

**Relocation opportunities for
Ukraine businesses to:**

The Netherlands

Crowe Global

146

Countries

765

Offices

41.097

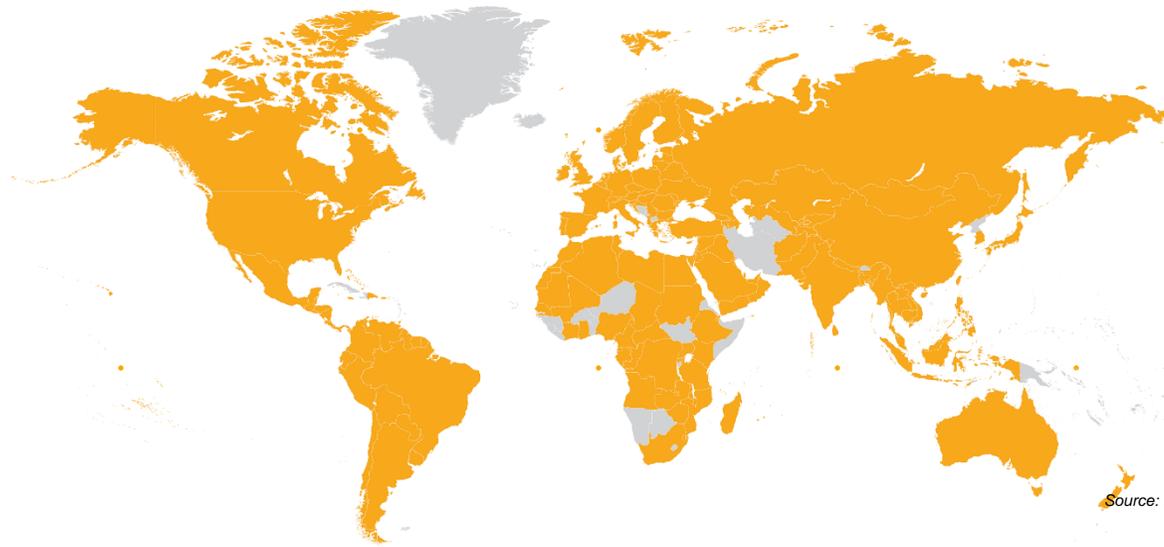
Total people/
employees

4.4b

US\$ global
revenue

8th

Largest global
accounting
network



Source: IAB World Survey 2020, using data from 2019.

The Netherlands



- Official name: Kingdom of the Netherlands;
- Form of government: Parliamentary democracy (cabinet of Prime Minister and Ministers) within a constitutional monarchy;
- Head of State: His Majesty King Willem-Alexander, King of the Netherlands, Prince of Orange-Nassau;
- Capital: Amsterdam;
- Seat of government: The Hague;
- Surface area: 41.543 km²;
- Number of inhabitants: 17.4 million (2021);
- Number of inhabitants per km²: 517 (2021);
- GDP per capita: 51,064 euros (World Bank, 2020);
- Unemployment rate: 3,1% (CBS,; 2021);
- 90% of all Dutch people speak English.

Setting up a business in the Netherlands

- Registering branch of existing foreign entity
- Incorporation new legal entity



Registering branch of existing foreign entity

- **Branch**

- Foreign entity
- registered with Dutch Commercial Register
- No legal entity itself
- Liability extends to the whole company
- No limitation of liability
- Bound / Not bound to compliance obligations

- **Subsidiary:**

- Independent legal entity
- Often as separate entity in an international structure
- or: shares held directly by natural person(s)
- Most commonly used: B.V. (besloten vennootschap) – private company with limited liability



Besloten Vennootschap – B.V. (1)

- **BV: private company with limited liability**

- Limited liability, with exceptions
- Incorporation by notarial deed in NL
- Registration in Dutch Trade Register
- Registration in UBO Register
- No minimum share capital
- E.g.: € 1 (100 shares of € 0,01)
- Board and shareholders' meeting
- At least 1 director
- At least 1 shareholder

Incorporation process requires identification of founder/ UBO/ director in person

But: because of COVID19, temporary possible via video call instead of physical identification.



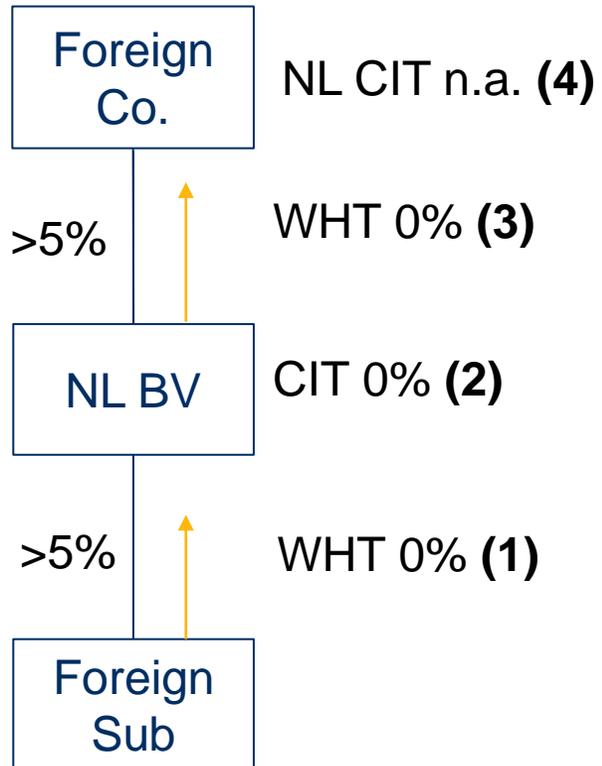
Besloten Vennootschap – B.V. (2)



