[Data and Profiles](#) - [Market Profiles](#)

The Netherlands: Market Profile

30 March 2021

Fitch Solutions

1. Overview

The Netherlands is an advanced and open economy at the heart of the European Union (EU) and is organised around the port of Rotterdam and international trade flows. Globalisation and trade provide important business opportunities for this outward-facing economy across a wide variety of sectors, including light high-tech manufacturing and services such as banking. The Netherlands is a significant agricultural goods exporter. It is a base for home-grown multinationals (Royal Dutch Shell, Unilever, Philips and Heineken) and is highly attractive to foreign investors (companies locating significant operations in the Netherlands include Polaroid, Esso, Dow Chemical, Fuji, Nissan, Engelhardt, Amsco, Thorn EMI and Rank Xerox). Soft energy prices, lower financing costs and higher corporate savings have underpinned investment in machinery and construction. Business sentiment will remain largely positive in the medium term given the competitive euro and the modest increase in EU demand. The country has a stable and advanced democracy, with a long tradition of tolerance and consensual change. However, a waning labour force, increased reliance on external demand and fewer prospects for stimulus programmes will weigh on the economy's growth. Dutch society is beginning to deal with the long-term contentious issue of pension reform, forced by the implications of an ageing population.

Sources: World Bank, Fitch Solutions

2. Major Economic/Political Events and Upcoming Elections

March 2019
The country held provincial elections in which the Forum voor Democratie party won the most votes. The results also had a bearing on the Senate elections as the elected provincial representatives vote for the Senate members.

April 2019
Dutch infrastructure manager ProRail announced that it would invest EUR3.5 billion (USD3.9 billion) in railway stations over the next 10 years in the Netherlands. The investment would target the construction of around 20 new stations at an estimated cost of around EUR30 million (USD33.6 million) each.

May 2019
The country held elections to the Senate of the house. The 75 members were elected by the members of the States-Provincial, made up of elected representatives from the country's 12 provinces. The ruling coalition lost its majority in the upper house of parliament and would need to rely on the agreement of opposition parties to pass key legislation.

August 2019
The law banning face-covering veils, including niqabs and burqas, in public areas such as schools, hospitals and public transport came into effect.

March 2020
The European Investment Bank (EIB) had signed a loan agreement with TenneT Holding to finance EUR250 million (USD283.3 million) for the western section of the Zuid-West 380kV offshore grid project in the Netherlands. The project aimed to upgrade and expand the offshore connection of North Sea wind farms with the electricity grid.

March 2020
A package of fiscal measures was announced and had been subsequently upgraded to contain the economic impact of the Covid-19 pandemic. The package included spending measures estimated at about EUR20.1 billion (2.7% of GDP) in 2020, and covering compensation of up to 90% of labour costs for companies expecting a reduction in revenues of 20% or more; compensation for affected sectors (hospitality, travel, agriculture, culture and others); support for entrepreneurs and the self-employed, start-ups and small innovation companies; scaling up of the short-time working scheme. In addition, companies can defer tax payments without penalties, and calculate provisional taxes on the basis of expected reduced activity levels. Additionally, public guarantee schemes, especially for loans to small businesses (but also covering large firms), were expanded to help the most vulnerable companies to manage their liquidity problems. A guarantee scheme for supplier credit was also established.

July 2020
On July 1 the travel ban for travellers from 14 non-EU countries was lifted.

EU heads of government agreed on a new EUR750 billion Next Generation EU (NGEU) fund on July 21. The NGEU would be financed by joint debt issuance and would include grants worth EUR390 billion (EUR312.5 billion of which would be dedicated to Covid-19 recovery) to be distributed over 2021-2023. However, the Dutch government pushed back strongly against the ideas of mutualised EU debt and grant-based financing.
The Netherlands received a EUR62 million grant from the European Commission for infrastructure projects.

August 2020
The government tightened social distancing measures, making a two-week quarantine compulsory for anyone that had came into contact with an infected individual or returned from a high-risk country.

March 2021
TenneT plans to launch tenders for 2GW of offshore wind grid connections in the Netherlands and Germany in March 2021, according to a press release. The tenders will be the first from a series of competitions that will award contracts for at least five offshore grid connections in both countries. The first round will comprise a minimum of two projects in the IJmuiden Ver Wind area in the Netherlands to become operational in 2028 and 2029. In Germany the tendered projects will be the BalWin1, BalWin2 and BalWin3 power plants, which are expected to become operational in 2029 and 2030. Contracts will include the construction of the offshore platform, an onshore substation, and the supply and installation of a 525kV power transmission cable.

The general election to elect the country's House of Representatives members will take place on March 17, 2021.

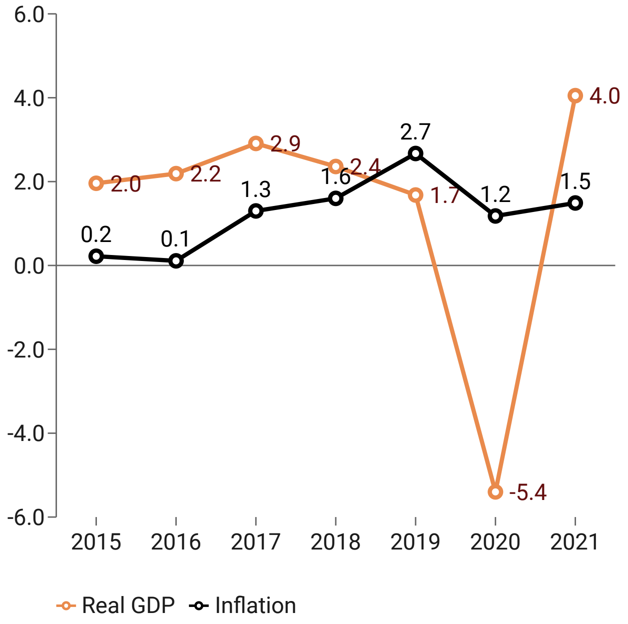
Sources: BBC country profile - Timeline, IMF, Fitch Solutions

3. Major Economic Indicators

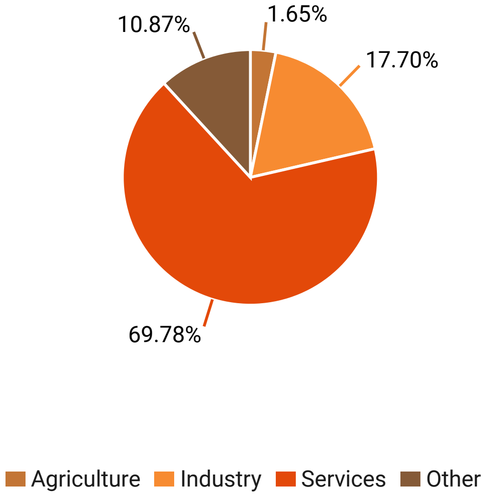
Real GDP and Inflation

GDP by Sector (2019)

% share

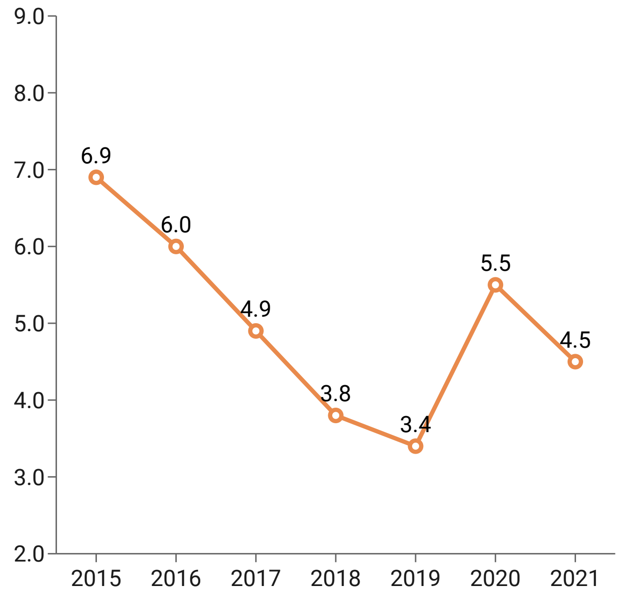


2020 (estimate); 2021 (forecast)
Sources: IMF, Fitch Solutions
Date last reviewed: February 18, 2021



