



FIT 2008

Investing in the Netherlands

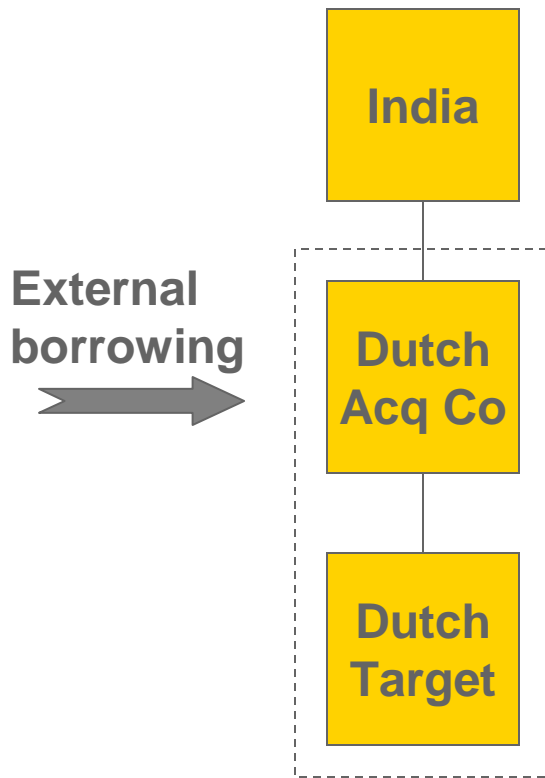
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Ernst & Young India

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Quality In Everything We Do

Who has already invested in the Netherlands from India: Active business operations

<i>Indian Parent</i>	<i>Dutch company</i>	<i>Activities</i>
Continental Engines	Intermotor	Remanufactured engines
GMR	Intergen	Power
HCL	HCL Netherlands	Software development
Minda	Minda HUF Europe	Logistics
MphasiS	MphasiS Europe	Software development
R Systems	Sento Europe	Call Center
Satyam	S&V Management	SCM consulting
Suzlon	Suzlon Energy/ AE Rotor	HQ/ Blade
Tata Chemicals	Kemex/ Brunner Mond	Med laminates/ Soda ash
TCS	TCS Netherlands	Consultancy
Tata Steel	Corus	Specialty steel
UPL	Cerexagri	Crop science
Usha Martin	De Ruiters Staalkabel	Distribution/ rigging

Tax efficient acquisition structuring



India incorporates Dutch acquisition vehicle

Acquisition vehicle borrows acquisition debt

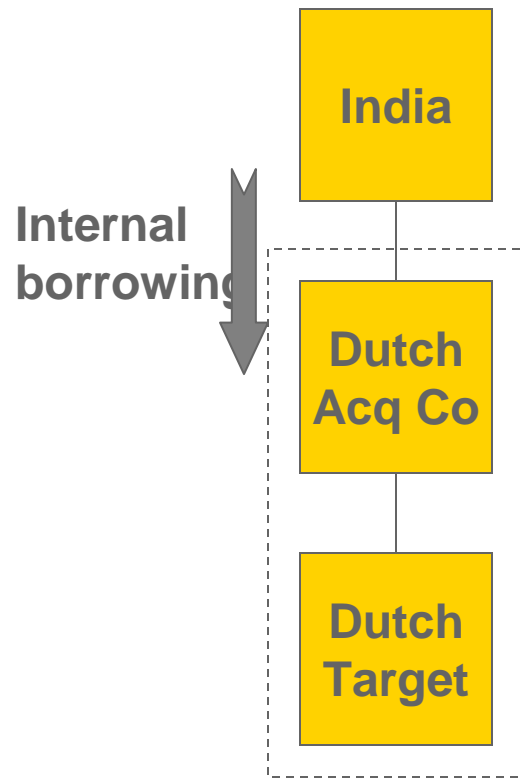
Acquires Dutch target

Acquisition vehicle and Target form a fiscal unity

Interest cost can be set off against operating profits

What if:
Internal borrowing?
Repatriation?
Exit?

Tax efficient acquisition structuring; Internal borrowing



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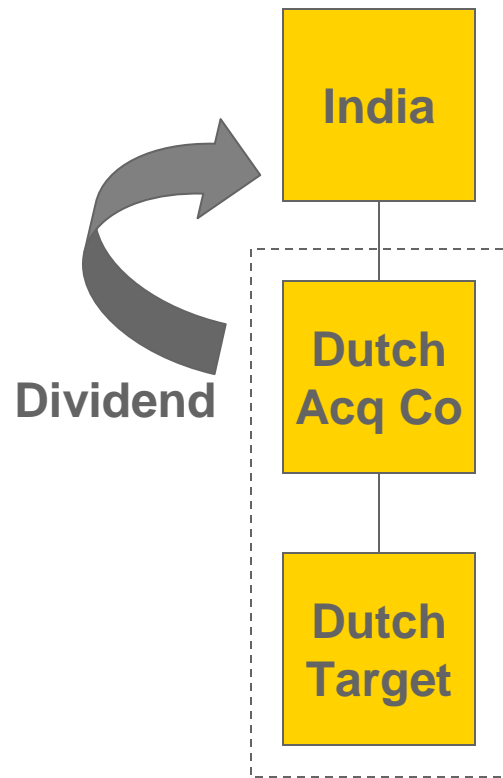
Interest cost can be set off against operating profits

