

# Starting your company

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Starting your company is something we can get really excited about. We also understand that the start of your company can overwhelm you with information. Hence we try to keep it simple.



Startup company

## One man company

The most common company to start and the easiest to set up is the one man company. A rather old fashioned name, as women can also start this company.

The name of the entity can also make you think only 1 person can work with this company. That is not true. One man stands for one man owning the capital. Many persons can be employed.

The one man company is also referred to as ZZP company, freelance company, sole trader company or transparent company.

## Chambers of Commerce – KVK

The one man company is set up with the chambers of commerce. The chambers of commerce will register the name and purpose of the company. A KVK number is provided to you.

The chambers of commerce will communicate this to the Dutch tax office. The Dutch tax office will provide you with a Value Added Tax number (VAT number). This number and some other information is send by the Dutch tax office to you. There are deadlines stated by the Dutch tax office, please take notice of them.



## One client is no client principle

In the event you are contacted from a foreign company to work for them. Often it can even be the company you left to move to the Netherlands. Then the best set up would be working as an employee. As an employee you are insured for disability and unemployment. Two very important social benefits.

We have learned that foreign companies are extremely hesitant, due to our social system, to employ an employee. Hence you are offered not employment, but a contract. A contract to work for them only. You have one client.

Is that a problem? For that we first need to explain why the principle of one client is no client exists.

In the Netherlands we have a social system based on the contribution of the employees to pay for those employees that are not able to work. A solidarity system. If you then decide to terminate your Dutch employment. However, you return the next week to the same company, same desk and you do the same job, but you do not receive a salary, but you invoice instead. That is a breach with solidarity. Contracting does not contribute to all the social premiums. To avoid a breach in solidarity, the one client is no client has been introduced and enforced by the Dutch Government.

If you have one client only, a deemed employment is assumed. For you, the contractor, that is not so much a problem. For the deemed employer it is a substantial problem. All payments to you are considered net salary payments. This implies your invoice including VAT is a net payment, that will be grossed up. Often with a 25% penalty on top. This is to be paid by the deemed employer.

We have the opinion and our opinion has been substantiated by the Dutch tax office during audits, that in an international situation the one client is not client rule does not exist. Your one client is simply not willing to set up a Dutch payroll for whatever reasons they have. The second best option for you to contribute to the Dutch tax system is invoicing this one client. No solidarity is eroded, as there was no Dutch employment in the first place.

If you have difficulty registering your one international client company with the Dutch Chamber of Commerce, contact us. In case of a one international client situation that is not willing to set up a Dutch payroll, the solution is not to be part of the foreign payroll. That is indeed in conflict with rules and regulations. The tax treaties clearly states that employment done in the Netherlands, is taxed in the Netherlands. Once that is taxed in the Netherlands, social premiums are also to be paid in the Netherlands.

## BV company

The BV company is a limited liability company that can only be incorporated with the assistance of a Dutch notary. With the notary the name, activity and share capital is set up. The notary informs the Chamber of Commerce and the Chambers of Commerce again informs the Dutch tax office.

A corporate income tax number is issued by the Dutch tax office with a deadline, a VAT number with a deadline. The moment salary is paid, a wage tax number is to be applied for.

The limited liability starts the moment the share capital is actually paid by the shareholder into the business bank account. It is indeed true you can incorporate the BV company for EUR 0,01. Often the amount is so silly, it is forgotten to be paid. Or rounded off to zero on the balance, which could raise questions by potential investors or the bank. We recommend a higher amount, for instance EUR 2.000 as that can then also cover the costs of incorporation, the deposit for the office address.



## BV company – bank account

The limited liability does not kick in till the share capital of the company is paid into the business bank account. The business bank account is easily set up if the shareholder and director are Dutch resident tax payers.

The moment one of the two is not a Dutch resident tax payer, the bank will not provide a business bank account. That is instructed by the national Dutch bank to avoid money laundering and terrorism funding. A BV bank account is not necessarily a Dutch bank account, any bank account in name of the BV company is a business bank account you can deposit the share capital on.

