



**BDO Seidman, LLP**  
Accountants and Consultants

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## Issue:

### Lower corporate tax and withholding tax rates proposed in the Netherlands.

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# International Tax Alert

## Issue:

The Dutch Cabinet has agreed to proposals for reductions in corporation taxes, dividend withholding taxes and personal income taxes. In addition, the Netherlands are introducing special regimes for royalties and group interest. The proposals are expected to improve the attractiveness of investing in the Netherlands.

## Affecting:

All U.S. persons doing business in the Netherlands.

## Details:

The Dutch Cabinet has proposed to change its tax laws as follows:

- Reduction of the maximum corporation tax rate from 29.6% to 25%;
- Reduction in the corporation tax rate for the first EUR 22,689 of profits from 25.5% to 20%;
- Special tax rate of 5% for interest income;
- Introduction of a "royalty box" in which qualifying royalty income will be taxed at 15%;
- Reduction of dividend withholding taxes from 25% to 15%. It should be noted that the Undersecretary of Finance had mentioned, on an earlier occasion, that dividend withholding tax might be abolished entirely over time.
- Exemption of 9% of business profits generated by small unincorporated businesses. This would lower the effective tax on such business profits from 52% to a maximum of 47.3%.

However, the loss carry forward for corporations, which is currently unlimited, would be limited to 9 years and the loss carry back would be reduced from 3 years to 1 year. In addition, depreciation on investment real estate will no longer be possible if the book value exceeds the fair market value. Real estate used for business purposes can be depreciated up to 50% of the fair market value.

## **Integrity...Trust...Professionalism...Independence...Service**

Parliamentary debates are expected to commence soon. The government hopes that its proposals can enter into force on January 1, 2007. During the course of the Parliamentary debates, the proposals may change and more detail will be available then.

### **How BDO can help:**

The proposed reduction of taxes presents a great opportunity for Dutch corporations and current and future investors. BDO Seidman, LLP and BDO CampsObers, BDO International's Member Firm, can assist with your tax planning.

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