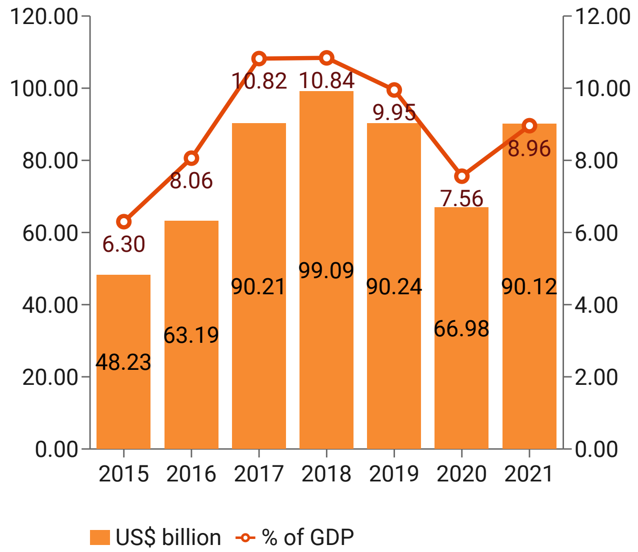
Sources: World Bank, Fitch Solutions
Date last reviewed: February 18, 2021

Unemloyment Rate



2020 (estimate); 2021 (forecast)
Sources: IMF, Fitch Solutions
Date last reviewed: February 18, 2021

Current Account Balance

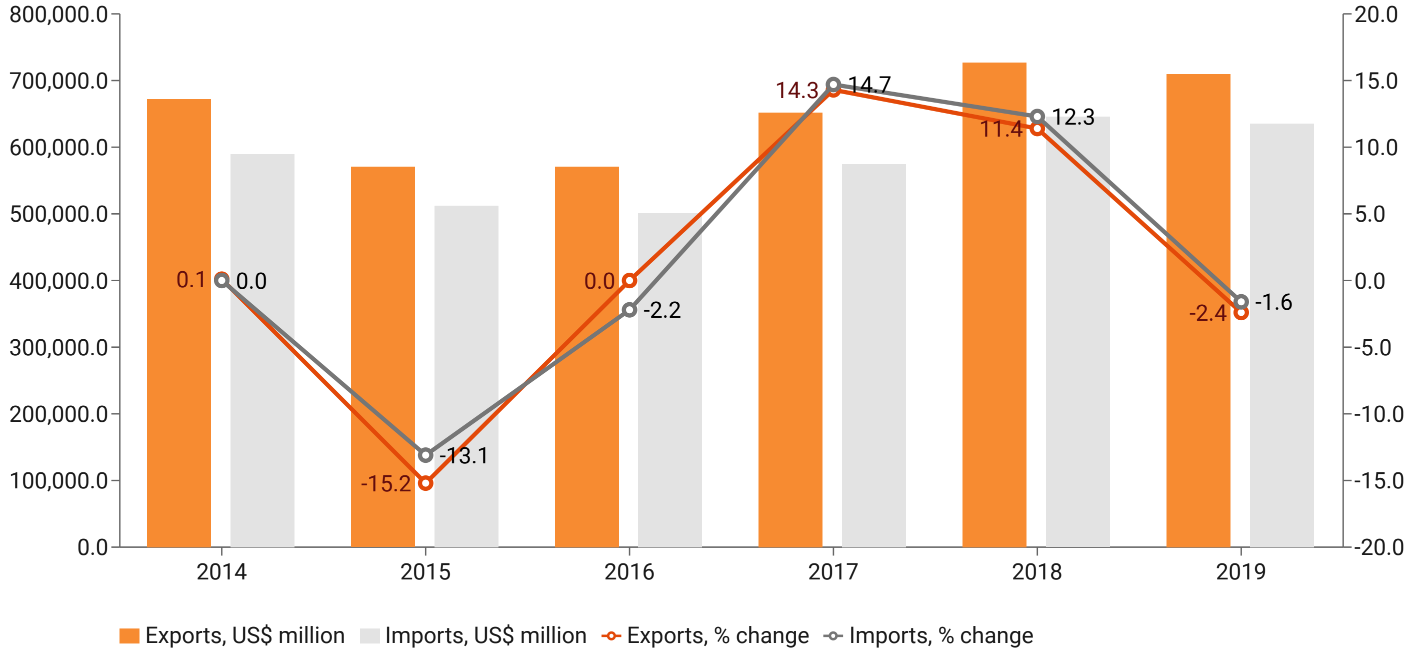


2020 (estimate); 2021 (forecast)
Source: IMF
Date last reviewed: February 18, 2021

4. External Trade

4.1 Merchandise Trade

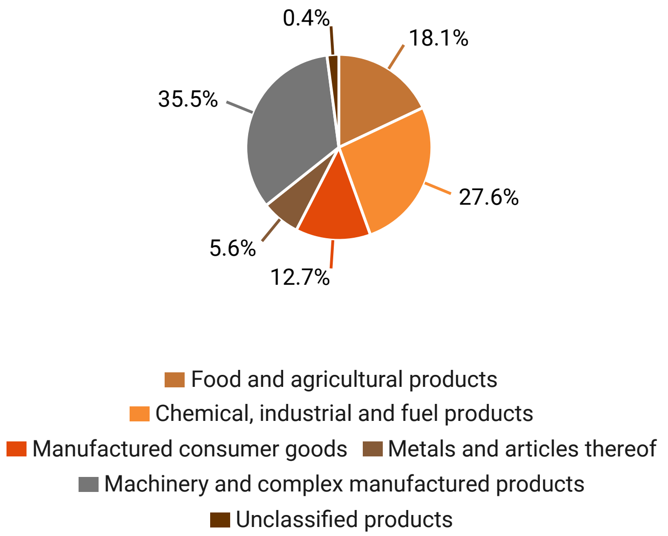
Merchandise Trade



Source: WTO
Date last reviewed: February 18, 2021

Major Export Commodities (2019)

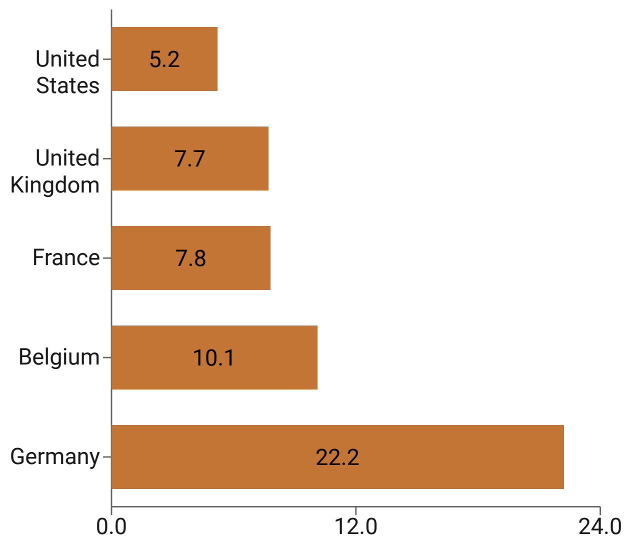
% share



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 18, 2021

Major Export Markets (2019)

% share



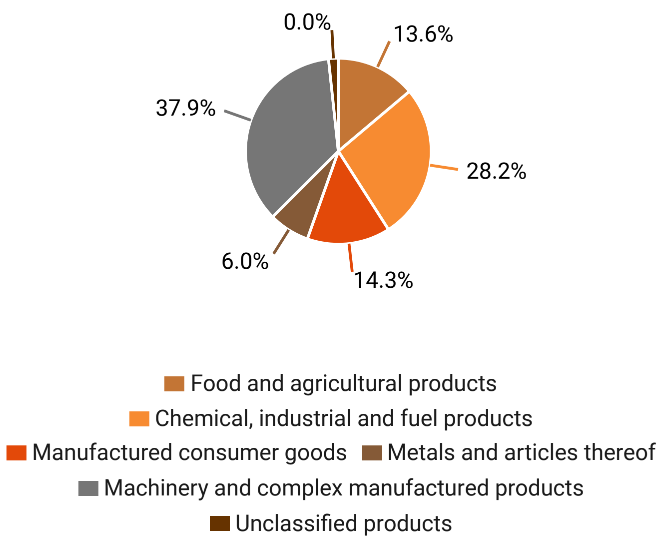
Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 18, 2021

Major Import Commodities (2019)

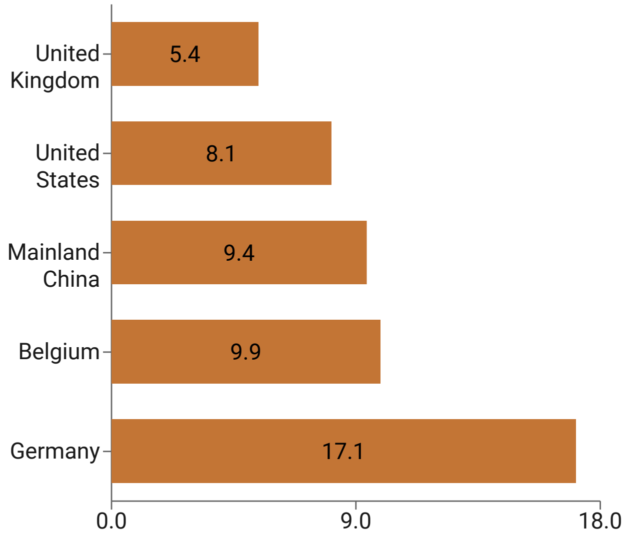
% share

Major Import Markets (2019)