Attention points:

Base erosion

Thin capitalization

Tax efficient acquisition structuring; Repatriation 1



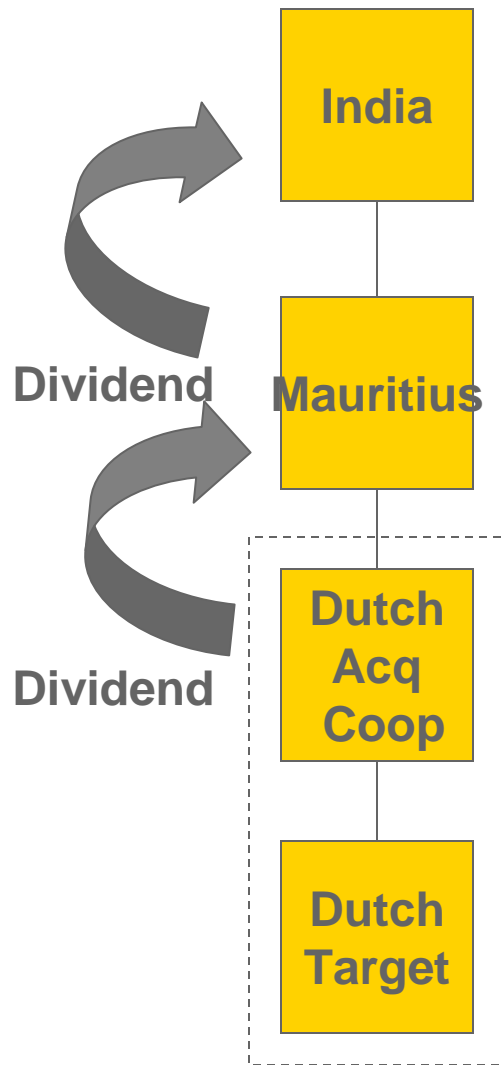
First payment of interest and repayment of debt (internal or external)

Dividend income taxable in India

Dividend withholding tax in Netherlands, but credit in India

Attention points:
Use of a COOP eliminates
withholding tax
Migration?

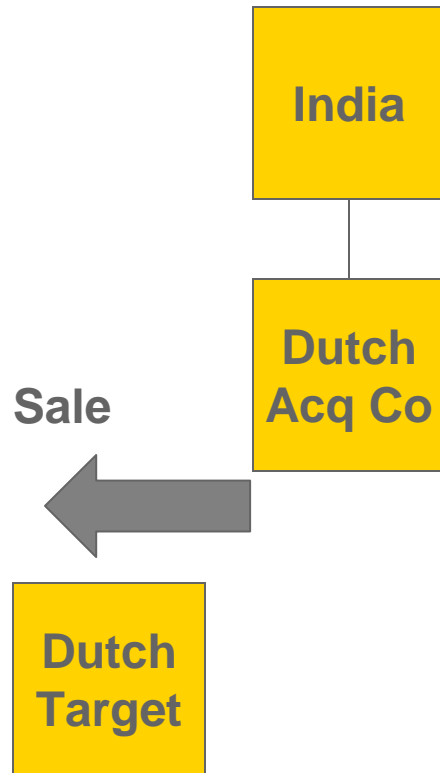
Tax efficient acquisition structuring; Repatriation 2



Same as before, but underlying tax credit possible

Coop required

Tax efficient acquisition structuring; Exit



If India sells, the capital gain will be taxed (long term or short term)

If Dutch acquisition vehicle sells, the gain will be exempt

Attention points:
Where is the cash needed?

Ruling Practice: ATR/ APA

Advance Tax Rulings

Qualification entities

Qualification finance instruments

Application participation exemption

Tax residency

Informal capital

Advance Pricing Agreements

Interest

Royalties

Management charges

Intercompany sales

Intercompany services

Netherlands Foreign Investment Agency

- ▶ The Netherlands Foreign Investment Agency (NFIA) is a Dutch government agency, set up with the aim of assisting foreign companies who wish to establish or expand their European operations.
- ▶ The organization helps foreign companies understand the advantages of the Dutch business environment and how the Netherlands can be a strategic base to cover the European market.
- ▶ As a division of the Dutch Ministry of Economic Affairs, NFIA facilitates foreign companies' direct investments in the Netherlands.



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Thank You

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