- **Compliance requirements:**

- Timely reporting of changes in the Dutch Trade register and UBO register
- Accounting
- Drawing up annual accounts and timely filing
- Depending on size criteria: statutory audit of annual accounts

Corporate Tax – Beneficial with substance



With substance:

(1) Benefit of the Dutch tax treaty network

Often 0% or limited withholding tax on incoming dividends, royalties and interest payments.

(2) Dutch CIT

Dividend income and capital gains are exempt if Dutch participation exemption applies.

Other income taxed at 15% (up to € 395k) or 25.8% (above € 395k).

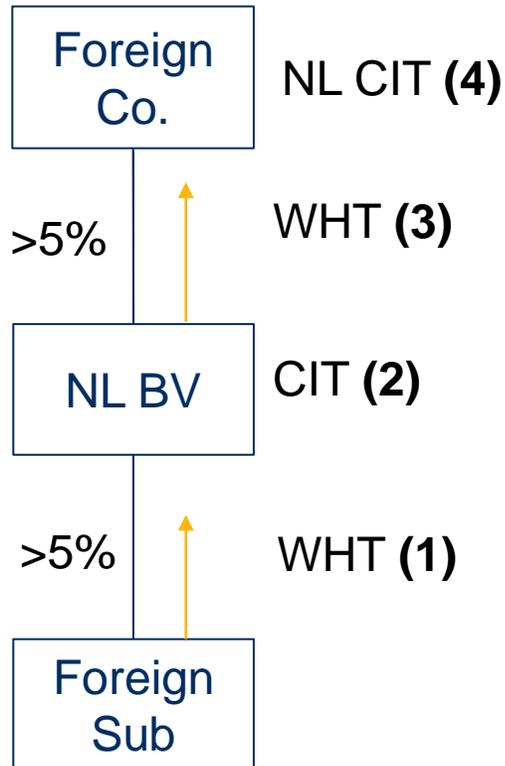
(3) WHT

No withholding tax on dividend payments if Foreign Co. is resident in EU or country with tax treaty (under certain conditions).

(4) Dutch CIT Foreign Co.

If Foreign Co. has genuine operations and substance: not applicable.

Corporate Tax – Not interesting without substance



Without substance:

(1) No treaty benefits

Generally no benefits of the Dutch tax treaty network resulting in withholding tax on dividends, royalties and interest payments.

(2) Dutch corporate income Tax

Participation exemption may not apply.
Other income taxed at 15% (up to € 395k) or 25.8% (above € 395k).

(3) WHT

Withholding tax on dividend/interest/royalty payments if Foreign Co. is resident in low tax or non-cooperative country or in cases of abuse.

(4) NL CIT

In case of 'abuse' Foreign Co. can be liable to Dutch CIT for dividend income and capital gains from Foreign Sub.

Individual Income Tax – Business Income

Box 1

- Income from business activities (entrepreneurial activities) is taxed in “Box 1” with at progressive rates up to 49.5% (income exceeding € 69.399; 2022).
- File annual income tax return.
- Business income versus employment

Tax benefits Business Income

- (1) SME profit exemption (MKB-winstvrijstelling)
All private entrepreneurs, for income tax purposes, are entitled to a discount of 14% of their gross profit.
- (2) Private business ownership allowance (Zelfstandigenaftrek)
In 2022, an amount of € 6.310 euros can be deducted if conditions such as the 'hour criterion' are met: at least 1.225 hours is spent on business activities in the calendar year.

- (3) Investment deductions
Extra deductions (in addition to depreciation) of investments in assets (up to 28% if total investment is between € 2,400 and € 59,939. The deduction is less above this amount and not available if total investment exceeds € 332,994. Similar deductions and higher depreciation are available for investments in certain environmental friendly assets.

VAT

Generally, at the end of each tax quarter, VAT returns should be filed and VAT should be paid within one month (9% or 21%).

Global Mobility

Topics:

- Work / residence permit;
- Employee tax obligation and employer payroll obligation;
- Should the employee and employer pay Dutch social security premiums;
- Dutch mandatory labour law;
- 30% ruling;

Residence permit

- Ukrainians can travel visa-free to the Netherlands, as a result of a treaty with the European Union. With a biometric passport, Ukrainians are allowed in any case to stay in the Netherlands for 90 days.
- New legislation will come into force and as a result Ukrainians can stay in the Netherlands for a much longer period of time.
- Further information on the legislation is expected soon.

