FOREWORD

A country’s tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for 100 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country’s taxes that forms the heart of this publication. I would also like thank Richard Jones, PKF (UK) LLP, Kevin Reilly, PKF Witt Mares, and Kaarji Vaughan, PKF Melbourne for co-ordinating and checking the entries from countries within their regions.

The WWTG continues to expand each year reflecting both the growth of the PKF network and the strength of the tax capability offered by member firms throughout the world.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

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The PKF Worldwide Tax Guide 2012 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of 100 of the world’s most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current as of 30 September 2011, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country’s personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com
PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,200 partners and more than 21,400 staff.

PKFI is the 10th largest global accountancy network and its member firms have $2.6 billion aggregate fee income (year end June 2011). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

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- Management Consultancy
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Please visit www.pkf.com for more information.
STRUCTURE OF COUNTRY DESCRIPTIONS

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E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES
INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A
Algeria ........................ 1 pm
Angola ........................ 1 pm
Argentina ....................... 9 am

Australia -
  Melbourne ....................... 10 pm
  Sydney ........................ 10 pm
  Adelaide ......................... 9.30 pm
  Perth ........................... 8 pm

Austria ........................ 1 pm

B
Bahamas ........................ 7 am
Bahrain .......................... 3 pm
Belgium .......................... 1 pm
Belize ............................ 6 am
Bermuda .......................... 8 am
Brazil ............................ 7 am

British Virgin Islands .......... 8 am

C
Canada -
  Toronto ........................ 7 am
  Winnipeg ........................ 6 am
  Calgary .......................... 5 am
  Vancouver ........................ 4 am
Cayman Islands .................. 7 am
Chile .............................. 8 am
China - Beijing .................... 10 pm
Colombia .......................... 7 am
Croatia ............................ 1 pm
Cyprus ............................. 2 pm

Czech Republic ................... 1 pm

D
Denmark .......................... 1 pm
Dominican Republic .............. 7 am

E
Ecuador ........................... 7 am
Egypt ............................... 2 pm
El Salvador ......................... 6 am


F
Fiji ................................. 12 midnight
Finland ............................ 2 pm
France ............................. 1 pm

G
Gambia (The) ....................... 12 noon
Georgia ........................... 3 pm
Germany ........................... 1 pm
Ghana .............................. 12 noon


H
Hong Kong ........................ 8 pm
Hungary ........................... 1 pm

I
India ............................... 5.30 pm
Indonesia ........................... 7 pm
Ireland ............................ 12 noon

Ile of Man ........................ 12 noon
Israel .............................. 2 pm

Italy ............................... 1 pm

J
Jamaica ............................ 7 am
Japan ............................... 9 pm
Jersey .............................. 12 noon
Jordan .............................. 2 pm

K
Kazakhstan ........................ 5 pm
Kenya ............................... 3 pm


Korea .............................. 9 pm
Kuwait .............................. 3 pm

L
Latvia .............................. 2 pm
Lebanon ............................ 2 pm
Liberia .............................. 12 noon
Luxembourg ........................ 1 pm

M
Malaysia ........................... 8 pm
Malta ............................... 1 pm
Mauritius ........................... 4 pm
Mexico .............................. 6 am
Morocco ........................... 12 noon

N
Namibia ............................ 2 pm
Netherlands (The) ................. 1 pm
New Zealand ....................... 12 midnight
Nigeria ............................. 1 pm
Norway ............................. 1 pm

O
Oman ............................... 4 pm

P
Panama ............................. 7 am
Papua New Guinea ................ 10 pm
Peru ............................... 7 am


Philippines ........................ 8 pm
Poland ............................. 1 pm
Portugal ............................ 1 pm
Puerto Rico ........................ 8 am
Q
Qatar ........................................ 8 am

R
Romania .................................... 2 pm
Russia -
   Moscow ................................ 3 pm
   St Petersburg ........................... 3 pm

