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Setting up a business in **the Netherlands**



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Thanks to its central location, the Netherlands is a gateway to Europe with access to the largest markets

The Netherlands is one of the most open economies in the world. It offers excellent infrastructure - including Europe's largest port, world class transport and logistical support, excellent IT infrastructure, a competitive business climate and a strong workforce.

Over 90% of the population speaks English, with the majority of the workforce being multilingual. The Netherlands hosts many foreign workers, most of them highly skilled.



Establishing a Business in the Netherlands

Legal Entities

A Dutch limited liability company (BV) is the legal form which is most commonly used by foreign company to structure business operations in the Netherlands.

But there are alternatives including public company limited by shares (NV), Dutch branch of foreign legal entity and partnership.

Capital Requirements

There is no minimum share capital requirement for a BV. The minimum share capital of an NV is €45,000.

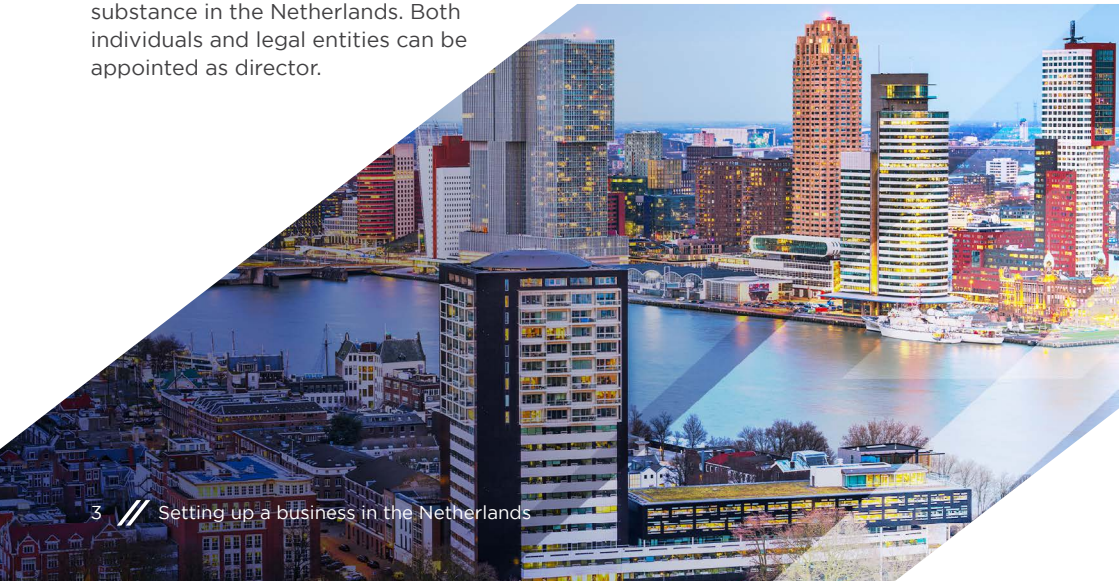
Local Director/Officer Requirements

From a legal point of view there is no need to appoint a local director or officer. Also foreigners can be appointed. However, depending on the circumstances, it may be advisable to have a board of directors which consist for at least 50% of Dutch resident directors to enhance the company's substance in the Netherlands. Both individuals and legal entities can be appointed as director.

Opening Bank Accounts

Traditional Dutch banks are generally hesitant to open bank accounts for foreign individuals, especially in case of complex ownership structures and in cases of limited operational activities in the Netherlands. An existing relationship with a foreign bank that has a branch in Netherlands could be helpful.

Alternatively, ZEDRA can assist with applying for an account with a regulated e-Money Institution (EMI) that offers a transaction banking platform. Such platform facilitates payments without being a bank. An EMI is regulated and funds are held in segregated accounts with Tier 1 banks.



Employment

Dutch law is partly codified and the Civil Code is the most important single source of employment law dealing with employment contracts, including basic principles, probationary periods, fixed term and temporary agency work contracts, and termination of contract.

It also regulates related matters such as pay, annual leave, sick leave, part-time work, transfers of undertakings and sex discrimination. Outside the scope of the Civil Code, major individual statutes (often implementing EU law) deal with areas such as equality and non-discrimination, working time and rest, parenthood- and care-related leave, flexible forms of employment, health and safety, and employee representation. Case law, especially that of the Supreme Court, plays a significant role in interpreting employment-related legislation.

