



Why the Netherlands Is a Strategic Hub: Legal and Tax Reasons

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Introduction

The Netherlands ranks among the world's most competitive economies and is a solid destination for international business and investment. This reputation is built upon a foundation that supports global enterprises. For companies looking to establish or expand their European business, The Netherlands offers a sound option thanks to two major advantages:

- i. a flexible, business-oriented legal framework, and
- ii. a tax system that balances competitiveness with compliance to global standards.

These two advantages make The Netherlands a good choice for conducting international business. We will highlight them in more detail in this publication.



Reason I.

Flexible Legal Framework

The Netherlands has a predictable legal system that combines the stability of modern civil law with a business-oriented approach.

1. Corporate Entities

Dutch corporate law offers many corporate structures that can be tailored to the needs of international operations and provides a choice of entities designed for different scales and purposes, with the B.V. and the Cooperative being most frequently used.

1.1 The B.V. ('Besloten Vennootschap met beperkte aansprakelijkheid' - Private Limited Company):

The B.V. is the workhorse of the Dutch corporate world and the preferred entity for the vast majority of international investors. Recent modernizations have made it one of the most flexible corporate forms in Europe, also referred to as the "Flex BV".

- a. **Capital and Shares:** There is no minimum share capital requirement, removing a barrier to entry. Founders determine the issued capital (which can be as low as a single share of €0.01). Furthermore, the B.V. structure allows for flexibility in share classes, including the creation of non-voting shares (which still retain profit rights) and shares with varying profit or voting rights. This is useful for structuring investments, employee participation plans and complex family-owned businesses. Share transfer restrictions can be included in the articles of association but are no longer mandatory, offering further customization.
- b. **Governance:** The B.V. can have a one-tier board (executive and non-executive directors on a single board) or a traditional two-tier board (a management board and a separate supervisory board). Critically, the articles of association can grant shareholders the right to give instructions to the board of directors, allowing for control by a parent company.

- c. **Profit Distributions:** While flexible, profit distributions are subject to creditor protection. The board of directors must approve any distribution based on the outcome of both a balance sheet test (ensuring net assets remain positive) and a distribution test (confirming the company can continue to pay its due debts).

1.2 The N.V. ('Naamloze Vennootschap' - Public Company):

The N.V. is designed for large corporations and those seeking access to public capital markets.

- a. **Capital and Shares:** The N.V. requires a minimum issued and paid-up share capital of €45,000. Incorporation requires a bank or auditor's statement confirming this payment.
- b. **Shareholder Rights:** In contrast to the B.V., all shareholders in an N.V. must have both voting and profit rights. Share transfers are, by default, unrestricted, befitting a public company.
- c. **Board Governance:** Shareholder influence is more limited compared to a B.V.; they can only provide general guidelines, not specific instructions, to the board, preserving greater board autonomy.

1.3 The Cooperative ('Coöperatie'):

This entity has evolved into a popular alternative for international holding, financing and royalty structures.

- a. **Membership, Not Shareholding:** The cooperative is an association with members, not shareholders, requiring a minimum of two incorporators. It has no minimum capital requirements.
- b. **Liability Customization:** The extent of member liability in case of bankruptcy can be defined in the articles of association. The abbreviations WA (*Wettelijke Aansprakelijkheid* / Full Liability), BA (*Beperkte Aansprakelijkheid* / Limited Liability), or UA (*Uitgesloten Aansprakelijkheid* / Excluded Liability) must be included in the name.

- c. **Governance and Profits:** The cooperative offers a less regulated governance structure with only a board and the members' meeting, and profit entitlements are typically linked to the members' contributions or level of engagement.

1.4 The Incorporation Process:

The process of establishing a Dutch entity is straight-forward and efficient. It requires execution of a notarial deed before and by a Dutch civil-law notary (*notaris*). The incorporation process can be managed remotely through powers of attorney, making the process accessible to anyone, anywhere. Following incorporation, the entity must be registered with the Dutch Chamber of Commerce (*Kamer van Koophandel, KvK*), which makes key information publicly available and serves the interest of transparency.

2. Mergers & Acquisitions

2.1 Dutch Law Particularities in the M&A Process

Successfully executing an M&A deal in the Netherlands requires a structured approach that respects local laws. While Dutch law offers freedom of contract in private deals, a well-defined process is required for navigating the transaction.

