

Corporate Income Tax System in the Netherlands

National Corporate Income Tax Rate at a Glance

Corporate Income Tax Rate (%)	25.5
Capital Gains Tax Rate (%)	25.5
Branch Tax Rate (%)	25.5
Withholding Tax (%)	
Dividends	15
Interest	N.A.
Royalties	N.A.
Branch Remittance Tax	N.A.
Net Operating Losses (Years)	
Carryback	1
Carryforward	9

Outline of Dutch Corporate Tax System

Taxable Income

Dutch resident companies are subject to corporate income tax on their worldwide income. Furthermore, foreign companies, holding 5% or more in the issued share capital of a Dutch resident company could also become subject to Dutch corporate income tax on Dutch-source income. The latter only applies in case the corporate shareholder cannot benefit from any treaty protection.

Participation exemption

Double taxation is eliminated through the participation exemption. The following requirements need to be met in order to benefit from the participation exemption:

- The entity in which the participation is held must have a capital divided into shares;
- The shareholder should have an interest in the share capital of the entity of at least 5%, and;
- The entity in which the participation is held may not qualify as a low taxed portfolio investment participation.

With respect to the latter requirement, a participation is considered to be a low taxed portfolio investment company if the assets of the participation (directly or indirectly) consist for more than 50% of portfolio investments and the effective tax rate of the participation is less than 10%.

Furthermore, if an EU/EER or Dutch resident company holds 5% or more in the issued share capital of a Dutch resident company, under strict conditions no withholding tax will be levied upon dividends distributed to this qualifying shareholder. In all other cases, the double tax treaty applies with a maximum of 15%. This maximum rate thus also applies if no double tax treaty protection can be invoked.

Transfer Pricing Rules

The transfer pricing regulations stipulate that pricing between affiliated entities should be determined based on the at arm's length principle. Entities are considered affiliated if a company directly or indirectly participates in the board of, has a substantial control over or participates in another company.

Dutch taxpayers are obliged to keep records in their administration substantiating the at arm's length character of intercompany pricing agreements.

Anti-abuse provisions

Dutch corporate tax law contains anti-abuse provisions in respect of interest deductions on loans taken up by affiliated companies relating to certain transactions, such as capital contributions in other affiliated companies, acquisition, dividend distributions and repayments of capital.

Furthermore, limitations, other than in time, could apply with respect to the possibility to compensate net operating losses. Special attention should be drawn in case of change of ownership and in case of holding- or finance companies.

Thin Capitalization

The general thin-capitalization rules limit interest deduction for as far as the debt-to-equity ratio exceeds 3:1, for as far as the excessive part exceeds € 500.000. The applied debt and equity amounts are the annual average amounts. The limitation itself is limited to the sum of interest payments to related entities and interest income received from related companies.

Upon request, a Dutch taxpayer may under strict conditions opt to apply a group debt-to-equity ratio.

Foreign Tax Credit

An unilateral tax relief is granted to a Dutch company in case income is derived from a foreign permanent establishment or a permanent dependant representative. A Dutch company can deduct corporate income and withholding tax paid abroad as expenses in case no other double taxation relief can be applied.

Exempt Investment Company

Dutch investment companies that are involved in collective investment activities and have more than one shareholder can under circumstances apply for the Exempt Investment Company status ("EIC"). The company may solely invest in qualifying financial instruments such as shares and stocks.

As a consequence of this EIC status the return on portfolio investments will not be subject to corporate income tax and dividends distributed by the EIC are not be subject to withholding tax. As a consequence an EIC may not benefit from double tax treaty protection.

Fiscal Investment Company

Dutch investment companies may, under specific circumstances, also apply for the Fiscal Investment Company regime ("FIC"). The FIC is subject to 0% corporate income tax but has a yearly obligation to distribute its profits to the shareholders. These distributions are subject to withholding tax. FIC companies may benefit from double tax treaty protection.

Patent-box

Corporations liable to Dutch corporate income tax can opt for the so called patent-box if revenues are received from self developed patented intangible assets. In case the patent-box is applicable revenues received from intangible assets will be subject to 10% corporate income tax, rather than 25,5%. The 10% rate can only be applied to for a maximum of four times the production costs of the intangible assets.

Fiscal Unity

Upon request a domestic parent company that legally and economically holds at least 95% of a domestic subsidiary can be treated as a fiscal unity (tax consolidation). Foreign subsidiaries with a permanent establishment in the Netherlands can under specific circumstances be part of a fiscal unity as well.

If the fiscal unity is applied the parent company must file a consolidated tax return. Losses incurred by one company can be set off against profits generated by another company within the fiscal unity. Assets and liabilities can be transferred within the fiscal unity without being liable to corporate income tax, subject to a claw back in case the fiscal unity between the transferor and transferee is terminated.

Taxable Year

The tax year for a corporation is in principle the calendar year. The use of a different tax year is however possible, if allowed by the articles of association of the corporation. A corporate income tax return form will be issued by the tax authorities and must be filed within the deadline set by the tax authorities. A preliminary tax assessment may be imposed during the tax year. In case the final tax assessment is lower than the preliminary tax assessment a refund will be granted.

