

Circular

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Subject: Policy Paper containing corporation tax cuts and elimination of dividend withholding tax published in the Netherlands.

The new Dutch Government published its Policy Paper (the Paper) on 10 October 2017. Through the Paper, certain amendments on corporate income tax rate in the Netherlands are proposed.

An outline containing those amendments within the new government's programme is provided below:

. A gradual reduction is planned on the corporate income tax rate over the next four years. The new Government proposes to lower the current standard Dutch corporate income tax rate from 25% to 24% in 2019, to 22.5% in 2020 and to 21% as from 2021. Profits up to an amount of €200,000 are currently taxed against a lower step up rate of 20%. The new Government proposes to lower the step-up rate from 20% to 19% in 2019, to 17.5% in 2020 and to 16% as from 2021.

. The Paper introduces plans to include the 15% withholding tax on dividend distributions applied on corporate income into the scope of exemption, provided that certain conditions are met. However, that exemption will not be applicable on dividend payments to tax havens and when tax burden is reduced by certain abusive situations.

. Interest and royalty payments are not subject to withholding under the Dutch legislation, however making the interest and royalty payments to low tax countries are targeted to be subject to withholding.

. Deduction period for previous years' losses that could not be transferred for more than nine years is proposed to be reduced to 5 years.

. New arrangements for limiting financing expenses that can be deducted from the institutions' tax bases are proposed.

Though the Paper does not constitute as a draft law, it provides context to the investors for future amendments to Dutch tax legislation.

Our explanations provided above include general information on the issue. No responsibility can be claimed against EY and Kuzey YMM ve Bağımsız Denetim A.Ş. due to the implications arising from the context of this document or emerging with respect to its context.

Best Regards,

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