% share

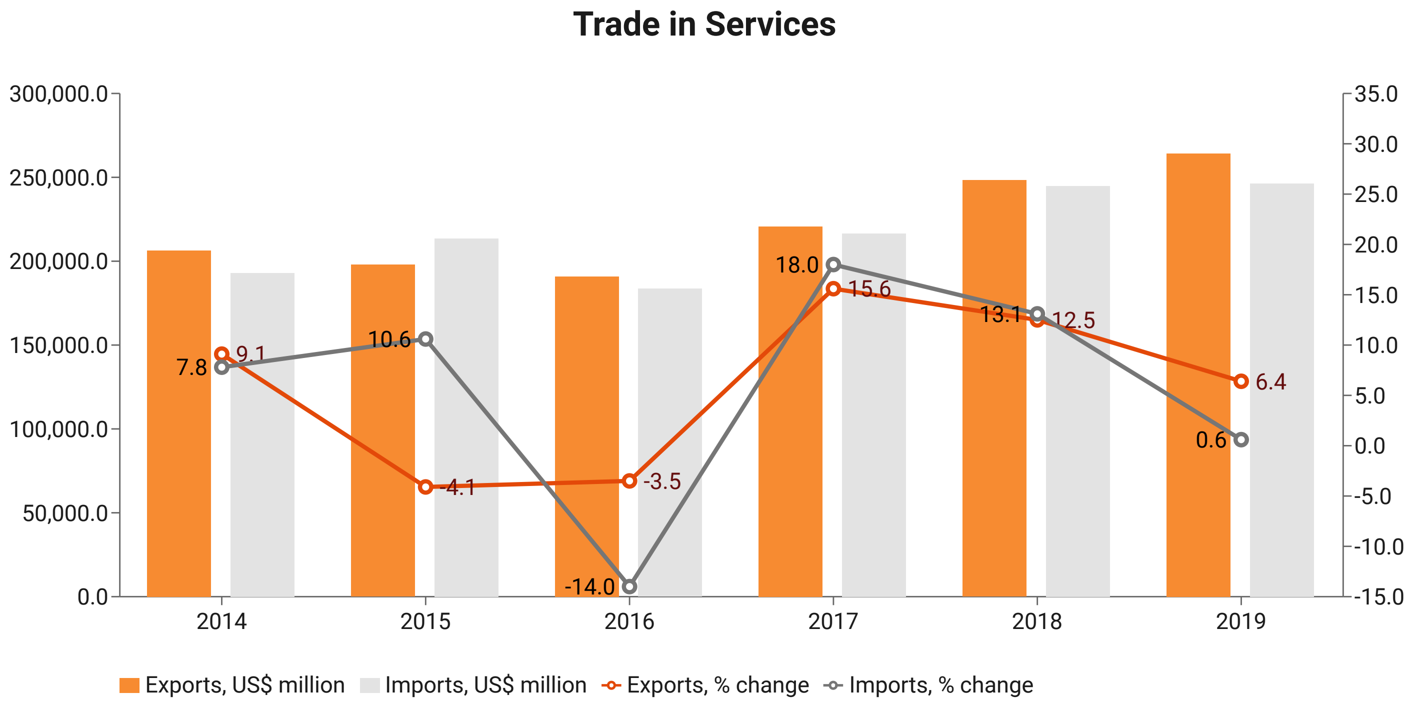


Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 18, 2021



Sources: ITC-Trade Map, Fitch Solutions
Date last reviewed: February 18, 2021

4.2 Trade in Services



2019 (estimate)
Source: WTO
Date last reviewed: February 18, 2021

5. Trade Policies

- The Netherlands joined the World Trade Organization in January 1995. The Netherlands is a member of the EU and incorporates EU regulatory norms. As a eurozone member, it has uses the euro as its legal tender.

- As the Netherlands is an EU member, a common tariff applies to the import of goods across the external borders of the EU. The EU has an overall simple tariff of 5.1%. Once goods are cleared by customs authorities upon entry into any EU member state, these imported goods can move freely among member states without any additional customs procedures. The EU updated its trade policy (and, by extension, its import tariffs, customs, duties and procedures) in 2017 and 2018. The customs duties' rates applied in the Netherlands vary according to the origin of the goods.

- The EU is party to some 50 free trade agreements and access to other markets of the countries concerned is currently mediated through those agreements. The EU's Generalised Scheme of Preferences (GSP) entered into effect on January 1, 2014. Under the scheme, tariff preferences have been removed for imports into the EU from countries where per capita income has exceeded USD4,000 for four years in a row. Hong Kong has been fully excluded from the EU's GSP scheme since May 1, 1998.

- In August 2020, the European Commission extended anti-dumping duties on imports of Chinese corrosion-resistant steel.

- The EU has imposed various anti-dumping measures on a wide range of products, predominantly in the areas of textiles, machine parts, steel, iron and machinery, and certain goods coming from Mainland China and a few other Asian nations in order to protect domestic industries. Currently, a number of products originating from Mainland China are subject to the EU's anti-dumping duties, including bicycles, bicycle parts, ceramic tiles, ceramic tableware and kitchenware, fasteners, ironing boards and solar glass, which are of interest to Hong Kong and regional exporters. In November 2016, the European Commission (EC) imposed a provisional anti-dumping duty on imports of some primary and semi-processed metals from Mainland China. The rate of duty is between 43.5% and 81.1% of the net free-at-union-frontier price before duty, depending on the company.

- The EU has adopted a number of directives for environmental protection which may have an impact on the sales of a wide range of consumer goods and consumer electronics. Notable examples include the Directive on Waste Electrical and Electronic Equipment (WEEE) implemented in August 2005, and the Directive on Restriction of Hazardous Substances implemented in July 2006. The WEEE was recast in 2012 and member states must adhere to higher collection or recycling targets (a 45% collection rate as of 2016 and 65% from 2019). The directive was also made wider in scope, covering all electric and electronic equipment while establishing producer responsibility as a means of encouraging greener product designs. In addition, the EU's new framework directive for setting eco-design requirements for energy-related products (ErP) is now in place. The ErP Directive now covers any product that is related to the use of energy, including shower heads and other bathroom fittings, as well as insulation and construction materials.

Sources: WTO - Trade Policy Review, Fitch Solutions

6. Trade Agreement

6.1 Multinational Trade Agreements

Active

1. The EU Common Market: The transfer of capital, goods, services and labour between member nations enjoys free movement. The common market extends to the 27 member nations of the EU, namely Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden. As the Netherlands' main trade partners are in the EU, the absence of customs charges with member countries greatly enhances its trade volumes.

2. European Economic Area (EEA)-European Free Trade Association: This economic integration agreement entered into force on January 1, 1994. The EEA unites EU member states and European Free Trade Association states (Iceland, Liechtenstein, Norway and Switzerland) to form an internal market governed by the same basic rules. These rules aim to enable goods, services, capital and persons to move freely in the EEA in an open and competitive environment, a concept referred to as the four freedoms. While it enhances trade flows between these countries and the EU, only Switzerland is a fairly major trading partner.

3. EU-Turkey Customs Union: The EU and Turkey are linked by a customs union agreement that entered into force on January 1, 1996. Turkey has been a candidate country to join the EU since 1999 and is a member of the Euro-Mediterranean Partnership. The customs union with the EU provides Turkey with tariff-free access to the European market, benefitting both exporters and importers. Turkey is the EU's fourth largest export market and its fifth largest provider of imports. The EU is by far Turkey's number one import and export partner. Turkey's exports to the EU are mostly machinery and transport equipment, followed by manufactured goods. At present, the customs union agreement covers all industrial goods but does not address agriculture (except processed agricultural products), services or public procurement. Bilateral trade concessions apply to agricultural, coal and steel products. In December 2016, the EC proposed the modernisation of the customs union and to further extend bilateral trade relations to areas such as services, public procurement and sustainable development.

4. EU-Japan Economic Partnership Agreement (EPA): In July 2018, the EU and Japan signed a trade deal that promises to eliminate 99% of tariffs that cost businesses in the EU and Japan nearly EUR1 billion annually. According to the European Commission, the EU-Japan EPA will create a trade zone covering 600 million people and nearly a third of global GDP. The result of four years of negotiation, the EPA was finalised in late 2017 and came into force on February 1, 2019, after the EU Parliament ratified the agreement in December 2018. The total trade volume of goods and services between the EU and Japan is an estimated EUR86 billion. The key parts of the agreement will cut duties on a wide range of agricultural products, and it seeks to open up services markets, particularly financial services, e-commerce, telecommunications and transport. Japan is the EU's second biggest trading partner in Asia after Mainland China. EU exports to Japan are dominated by motor vehicles, machinery, pharmaceuticals, optical and medical instruments, and electrical machinery.

