

Dutch policy change: no international tax rulings without economic nexus in Netherlands

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The Dutch government has announced that a new procedure for issuing international tax rulings will be in effect as of 1 July 2019. A ruling will now be granted only if the applicant has an “economic nexus” in the Netherlands. No ruling will be issued if the applicant’s predominant goal is to save Dutch or foreign tax. An “economic nexus” means the applicant must engage in operational activities in the Netherlands, with a staff sufficient for that activity. The staff must also be proportionate to the total staff within the group (for example, staff for a financing function in the Netherlands vs. staff for the total treasury functions of the group). Under the new procedure, summaries of rulings will be made public in anonymised form.

Presumably, existing rulings, which are not eligible for renewal under the new procedure, will be honoured during their remaining term. Clients that are considering the possibility of obtaining a ruling and clients with tax rulings currently in place will have to consider whether they will still be eligible to obtain or renew a ruling under the new procedure.