S
Sierra Leone .............................. 12 noon
Singapore ................................. 7 pm
Slovak Republic ......................... 1 pm
Slovenia .................................... 1 pm
South Africa .............................. 2 pm
Spain ........................................ 1 pm
Sweden ..................................... 1 pm
Switzerland ............................... 1 pm

T
Taiwan ...................................... 8 pm
Thailand .................................... 8 pm
Tunisia ...................................... 12 noon
Turkey ...................................... 2 pm
Turks and Caicos Islands .............. 7 am

U
Uganda ...................................... 3 pm
Ukraine .................................... 2 pm
United Arab Emirates .................... 4 pm
United Kingdom ......................... (GMT) 12 noon
United States of America -
   New York City ........................... 7 am
   Washington, D.C. ...................... 7 am
   Chicago ................................ 6 am
   Houston ............................... 6 am
   Denver ................................ 5 am
   Los Angeles ............................ 4 am
   San Francisco ......................... 4 am
   Uruguay ................................ 9 am

V
Venezuela .................................. 8 am
Vietnam .................................... 7 pm
THE NETHERLANDS

Currency: Euro (EUR)  
Dial Code To: 31  
Dial Code Out: 00

Member Firm:  
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A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES  
COMPANY TAX
Corporate tax is payable by corporations in The Netherlands (resident taxpayers) and by certain corporations not established in The Netherlands which receive income from sources in The Netherlands (non-resident taxpayers). The term corporation includes companies whose capital consists of shares, co-operatives and other legal entities which conduct business. The main types of corporations, as referred to in the Corporation Tax Act, are the joint stock company with limited liability (NV) and the closed company with limited liability (BV).

Whether a corporation is resident in The Netherlands depends on the facts and circumstances. Relevant factors include the location of the effective management, the location of the head office and the place where the general meeting of shareholders is held. Under the Corporation Tax Act, all corporations incorporated under Dutch law are resident in The Netherlands however, this fiction may be overruled by a tax treaty. The corporate income tax rates for 2012 are:

| Taxable profit up to and including EUR 200,000 | 20% |
| Taxable profit above EUR 200,000 | 25% |

Note that the different rates apply to bands of income rather than to the profit of the company as a whole. So, a company with a taxable profit of EUR 250,000 would be taxed at 20% on the first EUR 200,000 and 25% on EUR 50,000.

The royalty box was introduced in 2007, modified in 2010 and renamed the “Innovation Box”. The Innovation Box is a corporate income tax incentive introduced to promote innovative technology development activities and investments in new technologies. Qualifying profits are effectively only taxed at 5% income tax as of 2010 (2007-2009: 10%), instead of the general tax rate of 25%. Taxpayers are obliged to file a tax return every year within five months following the end of the year concerned. An extension of this time limit may be permitted. Tax is payable within two months upon receipt of an assessment. A provisional assessment for the current year may be raised.

CAPITAL GAINS TAX
There is no special tax rate for capital gains but gains and losses are included in the company’s general taxable income.

BRANCH PROFITS TAX
Dutch source income of non-resident companies is taxed at the same rates as applicable to resident companies. There is no additional branch profit tax.

SALES TAX/VALUE ADDED TAX (VAT)
Value added tax (VAT) is a general consumer tax included in the price paid by consumers for goods and services. Consumers pay this tax indirectly and VAT entrepreneurs remit it to the tax department. Based on EU Directives, the general types of taxable activities are:
- the supply of goods  
- the rendering of services  
- the acquisition of goods by entrepreneurs  
- the importation of goods.

There are three rates of VAT:
- the standard rate of 19%  
- a reduced rate of 6%, which mainly applies to food, books, newspapers and drugs
• the zero rate, which is mainly applied to goods and services involved in international trade, so that goods can be exported free of VAT.

The period to which VAT tax returns relate may be a month, a calendar quarter or a year, depending on the amount of turnover tax (VAT) to be paid. As of 2012 the quarterly VAT tax return is standard. The tax return must be submitted within a month of the end of the period to which it relates. The tax owed must also be paid within this period.

