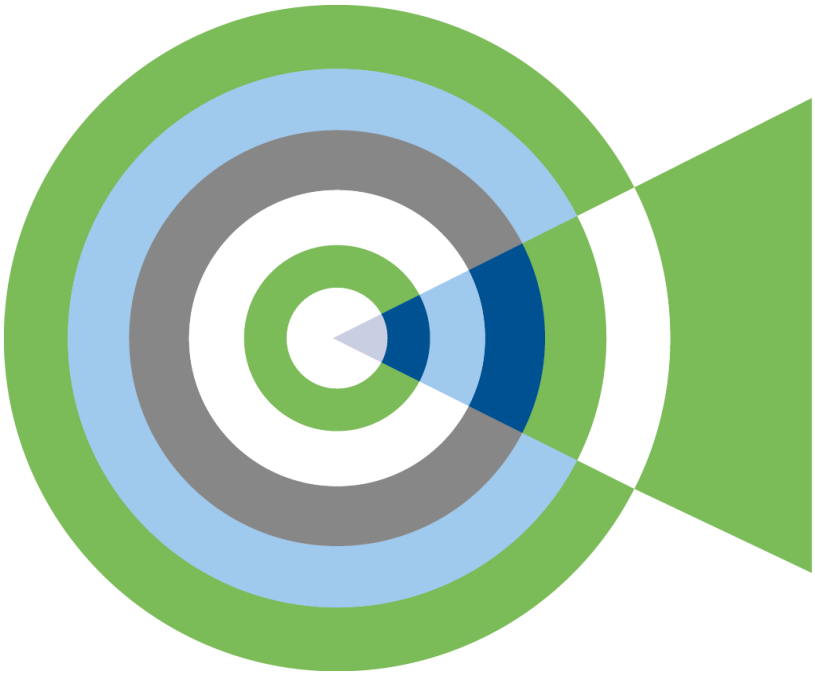
DOING BUSINESS

IN THE NETHERLANDS

The network for doing business

CONTENTS



1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in the Netherlands has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in the Netherlands can be found in chapter 9.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at April 2016.

We look forward to helping you do business in the Netherlands.

2 – BUSINESS ENVIRONMENT

Doing Business in the Netherlands is published by your consultant who is a member of the UHY network. The purpose of this detailed manual is to guide you through the investment environment in the Netherlands. It offers practical information into the country and how to set up a business, adopting the ideal legal form, the subsidy schemes, the tax system, labour law and much, much more. For more detailed information, please do not hesitate to contact your personal UHY consultant.

COUNTRY AND GOVERNMENT

The Netherlands has a total population of 16.98 million inhabitants (December 2015)and is governed by a monarchy. The ministers are the people's representatives with respect to the actions of the government. The head of state does not bear political responsibility and can therefore not be held politically accountable by the parliament. The Netherlands has 12 provinces, each with its own local authorities.

EXPORT

The country's perfect location and healthy financial policy have helped to ensure that the Netherlands has grown into an important import and export nation. The country's most important industrial activities include oil refineries, high tech industry, chemicals, foodstuff processing and the development of electronic and IT related products. Germany, Belgium-Luxembourg, Great Britain, France and the United States are the country's main import partners. All the above-mentioned countries, including Italy, are also the country's most influential export partners.

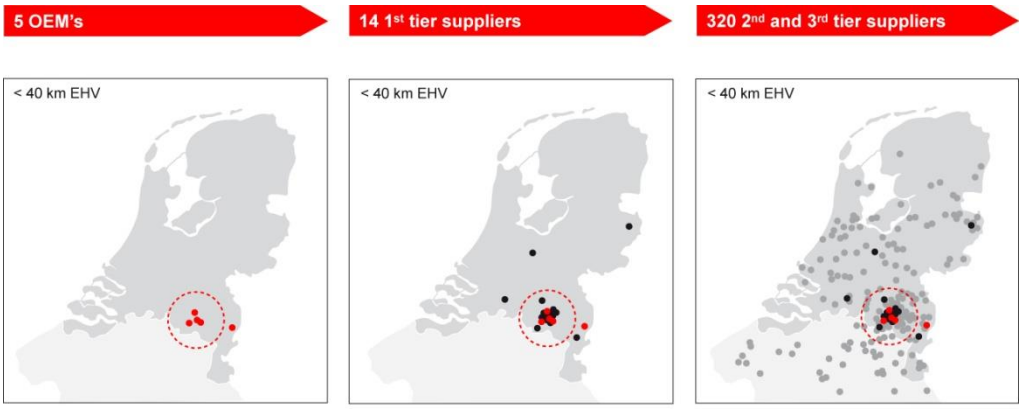
Around 60% of the country's gross domestic product (GDP) consists of exports and imports, making the Netherlands one of the most trade-dependent economies in Europe. Chemicals, electronics and food-processing are prominent industry areas.

The airport region of Amsterdam, the seaport region of Rotterdam and the Brainport region of Eindhoven are considered to be the three pillars of the Dutch economy.

The airport and seaport regions need no introduction. The Brainport region around Eindhoven is a top technology region of Europe. It offers an open and innovative 'ecosystem' for industrial activities and has a long tradition of successful innovations.

The cooperation of companies and universities within the triangle of Eindhoven (Netherlands), Aachen (Germany) and Leuven (Belgium) is cross-border and has a strong international focus.

The supply chains of sectors such as the semiconductor industry and other high tech, automotive, life technology and food industries, are well developed in the Brainport region.



5 OEM's: ASML - DAF - FEI Company - Océ Technologies - Philips

With the country's dependency on trade and long experience with consensus politics, the Dutch have become natural leaders in EU developments. The Netherlands is keen on much greater political and economic integration and is likely to continue to play an important role as conciliator in EU affairs.

FINANCES

The Euro monetary unit was officially introduced on 1 January 2002. The Nederlandsche Bank (DNB) is responsible for the money flow in the Netherlands. One of the government's most important objectives is to keep prices stable and thereby to contain inflation. Dutch banks offer an extensive range of financial services: some are specialized, while others offer an extremely wide range of services. Dutch banks are reliable: most financial institutions use organizational structures that prevent the possibility of entanglement of interests. The general prohibition on commission also contributes to this from 1 April 2014.

RIGHT TO ESTABLISH A BUSINESS

Foreign companies wishing to set up a business in the Netherlands can set up the existing foreign legal entity in the country without the need to convert it into a Dutch legal entity. They will however be required to deal with both international and Dutch law. All foreign companies with establishments in the Netherlands must be registered with the Chamber of Commerce.

A MOST COMPETITIVE ECONOMY

The Netherlands is an attractive base for doing business and for investment. Its open and international outlook, high educated employees and strategic location are contributors. The attractive fiscal climate and technological infrastructure create favourable propositions for international business.

3 – SETTING UP A BUSINESS

Under Dutch law, a foreign individual or company may operate in the Netherlands through an incorporated or unincorporated entity or branch. Dutch corporate law provides a flexible and liberal framework for the organization of subsidiaries or branches. There are no special restrictions for a foreign entrepreneur to do business in the Netherlands.

The business operations can be set up in the Netherlands with or without a legal personality. If a legal entity has legal personality, the entrepreneur cannot be held liable for more than the sum it contributed to the company's capital.

DIFFERENT KINDS OF ENTITIES

Dutch law distinguishes two types of companies both of which possess legal personality: the private limited liability company (besloten vennootschap met beperkte aansprakelijkheid - BV) and the public limited liability company (naamloze vennootschap - NV). These forms of legal entities are most commonly used for doing business in the Netherlands. Other commonly used legal entities in the Netherlands, are the cooperative (coöperatie) and the foundation (stichting). The foundation is a common form used within the non-profit and health care sector.

Other common business forms are sole proprietorship (eenmanszaak), general partnership (vennootschap onder firma - VOF), (civil) partnership (maatschap) and limited partnership (commanditaire vennootschap - CV). None of the latter forms possesses legal personality and, as a consequence thereof, the owner or owners will be fully liable for the obligations of the entity.

All entrepreneurs engaged in commercial business and all legal entities have to register their business with the Trade Register (Handelsregister) at the Chamber of Commerce (Kamer van Koophandel). This section covers the abovementioned legal entities for doing business in the Netherlands from a legal perspective. After dealing with the distinction between a subsidiary and a branch, the above mentioned entities will be described in greater detail. This will be followed by a summary of the status of intellectual property rights in the Netherlands. Finally, this manual will explain the advantages and disadvantages of doing business through a subsidiary or a branch.

BRANCH, SUBSIDIARY

BRANCH

A branch is not a separate legal entity. A branch is a permanent establishment of a company from which business operations are carried out. As a result, the company that establishes a branch in the Netherlands is liable for claims incurred by actions carried out by the branch.

SUBSIDIARY

A subsidiary is a separate legal entity that may be established by one or more shareholders. The subsidiary is a legal entity that is controlled by the (parent) company. Control of a subsidiary is mostly achieved through the ownership of more than 50% of the shares in the subsidiary by the (parent) company. However, under certain circumstances it is also possible to obtain control by special voting rights or diversity of the other shareholders. These shares or rights give the (parent) company the votes to determine the composition of the board of the subsidiary and thereby to exercise control. Since a subsidiary has limited liability, a shareholder (the parent company) is generally only liable to the extent of its capital contribution.

PRIVATE LIMITED LIABILITY COMPANY (BV)

INCORPORATION

A BV is incorporated by one or more incorporators pursuant to the execution of a notarial deed of incorporation before a civil-law notary. The notarial deed of incorporation must be executed in the Dutch language and must at least include the company's articles of association and the amount of issued share capital.

While the BV is in the process of incorporation, business may be conducted on its behalf provided that it adds to its name the letters, 'i.o.' (for 'in oprichting'), which means in the process of being incorporated. The persons acting on behalf of the BV i.o. are severally liable for damages incurred by third parties until the BV (after its incorporation) has expressly or implicitly ratified the actions performed on its behalf during the process of incorporation. A similar liability arises for the persons responsible if the BV is not incorporated or if the BV fails to fulfil its obligations under the ratified actions and the responsible persons knew that the BV would be unable to do so. In the event of bankruptcy within 1 year of incorporation, the burden of proof lies with the persons responsible.

Members of the board of directors are also severally liable to third parties for legal acts performed after incorporation, but preceding the registration of the BV with the Trade Register.

SHARE CAPITAL

A BV must have a share capital, divided into a number of shares with a par value expressed in Euro, or a currency other than Euro. There are no requirements for a minimum share capital for a BV. It will be sufficient if at least one share with voting rights is held by a party other than the BV.

Payment for shares can be in cash or in kind. Payments in kind are contributions of property and/or other non-cash items. These payments are restricted to items that can be objectively appraised. The incorporators/shareholders must describe the contributed assets.

SHARES

A BV may only issue registered shares. Besides ordinary shares, a BV may also issue priority shares, to which certain (usually voting) rights are allocated in the articles of association, and preference shares, which entitle the shareholder to fixed dividends that have preference over any dividends on ordinary shares. Within a given type of share, the articles of association may also create different classes of shares (e.g. A, B and C shares) to which certain specific rights are allocated (e.g. upon liquidation).

The voting right is linked to the nominal value of the share. However it is possible to attach different voting rights to classes of shares (even when the nominal values of the various classes are equal). Moreover, it is possible to create non-voting shares and shares without any profit right. Non-voting shares must give a right to profit.

It is not mandatory to include share transfer restrictions in the articles of association. However, if a BV opts to include such restrictions in its articles of association, it will be also be able to include detailed rules on how the price of the shares will be determined. The articles of association may also include a lock-up clause prohibiting the transfer of shares for a specific period. Furthermore, it is possible to include provisions in the articles of association imposing additional obligations on shareholders (e.g. the obligation to extend a loan to the BV or to supply products to it).

Shares in a BV are transferred by a deed of transfer executed before a civil-law notary.

The board of directors of a BV must keep an up-to-date shareholders' register, which lists the names and addresses of all shareholders, the number of shares, the amount paid-up on each share and the particulars of any transfer, pledge or usufruct of the shares.

MANAGEMENT STRUCTURE

The management structure of a BV consists of the board of directors and the General Meeting of shareholders. A BV can, in addition, under certain circumstances have a supervisory board.

BOARD OF DIRECTORS

The board of directors is responsible for managing the BV. The members of the board of directors are appointed and removed by the shareholders (unless the BV is a large BV). A Dutch and/or foreign individual and/or corporate entity could be appointed as director of a Dutch entity. The articles of association generally state that each director is solely authorized to represent the company. However, the articles of association may provide that the directors are only jointly authorized. Such a provision in the articles of association can be invoked against third parties.

The articles of association may provide that certain acts of the board of directors require the prior approval of another corporate body such as the shareholders' meeting or the supervisory board. Such a provision is only internally valid and cannot be invoked against a third party, except where the party in question is aware of the provision and did not act in good faith.

A member of the board of directors of the company can be held liable by the BV, as well as by third parties. The entire board of directors can be held liable to the BV for mismanagement. An individual member of the board of directors can be held liable with respect to specific assigned duties. The shareholders can discharge the members of the board of directors from their liability to the company by adopting an express resolution barring statutory restrictions.

Besides the aforementioned liability prior to incorporation and registration, liability towards third parties can occur in several situations. For example, in case of the bankruptcy of the BV, the members of the board of directors are severally liable for the deficit if the bankruptcy was caused by negligence or improper management in the preceding 3 years. An individual member of the board of directors can exonerate himself by proving that he is not responsible for the negligence or improper management.

