Doing Business in the Netherlands 2017









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Introduction



PwC

I am pleased to present the 2017 edition of PwC's publication Doing Business in the Netherlands. Doing business internationally expands a company's horizon and offers unique opportunities for growth, development and profit building. The Netherlands is 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 treaty network. The Dutch tax system features several tax incentives to stimulate innovation and business activities. And as an internationally oriented country, the Netherlands is home to more than one million – most of them highly educated - foreign workers.

In a world that is rapidly changing, whether it is from an economic or political point of view, the Netherlands has proven to stay a stable country. The Brexit, a new American president: two recent examples of developments that have caused the global economy to have to refind its balance. The Dutch financial, economic and social climate is stable. And perhaps just as important: the Netherlands continues to be a great place to live. Dutch children are ranked the happiest children in the world, and that is not without reason.

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.

We are delighted that one of our cooperating partners, the Netherlands Foreign Investment Agency (NFIA), was willing to collaborate with us on this publication. The NFIA is an operational unit of the Dutch Ministry of Economic Affairs and throughout the years it has supported thousands of companies from all over the world to successfully establish their business in the Netherlands.

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

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

On behalf of PwC NL, I hope that you will find this guide useful and I would like to wish you every success in the Netherlands.

Marc Diepstraten

Chairman of PricewaterhouseCoopers Belastingadviseurs N.V.



Netherlands Foreign Investment Agency

Whether you're considering locating in the Netherlands or have existing operations here, the Netherlands Foreign Investment Agency (NFIA) is prepared to assist your company at every stage of establishing or expanding operations here.

An operational unit of the Dutch Ministry of Economic Affairs, the NFIA, is your first port of call, connecting you with a broad network of business partners, regional economic development organizations and government institutions to facilitate your international expansion.

The NFIA does not operate on its own. Under the label Invest in Holland, we operate closely with a network of regional partners in the Netherlands. The Invest in Holland network is a collaborative team made up of the NFIA, regional economic development agencies, and several large cities. Throughout the years, NFIA and its partners have supported thousands of companies from all over the world to successfully establish their business in the Netherlands.

In general, foreign investors are particularly valuable to us, as they create jobs, link us to international networks and add great value to the Dutch economy. However, one of the core aspects of the NFIA's mission is to place the Dutch business climate systematically on the country's political agenda by serving as an advocate and liaison between business and government.

In this way, the NFIA and its network of partners serve as a channel through which you can share your views and experiences concerning the business investment climate in the Netherlands with the Dutch government.

This also means the Dutch government, and of course the Invest in Holland network in particular, is extremely motivated to support you on an ongoing basis, as we want to see you succeed and grow here.

We look forward to welcoming you in the Netherlands. Yours sincerely,

Jeroen Nijland Commissioner NFIA

Why invest in the Netherlands?

A pro-business climate, competitive tax system, multilingual workforce and superior infrastructure are just some of the many advantages of doing business in the Netherlands. In this chapter we will show you why the Netherlands is considered the perfect steppingstone into the European market.

Economic overview [Best country for business]

Ranked number 7 in the world by Forbes 'Best Countries for Business' 2016 ranking, the Netherlands is truly a world-class business destination.

The 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 our supportive corporate tax structure, highly educated, multilingual workforce, and superior logistics and technology infrastructure and it's 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 a stellar business climate, the Netherlands offers an affordable cost of living and an exceptional quality of life.

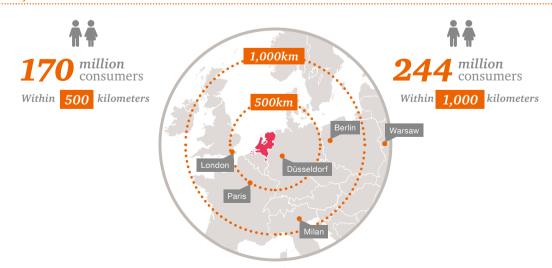
Workforce [Highly skilled, productive and multilingual workforce]

The Netherlands is home to a highly skilled, productive, flexible and multilingual workforce. Ninety per cent of the Dutch population is fluent in English – the primary business language in the Netherlands – and a higher percentage than their counterparts elsewhere also speaks German and French. The Dutch higher education system is ranked number 3 globally.

The Netherlands has a population of 17.1 million people. A large proportion of the Dutch population is in the economically 'active' age range (15-64 years) and the availability of skilled labor outpaces major competitors. The Dutch workforce also 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.

As an internationally oriented country, the Netherlands is also home to more than one million foreign workers

Proximity to Clients & Customers





Road and rail

Our extensive, modern network of roads and highways provide direct connections to inland container terminals and destinations across Europe and the Middle East.



Airports

Home to award-winning Amsterdam Airport Schiphol and four regional airports that also offer international service, the Netherlands has one of the highest ranking air transport infrastructures in the world.



Ports

Geographically endowed with three deep-water ports in close proximity to each other, many rivers and well-designed canal systems, the Netherlands has the best port infrastructure in the world.

and offers a 'Highly Skilled Migrant Visa', which allows companies to bring highly qualified expats to their Netherlands operations. Part-time and temporary labor is also readily available and flexible contracts are easy to negotiate compared with other countries.

As a result, businesses in the Netherlands benefit from the assurance that labor is ready when they need it, for as long as they need it.

Infrastructure

[A superior logistic and technology infrastructure]

Driven by world-class seaports and airports, an extensive network of roads and rail and a 100 per cent digital 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.

The Dutch dense, high-quality infrastructure offers fast connections no matter how or where you and your products or services are traveling. And with access to 160 million consumers within 24 hours of Amsterdam or Rotterdam, companies that choose the Netherlands have the perfect springboard into the European market.

With the highest broadband penetration per capita in the world – 99 per cent of all households – as well as one of the world's fastest average broadband speeds, the Netherlands is the digital gateway to Europe.

Incentives and taxes [Stimulating Foreign Investment and Entrepreneurship]

With a competitive corporate income tax rate in Europe - 20 per cent on the first EUR 200,000 and 25 per cent for taxable profits exceeding EUR 200,000 – as well as a number of attractive incentive programs, the Netherlands offers a supportive fiscal climate for international companies.

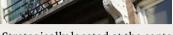
The Netherlands also offers a wide tax treaty network, special measures for highly skilled expats and certainty in advance of interpretation of tax law — just a few of the features that help multinational companies to thrive in the Netherlands.

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.

Business operations





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.



The Netherlands is home to marketing and sales operations of major multinational companies.