Excise Duty is levied on certain consumer goods, including petrol and other mineral oils, tobacco products, alcohol, alcoholic beverages and non-alcoholic beverages. Like VAT, excise duty is included in the price paid by consumers for these goods. The tax is remitted by the manufacturers and importers of the goods concerned.

Due to EC legislation with effect from 1 January 2010 the basic rule for the place of service for services to businesses (B2B services) will, in principle, be deemed to be where the customer resides or is established.

For services to consumers, the basic rule still is that VAT is levied in the country in which the supplier is established. At the same time, the reverse charge mechanism will become obligatory for VAT on cross-border services within the EC. EC listings for services provided intra-community must be completed.

The rules as of 2010 provide a simplified procedure for reclaiming EU VAT for business established within the EU. In principle, these claims are no longer filed with the respective foreign EU countries but with the own national tax authorities.

FRINGE BENEFITS TAX (FBT)
Bonuses to employees are taxed at the normal income tax rates. Another method of rewarding employees is to give them options over shares in the company. Options are taxed on the difference between the market value and the option purchase price against normal tax rates.

LOCAL TAXES
There are several municipal taxes of which real estate tax is the most important. Companies and individuals are subject to a municipal tax on the ownership and the use of real estate in The Netherlands, based on the market value of the property. The amount of tax due varies widely among municipalities but is generally a comparatively small percentage of value or income of the property in question.

There are no local income taxes in The Netherlands.

OTHER TAXES
The Netherlands does not levy capital tax on the issued share capital of a BV and NV.

A 6% transfer tax is levied on the acquisition of real estate situated in The Netherlands and rights related to Dutch real estate. Transfer tax is also levied on the transfer of shares in a so-called qualifying real estate company. As of 1 January 2011, a double asset threshold will have to be met in order to qualify as a real estate company: owning more than 50% real estate (foreign and Dutch) and at the same time owning 30% or more Dutch real estate. Furthermore, 70% of the total real estate (Dutch and foreign) of the company has to be used in the “real estate business”. Besides broadening the scope regarding qualifying companies, additional measures have been introduced to catch arrangements that would previously have escaped the transfer tax, such as by linking associated transactions.

The purchaser is liable for this tax.

B. DETERMINATION OF TAXABLE INCOME
Corporation tax is levied on the taxable amount. This is taxable profit received in a year less deductible costs and losses. From 1 January 2007 onwards, the loss carry back period has been restricted to one year and the loss carry forward period to nine years. Under a transitional provision, losses sustained up to 2002 may be set off against future profits up to financial years starting in 2011 (see hereinafter also under “Losses”). The taxable profit is also reduced by extra allowances such as investment allowances.

INVESTMENT ALLOWANCE
The Dutch law provides that investment in qualifying fixed assets generates a deduction from taxable profits. For the 2012 tax year, the deduction is only available in respect of qualifying investments of between EUR 2,300 and EUR 306,931. The deduction is calculated as set out in the following schedule:
Investment | Investment Allowance
--- | ---
– €2,300 | 0
€2,300 – €55,248 | 28% of the investment
€55,248 – €102,311 | €15,470
€102,311 – €306,931 | €15,470 decreased with 7.56% of the portion of the investment which exceeds €102,311
€306,931 – 0 | 0

Higher investment allowances are permitted for energy investments (i.e. investments which are energy efficient).

The investment deduction does not reduce the costs of the assets for tax depreciation purposes. The investment deduction is subject to repayment if assets are disposed of within a certain period of time.

**DEPRECIATION**

Depreciation of fixed assets for tax purposes is required by law. Tax depreciation on real estate is limited so that the tax written down value cannot be reduced below certain limits. In practice this will mean that depreciation of real estate used for investment purposes can not be depreciated below its value for real estate tax purposes. For real estate used in a business, the limit will be 50% of the value for real estate tax purposes.

Depreciation of purchased goodwill is extended from an average term of five years to a maximum charge of 10% per annum.