5. EU-Southern African Development Community (SADC) EPA (Botswana, Lesotho, Mozambique, Namibia, South Africa and ESwatini): An agreement between EU and SADC delegations was reached in 2016 and is fully operational for SADC members following the ratification of the agreement by Mozambique. The remaining six members of the SADC not included in the deal (the Democratic Republic of the Congo,

Madagascar, Malawi, Mauritius, Zambia and Zimbabwe) are seeking EPAs with the EU as part of other trading blocs – such as with the East African Community and the Economic Community of Central African States.

6. EU-Singapore FTA (EUSFTA): On February 13, 2019, the European Parliament consented to the EUSFTA signed on October 19, 2018. The EUSFTA entered into force on November 21, 2019; the investment protection agreement will only enter into force after all the states involved have endorsed it through their individual legislatures. The EUSFTA aims to remove nearly all customs duties and get rid of overlapping bureaucracy; improve trade for goods such as electronics, food products and pharmaceuticals; stimulate green growth, remove trade obstacles for green technology and create opportunities for environmental services.

7. EU-Vietnam FTA: In July 2018, the EU and Vietnam agreed on final texts for the EU-Vietnam FTA and the EU-Vietnam Investment Protection Agreement. The EU describes the agreement as the most ambitious it has ever concluded with a developing country, expecting it to increase EU exports to Vietnam by around 29% and Vietnam's exports to the EU by around 18%. In February 2020, members of the European Parliament approved the FTA, but the Investment Promotion Agreement is still awaiting approval. The agreement still needs to be formally concluded.

8. EU-United Kingdom (UK) FTA: The EU-UK FTA came into force on January 1, 2021. The FTA sets out preferential arrangements in areas such as trade in goods and in services, digital trade, intellectual property, public procurement, aviation and road transport, energy, fisheries, social security coordination, law enforcement and judicial cooperation in criminal matters, thematic cooperation, and participation in EU programmes. It is underpinned by provisions ensuring a level playing field and respect for fundamental rights. The FTA is likely to be amended with time to include cooperation and preferential treatment in more fields. The EU is the UK's largest trade partner, with the United States being the UK's largest individual country trading partner. In 2019, UK exports to the EU were GBP300 billion (43% of all UK exports), while UK imports from the EU were GBP372 billion (51% of all UK imports), leaving an overall trade deficit for the UK of GBP72 billion with the EU. A surplus of GBP23 billion on trade in services for the UK was outweighed by a deficit of GBP95 billion for trade in goods. The UK had a trade surplus of GBP46 billion with non-EU countries, where a surplus of GBP81 billion on trade in services outweighed a deficit of GBP35 billion for trade in goods. Services accounted for 43% of the UK's exports to the EU in 2019 – financial services and other business services are important categories of service exports to the EU. The UK's largest trade surplus with an EU country was with Ireland (GBP14 billion in 2019). The UK's largest trade deficit with an EU country was with Germany (GBP20 billion in 2019).

Provisionally Active

The Comprehensive Economic and Trade Agreement (CETA): CETA is an agreement between the EU and Canada. CETA was signed in October 2016 and ratified by the Canadian House of Commons and EU Parliament in February 2017. However, the agreement has not been ratified by every European state and has only provisionally entered into force. CETA is expected to strengthen trade ties between the two regions, having come into effect in 2016. Some 98% of trade between Canada and the EU will be duty free under CETA. The agreement is expected to boost trade between partners by more than 20%. CETA also opens up government procurement. Canadian companies will be able to bid on opportunities at all levels of the EU government procurement market and vice versa. CETA means that Canadian provinces, territories and municipalities are opening their procurement to foreign entities for the first time, albeit with some limitations regarding energy utilities and public transport.

Ratification Pending

1. EU-Central America Association Agreement (Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Belize and the Dominican Republic): An agreement between the parties was reached in 2012 and is awaiting ratification (29 of the 34 parties have ratified the agreement as of October 2018). The agreement has been provisionally applied since 2013.

2. EU-Mercosur Trade Agreement: The EU and Mercosur (Argentina, Brazil, Paraguay and Uruguay; Venezuela's membership has been suspended) signed a trade deal on June 28, 2019, after two decades of negotiations. Although the agreement still needs to be ratified by the EU Parliament and EU member states for it to be enforced, the EU is the first major partner to make a trade pact with the Mercosur bloc. The trade agreement for goods and services will cover nearly 25% of global GDP and almost 750 million people and gives EU-based companies easier entry into a market with an enormous economic potential. The deal is expected to cut duties on EU exports to Mercosur by EUR4 billion annually and eliminate tariffs on 93% of Mercosur's exports to the EU and 91% of EU exports to Mercosur states.

Under Negotiation

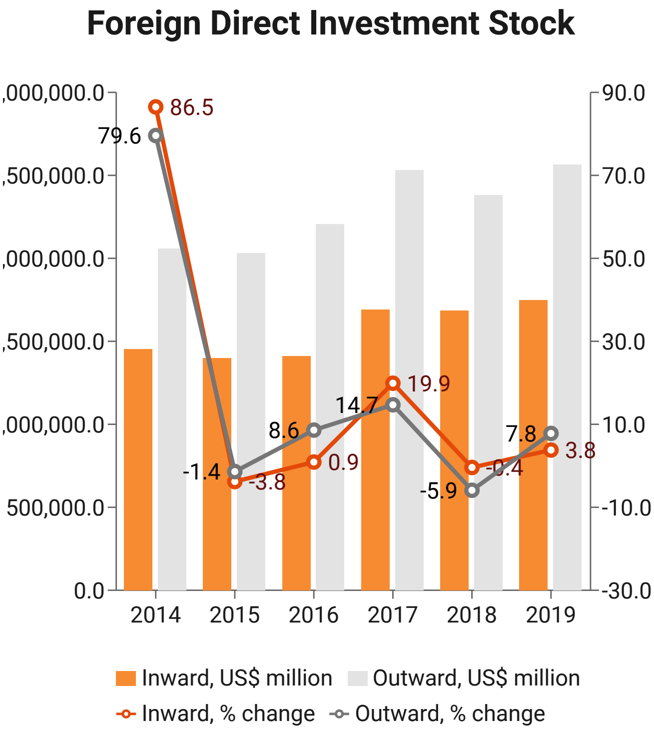
1. EU-Australia: The EU, Australia's second largest trade partner, has launched negotiations for a comprehensive trade agreement with Australia. Bilateral trade in goods between the two partners has risen steadily in recent years, reaching almost EUR48 billion in 2017, and bilateral trade in services added an additional EUR27 billion. The negotiations aim to remove trade barriers, streamline standards and put European companies exporting to or doing business in Australia on equal footing with those from countries that have signed up to the Trans-Pacific Partnership or other trade agreements with Australia. The Council of the EU authorised opening negotiations for a trade agreement between the EU and Australia on May 22, 2018. The ninth round of negotiations took place from November 30, 2020 to December 11, 2020 , and the two parties provisionally concluded the negotiation of the Good Regulatory Practices Chapter. The next round of virtual negotiations is scheduled for March 2021.

2. EU-United States Transatlantic Trade and Investment Partnership (TTIP): This agreement was expected to increase trade in goods and services, but talks were suspended at the end of 2016. In January 2019, the EC published its draft negotiating directives, which include a trade agreement focused on the removal of tariffs on industrial goods, excluding agriculture. On April 15, 2019, EU member states gave the EC their approval to start formal negotiations. The negotiating directives for the TTIP are no longer relevant.

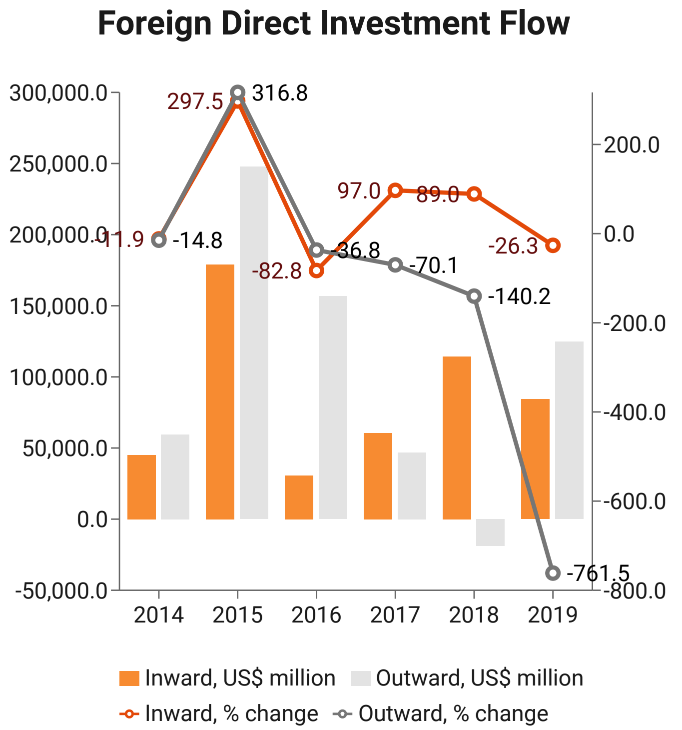
Sources: WTO Regional Trade Agreements Database, Fitch Solutions

7. Investment Policy

7.1 Foreign Direct Investment



Source: UNCTAD
Date last reviewed: February 18, 2021



Source: UNCTAD
Date last reviewed: February 18, 2021

7.2 Foreign Direct Investment Policy

1. The Netherlands Foreign Investment Agency (NFIA), a unit of the Dutch Ministry of Economic Affairs and Climate Policy, assists companies with the establishment and expansion of their business activities in the Netherlands.

