

Doing business in the Netherlands

Tax & accountancy

Profile Tax Lawyers

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Pre

- Challenges Internationally expand business (language and not familiar)
- Main goal of our presentation
- Questions? Please ask

Introduction Dylan van de Belt



- Experience in the investment and trade industry
- Worked for several international Law Firms
- Side activity: Tutor at the Leiden University
- Since 2013 I started Profile Tax Lawyers

The Netherlands in general



- History as a Trading Nation
- The first Stock Exchange in the world (1611)
- Professionalized financial industry
- Business-minded government
- Strong Research & Development

Tax facts of the Netherlands

- Network of Tax Treaties (about 100 countries)
- Latvia – the Netherlands - Tax Treaty 1996
- Corporate Tax Rate of 20 or 25 per cent
- Very favourable tax treatment for foreign-owned companies
- No withholding taxes on interest and royalties
- Holding companies
- The innovation box and R&D activities
- 30 per cent ruling for expatriates
- Good information and cooperative tax authorities
- Tax rulings quite easy to obtain
- Tax audit well organized

Comparison chart of tax percentages



Comparison chart of tax percentages

	Latvia	Netherlands
Corporate Income Tax	Standard rate 15%	20% on the first € 200.000 25% on taxable profits exceeding € 200.000 5% R&D activities
Personal Income Tax Employment	23%	Progressive rate of 36,55% up to 52% With 30% ruling 25,58% up to 36,4%
VAT	Standard rate 21% Reduced rate 12%	Standard rate 21% Reduced rate 6%

Doing business with/without a Dutch legal entity

- Big difference from legal and tax perspective

Why choose for a Dutch legal entity (subsidiary)?

- Commercial reason
- Legal reason / limitation of risk
- More simply tax and accounting obligations (costs)
- Tax incentives

Using a Dutch legal entity

Then have to comply to Dutch rules.

- VAT

Mostly quarterly filing and paying

- Wage Tax

Mostly monthly filing and paying

Working in Netherlands for Dutch company then have to pay Dutch wage tax and premiums.

- Corporate Income Tax

Annually filing and paying

Benefits of a Dutch Legal entity

- Tax treaty network
- Holding regimes
- Research and development

Between 32% and 40% deduction on wage costs and expenses

- Innovation box

5% corporate income tax on profits out of patents

- Energy Investment Relief

- Environmental Investment Deduction

Place of residence Dutch Entity

- Place of effective management
- Place of incorporation
- Other factors

- Special substance requirements for Financial Service Companies
 - >50% directors are Dutch tax resident
 - Dutch directors have the needed knowledge and skills
 - main decisions are taken in the Netherlands
 - administration in the Netherlands
 - some more

Tax when using a Latvian legal entity I

- Corporate Income Tax: Only if there is a Permanent establishment: A fixed place of business through which the business of an enterprise is carried on.

Examples:

- branch, office, factory, workshop.
- building site if >9 months

No permanent establishment if:

- only storage, display or delivery of goods merchandise
- only purchasing goods or merchandise or collecting information
- only preparatory or auxiliary activities

Tax when using a Latvian legal entity II

- Corporate Income Tax: Only if there is a Permanent Representative: someone regularly acting on behalf of the company with authority to conclude contracts in the name of the company, unless only preparatory or auxiliary activities

No permanent establishment if:

- only preparatory or auxiliary activities

Tax when using a Latvian legal entity III

- VAT

Mostly quarterly filing and paying

- Wage Tax

Mostly monthly filing and paying

Only in case of permanent establishment then 183-days.