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 in Europe.

Data centres



Considered one of the most wired countries in the world, the Netherlands is home to one of the most advanced markets for data center operations in Europe. In fact, about one third of all European data centers are located in the Amsterdam area and take advantage of AMS-IX – the world's largest internet exchange.



The Netherlands enjoys a strong position as a European manufacturing location for foreign-owned companies, from agrifood and life sciences to chemicals, maritime industry and IT.

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 and hence innovation.



Ranked #2 in the world for overall logistics performance, the Netherlands is a hub for foreignowned logistics and distribution operations. In fact, Holland is home to more European distribution centers than all of its major neighbors combined.





Renowned internationally for its open culture and emphasis on entrepreneurship and innovation, the Netherlands is home to a vibrant, collaborative startup ecosystem. In fact, the Netherlands ranks #1 in the EU for its startup business climate, according to the European Digital Forum's 2016 Startup Nation Scoreboard.

Industries

The Netherlands have a longstanding history of invention, moving around the oceans of the world and trading with other countries. In times of global, social and economic challenges, the Dutch find ways of how innovation and entrepreneurship can continue to grow. In order to remain a leader in solving global challenges, the Dutch focus lies on measures for all businesses, some industries in particular. We elaborate on some key industries below.

Agrifood

#1 largest exporter in EU #2 largest exporter worldwide

billion in total production value

1 out of every 6 employees works in the food industry

Information and Technology



#1 most connected country in the world DHL Global Connectedness Index 2016

World's largest Internet exchange

– Amsterdam Internet Exchange (AMS-IX)

#1 in EU for outstanding use of ICT

World Economic Forum Europe 2020 competitiveness report

2000 companies active in IT have established an office in the Netherlands

IT professionals in 2012 ICT-Marktmonitor 2014

Europe's largest security cluster - The Hague Security Delta

4th largest exporter of ICT services in Europe

70% of all Dutch innovation is IT related



#5 country for chemical export **€47 billion** turnover (2% of GDP) **18%** of all Dutch exports



Home to 19 of the top 25 leading chemical companies

Logistics



#4 country

according to World Bank Global Logistics Performance Index

Europe largest port

Quality of infrastructure

The Global Competitiveness Report 2016/2017

Over 1,000 American and Asian companies distribution centres

High-tech systems



€3.9 billion investment in R&D in 2014

1,700+ *firms* involved in materials-related Research & Development

WESA+ located at University of Twente - One of the World's largest nanotechnology research institutes

High tech campus Eindhoven

High Tech Centre and R&D ecosystem

100+ companies & institutions

10,000 + R&D staff & entrepreneurs

Delft University of Technology

8 faculties & numerous research institutes

19,000+ students

3,300+ scientists

Holst Centre

Independent open-innovation R&D Centre located at high tech campus Eindhoven

Fastest-growing research consortium in the Netherlands

Life sciences and health



37 billion+ in total medical exports of which **€25** billion farmaceutical products

€2 billion+ invested in R&D annually

3,000+ life sciences & medical

#7 worldwide in medical technology patent applications worldwide

in patent applications for biotechnology

375 innovative life sciences companies clustered within a 120 miles radius



A global 'add mecca' - Advertising Age

Home to more than

1,300 fashion designers, top design schools and some of the industry's most iconic brands

One of the world's **most multicultural hubs** for creative talent 3rd largest exporter of TV formats globally

Top 10 recorded music market

A world leading developer of computer games

15,000 professionals working in radio and TV

Energy

A leader in offshore,



The Port of Rotterdam one of the *largest* refining and chemical clusters

World-class R&D facilities

Second largest concentration of plug-in electric vehicles = per capita worldwide

Legal system

Forms of business

There are several ways to operate a business in the Netherlands. A distinction can be made between entities with legal personality (corporate entities) and entities without legal personality (non-corporate entities). Below we discuss the principal forms used by foreign investors and companies expanding their businesses to the Netherlands.

Corporate entities The by and ny

Under Dutch law, two types of limited liability companies are recognised:

- bv ('besloten vennootschap'); and
- nv ('naamloze vennootschap').

Both the by – which is a private limited liability company - and the nv – which is a public limited liability company - are entities with legal personality and a capital divided into shares. They can be used for the same business purposes, to be set out in their articles of association. The by is the more flexible of the two and is most frequently used in international business. For more information we refer to the box on page 14.

The cooperative

The Dutch cooperative ('co-op') was historically used mainly in the agricultural sector and by certain banks and insurance companies. In the last decade, it has been reinvented as a holding company in international structures due to its flexibility from a Dutch legal and tax perspective. A co-op is a special kind of association. Similar to the nv and by, it is an entity with legal personality, governed by articles of association.

The participants in a co-op are called members and a minimum of two members is required to set up the co-op. The co-op conducts its activities for its members and is considered an extension of the businesses of its members. Members can be individuals, partnerships or legal entities. Member liability can be unlimited, limited or excluded. In general, the co-op is a very flexible legal entity with no minimum capital requirements and a less regulated governance structure. The co-op is often used in international structuring.

Non-corporate entities

Partnerships are used by individuals and entities to work together without incorporating in a separate legal entity. The legal requirements are limited, a partnership agreement is sufficient. Although a partnership cannot hold legal title, it can acquire rights and assume obligations in its own name. It is therefore a separate business entity from an operating perspective, although it is not legally separate from its owners (the partners) in many respects, including taxation.

The most common partnerships are the vof ('general partnership') and the cv ('limited partnership'). Partners in the vof have unlimited liability. In the cv, one or more general partners have unlimited liability, but there will also be partners with limited liability. The limited partners are not allowed to perform acts of management and/or represent the partnership, as this would deprive them of their limited liability.

The cv is often used in international structuring for an optimal tax position.

Branch

Another possibility to start up activities in the Netherlands is to create a Dutch branch of a foreign entity. A branch is not a separate legal entity but an establishment in the Netherlands which is part of and governed by a foreign legal entity. The parent business therefore always bears ultimate legal liability for the branch. Depending on the nature and scope of the activities, the branch may qualify as a 'permanent establishment' for taxation matters. If so, the results of the branch will be taxable in the Netherlands.