The general depreciation period of all other assets (such as cars, computers etc) is limited to a maximum charge of 20% per annum.

Certain business assets, not including business assets that are leased out, can be depreciated in an arbitrary manner.

**STOCK/INVENTORY**

The following stock valuation methods are permitted: valuation based on cost, valuation based on cost or market value (whichever is lower), or the base stock method. The cost of the stock can be determined by either the FIFO or the LIFO method.

**CAPITAL GAINS AND LOSSES**

Capital gains or losses are assessed as normal corporate income and taxed accordingly. There is no special tax rate for capital gains.

**DIVIDENDS**

For Dutch residents, withholding tax can normally be subtracted from the total (personal or corporate) income tax to be paid. Foreign dividend withholding tax on dividends which are tax exempt under the Dutch participation exemption cannot be offset against Dutch taxes.

**INTEREST DEDUCTIONS**

Under present law the following is applicable.

Interest is generally deductible. However, when paid to shareholders or related parties or, in case of acquisition holdings, limitation rules may apply. Limitation on the deductibility of inter-company interest, inter alia, affects interest paid on debts arising from:

(a) dividends and capital repayments declared but unpaid
(b) dividends and capital repayments declared and paid when financed through an inter-company loan
(c) the acquisition of the shares of a company from a group company through an inter-company loan. The interest deduction is not denied if the taxpayer demonstrates either an overriding business reason for the transaction or the interest received by the Dutch or foreign creditor is subject to tax at a rate which is reasonable by Dutch standards ("compensatory tax requirement")
(d) thin capitalisation rules – these rules are applicable for all taxpayers. A Dutch entity is not affected by the thin capitalisation rules in the following situations:
   • the entity is not part of a group
   • there is no debt to a related party
   • interest income from related parties equals or exceeds interest expenses to related parties
   • the balance of all debts minus receivables is less than EUR 500,000
   • the entity and the creditor are a joint fiscal unity
• the debt-to-equity ratio of the entity does not exceed 3:1 plus EUR 500,000; the fixed ratio test is passed
• the debt-to-equity ratio of the entity does not exceed the debt-to-equity ratio of the group; this means the group ratio test is passed.

When the thin capitalisation rules apply, the interest (paid to a related party) related to the excess debt is not deductible. In order to determine the amount of excess debt, the entity can choose each year between two tests:

1. fixed ratio test: to the extent the average net liability (balance of loans payable and receivable) of the entity exceeds three times its average fiscal equity, plus EUR 500,000, the difference is excess debt
2. group ratio test: in order to determine the total amount of equity and debt of the entity and of the group, the (consolidated) commercial accounts of the ultimate parent company of the group are decisive. The group is not restricted to Dutch entities.

LIMITATION ON INTEREST DEDUCTION CONCERNING ACQUISITION HOLDINGS

A limitation on interest deductions arising from acquisition holdings was introduced from January 2012.

It is common in the Netherlands for an acquisition vehicle to borrow funds to acquire shares in a target company and subsequently form either a fiscal unity or legally (de)merge with the target company. The interest expenses of the acquisition vehicle are typically then deducted from the operating profit of the Dutch target company. Anti-abuse rules, such as thin capitalisation rules, could be avoided by borrowing funds from a third party (instead of a related party) or by increasing the acquisition vehicle’s equity by contribution of shares in other subsidiaries (in which the Dutch participation exemption applied). By doing so, the interest expenses on the acquisition loan of the acquisition company could be offset against the taxable profits of the target company, resulting in a lower taxable income for the companies in total.

This was considered undesirable by the Dutch government. In order to curb this, the following restrictions on interest deductions have been introduced: the interest paid or accrued on intra-group and third party debt arising as a result of the acquisition of Dutch target companies that subsequently become part of a fiscal unity or that are merged with the target company is not deductible, if:
• the interest exceeds € 1,000,000; and
• in the case of “unhealthy financing”. This is where the debt in the year of acquisition exceeds 60% of the acquisition price. This percentage subsequently declines by 5% over the following seven years to 25%.

