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Global Tax Alert

The Netherlands announces additional measures to be introduced by 2024 related to dividend payments to low-tax jurisdictions or jurisdictions on EU list of non-cooperative jurisdictions

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Executive summary

On 29 May 2020, the Dutch Government announced a conditional withholding tax on dividend payments (ultimately) to shareholders resident in low-tax jurisdictions or jurisdictions included on the European Union's (EU) list of non-cooperative jurisdictions (EU List)¹ by 2024. The Government aims to publish draft legislation before the end of its term, which is March 2021. This announcement is part of the Government's ongoing efforts to combat (international) tax evasion.

Detailed discussion

Dutch dividend withholding tax

Currently, dividend payments to entities in low-tax jurisdictions with which the Netherlands does not have a tax treaty are subject to a 15% Dutch dividend withholding tax. In addition, the Dutch dividend withholding tax exemption contains certain anti-abuse rules that deny the exemption if the arrangement is considered abusive.

Announced conditional withholding tax

As part of the 2019 Budget Proposals, the Government decided to maintain the withholding tax on dividend payments, including its broad domestic exemptions. At the same time, the Government announced it would reconsider whether a conditional withholding tax on dividends would be necessary in due course. After further review of dividend flows via the Netherlands, the Government has deemed additional measures necessary against dividend payments to shareholders in low-tax jurisdictions or jurisdictions on the EU List. This conditional withholding tax is in addition to the conditional withholding tax on interest and royalty payments to group companies in low-tax or blacklisted jurisdictions per 2021.²

The Government aims to publish draft legislation before the end of its term, which is March 2021. As the rules shall not be enacted before 2024, this should give businesses sufficient time to consider the impact of the conditional dividend withholding tax.

Further Alerts will report on developments regarding this announcement.

Endnotes

1. The Netherlands' list of low-tax jurisdictions (statutory rate less than 9%) and EU List currently consists of: American Samoa, Anguilla, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Fiji, Guam, Guernsey, Isle of Man, Jersey, Oman, Panama, Samoa, Turkmenistan, Turks and Caicos Islands, Vanuatu, United Arab Emirates, and the United States Virgin Islands.
2. See EY Global Tax Alert, [Netherlands introduces new withholding tax on interest & royalty payments and increased substance requirements as of 2021: A detailed review](#), dated 10 April 2020.

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