

Starting a business in the Netherlands



Summary

When you would like to set up your own business in the Netherlands there are several things you have to keep in mind. What requirements do I have to satisfy in order to start a business in the Netherlands? What legal forms are there, what taxes do I have to pay, and do I require a licence or diploma? How do I set up a branch office for my business?

In ten steps to your own business

Step 1: Orientation and preparation

You start to look at the different opportunities. Would you like to be a full-time entrepreneur, a part-time entrepreneur or a freelance entrepreneur? Would you like to take over an existing company? Why would you like to start your own business? You put all your plans and ideas down in a business plan.

Step 2: Obligations and allowances

As an entrepreneur you have certain obligations, like registration of your company in the trade register and you have to notify the Inland Revenue. In some cases you have to take account of the zoning plan or allowances.

Step 3: Market

Information about the market is an important part of your business plan. Who will be your clients and who are your competitors? Which branch do you choose? How do others perform in your branch?

Step 4: Accommodation

The accommodation of your business is an import issue at the start. Would you like to buy existing premises, to rent existing premises or do you start up in your own home?

Step 5: Personnel

What kind of things do you have to look at when you choose to hire personnel? How do you get personnel?

Step 6: Legal forms

By the start of your business you have to choose a certain legal form. Would you like to start as a sole trader or work together with other entrepreneurs?

Step 7: Finances

Making a financial plan is an important part of your business plan. You prepare several estimates; for example an investment estimate, a liquidation estimate and of course an estimate of private expenses. Then

you also have to draw up how to get capital by means of the finance estimate.

Step 8: Taxes and administration

Every entrepreneur has to deal with taxes. For that you have to keep an administration up to date for example. A right administration also gives you an overview of your debts.

Step 9: Doing business safe

How do you arrange your liability and other insurances, like your disability insurance? By drawing up general terms you prevent that you have to negotiate conditions every time you enter into a contract. It also avoids any misunderstandings which might otherwise arise between you and your business clients. You have to choose a business name or a trade name for your company when you start your own business. Choosing a business name is subject to certain rules.

Step 10: Start working

Every business and almost every legal entity has to register with the trade register of the Chamber of Commerce. Have you registered with the trade register of the Chamber of Commerce? If so, then your business officially starts! Now it is best to find clients and to come in contact with other entrepreneurs. In what kind of network do you present yourself? Considerate traps!



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Starting a business in the Netherlands

The Chamber of Commerce (“Kamer van Koophandel”) is the prime meeting place for business people in the Netherlands, whether you have just started up in business or have been operating for many years.

What requirements do I have to satisfy in order to start a business in the Netherlands? What legal forms are there, what taxes do I have to pay, and do I require a licence or diploma? How do I set up a branch office for my business?

In this section we focus on the most important aspects related to successfully setting up a business in the Netherlands.

1. Becoming an entrepreneur

1.1. Setting up your own business

Setting up your own business means taking risks. You will not have a regular, fixed source of income such as regular income from employment or social security benefits. However, proper preparation can help you eliminate unnecessary risks. The following matters are important for anyone starting up a business:

- Business plan
- Insurance
- The tax system
- Accommodation
- Diploma requirements, permit to establish a business, registration in the trade register

1.1.1. Business plan

A good business plan is essential for mapping out how your business will look. If you have a well-argued assessment of all the aspects of your business, you will not be caught unawares. A good business plan provides answers to the following questions:

- What are you marketing and why?
- To whom?
- What is your plan of attack?
- What will it cost?
- What results will it have to deliver?

1.1.2. Insurance

Anyone starting up a new business takes risks. To some extent, you can insure against these risks. Think about which risks you wish to run and which insurances you wish to take out. In the case of small risks it may be more cost-efficient to put some money aside than take out an expensive insurance policy.

As an entrepreneur you will be dealing with two kinds of insurance:

- Personal insurance
- Business insurance

Insurance companies make a distinction in this respect. For example, the third party liability insurance which you have as a private individual does not apply in the context of your business activities.

1.1.2.1. Personal insurance

Disability insurance

If you are self-employed and under 65 years old, you will need private insurance for the risk of loss of income through disability.¹

Accident insurance

Accident insurance pays out a lump sum if you become partially or completely disabled as a result of an accident.

Pension insurance

Everyone in the Netherlands aged over 65 receives “AOW”, the Dutch old age pension. This is a basic pension. It is advisable to build up a supplementary pension through a pension insurance scheme.

