

2007

Taxation in the Netherlands

Information for companies operating internationally



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Introduction

The Dutch Government is responsible for the administration of education, justice, policing, road construction and maintenance. It also provides social security [*volksverzekeringen*] benefits, care for the elderly and subsidies for housing and for the arts and culture, among other things. Implementing these government tasks costs money. Individuals and companies pay this money to the Dutch government in the form of taxes and social security contributions. Government expenditure is largely financed from tax revenues. Most of the proceeds from social security contributions are spent on social security and health care. It is the Tax Administration, as part of the Ministry of Finance, that is responsible for levying and collecting taxes and part of the social security contributions.

This brochure is intended for Dutch-based companies that operate internationally and for international companies wishing to set up a business in the Netherlands. The brochure offers a general overview of the taxes to which companies in the Netherlands are liable.

When looking for a location for business, there are numerous other factors that influence the choice, such as geographic location, infrastructure, political and social stability and wage levels. The tax system of the country in question is increasingly becoming a major consideration, particularly since the abolition of borders within the European Union in 1993 and the introduction of the euro in 13 countries in 2002.

The Netherlands has a relatively small, but very open, economy. The Government has always acknowledged that the tax system should not constitute an obstacle to companies with international operations. This is reflected in the way in which corporate profits are taxed.

Pages 44 and 45 of this brochure provide a list of addresses, telephone numbers and Internet sites where you can find more information on taxation in the Netherlands. Practically all government information is available free of charge, verbally (by phone), in printed form (brochures) or as a download from the Internet.

Guide to the brochure

Part 1 of this brochure (pages 8 through 34) describes the taxes that are important to companies operating internationally. These include, for example: corporate income tax, wage tax, value added tax (VAT), environmental taxes and the customs regime in the Netherlands. Topics such as the participation exemption, group taxation (fiscal unity), mergers, the 30% facility, tax treaties and customs procedures will be addressed. The international aspects of taxation are also dealt with. For the sake of clarity, this brochure also includes sections on income tax even though companies will have little direct involvement with it in practice.

Part 2 of this brochure (pages 35 through 43) gives an overview, with a brief explanation, all taxes levied in the Netherlands. The rates and amounts given apply as from 1 January 2007.

- 1 Corporate income tax
- 2 Wage withholding tax
- 3 Income tax
- 4 International aspects of taxation in the Netherlands
- 5 Value added tax
- 6 Environmental taxes
- 7 Customs

1.1 General

A profit-generating company pays corporate income tax. The amount of tax to be paid and the country in which a company is subject to taxation depends on a number of factors. Below is an outline of how corporate income tax is regulated in the Netherlands.

1.2 Taxpayers

Companies and organisations that are subject to corporate income tax are referred to as 'entities' to distinguish them from 'natural persons' who are subject to income tax. Examples of companies that are subject to corporate income tax are corporations of which the capital is divided into shares and cooperatives. The main types of companies referred to in the Corporate Income Tax Act are the public limited (NV) and the private limited (BV) company.

Companies established in the Netherlands are resident taxpayers. Certain companies that are not established in the Netherlands but which do derive Dutch income are non-resident taxpayers.

Whether a company is deemed for tax purposes to be established in the Netherlands is assessed on the basis of the factual circumstances. Relevant factors specifically include the place of actual management, the head office location, and the place where the general meeting of shareholders is held. Under the Corporate Income Tax Act all companies incorporated under Dutch law are regarded as being established in the Netherlands.

1.3 Tax base and tax rates

Tax rates

Corporate income tax is levied on the taxable profits made by a company in a given year less deductible losses. Corporate income tax is levied at a rate of 20.0% on the first € 25,000 of the taxable profits, at 23.5 % on taxable profits up to € 60,000 and at 25.5% on taxable profits in excess of € 60,000. Effective 1 January 2007, profits gained with the use of a patent will be levied at a rate of 10% upon request.

Determination of profits on the principle of sound business practice

Profits must be determined on the principles of sound business practice and in a consistent manner. According to sound business practice, for example, allowances may be made for unrealised losses, while profits not yet realised may be disregarded.

The consistency requirement means that there must be a certain degree of continuity in the method used to determine the results. The method may only be changed if this is in line with sound business practice.

Depreciation of fixed assets

Fixed assets used for running a company are depreciated on an annual basis. In principle, taxpayers are free to choose any depreciation method, but the method chosen must be in line with sound business practice. In general, the straight-line method is used. This method entails a fixed percentage being charged each year for the entire period of depreciation.

As from 2007, companies may only write off their business premises up to 50% of the value for the purposes of the Valuation of Immovable Property Act (WOZ). Investment property may only be written off up to 100% of the WOZ value. Fiscal depreciation on goodwill and other operating assets have been maximized in 2007. Goodwill depreciation is subject to a

maximum of 10% of the purchase price on an annual basis. A maximum of 20% applies to the other operating assets.

Stock valuation

The way in which stock is valued affects how profits are determined. The following stock valuation methods are permitted:

- Valuation based on cost;
- Valuation based on cost or lower market value;
- The base stock method.

Valuation at cost price complies with the principle of sound business practice, unless the market value is significantly lower than the cost price. In that case the lower value may be entered. In this system an unrealised profit is ignored, while unrealised losses may be taken into account immediately. The value of the stock can be determined either by the 'first in, first out' (FIFO) or 'last in, first out' (LIFO) method. When calculating the profit, the FIFO method considers that the stock purchased first, is sold first. The LIFO method assumes that the stock purchased last is sold first.

Under certain conditions, on the basis of case law, the base stock method is permitted. The base stock is the stock a company needs to continue its production and sales processes.

Valuation of work in progress and orders in progress

In case of work in progress the profit-taking may no longer be postponed until the delivery of the work, but profit must be taken on an ongoing basis. The same applies to orders in progress.

When are costs deductible?

In principle, when determining profits all the business expenses may be deducted. However, the deductibility of certain business expenses is subject to restrictions. The interest paid on loans may sometimes only be partly deducted from profits. This may be the case when a company has too many debts in relation to its equity capital.

Reserves

A company may build up certain reserves (thus enter lower profits) by making a deduction from its profits. Examples of permitted reserves are the cost equalisation reserve and the reinvestment reserve.

The cost equalisation reserve enables recurrent costs to be spread evenly over a period of time. The deduction is then made in a year in which expenditure is not yet incurred while the costs of running the company are in fact incurred in that year. Examples include large-scale maintenance or environmental damage.

A reinvestment reserve may be created if fixed assets have been lost, damaged, or sold to the extent that the payment received exceeds the book value of the assets. The amount received is thus not considered to be profit or taxed as such in the year in which the amount was received. To be eligible for this reserve the company must have the intention of re-investing. Generally speaking, the reserve must be terminated in the third year following the year in which it was formed.

Set off of losses

A company may set off its losses retroactively against its taxable profits for one preceding year (carry back) and against its taxable profits for nine years to come (carry forward). The losses incurred by an investment institution or a company ceasing operations entirely may only be set off against future profits if at least 70% of its shares continue to be held by the same natural persons. If a company reduces its business activities by more than 70% and less than 70% of its shares remain in the hands of the original shareholders, losses that have not been set off may only be set off against future profits. However, these profits must be generated by the company's original activities.

Losses of a holding company or group financing company may only be set off against later profits of years in which the company activities still consist of at least 90% group financing or of holding participations.

1.4 Participation exemption

General

The Corporate Income Tax Act provides for a participation exemption, which is applicable to both domestic and foreign shareholdings. This exemption is one of the main pillars of the Dutch corporate income tax, and is motivated by the desire to avoid double taxation when the profits of a subsidiary are distributed to its parent company. The main features of this provision are as follows.

All benefits gained from shareholdings are exempt. In principle, the term 'benefits' covers profits and losses. Profits comprise dividends and hidden profit distributions. Exempt returns also cover the profit realised on the sale of a participation. However, losses realised are not deductible. If the value of a participation decreases as a result of losses suffered, its write-down by the parent company is in principle not deductible either.

The costs associated with a shareholding are deductible. Losses arising from liquidation of a shareholding may be set off under certain conditions.

When does the participation exemption apply?

- The participation exemption is applicable to shareholdings in both domestic and foreign bodies. In principle, a participation is regarded to exist if the taxpayer holds at least 5% of the nominal paid-up capital of a company of which the capital is partially or wholly divided into shares or;
- An interest of 5% or more in a passive subsidiary (largely investing or passively financing) is only considered a participation if the subsidiary complies with the subordination requirement (effective tax burden of at least 10%);
- The participation exemption does not apply if the taxpayer or the subsidiary is considered to be an investment institution;
- It is not possible to apply the participation exemption to an interest of less than 5%. However, if the participation is maintained for more than one year, the participation will continue to apply for another three years should the interest becomes less than 5%.

1.5 Tax treatment of a fiscal unity

Under certain conditions a parent company may be taxed as a group together with one or more of its subsidiaries. For corporate income tax purposes this means that the subsidiaries are deemed to have been absorbed by the parent company. The main advantages of group taxation are that the losses of one company can be set off against profits from another group company, and that fixed assets may in principle be transferred tax-free from one company to another.

Group taxation is only allowed if all the companies involved are based in the Netherlands for tax purposes and the parent company holds at least 95% of the shares in the subsidiary. Other conditions are that the financial year of the parent company and the subsidiaries must be the same, and they must be subject to the same tax regulations. A request for group taxation must be submitted to the Tax Inspector on behalf of all the companies involved. The relevant conditions are stipulated in the Corporate Income Tax Act. These conditions cover a large number of technical aspects involved in consolidation. Group taxation may be terminated on request, or will be terminated automatically if any of the conditions are no longer met.

1.6 Tax treatment of mergers

There are three types of merger: the stock merger, the legal merger, and the enterprise merger. In a stock merger a company's shareholders transfer their shares to another company. In general, no corporate income tax will be due since the participation exemption applies. In the case of a legal merger the assets and liabilities of one or more companies are transferred to an acquiring company. The acquired companies cease to exist.

In the case of an enterprise merger one company takes over the assets and liabilities of another (or an independent part thereof). The transfer takes place in exchange for shares issued by the other company. Under certain conditions, taxes will not be levied on the takeover profits resulting from a legal or an enterprise merger.

