10.5 Taxation

i. Taxation in the Netherlands

This section describes certain material Dutch tax consequences to holders of common shares in AEGON. For the purpose of this section, where hereafter is referred to a holder of shares respectively shares, this is assumed to be a holder of common shares respectively common shares. This section does not address all Dutch tax matters that may be relevant to a particular holder. Each investor should consult a professional tax advisor with respect to the tax consequences of an investment in the shares. The discussion of certain Dutch taxes below is included for general information only.

This section is based on tax legislation, published case law, treaties, rules, regulations and similar documentation, in each case as in effect and available on the date of this Annual Report on Form 20-F. All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below.

For the purpose of this section we have assumed that a holder of shares is the beneficial owner (statutorily defined term) of such shares for Dutch tax purposes and for the application of treaties for the avoidance of double taxation. For Dutch tax purposes the holder is not considered the beneficial owner in situations such as the following:

- the holder, in connection with the receipt of a distribution on the shares, has incurred an obligation, as part of one or more related transactions, as a result of which the distribution in whole or in part has accrued or will accrue to the benefit of a person that is to a lesser extent entitled to an exemption, reduction, (partial) refund or credit of Dutch dividend withholding tax than the recipient of the distribution is entitled to; and
- such person, other than the recipient of the distribution, retains or acquires, directly or indirectly, a comparable interest in the shares on which the distribution is paid, as such person had before the related transaction was or related transactions were entered into.

Furthermore, we have assumed that a holder of shares does not own a “substantial interest” or “deemed substantial interest” in AEGON (statutorily defined terms). Generally, a substantial interest is established if a corporate or individual holder, alone or together with related parties as defined in Dutch tax law, directly or indirectly, owns or has certain other rights over, shares constituting five per cent or more of a company’s aggregate issued share capital or of any class of shares. A holder that meets these criteria is strongly recommended to consult a professional tax adviser with respect to the Dutch tax consequences of an investment in the shares.

Dividend Withholding Tax

Dividends and other revenue from the shares will be generally subjected to Dutch dividend withholding tax to a rate of 25%. Dividends and other revenue include, but are not limited to, distributions in cash or in kind, deemed and constructive distributions, payments on redemption of the shares and repayments of paid-in capital not recognized for Dutch tax purposes. Stock dividends paid out of AEGON’s paid-in share premium account recognized for Dutch tax purposes are not subject to this Dutch dividend withholding tax.

In general, AEGON is required to remit all amounts withheld as Dutch dividend withholding tax to the Dutch tax authorities.

Residents of the Netherlands. In general, the Dutch dividend withholding tax withheld with respect to dividend distributions will be creditable for Dutch income tax purposes for the holder, or, subject to certain conditions, may be recoverable in whole or in part by the holder. Under certain circumstances Dutch qualifying pension funds, certain exempt entities and Dutch qualifying investment institutions may apply for refund of Dutch dividend withholding tax.

Non-residents of the Netherlands. If a holder is resident in a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and such a country, and the holder is a qualifying resident for purposes of the treaty, the holder will, depending on the terms of the particular treaty, qualify for full or partial relief at source or for a refund (in whole or in part) of the Dutch dividend withholding tax.

Residents of the United States that are entitled to, and comply with the procedures for claiming benefits under the income-tax convention between the Netherlands and the United States (NL/US income tax treaty), generally are eligible for a reduction of the 25% Dutch withholding tax on dividend income to 15%. The NL/US income tax treaty provides for a full exemption (relief at source) or a full refund of the dividend withholding tax on dividends received by qualifying exempt pension trusts and exempt organizations, as defined therein.

Corporate Income Tax and Individual Income Tax

Residents of the Netherlands. If a corporate holder is resident or deemed to be resident in the Netherlands and is subject to Dutch corporate income tax, and the shares are attributable to its business assets or deemed business assets, payments on the shares and the gains realized upon the disposal of the shares are generally taxable against a statutory rate of 34.5% (2004), unless, amongst others,

1. such payment is deemed to be included in the cost price of the shares or
2. the shareholding constitutes a qualifying shareholding under article 13 of the Dutch Corporate Income Tax Act 1969 (participation exemption).