Unemployment insurance

If you are in paid employment and become unemployed, you receive “WW” (unemployment) benefit. However entrepreneurs are not entitled to this. They cannot take out unemployment insurance for their own business.

¹ Contact the industrial insurance board or an insurance company.

1.1.2.2. Business insurance

Insurance of your business assets

Buildings, machinery, furniture and fittings, stock and means of transport are all business assets. Fire or theft could halt your production. These risks are covered by the following insurance policies:

- Cargo policies
- Machinery and equipment policies
- Business premises policies
- Business interruption and/or machinery breakdown policies
- Computer policies

Liability insurance

If the product or services you supply cause personal injury or material damage, you could be held liable as an entrepreneur. There are two types of policy for this:

- Liability insurance policies for companies
- Professional liability insurance

Goods-in-transit insurance

The insurance covers damage during the transport of goods, whether you transport the goods yourself or use a professional transport company.

Legal assistance insurance

If you have any legal problems with customers, suppliers and staff, the policy will cover such things as the costs of lawyers, bailiffs and the court.

Credit insurance

If you deliver goods on account, you run a debtor's risk. In other words, the risk that your client cannot or will not pay. The credit insurance policy covers this risk.

1.1.3. The tax system

1.1.3.1. VAT system

Most businesses are required to charge their customers "VAT" ("value added tax"). You will be given a VAT registration number by the Inland Revenue ("Belastingdienst"). For businesses which have very little VAT to pay, the Small business allowance ("Kleine ondernemersregeling") applies: you will then pay less VAT, or none at all.

If you are certain that you are ready for business, you should request the Statement of information by a new business (“Opgaaf Startende onderneming” form) from the Starters’ Desk of the Inland Revenue. The Inland Revenue will make a provisional assessment of your business and decide whether to give you a VAT registration number or not.²

1.1.4. Accommodation

The accommodation of your business is an important issue at the start. The amount of money you need to invest depends on the nature and size of your business.

1.1.4.1. The choice of business space

You should ask yourself the following questions when looking for business space:

1. Will I be starting up in my own home? If you are going to work from home, you should consider the zoning plan: Most homes are within “residential zones”. These are set out in the zoning plan which prohibits the establishment of a business in such a zone. Nevertheless, a home business may sometimes be permitted.³
2. Will I buy existing premises or have new premises built?
3. Will I rent business premises? What obligations does rental involve?
4. Which location is most suitable for my business?
5. Which locations are available? What are their advantages and disadvantages?⁴
6. What costs are involved?

1.1.5. Diploma requirements, registration in the trade register

You have to register your business in the trade register of the Chamber of Commerce.⁵ You will be asked for information on the legal form⁶ and

² See also section 2.4.

³ See also section 3.1.1.

⁴ For an overview of available business and office space, please contact the Chamber of Commerce in your region.

⁵ In the Netherlands registration in the trade register is compulsory for every company and almost every legal entity. This means that the register is able to provide reliable answers to such questions as: does the company with which I wish to do business actually exist? Is the person I am dealing with actually an authorized signatory? What has happened to the company I used to do business with a few years ago?

⁶ Section 3.5.

the trading name⁷ of your company. Entries in the trade register are open to review by the public, meaning that both individuals and businesses can request information from the trade register.

If you come from any of the countries listed here⁸, you will need to obtain an apostil stamp. If you come from any other country, you will have to have your diploma legalized.

1.2. Part-time entrepreneurship

When you set up your own business you have to deal with a number of issues which are relevant for every entrepreneur.⁹ Part-time entrepreneurs who combine a part-time job with working part-time in their own business should pay particular attention to the following questions:

- *Writing a business plan*

Write a business plan, even if you do not need any finance or are starting a very small business. Many part-time entrepreneurs do not write a business plan because they do not think of themselves as real entrepreneurs. But they are entrepreneurs, and so are you.

We therefore recommend that you write a business plan in any case, and certainly if you are thinking of working full-time in the business in the future. Your business plan helps you to chart the future structure of your company. It gets your business off to a professional and efficient start. Your business plan should answer questions such as:

- Exactly which products and services am I going to provide and which am I not going to provide?
- Which customers am I going to target?
- How do I plan to get work?
- What is my hourly rate or sales price?