2. With a competitive corporate income tax rate in Europe as well as a number of attractive incentive programmes, including specific research and development tax incentives to stimulate innovation, the Netherlands aims to provide a business climate to attract investment to several key sectors.

3. The Netherlands protects all types of property, including private and intellectual property and the right of citizens to own and use property. The expropriation of corporate assets or the nationalisation of industry requires a special act of parliament, as demonstrated by the nationalisation of ABN AMRO during the 2008 financial crisis. In the event of expropriation, the Dutch government follows customary international law, providing prompt, adequate and effective compensation as well as ample process for legal recourse

4. The Netherlands has no formal foreign investment screening mechanisms and no foreign ownership quotas, with the exception of certain limitations in sectors that are deemed of national interest (transport, energy, defence and security, finance, postal services, public broadcasting and the media). There is no requirement for Dutch nationals to have an equity stake in a Dutch registered company. With few exceptions, the Netherlands does not discriminate between national and foreign individuals in the establishment and operation of private companies. The government has divested its complete ownership of many public utilities, but in a number of strategic sectors private investment, including foreign investment, may be subject to limitations or conditions.

5. In general terms, under the existing fiscal investment fund regime, the tax rate for fiscal investment funds is 0%, as long as their profit is made available to the shareholders and holders of certificates of participation no later than eight months after year-end. Fiscal investment funds may also invest in real estate development activities. These activities should take place through a subsidiary subject to Dutch tax and the development activities are exercised for the benefit of real estate that is (or will be) forming part of the fund's own portfolio, an affiliated fiscal investment fund's portfolio or for the portfolio of a company in which the fund or the affiliated fund has a substantial interest. Fiscal investment funds that invest in real estate are allowed to hold a taxable subsidiary that provides customary services in relation to the real

estate held by the Dutch real estate investment trust (REIT). Conference facilities or the exploitation of an in-house restaurant are examples of this.

6. The Netherlands has bilateral investment treaties or treaties with investment chapters containing strong investor protections with more than 145 countries or regions.

7. In 2020, the EC adopted a banking package that proposes targeted amendments to EU banking rules, including, among other measures, a two-year extension of the current transitional arrangements for the IFRS9 implementation in the Capital Requirements Regulation.

8. In order to stimulate entrepreneurs engaged in ocean shipping, a favourable regime (known as the Dutch tonnage tax regime) may be available to certain shipping companies. Under this regime, the taxable profit of a sea-going vessel is based on its registered net tonnage multiplied by a fixed amount of deemed profit per ton instead of the actual profits from the exploitation. The regime only applies to the calculation of the profit related to the qualifying shipping activities. The profits from the qualifying activities are taxed at a deemed tonnage profit according to a regressive scale system. The tonnage tax regime applies upon request and for a fixed period of ten years or multiples of the ten-year period. These activities include operating vessels in international traffic (including transportation for the purpose of the exploitation of natural resources at sea), cable and pipe-laying activities at the bottom of the sea, and towing and dredging and connected activities. As per 2020 and on instructions from the EC, the tonnage tax scheme will be tightened on a number of points. There will be a ceiling for ships subject to a time or voyage charter that do not fly an EU/EEA flag. When a ship is put into service in January 2020, at least one ship in the fleet will have to fly an EU/EEA flag and a flag requirement will be introduced for ship managers. A transitional arrangement is foreseen for tonnage situations in existence in December 2019. The final refinement concerns the introduction of a profit ceiling for non-transportation activities of a maximum of half of the annual profit (relevant for cruise ships).

Source: WTO – Trade Policy Review, ITA, Unites States Department of Commerce, Invest in Holland, Fitch Solutions

7.3 Free Trade Zones and Investment Incentives

Free Trade Zone/Incentive Programme	Main Incentives Available
Foreign Trade Zones (FTZs)/Trade Facilitation	The Netherlands has no FTZs or free ports where commodities can be processed or reprocessed tax free. However, FTZs exist for bonded storage, cargo consolidation and the reconfiguration of non-EU goods. This reflects the key role that transport, transit, logistics and distribution play in the Dutch economy. Dutch customs authorities oversee a large number of customs warehouses, free warehouses and free zones along many of the Netherlands trade routes and entry points. Schiphol Airport handles more than 1.7 million tonnes of goods for distribution. Specific premises in the Schiphol area are designated customs-free zones. The port of Rotterdam is Europe's largest seaport by volume, handling over 37% of all cargo shipping on Europe's Le Havre-Hamburg coastline. Many agents operate customs warehouses under varying customs regimes on the premises of the Port of Rotterdam.
Other Investment Incentives	General requirements to qualify for investment subsidy schemes apply equally to domestic and foreign investors. Industry-specific targeted investment incentives have long been a tool of Dutch economic policy to facilitate economic restructuring and to promote economic priorities. Such subsidies and incentives are explained in detailed regulations. Subsidies are in the form of tax credits that are disbursed through corporate tax rebates or direct cash payments if there is no tax liability.
R&D	The Dutch government pursues a programme designed to stimulate R&D investment in nine targeted sectors. The programme's goals are: - To improve the knowledge-intensive industries - To reach a top-five ranking among global knowledge-based economies by 2020 - To increase the share of R&D efforts to 2.5% of GDP by 2020 - To establish sector-specific innovation consortia in which both public and private sectors participate In a joint effort with academia and the private sector, the government has instituted a preferential policy that releases more than USD1 billion of additional funding for R&D and product innovation in the top sectors.

Sources: National sources, Fitch Solutions

8. Taxation – 2021

- Value Added Tax: 21%
- Corporate Income Tax: 25%

Sources: Netherlands Tax and Customs Administration, Fitch Solutions

8.1 Important Updates to Taxation Information

- Dutch ATAD II legislation entered into force on January 1, 2020 (Anti-Tax Avoidance Directive, concerning hybrid mismatches within the EU and with third countries). The legislation largely follows the EU Directive but with additional measures such as taxpayers having to document applicability on the measure for payments, losses, etc.

- The Netherlands looks to discourage tax avoidance by introducing a new withholding tax on interest and royalties as of January 1, 2021. The new Withholding Tax Act is applicable to interest and royalty payments made by a Dutch company to a related company if that related company is located in an identified low-taxed jurisdiction, or in a blacklisted jurisdiction. At 21.7%, the proposed withholding tax rate is the same as the Dutch corporate income tax rate applicable to the highest bracket as of 2021.

- As of 2020, the reduced VAT rate (9%) will be introduced to the supply of e-publications (such as e-books, journals and periodicals) and granting access to news websites.

- The Coalition Agreement states that, as from 2021, a national aviation tax is to be introduced if the European route (adoption of EU harmonized pricing of environmental damage caused by air traffic) does not generate enough effect (or does not do so quickly enough). In the case of passenger flights departing from the Netherlands, a levy of EUR7,845 per departing passenger will be imposed. The levy will not be imposed on transit passengers.

- A national CO_2 levy exists per January 1, 2021 for industrial production and waste incineration. This levy is to be introduced alongside the existing system for the pricing of CO_2 at EU level (EU-ETS).

