

**House Committee on Revenue  
State of Oregon  
House Bill 2099  
Testimony by Delegation of the Netherlands  
May 25, 2015**

The Netherlands appreciates the opportunity to share its views on the subject of taxation with this important committee of the Oregon legislature.

Chair Barnhart, and members of the committee, My name is Harry Roodbeen, Director International Tax and Consumer Tax with the Ministry of Finance in the Hague in the Netherlands. With me here today are Consul General Hugo Von Meijenfeldt, from San Francisco, senior policy advisor, Eline Goderie from the Ministry of Finance in the Hague in the Netherlands, and Annette Deckers our Financial Counselor at the embassy in Washington DC. Also I would like to mention the relationship we have with Oregon through our Honorary Consul, Hans van Alebeek, who couldn't be here with us today.

We have been delighted at the warm welcome we have received in our visits with Governor Kate Brown/Governor's Policy Advisor Vince Porter; Majority Leader of the House of Representative Val Hoyle as well as many of you. We also enjoyed our constructive meeting with Director Jim Bucholz and senior officials of the Department of Revenue.

## **Introduction**

We especially appreciate this opportunity because the Netherlands and the US have a long standing friendship. For more than 400 years, our countries have been joined by the values of freedom, justice and an entrepreneurial spirit.

The Netherlands history is one of a sea-faring nation, with an open mind to exploring and trading with the rest of the world. In 1609, a Dutch ship, commandeered by an English captain – Henry Hudson landed on the shores of what now is Manhattan. And we have been trading and investing in each other ever since. In fact the Netherlands was the first country to loan money to a young republic in 1782, in the amount of five million guilders.

Both members of NATO we have been strong allies as well, with our soldiers fighting shoulder to shoulder in conflicts around the world.

But please allow me to paint the picture of my country as an economic center in the heart of Europe first, before I will give you some more details on how the Netherlands and the USA and specifically Oregon are economically connected.

- A nation of nearly 17 million people, the Netherlands is a founding member of the European Union.

- The Netherlands is a highly-developed industrial and trading center in the heart of the main economic area of Europe. This zone is strategically located to serve Europe's three largest economies: France, the United Kingdom and Germany.
- The Netherlands' strategic location puts companies in proximity to more than 170 million European consumers within a 300-mile radius.
- Rotterdam is the largest port in Europe. And we are also well connected by air with Schiphol being the best airport for cargo and passengers in Europe. Furthermore our superior transportation infrastructure enables business to serve their European customers easily.
- The Netherlands has a highly trained workforce that knows its languages: 90 percent of the Dutch speak English.
- Our Dutch Start up Culture and Can-do mentality makes it the perfect incubator for innovations.
- The Netherlands also has a competitive fiscal climate, which I will talk about some more in a little bit.
- We are the host of many large and well-known organizations as the International Criminal Court, the International Court of Justice and the Organization for the Prohibition of Chemical Weapons.

I hope you can see by these examples that the Netherlands is a very attractive location for businesses for many reasons. And why more than 1700 US companies chose to put their headquarters in the Netherlands. 850 Dutch businesses call the USA home.

As I said before the economic ties between the Netherlands and the US and specifically Oregon are very strong.

- The Netherlands is the **third-largest investor** in US business (direct investment in US companies was \$275 billion in 2012).
- Dutch-American investment and trade support nearly **685,000 US jobs**. In Oregon, these investments include AkzoNobel, Wood Finishes & Adhesives in Salem, EcoFys sustainable energy consultants in Corvallis and several other companies in the Portland area. In Oregon, there are 3,500 jobs that were created by Dutch subsidiaries. We hope to create more jobs in the future.
- Big companies and employers like Shell, Akzo, Philips, DSM, Ten Cate, Unilever, Heineken, KLM are all Dutch.
- ***Oregon's only year-round direct flight to Europe is to Amsterdam***, one of the busiest airports in the world. Estimates from 2011 attribute 211 Portland airport jobs to this connection, as well as 1,341 Oregon tourism jobs. This impact has likely grown since 2011.