As an alternative to the two-tier board structure where there is a management board and a separate supervisory board, Dutch law provides statutory provisions on the one-tier board structure, a single board comprising both executive and non-executive directors. The law provides a one-tier board structure for NV companies, for BV companies and for companies that are subject to the Large Companies Regime (structuurregime). In a one-tier board the tasks within the management board are divided between executive and non-executive members of the management board. The executive members will be responsible for the company's day-to-day management, the non-executive members have at least the statutory task to supervise the management performed by all board members. The general course of affairs of the company will be the responsibility of all board members (executive and non-executive). The non-executive members in a one-tier board are part of the management board and are therefore subject to director's liability.

DUTCH TRUST COMPANY AS DIRECTOR

A Dutch trust company is entitled to perform corporate trust services for payment, such as the administration and management of a company that conducts business in the Netherlands. A trust company can have the function as (statotury) director of a Dutch entity and take care of (required) administrative services, such as the preparation of annual reports. In certain instances the trust company is the (sole) director of the company for which it provides the services. A trust company offers expert guidance to tax beneficial international structures and opportunities to foreign legal entities and private persons for their holding-, finance- or investment activities in the Netherlands. Dutch trust companies can be use to strengthen the substance and effective management in The Netherlands. Legal, tax consequences and substance requirements have to be veriefed in this situation.

GENERAL MEETING OF SHAREHOLDERS

At least one shareholders' meeting should be held each year. Shareholders resolutions are usually adopted by a majority of votes, unless the articles of association provide otherwise. As a rule, the shareholders may not give specific instructions to the board of directors with respect to the management of the company, but only general directions.

SUPERVISORY BOARD

The supervisory board's sole concern is the interest of the BV. Its primary responsibility is to supervise and advise the board of directors. Pursuant to the Large Companies Regime

(Structuurregime), the supervisory board is only a mandatory body for a Large BV; however this is optional for other BVs.

LIABILITY

The management board and supervisory board may under certain circumstances be held personally liable for liabilities of the BV (directors' liability). For this to apply mismanagement must be involved. This may arise among other things if the management has harmed the creditors' interests by deliberately and knowingly entering into unsecured financial obligations.

In the absence of the minimum capital requirement in the BV creditors may be faced with limited security. In addition to the option of legal redress, in case of directors' liability the law on BVs also offers other legal redress options.
Upon any distribution of funds whether this involves repayment of capital or a profit distribution, the management board must first check whether the distribution is not at the expense of the interests of creditors. To do this there is first of all the equity test. Dividend distributions are only possible when the shareholders' equity of the BV is greater than the statutory reserves or the reserves that must be kept according to the articles of association. Secondly a check must be made that after the distribution the BV can continue to pay its debts payable (distribution test). If the general meeting of shareholders decides to distribute a dividend the board must in principle approve the distribution. If in the light of a distribution test the board does however conclude that after distributing the dividend the BV can no longer meet all its debts payable, the board must refuse to cooperate. If the distribution still takes place, the directors and shareholders may be held liable. They must reimburse the deficit. The law does not define any specific timeline for the amount of the debts repayable. It is assumed that this involves debts over a period of at least 12 months after the distribution.

PUBLIC LIMITED LIABILITY COMPANY (NV)

In general, everything mentioned above that applies to the BV also applies to the NV. This section will outline the most significant differences between the NV and the BV.

SHARE CAPITAL AND SHARES

An NV must have an authorized capital. At least 20% of the authorized capital must be issued and at least 25% of the par value of the issued shares must be paid up. The issued and paid-up capital of an NV must amount to at least € 45,000.

Besides registered shares, an NV may also issue bearer shares. Bearer shares must be fully paid up and are freely transferable. Registered shares have to be transferred by executing a deed of transfer before a civil-law notary. An NV is authorized to issue share certificates (certifcaten).

If payment on shares is made in kind upon incorporation of the NV, the incorporators must describe the contributed assets and an auditor must issue a statement to the effect that the value of the contribution is at least equal to the par value of the shares. The auditor's statement is to be delivered to the civil-law notary involved prior to incorporation.

The articles of association of an NV can stipulate limitations on the transferability of the shares. Dutch law provides for two possible restrictions, which require the transferor either to:

- offer his shares to the other shareholders, the right of first refusal, or;
- obtain approval for the transfer of shares from the corporate body, as specified in the articles of association.

LARGE NVS AND BVS: SPECIAL REQUIREMENTS

A company is considered a 'large NV or BV' (structuurvennootschap), and thus subject to the 'structure regime' (structuurregime), if:

- the company's issued share capital, reserves and the retained earnings according to the balance sheet amount to at least 16 million Euro;
- the company, or any other company in which it has a controlling interest, has a legal obligation to appoint a works council; and
- the company, alone or together with a company (or companies) in which it has a controlling interest, normally has at least 100 employees in the Netherlands.

Unless an exemption applies, such a company is required to appoint a supervisory board (Raad van Commissarissen) which is given specific powers, which are not granted to the supervisory board of a relatively 'small' B.V. Such a supervisory board has the following powers:

- appointment/dismissal of the management board; and
- approval of major amendments with respect to governance, including the proposal to amend the articles of association, a proposal to dissolve the company, the issuance of new shares, a proposal to increase the issued share capital.

COOPERATIVE (COÖPERATIE)

The cooperative is an association incorporated as a cooperative by notarial deed executed before a Dutch civil law notary. At the time of incorporation the cooperative must have at least two members. These members can be legal entities or natural persons.

The objective of the cooperative must be to provide certain material needs for its members under agreements, other than insurance agreements, concluded with them in the business it conducts or causes to be conducted to that end for the benefit of its members. The articles of association of the cooperative may stipulate that such membership agreements may be amended by the cooperative.

The name of a cooperative must contain the word "coöperatief" or "coöperatie".

In general, the members of the cooperative are not liable for the obligations of the cooperative during its existence. In case of dissolution or bankruptcy of the cooperative the members and the members who ceased to be members less than 1 year prior thereto, are liable for a deficit on the basis provided for in the articles of association of the cooperative. If a basis for the liability of each member is not provided for in the articles of association, all shall be equally liable. A cooperative may, however by its articles of association (i) exclude or (ii) limit to a maximum, any liability of its members or former members to contribute to a deficit. In the first case it shall place at the end of its name the letters "U.A." (Uitsluiting van Aansprakelijkheid – exclusion of liability). In the second case it shall place at the end of its name the letters "B.A." (Beperkte Aansprakelijkheid – limited liability). In all other cases the letters "W.A" (Wettelijke Aansprakelijkheid – statutory liability) shall be placed at the end of its name. Most cooperatives choose a system of excluded or limited liability. It is also possible to create different classes of members who are each liable to a different extent (or not at all). If the liability is not excluded "U.A", a copy of the list stating the members must be filed with the Trade Registry of the Chamber of Commerce. Any changes must be filed within 1 month after the end of each financial year.

The cooperative has no minimum capital requirements and the capital does not have to be in Euro. The profits may be distributed to its members. The articles of association of the cooperative must also provide for a provision regarding the entitlement of any liquidation balance.

The cooperative is also used as a holding and financing company. The main reasons are the international tax planning opportunities via a cooperative and its corporate flexibility. Through a cooperative (coop) Dutch dividend withholding tax could be avoided in the situation that business sound reasons are available.

FOUNDATION (STICHTING)

A foundation is a legal entity under Dutch law with two main characteristics:

- a foundation does not have any members or shareholders and is therefore governed solely by its board; and
- a foundation is incorporated with the aim of realising a specific goal by using capital designated for that purpose. The goals or objective of a foundation are stipulated in its articles of association.

A foundation is incorporated by means of the execution of a notarial deed of incorporation, which deed is executed before a Dutch civil law notary.

Pursuant to mandatory law a foundation may not make distributions to its incorporators and the members of its corporate bodies and may only make distributions to other persons if such distributions are of an ideal or social nature.

The management board of the foundation may consist of individuals and legal entities. After incorporation, members are appointed by the board itself, unless otherwise stated in the articles of association of the foundation. The foundation is represented by the entire management board or by board members acting individually.

Foundations are often used to create a separation between legal ownership and beneficial ownership of assets.

TRUST

Under Dutch civil law the trust is unknown. Dutch civil law is familiar with the distinction between personal rights and real rights, however is unfamiliar with a distinction between legal interests in property and beneficial interests in property rights. On the other hand the Netherlands signed the 1985 Hague Treaty on the law to trusts and their recognition.

OTHER COMMON BUSINESS FORMS

SOLE PROPRIETORSHIP (EENMANSZAAK)

In the case of a sole proprietorship (eenmanszaak), one (natural) person is fully responsible and liable for the business. A sole proprietorship does not possess legal capacity and there is no distinction between the business assets and private assets of the (natural) person.

GENERAL/COMMERCIAL PARTNERSHIP (VOF)

A general partnership can be defined as a public partnership that conducts a business instead of a profession. A VOF and its partners must be registered in the Commercial Register at the Chamber of Commerce.

PARTNERSHIP (MAATSCHAP)

Entrepreneurs in the liberal professions (such as doctors, lawyers and graphic designers) often set up partnerships (maatschap).

A partnership is an arrangement by means of which at least two partners, who may be individuals or legal entities, agree to conduct a joint business. Each partner brings money, goods and/or manpower into the business. Each partner is personally, either jointly or severally, liable for all the obligations of the partnership. A partnership does not possess legal personality. Registration with the Chamber of Commerce is required for a partnership (maatschap), only if it enters into a business.

A public partnership (openbare maatschap) participates in judicial matters under a common name. The possessions of a public partnership are legally separated from the possessions of the partners.

LIMITED PARTNERSHIP (CV)

A limited partnership is a special form of the general partnership (VOF) which has both active and limited (or sleeping/silent) partners. An active partner is active as an entrepreneur and is liable, as in the case of the general partnership. The silent partner, however, tends to finance the business and stays in the background. The silent partner is liable only up to the amount of his capital contribution. He is not allowed to act as an active partner and his name cannot be used in the name of the partnership. If the silent partner enters the business (to provide extra finance for growth) he becomes liable as an active partner.

INTELLECTUAL PROPERTY

The Benelux Convention on Intellectual Property regulates the provisions regarding the registration, use and protection of trademarks, designs and models in the Netherlands, Belgium and Luxembourg.
Trademarks can be names, drawings, stamps, letters, numbers, shapes of goods or packages and all other signs used to distinguish the goods of one company from those of others. A registered trademark is protected for a period of 10 years from the registration date and the protection can be extended by a further 10 years. Renewal must be requested and all due fees paid. The rightful owner is entitled to claim damages for infringement of its rights (such as the use of the trademark by another party).

A design or model is the new appearance of a utility product. A registered model or design is protected for 5 years from the registration date onwards and the protection can be extended by 4 periods of 5 years each, up to a maximum of 25 years. Renewal will be effective upon timely settlement of all fees due. The rightful owner is entitled to claim damages for any infringement of its rights (such as the use of the model or design by another party).

Copyright Act 1912 (Auteurswet 1912) contains provisions regarding the protection of copyrights. Copyright does not require registration in the Netherlands and applies (amongst other things) to literature, dramatic, musical and artistic work, sound recordings, films and computer programs. A copyright expires 70 years after the author's death.

Council Regulation (EC) No 40/94 on the Community trademark introduces a system for the award of Community trade marks by the Office for Harmonisation in the Internal Market (OHIM). The Community trademark system of the European Union enables the uniform identification of products and services of enterprises throughout the European Union. Requiring no more than a single application to OHIM, the Community trade mark has a unitary character in the sense that it produces the same effects throughout the Community. The Community trade mark contains provisions concerning the registration and use of Community trademarks by (legal) persons and the protection of the rightful owners of such Community trademarks.

BRANCH OR SUBSIDIARY

Many foreign companies make use of a subsidiary rather than a branch. The main legal reason to set up a subsidiary, instead of a branch, is limitation of liability. As a shareholder of a subsidiary, the foreign company's liability is basically limited to the extent of its capital contribution; whereas, if the foreign company makes use of a branch, it is fully responsible for all the obligations and liabilities of the branch.

One major advantage of setting up a branch is that it does not generally require the same legal formalities required for setting up a subsidiary. However, the simplification and flexibilization of the Dutch limited company law (as mentioned above) may well diminish this advantage.

Another important aspect to consider with respect to the choice of setting up a branch or a subsidiary in the Netherlands is the matter of local tax regulations. The choice of setting up a branch or a subsidiary will be determined based on the circumstances and relevant factors with respect to the business as such, and the Dutch (and foreign) tax regulations and tax treaties.

For more detailed information on tax legislation and participations, we refer to Section 6.

4 – FINDING A LOCATION

THE DUTCH OFFICE MARKET

The office market in the Netherlands is decentralized, which results in each city having a more or less specific office market. Amsterdam (approx. 6.6 million sq.m. office stock) focuses on finance and international trade, The Hague (approx. 4.1 million sq.m.) is the national administration centre where the government and public departments are the main users of the local office buildings. Rotterdam (approx. 3.4 million sq.m.) has one of the largest ports in the world, as a result of which the office market has a traditional focus on insurance and trade. Utrecht (approx. 2.6 million sq.m.) is located in the heart of the country with a focus on transport and domestic commercial services. In Eindhoven (approx. 1.4 million sq.m.) and Arnhem (approx. 1.1 million sq.m.) occupiers of office space have strong ties with electronics, chemicals and energy supply.