We would like to point out that the aforementioned limitation on interest deductions does not restrict the deduction of interest on third party debts that were used to acquire target companies that do not form a fiscal unity with the Dutch acquisition company (also known as the “Bosal-gap”). Furthermore, a grandfathering rule applies for acquisitions that resulted in a fiscal unity or a legal (de)merger with the target company that occurred before 15 November 2011.

LOSSES

In general, losses may be offset against the taxable profits of the preceding year and carried forward for a period of nine years. For the (tax) years 2009, 2010 and 2011 the carry back period upon request will be three years. However, where the three year carry back facility has been used in respect of part of the losses of a particular period, any remaining unused losses for that period may only be carried forward for up to six years. The options for setting off losses for holding companies are limited.

FOREIGN SOURCE INCOME

Object exemption of profits and losses of foreign permanent establishments (PE)

Up until 2012, foreign PE losses were deductible from the worldwide tax profits of Dutch taxpayers, while foreign PE profits were generally exempted. As of 1 January 2012 the following amendments apply:
- an object exemption for (active) foreign PEs, which removes the positive and negative results of the PE from the Dutch taxpayer’s tax base and therefore aligns the taxation of foreign PEs more closely with foreign exempt participations
- a tax credit for foreign lowly taxed passive PEs this is applicable if the activities of the foreign PE consist primarily of passive investing or leasing and the profit of the foreign PE is not subject to a reasonable rate of taxation, (ie a tax rate generally of at least 10%); and
- a measure to allow the final liquidation losses of a PE from the Dutch taxable profit.
INCENTIVES
Tax incentives are offered towards the cost of education and training projects, improvements in working conditions and research projects. Tax incentives are also applicable to companies investing in specified locations or developing new ideas, processes or products.

Beneficial tax rules are applicable to investments by individuals in companies that invest in environmentally friendly projects.

PARTICIPATION EXEMPTION
If the participation exemption is available, dividends and capital gains arising in respect of shareholdings by a Dutch parent company are free from corporate income tax. Capital losses are only available under certain conditions such as upon liquidation of the participation. Costs in relation to (foreign) participations will be tax deductible.

The participation exemption applies if:
- The taxpayer owns (generally) at least 5% of its subsidiary and
- The subsidiary is not held as portfolio investment (“portfolio investment subsidiary”) or
- The subsidiary is a qualifying portfolio investment subsidiary.

A subsidiary is deemed to be a portfolio investment subsidiary if:
- The assets of the subsidiary on a consolidated basis consist of more than 50% of minor interests in other subsidiaries (less than 5%) or
- The subsidiary qualifies as a group financing subsidiary. A group financing subsidiary is one which (unless an exception applies), together with its own subsidiaries of at least 5%, generates more than 50% of its income from granting loans to the taxpayer or related entities. Putting assets at the disposal of the taxpayer or related entities is also considered as group financing.

A subsidiary is not held as a portfolio investment subsidiary if the motive test is met. If the motive test is not met, the tax test and asset test may lead to application of the participation exemption. To meet the motive test, a participation may not be held with the intention of earning a return that is equal to what can be expected from normal asset management.

In practice, the motive test is met if the business conducted by the participation is in line with the business of the Dutch entity holding the participation. The motive test may also be met if the Dutch holding company carries out essential activities in the business of the subsidiary (like management, finance etc). The motive test will also be met by a Dutch holding company acting as an intermediary between the ultimate parent company and the operating subsidiaries.

If the motive test is not met, the tax test and asset test may lead to application of the participation exemption. The tax test will be met if the subsidiary is subject to a ‘realistic levy’ by Dutch Tax standards. The asset test will be met if the taxpayer demonstrates that less than 50% of its directly and indirectly held assets consist of passive assets.