- *Insurance*

Whether or not you work in your business full-time or part-time, you must take out insurance for personal and business risks. If you work part-time in your business, you should pay particular attention to healthcare insurance and occupational disability insurance policies.

⁷ Section 2.2.

⁸

<http://www.minbuza.nl/verdragen/nl/searchtreaties/detailspage?verdragId=18079&datasource=/content/verdragen/nl/documents/zoek-verdragen/verdragen_resultaten.xml>.

⁹ See also section 1.1.

Insure your income against the risk of illness or disability

If you are in paid employment and become ill, your employer continues to pay your salary for a certain period of time. If you become permanently disabled for work, you are entitled to “WAO” (disability) benefit for those hours in which you were in paid employment.

However, your business will not continue to pay you an income. Therefore you will need private insurance for the risk of loss of income through disability. It is sensible to take out additional insurance.¹⁰

- *What does your employer think about it?*

The combination of paid employment and your own business may lead to undesirable conflicts of interest. You should assume that you have to obtain your employer’s permission for secondary activities such as running your own business. Your business must not adversely affect your work and productivity on behalf of your employer. Check if there is a competition clause in your employment contract. Discuss the combination of paid employment and your own business openly with your employer.

- *Registration with the Chamber of Commerce*

Even if you only work part-time in your own business, you must register in the trade register of the Chamber of Commerce.¹¹

1.3. Working as a freelancer

When you set up your own business you have to deal with a number of issues which are relevant for every new entrepreneur.¹²

The terms “freelance” and “zzp” (“zelfstandige zonder personeel” or self-employed without staff) are used interchangeably with little difference between the two. When this document talks about “freelancers” the term automatically also refers to “zzps”.

More and more people are working as freelancers. While freelance work used to be associated with journalists and photographers for example, these days freelancers also work in sectors such as construction and IT. If you go freelance, you should pay extra attention to your situation, because the term “freelancer” is not a definition recognized by law.

¹⁰ Discuss this with your insurance agent.

¹¹ If your company’s activities are extremely limited or you are not sure whether you have to register, ask your Chamber of Commerce for more information.

¹² See also section 1.1.

Freelancers operate somewhere in between being self-employed and being in paid employment.

Your freelance situation is defined on the basis of a number of factors:

- *Social security legislation*

Social security agencies such as the “UWV” evaluate the independence of freelancers on the basis of the actual circumstances. For example:

- the scope of the work;
- the number of clients;
- the level of turnover;
- the presentation to the outside world.

If you work as a freelancer and are considered to be self-employed, the client does not have to deduct social security premiums from your freelance payments. If you are not considered to be self-employed, the client does have to deduct social security premiums.

- *Tax legislation*

Freelancers have to pay turnover tax and income tax:

- *Turnover tax*

Anyone who practices a profession independently is considered to be self-employed for the purposes of turnover tax. If you are not sure whether to charge “BTW” (Dutch turnover tax) on your products or services, contact the tax authorities.

- *Income tax*

The Tax authorities use four criteria to determine whether a freelancer is self-employed: independence, sustainability, profit motive and the number of clients. Freelancers are charged income tax on their income. The three categories of income tax are:

Business profits

If the tax authorities consider you to be self-employed, you can declare your freelance income as business profits. You are eligible for self-employed persons’ tax allowances.

Salary from employment contract

If you have an employment contract, the client (“employer”) deducts income tax from the freelancer’s salary and pays this to the Tax authorities.

Freelancing as a secondary activity

Income from work which cannot be considered either as salary or as business profits is known as income from other activities.

- *Registration with the Chamber of Commerce*
In general, freelancers are obliged to register in the Trade Register.¹³
- *Labour law*
The freelancer is in paid employment if:
 - he performs work in person in a certain period;
 - the employer is obliged to pay salary;
 - there is a relationship of authority between the client and the freelancer.

If the freelancer is in paid employment, he is entitled to rights under Dutch Labour law such as protection from dismissal and the minimum wage.

1.4. Setting up a business with a benefit

When you set up your own business you have to deal with a number of issues which are relevant for every entrepreneur.¹⁴

If you are receiving benefits and want to set up your own business, you will also have to answer the specific question: what are the implications for your benefit payments? There are three possible scenarios:

- Setting up a business with a “WW” (unemployment) benefit;
- Setting up a business with a “RWW” (national assistance) benefit ;
- Setting up a business with a “WIA”/“WAO” benefit.

