

SETTING UP BUSINESS IN THE NETHERLANDS



General Aspects

The Netherlands, or Holland, is the gateway to Europe, sharing most of its border with the North Sea, but also bordering Germany and Belgium. As it is part of the European Community, its monetary unit is the Euro. Holland is about 41,500 square kilometres large. The total population is around 16,5 million people. The official language is Dutch, but many people, especially in business life and younger generations, speak English as well.

Legal Forms of Business Entities

Legal form	Feature	Remarks
Branch Office	Has no legal identity, but is part of the head office business and its organization. In Dutch this is known as a 'vaste inrichting'.	Suitable for foreign companies looking for a presence in Holland to initiate business or maintain contacts with business partners, especially in cases of uncertain success.
Sole Proprietorship	Set up by a single natural person, who is fully liable for the debts contracted by the firm with his own present and future wealth. An entry in the commercial register of the Dutch Chamber of Commerce as a registered business person (eenmanszaak) is necessary.	Suitable for small businesses and start-ups. Few special formalities are required.
Partnerships	Any partnership requires at least two partners with a personal commitment. Their liability for the partnership's debts and liabilities is generally unlimited and personal, including all private assets.	No minimum share capital is required and there are no accounting and publication obligations.

There are the following partnerships in Dutch law:

General Commercial Partnership (Venootschap onder firma, VOF)	An association of individuals or enterprises united in the achievement of a joint contractual purpose. The company must be entered in the commercial register. Both natural persons and/or corporate bodies can be a partner.	Suitable for small or new companies. A written agreement is not necessary but recommended. The classic company form for small and medium-sized businesses.
Limited Partnership (Commanditaire vennootschap, CV)	A legal form related to the VOF, but with the option of limiting the liability of some of the partners. The acting partner (Beherend vennoot) is personally liable without limitation, as well as with his private assets. The liability of the limited partners (Commanditen) is limited to their respective share of the partnership capital. Both natural persons and/or corporate bodies can be a partner.	Suitable for medium-sized companies seeking additional start-up capital from persons who prefer a limitation of liability. The limitation of the limited partners' liability takes effect only when the limited partner does not perform any managing tasks.

Body corporate (Rechtspersonen)	Independent legal entities, meaning that the holder of rights and obligations is not the individual shareholder, but the company itself. Shareholders are only liable for company's debts to the amount of their capital share.
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There are the following body corporates in Dutch law:

Limited Liability Company (Besloten Vennootschap, BV)	In order to be valid the BV must be established by a notary and entered into the commercial register. There is no minimum share capital. It is possible to issue share with only valuing rights or with only dividend and profit rights.	The most popular legal form for body corporates, with high flexibility and relatively few obligations.
Public Limited Company (Naamloze vennootschap, NV)	Similar to the BV, but with the exception that shares can be sold publicly (i.e. on the stock market). The minimum share capital of an NV is EUR 225,000. At the time of registration one fifth of the minimum capital has to be verifiably contributed, thus establishing a NV requires EUR 45,000. Nameless shares (sold publicly) have to be verifiably fully contributed. Named shares have to be verifiably contributed for 25 percent.	Shares can be transferred easily, the NV can be listed publicly on the stock exchange and enjoys a high market reputation. The costs of the founding process are relatively high. The organizational and accounting obligations and the publication requirements are very extensive.
Foundation (Stichting, STG)	A notary has to establish a foundation and name all members of the board. There are no shares, but nonetheless, the foundation still is limited in its liability. Usually no gains are foreseen.	Especially useful for social entrepreneurship and entrepreneurship with the general public interest as its goal.

Organizational Questions

Topic	Feature	Remarks
Commercial Register	Companies of all legal forms must be entered in the commercial register (Handelsregister). The commercial register is administrated by the Dutch Chamber of Commerce (Kamer van Koophandel or, KvK), in electronic form.	N.B.: If a company is legally required to be registered, but takes up business operations before being entered in the commercial register, the partners are personally liable for any losses up to the point of registration. This also applies for a BV and a NV!
Tax Authorities	Registration with the local tax authorities (Belastingdienst) is required for all business forms. After registration the tax authorities provides the company with one unique fiscal number used for all tax returns within the same company.	Among others the Belastingdienst provides the company with its VAT number. Without this, no invoices can be (legally) sent.

Bank Account	To open a bank account individuals need a valid proof of identity and an extract from the commercial register. Companies need an extract from the commercial register and the articles of association of the company and a valid proof of identity for its shareholder and/or manager or proxy.	For all account transactions of more than EUR 15,000, banks are required to give notice to the Dutch National Bank (http://www.dnb.nl/en/home/index.jsp) as a tool to prevent money laundering.
Transfer of Goods and Machinery	Within the EU goods and machinery can circulate freely. Import from non-EU states to Holland goes through customs. Consider import turnover tax, VAT, and in some cases special excise taxes. (http://www.douane.nl/english/).	There are several customs exemptions to be considered.
Transfer of Capital	Capital can be moved in and out of Holland without any restrictions.	However, amounts exceeding EUR 10,000 must be reported to customs (http://www.douane.nl/english/)
Visa and Residence permit	Non-Holland residents can set up business and take up self-employed work in Holland, but mainly only on a permit from the Dutch Immigration and Nationalization Services (IND).	Before even establishing a business in Holland, always contact the IND through: http://www.ind.nl/EN/index.asp

