



INCOME TAX ACT 1995

INCOME TAX (NETHERLANDS)(TEMPORARY TAXATION) ORDER 2006

Approved by Tynwald : 17th May 2006
Coming into operation in accordance with article 1

In exercise of the powers conferred on the Treasury by section 15 of the Income Tax Act 1995¹, and of all other enabling powers, the following Scheme is hereby made : -

Citation and commencement

1. (1) This Order may be cited as the Income Tax (Netherlands) (Temporary Taxation) Order 2006.

(2) This Order shall come into operation on the date on which it is approved by Tynwald and shall have effect in respect of the year of assessment commencing 6 April [2006].

Interpretation and construction

2. (1) In this Order –

“applicable arrangements” means the arrangements on the access to mutual agreements procedures in connection with the adjustment of profits of associated enterprises and the application of the Netherlands participation exemption contained in an agreement between the Government and the Government of the Kingdom of the Netherlands signed in Douglas on 12 October 2005 and set out in the Schedule;

“contracting country” means the Kingdom of the Netherlands.

¹ 1995 c.12

(2) This Order shall be construed so as to give effect to the Agreement and expressions used in this Order shall be construed accordingly.

Adjustment of profits of associated enterprises

3. (1) The applicable arrangements have been made with the contracting country with a view to –

- (a) the adjustment of profits of associated enterprises; and
- (b) the application of the Netherlands participation exemption,

in relation to income tax and the tax of a similar character imposed by the laws of the contracting country and it is expedient that those arrangement have effect.

(2) Those arrangements shall have effect notwithstanding anything in any enactment.

article 2(1)

SCHEDULE

AGREEMENT BETWEEN THE ISLE OF MAN AND THE KINGDOM OF THE NETHERLANDS ON THE ACCESS TO MUTUAL AGREEMENTS PROCEDURES IN CONNECTION WITH THE ADJUSTMENT OF PROFITS OF ASSOCIATED ENTERPRISES AND THE APPLICATION OF THE NETHERLANDS PARTICIPATION EXEMPTION

THE GOVERNMENT OF THE ISLE OF MAN

And

THE GOVERNMENT OF THE KINGDOM OF THE NETHERLANDS

Desiring to strengthen their economic relationship and to encourage the international trade have agreed to conclude the following Agreement which contains obligations on the part of the Parties only:

CHAPTER I TAXES COVERED AND DEFINITIONS

ARTICLE 1 TAXES COVERED

This Agreement shall apply to taxes on income and profits.

ARTICLE 2 DEFINITIONS

1. For the purposes of this Agreement, unless otherwise defined:
 - a) the term "Party" means the Kingdom of the Netherlands or the Isle of Man as the context requires;
 - b) the term "the Netherlands" means the part of the Kingdom of the Netherlands that is situated in Europe, including its territorial sea, and any area beyond the territorial sea within which the Netherlands, in accordance with international law, exercises jurisdiction or sovereign rights;
 - c) the term Isle of Man means the island of the Isle of Man.
 - d) the term "competent authority" means
 - i) in the case of the Netherlands, the Minister of Finance or his authorized representative;
 - ii) in the case of Isle of Man, the Chief Financial Officer of the Treasury or his delegate.
2. As regards the application of this Agreement at any time by a Party, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that Party, any meaning under the applicable tax laws of that Party prevailing over a meaning given to the term under other laws of that Party.

CHAPTER II
THE ADJUSTMENT OF PROFITS OF ASSOCIATED ENTERPRISES

ARTICLE 3
SCOPE OF CHAPTER II

1. Chapter II of this Agreement shall apply where, for the purposes of taxation, profits which are included in the profits of an enterprise of a Party are also included or are also likely to be included in the profits of an enterprise of the other Party on the grounds that the principles set out in Article 4 and applied either directly or in corresponding provisions of the law of the Party concerned have not been observed.