The by

The by is a privately held company comparable to the 'limited liability company' (Ltd) in the United Kingdom or the 'Gesellschaft mit beschränkter Haftung' (GmbH) in Germany. The rules for the by changed in 2012 and were made even more flexible with the introduction of the 'flex-by'. The main characteristics of the by under the new rules are:

Shares

- · Practically no minimum capital is required. The founders will determine the issued capital (at least one share) and required paid-up capital. The issued capital and paid-up capital at incorporation will be laid down in the articles of association.
- Different types of shares are possible to vary the voting rights of shareholders and to vary their dividend rights. It is also possible to issue non-voting shares to shareholders (e.g. banks).
- Shares of a particular class may give no or limited entitlement to profit sharing. Shares with no rights to profit or liquidation proceeds must always have voting rights.
- · Depending on the wording in the articles of association, transfer restrictions may be applicable.
- Shares cannot be listed on a stock exchange.

Governance

- Annual general meeting (GM) for shareholders (in general, also for shareholders without voting rights) and holders of meeting rights.
- Both a one-tier board (executive and non-executives) and a twotier board (separate supervisory board) are possible.
- A supervisory board (or non-executive directors (NEDs) in the board) is generally optional. Large companies may be subject to the 'Large Company regime'. In that case, the supervisory board (or the NEDs) is mandatory and will have special powers to appoint the executive members of the board. For some groups of companies (holding companies, companies with a majority of the employees working outside the Netherlands), the Large Company regime is less restrictive.
- The articles of association may grant shareholders the right to give specific instructions to the management board.
- Disclosures about allocation of board membership to men and women are required. Based on the Dutch Corporate Governance code the principle of 'comply or explain' is advisable.

Allocation of profits

- The GM decides on profit distribution, based on the company's accounts drafted by the management board.
- Dependent on the outcome of a liquidity test, the management board may refuse approval to the distribution of profit, if this contribution might threaten the continuity of the company.
- No other capital and creditor protection rules apply.
- · It is possible to make interim dividends.

The nv

The nv is a public company comparable to the 'public limited company' (plc) in the United Kingdom or 'Aktiengesellschaft' (AG) in Germany. The shares in an nv may be freely transferable. In general, the nv is more strictly regulated and mainly used to incorporate companies that are very large and/or will be listed on the stock exchange. The main characteristics of the nv are:

Shares

- Minimum capital of EUR 45,000.
- Different types of shares are possible (including bearer shares).
- All shareholders have voting rights and profit rights. There is the possibility to create depositary receipts to split up voting rights and profit rights.
- · Depending on the wording in the articles of association, transfer restrictions may be applicable.

Governance

- Annual general meeting (GM) for shareholders (in some cases, depositary receipt holders may also attend the meeting).
- Both a one-tier board (executive and non-executives) and a twotier board (separate supervisory board) are possible.
- A supervisory board (or non-executive directors (NEDs) in the board) is optional. Large companies may be subject to the 'Large Company regime'. In that case, the supervisory board (or the NEDs) is mandatory and will have special powers to appoint the executive members of the board. For some groups of companies (holding companies, companies with a majority of the employees working outside the Netherlands), the Large Company regime is less restrictive.
- · The articles of association may grant shareholders limited possibilities to give instructions (only general guidelines) to the management.
- · Disclosures about allocation of board membership to men and women are required. Based on the Dutch Corporate Governance code the principle of 'comply or explain' is advisable.

Allocation of profits

- The GM decides on profit distribution, based on the company's accounts drafted by the management board.
- The GM decides on the proposed profit distribution. Dividends are limited by formal capital and creditor protection rules.

Setting up a business

Dependent on the form chosen, certain steps must be taken to set up your company in the Netherlands. As it is most common for foreign companies to do business in the Netherlands using a by ('besloten vennootschap'), we will elaborate on this legal form.

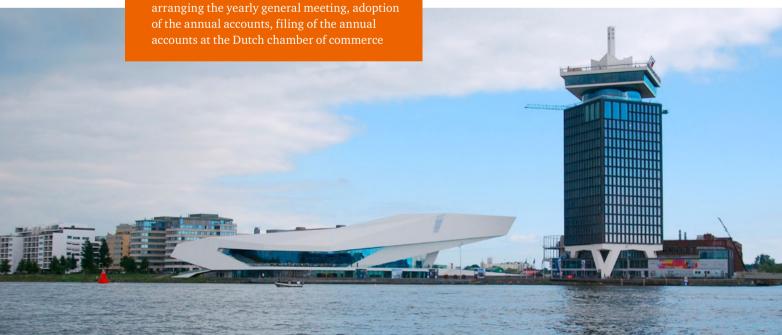


What we can do for you?

- Inform you of the pros and cons of the different forms in which you can do business in the Netherlands
- Assist with the incorporation of a legal entity or partnership
- Advise with regard to the corporate governance structure of the company
- Arrange legalisation of the necessary documents
- Register the legal entity or partnership with the
- Register a branch with the Dutch chamber of
- Assist you with your yearly compliance, such as of the annual accounts, filing of the annual

The by - rights and rules

- Normally, an establishment permit is not required to start up a new business in the Netherlands. This may be different for some sectors that are considered more complex. An example is the food sector. If you are planning a new plant in the Netherlands, an environmental permit is required in all cases.
- The articles of association must be written in Dutch and contain the name, seat and object of the by. The name must be unique in such a way that it does not cause confusion with other entities/brands.
- The founders of the by must sign the articles of association before a civil-law notary in the Netherlands (it is possible to use a power of attorney to avoid unnecessary travel or delays).
- Every business must be registered with the Trade Register of the Dutch Chamber of Commerce. The register holds publicly available information on the business, such as the names of the board members and the articles of association.
- Before all requirements are fulfilled, the by 'under formation' is allowed to assume obligations. These obligations are for the risk of the person(s) representing the by under formation. After the formal establishment of the by, these obligations need to be ratified by the by, and the representatives are absolved of this liability.



Taxation in the Netherlands

With a competitive statutory corporate income tax rate compared to the rest of Europe – 20 per cent on the first EUR 200,000 and 25 per cent for taxable profits exceeding EUR 200,000 - 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 of being fully in line with OECD standards. And thanks to the Netherlands' stable government and highly accessible and cooperative tax administration, companies can feel confident that any 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

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

Clarity and certainty in **advance** on the tax consequences of proposed major investments in the Netherlands

A broad participation exemption

(100 per cent exemption for qualifying dividends and capital gains), which is vital for European headquarters

An efficient fiscal unity regime,

providing tax consolidation for Dutch activities within a corporate group

> No statutory withholding tax on outgoing interest and royalty payments

Favourable expat tax program with a 30 per cent personal income tax advantage for qualified, skilled foreign employees

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 pricing method that the taxpayer will apply to its related-company transactions. These programmes are 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 the taxpayer's specific situation, used to prevent or resolve any tax disputes.