Preliminary Phase & Preparation: Sellers must first get their house (or that of the subsidiary) in order. As in any other jurisdiction, this involves cleaning up the balance sheet, managing working capital, ensuring key employee and customer contracts are formalized and secure and assessing market timing for the sale. Under Dutch law, there may be an obligation to involve the works council at this stage.

Letter of Intent (LOI): Unlike its name, under Dutch law, a letter of intent may contain binding obligations for the parties. Careful drafting is required in order to avoid unanticipated obligations and ensure that the intent of the parties is correctly reflected.

Due Diligence (DD): Legal DD review in Netherlands targets requires an emphasis on employment, data protection and regulatory compliance alongside the usual financial and legal checks.

Contract Phase and Closing / Completion: Share sales in a B.V. are the most common transaction structure. The process culminates in the negotiation of the Sale and Purchase Agreement (SPA), the legally binding contract governing the transaction. Under Dutch law, transferring B.V. shares must be executed via a notarial deed executed by a Dutch



notary (*notaris*). This execution is considered the moment of closing or completion of a transaction.

Transaction Structure trends: The following key legal trends have recently been identified in the Dutch M&A market:

- Warranty & Indemnity insurance
- Earn-out structures
- Partnerships as an alternative to full acquisitions

Purchase Price Mechanisms: To manage the financial position between signing and closing, parties often choose a 'locked box' mechanism (a fixed price effective from a past balance sheet date). Like in most European countries, the concept of 'closing accounts' (an adjusted price based on the closing date balance sheet) is also used but less common.

Works Council Involvement: A feature of Dutch M&A is the potential involvement of the works council (*ondernemingsraad*). If the target company meets a certain employee threshold, the works council has a right to be consulted on the proposed transaction before a final decision is made. The same will apply to the seller or buyer, and to joint ventures partners, provided they are Dutch legal entities with a works council.

2.2 Regulatory Approvals

The Netherlands traditionally had an open economy with little restrictions on foreign direct investment. As a result of EU legislation, recent changes have been made to the regulatory landscape for investments in the Netherlands.

- Sector specific:** Sector specific regulatory requirements for investments in (i) (electric or gas) power stations, facilities or companies, (ii) the financial sector, (iii) the telecommunications sector and (iv) the healthcare sector have been introduced over time.
- Investment Screening:** A broader investment screening was introduced in 2023, following EU regulations. It concerns investments into any target company that is a vital provider, active in sensitive technology or manager of a corporate campus. The competent authority for investment screening is the BTI (*Bureau Toetsing Investeringsen*) and it reviews whether a transaction poses a threat to Dutch national

security. Such review needs to take place prior to the closing of a transaction. One difference to other EU countries is that the investment screening is also required for Dutch investors. In our experience, the BTI is cooperative and processing times are reasonable: the annual report 2024 issued by the BTI shows that in 2024, 25% of the investigations were handled in less than 25 days and 50% were completed between 35 and 72 days.

- Merger Control:** While many private deals do not require pre-approval, transactions exceeding certain revenue thresholds must be notified to the Netherlands Authority for Consumers & Markets (ACM) for merger control clearance. The relevant cumulative thresholds are: the companies that are merging have a combined worldwide annual turnover of €150 million or more, and at least two of the companies involved each have an annual turnover of €30 million or more in the Netherlands.

3. Efficient Dispute Resolution Mechanisms, Stable Labor Law environment and IP Protection

Beyond corporate structures and M&A transactions, the Dutch legal and regulatory system offers / efficiency and stability for international businesses.

3.1 Dispute Resolution

The Netherlands Commercial Court (NCC):

Established in 2019, the NCC is a specialized chamber within the Amsterdam District Court that conducts (public) proceedings entirely in English. Its judges are experts in international commercial law, and its procedures are designed for speed and efficiency. This provides foreign companies with the assurance that their disputes will be heard in a language they understand by judges with comprehension of their business.

Hub for International Arbitration: The Hague is home to the Permanent Court of Arbitration, and the Netherlands is a seat for international commercial arbitration under various rules (e.g., ICC, UNCITRAL). Dutch arbitration law is aligned with international best practices. The Netherlands Arbitration Institute (NAI) renders high standard arbitration and arbitral awards. When Dutch

law is involved, NAI arbitration is a good choice as compared to ordinary court proceedings, specifically if secrecy of the matter is of importance.

3.2 A Predictable and Structured Labor Law Environment

While Dutch labour law is known for its strong employee protections, this also creates a predictable and stable environment for employers.

