



International Corporate Tax

Netherlands – A tax efficient platform for overseas expansion

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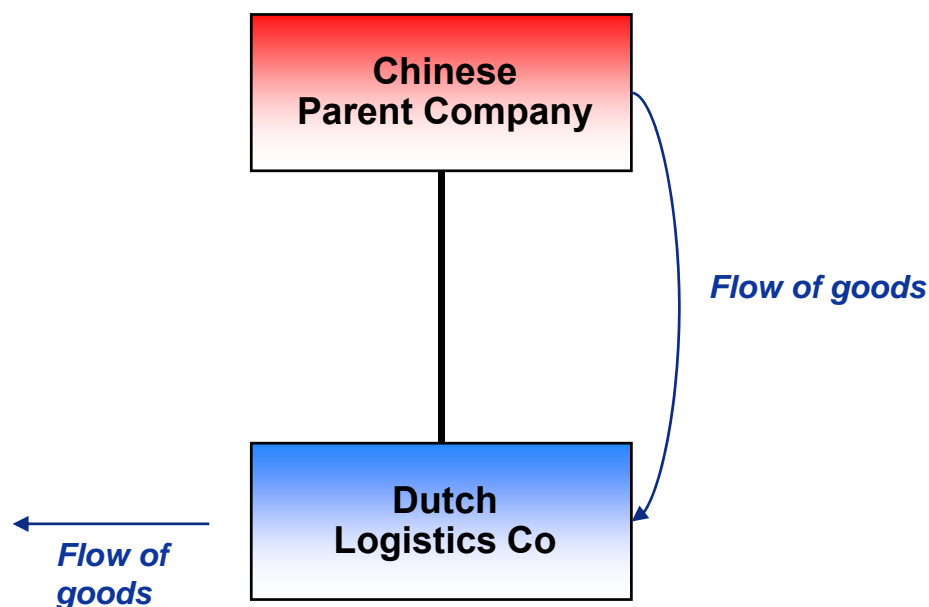
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ADVISORY

Doing business in the Netherlands

- **Operating a logistics company in the Netherlands; and**
- **Using the Netherlands as a platform to hold and invest from.**

