

# Memorandum

## Tax Key Facts

Tax key facts in case you are setting up in or coming to the Netherlands



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This memo describes shortly what you need to think about when you are setting up your company in or coming to the Netherlands followed by tables with the tax key facts.



## 1 Starting a business in the Netherlands

Companies wishing to start their business in the Netherlands can they do this with the existing foreign legal entity in the country without the need to convert it into a Dutch legal entity, called a branch office (permanent establishment).

You can also set up a new Dutch legal entity. There are three types types of companies which have legal personality: the private limited liability company (besloten vennootschap met beperkte aansprakelijkheid - BV), the public limited liability company (naamloze vennootschap - NV) and the Cooperative (Cooperatie). These forms of legal entities are most commonly used for doing business in the Netherlands. Other common forms of business entities are sole proprietorship (eenmanszaak), general partnership (vennootschap onder firma - VOF), (civil) partnership (maatschap) and limited partnership (commanditaire vennootschap - CV).

Many foreign companies make use of a legal form instead of a branch. The main legal reason to set up a legal form, instead of a branch, is limitation of liability. As a shareholder of a legal entity, the foreign company's liability is, in principle, limited to the extent of its capital contribution; whereas, if the foreign company makes use of a branch, it is fully responsible for all the obligations and liabilities of the branch. Another important aspect to consider with respect to the choice of setting up a branch or a legal entity is the matter of local tax regulations. The choice of setting up a legal form or a branch will be determined based on the circumstances and relevant factors with respect to the business as such, and the Dutch tax regulations and tax treaties.

## 2 Financing your business

In case a foreign company starts up a business in the Netherlands, they can finance this with capital or with a loan received from another group company or with a loan from the bank. A capital contribution is not subject to capital duty in the Netherlands. With respect to the loan received from other group companies, be aware that when to calculate the taxable profits, a Dutch company is generally entitled to deduct interest paid in relation to borrowings for business purposes. Nevertheless, anti-abuse rules may apply. As a result, no interest deduction is allowed. In case everything is funded with a loan from a bank, in principle no interest restrictions are applicable.



### **3 Payroll taxes and Income tax**

On salaries paid out to employees working in the Netherlands payroll tax should be withheld and transferred to the tax authorities. The payroll tax withheld by the employer is an advance for the individual income tax due by the employee. The employer withholds payroll tax, consisting of social security premiums and wage tax, from the wages as one single amount and subsequently pays this to the tax authorities. The combined amount is referred to as payroll tax. Payroll tax is calculated on the full value of the remunerations received by the employee based on the employment contract. Furthermore, income tax is a tax levied on the income of natural entities with domicile in the Netherlands (domestic taxpayers). They are taxed on their full income wherever it is earned in the world.

Any individual who is not domiciled in the Netherlands, but receives Dutch sourced income Netherlands, is liable to pay income tax on his income (foreign taxpayers). Expatriates employed in the Netherlands on a temporary basis may in certain situations avail themselves of special tax facility, called the 30% ruling. This facility applies to employees recruited from abroad to work for a Dutch employer and who meet certain conditions.

### **4 Withholding taxes**

A Dutch company distributing dividends is required to withhold dividend withholding tax at a rate of 15% on these dividends, unless a reduced rate applies under Dutch tax law, a tax treaty or the EU Directive if certain conditions are met. The shareholders therefore only receive 85% of the dividend. Beside dividend payments by Dutch companies the tax is also applicable to other similar payments, such as certain share repurchases, liquidation distribution, etc., as well as interest paid on hybrid loans. It does not apply to transfers of profits earned by the Dutch branches of foreign companies. In certain cases, domestic law provides for an exemption from withholding tax or grants the right to a refund.

### **5 Value Added Tax (VAT)**

VAT is a EU indirect tax that is charged on the supply of goods and services. Where an entrepreneur or business makes supplies that are subject to VAT, the entrepreneur or business (taxable person) should be VAT registered and VAT should be accounted for at the appropriate rate. VAT registered taxable persons are entitled to recover VAT incurred on the purchase of goods and services in connection with taxable transactions. In this manner, the VAT cost is ultimately borne by customers such as private individuals or entrepreneurs and businesses making VAT exempt supplies (such as certain financial services providers) that have no right to recover VAT. VAT may be charged at either the standard rate, which is currently 21%, or the reduced rates of 6% (for certain goods and services) and 0% (for intra-Community supplies and export).



Foreign businesses are entitled to claim relief for VAT suffered on Dutch expenditure pursuant to the Eighth/Thirteenth Directives. In other words, businesses registered for VAT purposes in another state are able to claim refund. The reclaim procedure is known as mutual recovery.

