



THE NETHERLANDS

Home to leading maritime companies





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COME FLY THE DUTCH FLAG WITH US!

It is my pleasure to introduce this brochure about the maritime business climate in The Netherlands. It provides you with information about the Dutch maritime cluster and about the benefits and opportunities involved in flying the Dutch flag.

The Netherlands has always been a strong maritime nation. Because of its central location in Europe at the river Rhine estuary, it serves as the entrance to Europe's economic heartland. Nowhere else in Europe can one find such an excellent and convenient combination of large ports and efficient hinterland connections of all transport modes. Together with the much experienced Dutch logistical sector, one of the most modern and innovative in the world, the Netherlands is the true Gateway to Europe.

The Dutch maritime cluster consists of many different subsectors, e.g. dredging, deepsea-, short sea, inland- and recreational shipping, pelagic fishing, maritime supply, offshore, dredging, shipbuilding, maritime research, hydraulic engineering and maritime services. All the subsectors are closely related and reinforce each other. The maritime cluster is strong from an economic, technological and innovative perspective. It consists of more than 12,000 companies and has a direct added value of EURO 18.7 billion a year, about 3.5 % of the total GDP of the Netherlands.

The Netherlands offers an excellent business climate, which allows maritime businesses to flourish. The economic and social climate is stable, and in technical and commercial terms, the maritime sector is highly advanced. The government has created ideal conditions for the further development of maritime know-how. Logistics and Water, including maritime, are one of the top sectors with gained additional focus from the Dutch government.

The Dutch shipping sector and the maritime cluster contribute to the competitiveness of Mainport Rotterdam – the largest port in Europe. The port attracts more than 400 million tonnes in cargo flow each year. It is of great importance to the Dutch economy and forms a port network with the other ports in the country of which the Port of Amsterdam is the largest.

The Dutch shipping register includes more than 1,200 merchant vessels (including dredging vessels). The Dutch fleet is one of the most modern fleets in the world; it is highly innovative, it has well-educated crews and offers good employment conditions. Dutch shipping policy has been designed by the government with the goal to enable shipowners to manage their vessels from the Netherlands on competitive and profitable terms. It sets to create a level playing field and to retain a high-quality reputation and strong maritime environment for its shipowners. One important aspect is the option for shipowners to determine annual fiscal profits on the basis of ship tonnage. But flying the Dutch flag offers other benefits, such as allowing companies to apply flexible crew regulations and make use of additional fiscal measures, reducing the costs of employing Dutch crews by around 30%.

This brochure will give you all the information you need regarding maritime business in The Netherlands. We hope to see you here, flying the Dutch flag!

Melanie Schultz van Haegen

Minister of Infrastructure and the Environment



GATEWAY TO EUROPE

The Netherlands occupies a strategically significant geographical location that has earned it the name “the Gateway to Europe”. The Netherlands offers an outstanding base for international logistics because of its central location in the Eurodelta region and its extensive hinterland infrastructure. Nowhere else in Europe are such excellent and convenient combinations of sea and airport locations to be found. All commercial and industrial centres are within a few hours’ drive. This infrastructure, together with the international outlook so characteristic of the Netherlands, has played a major role in the strong development of the Dutch maritime industry.

As the gateway to Europe, the Netherlands’ major port attracted about 466 million tons of cargo flow in 2015, including containers, liquid and dry bulks, specialties like fruits and juices, gas and chemicals, and so on. Worldwide, the port of Rotterdam ranks ninth in terms of total tonnage. Within Europe, it is the number one

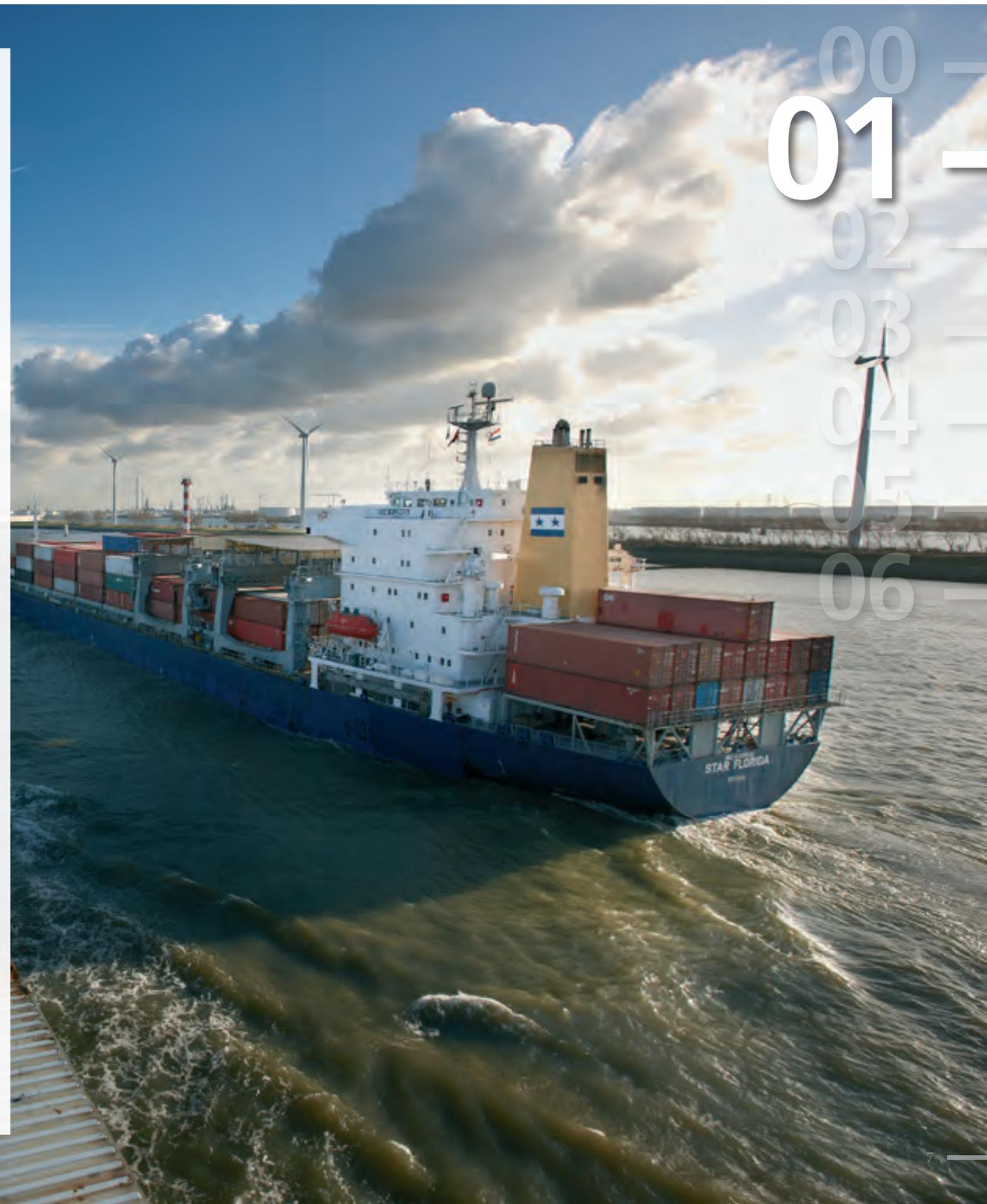
container port. Nowadays, Rotterdam also promotes itself as a ‘brainport’, as it offers easy access to top-quality logistics and financial expertise.

