This report provides helpful information on the current business environment in the Netherlands. It is designed to assist companies in doing business and establishing effective banking arrangements. This is one of a series of reports on countries around the world.

Global Banking Service

Report on the Netherlands

Contents

RBC Royal Bank®

Important to Know

Official language

- Dutch

Currency

- Euro (EUR)

Bank holidays

2010	
January	1
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May	5, 13, 24
December	25, 26

Source: www.goodbusinessday.com.

Types of Business Structure

Under Dutch law, there are several business structures available. Some require a minimum amount of share capital to be paid up before the business can be established. A financial institution must hold the paid share capital in a restricted account until the business is legally established.

Public limited liability company

NV (*Naamloze Vennootschap*). This is a company whose shares are not registered to their owners and are tradable on a public stock market. This requires a minimum paid up share capital of EUR 45,000.

Private limited liability company

BV (*Besloten Vennootschap*). This is a company whose shares are registered to their owners and therefore are not publicly tradable. This requires a minimum paid up share capital of EUR 18,000.

General partnership

VOF (*Vennootschap Onder Firma*). In a general partnership, all partners have full and joint liability. This requires no minimum share capital.

Limited partnership

CV (*Commanditaire Vennootschap*). In a limited partnership, some partners enjoy limited liability (silent partners), although they are not permitted to exercise managerial control. Other partners are considered general partners and have unlimited liability. This requires no minimum share capital.

Limited liability partnership

Maatschap. A partnership limited by shares allows partners to limit their liability to the amount invested in the partnership (similar to a shareholder in a limited liability company).

Cooperatives

Coöperatie. Two types of cooperatives are recognized in Dutch law, one with limited liability and another with unlimited liability.

Other organizational types

Dutch companies are entitled to form unlimited liability European Economic Interest Groupings (EEIGs) with companies based in other European Union (EU)* member states. An EEIG performs particular activities on behalf of its member owners. It is also permitted to perform these activities with entities outside the EU.

*The EU is an economic and political union of 27 countries (including all members of its forerunner, the European Community, as well as other countries in Central and Eastern Europe), 16 of which use the euro as a common currency.

A *Societas Europaea* (SE) is a European public limited company, which can be established in any European Economic Area (EEA)* member state. It must maintain its registered office and head office in the same country, and it is subject to the company law in that country.

*EEA countries include those of the EU and three of the four European Free Trade Association (EFTA) member countries (Iceland, Liechtenstein and Norway).

Branches and representative offices

Non-Dutch companies are entitled to establish a branch or a representative office in the Netherlands. In both cases, the company will need to file a number of documents, although head office accounts are not required. A branch's activities are subject to Dutch company law, although it is considered part of the company's head office and therefore not a separate legal entity. It requires no minimum share capital. Any dividends sent from a branch to its foreign parent company are not liable to Dutch withholding tax.

Opening and Operating Bank Accounts

Residency

To be considered resident, a company must have its centre of effective management in the Netherlands or be incorporated under Dutch law.

Domestic and foreign currency account restrictions

Residents are permitted to hold local currency (EUR) accounts outside the Netherlands and foreign currency accounts both within and outside the Netherlands.

Non-residents are permitted to hold local currency and foreign currency accounts in the Netherlands.

All local currency accounts are fully convertible into foreign currency.

Anti-money laundering and counter-terrorist financing rules

- Account opening procedures require formal identification of the account holder and the ultimate economic beneficiary.
- Credit and financial institutions have to identify clients for transactions above EUR 10,000.

Supplied by BCL Burton Copeland (www.bcl.com). Data as at March 2009.

Special purpose accounts required by local regulation

None.

Value-added tax (VAT) on banking services

Under Dutch law, financial services are exempt from VAT.

Payment and Collection Instruments

Electronic funds transfers are the most common payment instrument for both domestic (by value) and cross-border payments. They can be initiated using Internet and electronic banking facilities. Paper-based credit transfers, known as *acceptgiros*, are used by companies to collect payments primarily from consumers. These are pre-printed forms sent to consumers containing details of the payment due, allowing the company to collate information at the same time as the payment. *Acceptgiros* will be replaced by SEPA credit transfers by 2012.

Card payments are commonly used for retail transactions, with debit cards much more popular than credit cards.

Direct debits are used primarily by utility and insurance companies to collect domestic payments. The main forms of direct debits are single direct debits for one-off payments, company standing authorization for collections from companies and general authorization for regular payments from consumers. A payback guarantee exists for direct debits in the Netherlands; the time frame varies between five days for single and company direct debits and 30 days for general authorization direct debits.

Cheques are not used in the Netherlands.