## **6 Excise duty**

The Netherlands charges excise duties on alcohol-containing beverages, tobacco, fuel and other mineral oils. Manufacturers, traders and importers pay excise duties to the tax authorities. The Excise Duty Act (Wet op de accijns) in the Netherlands is fully harmonized with the applicable EU directives. The harmonized excise duty system of the EU also involves general conditions for the storage, movement and monitoring of excise goods in the Member States, tax suspension arrangements for the movement of excise products between tax warehouses, comprehensive definitions of excise goods, and regulations concerning excise duty rates and exemptions.

## **7 Fee and rates**

At the last page of this brochure we have made an overview of our fees and rates with respect our services we can provide to you.

Blue Clue Tax Solutions would be very happy to assist you further in setting up in the Netherlands. Please do not hesitate to contact Ton Krol ([tkrol@blueclue.nl](mailto:tkrol@blueclue.nl)).



## MAIN LEGAL FORMS

Legal form	Partnership (VOF) and Limited Liability Partnership (CV)	Private corporation (Ltd) and Public corporation (Plc)
<b>Characteristics</b>		
Partners/shareholders • Number • Restrictions	<ul style="list-style-type: none"> <li>• Two or more</li> <li>• None<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• One or more</li> <li>• None</li> </ul>
Directors	Management by partners	Management by director(s) <sup>2</sup>
Establishment	No formal requirements <sup>3</sup>	Notarial deed of incorporation
Registration	Chamber of Commerce and tax authorities <sup>4</sup>	
Minimum capital	None	None for BV <sup>5</sup> and € 45,000 for NV
Liability	Unlimited <sup>6</sup>	Limited to capital <sup>7</sup>
Governance	Partners, general meeting, works council <sup>8</sup>	Managing Director/Board of Directors, supervisory board, shareholders' meeting, works council <sup>8</sup>
Audit requirements	No audit requirements for partnerships	No audit requirement if for 2 consecutive years at least two of the three conditions below were not exceeded: <ul style="list-style-type: none"> <li>• Turnover does not exceed € 8.8m</li> <li>• Total assets do not exceed € 4.4m</li> <li>• Number of employees does not exceed 50</li> </ul>
Taxation	Partners are subject to Dutch income tax on their share of profits <sup>9</sup>	Dutch resident companies are subject to corporation tax on their profits derived anywhere in the world
Usage	Professional and financial organizations, joint ventures of small, medium-sized and large companies	BV used for small and medium-sized enterprises. NV used for larger companies and companies seeking listing on any market

1 The limited partner should not legally represent the CV in external relations.

2 A private and public company must have at least one director.

3 Partnership agreement in writing is advisable.

4 Not every partnership has to register with Chamber of Commerce.

5 As from October 2012, the new flex BV has been introduced. Some characters are: no minimum capital, notary not necessary incorporation flex BV

6 For CV unlimited liability will apply to at least one partner. Other partners' liability may be limited to their capital.

7 Management can be liable in case of misconduct. For the flex BV liability for the board of directors/shareholders in case profit distribution is irresponsible.

8 Works council is required if 50 employees or more.

9 Capital gains are not taxed separately but included in the profit share/taxable income.



## CORPORATION TAX

Legal form	Dutch-resident corporation	Permanent establishment (PE)						
Characteristics								
General description	Tax levied on the taxable profit of a chargeable company for a year of assessment <sup>10</sup>							
Taxable entities	Companies incorporated in the Netherlands and/or foreign companies with central management and control located in the Netherlands	PE located in the Netherlands						
Taxable income	Worldwide profits	Profits derived by PE in the Netherlands						
Calculation of taxable profits	Accounting profit is adjusted for various tax add-backs, allowances and exemptions to arrive at the taxable profit. Dividends from qualifying participations are exempt							
Interest payments	Transfer pricing rules are in place that require funding arrangements to be at arm's length for interest payment remain tax deductible Thin capitalization rules of 1:3 apply with a threshold of €500,000 (as from January 2013, the rule will be abolished) Anti-abuse provisions can deny interest deduction in certain cases Anti-abuse provisions and case law can re-categorize loans as capital or vice versa							
Related party transactions	All related party transactions must take place on arm's length basis. If not, a correction can be made.							
Tax year, return and payment	Tax period normally coincides with accounting period Tax return must be submitted to tax authorities within 5 months from the end of the accounting period <sup>11</sup> Tax payment should be made monthly during the accounting period <sup>12</sup>							
Capital gains	Capital gains are subject to corporation tax at normal rates. Capital gains on qualifying participations are exempt							
Losses	Within a year losses can be offset against other current year profits Losses sustained may be carried back to be set off against profits of the preceding year and carried forward for 6 years. For the years 2009, 2010 and 2011 companies could opt for a loss carry-back of 3 years. If that option was used, the loss carry-forward was restricted to 6 years.							
Tax group	A fiscal unity can be formed by a parent company and its 95% subsidiaries <sup>13</sup>	Foreign entities with Dutch PEs can unite the PEs in a fiscal unity <sup>14</sup>						
Tax rate	Between 20% and 25% <table style="margin-left: 20px;"> <tr> <td>Profits (€)</td> <td>Rate</td> </tr> <tr> <td>Up to 200,000</td> <td>20%</td> </tr> <tr> <td>200,000+</td> <td>25%</td> </tr> </table>		Profits (€)	Rate	Up to 200,000	20%	200,000+	25%
Profits (€)	Rate							
Up to 200,000	20%							
200,000+	25%							