1.7 Corporate income tax return

A public (NV) or private (BV) limited company is required to file an annual corporate income tax return with the Tax Administration within six months of the end of its financial year. This can only be done electronically. The return must be accompanied by all the information needed to establish the company's taxable profits. This includes the balance sheet, profit and loss account and any other information requested by the Inspector.

If a full return is not filed, the Inspector may issue an estimated assessment. The final assessment must be issued no later than three years after the end of the relevant tax year. If a deferment has been granted for filing the return, the period will be extended by the period of the deferment. The accounting records must be retained for at least 7 years. Entrepreneurs can solely file annual corporate income tax returns and income tax returns electronically.

Wage withholding tax

2.1 General

Everyone in the Netherlands who is in paid employment is subject to wage tax. The employer or entity that pays the wages withholds the wage withholding tax and pays it periodically to the Tax Administration. The wage withholding tax consists of one amount made up of wage tax and social security contributions. Social security contributions must be paid for the Old-Age Pension (AOW), General Survivors' Pension Act (ANW) and General Exceptional Medical Expenses Act (AWBZ). Individuals working in the Netherlands generally have social security coverage and must therefore pay social security contributions. An exception to this may, for example, apply in the event of (temporary) secondment.

The party withholding deductions is known as the 'withholding agent'; this is the party that files the tax return. The party whose wages or allowances deductions are withheld is known as the (deemed) employee.

The wage withholding tax is an advance tax payment for the income tax. In this way it is prevented that taxpayers have to pay a single large payment for income tax and social security contributions once a year. The withholding agent withholds the wage withholding tax at the time the employee receives his wage payment.

2.2 Taxpayers

Employees must pay wage withholding tax and social security contributions on their income or benefits. The employer or benefits agency must deduct and pay the wage tax. Professional entertainers and professional sportsmen are also required to pay wage tax irrespective of whether they are employed or not.

Employers and employees may elect voluntarily to designate their relationship for wage tax purposes as employment. They must both give notify this to the Tax Administration.

2.3 Tax base and tax rates

The wage withholding tax has to be calculated on all remunerations an employee receives on the basis of his current or former employment. An example of income from former employment is payment of a pension. Tax is also payable on other benefit payments, e.g. Old-Age Pension (AOW).

The principal forms of wages are 'wages in cash': salary, holiday allowance, overtime payment, commissions, annual bonus, and anything else an employer pays in cash to an employee which is deemed to be remuneration for his work. But there are other forms of wages as well, such as remuneration 'in kind', claims and (free) reimbursements and facilities.

Remuneration in kind is income that is not paid in money, but in some other way, for instance a holiday or a camera.

A claim is an entitlement to receive a benefit or facilities after a set period of time, or subject to conditions. An example of this is entitlement to pension.

Examples of facilities are tools, meals or tickets for public transport.

Free reimbursements are amounts an employer pays an employee to cover costs the employee incurs in order to be able to perform his work properly. No wage withholding tax needs to be paid on payments made by the employer to the employee which according to the generally held view, are not seen as remuneration for services provided or to be provided.

If allowances in kind may be issued tax-free, they may usually be reimbursed tax-free as

well. Examples include professional literature or work clothing. A free reimbursement or facility of this kind is not deemed to be part of the income. Reimbursements or provisions may also be partly exempt from tax. For instance, payment of specific travel expenses up to a given limit may be considered tax-exempt. The part of the provision or reimbursement that is not tax-free remains subject to tax.

Rates

The rate of wage tax, a part of the taxable income from work (box 1, see paragraph 3.3), comprises the following:

- Bracket 1: 33.65% tax and social security contributions on the first € 17,319 (2.5% tax and 31.15% contributions).
- Bracket 2: 41.40% tax and social security contributions on the next € 13,803 (10.25% tax and 31.15% contributions).
- Bracket 3: 42% tax on the next € 21,942.
- Bracket 4: 52% tax on the excess.

Separate rates for persons aged 65 or over apply to Box 1. The first bracket includes a rate of 15.75% and the second bracket a rate of 23.50%. This separate rate concerns the fact that these taxpayers are no longer required to pay Old-Age Pension (AOW) contributions of 17.90%. They still pay contributions under the General Exceptional Medical Expenses Act (AWBZ) and General Survivors' Pension Act (ANW). Standard rates of 42% and 52% apply to brackets three and four respectively.

Levy rebates

When determining wage withholding tax, the employer takes levy rebates into account. Among other things, these consist of a general rebate and employment rebate. These are general credits that apply to all employees. The general rebate comprises a tax element and a social security contribution element. Entitlement to the contribution element of the general rebate applies only if the employee has compulsory Dutch social security coverage. The employer may not take into account any allowances and deductions that are linked to the employee's personal circumstances. To avail himself of personal deductions, an employee must file an income tax return. For some employees, wage withholding tax is the final tax because they have no other sources of income and are not eligible for personal deductions and tax-deductible items.

Reduction in tax and contributions for various groups of employees

Employers may avail themselves of a reduction in tax and contributions for various groups of employees. In such a case they may remit a lesser amount in wage tax and social security contributions.

Lower remittances exist to stimulate professional education and research.

2.4 Save-as-you-earn scheme [Sparloonregeling]

Employees will only be permitted to take part in a save-as-you-earn scheme run by one employer. The maximum tax-free amount that an employee will be allowed to save in 2007 will be € 613.

The following conditions apply to saving by means of save-as-you-earn:

- An employee must have been employed by the employer since the first of January of that year;
- The employer must have been applying the general tax credit [heffingskorting] to the employee since the first of January of that year;
- The employee does not contribute to a career-break savings scheme.

Therefore if an employee commences employment after the first day of a calendar year, he will not qualify for the save-as-you-earn scheme run by that particular employer.

The final levy payable by the employer on save-as-you-earn savings is 25%. For income tax relating to the year 2007, there will be a maximum exemption in box 3 of € 17,025 for frozen savings deposits from save-as-you-earn schemes.

2.5 Career-break savings scheme [Levensloopregeling]

Employees are legally entitled to participate in a career-break savings scheme of their employer or employers. By contributing to this scheme, employees can set aside an amount to finance a period of unpaid leave. Annually a maximum of 12% of the salary may be saved under this scheme but in total no more than 210% of the salary. This annual maximum of 12% of the salary does not apply to employees having reached the age of 51 on 31 December 2005 but not yet the age of 56. However, the 210% total maximum still applies to this category of employees.

During the period of building up the career-break savings scheme, the contribution is not subject to wage tax and social security contributions and the income-related Health Care Act premium. These become payable at the time of payment of the built up savings. Employees' social insurance [werknemersverzekeringen] contributions are withheld from the career-break savings scheme contributions.

The employer is allowed to contribute to the career-break savings scheme provided he grants the same contribution to non-participating employees. Amounts paid to non-participants are subject to normal taxation.

Each year the employee may choose to contribute to either the save-as-you-earn scheme or the career-break savings scheme. Participating in both schemes simultaneously is not possible.

2.6 The 30% facility for expatriates and Dutch employees

Expatriates

Expatriates employed in the Netherlands on a temporary basis may in certain situations avail themselves of the 30% facility. This facility applies to employees coming from outside the Netherlands, who have been recruited by or seconded to a Dutch employer and who satisfy certain conditions. The facility allows the employer to grant a tax-free lump-sum allowance for the extra costs of the employee's stay in the Netherlands (extraterritorial costs). This lump-sum allowance amounts to a maximum of 30% of the sum of the wages and the allowance. In order to calculate the maximum allowance, the wage is therefore multiplied by 100/70 and the result then multiplied by 30%. If the actual costs are higher, they may be reimbursed free of tax. The school fees paid for children to attend an international school may be reimbursed free of tax in addition to the lump-sum allowance for the extraterritorial costs. Professional costs that cannot be designated as extraterritorial costs may also be reimbursed tax-free in accordance with the normal rules. In order to be able to apply the facility the employer and the employee must together submit an application to the Belastingdienst Limburg kantoor Buitenland (P.O. Box 2865, 6401 DJ Heerlen, The Netherlands).

Once the application has been approved, the 30% facility may be applied, if necessary retroactively. It may be applied for a maximum of 120 months (including an extension). This period will be reduced by the length of earlier stays or periods of employment in the Netherlands, unless more than 10 years have elapsed since the end of that stay or that employment. An employee coming to the Netherlands may be deemed to be partially non-resident for income tax purposes at his request.

Dutch employees

Dutch employees who are seconded to designated countries overseas may also be eligible for the 30% facility under certain conditions. The employer must be liable to withhold

wage tax in the Netherlands. An employee is deemed a seconded employee if he spends at least 45 days in a 12-month period in one or more places to which he has been seconded, in the context of his job.

2.7 Payroll tax return

A withholding agent must file a payroll tax return with the Tax Administration. The payroll tax return is a combined tax return comprising wage withholding tax, employees' social insurance contributions and the income-related Health Care Act premium. The payroll tax return must be filed electronically.

Income tax

3.1 General

Natural persons who have an income pay income tax. Individuals may receive income from different sources. Income tax takes into account the origin of the income and distinguishes three categories. These categories are known as 'boxes'. The income in each of the three boxes is taxed at a different rate. The total of the tax owed in the three boxes is the income tax payable.

3.2 Taxpayers

Income tax is a tax on the income of individuals. Individuals living in the Netherlands (resident taxpayers) and individuals who do not live in the Netherlands but who receive income from the Netherlands (non-resident taxpayers) are liable for income tax. Residents are taxed on their entire income, regardless of the place of origin (worldwide). Non-residents are only taxed on income directly connected with the territory of the Netherlands.

This is different if they avail themselves of the option of choosing to be treated as a resident taxpayer. Then the rules that apply to resident taxpayers also apply (see also paragraph 4.3). Income tax is in principle levied on an individual basis. However, fiscal partners are permitted to allocate joint income components between them for their tax return. Fiscal partners are spouses and registered partners. In addition, unmarried couples living together may under certain conditions also be deemed to be partners for tax purposes.

Joint elements of income are the taxable income from an owner-occupied dwelling, taxable income from substantial interest and the personal tax deductions.

3.3 Tax base and tax rates

Income tax is levied on the taxable income of natural persons and is reduced by the amount of (general) levy rebates.

Three categories of taxable income

There are three categories of taxable income (box 1, 2 and 3) for income tax, each type of taxable income having its own rate:

- Box 1 taxable income from work and dwellings;
- Box 2 taxable income from substantial interest;
- Box 3 taxable income from savings and investments.