C. FOREIGN TAX RELIEF
A resident company is taxed on its worldwide income. Certain types of foreign sourced income (for instance income derived from foreign real estate) are exempt from tax, either unilaterally or pursuant to treaty provisions. The exemption is calculated as a pro rata reduction of the amounts of tax computed on worldwide income. As of 1 January 2012 new rules came into force concerning the treatment of foreign permanent establishments (see above under foreign source income).

Other types of foreign income are normally fully taxable in The Netherlands but a credit for foreign tax may be granted under various tax treaties or, unilaterally, with respect to dividends, royalties and interest derived from certain developing countries.

D. CORPORATE GROUPS
Under certain conditions, a parent company may form a ‘fiscal unity’ with one or more ‘wholly owned’ (95%) subsidiaries. For the purpose of corporation tax, this means that all the companies in the fiscal unity are taxed as one. The main conditions are as follows:
- the parent company must own at least 95% of the shares of the subsidiary
- the parent company and the subsidiaries must have the same fiscal year
- creation and dissolution of the fiscal unity can take place at any moment within the year.
• a fiscal unity with a company which is established under the laws of a foreign country but having its business in The Netherlands is possible. A fiscal unity with a non-resident company carrying on a trade through a permanent establishment in The Netherlands is also possible.

The main advantages of a fiscal unity are that the losses of one company can be set against profits from another; that fixed assets can be transferred at book value from one company to another (subject to an anti-abuse provision); and that only one tax return has to be filed.

E. RELATED PARTY TRANSACTIONS

Transactions between related parties that are not concluded at arm’s length basis may be disregarded or may be adjusted appropriately. Special conditions exist for tax-free mergers between companies and for tax-free incorporation of a sole proprietorship.

F. WITHHOLDING TAX

Dividends, whether paid to resident or non-resident recipients, are subject to withholding tax at 15%. A reduced percentage may be provided by a double tax treaty. Resident shareholders can offset this withholding tax against their corporate or personal tax liabilities. For non-resident shareholders, the withholding tax is a final tax. However, foreign companies that are taxed in The Netherlands on income from shares in Dutch companies not part of their enterprise’s assets (a so-called “substantial interest”) can usually offset the dividend withholding tax.

Dividends paid by a Dutch company to a Dutch parent company that owns at least 5% of the paid up capital of that company are generally not subject to withholding tax. This equally applies to a dividend paid by a Dutch company to a European parent company that owns at least 5% of the nominal paid in capital or at least 5% of the voting rights if the tax treaty concluded between The Netherlands and the relevant EU state reduces tax on dividends on the basis of voting rights held and certain other conditions are satisfied.

G. EXCHANGE CONTROL

There are no exchange controls currently in force in The Netherlands.

H. PERSONAL TAX

Individuals resident in The Netherlands are subject to personal income tax on their worldwide income. Foreign taxes on foreign-sourced income are normally relieved, either under double tax treaties or under Dutch unilateral rules. Non-residents are liable for personal income tax only on income derived from a limited number of Dutch domestic sources such as income received for duties performed within The Netherlands and income from Dutch real estate.

The residence of an individual is determined by actual circumstances. One of the most relevant considerations is whether the individual has permanent personal or economic ties with The Netherlands.

Income tax is a tax on the annual income of individuals which is levied at a progressive rate. Personal circumstances are, however, taken into account and certain expenses are deductible. There is a personal allowance (by tax credits) dependent on individual circumstances.

The Netherlands has a system of personal income tax known as the ‘box system’. This box system works as follows. There are three boxes of income each with its own tax rate, one of which is progressive (Box 1) and two of which are fixed (Boxes 2 and 3). If the income in a box is negative, it cannot be offset against positive income in another box. (There is only one exemption to this rule. In very special circumstances, losses of Box 2 can be offset against positive income of Box 1.)

The boxes are:

- Box 1: Taxable income from work and home (the main residence only)
- Box 2: Taxable income from substantial interests in companies with limited liability (usually BV or NV)
- Box 3: Income from savings and investment.