8.2 Business Taxes

Type of Tax	Tax Rate and Base
Corporate Income Tax	There are two taxable income brackets. A lower rate of 15% (previously 16.5% in 2020) applies to the first income bracket. This bracket has been extended, it consists of taxable income up to EUR245,000 (previoulsy EUR200,000 in 2020). The standard rate applies to the excess of the taxable income. The first bracket will be extended further in 2022 to a taxable income up to EUR395,000.
Capital Gains Tax	Companies can distribute some of their profits as dividend to their shareholders. Dividends are subject to tax. The general rate of dividend tax is 15%.
Withholding Tax	Dividends: Dividends from Dutch corporations are generally subject to a 15% withholding tax Interest: 0% Royalties: 0%
VAT	21%

Sources: Netherlands Tax and Customs Administration, Fitch Solutions
Date last reviewed: March 4, 2021

9. Foreign Worker Requirements

9.1 Working Permit

Non-EU member citizens require a work permit in order to work in the country. EU member citizens do not require a work permit, but their employer must inform the job office about their appointment. Citizens of the European Economic Area (EU member states, Iceland, Norway and Lichtenstein and Switzerland) do not require a visa to enter, reside or work in the country. No work permit is needed by foreigners from outside the EU if they have a permanent residence or family reunion permit, have been granted asylum, study in the country or have a Blue Card or a Green Card.

9.2 Obtaining Foreign Worker Permits

Employers must first apply for a permit to hire foreign workers. A permit is granted once no suitable candidate can be found in the country or in other EU member states. The vacant position must be reported to the local district labour office and cannot be changed at a later stage to fit the profile of a potential employee. The candidate must then apply for a work permit. The government issues the permit for a maximum of two years, which can be repeatedly prolonged, but always for a maximum of two years, and may be renewed as many times as needed. The permit process takes an average of one month.

9.3 Green Card

The Green Card system only applies to citizens from the following nations: Australia, Montenegro, Japan, Canada, South Korea, New Zealand, Bosnia and Herzegovina, North Macedonia, the United States, Serbia and Ukraine. The Green Card simplifies entry to the job market for foreigners who have qualifications for which the country has a job opening in a register of jobs suitable for Green Cards. The permit is for long-term residence for employment purposes.

9.4 Blue Card

Intended for the stay of a highly qualified employee. A foreigner holding a blue card may reside in the country and work in the job for which the blue card was issued, or change that job under the conditions defined. High qualification means a duly completed university education or higher professional education that has lasted for at least three years. The blue card is issued with the term of validity three months longer than the term for which the employment contract has been concluded, but for the maximum period of two years. The blue card can be extended. One of the conditions for issuing the blue card is a wage criterion – the employment contract must contain gross monthly or yearly wage at least at the rate of 1.5 multiple of the gross average annual wage.

Sources: Government of the Netherlands, European Commission, Kingdom of the Netherlands

10. Risks

10.1 Sovereign Credit Ratings

	Rating (Outlook)	Rating Date
Moody's	Aaa (Stable)	22/02/2019
Standard & Poor's	AAA (Stable)	20/11/2015
Fitch Ratings	AAA (Stable)	23/10/2020

Sources: Moody's, Standard & Poor's, Fitch Ratings

10.2 Competitiveness and Efficiency Indicators

	World Ranking		
	2018	2019	2020
Ease of Doing Business Index	32/190	36/190	42/190
Ease of Paying Taxes Index	20/190	21/190	22/190
Logistics Performance Index	6/160	N/A	N/A
Corruption Perception Index	8/180	8/180	8/180
IMD World Competitiveness	4/63	6/63	4/63

Sources: World Bank, IMD, Transparency International

10.3 Fitch Solutions Risk Indices

	World Ranking		
	2018	2019	2021
Economic Risk Index Rank	**24/202**	**9/201**	**4/201**
Short-Term Economic Risk Score	75.2	74.4	79.0
Long-Term Economic Risk Score	73.6	78.1	77.7
Political Risk Index Rank	**16/202**	**17/201**	**17/201**
Short-Term Political Risk Score	86.5	85.6	85.6
Long-Term Political Risk Score	87.5	86.5	86.4
Operational Risk Index Rank	**5/201**	**5/201**	**5/201**
Operational Risk Score	79.8	78.4	77.9

Source: Fitch Solutions
Date last reviewed: February 18, 2021

10.4 Fitch Solutions Risk Summary

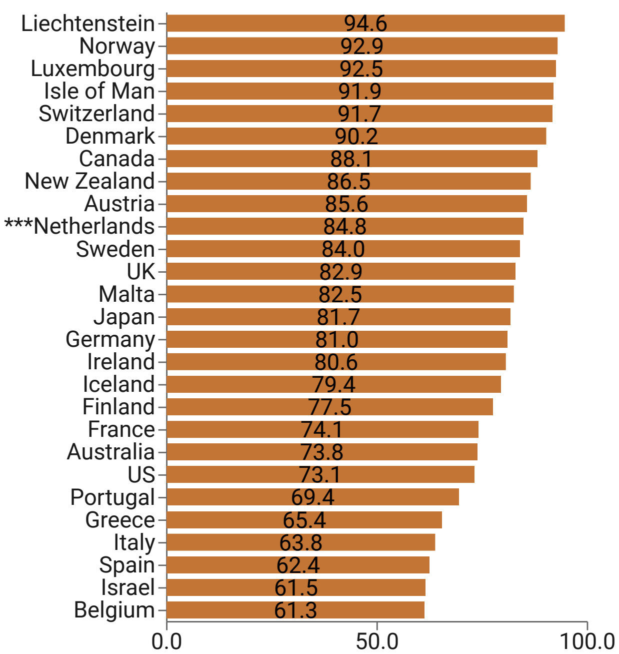
ECONOMIC RISK
In 2020, the country is expected to have experienced the worst economic contraction in more than 30 years due to the impact of the Covid-19 pandemic. The country’s large external surplus enabled the government to increase its spending significantly over 2020, which helped to cushion the economic recession. Because of its openness, the economy is also highly vulnerable to external factors over which it has little control, such as the euro exchange rate, the price of oil and the strength or weakness of key EU trading partners such as Germany and France. The economy is likely to recover strongly in 2021 as domestic and foreign demand pick up, but the rise in the size of the welfare state over the recent years will act as a drag on the growth. The balance of risks remains tilted to the downside owing to lingering uncertainty surrounding the pandemic and its effects. The recovery will be underpinned by supportive base effects. In the long term, net exports and private consumption are expected to lead the economic recovery.

OPERATIONAL RISK
The Netherlands enjoys one of the most market-friendly and open investment and trade policies among developed countries. Asa result, it is the second largest provider and recipient of foreign direct investment among Organisation for Economic Co-operation and Development countries, although persistent low interest rates continue to dampen returns for investors. Distinguishing strengths of the Dutch economy include a highly developed financial sector, a strategic location in Europe, a well-educated and productive labour force, and high-quality physical and communication infrastructure. The Netherlands' political scene is relatively stable but faces growing risks of polarisation over the medium term and possible increased opposition to EU integration. Investors in the Netherlands take advantage of its highly competitive logistics industry, anchored by the largest seaport and the fourth largest airport in Europe. With the exception of the air transport sector, there are very few restrictions to foreign ownership in Dutch companies. The Dutch government plans to set up a EUR50 billion investment fund, which will target investment in infrastructure and scientific research, potentially providing tailwinds to infrastructure growth with significant downstream benefits for other industries.

Source: Fitch Solutions
Date last reviewed: March 4, 2021

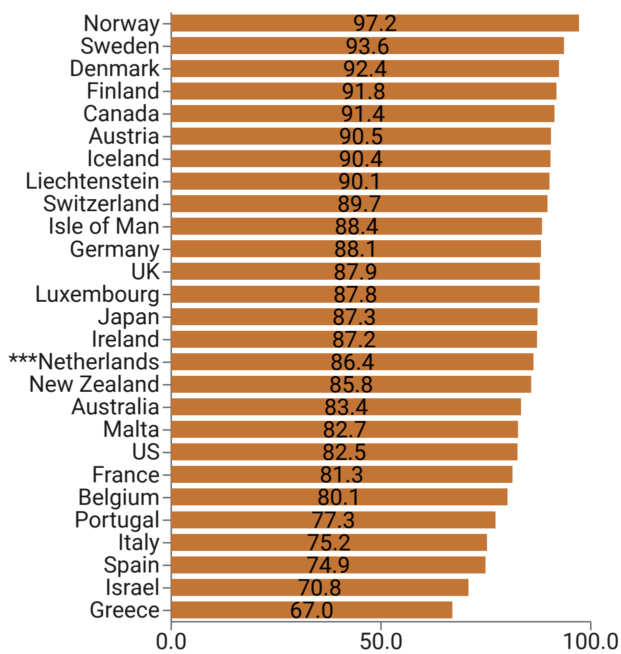
10.5 Fitch Solutions Political and Economic Risk Indices