Payment Instrument Use (domestic)

Payment instrument	Transactions (million)		% change 2008/2007	Traffic (value) (EUR billion)		% change 2008/2007
	2007	2008		2007	2008	
Credit transfers	1,416.17	1,479.67	4.5	5,916.27	5,803.08	– 1.9
Direct debits	1,176.94	1,225.54	4.1	270.39	300.52	11.1
Debit cards	1,606.53	1,779.87	10.8	70.76	76.28	7.8
Credit cards	88.52	94.24	6.5	9.77	10.86	11.2
Card-based electronic money	174.83	176.12	0.7	0.48	0.48	0.0
Total	**4,463.01**	**4,755.44**	**6.6**	**6,267.66**	**6,191.22**	**– 1.2**

Source: ECB Payment Statistics, September 2009.

Single Euro Payment Area (SEPA)

SEPA payment instruments allow enterprises to make and receive EUR-denominated credit transfers, direct debits and debit card payments from a single bank account to and from other parties located anywhere within the EEA and Switzerland. The use of International Bank Account Numbers (IBANs) and Bank Identifier Codes (BICs) is compulsory for transfers denominated in EUR between bank accounts in the EU.

International Payments

International payments, including foreign currency payments and payments to and from parties located outside the EEA, are processed through same-bank networks, through multibank alliances or by using traditional correspondent banking techniques.

Payment Processing Times

Transactions processed (EUR-denominated)	Value dating rules	Cut-off time(s) in local Central European Time (CET)
High-value and urgent domestic and intra-EEA transfers	Real-time settlement, immediate finality	17:00 CET
Non-urgent, low-value domestic consumer payments	Settlement on either a same-day or next-day basis, with end-of-day finality	15:30 CET for guaranteed same-day settlement 17:00 CET for all other payments
Non-urgent intra-EEA credit transfers – maximum value of EUR 50,000*	Settlement either same-day or next-day	13:00 CET for same-day settlement or 01:00 CET for overnight settlement

* SEPA credit transfers are not subject to a maximum value threshold.

Central Bank Reporting

De Nederlandsche Bank (DNB) collates balance of payments statistics from the responses to a number of surveys. Information for the Dutch balance of payments current account is collated by Statistics Netherlands.

The DNB currently asks approximately 3,800 resident companies to submit monthly surveys including details of their financial (capital, investment and securities) transactions with non-residents. The DNB also asks sample companies to submit information on both net flows and positions on any bank accounts held abroad on either a monthly or quarterly basis. Companies must use a dedicated DNB program which enables the reports to be submitted online.

Any company establishing a liquidity management scheme must report details of the centralizing company to the DNB.

Exchange Arrangements and Controls

The Netherlands applies no currency exchange controls.

Cash and Liquidity Management

Many multinational companies consider the Netherlands to be an attractive location from which to manage their group cash and liquidity on a cross-border basis. This is due to a range of factors including the absence of exchange controls, the presence of a large number of international banks and the Netherlands' extensive network of double taxation treaties.

Some companies take advantage of the Dutch Finance Company regime which, after being found to be in conflict with EU law, is expected to be phased out by 2010. The Dutch interest box regime for group interest income, which levies 5% tax on inter-company interest income, has consequently been introduced to replace it. The new regime's entry into force, dependent on the European Commission's approval, is currently pending.

Physical Cash Concentration

Physical cash concentration is available from all large Dutch and international banks. Residents and non-residents can participate in the same domestic cash concentration structure.

Pools can be denominated in local currency (EUR) and some foreign currencies. A number of banks offer cross-border, cross-currency physical cash concentration.

Notional Cash Pooling

Notional cash pooling is available from most large Dutch and international banks. Residents and non-residents can participate in the same domestic cash concentration structure, as can accounts held in the name of different legal entities.

A number of leading banks offer cross-border notional cash pooling.

Short-term Investment

Bank instruments

Interest-bearing current accounts are available, with interest paid gross on a quarterly basis. Banks offer time deposits in a range of currencies for terms ranging from overnight to over a year, although these are often subject to minimum investment requirements. Banks also issue fixed-rate certificates of deposit (CDs), usually for terms ranging from one week to a year.

Non-bank instruments

Some Dutch companies issue commercial paper (CP), although investors have access to the widespread euro commercial paper (ECP) market as well. Domestic commercial paper has a maximum maturity of two years, whereas ECP has a maximum maturity of one year. In both cases, the paper is usually issued for shorter periods.

Dutch Treasury Certificates (DTCs) are issued by the Dutch government for periods of three, six, nine and 12 months.

Dutch companies have access to European-based money market funds.

