



HOW TO SET-UP A BUSINESS IN THE NETHERLANDS

A. Legal forms:

In the Netherlands there are two types of legal forms:

1. Legal forms which do not involve a legal entity (Your entire personal assets are liable for obligations):

- **Self employed / Freelancer**

The freelance or self employed situation is defined on the basis of a number of criteria:

1. *independent in organizing and carrying out your own work activities.*
2. *focus on the perspective of making profit*
3. *making the business visible for outside the world*
4. *having a client base consisting of multiple clients.*
5. *following social security legislation (if somebody works as a freelancer and is considered to be self-employed, his/her client does not have to deduct social security premiums from the freelance payments. If somebody is not considered to be self-employed, the client does have to deduct social security premiums).*
6. *Tax legislation (freelancers and entrepreneurs have to pay turnover tax and income tax)*

- **Limited partnership (CV)**

The limited partnership (CV) is a special form of the partnership under common firm (VOF).

There are two sorts of partners:

- *active partners (The active partner is active as an entrepreneur)*
- *limited or sleeping partners (The sleeping partner stays in the background and tends to finance the business. He has much less authority and bears less risk. He is not allowed to act as active partner and his name cannot be used in the name of the partnership.)*

A limited partnership tends to develop from a sole trader or general partnership when a sleeping partner enters the business to provide extra finance for growth.

A partnership agreement is not compulsory, but is in fact essential. The agreement states the length of the limited partnership, the contribution, authority, profit share and the arrangements for resignation of the two sorts of partners. You can either ask a civil notary to draw up the contract or do it yourself using a model contract.

Generally the tax authorities consider active partners to be self-employed entrepreneurs. Active partners can therefore benefit from tax allowances for the self-employed, the fiscal retirement reserve, the working partner's allowance and termination allowance. Each active partner pays income tax over his or her share of the profits.

If the sleeping partner only provides capital for the business without any liability towards the business creditors, the new tax system does not consider the sleeping partner to be an entrepreneur. It considers him or her to have joint entitlement.

The entrepreneur is the taxpayer on whose account the business is run and who directly commits the business to obligations.



2. Legal forms which do involve a legal entity (You are liable for the amounts that you have invested. Like an individual, a legal form with a legal entity has independent rights and obligations):

- **Private company with limited liability (BV - besloten vennootschap)**

A besloten vennootschap (BV) is a company limited by shares (private limited company), whose shares are privately registered.

A BV may be incorporated by one or more 'incorporators', being either individuals and/or legal entities. One single individual or entity alone, whether Dutch or foreign, may be the only incorporator and full management board at the same time; no secretary is needed. If there is only one shareholder, this fact will not entail personal liability, but his name will be registered as such in the certificates of registration of the BV issued by the trade register. Shareholdings are registered in the shareholders register, that must be kept in the office of the company.

The incorporator can choose how high the share capital will be, which can even be € 1. There must at least be one share with one voting right. A share can have a voting right, a profit right or both.

Since 1 January 2006 the capital tax on the issue of shares no longer exists.

The management board has unlimited powers to act for the company, as do the individual board members unless restricted by the articles of association. The only restriction allowed, however, is to require joint signatures. Therefore, if one wishes to grant limited powers to a director, he or she should either not sit on the board, or only be granted joint powers; after which the board if desired can supplement these powers with any type of standing or specific power of attorney granted to the same director, in addition to his statutory powers. The only case where a board member will be precluded from validly representing the BV, is when he has a personal interest in a specific transaction, unless the articles of association overrule this restriction.

Usually, the board is appointed for an indefinite period. After incorporation, the authority to appoint and discharge members of the management board rests with the general meeting of shareholders, unless such authority has been vested in a supervisory board in which a works council is represented. A BV however can do without a supervisory board, as long as it employs less than 100 workers in The Netherlands.