Location	Prime rent (Jan. 2014) Euro/sq.m./yr
Amsterdam - Zuidas	370
Amsterdam - Central	270
Amsterdam - South-East	195
Rotterdam	180
The Hague	175
Utrecht	195
Eindhoven	120

TOWN PLANNING

The Netherlands has applied strict regulations with respect to the development of offices, retail, industrial and residential schemes since 1950. The municipal system of zoning plans determines in detail what can and cannot be built. In general, developers are only granted building permits if their plans fit in with the zoning plans or if an exemption has been granted. The zoning plans also apply to all redevelopment projects. It is therefore not easy to change the use of the building without the cooperation of the local authorities. Municipal approval is mandatory with respect to zoning plan changes. Procedures for obtaining permits are scheduled according to strict timetables. It can take several years to obtain approval for complex building plans in which public authorities have a dominant role.

LEASE OR BUY

The general practice in the Netherlands is to lease office space: approx. 65% of all office buildings are owned by investors. Owner-occupier situations are more common in the industrial real estate market, although this has also changed over the past 10 years as a result of sale-and-lease back transactions.

Leasing has advantages, such as a positive impact on the company's cash flow, flexibility, the possibility of off-balance presentation and negotiation on incentives with landlords. Lease contracts can be subject to VAT; which may result in VAT savings in specific situations. Depreciation is an important consideration with respect to the ownership of real estate. Since the beginning of 2007, the tax depreciation on real estate is limited, both for BVs and for IB entrepreneurs (natural persons). Depreciation for tax purposes is exclusively permitted where and in as far as the book value of the building exceeds the so-called base value. The level of the base value depends on the intended use of the building.

LEASING PRACTISES AND TAXES

OFFICES AND INDUSTRIAL

Typical lease length	Negotiable, but the common practice is 5 years + auto-renewals for 5 years
Typical break options	Negotiable
Frequency of payment	Negotiable, but generally quarterly in advance
Annual index	Linked to consumer price index (CPI; all households)
Rent reviews	To market prices only if agreed upon (frequency usually 5 years, by expert panel)
Service charge	Depending on contract
Tax (VAT)	21%
Tax (others)	Property tax, water tax and sewer tax

IN ALL INSTANCES:

The tenant has security of tenure as the lease automatically renews at expiry, bearing in mind the notice period. The exception to this is if the landlord wishes to occupy, tear down or redevelop the building. These conditions are rather strict and in reality the landlord's options of terminating the lease are limited.

- The tenant pays for internal repairs and utilities.
- The tenant is responsible for insurance of contents.
- The landlord pays for the external and structural elements of the building.
- The landlord is responsible for building insurance and non-recoverable service charge items.
- The landlord provides property management services that are not recoverable through service charges.

MORE ABOUT TAXES

The landlord and the tenant are each partly responsible for the property tax levied by the local authority. Each property is assessed for taxation purposes, known as "onroerende zaak belasting" (OZB). The local government gives a value for the property and that value applies for 1 year. Each year the authorities collect the tax. The rate depends on the local authorities and this is a percentage of the value according to the Immovable Property Act.

PURCHASE PRACTISES AND TAXES

The purchaser is responsible for the so-called 'kosten-koper', which means that the buyer is liable for the payment of all additional costs. Those costs include transfer tax (6% for offices and industrial buildings and 2% for houses), notary costs (0.2-0.4%), legal costs (negotiable) and some minor administration costs, such as land registration (Kadaster).

General building costs

Operational Costs Maintenance	10.0% 7.0%
Management	1.5%
Property tax	Depending on the municipality
Others	1.0%
Insurance	0.3%

5 – SUBSIDIES

The Dutch government offers a number of temporary and/or permanent incentive schemes in various sectors to support companies in their business operations. Foreign entrepreneurs who set up companies in the Netherlands and who register their companies with the Dutch Chamber of Commerce can also apply for a number of incentive schemes.

The most important subsidy agency in the Netherlands is RVO (previously AgentschapNL), which is based in The Hague. The latter organization is responsible for the execution of most of the schemes available in the Netherlands. In addition, there are also a number of important regional and provincial schemes available, as well as a number of international schemes offered by the Ministry of Foreign Affairs, the Ministry of Economic Affairs and Brussels.

This section will outline a number of the schemes that are currently available. Obviously this is not an exhaustive list, so we recommend that you contact your consultant for more detailed information.

INNOVATION SUBSIDIES

TOP SECTOR POLICY

The Dutch government has defined 9 Top Sectors in which the Netherlands is strong worldwide and to which the government is paying special attention. The Top Sectors are: AgroFood, Horticulture, High Tech, Energy, Logistics, Creative Industry, Life Sciences, Chemicals and Water. More venture capital and extra fiscal support should ensure more research and development in companies and institutions that fall within the above sectors. To achieve this, each top sector has signed an innovation contract in a PPS arrangement with the Dutch government, setting out the innovation agenda. In 2016 special programs (MIT-programs) have been opened for SMEs in each Top Sector for feasibility studies, research and development, cooperation arrangements and research vouchers. If you are active in or with a project in a Top Sector, contact your adviser about the current subsidy options.

WBSO (WET BEVORDERING SPEUR & ONTWIKKELING)

WBSO stands for the Dutch Research and Development Act. Technological innovation is extremely important. The competitor never rests. The WBSO will help you if you wish to renew your technical processes or develop new technical products or software. The WBSO is a tax incentive scheme that forms part of the compensation of salary and wage expenditures for research and development work (discount on the due Dutch wage tax). As of 2016 it also includes a compensation for the material costs and expenses that are used for a qualified R&D project (Before 2016: Research and Development Allowance), such as the purchase of equipment. Both the compensation of salary and wage expenditures and the costs for research and development can be deducted on the wage tax. In 2016 the allowance is 32% of the first € 350.000 of costs and 16% above. There is also a special allowance for starters of 40%.

INNOVATION BOX
The innovation box provides for a special tax regime for innovation profits to stimulate R&D-activities. This regime will be explained under section 6.

REGIONAL SUBSIDIES

Under the European EFRD (European Fund for Regional Development) programme for 2007-2013, different regions in the Netherlands are conducting their own incentive policy. For 2014-2020 a new EFRD programme is underway already. Within this new programme the focus will be on subsidising projects on innovation and research, digital agenda, SME support and low-carbon economy. The various regions in the Netherlands have drafted various incentive plans under this new programme. The regional programmes are in the process of approval by the EU Commission. The subsidy programmes for 2014-2020 are expected to start in the fall of 2014.

INVESTMENTS

MIA (MILIEU INVESTERINGS AFTREK) (ENVIRONMENT INVESTMENT DEDUCTION SCHEME)
The purpose of the Environment Investment Deduction scheme (MIA) is to stimulate investment in environmentally friendly capital equipment. Companies that invest in the environment are entitled to additional tax deductions at a percentage (2016: up to 36%) of the investment cost. The Environment Investment Deduction scheme is only available for capital equipment listed on the Environment List 2016 (Milieulijst 2016), which is updated on an annual basis.

EIA (ENERGIE INVESTERINGS AFTREK) (ENERGY INVESTMENT DEDUCTION SCHEME)
The purpose of the Energy Investment Deduction scheme (EIA) is to stimulate investment in energy-saving technology and sustainable energy, i.e. so-called energy investments. Companies that invest in the energy industry are entitled to additional tax deductions at a percentage (2016: up to 58%)of the investment cost. The energy investment deduction is only available for capital equipment that complies with the specified energy performance requirements. The energy performance requirements and the capital equipment that are subject to the energy investment deduction are available in the Energy List 2016 (Energielijst 2016), which is updated on an annual basis.

KLEINSCHALIGHEIDSINVESTERINGSAFTREK (SMALL-SCALE INVESTMENT DEDUCTION)
The Small-scale Investment Deduction entitles the entrepreneur to make deductions from investments in capital equipment between € 2,300 and € 311,242 in 2016. You invest in capital equipment in the year in which you buy it and therefore incur a payment obligation. The investment deduction can be applied in the year in question. If you do not intend to use the capital equipment in the year in which the investment is made, then part of the investment deduction is sometimes carried forward to the next year.

FINANCE

BMKB (BORGSTELLING MKB KREDIETEN)
(CREDIT GUARANTEE SCHEME FOR SMES)

The purpose of the Credit Guarantee Scheme for SMEs (BMKB) is to stimulate credit provision to small and medium-size enterprises (SME or MKB in Dutch). The scheme is designed for companies with a maximum of 250 employees (fte) with a year turnover up to € 50 mln or a balance sheet total up to € 43 mln and includes most professional entrepreneurs. If the entrepreneur is unable to provide the bank with sufficient security or collateral to secure a loan, the bank can appeal to the BMKB for the necessary guarantees. The government will then, under certain conditions, provide the security for part of the credit amount. This reduces the level of the bank's risk exposure and increases the creditworthiness of the entrepreneur.

Because the banks are in a restructuring phase and additional requirements are being laid down for capital and liquidity, business finance for starters and other small businesses, fast growers and innovative companies is becoming more difficult and long term finance is under pressure.

GO (GARANTIE ONDERNEMINGSFINANCIERING)
(CORPORATE CREDIT GUARANTEE)

With the Corporate Credit Guarantee large and medium companies can borrow large amounts more easily. Financiers who provide capital get a 50% guarantee from the government. The maximum term of the guarantee is 8 years. You are only eligible for this scheme if your company is established in the Netherlands and if the business activities take place mainly in the Netherlands. You can borrow an amount from 1.5 to 150 million Euro.

MKB+
(INNOVATION FUND SME+)

The SME+ Innovation Fund enables the businessman to convert ideas more easily and quickly into profitable new products, services and processes. The + means that this scheme is also open to companies bigger than the SME. The SME+ Innovation Fund includes financial instruments that are available for innovation and finances rapidly growing innovative enterprises. The fund comprises three pillars:

1. *The Innovation Credit*
   The Innovation Credit is granted directly to enterprises. This encourages development projects (products, processes and services) associated with substantial technical and as a result financial risks. Enterprises have no or insufficient access to the capital market for these projects.
2. *The SEED Capital scheme*
   The SEED Capital scheme makes it possible for investors to help technostarters and creative starters to convert their technological and creative know how into usable products or services.
3. *Fund-of-Funds*
   Fund-of-Funds also improves access to the risk capital market for rapidly growing innovative enterprises.

ENVIRONMENT AND ENERGY

SDE (STIMULERING DUURZAME ENERGIEPRODUCTIE) (STIMULATION OF SUSTAINABLE ENERGY PRODUCTION)

The SDE is an operating subsidy. This means that producers receive a subsidy for sustainable energy generated and not for the purchase of the production installation, as with an investment subsidy. The SDE is aimed at companies and (non-profit) institutions that want to produce sustainable energy. The cost of sustainable energy is higher than that of grey energy, so the production of sustainable energy is not always profitable. The SDE reimburses the difference between the cost of grey energy and that of sustainable energy over a period of 12 or 15 years. This involves a phased opening up of the different technologies. For each phase the subsidy amount increases per kWh, but the chance that the subsidy will actually be obtained falls. This challenges applicants to invest for the lowest possible operating costs. As of 2014 a SDE+ subsidy excludes the tax benefit of the EIA (see above).

FOREIGN MARKETS

PSI (PRIVATE SECTOR INVESTERINGSPROGRAMMA) (PRIVATE SECTOR INVESTMENT PROGRAMME)

The purpose of the Private Sector Investment Programme (PSI) is to contribute to the sustainable economic development of a number of developing countries with the use of the knowledge and capital available in Dutch companies and institutions. If you are planning to invest in a developing market, but the associated risks are excessively high, PSI might offer a suitable solution. The scheme could contribute to (partial) compensation of your investment costs. The programme applies to selected countries in Africa, Latin America, Asia and Eastern Europe. Foreign companies from a selected number of countries can also apply for the PSI.

6 – TAXATION

The tax system in any given country is invariably an extremely important criterion when it comes to companies finding a country of incorporation. The view taken by the Dutch government is that the tax system may under no circumstances form an impediment for companies wishing to incorporate in the Netherlands. In that framework, it is possible to obtain advance certainty regarding the fiscal qualification of international corporate structures in the form of so-called Advance Tax Rulings. In addition, the Netherlands has also signed tax treaties with many other countries to prevent the occurrence of double taxation. At the same time, its vast network of tax treaties offers instruments for international tax planning.

The following are a few of the benefits offered by the Dutch tax system:

- The Netherlands does not charge withholding tax on interest and royalties.
- In most cases all the profits that the Dutch parent company receives from foreign active subsidiaries are exempted from tax in the Netherlands (100% participation exemption).
- The Netherlands offers attractive tax-free compensation in the form of the 30% rule for some foreign personnel who are temporarily employed in the Netherlands.

The Dutch tax system can be divided into taxes based on income, profit and assets, and cost price increasing taxes.

CORPORATE INCOME TAX

Corporate income tax is charged to legal entities of which the capital is partially or fully divided into shares. Examples of such legal entities are the Dutch NV and BV. Companies based in the Netherlands are taxed on the basis of the companies' local revenues. The question as to whether a company is in effect based in the Netherlands (resident companies) for tax purposes is assessed on the basis of the factual circumstances. The relevant criteria are issues such as where the actual management is based, the location of the head office and the place where the annual General Meeting of shareholders is held. Entities set up under Dutch law are deemed to be established in the Netherlands. A resident company is in principle subject to Dutch corporate income tax for its profits received worldwide. Non-resident companies may be subject to corporate income in the Netherlands on Dutch-source income. This is outlined later.

