

AUXADI

COMPLEXITIES IN NEW MARKETS

THE NETHERLANDS





In this series, we discuss some of the complexities to consider when expanding your business across borders, or if you're looking at multinational investment. There are many general issues, and different countries have very different legislation, regulation and tax regimes.

Here, we review complexities to keep in mind when expanding or investing into The Netherlands.

Opportunities.....	3
FDI.....	3
Tax & Accounting / Regulatory.....	4
Labour / Payroll matters.....	5
Banking.....	5
Doing business & establishing a company.....	6



Introduction

The Netherlands has a healthy, stable political and economic environment, making it an attractive location for investors.

With its location, excellent ports and logistics (including the largest port in Europe), highly skilled English-speaking workforce, and government incentives for FDI, The Netherlands stands as one of the best jurisdictions for cross-border expansion or startup.

Dutch industrial activity includes food processing, chemicals, petroleum refining, high-tech, financial services, creative sector and electrical machinery.



Opportunities

Sectors with high investment potential include: computer software and services, car parts and accessories, seaport / airport security equipment and systems, transport and distribution, aircraft parts and associated machinery, medical equipment / supplies, and pollution control equipment.

In addition, and looking to the EU's goals for 2050, The Netherlands has set a target for 100% of its electricity to come from renewable sources.

It has developed a detailed offshore wind roadmap, easing permit procedures and aiming for 11.5 GW of total installed capacity by 2030. R&D efforts are also being made for carbon capture, renewable hydrogen production and sustained cost reduction of offshore wind and other renewable technologies.

- [EBP](#), Tenders and Projects in Netherlands
- [Tenders Info](#), Tenders in Netherlands
- [Ted - Tenders Electronic daily](#), Business opportunities in EU 27
- [DgMarket](#), Tenders Worldwide

FDI

The countries mainly investing in The Netherlands are the United States, Luxembourg, UK and Switzerland. The vast majority of investments are in the financial / insurance sectors, followed by manufacturing, wholesale and retail trade.

There are no specific regulatory restrictions on foreign direct investment into the Netherlands, though many investments are considered high-risk/high-yield. Specific considerations include its high labour costs and small internal market.



There are no specific regulatory restrictions on foreign direct investment into the Netherlands





Tax & Accounting / Regulatory

Dutch companies are taxed on their worldwide income, however, certain income types are eligible for tax exemption or can be excluded from the tax base. Non-resident companies are only taxed on their Dutch-sourced income. There are no special tax rates for foreign companies.

The Dutch tax system represents one of the major attractions for international organizations wishing to start operating in the Netherlands, especially because of its simplicity and efficiency. Corporate income tax is currently 15% on the first €245,000, rising to 25% thereafter. By 2022 these brackets will be even more favorable for companies, with taxation at 15% on the first €395,000 euros.

The country is also strongly promoting innovation and looking to develop its business fabric. So, if a company make a profit from an innovative product or technology, they may be eligible for a tax scheme called the 'innovation box' – where companies pay just 9% corporate income tax on the profits listed in the innovation box, instead of the normal rate.



The Netherlands also offers tax advantages to companies that invest in energy efficiency and renewable energy sources. The EIA (Energy Investment Allowance) allows companies to offset 45.5% of their investments against their corporate income tax (in 2021). This is in addition to other allowances, such as the Environmental Investment Deduction (MIA) or the Arbitrary depreciation of environmental investments (Vamil) plan.

The country has also launched plans to facilitate tax management in high value-added sectors such as digital services. For example, the mini One Stop Shop (MOSS) scheme has been introduced to prevent companies from having to register in each EU country. This scheme makes it possible for entrepreneurs to declare the VAT for the digital services that they provide to private citizens via one EU country.

To facilitate international trade, the Netherlands also has dozens of tax treaties to avoid double taxation. The country also has Advance Pricing Agreements (APAs) and Advance Tax Rulings (ATRs) and plans to help ease movement of professionals to the country.



Labour / Payroll matters

There are strong labour laws in The Netherlands, dictating a normal and maximum working week (45 hrs = normal, 54 hrs = maximum) and maximum shift duration (11 hrs). Though, in 2005, the Ministry of Social Affairs and Employment decreed that employees performing on-call shifts may work up to 60hrs per week.

There are specific laws dictating holiday allowances, as well as mandated paid leave for personal events (marriage, death in family, moving house).

Total employer contributions to Dutch Social Security (National Insurance, Employee Insurance, Pension, etc.) total 27.6% of each employee's gross wage.

Contracts are regulated by legal clauses, by collective agreements and individual negotiations. Terms cannot be changed and conditions for hiring/dismissal are rigid. Companies must notify local labour offices and trade unions before dismissing any worker, and dismissals can be made only with agreement from the labour office (via a permit).



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Banking

A bank account is essential for incorporation of some entities, as required minimum share capital should be deposited there, but you can use an existing IBAN account within the Single Euro Payments Area (EU member states, Iceland, Liechtenstein, Switzerland and Norway).

Some companies choose not to open a Dutch bank account, as most banks in The Netherlands conduct business in Dutch – meaning bank websites and internet banking systems, and account opening forms are exclusively in the local language. It may be possible to receive forms in English, but you'll need to confirm with the bank beforehand.

To open a business bank account, you will need your company documents, your Chamber of Commerce number, and you may have to attend in person – though some banks will allow notarised/legalised documents to be provided in lieu of personal attendance.





Doing business & establishing a company

The country's Ease of Doing Business ranking (42/190) could be due to its tricky employment and labour laws, lengthy construction approval processes, strict rules on bank accounts, and difficulties in obtaining credit.

That said, launching a business can take just 3.5 days.

There are 4 main types of entity available in The Netherlands.

Entity	Partners	Capital (max/min)	Shareholders & liability
BV (Private Limited Company)	1 or more. Can be several legal entities or individuals, +1 shareholder for a BV proprietorship. Must have at least 1 Dutch citizen as Director.	€18,000 minimum.	Liability of each partner is limited to the amount of capital contributed.
NV (Public Limited Company)	1 or more without limitation.	At least €45,000. 20% should represent the subscribed amount & 25% should represent the amount released at incorp.	Liability is limited to the amount of capital contributed.
VOF (General Partnership)	2 or more without limitation.	No minimum capital requirement.	Partners' liability is joint and unlimited.
CV (Limited Partnership)	2 or more without limitation. Also offers 2 types of partners: active partners and sleeping partners.	No minimum capital requirement.	At least one active partner to have an unlimited liability. Sleeping partners have a liability limited to the amount contributed.

The Netherlands also has a specific 'Branch' entity, where the parent company is liable for actions carried out by the branch, except for management.

Conclusion

The Netherlands is a highly recommendable scenario for companies seeking to develop their activity in a competitive market that offers great opportunities for development, both in the country itself and as a gateway to other neighboring regions.

The regulatory framework seeks to enhance the competitiveness of its business fabric and promote innovation. However, the effectiveness of the system itself requires a deep knowledge of the context and the legislative details, both in tax and labour matters.



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