If an individual holder is resident or deemed to be resident in the Netherlands for Dutch tax purposes (including an individual who has opted to be taxed as a resident of the Netherlands), payments on the shares and gains realized upon the disposal of the shares are taxable at the progressive rates of the Income Tax Act 2001, if

(1) the holder of the shares has an enterprise or has a co-entitlement to the net worth of an enterprise to which the shares are attributable, unless such payment is deemed to be included in the cost price of the shares; or

(2) the holder of the shares carries out, or is deemed to carry out, other taxable activities not being income from an enterprise or activities that exceed “regular, active portfolio management” to which the shares are related or in the event such benefits are taxable as benefits from other activities (“resultaat uit overige werkzaamheden”).

If neither condition (1) nor (2) applies to an individual holder of shares the holder of the shares will be taxed at a flat rate of 30% on deemed income from “savings and investments” in the amount of 4% of his or her net investment assets for the year. The net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities at the beginning of that year and the fair market value of the investment assets less the allowable liabilities at the end of the year.

Non-residents of the Netherlands. Dividend distributions on the shares and capital gains realized upon the disposal of the shares for a holder that is not resident nor deemed to be resident in the Netherlands for Dutch tax purposes (and, in the case of an individual holder, has not opted to be taxed as a resident of the Netherlands) are not taxable in the Netherlands, other than the withholding tax described above, provided that:

- the holder does not have an enterprise or an interest in an enterprise or a deemed enterprise, in whole or in part, that is either effectively managed in the Netherlands or that is carried on through a permanent establishment, a deemed permanent establishment (statutorily defined term) or a permanent representative in the Netherlands to which the shares are attributable or deemed attributable;
- the holder is not entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands other than by way of securities or through an employment contract, and to which enterprise the shares are attributable; and
- with respect to an individual holder, the dividend distributions or capital gains do not qualify as income from miscellaneous activities in the Netherlands within the meaning of Section 3.4 of the Income Tax, which include the performance of activities in the Netherlands with respect to the shares that exceed “regular, active portfolio management”.

Gift and Inheritance Taxes

Residents of the Netherlands. Generally, gift and inheritance taxes will be due in the Netherlands in respect of an acquisition of the shares by way of a gift by, or on the death of, an individual holder who, for the purposes of the Dutch gift and inheritance tax, is resident or deemed to be resident in the Netherlands at the time of the gift or his or her death.

Non-residents of the Netherlands. No gift or inheritance taxes will arise in the Netherlands in respect of an acquisition of the shares gift by way of a gift by, or as a result of the death of, an individual holder who is neither resident nor deemed to be a resident of the Netherlands, unless:

- the individual holder at the time of the gift has, or at the time of his or her death had, an enterprise or an interest in an enterprise that, in whole or in part, is or was carried out through a permanent establishment or a permanent representative in the Netherlands and to which enterprise the shares are or were attributable or are or were deemed to be attributable to; or
- the shares are or were attributable to the assets of an enterprise that is effectively managed in the Netherlands and the donor is, or the deceased was, entitled, other than by way of securities or an employment contract, to a share in the profits of that enterprise at the time of the gift or, as applicable, at the time of his or her death; or
- in the case of a gift of the shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, if at the time of his or her death such individual was a resident or deemed to be a resident of the Netherlands.

ii. Taxation in the United States

This section describes certain material US Federal income tax consequences to beneficial holders of common shares that hold common shares as capital assets. This section does not address all US Federal income tax matters that may be relevant to a particular holder. Each investor should consult a professional tax advisor with respect to the tax consequences of an investment in the common shares. This section does not address tax considerations applicable to a holder of common shares that may be subject to special tax rules including, without limitation, the following:

- financial institutions;
- insurance companies;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- regulated investment companies;
- persons that will hold the common shares as part of a “hedging” or “conversion” transaction or as a position in a “straddle” or as part of a “synthetic security” or other integrated transaction for US Federal income tax purposes;
- holders that own (or are deemed to own for US Federal income tax purposes) 10% or more of the voting shares of AEGON;
- partnerships or pass-through entities or persons who hold common shares through partnerships or other pass-through entities; and
- holders that have a “functional currency” other than the US dollar.

Further, this section does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of common shares. This section also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the Federal income tax laws of the US Federal government.

