

Preface

Recommended Tax Optimization Strategy for a Netherlands Company with a Subsidiary in Thailand

This document outlines a structured tax optimization strategy for a Netherlands incorporated company operating through a Subsidiary in Thailand. The strategy leverages four principal mechanisms, carefully structured in accordance with the Thailand–Netherlands Double Taxation Agreement (DTA) to mitigate double taxation risks and optimize cross-border tax exposure:

1. Dividend Distributions
2. Royalties and Licensing Arrangements
3. Shareholder Loan Financing
4. Management and Service Fee Allocation

Each lever is analyzed with consideration of withholding tax implications, transfer pricing requirements, deductibility rules, and treaty relief provisions under the Thailand–Netherlands DTA.

1. Dividends (The "Participation Exemption")

The Netherlands is famous for its "Participation Exemption," which makes it an ideal holding location.

- **Thai Withholding Tax (WHT):** Under the DTA, WHT on dividends is 10% if the Dutch company holds at least 25% of the shares. Otherwise, the standard Thai rate (10%) applies.
- **Dutch Participation Exemption:** If the Dutch BV owns at least 5% of the Thai subsidiary and the subsidiary is not held as a "low-taxed portfolio investment," 100% of the dividends are tax-exempt in the Netherlands.
- **2026 Strategy:** Unlike Japan or Germany (where 5% is taxed), the Netherlands offers a full 100% exemption. This makes the 10% paid in Thailand your only "leakage."

2. Royalties and License Fees

The Netherlands is a global hub for Intellectual Property (IP). Moving "pre-tax" profits out of Thailand via royalties is a standard maneuver.

- **DTA Rates:** The WHT in Thailand is capped as follows:
 - 5% for copyrights (literary, artistic, scientific).
 - 15% for patents, trademarks, or "know-how."
- **Tax Shield:** These fees are deductible in Thailand against the 20% CIT.
- **Innovation Box:** If the IP was developed in the Netherlands, the resulting royalty income

may qualify for the Dutch Innovation Box, which applies a reduced effective tax rate of 9% (as of 2026) instead of the standard 25.8%.

- **WHT Credit:** You can generally credit the Thai WHT against the Dutch tax on that specific income.

3. Shareholder Loans (Interest)

The Dutch tax authorities (*Belastingdienst*) are very strict on "Arm's Length" interest rates.

- **DTA Rate:** WHT on interest is 10% if paid to a financial institution (including Dutch insurance companies) and 15% (standard Thai rate) for corporate parents.
- **Earnings Stripping Rule:** As of 2026, the Netherlands limits interest deductions to 20% of EBITDA (or a €1 million threshold). While this affects the HQ's ability to deduct interest paid *out*, interest *received* from Thailand is fully taxable at the standard Dutch CIT rate (minus credits for the 15% Thai WHT).

4. Management and Service Fees

- **WHT Rate:** 0% under the DTA, provided no "Permanent Establishment" (PE) is created.
- **2026 Dutch Conditional WHT:** Be aware that the Netherlands has a Conditional Withholding Tax (25.8% in 2026) on interest and royalties paid *to* low-tax jurisdictions. This doesn't apply to payments *from* Thailand to the NL, but it means the NL is a "clean" destination that won't be flagged by Thai authorities as a tax haven.

Summary Table: Netherlands-Thailand Repatriation (2026)

Method	Thai WHT (DTA)	Thai CIT Deductible?	Dutch Tax Impact
Dividends	10%	No	100% Exempt (Participation Exemption).
Royalties	5% – 15%	Yes	25.8% CIT (or 9% Innovation Box).
Interest	10% – 15%	Yes	25.8% CIT (with Foreign Tax Credit).
Service Fees	0%	Yes	25.8% CIT (0% Export VAT).

2026 Strategic Compliance for Dutch HQs

1. **CFC Rules:** The Netherlands applies Controlled Foreign Company (CFC) rules if the Thai subsidiary's income is primarily "passive" (interest, royalties, dividends) and the Thai tax rate is "low." Since Thailand's 20% CIT is above the Dutch 9% threshold, you are generally safe unless the subsidiary has a BOI Tax Holiday that drops its effective rate below 9%.
2. **Substance Requirements:** To obtain a Tax Residency Certificate from the Dutch authorities (which you need to show the Thai Revenue Department to get the 10% dividend rate), the BV must have real substance:
 - o At least half of the board members reside in the NL.
 - o Qualified personnel to manage the Thai investment.
 - o Bookkeeping and bank accounts located in the NL.
3. **Transfer Pricing:** For 2026, the Netherlands requires a Master File and Local File if the group's consolidated turnover exceeds €50 million. Thailand has a similar threshold (200M THB). Ensuring these documents match is critical to avoid "double-adjustment" audits.

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