NON-RESIDENT COMPANIES

Non-resident companies may be subject to corporate income tax in the Netherlands on Dutch-source income. A non-resident company receives Dutch-source income in three ways.

The first way is if the non-resident company operates in the Netherlands using a Dutch permanent establishment or permanent representative. The determination of taxable profits of a permanent establishment/representative is similar to the rules applicable to a subsidiary based on the 'at arm's length pinciple'. A second way to receive Dutch-source income arises if a non-resident company has a so-called substantial interest representing at least 5% of the shares in a Dutch company, unless the shares in the Dutch company are held as part of an active trading business for the investor. In addition the shares shall not be held mainly to avoid Dutch personal income tax or dividend withholding tax. Also non-resident companies could be liable to corporate income tax on the remuneration for formal directorship of companies residing in the Netherlands. As of 1 January 2013 the taxation scope is expanded for fees received for executive management services. Under a tax treaty the taxation right for these remunerations are mostly allocated to the state of residence of the non-resident company.

TAX BASE AND RATES

Corporate income tax is charged on the taxable profits earned by the company in any given year less the deductible losses. The following are the applicable corporate income tax rates for 2014:

Profit from	**Profit up to and including**	**Rate**
€ 0	€ 200,000	20.0%
More than € 200,000		25.0%

If a company incurred a loss in any given year, that loss can be deducted from the taxable profit of the previous year or from the taxable profit over 9 subsequent years. The company profits must be determined on the basis of sound commercial practice and on the basis of a consistent operational pattern. This entails, among other things, that as yet unrealized profits do not need to be taken into consideration. Losses, on the other hand, may be taken into account as soon as possible. The system of valuation, depreciation and reservation that has been chosen must be fiscally acceptable and, once approved, must be applied consistently. The tax authorities will not subsequently accept random movements of assets and liabilities.

As a general rule all business expenses are deductible when determining corporate profits. There are however a number of restrictions with respect to what qualifies as business expenses.

VALUATION OF WORK IN PROGRESS AND ORDERS IN PROGRESS

In work and/or orders in progress profit taking may no longer be postponed. Work in progress should be valued at the part of the agreed payment attributable to the work in progress already carried out. The same applies for orders in progress.

ARM'S LENGTH PRINCIPLE

The Dutch corporate income tax legislation includes an article that determines that national and foreign allied companies are entitled to charge one another commercial prices for mutual transactions. This is however subject to an obligation to keep due documentation of all relevant transactions. This enables the Dutch tax authorities to determine whether the transaction between the applicable allied companies are conducted based on market prices and conditions. It is possible to obtain prior assurance of the fiscal acceptability of the internal transaction with the use of the so-called 'Advance Pricing Agreement'.

TRANSFER PRICING

For transactions between related companies, a parent and a subsidiary, or between sister companies, a non-taxable capital contribution or non-deductible profit distribution and a taxable profit connection is assumed if such transactions are not considered to have taken place 'at arm's length'.

Relationships can be based on shareholding, management or supervisory activities. Distributions are also subject to dividend withholding tax, which may be reduced by a tax treaty or EU legislation.

An advance ruling may be requested on the acceptability of the transfer pricing policy. Taxpayers may even enter into an agreement with the tax authorities to determine binding transfer prices in cross border transactions between related companies.

COUNTRY-BY-COUNTRY REPORTING

As of the 1st of January 2016 the outcome of BEPS Action Plan is implemented in the Dutch tax law. It contains new reporting standards for the Dutch Corporate Income Tax, which means the introduction of an obligation for additional documentation for Dutch taxpayers that are part of a multinational enterpris (MNE) group with a consolidated turnover as from € 50 million. These MNE's have to include a master file and a local file in their administration. Dutch entities that are part of a MNE group with a consolidated turnover of at least € 750 million should also include a Country-by-Country (CbC) report. The reports are being used to assess transfer pricing risks and every other risk related to profit shifting and base erosion.

A local file should include the more detailed information related to intercompany transactions. It will help in assessing whether the taxpayer has complied with the arm's length principle in its transactions with another entity of the group in another country as well as the allocation of profits to a permanent establishment. The master file should provide an overview of the MNE group business, its overall transfer pricing policy and its global allocation of income and economic activities.

A CbC report is a report (in English of Dutch) about the MNE which contains the revenues, earnings before income tax, income tax paid, paid-up capital etcetera, for each state in which the MNE group is active. It also should include a description of each group entity of the MNE group with reference to the state of which the group entity is a tax resident, and in case of deviation, the state under whose law the group entity has been incorporated. Also the nature of the main business activities of the group entity should be included.

TAX RULINGS

As in many countries, the tax authorities may give binding advance tax rulings with regard to the application of the tax law on specific transactions or structures. Obtaining a tax ruling is particularly advisable in cases where a taxpayer is relying on principles which are not precisely set out in the tax statutes (eg taxation principles developed by the courts).

It is possible to get a binding advance ruling in the Netherlands only for the following cases (offshore):

- Holding activities
- Finance activities
- Licence or royalty activities
- Branch finance activities (permanent establishment financing)
- Capital funding activities (only in some cases)
- Foreign sales corporations.

Rulings must be negotiated on a case-by-case basis, because the tax inspector must consider the application of the statutes and case law to each specific set of circumstances.

The tax inspector may decline to give a ruling if he/she considers the specific facts of the ruling request to be inconsistent with his/her interpretation of the tax law. Likewise, certain restrictions not specifically prescribed by the tax statutes may be required by the Dutch tax inspector as a precondition to granting a favourable advance ruling.

Information concerning the corporate structure, including the name of the Dutch company's main shareholder, must be disclosed in the ruling request.

INTEREST DEDUCTION RESTRICTIONS

Over the years the tax legislator has been increasingly aiming at discouragement of the (international) financing of Dutch operating activities and the acquisition of subsidiaries through excessive debt. Effectively the corporate income tax law provides for certain restrictions to the deduction of financing costs.

ANTI-BASE EROSION REGULATION

The anti-base erosion rules in Dutch corporation taxation restricts the deduction of financing costs of intragroup loans if these loans in essence relate to the conversion of equity into financing through debt without sound business motives. This comprises loans relating to inter alia dividend distributions, repayment of formal and informal capital and capital contributions. On the other hand, the anti-base erosion rules also entail the possibility to overrule this restriction in tax deduction of the relating financing costs if the taxpaying company can demonstrate that the sound business motive for this debt financing or the interest payment is effectively taxed at a rate of 10% or more. With effect from 1 January 2008 it is to be taken into consideration that the existing anti-base erosion regulation has been tightened up further. The Dutch tax authorities may from now on demonstrate that in the case of a group transaction no business considerations are involved, even if the recipient pays 10% or more tax abroad. In that case the interest paid within the group is not deductible. The interest for ordinary business transactions does however remain deductible. Evidence to the contrary is however possible with the so-called evidence to the contrary ruling. If the requirements for this ruling are met, the deduction of interest is restored.

LIMITED DEPRECIATION ON BUILDINGS

The annual depreciation is deductible from the annual profits from business operations. As of 1 January 2007, the taxpayer is entitled to depreciate the building until the book value has reached the so-called base value. The base value is determined with reference to the WOZ value (WOZ for 'Wet waardering onroerende zaken' or Real Estate Valuation Regulations). Based on the latter regulations, the value of a building for tax purposes is determined, to the greatest extent possible, on the basis of its value in the economic environment. The tax base value for owner-occupied buildings is 50% of the WOZ value. The tax base value for buildings used as investments is 100% of the WOZ value.

ARBITRARY DEPRECIATION

In the Netherlands the rule is that no more than 20% per year of acquisition or production costs may be depreciated on operating assets, other than buildings and goodwill. The minimum depreciation period is therefore 5 years. Under certain conditions goodwill can be depreciated by a maximum of 10% per year.

INNOVATIEBOX (INNOVATION BOX)

Companies that have developed intangible assets (an invention or technical application) can deduct the development costs from the company's annual profits in the year in which the asset was developed. As soon as a patent has been granted for the intangible asset, the company can opt to place the benefits in the so-called innovation box. Plant variety rights also fall under this. The innovation box also applies to intangible assets for which a patent has not been granted but which have arisen from a research and development project. The taxpayer must have received an WBSO declaration for this project from RVO.
The effective rate for corporation tax for innovative activities is 5% (2016), by providing a 80% exemption of the innovative profits. Losses on innovative activities can from now on be deducted at the normal corporate income tax rate. The outsourcing of R&D work is also possible if the principal has sufficient activities and knowledge present. With effect from 2011 it is also possible to include innovation advantages obtained between the application for a patent and the granting of a patent in the innovation box. There is no maximum to the profit taxed at the special rate of 5%.

As of 2013 the company has the option to declare an innovation box benefit equal to 25% of the company's total profit instead of complex profit allocation to the qualifying intangible asset(s). The innovative profit is however limited to the amount of € 25,000 so the maximum saving of CIT will be around € 4.000 to € 5.000. The option is valid in the investment year and in the following 2 years.

A number of conditions must however be fulfilled to be able to qualify for the aforementioned tax benefits: For example, to make use of the innovation box the intangible assets must contribute at least 30% to the profit that the company receives from the intangible asset. The innovation box does not apply to brands, logos, TV formats, copyrights on software and so on. The choice must be specified in the corporate income tax declaration. Because of the modified nexus approach by BEPS the innovation regulation will be changed in 2017. Under the new rules a patent or an equivalent is required.

PARTICIPATION EXEMPTION

Participation exemption or substantial holding exemption is one of the main pillars of corporate income tax. The scheme was introduced to prevent double taxation. Profit distribution between group companies is fully exempted from tax.

A participation refers to a situation where a company (the parent company) is the owner of at least 5% of the nominal paid-in capital of a company that is based either in the Netherlands or abroad (the subsidiary). A cooperative membership qualifies as well regardless its share in the cooperatives capital.

Under the participation exemption, all benefits derived from the participation are tax exempt. The benefits include dividends, revaluations, profits and losses in the sale of the participation and acquisition and sales costs. The participation exemption also applies to revaluations of assets and liabilities from earn-out and profit guarantee arrangements. If the value of the participation falls due to losses incurred, devaluation by the parent company is in principle not tax deductible. Losses arising on liquidation of a participation can under certain conditions be deducted.

As a general rule participation exemption does not apply if the parent company or subsidiary is an investment institution. It is however possible to appeal for a 'reduced tax investment participation'. To determine whether the participation exemption applies an intent test is used. This means looking at whether or not the participation is held as an investment. A participation in a company whose balance sheet consists for example of liquid assets, debentures, securities and debts is regarded as an investment. In the latter case the participant is not entitled to participation exemption, but is however entitled to appeal for a participation settlement. It is common practice to apply for an Advance Tax Ruling on the qualification of the participation under the participation exemption provision.

Because a number of conditions have to be satisfied in order to apply for the participation exemption, factual and circumstantial changes can affect the tax (exempt) status of a participation. In this case, the capital gains or losses on this participation must be partitioned into a taxable and non-taxable part (partitioning doctrine).This doctrine will be codified by a bill released by the Dutch government in 2013. In addition, the bill provides for a participation to be revalued at fair market value once the participation tax regime changes. The revaluation result (positive or negative) is, amongst other qualifying occurrences, added to a separate reserve (partitioning reserve). The reserve must be released upon disposal of the corresponding participation. A partial disposal triggers a pro rata release. The rules under this bill should apply retroactively as from 14 June 2013. Before its enactment the bill may be subject to amendments due to EU law, the Parent-Subsidiary Directive in particular.

RESTRICTION ON LOANS FOR INVESTMENTS IN PARTICIPATIONS

To restrict the deduction of interest on loans for investments in participations qualifying for the participation exemption provision, a new rule has been introduced in the corporate income tax act with effect from 1 January 2013. The restriction rule takes effect for the financial (tax) years commencing on or after 1 January 2013. With this rule the legislator aims to revoke the deduction of interest insofar as the financing costs for investment participation loans are deemed excessive and offensive.

In general the financing costs are considered to be non-deductible for the amount in excess of € 750,000. The non-deductible interest is determined by a mathematical rule, The amount of the non-deductible interest is under this rule calculated by considering the amount of the historic investment cost of the qualifying investments, the sum of the fiscal equity and the amount of loans taken up by the participating taxpayer.

The rule excludes from this restriction loans for an acquisition of a participation as well as a capital contribution into a participation that relate to an increase in operating activities of the group to which the company belongs in the time frame of 12 months before or after the participation investment. This exclusion claim is to be substantiated.

PROPERTY EXEMPTION FOR PERMANENT ESTABLISHMENT

With effect from 1 January 2012 a property exemption has been introduced for foreign permanent establishments of companies based in the Netherlands. As a result the profits and losses of a foreign permanent establishment no longer affect the Dutch tax basis. Final losses of foreign permanent establishments that remain upon cessation (termination) can however still be deducted. The property exemption does not apply for profits from so-called passive permanent establishments in low-taxation countries. There is an offset system for these. Based on the transitional law existing rights and claims that were present upon the introduction of the property exemption are respected. These are dealt with in accordance with the existing system.

FISCAL UNITY

Resident companies holding (in) directly at least 95% of the share capital of one or more other resident companies may upon joint request apply to be treated as a fiscal unity (tax group consolidation). Under certain conditions, this also applies to foreign companies with a permanent establishment in the Netherlands eg if the ultimate parent company is also residing in the Netherlands.