The income tax payable is the aggregate amount of the tax on the taxable income in the three boxes. The income of resident taxpayers is reduced by the amount of the personal tax deductions.

Profit from business activities

Taxable income from work and dwellings is taxed in box 1. This includes profit from business activities. Businesses operated in the form of, for instance, the legal status of a one-man business, a general partnership or partnership are taxed under the income tax scheme. The profit is calculated in principle in the same way as outlined in Chapter 1 Corporate Income Tax. There are a few differences. The income tax scheme includes a number of arrangements for entrepreneurs who satisfy the hour criterion (e.g. self-employed persons deduction, fiscal pension reserve, profit exemption for small and medium-sized companies (MKV). The hour criterion is met if an entrepreneur spends more

than 50% subject to a minimum of 1,225 hours of his time available for work during a calendar year on running a business for his own account. Furthermore, the period for retroactively setting off losses is three years under the income tax scheme.

Profit exemption for small and medium-sized companies ['MKB-winstvrijstelling']

On 1 January 2007 the profit exemption for small and medium-sized companies was introduced. This arrangement only applies to entrepreneurs satisfying the hour criterion. The taxable profit of entrepreneurs is reduced by this MKB-winstvrijstelling. The exemption is 10% of the taxable profit less the entrepreneurs' allowance [*ondernemersaftrek*].

Personal tax deductions

The personal tax deductions mainly comprise costs that affect the financial capacity of the taxpayer personally and his family and that affect his ability to pay. For example, the costs of maintenance commitments (child or partner maintenance), study expenses and exceptional expenses (e.g. on account of illness). Personal tax deductions are deducted from taxable income derived from work and dwellings (box 1). If this is insufficient, deductions from taxable income from savings and investments (box 3) will follow, followed by deductions on taxable income from substantial interest (box 2). Any remaining deductions will be carried forward to subsequent years.

Rates

Tax on taxable income for income from work and dwellings (box 1) is:

- The first bracket: 33.65% on the first € 17,319. This rate comprises 2.50% tax and 31.15% social security contributions.
- The second bracket: 41.40% on the next € 13,803. This rate comprises 10.25% tax and 31.15% social security contributions.
- The third bracket: 42% on the next € 21,942. This rate consists solely of tax.
- The fourth bracket: 52% on the excess. This rate also consists solely of tax.

Taxpayers aged 65 or older are taxed at a rate of 15.75% in the first bracket and 23.50% in the second bracket because persons over the age of 65 are no longer required to pay old-age pension (AOW) contributions of 17.90%.

Individuals working in the Netherlands generally have social security coverage and must therefore pay social security contributions. An exception to this may, for example, apply in the event of (temporary) secondment.

For the fiscal year 2007, taxable income from a substantial interest (box 2) is taxed at 22% with regard to income lower or equal to € 250,000. The excess is subject to the regular rate of 25%. This concerns a temporary measure: the 'extra' tax bracket of 22% only applies to the fiscal year 2007.

Taxable income from savings and investments (box 3) is taxed at a flat rate of 30% taking into account a lump-sum yield of 4%.

Levy rebate

Tax due from resident taxpayers is reduced by the amount of the levy rebate. The general rebate applies to all resident taxpayers. The general rebate comprises a tax element and a social security contribution element. Entitlement to the contribution element of the levy rebate only applies if the employee has compulsory Dutch social security coverage. In addition to this levy rebate, there are all kinds of supplementary rebates that take account of the amount of income earned and the taxpayer's personal circumstances. The rebates for those who are engaged in work, for parents with children, for single parents and elderly people with a small income generally contribute towards an equitable distribution of the tax burden.

3.4 Taxable income from work and dwellings (box 1)

Taxable income from work and dwellings is the aggregate amount of:

- Taxable profits from business activities;
- Taxable wages;
- Taxable income from other activities (income from activities that can not be qualified as wage, nor as profits from business activities such as freelance income and income from making available assets to companies in which the taxpayer has a substantial interest, e.g. renting of premises to the company);
- Taxable periodical payments and grants (e.g. some periodic payments provided for under public law);
- Taxable income from an owner-occupied dwelling;
- Expenditure for income provision (e.g. the premium for retirement annuities);
- Negative expenditure for income provision (e.g. annuities that are surrendered and that were previously deducted from income);
- The negative personal allowance (e.g. refund for expenses that have been deducted from the income in a previous year as a personal deduction);
- Personal deductions (this deduction may partly run over into box 3 and after that possibly into box 2).

3.5 Taxable income from substantial interest (box 2)

A taxpayer is regarded as having a substantial interest in a company if he, either alone or together with his partner, holds, directly or indirectly, at least 5% of the shares. Income from substantial interest is the aggregate amount of the dividends received and the proceeds from disposal (profits from the sale of shares, profit-sharing certificates, debts and such), after deduction of the costs. If a taxpayer has a substantial interest in a company, profit-sharing certificates or other types of shares issued by that company are deemed to be part of the substantial interest. This is known as the 'pull along arrangement' [*meesleepregel*]. If a taxpayer makes assets available to a company in which he has a substantial interest, the income generated is taxed in box 1 as a result of other activities. One example of this is the renting of premises to the company.

For non-residents, income from a substantial interest is only subject to tax if the substantial interest is in a company resident in the Netherlands. For non-resident taxpayers, a company is also deemed to be resident in the Netherlands if it was resident there for at least five of the last ten years.

3.6 Taxable income from savings and investments (box 3)

The tax levied on income from savings and investments is based on the assumption that a taxable yield of 4% is made on the net assets, irrespective of the actual yield (such as interest, dividend, capital gains and losses). The net assets (the fair market value of the assets after the deduction of the fair market value of the debts) are valued at the average for the calendar year and are therefore noted on two reference dates: 1 January and 31 December.

Examples of assets and debts that fall in box 3:

- Savings;
- A second home or a let property;
- Shares and other securities;
- Annuity insurances for which the premium is non-deductible;
- An endowment insurance not linked to the taxpayer's own home;
- Consumer loans;

Certain assets do not need to be taken into account in calculating the value of the assets. This applies, for example, to:

- Assets which are used to generate proceeds which are taxed in the boxes 1 or 2 (examples are assets deployed in the business of a self-employed entrepreneur, owner-occupied dwellings shares in a company in which the taxpayer has a substantial interest, etc.);
- Articles for personal use such as household effects, a passenger car or caravan;
- Works of art and science not kept as an investment;
- Ethical investments up to a maximum of € 53,421 per person.

A taxpayer may not deduct all debts in box 3. For example, the mortgage debt for an owner-occupied dwelling (the interest on this is deductible in box 1) and tax debts are not deductible. The first € 2,800 of the other debts may not be deducted from the assets. The income in box 3 may not be negative, not even if the amount of the debt is greater than the amount of the assets.

In box 3 taxpayers are entitled to a tax-free threshold of € 20,014 (tax-exempt capital). The threshold is raised by € 2,674 for each child under the age of 18 of whom the taxpayer has custody on 31 December 2007. Depending on their income and wealth, taxpayers aged 65 and older are entitled to an additional threshold up to a maximum of € 26,494. If the taxpayer had a partner throughout the whole year 2007, a debt threshold of € 5,600 may be taken into account upon request of both partners for benefit of the taxpayer and his partner together. The taxpayer and his partner may allocate this amount between them, but they may not use a threshold higher than the part of the debts allocated to themselves. If no request is made, the threshold will be € 5,600 for each partner.

Non-resident taxpayers are only taxed on income from savings and investments in the Netherlands. The profit base in the Netherlands is the value of assets in the Netherlands less the value of debts connected with the assets, likewise in the Netherlands. Assets in the Netherlands are:

- Real estate (including rights to real estate) in the Netherlands;
- Rights to shares in the profits of a company the management of which is established in the Netherlands, as long as it does not arise from shareholdings or employment.

3.7 Income tax return

Income tax returns have to be filed each year with the Tax Administration by 1 April of the year following the relevant tax year. If the Tax Administration does not receive the return on time, it sends a reminder and may impose a fine. It is possible to apply to the Tax Administration in writing for a deferment. Everyone who files his or her return by 1 April receives notification from the Tax Administration by 1 July of the same year.

For companies this means that the annual statement of employee wages must be provided to the employees long before 1 April so that they can file their income tax returns with the Tax Administration in a timely fashion.

Entrepreneurs can only file their income tax returns electronically.

International aspects of taxation in the Netherlands

4.1 General

Individuals resident in the Netherlands are subject to income tax on their worldwide income. Companies established in the Netherlands are subject to corporate income tax on their worldwide profits. This is known as resident tax liability. Measures have been taken to avoid double taxation, where resident taxpayers pay tax twice on all or part of their worldwide income or profits.

In addition, natural persons who do not live in the Netherlands are subject to income tax on income from a number of sources in the Netherlands. These non-resident income tax payers subject to income tax may still opt to be treated as residence tax payers (see paragraph 4.3). Companies resident outside the Netherlands are subject to corporate income tax on their taxable profits from certain sources in the Netherlands. This is known as non-resident tax liability.

4.2 Avoiding double taxation for resident taxpayers

There are two ways in which resident taxpayers can avoid being taxed twice on their foreign-source income and foreign-source profits. In the first place, the Netherlands has concluded bilateral tax treaties with a large number of countries. In the second place, the Netherlands has unilateral provisions that in general apply to situations where no treaty has been concluded with a specific country or where a tax treaty does not include a provision pertaining to a specific case. These unilateral provisions are contained in the 2001 Unilateral Decree on the Avoidance of Double Taxation.

Avoidance methods

Different methods are used to avoid double taxation. For example, double taxation may be avoided by means of the method called exemption with progression reservation, via the credit method or by deducting foreign taxes as costs. The first two methods are used in the 2001 Unilateral Decree on the Avoidance of Double Taxation and in the treaties for the avoidance of double taxation. The third method (deducting foreign taxes as costs) arises from a number of Dutch tax laws.

• The exemption method

The exemption with progression method usually applies to foreign elements of income for income tax and corporate income tax. In principle, foreign elements of income are exempt per individual country. The exemption method means that reductions will be granted for Dutch tax relating to foreign income. For income tax, the exemption is calculated per box.

If the income or profits from foreign sources exceed the total income or total profits (for example because the 'domestic income' is negative), exemption may not or may not fully be granted in the year in question for the foreign income. In such cases, the total amount of the foreign-source income respectively the 'excess' of the exemption may be 'carried forward' and reduction of tax may be granted in subsequent years. This enables the Dutch tax liability to be reduced in the subsequent years.

