

## **Dutch Tax Requirements**

As a global entrepreneur you might be familiar with taxes, but you might be new with the Dutch tax regulations. In this article we will provide you a practical oversight of the Dutch taxes, and the requirements that you need to consider for your Dutch business.

Spoiler alert: SME companies, that don't expect any business in the short-term have nothing to worry about. VAT registration might not be required, so in your first 12 months there could be no tax requirement at all. Most (first) fiscal book years end 18 months after the incorporation of the company.

This article will tell you all about it, even if you expect to be active and employ staff from day 1!

### ***Dutch administrative requirements***

A company is required to maintain accounting records that are sufficiently adequate to determine the financial position of the company at any time. There are various regulations, including civil and tax regulations, stipulating the period for which the records should be retained. As a general rule, the records must be kept for a period of seven years.

The Dutch accounting rules are regulated by law. The Dutch Generally Accepted Accounting Principles (Dutch GAAP) are mainly based on EU directives. The Dutch GAAP apply to a BV and NV as well as other entities, like for example certain forms of partnerships.

In case the company grants a loan, or decided to pay a dividend to its shareholders, it's important to keep a proper record of the decision taking. In case of an outgoing dividend, it may also be required to file a withholding tax return, and pay the withholding tax to the tax authorities.

Similarly, the appointment of directors needs to be documented carefully, and the company is responsible for withholding taxes on salaries of personnel.

INCO can help your company to meet all (tax) compliance requirements. If you have any doubt on how you should deal with a certain situation, please contact us. In case you decide to use the bookkeeping services of a third party, INCO as your local agent, still requires to be updated on completed filing requirements. We can also deal with third party accountants on your behalf.



INCO has a strategic alliance with accounting firms and auditors, in case accounting or auditors statements are required, or to deal with Companies which require certain specific expertise.

## **Tax Requirements for The Company**

Dutch companies need to consider several kinds of taxes. And of course, each tax, comes with certain (filing) obligations.

The exact requirements depend on the corporate structure (does it concern a branch or a legal entity/subsidiary) and the tax liability of transactions that take place. In the next paragraphs we discuss the most common taxes that a Dutch business is likely to have to deal with, such as:

- VAT
- Corporate Income tax
- Corporate Withholding Tax (interest, royalty, dividend)
- Payrolling Taxes

### **VAT**

VAT is a Sales Tax. Which means, VAT is charged on your sales invoices. The Dutch name for value-added tax (VAT) is BTW (Belasting Toegevoegde Waarde). Sales tax in the Netherlands applies when you sell or buy goods or services in the Netherlands, although there are some exemptions from BTW. If you are required to charge BTW in the Netherlands, then it will be following one of three tariffs:

- Zero Dutch BTW applies to international activities, such as transferring goods or offering services outside of the EU.
- A Dutch BTW rate of 9%, commonly known as the low tariff, applies to the sale of common products (e.g., food, drink, agriculture, medicines, books).
- A 21% Dutch BTW rate, also called the high or general tariff, applies to all other VAT taxable activities.

Basically any company can apply for a VAT number in the Netherlands. Even if the company is not considered resident in the Netherlands, but on occasion, has to deal with Dutch VAT. For example when it imports goods.

For example, if your Dutch company does not provide any VAT tax liable transactions, there is NO legal requirement to apply for a VAT number. This also means that there is no need to file a (quarterly) tax return.

Our team of experts can inform you on the VAT liability of your transactions.

Under the reverse-charge arrangement, you do not charge VAT, but reverse-charge it to your (European) buyer.

In case of export of either services or products, in most cases VAT is not applicable (except for example for electronic services).

#### *VAT related to purchase and sales of Services*

You supply a service if you are paid for a service that is not the supply of goods. For example, if you:

- transport goods or people
- organise musical or theatrical performances
- grant licence agreements
- carry out advisory duties
- work as a lawyer or accountant
- carry out repairs or maintenance duties

Whether you will be required to pay VAT relating to these services depends on the question whether you supply the service in the Netherlands. If that is the case then usually you will be required to pay VAT in the Netherlands. The VAT is often reverse-charged to the person receiving the service. Therefore you only pay the Dutch VAT if you supply a service in the Netherlands and if the VAT cannot be reverse-charged to your client.

