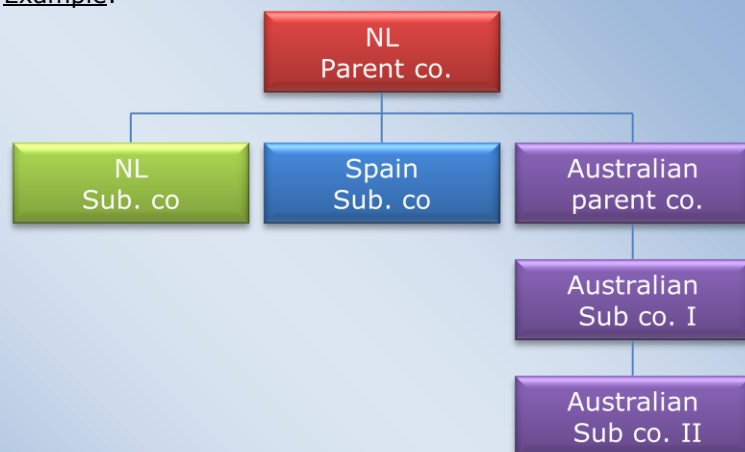


Netherlands participation exemption

Requirements for participation exemption:

- The Dutch participation exemption regime is founded on the *ne bis in idem* principle, which entails that business profits within the scope of companies subject to corporate taxation should not be taxed twice. Hence these profits should be taxed in that state in which it arises;
- Pursuant to the participation exemption regime any income (dividends and/or capital gains) realized from a 'participation' is exempt from corporate income taxation at the level of the Dutch shareholder;
- The participation exemption is applicable to shareholdings in both domestic and foreign bodies and applies if the following conditions are met:
 - A shareholding in a company of at least 5% of the nominal paid-up capital of which the capital is partially or wholly divided into shares; and
 - The company in which the shareholding is held is pursuing active business operations and/or its assets consist for less than 50% of low-taxed portfolio investments;
- In case the participation exemption regime does not apply, a credit mechanism applies instead.

Example:



Year X results:	Profits	Tax %
Profit Dutch parent co:	1,000	25%
Profit Dutch sub.co:	800	25%
Profit Spain sub.co:	240	30%
Australian subs:	<u>3,000</u>	30%
Consolidated:	5,040	

Calculating effective tax rate

On a consolidated basis, the group reports a taxable profit of 5,040. The tax due by the subsidiaries on profits realized are:

- NL sub. co:	25% of 800 =	200
- Spain sb.co:	30% of 240 =	80
- Australian subs:	30% of 3,000 =	<u>1,000</u>
		1,280

If all subsidiaries distribute their profits to the Dutch parent company, its worldwide income for that specific year amounts to 5,040.

Taxable income NL parent co:

- Realized profits on a stand-alone basis:	1,000
- Profits realized by its subsidiaries	<u>4,040</u>
- Taxable income	5,040
- Less: participation exemption:	<u>4,040</u> -/-
- Taxable profit:	1,000
- Tax: 25%:	<u>250</u>
- Profit after tax:	750

Effective tax rate:

- NL tax parent co. as compared to worldwide income: 4,96% (250 tax on a worldwide income of 5,040)
- NL tax parent co. for Dutch profits realized on a stand-alone basis: 25%
- Effective tax rate for the group as a whole: 30,35% (1,530 tax on a worldwide income of 5,040)