Amsterdam Airport Schiphol is only a short distance from the port of Rotterdam (60 kilometres) and has over 300 destinations. This means expertise in any line of business can be flown in at short notice.

The port of Amsterdam is a popular destination for cruise ships, as well as being a major European industrial port (number 5 in north-western Europe). Next to these there are another three larger seaports: Moerdijk, Zeeland Seaports (in the Scheldt estuary) and Groningen Seaports (in the northeastern part of the Netherlands). Together, Dutch ports account for a 48% market share in the Hamburg-Le Havre area. These flourishing ports have all created logistical networks and distribution patterns at ever-advancing levels of sophistication.

TOP 20 HAVENS VAN EUROPA

	Haven	Land	2015	2014	2013	2012	2011	2010
1	Rotterdam	Nederland	466,4	444,7	440,5	441,5	434,6	430,2
2	Antwerpen	België	208,4	199,0	190,8	184,1	187,2	178,2
3	Hamburg	Duitsland	137,8	145,7	139,0	130,9	132,2	121,2
4	Novorossiysk	Rusland	128,4	122,3	112,9	117,4	116,2	117,1
5	Amsterdam	Nederland	96,5	97,8	95,8	94,3	93,0	90,8
6	Algeciras	Spanje	91,9	88,1	85,9	83,3	82,2	70,6
7	Ust-Luga	Rusland	87,9	75,7	62,6	46,8	22,7	11,8
8	Marseille	Frankrijk	81,7	78,5	80,0	85,6	88,1	86,0
9	Bremerhaven	Duitsland	73,4	78,3	78,8	84,0	80,6	68,7
10	Valencia	Spanje	70,1	67,5	64,6	65,7	65,8	63,7
11	Le Havre	Frankrijk	68,3	66,9	67,2	63,5	67,6	70,2
12	Primorsk	Rusland	59,6	53,7	63,8	74,8	75,1	77,6
13	Grimsby/Immingham 1)	Verenigd Koninkrijk	58,3	59,4	60,2	60,1	57,2	54,0
14	Triëste	Italië	57,2	57,1	56,6	49,2	48,2	47,6
15	Constantza	Roemenië	56,3	55,6	55,1	50,6	46,0	47,5
16	St. Petersburg	Rusland	51,5	61,2	58,0	57,8	60,0	58,0
17	Genua	Italië	50,2	51,0	48,5	50,2	50,4	50,7
18	Duinkerken	Frankrijk	46,6	47,1	43,6	47,6	47,5	42,7
19	Barcelona	Spanje	45,9	45,3	41,5	41,5	43,0	42,9
20	Londen	Verenigd Koninkrijk	45,4	44,5	43,2	43,7	48,8	48,1



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A LONG AND DISTINGUISHED MARITIME HISTORY

The Netherlands' international focus and outward orientation originate in a long and distinguished maritime history. The Netherlands has been a seafaring nation for over five centuries. As a small country that is situated partially below sea level and has no natural resources, the Netherlands has developed a close commercial connection to rivers and seas. Throughout history, the Dutch have ventured out to discover the world and set up new lines of business. Every stage in the development of shipping, shipbuilding, global trade and maritime services has a chapter in the Netherlands' maritime history. Around 1600 AD, Amsterdam was the centre for Baltic trade. The strong shipping industry boosted the Dutch Republic's rise as a major naval power in the 17th century. During this period – known in the Netherlands as the Golden Age – the lion's share of Western European trade was carried out by the Dutch merchant fleet. These historical achievements still account for the characteristics of today's extensive maritime industry, consisting as it does of very prominent sectors on a global as

well as a European scale. Maritime equipment from the Netherlands powers the world's most complex seagoing vessels. The world's first ever yachts were constructed here. The short-sea fleet is highly flexible and of prime importance for inter-EU goods transport. The Dutch are specialists in heavy-lift vessels and are innovators in the offshore oil and gas production sector. Furthermore, the Netherlands is home to the largest reefer shipping company in the world.

The Dutch help to protect the world's urban areas against rising seas. Dutch companies gave the world the marvel that is Dubai's Palm Island and raised the Russian submarine Kursk when no one else could. Furthermore, the Dutch navy participates in peacekeeping missions all over the world. All these maritime successes account for our nationwide 'can do' attitude. The Dutch are respected craftsmen that take pride in the quality of their work and are always on the lookout for pragmatic, sustainable solutions.