#### *VAT related to purchase and sales of Products*

You will be involved in VAT both in the purchase and sale of goods. You can:

- purchase goods in the Netherlands
- import from EU countries into the Netherlands
- import from non-EU countries into the Netherlands
- sell goods to clients in the Netherlands
- export from the Netherlands to other EU countries
- export from the Netherlands to non-EU countries

#### *Application of a VAT number*

Although many resident companies in The Netherlands receive their VAT number automatically, this is typically not the case when your company is considered 'non-resident'. Based on several characteristics of your company, such as the nationality of its 'sole' director, or the registration address (fully fledged, or at a business center), the tax authorities can determine if it will consider the company as a 'resident company'. If not, or in case of doubt, extra information must be provided to the tax authorities, or the 'non-resident' VAT number must be applied manually. Such number is typically released within 2-3 weeks after application, and has one major restriction compared to the VAT number for 'residents'. The 'non-resident' VAT number will not allow you to apply for the art. 23 license, to allow VAT exempt(postponed) imports into the EU.

### **Corporate taxes**

Most Dutch companies need to file corporate tax returns, in certain circumstances, foundations and associations must also file corporation tax returns. This also applies for Dutch branches, even if they are not required to draft financial statements.

Some legal entities, such as tax investment institutions, do not pay corporation tax. The Tax and Customs Administration may also exempt some legal entities that make collective investments from corporation tax.

Based on the registration at the Chamber of Commerce, the Dutch tax authorities will automatically release the Corporate Income Tax ID. This is not the same as your VAT number (although the actual number might be the same).

Natural persons (such as the self-employed) pay tax on their profits through their income tax returns.

You have to file your return before 1 June of each year. You have to file your return even if you haven't received a provisional assessment. If you don't file your return in time, the Tax and Customs Administration may impose an administrative fine.

The corporate tax rates for 2019 are:

- 19% of taxable income under € 200,000
- 25% of taxable income over € 200,000

In 2015, 2016, 2017 and 2018, the rate for taxable income under € 200,000 was 20%. In the years 2019-2021, the rates are being gradually reduced (to 15%/21%).

## ***Branch vs. Legal Entity***

If your company is foreign-based, with a branch or subsidiary in the Netherlands, you will be liable for corporate income tax on the income received by the Dutch subsidiary. However, it is possible for parent-daughter companies to establish a so-called fiscal unity, which enables them to level out negative results from one constituent of the fiscal unity with the positive results from another (or others).

## ***Timetable***

The timetable below shows the timeframes and possible extensions relating to the financial statements process, as well as the requirement to file a corporate tax return. Please note that this does not apply to listed companies. For those companies, the financial statements must be prepared and made generally available within four months after year end. They must be adopted within six months after year end.

<b>Required action</b>	<b>Time frame</b>	<b>Possible extension</b>
Maintaining accounting records	On-going during the year	Not relevant
Preparation of financial statements & Filing of the Corporate Tax Return	5 months after year end	Up to 5 months (making the maximum preparation time 10 months after year end)
Filing of VAT Return/ VIES Return	Quarterly	Not possible. Penalties (or estimated taxes) apply in case of non-filing.
Filing of Wage Tax Return (in case of pay-rolling)	Monthly	If the above extension is applied, filing should take place ultimately 12 months after year end.

## **Tax Requirements for Directors**

### ***Minimum required salary for Director(s)***

There are stipulations when it comes to pay-rolling directors in the company, who also own shares in the same company. They are required to receive a minimum salary of €45.000, unless we apply for an exemption (based on valid reasons, like the fact that it concerns a startup company which doesn't make any profits (yet)). Please, note that this requirement is only applicable to directors, who also hold 5% or more shares in the company, hence if you appoint a person, who is not a shareholder, the requirement won't be applicable. If salaries are paid, wage tax has to be withheld by the employer and a personal income tax return has to be filed.