1.4.1. Setting up a business with a WW (unemployment) benefit

¹³ If your company’s activities are extremely limited or you are not sure whether you have to register, ask your Chamber of Commerce.

¹⁴ See also section 1.1.

The benefit agencies (previously known as the industrial insurance boards) make a distinction between two phases:

- *The orientation phase*

You collect information about the opportunities for setting up your own business. In this phase you must be available for work. In most cases you can carry out these activities without losing your unemployment benefits. It is important to tell your benefits agency what you are doing.

- *The phase in which you actually start your business*

You work for yourself and are therefore no longer available for other work. Your unemployment benefit is stopped. You are no longer considered as an employee.

1.4.2. Setting up a business with a RWW (national assistance) benefit

When you become self-employed, you lose your right to RWW benefit. After all, you are no longer available for work. The “Besluit Bijstandsverlening Zelfstandigen” (“Bbz”)¹⁵ (Supplementary benefit for Self-Employed Persons Act) is designed to help new entrepreneurs through:

- *Income support*

A regular benefit for a maximum period of 36 months which supplements your income to supplementary benefit level.

- *Capital support*

An interest-bearing loan of no more than € 32,774 for investments. You have to write a business plan in order to be considered for these facilities.¹⁶

1.4.3. Setting up a business with a WIA/WAO benefit

Contact the Labour integration department at the “UWV”. You may be able to keep your benefit during the period prior to starting your business.

1.5. Acquiring an existing company

When you set up your own business you have to deal with a number of issues which are relevant for every entrepreneur.¹⁷ If you decide to go into

¹⁵ For information about the Bbz, contact the local “Gemeentelijke Sociale Dienst” (“GSD”) (Municipal Social Services).

¹⁶ Use the checklist for more information about the business plan (section 2).

business by acquiring an existing company, you need to thoroughly prepare for this specific aspect.

Everybody who buys a company goes through a number of preparation phases. You should pay particular attention to the following questions.

- You can find which companies are for sale by consulting mergers and acquisitions agencies, banks and accountants. You can also ask your Chamber of Commerce to provide information about the opportunities on the company fair.
- Are you interested in a business that is for sale? If so, you should act quickly and effectively, as you are probably not the only interested party. If the seller wants to sell in a hurry, this could put pressure on the asking price.
- Define your assumptions and preconditions and make sure you know exactly what you want to do with the business. Make a business plan. Ask for specialist advice.
- Make sure you have a clear picture of the company you are interested in. Why does the current owner want to sell? How big is the business? Who are its customers? Who are its suppliers? How many people work there? What is the financial situation?
- Consult a business adviser when negotiating with the seller. Ask a number of advisers for a quotation. Make clear agreements with the adviser of your choice. Do not choose an open-ended proposal, make definite agreements on the scope of the advice.

2. Checklist

2.1. Financial plan

How does a start-up business obtain money to carry out its plans? When describing how to finance investments, we make a distinction between:

- *Owner's capital*
Money which you introduce yourself (such as savings, capital resources contribution and subordinated loan).
- *Borrowed capital*
Money introduced by others. There are two sorts:
 1. *Long-term capital*
The loan is for more than 1 year, such as a bank loan or mortgage.

¹⁷ See also section 1.1.

2. *Short-term capital*

The loan is for less than 1 year, for example to cover costs still to be made.

2.2. Choosing a business name

Choosing a business name or a trade name for your company is subject to certain rules.

- Your business name must not be confusing or misleading. That means that you cannot choose a name which is already being used by someone else or which is similar to it.
- You may not represent yourself as anything other than what you really are. So, for example, you cannot use “BV” in your business name if your business is not a BV (private limited company).
- Your business name or trade name may not conflict with existing trademarks. The “Benelux-Bureau voor de Intellectuele Eigendom” (Benelux Office for Intellectual Property) in The Hague is responsible for protecting trademarks.

If you register your business in the trade register of the Chamber of Commerce, a general search will be done to check if there is already a business with that name. It is in your interest to pay for the Chamber of Commerce to conduct a nationwide business name search. This also includes a search of business names which sound similar but are spelled differently.

Your trade name is protected from the date that your company is operative and becomes known to third parties.

2.3. The marketing plan

The marketing plan is part of the business plan. The marketing plan sets out the commercial formula you have developed for your company and the market in which you are to operate. This plan may be drawn up on the basis of the five P's of the marketing plan.

