

VAT Solutions



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Overview VAT Solutions



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- Background
- Possible Solutions – set up phase
- Possible Solutions – maintenance phase
- Considerations for discussion purposes

- Many non-EU companies would like to sell and distribute products into the EU.
- Many of these European customers have to act as “Importer of Record” and this result in an administrative burden for these European clients.
- Reducing this compliance burden without creation of other ‘taxable’ presence in the EU is often preferred in the beginning (inter alia no office space, local employees etc.)
- This slidedeck gives some general background how you could facilitate European customers, while limiting the European tax compliance burden.

Possible Solution – Set up



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Idea:	Explanation
Dutch VAT registration of the non-EU company in the Netherlands	<p>Advantage: No need to file a Corporate Income Tax Return or income allocation issue, since you will have not a fixed place of business in the Netherlands</p> <p>Disadvantage: Import VAT needs to be paid when the goods are entering the Netherlands. Refund of this VAT can take a significant time. Cash flow disadvantage</p>

Possible Solution – Set up



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Idea:	Explanation
Dutch VAT registration non EU company, appointment local VAT representative and apply for VAT license	<p>Advantage: No need to file a Corporate Income Tax Return or income allocation issue, since the non-EU company will have not a fixed place of business. Furthermore, no cashflow disadvantage since import VAT due can immediately be deducted in the VAT return, so nil VAT is payable. Most common option for Non EU companies.</p> <p>(small) Disadvantage: the local Dutch VAT representative will require a bank guarantee or deposit in the event the non-EU company is not paying any VAT payables, since the Dutch VAT representative can be held liable for that by the Dutch government</p>

Possible Solution – Set up



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Possible Solution – Set up



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Idea:	Explanation
Non EU company sets up a Dutch legal entity (Dutch BV)	<p>Advantage: no need to appoint a VAT representative. Sometimes a “commercial benefit” to show to European customers that the non EU company has set up Sales and Distribution Europe BV.</p> <p>Disadvantage: the legal entity needs to have managerial substance in the Netherlands. This means that the non-EU resident corporate directors of the Dutch entity need to visit the Netherlands once in a while and also part of the admin function needs to be performed/outsourced in the Netherlands. Furthermore, you need to file CIT returns and file annual accounts. We believe a nil corporate income tax return can be achieved.</p>

Possible Solution – Maintenance Phase



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Compliance	Explanation
Filing VAT return	In English language. Pricing depends on the number of transactions per filed VAT return
Filing EU sales listing	EC sales listing if goods are forward from the Netherlands to other EU countries. We provide you an English version
VAT advice	Inter alia VAT manual including invoicing requirements, tariff, which documents should be kept in file etc

Considerations for discussion purposes



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- For many Non EU companies it is beneficial to use the Netherlands as the country for entering the EU.
- Although it may seem more logical to ship/fly the order directly to the client in for instance France, Germany, UK etc., this may trigger a lot of issues and disadvantages for instance:
 1. Requirement for the non EU company to register locally in each EU country where the goods are entering the EU
 2. Many EU countries subsequently require the appointment of a local VAT representative as well if you do not have physical presence in that country
 3. Most EU countries require instant payment of import VAT which is a cashflow disadvantage and it takes a long time for you get a VAT refund
 4. Finally, each and every country has its own invoicing requirements, which can be an administrative burden for your accounting system

In our experience these compliance disadvantages make it much more interesting for most companies to use for instance our large airport in Amsterdam or harbor in Rotterdam to enter the European Union and subsequently transport the goods to the customer. All 4 abovementioned disadvantages will no longer apply.