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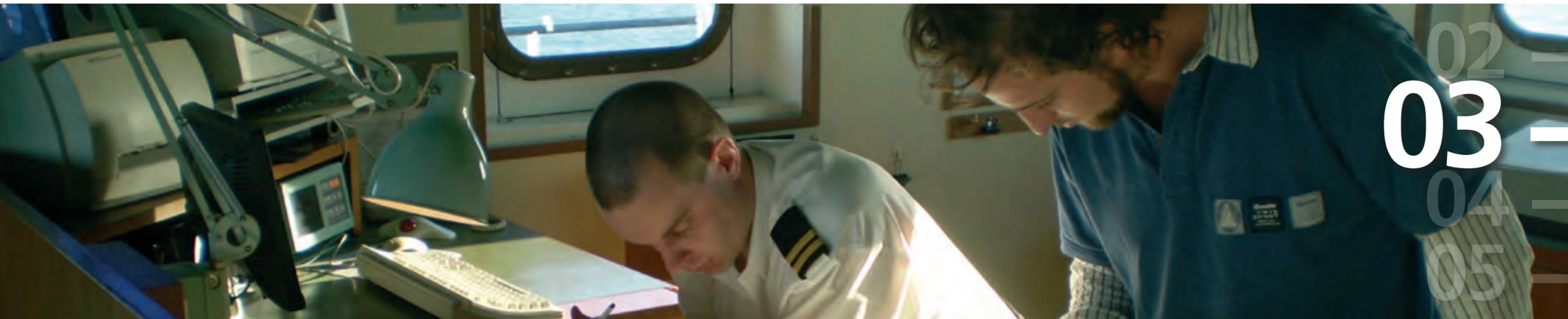




AN EXCELLENT BUSINESS CLIMATE

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An excellent business climate

The Netherlands offers an excellent political and business climate which allows maritime enterprises to flourish. The economic and social climate of the Netherlands is stable. The country has been experiencing continuously favourable economic growth with very few labour disputes. Conflicts between employers and employees are generally solved around the negotiating table. Of course, besides a sound economic climate, a stable political climate is of key significance to long-term goals, especially for operations in an unfamiliar business environment. The Netherlands' political system is a democratic and multi-party system and is therefore based on consensus. It is also highly pro-corporate, as the Dutch government is very much aware of the importance of having strong, internationally

competitive commercial industries making a major contribution to the country's prosperity and the well-being of its citizens.

The efficiency and integrity of the Dutch public administration is high. Procedures are handled fast and full consideration is given to the importance of accountability. Ministerial departments operate in a transparent manner and both national and local politicians are open to dialogue with citizens and commercial interests.

The Dutch maritime cluster

The Netherlands has turned its favourable location for transshipment, accessibility, transport, trade culture and service industry into a major maritime cluster. The maritime cluster in the Netherlands is characterised by its completeness and high standards.

More than 12,000 maritime companies create €18.7 billion in added value, with employment amounting to some 165,000 jobs. The indirect added value represents an additional €5.2 billion and 100,000 jobs. The indirect added value represents an additional €4.0 billion (US\$ 5.7 billion).

The shipping industry, major ports, the world's largest dredging fleet, the largest European inland barge fleet, the largest shipbuilding industry in the Europe Union (in terms of number of ships) – including a prestigious yacht-building sector – offshore, fisheries, the water sports industry, shipping finance, legal advisors, insurers, maritime education and research, a modern Royal Navy, equipment

suppliers and service industries: together they all form one huge maritime network.

In order to promote all of these maritime interests, the government has been actively supporting the development of the Dutch Maritime Network (Stichting Nederland Maritiem Land) and the branding of its trademark "Maritime by Holland".

This organisation – which operates as a network – aims at the further promotion and reinforcement of the Netherlands' maritime cluster. With an executive board made up of prominent people from the maritime world, this organisation is actively involved in communication, investigation, long-term policy development, image building, maritime education and a host of different maritime projects.

The Global Competitiveness Index 2015-2016 Top 10.

	GCI 2016 Rank	GCI 2015 Rank
Switzerland	1	1
Singapore	2	2
Sweden	3	3
Finland	4	5
United States	5	8
Germany	6	6
Netherlands	7	7
Denmark	8	4
Japan	9	10
United Kingdom	10	9

Source: World Economic Forum





A COMPETITIVE SHIPPING POLICY

The Dutch government acknowledges that the value of shipping lies not only in ships and jobs at sea, but first and foremost on land. Of the total value added by shipping, approximately 70% is created ashore.

The nation's shipping policy has been designed to enable shipowners to manage their vessels from the Netherlands on competitive and profitable terms. It creates an international level playing field whilst retaining the Netherlands' strong reputation and a prosperous maritime environment for shipowners.

One important aspect of this package of measures is the option for shipowners to determine annual fiscal profits on the basis of ship tonnage. Flying the Dutch flag offers benefits such as allowing companies to apply flexible manning regulations and make use of additional fiscal measures, reducing the cost of employing Dutch crews by around 30%. In the years 1997–2009, the fleet flying the Dutch flag has grown well over 40% thanks to these measures! Flexible manning regulations were made possible by the introduction in 1996 of the new Manning

Act, incorporating international STCW requirements. Certification requirements for Dutch ships were simplified drastically.

Masters and officers holding a Certificate of Competency issued by one of the EU or EEA member states or a state with which the Netherlands has concluded a STCW I/10 bilateral agreement could apply for a Dutch endorsement attesting the recognition of their national certificate, allowing them to be employed on Dutch ships. However, the employment of Masters who are not nationals of one of the EU or EEA member states is restricted to nationals from Russian Federation, Ukraine, Philippines, Indonesia, India, and China, and subject to approval by a bi-partite social partner committee. Approval by this committee is a prerequisite for obtaining the endorsement recognising the national certificate of competency as master.

Ratings of any nationality may serve on Dutch ships when holding a Certificate of Proficiency issued by a state that is on the STCW White List.