Working Visa Requirements

The main rule is twofold for all foreign nationals except for nationals of the EU Member States, the European Economic Area (includes the EU as well as Norway, Liechtenstein and Iceland) and Switzerland a work permit is required. The employer is responsible for obtaining the required work permit.

All foreign nationals (except those from EU Member States, the EEA and Switzerland) who want to reside in the Netherlands for a period exceeding three months (90 days in any period of 180 days), require a residence permit.

A residence permit is always explicitly issued for a specific purpose of stay in the Netherlands, e.g. work, study or family reunification.

In order to obtain a residence permit, several conditions must be met. A residence permit is normally granted after a work permit has been granted.

Payroll

In the Netherlands, payroll contributions typically involve one payment before the end of the month. Work done between the first and last day of the month is generally paid at the end of the month. Employees often receive their payslip and salary once a month rather than every two weeks, as in most parts of the world.

The monthly minimum wage paid to workers in the Netherlands (21 years and older) is €2,069.96. The hourly minimum wage increased to €13.27 for 2024.

Employee Benefits

In addition to mandatory employee benefits, which are covered by the national insurance scheme and employee insurance scheme, such as General Old Age Pension, Child Support, Unemployment Insurance and Paid Sick Leave, the following optional benefits are common in the Netherlands, depending on industry, role and applicable collective labour agreement:

- | Retirement pension (in addition to basic General Old Age Pension)
- | Health insurance
- | Travel allowance
- | Mobile phone, laptop, company care (depending on business needs)
- | Flexible and part time working hours

Annual Leave and Statutory Sick Pay

The minimum statutory leave is 4 times the number of hours they work per week. For example, if they work 40 hours a week, they will then be entitled to $4 \times 40 = 160$ hours of leave per year. The amount of statutory leave is calculated proportionally for employees that work part time. Employees are entitled to their wages during their holidays. In addition to paying wages, there is in principle a statutory requirement to pay employees holiday allowance amounting to 8% of the employee's gross annual salary.

There is no maximum amount of sick days one can receive in the Netherlands. If an employee becomes ill, employer is required to pay a minimum of 70% of last earned wages (most collective labour agreements stipulate 100% during the first year and 70% during the 2nd year of illness) for a maximum period of two years.

Statutory Maternity & Paternity Leave

Pregnant employees are entitled to 6 weeks pregnancy leave (before the due date) and at least 10 weeks maternity leave (after childbirth). In total your employee has a right to at least 16 weeks of leave. Employers can apply for maternity benefit for their employee to the Employee Insurance Agency.

If the partner of an employee gives birth, the employee has a right to 1 week of parental leave for partners after the birth. During this period of leave you must continue to pay 100% of the employee's salary. In addition, partners have the right to 5 weeks unpaid leave in the first 6 months after the birth.



Tax and Social Security Contributions

Employee contributions

Personal income tax rates and employee social security contribution rates for 2024 are presented in Table 1.

Social security contributions are due when you are considered a resident of the Netherlands; or subject to payroll tax in the Netherlands in respect of employment carried out in the country.

National insurances are collected through the withholding of tax from the employee by the employer and are paid by the employer to the Dutch Tax Authorities together with the withheld wage tax and employers contribution on a monthly basis. % is based on age and salary employee.

The rates below are for people that have not yet reached pension age.

Taxable income			Social security contributions %	Total rate %
Exceeding €	Not exceeding €	Tax rate %		
0	38,098	9.32	27.65	36.97
38,098	75,518	36.97	0	36.97
75,518		49.5	0	49.5

Table 1

Employer contributions

The employer social security contributions rate is approximately 30%. It differs slightly depending on the classification of the employer and the type of employment contract (indefinite/fixed term).

When the necessary conditions are met (often for highly skilled foreigners who can be seconded to the Netherlands), the employer can grant a tax-free allowance equivalent to 30% of the gross salary subject to Dutch payroll tax. In other words 30% of the salary is tax free.

Tax and Accounting

VAT

In general, companies which qualify as entrepreneurs for VAT purposes reclaim input VAT. Companies whose core business is holding shares in subsidiaries (so-called 'holding companies') and do not carry out any actual economic activities, do not qualify as entrepreneurs for VAT purposes.

