entities. Member liability can be unlimited to the entire deficit in a bankruptcy situation, limited to a certain maximum amount or excluded in the articles of association. In general, a cooperative is a very flexible legal entity form with no minimum capital requirements and a less regulated governance structure.

Incorporation of a cooperative:

- A cooperative is incorporated by a notarial deed of incorporation by a Dutch civil-law notary.
- No bank statement or auditor's statement is required for the incorporation of a cooperative.
- Dutch law requires that a cooperative is incorporated by at least two incorporators, which, unless the deed of incorporation explicitly states otherwise, will become members of the cooperative.
- The word 'coöperatief' must be included in the official name of the cooperative as well as one of the following

abbreviations: WA (‘wettelijke aansprakelijkheid’, full statutory liability); BA (‘beperkte aansprakelijkheid’, liability limited to a certain amount) or UA (‘uitsluiting van aansprakelijkheid’, exclusion of liability), which indicates the extent of potential liability of its members.

- A cooperative must be registered with the trade register of the Dutch Chamber of Commerce.

Non-corporate entities

The two most common forms of Dutch partnerships are the general partnership (‘vennootschap onder firma’ or, abbreviated, ‘vof’) and the limited partnership (‘commanditaire vennootschap’ or, abbreviated, ‘cv’). Both partnerships should be formed by two or more partners (‘vennoten’) who may be either individuals or legal entities. The legal requirements for entering into a partnership are limited, a partnership agreement is sufficient. There is a very high level of flexibility with respect to the partnership agreement. A Dutch partnership does not have legal personality, meaning that it cannot own assets in its own name. Legal title to assets is generally held by the general partner (‘beherend vennoot’) or by all partners jointly. One or more partners (in case of a vof) or the general partner(s) (in case of a cv) can enter into legal acts (such as agreements with third parties) for and on behalf of the partnership. Although depending on the exact design, a Dutch partnership is usually transparent for Dutch tax purposes.

All partners in a vof are jointly and severally liable for all obligations of the partnership. Liability of a general partner (‘beherend vennoot’) in a cv is unlimited, whereas liability of limited partners (‘commanditaire vennoten’) is limited to the amount of their capital contribution as long as such limited partners do not perform acts of management and/or representation of the partnership.

Branch

Another possibility to conduct business activities in the Netherlands is to create a Dutch branch of a foreign legal entity. Setting up a branch does not require prior governmental approval. Establishment of a branch (only) requires the registration of the relevant foreign legal entity with the trade register of the Dutch Chamber of Commerce.

A Dutch branch cannot be considered a legal entity which is separated from the relevant foreign legal entity. Consequently, the Dutch branch is governed by the rules and legislation applicable to the foreign legal entity. Depending on the nature and scope of the activities, the branch may qualify as a ‘permanent establishment’ for taxation matters. If so, the transactions and/or financial results of the branch may be taxable in the Netherlands.

What can we do for you?

A brief overview of services we provide:

- Advise you on the pro’s and con’s of the different legal entity forms through which you can do business in the Netherlands
- Assist with the incorporation of a legal entity or with setting up a partnership or branch
- Advise on the corporate governance structure
- Register the legal entity, partnership or branch with the trade register of the Dutch Chamber of Commerce
- Drafting of (intra group) contractual arrangements
- Assist you (on an ongoing basis) with annual compliance requirements, such as arranging the annual general meeting, adoption and filing of the annual accounts, etc.
- Advise you on how Dutch entities can be relevant in international restructuring projects, for example in connection with pre-deal carve-outs, acquisitions, post-deal integrations, migrations, rationalisations, cash extractions or single entity projects

The bv	The nv
A bv is a private company comparable to the ‘limited liability company’ (Ltd.) in the United Kingdom or the ‘Gesellschaft mit beschränkter Haftung’ (GmbH) in Germany. The legislation applicable to a bv makes it very flexible and ‘user friendly’. The main characteristics of a bv under the current rules are:	An nv is a public company comparable to the ‘public limited company’ (plc.) in the United Kingdom or ‘Aktiengesellschaft’ (AG) in Germany. In general, an nv is more strictly regulated and mainly used to incorporate companies that are very large and/or will be listed on a stock exchange. The main characteristics of the nv are:
Shares • No minimum share capital required. The founders determine the issued capital (at least one voting share) and required paid-up capital. The issued capital and paid-up capital at the moment of incorporation will be documented in the notarial deed of incorporation. • Different types of shares can be created which provides the possibility to vary with regard to (among others) voting rights and profit sharing rights. It is even possible to issue non-voting shares. • Shares with no rights to profit or liquidation proceeds must always have voting rights. • The articles of association may (i.e. not mandatory) contain transfer restrictions related to the transfer of shares.	**Shares** • Minimum share capital of 45,000 euro required. • Different types of shares are possible. • All shareholders have voting rights and profit rights. By creating depositary receipts for shares, it is possible to separate the voting rights attached to shares and the economic (profit sharing) rights. • The articles of association may include share transfer restrictions.
Governance • Annual general meeting (GM) for shareholders (in principle, also for shareholders without voting rights) and other holders of meeting rights, if any. • Both a one-tier board (consisting of executive directors and non-executive directors) and a two-tier board (managing directors and supervisory directors are separated in two boards) are possible. • A supervisory board is generally optional. However, large companies may be subject to the so-called ‘Large Company Regime’. In that case, a supervisory board is mandatory and it will have special powers. For example the right to appoint and dismiss executive directors. Depending on the situation at hand (e.g. majority of the employees is working outside the Netherlands), the Large Company Regime may be less restrictive. • The articles of association may grant shareholders the right to give specific instructions to the management board.	**Governance** • Annual general meeting (GM) for shareholders (in some cases, depositary receipt holders may also attend the meeting). • Both a one-tier board (consisting of executive directors and non-executive directors) and a two-tier board (managing directors and supervisory directors are separated in two boards) are possible. • A supervisory board is generally optional. However, large companies may be subject to the so-called ‘Large Company Regime’. In that case, a supervisory board is mandatory and it will have special powers. For example the right to appoint and dismiss the managing / executive directors. Depending on the situation at hand (e.g. majority of the employees is working outside the Netherlands), the Large Company Regime may be less restrictive. • The articles of association may grant shareholders limited possibilities to give instructions (only general guidelines) to the management board.
Allocation of profits • The GM decides on profit distribution, based on the company’s accounts prepared by the management board, unless otherwise provided in the articles of association. • Depending on the outcome of a balance sheet test and a liquidity test, the management board may refuse to approve distribution of profits, if an intended distribution is detrimental to the continuity of the company. • No other capital and creditor protection rules apply. • It is possible (and very easy) to make interim distributions.	**Allocation of profits** • The GM decides on profit distribution, based on the company’s accounts prepared by the management board. • Distributions are limited by formal rules on capital preservation and creditor protection

Taxation in the Netherlands

The Netherlands has an excellent fiscal climate. This is supported by global Paying Taxes study 2020 and before. PwC annually assessed the ease with which tax obligations can be met. The tax burden and compliance obligations of 190 countries around the world were compared. The Netherlands proved to have an excellent climate in this regard: in the overall ranking the Netherlands scores high. This is caused by clear administrative processes, relatively modest tax rates and the use of technology to facilitate tax compliance. Please find more information in our Paying Taxes study.

The Netherlands has a competitive statutory corporate income tax rate compared to the rest of Europe: 15 per cent on the first 395,000 euro and 25.8 per cent for taxable profits exceeding 395,000 euro. In addition to the low tax rate, the Dutch tax system has a number of attractive features for international companies.

A competitive fiscal climate

The Dutch tax ruling practice has a 30-year track record and has given many international groups clarity on their tax position when setting up successfully in the Netherlands. Although some changes have been made to the Dutch tax system and the ruling practice, these are generally part of a worldwide trend towards transparency and paying one's fair share. And thanks to the Netherlands' stable government and highly accessible and cooperative tax administration, companies can feel confident that any possible further adjustments to this practice will be implemented in such a way that it maintains attractiveness for foreign investors, minimises impediments for business and guarantees cooperation and transparency from Tax Authorities.

Attractive features of the Dutch tax system

1. An **efficient fiscal unity regime**, providing tax consolidation for Dutch activities within a corporate group
2. A **wide network of nearly 100 bilateral tax treaties** to avoid double taxation and to provide, in many cases, reduced or no withholding tax on dividends, interest and royalties
3. **Clarity and certainty in advance** on the tax consequences of proposed major investments in the Netherlands
4. **A broad participation exemption** (100 per cent exemption for qualifying dividends and capital gains) which is vital for (European) headquarters.
5. **Favourable expat tax program** with a 30 per cent personal income tax advantage for qualified, skilled foreign employees
6. **Fully compliant and aligned** with the international developments in the OECD and EU and often one of the driving forces behind a coordinated approach to taxation

Rulings and cooperative compliance

The Dutch ruling practice

One of the specific features of the Dutch tax system is the possibility to discuss the tax treatment of certain operations or transactions in advance. Upfront clearance can be obtained from the Dutch Tax Authorities. The Dutch Tax Authorities conclude Advance Pricing Agreements (APA) as well as Advance Tax Rulings (ATR).

An APA is an agreement with the Dutch Tax Authorities specifying the intercompany pricing that the taxpayer will apply to its related-company transactions. The APA system is designed to help taxpayers voluntarily avoid or resolve actual or potential transfer pricing disputes in a proactive, cooperative manner.

An ATR is an agreement with the Dutch Tax Authorities determining the tax rights and obligations in accordance with the law in the taxpayer's specific situation.

Both an APA and ATR are binding for the taxpayer and the Dutch Tax Authorities. To obtain an APA or ATR, certain substance requirements must be met. In general, the Dutch Tax Authorities will be able to handle requests for APA's, ATR's and other requests (e.g. a request for a tax facilitated merger, a VAT registration or a (VAT) fiscal unity) within a reasonable amount of time.

In accordance with EU law the Dutch Tax Authorities are obliged to exchange information regarding rulings and transfer pricing arrangements with the Tax Authorities of other EU member states automatically. The Dutch Tax Authorities use a standard form that taxpayers have to complete when concluding a cross border ruling or transfer pricing arrangement. All EU Tax Authorities are obliged to exchange this information. The exchange of information increases the transparency for corporate taxation within the EU. It is expected that in the future similar information may be exchanged with the Tax Authorities of non-EU member states as well.

The main characteristics of the Netherlands' policies on the issuing of tax rulings with an 'international character' are as follows:

- Transparency: building on international developments in transparency in tax matters, the Dutch tax authorities will publish anonymised summaries of individual rulings with an international character.
- Economic nexus: rulings with an international character will only be available to taxpayers with (sufficient) economic nexus in the Netherlands.
- Main purpose: rulings will no longer be available in case the main purpose of the business structuring is obtaining a tax advantage, be it a Dutch or foreign tax advantage.
- No rulings on transactions with entities in black listed countries (generally low tax jurisdictions or jurisdictions on the EU list of non-cooperative countries).

Cooperative compliance

Another specific feature of the Netherlands is that the Dutch Tax Authorities allow businesses, under certain conditions, to apply for an enhanced relationship ('horizontal monitoring'). This is a form of cooperative compliance in which the organisation signs a Horizontal Monitoring covenant with the Dutch Tax Authorities. It provides a timing benefit and certainty: it prevents unpleasant tax surprises when it is too late to do something about them. But horizontal monitoring encompasses more than just complying with laws and regulations: the organisation must be able to demonstrate it is in-control of its tax processes and tax risks, via a so-called 'Tax Control Framework'.

The Dutch Tax Authorities will adjust the methods and intensity in which they perform their monitoring to the level of tax control of the taxpayer. As a result, audits performed by the Tax Authorities will shift from reactive (tax audits over past years) to proactive (providing 'assurance' upfront). Under horizontal monitoring, the company's relationship with the Dutch Tax Authorities is based on mutual trust, understanding and transparency.

The main benefit of Horizontal Monitoring is that relevant tax risks and positions can be dealt with when they occur. The company is required to act with a transparent attitude towards the Dutch Tax Authorities, and they will in return provide a quicker response with respect to tax issues that are brought to their attention by the company. This proactive assurance prevents unpleasant surprises afterwards. Apart from this, it helps with accurately determining the tax cash flow, deferred and current taxes, and ascertains that the company has as little uncertain tax positions as possible. This saves the company both time and costs. In 2020 the Tax Authorities introduced their reformulated Horizontal Monitoring. Top 100 taxpayers in the Netherlands will get an individual approach and monitoring plan. Individual Horizontal Monitoring will be possible for companies who require an audit on their annual accounts (2 out of 3 criteria must be reached; > 250 employees, > 20 million euro assets and > 40 million euro revenue) and which have a tax strategy, a tax risk analysis and a monitoring and testing plan in place. For small and medium enterprises, a general covenant is possible through their qualified service provider. PwC is one of the qualified service providers in The Netherlands.

Horizontal monitoring can be applied to all taxes including corporate income tax, value added tax, customs, wage tax and social security. PwC has developed a special tax management maturity model (T3M) to help companies determine their existing level of tax risk management and the path towards the intended maturity level of their tax risk management. T3M is inspired by the common standards on general and financial risk management, such as COSO, and in line with the latest report of the OECD on 'Building better Tax Control Frameworks'.

International developments

BEPS

As a member of the OECD, the Netherlands is an active participant in the Anti-Base Erosion and Profit Shifting (BEPS) project of the OECD. The Netherlands supports the goals as set by the OECD in this respect and adheres to the outcomes of the BEPS project. The Netherlands also adheres to actions of the OECD in relation to transparency in tax matters. In addition, the Netherlands has signed and ratified the Multilateral Instrument (MLI), albeit with limited reservations to certain provisions, and has brought all of the Netherlands' tax treaties within the scope of the MLI except for the few tax treaties that were being negotiated or not yet in force at the time of the MLI signature.

In addition, the Netherlands follows the international discussions at the OECD level regarding Pillar 1 and 2. In relation to Pillar 1, the Netherlands believes that the further roll-out and implementation should be as simple as possible. In relation to Pillar 2, the Netherlands considers a minimum level of taxation to be effective in combating tax competition and tax avoidance.

ATAD I

The EU adopted the Anti-Tax Avoidance Directive (ATAD I), which contains several measures to combat tax avoidance. The ATAD I includes measures regarding the limitation of interest deductibility and exit taxation, a general anti-abuse rule (GAAR), a Controlled Foreign Company (CFC) rule and rules addressing mismatches between EU member states arising from the use of hybrid instruments or entities. These rules were transposed into all EU member states laws and apply, in principle, from 1 January 2019 onwards.