2.3.1. The five P's of the Marketing Plan

The marketing plan is based on the five P's:

- *Place*
Important aspects when choosing a place are the desired image,

method of distribution, accessibility and the presence of competitors.

- *Product*
A detailed description of your product or service. This relates to the aspects which determine the whole image of the product, such as guarantee, service, packaging and complaints procedures.
- *Price*
The formulation of the price of the product. If it relates to a service, you should state the hourly rate. Establish the role of the price is: do customers first try to find the lowest possible price or do they first look for quality for which they are prepared to pay more? What are the prices charged by competitors? What is the balance between price and quality?
- *Promotion*
How do you reach your customers? How do you give clear added value to your customers? Promotional plans must be in harmony with the whole image of the business.
- *Personnel*
Your ideas about the supervision, motivation and involvement in business activities of your employees.

In a good marketing plan there is a close relationship between the five P's. If one of the P's changes, then the other P's must be changed accordingly.

A marketing plan is not something which is fixed. It is influenced by external factors such as an economic recession, new legislation and new technical developments. If external factors change, your marketing plan will have to change accordingly.

2.3.2. Market and Sector information

To assess the feasibility of your plans, you need information about the market and market sector. Much of this information is available from the Chamber of Commerce. What information can you obtain?

General market information

Average figures covering the different sectors in the financial-economic field, demographic field and expenditure figures:

- Chamber of Commerce
An extensive range of basic business information in the Trade register.
- “Centraal Bureau voor de Statistiek” (“CBS”) (Central Statistics Office)
Figures concerning financial-economic developments, demographic information, consumer expenditure, and information about incomes. Nationwide, per sector and per region.
- “Cijfers & Trends” (Figures & Trends)
Summary of national business economic developments of 80 sectors in the Dutch business community. This “Rabobank” publication appears annually.
- “Jaarboek detailhandel” (Annual retail trade manual)
Reference book containing general information about the retail trade, developments in the job market and current information from various sectors. Published by “Hoofdbedrijfschap Detailhandel” (“HBD”) Appears annually.
- “Enquête Regionale Bedrijfsontwikkelingen” (“ERBO”) (Regional Business Development Survey). Annual publication of the Chambers of Commerce.

Sector information

Information about developments, figures and addresses of the various sectors.

- “Hoofdbedrijfschap Detailhandel” (“HBD”)
Publications about specific themes and sectors.
- “Hoofdbedrijfschap Ambachten” (“HBA”)
Publications about specific themes and sectors.
- Economic Institute for Medium-sized and Small Businesses (EIM)
Publications about specific themes and sectors. The EIM works closely with the HBD and the HBA.
- Sector organizations
Annual accounts, sector related handbooks and research.
In “Pyttersen’s Almanak” you can find the addresses of the sector and interest organizations. This publication from Bohn, Stafleu, Van Loghum appears annually.
- “CD-rom Businessbibliotheek” (Business library)
Collection of articles about various sectors. Cd-rom, published by Kluwer.
- Banks
Publications about various sectors, from various sources.
- Trade journals
Articles about developments and research in specific sectors.

2.4. Tax affairs

As a self-employed entrepreneur you are responsible for your own tax affairs. It is important to know which taxes you will be required to pay and what options for deductions and exemptions may apply to your company.

- Taxation
- Value added tax
- Income tax
- Corporation tax

2.4.1. Taxation

2.4.1.1. Contacting the Inland Revenue

You should notify the Inland Revenue as soon as you know when your company plans to start business. If you start a sole trader, a limited partnership or a partnership under common firm, you can register your company for the Inland Revenue and the trade register at the same time. You can do this at the Chamber of Commerce. You can prepare for the registration with the form “Voorbereiding Gemeenschappelijke Inschrijving” (in Dutch).

If you start another legal form, you will still have to notify the Inland Revenue. The relevant form “Opgaaf Gegevens startende onderneming” (Statement of information for starting up a business) is available from the Inland Revenue site.

It is to your advantage to provide this information at an early stage: new companies which have made investments in their business often receive money back following their first VAT return. This is because a new business often pays more VAT in the beginning than it has actually charged.

Start-up businesses are regularly visited by an inspector from the Inland Revenue who checks whether the business administration meets the required standards. You can also make an appointment yourself for an “introductory visit”.