A fiscal unity may not be formed with a foreign subsidiary. The European Court of Justice (ECJ) ruled this restriction to be compatible with the EU freedom of establishment. The refusal to allow cross-border group taxation is justified by the need to safeguard a balanced allocation of taxing powers within the EU. However, the ECJ ruled that in the following situations a fiscal unity between Dutch members of an international group is allowed:

- A fiscal unity between a Dutch parent and a sub-subsidiary with a foreign (EU or EEA) subsidiary inbetween.
- A fiscal unity comparable with the situation above, but with several foreign subsidiaries in different EU or EEA-countries
- A fiscal unity between two sister-companies with a foreign parent company situated in a EU or EEA-country.

The foregoing will be laid down in the Dutch coporate income tax law.
A proposal to change the law is pending.

The foreign group company (without a Dutch permanent establishment) can not be part of the Dutch fiscal unity.

The parent company of a fiscal unity files a tax return on a consolidated basis, thus including the results of subsidiaries. In this way the losses of one company can be offset against profits of another company in a particular year and a tax-free transfer of assets and liabilities and of dividend distributions between companies that belong to the fiscal unity is possible. Therefore, reorganisations within a fiscal unity are very easily carried out without immediate tax consequences.

After dissolution of the fiscal unity, tax may however become due on the hidden reserves of assets transferred within a fiscal unity. Losses of a company originating from tax years before the commencement of group consolidation may only be offset against profits of that company. Intra-group dividends are exempt from withholding tax.

A fiscal unity can also have disadvantages. For instance, all companies in the fiscal unity are fully liable for the total corporate income tax debt of the fiscal unity.

A fiscal unity is dissolved if the requirements are no longer met, or at the request of the taxpayer. It is possible that only part of the unity is dissolved. Losses incurred by the fiscal unity remain with the parent company, unless the parent company and the respective subsidiary ask the tax inspector to allow loss deduction in favour of the subsidiary to which the loss belongs.

RESTRICTION ON DEDUCTION FOR INTEREST PAID ON HOLDING TAKEOVERS

As of 1 January 2012 there is within the fiscal unity regime a restriction on the deduction for interest paid on a take-over liability. If a Dutch company is taken over with borrowed money, the interest on the take-over liability can in principle no longer be set off against the profit of the company taken over. The take-over interest can however still be deducted up to an amount of 1 million Euro or in the case of healthy financing. This is the case if the take-over liability in the year of take-over is not more than 60% of the take-over price. This percentage is then reduced over 7 years, by 5% per year, to 25%. Several exceptions as well as thresholds may be applicable to this restriction rule. This might change in the near future.

NO REPATRIATION OF EARNINGS

If the parent or ultimate parent of the Dutch company owning participations is not required under its law and rules to repatriate earnings, then dividends from foreign corporate subsidiaries can be collected free of corporate tax in the Netherlands, and usually at advantageous dividend withholding tax rates at source (or even without any dividend withholding taxes) because of the many and favourable tax treaties negotiated by the Netherlands. Funds gathered in this way can usually be reinvested without exchange control problems.

REPATRIATION OF EARNINGS IN A 'TAX CREDIT' SYSTEM

If the parent or ultimate parent of the Dutch company owning foreign participations is based in a country which has a tax credit system for foreign taxes on a per-country basis and does not allow a credit higher than its own tax rates, 'averaging' of rates (holding participations in high and low tax countries) could be achieved through a Dutch holding company, thereby maximising the credit of foreign taxes.

REPATRIATION OF EARNINGS IN AN 'EXEMPTION' SYSTEM

If the parent or the ultimate parent of the Dutch company owning the participations is based in a country with an 'exemption' system for double taxation relief on foreign income (which as a rule means an exclusion of foreign taxed income from taxable income), then by using the favourable tax treaties, it may be advantageous to repatriate dividends via a Dutch company in order to reduce the dividend withholding tax burden.

CAPITAL GAINS TAX SHELTER FOR REAL PROPERTY COMPANIES

If individual real properties are put into separate companies held by a Dutch holding company, then the sale of these properties can be affected by a sale of the shares, which is free from Dutch corporate tax (capital gains are not taxed as a result of the participation exemption).

In cases where the Dutch holding company is used to own foreign real estate companies, it is especially important to take care that the shares are not held as portfolio investments.

The position in general is as follows:

- If the property abroad is for development and will be sold upon completion of the development, then the participation exemption should apply
- If the property abroad is held purely for investment, the affiliation privilege will only apply if 90% or more of the assets on the balance sheet consist of real estate.

The only exemption is the real participation.

TAX DECLARATIONS

The corporate income tax declaration must be submitted to the tax authorities as a rule within 5 months of the end of the company's financial year. If a firm of accountants submits the return a postponement scheme applies. This means that the return may be submitted later in the year.

INCOME TAX

Income tax is a tax levied on the income of individuals with domicile in the Netherlands (domestic taxpayers). They are taxed on their full income wherever it is earned in the world. Any natural person who is not domiciled in the Netherlands, but earns an income in the Netherlands, is liable to pay income tax on the income (foreign taxpayers). Foreign taxpayers can also opt to pay domestic taxes. In the latter instance, the taxpayer is subject to all the rules applicable to domestic taxpayers.

In principle, income tax is charged on an individual basis: married persons, registered partners and unmarried cohabitants (under certain conditions) can however mutually distribute certain joint income tax components.

TAX BASE

Income tax is charged on all taxable income. The different components of taxable income are broken down into three 'closed' boxes; each at a specific tax rate.

Each source of income can only be entered in one box. A loss in one of the boxes cannot be deducted from a positive income in another box. A loss generated in Box 2 can be deducted from a positive income in the same box in the previous year (carry back) or in one of the 9 subsequent years (carry forward). Where a loss in Box 2 cannot be compensated, the tax law offers a contribution in the form of a tax credit. This means that 25% of the remaining loss is deducted from the tax burden payable, on condition that no substantial interest exists in the current tax year and the previous year. The tax credit amounts to 25% of the remaining loss. A loss in Box 1 can be deducted from a positive income in the same box in the 3 preceding years or in one of the subsequent 9 years. Box 3 does not recognize a negative income.

BOX 1: TAXABLE INCOME FROM WORK AND HOME

The income from work and home is the sum of:

- The profit from business activities;
- The taxable wages;
- The taxable result of other work activities (e.g. freelance income or income from assets made available to entrepreneurs or companies);
- The taxable periodic benefits and provisions (e.g. alimony and government subsidies);
- The taxable income derived from the own home (fixed amount reduced by a deduction equivalent to a specified interest paid on the mortgage bond);
- Negative expenditures for income provisions (e.g. repayment of specific annuity premiums); and
- Negative personal tax deductions.

Personal deductions apply to the negative personal tax deductions. This concerns costs related to the personal situation of the taxpayer and his family that influence his ability to support himself and his dependents (e.g. medical expenses, school fees and specific living expenses for children).

The tax rate in Box 1 is progressive and can accumulate to a maximum of 52%.

PROFIT FROM BUSINESS ACTIVITIES

A natural person who derives income from business activities qualifies for tax allowances for entrepreneurs under certain circumstances. The tax allowances for entrepreneurs include self-employed allowance, tax deductible retirement allowance (FOR Allowance), discontinuation allowance and SME allowance. In addition, a starting entrepreneur is also entitled to a start-up allowance.

The SME Allowance (MKB-vrijstelling) means that entrepreneurs will be entitled to an additional exemption of 14% (2016) of the profits following deduction of the above entrepreneur's allowance (tax allowances).

PRIVATE HOUSE AND THE OWN HOME SCHEME (EIGENWONINGREGELING)

A private house is viewed as the complete unit of the house with the garage and other buildings on the property. Houseboats and caravans are also viewed as private houses. The only condition being that they are permanently bound to a single address. A private house is only considered as such where the house is owned by the occupant (taxpayer)

and where it serves as permanent domicile and not as temporary domicile. The purchase of a private house is subject to transfer tax of 2%.

Once it has been determined that a house can be viewed as an'Own Home', the house automatically qualifies for tax purposes for the Own Home Scheme based on Box 1 (Work and Home: maximum tax rate 52%).

The Own Home scheme works as follows: The fixed sum assumed by the legislator for the enjoyment derived from the own home is expressed for tax purposes in the Own Home fixed sum. The Own Home fixed sum is determined on the basis of a fixed percentage of the value of the house in question. The basis for determining the value of the Own Home is the value of the property, as determined on the basis of the WOZ value. The WOZ value is determined by municipal decree. Certain costs like financing costs (for example interest paid on the mortgage) are under certain conditions deductible from the above-mentioned Own Home fixed sum. The financing costs (including interest paid on a mortgage bond) are tax deductible where the loan qualifies as an Own Home Debt. With effect from 1 January 2013 the tax deduction is restricted to mortgages with a minimum annuity repayment scheme of 30 years. In other words to qualify for tax deduction the mortgage scheme should guarantee full mortgage payment within 30 years or less. Taxpayers with an 'Own Home' and an 'Own Home Debt' as of 31 December 2012 are not affected by this new restrictive tax deduction rule whether or not the existing debt will be repaid or refinanced. However, an increment of 'Own Home Debt' is subject to the new rules.

The Own Home financing costs are tax deductible at a tax rate of up to 50.5% (2016). Starting in 2014 the tax deduction of Own Home costs is being reduced in stages. Each year the maximum deduction rate is being reduced by 0.5% until the deduction rate reaches 38%. Up until 2013 there is no maximum for the tax deduction rate (up to the maximum income tax rate of 52%).

BOX 2: TAXABLE INCOME FROM SUBSTANTIAL INTEREST

Substantial interest applies where the taxpayer, with or without his partner, is a direct or indirect holder of a minimum of 5% of the issued capital in a company of which the capital is distributed in shares.

The income from substantial interest is the sum of the regular benefits and/or sales benefits reduced by deductible costs. Regular benefits include dividend payments and payments on profit-sharing certificates. Sales benefits include the gains or losses on the sale of shares. Examples of deductible costs include the following: consultancy fees and the interest on loans taken out to finance the purchase of the shares.

A non-resident taxpayer is subject to tax for income from substantial interests if the interest is held in a company residing in the Netherlands. If this company was incorporated under the Dutch law, the company is regarded to be resident in the Netherlands for an unlimited period of years. In this international situation, also an apllicable tax treaty can apply and be relevant. If a Dutch taxpayer, individual with a substantial share interest in a Dutch (personal holding) company emigrates, he will receive a protective tax assessment for the fictive income/capital gain at the moment of emigration. This protective tax assessment will not be collected for an unlimited period of time. The Dutch tax authoritities will collected the protective tax assessment when the

shares in the personal holding will be sold in the future, a dividend is distributed by the personal holding company or a capital is repaid. The taxable income will be the value of the substantial interest at the moment of emigration minus the cost price of the substantial interest.

The tax rate in Box 2 is 25%.

BOX 3: TAXABLE INCOME FROM SAVINGS AND INVESTMENTS

Box 3 charges tax on the taxpayer's assets. This assumes a fixed return on investment of 4% of the yield base. The yield base is the difference between the assets and the liabilities. The yield base is determined on 1 January of the calendar year. The reference date of 1 January also applies if a taxpayer does not yet owe any inland tax on 1 January or if the inland tax obligation ends during the calendar year for reasons other than death.

The assets in box 3 include: Savings, a second house or holiday house, properties that are leased to third parties, shares that do not fall under the substantial interest regime and capital payments paid out on life insurance.

Liabilities in box 3 include: Consumer loans and mortgage bonds taken out to finance a second house. Per person, the first € 3,000 (2016) of the average debt is not deductible from the assets.

UNTAXED ASSETS

All taxpayers are entitled to untaxed assets in Box 3 of € 24,437 (2016, € 25.000 in 2017)). The amount is intended to reduce the yield base. Taxpayers of 65 and older are entitled to an extra increase up to a maximum of € 28,236 (2015) under certain conditions. However, as of 1 January 2016 this reduction is no longer applicable. A fixed return of 4% is then calculated on the amount remaining after deduction of the exemption. The tax rate is then paid on this return. The tax rate in Box 3 is 30% (2016, but still in 2017).

As of 1 January 2017 the fixed return will be determined as follows:

- 2,9% for capital from € 25.000 till € 100.000
- 4,7% for capital from € 100.000 till € 1.000.000
- 5,5% for capital from € 1.000.000

TAX ALLOWANCES

Once the due tax has been calculated for each box, certain tax allowances are deducted from those amounts. All domestic taxpayers are entitled to a general tax allowance of € 2,242 (2016). As of 2016 the general tax allowance is reduced by 4.822% of the taxable income from work and home exceeding € 19,922. Depending on the personal situation of the taxpayer and the actual amount of the annual income, the taxpayer may also be entitled to specific tax deductions.

ADVANCE TAX PAYMENTS

Tax is withheld in advance over the course of the tax year for income deriving from work activities and from dividends. Both wage withholding and dividend tax are advance tax payments on income. The withheld amount may be deducted from the income tax due.

TAX DECLARATION

The income tax declaration for any given tax year must be submitted to the tax authority in principle before 1 April of the next year. If a firm of accountants produces the return an extension scheme applies. This means that the return may also be submitted later in the year.

DIVIDEND WITHHOLDING TAX

Companies often pay out profits to the shareholders in the form of dividends. The following are further examples of dividend situations:

- Partial repayment of the moneys paid-up on shares by shareholders;
- Liquidation payments above the average paid-up equity capital;
- Bonus shares from profits;
- Constructive dividend. This concerns payments made by a corporation primarily for the benefit of a shareholder as opposed to the business interests of the corporation;
- Interest payments on qualifying hybrid debt as such debt is treated as informal equity of the borrowing company.