Both 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 are more than willing to cooperate and handle requests for APAs, ATRs and other requests (e.g. a request for a fiscally 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 cross border 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 fill in 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 the same information may be exchanged with the Tax Authorities of non-EU member states as well.

Cooperative compliance

Another specific feature of the Netherlands is that the Dutch Tax Authorities allow businesses, under certain conditions, to apply for '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



- Help you to determine your tax strategy, mission and vision
- 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



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 the arrangement is that relevant tax risks and positions can be dealt with when they occur (in the present) within acceptable commercial deadlines. The company is required to act with a transparent attitude towards the Dutch Tax Authorities, that will in return provide a quick 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.

However, some critical remarks with respect to horizontal monitoring have to be made. The way horizontal monitoring is executed depends very much on the individual tax inspector in charge of supervision since the concept is not strictly regulated. Another remark is that the Tax Authorities have not formulated any objective criteria with respect to the concept of Tax Control

Framework requirements. According to the Dutch Tax Authorities a Tax Control Framework is a 'subjective, dynamic, open standard'. We strongly disagree with this view since general financial risk management standards should also apply to the tax function.

The risk for companies is that the Tax Authorities become unpredictable when working with 'subjective, dynamic, open standards'. Even more so, since the Dutch Tax Authorities now claim that a Horizontal Monitoring covenant has no legal power but has to be seen as a 'psychological contract'. Based on the above we advise companies only to enter into the Horizontal Monitoring program when clear written objectives have been set and a clear working process has been defined in order to manage expectations of the parties involved.

Horizontal monitoring can be applied to all taxes including corporate income tax, value added tax, 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'.





- Quick and smooth communication with the **Dutch Tax Authorities**
- Assisting your organisation in its discussions with the Tax Authorities towards horizontal
- Assessing the current and desired state of the tax function and the Tax Control Framework (by means of T3M assessment)
- Performing statistical sampling in line with the approach of the Tax Authorities, as part of monitoring the Tax Control Framework
- Help you to clearly communicate the maturity of your Tax Control Framework to internal and external stakeholders



International influence

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 and supports its goals. As a consequence, the Netherlands will enact legislation when an agreement is reached within the OECD on the BEPS project and when all parties have agreed to implement this. An example of the Dutch support of this project is the renewed innovation box in Dutch tax legislation as per 1 January 2017.

Country-by-country reporting

One example of this type of legislation is the OECD country-by-country reporting implementation package. The reporting requirements are 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 EUR 750 million 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 is relevant and that have agreed to mutually exchange these reports.

Besides, the agreed OECD report prescribes that each individual company within such 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 adopted 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 EUR 50 million are obliged to have a local file and a master file available. The Netherlands has also joined in a multilateral agreement for the exchange of information to effectuate the legislation.

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 EUR 750 million 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. However, 2016 being the first year for the notification, companies with a financial year equal to the calender year are granted an extension to 1 September 2017 for the first notification.

Further, a Dutch company that must file a country-bycountry 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 companies administration within the same deadline that holds for filing the tax return. Please also see pages 37-39.

ATAD I and ATAD II

In June 2016 the EU formally adopted the Anti-Tax Avoidance Directive (ATAD I). In this directive several measures are included which combat tax avoidance. The ATAD includes measures regarding the limitation of interest deductibility, exit taxation, a general antiabuse rule, a CFC (Controlled Foreign Company) rule and rules addressing mismatches between EU member states arising from the use of hybrid instruments or entities. These rules must be transposed into all EU member states laws as from 31 December 2018 and apply as from 1 January 2019. An exception applies to the rule for exit taxation which should be transposed into national law as from 31 December 2019 and apply as from 1 January 2020. The Netherlands, as an EU member state, must also implement this legislation. As an expansion to the legislation included in the ATAD, the European Commission has also proposed rules addressing mismatches between EU member states and third countries in the proposal for an EU tax reform (ATAD II). These rules have not yet been adopted and it remains uncertain how the rules will actually apply if approved by the EU parliament.

CCTB and **CCCTB** per 2019/2021

In the proposal for an EU tax reform the European Commission proposed a mandatory Common Consolidated Corporate Tax Base (CCCTB) for EU member states per 2021. This proposal is similar to a proposal of the European Commission from 2011 regarding the introduction of a CCCTB. With these rules the European Commission aims to harmonise corporate taxation within Europe and provide European member states with a formula of how to allocate corporate income between member states. As a first step to this approach the European Commission proposed the introduction of a Common Corporate Tax Base (CCTB) per 2019. With the CCTB the European Commission aims to align corporate tax base calculations between EU member states. Whether or not these proposals will be adopted and how they will be adopted by the EU and

thus lead to Dutch legislation remains highly uncertain. However, it is an important matter of discussion with regards to European taxation.

State aid

Recently the European Commission started investigating whether certain 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 made final decisions concluding that these tax rulings are in fact unlawful state aid. One of these final state aid decisions concerns a Dutch tax ruling. The Dutch government has appealed this decision with the European Court of Justice.

It is expected that the European Commission may also investigate other tax rulings. However, the European Commission has explicitly stated that it does not expect to encounter systematic irregularities with Dutch tax rulings. 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. The main goal of Dutch tax rulings is to obtain certainty in advance.



- Assess the effects of BEPS and possible future legislation
- Determine the need to file a country-by-country report
- Assist you in preparing and filing the country-bycountry report
- Help you set up a local file and a master file
- Assess how the proposed ATAD I and II legislation may affect your business
- Inform you on state aid developments
- Discuss the possible consequences of the CCTB and the CCCTB for your business (if enacted)

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. Only 'Dutch source income' is included in the CIT base of non-resident corporate taxpayers. For these companies, the income from Dutch sources includes 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 Dutch permanent establishment or permanent representative in the Netherlands.

Residence

In the Netherlands, corporate residence is determined by the 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, minimum substance requirements need to be met, effectively ensuring that effective management and control of the company are based in the Netherlands.

Tax rate

The standard CIT rate is 25 per cent. A lower rate of 20 per cent applies to taxable income up to EUR 200,000. 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 years with reference to the basic principles of realisation, matching, reality, prudence and simplicity. The Dutch tax laws, however, contain 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 23.