What can we do for you?

- Define tax governance and roles and responsibilities for tax
- Process mapping and improvement
- Enhance tax risk management, e.g. by means of defining clear key tax controls
- Quick and smooth communication with the Dutch Tax Authorities
- Assisting your organisation in its discussions with the Tax Authorities towards horizontal monitoring
- Assessing the current and desired state of the tax function and the Tax Control Framework (by means of T3M assessment)
- Designing and implementing your Tax Control Framework via our Sustainable Tax methodology
- Performing statistical sampling in line with the approach of the Tax Authorities, as part of monitoring the Tax Control Framework as well as tax data analytics and key control testing as part of showing that you are in control of tax
- Help you to clearly communicate the maturity of your Tax Control Framework to internal and external stakeholders

The Netherlands has implemented the ATAD I per 1 January 2019. More specifically, to implement ATAD I, the Netherlands introduced a CFC rule and an earnings stripping rule and slightly reformed its exit taxation rules for corporate income tax (CIT) purposes.

The earnings stripping rule limits the deduction of the on balance interest cost to 20 per cent (previously: 30 per cent) of the taxpayer's EBITDA with a threshold of 1 million euro and a carry forward rule. In conjunction with the introduction of the earnings stripping rule, the Dutch interest limitation rules regarding excessive participation debts and excessive acquisition debts were abolished as of 1 January 2019.

The CFC-regime targets corporate taxpayers that hold a direct or indirect interest, either stand-alone or with affiliated companies, of more than 50 per cent in a subsidiary, or owns a permanent establishment, in either a) a low-taxed country (i.e. less than 9 per cent but only if listed by the Dutch Ministry of Finance on an annual basis) or b) a jurisdiction included in the EU list of non-cooperative jurisdictions.

The ATAD's GAAR was not implemented because the Dutch Ministry of Finance considered the GAAR to be effectively present by means of the standing Dutch fraus legis doctrine.

The exit taxation regime for CIT purposes was slightly altered, by providing that an exit levy must be paid in full within the 5 years following the exit but no later than at the moment of realisation, e.g. the sale of the asset(s).

ATAD II

As an expansion to the legislation included in the ATAD I, the European Commission proposed rules addressing hybrid mismatches between EU member states and in relation to third countries (ATAD II). A hybrid mismatch must lead to either tax deduction with no inclusion of the income or double deduction in cases involving entities, (financial) instruments, permanent establishments or the location of an entity. ATAD II has already been adopted at the EU level and the EU member states must implement the ATAD II rules, in principle, by 31 December 2019 and apply them as per 1 January 2020. The Netherlands applies ATAD II as per book years starting on or after 1 January 2020. Please note that it is mandatory under Dutch law to have documentation on the ATAD II position on file.

In addition, the Netherlands has enacted legislation introducing ATAD II's reverse hybrid rule. Under the new rules, an entity that qualifies as a reverse hybrid will become liable for corporate income tax from 1 January 2022 onwards. The rule needs to be implemented in all EU member states' legislation by 31 December 2021.

DAC6

The EU Directive on mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements (DAC6) imposes mandatory disclosure requirements for certain arrangements with an EU cross-border element. It requires relevant advisors or taxpayers to report a wide range of cross border arrangements under certain conditions.
Where such an arrangement falls within certain 'hallmarks' mentioned in the directive and in certain instances where the main or expected benefit of the arrangement is a tax advantage, the arrangement should be reported. DAC6 covers all taxes except value added tax and excise duties.

The Netherlands has already implemented DAC6 legislation. The Netherlands has decided not to go further than the EU Directive. For example, no additional hallmarks have been included in Dutch law and the scope of the legislation has not been extended to other taxes like VAT.

The first transactions had to be reported by 31 January 2021 at the latest. Failure to do so might result in an administrative fine of up to 870,000 euro (amount 1 January 2021).
If your company has an international structure, we recommend that you work with your adviser to determine how you will fit this mandatory exchange of information into your tax and compliance strategy. It is also important that you report in a timely manner, for example, if no external advisor is involved in a transaction subject to reporting requirements, or if the advisor in question makes use of a legal right to withhold information (lawyers, etc.).

DAC7

DAC7 amends the EU Directive on Administrative Cooperation and introduces new reporting obligations that will apply to Digital Platforms Operators that make their platform available to Reportable Sellers. DAC7 is designed to ensure that EU member states automatically exchange the reported information on the Reportable Sellers on digital platforms, whether the platform is located in the EU or not. Digital Platform Operators are required to report to a Competent Authority in an EU member state. The Competent Authority in that EU member state will then exchange the information with the Competent Authority in the EU member state where the Reportable Seller is tax resident. Digital Platforms Operators that are not located in the EU will be required to register in an EU member state in order to comply with this Directive.

EU member states shall implement DAC7 by 31 December 2022 and apply their transposing DAC7 legislation as of 1 January 2023. Digital Platform Operators will then be required to report on the year 2023 for the first time in 2024. Digital Platform Operators should already have seller due diligence procedures and controls in place as of 1 January 2023.

The draft bill implementing DAC7 and a draft explanatory memorandum that the Dutch government has published in 2021 will be discussed in Dutch parliament in 2022.

Conditional source tax on interest and royalties

From 2021 onwards, interest and royalty payments to group companies established in low-tax jurisdictions are subject to a source tax (withholding tax). The rate in 2022 is 25.8 per cent (25 per cent in 2021), although it may be reduced by a tax treaty, if applicable. A conditional withholding tax liability will also be applicable to abusive situations, e.g. where payments are artificially diverted. The rationale behind the introduction of the conditional source tax on interest and royalties is to prevent the Netherlands from being used as a gateway to low-tax jurisdictions and to reduce the risk of tax avoidance through the shifting of (Dutch) taxable income to such jurisdictions.

Low-tax jurisdictions are both jurisdictions with a statutory corporate tax rate of less than 9 per cent and jurisdictions on the EU list for non-cooperative jurisdictions.

Conditional source tax on dividends

From 2024 onwards, the Netherlands will apply a conditional withholding tax at a rate equal to highest corporate income tax rate (25.8 per cent as of 2022) a) on dividend payments to shareholders established in low-tax jurisdictions; and b) in situations of abuse, i.e. where artificial arrangements are employed to avoid the imposition of Dutch dividend withholding tax. The rationale behind the introduction of the withholding tax is the same as that for the conditional source tax on interest and royalties.

Additional substance requirements for service companies

As of 1 January 2021, additional substance requirements apply to service companies. A service company is a Dutch tax entity whose activities consist for more than 70 per cent of the direct or indirect receipt and payment of interest, royalties or rent from a foreign group entity. The new substance requirements, which supplement the current substance requirements for service companies, are 100,000 euro in relevant labour costs and office space for at least 24 months. If these requirements are not met, information is exchanged with the country from which the interest, royalties or rent is paid (the source state). The result could be that the source state deprives the taxpayer of treaty benefits.

State aid

For several years, the European Commission has been investigating whether certain schemes/regimes and individual tax rulings between companies and local authorities are in breach of EU State aid rules. In some of these cases the European Commission has already issued final decisions concluding that these schemes and tax rulings constitute unlawful State aid. One of these final State aid decisions concerns a Dutch tax ruling. The Dutch government has appealed this decision with the General Court (that is the court of first instance within the EU). In its judgment, the General Court annulled the decision of the European Commission because, in the Court’s view, the European Commission did not demonstrate the existence of an economic advantage within the meaning of EU State aid rules. The European Commission accepted this decision by the General Court.

The European Commission has also investigated other Dutch tax rulings for which a final State aid decision is expected. The Dutch government has also taken the position that the Dutch tax ruling practice in general does not allow for State aid, considering that Dutch tax rulings do not deviate from Dutch tax law as the goal of Dutch tax rulings is to obtain certainty about the implications of the tax law in advance.

Transfer pricing: country-by-country reporting, master file and local file

The OECD country-by-country reporting implementation package is primarily meant to be a (tax) risk assessment tool for the (international) Tax Authorities. Based on the OECD report, a multinational group with a turnover of at least 750 million euro will have to file a country-by-country report in the state where the ultimate parent company is a resident. The Tax Authorities will then exchange this information with Tax Authorities of other countries to which the information may be relevant and that have agreed to mutually exchange these reports.

Besides, the agreed OECD report prescribes that each individual company within such a group will be obliged to have a master file and a local file available in its administration. The master file contains information on the transfer pricing within the entire group while the local file contains information on all intra group transactions of the local company. All this information will be kept confidential, not accessible to the general public.

The Netherlands has enacted legislation implementing the OECD country-by-country reporting package which corresponds with the system and methods as prescribed in this reporting package. In addition, in the Netherlands companies with a consolidated turnover of at least 50 million euro are obliged to have a local file and a master file available.

As mentioned in the above only the ultimate parent company of a multinational group has to file a country-by-country report. A Dutch group entity of a multinational group with a turnover of at least 750 million euro must notify the Tax Authorities whether the ultimate parent company or surrogate parent company will file the country-by-country report. If not, it must notify the tax authorities which group company and its tax residence will file the report. This notification should be made at the latest on the final day of the financial year.

Further, a Dutch company that must file a country-by-country report, must file this report within 12 months after the end of the financial year. The master file and local file must be in the company's administration within the same deadline that holds for filing the tax return. Please also see page 44.

Moreover, the Dutch Ministry of Finance published a Transfer Pricing (TP) Decree, which provides further guidance on the application of the arm's-length principle and aims to incorporate changes following the OECD Base Erosion and Profit Shifting (BEPS) project and related amendments to the 2017 OECD TP Guidelines.

The Decree provides additional guidance on the position of the Dutch Tax Authorities in the post-BEPS era, among others, concerning the application of various BEPS provisions as included in the 2017 OECD TP Guidelines (e.g. TP methods, hard-to-value intangibles and valuation methods) into Dutch tax practice.

What can we do for you?

- Discuss the possible consequences of Pillar 1 and 2 for your business
- Assess how the ATAD I and the ATAD II legislation may affect your business and assist with the ATAD II documentation requirement
- Evaluate the impact of the MLI on your business
- Help you recognise possible DAC6 and DAC7 reportable transactions
- Determine whether your business runs a State aid risk
- Determine the need to file a country-by-country report and assist you with it
- Help you set up a local file and a master file

Dutch taxes

Corporate income tax

Scope

In general, a Dutch resident company is subject to corporate income tax (CIT) on its worldwide income. However, certain income can be exempted or excluded from the tax base. Non-resident entities have a limited tax liability. In principle, only 'Dutch source income' is included in the CIT base of non-resident corporate taxpayers. For these companies, the income from Dutch sources includes e.g. income derived from a business enterprise in the Netherlands. This is the income attributable to a business or part of a business operated through a permanent establishment or permanent representative in the Netherlands.

Residence

In the Netherlands, corporate residence is determined by a company's specific facts and circumstances. Management and control are important factors in this respect. Companies incorporated under Dutch law are deemed to be residents of the Netherlands.
To obtain a Dutch tax residency certificate or a tax ruling, minimum substance requirements are guidelines in ensuring that effective management and control of the company are based in the Netherlands. There are additional substance requirements for service companies as of 1 January 2021, see under 'Additional substance requirements for service companies' under 'International developments'.

Tax rate

The standard CIT rate is 25.8 per cent. A lower rate of 15 per cent applies to taxable income up to 395,000 euro. If the criteria are met, fiscal investment funds are taxed at a CIT rate of nil per cent. Under conditions, certain investment funds are eligible to opt for an exempt status for Dutch CIT purposes.

Income determination

Corporate income is determined annually in accordance with the principles of 'sound business practice'. Profits and losses are attributed to the book years with reference to the basic principles of realisation, matching, reality, prudence and simplicity. Dutch tax law, however, also contains rules that expressly deviate from the concept of sound business practice. For example, tax laws may limit the annual depreciation of some assets but also offer the possibility of accelerated depreciation of other assets.

In addition, there are many exceptions to the main rules as a consequence of special fiscal facilities, the most important one being the participation exemption, which will be discussed on page 27.

The Dutch tax system provides several tax incentives, for example to stimulate certain investments. If the conditions are met, tax incentives are available for small-scale investments, investments in energy-efficient or environmental assets and for research and development activities. For more information see Tax incentives on page 42. The Netherlands also provides for an optional favourable regime for the calculation of profits from qualifying activities of seagoing vessels. Certain conditions have to be met.

The remuneration for activities performed should be at arm's length, meaning that terms, conditions and pricing of transactions between affiliated companies should be similar to those applied between independent third parties. Dutch companies are obliged to produce and maintain appropriate transfer pricing documentation substantiating the transfer prices used. The documentation should, among other things, include a functional analysis (description of the functions, risks and assets), an economic analysis (including benchmarks) as well as transfer pricing policy documents and internal contracts. Depending on the situation, the documentation obligations also include a country-by-country report, a master file and a local file. We refer to page 25.

If a transaction between related parties is not at arm's length, the taxable income may be adjusted by the Tax Authorities. Moreover, transactions that do not meet the arm's length test may be deemed to be a contribution of informal capital or a deemed profit distribution (the latter may trigger dividend withholding tax). This could result in additional profit being taken into account in case of mismatches between a non-Dutch and the Dutch tax system (in line with international developments).

New rules preventing mismatches when applying arm's length principle

As of 1 January 2022, the Netherlands limits a downward adjustment of the taxable profit for taxpayers to the extent that, at the level of the other company involved in the transaction, no (or a too low) corresponding upward adjustment of the tax base is made.

The new rules aim to eliminate the transfer pricing differences that arise as a result of a different application of the arm's length principle – particularly in international situations – which may result in part of the profit of a multinational escaping taxation.

In order to avoid double taxation, the Netherlands will under certain conditions (e.g. upward adjustment in another year, or transactions with a hybrid entity whose participations are subject to tax) still allow a downward adjustment.

Interest deduction
In principle, interest expenses are deductible for corporate income tax purposes. However, various interest deduction restrictions do apply, such as the earnings stripping rule. The earnings stripping rule limits the deduction of the on balance interest cost to 20 per cent of the taxpayer's EBITDA (up to and including 2021: 30 per cent) with a threshold of 1 million euro and a carry forward rule. Furthermore, there are specific interest deduction restrictions to prevent tax base erosion by interest deduction.