This section is based on the US Internal Revenue Code of 1986, as amended, US Treasury regulations and judicial and administrative interpretations, in each case as in effect and available on the date of this Annual Report on Form 20-F. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

For the purposes of this section, a “US holder” is a beneficial owner of common shares that is, for US Federal income tax purposes:

- a citizen or resident of the United States;
- a corporation or other entity that is treated for US Federal income tax purposes as a corporation, created or organized in or under the laws of the United States or any state of the United States (including the District of Columbia);
- an estate, the income of which is subject to US Federal income taxation regardless of its source; or
- a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of the substantial decisions of such trust.

A non-US holder is a beneficial owner of common shares that is not a US holder.

Tax Consequences to US Holders

Distributions. The gross amount of any distribution (including any amounts withheld in respect of Dutch withholding tax) actually or constructively received by a US holder with respect to common shares will be taxable to the US holder as a dividend to the extent of AEGON's current and accumulated earnings and profits as determined under US Federal income tax principles. The US holder will not be eligible for any dividends received deduction in respect of the dividends received otherwise allowable to corporations. Distributions in excess of earnings and profits will be non-taxable to the US holder to the extent of, and will be applied against and reduce, the US holder's adjusted tax basis in the common shares. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the US holder as capital gain from the sale or exchange of property. AEGON does not maintain calculations of its earnings and profits under US Federal income tax principles. If AEGON does not report to a US holder the portion of a distribution that exceeds earnings and profits, the distribution will generally be taxable as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution.

Under US legislation enacted in 2003 (the "2003 US tax legislation"), certain dividends received by individual US holders after December 31, 2002 will be subject to a maximum income tax rate of 15%. This reduced income tax rate is only applicable to dividends paid by US corporations or a "qualified foreign corporation" and only with respect to shares held by an individual US holder for a minimum holding period (generally, 61 days during the 121-day period beginning 60 days before the ex-dividend date). Because AEGON is eligible for benefits under the comprehensive income tax treaty between the Netherlands and the US, AEGON should be considered a "qualified foreign corporation" under the 2003 US tax legislation. Accordingly, dividends paid by AEGON to individual US holders on shares held for the minimum holding period may be eligible for a reduced income tax rate. Under the 2003 US tax legislation, the reduced rate for qualified dividends is scheduled to expire on December 31, 2008, unless further extended by Congress. Each US holder should consult its own tax advisor regarding the implications of the 2003 US tax legislation.

The amount of any distribution paid in currency other than US dollars (a "foreign currency"), including the amount of any withholding tax thereon, will be included in the gross income of a US holder in an amount equal to the US dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the foreign currency is converted into US dollars. If the foreign currency is converted into US dollars on the date of receipt, a US holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. If the foreign currency received in the distribution is not converted into US dollars on the date of receipt, a US holder will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as ordinary income or loss.

Dividends received by a US holder with respect to common shares will be treated as foreign source income for the purposes of calculating that holder's foreign tax credit limitation. Subject to certain conditions and limitations and subject to the discussion in the next paragraph, any Dutch income tax withheld on dividends may be deducted from taxable income or credited against a US holder's Federal income tax liability. The limitation on foreign taxes eligible for the US foreign tax credit is calculated separately with respect to specific classes (or "baskets") of income. For this purpose, dividends distributed by AEGON generally will constitute "passive income", or, in the case of some US holders, "financial services income". (Under US legislation enacted in 2004, the number of baskets will be reduced to two for taxable years beginning after December 31, 2006: passive category income and general category income.) In certain circumstances, a US holder may be unable to claim foreign tax credits for foreign taxes imposed on a dividend. Each US holder should consult its own tax advisor regarding the availability of the foreign tax credit under its own particular circumstances.

Under the 2003 US tax legislation, the amount of the qualified dividend income paid by AEGON to a US holder that is subject to the reduced dividend income tax rate and that is taken into account for purposes of calculating the US holder's US foreign tax credit limitation must be reduced by the "rate differential portion" of such dividend (which, assuming a US holder in the highest income tax bracket, would generally require a reduction of the dividend amount by approximately 57.14%). Each US holder should consult its own tax advisor regarding the implications of the new US tax legislation on the calculation of US foreign tax credits under its own particular circumstances.

In general, upon making a distribution to shareholders, AEGON is required to remit all amounts withheld as Dutch dividend withholding tax to the Dutch tax authorities and, in such circumstances, the full amount of the taxes so withheld would generally (subject to certain limitations and conditions) be eligible for the US holder's foreign tax deduction or credit as described above. Investors are urged to consult their tax advisors regarding the general creditability or deductibility of Dutch withholding taxes.