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 energyefficient or environmental assets and for research and development activities. For more information see Tax incentives on page 36. 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. 'Appropriate documentation' means that the documentation should, among other things, include a functional analysis (description of the functions, risks and assets), an economic analysis as well as transfer pricing policy documents and internal contracts.

Since January 2016, more detailed legislation applies to transfer pricing documentation. The new standards for transfer pricing documentation enable the Tax Authorities to better analyse potential risks with respect to transfer pricing and tax base calculation. Depending on the situation, the new documentation obligations include a country-by-country report, a master file and a local file. We refer to page 19.

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 hidden profit distribution (the latter may possibly trigger dividend withholding tax).

Depreciation

Generally, depreciation may be computed by using a straight-line or a reducing-balance method or, in accordance with any other sound business practice, 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 tests 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.

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. Note that expenses relating to the sale or purchase of participations are non-deductible.

Implementation Parent-Subsidiary Directive

As per 1 January 2016, the participation exemption regime was amended to implement the recent changes to the EU's Parent-Subsidiary Directive. The implementation resulted in only minor changes of the Dutch corporate tax system. The participation exemption regime and the dividend tax regime as such remain largely unaltered. Like all EU Member States, the Netherlands had to include a specific clause to prevent double non-taxation as a result of mismatches in tax qualification.

Since 1 January 2016 a corporate taxpayer is not eligible for the participation exemption or participation credit for received distributed profits to the extent that such distributed profits are deductible by the subsidiary. This might be the case for certain hybrid financial instruments. The intention of the taxpayer is irrelevant in this respect. With these changes the adjustments of the EU's Parent-Subsidiary Directive are implemented, something which all EU Member States were obliged to do. The Netherlands has chosen a practical and business friendly implementation in this respect.

In addition, the scope of the current minimal substance requirements is broadened to include certain intermediate companies. In general however, no significant changes in the existing practice were intended.

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 five per cent, by means of a reduction of the tax base.

As of 1 January 2017, the innovation box regime has been amended to include the 'nexus approach' - an additional substance criterion - and more strict access requirements. The innovation box regime applies mostly to profits from innovative activities that take place in the Netherlands. The amendments are a direct result of the OECD/G20 BEPS Action Plan. Most likely, all OECD member states with a patent box or an innovation box regime will implement similar measures within the foreseeable future.

The innovation box can be a very important facility. In combination with other facilities (see 'Tax incentives' on page 36), it makes the Netherlands the ideal location for R&D companies.

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
- Elimination of inter-company transactions.

A fiscal unity only comes into existence after a request

has been filed with the Tax Authorities and can have maximum retroactive effect of three months (provided that the conditions have been met during this term). 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 and the more limited application of certain tax incentives.

Following EU case law the Dutch legislator has broadened the scope of the fiscal unity regime. It is now 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 now 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.

Net operating losses

Tax losses can be carried back one year and carried forward nine years.

Complex rules however may prohibit the utilisation of net operating losses after a change of 30 per cent or more of the ultimate control in a company. Furthermore, limitations exist on loss utilisation for holding/finance companies. Based on these rules, losses incurred by a mere holding or group finance company can only be offset against holding or finance income in preceding and following years, provided that certain strict conditions are met.

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 the 'cessation regime', final losses of foreign permanent establishments are 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 almost 100 tax treaties for the avoidance of international double taxation ('DTC'). In case no DTC 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.

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 dividend is 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.

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 be deferred. The company has to comply with certain administrative requirements and provide security in order to obtain the deferral.



- Advise you on the application of the 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, and the changes to your
- 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





Value added tax

EU context

The system of value added tax (VAT) in the Netherlands is based on EU regulation and 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 nontaxable 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 lower VAT rate of six per cent applies to certain essential goods and services, for example food and drinks, passenger transport and certain labourintensive repair and maintenance activities. The 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.



- Developing a VAT Control Framework
- Adjusting the ERP system (accounting system) for VAT purposes
- Mapping the potential risks and opportunities for VAT purposes

Customs and excise

EU: customs union

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.

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. However, the EU does also apply trade defence measures upon importation of goods, such as antidumping, anti-subsidy (also known as countervailing) or safeguard measures, which generally take the form of additional duty. 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.

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 a range of customs reliefs that an importer may use provided that the criteria are met.

Furthermore, simplified procedures are available for customs formalities upon import, transit and/or export. These simplified procedures will 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.

UCC

As of 1 May 2016, the new 'Union Customs Code' (UCC) has entered into effect and has replaced the Community Customs Code. Although the general principles as mentioned above remain the same, the UCC has introduced some radical changes. For example, the provisions relating to customs value have changed, and furthermore, it is no longer possible to determine customs value on the basis of a 'First Sale'.



- Assist you with getting insight in the classification of your products (and the corresponding duty rate)
- Apply for a Binding Tariff Information (BTI)
- Determining a correct customs value; evaluate which elements should be included or excluded from your customs value
- Investigate which risks or opportunities could apply to your business from an origin perspective
- Assist you with determining whether the goods you produce in the EU and subsequently export to certain third countries, would qualify as goods with EU origin
- Assist you with the application of the authorised exporter authorisation
- Evaluate the customs duties impact in the countries from which you are importing your goods into the EU. It may be more beneficial to import from countries with a free trade agreement in place and/or avoid importing goods from countries for which antidumping duties
- Review the supply chain of your company and assess whether any customs suspension regimes and/or simplifications may be applicable
- Assist you with the application of customs authorisations and/or communication with **Dutch Customs Authorities**
- 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 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. Qualifying non-resident taxpayers will benefit from deductions without becoming liable to tax in the Netherlands on their worldwide income and their deductions etcetera are taken into account in full.

Under the provisions of the 30 per cent ruling (see 'Extraterritorial costs and the 30 per cent ruling' on page 33), 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 whilst they are entitled to personal deductions and tax credits.

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 - 19,982	8.9	27.65	36.55
19,983 - 33,791	13.15	27.65	40.80
33,792 - 67,072	40.8	None	40.80
> 67,073	52	None	52

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. Employerpaid 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, which became effective several years ago, have brought '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 25 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, 0.75 per cent of the value of the property is taken into account. An increased rate applies when the value exceeds EUR 1,060,000: 2.35 per cent on the portion exceeding EUR 1,060,000. 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 by 0.5 per cent per calendar year over a period of 28 years. This implies that in the year 2017 the mortgage interest paid can be deducted against a (maximum) tax rate of 50 per cent (38 per cent in 2041).