Depreciation
Generally, depreciation may be computed by using a straight-line or a reducing-balance method or on the basis of historical cost. However, Dutch tax law includes specific rules that can limit the depreciation of immovable property, goodwill and other assets.

On the other hand, the law provides accelerated and random depreciation of several specific assets. Accelerated depreciation applies to qualifying investments in assets that are in the interest of the protection of the environment in the Netherlands (the allowed percentage for accelerated depreciation is 75 per cent, the normal depreciation regime applies to the other 25 per cent of the investment). Accelerated depreciation is also available for certain other designated assets, for example, investments of starting entrepreneurs and seagoing vessels. Under conditions, the costs of the production of intangible assets may be taken into account at once.

Functional currency
A Dutch taxpayer may upon request and under certain conditions determine its taxable income in a currency other than euro. The request should be filed during the first book year of incorporation or prior to the start of a new book year in later years. Tax payments must always be made in euro.

Participation exemption
The Dutch participation exemption regime aims to eliminate economic double corporate taxation of profit distributions paid by a subsidiary to its parent company. A corporate taxpayer is exempt from Dutch corporate income tax on all benefits, such as dividends and capital gains, connected with a qualifying shareholding, in general a shareholding of at least 5 per cent. Such benefits are also eligible for an exemption of Dutch dividend withholding tax if distributed by a Dutch resident entity. If a taxpayer fails the so-called motive test and the participation is actually or deemed to be held as a portfolio investment – then the participation exemption would still apply if:
- the subsidiary in which the portfolio investment participation is held, is subject to tax that is reasonable according to Dutch standards, i.e. an effective tax rate of at least ten per cent ('effective tax rate test'); or,
- less than 50 per cent of the assets, directly or indirectly owned by the subsidiary in which the portfolio investment participation is held, consists of low-taxed free portfolio investments ('asset test').

There is no minimum holding period in relation to the applicability of the participation exemption. As an exception to the participation exemption regime, losses arising from the liquidation of the company in which a qualifying participation is held may be deductible for CIT purposes. The limitations and conditions applicable have been changed per 2021.

Expenses relating to the sale or purchase of participations are non-deductible.

For non-qualifying portfolio investment participations, an indirect tax credit system is applicable for foreign taxes instead of the exemption. Income and expenses relating to earn-out receipts and payments are not taxable.

As from 2019 the participation exemption includes a CFC-rule. The CFC-regime targets corporate taxpayers that hold a direct or indirect interest, either standalone or with affiliated companies, an interest of more than 50 per cent in a subsidiary or disposes of a permanent establishment in either a low-taxed, i.e. less than 9 per cent, or a non-cooperative jurisdiction that is explicitly listed by the Dutch Ministry of Finance.

Innovation box regime
A special regime applies with respect to profits, including

royalties, derived from a self-developed intangible asset. Under the innovation box, the taxpayer may opt, under certain conditions, for the application of a lower effective tax rate on taxable profits derived from these intangible assets. The effective tax rate of the innovation box is a maximum of nine per cent, by means of a reduction of the tax base.

The innovation box regime applies mostly to profits from innovative activities that take place in the Netherlands. The innovation box can be a very important facility. In combination with other facilities (see 'Tax incentives' on page 42), it makes the Netherlands the ideal location for R&D activities.

Fiscal unity

A Dutch resident parent company and its Dutch resident subsidiaries may, under conditions, opt to be treated as one taxable entity for the Dutch CIT by forming a 'fiscal unity'. Under the fiscal unity regime, inter-company transactions are eliminated and the business proceeds of the included companies are balanced for CIT calculation purposes. Companies with their place of residence in the Netherlands, both for Dutch tax law purposes and tax treaty purposes, may be eligible to opt for this regime. Under conditions, taxpayers that are resident abroad may also be included in a Dutch fiscal unity insofar as they run a business in the Netherlands through a permanent establishment.

The main requirements to apply for this facility are that the parent company holds directly or indirectly at least 95 per cent of the shares in one or more Dutch resident companies, the place of effective management should be located in the Netherlands and the entities should be subject to the same tax regime.

The advantages of the fiscal unity include:
- Filing a single CIT return.
- Offsetting of losses during the existence of the fiscal unity.
- Elimination of certain intercompany transactions.

Disadvantages of a fiscal unity may be that each company is jointly and severally liable for the corporate income tax debts of the fiscal unity. Furthermore, certain tax incentives might have a more limited application and the first corporate tax rate bracket and other thresholds are reached sooner.

A fiscal unity for corporate income tax purposes only comes into existence after a request has been filed with the Tax Authorities and can have a maximum retroactive effect of three months (provided that the conditions have been met during this term).

It is possible to form a fiscal unity between a Dutch parent company and its Dutch sub-subsidiary, excluding the intermediary holding company if the intermediary holding company is an EU/EEA resident company and other conditions are met. It is also possible to form a fiscal unity between two Dutch sister companies excluding their parent company, if the parent company is an EU/EEA company and other conditions are met. Also forming a fiscal unity with a Dutch permanent establishment of an EU company has been made considerably easier.

With effect from 1 January 2018 some changes were made resulting from ECJ case law which ruled the 'per element approach' applicable to the Dutch regime. The amendments result, among others, in disregarding the fiscal unity for the purpose of the provision on the interest on related party debts, the provision of the participation exemption regime on portfolio investment participations, the 'anti-mismatch' rule of the participation exemption regime and the provision on loss utilisation in cases of significant changes in ultimate ownership.

Net operating losses

As of 2022, tax loss utilisation is no longer limited in time. On the other hand, a new limitation is introduced: only the first 1 million euro profit can be used for offsetting losses in full. Loss relief against any further profit will be limited to 50 per cent of such profit. Specific anti abuse rules however may still completely prohibit the utilisation of net operating losses after a change of 30 per cent or more of the ultimate control in a company.

No cross-border relief is available with regard to foreign permanent establishments. Foreign source losses cannot be offset against Dutch source profits. An exception applies to 'final losses', losses realised upon the discontinuation of foreign business operations. Under certain conditions, the 'liquidation and cessation loss regime' allows final losses of foreign permanent establishments to be taken into account for Dutch CIT calculation purposes.

Foreign income and double tax relief

The worldwide income of a resident corporate taxpayer is included in the Dutch CIT base, but the Dutch system usually subsequently provides for double tax relief. The Netherlands has concluded roughly 100 tax treaties for the avoidance of international double taxation. In case no treaty applies, the Netherlands often unilaterally provides for double tax relief. In addition, taxpayers may benefit from the favourable rules provided by EU directives and EU law. The Netherlands, like over 90 other jurisdictions, signed the OECD's multilateral instrument ('MLI') to swiftly implement several measures to update its tax treaties and lessen possibilities for tax avoidance. Along with over 50 other jurisdictions, the Netherlands also ratified the MLI which means it may affect their mutual tax treaties.

Double taxation of foreign dividends (if not exempt under the participation exemption), interest, and royalties is relieved by a tax credit provided for in Dutch tax treaties or, if the payer of the income tax is a resident of a developing country, designated by Ministerial Decree unilaterally. If no treaty or unilateral relief applies, a deduction of the foreign tax paid is allowed in computing the net taxable income.

The Dutch tax law provides for double tax relief for Dutch resident corporate taxpayers deriving profits from foreign business activities. The taxpayer's worldwide profits are determined according to Dutch tax standards and subsequently reduced by an amount equal to the 'positive and negative business income items derived from foreign sources' on a per-country basis. The eligible income items include, for example, the business profits attributable to a permanent establishment located abroad and the income from immovable property located in the other state.

In most circumstances, foreign dividends are exempt from Dutch CIT under the participation exemption, as previously discussed. As a consequence, foreign withholding tax cannot be credited, and constitutes a real cost for the companies concerned. However, if a Dutch company re-distributes such dividends, a credit of the foreign withholding tax may be granted against Dutch dividend withholding tax due on the distribution. The credit amounts to a maximum of three per cent of the gross dividend paid. Note that the Netherlands, as a tax treaty policy, aims to achieve an agreement on a low or nil withholding tax rate for dividends from a participation in a bilateral tax treaty.

As of 1 January 2022, offsetting of Dutch dividend tax and gambling tax against corporate income tax is limited to the annual amount of corporation tax due. Dutch dividend tax and gambling tax that cannot be set off will be carried forward for offsetting in the next year.

Exit tax

If, for any reason, you wish to migrate your company from the Netherlands, an exit tax is due on realised and unrealised profits (hidden reserves and goodwill). The taxable amount is calculated at the time of migration and is formalised in an assessment. If the new place of residence is within an EU/EEA Member State, the tax due may, on request, be paid in 5 annual instalments. The company has to comply with certain administrative requirements and may have to provide security in order to obtain the deferral. An initiative bill has been pending for more than a year-and-a-half that, under certain circumstances, would levy a dividend tax on migration from the Netherlands. It is uncertain if and when this proposed legislation will enter into force, and if so, if it will contain retroactive effect.

What can we do for you?

- Advise you on the application of Dutch CIT and (dividend) withholding tax to your business
- Assist you in complying with the formal and administrative rules
- Inform you on the impact of the Parent-Subsidiary Directive - or any other EU directive
- Advise and assist you on the application of the innovation box regime to your business
- Advise you on the application of the fiscal unity regime and participation exemption to your business
- Determine the impact of anti-avoidance provisions like CFC legislation and interest deduction limitation rules such as the 20 per cent EBITDA restriction

Value added tax

EU context

The system of value added tax (VAT) in the Netherlands is based on EU regulation and is essentially the same as that used in the rest of the EU. However, there still are some significant differences in details between various Member States of the EU, especially with regard to the VAT rates, formal VAT requirements and the applicable business context.

The VAT system

VAT is effectively a tax on consumer expenditure. So, in theory, the final burden of the tax should not be on business activity. This objective is achieved by an arrangement known as the input VAT deduction system. When a business buys goods or services, it usually pays VAT to the supplier (input tax). When the business sells goods or services, whether to another business or to a final consumer, it is usually required to charge VAT (output tax) unless the supplies are specifically relieved from VAT. If the business makes only taxable supplies, it must periodically total the input VAT it incurs and deduct this from the total output VAT charged, paying (or claiming) the balance to (from) the Dutch Tax Authorities. The result is that the end consumers bear the total cost of VAT on the final price of the goods or services they purchase.

VAT is charged on the supply of goods and services created in the Netherlands by a taxable person in the course of exercising a business, unless the supplies are zero-rated or exempt. A VAT taxable person is anyone performing business activities in the Netherlands. Furthermore, the intra-Community (i.e. within the EU) acquisition in the Netherlands by taxable persons or non-taxable legal persons, the intra-Community acquisition of a new means of transport by any person, and the importation of goods are also considered taxable events.

All the above-mentioned events are taxable if performed in the Netherlands, even when they are carried out by non-residents.

The Netherlands furthermore allows legally independent businesses that are closely bound to one another by financial, economic and organisational links to be treated as a single taxable person (fiscal unity/VAT group).

If the business is liable for VAT on its transactions in the Netherlands, it will have to register for VAT.

Special attention needs to be given to the VAT position of holding and/or financing companies.

Rates

Currently, the standard VAT rate in the Netherlands is 21 per cent. A reduced VAT of nine per cent applies to certain essential goods and services, for example food and drinks, passenger transport and certain labour-intensive repair and maintenance activities. A zero per cent rate applies to, for example, the export of goods.

Additionally, various types of supplies are exempt from VAT, such as educational and medical services. The difference between zero per cent VAT (zero rate) and an exemption is that the VAT incurred on costs that are incurred for VAT exempt transactions cannot be settled with input VAT. Zero-rated transactions in principle allow for a full deduction of input VAT.

Deferment of import VAT

In contrast to some other EU Member States, the Netherlands has implemented a system that provides for the deferment of actual payment of import VAT at the time of importation. Instead of paying import VAT when the goods are imported into the EU, the payment can be deferred to the periodic VAT return. Under this system, the import VAT should be declared but this amount can simultaneously be deducted in the same VAT return. As a result, in principle there is no actual payment of VAT at import, thus avoiding cash flow disadvantages.

Form-free administration and e-invoicing

Contrary to some other European countries, form-free administration is allowed in the Netherlands. There are some general requirements regarding the content and readability of the administration, as well as the obligation to retain the administration for seven years (ten years when it relates to immovable property), but basically the entrepreneur is free to determine how the administration is organised, as long as data can be made available in a legible and comprehensible way upon request of the Dutch Tax Authorities. This makes it relatively easy for businesses in the Netherlands to comply with the Dutch administrative obligations compared to other EU Member States.

Another advantage is that the Netherlands has introduced legislation that allows for form-free e-invoicing. This means that, although the standard invoicing requirements have to be met, the way in which the electronic invoices are sent is up to the entrepreneur, as long as the

authenticity of origin, the integrity and completeness of the content and the readability of the electronically stored invoices are guaranteed.

VAT refund request

General VAT refund requests are processed within a couple of weeks in the Netherlands, which is advantageous from a cash flow perspective.

Quick Fixes

Effective 1 January 2020, the Netherlands implemented four quick fixes aiming to improve the day-to-day functioning of the VAT system for EU cross-border B2B trade.

These Quick Fixes (QF) have consequences for the company's administrative systems, VAT registrations, contracts, (electronic) documents and invoices.

QF 1: VAT identification number and EU Sales Listing

As of 1 January 2020, obtaining and validating the customer's VAT ID number as well as filing correct recapitulative statements (EU Sales Listings) are a hard condition for the application of the zero VAT rate.

As a practical consequence, there is an increased need for businesses to include all VAT identification numbers of customers in their ERP systems. The reason is that they should be able to raise invoices stating the correct VAT-identification number of their customers and to submit EU Sales Listings with the correct information.

It is therefore important to validate these VAT identification numbers periodically (or even before each shipment) in the EU VIES-system. Proper documentation of these controls is also very important in this respect. In addition, the submission of a recapitulative statement (EU Sales Listing) with correct information is a hard condition for the application of the zero VAT rate. In the Netherlands, the supplier is allowed to repair any omissions.

QF 2: Proof of transport

A common framework for the documentary proof needed for application of the zero VAT rate to intra-Community supplies was introduced.

