

NFIA Seminar  
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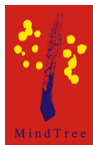
## Netherlands Tax Overview Netherlands as a Global/European Hub

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\*connectedthinking



What these Indian companies have in common ?



SUDARSHAN



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What these Indian companies have in common ?



AVANTHA



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What these Indian companies have in common ?



SIMPLEX PROJECTS LTD.



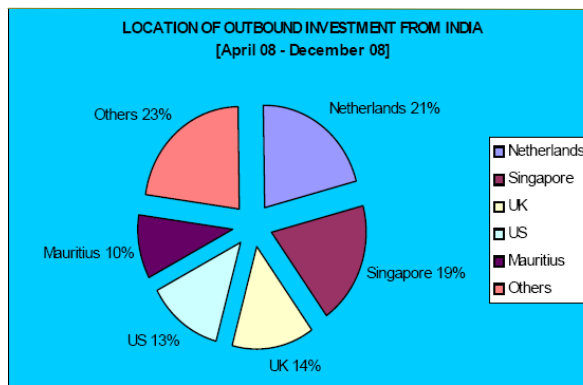
GAMMON INDIA LIMITED

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*They all have chosen Netherlands as a Global hub/ European hub for various reasons.....*

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## Outbound Investments from India as per Reserve Bank of India



Other countries include UAE (4.75%), Cyprus (1.53%), Australia (0.85%), Thailand (0.52%), Bermuda (0.44) and Others (14.42%) Source: RBI, Monthly Bulletin, April 2009

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## Dutch Corporate Taxation

## Key Features

- Participation exemption (100%)

Under the Dutch participation exemption:

- Dividends received are fully exempt from Dutch CIT
- Capital gains realised are fully exempt from Dutch CIT
- Costs related to the subsidiary are fully tax deductible (unless restricted under specific anti-abuse regulations)
- Liquidation losses are tax deductible under certain conditions

- Fiscal unity (group consolidation)

Main advantages of a fiscal unity are:

- Compensation of losses between fiscal unity member
- Tax-free transfer of assets between fiscal unity member
- Administrative benefits (one tax return)

- Extensive treaty network

- Reducing withholding tax on incoming dividend/interest/royalty
- Reducing withholding tax on outgoing dividend
- Generally protection from Capital Gains tax
- Dividends flowing from Netherlands (NL) to India are subject to WHT of 10% in NL with a credit of same in India
- No capital gains tax in NL on sale of shares by Indian company in Dutch company

- Ruling policy

- APA, Advance Pricing Agreement
- ATR, Advance Tax Ruling

- No CFC legislation

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## Tax Rate Structure

- Corporate income tax rate is:

- profits upto EUR 200,000: 20%
- profits above EUR 200,000 : 25,5%

- Dutch dividend withholding tax rate is 15%, except for:

- 0% WHT on Dividend distribution to an EU corporate shareholder (subject to fulfilment of certain conditions)
- EU pension funds should be exempt from dividend withholding tax
- Reduced rate (mostly to 5% or 0%) for treaty entitled non-EU substantive shareholder
- Profit distribution of Coop (0%)

- No withholding tax on interest and royalties

- No capital tax, stamp duty etc.

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## Netherlands as a Global/European Hub

Efficient Structures for Global/European operations through a Dutch Entity

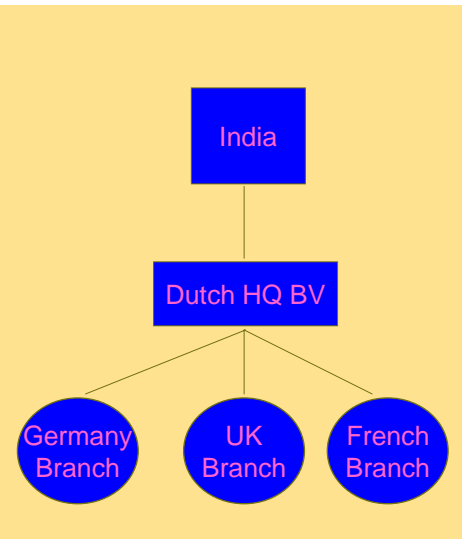
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## Efficient structures for doing business via Dutch Holding company