EXEMPTION

No tax is withheld, among others, in the following situations:

- Where, in inland relationships, benefits are enjoyed from the shares, profit-sharing certificates and cash loans of participations to which the participation exemption applies;
- If a Dutch company pays out dividends to a company established in a member state of the European Union and the company holds at least a 5% share of the Dutch company.

TAX RATE

The tax rate for dividends is 15%. The tax is withheld by the company that pays out the dividends and pays it to the tax authorities. The dividend tax withheld serves as an advance tax payment on income and corporate income tax.

The Netherlands has signed tax treaties with various other countries, as a result of which a lower tax rate will apply in many instances.

PREVENTION OF DOUBLE TAXATION

Residents of the Netherlands and companies that are registered in the Netherlands must pay tax on all revenue generated worldwide. This could result in any given income component being taxed both in the Netherlands and abroad. To prevent this kind of double taxation, the Netherlands has signed tax treaties with many other countries. The treaties are largely modelled on the OESO Model Treaty for the prevention of double taxation.

If an income tax component is nevertheless double-taxed as income or corporate income tax, the taxed amount is reduced based on the exemption method. The method entails a

reduction of the Dutch tax related to the foreign income. The exemption on the income tax is calculated per box.

Double taxation of dividend payments and interest payments and royalties is prevented with the use of the settlement method. The use of this method means that the Dutch tax is reduced by the amount of tax charged abroad.

In certain situations it is also possible to deduct the foreign tax directly from the profits or as costs related to income.

WAGE TAX

The wage withholding tax is an advance tax payment on income tax. Anyone deriving an income from employment in the Netherlands is liable to pay income tax on the income. In addition, employees in the Netherlands are generally covered by social security. The employer withholds the social security premium and wage tax due from the wages as a single amount and subsequently pays this to the tax authorities. The combined amount is referred to as wage tax. The wage tax is subsequently settled against the amount of income tax due.

Dutch tax legislation allows numerous options for rewarding personnel in fiscally friendly ways. Wage tax is calculated on the full value of the remunerations received by the employee based on the employment contract. The remuneration may take the form of cash, such as a salary, holiday allowances, overtime, commissions and payments for a thirteenth month. Employees can however also receive remuneration 'in kind', such as products from the company or holiday trips. The concept of remuneration also includes various other claims, compensations and provisions.

A claim is a right to receive a benefit or provision after a period of time or subject to certain predetermined conditions. One example of the latter is the right to receive retirement benefits. Examples of provisions include tools, meals, public transport tickets, etc. 'Compensation' normally refers to amounts that the employer pays its employees to cover costs incurred by the employee in the fulfilment of his or her job.

TAX RATE

The wage tax rates in 2016 are:

- On the first € 19,922 of taxable income: a percentage of 36.55% is withheld (8.4% wage tax and 28.15% social security premium);
- On the next € 13,793 of taxable income: a percentage of 40.40% is withheld (12.25% wage tax and 28.15% social security premium);
- On the next € 32,706 of taxable income: 40.40% is withheld;
- On all additional income: a percentage of 52% is withheld.

When withholding the wage tax, the employer must also take into account the general tax allowance and the labour allowance. The latter discounts are discussed above.

The employer himself, rather than the employee is liable for certain taxable components of the wage. This concerns the so-called final levy components. Certain forms of compensations 'in kind' are eligible for final levy payment, such as traffic fines not charged to the employee and benefits with an economic value of a maximum of € 272 on an annual basis and a maximum of € 136 per benefit (for example a gift voucher or a bottle of wine). An important example of a compulsory final levy component is a redundancy payment for an older employee which actually qualifies as an early retirement payment.

WORK EXPENSES SCHEME

A wage tax scheme is applicable for compensations and provisions to employees: the work expenses scheme. Through this scheme an employer may spend in 2016 a maximum of 1.2% of the total wage for tax purposes (the 'free scope') on untaxed compensations and provisions for employees. In addition certain things can continue to be paid or given untaxed. These are expenses for which the business character prevails (specific exemptions). There are also expenses that fall under the scheme, but for which a zero valuation applies. From 2015 the work expenses scheme is applicable to all employers.

On the amount above the free scope the employer pays wage tax in the form of a final levy of 80%.

TAX-FREE COMPENSATIONS AND PROVISIONS

Not all compensations and provisions are taxable components of the wage. Compensations are tax-free in as far as they are deemed to be issued to cut costs, liabilities and depreciations with respect to the proper fulfilment of the employment contract. Compensations paid by the employer to the employee, and which are not generally perceived by society as remuneration and which society considers the reasonable duty of the employer to pay or provide, are also included in the latter category. A 'free' compensation is always paid out in the form of cash, while a 'free' provision could also be provided in the form of goods and services. The concepts are considered equivalent to the greatest extent possible. If something can be provided untaxed, then it can generally also be compensated untaxed. Certain forms of compensation and provisions are however only exempted up to a certain limit and in some instance standard amounts apply.

The following are a number of 'free' compensations and provisions.

TRAVEL EXPENSES

Employers are entitled to pay their personnel untaxed compensation of € 0.19 (2016) per kilometre for home-work travel and other work-related kilometres. This is irrespective of the means of transport used. When using public transport, the employer is entitled to choose between the completely untaxed compensation of the actual cost of the public transport and an untaxed compensation of € 0.19 per kilometre. Alternatively, the employer may provide the employee with a car (in case of any private use of the car, a percentage of the catalogue price must be added to the employee's taxable income).

MEALS

Meals may be provided untaxed provided that the business character is of more than incidental interest. The value of a meal at a company canteen is set at the fixed amount of € 3.25 (2016).

COMPANY PRODUCTS

Employers are entitled to offer their employees discounts or compensation for purchasing products produced or manufactured by the company. This can be done tax-free subject to the following conditions:

- These must be products that are unique to the industry in which the company operates;
- The maximum discount or compensation per product must be 20% (2015, the 2016 amount is unknown at the moment of publication) of the market value (including VAT) of the product;
- The total value of the discount or compensation may not exceed € 500 (2015, the 2016 amount is unknown at the moment of publication) per calendar year. If in any calendar year the employee does not make use of this facility, any remaining amounts may be carried forward for a maximum of 2 calendar years.

This may also extend beyond the termination of the employment contract due to disability or retirement.

STUDY/TRAINING

Study and/or training expenses incurred by the employee with a view to obtaining an income can be compensated free of tax. This includes study and course fees, the cost of study books and other study materials. The following items are exceptions to the above and are taxed: compensation for costs related to a work room or study space, including its design and furnishing; compensation for foreign travel in as far as the compensation exceeds € 0.19 per kilometre.

RELOCATION

If an employee is required to relocate for work purposes, the employer is entitled to compensate the employee free of tax for the moving costs for his household goods. In addition the employer may give a tax-free moving expenses allowance of a maximum of € 7,750 (2016). The condition is however that this is a move that is entirely related to the employment. This in any case applies if the employer gives the allowance within 2 years after the employee accepts the new employment (or after transfer) and the employee lives more than 25 kilometres from his work and moves, as a result of which the distance between his new home and his work is reduced by at least 60%.

COURSES, CONGRESSES, ETC.

Employers are entitled to compensate employees free of tax for the cost of courses, congresses, seminars, symposiums, excursions, study trips and so forth. This also covers the related travel (maximum € 0.19 p/km) and accommodation. This must however involve professional expenses.

REPRESENTATION COSTS

The cost of receptions, festivities, gifts, promotional gifts and entertainment, including the associated travel (maximum € 0.19 p/km) and accommodation can also be free of tax compensated. This must however involve professional expenses.

THE 30% RULING

Foreign employees who come to work in the Netherlands temporarily qualify for the 30% ruling under certain circumstances. The ruling entails that the employer is entitled to pay the employee a tax-free remuneration to cover the extra costs of their stay in the Netherlands (extraterritorial costs). The disposition is only valid for a maximum period of 8 years. The compensation amounts to 30% of the salary, including the compensation, or 30/70 of the salary excluding the compensation. However, the employee may not be entitled to prevention of double taxation for his salary from his current employment. If the employer reimburses more than the maximum amount, this salary is subject to wage tax. The employer may deduct a final levy on this additional amount.

CONDITIONS FOR QUALIFICATION FOR THE 30% RULE

1. The employee has a permanent job; and
2. The employee has a specific expertise that is scarce or not available at all on the Dutch employment market. This is called the scarcity and expertise requirement. For this the specific expertise the legislator introduced a salary norm.

An employee is regarded as fulfilling the conditional specific expertise if the employee's remuneration exceeds a defined salary standard. The salary standard is indexed annually. For 2016 the salary standard is fixed at a taxable annual salary of € 36.889 or € 52,698 including the 30% allowance (2015: € 52,435). In most cases no more specific check is made for scarcity, but this is done if for example all the employees with a particular expertise meet the salary standard.
The following factors are then taken into account:

a. the level of the training followed by the employee;
b. the experience of the employee relevant for his job;
c. the pay level of the present job in the Netherlands in relation to the pay level in the employee's country of origin.

For scientists and employees who are physicians in training as specialists there is no salary standard. For employees coming in who are aged under 30 years and have completed their Master's degree there is a reduced salary standard of € 28,041 2016 or € 40,058 including the 30% allowance.
The 30% ruling contains a rule on post-departure remuneration. As a result the 30% rule also applies effectively until the end of the wage tax period that follows the wage tax period in which the employment has ended. This rule came into effect retroactively from 1 January 2012.

150 KILOMETRE LIMIT

Under the 2012 legislation the 30% rule only applies if the incoming employee can substantiate that the employee has lived for a minimum period of two thirds of 24 months (i.e. 16 months) outside the 150 kilometre area from the Dutch border preceding the start of the employment in the Netherlands. Since the introduction of this

kilometre limit as of 1 January 2012 it has been found that employees on a brief assignment abroad (i.e. for 16 months or less) would be excluded from renewal of the 30% ruling after returning to the Netherlands. Therefore, with effect from 1 January 2012 the kilometre limit rule has been redefined in line with the purpose of this kilometre limit. According to the new definition relief from the 150 kilometre restriction is granted if the employee stayed outside the 150 kilometre area on a renewed Dutch assignment for more than 16 months (of the 24 months) preceding the last Dutch assignment. In addition it is required that the previous Dutch assignment did not commence more than 8 years prior to the start of the renewed Dutch assignment.

EXTRATERRITORIAL COSTS

The extraterritorial costs consist of the following, among other things:

- extra cost of living because of the higher cost of living in the Netherlands than in the country of origin (cost of living allowance);
- the cost of an introductory visit to the Netherlands, with or without the family;
- the cost of the application for a resident's permit;
- double housing costs (for example hotel costs), because the employee will continue his or her residence in the country of origin.

The following aspects are not covered by the extraterritorial costs and can therefore not be compensated or granted untaxed:

- the overseas posting allowance, bonuses and comparable compensations (foreign service premium, expat allowance, overseas allowance);
- loss of assets;the purchase and sale of a house (reimbursement of house purchase expenses, agent's fee);
- the compensation for higher tax rates in the Netherlands (tax equalization).

If the employee has children, the employer is entitled to offer the employee tax-free compensation for school fees at an international school in addition to the 30% rule. Other professional costs can be compensated untaxed based on the normal rules applicable to the Wages and Salaries Tax Act (Wet op de loonbelasting).

If the extraterritorial costs add up to more than 30%, then the actual costs that have reasonably been incurred can also be compensated tax-free. It must however be possible to demonstrate that the costs incurred are justifiable.

To be able to make use of the 30% rule, the employer and the employee must jointly submit an application to the Foreign Office of the tax authorities in Limburg (Belastingdienst/kantoor Buitenland). If the application is approved, the tax authorities will issue a decision.

The decision is valid for a maximum period of 8 years. Should the request be made within 4 months after the start of employment as an extraterritorial employee by the employer, the decision shall be retroactive to the start of employment as an extraterritorial employee. If the request is made later, the decision shall apply starting the first day of the month following the month in which the request is made. The eight-year period is reduced by previous periods of stay or employment in the Netherlands.

In addition, the employee with the 30% ruling can also submit an application for registration as a partial foreign taxpayer for tax purposes in the Netherlands. This entails that he will be entered as a foreign taxpayer in Box 2 and 3. In that case, as a foreign taxpayer the income to be reported is limited to Dutch source income and not to its worldwide (investment) income.

VALUE ADDED TAX (VAT)

The Dutch turnover or value added tax system is based on the European Directive concerning tax on added value. Tax is due the Added Value (VAT or 'BTW' in Dutch). This entails that tax is charged at each and every stage of the production chain and in the distribution of goods and services. Businesses charge one another VAT for goods and/or services provided. The company that charges the VAT is required to pay the VAT amount to the tax authorities. If a company is charged VAT by another company, it is entitled to deduct the VAT amount from VAT due on the company's part. By doing so, the system ensures that the end user is effectively responsible for paying the VAT. Foreign companies that perform taxed services in the Netherlands are in principle also liable to pay VAT. Those companies, too, will be required to pay the VAT due in the Netherlands and will therefore also be able to claim the VAT invoiced to it by Dutch companies. The VAT system entails strict invoicing rules. The rules are determined by the mandatory EU Directive on VAT Invoicing rules and implemented by EU Member States in their national VAT Law.