In case of transport by or on behalf of the supplier, the proof should consist of two supporting documents drawn up independently of each other, e.g.: a signed CMR in combination with the transport insurance policy for the respective supply of goods. When the buyer arranges for the transport, the supplier should also possess a written statement from the buyer/acquirer. If the supplier is in possession of the required evidence, it is presumed that the goods have been transported from one EU Member State to another. The Tax Authorities may rebut this presumption if they can demonstrate that transportation did not take place after all.

These new rules did not affect current (Dutch) practice. All proof that was previously considered sufficient evidence based on Dutch rules and CJEU/national case law is still accepted as sufficient proof of transportation.

The EU rule was an add-on to the existing Dutch rules: it provides for a rebuttable presumption.

QF 3: Call-off stock

In case of call-off stock, a supplier moves goods to a warehouse/stocking location of a known customer to enable the customer to pick the goods from the stock at a later stage and trigger a VAT supply.

If a company transfers own stock to a warehouse in another EU Member State, the supplier must report a (fictitious) intra-Community supply in the Member State of departure and a corresponding intra-Community acquisition in the Member State of arrival. The subsequent removal of goods from that stock is a domestic supply in the country of the warehouse. By default, the transfer of stock and the subsequent supply require the supplier to register for VAT purposes in this EU country and to fulfill the relevant VAT obligations. Under the regime as introduced in 2020, subject to conditions, the physical transfer does not constitute a fictitious intra-Community supply, so that the supplier does not have to register in the Member State of the customer. One of the conditions is that the customer calls off the goods within one year.

The rules on call-off stock provide for a uniform system because of which the transfer of call-off stock is treated equally in all EU Member States. The application of these call-off stock rules is not optional: it is a mandatory regime.

QF 4: Chain transactions

Cross-border chain transactions consist of successive supplies of goods between traders in more than one Member State, but with only one cross-border transport movement, usually from the first to the last party in the supply chain.

For VAT, this transport movement can only be assigned to one of the supplies in the chain and hence the zero VAT rate for intra-Community supplies can be applied only to one leg of the supply chain. The other supplies in the chain normally lead to ‘local’ VAT and to VAT-registrations in the respective Member State(s).

Under the rules per 2020, the zero-rated intra-Community supply is by default assigned to the supplier in the supply chain who arranges the transport or has the transport arranged in their own name.

Yet if such suppliers (intermediaries/middlemen) are not the first company in the supply chain, and provide a VAT identification number of the Member State in which the dispatch commences, they are considered to perform the zero-rated intra-Community supply themselves. Under those circumstances, the supply to the intermediary is a local supply and the supply by the intermediary is the zero-rated intra-Community supply.

VAT and E-commerce

From July 2021, under the new EC VAT regime, platforms are facing complicated VAT rules and far-reaching administrative and data retention obligations. Under certain conditions, the facilitating platform will be deemed to be the supplier of the goods itself. The new VAT rules for E-commerce facilitate the reporting of the VAT in so-called One-Stop-Shop VAT returns. Specific set-up is required in the system to facilitate the reporting obligations.

What can we do for you?

- Developing a VAT Control Framework
- Adjusting the ERP system (accounting system) for VAT purposes
- Help you with finding solutions for extending SAP-systems that give an insight into all data which is relevant to determine the VAT payable (e.g. PwC’s Taxmarc)
- Help you map out the consequences of the quick fixes
- Help you to implement the checks and balances the E-commerce platform is expected to perform to determine the correct VAT treatment (even if the supplier would provide incorrect information)

Customs and excise

EU: customs union

Due to its excellent logistical infrastructure, the Netherlands is often chosen as a primary logistic hub for the EU. Since Brexit this is also more and more the case for UK companies that want to import goods into the EU. If your business imports goods into the Netherlands from outside the EU, the goods will have to be declared for customs purposes and may be subject to customs duties and VAT. The EU is a customs union, which means that the EU is treated as a single territory for customs purposes and that in principle the same rules and rates apply in each Member State. This means that, once goods are in 'free circulation' (i.e. all duties paid and import formalities completed) in one Member State, such as the Netherlands, they can move freely between all other Member States, without further payment of customs duties or further customs formalities.

However, although the rules are the same throughout the EU, the interpretation and/or application may differ in the various EU countries. As a result of the long tradition of being a trading country with an open and business friendly environment, the Dutch Customs Authorities are known for their flexible solutions in terms of customs supervision. This does not mean that lower duties are levied or no controls are performed, but it does mean that the Dutch Customs Authorities typically try performing their controls and supervision in such a manner that it has little impact on the company's operations.

Customs duties

There are essentially three areas that determine the amount of customs duties payable on goods imported from outside the EU. These are:

Classification

The amount of customs duties depends on how the goods are classified in the EU Combined Nomenclature (the EU list of codes and duty rates for customs purposes), as this determines whether goods are subject to ad valorem customs duty rates (i.e. a set percentage of the value) or to specific customs duty rates (e.g. a set amount per volume) or no customs duties at all (i.e. a zero rate).

Upon application, the Dutch Customs Authorities will issue a decision on the classification of the product. A Binding Tariff Information (BTI) provides security on the classification as it binds both the holder of the BTI as well as the Customs Authorities in each EU member state. We can assist with determining the classification of your goods and subsequently with the preparation and substantiation of the BTI application.

Valuation

Where goods are subject to ad valorem customs duties, the EU customs valuation rules are based upon the WTO valuation rules and likewise require that as a basic rule a transaction value method is applied. This means that the price actually paid or payable is the basis for the customs value, i.e. the value is based upon a buy-sell transaction. The transactions between related parties are basically acceptable as a basis for transaction value. However, the Customs Authorities may request that the arm's length nature of the prices is demonstrated. Only where such transaction value is not available or cannot be applied, alternative methods may apply.

When using a buy-sell transaction as the basis for the customs value, certain cost elements may need to be added in case these are not included in the price paid, e.g. freight and insurance to the EU border, assists, R&D costs or royalty payments. Certain elements e.g. inland freight or inland installation may, in certain circumstances, be excluded, in case these are included in the price paid. In case goods are subject to more than one transaction at the moment they enter the EU, only one of these transactions can be used as the basis for the customs valuation. The importer is nor free to choose which transaction he applies as the basis for the customs value. Since the EU interpretation of the rules may also qualify a purchase order as the (beginning) of a transaction, determining the correct basis for the customs value is not always that straightforward.

Origin

The EU has many free trade agreements and preferential trade arrangements in place with a large number of countries. These allow goods that, on the basis of the specified strict rules, qualify as originating from such a country to enter the EU at a reduced or zero customs duty rate. In recent years, the EU has concluded various new free trade agreements, of which the ones with Japan, the UK, Singapore and Vietnam are the latest.

However, the EU does also apply trade defence measures upon importation of goods, such as anti-dumping, anti-subsidy (also known as countervailing) or safeguard measures, which generally take the form of additional duties. These are often applied to goods originating from specifically listed countries. Careful consideration must therefore be given to the customs implications of any sourcing or production decisions.

Customs suspension arrangements

Unlike the US the EU does not have a general refund system for customs duties paid. This means that when goods are imported and subsequently re-exported the customs duties paid upon importation will not be refunded. Therefore, in order to avoid unnecessary payment of customs duties for products that are not destined for the EU market, various suspension arrangements can be applied, e.g. for transportation (customs transit), for storage (customs (bonded) warehousing) or for processing (inward processing). Some of these arrangements may also be applied for postponing the payment of customs duties and import VAT. For the application of such suspension regimes typically authorisations are required, which may only be available for EU established companies.

There is also a range of customs reliefs that an importer may use, provided that the criteria are met. For example, a relief of customs duties for goods returning to the EU after being exported.

Furthermore, simplified procedures are available for customs formalities upon import, transit and/or export. These simplified procedures often allow a more flexible handling of the (logistical) operations, with customs supervision being performed in the company's administration rather than with a physical customs check/supervision. The simplifications can also relate to self-issuing certificates of origin for exports, or origin statements on commercial documents such as invoices (authorised exporter). Based on such origin certificates or origin statements, the imports in the country of destination may be subject to reduced customs duty rates.

Excise duty

Excise duty is a consumption tax payable on certain consumer goods that have been specified in a European context. Excisable goods include: beer, wine, spirits, tobacco and mineral oil products. The amounts of duties payable may be substantial and the rules regarding excise formalities are complex. It is therefore important to seek advice before imports commence.

What can we do for you?

- Assist you with getting insight in the classification of your products (and the corresponding duty rate)
- Apply for a Binding Tariff Information (BTI)
- Assist with the implementation of Global Trade Management systems
- Determining a correct customs value; evaluate which elements should be included or excluded from your customs value
- Help your business to get in control of its customs processes. For this purpose, there are a number of tools (e.g. our Customs Monitoring Tool and our Customs Insights Tool) that have proven to help businesses to be in control
- Evaluate whether using free trade arrangements can lower the amount of payable customs duties in the EU
- Assess whether any customs suspension regimes and/or simplifications may be applicable
- Assist you with the application of customs authorisations (e.g. AEO, authorised exporter)
- Help with getting the relevant authorisations (such as a tax warehouse authorisation) to be able to store and transport excise goods under suspension of excise duties
- Assist with the process of determining whether goods would qualify as excise goods

Personal income tax

The Netherlands taxes its residents on their worldwide income; non-residents are subject to tax only on income derived from specific sources in the Netherlands (mainly income from employment, directors' fees, business income, and income from Dutch immovable property).

Residence

The facts and circumstances determine an individual's residence. In case of a dispute, the Dutch tax courts will examine the durable ties of a personal nature with the Netherlands. An expatriate is generally considered a resident of the Netherlands if, as a married person, his/her family accompanies him/her to the Netherlands, or if, as a single person, he or she stays in the Netherlands for more than one year.

Qualifying non-resident taxpayer

Qualifying non-resident taxpayers of the Netherlands (i.e. individuals who reside in the EU, EEA, Switzerland or the BES islands (Bonaire, St. Eustatius and Saba) and who earn 90 per cent of their worldwide income in the Netherlands) are also eligible for personal/familial deductions, tax credits, et cetera, which are normally only available to Dutch tax residents.

Under the provisions of the 30 per cent ruling (see 'Extraterritorial costs and the 30 per cent ruling' on page 37), employees who are considered resident taxpayers may opt to be treated as partial non-residents. 'Partial' in this respect implies that they are treated as residents for box 1 and as non-residents for box 2 and box 3 purposes (please find the explanation of the boxes underneath).

Boxes

In the Netherlands, worldwide income is divided into three different types of taxable income, and each type of income is taxed separately under its own scheme, referred to as a 'box'. Each box has its own tax rate(s). An individual's taxable income is based on the aggregate income in these three boxes:

Box 1

Scope

Box 1 refers to taxable income from work and home ownership. It includes entrepreneurial and employment income and home ownership of a principal residence (deemed income).

Rates

Box 1 has a progressive rate.

Income (EUR)	Tax rate (%)	Social security (%)	Total (%)
0 - 35,472	9.42	27.65	37.07
35,472 - 69,398	37.07	None	37.07
> 69,398	49.50	None	49.50

Income determination

Regarding box 1, we will only discuss income from employment and home ownership, as these are most relevant for employees of foreign companies doing business in the Netherlands.

If an employee is on a Dutch payroll, wage tax will be withheld from its salary. The amount withheld and paid by the employer is applied as a prepayment of income taxes for the employee. Within an employment relationship, all benefits in kind are, in principle, considered taxable income. Such benefits include accommodation allowances, private use of the company car, employee stock options, home-leave allowances, and pre- and post-assignment bonuses. Employer-paid reimbursement of relocation costs relating to the acceptance of new employment is not taxable. The same applies for employer contributions towards approved pension schemes, as the future pension terms will be taxed. Income and benefits from equity based remuneration is generally taxable at the moment the benefit vests (shares) or is exercised (stock options).

The rules regarding 'excessive' remuneration, brings 'lucrative investments' (carried interest arrangements) under taxation in box 1. The income from a lucrative investment, both income and capital gains, will in principle be considered 'income arising from other activities' and, as such, be taxable in box 1. Under certain circumstances the income may be taxed in box 2 (lower tax rate of 26.90 per cent).

Mortgage interest payments in relation to the financing, renovation, or maintenance of the primary residence may be deducted from box 1 income. To determine the net amount of the deduction, deemed income of, generally, 0.45 per cent of the value of the property is taken into account. An increased rate of 2.35 per cent applies when the value exceeds 1,130,000 euro . This increased rate applies to the portion exceeding 1,130,000 euro. The interest paid on mortgage loans concluded on or after 1 January 2013 can only be deducted if the full mortgage loan is paid off on a periodical basis within 30 years. Starting from 1 January 2014, the maximum effective tax rate against which the mortgage interest is deducted is lowered. In the year 2022 the mortgage interest paid can be deducted against a (maximum) tax rate of 40 per cent. The mortgage interest deduction will be further reduced in steps to 37.03 per cent in 2024.

Levy rebates
Qualifying taxpayers are entitled to 'levy rebates'. In addition to the general levy rebate, several other levy rebates may be claimed, depending on the personal situation of the taxpayer (e.g. the single parent rebate).

Box 2

Scope
Box 2 refers to taxable income from a substantial interest.

Rates
Box 2 income is taxed at a rate of 26.9 per cent.

Income determination
A Dutch resident that holds at least five per cent of the shares or a class of shares of a company, or that holds rights to acquire a five per cent interest in a company, has a 'substantial interest'. The benefits derived from this substantial interest are taxable in box 2. These benefits include dividends and the gain on the sale of one or more of the shares or rights. Taxation in box 2 will apply to a non-resident only if he holds a substantial interest in a Dutch-based company.

Box 3

Scope
Box 3 applies to (deemed) taxable income from savings and investments.

Rates
Box 3 income is taxed at a flat rate of 31 per cent (see table below for fixed return on investment).

Income determination
Income from savings and investments is, as such, not taxable. However, the net assets (assets minus debts) valued at 1 January are deemed to generate a fixed return on investment per year. The fixed return on investment depends on the amount of the net assets. This fixed return is taxed in box 3. All net assets that are not intended for daily use and that are not taxed in box 1 or box 2 classify for the box 3 taxable base.

For residents and non-residents, part of the taxable base is exempt (2022: 50,650 euro per adult) and several specific deductions apply. Non-residents are subject to taxation only on the net value of a limited number of Dutch assets, including Dutch real estate not used as the primary residence, and Dutch profits rights unrelated to shares or an employment.