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 flat rate of 25 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 30 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 (2017: EUR 25,000 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 €25,000	Tax free	0.00%
€25,000 - €100,000	2.87%	0.86%
€100,001 - €1,000,000	4.60%	1.38%
€1,000,001 and more	5.39%	1.62%

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 on an employer income up to a maximum of EUR 33,791. At present, the contributions are capped at EUR 9,343 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 and second income tax brackets.
- Employee's insurance: this is paid by the employer. It includes unemployment and disability benefits. The average maximum annual contribution amounts to approximately EUR 6,347 depending on the industry and size of the company.
- 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 EUR 3,571.

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 can not 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 EUR 37,000 (i.e. EUR 52,858 including tax free reimbursement of 30 per cent). A lower norm amounting to EUR 28,125 (i.e. EUR 40,179 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.

The 30 per cent ruling will end when the conditions are no longer met or ultimately eight years from the moment the 30 per cent ruling became applicable. Furthermore, 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 can no longer be applied on post-departure income. Hence, the 30 per cent ruling can, in principle, no longer 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 Employer pays EUR 75,000 to an expatriate who made extra-territorial costs of EUR 10,000 in a given year.

	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	€ 11,226	€ 16,326	-/-
Less: National insurance tax	€ 9,343	€ 9,343	-/-
Plus: Levy rebates	€ 3,198	€ 2,149	+
Net income	€ 57,692	€ 51,480	
Effective tax rate	23%	31%	



- Assist you to understand and manage the risk and compliance of your global talent deployments (preparation of income tax returns, most efficient application for your social security statements and 30% ruling applications)
- 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)
- PwC has a special agreement with the Dutch Tax Authorities, based on which PwC can assess and grant expatriates the beneficiary 30 per cent ruling on behalf of the Dutch Tax Authorities. This reduces the application period from 3-4 months to 2-3 weeks



Other taxes

Transfer tax

Acquisition of economic or legal ownership of immovable property in the Netherlands is subject to a six per cent transfer tax on market value. Some exemptions are available, e.g. for mergers, split ups, reorganisations. The real estate transfer tax on homes is two per cent.

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 and at least 30 per cent consists of Dutch immovable property.

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 dividend received by taxpayers or corporate entities is creditable against the due personal income tax and the corporate income tax.

On request and under conditions – mostly EU/EEA - certain non-resident shareholders who qualify as beneficial owner of revenues with regard to which they do not pay personal income tax or corporate income tax in the Netherlands can receive a refund of withheld dividend tax. This is the case insofar as this levy is higher than the personal income tax or corporate income tax they would owe if they would have resided or been based in the Netherlands.

A new optional exemption from dividend withholding tax will apply to certain income beneficiary bodies which are (in part) not subject to corporate income tax (including comparable foreign entities). The relevant conditions must be satisfied at the time of distribution. This rule will enter into force on a date yet to be determined.

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. Moreover, dividend tax is often eliminated or lowered by one of the almost 100 Dutch bilateral tax treaties. The Dutch government has recently presented a plan to apply zero per cent dividend withholding tax in business structures if payments are made to treaty partners.

No withholding tax on interest and royalties

There is no Dutch withholding tax on royalties and interest.

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 gift or inheritance.
- · A variety of environmental taxes, such as energy tax and tax on mains water.



- Assess whether an obligation to withhold dividend tax exists.
- 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

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 24), 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 2017, the regular reduction of the payroll tax and social security contributions amounts to 32 per cent of the first EUR 350,000 in R&D costs (first bracket) and sixteen per cent of the excess R&D costs. The rebate is limited at 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. 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 calculating 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 EUR 2,500 and the asset satisfies

the requirements on the Energy List 2016. The EIA amounts to 58 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 EUR 2,500 and the asset satisfies the requirements on the Environment List 2016. The MIA is set at 36, 27 and 13.5 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. An investment can be reported in phases, but the minimum amount for notification is EUR 2,500. An electronic application form is available for this purpose. 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 investments in business assets that are in the interest of the protection of the Dutch environment and that meet certain requirements. If the conditions are satisfied, accelerated (or decelerated) depreciation up to 75 per cent of the investment costs is possible. The other 25 per cent of the costs are depreciated in accordance with sound business practice. For the production costs of intangible assets, a one-off depreciation may be allowed. And, arbitrary depreciation is available to other designated business assets for starting entrepreneurs and seagoing vessels.



- Inform you about the conditions for tax
- 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

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 instalments (i.e. February to December).

An objection against a preliminary assessment must be filed within six weeks after the date of the assessment. Please note that at any time after this the taxpayer still 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 2016, an extension for filing the CIT return may be granted up to May 2018. The maximum extension of sixteen months after the end of the financial year also applies to companies with a financial year that is not equal to the calendar year.

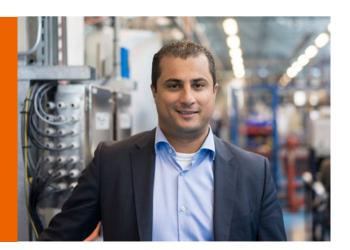
After the tax return has been filed, a revised preliminary tax assessment is often issued. Once the Dutch Tax Authorities have examined the CIT return, the final CIT assessment will be issued. The final assessment should be issued within a period of three years as from year end plus the period of the 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 date of the final assessment. It is advisable to ensure that a correct preliminary tax assessment is imposed, given the



- Prepare corporate income tax returns
- Prepare tax accounting positions for annual accounts (Dutch GAAP, IFRS or US GAAP)
- Advise on tax (compliance) process set-up
- Advise on and delivery of tax technology solutions (accounting, monitoring, country-bycountry reporting, workflow)





high level of tax interest payable of at least 8 per cent. 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 as close to the expected final assessments as possible.

Additional assessments

The Dutch Tax Authorities can raise an additional assessment after the final assessment is raised within five years after the fiscal year has ended, if new data becomes available of which the tax inspector could not reasonably have been aware at the time the final assessment was made. 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 per cent of that assessment. This penalty is not tax deductible.

Note that the actual term of the granted extensions and the actual date/period/terms that the Dutch Tax Authorities will use to issue assessments may vary from case to case. Also depending on the filing history of the client and/or PwC, the Dutch Tax Authorities may reduce the extension for filing deadlines.

Country-by-country reporting

As per 1 January 2016 multinational groups with a consolidated turnover of at least EUR 750 million and with a Dutch company as ultimate parent company need to submit a country-by-country report to the Dutch Tax Authorities. A Dutch group company of non-Dutch parented multinational groups may also be required to file a country-by-country report in the Netherlands in case a similar report is not available to the Dutch Tax Authorities. 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 EUR 50 million 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.