Short Term Political Risk Index



100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 18, 2021

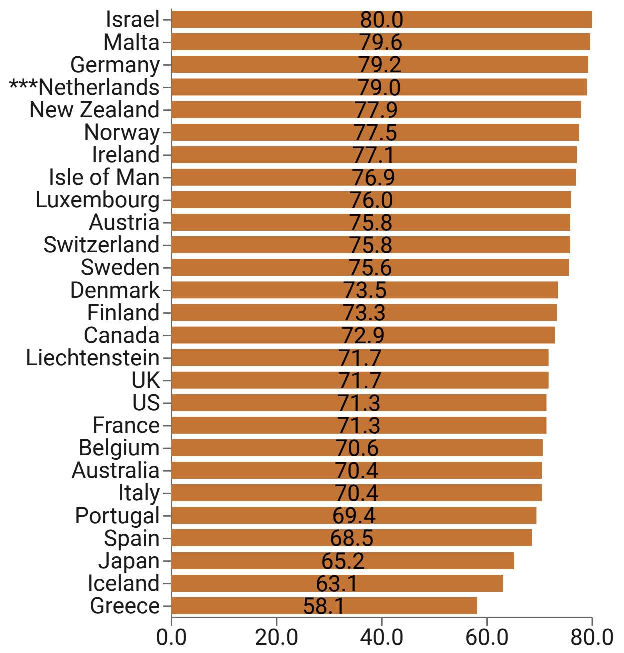
Long Term Political Risk Index



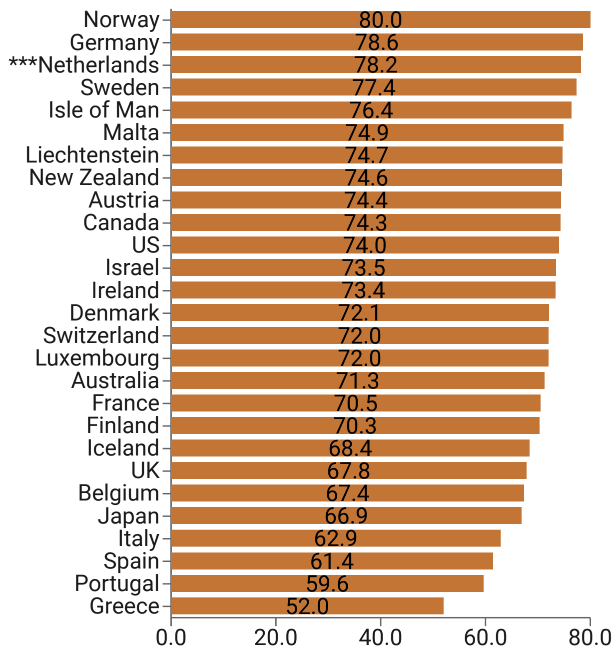
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 18, 2021

Short Term Economic Risk Index

Long Term Economic Risk Index



100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 18, 2021



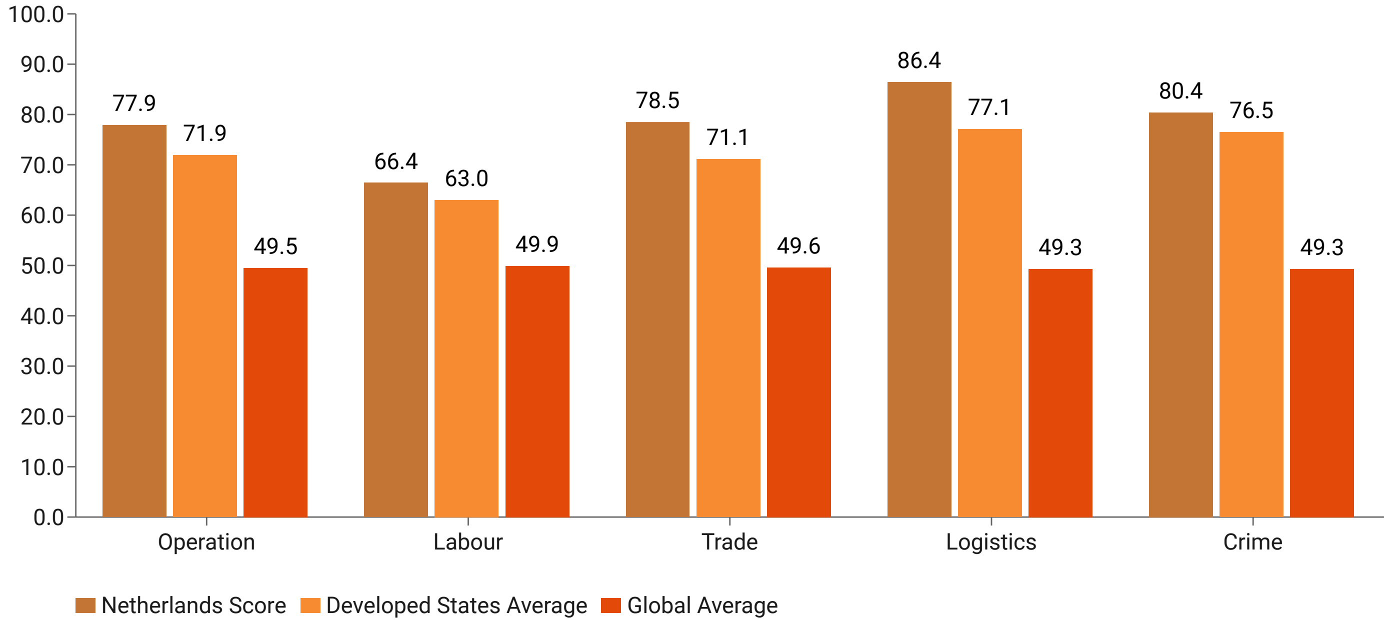
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Political and Economic Risk Indices
Date last reviewed: February 18, 2021

10.6 Fitch Solutions Operational Risk Index

	Operational Risk	Labour Market Risk	Trade and Investment Risk	Logistics Risk	Crime and Security Risk
The Netherlands Score	**77.9**	**66.4**	**78.5**	**86.4**	**80.4**
Developed States Average	71.9	63.0	71.1	77.1	76.5
Developed States Position (out of 27)	3	11	2	1	9
Global Average	49.5	49.9	49.6	49.3	49.3
Global Position (out of 201)	5	16	5	1	12

100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Operational Risk Index

Netherlands vs Global and Regional Operational Risk Averages



Note: 100 = Lowest Risk, 0 = Highest Risk
Source: Fitch Solutions Operational Risk Index
Date last reviewed: February 18, 2021

Country/Region	Operatonal Risk	Labour Market Risk Index	Trade and Investment Risk Index	Logistics Risk	Crime and Secruity Risk Index
Denmark	79.2	71.8	77.5	84.9	82.4
Switzerland	78.6	75.3	77.7	78.4	83.1
Netherlands	**77.9**	**66.4**	**78.5**	**86.4**	**80.4**
United States	77.2	79.7	76.1	85.4	67.4
New Zealand	77.2	71.6	74.7	74.6	87.7
Sweden	76.8	67.5	77.7	83.3	78.5
Norway	75.9	63.5	72.3	79.7	88.3
Canada	75.9	73.2	74.0	78.5	78.0
United Kingdom	75.3	71.0	77.9	77.8	74.7
Austria	74.8	61.0	72.7	84.8	80.8
Luxembourg	74.4	55.9	78.2	83.9	79.6
Finland	74.1	54.1	73.2	85.4	83.7
Ireland	73.7	65.9	79.3	70.5	79.0
Australia	72.8	68.4	73.2	71.7	78.1
Spain	72.4	60.5	71.0	79.7	78.4
Japan	71.7	68.3	66.0	80.3	72.2
Belgium	71.4	56.6	76.1	79.9	72.9

Germany	71.2	64.1	68.5	80.5	71.8
France	71.1	60.2	71.1	81.4	71.9
Iceland	70.2	59.3	67.1	67.0	87.4
Portugal	69.7	52.3	67.5	80.1	78.9
Israel	68.2	72.2	68.2	69.9	62.5
Liechtenstein	64.8	48.9	63.2	69.9	77.1
Malta	63.9	55.2	68.9	62.3	69.3
Isle of Man	63.8	53.0	60.3	61.3	80.6
Italy	63.3	53.5	60.0	75.2	64.5
Greece	57.0	52.8	49.4	69.7	55.9
Developed Markets Averages	71.9	63.0	71.1	77.1	76.5
Global Markets Averages	49.5	49.9	49.6	49.3	49.3