Assets	Notional yield	Effective tax rate
Up to €50,650	Tax-free	0.00%
€50,650 - €101,300	1.82%	0.56%
€101,300 - €1,013,000	4.37%	1.35%
€1,013,000 and more	5.53%	1.71%

Future changes to box 3

The Dutch government has announced the intention to reform the box 3 system. However, this reform is expected to be taken further by the new cabinet. The intention is to no longer tax income from savings and investments based on a deemed return, but on the basis of the actual return that the savings and investments generate.This new system will probably take effect as of 1 January 2025.

Foreign tax relief

Residents and most partial non-residents are entitled to relief from double taxation under tax treaties or under unilateral relief provisions.

Social security

The Netherlands has an extensive compulsory social security system, to which both the employer and the employee must contribute. As the social security contributions are capped, the Dutch social security system is relatively inexpensive in comparison to other European social security systems.

The system can be classified as follows:

- National insurance tax: under the national insurance tax regulations, contributions are levied up to a maximum income of 35,472 euro. At present, the contributions are capped at 9,808 euro per annum. From this amount several levy rebates may be deducted. National insurance contributions paid by an employee are not deductible from taxable income. National insurance contributions and income taxes are included as a combined amount in the first income tax bracket.
- Employee's insurance: this is paid by the employer. It includes unemployment and disability benefits.

The average maximum annual contribution amounts to approximately 7,027 euro for an employee with a permanent employment contract and 10,013 euro for an employee with a temporary employment contract. This assumes that you do not qualify as a 'small' employer.
- Health insurance: the employee should individually conclude a health insurance policy with a Dutch health insurance company irrespective of whether international health insurance is available. In addition, the employer is required to make a contribution as well. This contribution is capped at 4,000 euro.

Extra-territorial costs and the 30 per cent ruling

The actual costs incurred by employees who are hired/assigned from abroad may be reimbursed tax-free provided that these expenses can be proven. These extra-territorial costs basically include all costs that the employee would not have incurred had he or she not been assigned to the Netherlands. Costs that qualify as extra-territorial costs include, among others, costs related to double housing, language courses, residence permits, and home leave.

If certain conditions are met, a foreign employee working in the Netherlands may be granted a 30 per cent ruling. Under this ruling, a tax-free reimbursement amounting to 30 per cent of the income from active employment can be paid to the employee. Apart from the base of the 30 per cent ruling the employer can reimburse the school fees for an international school for the kids of employees tax-free in full.

The 30 per cent reimbursement is intended to cover all extra-territorial costs. If the 30 per cent ruling is applied, the actual extra-territorial costs cannot be reimbursed tax-free in addition to the 30 per cent reimbursement.

However, if the actual extra-territorial costs are higher than the 30 per cent reimbursement, you can choose to reimburse these higher actual costs tax-free if proof of the costs is available.

There are several requirements to qualify for the 30 per cent ruling:
- The foreign employee should have specific expertise that is not available, or is scarce in the Dutch labour market. This is based upon a salary norm: the general gross salary has to amount to a minimum of 39,467 euro (i.e. 56,381 euro including tax-free reimbursement of 30 per cent). A lower norm amounting to 30,001 euro (i.e. 42,859 euro including tax-free reimbursement of 30 per cent) applies to individuals with a university degree who are younger than 30.
- The employee must have lived outside a 150 kilometer radius of the Dutch border during more than 2/3 of a 24-month period before taking up Dutch employment in order to qualify for the 30 per cent ruling.
- An application for the 30 per cent ruling must be filed within four months after starting the Dutch employment. If this period is exceeded, the ruling, if granted, will only apply as of the month following the month in which the application was filed. The 30 per cent ruling may only be applied if the employee is included in a Dutch wage tax administration.

As of January 2019, the maximum term of the 30 per cent ruling and the tax-free reimbursement of actual extra-territorial costs have been reduced from eight to five years.

The 30 per cent ruling lapses at the end of the next wage tax period following the wage tax period in which the Dutch employment was terminated. The 30 per cent ruling cannot be applied on post-departure income. Hence, the 30 per cent ruling can, in principle, not be applied on bonuses and equity income that becomes taxable after having left the Netherlands in most situations.

Example of the 30 per cent ruling
The example shows the difference in effective tax rate between applying the 30% ruling and reimbursement of the actual tax-free costs for an employee with an income of 75,000 euro and 10,000 euro actual extraterritorial costs.

	With 30% ruling	Without 30% ruling	
Paid by employer	€ 75,000	€ 75,000	
Less: extra-territorial costs	€ 22,500 (30% of remuneration)	€ 10,000 (actual costs)	-/-
Wage for income tax	**€ 52,500**	**€ 65,000**	
Less: Income tax	€ 9,653	€ 14,287	-/-
Less: National insurance tax	€ 9,808	€9,808	-/-
Plus: Levy rebates	€ 4,355	€ 2,875	+
Net income	**€ 59,893**	**€ 53,780**	
Effective tax rate	20%	28%	

Payroll taxes

Entrepreneurs who have their residence (or a permanent establishment) in the Netherlands and who employ personnel, are obliged to withhold and pay payroll taxes. Entrepreneurs who do not have their residence in the Netherlands but do have employees that are taxed in the Netherlands for their employment income, can choose to become a withholding agent for the payroll taxes in the Netherlands.

Withholding agents for the payroll taxes are obliged to withhold wage tax and the national insurance contributions from the employee's wage and bear the cost of the employee's insurance contributions and the income-related contribution pursuant to the Health Care Insurance Act (jointly: payroll taxes). Please note that the social security premiums are only due in case the employee is covered by the Dutch social security system.

The wage tax and national insurance contribution are a withholding tax on the income tax of employees. The insurance contributions and the income-related contribution pursuant to the Health Care Insurance Act are costs for the employer. For 2022, the maximum premium for the employee's insurance contributions is approximately 7,027 euro for an employee with a permanent employment contract and 10,013 euro for an employee with a temporary employment contract. The maximum income-related contribution pursuant to the Health Care Insurance Act is 4,000 euro.

The wages are understood to mean everything the employee receives pursuant to the employment contract although some items may be tax exempt (under the general work-related cost scheme or specific exemptions). Employers who provide reimbursements or benefits in kind to employees will have to assess the wage tax implications. When no specific exemption applies (specific exemptions apply for example to entitlements to Dutch pension benefits and certain jubilee bonuses), the reimbursement or benefit in kind is individual wage for the employee or can be included in the work-related cost scheme.

Work-related cost scheme

Under the work-related cost scheme, the employer can provide reimbursements and benefits in kind tax-free. The work-related costs budget was temporarily increased for 2021 to 3 per cent for the first 400,000 euro of the total fiscal wages, and 1.18 per cent for the remaining amount of the taxable wage bill. For 2022 this is again reduced to 1.7 per cent for the first 400,000 euro of the total fiscal wages.

Furthermore, under the regime a number of specific benefits can be provided tax-free, without being included in the work-related costs budget. In case the work-related costs budget is exceeded, the employer has to pay a final levy of 80 per cent on the amount in excess.

It is important to note that under the work-related cost scheme, the scale of the reimbursements must not substantially deviate (30 per cent) from what is considered usual in similar circumstances. Besides, certain benefits cannot be provided tax-free under the work-related cost scheme, because they are compulsory individual wage for the employee. This applies for instance to the private use of a company car.

New specific exemption under the work-related cost scheme

As of 2022, organisations may reimburse home-working costs under a specific homework allowance exemption. This exemption applies for a fixed amount of maximum 2 euros per day worked from home. This allowance of 2 euros per day worked from home may also be given if an employee works from home for only a part of the day. However, it is not possible to apply both the exemption for a homework allowance and the exemption for commuting costs (to the fixed place of work) for one and the same working day. It is possible to grant the allowance in the form of a fixed allowance per period, as is currently possible for commuting costs.

In order to apply this specific exemption, it is important to have insight into the number of days that an employee usually works from home. This is all the more important as the exemption for home-working costs and the exemption for commuting costs cannot apply for the same working day. In case you have made specific agreements with your employees regarding the number of days they work from home, then an incidental deviation from the agreed ratio does not have to lead to an adjustment of the fixed allowances. In case of a more structural change in the agreements, the fixed allowance for home working costs and commuting costs (to the fixed place of work) should be adjusted.

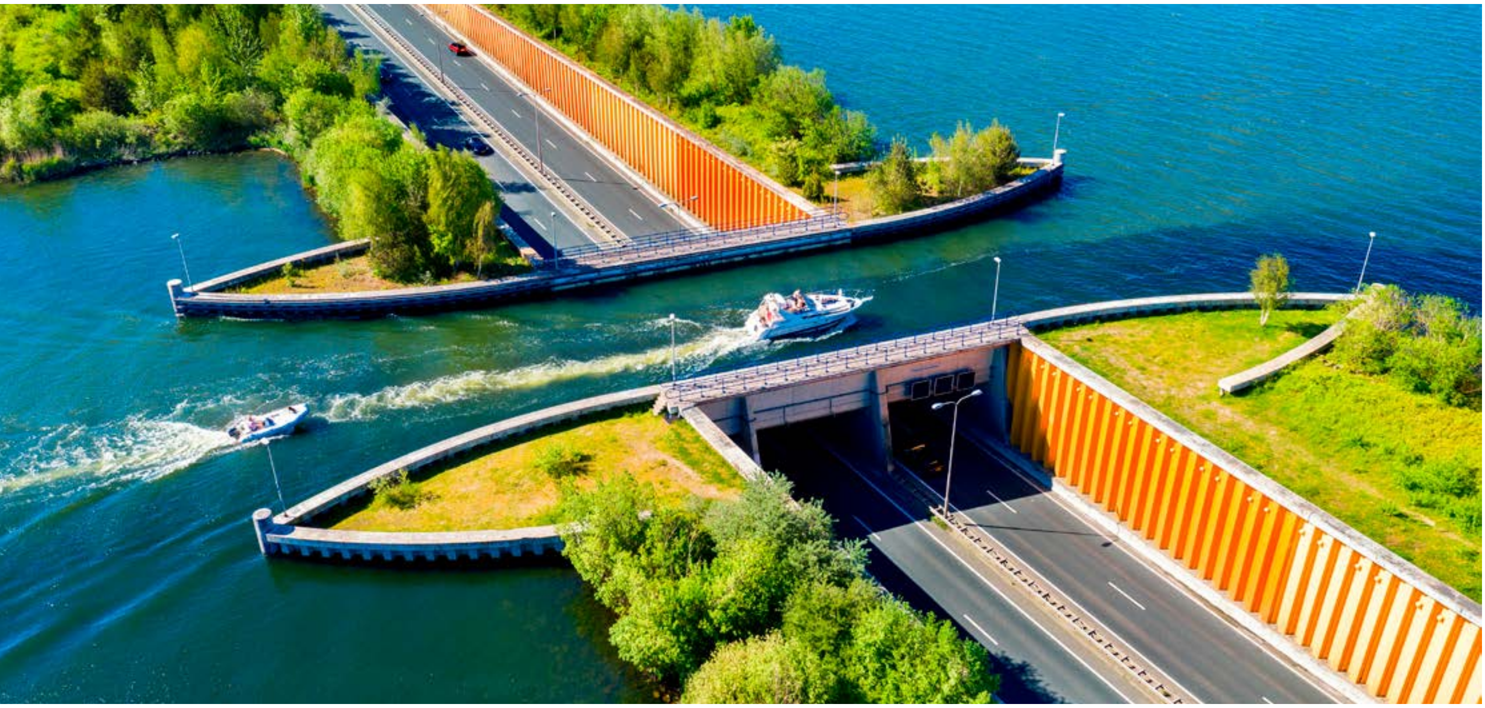
Gender quota

New regulation enters into force per 1 January 2022. Large Dutch corporations, including listed and unlisted bv's and nv's, will be legally required to aim for a balanced distribution of men and women in the Management and Supervisory Board. As part of this new law, a quota is introduced by which at least one-third of the Supervisory Board of listed corporations must consist of women and at least one-third of men. The quota will apply to new appointments only. Consequently, if the composition of the supervisory board is not balanced, every appointment must contribute to a better-balanced board.

Furthermore, organisations will be required to set appropriate and ambitious targets to improve the gender balance in the top and sub top management. The Sociaal Economische Raad ('SER') will monitor the results via a platform.

What can we do for you?

- Advise on tax efficient wage tax payments and the work-related cost scheme
- Set up a Dutch payroll administration and apply for a voluntary registration as withholding agent.
- Assist you to understand and manage the risk and compliance of your global talent deployments
- Putting the right people in the right locations, at the right times, in a cost effective and efficient way (manage your global workforce with our technology and benefit from the applicable tax, pension and social security benefits)



Other taxes

Real Estate Transfer Tax

Acquisition of economic or legal ownership of non-residential immovable property in the Netherlands is subject to an eight per cent transfer tax on market value (2022). Some exemptions are available, e.g. for mergers, split ups and reorganisations.

The real estate transfer tax on dwellings is subject to a lower rate of two per cent, however under the specific condition that the home will actually be occupied by the acquirer for permanent living by him or herself. Homes to be acquired for rental purposes remain subject to the general transfer tax rate of eight per cent. Furthermore, the acquisition of the mere economic ownership of a home will remain subject to the eight per cent rate, in any case.

Apart from the mentioned two per cent rate on dwellings, an exemption is available for 'starters' on the housing market. This exemption is applicable to any adult younger than 35 years of age when purchasing a dwelling for which the exemption is claimed. The exemption is only applicable on homes with a maximum purchase price of 400,000 euros. Furthermore, this exemption is subject to the condition that the home will actually be occupied by the acquirer for permanent living by him or herself. Someone can only claim this exemption for the acquisition of a home once in his or her lifetime. In some cases persons who have already purchased a home previously, but without using the exemption, can still claim the exemption for a successive acquisition if they are still younger than 35 years of age at the moment of the successive acquisition.

As per 2022 a new exemption has been introduced for situations in which a dwelling has been sold in the past under repurchase condition and the property is indeed repurchased. Housing corporations and property developers use these type of conditions ('verkoopregulerend beding') in the case they sell dwellings to low income households often at reduced prices. If the purchasers want to resell the dwelling, by this condition they cannot sell it to any market party at a higher market value, but must resell the property to the housing corporation or developer at a set price. For such repurchases an exemption of real estate transfer tax is available.