2.4.1.2. Tax allowances and exemptions

You can take advantage of tax allowances and exemptions in respect of two taxes: VAT and income tax.

2.4.1.3. Value added tax

For businesses which have to pay very little VAT, the “Kleine ondernemersregeling” (small businesses provision) applies. This means you pay less VAT or no VAT at all.

Conditions:

- You would normally be liable to pay a maximum annual amount of € 1,883.
- You have an “eenmanszaak” (sole proprietor), “vennootschap onder firma” (“VOF”) or “commanditaire vennootschap” (“CV”).
- You meet the administrative requirements with regard to VAT, such as the issuing and filing of invoices.

2.4.1.4. Income tax

For businesses paying income tax, the following tax allowances apply:

- *Self-employed persons allowance*

Conditions:

- You run the business on your own account;
- You are aged between 18 and 65;
- There is no provision to prevent double taxation on profits (for example, if you have paid tax on a proportion of the profit in another country);
- You work a minimum of 1,225 hours in your business during the year. The hours you put in before the business was actually up and running can also be included, so keep a record of these.

- *Start-up business allowance*

For the year 2008 the following conditions apply:

- In this year you are entitled to the self-employed persons allowance;
- Between 2003 and 2007 inclusive you used the self-employed persons allowance on no more than 2 occasions.
- Between 2003 and 2007 you did not run a business for at least 1 year.

- *Investment allowance*
You often have to make investments before starting a business, in particular for capital assets. If you have invested a minimum of € 2,100 and a maximum of € 236,000 in particular sorts of capital assets during 2008, you will be entitled to an investment allowance. The amount involved depends on the level of the investment.
- *Special tax allowance for the self-employed*
You can set aside amounts for later. This is the special tax allowance. As long as you continue in business, you are not liable to pay tax on these amounts.
- *Random depreciation provision*
Sometimes as a new business you can depart from the normal method of tax allowances. You can then decide for yourself how much you deduct per year. There are two conditions:
 - You are a sole proprietor, VOF or other partnership;
 - You are entitled to the start-up business allowance and self employed persons allowance.

2.4.2 Value added tax

Businesses are nearly always liable to charge value added tax to their clients. The rate is 6% or 19% depending on the type of product or service.

The VAT which you receive from your client must be paid to the Inland Revenue. The VAT which you have paid out yourself to your suppliers can be offset against this.

Value added tax is paid either monthly or quarterly, depending on the type of business you have and the level of turnover.

2.4.3. Income tax

Entrepreneurs who pay turnover tax are not always liable to pay income tax. When deciding if an entrepreneur has to pay income tax, the Inland Revenue will look at the following:

- the extent of the work performed;
- the level of turnover and profit;

- the time spent in the business;
- the presentation to the market;
- the number of clients;
- the presence of debtors' risk.

If the entrepreneur is liable to pay income tax, he can take advantage of a number of tax allowances.

If you are an employer, you have to make wage deductions and pay these to the Inland Revenue. Declaration and payment is usually done on a quarterly basis.

2.4.4. Corporation tax

If you have chosen a private limited company (BV) as the legal form for your business, you will have to pay corporation tax and dividend tax.

2.5. Administration

You are obliged by law to record anything with financial implications for your business in a systematic administration. It is important for yourself to keep a proper financial administration. It gives you a wealth of business information and insight into how your company is progressing.

2.5.1. Keep for seven years

Books and documents which are important for corporation tax, turnover tax and income tax purposes have to be kept for 7 years, as laid down in the Dutch Civil Code ("Algemene Wet inzake Rijksbelastingen").

What to keep?

What documents are important for your business administration? All information which you record on paper or electronically such as: cashbook administration and receipts, sales and purchases book, invoices received and copies of invoices sent, bank statements, contracts, agreements and other such documents, software and databases.

2.5.2. BTW (turnover tax)

Your administration must show how much turnover tax you have to pay to the tax authorities. You need to keep a record of:

- invoices which you issue;
- invoices which you have to pay;
- expenses;

- income;
- private use of goods and services.