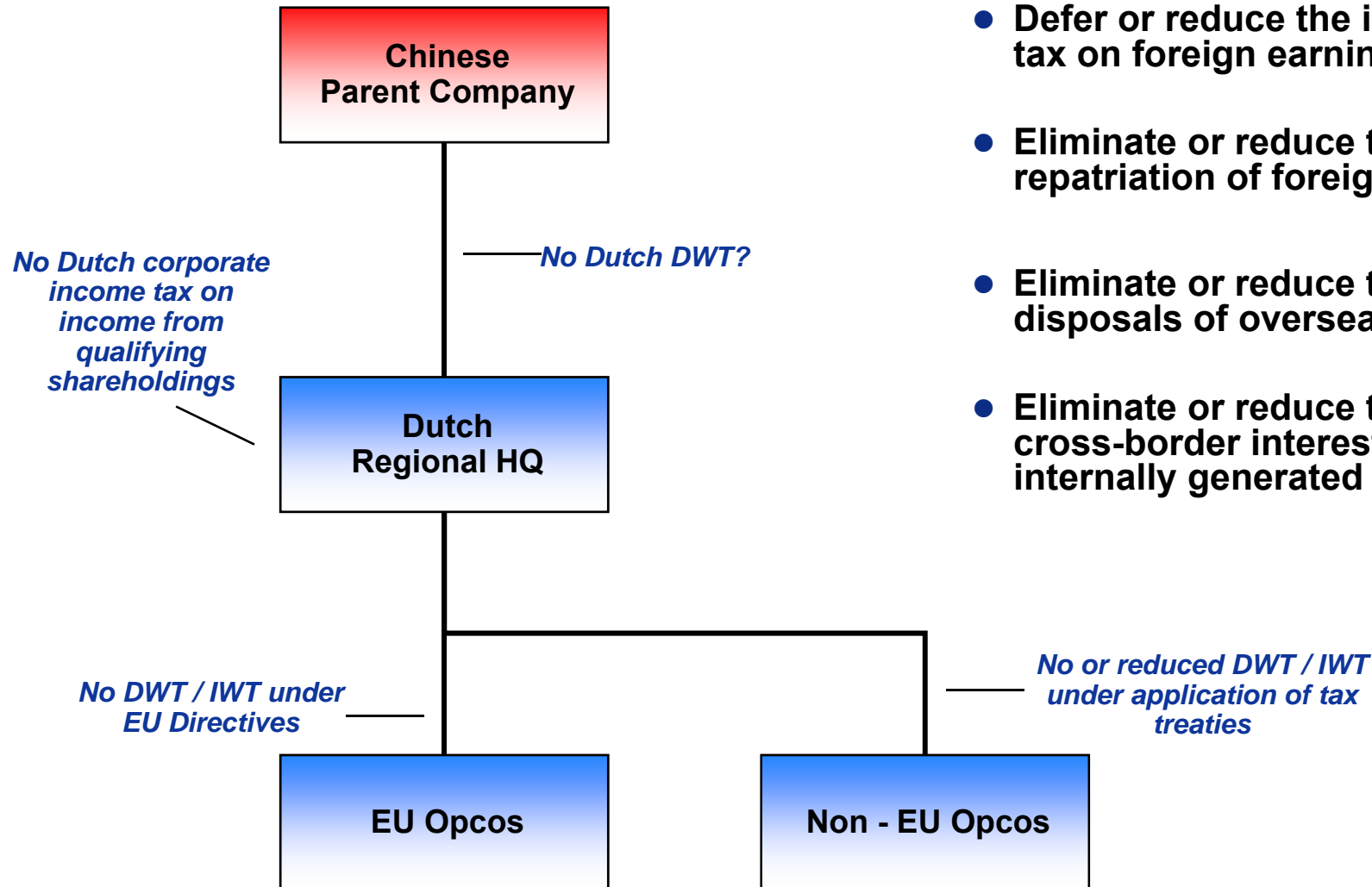
Operating a logistics company/hub in the Netherlands



- **Headline Dutch corporate income tax rate up to 25.5% on worldwide income**
- **Should not be any 10% dividend withholding tax (“WHT”) on repatriation of dividends (provided the investment is proper structured)**
- **No withholding tax on interest (“IWT”) [and royalties]**
- **Transfer pricing - Advance Tax Ruling practice & Advance Pricing Agreement practice (based on TP study)**
- **VAT and customs duties**