10 Capital gains are not taxed separately but treated/taxed as taxable profit.

11 The Dutch tax authorities grant tax advice firms an extension for their clients which enable them to file the returns proportionally over a period of 14 months after the end of the accounting period.

12 For over- or underpayment interest is received respectively due.

13 Fiscal unity means that the group is treated as one company for corporation tax purposes and taxed on a consolidated basis.

14 As long as the 95%-ownership condition is met.



## TAXES FOR INDIVIDUALS

		Residents <sup>15</sup>	Non-residents
<b>Income Tax</b>	General description	Tax levied on the chargeable income of a chargeable person for a year of assessment <sup>16</sup>	
	Taxable entities and taxable income	Individuals who are resident in the Netherlands are liable to tax on their worldwide income	Individuals who are not resident in the Netherlands are liable to tax on income arising in the Netherlands, subject to provisions in double taxation agreements
	Types of taxable income	Worldwide trading income of a trade, profession or vocation (box 1) Worldwide employment income (box 1) Worldwide income from substantial shareholding (box 2) Worldwide property income (box 1 or 3) Worldwide savings and investment income (box 3) Worldwide income from trusts or estates (box 3)	Dutch-sourced trading income of a trade, profession or vocation (box 1) Dutch employment income (box 1) Dutch-sourced income from substantial shareholding (box 2) Dutch property income (box 1 or 3)
	Calculation of income	Box 1 – accrual basis, income/benefit received Box 2 – actual income received Box 3 – income is a fixed yield of 4% on average value <sup>17</sup>	
	Tax year, tax assessment and tax payment	Tax year – calendar year Tax assessment – after submitting individual tax return Tax payment due – during the tax year <sup>18</sup>	
	Losses	Box 1: 3 years carry back, 9 years carry forward Box 2: 1 year carry back, 9 years carry forward There are restrictions for loss compensation between the boxes	
	Tax rates	Box 1 – progressive (from 33.45% up to 52%) Box 2 – 25% Box 3 – 30%	
	30% ruling for expats	If conditions are met expatriates get the 30% ruling. The taxable income is reduced with 30%. Some of the conditions for the 30% ruling are a salary threshold and having an expertise that is scarcely available on the Dutch labor market. The advantage are: <ul style="list-style-type: none"> <li>• 30% of you salary is tax free</li> <li>• International school fees can be reimbursed tax free</li> <li>• Change foreign driving license into Dutch one</li> <li>• Easier to attract specialists from abroad</li> <li>• Mortgage interest and other tax deductions are available as well</li> <li>• Savings and portfolio investments are not taxed</li> </ul>	





<b>Capital Gains Tax (CGT)</b>	General description	Capital gains are not taxed separately but treated/taxed as chargeable income	
<b>Inheritance Tax (IHT)</b>	General description	Tax charged on a chargeable transfer of value made by a lifetime gift or estate on death <sup>19</sup>	
	Taxable entities and chargeable assets	Estate or lifetime gifts received from a Dutch <sup>20</sup> deceased or donor	Estate or lifetime gifts, which are not specifically excluded, situated in the Netherlands
	Calculation of charge	Value of the estate or lifetime gift	
	Taxable events	Lifetime gifts Estates on death and gifts made 180 days prior to death of donor	Lifetime gifts Estate on death of assets situated in the Netherlands
	Allowances	There are various exemptions for estate and lifetime gifts under various conditions Charities are exempted from paying tax on estate and lifetime gifts	
	Tax rates	<ul style="list-style-type: none"> <li>● 10% - 20% for children and spouses</li> <li>● 18% - 36% for grandchildren</li> <li>● 30% - 40% others</li> </ul>	

