



THE NETHERLANDS MARITIME TAX REGIME

The international shipping industry is crucial to the global economy as it carries over 90% of global trade. The Netherlands has always been a strong maritime nation. Together with the much-experienced Dutch logistics sector, one of the most modern and innovative in the world, the Netherlands is the true Gateway to Europe.

As shipping industry is very capital-intensive, the Netherlands support this industry by providing tax facilities for shipping industry. Therefore, the Dutch favourable tonnage tax regime is another important reason why shipping companies have a presence in the Netherlands. To keep supporting the shipping industry the Netherlands intends to exempt certain income from shipping international shipping and ancillary activities.

DUTCH TONNAGE TAX REGIME

As of 1996, the Netherlands, as the first European Union (EU) Country, has incorporated a special tax facility in its tax laws for shipping enterprises; the tonnage tax regime. This tonnage tax is a specific tax for the shipping sector that replaces a regular corporate income tax. Dutch ship (owner) operators can choose to pay tonnage tax on a fixed notional profit, instead of its actual profits from its shipping activities. This is based on the net tonnage of the ships. By this the taxable income is calculated as a lump sum depending on the size (net tonnage) of the ship, independent of the actual earnings (profit or loss). Normally, the taxable income as calculated by this method is considerably lower than the actual profit.

For example, the tonnage tax profit per year of a cargo ship with a net tonnage of about 16,500 is approximately EUR

Total net tonnage	Income per day per 1,000 net tons (€)
Up to 1,000	9.08
1,001–10,000	6.81
10,001–25,000	4.54
25,001–50,000	2.27
More than 50,000	0.50

36,500, given a 365-day operation. The appropriate tax to be paid amounts to EUR 5,468 (2022).

The tonnage tax regime may also apply if a shipping enterprise does not own a vessel but performs commercial management and the entire crew and technical management of a vessel for the owner.

The qualifying vessels should fly a EU or a European Economic Area (EEA) flag (Iceland, Liechtenstein and Norway). This is only required for own vessels (and, therefore, for bareboat chartered in vessels as well). There are several exemptions to the flag requirement available.

Capital gains on the sale of vessels and equipment related to international shipping activities are not taxed under the application of the Dutch tonnage tax regime.

This RMSC Expert Overview is made by Gulsev Yildizturhan, associate tax partner at boutique consulting firm and RMSC member C&B More. The company has ample experience in the maritime industry with offices in Rotterdam and Groningen, on purpose. Gulsev is specialized in International / Dutch Corporate Tax and advises multinational clients on establishing tax efficient structures. No rights may be derived from this document; its content is no substitute for legal advice in a specific instance. For more information or feedback, please contact Gulsev via Gulsev@cb-more.com.



The decision to opt for the tonnage tax scheme has to be made in the first year that taxable profit from shipping operations is made which is binding for a period of ten years, any earlier change of method is not possible.

INTERNATIONAL SHIPPING EXEMPTION ON PILLAR 2

Recently the Netherlands published the draft legislation for implementation of a global minimum tax of 15% for Multinational Enterprises with an annual revenue of EUR 750 million or more in at least two of the four previous financial years.

The Dutch draft Pillar 2 legislation includes an exemption for the international shipping industry. This exemption is modelled closely on the OECD Model Tax Convention and excludes qualifying income from international shipping activities from the so-called Globe rules. It does this by removing this income from the Globe income of a constituent entity. This means income from qualifying international shipping activities will be exempt from Pillar 2. To apply for this exemption, it should be showed that the strategic or commercial management of all ships concerned

is effectively carried on from within the jurisdiction where the entity is located. However, in the current Dutch draft Pillar 2 legislation, the definition of qualifying income from international shipping activities is not in line with the currently applicable national definition of shipping income under the Dutch tonnage tax regime. For example, ship management activities are currently not covered as qualifying international shipping activities under the Dutch draft Pillar 2 legislation, as opposed to the corresponding definition under the Dutch tonnage tax regime.

Additionally, so-called working vessels, which perform other activities in addition to transport activities, are not exempt by the Pillar 2 definition of qualifying international shipping activities either. Time will tell whether these topics will be resolved before the definitive implantation of the Pillar 2 legislation.

Transportation of passengers or cargo in international traffic, including the leasing of a ship on a time charter basis, or on a bareboat basis leased to another constituent entity will qualify as income from international shipping.

Besides the Dutch Tonnage Tax, the Netherlands has other tax facilities to support the shipping industry as well:

Wage tax facility

The Netherlands has a wage tax facility for seafarers which provides a special deduction of 40% on the fiscal income of seafarers on vessels flying the national flag.

Dutch VAT facility

The 0% VAT rate may apply for ship operators for commercially exploited vessels. The 0% VAT rate also applies for the acquisition of these specific vessels.

Special depreciation facility

If the tonnage tax regime has not been opted for, a special depreciation facility is available for qualifying shipping enterprises.

Shipping companies that invest in environmentally friendly technology may be able to use the Random depreciation of environmental investments scheme.