Recent developments:
For the latest tax developments relating to the Netherlands, see Deloitte tax@hand.

Investment basics:

Currency – Euro (EUR)

Foreign exchange control – There is no foreign exchange control.

Accounting principles/financial statements – IAS/IFRS/Dutch GAAP. Financial statements must be filed annually.

Principal business entities – These are the public company (naamloze vennootschap or NV), private limited liability company (besloten vennootschap or BV), partnership (commanditaire vennootschap or CV, vennootschap onder firma or VOF, etc.), cooperative, and branch of a foreign company.

Corporate taxation:

<table>
<thead>
<tr>
<th>Rates</th>
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<tbody>
<tr>
<td>Corporate income tax rate</td>
<td>16.5% on the first EUR 200,000 of taxable profits, 25% on taxable profits exceeding EUR 200,000</td>
</tr>
<tr>
<td>Branch tax rate</td>
<td>Corporate income tax rate</td>
</tr>
<tr>
<td>Capital gains tax rate</td>
<td>Corporate income tax rate</td>
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</table>

Residence – Companies that have their management in the Netherlands and, in principle, all companies incorporated according to Dutch civil law, are regarded as resident.

Basis – Residents are liable to tax on their worldwide income; nonresidents are taxed only on Netherlands-source income. Exemptions may apply for certain income from shareholdings, permanent establishments (PEs), and innovative activities (see “Participation exemption” and “Incentives”). Branches of foreign companies and subsidiaries are treated the same way in determining corporate income tax. Branches are exempt from withholding tax on profit remittances to their foreign head offices.
Taxable income – Corporate income tax is due on all profits derived from conducting a business, including trading income, foreign-source income, passive income, and capital gains. In principle, all costs relating to the business are deductible.

Rate – The corporate tax rates for 2020 are 16.5% on the first EUR 200,000 of taxable profits (reduced from 19% as from 1 January 2020) and 25% on taxable profits exceeding EUR 200,000. Further rate reductions will take place for 2021 (15% on the first EUR 200,000 and 21.7% on taxable profits exceeding EUR 200,000).

Surtax – There is no surtax.

Alternative minimum tax – There is no alternative minimum tax.

Taxation of dividends – Dividends received by a Dutch resident company are exempt if the participation exemption applies (see “Participation exemption”). If the participation exemption does not apply, either because the holding requirement is not met, or because one of the three tests is not met and the subsidiary has not been subject to any form of corporate income tax, any profit derived from the shares will be taxed at the normal corporate rate without a credit. If the participation exemption does not apply because one of the three tests is not met, but the subsidiary has been subject to some corporate income tax, a tax credit will be granted. The amount of the credit varies: the maximum credit is 5%, and for EU subsidiaries, a credit is granted for the actual amount of corporate income tax, up to the Dutch corporate income tax levied on the dividends.

Capital gains – Capital gains derived from the sale of a participation are exempt if the participation exemption applies (see “Participation exemption”). Other capital gains are taxed at the normal corporate rate. Gains arising on a (de-)merger may be exempt if certain requirements are met.

Losses – Losses arising in fiscal years beginning on or after 1 January 2019 may be carried forward for only six years and carried back for one year. For losses incurred prior to 2019, the carryforward period remains nine years. The limitation on the set-off of tax losses for holding and financing companies has been abolished for losses arising in fiscal years beginning on or after 1 January 2019.

Foreign tax relief – Foreign withholding taxes can be credited under tax treaties. If there is no tax treaty, unilateral relief for foreign withholding taxes will be granted only if the income comes from specified developing countries.

Participation exemption – The participation exemption applies to dividends and capital gains derived from shareholdings of at least 5%, provided: (1) the subsidiary is not held as a mere portfolio investment; (2) the subsidiary is subject to a reasonable effective tax rate based on Dutch tax principles ("subject to tax test"); or (3) less than 50% of the assets of the subsidiary consist of "passive" assets, based on the fair market value of the assets ("asset test"). If the participation exemption is not applicable, a credit for the underlying tax may be obtained.