- Single entity structure
- Global/European holding company structure
- Financing company structure/Treasury Center
- IP company structure
- Distribution Scenario's

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## Efficient structures for doing business via Dutch Holding Co. – Single entity structure



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### Advantages:

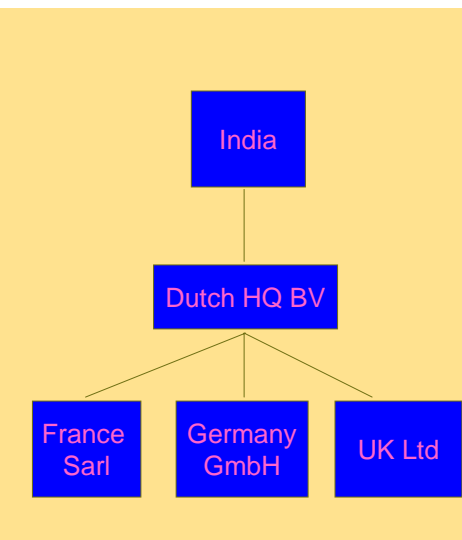
#### Compliance

- Branch is easy registered and de-registered
- Lower audit requirement
- Lower management burden
- Retained earnings of branches can be distributed and be used without legal formalities
- Supports centralization of certain functions

#### Tax

- Branch income of Dutch HQ BV is not taxed in the Netherlands
- Deduct branch losses against Dutch taxable income (timing difference)

## Efficient structures for doing business via Dutch Holding Co.- Global/European Holding company structure

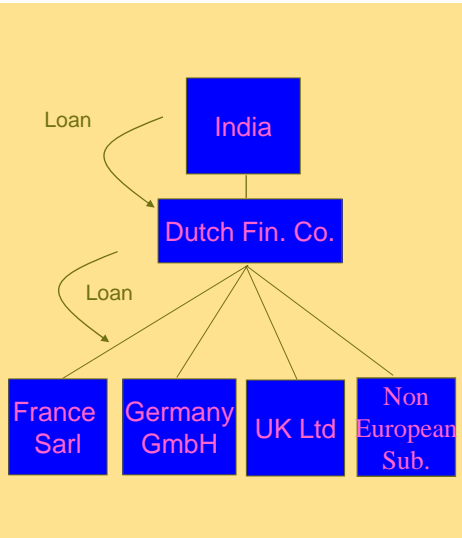


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### Tax Advantages:

- Capital gain and dividend exempt under participation exemption
- Excellent treaty network
- No withholding tax from EU to NL
- Financing Subsidiaries
- Member EU (i.e. Interest-Royalty directive, Parent-Subsidiary Directive, Arbitrage Convention)
- "Tried and tested" as a holding location

## Efficient structures for doing business via Dutch Holding Co.- Financing company structure

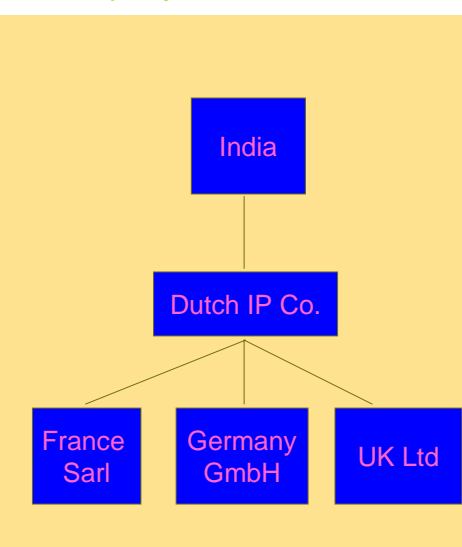


### Advantages

- The Netherlands has an extensive treaty network, so interest withholding tax rates may be reduced
- Interest-Royalty Directive Applies thus no WHT at the level of European Subs. The Netherlands does not levy WHT on interest paid.
- Many companies have already a presence in the Netherlands,
  - Easier to meet substance requirements
  - Avoid exit costs/charges if finance activities are transferred
- Under certain circumstances a Dutch company can be used as a group finance company
- Remuneration in most cases lower than 1/8% spread, can be as low as 3 base points