The acquisition of shares in an entity that owns real estate may also be subject to transfer tax if that entity is characterised as a 'real estate entity'. The threshold for qualifying as a real estate entity is met if, at the time of acquisition of the shares or in the preceding year, more than 50 per cent of the assets of the entity consists of or has consisted of real estate situated within and/or outside the Netherlands, and at least 30 per cent consists of or has consisted of real estate situated within the Netherlands.

Dividend withholding tax

Dividends from Dutch corporations are generally subject to a 15 per cent Dutch dividend withholding tax. In general, in a business-driven structure this does not apply to a Dutch cooperative. Dividend withholding tax on dividends received by taxpayers or corporate entities is creditable against the personal income tax and the corporate income tax due (if the income is not exempt under the participation exemption and limited to the annual amount of corporation tax due).

Dividends paid to corporate entities in other EU/EEA countries are often exempt from dividend tax due to the EU Parent/Subsidiary Directive or EU/EEA law. This exemption also applies to dividends paid to corporate entities in countries with which the Netherlands has a bilateral tax treaty. The exemption for the withholding of Dutch dividend withholding tax is subject to targeted anti-abuse rules, which are interpreted in accordance with the OECD BEPS Project.

A 'holding cooperative' might be obliged to withhold dividend withholding tax if, in the preceding year, at least 70 per cent of the actual operations of a holding cooperative domiciled in the Netherlands consist of holding activities. Cooperatives that have membership rights comparable to shares remain obliged to withhold dividend tax regardless of their qualification as a holding cooperative. Also see the paragraph 'Conditional source tax on dividends' under International developments on page 24.

Withholding tax on interest and royalties

As per 1 January 2021, the Netherlands has a conditional withholding tax on outbound interest and royalty payments to affiliated entities in countries which levy no tax on profits or at a statutory rate of less than 9 per cent, countries on the EU list of non-cooperative jurisdictions, and in tax abuse situations. The withholding tax rate is equal to the highest corporate income tax rate, being 25.8 per cent. A similar conditional withholding tax for dividends will be introduced per 1 January 2024. Also see the paragraph 'Conditional withholding tax on interest and royalties' under Tax compliance on page 45 and the paragraphs 'Conditional source tax on interest and royalties' and 'Conditional source tax on dividends' under International developments on page 24.

Car taxes and regional taxes

Apart from the taxes already mentioned, some other taxes are part of the Dutch tax system. The most important are:

- An individual who owns/uses a car in the Netherlands may become liable to Dutch road tax.
- A municipal tax applies to the ownership and/or use of immovable property.
- Inheritance and gift tax is imposed on the fair market value of the inheritance or gift.
- A variety of environmental taxes, such as energy tax and tax on mains water.

What can we do for you?

- Assess whether an obligation to withhold dividend tax exists
- Inform you on the developments regarding potential, changes to the withholding taxation on dividends and the introduction of a withholding tax on interest and royalties
- Help you to determine your tax liability, both for withholding tax and income tax purposes
- Inform you about the conditions and application of a bilateral tax treaty
- Advise you on the application of national and international law
- Assist you in complying with the formal and administrative rules such as notification deadlines, application forms, objection and appeal

Tax incentives

The Netherlands is a very attractive place for performing research and development (R&D) work and for investment. The Dutch tax system features several tax incentives to stimulate innovation and business activities.

Research and development incentives

Apart from the innovation box (see 'Innovation box regime' on page 27), the Dutch tax system stimulates R&D activities by providing for a reduction of wage tax due on the wages of employees engaged in R&D of technologically new products.

R&D costs

A company can reduce the costs of its R&D activities by making use of the scheme for reducing the payroll tax and national insurance contributions to be remitted (Wet bevordering speur- en ontwikkelingswerk: WBSO). The WBSO rebate for R&D covers salary costs and other costs and expenses related to R&D. The subsidy accrues to the employer when the employee is credited for the normal amount of wage tax. For the year 2022, the regular reduction of the payroll tax and social security contributions amounts to 32 per cent of the first 350,000 euro in R&D costs (first bracket) and sixteen per cent of the excess R&D costs. The rebate is limited to the total amount of wage tax due. For start-ups, the reduction may amount to 40 per cent of the first bracket.
To obtain the relief under the R&D incentive programme, taxpayers must file an electronic/online application with RVO.nl, a department of the Ministry of Economic Affairs. If approved, the taxpayer will receive an R&D declaration. The budget for this subsidy is fixed, so the amount of the subsidy is dependent on budget availability. Note that, subject to certain conditions, self-developed and utilised software falls within the scope of the R&D incentive.

Investment incentives

Investments in certain business assets may qualify for an additional deduction for tax base calculation purposes. Not all business assets are eligible, some are explicitly excluded.

Energy-efficient and environment-improving assets

An investment in a new energy-efficient asset may qualify for an additional deduction (EIA) if the amount exceeds 2,500 euro and the asset satisfies the requirements on the Energy List 2022. The EIA amounts to 45.5 per cent of the qualifying investments. A similar tax incentive is available for investments in new environment-improving assets. Such an investment may qualify for an additional deduction (MIA) if the amount exceeds 2,500 euro and the asset satisfies the requirements on the Environment List 2022. The MIA is set at 45, 36, and 27 per cent (dependent upon eligibility) of the amount of the qualifying investments. The taxpayer must report the qualifying investment within three months to RVO.nl. Both for EIA and MIA, limitations to the maximum amount of benefit apply.

Arbitrary depreciation

If conditions are met, entrepreneurs are permitted to apply an arbitrary depreciation scheme. In contrast to a regular scheme, a higher or lower depreciation rate may be selected annually depending on which would be the most suitable at the time.

Arbitrary depreciation is available to, among others, investments in business assets that are in the interest of the protection of the Dutch environment and that meet certain requirements. For more details, refer to the paragraph 'Depreciation' under Corporate income tax.

What can we do for you?

- Inform you about the availability of tax incentives for your business / investments
- Advise you on the application of the tax incentives to your business
- Assist you in complying with the formal and administrative rules such as notification deadlines, application forms, objection and appeal

Tax compliance

Corporate income tax

CIT return and assessment

A company incorporated under Dutch law or a foreign company tax resident in the Netherlands is required to file a corporate income tax (CIT) return annually.

The Dutch Tax Authorities will issue a preliminary CIT assessment at the start of a financial year. For financial years that do not coincide with the calendar year, other timing considerations than those discussed below are relevant.
A first preliminary CIT assessment is normally issued in January of the relevant year. Generally, the taxable amount in this first assessment is based on either the average of the two preceding years' taxable income or on a preliminary tax return submitted by the taxpayer. The payment date is mentioned in the assessment. Normally, these assessments must be paid within six weeks after the issue date of the assessment or in eleven monthly instalments, starting at the end of the second month of the current year (i.e. February to December). However, the amount due on the assessment can also be paid in one lump sum payment. A taxpayer will then receive a discount on the amount payable. We note that it is being considered to abolish the payment discount.

Please note that at any time the taxpayer has the possibility to request the Dutch Tax Authorities to issue a revised preliminary CIT assessment. Such a request can be filed electronically and is normally accepted, after which a revised preliminary assessment will follow.

Following the end of a financial year, a CIT return should be filed within five months, with a possible extension of five months (before 1 June respectively 1 November of the subsequent financial year in case of a financial year equal to the calendar year). If the CIT return is prepared by a professional tax firm like PwC, under certain conditions a longer extension for filing the CIT return can be obtained, up to a total of sixteen months after the end of a financial year. This means that for financial years that end on 31 December 2021, an extension for filing the CIT return may be granted up to 1 May 2023. The maximum extension of eleven months (in addition to the standard five months) after the end of the financial year also applies to companies with a financial year that is not equal to the calendar year.

After the tax return has been filed, a revised preliminary tax assessment is often issued. Once the Dutch Tax Authorities have examined the CIT return, the final CIT assessment will be issued. The final assessment should be issued within a period of three years as from year end plus the period of the extension granted for filing the tax return. An objection against the final CIT assessment must be filed within six weeks after the date of the assessment.

Payment

Tax is payable within six weeks of the date of assessment. Interest is payable on any difference between the final assessment and the preliminary assessments. The interest is calculated from six months following the financial year up until the payment date of the final assessment. It is advisable to ensure that a correct preliminary tax assessment is imposed, given the high level of tax interest payable of 4 per cent up to 31 December 2021. As of 1 January 2022 the rate amounts to 8 per cent.

What can we do for you?

- Prepare corporate income tax returns
- Prepare tax accounting positions for annual accounts (Dutch GAAP, IFRS or US GAAP)
- Advise and implement on tax (compliance) process set-up
- Advise on and delivery of tax technology solutions (accounting, monitoring, country-by-country reporting, workflow)
- Unlock the potential of your existing ERP systems for tax

In situations where the final assessment shows a lower amount of tax due than the preliminary assessment, please note that ordinarily no interest is refunded to the taxable entity. In light of the above, it is important to make sure the preliminary assessments are estimated as close to the expected final assessments as possible.

Additional assessments

The Dutch Tax Authorities can issue an additional assessment after the final assessment is raised within five years after the fiscal year has ended, if new data become available of which the tax inspector could not reasonably have been aware at the time the final assessment was made. This period of five years is prolonged by the period with which the filing of the tax return has been extended. With regard to income from abroad, such additional assessments are allowed within twelve years. An additional assessment may involve interest and a penalty of up to 100 percent of that assessment. This penalty is not tax deductible.

Master File & Local File / Country-by-country reporting

The country-by-country report needs to be submitted to the Dutch Tax Authorities within twelve months after the end of the financial year. Furthermore, Dutch companies forming part of a multinational group with a consolidated turnover of at least 50 million euro must retain a master file and a local file as part of the administration, irrespective of the tax jurisdiction of its ultimate parent company. These need to be in the administration of the Dutch companies in the timeframe set for filing the tax return (see also page 25).

A Dutch group entity of a multinational group with a turnover of at least 750 million euro must notify the Dutch Tax Authorities whether the ultimate parent company or surrogate parent company will file the country-by-country report. If not, it must notify the Dutch Tax Authorities which group company and its tax residence will file the report. This notification should be made at the latest on the final day of the financial year.

ATAD II documentation requirement

Although the ATAD II does not provide for a specific documentation requirement, under Dutch ATAD II legislation, a taxpayer must include in its records all data that is relevant to determine whether a payment falls within the scope of ATAD II. If a taxpayer takes the position that a payment does not fall within the scope of ATAD II, documentation that supports this position must also be included in the relevant file. If the taxpayer does not have this information on file, the burden of proof will shift to the taxpayer who must then demonstrate that the ATAD II rules do not apply.

What can we do for you?

- Preparation of CbC report, including data gathering, process design etc.
- Filing of CbC report and CbC notification
- Analysis and understanding of CbC data
- Conversion from client data into XML for filing of CbC report
- Preparation of Master File and Local File
- Global support CbC filing requirements

Dividend withholding tax

Dividend payments, distributions treated as dividends and interest on certain profit participating loans paid by resident companies to residents or non-residents are subject to dividend withholding tax.

The tax is withheld by the distributing company at the moment the dividends are put at the disposal of the recipient. The distributing company must file a dividend withholding tax return and pay the tax withheld to the Dutch Tax Authorities within one month of the distribution. In most cases a dividend withholding tax return has to be filed even though no dividend withholding tax is due.

In some situations and subject to several conditions, if a Dutch entity has received a dividend from a subsidiary that is resident within the Netherlands or a country that has concluded a tax treaty with the Netherlands and that was subject to withholding tax in that jurisdiction, it is possible that Dutch dividend withholding tax due on subsequent dividend distributions by the Dutch entity to its shareholders is lowered by three per cent (of the distribution by the Dutch entity).

Additional assessments can be imposed by the tax inspector within five years after the calendar year in which the tax liability incurred or the dividend withholding tax refund was made. In case of an omission in the dividend withholding tax return filed or in case the dividend withholding tax is not paid or not paid within the stipulated period, a penalty may be imposed.

Conditional withholding tax on interest and royalties

As of 2021, interest and royalty payments to group companies established in low-tax jurisdictions will be subject to a withholding tax (reference is made to page 24). If such interest and/or royalty payments have been made during the year, an interest/royalty withholding tax return should be filed with the Dutch Tax Authorities ultimately one month after the end of that calendar year.

What can we do for you?

- Asses the dividend / interest / royalty withholding tax position
- Prepare dividend / interest / royalty withholding tax returns

Value added tax

VAT return

The tax period is usually a calendar quarter. However, the taxpayer can request the Dutch Tax Authorities to file a monthly VAT return. If the taxpayer is in a refund position, this could lead to a cash flow advantage. The taxpayer can also request filing a yearly VAT return provided that some specific conditions are met. The tax authorities can oblige you to file a monthly VAT return in case of late filing or late payment. Due to the COVID-crisis for VAT, there was the possibility of temporarily deferring payment of tax until 1 October 2021 at the latest.

VAT returns are due by the last day of the month following the tax period to which they relate for companies established in the Netherlands. For foreign companies with only a VAT registration in the Netherlands, the returns are due by the last day of the second month following the tax period to which they relate. Taxable persons filing an annual return are automatically allowed to defer filing until 31 March of the following year. This applies even if no business has been conducted in the Netherlands during that period or if there is no right to refund of Dutch VAT.

As VAT returns must in general be filed electronically there is no need for rescheduling these dates because of weekend or bank holidays. VAT returns can be filed 24/7. The VAT payable regarding a tax period ultimately has to be paid when the VAT return has to be filed.

Adjustments can be made to a submitted VAT return by lodging an objection within six weeks after filing the VAT return (in most cases within six weeks after the ultimate date of payment of the VAT due). Furthermore, an additional VAT return can be submitted within five years after filing the VAT return. However, in the latter case, no formal appeal is allowed if the changes are rejected by the Tax Authorities. A special electronic form exists for filing additional VAT returns. A special form is required if the correction of VAT payable to the Tax Authorities is more than 1,000 euro.

Recapitulative statement

A recapitulative statement needs to be submitted if the taxpayer supplied goods or services to an entrepreneur in another EU country and, in the case of the supply of goods, these goods are dispatched from the Netherlands. Taxpayers transporting their own goods to another EU country must also submit these statements. The period for which the taxable person must submit a recapitulative statement depends on the actual situation (the amount of supplies and/or acquisitions and the type of transactions). The following situations are possible: monthly, bimonthly, quarterly and annually.