Functional currency

Upon request, a Dutch corporate income taxpayer may file its annual tax return in a functional currency. This is a welcome facility to avoid exchange rate result.

Value added Tax

Generally, a value added tax is imposed on goods and service provided at a rate of 19%. A lower rate of 6%, or 0% might apply for specific goods and / or services provided. Furthermore, certain goods and / or services are fully exempt.

A company is generally allowed to credit value added tax paid against its value added tax liability, if the company qualifies as an entrepreneur for Dutch VAT purposes.

Other taxes and stamp duties

No net worth tax applies. Further no capital duty or other duties are payable on capital contributions to a Dutch incorporated entity.

A 6% real estate transfer tax is levied upon the acquisition of legal title or economic ownership of real estate located in the Netherlands. The acquisition of an interest in a real estate company may also be subject to the same 6% real estate transfer tax.

Treaty Withholding Tax at a Glance

Please find below an overview of the treaty withholding tax rates. For completeness sake we note that the maximum Dutch dividend withholding tax rate is 15% and that the Netherlands do not impose withholding tax on interest- and royalty payments.

Countries	Dividends Individuals, Companies (%)	Qualifying companies ¹ (%)	Interest (%)	Royalties (%)
Local rate	15	15	N.A.	N.A.
Albania	15	0/5	5/10	10
Argentina	15	10	12	3/5/10/15
Armenia	15	0/5	0/5	5
Aruba	15	5/7.5	0	0
Australia	15	15	10	10
Austria	15	5	0	0/10
Azerbaijan	15	15	0	0
Bahrain	10	0	0	0
Bangladesh	15	10	7.5/10 10	
Barbados ²	15	0	5	5
Belarus	15	0/5	5	3/5/10
Belgium	15	0/5	0/10	0
Bosnia and Herzegovina	15	5	0	0
Brazil	15	15	10/15	15/25
Bulgaria	15	5	0	0
Canada	15	5	0/10	0/10
China	10	10	10	10
Croatia	15	0	0	0
Czech Republic	10	0	0	5
Denmark	15	0	0	0
Egypt	15	0	12	12
Estonia	15	5	0/10	5/10
Finland	15	0	0	0
France	15	5	0/10	0
Ghana	10	5	8	8
Georgia	15	0/5	0	0
Germany	15	10	0	0
Greece	15	5	8/10	5/7
Hungary	15	5	0	0
Iceland	15	0	0	0
India	10/15	10/15	10/15	10/20
Indonesia	10	10	10	10

¹ In general the lower tax rate applies if the recipient is a company that owns at least 25% of the capital in the Dutch company. However, fulfilment of additional requirements can be demanded. This may vary depending on the treaty.

² The Dutch Ministry of Finance announced that an amendment to article 10 (Dividend article) of the income tax treaty between [the Netherlands and Barbados](#) signed on 28 November 2006 will be negotiated.

Ireland	15	0	0	0
Israel	15	5	10/15	5/10
Italy	15	5/10	10	5
Japan	15	5	10	10
Jordan	15	0/5	5	10
Kazakhstan	15	0/5	0/10	0
Korea	15	10	10/15	10/15
Kuwait	10	0	0	5
Kyrgyzstan	15	15	0	0
Latvia	15	5	10	5/10
Lithuania	15	5	10	5/10
Luxembourg	15	2.5	0/2.5/15	0
Macedonia	15	0	0	0
Malawi	-	-	0	0
Malaysia	15	0	10	8
Malta	15	5	10	0/10
Mexico	15	0/5	0/5/10/15	10
Moldova	15	0/5	5	2
Mongolia	15	0	0/10	0/5
Montenegro	15	5	0	10
Morocco	25	10	10/25	10
Netherlands Antilles	15	8.3	0	0
New Zealand	15	15	10	10
Nigeria	15	12.5	12.5	12.5
Norway	15	0	0	0
Pakistan	20	10	10/15/20	5/15
Philippines	15	10	0/10/15	15
Poland	15	5	0/5	5
Portugal	10	0	10	10
Qatar	10	0	0	5
Romania	15	0/5	0	0
Russia	15	5	0	0
Serbia	15	5	0	10
Singapore	15	0	10	0
Slovak Republic	10	0	0	5
Slovenia	15	5	0/5	5
South Africa	15	5	10	0
Spain	15	5	10	6
Sri Lanka	15	10	5/10	10
Suriname	20	7.5/15	5/10	5/10
Sweden	15	0	0	0
Switzerland	15	0	5	0
Taiwan	10	10	0/10	10
Tajikistan	15	15	0	0
Thailand	25	5	10/25	5/15
Tunisia	20	0	7.5	7.5
Turkey	20	5	10/15	10
Turkmenistan	15	15	0	0
Uganda	5/15	0	0/10	10
Ukraine	15	0/5	0/2/10	0/10
United Arab Emirates	10	5	0	0
United Kingdom	15	5	0	0
United States	15	0/5	0	0
Uzbekistan	15	0/5	0/10	0/10
Venezuela	10	0	5	5/7/10

Vietnam	15	5/7	7	5/10/15
Zambia	15	5	10	10
Zimbabwe	20	10	10	10