- The trade of goods and services between the US and the Netherlands tops nearly \$90 billion a year. Netherlands is in the top ten of countries with which the USA has a trade surplus.
- So simply said; the US at federal and state level and the Netherlands have a relationship that works.

Now please allow me to explain a little bit more about our competitive tax climate.

## Tax System

The Netherlands' tax laws cannot constitute grounds to justify treating it as a tax haven. As a major industrial and trading country, deeply integrated in the European Union, *the Netherlands depends on the rule of law for its own success.*

1. Transparency, international cooperation, reporting abuse. Historically, every nation has developed its own tax system independently. Due to the absence of integration between the various national legal systems, mismatches can occur that taxpayers can use to minimize their tax burdens. However, the Netherlands works together with the European Union, the Organization for Economic Cooperation and Development and other international organizations to promote tax compliance, to avoid aggressive tax planning by international businesses and to increase tax transparency. The Netherlands was one of the first to begin negotiating with the US Federal Government to report taxpayer information under the Foreign Account Tax Compliance Act (*FATCA*), resulting in the signing of an agreement in December 2013. The US-Netherlands tax treaty dates from 1992, and was updated and approved by the US Congress in 2004.
2. Tax rate, incentives, avoiding double taxation. The Netherlands has a robust general tax system with a rate of 25% on corporate income and a 20% rate on income below €200,000. Also, the Netherlands has an internationally comparable effective tax rate. Like many countries and US states (including Oregon), the Netherlands also uses tax incentives to *stimulate economic development* and takes steps to *prevent double taxation*. This concerns:
  - a. Special rate for R&D investment income. Recognizing the value of attracting innovative investments, the Netherlands allows a 5% tax rate that is limited to income from qualified investments. Real business activities in the Netherlands are thereby required. *Non-R&D income remains taxed at 25%*. Also other EU Member States have special regulations for R&D investment income. Currently, in the EU and the OECD different proposals on the scope of tax-related innovation regimes are under discussion (e.g. a modified nexus approach for innovation boxes).
  - b. Participation exemption (received dividend) regime. Dutch tax law *prevents double taxation* of the same income by allowing a company that holds at least a

5% interest in a subsidiary to exempt dividends and capital gains from tax in the Netherlands. This “participation exemption” does not apply if the subsidiary is a low-taxed portfolio investment, in this case a credit system applies. Many other (European) countries implemented a similar participation exemption (received dividend) regime. Other countries and US states use methods such as consolidated returns and dividends-received deductions for a similar purpose. Within the EU the parent & subsidiary directive applies, which effectively provides for a similar regime, namely exemption of dividends received from subsidiaries engaged in active business. This Council of the EU recently agreed to amend this directive so as to counter situations of tax avoidance.<sup>1</sup>

3. Actively combating abuse. The Netherlands actively supports the initiatives of the G20, OECD and EU have taken to combat tax avoidance *and evasion*, for example by actively participating in the Base Erosion Profit Shifting project of the OECD. These initiatives include, as important spearheads, proposals to improve transparency and automatic exchange of information and to modernize bilateral tax treaties. Further, the Netherlands actively seeks to update its tax treaty network by including anti-abuse provisions. For example, as per 30 August 2013 the Netherlands government announced to actively approach 23 developing countries so as to update the double tax conventions with these countries by including of an anti-abuse provision and further tightening of substance requirements.<sup>2</sup>

## Conclusion

We urge this committee to avoid adding the Netherlands to the list of tax haven jurisdictions. As an important trading partner governed by the rule of law, the Netherlands maintains a highly regulated tax system, with typical incentives for active businesses; and is actively working on the domestic and international fronts to combat tax abuse and international tax avoidance.

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<sup>1</sup> [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/ecofin/146127.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/146127.pdf)

<sup>2</sup> <http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2013/08/30/kabinetsreactie-op-seo-rapport-overige-financiele-instellingen-en-ibfd-rapport-ontwikkelingslanden.html>