In the Netherlands the threshold for monthly listing of intra-community supplies of goods (the so-called ‘Opgaaf ICP’) is 50,000 euro. An entrepreneur must therefore submit the ICP declaration on a monthly basis, if he supplies more than € 50,000 of goods to other EU countries in a quarter. The ‘Opgaaf ICP’ for services can be filed on a quarterly basis. If a taxable person is allowed to file annual VAT returns, it is possible, provided certain conditions are met, to apply for annual submission of the statements. The statements are generally due by the last day of the month following the applicable reporting period.

Intrastat declaration

Intrastat declarations have to be filed for dispatches of goods to other EU countries if these dispatches exceed 1,200,000 euro per year and (separately) for arrivals of goods from other EU countries if these exceed 1,000,000 euro per year. The Intrastat declarations must be filed monthly and are due on the tenth day of the calendar month following the period to which they relate.

What can we do for you?

- Prepare and file the VAT returns, recapitulative statements, Intrastat declarations and refund requests
- Matching general ledger and VAT return

Personal income tax

PIT return

Tax returns must be filed after each calendar year, in principle before 1 May. Extensions may be possible.

Advance payment or preliminary tax refund

Generally speaking, if taxpayers have sizeable income that is not subject to wage tax withholding, they may be required to make advance payments of estimated additional income tax. If the employee has income tax deductions that are not considered in the Dutch payroll (e.g. the mortgage interest deduction), it is also possible to file a preliminary tax refund form in order to claim monthly income tax refunds during the calendar year.

Payroll taxes

Payroll taxes are calculated for each wage period, i.e. the period for which the employee receives his/her wage (usually monthly or four-weekly). The employer is required to timely and correctly file the payroll tax returns per wage period. The payroll tax return consists of a collective section (general information concerning the employer) and an employee's section (detailed information concerning each employee. As of 2019 in this section the foreign home address of the employee needs to be included in order to implement the correct levy rebate).

The Tax Authorities use the detailed information for purposes including the award of benefits and the pre-completed income tax returns. Consequently, it is important that the details are up-to-date, correct and complete. For this reason the employer must always adjust or supplement any misstatements or shortcomings in payroll tax returns.

The amount due on each payroll tax return has to be paid within the deadline given by the Tax Authorities.

What can we do for you?

- Payroll tax compliance review
- Employment tax reorganisation services
- Prepare Dutch personal income tax returns
- File requests for preliminary assessments
- Set up and run Dutch payroll processes
- Run our digital assessment tool to identify risks and opportunities

Human resources and employment law

Human resources

The most important long-term asset of almost any business is its qualified personnel. As mentioned before, the Netherlands is internationally renowned for its high-quality labour market. In addition, Dutch employees are flexible and have an excellent work ethic.

Trade unions in the Netherlands have a moderate character and tend to operate on the premise of consensus. Union membership is generally low and where industrial disputes do occur, they are resolved quickly and pragmatically. Employers and employees cooperate in various ways through the Joint Industrial Labour Council, the Social and Economic Council, Dutch works councils and European works councils. This cooperation also contributes to stable labour relations. As a result, growth in wage costs has been kept to moderate levels, while productivity levels remain high.

It is common practice in the Netherlands to include a bonus scheme in the employment agreement of highly qualified personnel. In certain sectors bonus/reward schemes are subject to specific statutory requirements. The wording of these schemes is of utmost importance, as the right design can have tax advantages and may save the employer unexpected costs when the employment is terminated. In addition, providing benefits (rather than paying a higher salary) can have tax advantages for both the employer and the employee.

While wage costs are moderate, it is important to notice that premiums for benefits such as social security and pensions are compulsory. They are paid by both the employer and the employee.

Dutch employers can also hire ‘self-employed persons’. A self-employed person is not an employee. In practice it is sometimes hard to make a distinction between an employee and a self-employed person. The employer should make sure that the Dutch Tax Authorities cannot consider the relationship with the self-employed person as an employment.

The government is currently working on a web module to provide employers with certainty, if possible, that a labour relationship with a self-employed person is not an employment.

In the meantime, enforcement of labour relationships with self-employed persons was in first instance suspended until 1 October 2021, with an exception for so-called malicious parties, for whom enforcement is possible. As of 1 January 2020, the Tax Administration is also able to enforce if organisations do not (or insufficiently) follow the Tax Administration’s instructions within a reasonable period of time. These enforcement principles are currently still applicable, as the new government will develop further regulation regarding self-employed persons. In other words, new developments are expected in 2022.

What can we do for you?

- Up-to-date information about the developments in the Dutch labour market
- Advise about employment terms and conditions
- Advise about the position of a self-employed person

Employment law requirements

Dutch law grants employees a range of protections that create obligations and potential risks for employers. These include among others:

- An obligation to pay employees at least the minimum wage, which is a fixed monthly rate and is increased annually (as of 1 January 2022 1,725 euro gross per month for those aged 21 and over) and holiday allowance (8 per cent of gross annual salary).
- Maximum work periods and minimum rest periods. This means a full-time work week that normally contains not more than 40 hours per week.
- A duty to give each employee paid holiday leave at a minimum of four times the average number of days worked per week (20 holiday days based on full-time employment). Giving employees 25 holiday days per year is considered as market practice.
- The limitation of the number of temporary employment contracts that can be offered to an employee (three fixed term contracts within a period not exceeding three years).
- Various benefits for the employee in connection with childbirth, adoption and other family situations (including the right to at least sixteen weeks of pregnancy and maternity leave).
- The obligation to pay employees during illness. During the first two years employees are entitled to: 70 per cent of their last earned salary, with a minimum equal to the monthly statutory minimum wage of 1,725 euro gross (during the first year and if 21 years or older - as per 1 January 2022) and a maximum equal to 70 per cent of the maximum monthly wage of 4,975.53 euro gross (as per 1 July 2022).
- The requirement to establish a works council or an employee representative body. A company is obliged to establish a works council if (1) it employs 50 employees or more or (2) it is obliged to do so by an applicable CLA. An employer employing more than 10 but less than 50 workers is obliged to install an employee representative body if requested to do so by the majority of its personnel. If no employee representative body has been established, the employer is obliged to have a personnel meeting ('personeelsvergadering') at least twice a year or when requested by its employees.
- A limitation of the employer's freedom to process personal data obtained about its employees and job applicants.
- A general duty to provide a safe place of work, safe access and safe work systems, supported by related obligations such as consulting with employees or their representatives on health and safety issues and providing staff with certain health and safety information.
- An obligation not to discriminate against employees, including job applicants, on a range of grounds. According to several equal treatment regulations.
- The obligation to pay employees a statutory severance payment ('transition allowance') upon termination. Employees are entitled to a (prorated) transition allowance as per the first day of their employment (including termination within the probationary period) and if the termination or the non-renewal of a contract (incl. after sickness or expiration of a definite term contract) is initiated by the employer. The transition allowance amounts to 1/3 of a gross monthly salary for each service year. As of 1 January 2022, the maximum transition allowance amounts to 86,000 euro gross or to a gross annual salary, should that be higher than 86,000 euro. The gross monthly salary includes 8 per cent statutory holiday allowance, year-end allowance (13th month), structural allowances and bonuses.
- Several dismissal law rules and statutory protection from dismissal rules.

It is recommended that employers have a comprehensive employment contract in place for every employee, which includes all the terms and conditions of employment and in addition protects the employer's business interests by imposing obligations on the employee (e.g. about confidentiality of business secrets or restrictions of certain competitive activities after the employment ends).

Immigration

All foreign nationals who intend to work and stay in the Netherlands are required to comply with the immigration regulations of the Netherlands. The Netherlands has a less restrictive admittance policy for highly skilled workers of multinational companies who meet specific (salary) criteria.

EEA/Swiss national

No immigration requirements are applicable to EEA (or Swiss) nationals. In case the stay of an EEA national exceeds four months he/she needs to register with the local municipality in the city of residence (see 'Registration municipality' under 'Non-EEA national').

Non-EEA national

According to the Dutch Foreign Employment Act an employer needs to be in possession of a work permit for a non-EEA national who will perform work activities in the Netherlands.

For stays shorter than 90 days in a rolling 180 day period the non-EEA national may need a Schengen visa (for business or tourist purposes) to enter the Netherlands. A (business) Schengen visa does not allow the non-EEA national to work in the Netherlands.

In case the intended stay will exceed 90 days within a rolling period of 180 days a residence permit is required to legally be allowed stay in the Netherlands. In addition, a long term entry visa (MVV) is required before entering the Netherlands for most nationals (except for nationals from the UK, US, Canada, Australia, South Korea, Vatican City, New Zealand, Monaco and Japan). In case the company of the foreign national is registered as a recognised sponsor and the foreign national is in possession of a valid residence permit issued by another Schengen country, no long term entry visa (MVV) is required. This exemption applies to the highly skilled migrant procedure (see below).

Which immigration procedure has to be initiated, depends on the specific facts and circumstances. The work permit procedure and the highly skilled migrant procedure are the most commonly used procedures.

Brexit

While the UK left the EU on 31 January 2020, the rules regarding free movement continued to apply until 31 December 2020 based on the Withdrawal Agreement. This means that there is in principle no change to the rights of UK nationals to entered, worked and resided in the Netherlands before 31 December 2020.

Any UK national who resided in the Netherlands before 1 January 2021 is allowed to continue to do so after this date. The main requirements are that the individual registered at the town hall of the municipality where they resided before 1 January 2021 and that they have sufficient income (e.g. through paid employment). UK nationals who resided in the Netherlands for 5 years or more are eligible for a permanent residence permit while those who have not may apply for a temporary residence permit (valid for 5 years). Once these individuals have reached 5 years residence they will also be allowed to apply for permanent residence. The deadline for submission of the initial application under the Withdrawal Agreement is 30 September 2022 (postponed from 30 June 2021).

However we note that UK nationals without a pending or approved application under the Withdrawal Agreement (or other type of Dutch residence permit) do not have a lawful immigration status in the Netherlands from 1 October 2021, even if they arrived in the Netherlands before 1 January 2021. If they apply for a permit under the Withdrawal Agreement before 1 October 2022 and it is approved, their residence status will be restored to lawful status from 1 October 2021.

The Withdrawal Agreement also ensures that UK and EU nationals who are 'frontier workers' may continue to pursue their activities after the end of the transition period. This is intended to secure the rights of, for example, UK nationals who regularly work in an EU member state but do not reside there. The current requirements are that the UK national resides in the UK or another EU country and worked in the Netherlands before 1 January 2021 regularly and will do so after this date as well. This set-up must also be formalized in a local contract with an employer in the Netherlands. The employee should also in principle have a Dutch tax registration number (BSN). The deadline for submission of this application is also 30 September 2022.

UK nationals arriving in the Netherlands after 1 January 2021 are subject to Dutch immigration legislation. This means they are allowed to enter and stay in the Schengen area (which includes the Netherlands) for up to 90 days in 180 days on the basis of their passport. Their passport must be valid for at least 6 months. However they will require a work permit in order to work in the Netherlands from day 1. They will also require a residence permit in case their stay exceeds 90 days in 180 days.

Work permit procedure

There are various types of Dutch work permits (e.g. for intra-company transfers and trainees). For some non-EEA nationals a single application for a combined permit for work and stay (GVVA procedure) needs to be applied for in case they plan to work and stay in the Netherlands for more than 90 days in 180 days. This procedure however is not always applicable as a number of exceptions exist. If the GVVA procedure does not apply, a separate work permit should be applied for in addition to the MVV visa and residence permit.

For non-EEA nationals assigned to a Dutch entity within the same group, the intra-company work permit procedure for key personnel may be applicable. The worldwide turnover of the group needs to be at least 50 million. Furthermore, the employee must be in the possession of at least a bachelor's degree, have a management or key position and earn a gross monthly salary of at least 4,840 euro (5,227.20 euro including holiday pay, figure 2022).

The legal processing time for a combined permit is 3 months from date of submission. However in practice this can be six to eight weeks.

Highly skilled migrant procedure

A residence permit for a highly skilled migrant allows a non-EEA national to reside and work legally in the Netherlands (without a separate work permit). The following requirements have to be met:

- The company must be registered as a recognised sponsor with the Dutch Immigration and Naturalisation Service ('IND').
- The employee should have a gross monthly market conform salary of at least 4,7840 euro (5,227.20 euro including holiday pay, figure 2022) or 3,549 euro (3,832.92 euro including holiday pay, figure 2022) if the employee is younger than 30 years old.

If an MVV visa is required on the basis of the nationality, the visa and residence permit can be applied for simultaneously under the so-called TEV procedure. The processing time for this residence permit (including or excluding MVV visa) is two to four weeks.

Please note that a 30 per cent tax allowance for this category of employees might be applicable (see 'Personal income tax' on page 37).

Registration municipality

In case the stay in the Netherlands is less than four months, registration as a non-resident in the Municipal Population Database at one of the eighteen designated offices is voluntary, but required in order to obtain a Dutch citizen service number (BSN) needed for tax and payroll purposes.

For a stay of at least four months within a period of six months, registration with the Municipal Population Database is required.

What can we do for you?

- Setting up a works council which can include but is not limited to drafting works council regulations, organising works council elections, time-planning etc.
- Give guidance in creating a safe and healthy work environment
- Analyse whether the activities of your company fall under the scope of a mandatory CLA
- Advise about Dutch labour law such as the various minimum leave requirements, (drafting) employment contracts and (strategies on) how to terminate an employment contract
- Advise on how to deal with personal data of employees
- Advise on immigration options and apply for the appropriate permits

Accounting and audit

Accounting requirements

A company is required to maintain accounting records that are sufficiently adequate to determine the financial position of the company at any time. There are various regulations, including civil and tax regulations, stipulating the period for which the records should be retained. As a general rule, the records must be kept for a period of seven years.

With regard to the location of where the accounting records are kept, there are no special regulations. The accounting can be done in any country (although for tax residency purposes, in certain situations accounting should take place in the Netherlands), but the records must be made available within a reasonable time upon request. A company may decide not to keep records in euros, but to maintain its own functional currency. The same applies to the financial statements. In principle, all companies residing in the Netherlands must prepare annual financial statements, which are then adopted by the shareholders of the company. Subsequently, the financial statements are published, most often by filing them with the Chamber of Commerce. If a foreign company only has a branch in the Netherlands, it normally suffices to file a copy of the annual financial statements filed in its home country.