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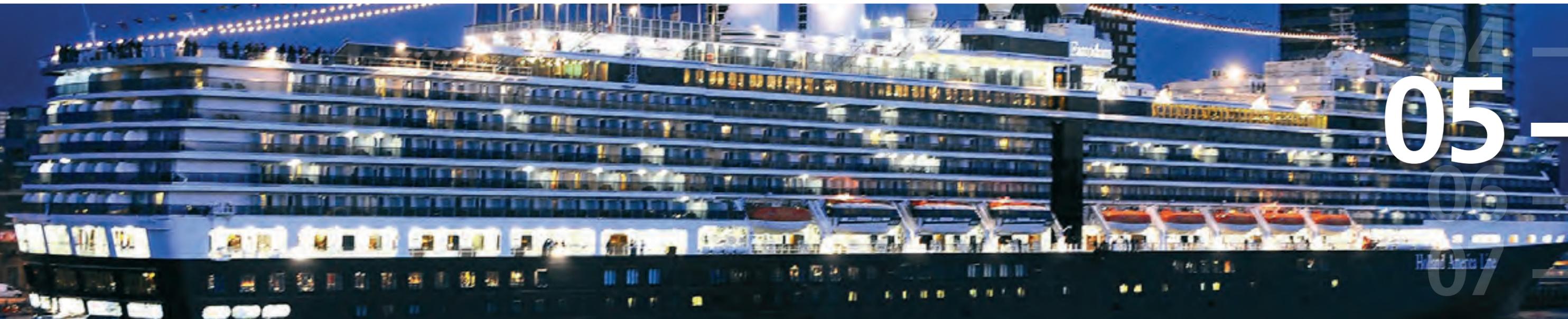
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A VAST MARITIME SUPPORT INFRASTRUCTURE

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A vast maritime support infrastructure

The Netherlands offers a full and comprehensive maritime infrastructure in which all shipping and shipping-related needs can be fulfilled. This is evident in the breadth and quality of the maritime service provided. The country has never lost its solid matrix of services in the areas of maritime administration, finance, insurance, accountancy, brokerage, chartering, chandlery and waste disposal. Almost all of the larger legal consultants that operate internationally have one or more offices in the country, as do many international banks.

This vast supportive infrastructure is by no means limited to the greater Rotterdam area. Amsterdam/North Sea Canal, Groningen Seaports (Eemshaven and Delfzijl), Zeeland Seaports (Vlissingen and Terneuzen), Den Helder and Harlingen all offer all-round packages of services too. No matter where they operate, shipping-related businesses in the Netherlands are characterised by the international nature of their services.

The Dutch government and the business community in the Netherlands share the view that the maritime sector as a whole should display strong internal coherence. They have joined forces as part of a 'Top Sectors Policy' to ensure that top sectors as a whole are strengthened. Logistics and Water (including maritime) are two of the top sectors for which a coordinated government policy is formulated and implemented.

Maritime insurance and financial services

Three major Dutch banks are positioned among the world's top 50 banking institutions, and are well known for the diversity and quality of their services. Many foreign banks have offices in the Netherlands. Shipping companies will be interested to hear that almost all the larger banks and accountancy firms have departments specialising in shipping.

Some banks have devoted themselves exclusively to the shipping industry, participating in practically every shipping deal. For instance, they finance projects in the merchant navy, the coastal trade, ports and all kinds of niche markets. Shipping companies established in the Netherlands have often expressed particular appreciation of the clear way in which financial institutions provide information and of the quality of the services they offer. The Netherlands has a powerful and well-developed capital market. Many private investors are interested in the maritime sector, often as silent partners. Banks take a positive attitude towards such forms of financing. Numerous experienced tax consultants are close at hand to provide fiscal advice. Some have special shipping desks geared to maritime business and all pride themselves on their long-standing and extensive national and international experience. And with regard to their fiscal know-how they rely on solid national and international networks.

Shipbuilding and repair

Shipbuilding in the Netherlands has developed from a general sector building all kinds of crafts to a technically sophisticated sector specialising in modern custom-built ships. Many special-purpose ships, such

as those built for heavy cargoes, large-scale dredging, offshore activities and difficult passages, come from Dutch shipyards. Maritime shipbuilding know-how is available across the country. The ship-repair industry in the Netherlands is the second largest in Europe. This is hardly surprising given that ship repair is an extension of port operations, that the Netherlands is situated on the world's most crowded shipping lanes, and Rotterdam is Europe's largest port.

Marine equipment supply

The country's 800 suppliers of marine equipment and services are the lynchpins of the Netherlands as a maritime nation. A concentration of ports, shipyards and ship repair industries has created a nucleus for the industrial suppliers of marine products. The annual production value of the Dutch equipment industry is €3.9 billion (US\$ 4.15 billion). Marine-supply industries cover every possible area of shipping and offshore technology. A wide range of marine activities can be found in the Netherlands, particularly in the west and the north of the country. Here, shipowners are surrounded by retailers, producers, engineering services, the repair industry and co-producers of marine equipment. The international and maritime nature of the country has also encouraged many foreign equipment suppliers to open local offices in the Netherlands. Just-In-Time deliveries and co-production have streamlined production and services to the industry. In this context, suppliers act as partners, not merely as salesmen. Their competitive edge is found in quality, innovation, know-how and customer service. And the international nature of business has encouraged suppliers to reduce their prices to a very competitive level.

Maritime research and development

In both technological and commercial terms, the maritime sector in the Netherlands is highly advanced. Moreover, the government has created ideal conditions for the further development of maritime know-how. Outstanding maritime research is carried out by MARIN, renowned worldwide for its research in the area of ship design, shipbuilding, shipping and ocean engineering. MARIN's core business is the application of maritime know-how and technology in general and hydromechanics in particular. Other institutes performing maritime research are Deltares (a joint venture of GeoDelft and WL | Delft Hydraulics), TNO (Institute for Applied Scientific Research), Delft University of Technology, the University of Twente and Erasmus University Rotterdam.

A number of advanced simulators used for R&D and education are located in the Netherlands. Two well-known names in this field are the Netherlands Maritime Simulation Centre (MSCN) in Wageningen and the STC Group in Rotterdam.



A HIGHLY SKILLED WORKFORCE

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Work and training

The Netherlands offers a highly skilled, flexible and multilingual labour force, with expertise of all matters both ashore and on board. Moreover, the country is highly flexible in its approach to employment contracts. An example of this is the high share of recruitment via temping agencies, a number of which provide skilled staff in almost all professional business areas while others concentrate on certain sectors or posts.

Labour relations in the Netherlands are excellent. Unions and employers generally avoid open confrontation, having learnt over the years that both sides are better off when solutions are found through negotiation. Thanks to this work climate, the Netherlands loses very few working days due to strikes compared to other countries in the EU. Labour productivity in the Netherlands is among the highest in the world, and average personnel costs are therefore actually relatively low compared to those in surrounding countries.