Structured Dismissal Procedures: The system for terminating employment contracts is defined, with specific routes depending on the reason for dismissal (economic reasons via the UWV employee insurance agency; personal reasons via the cantonal court). This structured process, though rigorous, reduces ambiguity and the risk of unpredictable litigation common in other legal systems.

The Highly Skilled Migrant (HSM) Visa Program:

This is a key regulatory advantage. The HSM program offers a fast-tracked procedure for non-EU nationals who meet a certain salary threshold. It allows companies to bring in global talent, with processing times often measured in weeks only.

This administrative efficiency is a tool for building a skilled workforce.

Subject to certain conditions, employees hired outside the Netherlands can apply for a ruling allowing employers to pay 30% of the wage taxfree, including allowances. This scheme may be applied up to the maximum amount under the Standards for Remuneration Act (€246,000 in 2025). Furthermore, the 30% facility will be scaled back to 27% from 1 January 2027 onwards. The limitations will not apply to applicants who already applied the 30% ruling before 1 January 2024.

3.3 Strong Intellectual Property (IP) Protection

Specialized IP Courts: Dutch courts, particularly in The Hague, have specialized judges with technical and legal expertise in patent, trademark, and copyright law. They are known for their efficient handling of complex IP litigation, including cross-border injunctions.

Strategic Role in the Unified Patent Court (UPC):

The Hague hosts a local division of the UPC, reinforcing the Netherlands' central role in the new European patent system.



Reason II.

Internationally Renowned Tax System

Complementing the Dutch legal framework is the Dutch tax system, a cornerstone of the country's appeal to international business. The system offers a fiscal environment that is compliant with OECD standards, providing businesses with clarity and the benefits of a network of tax treaties and an accessible tax administration.

1. Corporate Income Tax (CIT): The Core Framework

1.1 Progressive Rates: The Netherlands employs a two-bracket CIT system. For 2025, the rate is 19% on the first €200,000 of taxable profit and 25.8% on profits exceeding that threshold. This structure provides relief for SMEs and smaller subsidiaries of multinational groups.

1.2 The Participation Exemption: It provides a 100% exemption from CIT for all benefits (dividends and capital gains) from a qualifying subsidiary (generally a holding of 5% or more). To qualify, the subsidiary must either pass a "motive test" (i.e. not be held as a passive investment in a low-tax jurisdiction) or, if it is a portfolio investment, meet either an effective tax rate test (taxed at a rate of at least 10%) or an asset test (less than 50% of its assets are low-taxed passive assets).

1.3 The Innovation Box: The Netherlands offers an Innovation Box regime. Profits attributable to self-developed qualifying intangible assets (for which a WBSO R&D certificate is obtained) are taxed at a highly reduced effective CIT rate of 9%. This provides an incentive for companies to base their R&D and intellectual property in the Netherlands.

1.4 Fiscal Unity: The fiscal unity regime allows Dutch-resident companies within a group (with at least a 95% shareholding) to file a consolidated CIT return. This enables horizontal and vertical loss offsetting within

the group and eliminates taxable gains on intercompany asset transfers.

2. Transparent Tax Authority (*Belastingdienst*)

Companies can seek upfront certainty on their tax positions (rulings) by obtaining:

2.1 Advance Pricing Agreements (APAs): Binding agreements on the arm's length nature of transfer pricing for related-party transactions.

2.2 Advance Tax Rulings (ATRs): Binding rulings on the application of Dutch tax law to a specific set of future transactions, such as the applicability of the participation exemption.

This cooperative stance of the Tax Authority provides certainty for businesses and minimizes the risk of future tax disputes.

3. Commitment to Global Standards (OECD/EU)

The Netherlands is aligned with international tax standards, ensuring its reputation as a transparent and fair jurisdiction.

3.1 Pillar Two Implementation: As of 2024, the Netherlands has implemented the OECD's Pillar Two rules, ensuring that multinational groups with over €750 million in revenue are subject to a minimum effective tax rate of 15% in every jurisdiction they operate. This is enforced through a Qualified Domestic Minimum Top-up Tax (QDMTT), an Income Inclusion Rule (IIR), and an Undertaxed Profits Rule (UTPR).

3.2 Anti-Tax Avoidance Directives (ATAD): The Netherlands has implemented all EU ATAD measures, including Controlled Foreign Company (CFC) rules, limitations on interest deductibility (an earnings stripping rule limiting net interest expenses to 24.5% of tax-based EBITDA, with a €1 million threshold), and rules against hybrid mismatches.