Employment

Topic	Feature	Remarks
Work permit	Citizens of the European Union, the European Economic Area (EEA) or Switzerland can work in Holland without any restrictions. Nationals from all other countries need a work permit to work legally in Holland.	Contact the UWV for a work permit, when required: No website in English, call UWV foreign affairs at +31 888 98 20 01
Labour law	In Holland there are detailed employment regulations, mostly arranged in collective labour agreements. A minimum of 20 days of paid holidays a year is guaranteed, if working 5 days a week, in addition to public holidays, as well as an 8 percent (over gross annual salary) holiday pay. Normal working hours are between 36 and 40 hours or 5 days per week. Statutory limits on working time are part of extensive health and safety regulations. The notice period for termination of employment depends on seniority of the employee. A special law for protection against unfair dismissal offers great protection for employees and sometimes includes serious redundancy payments.	

Social security	The Dutch social security system is very complicated. There is no real basic logic to the difference in employer and employee contributions. Contributions for employers include: personal pension insurance (mostly arranged in collective labour agreements), health insurance, disability insurance and childcare benefits. Employee contributions include Government pension, surviving relative pension and special health care insurance.	Pension insurance depends on collective labour agreements. Without one, pension insurance is not mandatory. Mainly employers and employees contribute 50 / 50.
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Taxation

Companies in The Netherlands are usually confronted with the following taxes:

- corporations and foundations are subject to corporate income tax (Vennootschapsbelasting);
- dividends paid to shareholders of corporations are taxed with Dividend tax (dividendbelasting);
- partnerships between natural persons and sole proprietorships are subject to personal income tax (Inkomstenbelasting);
- employees wages are taxed with a salary tax to be paid by the employer (loonbelasting);
- all business operations are subject to the Value Added Tax or VAT (Omzetbelasting).

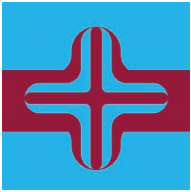
These taxes are all collected by the government body Belastingdienst

- Lesser common taxes include: excise taxes and import turnover tax;

These taxes are collected by the government body Douane (customs).

Tax	Feature	Remarks
Corporate Income Tax (Vennootschapsbelasting)	The standard corporate income tax rate is 20 percent on all taxable gains up to EUR 200,000 of the corporation, whether retained or distributed profits. However, once profits are distributed to the shareholders, these must pay personal income tax on the dividends.	Once the corporate gains exceed EUR 200,000 the tax rate becomes 25,0 percent
Personal Income Tax (Inkomstenbelasting)	The rate of personal income tax starts at 36,55 percent and rises progressively to a maximum personal income tax rate of 51,95 percent, which is applicable to earnings of EUR 68,507 or more. Deductions (mortgage payments, life annuity and disability insurance, alimony, etc.) are available for residents and some non-residents who choose to be taxed as a Dutch resident.	Tax bonuses are available for working people, disabled people, couples, single parents and couples with children. Furthermore there are bonuses for people investing money in social and green investments and for people taking leave. Mostly Dutch resident taxation only.

Personal Income Tax in case of partnerships	As partnerships are not separate legal entities but associations of partners, the partners themselves generally are subject to the personal income tax, with the individual tax rate applicable to each partner. Depending on the agreed division of the companies gains, each partner pays his own personal income tax as mentioned above.	
Dividends tax (Dividendbelasting)	I dividends paid to shareholders of corporations are subject to the dividends tax with a tax rate of 15 percent to be paid by the corporation.	The shareholder has to declare these gains in his personal income tax, where these gains will be taxed at 25 percent. The 15 percent paid by the corporation will be deducted from this 25 percent.
Value Added Tax (VAT) (Omzetbelasting)	The normal VAT rate is 21 percent, a lower rate of 6 percent is charged for convenience goods and services needed on a day-to-day basis, such as food, books and newspapers or public transport. Some services, including banking, health-care, and non-profit work, are VAT-exempt. For certain services rendered by a foreign entrepreneur, the reverse-charge-system has to be applied.	Each entrepreneur can apply for a VAT-Identification-number, which is particularly necessary for intra-EU supplies and services.
Real Estate Transfer Tax (Overdrachtsbelasting)	When domestic real estate changes owner, a one-time real estate transfer tax of 2% of the purchase price has to be paid, usually by the buyer. New build property is tax exempt from the real estate transfer tax, but is charged with VAT. Commercial real estate transfer tax is 6%.	
Real Estate Property Tax (Onroerende zaak belasting)	Every property owner in The Netherlands is annually liable to real estate tax. The tax rate depends on the town the property is in. The municipal administration assesses the value of the property and collects the taxes.	
Non-resident Taxation	<p>Non-resident individuals and companies in Holland receiving income generated in Holland, are subject to Dutch limited taxation with their Dutch-sourced income. Double taxation of this income is avoided by double taxation agreements between Holland and other countries. In case of a non-resident company the tax treatment depends on its kind of income.</p> <p>For individuals the deduction of expenses is only allowed if and to the extent these expenses are economically related to the taxable revenues. These limitations put taxpayers with a limited tax liability in Holland in a disadvantageous position compared with individuals who are subject to unlimited Dutch taxation.</p> <p>However, individuals who are subject to limited taxation in Holland can apply for unlimited taxation if they have income which is subject to Dutch taxation.</p>	



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