As a rule, the country's long seafaring tradition and its well-equipped training institutes ensure that shipping companies in the Netherlands will always be able to find the qualified staff they need to make their operations in the global market successful. Government supervision of training institutes and the close relationship between training and the world of work safeguard the highest standards for all professional training and education. 85% of the Dutch population speaks English. As a result of the Dutch tendency towards international orientation, many employees look forward to working in the offices of international companies within the Netherlands.

Labour productivity in the Netherlands is amongst the highest in the world. Since 20 August 2013 the Netherlands is party to the IMO Maritime Labour Convention.

The Netherlands has a sound social-security system that makes the proper provisions in the event of illness, disability, unemployment or retirement. The result is a workforce that is able to invest their best efforts in their work. Foreign management staff temporarily working for companies in the Netherlands are able to enjoy tax exemption allowances of up to 30% of their gross salary, applicable to those possessing skills that are scarce or absent in the Dutch labour market.

Seafarer education and training

Dutch education and training has always been widely admired for its thorough approach and the wide variety of subjects that are made available to students. Foreign language skills are given a high priority in all courses. As a result, the foreign language skills of the Dutch are among the best in Europe. The curriculums of almost all vocational training courses include trainee periods that quickly bring students into close contact with

actual hands-on work. Moreover, the contents of these courses have been determined in close consultation with industrial, trade and business communities, so that the strongest possible link can be forged between training and professional practice. The various maritime educational options in the Netherlands form an integrated part of the country's national education system, and are therefore the responsibility of both the Minister of Education, Culture and Science and the Minister of Infrastructure and the Environment. The latter's responsibility is to ensure that students who finish their education are truly competent and safe seafarers whose skills can be endorsed.

Maritime education and training is offered at more than ten different locations in the Netherlands at both bachelor and vocational level. Imparting a hands-on mentality is an important aspect of the curricula at the maritime academies.

Naturally, maritime education enjoys a special relationship with the business community in the shipping, port and transport sectors, and their representatives may commonly be found on the advisory boards of the various Dutch maritime academies. Approved STCW short courses are offered in the Netherlands by over 10 different training institutions. Maritime curricula and courses in the Netherlands are fully compliant with the STCW Convention and Code.





EFFICIENT AND FLEXIBLE MANNING

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Safe Manning

High crew standards and safety are matters of prime importance for any shipping enterprise. The Ministry of Infrastructure and the Environment establishes safety policies governing all maritime traffic under the flag of the Netherlands. These policies are also intended to protect the marine environment. Shipowners are responsible for manning, and are given plenty of leeway to do this in an efficient and flexible way.

Minimum safe manning levels are established on a ship specific basis, taking into account applicable operational conditions such as trade, level of automation and level of shore based support. When applying for a minimum safe manning document the shipowner submits a manning proposal to the Inspector General of the Human Environment and Transport Inspectorate (ILT), detailing the proposed minimum manning composition and any specific operational conditions that will apply to the ship. In assessing this proposal, which may require further dialogue with the shipowner, the ILT will examine all relevant details, such as working hours, the ship's equipment, the type of ship, the type of trade and so on. Upon approval the minimum safe manning document will be issued with a validity of five years. When approving experimental manning compositions the minimum safe manning document may be issued with a shorter period of validity.

Nationality requirements

Dutch law contains no demands regarding the nationality of crew members that shipowners wish

to employ, with the exception of the master, who is required to be either Dutch or a EU or EEA member state. However, if shipowners are able to demonstrate that despite their sincere attempts to do so, it has proved impossible to employ a master of one of these nationalities, they may ask for approval to employ masters who are nationals of the Russian Federation, Ukraine, Philippines, Indonesia, India, and China. Said approval will then be submitted to a committee formed by the Netherlands ship-owners association KVNR and the Netherlands seafarers union Nautilus International. Once the committee has granted the request, the master in question may be employed. The same procedure applies to non-EU officers and ratings. The procedure is administered by the KVNR and usually only takes a couple of days.

Competency requirements

Masters and officers serving on Dutch ships must be in possession of a Dutch certificate of competency or a Dutch endorsement attesting the recognition of a non-Dutch certificate of competency, issued by Kiwa on behalf of the Dutch authorities. Kiwa is an international organisation that is active in quality assurance and certification all over the world. Masters and officers from countries the Netherlands have entered into an agreement with that is in accordance with STCW may be employed on Dutch ships. The Netherlands has signed such agreements with Australia, Brasil, Canada, China, , Hong Kong, India, Indonesia, Liechtenstein, New Zealand, Pakistan, the Philippines, the Russian Federation, Singapore, South Africa, Sri Lanka, Switzerland, Turkey, the Ukraine and Vietnam. The Netherlands has also recognised the EU and EEA countries in this respect.

“Dutch law is very flexible with regard to the nationality of crew members that shipowners wish to employ.”

For obtaining an endorsement attesting the recognition of a non-Dutch certificate of competency as Master, one is required to pass an exam on knowledge of the relevant Dutch maritime legislation. Facilities are in place for taking this exam also on-line in the Philippines, Indonesia, Ukraine and the Russian Federation. All management level officers are required to be familiar with the relevant Dutch maritime legislation, for which a syllabus is made available by the KVNR.

Dutch seafarers are required to hold a Dutch seaman's book issued by Kiwa. Non-Dutch seafarers may hold a non-Dutch seaman's book on the condition that the content of the seaman's book is also in the English language.

Ratings

Ratings of any nationality may serve on Dutch ships when holding a Certificate of Proficiency issued by a state that is on the STCW White List. Non-EU or non-EEA seafarers may be employed subject to the same conditions that are applicable in their country of domicile. Wages must at least meet ILO standards. However, an agreement between the KVNR and Nautilus International stipulates that certain conditions must be met when employing these seafarers.





A FAVOURABLE MARITIME TAX CLIMATE

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A favourable maritime tax climate

A favourable maritime tax climate is important to shipping companies that operate worldwide. The Dutch tax system has many features that make the Netherlands an attractive location for businesses. Important elements include the way profits are considered, the tonnage taxation, the participation exemption, no statutory withholding tax on outgoing interest and royalty payments, a wide network of bilateral tax treaties to avoid double taxation and, in many cases, reduced or no withholding tax on dividends to qualifying companies, the possibility to allow for accelerated depreciation schemes and the wage costs tax facility.

