



LEGALINK

INTERNATIONAL BUT PERSONAL

FIVE ADVANTAGES OF DOING BUSINESS IN...

FOR PRIVATE CLIENTS
AND CORPORATE ENTITIES



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NETHERLANDS

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PRELIMINARY NOTICE: Please note that services for attracting and servicing non-Dutch groups and investors for setting up companies in the Netherlands that benefit from specific advantageous tax regimes are typically rendered by the Dutch trust and corporate services industry. In order to be able to render such services, one must obtain and hold a trust services license, issued by De Nederlandsche Bank (the Dutch national bank), which is also the supervisory authority for the trust services industry. Lawyers as a rule do not render these services. Only very few law firms have or are partnered with an organization that is licensed to render trust services. Ekelmans & Meijer Advocaten is not one of those few firms. Ekelmans & Meijer Advocaten does work together with various trust services firms in jointly rendering services to clients who so require.

1. Very attractive fiscal regime for Research & Development

Consisting of:

- a) Substantial tax credits for wage taxes due over wages of personnel involved in R&D: 32 % reduction over first EUR 350k aggregate wage tax and 14 % reduction above wage tax due above that amount.
- b) Companies may benefit from an effective tax rate of only 7% for income from intangible assets— including technological innovations—created by the Dutch tax payer and for which R&D tax credit was received.
- c) Allowance for Top Syndicates for Knowledge Innovation (TKIs). A TKI is a partnership between public entities and private parties or investors. Cash grants of 40% are available on the private investment costs for the first €20,000 and 25% for the excess. In order to receive TKI allowance, the cash grant has to be invested in the R&D project of the partnership.
- d) Innovation Credit. Innovation Credit is a risk-bearing loan from the government, intended for the development phase of a technically new product, process or service, including development of medical products that require a clinical study. Funding may vary from 25% (large companies) to 45% (SMEs) of relevant project costs with a maximum of €10 million, and the remainder being financed by the company's own resources.

2. Almost limitless freedom in incorporating and designing/shaping limited liability corporations and private foundations

Limited liability corporations (*besloten vennootschap; B.V.*) are easily incorporated, have no capital requirements in relation to their size of business and can be designed to meet virtually each purpose. Minimum requirement is that a BV has issued at least one share of a defined value in valid currency, for instance € 0.01. Denomination of shares can also be in any valid non-Dutch currency. All sorts of share classes within the same B.V. are possible, provided a share has at least either some sort of dividend right or some sort of voting right. Shares without voting rights, tracking shares, shares without dividend rights, shares with any kind of mix of voting and dividend rights, various shares with various voting rights on different subjects are possible, etcetera, provided a share with voting right always has the right to vote on at least one member of the management board.

Civil law foundations are not strictly limited to charitable purposes. In fact they are widely used in corporate structuring and family estate planning. For instance, foundations are used quite a lot to hold shares in family businesses, whilst the economic rights related to such shares are held by other persons, for instance family members. Foundations used as such are known as administration offices. This split in formal ownership from economic benefits can be applied to every conceivable situation, regardless of nature and nationality of assets, reason why the Netherlands play an important role in structures centered around asset protection. Dutch civil law foundations can also be designed for almost every purpose, the design thereof being largely left to the founders. The only real limitation is the fact that a foundation may not pay dividend or capital to founders or other members of corporate bodies within the foundation or to any other third party other than those having an idealistic or social purpose. Structuring around this limitation is, however, quite normal, for instance in case of a foundation holding shares, placing the economic rights linked to those shares elsewhere.

3. The Netherlands is a very good place to be

It is good to be Dutch, or at least, it is good to live in the Netherlands:

6th in global happiness index (LAYARD & SACHS)

4th in the world competitiveness index (WORLD ECONOMIC FORUM)

4th in global infrastructure index (WORLD BANK)

3rd in global access to healthcare index (THE ECONOMIST)

3rd in expected trade surplus 2018 after Germany and Japan (REUTERS)

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3rd best for doing business (FORBES)

2nd in agricultural exports (WORLDTLAS.COM)

2nd in global pension index (MERCER)

2nd in global innovation index (CORNELL / INSEAD / WIPO)

2nd on list of scores on international comparative lists (WWW.MATHIJSBOUWMAN.NL) 1st in proficiency of English as a second language (EF ENGLISH PROFICIENCY)

1st in driver satisfaction index (WAZE)

1st in competitiveness in EU (WORLD ECONOMIC FORUM)

1st in good country index (THE GOOD COUNTRY)

1st in children's well-being index (UNICEF)

Schools are good, wealth in general is stupendous, the country is very safe.

4. High political stability and no to non-discernible corruption

Whatever happens, the Netherlands will always have a government around the centre of the political spectrum. These governments are remarkable only for being so very unremarkable.

Transparency International ranks the Netherlands, on a similar level with Luxembourg and Canada, high on the list of least corrupt countries, having before them only New Zealand, Denmark, Finland, Norway, Switzerland, Singapore and Sweden. As far as the Netherlands are concerned it is highly unlikely that one will encounter corruption at all within its borders. The Netherlands are home to a far larger number of multinational companies than the size of this small country would warrant, not counting those multinationals registered for tax reasons only. The ranking of the Netherlands in the Transparency International Index is largely due to corruption scandals the Dutch multinationals have become entangled in abroad.

5. Very attractive fiscal regime in general

The Netherlands has a very competitive fiscal climate.

The Dutch tax ruling practice has a 30-year track record and has given many international groups clarity on their tax position when setting up successfully in the Netherlands. And thanks to the Netherlands' stable government and highly accessible and cooperative tax administration, companies can feel confident that any adjustments to this practice will be implemented in such a way that it maintains attractiveness for foreign investors, minimizes impediments for business and guarantees cooperation and transparency from Tax Authorities.

The Netherlands has a competitive statutory corporate income tax rate compared to the rest

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of Europe: 20 per cent on the first EUR 200,000 and 25 per cent for taxable profits exceeding EUR 200,000. As a matter of fact, the government has announced to lower the tax rates even further to 21% and 16% respectively in the coming years. The Dutch tax system has a number of attractive features for international companies:

- A wide network of nearly 100 bilateral tax treaties to avoid double taxation and to provide, in many cases, reduced or no withholding tax on dividends, interest and royalties.
- An efficient fiscal unity regime, providing tax consolidation for Dutch activities within a corporate group.
- Clarity and certainty in advance on the tax consequences of proposed major investments in the Netherlands.
- No statutory withholding tax on outgoing interest and royalty payments.
- Favourable expat tax program with a 30 per cent personal income tax advantage for qualified, skilled foreign employee.
- A broad participation exemption (100 per cent exemption for qualifying dividends and capital gains), which is vital for European headquarters.

6. Very stable, dependable and non-corrupt court system

No further explanation required, other than that it can be added that for serious disputes within groups of companies the Enterprise Chamber of the Amsterdam Court of Appeal offers a relatively informal and quick way towards fixing problems in corporate groups, for legal costs that are quite low compared to similar proceedings in e.g. the US or the UK

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