Group financing/licensing activities generally are deemed to be portfolio investment activities, i.e., participations predominantly engaged in these activities must meet test (2) or (3) for the participation exemption to apply.

Even if the participation exemption applies, dividends and interest payments received are taxable if the payment is tax deductible in the country of the payer.

Holding company regime – See “Participation exemption.”
Incentives – Various investment deductions and reliefs are available.

Under the “innovation box” regime, income derived from self-developed intellectual property (R&D) is effectively taxed at a rate of 7% (the rate is likely to increase to 9% in 2021). The OECD modified nexus approach applies, with the result that R&D expenses incurred by an affiliated entity are disregarded and more stringent conditions are imposed on the type of R&D activities that qualify for the innovation box.

As from 1 January 2020, changes have been made to the special tonnage tax regime that applies to shipping companies.

A 0% tax liability or an exemption is provided for qualifying investment funds.

Compliance for corporations:

Tax year – The tax year generally corresponds to the calendar year, although a different year may be used if so provided in the company’s articles of association. The tax year usually is 12 months, but shorter or longer periods are permitted in the year of incorporation.

Consolidated returns – If certain conditions are satisfied, a parent company may form a fiscal unity with one or more of its subsidiaries, under which the losses of one company may be offset against the profits of another company and fixed assets of one company may be transferred to another company without corporate income tax consequences. To qualify for fiscal unity status, the parent company must own at least 95% of the economic and legal ownership of the shares of the subsidiary and the parent company and the subsidiaries must have the same financial year. In certain cases, a Dutch PE of a foreign company may be included in a fiscal unity.

A fiscal unity may be formed via a company based in another EU member state, and it is possible to form a fiscal unity, in certain cases, with an EU/EEA-resident parent company.

Remedial legislation has taken effect with retroactive force from 1 January 2018 as a result of the decision of the Court of Justice of the European Union (CJEU) in two cases relating to the Dutch fiscal unity regime. The CJEU held that the Netherlands may not favor domestic situations by allowing a benefit that is not open to cross-border groups. As a consequence, some corporate income tax and dividend withholding tax rules will have to be applied as if no fiscal unity exists.

Filing and payment – A provisional assessment, generally based on information from the previous two years, usually is issued in the first month of the taxpayer’s financial year. This assessment is payable in monthly installments for the remaining months of the year.

Corporate income tax returns generally must be filed annually, within five months of the end of the fiscal year, although an extension of this deadline is possible. Businesses are expected to file all returns electronically. The tax return must be accompanied by all information required to determine taxable profits, including the balance sheet and profit-and-loss account and any other information requested by the tax inspector. If a company fails to comply with these obligations or does not file a proper tax return, the inspector may issue an estimated assessment.

Penalties – Administrative penalties may be imposed for late filing or failure to file a Dutch return or for the late payment or nonpayment of tax. Criminal penalties may be imposed if the Dutch authorities can prove fraud or gross negligence.

Rulings – A taxpayer may request an advance ruling from the tax authorities on the application of the participation exemption to holding companies in international structures; the use of hybrid financing instruments and hybrid entities; the existence of a PE in the Netherlands; or the classification of activities, i.e., group services or shareholder activities.
**Individual taxation:**

<table>
<thead>
<tr>
<th>Individual income tax rate</th>
<th>Taxable income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Up to EUR 68,507</td>
<td>37.35%</td>
</tr>
<tr>
<td></td>
<td>Amount exceeding EUR 68,507</td>
<td>49.50%</td>
</tr>
</tbody>
</table>

**Capital gains tax rate**

In principle taxed at the above rates. If the gains are related to a substantial interest, they are taxed at 26.25%; if related to savings and investment in Box 3, the gains are not taxed.

**Residence** – Residence is based on factors such as employment, family circumstances, etc.

**Basis** – Residents are taxed on their worldwide income. Nonresidents are taxed only on Netherlands-source income. In certain cases, nonresident individuals with Dutch-source income are treated as limited national taxpayers, in which case they are taxed on foreign-source income but are entitled to some credits.

