



LOYENS  LOEFF

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The Netherlands as investment jurisdiction

Place to be or ancient history?

TTN Conference Hong Kong, 5 February 2018

Agenda

1. Netherlands – perception
2. International developments
3. The Dutch response

1. The Netherlands – perception



The Netherlands?



Netherlands – how we see ourselves



Netherlands – how the others see us



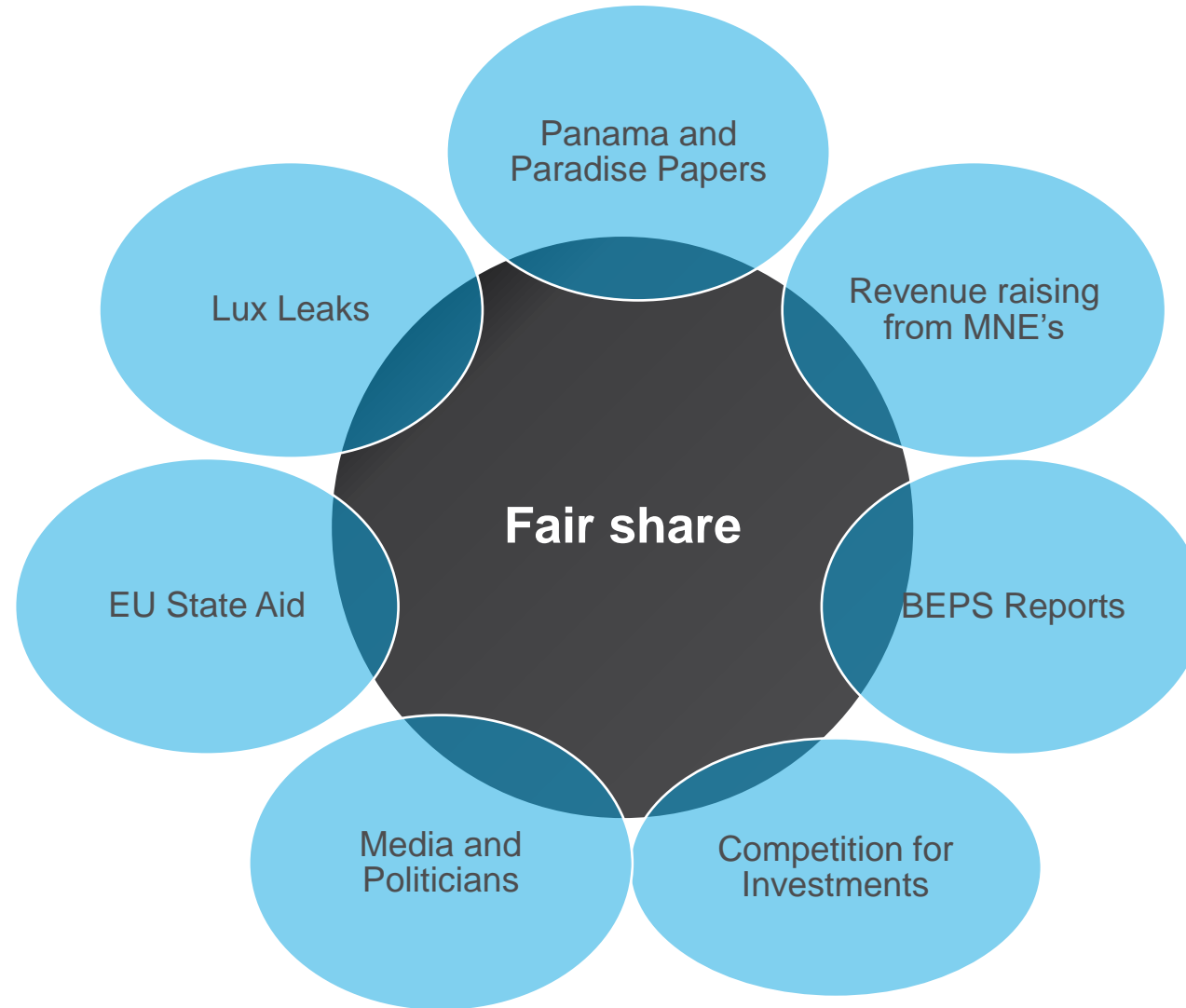
“If the world ever comes to an end,
I will go to the Netherlands,
because everything there happens fifty years later”



2. International developments

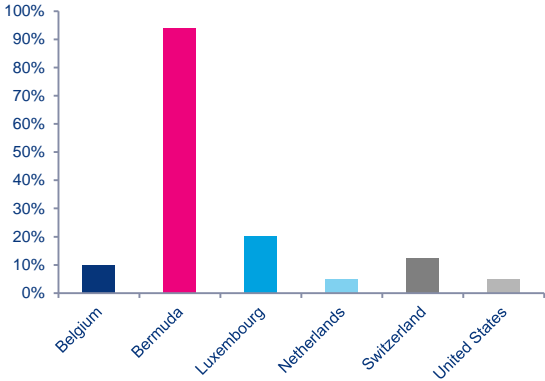


What happened?