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## Efficient structures for doing business via Dutch Holding Co.- IP company structure



The following regime (Innovation box) should apply from 2010:

- Income from newly developed IP taxed at 5% (instead of 25,5%);
- Regime applies to patented IP and also to non-patented IP in certain cases;
- Income taxed at reduced rate must first exceed the R&D costs;
- R&D costs and Innovation box losses remain deductible at 25.5% against other income

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## Efficient structures for doing business via Dutch Holding Co-Distribution scenario's

### Three main distribution scenario's

- Direct Overseas delivery
- Delivery in Europe through regional distribution centres
- Delivery in Europe through one distribution centre

### Which scenario is most beneficial depends in general on the following parameters

- specific product data (volume, dimension and value)
- interest cost
- custom duties
- required customer lead time
- location of source and markets
- sales volume
- operational cost of the distribution centre
- tax issues
- VAT compliance and cash flow issues

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## Efficient structures for doing business in Europe – Distribution scenario's

### Why is the Netherlands a popular location for a European Distribution Centre (EDC)?

#### Commercial Reasons:

- Strategic location in Europe;
- Favourable direct and indirect tax system for Corporates. Tax rulings also available.
- Highly developed logistic, technology (e.g., e-commerce) and transportation infrastructure (sea, air, highway and train);
- Experience in business integration skills: customer relationship management (e.g., call centres), shared service centres, HQ function;
- Strong development in technology-related industries such as biotechnology, pharmaceuticals and medical technology;
- Extensive service offerings; well-known experience in subcontracting logistics operations to third parties;
- Extensive experience with EDC's for many years (see also [www.hidc.nl](http://www.hidc.nl) and [www.nfia.nl](http://www.nfia.nl))

#### Key Facts

- ✓ More than 40% Japanese companies' EDCs are in the Netherlands;
- ✓ More than 50% USA companies' EDCs are in the Netherlands;
- ✓ More than 90% Taiwanese companies' EDCs are in the Netherlands.

For start up activities, subsidies may be granted in case of capital investments or technology/knowledge development activities in the Netherlands

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## Dutch Individual Taxation

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### Key Features

- 30% Tax Ruling
- Progressive personal income tax rates\*
  - Income upto EUR 17,878 : 2,35%
  - Income between EUR 17,878 – EUR 32,127 : 10,85%
  - Income between EUR 32,127 – 54,776 : 42%
  - Income above 54,776 : 52%
- New social security treaty between Netherlands and India

\* : Does not include social security rates

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## Key Takeaways

- Excellent Holding and Treasury location for MNC's
- Tried and tested location with Global repute
- Growing awareness of Netherlands within Indian corporates
- Offers tax certainty
- Presence of excellent legal infrastructure
- Offers several tax benefits for Corporates and Individuals
- Flexible and friendly approach of Tax authorities
- Strategic location and favourable tax regime makes NL a top distribution Hub
- “Economical” as compared to other European locations such as Luxembourg, Switzerland and UK

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## Services Provided by *PricewaterhouseCoopers*

India Desk in Netherlands is “one” window for all services:

- Coordinate with a Dutch law firm for incorporation;
- Audit (*Assurance Services*);
- Tax Compliance Service;
- Tax Consulting (income tax, international tax, VAT, custom duty, etc.);
- Assistance on Euro-Next listing;
- Provide integrated services for the above in all EU countries

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## HRS Services Provided by *PricewaterhouseCoopers*

International Assignment Services for Expatriates;

- 30% Tax Ruling;
- Individual income tax planning;
- Individual tax return services;
- Payroll services;
- Net to Gross Calculations;
- Global mobility solutions (such as Visas, Immigration services)

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Your worlds



Our people