Foreign losses decrease the Dutch tax liability in the year they are suffered and when calculating the reduction in subsequent years are deducted from the positive foreign income qualifying for exemption.

- *The credit method*

The credit method usually applies under tax treaties for foreign withholding taxes on income from investments such as dividends, interest and royalties. In accordance with the 2001 Unilateral Decree on the Avoidance of Double Taxation, the credit method only applies to investment dividends, interest and royalties from designated developing countries. The Dutch tax is reduced by the foreign tax levied or by the Dutch tax payable on the foreign dividends, interest and royalties, whichever is lower. Since the foreign withholding taxes for which credit is allowed in the Netherlands are usually levied on a gross basis, whilst Dutch income tax is levied on a net basis (after deduction of costs), it is quite possible that the Dutch tax will not be sufficient to provide credit for the tax levied by the foreign source country. Full credit is thus not possible. In these cases the excess of the foreign tax not credited may be 'carried forward' and, where possible, credited in subsequent years.

Under the treaties aimed at avoiding double taxation, the credit method may be applied to the income from each separate country. On the basis of an approval decision issued by the State Secretary of Finance, it is also possible to opt under treaties for application of the credit method to all foreign income from all countries taken together.

- *Deduction as costs*

In situations in which there are no arrangements for avoiding double taxation, foreign taxes may be deducted as costs related to the relevant income. This option (in the income tax and corporate income tax scheme) applies to the year in which the income is received and to the total amount of dividends, royalties and interest received in that year. The taxpayer may elect to deduct the costs against income tax in box 1 or box 2 individually. Costs may not be deducted in box 3.

Also, in situations in which a credit would normally be granted for dividends, interest and royalties, the taxpayer may opt for non-recognition of the tax credit. This is particularly advantageous if, as already stated, the (high) foreign tax in a year cannot be fully credited because this is higher than the amount that must be paid in the Netherlands.

Tax treaties

- *Outline of treaty policy*

The right to levy taxes on certain income or profit is in principle allocated in the tax treaties to one of the countries, so that ultimately income tax or corporate income tax is levied by one country only and the other country reduces the tax to avoid double taxation. The Dutch policy on concluding treaties for the avoidance of double taxation is largely in line with the principles laid down in the OECD Model Tax Convention.

The Netherlands' aims in concluding tax treaties are various. Its economy is an open one with a small domestic market and a large foreign market. This means that a relatively large number of industrial and commercial companies operate on a mainly international basis. The country's policy on tax treaties reflects this openness in its relationships with EU Member States and with other countries. Dutch policy aims to remove obstacles to the international flow of goods and capital, in this case international double taxation. To encourage international investment it is necessary for the tax on dividends, interest and royalties flowing from a country to be as low as possible, and preferably zero per cent. In line with this policy, Dutch legislation does not require withholding tax to be levied on outbound interest and royalties.

The Netherlands also endeavours to guarantee a neutral investment climate for capital import. As a result, Dutch investors are able to invest in foreign markets on the same terms as other foreign or domestic investors. In line with this policy, all the profits received by a Dutch parent company from a foreign subsidiary or made through a permanent establishment situated abroad are exempt from taxation in the Netherlands. This ensures that these profits are taxed only in the source country, i.e. where the activities are performed.

- *Treaties for the avoidance of double taxation*

The Netherlands has signed many treaties for the avoidance of double taxation with regard to income tax. In older treaties, too, double taxation on wealth was often avoided. Tax treaties with the following countries are in force and effective on 1 January 2007:

Albania, Argentina, Armenia, Australia, Austria, Bangladesh, Belarus (White Russia), Belgium, Brazil, Bulgaria, Canada, China, Croatia, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Great Britain and Northern Ireland, Hungary, Iceland, Ireland, India, Indonesia, Israel, Italy, Japan, Kazakhstan, Kuwait, Korea, Latvia, Lithuania, Luxembourg, Macedonia, Malawi, Malaysia, Malta, Mexico, Moldova, Mongolia, Morocco, New Zealand, Nigeria, Norway, Uganda, Pakistan, the Philippines, Poland, Portugal, Romania, the Russian Federation, Singapore, Slovak Republic, South Africa, the Soviet Union (the treaty applies to the former member states of the Soviet Union with the exception of Azerbaijan and with the exception of those former member states of the Soviet Union to whom a new treaty applies), Spain, Sri Lanka, Surinam, Sweden, Switzerland, Thailand, Tunisia, Turkey, the United States of America, Ukraine, Uzbekistan, Venezuela, Vietnam, Yugoslavia (this treaty applies to Bosnia-Herzegovina and Serbia and Montenegro), Zambia, Zimbabwe.

In addition, the arrangement between the Netherlands Trade and Investment Office in Taipei and the Taipei Representative Office in the Netherlands also applies for the avoidance of double taxation.

Tax relations between the Netherlands, the Netherlands Antilles and Aruba are regulated in the Taxation Agreement of the Kingdom of the Netherlands.

Treaties for the avoidance of double taxation on inheritance and gift tax are in force and effective on 1 January 2007 with Austria, Finland, Israel, Sweden, Switzerland, Great Britain and the United States of America.

The Taxation Agreement of the Kingdom of the Netherlands also contains provisions on inheritance tax.

- *Relief of taxation at source under tax treaties*

In general, tax treaties give natural persons and entities the right to relief for tax at source on dividends, interest and royalties. The way in which this relief may be obtained is generally laid down in implementation regulations. Here, a distinction can be made between: foreign regulations for taxpayers resident or established in the Netherlands and Dutch regulations for taxpayers resident or established in treaty countries.

These implementation regulations are published in the Netherlands Government Gazette. The Netherlands only imposes tax at source on dividends (dividend tax); thus there is no tax at source on interest and royalties.

The general rule for relief of dividend tax in the Netherlands is the exemption method: a reduced rate of dividend tax on the dividend distribution. There is also a refund procedure: the excess amount of withheld dividend tax is refunded.

Treaty countries also apply both methods. Whether both methods or just the tax refund is possible, depends on the implementation regulations.

The implementation regulations also set out whether (and which) forms should be used for relief for source taxation. Both the Dutch and foreign forms are available free of charge to interested parties. In the Netherlands these forms can be obtained from the Belastingdienst/Centrum voor facilitaire dienstverlening, Afdeling logistiek reprografisch centrum, PO Box 1314, 7301 BN Apeldoorn (Tel: (+31)(0)55-5282016; mail address: Lrc.apeldoorn@tiscali.nl). The Dutch forms can also be downloaded from our website www.belastingdienst.nl. Foreign forms can be obtained from the appropriate

Tax Administrations abroad. It is possible that these forms can be downloaded from websites of foreign national authorities.

For Dutch dividends to which the Council Directive of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (90/435/EEC) applies, the Dividend Taxation Act [*Wet op de dividendbelasting*] indicates how a reduction of Dutch dividend tax may be obtained.

4.3 Taxation of non-resident taxpayers

Non-resident taxpayers are subject under Dutch law to income tax or corporate income tax on the sources referred to below. If a foreign taxpayer lives in a country with which the Netherlands has concluded a tax treaty, he is only taxed in the Netherlands to the extent the taxation right on these sources has been allocated to the Netherlands under the treaty.

Individuals

Non-resident individuals are subject to income tax in the Netherlands for the following types of income derived in a calendar year:

- **Taxable income from work and dwellings in the Netherlands:**
 - a Taxable profits from an enterprise which carries on business through a permanent establishment in the Netherlands or a permanent representative in the Netherlands (Dutch enterprise); the term Dutch enterprise is further extended in the law;
 - b Taxable wages for work performed in the Netherlands;
 - c Taxable income from other activities in the Netherlands;
 - d Taxable periodical benefits or benefits in kind to the extent to which the contributions were deducted from tax in the Netherlands or if these benefits or benefits in kind arise from pension schemes, the premiums for which were paid by a Dutch enterprise;
 - e The entitlement to periodical benefits and benefits in kind under public law from or on behalf of a Dutch public legal entity;
 - f Taxable income from the taxpayer's owner-occupied dwelling in the Netherlands less the deduction on account of no or marginal own home-related debt (usually the standard deduction for own home).

- **Taxable income from a substantial interest in a company established in the Netherlands.**

Income from substantial participation of natural persons not living in the Netherlands is only charged in the Netherlands if those persons hold a substantial participation in a company established in the Netherlands. This income includes received dividends and capital gains. For the presence of such a substantial participation apply the same criteria as for inhabitants of the Netherlands (see paragraph 3.5).

- **Taxable income from savings and investments in the Netherlands:**

The tax base in the Netherlands is the value of the taxpayer's assets in the Netherlands after deduction of the value of the debts connected with these Dutch assets. Assets in the Netherlands are:

 - a Immovable property situated in the Netherlands;
 - b Rights directly or indirectly related to immovable property situated in the Netherlands;
 - c Rights to participate in the profit of an enterprise the management of which is established in the Netherlands, in as far as they do not arise from shareholdings or employment and have not been taxed on the basis of previous sources.

Non-resident individuals may, subject to certain conditions, elect to be treated as resident taxpayers. In that case they will be taxed as resident taxpayers and will be assessed on their worldwide income for income tax purposes; they will also be entitled to the deductions and levy rebates available to resident taxpayers.

Companies

Non-resident companies are subject to Dutch corporate income tax in a calendar year for the types of income listed below:

- Taxable profits from an enterprise which carries on business through a permanent establishment in the Netherlands or a permanent representative in the Netherlands (Dutch enterprise); the term Dutch enterprise is further extended in the law;
- Taxable income from a substantial interest in a company established in the Netherlands.

See also Chapter 1 (pages 9 through 12).

4.4 Advance Pricing Agreement and Advance Tax Ruling Practice and International Investors' Desk

The Netherlands has an 'Advance Pricing Agreement' (APA) and an 'Advance Tax Ruling' (ATR) practice. The so-called APA/TR-practice. An Advance Pricing Agreement entails providing advance certainty on the fiscal acceptability of the price (transfer pricing) that the Dutch group company pays to or receives from a foreign group company for receiving or delivering a service or goods. An Advance Tax Ruling is an agreement on the tax characterization of international corporate structures, such as advance certainty on the application of the participation exemption. The APA/TR-team of the Rotterdam branch of the Rijnmond Tax Administration department deals with Advance Pricing Agreements and Advance Tax Rulings.