Certainty in advance

The possibility of obtaining certainty in advance is an attractive feature of Dutch tax system. The aim of the Dutch tax ruling policy is to support international investors in the Netherlands by providing the possibility of receiving certainty about the application of tax laws and regulations and their future tax position. This often concerns certainty in advance on the levy of corporation tax in the form of an Advance Pricing Agreements (APAs) or an Advance Tax Rulings (ATRs). An APA provides certainty in advance regarding transfer-pricing issues. Typical issues to be governed in APA agreements are the prices with are charged within a group of related companies for services rendered or goods delivered. This is done on the basis of the OECD transfer pricing guidelines. An ATR is an agreement on the tax characterization of international corporate structures, such as certainty in advance on the application of the participation exemption. It's also possible to get certainty in advance on the application of the tonnage tax regime.

Participation exemption

One of the pillars of the Netherlands' Corporation Tax Act is the 'participation exemption'. This exemption protects companies from double taxation in the event that a subsidiary channels its profits back to the parent company. To prevent double taxation on other sources (the participation exemption does not apply on income), the Netherlands has entered into over 80 bilateral tax treaties with other countries regarding the prevention of double taxation. These tax treaties apply both to residents of the Netherlands and to those of the treaty countries.

Tonnage tax

In 1996, the Netherlands introduced a special tax facility for shipping enterprises. Dutch fiscal law allows shipping companies that are established in the Netherlands to choose between either the regular system of taxation on the basis of actual profits made or tonnage-based taxation: a low lump-sum tax based on the net tonnage of the ships operated by the shipping company, regardless of the actual profits made. This favourable tax regime, known as the tonnage-tax regime, has resulted in an effective tax rate comparable to that of open registers.

Conditions of the tonnage-tax regime

To be eligible for application of the tonnage tax regime, the following conditions must be met:

- Shipping enterprises must be subject to Dutch income tax or corporate income tax (CIT).
- Profits must be derived from the operation of sea-going vessels for the following shipping services:
 - The international transport of people or goods overseas.
 - The transport of people or goods overseas for the

purpose of the exploration or exploitation of natural resources at sea. This category includes transport ships, supply ships and stand-by ships used in the offshore industry.

- Towing activities or the provision of general assistance at sea to ships. Ships eligible are those of which the operational activities are carried out for most part (this means more than 50%) at sea in one year.
- Dredging services at sea. Ships eligible are those of which the operational activities are carried out at sea and for most part (this means more than 50%) consists of transportation at sea.
- Exploration of the sea bed (research vessels).
- Cable and pipe laying on the sea bed.
- Tackle and lifting activities at sea (crane vessels).

Operation of seagoing vessels

A shipping enterprise is considered to operate a vessel:

- a. If an enterprise conducts the management of the vessel to a significant extent and the vessel flies the flag of one of the member states of the European Union (EU) or of the European Economic Area (EEA) and the vessel is owned or co-owned by the enterprise and not subject to a bareboat charter;
- b. If an enterprise mainly conducts the commercial management of a ship owned by another company, provided the enterprise conducts the management of one or more other ships in the manner as described in point a) above, whereby co-ownership means the enterprise's share in the vessel is at least 5%;
- c. If an enterprise operates the vessel in time or voyage charter, provided the enterprise conducts the management of one or more ships in the manner as described in point a) and provided the enterprise's share in the vessel (ownership or co-ownership) is at least 5%;

- d. If an enterprise conducts the entire crewing and technical/nautical management of the vessel in the Netherlands on behalf of a third party.

Exceptions to the flag requirement

In the following cases, exceptions apply to the requirement in point (a) above regarding flying the flag of a member state of the EU or EEA for owned ships or ships in bareboat charter:

- i) If, prior to operating the new vessel, the percentage of vessels that are already operated by any shipping enterprise, that sail under a flag of a member state of the EU or EEA, and that qualify for the tonnage-based tax regime, has not been reduced in relation to January 17th 2004 (reference date). This calculation will be based on the net tonnage, to be judged in relation to the entirety of the shipping enterprise's fleet that qualifies for the tonnage tax. For shipping enterprises that have applied for the tonnage-tax regime after January 17 th 2004, the fleet at the year-end of the first year, for which the enterprise qualified for the tonnage tax regime, will serve as the reference date.
- ii) If, prior to coming into service of the ship, the net tonnage of ships that are already operated by the shipping enterprise, that fly the flag of one of the member states of the EU or EEA, and that qualify for the tonnage-based tax regime, amounts to at least 60% of the proportion of the shipping enterprise's owned or bareboat fleet that qualifies for the tonnage tax.
- iii) If the three-year average percentage of all owned or bareboat vessels that qualify for the Dutch tonnage-based tax regime and fly the flag of one of the member states of the EU or EEA in the relevant fiscal year has not decreased in comparison to the preceding three-year average. Towing and dredging activities are exempt: tugboats and dredging vessels do not qualify for the exceptions.



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Directly related activities

Profits from activities directly related to the qualifying shipping services mentioned above are included in the tonnage-tax regime. These include loading and unloading (stevedoring), as well as ship-brokering activities carried out by the shipping company itself. Directly related activities of this kind fall within the scope of the regulations insofar as they are performed on behalf of ships operated by the enterprise. Profits from ocean shipping do not include profits from offshore fishing, pilotage and pleasure trips.

A decision every 10 years

The decision to opt for the tonnage tax regime has to be made in the first year of taxable profit from shipping operations being made, or in every tenth year thereafter. Upon approval of the application by the tax authority, the tonnage tax regime will be applicable for 10 years. After each 10-year period, an enterprise may continue in the regime for another 10 years, or revert back to the regular system of taxation. When opting for the tonnage-tax regime, a tax-claimed reserve for the 10-year period is set. This is done by calculating the difference between the book value and the fair market value of the assets relating to the shipping activities. If at any time within the 10-year period, a shipping enterprise fails to comply with the conditions for the tonnage-tax regime, the tax-claimed reserve will be included in its taxable base.