Using Netherlands as a platform to hold and invest your investments

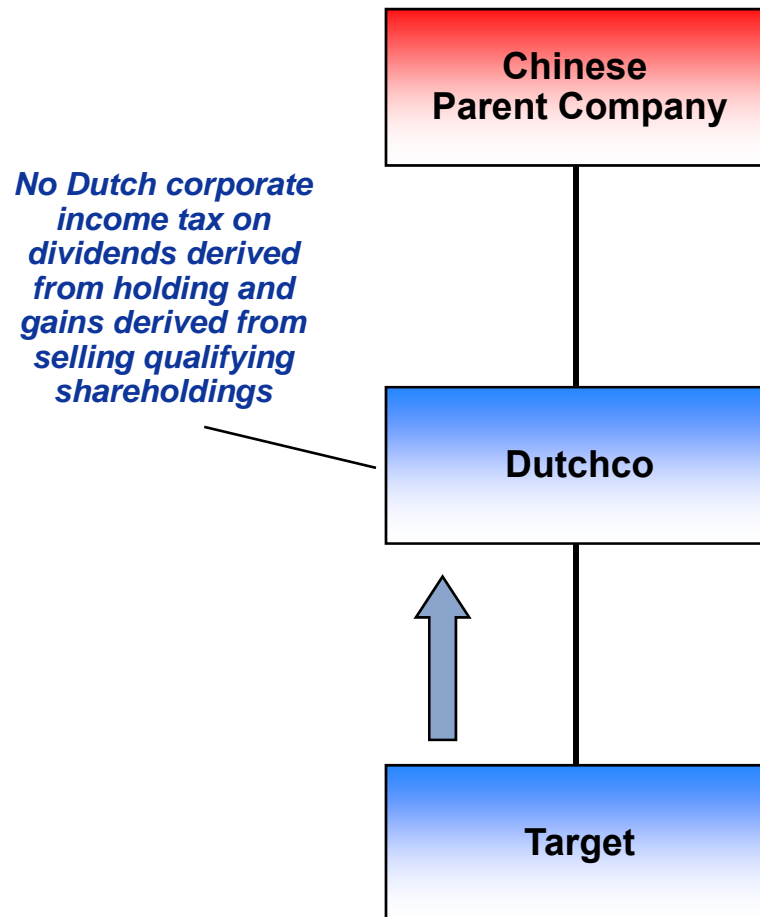
Acquisition and holding structure



- Defer or reduce the incidence of PRC tax on foreign earnings
- Eliminate or reduce the foreign taxes on repatriation of foreign earnings
- Eliminate or reduce the foreign taxes on disposals of overseas investments
- Eliminate or reduce the foreign taxes on cross-border interest payments on internally generated debt

Using Netherlands as a platform to hold and invest

Dutch Participation Exemption

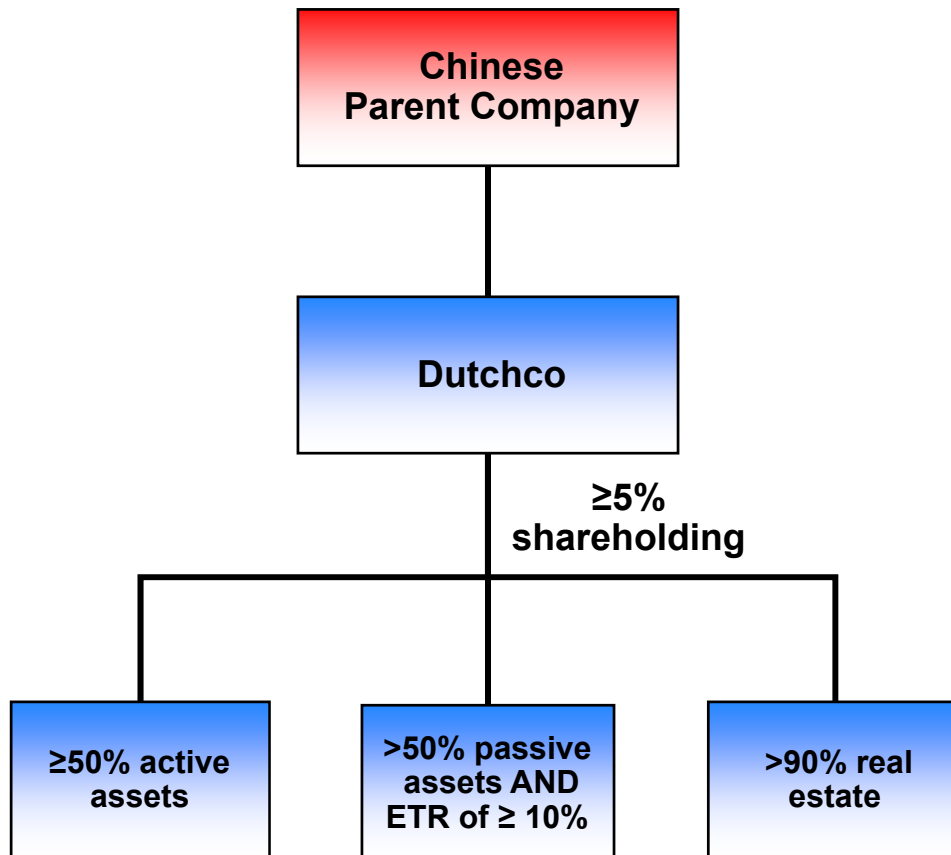


- Dutch participation exemption regime provides for an exemption from Dutch tax on the following income / profit derived from qualifying participations:

- Dividend income; and
- Capital gains

Using Netherlands as a platform to hold and invest

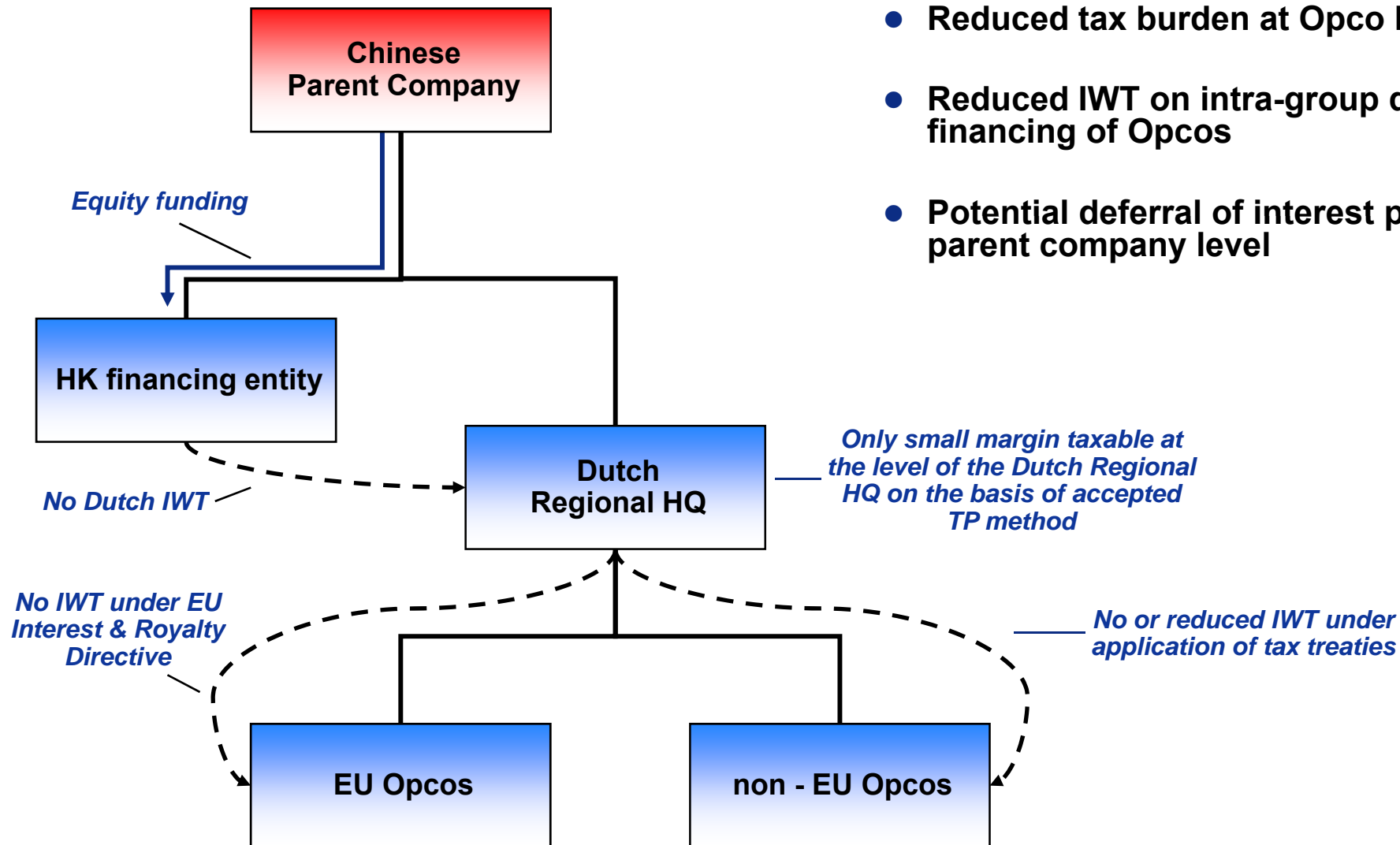
Participation Exemption requirements



- Minimum threshold of 5% equity participation
- No “subject to tax” requirement if the subsidiary has, directly or indirectly, ≥50% active assets
- If the subsidiary has, directly or indirectly, >50% passive assets, a minimum effective tax rate of at least 10% is required
- If assets consist of >90% of real estate, the participation exemption applies irrespective of “passive nature”
- If the participation exemption does not apply, income is taxed and a deemed 5% tax credit is available

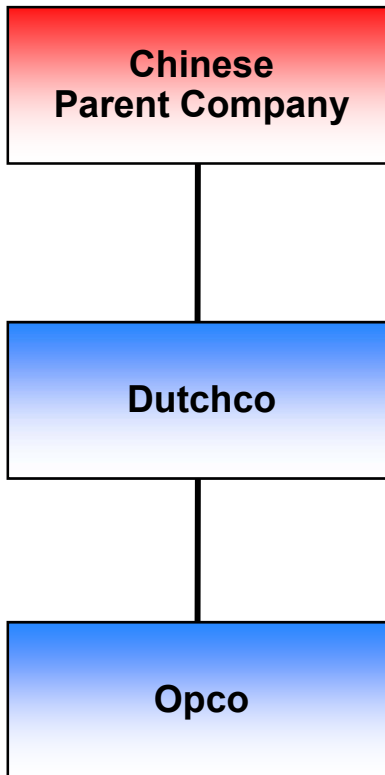
Using Netherlands as a platform to hold and invest

Financing structure



- Reduced tax burden at Opco level
- Reduced IWT on intra-group debt financing of Opcos
- Potential deferral of interest pick up at parent company level

What are the key tax conditions that need to be satisfied to deliver these tax benefits?



Ensure:

- Dutchco is a Dutch tax resident (and not a PRC tax resident)
- Opco is a tax resident of Country B (and not a PRC tax resident)
- Dutchco is the beneficial owner of dividend income derived from Country B
- Anti-treaty abuse rules / doctrines do not apply
- The PRC anti-avoidance rules on “Controlled Foreign Company” do not apply to Dutchco or the Opco

Maximising:

- Parent’s entitlement to credit foreign tax paid on foreign sourced earnings of enterprises in which it has a direct or indirect equity interest of at least 20% against its Corporate Income Tax liability in the PRC

Dutch residency

- Dutchco should not be a letter box company
- *Minimum* substance requirements:
 - Rented office space with phone services, secretariat, equipped meeting room, etc
 - Board of directors made up of at least 50% Dutch residents
 - Board meetings should be held in the Netherlands, with directors in physical attendance
 - Shareholder meetings (e.g., annual general meetings) should be held in the Netherlands
 - Maintain all major corporate documents, books and records in the Netherlands
 - Maintain the main bank account in the Netherlands

Netherlands tax treaty arrangements

<i>Selection of treaties... **</i>	<i>Dividends*</i>	<i>Interest</i>	<i>Royalties</i>
European Union	0%	0%*	0%*
Canada	5%	0/10%	0/10%
China	10%	10%	6%/10%
India	10%	10%	10%
Indonesia	10%	0/10%	10%
Japan	5%	10%	10%
Kazakhstan	0/5%	10%	0%
Korea	10%	10/15%	10/15%
Malaysia	0%	0%/10%	8%
Russia	5%	0%	0%
Singapore	0%	10%	0/15%
Taiwan	10%	0/10%	10%
United States	0/5%	0%	0%
Vietnam	5%	7%	5/10/15%

* Assumes wholly owned subsidiary

** Most treaties allocate the taxing right for capital gains on shares to NL if the company is not “land-rich”

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