- 15 Double taxation will be prevented by double tax treaty or the Dutch Unilateral Decree to prevent double taxation.
- 16 Capital gains are not taxed separately but treated/taxed as chargeable income.
- 17 Capital gains are 'included' in the fixed yield and thus not taxed separately.
- 18 For over- or underpayment interest is received respectively due.
- 19 Inheritance tax treaties can override the right of the Netherlands to tax a taxable estate or lifetime gift.
- 20 Dutch refers to Dutch residents, which includes foreign citizens residing in the Netherlands. Dutch citizens who were Dutch residents 10 years prior to the taxable event are treated as Dutch residents for inheritance tax purposes.



## WITHHOLDING TAXES

	Payments to non-residents
Dividends	15% <sup>21</sup> or 0% <sup>22</sup>
Interest	None
Royalties	None
On payments to artists and sportsmen	0% <sup>23</sup>

21 Reduced rates of withholding tax may apply in the case of double tax treaty and under the EU Parent Subsidiary Directive.

22 In case the shareholder could apply the Dutch participation exemption in case the shareholder would be residing in the Netherlands.

23 The 0% is applicable if the artist or sportsman is from a country, which has a tax treaty with the Netherlands. Without a tax treaty the withholding rate amounts 20%.



## INDIRECT TAXES

		Residents	Non-residents
<b>Value Added Tax (VAT)</b>	General description	Tax on the supply of goods and services	
	Entities being obliged to levy VAT	Any individual, partnership, corporation or other body, which carries out taxable activities in the Netherlands Other situations may also arise, e.g. distance selling, sale of assets, acquisitions from other EC member states	
	Taxable activities	Supply of goods and services, import of goods, intra-Community acquisition of goods, etc. Regarding the payment of Dutch VAT, the place of the supply of goods and / or services must be in the Netherlands (following the third chapter of title IV and the first chapter of title V from the EU VAT Directive)	
	Taxable activities – zero rated (examples)	Supply of goods from a VAT entrepreneur that is resident in The Netherlands to a VAT entrepreneur that is resident in another EU-country (intra community delivery) Export of goods and certain services to everybody outside the EU	
	Exemptions (examples)	Transactions related to the sale of any Dutch property used for more than 2 years and the lease of any Dutch property (option to tax for VAT available for commercial property) Banking and insurance services Certain welfare services including hospital and medical care services	
	Reverse charge mechanism	In the situation a service is being provided from a VAT entrepreneur that is resident in The Netherlands to a VAT entrepreneur that is resident in another EU-country, the payable VAT that is corresponding to this service is 'reverse charged' to the recipient of the service. (Business to Business activity)  In the situation that the VAT entrepreneur that does provide the delivery and/ or the service is not resident in The Netherlands and does not have a permanent establishment in The Netherlands and the recipient of the service and/ or the delivery is a VAT entrepreneur that is resident in The Netherlands or does have a permanent establishment in The Netherlands, the payable VAT is reverse charged to the recipient if the place of the service or the delivery is The Netherlands.	
	Art. 23 License	With an article 23 license the VAT payable upon import is deferred to the VAT return and thus can be recovered directly on that same VAT return (so no cash flow).	
	Refund of VAT	VAT paid on supplies and services is deductible as input tax, if incurred in the course or furtherance of the business and for the purpose of making taxable supplies (including zero-rated supplies)  There is no credit for input tax incurred which relates to the provision of exempt supplies  Where mixed supplies occur (taxable and exempt supplies), subject to anti-abuse provisions, input tax must be apportioned and recovered according	EC 8th Directive refund system for non-resident businesses established within the EU, providing its business is not otherwise required to be registered in the Netherlands  EC 13th Directive refund system for non-resident businesses established outside the EU, providing its business is not otherwise required to be registered in the Netherlands  Strict time limits apply to claims <sup>24</sup>



	to a partial exemption method	
<b>Tax liability</b>	Normally the supplier of goods and services is responsible for charging VAT	
<b>Tax rates</b>	Standard rate = 21% Reduced rate = 6% (e.g. food, art, culture, etc.) Zero rate = 0%	
<b>Administrative obligations</b>	<p>Formal requirements concerning business records and invoices</p> <p>Monthly or quarterly self-assessment VAT returns plus payment of any VAT liability to tax authorities</p> <p>VAT groups are allowed subject to certain requirements</p> <p>VAT identification number must be shown on all invoices issued</p> <p>EU invoicing directive must be adhered to</p> <p>Listings for the intra community services and/ or deliveries that were provided from The Netherlands should be filed on a monthly or quarterly basis</p>	<p>Registration for VAT purposes, if making supplies of goods and services in the Netherlands</p> <p>Appointment of fiscal tax representative possible but not obligatory</p>
<b>Real property taxes</b>	<p>Transfer of Dutch property is taxed with 6% on value of transaction payable by the buyer and in some cases exemptions are applicable</p> <p>The value of property is taxed by local government</p>	
<b>Stamp duty</b>	Transactions related insurances are taxed with 7.5% of the insurance premiums with a range of exemptions	