A Dutch group entity of a multinational group with a turnover of at least EUR 750 million must notify the Tax Authorities whether the ultimate parent company or surrogate parent company will file the country-bycountry 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. However, 2016 being the first year for the notification, companies with a financial year equal to the calender year are granted an extension to 1 September 2017 for the first notification.

On 30 December 2015 a Decree was published which provides guidance on the format and contents of the country-by-country report, the master file and the local file. The Decree provides for model templates of the tables that need to be included in the country-by country report and models for the master and local file.

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 self tax assessment and pay the tax withheld to the Tax Authorities within one month of the distribution.

There is no withholding obligation and no self tax assessment filing obligation if:

- the Dutch participation exemption regime applies; or
- both the distributor and the recipient are part of a fiscal unity for Dutch tax purposes; or
- the dividends are paid to a qualifying EU parent company.

Please note that in case no Dutch dividend withholding tax is due based on an applicable double tax treaty concluded with the Netherlands, the taxpayer is – contrary to the above – obliged to file the dividend withholding self tax assessment 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 self tax assessment or in case the dividend withholding tax is not paid or not paid within the stipulated period, a penalty may be imposed.



- Asses the dividend withholding position
- Prepare dividend withholding 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. One of these conditions is that the balance of payable and deductible VAT does not exceed EUR 1,883 per year.

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 electronical 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 EUR 1, 000.

Recapulative Statement

A Recapulative 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 Recapulative 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.

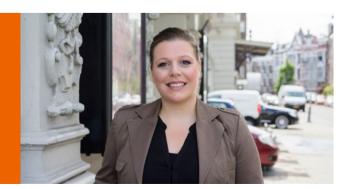
In the Netherlands the threshold for monthly listing of intra-community supplies of goods (the so-called 'Opgaaf ICP') is EUR 50,000. The 'Opgaaf ICP' for services can be filed on a quarterly basis. If a taxable person is allowed to file annual VAT returns, it is possible, provided certain conditions are met, to apply for annual submission of the statements. The statements are 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 EUR 1,500,000 per year and (separately) for arrivals of goods from other EU countries if these exceed EUR 1,500,000 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.



- Prepare and file the VAT returns, Recapulative Statements, Intrastat declarations and refund
- 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

Entrepreneurs who employ personnel in the Netherlands 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). 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 workrelated cost scheme or specific exemptions).

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).

The Tax Authorities use the detailed information for purposes including the award of benefits and the pre-completed income tax returns. Consequently, it is extremely 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. Employers who provide reimbursements or benefits in kind to employees will have to assess the wage tax implications. Under the work-related cost scheme, the employer can provide reimbursements and benefits in kind tax-free (if certain conditions are met), up to 1.2 per cent of the total fiscal wages of its employees per calendar year. In addition, a number of specific benefits can be provided tax-free, without being included in the 1.2 per cent budget. In case the 1.2 per cent budget is exceeded, the employer has to pay a final levy of 80 per cent on the amount in excess.



- 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
- Advisory with respect to tax efficient wage tax payments and the work-related cost scheme

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 highquality 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 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. The position of the self-employed person is mainly regulated by the 'Wet Deregulering Beoordeling Arbeidsrelatie' ('Wet DBA') and not by Dutch labour law.

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. It is possible to obtain security about the labour relationship by submitting the contract with the self-employed person to the Tax Authorities for approval, or by using a standardized pre-approved contract. In case the Dutch Tax Authorities consider the relationship as an employment, as of 2018 both parties can be fined. However due to recent discussions between the Ministry of Finance and the Dutch labour market, it is expected that the position of the self-employed person will be changed in its favour very soon.





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

Employment law requirements

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

- The requirement to establish a works council for every company with 50 employees or more. The employees elect the members. The works council facilitates the communication between management and staff and has a legal right to advise on, or approve, certain decisions of the company.
- 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. It is possible that the activities of an enterprise fall within the scope of an industry collective labour agreement (CLA) concluded by employers' and employees' organisations.
- An obligation to pay employees at least the minimum wage, which is a fixed monthly rate and is increased annually (as of 1 January 2017 EUR 1,551.60 for those aged 23 and over).
- 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).
- 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.
- A limitation of the employer's freedom to process personal data obtained about its employees and job applicants.
- The limitation of the number of temporary employment contracts that can be offered to an employee.

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

Immigration procedures must be started for foreign nationals who want to work and stay in the Netherlands. The Netherlands has a less restrictive admittance policy for highly skilled workers of multinational companies who meet specific (salary) criteria.

EEA national

No immigration requirements are applicable to EEA nationals (excluding Croatian nationals, for whom a work permit is required in the first year of their employment). 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 (including Croatian nationals) who will perform work activities in the Netherlands.

For stays shorter than three months 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 period of 180 days) a residence permit is required to legally be allowed stay in the Netherlands. Besides that a long term entry visa (MVV) is required before entering the Netherlands for most nationals (except for nationals from the 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).

Japanese nationals are allowed to work without a work permit in the Netherlands. However, a residence permit is required in case the intended stay will exceed 90 days (within a period of 180 days).

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 common.

Work permit procedure

There are various types of Dutch work permits (e.g. for intra-company transfers and trainees). It depends on the specific facts and circumstances which type of work permit can be applied for. 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 at least three months. This procedure does not always apply; a number of exceptions exist. If the GVVA procedure does not apply, a separate MVV visa and residence permit should be applied for in addition to the work permit.

For a non-EEA national assigned to a Dutch entity within the same group, the intra-company work permit procedure for key personnel might 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 EUR 4,669.92 (including holiday pay, figure 2017).

In general, the decision period for a work permit (including MVV and/or residence permit) is 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). This procedure is, in general, applicable in case the employee stays longer than 90 days within a period of 180 days. 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 EUR 4,324 (EUR 4,669.20 including holiday pay, figure 2017) or EUR 3,170 (EUR 3,423.60 including holiday pay, figure 2017) if the employee is younger than 30 years.

If a MVV visa is required on the basis of nationality, the visa and residence permit can be applied for simultaneously under the so-called TEV procedure. The decision period 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 xx).

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 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.