Box 1: The taxable income which will be taxed in Box 1 includes business income, income from employment or former employment (pension), income derived from certain periodic payments, income from other activities and income from a person’s
main home. This income is reduced by a number of deductible items which, broadly speaking, are associated with this income. An important one is the interest paid on a mortgage for a main home.

The tax rates in Box 1 for 2012 are:

<table>
<thead>
<tr>
<th>Taxable income in Euros</th>
<th>Under age 65</th>
<th>Above age 64</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 18,628</td>
<td>33.1% (1)</td>
<td>15.20% (3)</td>
</tr>
<tr>
<td>18,628 – 33,436</td>
<td>41.95% (2)</td>
<td>24.05% (4)</td>
</tr>
<tr>
<td>33,436 – 55,694</td>
<td>42.00%</td>
<td>42.00%</td>
</tr>
<tr>
<td>Over 55,694 –</td>
<td>52.00%</td>
<td>52.00%</td>
</tr>
</tbody>
</table>

1 Comprises income tax of 1.95% and 31.15% social security contributions
2 Comprises income tax of 10.8% and 31.15% social security contributions
3 Comprises income tax of 1.95% and 13.25% social security contributions
4 Comprises income tax of 10.8% and 13.25% social security contributions

If an individual leases a property to a BV (or NV) in which he or she has a substantial interest (of 5% or more), the resulting income and capital gains on that property are also taxed in Box 1.

One of the specific rules of the Dutch tax system is that interest paid on a mortgage to finance the main residence (only one per tax resident) is tax deductible. There are some specific rules which, in some cases, prevent full tax deductibility of the interest paid on mortgage. Other personal allowances are, for instance, pension premiums.

Box 2: The income from substantial interests is classified in this box. An individual who holds 5% or more of the shares (or profit-sharing certificates) of a private company with limited liability (BV) or a company limited by shares (NV) is considered to have a substantial interest. To determine whether an individual has a substantial interest, the shares of his partner, blood relatives or relatives by marriage are taken into consideration as well. Not only is income on the shares but also profits from the sale of such shares taxed in Box 2.

The tax rate is 25%.

Box 3: Income from savings and investments is taxed in this box and applies to both residents and non-residents. This box includes assets like investment portfolios, saving accounts and real estate (except the main residence which is classified in Box 1). Income from assets in this box is fixed at 4% of the total net value (assets minus liabilities) at 1 January of the fiscal year. This fixed income is taxed at a fixed rate of 30%, so the effective rate in Box 3 is 1.2% of the net equity (assets minus liabilities). Actual dividends, interests and rental income are not taxed separately. Withholding taxes on dividends on shares taken into account in Box 3 are credited against the total income tax due.

There are no local income taxes. A withholding tax (called ‘wage tax’) is levied on employment income. The rate of the wage tax equals the Box 1 personal income tax.

THE 30% RULING

In The Netherlands there are special conditions for certain foreign employees who work for a Dutch employer for a maximum of 120 months. They can obtain a 30% tax free allowance for extra territorial costs provided they perform activities in The Netherlands and have a special knowledge or capability which is not, or is rarely, available in The Netherlands. As of 2012 the “specific knowledge” criterion in principle is fulfilled if a minimum salary requirement is met. Some other restrictions have been introduced, such that the 30% ruling no longer applies for people living in a radius of 150 km from the Dutch borders.

Based on a resolution of 12 January 2010 of the Secretary of Finance for employees who work within a worldwide group and are sent to The Netherlands for less than 60 days over a 12 month period, no Dutch taxes are levied under certain conditions.

INHERITANCE TAX

An inheritance and gift tax applies in the Netherlands. In general, these taxes are payable by the person receiving a donation or an inheritance. There are several exemptions for both gift tax and inheritance tax depending on the circumstances. The rates are the same for both taxes and depend on the value of what is received and the degree of the relationship. There is a minimum rate of 10% and a maximum rate of 40%.
### I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

The Netherlands do not levy withholding taxes on interest, royalties and rentals nor on personal services. The Netherlands only levy withholding taxes on (payments that qualify as) dividends.