- **Association (vereniging)**
- **Public company (NV)**
- **Foundation (stichting)**



B. How to open and run a company in the Netherlands in 10 steps:

Step 1:

You need to make sure that you will be allowed to stay in Netherlands to maintain your business. If you come from outside of the European Union, this means that you will need a residence permit (MVV).

Step 2:

You need to register with your local municipality and organise a BSN number (burgerservicenummer) for yourself.

Step 3:

You need to decide which type of business you would like to set-up.

Step 4:

You should have come up with a trade or company name for your business which is unique within the Netherlands. You can check with the Benelux Office for Intellectual Property to make sure your business name has not already been taken.

Step 5:

When you have decided on the type of business you would like to start, then you need to have it registered with the KvK (Kamer van Koophandel), the Dutch Chamber of Commerce. In order to register at the KvK you must bring: a valid form of ID; the rental contract if your business is not conducted from your home address.

Step 6:

Having a business plan committed to paper, while not compulsory, is recommended. You can get some advice and information on this at the KvK office before registering your business (see <http://www.kvk.nl/> for details)



The screenshot shows the homepage of the Dutch Chamber of Commerce (KvK) website. At the top, there is a navigation bar with links for 'English', 'Over de KvK', 'Pers', 'Contact', and 'Inloggen'. Below this is a search bar with the text 'Zoeken' and a magnifying glass icon. The main content area is divided into three columns:

- Inschrijven en wijzigen** (Registration and changes):
 - > Inschrijven bij de KvK
 - > Wijziging doorgeven
 - > Jaarrekening deponeren
 -
 - > Meer over in- en uitschrijven, wijzigen en deponeren
- Producten bestellen** (Order products):
 - Zoek op KvK-nummer of naam
 - > Uittreksel
 - > Jaarrekening
 - > Bedrijfsprofiel
 -
 - > Welk product heb ik nodig?
- Advies en informatie** (Advice and information):
 - Gebruik onze data, kennis en netwerken voor:
 - > Bedrijf starten of overnemen
 - > Internationaal ondernemen
 - > Innoveren
 -
 - > Meer advies en informatie



Step 7:

Once you have been registered you will be given a unique number for your business. This number, known as the KvK number, will need to be used on all invoices and outgoing post which your new business deals with.

Step 8:

As a business-owner in the Netherlands you are also obliged to register your enterprise with the Belastingdienst, or tax authorities.

If you are starting a one-man business, a professional partnership, a limited partnership or a general partnership then you can combine your registration with the tax authorities with your KvK registration.

It is sensible to register as soon as is possible, as you may be able to claim VAT refunds on your investments required to start the business.

Step 9:

Business-owners in the Netherlands are obliged to keep detailed accounts for up to seven years. This includes administrative documents recorded on both paper and electronically.

Step 10:

You are not obliged to take out any insurance for your business in the Netherlands, but there are many types of business insurance available on a voluntary basis, should you decide to protect against any of the risks you are undertaking in your business.

C. Benefits of register a company in Netherlands:

- The Netherlands has a liberal tax regime including an extensive network of double-taxation treaties;
- The new company has the ongoing obligation to keep and maintain an administration, to register for tax purposes and to file periodical tax returns;
- The minimum share capital is €1 for register a company in Netherlands;
- There is no minimum capital requirement applies anymore in order to register a company in Netherlands, and hence, the new company does from a legal perspective no longer require a Dutch bank account;
- The only legal requirement for opening a business opened in the Netherlands is to have a registered address. From a tax perspective it is highly recommendable to have at least a Dutch registered address and a majority of Dutch resident directors. This is generally perceived as the minimum substance requirement to qualify for treaty benefits;
- The companies registered in the Netherlands are allowed to denominate their share capital in currency other than the euro;
- Shareholders' liability is restricted to capital contribution;
- There is no nationality requirement for shareholders for register a company in Netherlands;
- Audited accounts must be filed with Chamber of Commerce.