EXEMPTIONS

Not all goods and services in the Netherlands are subject to VAT. The following services are VAT exempt: medical services, services provided by educational institutions, most banking services, insurance transactions, services performed by sports organizations and property rentals. Companies that provide exempted services are not entitled to charge VAT for their services. In addition, they are also not entitled to claim the VAT charged to them for goods and services. Companies that perform both VAT liable and VAT exempt services will assign VAT to those specific services on which VAT is due.

THE VAT SYSTEM IN THE INTERNAL EUROPEAN MARKET

The European Union has recognized the free traffic of goods, persons, services and capital in the EU. Performances within the European Community are referred to as the intracommunity supply and acquisition of goods and intracommunity services. VAT is charged based on the destination country principle. This means that goods that cross the border to another EU country are taxed in the destination country. For business to business services (B2B). The rule applies that these services are taxed in the country where the customer is established or has a permanent establishment.

VAT DEFERMENT

The Netherlands has implemented a so-called deferment system. This system offers cash-flow advantages. This system's benefit involves payment of VAT to be moved from the time of import to when the company declares taxes, usually monthly. The VAT due for the import will be recorded in the declaration as payable, while at the same time, amounts will be subtracted as pre-paid taxes. To obtain this deferment, the importer must apply for a license at the tax department under "Article 23." To obtain this license the company (importer) has to be registered for VAT in the Netherlands as a domestic entrepreneur or as a foreign entrepreneur with a permanent establishment for VAT in the Netherlands. In addition this company (importer) should have regular imports to the Netherlands and the bookkeeping is subject to meet specific requirements.

TAX RATES

The general VAT tax rate is 21%. The Netherlands also has a low VAT rate of 6%. Goods and services falling under the low tax rate are specified in Table 1 of the Turnover Tax Act (Wet op de omzetbelasting 1968). This applies, among other things, to foodstuffs and medicines. The zero rate is mainly intended for goods exported to outside the EU and for goods exported to other EU members states.

All companies are bound to submit VAT declarations. If the company also supplies goods or services to elsewhere in the European Union, it is also bound to fill in the 'Opgaaf Intracommunautaire Prestaties' (Intracommunity Supplies) tax form.

OTHER SIGNIFICANT TAXES

EXCISE DUTY

The Netherlands charges excise duties on alcohol-containing beverages, tobacco, fuel and other mineral oils. Manufacturers, traders and importers pay excise duties to the tax authorities. The Excise Duty Act (Wet op de accijns) in the Netherlands is fully harmonized with the applicable EU directives.

INHERITANCE AND GIFT TAXES

Gifts and receipts from estates are taxed after deduction of varying tax-free amounts. The rates depend on the amounts received and the relationship of the beneficiary to the deceased or the donor.

TRANSFER TAX

Transfer tax is levied on the acquisition of both the legal and the beneficial ownership of real estate in the Netherlands. The rate is 2% (6% before July 2011) for owner-occupied dwellings and 6% in other cases. The rate is applied to the market value of the real estate.

INSURANCE PREMIUM TAX

The insurance premium tax is levied upon the conclusion of an insurance contract with an insurer. The insurance premium tax rate amounts to 21% of the premium due. Some types of insurance contracts are exempt from this taxation, such as health insurance, unemployment insurance, accident, transport, disability and life insurance. The insurance premium tax imposed is paid by the designated intermediaries and insurers.

RELEVANT FEATURES OF THE DUTCH TAX SYSTEM

The Netherlands has historically been a focal point for international tax planning. The reasons are to be found in certain distinctive features of its tax system, combined with its extensive network of bilateral double tax treaties and investment treaties that give protection against expropriation by foreign governments.

The features of the Dutch tax system which are of particular relevance for international tax planning are:

- The participation exemption (affiliation privilege) – a full exemption for dividends and capital gains if the foreign subsidiary is subject to foreign corporation tax at a rate of at least 10%;
- The absence of withholding taxes on royalty payments and interest payments;
- The ability to obtain an advance ruling for certain types of transactions;
- The extensive network of generally quite favourable double tax treaties;
- The innovation box taxation;
- VAT deferment for the import of goods.

SUMMARY OF TAXES

The main taxes levied in the Netherlands are summarised in the following table.

TAX	RATE
Corporate income tax (statutory rates)	2016 – 25% (20% on profits up to EUR 200,000)
Dividend withholding tax	15% (statutory rate) No withholding tax on dividends to an EU parent company holding at least 10% of the subsidiary's capital Dividends for most corporate shareholders resident in a tax treaty country are subject to a 5% withholding tax
Interest and royalty withholding tax	None
Capital gains tax	Except for business profits and capital gains on shareholdings of 5% or more, generally there is no capital gains tax for individuals (individual income tax) Corporate capital gains are included in corporate income
Local government tax	No local income tax Some local taxes exist (though they are not substantial): – Municipal real estate tax (depending on the value of the real estate) – Environmental levies eg for the granting of certain licences (depending upon the specific circumstances of a particular case)
Value added tax	Levied at proportional rates of 6% and 21% on added value goods/services and paid for by the end user (consumer)
Capital tax	None
Real estate transfer tax	2% for owner-occupied dwellings and 6% in other cases, due upon the transfer/acquisition of real estate, certain rights on real estate in the Netherlands and (under certain circumstances) shares in entities which specifically invest in real estate. If applicable conditions are met, exemption can be claimed for transfers in certain corporate reorganisations, transfers of newly constructed buildings, acquisitions through inheritance and certain other special situations
Individual income tax*	For box 1 income – progressive rate up to 52% for taxable income of EUR 66.421 (2016) and over

* A substantial reduction of individual income tax can be obtained by foreign employees with specific professional expertise not readily available on the Dutch labour market and assigned to the Netherlands Group Company (expatriates). This reduction is effected by a tax-free reimbursement of 30% of the gross salary, including pension scheme premiums, as defined by the Dutch Wage Tax Act 1964. The resulting reimbursement should be specified in the employment contract and should be paid together with the salary. The ruling will be valid for a maximum of 96 months. Periods of previous stay and employment in the Netherlands will be deducted from this allowance period unless the employee has not stayed or worked in the Netherlands for at least 25 years.

Please note: If a social security treaty allows an individual to remain insured under the social security system in their home nation, generally no social security premiums have to be paid in the Netherlands. Social security ordinances (No. 1408/71 and No. 883/2009) exist for EU member countries. A similar US – Netherlands social insurance treaty came into force on 1 November 1990.

7 – PERSONNEL

Finding and retaining personnel is an essential condition for the existence and growth of an organization. Companies stand out through the personnel they employ. Dutch tax legislation allows numerous options for rewarding personnel in fiscally friendly ways.

The Dutch legislation includes various provisions to secure the rights and obligations of both employer and employee in the Dutch employment market. As a general rule, the employer and employee should behave according to the standard of good employership or employeeship respectively. The employer has a number of specific legal obligations with respect to work and rest times, leave and working conditions.

EMPLOYMENT RELATIONSHIPS

According to Dutch law, three different general types of agreements are used to determine the rights and duties of persons performing activities in the course of a business for another party. The employment agreement ('arbeidsovereenkomst') is the most common agreement. The assignment agreement ('overeenkomst van opdracht'); for example, a freelance agreement, consultancy agreement or a management agreement is used often in an attempt to avoid an employment agreement coming into being. A third agreement is the contracting agreement ('aannemingsovereenkomst'). This agreement is concluded between parties if the purpose of the activities is to construct an item with a physical nature.

Essential features of the employment agreement are: the obligation to perform labour in person in return for pay, and the authority of the other party to give instructions as to how the labour is to be performed. Other agreements lack one or more of these features. The employment agreement itself is not subject to rules as to its form (oral agreements are perfectly valid, although problems as to proof may arise). However, according to Dutch labour law the employer is under the obligation to provide certain information in writing to the employee with respect to the employment agreement. This relates among others to place of work, job title, the date the employment agreement enters into force, remuneration, working hours, terms and conditions relating to holidays and the applicability of any collective labour agreement.

Furthermore, Dutch labour law takes the legal presumption of an employment agreement as a starting point if a person has performed labour every week for 3 consecutive months, with a minimum of 20 hours a month. The contracted work in any given month is presumed to amount to the average working period per month over the 3 preceding months.

GOVERNING LAW

As a rule, an employment relation is governed by the law of the country to which it is most closely connected (typically: the country where the labour is performed). As a rule, parties to an employment agreement are free to choose a different law to apply to their relationship. However, according to European legislation, the effect of any choice of law in international employment agreements is limited to the extent that the employee will not lose protection on the basis of mandatory provisions of the law of any member state

which would apply if no choice of law had been made. Mandatory rules are legal provisions which cannot be contracted out. For example, many provisions of Dutch labour law regarding the termination of an employment agreement are considered to be mandatory.

The parties to an employment agreement are limited to negotiations of their own terms and conditions by both Dutch labour law and any applicable collective labour agreement, since these contain many mandatory rules on terms and conditions of employment.

EMPLOYMENT LAW REGULATIONS

Employment relations in the Netherlands are mostly regulated by the Dutch Civil Code ('Burgerlijk Wetboek'). An important principle of the employment provisions of the Dutch Civil Code is the protection of what is known as the weakest party, i.e. the employee. Apart from the Dutch Civil Code, regulations concerning labour law can be found in several other regulations and legislative acts, such as the Works Council Act and the Workings Conditions Act. As a result of the unification of Europe, Dutch regulations are increasingly influenced by European treaties and case law of the European Court of Justice. Furthermore, employment regulations are laid down in the Collective Labour Agreements.

MINIMUM WAGE

There is a statutory minimum wage for employees aged 23 or over. In addition there is a minimum wage for employees aged between 15 and 22, the level of which varies according to age. These minimum wages are indexed and may be adjusted twice a year on January 1 and July 1 (as of January 2016, the statutory minimum wage for employees aged 23 or over is € 1,524.60 gross per month, excluding 8% holiday allowance).

COLLECTIVE LABOUR AGREEMENTS ('CAOS')

As mentioned above, employment agreements are also influenced by collective labour agreements ('CAOs'). Collective labour agreements are negotiated between representatives of employers and employees and are intended to provide consistent employment conditions within specific branches. Collective labour agreements can be negotiated for an entire branch or be limited to a company. Furthermore, the Minister of Social Affairs can impose the application of a collective labour agreement on the entire industry or sector by declaring a collective labour agreement generally binding. Any provision in an individual employment agreement, which restricts the rights of the employee under an applicable collective labour agreement, is void. In such cases the provisions of the collective labour agreement prevail.

TRADE UNIONS

Although the influence of trade unions in the Netherlands is generally waning, Trade unions are still well organised in the manufacturing industry and the semi-public sector or privatised sector. The most important trade unions are the National Federation of Christian Trade Unions ('Christelijk Nationaal Vakverbond' (CNV)) and The Netherlands Trade Unions Confederation ('Federatie Nederlandse Vakbeweging' (FNV)). The main employers' association is the Confederation of Netherlands Industry and Employers (VNO-NCW).

EMPLOYMENT AGREEMENTS

An employment agreement may be agreed for an indefinite or fixed period of time. If an employment agreement for a fixed period of time is continued, a new agreement will

then be deemed to have been entered into under the same conditions and for the same period of time (subject to a maximum of 1 year) as the former employment agreement.

Parties are free to enter into consecutive employment agreements for a fixed period of time, ending by operation of law, however two restrictions (chain provision) apply:

- The aggregate duration of the consecutive employment agreements (with interruptions of not more than 6 months) may not exceed 24 months (as of 1 July 2015); if the aggregate duration is longer than 24 months (interruptions included), the last employment agreement shall be deemed to be an employment for an indefinite period of time.
- The number of consecutive employment agreements must be less than 4. If the number of consecutive employment agreements exceeds 3 (while there are no interruptions of more than 6 months in between the employment agreements), the fourth employment agreement will be considered to be an employment agreement for an indefinite period of time.

TERMINATION OF AN EMPLOYMENT AGREEMENT

With respect to termination of an employment agreement, a distinction must be made between an employment agreement for a fixed period of time and an employment agreement for an indefinite period of time. There are several ways for employment agreements to terminate:

PROBATION PERIOD

Parties can agree upon a probation period. However, it should be noted that a probation period is subject to strict rules. A probation period for maximum 2 months can only be concluded if parties have agreed upon an employment contract for a fixed period of at least 2 years, or in case of an employment contract for an indefinite period of time. An employment contract for the limited period of less than 2 years (but more than 6 months) and an employment for a specific project, where a termination date is not indicated, may only contain a probation period of 1 month. As of 1 January 2015 there is no more probation period allowed for employment contracts with a limited period of 6 months or less.

During the probation period both the employer and the employee can terminate the employment contract directly at any time. In order to be valid, the probation period has to be expressly agreed upon by parties in writing. Any deviation from the aforementioned rules will result in a void probation period.

LAPSE OF THE AGREED PERIOD

An employment agreement for a fixed period of time will terminate by operation of law at the end of the agreed period of time without formalities.

SUMMARY DISMISSAL

The employment agreement can be terminated for urgent cause; for instance, if the employee has committed a serious crime, such as, but not limited to, theft, fraud, etc. Before a summary dismissal can be given, all circumstances must be taken into consideration. Dismissal must be given without delay, only the time necessary for an investigation into the facts is usually allowed. The grounds for the dismissal must be

conveyed to the employee at the moment of dismissal. The employment ends immediately, without notice, and the employee is not entitled to compensation. Usually, payment of unemployment benefits is denied. The courts do not easily accept that sufficient grounds are present to deem a summary dismissal valid. Before deciding on a summary dismissal, therefore always consult a legal advisor.