If you start to work in the Netherlands as a foreigner, the first thing you need to apply is a BSN number at the municipality (in Dutch “gemeentehuis”). The BSN number is necessary so that you can be identified in the tax and social security system. If you do not have a BSN number you cannot work here. The application must be done within 5 working days after arrival. Please bring a valid passport or identity card to the municipality.

### ***Income Taxes & Social Contributions***

The income you receive from the Dutch employer will be subject to Dutch personal income tax. Please note that the Dutch tax year is equal to a calendar year. The employer withholds wage tax via the payroll, which can be offset against the personal income tax. The exact personal income tax due is determined by submitting your personal income tax return. The tax return should normally be filed within 3 months after the calendar year has ended. For the year in which you moved to or from the Netherlands, you will receive an invitation from the Dutch tax authorities to file a so-called migration tax return (m-form). Please note that we will request for an extension for filing and preparing your Dutch migration tax return.

The directors can also apply for the 30%-ruling ([see Tax Incentives brochures below](#)) which gives them a tax break on their salary. We might also need to look into



Tax Treaties in order to avoid Double Taxation in case a director is resident in another country.

We can assist you in preparing a tax calculation of the taxes/social contributions which will be relevant in case of a certain salary. In order to use this service, we will ask you to complete the Salary Data Sheet, which we can provide to you upon your request.

### ***Tax Requirements for other staff members***

In general, staff members are taxed in a similar way then the Directors. However if you relocate staff to the Netherlands you need to consider immigration requirements (if from outside the EU), and in case they work less than 6 months in the Netherlands, they might still be tax liable in their country of 'residence' (based on the tax treaty). INCO can also help you payroll your staff members, and assist with immigration requirements.

### **Fees**

We can provide you the (expatriate) pay-rolling services for 450 EUR per person, per year, ex. VAT (if charged to the Dutch company, of course they can claim this back).

In case the Company will get more than 10 staff members, we will reduce the fees to 325 EUR per employee (per year, based on a full year. We don't offer the service in pro ratio periods).

The fees include:

- Issuance of Salary Slip (pdf and hardcopy)
- Filing of wage tax return
- Tax Calculation on salary
- Advice on 30% Tax ruling (if applicable)
- Basic support on immigration services for expats (help with housing formalities, tax filing requirements (income tax))
- Complete statements/journals for the bookkeeper who will be responsible for corporate bookkeeping

## Accounting requirements for the company

Required action	Time frame	Possible extension
Renewal of Corporate Structure (registered office (at Business Center), collecting data from bookkeeper (if not INCO), etc.)	12 months after the formation of the company	
Preparation of the Annual General Meeting, including invitations to all shareholders (as per legal requirements)	Ultimately 12 months after year end	
Adoption of the financial statements by the general meeting	Within 2 months of the date of preparation	If the above extension is applied, adoption should take place ultimately 12 months after year end
Filing of the financial statements	Within 8 days of adoption, but in no event later than two months after the date of preparation (whether the financial statements have been adopted or not)	If the above extension is applied, filing should take place ultimately 12 months after year end.

Additionally the following is also to be considered:

- Preparation and/or Evaluation of legal contracts, like General terms of Conditions, Privacy Agreement, NDA, Service Agreements, etc. based on Dutch Company law (we can assist you in this, and can provide drafts according to your requirements without any fees. Customization can be done

at extra charge). For preparing operational contacts and providing formal Legal Opinions, the fee is charged on an hourly rate around 250 euros per hour (all fees will be communicated up front).

- Preparation of board resolutions, or shareholders resolutions which refer to (incidental) corporate changes, like change of a director, change of company name, change of company activities, change of personal details (filing at Chamber of Commerce). Or the preparation of share transfer agreements in cooperation with a notary.
  
- Provide basic information on legal and tax regulations and legislation (we will also send relevant updates to you).

## **Conclusion**

Your tax matters are a very personal affair. It's difficult to give you a full impression on how a tax timeline will look like, without understanding your exact situation. However, in case you are a new Dutch company, without any (local) sales or other VAT liable affairs, it's fair to say that your first tax encounter will be only after 5 months once your book year has ended. If your business gets really active right away, in sales and/or appointing staff, it might have to consider monthly tax requirements from the start. Our team can help you prepare a personalized timeline based on your (expected) situation!