

NETHERLANDS

Corporate tax rate

For an annual taxable profit under f40,000 the tax rate is 44 percent. For f40,000 to f50,000 the rate is 44 percent plus a 15 percent surtax on the amount over f40,000. Any taxable profit above f50,000 has a 47 percent tax rate applied to it. The above rates will be replaced once the Dutch Government issues a decree implementing a law passed by Parliament which reverts rates back to the previous 40 and 43 percent, respectively. In addition the new law provides that the tax rate on distributed profits shall be 15 percentage points under the rate for undistributed profits. The decree has not as yet been issued.

Method of computing depreciation

Taxpayers may use either a straight-line or diminishing-balance method of depreciation. There is no restriction on the method used according to the type of asset acquired. Low value items forming a customary part of initial or production expenses may be written off at the entire cost in the year of acquisition under the "de minimis rule."

Rates of depreciation

The basis for depreciation is historical cost not replacement value. Depreciation rates are determined through negotiations between tax authorities and taxpayer. Where useful life of the asset is shorter than the physical life, because, for example, of technological obsolescence, the taxpayer may use this in determining depreciation rates. Salvage value is taken into consideration, the taxpayer is only allowed to depreciate the difference between historical cost of the asset and its salvage value. Rates under either the straight-line or declining-balance method must result in depreciation to salvage value at the end of the useful life of the asset. Conventional rates are stated to be 10 percent for machinery and 1½ to 3 percent for buildings per year. The general formula for the declining-balance method is:

$$d = \left(1 - n \sqrt[n]{\frac{s}{c}} \right)$$

with d = annual depreciation rate

s = salvage value

n = life of asset in years

c = historical cost

Incentive allowance

A special investment allowance is given which allows individual or corporate taxpayers to deduct a percentage of new investment from taxable profits. The allowance has no connection whatsoever with depreciation. Eligible investment can be acquisition of new or used assets or improvement of already owned assets, but the amount of investment must exceed 3,000 florins (approximately \$800) during the tax year concerned. Investment must be in business assets to qualify for the allowance, land and residential property being ineligible. For such assets for which orders were placed after April 29, 1960, the allowance is 5 percent of cost in each of the first 2 years. In effect, this means that 110 percent cost can be recovered by the investor. If the assets are sold within 10 years, the taxpayer must add back to income in the 2 years following disposition the amount of the allowance.

Adjustments for price level changes

The taxpayer may not make adjustment in the amount of depreciation on the basis of price fluctuations. However, if substantial changes occur in the salvage value of the assets, appropriate adjustment may be allowed by the authorities.

Treatment of gains on sale of depreciable property

All gains from the sale of assets are treated as ordinary income.

Treatment of losses on sale of depreciable property

Losses resulting from sales of assets may be deducted from profits.

Relationship of book and tax depreciation

Fiscal treatment of depreciation is independent of treatment in books of account.