Work permit

- Last week, the Dutch government has introduced emergency legislation with the Dutch Council of State to make it possible for Ukrainians to commence employment activities in the Netherlands without a working permit.
- The legislation will be in place as of the 1st of April 2022. From this date Ukrainians do not require a work permit when they have a Ukrainian passport;
- Employers should inform the Dutch competent authority UWV about the employment of Ukrainian employees;
- Further information on the legislation is expected soon.

Employee tax obligation and employer payroll obligation

- Employee:
- Main rule: an employee working in the Netherlands should pay tax on the salary earned.

| Bracket (2022) | Taxable income | Percentage (Taks and including national insurance contributions) |
|----------------|--------------------|--|
| 1 | Up to € 69.399 | 37,07% |
| 2 | exceeding € 69.399 | 49,50% |

Employee tax obligation

- Employee, not being a fiscal resident of the Netherlands and working in the Netherlands:
- The Netherlands and Ukraine have concluded a bilateral tax treaty.
- According to the tax treaty, the Netherlands is allowed to levy tax on the income of employees performing employment activities in the Netherlands if:
 1. The employee is present in the Netherlands for more than 183 days in any 12 month period; or
 2. The salary is paid by or on behalf of an (economical) employer that resides in the Netherlands;
or
 3. The salary is born by a permanent establishment of the employer;

Social security

- Dutch national law has two types of social insurance for employees, national insurance (paid by the employee) and employee insurances (paid by the employer).
- Based on Dutch national law a resident or non-resident who performs employment activities (physically) in the Netherlands is in principle socially insured in the Netherlands.

National insurance

The Dutch national insurance schemes cover the following insurances:

- National Survivor Benefits Act (Algemene nabestaandenwet, Anw)
- General Old Age Pensions Act (Algemene Ouderdomswet, AOW)
- Long-term Care Act (Wet langdurige zorg, Wlz)
- General Child Benefit Act (Algemene Kinderbijslagwet, AKW). You do not have to pay any contributions under the General Child Benefit Act.

| Year | Premium percentage AOW | Premium percentage Anw | Premium percentage Wlz | Salary cap | Maximum annual premiums |
|------|------------------------|------------------------|------------------------|------------|-------------------------|
| 2022 | 17,90% | 0,10% | 9,65% | € 35.472 | € 9.808 |

Employee insurances

The Dutch employee Insurance schemes cover the following insurances:

- Unemployment Insurance Act (Werkloosheidswet, WW)
- Work and Income (Capacity for Work) Act (Wet werk en inkomen naar arbeidsvermogen, WIA)
- Sickness Benefits Act (Ziektewet, ZW)
- Invalidity Insurance Act (Wet op de arbeidsongeschiktheidsverzekering, WAO): only for employees who already received WAO before 1 January 2006
- The premium percentage is determined based on the specific situation of both employer and employee. It is expected that the total percentage is between 18-25%. The premiums are capped at a salary of maximum € 59.706 (2022).

Employer monthly payroll administration obligations

- **Dutch Employer:** as a Dutch employer that already has a payroll administration, the employee can just be added to the payroll already in place;
- **Non-Dutch employer:** When the employee has taxable salary in the Netherlands, the employer can be registered as the withholding agent, in most situation this registration is mandatory.

Employee obligations

- If the employee becomes a resident of the Netherlands or it is expected that the stay of the employee in the Netherlands exceeds a period of four months, the employee should register himself in person with the local municipality;
- Upon registration, the municipality will issue a BSN (Citizen Service Number);
- The waiting period can go up to two months. For a smooth process we recommend to make the appointment to obtain the BSN as soon as possible;
- Employees that expect to stay in the Netherlands for less than four months, should also register to obtain a BSN, but they should register as a non-resident.

30%-ruling

- The 30%-ruling is a beneficial tax ruling for employees who are seconded or hired from abroad and pay wage tax in the Netherlands;
- By applying the 30%-ruling, the employer can reimburse the assumed 'extraterritorial expenses' free of taxation by paying up to 30% of the salary as a tax free allowance;
- To apply the 30%-ruling to the employee's salary, the employee should meet certain criteria and the 30% ruling request should be filed with the Dutch Tax Authorities by the employer and employee together;

30%-ruling conditions

- To be eligible for the 30% ruling, the following conditions amongst others have to be met:
 1. The employee has to be hired from abroad and works for an employer liable to withhold Dutch wage tax on the employee's salary;
 2. The employee should earn a minimum annual taxable wage of € 39.467 in 2022. Employees with a Master's degree until the age of 30 require a taxable wage of at least 30.001 in 2022.
 3. Incoming employees must have lived at least 150 kilometre from the Dutch border prior to the Dutch employment for more than two third of the period of 24 months prior to the start of the Dutch employment (i.e. 16 months plus 1 day out of the prior 24 months).

Thank you

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