Foreign investors can contact the International Investors' Desk (APBI) for information on the tax implications of a first potential investment in the Netherlands of more than € 4.5 million. The APBI is authorised to provide advance certainty, within the context of the law, case law and policy, on, for example, corporate income tax, wage withholding tax, dividend tax, income tax, value added tax and capital transfer tax. The APBI acts as the point of contact for import duties and excise duties. The APBI is part of the Rotterdam branch of the Rijnmond Tax Administration department.

Value added tax (VAT)

5.1 General

Every taxable entrepreneur must pay turnover tax on turnover. Turnover tax is also known as VAT (value added tax). The everyday term 'VAT' will be used in this brochure. In the Netherlands value added tax (VAT) is levied at each stage in the chain of production and on the distribution of goods and services based on the 6th European VAT Directive. The tax base is the total amount charged for the transaction excluding VAT, with certain exceptions. The VAT that a taxable entrepreneur pays on expenses or investments (the input tax) may be deducted from the VAT he charges (the output tax). Because of these deductions made at previous stages of the chain, VAT is not cumulative. If the balance is positive, tax is payable to the Tax Administration; if it is negative, a refund is given by the Tax Administration. The tax paid by the end-consumer of the goods or services is not deductible. The amount of tax is based on the price of the goods or services received and on the applicable VAT rate.

5.2 Taxpayers

Persons carrying on a business, e.g. natural persons and legal persons are liable for VAT. Combinations of taxpayers forming a single financial, organisational and economic entity may be deemed to be a fiscal unity for VAT purposes. In these cases the supply of goods and services within the unit is not subject to VAT. A government institution may also be a taxable person if its activities are not public sector ones.

5.3 Tax base and tax rates

Taxable event

There are five taxable events for value added tax:

- The supply of goods by a company;
- The supply of services by a company;
- The acquisition of goods from other EU Member States by a company;
- The import of goods;
- The acquisition of new and almost new means of transport (motor vehicles, ships and aircraft) from another EU Member State by private individuals.

The supply of goods and services

The phrase 'supply of goods' is given a broad interpretation. Goods are all physical objects, but also include items such as electricity. For VAT purposes the following activities, for example, are deemed to be the supply of goods:

- The transfer of ownership of goods under a contract;
- The transfer of goods on the basis of a hire-purchase agreement;
- The supply of goods by a manufacturer who has manufactured the goods from materials provided by the customer;
- The private use of goods by an entrepreneur;

'Providing services' is defined under value added tax legislation as all activities that do not include the supply of goods and which are performed for remuneration. The use of self-manufactured goods are also considered to be a service if the input tax for the goods in question would be non-deductible or only partly deductible when they had been purchased from another enterprise.

Place of supply of goods and services

Although the difference between the supply of goods and the supply of services is usually purely theoretical, there is a valid reason for distinguishing between them, namely with

regard to the place of the taxable event. Transactions are subject to the conditions and rates applicable to the location concerned.

The place where the goods are supplied is defined as the place where the goods are located at the time of supply. An exception is made for goods transported in connection with their supply; in these cases the place of supply is the place where transport begins. Another exception is made for a successive supply of imported goods; in these case the place of the total supply is the Netherlands.

The location where services are supplied is generally deemed to be the place of residence or of establishment of the person supplying the services. There is a separate regulation, however, for certain services, e.g. services involving copyrights, advertising, advice, information, banking, insurance and the supply of staff through an employment agency. The place where these services are supplied is generally the place of establishment of the entrepreneur to whom the services are rendered.

The same applies to telecommunications services and e-commerce. Services involving immovable property are supplied at the place where the property is located.

Rates

The general VAT rate is 19%. The reduced rate of 6% applies to the supply, import and intra-Community acquisition of goods and services listed in Table i of the 1968 Turnover Tax Act. The reduced rate is largely applicable to foods and medicines. Other goods and services subject to the lower rate include water, art, books, newspapers and magazines, devices for the visually handicapped, artificial limbs, certain goods and services for agricultural use, passenger transport, sports, hotel accommodation, some labour-intensive services and entrance fees for stage performances, museums, cinemas, sports events, amusement parks, zoos and circuses.

The zero rate is intended primarily for goods exported from the EU, sea-going vessels and aircraft used for international transport, gold destined for central banks, and all activities that take place in certain types of bonded warehouse. There is also a zero rate for goods transported to other EU Member States. VAT is levied in the Member State to which the goods are transported, because this is a case of intra-Community acquisition in that Member State.

Exemptions

Several types of transactions are exempt from VAT, which means that tax may not be charged on the transactions and that the VAT previously paid on these transactions may not be deducted. Exemptions are applicable to transactions such as:

- the transfer or rental of immovable property (with certain exceptions: for example, tax is payable on a newly-built property for two years after it is first put into use. Property is also taxable when the supplier and the customer have opted for taxable supply. The possibility to opt for taxation is, however, limited to situations in which the property is to be used for purposes of which (almost) all are taxable);
- Medical services;
- Services provided by educational establishments;
- Socio-cultural performances;
- Most banking services;
- Insurance transactions;
- Non-commercial activities of public broadcasting organisations;
- Certain postal services;
- Burials and cremations;
- Services rendered by sports organisations for their members (i.e. not entrance fees);
- Services rendered by composers, writers and journalists;
- Home care services.

Special arrangements for small businesses and the agricultural sector

Small businesses (natural persons) enjoy a tax reduction. If the VAT payable after the deduction of prepaid tax is less than € 1,883, an amount may be deducted; when the balance is less than € 1,345, no VAT liability exists. If a small business continues to be exempt from the obligation to pay VAT, it can apply to be exempted from the obligation to maintain accounting records for VAT.

A special provision applies to the agricultural sector (which includes arable farming, stock breeding and horticulture), which is designed to exclude the agricultural sector from the VAT system. Farmers do not charge VAT and are not entitled to deduct any previously paid VAT. Companies purchasing agricultural products from these farmers enjoy a fixed flat-rate deduction of 5.1%. If the tax prepaid by the farmer is structurally more than 5.1% of the value of his sales, this special provision would put him or his customers at a disadvantage. In such cases the farmer may then opt for the normal statutory scheme.

5.4 The VAT system in the single European market

There has been a single European market since 1 January 1993. From that date, persons, goods, services and capital move freely within the EU. The transitional arrangements applicable from this date contain the following main points:

- Private individuals purchasing goods in another Member State pay VAT in the country in which the goods are purchased. This is based on the country of origin principle. Exemption on the export of these goods from the Member State and the obligation to pay VAT on them on arrival in the Netherlands do not apply.
- For trade between companies in different Member States, VAT is levied in the Member State to which the goods are transported at the rates and subject to the conditions of that Member State. This is based on the country of destination principle. The business supplying the goods applies the zero rate. The business receiving the goods submits a tax return for the goods purchased in another Member State. This transitional arrangement applies until the date on which supplies of goods become subject to the country of origin principle.
- The country of origin principle (paying VAT in the country where the purchase takes place) also applies to intra-Community supplies of goods to exempted businesses, farmers under the special agricultural regime and non-taxable legal entities (such as public authorities). Unless the total value of the goods purchased exceeds the threshold of € 10,000 per calendar year. When the threshold is exceeded, the purchaser must file a return in the country of destination.
- The above mentioned measure also applies to distance selling (selling where the goods are transported to the client in another Member State via or at the expense of the supplier) up to a total amount of € 100,000 per seller per year, to private individuals, businesses that have been exempted, non-taxable legal entities (such as public authorities) and farmers under the special agricultural regime.
- The country of destination principle (paying VAT in the country to which the goods are transported) always applies to the purchase by or to private individuals of new, or nearly new, means of transport.
- Every company making intra-Community supplies to another Member State must submit regular notices listing the supplies subject to taxation in that Member State. This is known as the listing requirement. The company must, if required, supply further details for purposes of intra-Community checks on the levying of VAT.
- Since border controls for tax purposes within the EU are no longer carried out, the levying of VAT on imports and the zero rate for exports apply only to goods coming from or going to non-EU countries.

Imports

Imports are taken to mean goods brought into free circulation within the Netherlands from countries outside the EU. The rates applied are the same as those applicable when supplying goods in the Netherlands. VAT can be levied in two ways.

In the customs procedure the tax payable must be paid by the declarant when he submits an import declaration. He may also provide a guarantee (security) for this purpose.

In the second situation 'import transfer' applies. For certain allocated goods, the transfer regulations apply automatically. For other goods the inspector can issue a licence on request. The tax due is collected from the company for which the goods are destined (customer). The time of payment is then deferred until the moment at which the business is required to submit a periodic domestic VAT return. In this case the time of payment coincides with the right to deduct the same tax.

Invoicing

Since January 1, of 2004 the VAT identification number of the company that supplies goods or services must always be mentioned on the invoice. A VAT identification number is allocated to a company for VAT purposes and is used for transactions within the EU. In the case of a fiscal unity the VAT identification number of the branch of the fiscal unity must be given on the invoice.

This obligation also applies if the 'domestic transfer' regulation applies. The VAT payable is then imposed on the customer instead of the supplier. Exemption, application of the margin scheme, reverse charge or inter-Community transactions have to be stated on the invoice.

5.5 VAT returns

VAT is levied on the basis of self-assessment. The entrepreneur is obliged to file tax returns using the VAT return form. This is generally sent automatically by the Tax Administration. If this is not the case, the entrepreneur must request the form himself. If goods have been supplied within the European Union, the form for filing intra-Community supplies [*Opgaaf Intracommunautaire Leveringen*] must also be completed in the electronically tax return.

VAT returns may be filed monthly, quarterly or annually. The amount of VAT an entrepreneur pays will determine the period for which a tax return must be filed. The return must be filed with the Tax Administration within one month of the end of the period of assessment and the payment must be credited to the Tax Administration's account within that month as well.

If an entrepreneur is late in filing its return or is late in making payment, he risks a fine. The Tax Administration checks afterwards on the basis of the entrepreneur's administrative records whether the correct amounts have been declared and paid. From January 1, of 2007, an entrepreneur is entitled to deduction of VAT paid on goods purchased for his business insofar he also uses these goods for private purposes. The entrepreneur still has to pay VAT on the costs incurred in relation to the private use of the goods concerned.