It is not necessary for a company to prepare and file the annual report in Dutch. Preparation of the annual report in for example the English, German or French language is also allowed.

The annual report

Size of the company

For all companies, except those applying the International Financial Reporting Standards as endorsed by the EU (IFRS-EU) in the preparation of their financial statements, the requirements to prepare and file annual reports and the necessity of an audit are determined, among other things, by the size of that company. Companies are classified as 'micro', 'small', 'medium' or 'large' on the basis of three criteria, being total assets, net turnover and the average number of employees during the financial year. These criteria are evaluated on a consolidated basis, unless the company qualifies for a consolidation exemption (further details provided further on). The criteria are listed in the table below.

	Micro-sized company	Small company	Medium-sized company	Large company
Total assets (in millions euro)	< 0.35	> 0.35 and < 6	> 6 and < 20	> 20
Net turnover (in millions euro)	< 0.7	> 0.7 and < 12	> 12 and < 40	> 40
Employees	< 10	> 10 and < 50	> 50 and < 250	> 250

A company will be classified as micro-, small-, medium- or large-sized when it satisfies at least two out of the three criteria for that size for two consecutive years (or the first year for newly formed companies).

The table below gives an overview of main differences between different size entities. Details of this table are discussed in the next sections.

Please note that the reliefs of the micro-, small- and medium-sized regimes cannot be used by companies applying IFRS-EU in the preparation of their financial statements, as these automatically fall under the large company regime.

	Micro-sized company	Small-sized company	Medium-sized company	Large-sized company
Legally required audit	n/a	n/a	applicable	applicable
Publication requirement of financial statement	abbreviated balance	abbreviated balance with limited notes disclosures	• directors' report • financial statements[1] • other legally required information	• directors' report • financial statements • other legally required informatios
Applicable GAAP[2]	• Dutch GAAP for micro- and small-sized companies; • Tax accounting principles; or • IFRS-EU	• Dutch GAAP for micro- and small-sized companies; • Tax accounting principles; or • IFRS-EU	• Dutch GAAP for medium- and large-sized companies; or • IFRS-EU	• Dutch GAAP for medium- and large-sized companies; or • IFRS-EU
Consolidation	exempted	exempted	required unless art. 408 of Book 2 DCC is applicable	required unless art. 408 of Book 2 DCC is applicable

1 The financial statement disclosure requirements under Dutch GAAP are less extensive for a medium-sized company compared to a large-sized company.

2 GAAP: generally accepted accounting principles

Content of the annual report

In general, the annual report of medium- and large-sized companies contains the following documents:

- A directors' report presenting a fair view of, among other things, the financial position, results, risks, sustainability aspect and future plans of the company.
- Financial statements comprising (I) a balance sheet, (II) a profit and loss account, (III) a cash flow statement, and (IV) notes to the balance sheet and profit and loss account.
- Other information, including the auditor's report.

The auditor's report must include, among other things, the following points: (a) whether the financial statements have been prepared, in all material respects, in accordance with the applicable accounting principles and provide a true and fair view of the financial position and result for the year, and (b) whether the directors' report and other information meet the legal requirements, is consistent with the financial statements and does not contain material misstatements.

In the auditor's report for so-called OOBs (Public Interest Entities), the auditor also needs to include information on materiality, group scoping and key audit matters in the opinion for these companies.

Micro-sized and small companies do not have to include a directors' report and have no audit requirement. They may file an abbreviated balance sheet and, for small companies only, explanatory notes with the Chamber of Commerce. Notwithstanding the general requirements, a micro- or small-sized company may at its discretion prepare financial statements based on tax accounting principles. As a result, the equity and the profit according to the financial statements are equal to the equity and profit according to the corporate tax return. This facility was introduced in Dutch law in order to reduce the administrative burden for small entities.

A medium-sized company must be audited, but is permitted to file an abbreviated profit and loss account as part of the financial statements and is exempted from including certain disclosure requirements to the balance sheet.

Basis of preparation of the financial statements

The principal requirement for financial statements is that they must be prepared in accordance with generally accepted accounting principles (GAAP) and provide a true and fair view enabling a well-founded opinion of the entity's assets, liabilities and results and, insofar possible, of its solvency and liquidity.

The financial statements can be prepared either under Dutch GAAP or IFRS-EU. IFRS-EU is required for the consolidated financial statements of listed companies. In the past the Dutch Accounting Standards Board (DASB) amended and updated many of its Dutch Accounting Standards to align them to IFRS. However, many differences remain between Dutch GAAP and IFRS. A standard in which IFRS fundamentally differs from Dutch GAAP is, for example, employee benefits. To overcome the major differences, the DASB has allowed the use of standards from other GAAPs in Dutch GAAP financial statements.

Such facilities exist for:

- IFRS 9 'Financial instruments' in respect of the expected credit loss model for impairment of financial assets;
- IFRS 15 'Revenue from contracts with customers' in respect of revenue accounting;
- IFRS 16 'Leases' in respect of lease accounting;
- IAS 19 'Employee benefits' in respect of pension accounting; and
- US GAAP topics and subtopics dealing with pension accounting.

Consolidation

The important issue of group financial statements is one that affects most foreign investors in the Netherlands, particularly in cases where a Dutch company is being used as an intermediate holding company in the group structure. While, as a general rule, a company with subsidiaries must prepare consolidated financial statements, there are significant exemptions available.

Small and micro-sized companies in the Netherlands are exempt from preparing and filing consolidated financial statements. If the (intermediate) holding company meets the small company criteria on a consolidated basis, there is no need to prepare and file consolidated accounts (Article 2:407 section 2 of the Dutch Civil Code). Moreover, intermediate holding companies that do not meet the small company criteria on a consolidated basis, may be exempt from preparing consolidated financial statements when applying Article 2:408 of the Dutch Civil Code. When applying this exemption, the company can apply the size criteria only to its company accounts, due to which it will generally fall under the regime for small companies.

It is very important that the intermediate holding meets all the conditions stipulated in Article 2:408 of the Dutch Civil Code in order to be able to use this exemption. Some of these conditions are that the financial information which the company should otherwise consolidate has been included in the financial statements of its (ultimate) parent company and that these financial statements have been prepared in accordance with the provisions of EU legislation or on a similar basis, and have been filed with the Chamber of Commerce within the allowed timeframe, accompanied by a directors' report and auditor's report.

Timetable

The timetable below shows the timeframes and possible extensions relating to the financial statements process. Please note that this does not apply to listed companies. For those companies, the financial statements must be prepared and made generally available within four months after year-end. They must be adopted within six months after year-end.

Penalties for non-compliance

In the event that the statutory requirements for preparing and filing financial statements have not been met, this will constitute an economic offence on the part of the directors.

Non-compliance with the statutory requirements could have significant repercussions if the company goes bankrupt. Where the statutory requirements for preparing and filing financial statements have not been met, and the company goes into liquidation, the directors will be deemed not to have properly fulfilled their fiduciary duties and could be held personally liable for any deficit upon liquidation.

Required action	Time frame	Possible extension
Maintaining accounting records	On-going during the year	
Preparation of financial statements	5 months after year-end	Up to 5 months (making the maximum preparation time 10 months after year-end)
Adoption of the financial statements by the general meeting[3]	Within 2 months of the date of preparation	If the above extension is applied, adoption should take place ultimately 12 months after year-end
Filing of the financial statements	Within 8 days of adoption, but in no event later than two months after the date of preparation (whether the financial statements have been adopted or not)	If the above extension is applied, filing should take place ultimately 12 months after year-end

3 If all shareholders are also directors of the company, then the sign-off of the annual report automatically leads to an adoption of the annual report. In this case, the max. 2 months adoption period is not applicable anymore.

Who we are

How we are organised

PwC is an independent member firm of a global network of firms and provides assurance, tax and advisory services, for listed and private companies, not-for-profit and governmental organisations, and individuals. Our lines of Service are Assurance, Tax & Legal and Advisory.

At PwC in the Netherlands, more than 5,500 people work together from twelve offices. Creating value for our clients, our people and the communities we live and work in is at the heart of PwC.

How we feel responsible towards our stakeholders

Our purpose is to build trust in society and solve important problems. We create long-term value for our employees, our clients and society. We assist clients and other stakeholders in achieving ecological, social and economic value - as an integrated part of their strategy. We do this by sharing knowledge and creating awareness. This way, we stimulate sustainable economic growth. Furthermore, society's expectations relating to building trust are increasing. Especially in these unprecedented times, societal stakeholders expect us to play a role that goes beyond our traditional remit of providing assurance and advice. For PwC, building trust in society and solving important problems has evolved towards living up to rising societal expectations on trust and leading by example on sustainability, supported by our values.

5,298
People
Headcount
on 30 june 2021

12
Offices

8.1/8.0
Client satisfaction/ recommendation

How we make a difference: offering multi-competence services and integrated solutions

We are in an unprecedented landscape characterised by a climate crisis, a fundamental macroeconomic reset and societal uncertainties, sectoral break-downs and massive government interventions. The world and our stakeholders need to transform to a Net Zero economy and this outlook causes transformations, disruptive technologies and system changes to accelerate. Borders between traditional industries are blurring as a result of digitisation. New types of companies are emerging, entering apparently unrelated industries, and challenging industrial conventions that have existed for decades. Companies are increasingly digitising and acquiring the characteristics of technology companies. At the same time, we see societal themes accelerate that go beyond sectors or industries, such as de-globalisation, cyber risk, privacy, sustainability and inequality.

This requires responsiveness, resilience and transformation. The challenges of our clients require integrated solutions that allow them to remain relevant and resilient for the future. The strength of our organisation lies in the combined expertise and competencies of all our professionals. Making a real difference and improving quality demands that we apply a variety of ideas, lenses or perspectives aimed at our purpose: building trust in society and solving important problems. To the extent permitted by laws and regulations and in line with our code of conduct, we offer (innovative) solutions on an integrated basis, bringing together a variety of experience and competencies from Tax & Legal, Advisory and Assurance and work in co-creation with our clients.

How we work together in our 'PwC Europe' collaborative association

At PwC Netherlands we are aware of the Netherlands being a gateway to Europe and we work based on this fact. In addition, we are a member of a global network that, among other things, ensures the quality of the service delivery of all PwC member firms. The global network coordinates, reinforces and supports the network in areas such as strategy and the expertise of our professionals. Because of the increasing cross-border nature of our clients and the services we provide, we see an increasing collaboration within the PwC network at a regional level. This collaboration is also driven by the need for substantial investments, especially in technology. We have much greater investment and innovative power as a network. We work closely with the PwC member firms in Austria, Belgium, Germany, Switzerland and Turkey within our collaboration association 'PwC Europe' (see page 141). We are also coordinating business and investments at the level of EMEA (Europe, Middle East and Africa) and of course at a global network level.

The new Equation

A strategy designed to overcome the challenges of today and tomorrow. Today's world is not so simple anymore and the challenges facing us are complex. Those challenges call for a different way of thinking and doing.

At PwC, we are only happy to contribute to solving important problems. Our global strategy is designed to address and help solve the scope and complexity of the challenges that organisations and society are struggling with. By bringing together a great diversity of people in unexpected combinations, and combining their different perspectives, ingenuity, and passion with the latest technology.

By connecting even more with one another, with our clients, and with our stakeholders, we can together build trust and deliver sustained outcomes for a new tomorrow. It all adds up to The New Equation.

Create long-term value

Sustainable

Our focus on long-term value creation remains as relevant as ever. We design our activities in such a way as to have a sustainable impact on people, planet, and prosperity. We specifically invest in our environmental ambition (CO2 emissions from our vehicle fleet and air travel, zero waste, and reuse of office equipment) in order to achieve Net Zero operations by 2030. Our overall objective is to contribute to a sustainable world and to be credible as a market participant, which is why we quantify our contribution to achieving the SDGs.

We integrate the SDGs in our strategy

The 17 UN Sustainable Development Goals form an ambitious international agenda to find solutions to the global challenges we all face by 2030.

We defined new ambitions and targets for our focus SDGs. These will provide direction in terms of minimising our negative impact and maximising our positive impact. Our ambitions reflect what is needed to achieve the SDGs by 2030

PwC ambition for 2030

5 GENDER EQUALITY	Achieve gender balance and equal opportunities
8 DECENT WORK AND ECONOMIC GROWTH	Achieve sustainable growth within the boundaries of social and environmental systems
10 REDUCED INEQUALITIES	Achieve an inclusive and diverse culture and equal opportunities irrespective of age, disability, cultural background, sexual orientation or other status
13 CLIMATE ACTION	Achieve a positive environmental impact across our value chain

Strong network

- In-house knowledge necessary to optimise your business activities and tax position.
- Good contacts with the Dutch tax authorities, resulting in quick and smooth communication about your requests, filings and questions.
- PwC is the leading provider of tax services worldwide both in terms of the size and scope of our tax practice and our reputation. We lead the debate with tax authorities and governments around the world, changing the way we all think about tax.
- PwC Legal has a network of lawyers all over the world unrivalled by traditional law firms. As legal consultants, we combine the qualities of traditional lawyers, consultants and in-house legal counsels.

We work together and share knowledge across competences, sectors and specialisms.

Assurance focuses on the audit of information and processes. Statutory audit of financial statements constitutes most of our Assurance practice. Another part of the Assurance practice focuses on the design, implementation and the provision of assurance on systems, processes and numerical (non-financial) information and advice on complex accounting issues.

Tax & Legal helps companies, individuals and organisations with their tax strategies and compliance, and provides advisory services in the area of taxation. This Line of Service also includes legal advisory/compliance services and specialists in the area of People and Organisation, providing advice on matters such as remuneration structures, pension plans, cross-border deployment and HC cloud transformations.

Advisory (including Strategy&) focuses on assisting clients in their (digital) transformation, from strategy to execution. Advisory also provides services in the area of mergers and acquisitions, from strategy advice to assistance with business (unit) integration or carve-out. Advisory also includes crisis prevention and crisis management services to companies or institutions affected by fraud, disputes, cybersecurity breaches and near-insolvency.

Contacts and links

For more information and to find out the opportunities for your company, please contact your own PwC contact or our Knowledge Centre:

PwC
Knowledge Centre
Fascinatio Boulevard 350
3065 WB Rotterdam
P.O.Box 8800
3009 AV Rotterdam
nl_knowledge_centre@pwc.com

Links for more information:

PwC the Netherlands:
www.pwc.nl

Tax specific:
www.taxsummaries.pwc.com

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