## Accounting

The accounting rules for the one man company and BV company are identical. The result of the company is determined on the same legal merits.



A difference is the formal rules of the BV company. An invoice issued to the BV company needs be in the name of the BV company. An invoice in any other name, like the name of the director, or shareholder, is not correct. The issue is that VAT cannot be reclaimed, when invoice is in the incorrect name.



With the one man company the above problem does not exist. The invoice can be in the name of the company or the owner of the company. Both are accepted, also for VAT.

Another difference is getting paid. For the Dutch tax office is not important if the company is being paid for the services, as long as the company pays the tax. But an one man company person can be paid in his or her private bank account, in a foreign account. As the difference between turnover and costs is being taxed, the means of receiving payment is not relevant.



With the BV company this is slightly different. If the invoice of the BV company is being paid in another account than the BV bank account, it is basically assumed the director shareholder received this amount her or himself. Which is either a current account debt to the BV, or a net salary payment, or a net dividend payment. Important to address this correctly in the administration.

Invoicing in another currency is not a problem. That said, if your invoice contains VAT, the amount of VAT needs to be separately mentioned in euro currency. Receiving the foreign currency in a bank account of that foreign currency country is not a problem. The receipt of the payment does not determine the tax liability of the company.

Another difference between the BV company and the one man company is that a result in a one man company equals the fiscal profit in the income tax return. In the BV company the profit is subject to corporate income tax. The net profit can be paid as a dividend. That said, we do have minimum salary rules for the director shareholder.

## Minimum salary rules managing director shareholder

The managing director shareholder can set its own salary. That made directors decide to waive the salary and only earn dividend. In the Netherlands if you have no salary income or very low salary income, you are poor. If you are poor we have special tax credits for rent, health care, day care (children) to support the weak. This director is not weak, earned no salary but received a huge dividend payment. To avoid this misuse of public credits the minimum salary of the director shareholder has been introduced.

The salary cannot be less than the minimum annual salary, but also not less than 75% of the profit of the company. Unless the director can find a person who does the same job, but has no shares of the company. If that salary is lower than the 75% norm, but still exceeding the minimum annual salary, this salary can be used instead.



### Example

Minimum salary in 2021 is EUR 47.000. Profit of the company is EUR 300.000. The salary of the director shareholder needs to be at least EUR 47.000, but not less than 75% of EUR 300.000. That is EUR 225.000. If the director can proof that a person in the same position, but with no shares in the company earns EUR 150.000 instead. This EUR 225.000 salary can be reduced to EUR 150.000. The salary can never be for a full time position reduce to lower than EUR 47.000.

Be careful what you wish for. A low salary and high dividend could be interesting from a tax point of view. This is not interesting from a mortgage loan capacity perspective. Experience learned us that in the end people want to purchase a home. Often a home that cannot be purchased without a mortgage loan. The mortgage bank loans you the money based on the past three years of employment income. Dividend income is not taken into account. Hence a low salary income can result in a small house.



### 30% ruling

The 30% ruling is the best tax benefit we have in the Netherlands. This can only be applied in the employer – employee situation. That implies the one man company entrepreneur can never apply for the 30% ruling. Not even if the one man company is terminated and BV company is started. The requirement – being attracted from abroad by a Dutch employer – can never be met again.

You, the director shareholder of the BV company, can apply for the 30% ruling. You are both employer and employee, but as this is a rather formal ruling and the BV is a formal entity, you can apply, even if both individuals are the same.

In case of the granted 30% ruling from a tax point of view and a mortgage loan point of view taking the full profit of the BV company as a salary is the best.

## End of 30% ruling – termination of BV company

We have the opinion that the easiest set up of a company is the one man company. Only if the 30% ruling can be applied for we recommend the BV company. That implies the moment the 30% ruling is no more valid, we even suggest to terminate the BV company as it lost its purpose.