The standard VAT rate is 21%. Certain supplies are eligible for a reduced VAT rate of 9%.

Corporate Tax

The rate is 19% up to a taxable amount of €200,000 and 25.8% on the excess.

Transfer Pricing

The Dutch tax law includes the arm's-length principle (codified in the Corporate Income Tax Act). The arm's length principle implies that for the determination of taxable income, related-party transactions should be based on terms and conditions that would have applied in comparable circumstances if the involved parties were not related.

The Dutch tax law contains specific transfer pricing documentation requirements. Transactions between associated enterprises (controlled transactions) must be documented to establish how transfer prices were determined and provide a basis for determining whether the terms of the intercompany transactions would have been adopted if the parties were unrelated. If such information is not available on request in the case of an audit or litigation, the burden of proof with respect to the arm's-length nature of the transfer prices shifts to the taxpayer. Also, the taxpayer is exposed to possible noncompliance penalty charges.

Accounting Principles

Financial Statements can be prepared on the basis of Dutch GAAP or IFRS.

Financial Reporting Complexity

There is no legal requirement to perform the bookkeeping and prepare the statutory accounts in the Netherlands. However, depending on substance requirements, it is often recommended to perform the bookkeeping in the Netherlands.



Audit

There are four size categories: micro, small, medium and large.

Only medium and large companies and companies that apply IFRS are obliged to have their annual report audited.

The category a company falls into is assessed on the basis of three criteria:

| Balance sheet total

| Net turnover and

| Average number of employees during the financial year

If a legal entity meets two of the three criteria for two consecutive financial years, the legal entity falls within the relevant category.

	Micro	Small	Medium	Large
Balance sheet total	not exceeding €450,000	not exceeding €7.5 million	not exceeding €25 million	more than €25 million
Net sales	not exceeding €900,000	not exceeding €15 million	not exceeding €50 million	more than €50 million
Average number of staff	less than 10	less than 50	less than 250	250 and more

Conclusion

With numerous advantages, such as its favourable business climate, strategic location within Europe, and access to a highly skilled, multilingual workforce, it's unsurprising that the Netherlands remains an attractive destination for those looking to expand their operations in Europe.

However, as with any new market entry, success requires careful preparation.

Conducting thorough market research, understanding local competition, and recognising key differences in business culture are crucial steps to ensure you and your team are well-prepared.

While entering a new market may seem daunting, with proper planning and the guidance of experienced advisors, companies can effectively navigate the challenges of the local business landscape.

By doing so, they are well placed to fully capitalise on the unique advantages the Netherlands has to offer and successfully establish their presence.

How ZEDRA helps companies expand

ZEDRA's Global Expansion teams are an essential resource for internationally expanding companies, providing advice when clients enter a new market and continued support as their operations grow.

Whatever your size or location, our global compliance and planning services allow you to focus on your core business.

We work with trusted experts in over 90 countries worldwide to deliver services to multinationals across all sectors, providing guidance on how best to operate in-country.

Why ZEDRA?

Clients often tell us they chose us because of our:



Experience

Together, our dedicated multidisciplinary team has decades of experience helping companies expand into new markets.



Service

Quality, efficiency and expertise underpin everything we do. We get to know your changing needs over time and adapt and evolve our offering alongside your business.



Communication

We think of ourselves as an extension of your team and maintain a close working relationship with everyone including your other professional advisors, leadership team and individual employees.



Pricing

We provide scalable, tailored charging structures dependent upon the level and complexity of the services required. We know how important transparency is and fees are communicated and agreed upon at every stage.



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DO MORE. ACHIEVE MORE.

Corporate &
Global Expansion

Active Wealth

Pensions & Incentives

Funds



Cayman Islands | Curaçao | France | Guernsey | Hong Kong | Isle of Man |
Jersey | Liechtenstein | Luxembourg | Malta | Netherlands | Poland |
Romania | Singapore | Switzerland | United Kingdom | United States

For our local teams of experts go to [zedra.com](https://www.zedra.com)
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ZEDRA Group

The content of this document is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

This document must be read in conjunction with our Legal and Regulatory notice at www.zedra.com



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