BES Islands; Netherlands

Netherlands' 2024 Tax Strategy Includes Several Measures Targeting BES Islands

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On 19 September 2023, Dutch Finance Secretary - Marnix L.A. van Rij -formally introduced the annual Dutch national Budget – known as Tax Plan 2024 - to the House of Representatives. Tax Plan 2024 featured several measures applicable to the Caribbean Netherlands (i.e. Bonaire, St. Eustatius and Saba – collectively known as the BES Islands). For information on Tax Plan 2024 measures as applicable to the Netherlands generally, *see* Government Presents 2024 Tax Plan — Details (20 September 2023))

An overview of the main proposed changes applicable to the BES islands is set out below.

Implementation of Corporate Minimum Tax

If enacted as proposed, effective 1 January 2024, the Dutch government will enforce a minimum tax for corporations operating in the BES Islands, aligning standards applied to the Caribbean Netherlands with Dutch and European standards. The minimum tax - which aims to prevent misuse and tax avoidance - would apply only to multinational corporations:

- with a global turnover over EUR 750 million; and
- a physical presence in the Caribbean Netherlands.

Repealing Dividend Exemption

The dividend exemption in income tax, which previously allowed dividends - of up to USD 5,000 per year - received by taxpayers residing in the BES islands to be exempt from taxation, will be revoked. If this modification is enacted, income tax must be paid on all dividends received that exceed the general tax-free threshold of currently USD 17,352 (including seniority support) when determining taxable individual income for the year. This measure aims to tackle an undesirable tax situation in the BES islands, which already features a "relatively low tax burden."

Revenue Tax

The Bill reduces the percentage of shares that a holding company must own in the operating company but will also require that the other activities of the holding company meet a number of stricter conditions that apply to regular BES companies.

This adjustment is strategically aimed at addressing instances of potential misuse and is particularly relevant to holding companies boasting a significant ownership stake in an operational enterprise situated within the Caribbean Netherlands and possessing an establishment order.

The BES Islands levies a revenue tax instead of a CIT (profits tax) or dividend withholding tax (DWT) on profits distributions. Holding companies established in the BES Islands are currently exempt from an anti-abuse rule under which entities that do not undertake "material economic activities" (*geen materiele onderneming drijven*) – e.g. passive investment companies - are deemed to be established, and subject to CIT and DWT in the Netherlands. If the holding companies have a qualifying percentage in a BES subsidiary in possession of a residence certificate (*vestigingsplaatsbeschikking*), then the holding company also receives such a certificate.

Small Entrepreneurs Scheme (KOR)

The annual revenue threshold would be increased from USD 20,000 to USD 30,000, allowing more small entrepreneurs to be exempt from the general consumption tax (*algemene bestedingsbelasting*, ABB) - a tax similar to VAT.

Private Vehicles

Owners of vans and pickup trucks would be subject to the higher rate of the ABB. This change impacts the importation of pickup trucks and delivery vans. However, vans with specific functions, such as hearses, ambulances, police vehicles and fire brigade vehicles, would be exempt from this adjustment.

Mandatory Reporting of Property Tax upon Property Purchase

Individuals acquiring new homes or business premises, under the proposed measures, would be required to take initiative to report their ownership within 4 months if they do not receive an automatic tax assessment. Failure to do so may result in potential fines.

The abovementioned measures are set to come into effect on 1 January 2024.

BES Islands; Netherlands - Netherlands' 2024 Tax Strategy Includes Several Measures Targeting BES Islands (25 Sep. 2023), News IBFD.