

# BREXIT UPDATE: MOVING YOUR COMPANY TO THE NETHERLANDS



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*"British businesses that export to the continent are being encouraged by government trade advisers to set up separate companies inside the EU in order to get around extra charges, paperwork and taxes resulting from Brexit"* (The Guardian January 23<sup>rd</sup>, 2021).

The Department of International Trade tells UK businesses that the best way to circumvent border issues and VAT problems is to register new companies in the EU. We, being Dutch, obviously will grant you a warm welcome.

Over the last decades the Netherlands has been able to attract many international companies setting up warehousing and distribution activities in the Netherlands. Besides the more obvious reasons like geographic location close to the main European markets, availability of two main ports (Port of Rotterdam and Schiphol Amsterdam Airport), excellent logistics infrastructure and connectivity to the rest of Europe by road, rail and inland waterways there is one important factor that also plays a significant role. The legislation regarding VAT deferral and fiscal representation are considered to be highly attractive in the Netherlands. Even without establishing a local Dutch entity it is possible for foreign companies to make use of this VAT deferral scheme and other fine features of the Dutch tax system.

Please let us tell you how!



## INDIRECT TAX ASPECTS (VAT & CUSTOMS)

### Setting up business in the Netherlands - "the light version"

VAT is due at import, the moment goods form outside the EU are brought into the EU. In order to facilitate trade and bring down the administrative and financial burden the Dutch government made it possible for Dutch companies to make use of the so called "import VAT deferral" (article 23 License). This means that import VAT is reported in the regular VAT where said import VAT is deducted as 'input VAT' so that there is no need to prefinance any VAT upon import. This is one of the 'finer features' of the Dutch VAT implementation and considered to be the most progressive VAT deferral regime in the EU, as the Netherlands is currently the only European country that offers a regime under which import VAT can be deferred in this manner. This results in considerable cash flow benefits for companies importing into the Netherlands.

In order to provide companies that are not registered in the Netherlands but that want to make use of the Dutch mainports and logistics infrastructure the same opportunities as local companies these foreign companies can appoint a fiscal representative in the Netherlands. By appointing a 'fiscal representative' foreign companies can make use of the VAT deferral (just as local companies) and as such also avoid payment of VAT when goods are being imported into the EU.

Archipel offers tax representation through its special purpose company Archipel Tax Representation.

### Setting up business in the Netherlands - "the full version"

The so-called "light version" is a great way to start business in the Netherlands. In due time however, you might want to set up a Dutch corporate structure. This can for example be relevant in case you want to establish a (European) HQ in the Netherlands. Naturally, when that time comes, we can assist you in setting up this company and optimally structure your business in the Netherlands. For completeness' sake, note that a legal entity offers the same benefits from a VAT-perspective. You can therefore still benefit from the Dutch VAT-regime, while having a legal entity located in the Netherlands.

Naturally, Archipel can assist you in fulfilling all your VAT-compliance related matters!



## DIRECT TAX ASPECTS (CORPORATE TAX & WAGE TAX)

### Setting up business in the Netherlands - "the light version"

When doing business in the Netherlands without a legal entity, your local office in the Netherlands will be considered a permanent establishment ("PE") for corporate tax purposes. Any income allocatable to the PE will therefore be taxable in the Netherlands. Having a PE in the Netherlands provides your business with access to the Treaty on the Functioning of the European Union ("TFEU"). Based on the TFEU, you are protected under EU-law from any discriminatory legislation that your business might be confronted with.

Since a PE is treated roughly the same as a legal entity, you are also able to opt for certain special tax regimes. For example, the Dutch wage tax act contains a special regime for highly skilled migrant workers coming to the Netherlands, reducing the wage tax burden for the company as well as the personal income tax burden for the individuals.

Archipel offers a total 'tax service package'. We can assist with Dutch tax compliance as well as any other Dutch tax inquiries that might arise in the Netherlands.

### Setting up business in the Netherlands - "the full version"

From a tax point of view, setting up a legal entity provides several benefits. First, setting up a legal entity in the Netherlands provides you with access to tax credits for R&D work performed in the Netherlands. Second, the Dutch corporate tax system also provides favourable tax rate to companies performing R&D work. A Dutch legal entity allows you to stall your intellectual property in this entity, while at the same time receiving several tax benefits. The intellectual property can then be provided to other subsidiaries in the group, allowing you to resume business activities relatively quickly in case one of the entities in the group is nearing bankruptcy.

Naturally, Archipel can assist you in setting up your corporate structure in the Netherlands (and Europe)!