**Taxable income** – Income is categorized and taxed under one of three "boxes." Box 1 is income from an enterprise, employment, and housing. Box 2 is income from substantial interests (5% or more). Box 3 is income from savings and investments.

**Rates** – As from 1 January 2020, a two-bracket system applies to Box 1 income, with a base rate of 37.35% for amounts up to EUR 68,507, and a rate of 49.50% for amounts exceeding that amount (with a 14% base deduction for entrepreneurs). Box 2 income is taxed at an increased rate of 26.25%; the rate for taxable income in Box 2 will increase to 26.9% in 2021 to prevent the corporate income tax rate reduction affecting the overall balance of the tax burden between entrepreneurs for income tax purposes and entrepreneurs in private limited liability companies. Under Box 3, a fixed presumed gain (of the market value of Box 3 assets minus debt) is taxed at a flat rate of 30%. The fixed presumed gain is based on the average distribution of Box 3 assets on savings and investments (the "capital mix"). The calculation of the actual presumed gains for each year are based on past market returns realized.

**Capital gains** – In principle, capital gains are taxed at progressive rates (i.e., Box 1 income). If the gains are related to a substantial interest, a 26.25% rate applies (i.e., Box 2 income). If the gain relates to an investment, the gains are not taxed as such (i.e., Box 3 income). There is no capital gains tax on gains from the sale of a residence or other assets.

**Deductions and allowances** – All expenses incurred that are necessary to obtain taxable income in Box 1 generally are deductible, except expenses related to employment. Certain expenses of a mixed nature are not deductible or are deductible subject to limits. As from 2020, the maximum rate of some deductible items in Box 1, for example, mortgage interest, will be reduced by three percentage points annually until a base rate of 37.1% applies in 2023. Expenses that are necessary to obtain taxable income in Box 2 generally also are deductible. In relation to Box 3, liabilities are deductible from the taxable base.

**Foreign tax relief** – Foreign withholding taxes can be credited under tax treaties. If there is no tax treaty, unilateral relief for foreign withholding taxes will be granted only if the income comes from specific developing countries. The foreign tax credit applies separately to each box of income.
Compliance for individuals:

Tax year – Calendar year

Filing status – Married couples must file a joint assessment unless a petition for a divorce has been filed. Unmarried couples must file a joint assessment if certain conditions are satisfied.

Filing and payment – Individual taxpayers must file a tax return even if no tax is payable for the relevant tax year. In principle, the tax return must be filed before 1 May of the following calendar year, although an extension to file may be possible in certain circumstances. Payment generally must be made within six weeks after the tax authorities assess the amount payable.

Penalties – Administrative penalties may be imposed for late filing or failure to file a Dutch return, or the late payment or nonpayment of tax. Criminal penalties are imposed if the Dutch authorities can prove fraud or gross negligence.

Withholding tax:

<table>
<thead>
<tr>
<th>Type of payment</th>
<th>Residents</th>
<th>Nonresidents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company</td>
<td>Individual</td>
</tr>
<tr>
<td>Dividends</td>
<td>15%</td>
<td>15%</td>
</tr>
<tr>
<td>Interest</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Royalties</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Fees for technical services</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Dividends – A 15% withholding tax generally is levied on dividends paid to resident or nonresident shareholders, unless the rate is reduced under an applicable tax treaty or the participation qualifies for an exemption under the EU parent-subsidiary directive or domestic law. Dutch holding cooperatives are required to withhold tax from dividends in certain cases.

In domestic situations, dividends are exempt from withholding tax if the participation exemption applies or if a fiscal unity for corporate income tax purposes exists between the dividend payer and the recipient.

Domestic rules implementing the EU parent-subsidiary directive provide for an exemption from withholding tax on dividends paid to EU/EEA parent companies under the same conditions as for distributions to a Dutch parent. The exemption from withholding tax also applies to dividends paid to a parent company in a third country that has concluded a tax treaty with the Netherlands that contains “qualifying provisions” relating to dividend withholding tax.