<table>
<thead>
<tr>
<th>Individuals/companies</th>
<th>Qualifying companies (1)</th>
<th>Participation portfolio requirement minimum (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(% here)</td>
<td>(% here)</td>
<td>(%) here</td>
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**Non-Treaty Countries:**

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<th>Country</th>
<th>%</th>
<th>50/25</th>
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<td>Country</td>
<td>Individuals/companies (%)</td>
<td>Qualifying companies (%)</td>
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<td>Individuals/companies</td>
<td>Qualifying companies (1) (%)</td>
<td>Participation portfolio requirement minimum (2) (%)</td>
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<tr>
<td>Uzbekistan</td>
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<td>25–50 (21)</td>
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<tr>
<td>Zambia</td>
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<td>25</td>
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</table>

1. Members of the European Community (EC) are covered by the Parent/Subsidiary Directive. Pursuant to this directive, Dutch company dividends paid to EC Companies are exempt from Dutch withholding tax provided the following conditions are met (from 1 January 2007 onwards):
   (a) the EU parent is subject to corporate income tax in its state of residence;
   (b) the EU parent owns at least 5% of the capital (or, in some cases, 5% of the voting power) in the Dutch company.
2. Unless mentioned otherwise, it must be a directly held participation.
3. Participation requirement: direct or indirect.
4. 0% in case of direct participation of at least 50% with a minimum investment of EUR 250,000. 0% in case of direct participation if there is a guarantee of the Government of the home State of the mother company.
5. Portfolio – rate in case the dividend receiving company must pay corporate income tax over the received dividends.
6. Requires at least 25% of the capital or 10% of the voting power in The Netherlands company.
7. Unless the participation is held or solely kept to make use of the exemption/reduction.
8. No withholding tax as long as Finland applies the imputation system.
9. Unless the dividend is set off against Irish profit: in that case 15%.
10. Israeli levies 10% in special cases.
11. 5% in case of participations of more than 50% of the voting shares held at least 12 months before the dividend decision. 10% in such participations if 10% – 50% of the voting shares are held.
12. Participation must have been held at least six months in the book year over which the dividend is paid.
13. No withholding tax in case of a participation (direct or indirect) of at least 50% under certain conditions.
14. Maltese tax on profit is reduced to 15% in case investment incentives are applicable on the dividend paying company and the Dutch participation exemption is applicable on the dividend receiving company.
15. 5% in case the Dutch participation exemption is not applicable.
16. 0% where Ukrainian company has a shareholding of at least 50% with a value of at least USD 300,000. The 5% rate applies to a holding of at least 20%.
17. Investment requirement of at least EUR 75,000.
18. 10% in case the dividend receiving company has to pay corporate income tax on the received dividends.
19. Participation requirement 50%, alone or together, if everyone at least holds 25%.
20. 15% rate applicable where dividends not included in recipient's taxable base in Surinam.
21. 5% in case of a direct, or indirect, participation of at least 50% and an investment of more than $10,000,000. 7% in case of a direct, or indirect, participation of 25% to 50%.
22. The domestic rate applies.
23. A 5% rate applies if the recipient company is subject to profits tax at the rate of at least 5.5%.
24. The 5% holding must also have a value of at least USD 2m.
25. By virtue of a most favoured nation clause the rate is reduced to 10%.
26. The 0% rate applies if the Kazakhstan company owns directly at least 50% of the capital of the Netherlands company and the participation is at least USD 1m. The 5% rate applies if the Kazakhstan company owns at least 10% of the capital of the Netherlands company.
27. The 5% rate applies where the conditions for the 7.5% rate are met and the company receiving the dividend pays corporate income tax on it at a rate of at least 5.5%.
28. An investment of at least Euros 200,000 is also required in the Netherlands company paying the dividend.
29. This provision shall only apply if a company that is a resident of the Netherlands is not charged to Netherlands company tax with respect to dividends which it receives from a company that is a resident of Barbados.
30. Holding company qualifies as Headquarter company or is directly or indirectly listed.