A distribution of additional common shares to US holders with respect to their common shares that is made as part of a pro rata distribution to all shareholders generally will not be subject to US Federal income tax unless holders can elect that the distribution be payable in either additional common shares or cash, in which case the distribution will be taxable under the rules described above.

Sale or Other Disposition of Shares. A US holder will generally recognize gain or loss for US Federal income tax purposes upon the sale or exchange of common shares in an amount equal to the difference between the US dollar value of the amount realized from such sale or exchange and the US holder's tax basis for those common shares. This gain or loss will be a capital gain or loss and will generally be treated as from sources within the United States, except that losses will be treated as foreign source to the extent the US holder received dividends that were includible in the financial services income basket during the 24-month period prior to the sale. Investors should consult their own tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that have held the common shares for more than one year) and capital losses (the deductibility of which is subject to limitations).

If a US holder receives foreign currency upon a sale or exchange of common shares, gain or loss, if any, recognized on the subsequent sale, conversion or disposition of such foreign currency will be ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if such foreign currency is converted into US dollars on the date received by the US holder, the US holder generally should not be required to recognize any gain or loss on such conversion.

Redemption of Common Shares. The redemption of common shares by AEGON will be treated as a sale of the redeemed shares by the US holder (which is taxable as described above under "Sale or Other Disposition of Shares") or, in certain circumstances, as a distribution to the US holder (which is taxable as described above under "Distributions").

Passive Foreign Investment Company Considerations

Based on the nature of AEGON's gross income, the average value of AEGON's gross assets, and the active conduct of AEGON's insurance business, AEGON does not believe that it will be classified as a PFIC. If AEGON were treated as a PFIC in any year during which a US holder owns common shares, certain adverse tax consequences could apply. AEGON's status in any taxable year will depend on its assets and activities in each year and because this is a factual determination made annually at the end of each taxable year, there can be no assurance that AEGON will not be considered a PFIC for any future taxable year. Investors should consult their own tax advisors with respect to any PFIC considerations.

Tax Consequences to Non-US Holders

A non-US holder generally will not be subject to US Federal income tax on dividends received on common shares or on any gain realized on the sale or exchange of common shares unless the gain is connected with a trade or business that the non-US holder conducts in the United States or if the non-US holder is an individual, such holder was present in the United States for at least 183 days during the year in which such holder disposes of the common shares, and certain other conditions are satisfied. Non-US holders should consult their own tax advisors with respect to the US Federal income tax consequences of dividends received on, and any gain realized from the sale or exchange of, the common shares.

Tax Consequences to US Holders and Non-US Holders

Backup Withholding and Information Reporting. Backup withholding and information reporting requirements may apply to certain payments on the common shares and to proceeds of the sale or redemption of the common shares to US holders made within the United States. AEGON, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if a US holder fails to furnish the US holder’s taxpayer identification number, fails to certify that such US holder is not subject to backup withholding, or fails to otherwise comply with the applicable requirements of the backup withholding rules. Certain US holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements.

Non-US holders that provide the required tax certifications of exempt or foreign status will generally be exempt from US information reporting requirements and backup withholding. However, sales proceeds a non-US holder receives on a sale of common shares through a broker may be subject to information reporting and backup withholding if the non-US holder is not eligible for an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US holder or a non-US holder generally may be claimed as a credit against such holder’s US Federal income tax liability provided that the required information is furnished to the US Internal Revenue Service. Investors should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Non-US holders should consult their own tax advisors concerning the applicability of the information reporting and backup withholding rules.

10.6 Dividends and Paying Agents

Not applicable.

10.7 Statements by Experts

Not applicable.

10.8 Documents on Display

AEGON files annual reports with and furnishes other information to the Securities and Exchange Commission. You may read and copy any document filed with or furnished to the SEC by AEGON at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. AEGON's SEC filings are also available to the public through the SEC's web site at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room in Washington D.C. and in other locations.

The SEC allows AEGON to "incorporate by reference" information into this Annual Report on Form 20-F, which means that:

- Incorporated documents are considered part of this Annual Report on Form 20-F; and
- AEGON can disclose important information to you by referring you to those documents.

Those documents contain important information about the AEGON Group and our financial condition. You may obtain copies of those documents in the manner described above. You may also request a copy of those documents (excluding exhibits) at no cost by contacting us at:

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10.9 Subsidiary Information

Not applicable.