Tax withheld on dividends paid to nonresident individuals and companies may be refunded, provided the recipient is a resident of another EU/EEA member state and is the beneficial owner of the dividends. The refund will be equal to the amount of tax withheld that exceeds the (corporate) income tax that would have been due had the recipient been a Dutch resident. A similar refund also is available, in certain cases, to a resident of a third country that exchanges information with the Netherlands.

The dividend withholding tax legislation contains various anti-abuse rules.
Interest – The Netherlands currently does not levy withholding tax on interest. Interest on a hybrid loan can qualify as a dividend for tax purposes, in which case the rules for dividends apply. However, a 21.7% withholding tax on interest paid to related entities in low tax jurisdictions has been introduced and will be applicable as from 2021 in cases of abuse.

Royalties – The Netherlands does not levy withholding tax on royalties. However, a 21.7% withholding tax on royalty payments made to related entities in low tax jurisdictions has been introduced and will be applicable as from 2021 in cases of abuse.

Fees for technical services – The Netherlands does not levy withholding tax on technical services fees.

Branch remittance tax – There is no branch remittance tax.

Other – Anti-abuse rules for specific dividend withholding tax measures have been adjusted pursuant to jurisprudence by the Court of Justice of the European Union. Specifically, the adjustment relates to the requirements that an intermediary holding company with a linking function should meet to establish valid business reasons that reflect economic reality in terms of the withholding tax exemption.

Anti-avoidance rules:

Transfer pricing – Intracompany pricing for goods and services must be at arm's length, and documentation must be maintained on intragroup transactions. Acceptable transfer pricing methods include the comparable uncontrolled price, resale price, cost plus, profit split, and transactional net margin methods, with transaction-based methods preferred over profit-based methods. It is possible to enter into an advance pricing agreement with the Dutch tax authorities for the use of a certain transfer pricing method.

Interest deduction limitations – The Netherlands does not have thin capitalization rules, but earnings stripping rules have applied since 1 January 2019 for corporate taxpayers. Under the earnings stripping rules, the restriction on deductibility applies to the difference between interest expense and interest income from third-party and group loans. The balance of interest is deductible up to a maximum of 30% of taxpayer’s EBITDA (earnings before interest, tax, depreciation, and amortization), although all interest is deductible up to a net amount payable of EUR 1 million (even if the 30% threshold is exceeded). Excess is nondeductible but it may be carried forward indefinitely. The earnings stripping rules apply per taxpayer, although if the taxpayer is part of a fiscal unity, the 30% threshold will apply at the level of the fiscal unity. The Netherlands has not introduced a group ratio exception, i.e., it is not possible for a taxpayer to rely on a higher group debt-to-equity ratio or higher group interest/EBITDA ratio.

Controlled foreign companies – CFC rules apply for entities in which a Dutch corporate taxpayer holds a shareholding of more than 50% and that are established in low-tax or noncooperative jurisdictions ("blacklisted jurisdictions"). A low-tax jurisdiction is defined as one where the statutory profit tax rate is not at least 9%, while a noncooperative jurisdiction is one on the EU list of noncooperative jurisdictions. The Dutch government has issued a list of blacklisted jurisdictions for tax purposes. Certain categories of undistributed (passive) income of such CFCs will be allocated to the taxpayer/parent company. An exception applies to CFCs carrying out a "substantial economic activity."

Hybrids – Rules targeting hybrid mismatches that have been included in the Dutch corporate income tax act pursuant to the EU Anti-Tax Avoidance Directive apply as from 1 January 2020. As a result, several kind of hybrid mismatches that lead to situations of a double deduction or a deduction without inclusion will be neutralized by either disallowing a deduction or including the corresponding income for tax purposes. The rules targeting reverse hybrid entities will apply as from 1 January 2022.
Economic substance requirements – The corporate income tax and dividend withholding tax legislation have a number of anti-abuse provisions that are intended to prevent artificial constructions. In such situations, a taxpayer can prove that the construction is not artificial if certain substance requirements are met. Before 1 January 2020, the substance requirements functioned as a “safe harbor,” but now the substance requirements serve as an indication that a construction is not artificial.

Disclosure requirements – As a result of the OECD BEPS project, country-by-country (CbC) reporting requirements are in effect that require information to be provided to the tax authorities on revenue, income, tax paid and accrued, employment, capital, retained earnings, tangible assets, and activities of a multinational group.