This is only different when the shares of the BV company are able to be sold over time to a third party person, the BV company makes a substantial high profit, or from a commercial point of view the BV company is the way to go.

## BV company and limited liability

It is assumed that the BV company offers limited liability, as that is what is the name of the company. This is not true. In the basis the BV company offers limited liability.

In a number of situations the director is hold liable in person:

- The annual report is not published in time. If that happens in a year, than when the BV company goes bankrupt maybe many years later, the director is held liable in person, because of this late publication in the past.
- Too much dividend paid. If the minutes of the shareholders meeting determines dividend payments. If in the years to follow the company has not enough funds to fulfill its financial obligations, the director who agreed to the dividend payment in the past is then held liable in person for the financial issues.
- The BV company is actually bankrupt, but the director continues to operate the BV and commences to obligations. The director in person is liable.



There is a list of BV companies that went bankrupt and if you could hold next to that the list of the director shareholders that went bankrupt in person, you would notice there is more or less a week between each other. Why is this? A bankrupt company has no funds to settle with the creditors, or to pay for the services of the person appointed as curator. Often the director owns a home. The value often exceeds the debt on the house, hence making the director bankrupt opens the road to settling business invoices.

We therefore think little of the limited liability.

## Staring company and accounting

The one man company and the BV company needs to process a quarterly bookkeeping. This enables them to file the quarterly VAT return.



The one man company has no salary, unless employees are employed. The BV company has its director on the payroll, hence a monthly payroll needs to be processed.

At the end of the year the BV company requires an annual report, that is approved by the minutes of the shareholders meeting. Based on that approval the report is published with the Chambers of Commerce and the corporate income tax return can be filed.



Both the one man company and the director of the BV need to file an income tax return. For the BV company director that is a regular income tax return with a Box 2 component. Box 2 is about dividend income from a BV company. The one man company tax return is an entrepreneurs income tax return. In this tax return the profit is reported of the one man company.

Tax is exciting provides all accounting services the company requires. We are excited to assist you. Our fees you can find on the website.



## Dutch tax office – Value Added Tax

The Dutch tax office is not your friend, neither your enemy. It is simply an organization you have to work with. That is how Dutch approach the Dutch tax office.

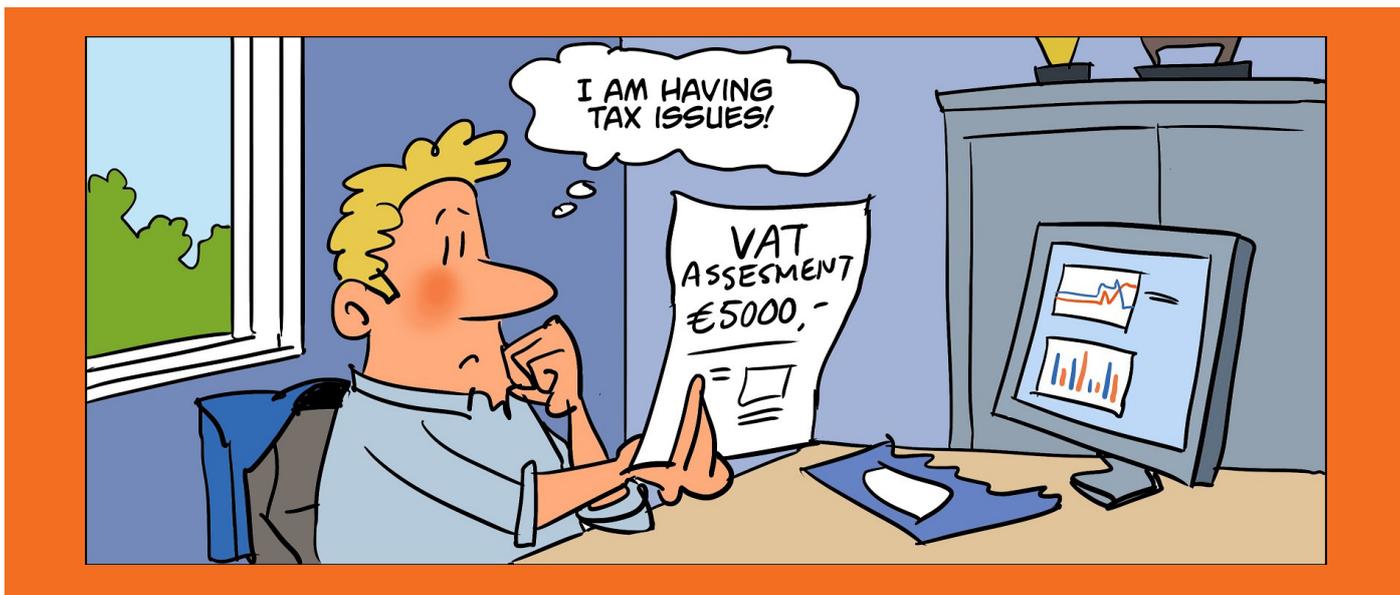
The moment you registered a company a Value Added Tax number is issued to you. The deadlines are shared with you. You even receive a reminder message just before the one month deadline period starts. Then the tax office expects you to file the VAT return.