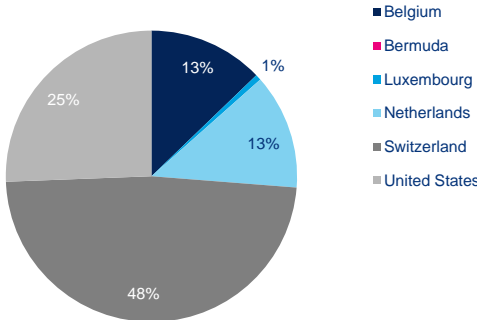


Was it really that bad?

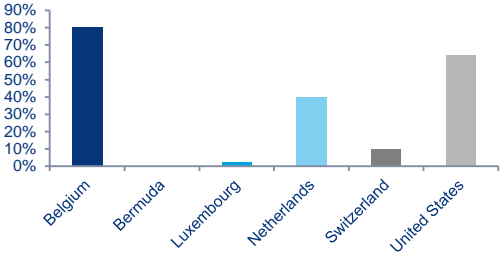
Profit / Total Revenues



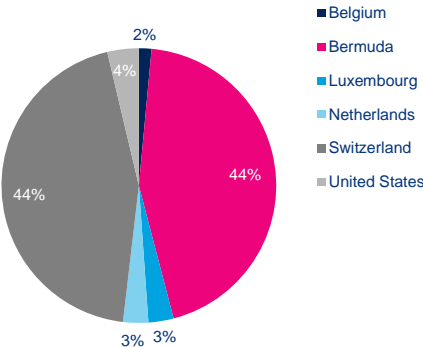
Total Income Tax



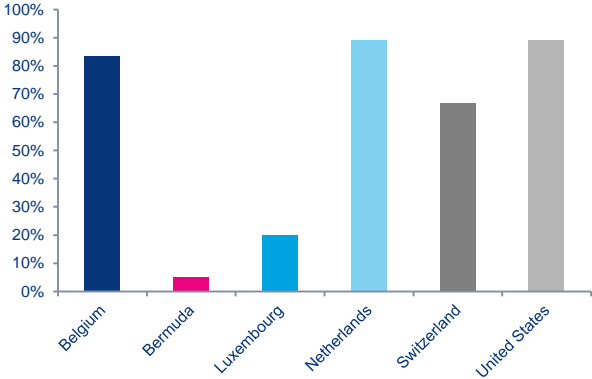
ETR



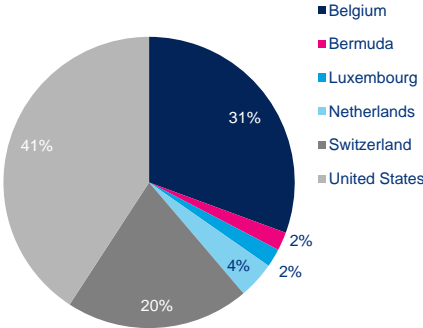
Profit Before Income Tax



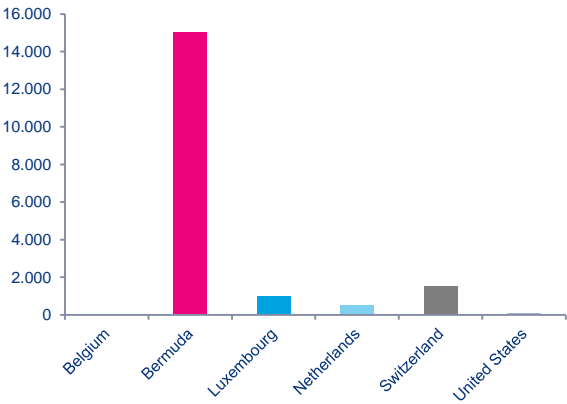
Tangible Assets / Total Assets



Employees



Profit per Employee



Multilateral instrument

The MLI is a treaty:

- That will modify existing tax treaties

Impact:

- Rapid changes to many tax treaties
- Ubiquitous anti-abuse rules in treaties

Transparency

Country-by-country reporting

- Automatic exchange

Master and local file

- Detailed information on group companies

And much more...