Calculation of taxable tonnage-based profit

In the case of an enterprise whose activities are limited exclusively to ocean shipping, the amount of taxable profit depends on the total net tonnage of the vessel and the fixed taxable profits of the vessel, in Euros, per 1,000 net tons per day. Interruptions that do not represent an encroachment

of operations, such as maintenance, repairs, or periods in which the ship was out of service because of unfavourable market circumstances, cannot be deducted.

Taxable profits per day per 1,000 net tons	
€ 9.08	for the first 1,000 net tons
€ 6.81	for any excess up to 10,000 net tons
€ 4.54	for any excess up to 25,000 net tons
€ 2.27	for any excess above 25,000 net tons
€ 0.50*	for any excess above 50,000 net tons

* The reduced rate of € 0.50 per day per 1,000 net tons for vessels with a net tonnage over 50,000 is enlarged with a rate of 1.77 euro per day per 1000 net ton, unless a vessel was:
 - First registered under a flag after 31 December 2008 and for which the profits were set on basis of the Dutch tonnage tax or
 - Flying a non-EU/EEA flag in the five years prior to the application of the tonnage-based profit calculation.

For example: A shipping company operates one ship of 6,000 net tons and one of 20,000 net tons. The profits for the first ship are €9.08 (for the first 1,000 net tons) + €34.05 (for the excess) per day or €15,742.45 per year. The tax payable on this amount is €3,148.49 (20% of €15,742.45). For the second ship, the taxable profits are €9.08 + €61.29 + €45.40 per day or €42,256.05 per year. The profit tax due is therefore €8,451.21 (20% of €42,256.05).

In case of ship management, the taxable profit will be reduced to 25% of the taxable profit calculated according to the table above. Furthermore the profit as established above will be increased with profits derived from activities that do not qualify for the tonnage tax regime.

The calculated taxable profits are taxed at the general Corporate Income Tax (CIT) rates. In 2017, those rates amount to 20% on the first €250,000 of taxable corporate income and 25% on the taxable corporate income for the amount over €250,000.

Administrative duties

In the case of an enterprise that also makes profits from other activities, only the profit obtained from ocean shipping and directly related activities will be calculated on the basis of tonnage. Hence, all assets, liabilities and profits related to shipping should be separated from those related to the shipping enterprise's other operations and in principle, be valued at their original cost (historical cost accounting). The other profits will be determined on the basis of real turnover and costs and are subject to the regular system of taxation. For more information on this matter, please contact the KVNR, the Dutch tax authority, or a specialist accountant.

Wage costs tax facility

Over and above the corporate tax option offered to the owners and operators of seagoing vessels, the government of the Netherlands offers another tax concession that can yield considerable savings in wage costs of seafarers. Seafarers are captains, officers and ratings.

In order to benefit from this tax concession some conditions must be met, like the crew must be registered on a ship flying the Dutch flag and the employers must be obliged to withhold Dutch wage tax on the salaries paid (Pay as you earn tax, PAYE tax).

Being subject to Dutch wage tax depends on bilateral tax treaties; in most cases countries of domicile levy

the wage tax. The advantages offered by this concession do not affect the wages received, and the entire benefits accrue to the company. It works like this: employers still transfer the PAYE tax to the Dutch treasury, but this amount is reduced by 40% of the fiscal income of seafarers who are residents of an EU or EEA country. For seafarers resident in other countries, shipowners may deduct 10% of the fiscal wage if seafarers are subject to wage tax or national insurance contributions in The Netherlands. Seafarers are captains, officers and ratings. Dutch social security law and – if applicable – the social security treaty stipulates whether Dutch national insurance contributions must be paid. Seafarers living in an EU or EEA country and employed by Dutch shipowners on board Dutch-flagged vessels must pay social security premiums in the Netherlands.

Total deductions may not exceed the total amount of wage tax and/or national insurance contributions that should be paid by any shipowner for all of his employees (including staff employed ashore) in the Netherlands. Detailed advice must be sought in order to explore the possibilities that this wage-tax concession can offer.



TOP OF THE 'WHITE LIST' RANKING

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Safety and registration

The Netherlands ranks twelfth (2016) on the White List of the Paris Memorandum of Understanding (PMoU) of Port State Control and is expected to enter the top ten in 2017 once again given the latest figures. From all Port State Control statistics and the number of accidents and incidents, it appears that Dutch-flag vessels have an excellent safety record.

The Netherlands pursues a quality flag-shiping policy. This policy has provided Dutch companies – and international companies based in the Netherlands – with a level playing field in their international operations, maintaining an outstanding reputation in the areas of safety and quality.

The government is constantly taking steps aimed at stimulating maritime entrepreneurs by developing further measures in consultation with maritime trade organisations. Much attention is being focused on education, training, and safety management aspects such as bridge resource management. Shipowners have been granted great flexibility in the optimal composition of the crew. At the same time, shipowners/operators should be fully aware of the prime responsibility they have for the implementation of all safety and environmental regulations. At both the national and international level, the human element has been identified as the main contributing factor in accidents and incidents. The application of formal safety assessment and risk analysis in the rule-making processes is fully supported. The use of such techniques in the design process of new ship types is encouraged.

Effective flag-state control

The Netherlands Human Environment and Transport Inspectorate (ILT) has set up an inspection programme to improve the effectiveness of flag-state inspections.

In this ranking, compliance with and observance of regulations is the central element. The objectives of the inspection programme include:

- Monitoring the overall level of safety and environmental compliance in the Dutch merchant-shiping field;
- Compliance with obligations (within approved limits) by parties under supervision;
- Meeting flag-state requirements.

Compliance will be judged by company performance and not for every individual ship.

In the Inspectorate's ranking system, the Paris MoU rankings will be heavily weighted, in addition to the Inspectorate's own inspection results and information received from sources such as the Tokyo MoU, US coastguard etc. For well-performing shipowners, this approach lessens the burden of flag-state control. The Inspectorate will enter into a memorandum of understanding with qualifying shipowners about mutual rights and obligations regarding quality-control and flag-state inspections.

Classification societies

The member states of the European Union have implemented a system of recognition wherein classification societies are recognised by the European Commission. Every member state has the right to authorise classification societies to carry out activities on behalf of that state.

