

## **Withholding tax on dividends to low tax jurisdictions as of 2024**

By letter dated May 29, 2020 to the Lower House of Parliament, the Deputy Minister of Finance announced that as of January 1, 2024 dividend flows to low tax jurisdictions will be subject to tax. Measures to realize this will be worked out in detail before the government's term of office ends.

The reason for this is because the government wants to put an end to the Netherlands being used as a gateway to low tax countries. To this end, it had already been determined by Act of Parliament that withholding tax on interest and royalties would be introduced as of January 1, 2021. As of 2024, that tax will be supplemented with a withholding tax on dividends. The measure will apply to cash flows to countries with a profit tax rate of less than 9% and to countries appearing on the EU blacklist, even if the Netherlands has a tax treaty with these countries.

The withholding tax on dividends will be levied in addition to the existing dividend tax. In the coalition agreement it was agreed that dividend tax would be abolished and replaced with a conditional withholding tax on dividends. When, in October 2018, in deviation from the coalition agreement it was decided not to abolish dividend tax, an undertaking was given to see whether the conditional withholding tax on dividends proposed at that time should be partly incorporated into the dividend tax (see [our memorandum](#) from then). That investigation has now resulted in the decision to levy a withholding tax on dividends as of 2024.

The measures are designed to prevent dividends within a group flowing untaxed to low tax jurisdictions. We expect the new withholding tax to focus on cases where dividends are distributed to a parent company with a controlling interest in the distributing company and to members of a cooperating group of entities with a controlling interest, whereby (by using the withholding exemption for participation dividends in the dividend tax regime or by the application of a tax treaty) no dividend tax is levied. The original bill on the conditional withholding tax on dividends also proposed levying tax on gains on disposals and capital repayments. It is unclear whether this will also apply to the withholding tax that has now been announced.

Should you have any questions about the above, Meijburg's advisors would be pleased to use their expertise to help you. We will, of course, keep you informed of developments.

Meijburg & Co  
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