



Accountants, Tax & Legal Advisers

TRUST ALERT

“Everything you always wanted to know about ‘tax and audit’, but were afraid to ask.”

(inspired by Woody Allen)

VAT on bad debts

VAT which is charged on an invoice becomes due and has to be paid to the tax authorities within one month after the VAT period in which the invoice was issued. If the invoice has not been paid by the customer when payment is made to the tax authorities, the invoicer will be financing the VAT. This is even worse in the case of an invoice not being paid at all. In this case, the invoicer may be able to request a refund of the VAT, on the condition that he can prove that the invoice has not been, and will not be paid.

Proof that the invoice will not be paid

In general, it is not always easy to prove that the invoice will not be paid. But if the invoicer has a letter from a trustee in bankruptcy saying that no payments will be made or a letter from the customer saying he will not pay, that will be sufficient. This also applies to the scenario in which the invoicer has made various attempts, without success, to collect the invoice and has decided to write off his claim.

The refund request has to be made on the VAT return relating to the period in which the right to the refund has arisen. This moment is not always easy to determine. But the moment that the invoicer makes the write off and actually gives up his claim seems a good moment to say that the invoice will not be paid.

Request in writing

Although by law the refund request has to be made on a VAT return, this is not actually possible. Since January 1, 2005 VAT returns have had to be submitted electronically. These electronic VAT returns do not contain a special box for claiming VAT on bad debts. Any such refund request therefore has to be made in writing. This allows the possibility of including any proof which substantiates the request for a refund. It should be noted that it is not allowed to subtract the VAT to be refunded from VAT which is payable as shown on the electronic VAT return. As mentioned above, a separate request in writing is required for this. What is more, issuing a credit note that is not sent to the customer, but only becomes part of the invoicer's records, does not, in itself, create the right to a refund. Such an internal credit note is simply not considered as proof of having given up the claim.

Losses resulting from liquidation of a participation

Capital gains and dividends from a subsidiary are exempt from Dutch corporate income tax at the level of the Dutch holding company if the subsidiary qualifies for the Dutch participation exemption. If the subsidiary qualifies for the participation exemption, we call it a participation. This participation exemption also applies to losses if the shares of the participation are sold below their book value (i.e. with a loss), or if the participation has decreased in value. In other words, the exemption prevents the deduction of a loss on a participation. However, there is one notable exception to this exemption. That is when a loss-making participation is ultimately liquidated.

The liquidation loss can be taken in the form of a deduction of the difference between the actual historic price that was paid and the proceeds from liquidation received from that participation. Both the historic price and the proceeds from liquidation are defined by Dutch corporate income tax law for this purpose.

Conditions

The conditions for taking a loss from liquidation of a participation are that:

1. the liquidation procedure has formally been completed; and
2. the enterprise of the liquidated participation is not continued by the group; and
3. there is not be any other form of compensation available for the losses.

Do please note that losses from the liquidation of a participation which functions as an intermediate holding company cannot be taken immediately. These losses must be rolled over to the extent that these losses originate from subsidiaries of the intermediate holding company.

If you would like to know whether and to what extent a liquidation loss can be claimed, please do not hesitate to contact us. We are more than willing to assist you in this matter.

Impairment of assets

Under the current economic circumstances there is an increased risk that the assets of a company might be subject to permanent decreases in value (so-called impairments). This should be a specific point of attention for companies when finalising their 2008 financial statements. Examples of assets which could be impaired are:

- Tangible fixed assets
- Intangible fixed assets
- Goodwill
- Investments in subsidiaries
- Long term loans

Dutch accounting principles prescribe that, on each balance sheet date, a company has to monitor whether there are any indications of assets being subject to impairment. If any such indications are present, the recoverable amount of the asset should be determined. An asset is subject to impairment if its carrying amount (book value) is higher than its recoverable value. The recoverable value is the larger of the net realisable value and the value in use.

Net realisable value is determined by the active market value (“For what price can I sell this asset today?”). To determine the value in use, cash flows are discounted. An impairment is recognised as an expense in the profit and loss account. However if the asset is carried at fair value, the impairment loss qualifies as a revaluation decrease.

If it is established that a previously recognised impairment no longer applies or has declined, the increased carrying amount of the asset in question is not set higher than the carrying amount that would have been determined had no asset impairment been recognised.

HLB Schippers 2009 Rates for Professional Services

HLB Schippers always tries to be as transparent as possible. We feel that this is particularly important for our clients in today's economic climate. To avoid unpleasant surprises, we present our rates for providing various professional services.

Service	Fixed fee (€)	Rate (€ per hour)
<i>Tax services</i>		
Proposal input	free of charge	-
Quick scan tax / review tax structure	first hour free of charge	-
Tax advisory services	-	80-250
In-house tax training	-	160-250
Review VAT return	500	-
Preparation corporate income tax return	1,750	-
<i>Audit and audit-related services</i>		
Audit of financial statements	-	80-225
Compilation of financial statements	-	80-225
Contribution in kind report	-	80-225
Nachgründing report	-	80-225
Report regarding conversion from NV to BV	-	80-225
<i>Advisory services</i>		
Preparation of valuation reports	-	225
Review of valuation reports	-	225
In-house IFRS training	-	160-225
In-house training on Dutch accounting principles	-	160-225
Desk-top review of unaudited Dutch GAAP financial statements (small sized company)	750	-

We can provide you with fee estimate for other services on a case by case basis.