3.3 Conditional Withholding Tax: To prevent its use as a conduit to tax havens, the Netherlands levies a withholding tax at the top CIT rate (25.8%) on interest, royalty, and dividend payments to jurisdictions with a statutory CIT rate below 9% or those on the EU's list of non-cooperative jurisdictions.

4. Value Added Tax (VAT): A Cash-Flow Advantage

The efficiency of the Dutch VAT system is amplified by its seamless integration with the customs administration.

4.1 Import VAT Deferment (Article 23 License):

This is an advantage. Companies with a license can defer the payment of VAT on imported goods from the point of entry to their periodic VAT return. In that return, the VAT due is reported and simultaneously deducted as input VAT, resulting in zero cash-flow impact. This provides a liquidity advantage compared to other EU member states where import VAT must be paid upfront.

4.2 Efficient Administration: With standard (21%), reduced (9%), and zero (0%) rates, the system is aligned with EU norms. VAT refund requests are typically processed swiftly, often within weeks, further benefiting corporate cash flow.

4.3 VAT Grouping: In addition to CIT fiscal unity, groups of financially, organizationally, and economically linked companies can form a VAT group. This allows the group to be treated as a single taxable person for VAT, eliminating the need to charge VAT on intra-group transactions. This simplifies administration, reduces compliance burdens, and improves cash flow.

4.4 Customs Simplifications: Beyond the Article 23 import VAT deferment, the Dutch Customs authorities offer simplified procedures and licenses. These include bonded warehousing (allowing goods to be stored indefinitely without paying duties or VAT until they enter free circulation) and inward/outward

processing relief. The authorities are known for their pragmatic, risk-based approach, which speeds up logistics and reduces administrative friction for traders.

5. Advanced Loss Utilization Rules

The Dutch system for utilizing tax losses is both flexible and designed to promote long-term stability.

5.1 Indefinite Carry-Forward: Corporate tax losses can be carried back one year and carried forward indefinitely. This provides businesses with the assurance that they can offset future profits with losses incurred during startup or downturn periods, which is valuable for capital-intensive and cyclical industries.

5.2 Balanced Utilization Cap: To ensure fiscal stability, the use of carried-forward losses is subject to a cap. Losses can be fully offset against the first €1 million of taxable profit in a given year. Above that amount, only 50% of the remaining profit can be offset by losses. This structure provides full relief for smaller companies while ensuring larger corporations contribute to the tax base.

Summary

In summary, the Netherlands offers an attractive ecosystem for international business, which combines legal and fiscal certainty. It is flexible through corporate forms like the "(Flex) B.V." and the cooperative, supported by an M&A-friendly environment and the possibility for English-language dispute resolution. This is supported by a tax system that is both competitive and transparent. Features such as the 100% participation exemption, the 9% innovation box, and VAT cash-flow advantages create an incentive for investment. This pro-business stance is anchored in a productive relationship with the tax authorities and commitment to global standards.

Together, these legal and tax pillars create a reliable platform for international companies to thrive.

About BUREN

BUREN is an independent international law firm with a global focus and crossborder transactional expertise. The firm's heritage dates back to 1898.

More than 100 professionals including 70 lawyers, tax lawyers and civil law notaries working from our offices in the Netherlands, Luxembourg and China.

Expertise

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- Notarial Services
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- Restructuring & Insolvency
- Dispute Resolution
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- The firm works closely together with its clients to tailor solutions in alignment with their business goals.
- International reach through carefully established best friends network with premier and reputable law firms and other service providers.
- Equipped for large deals, though focusing on a personal approach and understanding the business.
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- Excellent track record on cross border transactions.
- Dedicated relationship partner attention.

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- Dedicated foreign desks (China, Germany, Hong Kong, Japan, Kazakhstan, Spain/Latin America and India) staffed by native speakers and professionals who have a deep knowledge of local business and culture.

What our clients say

- "Very flexible, efficient and transparent. It's a pleasure to work with the firm."
- "Quick to the point and practical advice."
- "Very dedicated and results-driven with a dynamic style and approach that is appreciated."
- "In their practice areas an excellent alternative to the larger international law firms operating in the Netherlands and much more cost-efficient."
- "Impressed with the quality of work, responsiveness and the approach of the team."



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