Rules apply for the automatic exchange of cross-border rulings, CbC reports, and transfer pricing agreements between the tax authorities of EU member states.

Advance tax rulings and advance pricing agreements issued after 1 July 2019 are published in an anonymized summary format on the website of the Dutch tax administration.

General anti-avoidance rule – The abuse of law doctrine applies where the purpose of a transaction or series of transactions is the avoidance of tax.

In addition to the restrictions on the deductibility of interest discussed above, various other rules can result in the (partial) disallowance of a deduction for interest expense incurred by a Dutch taxpayer. These include: (1) anti-base erosion rules that essentially cover the conversion of equity into intragroup debt without a valid business purpose; and (2) rules on the acquisition of shares against debt from a related party without meeting a business purpose test or an effective tax rate test.

Value added tax:

<table>
<thead>
<tr>
<th>Rates</th>
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<tbody>
<tr>
<td>Standard rate</td>
</tr>
<tr>
<td>Reduced rate</td>
</tr>
</tbody>
</table>

Taxable transactions – VAT is levied at each stage in the chain of production and distribution of goods and services. VAT applies on the supply of goods, the rendering of services, the acquisition of goods by businesses, and the import of goods.

Rates – The standard VAT rate is 21%, with a reduced rate of 9% applying to certain goods and services. The reduced VAT rate applies to goods such as foodstuffs, medicines, books, and electronic publications (e.g., books, newspapers, and magazines in electronic form). A 0% rate applies to goods that are being exported from the EU or being transported to another EU member state where they are subject to VAT for purposes of intra-EU acquisition. There are also certain VAT exemptions including for healthcare and sports related services.

Registration – There is no registration threshold in the Netherlands; all VAT payers are required to register for VAT purposes

Filing and payment – Depending on the amount of VAT payable, VAT returns are filed monthly, quarterly, or annually.
Other taxes on corporations and individuals:

**Social security contributions** – Social security contributions on employment income are payable by both the employer and the employee (and the self-employed). The contributions are calculated on gross salary, less pension premiums withheld from the salary.

An income-dependent health insurance contribution, disability insurance contribution, and unemployment insurance contribution also are levied.

**Payroll tax** – Companies are required to withhold tax on wages paid to employees. A “30% facility” (providing a tax-free allowance of 30% of the employee’s gross remuneration subject to Dutch wage tax, including the allowance granted for extraterritorial costs if certain requirements are met) applies for extraterritorial employees for a period of five years (reduced from eight years in 2019). Employees receiving the 30% facility prior to 2019 will continue to receive the facility through 2020 (or the original end date if earlier).

**Capital duty** – There is no capital duty.

**Real property tax** – Municipalities impose an annual tax at varying rates on owners of real property related to the value of the immovable property. Real estate tax is deductible for corporate income tax purposes. Real property tax is not deductible for individual income tax purposes.

**Transfer tax** – A 6% real estate transfer tax is payable on the acquisition of real property in the Netherlands, or certain related rights (increasing to 7% in 2021). A reduced rate of 2% applies to the transfer of a residence.

**Net wealth/worth tax** – There is no net wealth/worth tax.

**Inheritance/estate tax** – Inheritance tax is due on inheritances received from Dutch residents. Dutch nationals who emigrate from the Netherlands still are considered residents during a 10-year period. Rates vary between 10% and 40%.

**Other** – An insurance premium tax is levied at a rate of 21%. Landlords in the regulated sector that rent out more than 50 houses are subject to a landlord tax, charged on the average value of the houses. The taxable base consists of the total value of the houses (capped at EUR 270,000 per house) minus 50 times the average value. The tax rate is 0.562% for 2020.

**Tax treaties:** The OECD multilateral instrument (MLI) entered into force for the Netherlands on 1 July 2019. For information on the tax treaty network of the Netherlands, which consists of more than 100 tax treaties, visit Deloitte International Tax Source.

**Tax authorities:** Belastingdienst (Tax Revenue)

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