- UBO Register
- Rulings
- FATCA and CRS

EU

ATAD and ATAD II

- deductibility of interest
- exit taxation
- general anti-abuse rule (GAAR)
- controlled foreign company (CFC) rules
- hybrid mismatches

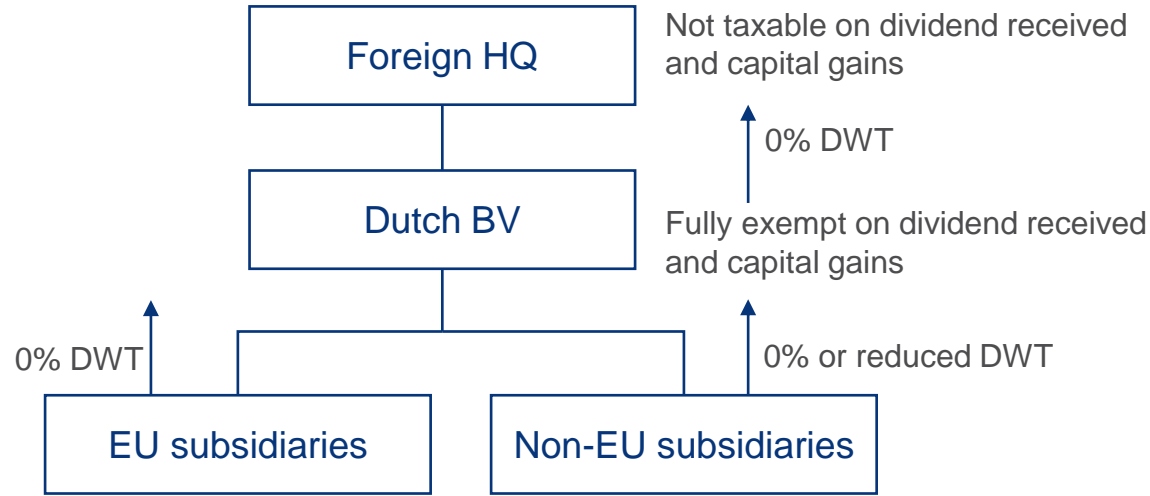
3. The Dutch response



- Netherlands is small country with large ROW and very internationally oriented.
- Foreign investors create 40% of all jobs in the Netherlands.
- Our tax system is designed to create a level playing field between internationally and domestically operating businesses.
- ‘Crown jewels’ are very important to this level playing field and must be defended.
- BEPS is predominantly a source country problem, that should be solved via international consensus and “hard law”.
- Exchange of information (transparency) in combination with targeted anti-abuse rules should avoid undesired treaty and EU directive-shopping.
- Certain level of tax competition between countries is acceptable.
- Use BEPS proceeds to reduce corporate income tax rate.

- Main corporation tax rate to be reduced to 21% per 2021
- Amend rules for Cooperatives (now generally similar to BVs)
- Abolishment dividend tax
 - as of 2020 altogether, unless shareholder in low tax jurisdiction and in case of ‘abuse’
 - as of 2018 already in treaty situations above 5% ownership DutchCo
- New ‘relevant’ substance requirements for intermediate holding companies: salary cost and office at disposal
- Introduce withholding tax on interest & royalties to low tax jurisdictions (and?) in case of ‘abuse’

And how does this affect our typical structure?



- Domestic exemption for foreign income
- Domestic exemption for distributions
- So less dependent on tax treaties and MLI impact
- But... substance will be required

- Beware of increasing anti-abuse rules in Asia (also Korea, Japan etc.), Europe (GAAR, ATAD) and the world (BEPS)
- Focus on substance / people's function – the 'old days' of empty holding companies are over

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Hans Rothuizen, tax adviser, is a senior associate in the tax practice of Loyens & Loeff, where he is member of the investment management and real estate team. Before Hans joined the firm's Hong Kong office, he worked in the Amsterdam office of Loyens & Loeff for over five years.

Hans specialises in domestic and cross-border transactions, group restructurings and mergers and acquisitions, particularly in our home markets the Netherlands and Luxembourg and, being part of the firm's Asia Pacific team, in the Greater China region and Japan. He advises both Dutch and international clients, including family offices, corporate clients and investment funds.

Hans is a member of the Dutch Association of Tax Advisers (NOB) and the Dutch Chamber of Commerce in Hong Kong.

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