The employee may challenge the dismissal itself within 6 months, stating that he is still employed and is thus entitled to pay. Alternatively, the employee may acquiesce in the termination of the employment, but claim damages for reasons that the grounds for the dismissal were not valid. As a risk containment measure, it is advisable to file for dissolution of the employment (see below).

DEATH OF THE EMPLOYEE

The employment agreement will terminate by operation of law in case of death of the employee: the family of the employee is entitled to be paid approximately 1 month's gross salary.

MUTUAL CONSENT

The employment agreement can be terminated by mutual consent; the entitlement to unemployment benefits still exists unless the employee him/herself has taken the initiative for termination or he/she has acted in such a way that there is an urgent cause for summary dismissal.

DISSOLUTION BY THE COURT

The Court can terminate the employment agreement through dissolution. The employer will need a sound reason to have the employment contract dissolved by the Court. Amongst others, restructuring of the company and non-performance of the employee can serve as reasons. The proceedings will take approximately 6 to 8 weeks. No notice period is called for; the court sets the termination date in its verdict (usually at a date approximately 2 weeks after the verdict). The Court can grant a severance payment to the employee in the case where the employment agreement is dissolved. A rule of thumb for calculating severance ('Cantonal Court Formula) is widely used. It is based on age, years of service, salary and circumstances. A rough indication for severance due is 1 month's salary for every year of service.

Furthermore the Cantonal Court Judges may take into consideration the employee's position on the job market, the employer's financial position and the position of older employees who are close to their retirement.

No appeal is possible against the decision of the Court, either to dissolve the employment contract or to grant a severance payment, apart from exceptional cases in which – in short – the Court has failed to apply the law correctly.

NOTICE

The employer, who wishes to terminate an employment agreement for an indefinite period of time, can give notice to the employee observing the notice period – employment agreements for a fixed period of time can only end by giving notice if this possibility is explicitly stated in the employment agreement. However, in order to be able to do so, the employer must first obtain approval of the UWV (labour office) before serving the notice of termination, stating the reason(s) for the intended termination. The

UWV approval procedure will usually take about 2 months provided that the reasons for termination are clear.

After having obtained such approval to terminate the employment agreement, the notice period may be shortened by 1 month. The statutory notice period that has to be observed may vary from 1-4 months, depending on the duration of the employment. An employee whose employment has been properly terminated (i.e. after consent of the UWV and with due observance of the applicable notice period) may nevertheless claim damages on the grounds that he has been unreasonably dismissed (comparable to "unfair dismissal"). There is no general rule for the calculation of such damages.

The Work and Security Act (July 2015) resulted in a change to the dismissal procedure. There now is a clearly defined route: dismissal for economic reasons will be via the UWV and dismissal for personal reasons is reviewed by the district court. In all cases the employee has the right to a statutory transition allowance.

In the new situation after an employment contract of a minimum of two years employees have the right to a transition allowance intended to be used for training and transferring to a different profession or employer. The allowance depends on the duration of the contract and is 1/6 of the monthly salary per year of service and 1/4 the monthly salary for each year of service where the employee was employed for more than ten years. The maximum allowance is € 76,000 (2016) or one annual salary for employees with an annual salary of over € 76,000.

WORKING CONDITIONS

By comparison with international worker protection standards, the Dutch regulations are of a high standard. In view of an action plan of the Dutch Government (Simplifying Social Affairs and Employment Regulation), it is expected that these regulations will be simplified to bring them more in line with the international worker protection standards and to strengthen the position of the Netherlands on the international labour market.

Under Dutch law, the employer is responsible for organizing work in such a way that it protects the safety, health and well-being of the employees in accordance with a statutory set of standards and criteria. In principle, all employers are highly recommended to avail themselves of the professional assistance of a certified occupational health service ('Arbodienst') in respect of the implementation of a significant part of the applicable health and safety measures (for example the occupational health medical examination). Under certain circumstances, the employer's own employees may provide this assistance, providing that they are certified to this end.

WET ARBEID VREEMDELINGEN (FOREIGN NATIONALS (EMPLOYMENT) ACT)

Workers from the European Union, EEA countries (Norway, Iceland and Liechtenstein) and Switzerland do not need special permits to work in the Netherlands. Non-qualifying nationals, however, do need a 'residence permit for work' permits to work legally in the Netherlands.

As of 1 January 2014 the Foreign Nationals (Employment) Act is being amended. The employer applies for the residence permit. There are different types of residence

permits, including for regular employment, as a highly skilled migrant, holder of a European blue card, lecturer, (guest) lecturer, trainee doctor or scientific researcher. If several permits are possible, the employer must make a choice. For the highly skilled with no employer a residence permit for a search year is possible. This residence permit gives the right to find an appointment as a highly skilled migrant within one year.

When applying for the residence permit, the employer acts as sponsor. The sponsor is responsible for the employee complying with the conditions. A residence permit for regular employment can be applied for by any employer with a branch or commercial agent in the Netherlands. Registration of the employer with the Chamber of Commerce is required.

To be admitted as a highly skilled migrant income requirements are laid down. To be admitted as a trainee doctor or (guest) lecturer, the employer making the application must be a sponsor authorised by the IND (Immigration and Naturalisation Service of the Ministry of Security and Justice). Authorisation is carried out by the IND. The authorisation as a sponsor is in a number of cases a condition for the application for the residence permit.

Employees with a European blue card are employees who carry out highly qualified work within the European Union and meet the salary and training requirement. For the scientific researcher admission to the Dutch labour market is regulated by EU Directive 2005/71/EC.

With effect from 2014 the UWV is from now on obliged every year to check a job taken by a foreign employee (from outside the European Union, EEA countries or Switzerland) against the labour market status. The recruitment efforts of employers who wish to recruit or continue to employ foreign workers required by law issue no more than an employment permit for a maximum of one year (up to 2014 a maximum of three years). After five years (up to 2014 after three years) labour migrants gain free access to the Dutch labour market. After that a permit may be refused if an employer has in the past been sentenced for infringing labour legislation.

SOCIAL SECURITY

The Netherlands has a fairly extensive welfare system covering health, old age and unemployment.

Contributions to the social security system are paid by both employers and employees, and depend on the type of activity. A significant part of the social security payment is paid for by employers.

Foreign employees working and receiving compensation in the Netherlands are normally liable to pay Dutch social security contributions and are thereby entitled to Dutch benefits.

Benefits of the social security system include the following:

- Employees are insured for the costs of medical care and they are also insured for loss of wages during a period of illness. Costs associated with the first two years

of illness are paid for by the employer or insured by the employer. During the second year, the employer is liable for 70% of the costs

- Permanent disability pensions range from 15–75% of the average base salary up to a limit, according to the degree of disability
- A retirement pension is available when an employee reaches the age of 65 and6 months (2016, which will be increased to 67 until 2023). The insured worker may have other retirement pensions if he/she has made additional contributions to a special pension scheme
- During a period of unemployment, an employee is entitled to an unemployment payment. This covers a maximum period of three years and two moths (and a minimum period of three months) and depends on the duration of the employment period
- Other benefits are child allowance, rent-subsidies and scholarships.

Please note: If a social insurance treaty allows an individual to remain insured solely under the social insurance system in their home territory, in general, no social insurance contributions have to be paid in the Netherlands. Social insurance treaties exist with all EU member countries. A similar US – Netherlands social insurance treaty came into force on 1 November 1990.

8 – ACCOUNTING & REPORTING

The domestic law of the Netherlands incorporates the rules and regulations of the EU.

The law on annual reports and annual accounts contains detailed provisions for accounting principles, the format of the balance sheet, profit and loss accounts, legal reserves and disclosure requirements. The rules for financial years as of January 2016 are the following.

Any company not qualifying as a 'small' company in the Netherlands requires an audit.

A statutory Dutch audit is obliged for medium and large companies. Dutch enitities where two of the three criteria as mentioned below are applicable in the last two years, regular audits in the Netherlands are mandatory:

- Total balance of at least 6 million Euro, and/or
- a (net) revenue of at least 12 million Euro.
- at least 50 full time working employees, and/orr

All companies, except certain exempt subsidiary companies, must file financial data with the Trade Register of the relevant Chamber of Commerce within 12 months after the financial bookyearend.

9 – GOVERS ACCOUNTANTS/ADVISORS

WORLD CLASS BUSINESS DESERVES WORLD CLASS FINANCIAL SUPPORT

Founded in 1927, Govers Accountants/Advisors has been supporting clients in improving their performance for nearly ninety years. Our reputation has been built on our ability to deliver the best solutions to our clients, many of which are successful companies in the supply chains of high tech, automotive, health and food.
Govers' approach is primarily client-driven combining the experience and knowledge of a 125-strong team based in one office, with personal commitment. Our teams bring together accounting and tax experts, with a mix of grey hairs and high flyers.
As an active member of UHY, an international accounting, business advisory and consulting network, we are well positioned to support our clients with their international activities.

BRAINPORT – WORKING INSIDE LOOKING OUT

Our office is located in the very heart of the Brainport region, a top technology region with an open and innovative ecosystem for knowledge industries. The Brainport supply chains work on high tech (semicon), automotive, food and health. On a regional scale in the ELAt triangle (Eindhoven - Leuven - Aachen), on a larger scale in Western Europe and the rest of the world.

CROSS BORDER SUPPLY CHAINS

As the supply chains of our clients are working cross border, so is our support. We know and understand the value sourcing approaches of OEM companies, and speak the language of 1st and 2nd tier suppliers.
Over time, we have been engaged in a variety of challenging business cases with UHY member firms in all continents. We really enjoy providing our Dutch clients with the necessary support when they expand in other countries through our international network, and we appreciate the Dutch business of clients of other UHY firms.

WHY UHY

UHY is one of the world's leading business advisory, consulting and accounting networks, with teams operating across 240 offices in 78 countries worldwide. Our member firms are committed to clients in
their respective countries, knowledgeable of local regulations, market practice and cultural norms.
As a global entity, UHY has the operational depth and breadth to help your business compete for overseas or cross-border business effectively and successfully. Our drive for professionalism, quality,
integrity, innovation and our global reach have realized substantial growth in UHY's 25 year history for both us and our clients.

LOCAL SOURCING – GLOBAL SUCCESS

Our clients inform us about the paradox they experience: our international network of independent firms communicates more effectively than the impersonal big international firms. Members of UHY are well positioned to coordinate and monitor the needs of our clients; we meet regularly in person, know each other well and know each firm's expertise. We take the business of our clients seriously and go the extra mile to make sure their needs are fully met.

FEELING FOR FIGURES – PASSION FOR CLIENTS

In our view meeting regulations is only a pre-condition, while personal commitment is the true differentiating factor. Commitment to the business of clients, and commitment to their needs. That's how we build long lasting relationships with clients that are happy to stay with us.

Contact Paul Mencke (mencke@govers.nl) or Bas Pijnaker (pijnaker@govers.nl) for more information.

10 – CONCLUSION

Doing Business in the Netherlands is a practical guide to help you to deal effectively and efficiently with the most important issues that you might face upon your arrival in the Netherlands. Obviously the information contained in this manual is not exhaustive. In many instances, only the main points are mentioned due to lack of space, as a result of which you may still need to consult a specialist. Your UHY consultant at Govers Advisors & accountants will be able to advise you; so, please do not hesitate to contact your consultant for more detailed information.

GOVERS ACCOUNTANTS/CONSULTANTS NETHERLANDS

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SOCIAL MEDIA CONNECTIONS

- Twitter: https://twitter.com/GoversAdviseurs

Year established:	1927
PCAOB registered?:	Yes
Number of partners:	5
Total staff:	125

ABOUT US

Feeling for Figures, Passion for Clients

BRIEF DESCRIPTION OF FIRM

Govers is a full scope accounting, audit and tax consultancy firm offering a wide range of services to large, medium sized and small companies.
The firm provides services to clients throughout the whole country, with a focus on the highly developped industrial area in the South called Brainport Region.
Govers has developed a trademarked financial analysis model called HARR.

SERVICE AREAS

Audit and accountancy
Tax consultancy
Payroll accounting
Mergers and acquisitions
MBO and MBI
Management consultancy
All both domestic and international

PRINCIPAL OPERATING SECTORS

Car manufacturing and components
Construction
Educational Services
Electrical Components & Equipment
Engineering
Industrial Products
Machinery
Plastics & rubber
Real Estate and Rental and Leasing

The network for doing business

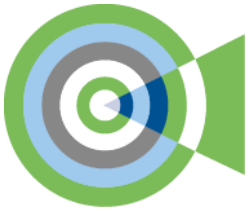
GOVERS ACCOUNTANTS/CONSULTANTS NETHERLANDS

LANGUAGES
Dutch, English, German.

CURRENT PRINCIPAL CLIENTS
Confidentiality precludes disclosure in this document.

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST
Germany, Belgium, France, Poland, UK, Spain, Denmark, Norway, US, Singapore and others.

BRIEF HISTORY OF FIRM
Govers was established in 1927 in the industrial city of Eindhoven.
Since then it has serviced clients all over The Netherlands, with an emphasis on the Southern part of the country.
Firm policy includes encouraging staff to exchange knowledge by working at one location.
Govers joined UHY in 1987 and has been an active member ever since.
The motto of Govers is 'Feeling for Figures, Passion for Clients'.
Govers considers itself fortunate with little turnover in clients and in staff.



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.