Environmental taxes

6.1 General

The following environmental taxes are imposed in the Netherlands: taxes on groundwater, tap water, waste, fuel and the energy tax. These taxes are components of the Environmental Taxes Act.

6.2 Tax on groundwater

Groundwater tax is levied to discourage the extraction of groundwater. The objective is to promote a sparing use of exhaustible reserves.

Taxpayers

The groundwater tax is payable by companies that extract groundwater; for example, waterworks, farms, drainage contractors and manufacturing companies that use groundwater, e.g. as cooling water or processing water.

Rate

The amount of tax payable is calculated on the basis of the number of cubic metres of groundwater extracted by the company. The rate is € 0.1855 per m³.

Exemption

Exemptions include cases where only small amounts of groundwater are extracted, for emergency purposes, for watering and irrigation in the agricultural sector and for extraction supported for environmental reasons (for heat and cold storage and use in rinsing reusable packaging).

If a company infiltrates water, a given amount can be deducted from the groundwater tax: the infiltration deduction. The infiltration must be directly related to the extraction of groundwater for which tax is being paid. This deduction depends on the amount of infiltrated water and is € 0.1554 per m³ of infiltrated water.

6.3 Tax on tap water

In the Netherlands tax is levied on tap water.

Taxpayers

A company or a person who obtains water via a water supply system, whether or not the water is of consumable quality, pays tax on an amount up to a maximum of 300 m³ per connection, per 12 months. The tax is collected by the water company, which passes the tax to the tax authorities.

Rate

The rate is € 0.149 per m³.

Exemption

There is an exemption for water supplied for emergency situations, for example fire extinguishing water.

6.4 Tax on waste

Tax is levied on waste that is landfilled. The aim of the tax is to stimulate the processing of waste in a way that will be of most benefit to the environment. Recycling or prevention are the best methods. Landfilling is the least desirable method, followed by incineration.

Taxpayers

The waste processing centres are subject to tax. They are obliged to pay tax according for the waste they are offered for landfilling. The level of this tax depends on the amount of waste offered for landfilling.

Rate

The rate is € 86.91 per 1,000 kg landfilled waste.

There is a lower rate for the landfilling of non-flammable waste and for waste that should preferably not be incinerated (for example, from an environmental point of view). This rate is € 14.34 per 1,000 kg. If the waste offered at the landfilling site is treated and then leaves the site, the amount of waste finally dumped is less than the amount delivered. In that case, the waste processor may, on request, obtain a refund of the tax on waste for the substances that have left the landfill site.

6.5 Tax on fuels

The aim of fuel tax is to tackle pollution and reduce energy consumption. Fuel tax is levied on coal.

Taxpayers

The fuel tax is mainly levied on manufacturers and importers of coal. The fuel tax is payable by persons who extract, produce or import coal and subsequently use the coal as fuel or supply them to others. No fuel tax is payable on coal used to generate electricity. Use other than as fuel is exempt.

Rate

The rate is € 12.76 per 1,000 kilos coal.

6.6 Energy tax

The energy tax aims to reduce CO₂ emissions and energy consumption. The energy tax taxes the consumer on the energy he consumes (gas, electricity and certain mineral oils). If a consumer uses mineral oils, e.g. domestic fuel oil or LPG, instead of natural gas, for purposes other than transport, he is also liable for energy tax.

The tax is incorporated into the price which the supplier charges for the fuels or energy.

Taxpayers

The energy tax is invoiced to the energy consumer by the utilities company that provides it. The energy provider pays the collected tax to the Tax Administration.

Rate

There is an energy tax rebate of € 199 per connection to the electricity network per year. The rates are linked to the amount of energy consumed, and there are reduced rates for higher consumption.

Electricity		
0 - 10,000 kWh	€ 0.0716	per kWh
10,000 - 50,000 kWh	€ 0.0369	per kWh
50,000 - 10 m kWh	€ 0.0102	per kWh
more than 10 m kWh	€ 0.0005	per kWh for business use
	€ 0.0010	per kWh for non-business use
Natural gas (including green gas)		
0 - 5,000 m ³	€ 0.1531	per m ³
5,000 - 170,000 m ³	€ 0.1342	per m ³
170,000 - 1 mln. m ³	€ 0.0372	per m ³
1 mln. – 10 mln. m ³	€ 0.0118	per m ³
more than 10 mln. m ³	€ 0.0078	per m ³ for business use
	€ 0.0110	per m ³ for non-business use
Natural gas for CNG filling station	€ 0.03	per m ³
Mineral oils		
<i>Kerosene</i>		
0 - 159,000 litre	€ 163.74	per 1000 litre
more than 159,000 litre	€ 15.46	per 1000 litre
<i>Gas oil</i>		
0 - 153,000 litre	€ 165.10	per 1000 litre
more than 153 000 litre	€ 15.58	per 1000 litre
<i>LPG</i>		
0 - 119,000 kg	€ 195.48	per 1000 kg
more than 119,000 kg	€ 18.60	per 1000 kg
Other gases		
Blast furnace gas, coke furnace gas, coal gas and refinery gas	€ 129.14	per 1000 GJ
Coal gasification gas	€ 510.02	per 1000 GJ

Exemption

Natural gas, other gases and electricity used for generating electricity are exempt from the energy tax.

6.7 Environmental tax returns

Groundwater tax, tax on tap water, tax on waste, fuel tax and the energy tax are all assessed on the basis of tax returns. The taxpayer is obliged to file a tax return for each tax category using the prescribed tax return form. This is generally sent automatically by the Tax Administration. If this is not the case, the taxpayer must request the form himself.

Tax returns for environmental taxes may be filed monthly, quarterly or annually. The amount of environmental taxes a taxpayer pays on average will determine the period for which a tax return must be filed. The return must be filed with the Tax Administration within one month of the end of the period of assessment and the payment must be credited to the Tax Administration's account within that month as well.

If a taxpayer is late in filing its return or is late in making payment, he risks a fine. The Tax Administration checks afterwards on the basis of the taxpayer's administration whether the correct amounts have been declared and paid.

Customs**7.1 General**

In the Netherlands, as in all other Member States of the European Union, EU import duties (customs duties) have to be paid when goods are brought into free circulation within the customs territory of the European Union. The term 'customs duties' also covers other import charges such as anti-dumping duties. The Dutch customs authorities are responsible for levying these duties upon importation and they are also charged with the enforcement of a considerable number of prohibitions, restrictions and control measures.

7.2 Taxpayers

The bringing of goods into free circulation is one of the customs procedures. Under this procedure, the goods are given the status of Community goods, which entitles them to be freely circulated within the internal market of the European Union. The import duties usually have to be paid by the declarant when he submits the customs declaration for free circulation. In many cases importers prefer to use the professional skills and credit facilities of customs representatives, who take care of all of the obligations relating to the import of goods.

7.3 Tax base and tax rates

Customs duties, the most common form of import duties, are calculated on the basis of:

- The arrangement of the goods concerned in the common customs tariff of the EU;
- The origin of the goods;
- In most cases: the value of the goods.

The rates of the import duties vary considerably, depending on the type of goods imported. For example, duties charged on raw materials are usually lower than those charged on finished products.

7.4 Customs approved treatment or use in the Netherlands

The final destination of goods brought into the European Union is not always known. Sometimes the goods will be re-exported. On the basis of European customs legislation, procedures concerning customs approved treatment or use have been created allowing for postponement of payment of import duties by storing goods under customs supervision in accordance with customs procedures such as customs transit or storage in a customs warehouse. Other forms of customs approved treatment are temporary import and inward processing. Obviously, import duties have to be paid once the conditions for these procedures are no longer met.

7.5 Customs procedures

The Dutch customs authorities do their utmost to utilise the possibilities provided by European legislation to facilitate the movement of goods, whilst still maintaining an adequate level of customs control. Whenever possible, an integrated approach is taken. The following are examples of this approach.

- **Frequent use of simplified procedures**

There are simplified procedures for all the procedures referred to above. The Dutch customs authorities are willing to accept approved accounting records kept for

commercial purposes as the basis for control. This avoids double administration. Examination of accounting records is, of course, combined with a physical examination of the goods wherever necessary. This system has proved effective in practice.

- **Combinations of simplified procedures**

It is possible to go further than the example given above. Sufficiently well-organised companies with automated accounts may apply for combined simplified procedures (e.g. warehousing based on accounting records combined with simplified procedures for transport to and from the warehouse in question).

- **Agreement in the form of a Memorandum of Understanding (MoU)**

To a large extent the Dutch customs authorities base their control on risk analyses, which are most effective when companies are willing to provide the authorities with all available documentation, commercial and non-commercial, needed to assess the risks involved. For this purpose the authorities are prepared to agree an MoU with such companies. In effect, the companies are able to simplify their customs treatment. The MoU imposes a duty on the authorities to regularly review the customs procedures for the business in question with a view to further simplifying the treatment of the companies involved.

Part 2

Overview of tax receipts

Estimated tax receipts in 2007 in billions of Euros

source: Budget Memorandum ['Miljoenennota'] 2007

Taxes on income, profit and wealth

Wage and income tax	38.6
Corporate income tax	16.5
Dividend withholding tax	2.8
Inheritance tax	1.7
Tax on games of chance	0.2

Indirect taxes

Value added tax	42.4
Excise duty	9.7
Taxes on legal transactions	5.5
Environmental taxes	4.7
Tax on passenger cars and motorcycles	3.6
Motor vehicle tax	2.9
Import duties	1.9
Consumption tax for non-alcoholic beverages and other products	0.2
Tax on heavy goods vehicles	0.1

Non-tax receipts

(of which 10,1 gas proceeds) 26.6

Total 157.5

This tables offers a total picture of all the taxes levied in the Netherlands by the Dutch government. Alongside the central government, three other governmental bodies are permitted to levy taxes. These are the provincial, the municipal and the water authorities. The provincial authorities impose a number of environmental taxes. Examples of municipal taxes are property tax and the dog licence fee. The water control authorities mainly levy taxes relating to water pollution. When compared with the total revenue from taxation, the contribution made by provincial, municipal and water control authority taxes is marginal: less than 4% of the total tax revenues. This brochure only discusses the taxes imposed at the national level.

A brief outline of all taxes in the Netherlands

Taxes on income, profit and wealth

Income tax (and social security contributions)

Income tax is a tax on earnings. In the Netherlands there are three categories of taxable income (three 'boxes'), each with its own rate.

