



Taxation of corporation

Corporate tax

- Tax payer

All companies resident in The Netherlands and non-resident companies having Netherlands-source related income. (Branches of foreign companies).

- Tax base

Global income disclosed in the financial statements, adjusted with + and – items for tax purposes. Dividends received from and capital gains on participations of at least 5% are fully exempt, losses on participations are not deductible. ATA / APA rulings may be applicable for resident companies. Non-resident companies are only taxed for the Netherlands-source related income.

- Tax loss

Unlimited tax loss carry forward, carry back is possible for three years. For several holding or financing companies residing in The Netherlands tax loss compensation can be limited.

- Rate

Usual rate 29%. Taxable income that exceeds E 22,689 is taxed at 34.5%. Special investment institutions have a rate of 0% when certain conditions are met.

Other profit tax

None

Property tax

Local real estate tax for ownership and use, levied each year depending on the situation at January 1st. (Assessed by local municipality).

Payroll tax

Is levied from the employee, but the employer must withhold the wage tax from the employee's salary and transfer this to the tax authorities. Some parts of employee wages may be taxed separately and then wage tax is levied from and paid by the employer.

Social security contributions

On salaries for employees working in The Netherlands. Rate of premiums levied changes every year, base is maximized. Part of these contributions must be paid by the employee, the remaining by the employer.



European Tax Survey – The Netherlands

Tax at source

Withholding tax at dividends 25%. Within the EC withholding tax is lowered to 0% for the dividends received by the mother company who holds at least 10% of the voting rights on the capital (intercompany dividends). Withholding tax on dividends remitted to companies residing outside the EC may be decreased by a tax treaty.

Country specific rules

Large number of tax treaties. Thin capitalization regulations. Carry forward can be limited in some situations. Possibility to form a fiscal unity between companies which reside in the Netherlands.

Incorporation or capital tax

Tax payer

The company vested in the Netherlands who expands its share capital, issues new shares or receives notional free capital.

Tax base

The total amount of notional free capital, the amount received for the issued shares or expanded share of capital or the received, but not less than par value of the shares issued.

Tariff

A flat rate of 0.55%, to be paid within one month after issuing the capital.



Taxation of natural persons

Income tax

- Tax payer

Large number of tax treaties. Thin capitalization regulations. Carry forward can be limited in some situations. Possibility to form a fiscal unity between companies which reside in the Netherlands.

- Tax base

Global income divided into a Box system: Box 1 income consists of business income, salaries, pensions, income from other activities and non wage related income from related persons and companies and the house, which is the resident first home. Deductions are granted for in-terest on mortgages for the house, some life insurance and disability insurance premiums.

Box 2 income consists of dividends received from and capital gains minus expenses on participations of at least 5% in companies. Box 3 consists of income from investments and real estate. Non-resident natural persons are taxed only for their Netherlands-source related income

Alimony paid, costs for child care, studying, medical expenses and gifts are deductible. Certain conditions must be met, deductions can be limited.

Tax allowances are granted per person; extra allowances exist for work related income, children, being disabled or senior citizens (65+). Most additional allowances are income related.

- Losses

Losses are Box bound.

Box 1 losses can be carried forward for eight years, indefinitely when related to business income. Carry back three years only in all situa-tions.

Box 2 losses can be carried forward indefinitely and carried back three years.

No losses can be realized in Box 3, so no carry forward or carry back exists.

- Rate

Box 1: rises in three steps from 33.4% - 52% (social security premi-ums included).

Box 2: 25% flat rate

Box 3: 30% flat rate over 4% of the tax base (therefore actual rate is 1.2% over tax base).



Other profit taxes

None

Property tax

Local real estate tax for ownership and use, levied each year depending on situation January 1st. (Assessed by local municipality).

Wage tax

Withheld wage tax can be settled against income tax (same rates).

Social security contributions

- Payer

Medical expense premiums for self employed persons if taxable income is less than E 20,800 (2004). Tariff is 8% (2004), so maximum premium due is E 1,664 (2004). Levied from self employed person.

- Based on
- Payer
- Based on
- Rate

Pay-as-you-earn deductions

Withheld taxes on domestic dividends received can be deducted from income tax due. Withheld taxes on foreign dividends received can be deducted from income tax due by tax treaty or special regulation. Large number of tax treaties. Special regime available for non resident persons with Netherlands-source income. Special regime available for ex-pat employees (30%-regulation).

Wealth tax

None



Death duty/gift tax

- Payer

Inheritor / recipient, donator when gift is free-of-charge.

- Tax base

Inheritance tax: global wealth

Gift tax: donation

- Rate

Varies with degree of relationship between deceased/donator and inheritor/recipient and the amount of the inheritance/donation.

Pensions are exempted from inheritance tax. An exemption from inheritance tax or gift tax may be in order depending on the degree of relationship between and deceased/donator and inheritor/recipient and the amount of the inheritance/donation. A relief may be requested for the part of the tax base that consists of business capital.



European Tax Survey – The Netherlands

Tax sales

- Tax Payer

Value added tax (VAT) is paid by the consumer, but levied from the vendor. When the buyer himself is registered for VAT purposes, the VAT paid usually can be recovered.

- Tax base

the total price of the goods / charge for service.

- Rate

usual rate 19%, lowered rates 6% for basic necessities and some labor intensive services and 0% for base gold and goods to be exported