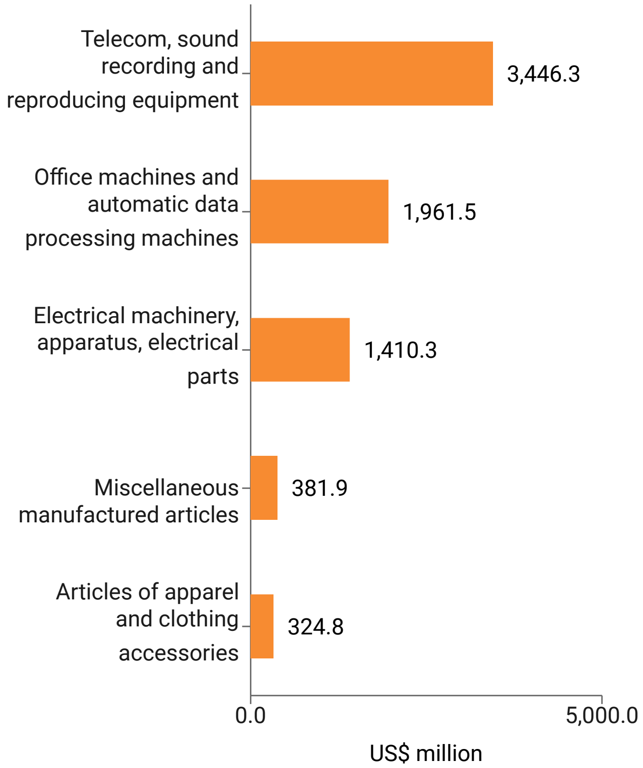
100 = Lowest risk; 0 = Highest risk
Source: Fitch Solutions Operational Risk Index
Date last reviewed: February 18, 2021

11. Hong Kong Connection

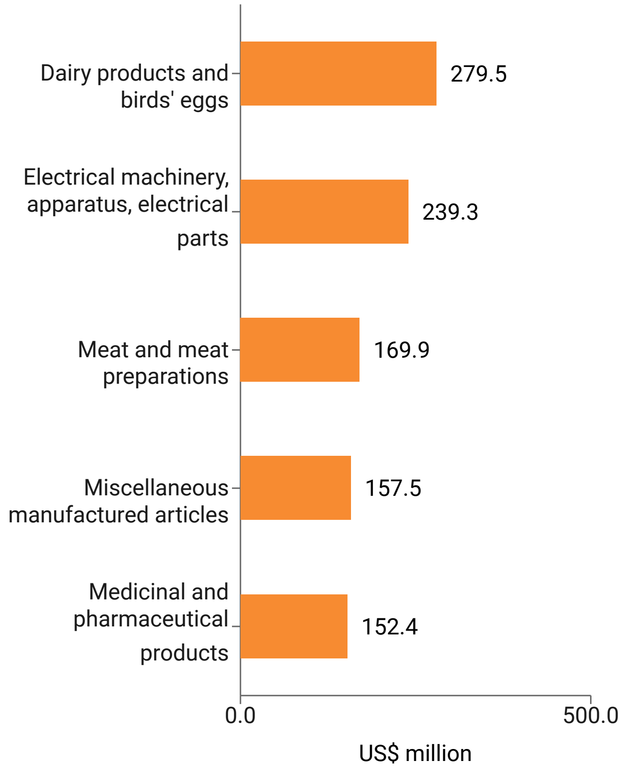
11.1 Hong Kong's Trade with The Netherlands

Major Export Commodities to the Netherlands (2019)

Major Import Commodities from the Netherlands (2019)

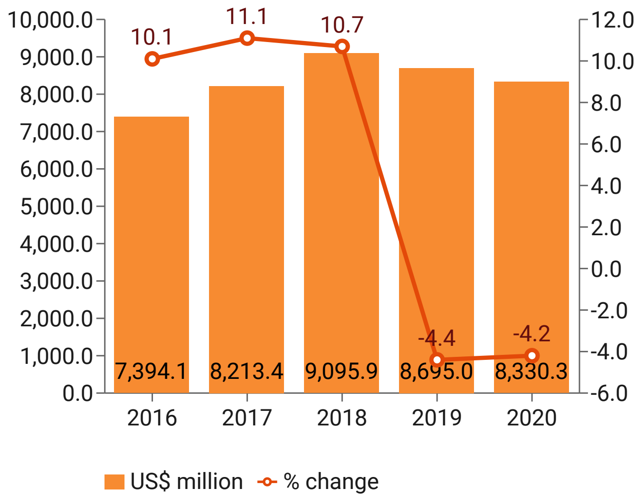


Note: Graph shows the main Hong Kong exports to the Netherlands (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 18, 2021



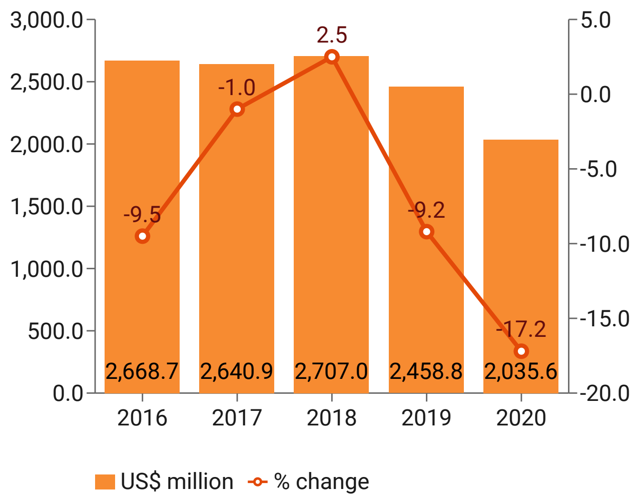
Note: Graph shows the main Hong Kong imports from the Netherlands (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 18, 2021

Merchandise Exports to the Netherlands



Note: Graph shows Hong Kong exports to the Netherlands (by consignment)
Sources: Hong Kong Trade Statistics, Census & Statistics Department
Date last reviewed: February 18, 2021

Merchandise Imports from the Netherlands



Note: Graph shows Hong Kong imports from the Netherlands (by consignment)
Sources: Hong Kong Census and Statistics Department, Fitch Solutions
Date last reviewed: February 18, 2021

Exchange Rate HK$/US$, average
7.76 (2016)
7.79 (2017)
7.84 (2018)
7.84 (2019)
7.76 (2020)

	2019	Growth rate (%)
Number of Dutch residents visiting Hong Kong	85,227	-9.2
Number of European residents visiting Hong Kong	1,747,763	-10.9

Sources: Hong Kong Tourism Board, Fitch Solutions

	2019	Growth rate (%)
Number of Dutch residents residing in Hong Kong	1,321	29.5
Number of developed state citizens residing in Hong Kong	83,786	29.6

Note: Growth rate for resident data is from 2015 to 2019. No UN intermediate data available.
Sources:United Nations Population Division, Fitch Solutions, United Nations Department of Economic and Social Affairs – Population Division
Date last reviewed: February 18, 2021

11.2 Commercial Presence in Hong Kong

	2020	Growth rate (%)
Number of Dutch companies in Hong Kong	181	-4.2
- Regional headquarters	28	7.7
- Regional offices	56	-1.8
- Local offices	97	-8.5

Sources: Hong Kong Census and Statistics Department, Fitch Solutions

11.3 Treaties and agreements between Hong Kong and The Netherlands

- A Comprehensive Agreement for the Avoidance of Double Taxation between the Netherlands and Hong Kong came into effect on October 24, 2011.
- Hong Kong and the Netherlands entered into an Investment Promotion and Protection Agreement on September 1, 1993.
- A Bilateral Investment Treaty between the Netherlands and Mainland China entered into force on August 1, 2004.
- Mainland China amd the Netherlands signed a Double Taxation Agreement with became effective on August 31, 2014.

Sources: UNCTAD, Inland Revenue Department, Hong Kong Trade and Industry Department, OECD

11.4 Chamber of Commerce or Related Organisations

Dutch Chamber of Commerce in Hong Kong
Address: Suite 3002, 30/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong
Email: info@dutchchamber.hk
Tel: (852) 2815 2801

Source: Dutch Chamber of Commerce in Hong Kong

Netherlands Hong Kong Business Association
Email: secretariat@nhkba.nl
Tel: (31) 6 2697 9799
Website: www.nhkba.nl
Please click to view more information.

Source: Federation of Hong Kong Business Associations Worldwide

Netherlands Consulate General in Hong Kong and Macao
Address: Suite 3001, 30/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong
Email: hon@minbuza.nl
Tel: (852) 2599 9200
Fax: (852) 2868 5388

Source: Protocol Division Government Secretariat

11.5 Visa Requirements for Hong Kong Residents

Hong Kong SAR passport holders are entitled to visa-free entry to Schengen Area countries lasting no more than 90 days in any six-month (180-day) period from the date of first entry into the territory of the member states.

Source: Visa on Demand
Date last reviewed: February 18, 2021

Related Topics

Netherlands | Western Europe | EU | THE NETHERLANDS GDP | THE NETHERLANDS ECONOMIC STRUCTURE | THE NETHERLANDS EXTERNAL TRADE | THE NETHERLANDS IMPORT | THE NETHERLANDS EXPORT | THE NETHERLANDS TRADE POLICY | THE NETHERLANDS INVESTMENT POLICY | THE NETHERLANDS TRADE AGREEMENT | THE NETHERLANDS FDI | THE NETHERLANDS TRADE WITH HONG KONG