In the Netherlands, classification societies in their role as Recognised Organisations (ROs) are authorised by the government to carry out the survey and certification of all ship types. All the statutory surveys and certification activities based on the International Conventions

have been transferred to those ROs. Currently, seven recognised classification societies – each a member of the IACS – carry out all statutory inspections as well as the tonnage-measurement activities.

The Human Environment and Transport Inspectorate performs annual office audits in order to monitor whether classification societies carry out their assignments as agreed. Furthermore, several on-site reality checks are carried out to verify compliance with the agreement in practice. This system of supervision and monitoring is supplementary to the monitoring carried out by the International Association of Classification (IACS) in addition to periodic audits carried out by the European Maritime Safety Agency (EMSA) on behalf of the European Commission.

Registration of ships

There are two types of registration:

- Full registration in the Dutch Ships Register for ships owned by the shipowner.
- Bareboat Charter Register for ships that are in bareboat charter.

Registration of existing ships

Owners and/or bareboat charterers may register a ship in the Dutch register. Upon registration, any existing certificates issued by other flag states become invalid. New certificates are to be issued by or on behalf of the Netherlands Authorities. For European ships the relevant transfer regulations are applicable. Pending the approval of drawings and/or outstanding items to be dealt with, short-term certificates may be issued for a period not exceeding three months. Without valid certificates, it is unlawful to undertake a voyage with a ship flying the flag of the Netherlands. Applications for registration in the Netherlands may be preceded

by consultations at the Human Environment and Transport Inspectorate office in order to discuss the scope of the administration and inspections involved. If considered necessary by the owner, an application may also be preceded by a preliminary inspection of any vessel to determine whether or not the procedure should be continued or started (carried out by one of the ROs). Payment of the costs of this inspection must be agreed upon in advance. A preliminary inspection is not fully comprehensive since it deals mostly with major items.

Registration of newly built ships

Prior to the order or construction of a ship, it is recommended that the technical department of the owner/future owner and shipyard officials contact one of the Recognised Organisations to discuss feasibility. In addition to regulations such as SOLAS, MARPOL and ILO, the Netherlands Ships Decree has to be observed. These national rules, though sometimes more explicit, conform to all International Shipping Conventions.



PIONEERS IN SUSTAINABILITY

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New challenges

Due to climate change we are faced with new challenges. Medium and long term predictions indicate that world trade – and therefore world shipping – will grow, requiring ambitious environmental measures. Over the past decade, numerous treaties, conventions, laws, rules and regulations relating to the environment have been drawn up and come into effect. This has resulted in an impressive reduction of the adverse effects on many aspects of the marine environment and the environment in general.

The Dutch like to pioneer, conduct research on energy efficient propulsion technologies and find a way to combine environmentally responsible shipping with an economically sound and strong shipping industry.

Green and powerful shipping

The Dutch fleet is among the youngest and most modern in the world. It is therefore also among the cleanest. Dutch shipowners are pro-active and make every effort to achieve further significant improvements to the shipping industry's environmental performance. They continue to invest in high-tech innovations and unorthodox designs. The Dutch government seeks to promote this intention by offering financial support for innovation. In the period 2006-2009, annual R&D expenses were increased by around 35%, which is significantly higher than the Dutch average. The annual R&D expenses of the Dutch maritime cluster are estimated at about US\$ 500 mln. Of these R&D expenses, nearly half can be attributed to the leading firms. In the Netherlands, governments and trade and industry try to safeguard the shipping industry's competitive potential.

A sound and strong shipping industry in the Netherlands, within Europe and worldwide is a prerequisite. At the same time, stakeholders are doing their utmost to improve the industry's environmental performance as much as possible. Cooperation is also sought between industries of economic importance, e.g. between port and greenhouse areas. Fossil fuel and energy use in ports leads to an annual release of 28 MTON of CO₂ and 2000 MW of heat. Commercial greenhouses on the other hand have a growing demand for heat and CO₂. A recently initiated mainport-greenport project focuses on developing a smart interface for the heating network and CO₂ supply. The opportunities that this creates provide opportunities for a more sustainable future.

Reduction of carbon footprint

A major challenge is posed by the intention of drastically reducing carbon emissions (CO₂). Thanks to numerous innovations, the shipping industry's carbon emissions per ton/kilometre have been significantly reduced. And as emissions from the shipping industry account 2.2% of total global carbon emissions, this reduction is a remarkable achievement.

Further reduction will require innovative thinking, but according to the Dutch, emission-free vessels should be a reality by 2050. To achieve this ambition, the Dutch shipping industry seeks cooperation within existing international networks and builds up alliances with government and scientific institutes. Share our vision on innovation and sustainability and join in!



ADDRESSES





The Directorate for Maritime Affairs is part of the Directorate-General for Transport and Mobility, which is responsible for safe, sustainable and competitive transport systems for goods and passengers. This includes transport by air, railway, road and water.

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Netherlands Foreign Investment Agency

The Netherlands Foreign Investment Agency (NFIA) is an operational unit of the ministry of Economic Affairs, Agriculture and Innovation. The NFIA helps and advises foreign companies on the establishment, roll-out and/or expansion of their international activities in the Netherlands. The NFIA was established more than 30 years ago, and has since supported more than 2,700 companies from nearly 50 countries to establish or expand their international activities in the Netherlands. Besides its headquarters in The Hague, the NFIA also has its own offices in the United Kingdom, Turkey, North America, Asia and the Gulf Region, as well as a representative office in Brazil. Additionally, the NFIA works together with Dutch embassies, consulates-general and other organisations representing the Dutch government abroad, as well as with a broad network of domestic partners.

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The KVNR (Royal Association of Netherlands Shipowners) represents the individual and collective interest of companies in the shipping sector. Its collective representation focuses upon maintaining and improving an internationally competitive business climate, in both the economic and social fields. The KVNR provides a neutral platform for the representation of both large and small firms in various fields and at various levels. In order to be able to carry out this function effectively, the KVNR maintains contacts with the Dutch government and with organisations involved – in the widest sense of the term – with maritime affairs.

The KVNR stimulates international shipping development as a member of international shipping associations.

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