2. Paragraph 1 shall also apply where any of the enterprises concerned have made losses rather than profits.

ARTICLE 4
PRINCIPLES APPLYING TO THE ADJUSTMENT OF PROFITS OF ASSOCIATED ENTERPRISES

Where:

- a) an enterprise of a Party participates directly or indirectly in the management, control or capital of an enterprise of the other Party, or
- b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Party and an enterprise of the other Party, and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of

those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

ARTICLE 5
GENERAL PROVISION

Where a Party intends to adjust the profits of an enterprise in accordance with the principles set out in Article 4, it shall inform the enterprise of the intended action in due time and give it the opportunity to inform the other enterprise so as to give that other enterprise the opportunity to inform in turn the other Party. However, the Party providing such information shall not be prevented from making the proposed adjustment.

ARTICLE 6
MUTUAL AGREEMENT PROCEDURES

1. Where an enterprise considers that, in any case to which this Agreement applies, the principles set out in Article 4 have not been observed, it may, irrespective of the remedies provided by the domestic law of the Party concerned, present its case to the competent authority of the Party of which it is an enterprise. The case must be presented within three years of the first notification of the action which is contrary or is likely to be contrary to the principles set out in Article 4. The competent authority shall then without delay notify the competent authority of the other Party.

2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Party, with a view to the avoidance of taxation which is not in accordance with the Agreement. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Parties.

3. The competent authorities of the Parties may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraph.

4. The competent authority of a Party shall not be obliged to initiate the mutual agreement procedure where legal or administrative proceedings have resulted in a final ruling that by actions giving rise to an adjustment of transfers of profits under Article 4 one of the enterprises concerned is liable to a serious penalty. In addition, the competent authority of a Party shall not be obliged to initiate the mutual agreement procedure if the enterprise has not fulfilled the domestic documentation and/or information requirements of the adjusting Party before the assessment in which the adjustment is incorporated was finalized.

5. The Parties may also agree on other forms of dispute resolution including arbitration.

6. Notwithstanding the previous paragraphs of this Article, the competent authorities of the Parties may mutually agree to amend the procedures to be used under this Article taking into account the developments with respect to the EU Convention on the Elimination of Double Taxation in connection with the Adjustment of Profits of Associated Enterprises and the developments relating to the mutual agreement procedure discussion within the OECD.

CHAPTER III

THE APPLICATION OF THE NETHERLANDS PARTICIPATION EXEMPTION

ARTICLE 7

SPECIFIC RULES FOR THE APPLICATION OF THE NETHERLANDS PARTICIPATION EXEMPTION

The competent authorities of the Parties may agree on the conditions for the application of the participation exemption of the Netherlands with regard to participations in the Isle of Man with a view to prevent double taxation.

CHAPTER IV

FINAL PROVISIONS

ARTICLE 8

ENTRY INTO FORCE

1. This Agreement shall enter into force when each Party has notified the other of the completion of its necessary internal procedures for entry into force. The Agreement shall apply to proceedings referred to in Article 6(1) which are initiated after its entry into force.

2. Notwithstanding paragraph 1 of this Article, the Agreement shall only enter into force when the Agreement between the Isle of Man and the Kingdom of the Netherlands for the exchange of information relating to tax matters shall have effect for criminal as well as civil tax matters.

ARTICLE 9 TERMINATION

1. This Agreement is concluded for a period of five years. Six months before the expiry of that period, the Parties will meet to decide on the extension of this Agreement and any other relevant measure.

2. Notwithstanding paragraph 1 of this Article, this Agreement will be terminated, without giving notice of termination, on the date of termination of the Agreement between the Isle of Man and the Kingdom of the Netherlands for the exchange of information relating to tax matters.

In witness whereof the undersigned being duly authorised in that behalf by the respective Parties, have signed the Agreement.

Done at Douglas in duplicate this 12th day of October, 2005, in the English language

HON. A. R. BELL, M.H.K.,
MINISTER FOR THE TREASURY
FOR THE GOVERNMENT OF
OF THE ISLE OF MAN:

MR JOOP WIJN
STATE SECRETARY FOR FINANCE
FOR THE GOVERNMENT OF
THE KINGDOM OF
THE NETHERLANDS:

Made this 15th March 2006



Minister

EXPLANATORY NOTE

(This Note is not part of the Order)

This Order is made under section 15 the Income Tax Act 1995. It implements arrangements negotiated between the Government of the Isle of Man and the Kingdom of the Netherlands relating to the adjustment of profits of associated enterprises.