- **Box 1**
This category includes income from work and home. A progressive rate applies of 33.65% up to a maximum of 52% (including social security contributions, see below);
- **Box 2**
Income from a substantial interest falls in this category; in 2007, the tax rate is 22% for income up to € 250,000. The normal rate of 25% applies to income in excess of € 250,000. A substantial interest is deemed to be the holding at least 5% of the shares in a public (NV) or private (BV) limited company (possibly together with partner or spouse);
- **Box 3**
Income from savings and investments falls in this box. The rate is 30% and is levied on a deemed fixed yield of 4% of the total net worth. Net worth is the value of the assets, which may be savings deposits, rented property, shares etc., after the deduction of debt, based on the average balance for the year. The reference dates are 1 January and 31 December. Tax is levied on the value in excess of € 20,014.
- **Social security contributions**
In addition to income tax, the Netherlands also levies social security contributions, which are collected by the Tax Administration.
Social security includes the Old-Age Pension (AOW), General survivors' Pension Act (Anw), General Exceptional Medical Expenses Act (AWBZ) and the Child Benefit (AWK). Contributions do not need to be paid for the child benefit. The social security contributions are payable in one amount, together with income tax.

Wage tax (advance levy in respect of income tax)

In order to avoid a person having to pay a single large payment for income tax and social security contributions each year, two types of withholding tax have been introduced. One of these is the wage tax. This withholding tax payment is made at the time the income is received. The employer withholds the wage tax and social security contributions. This is called wage withholding tax. The other withholding tax in respect of income tax is dividend tax.

Corporate income tax

Corporate income tax is a tax levied on the profits of certain companies, e.g. public limited (NV) and private limited (BV) companies. Foundations and associations may also be subject to corporate income tax if they run a business.

Tax is levied at a rate of 20% on the first € 25,000 of the total taxable profit. Profit in excess of € 25,000 but no more than € 60,000 is taxed at 23.5% and the tax rate on profits in excess of € 60,000 is 25.5% of the taxable profits. If a company has suffered a loss in previous years, this loss may be deducted from its profits. The profits distributed to shareholders are not deductible from taxable profits for corporate income tax.

Dividend withholding tax (advance levy in respect of income tax)

Many enterprises are operated as a public limited (NV) or a private limited (BV) company. The company's capital is contributed by its owners (shareholders), who in return receive shares. Whenever the company makes a profit, it may distribute part of this profit to its shareholders. This is usually done in the form of a dividend.

A company distributing dividends is required to withhold tax at a rate of 15% on these dividends and to remit this dividend tax to the Tax Administration. The shareholders thus only receive 85% of the dividend. The dividend withholding tax withheld by the company, like the wage tax, may be set off against the income tax payable and works like an advance levy.

When distributing dividends to a (foreign) entity, a dividend tax of 15% applies in principle. However, there are a number of exceptions. If the company distributes a dividend to an entity the stock of which falls under the participation exemption (see paragraph 1.4) and this participation belongs to a company run in the Netherlands, the dividend payment is exempt from dividend tax.

Dutch companies no longer have to withhold dividend tax if the dividend is paid to a company having its registered office in another EU Member State provided the latter company has an interest of at least 5% in the Dutch company.

For both Dutch non-resident natural persons and companies not established in the Netherlands, to which the exemption from dividend tax does not apply, a dividend tax lower than the aforesaid 15% often applies under tax treaties.

Inheritance tax, gift tax and transfer tax

The Inheritance Tax Act distinguishes three different taxes: inheritance tax, gift tax and transfer tax.

• *Inheritance tax*

Inheritance tax is a tax levied on the value of everything acquired from the estate of an individual whose last place of residence was situated in the Netherlands. Spouse, children and close relatives pay less tax than do distant relatives or non-relatives.

Substantial amounts are exempt from inheritance tax. There are exemptions for property inherited by spouses, unmarried couples living together who satisfy certain conditions, children, handicapped children, parents, other blood relatives, public entities serving a social or general interest in the Netherlands and other cases of inheritance. A number of these cases are subject to further conditions for the application of the exemption. Pension entitlements are deducted in full or in part from the exemption of some beneficiaries.

Inheritance tax is levied on the taxable part of the property acquired (= property acquired less exemption). There is a minimum and a maximum percentage, depending on the value of the property acquired. The Inheritance Tax Act draws a distinction between the following three categories.

Spouses, children and unmarried couples living together are subject to a minimum rate of 5% and a maximum of 27%;

For parents, brothers and sisters the minimum rate is 26% and the maximum 53%, and for non-relatives the minimum is 41% and the maximum 68%.

Full exemption applies to property inherited by religious, ideological, charitable, cultural, scientific or public entities serving a social or general interest in the Netherlands.

- **Gift tax**

Gift tax is a tax levied on the value of anything received by way of a gift from an individual resident in the Netherlands. The rates equal those applicable to Inheritance tax.

Again, some amounts are exempt from gift tax. They include not only exemptions for gifts made by parents to children but may also cover other cases. As in the case of inheritance tax, exemption is subject to further conditions in a number of cases.

- **Transfer tax**

Transfer tax is payable when certain domestic assets, e.g. real estate, pass by inheritance or by way of a gift from persons whose last place of residence was outside the Netherlands. There are no exemptions for transfer tax.

Transfer tax is levied at the same rates as inheritance tax.

Tax on games of chance

Anyone winning a prize valued at more than € 454 in a game of chance has to pay tax. All goods to which a market value can be assigned are considered prizes. Some lotteries in the Netherlands pay net prizes – in other words, they must withhold and pay the tax. Anyone winning a prize in a foreign game of chance is obliged to give notice of this on a gaming tax return, which can be obtained from the Tax Administration.

The rate is 29%.

Indirect taxes

Value added tax

Value added tax (VAT), known as BTW in the Netherlands, is a general consumption tax levied on all private spending and is included in the price consumers pay for goods and services. All companies, e.g. baker, plumber, manufacturer, subsequently remit the tax to the Tax Administration. Entrepreneurs may deduct from this the VAT charged to them by other entrepreneurs. In effect, they only remit the difference to the Tax Administration. If this difference is negative, the Tax Administration refunds this amount to the entrepreneurs in question.

A number of transactions are exempted of tax. In this case the company does not charge VAT and the VAT charged to the company is not deductible so far as the goods and services bought are used for exempt activities. Exempt activities include various medical services, certain types of education, insurances and banking services.

The general VAT rate is 19%. In addition, there are two special rates:

- **The reduced rate of 6%**

This rate applies to food and medicines, a number of medical aids, some labour-intensive services, books and magazines, passenger transport, a number of entertainment services such as entrance fees for sporting competitions, zoos, circuses and theatre, for water and for a number of goods and services for use in agricultural production.

- **The zero rate (0%)**

This rate applies, subject to conditions, to cross-border transactions, i.e. to the export of goods to a country outside the European Union (EU), to the supply of goods to companies within the EU and for the services related to these supplies. The result is that the goods leave the Netherlands free of VAT.

Excise duty and consumption taxes

Excise duty is a consumption tax levied on certain consumer goods, e.g. alcoholic beverages like wine, port, sherry and beer, and products like tobacco, petrol and other mineral oils, e.g. diesel, domestic fuel oil and LPG. Like VAT, excise duty is included in the price the consumer pays. The tax is remitted to the Tax Administration by the manufacturers in the Netherlands, by traders and also by the importers of excisable goods (for example, importers of American brandy). A special consumption tax is levied on non-alcoholic beverages such as fruit juices, vegetable juices, mineral water and carbonated soft drinks, including cordials.

As of 2007, on a litre of spirits there is € 15.04 excise duty per hectolitre per percent alcohol by volume. On a litre of petrol (Euro, unleaded) the excise duty is € 0.68. The excise duty on tobacco also depends on the selling price; for example, a packet of 25 cigarettes costing € 4.60 includes € 2.63 excise duty. The consumption tax on a litre of lemonade is 5.5 eurocents and on a litre of fruit juice, vegetable juice or mineral water approximately 4.13 eurocents.

- **Crossing European borders**

Since 1993, private citizens have been able to buy wine, cigarettes and other dutiable goods in any Member State and take them to any other Member State for their own personal use. They pay excise duty in the country of purchase. If private citizens do not take the goods with them for personal use, but, for example, they are instead transported or sold by others, excise duty is levied in the country where the goods are consumed. In the case of mail-order sales or distance selling, excise duty is levied in the country of destination.

The harmonized excise duty system of the EU involves for example also general conditions for storage, movement and monitoring of excise goods in the Member States and regulations concerning excise duty rates and exemptions.

Taxes on legal transactions

The following taxes are levied under the Act governing taxes on legal transactions: real property transfer tax and insurance tax. In principle are personal circumstances not taken into account.

- **Real estate transfer tax**

Real estate transfer tax is levied on the acquisition of both the legal and the beneficial ownership of real estate situated in the Netherlands (land, houses and the like). In most cases, a deed is drawn up on the transfer of the real estate by a civil law notary, who invoices the tax payable and remits it to the Tax Administration.

Transfer tax is charged at a rate of 6% on the market value of the real estate, or on the consideration if that is higher. Consideration is taken to mean the compensation received or whatever has been stipulated by the party transferring the real estate.

- **Insurance tax**

Insurance tax is levied when insurance is taken out. Among other things are life insurance, accident insurance, invalidity and disability insurance, medical expenses and health insurance, unemployment insurance and transport insurance exempted.

The rate is 7% and the tax is levied on the premium.

Tax on passenger cars and motorcycles

Tax on passenger cars and motorcycles is paid once at the time of registration or first use of the road in the Netherlands. If it the passenger car is new, the importer pays the tax on behalf of the buyer. A person importing a used passenger car or motorcycle must pay the tax himself.

Exemptions apply to specific groups of vehicles such as taxis, delivery vans of entrepreneurs and fire engines/ police vehicles. It is also possible to obtain tax exemption for passenger cars with a foreign registration subject to certain conditions.

- **Passenger cars**

The rate for new petrol-driven passenger cars is 45.2% of the net catalogue price less € 1,540. For diesel-powered passenger cars the rate is 45.2% of the net catalogue price plus € 328.

- **Motorcycles**

The rate for motorcycles is 10.2% of the net catalogue price up to a net price of € 2,133 and 20.7% of the net catalogue price less € 224 above € 2,133.