- Setting up a works council from scratch such as drafting works council regulations, organising works council elections, time-planning etc.
- Give guidance in creating a safe and healthy work
- Analyse whether the activities of your company fall under the scope of a mandatory CLA
- Advice about Dutch labour law such as the various minimum leave requirements, (drafting) employment contracts and (strategies on) how to terminate an employment contract
- Advice on how to deal with personal data of
- Apply for work and residence 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 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 (IFRS) as adopted by the EU in the preparation of their financial statements, the requirements to prepare and file annual reports and the requirement for an audit are determined, inter alia, by the size of that company. Companies are classified as 'micro', 'small', 'medium-sized' or 'large' on the basis of three criteria, being (consolidated) total assets on historical cost basis, net turnover and the average number of employees during the financial year. The criteria are in the table below.

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

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

Content

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, as far as the financial statements permit, of its solvency and liquidity.

The financial statements can be prepared either under Dutch GAAP or IFRS. IFRS is required for the consolidated financial statements of listed companies. In the past the Dutch Accounting Standards Board 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.

In general, the annual report contains the following documents:

- A directors' report presenting a fair view of the financial position, results 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, (b) whether the directors' report meets the legal requirements and does not contain material inaccuracies; and (c) whether the other information has been provided. 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-sized or small 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 exempt from including certain notes to the balance sheet.

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 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 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 408. 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 408 in order to be able to use this exemption. One of the conditions is 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 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. Penalties that may be imposed on a director for non-compliance are fines and – this is the maximum penalty – six months of imprisonment.

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 yearend)
Adoption of the financial statements by the general meeting	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.

Who we are

At PwC in the Netherlands, about 4,762 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. And what binds us is one common purpose – to build trust in society and solve important problems. We are a member of the PwC network of firms in 157 countries with more than 223,468 people. We're committed to delivering quality in assurance, tax and advisory services.



Assurance focuses on the audit of information and processes and provides assurance thereon. The audit of financial statements constitutes the majority of our Assurance practice, with the remainder consisting of assurance on processes and numerical (non-financial) information and advice on accounting issues.

Tax assists companies, individuals and organisations with their tax strategies, planning and compliance, and provides a wide variety of specialist HR advisory services in the areas of remuneration structures, pension plans, and crossborder deployment as well as legal advisory services.

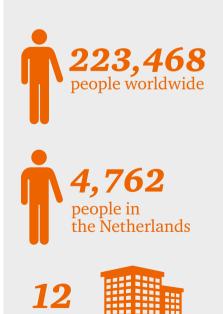
Advisory focuses mainly on transformation processes arising for instance, from strategic changes or from improvements in business processes and systems. Advisory also provides services in the area of mergers and acquisitions. from strategy determination through to assistance with business (unit) integration or carve out, and provides crisis management services to clients effected by fraud, disputes or inadequate cyber security and near-insolvency.

Strong network

According to a 2015 independent survey of primary buyers of tax services in 41 key markets by research agency Jigsaw research, senior tax buyers name PwC as their first choice providers for all tax services globally.

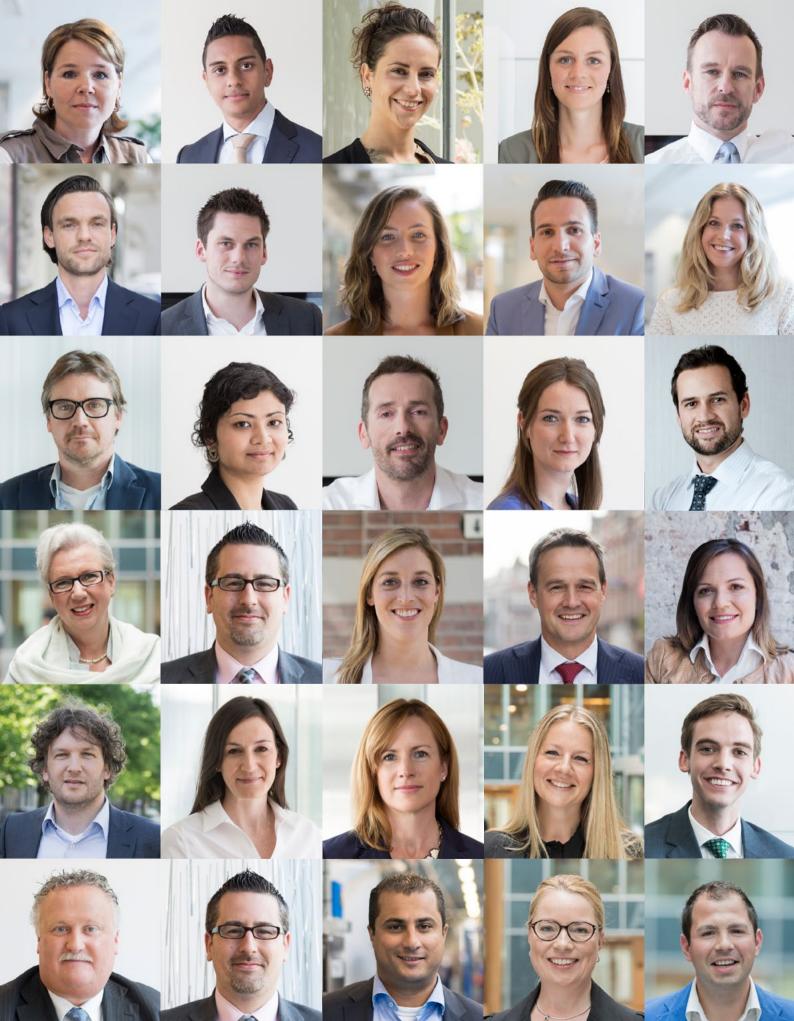
In-house knowledge necessary to design state-of-the-art group structures to optimise your business activities and tax position.

Very good contacts with the Dutch Tax Authorities, resulting in quick and smooth communication about your requests, filings and questions.



Client satisfaction mostly improved

	Client sat	isfaction	Recommendation	
	2015/2016	2014/2015	2015/2016	2014/2015
Assurance	8.0	7.9	8.0	7.7
Tax	8.4	8.3	8.2	8.2
Advisory	8.2	8.3	8.4	7.8







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:

Knowledge Centre Fascinatio Boulevard 350 3065 WB Rotterdam P.O.Box 8800 3009 AV Rotterdam knowledge.centre@nl.pwc.com

Links for more information:

Tax specific:



http://www.taxsummaries.pwc.com

PwC the Netherlands:



http://www.pwc.nl



http://nfia.nl

This document was concluded on 1 January 2017. Subsequent developments have not been included.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people. At PwC in the Netherlands over 4,700 people work together. We're committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.nl.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

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