

# Dutch Ministry of Finance publishes consultation document on possible corporate income tax amendments

An extract from Rain or Shine? July 2009

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On 15 June 2009 the Dutch Ministry of Finance published a consultation document that included a package of corporate income tax measures.

Click on each PricewaterhouseCoopers author's name to contact them directly via email

By: [Martin Vink](#), PricewaterhouseCoopers (Netherlands), T: +31 20 568 6445, [Clark Noordhuis](#), PricewaterhouseCoopers (Netherlands), T: +31 20 568 6717 and [Johan Tammes](#), PricewaterhouseCoopers (Netherlands), T: +31 20 568 5508

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In summary, the measures proposed include the introduction of a group interest box, measures to limit the deductibility on interest expenses (including debt taken out to finance participations), the abolishment of a number of complex rules that currently disallow interest expenses and a further improvement of the participation exemption.

The public is invited to comment on the proposals before 1 August 2009. Based on the responses received, the Dutch Ministry will decide which proposals will be included in a tax bill that, once approved by Parliament, should enter into force with effect from 1 January 2010.

The proposed measures would present an excellent opportunity to use the Netherlands as an international finance centre and head office location. The interest box regime would allow foreign operations to be leveraged from and through the Netherlands without incurring a significant Dutch tax burden. The impact of the proposed interest box regime,

subject to conditions, will result in an effective tax rate on net group finance income/expenses of 5%. In addition, the conditions for shareholdings to qualify for the participation exemption would be simplified and relaxed.

The measures to limit interest deductions may require amendments to existing Dutch leverage structures for certain strategies which use related party and bank debt. For example bank debt used in a private equity setting to acquire shares in a company may be restricted. Alternatives are currently being explored in order to mitigate adverse consequences for groups which may be affected.

Overall, the proposed measures provide a number of opportunities and will also change the way structures are funded in the Netherlands. We recommend reviewing the impact of the proposed measures on existing structures and potential opportunities under the proposed legislation.

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