Tax when using a Latvian legal entity IIII



Quite easy to obtain certainty in advance by entering in to ruling

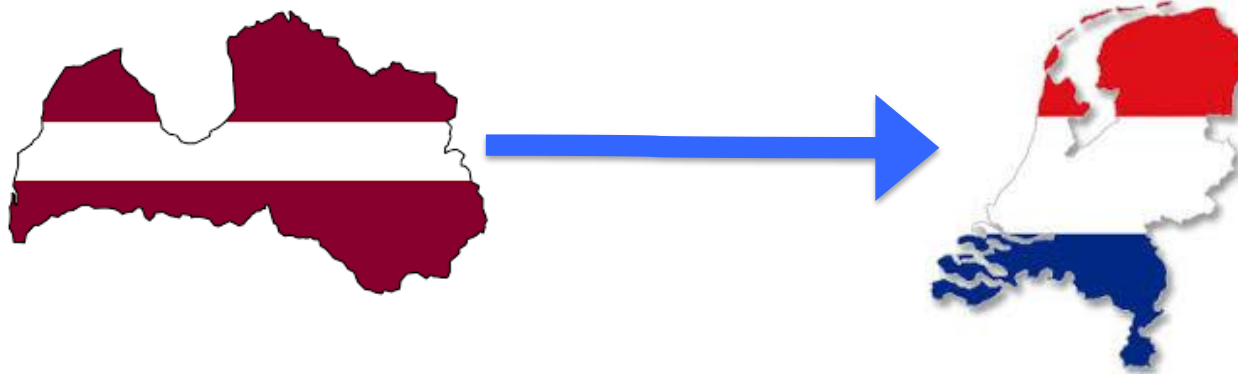
Which means a letter to the Tax Authorities en some consultation.

Examples



Example I: Selling goods

Deliver goods and services from Latvia to the Netherlands



For example wooden furniture sold to Dutch shop owner

Value Added Tax procedure

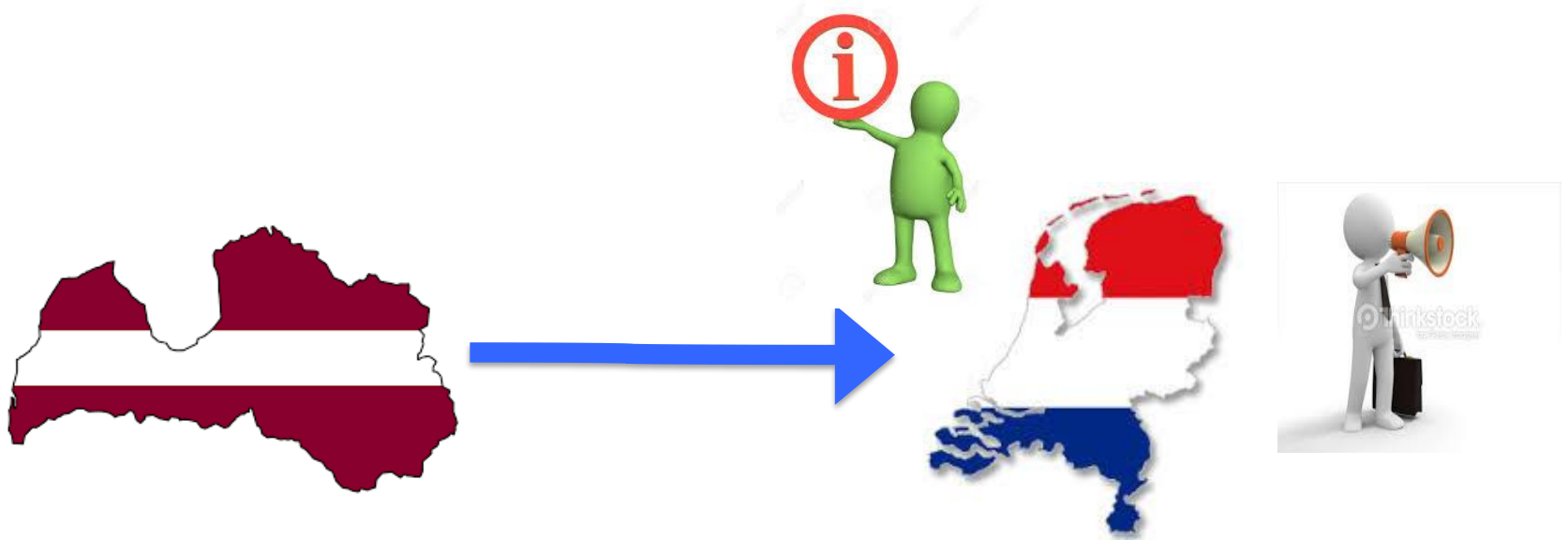
B2B: the reverse charge mechanism generally applies

In those case you will apply 0% on your invoice. The Dutch customer has to declare and pay the VAT.