- **Used cars and motorcycles**

For used passenger cars and motorcycles the tax is reduced in line with the decrease in value of the vehicle. There are fixed percentages for this. After one year the reduction is 37%, after two years 47%. The maximum reduction is 90%. A used passenger car or motorcycle of 25 years or older is exempt from passenger car and motorcycle tax.

- **Refund**

Since 1 February 2007, vehicles subjected to the tax levy after 16 October 2006, qualify for a refund at the time of export. If a vehicle is no longer used in the Netherlands, and is registered in another EEA State, the passenger car and motorcycle tax (BPM) is partly reimbursed. The amount of this reimbursement depends on the previously paid tax and the time the vehicle was used in the Netherlands. The same depreciation pace as used for the levy is taken into account as a basis for the depreciation at the time of the refund.

- **Environmental differentiation**

As concerns passenger cars purchased after 30th June 2006, Private Motor vehicle and Motorcycle Tax (BPM) takes account of the environmental performance (CO₂ emission) of the passenger car, a tax reduction applies to cars that use less fuel compared to other cars in their category while cars that use relatively more fuel are subject to a tax raise. For this purpose the energy label is used that has been issued to new passenger cars for several years. At the start of each calendar year, the national government publishes the label belonging to each make, model and version of the passenger car concerned, among other things in a fuel consumption booklet. For cars in performance category C, for cars without such a label and for vans (so-called 'grey' registration numbers), either a bonus (less BPM) or a malus (more BPM) applies. A specific environmental differentiation applies to some hybrid passenger cars. There are seven labels: A (best performance) to G (worst performance). Rates vary from a bonus of € 1,000 for Label A to a malus of € 540 for Label G.

Motor vehicle tax

People who have a passenger car, van, motorcycle or lorry registered in their name are subject to motor vehicle tax. Buses, on the other hand, are required to pay motor vehicle tax when they make use of the road.

The amount of tax payable depends on:

- The type of vehicle (passenger car, van, motorcycle, lorry, bus);
- The weight of the vehicle;
- The type of fuel in the case of passenger cars (petrol, diesel, LPG);
- The province in which a person is resident (for passenger cars and motorcycles);
- Whether the motor vehicle pulls a trailer (from 750 kg behind a passenger car, van or bus);
- The number of periods paid simultaneously.

Tax on heavy goods vehicles (HGV)

The tax on heavy goods vehicles, also known as the Eurovignette, is payable for hgv's making use of the motorways. A heavy goods vehicle is a lorry used solely for the road haulage of goods, with a maximum authorised weight of not less than 12 tonnes. The trailer is included when establishing the maximum authorised weight.

This tax is based on a treaty between the Netherlands, Belgium, Luxembourg, Germany, Sweden and Denmark. It is payable per day, week, month or year, or a combination of these. The amount depends on the total number of axles of the vehicle and the Euro-classification (euro-0, euro-I, euro-II or cleaner).

The tax has to be paid in advance and the Eurovignette must be carried in the vehicle. Anyone buying a Eurovignette in one of the countries that applies the Eurovignette (the above mentioned countries except Germany) is not required to pay this tax once again for the period in question in the Netherlands.

Environmental taxes

Environmental taxes cover taxes on groundwater, tap water, waste, fuel and the energy tax.

- **Tax on groundwater**

The groundwater tax is payable by companies that extract groundwater such as waterworks, farms, drainage contractors and manufacturing companies that use groundwater, e.g. as cooling water or processing water.

Exemptions include cases where only small amounts of groundwater are extracted, for emergency purposes, for watering and irrigation in the agricultural sector.

The rate is € 0.1855 per m³ of groundwater extracted by the company.

- **Tax on tap water**

In the Netherlands tax is levied on tap water. A company or a person who obtains water via a water supply system, whether or not the water is of consumable quality, pays tax on an amount up to a maximum of 300 cubic metres per year, per connection. The tax is collected by the water company which passes the tax to the tax authorities. There is an exemption for water supplied for emergency situations, for example fire extinguishing water.

The rate is € 0.149 per m³.

- **Tax on waste**

This tax is levied on waste that is landfilled. The waste processing centres are liable to pay the tax. They are obliged to pay tax according to the amount of waste they are offered for landfilling.

The rate is € 86.91 per 1,000 kg of waste that is landfilled.

There is a lower rate for the landfilling of non-flammable waste and for waste that should preferably not be incinerated (for example, from an environmental point of view).

The rate is € 14.34 per 1,000 kg.

• **Tax on fuels**

Fuel tax is mainly payable by producers and importers of coal. The tax is payable by persons who extract, produce or import coal and subsequently use it as fuel or supply them to others. No fuel tax is payable on coal used to generate electricity. Use other than as fuel is exempt.

The rate is € 12.76 per 1,000 kg.

• **Energy tax**

Energy tax is a tax levied on the consumption of energy (natural gas, other gases, electricity and certain mineral oils). Natural gas, other gases and electricity used for generating electricity are exempt from the energy tax.

The rates are linked to the amount of energy consumed, and there are reduced rates for higher consumption.

Electricity

0 - 10,000 kWh	€ 0.0716	per kWh
10,000 - 50,000 kWh	€ 0.0369	per kWh
50,000 - 10 m kWh	€ 0.0102	per kWh
more than 10 m kWh	€ 0.0005	per kWh for business use
	€ 0.0010	per kWh for non-business use

Natural gas (including green gas)

0 - 5,000 m ³	€ 0.1531	per m ³
5,000 - 170,000 m ³	€ 0.1342	per m ³
170,000 - 1 mln. m ³	€ 0.0372	per m ³
1 mln. - 10 mln. m ³	€ 0.0118	per m ³
more than 10 mln. m ³	€ 0.0078	per m ³ for business use
	€ 0.0110	per m ³ for non-business use
Natural gas for CNG filling station	€ 0.03	per m ³

Mineral oils

Kerosene

0 - 159,000 litre	€ 163.74	per 1000 litre
more than 159,000 litre	€ 15.46	per 1000 litre

Gas oil

0 - 153,000 litre	€ 165.10	per 1000 litre
more than 153 000 litre	€ 15.58	per 1000 litre

LPG

0 - 119,000 kg	€ 195.48	per 1000 kg
more than 119,000 kg	€ 18.60	per 1000 kg

Other gases

Blast furnace gas,
coke furnace gas, coal gas
and refinery gas

	€ 129.14	per 1000 GJ
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Coal gasification gas	€ 510.02	per 1000 GJ
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Import duty

When companies import goods from countries that are not members of the European Union (EU), tax is levied on many of these goods. In this context the term 'import duty' is a generic name for the taxes imposed in connection with the EU. These taxes are collected by the customs services of the Member States and remitted to the EU. They constitute the Union's own financial resources. As compensation, the Netherlands is permitted to retain 25% of these taxes.

Import duties are understood to be:

- Customs duties (which are duties from the Customs Tariff of the EU);
- Levies with a similar effect (including anti-dumping levies);
- Taxes in connection with the common agricultural policy.

The EU fixes the level of import duties. The goods to be imported are classified in the combined Nomenclature, which is a list of goods and tariffs. The EU has concluded agreements with a number of countries under which no import duty is levied, or it is levied at a lower rate.

If businesses in the EU can demonstrate that their branch is suffering damage because products similar to the ones they produce are being imported at prices below those charged in the country where the goods are produced, this practice will be deemed to be dumping. If such cases arise, the EU may levy an anti-dumping duty.

In addition to the aforementioned import duties, value added tax is levied on the import of goods into the Netherlands from third countries. Where appropriate, excise duty and environmental taxes are also levied.

Further information

Information on taxation in the Netherlands and on customs matters

For information on taxes, allowances and for ordering brochures please call the info line [*BelastingTelefoon*]: 0800 0543 (free of charge). You can also call this number for questions about your personal tax return, how to fill in the tax return or about the payment and collection of taxes. For information about customs matters please call the special Belastingtelefoon Douane at 0800 0543 (free of charge). If you are a starting entrepreneur we would advise you to call the starters desk at one of the Tax Administration districts for special information in connection with starting your own business.

Information on working abroad and companies that operate internationally

For information on working abroad, companies that operate internationally and taxes in the Netherlands, please contact the Foreign Section [*kantoor Buitenland*] of the Tax Administration in Limburg. Telephone: (+31) 800 024 12 12 or (+31) 30 275 38 12 Telephoning from Belgium: 0800 90 220 Telephoning from Germany: 0800 101 13 52

Postal address

PO Box 2865
6401 DJ Heerlen
The Netherlands

Requesting forms for withholding tax reductions

Forms for withholding tax reductions are available from the following office: Belastingdienst/Centrum voor facilitaire dienstverlening, Afdeling logistiek reprografisch centrum. Telephone: (+31) 55 528 20 16 E-mail: lrc.apeldoorn@tiscali.nl

Postal address

PO Box 1314
7301 BN Apeldoorn
The Netherlands

Information on Advance Pricing Agreement (APA), Advance Tax Ruling (ATR) and tax implications of investments in the Netherlands for foreign investors

Please contact the APA/ATR-team for information on APA's and ATR's; information on the tax implications of investments in the Netherlands for foreign investors is available from the International Investors' Desk (APBI) of the Rotterdam branch of the Rijnmond Tax Administration department. Telephone: (+31) 10 290 58 02

Postal address

PO Box 50961
3007 BC Rotterdam
The Netherlands

Information on taxes available on the Internet

Ministry of Finance: www.minfin.nl

- This site contains information in Dutch and English (www.minfin.nl/en).
- Information on excise duty is available at: www.minfin.nl/accijnzen
- You can download or order brochures in Dutch and English from: www.minfin.nl/publicaties

Tax Administration: www.belastingdienst.nl

- The site provides information for companies.
- The information on the site on working abroad, and companies that operate internationally is available in Dutch, English and German.
- You can also download or order brochures in Dutch and English from the website.

Customs: www.douane.nl

- This website contains information in Dutch and English.
- You can download or order brochures in Dutch and English.

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Colophon

This brochure provides a general overview of taxation in the Netherlands. No rights may be derived from it.

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Copies of this brochure can be ordered at the internet site of the Ministry of Finance, www.minfin.nl/publicaties or you can call the Postbus 51 information line, phone number 0800 8051, every working day from 9 a.m. to 9 p.m.

For general questions concerning national government you can call the Postbus 51 information line, phone number 0800 8051, toll-free, (inside the Netherlands), every working day from 9 a.m. to 9 p.m.

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