

*Tax News Bulletin**3 June 2016*

Dutch State Secretary of Finance intends to eliminate different dividend withholding tax treatment of Dutch Cooperatives

On 27 May 2016, the State Secretary of Finance sent a letter to the Second Chamber of Parliament, indicating the Government's intentions for the upcoming 2017 budget proposals of September 2016. In this letter, the State Secretary also addresses the dividend withholding tax treatment of Cooperatives.

In previous letters of 27 November 2015 and 2 February 2016, the State Secretary of Finance had already announced an investigation regarding the difference in treatment between on the one hand co-operatives and on the other hand limited liability companies such as the NV and BV. Profit distributions by an NV or BV are subject to dividend withholding tax, while profit distributions by co-operatives in international holding company structures are exempt from dividend withholding tax (except in cases of perceived abuse). The Government believes there is no reason for this difference in treatment. The 2017 budget proposals of September 2016 will include more detailed information on the Government's intention to eliminate this difference in treatment. Subsequently a draft bill shall follow, which is intended to become effective on 1 January 2018.

According to the State Secretary for Finance, the starting point is that Netherlands Government remains in favor of 0% DWT in corporate structures where a chain of/between genuine business activities is concerned. Co-operatives forming part of a chain of/between genuine business activities will not be targeted by the draft bill. The State Secretary for Finance considers such a solution feasible.

If you would like to learn more about these letters, please contact your trusted OHP tax advisor.