We often encounter this obligation is not understood. Or the company states we have no turnover yet. Sometimes the company assumes as all the clients are outside the EU, no VAT return filing in the Netherlands is required.

This is all incorrect. You are to file the VAT return for the period in the deadline period, no matter what. Even if you are ill, in hospital, on holiday, no excuse is accepted. If you have no turnover yet, then this is a nil field. Probably you paid reclaimable VAT, that is than paid out to you.

In the even you are too late the Dutch tax office has learned over the years how to handle that. They simply issue you a EUR

5.000 amount in VAT to be paid, plus EUR 65 for being late and 2% fine for paying too late. This nearly always get the aimed result, the company turns to the expert. The expert solves the issue by filing the correct VAT return. The penalty of EUR 65 is always to be paid, as the company was too late. The fine for paying too late is not always due, as often such an initial VAT return does not result in an amount of VAT to be paid.



## Dutch Tax Office – corporate income tax return

The BV company is required to file a corporate income tax return. The one man company does not have this obligation. The corporate income tax return needs to be filed after the calendar year has finished, before June 1 of the following year. Most accounting company can get an extension for you to file, till the end of the year. We have the opinion there is no extension required if you can file already. An extension sounds nice, but the assessment can then be also very late. Which implies in year 3 or 4 of the existence of your company you get tax assessment for year one, while at the same time maybe you get the tax assessment for year two. This creates confusion.

Being late with your corporate income tax return is not an option. The penalty is EUR 5.514 (2021). For the first time too late the tax office offers a 50% discount.

You do not need such a penalty if you are on top of your game. You might miss the deadline, then you are reminded and after that you receive the final 10 day letter. If you do not file in 10 work days, you get the penalty.



## Fishing email and fraudulent messages

As entrepreneur you are hunted deer for the fishing and fraudulent messages, please realize this. If you have not claimed the domain for your company before registering your company, it is very well possible someone offers you to rent or purchase that domain at a rather high costs. At the same time you are informed that many others are interested in that domain as well. Which is never true.

The tax office never sends you a message via email. The tax office never asks you to click on a link. The tax office does also not insist you to pay an amount within 48 hours, if you have not received any correspondence whatsoever about this topic before. You are always given 6 weeks time to pay a tax assessment.

The registrar of registrars does not exist. You register one time with the Chambers of Commerce and that is it. No other registrar, no other fees. In case of doubt, if you are client of Tax is Exciting BV, you can always send us the request or demand you received, to have it double checked.



## Tax is Exciting

We think tax is exciting and we are excited to assist you. Contact us at [www.orangetax.com](http://www.orangetax.com). We have offices in Amsterdam, Haarlem, Rotterdam and Eindhoven. If there is not office near to you, either you live elsewhere in the Netherlands or abroad, we will be pleased to have a zoom meeting with you.