24 Filing the claim after the deadline will be rewarded normally, but any denial cannot be disputed in court.



## RATES AND FEES

Below we indicate the fees related to our services. All fees are in euro, exclusive 21% Dutch VAT if applicable. For standard products/services we have standard fixed fees. We are accustomed to provide on request guesstimates of the fees before we start with the advice.

Pre-phase / implementation services		€
▪	Registration of a company at the Dutch tax authorities	100
▪	Structuring advice / Setting up the structure, including providing tax advice at request <ul style="list-style-type: none"> <li>○ Initial advice</li> </ul>	Hourly rate <sup>(1)</sup> 1,100 - 2,500 (Initial advice)

  

Corporate income tax services		€
▪	Preparation and filing of corporate income tax return (single)	950
▪	Preparation and filing of corporate income tax return for a fiscal unity	1,650 <sup>(2)</sup>
▪	Corporate income tax services (at request)	Hourly rate <sup>(1)</sup>

  

VAT services		€
▪	Preparation of VAT return and EU Sales Listing	350
▪	Preparation of VAT return, EU Sales Listing and Intrastate statistical return	750
▪	VAT advisory services (at request)	Hourly rate <sup>(1)</sup>

  

Payroll & Income tax services		€
▪	Fixed fee payroll services (monthly)	120 <sup>(4)</sup>
▪	Per employee per month	10 <sup>(4)</sup>
▪	Additional administrative assistance (at request), such as corrections, trial calculations and de-registrations	Hourly rate <sup>(4)</sup> 85
▪	Payrolling service (umbrella, per contractor)	250 <sup>(5)</sup>
▪	Preparation and filing of the Dutch personal income tax return	375
▪	Submitting and filing the 30% ruling facility per employee, including adjustment labour agreement (if applicable)	750

  

All calls and basic questions answered at a fixed price per month		€
▪	For fixed fee per month we answer all your phone calls and answer all standard / basic tax questions asked by email.	145 <sup>(3)</sup>



Hourly charge-out rates	€
<b>Tax Services</b>	
Partner	225
Manager	165
Advisor	135
Junior	85

(1) Our fees for tax advice are normally computed on the basis of fees for the time spent on the company's affairs (which depend on the levels of skill and responsibility involved) unless otherwise agreed. Depending on the nature of the assignment (for instance special projects), we would be able to provide you with more detailed advance fee estimates once we know more of the details. For example arranging an Advance tax ruling with the Dutch tax authorities or preparing a tax memo and answering questions from the Dutch tax authorities will be done on a time spent basis.

(2) The fee for a fiscal unity between a cooperative and one BV costs € 1.650, which is stated here. The fees for complicated returns (fiscal unities between three or more companies or companies with permanent establishments) are higher and provided upon request.

(3) This enables you to call us freely and ask questions freely by email that are standard / basic for us. We do this for a fixed price so you will not be surprised when you receive our invoice at the end of the month. The calculation of the amount is as follows:

Hourly rate: € 225,00

Number of weeks: 52

Time per week: 0,15 (9 minutes)

Total: € 1.755,00

Per month (rounded down) € 145,00

(4) This concerns the monthly administration of the salaries, Dutch wage tax and social security premiums. Our payroll service department will do the payroll administration. The payroll services are calculated per company per employee. The information provides monthly payroll slips (one for the use of the employer and one for the employee), payment sheets, social security and wage tax statements and all other necessary information concerning the staff. The payroll slips for the employees are in English (or Dutch). We provide two levels of services.

(5) Payrolling service

If you need to hire freelance highly skilled contractors we can act as the employer's and put them on our payroll. For more information, please check out [Dutchpayrolling.nl](http://Dutchpayrolling.nl). The fee for the umbrella service is € 250 per contractor per month.

## General information

We refer to our website <http://www.blueclue.nl> for further general information about our office. If you have any questions please do not hesitate to contact us at [info@blueclue.nl](mailto:info@blueclue.nl)

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