Probably no permanent establishment

Example II: Liaison office

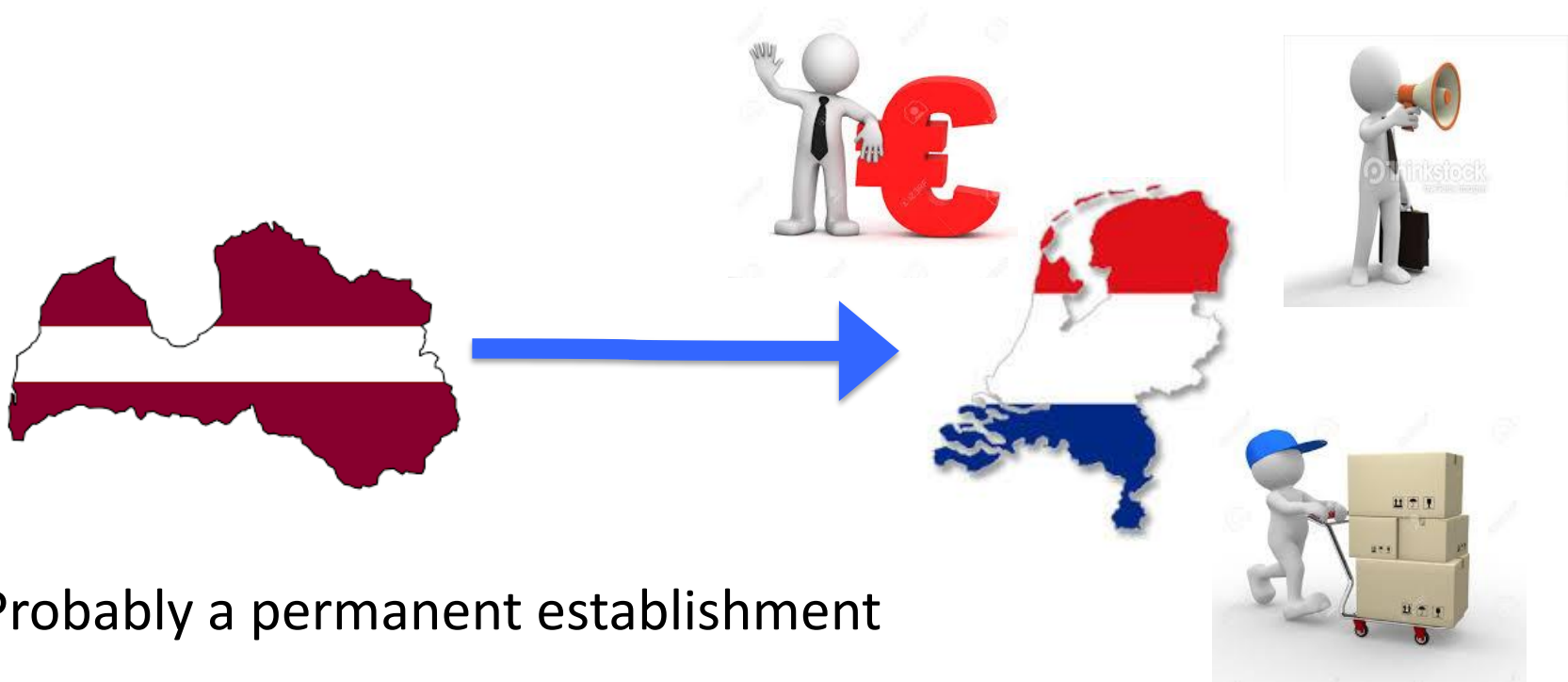
Explore market and establish contacts with customers. Information, maintain a supply of goods or merchandise for display. Including delivery, advertising, collection of information. And preparatory and/or supporting activities.



Probably no permanent establishment

Example III: Sales support

Explore market and establish contacts with customers. Information, maintain a supply of goods or merchandise for display. Including delivery, advertising, collection of information. And preparatory and/or supporting activities.



Probably a permanent establishment

Questions?????

Thank you

Paldies