Short-term Borrowing

Bank

Overdrafts, bank lines of credit and bank loans are all available in the Netherlands to both resident and non-resident companies. Banks will usually charge a margin over Euribor (the Euro Interbank Offered Rate) for EUR-denominated facilities. Other commitment and arrangement fees will also be charged.

Non-bank

Larger companies issue commercial paper into the ECP market, which requires a rating. Paper can be issued for periods from a week to one year, depending on borrowing requirements and investor appetite. Companies can also issue into the domestic commercial paper market.

Discounted trade bills are not commonly used as a source of short-term funds.

Taxation

Corporate Taxation

- The Netherlands has a two-tier system with progressive tax rates. The first EUR 200,000 of taxable income is subject to a tax rate of 20%. Income in excess of EUR 200,000 is to be taxed at a rate of 25.5% in 2009 under a proposal submitted to Parliament. Resident companies are subject to taxation on worldwide income. Non-resident companies are generally subject to the same rates of corporate taxation as residents on certain types of income sourced in the Netherlands. Profits derived from qualifying shareholdings in subsidiaries are exempted from tax (the participation exemption regime).

Advance Tax Ruling Availability

- Under current tax ruling policies, an advance pricing agreement (APA) may be obtained, but a benchmark study is required. On other tax issues, confirmation can be obtained in advance by way of an advance tax ruling (ATR).

Withholding Tax (subject to tax treaties and other exemptions)

- A withholding tax of 15% is levied on dividends paid to both residents and non-residents.

- For non-residents, a reduction (to 12.5%, 10%, 8.3%, 7.5%, 5%, 2.5% or 0%) is possible if a tax treaty applies.
- If the parent is a resident of an EU member state and meets certain criteria an exemption may apply. Payments on certain profit-sharing loans are treated as dividends. All other interest payments are exempt from withholding tax. No withholding tax is levied on royalties.

Capital Gains Tax

- Capital gains are generally taxed as ordinary income, except for those on certain investments in shares. The taxable gain is the difference between the sale proceeds and the book value of the asset. Capital losses are, in principle, deductible from Dutch corporate income tax, except for those on certain investments in shares.
- Gains on certain assets can be deferred if there is an intention to reinvest in new assets within three years of the end of the year in which the asset is sold. The new asset must perform a similar economic function within the company unless it is depreciated over ten years or less.

Stamp Duty

- No stamp duty is levied on loan agreements.

Thin Capitalization

- The Dutch thin capitalization rules take a debt-to-equity ratio of 3:1 as a starting point (stand-alone ratio). However, to the extent the debt-to-equity ratio for the group as a whole exceeds 3:1, the Dutch company can be leveraged to the same extent (group ratio). The actual ratios used are the average of the opening balance sheet ratios and the closing balance sheet ratios. Group loans and third-party loans are taken into consideration in calculating these ratios. The amount of interest that is not deductible cannot exceed the amount of interest expense due to group companies. In the stand-alone ratio calculation, debt is the net amount of interest-bearing loan payables and interest-bearing loan receivables. In this calculation, a threshold of EUR 500,000 is applicable and interest above this threshold is not deductible for tax purposes.

Transfer Pricing

- The Netherlands has introduced the arm's length principle in the Dutch Corporate Income Tax Act. Corporate income taxpayers are obliged to keep records substantiating that inter-company transfer prices have been determined in line with the arm's length principle.

Sales Taxes / VAT

- VAT is levied on all persons considered "entrepreneurs" (this includes importers and foreign firms supplying goods and services in the Netherlands) at a general rate of 19%. There is a reduced rate of 6% for basic goods and services. Exports and certain services are zero-rated, and certain goods and services are exempt (particularly those which relate to financial services).

Payroll and Social Security Taxes

- Salaries are subject to wage tax, national insurance contributions and employee insurance contributions.
- Wage tax and national insurance contributions are entirely paid by the employee. Employee insurance contributions are paid by the employer. The employer's contributions are deductible for corporate income tax purposes.
- The contributions for employee insurance are capped and payable on a salary up to EUR 47,802 and amount in total to approximately 10.47% for the employer (depending on the line of business). In addition, the employee owes an income-related contribution for the Health Care Insurance Act. This contribution amounts to 6.9% over a maximum of EUR 32,369. The employee must pay this contribution on their net salary and the employer must reimburse this contribution to the employee through payroll.
- National insurance schemes amount to 31.15% on a maximum contributory income of EUR 32,127. The national insurance contribution is levied together with wage tax.

All tax information supplied by Deloitte LLP (www.deloitte.com). Data as at April 1, 2009.

Report prepared July 2009.

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