2.5.3. Invoices

Your invoices should be numbered progressively and in a series. The invoices should state:

- invoice date and number;
- name and address of the supplier or customer (and the turnover tax identification number when trading with another EU country);
- description of the goods delivered or service provided;
- prices exclusive of turnover tax;
- the turnover tax amounts, split into turnover tax rates.¹⁸

3. Paperwork

3.1. Permits and diplomas

In most cases you do not need a diploma and/or permit to register your new business in the trade register. However, you may have to consider a number of local council regulations and permits (such as environmental permits) when you start your company.

Make sure to organize your permits well in advance. It can often take a long time before you have all the necessary papers and you will be subject to strict controls. Certain branches require you to meet the standards set by the branch association or certification bodies.

3.1.1. Zoning plan

3.1.1.1. Every entrepreneur has to consider the zoning plan relating to a building or piece of land

No matter where you start your business - in your own home, in rented premises or a building in which a similar sort of company existed - you always have to take account of the zoning plan. Every local council in the Netherlands sets out in the zoning plan the functions it allows for a building or a piece of land.

3.1.1.2. Business in your own home

¹⁸ Ask the tax authorities for more information.

If you want to start your business in your own home, you will need permission from the local council to turn a living area into a business area. Most residential houses are sold as residential space in which it is not allowed to establish a business. Nonetheless councils will sometimes tolerate a business in your home. For example:

- if the business is purely office-based
- if no clients visit the house
- if the business can cause no disturbance
- if it is only a small part of the house will be used for business activities.

The council and your neighbours would probably object to a business such as a shop, hairdressing salon or engineering workplace.

3.1.1.3. Renting business space

If you want to rent business space, don't forget to ask permission to run a business there from the landlord.

3.1.1.4. Building in which a business already existed

If a similar sort of business existed in the building, check whether the zoning plan is still valid.

3.1.2. Building permit

Are you planning to build new premises or extend existing ones? If so, you will probably need a building permit.

There are three types of construction work:

- *Construction work for which you must obtain a building permit*
Construction work which requires a building permit.
- *Construction work which you must notify to the local council*
Small building works which you have to notify to the council and obtain permission to build.
- *Free construction work*
Construction work for which you do not need a building permit or council permission.

3.1.2.1. Do you need a building permit and an environmental permit?

Do you have building plans for which you also need an environmental

permit? If so, apply for the environmental permit first. You cannot obtain a building permit until you have a decision on your environmental permit application. In addition, environmental requirements may affect your building plans.¹⁹

3.1.3. Environmental permit

3.1.3.1. If your business represents a burden on the environment, you will need an environmental permit.

You need this if your company's products or operations form a burden for the environment. The permit is issued based on factors such as the production process, the storage of goods, and the raw materials and equipment to be used.

3.1.3.2. Duty of notification instead of a permit

Certain types of business, such as catering and the retail trade, are subject to general environmental regulations. If you meet the requirements, all you have to do is to notify the Council about your business. In other words you have a duty of notification but do not need to obtain a permit.

3.2. Intellectual property

How can I protect my product? Can competitors simply copy my systems? Can competitors launch a product with almost the same name as my successful product? These are important questions for many entrepreneurs.

Certain unique aspects of products and services require protection under law. The laws relating to this protection in the Netherlands are in the field of intellectual property. There are four important laws:

- Patent protection
- Protection of drawings and models
- Brand protection
- Copyright protection

3.2.1. Patent protection

3.2.1.1. For technical inventions

¹⁹ Ask the Buildings and Housing department of your local council, the environmental department of your local council or the Chamber of Commerce for more information.

A patent protects the technical solutions in a new product or production process. The patent (exclusive right) means that other people have to ask your permission to use, produce or sell your invention. In other words, they have to pay (granting a licence).

3.2.1.2. Applying for a patent

The Netherlands Patent Office issues patents. The agency is an independent part of the Dutch Ministry of Economic Affairs. It has about 70 million patents in its files. You can consult this source of technical information free of charge. You can apply for a patent yourself or ask a patent agent to do it for you. Patent agents are legally specialized in the field of patents, brands and models.

3.2.2. Protection of drawings and models

3.2.2.1. For new designs

You can register drawings or models of new designs in order to make imitation more difficult. These might be two-dimensional “drawings” such as prints or patterns on fabrics, materials or paper. Or they might be three-dimensional “models” such as household and other equipment, furniture or clothing.

The precondition is that the drawing or model must be new.

The following models are not protected:

- Objects that are purely decorative and have no utilitarian function
- Forms which are necessary to achieve a technical effect
- Objects which challenge prevailing morality or law and order

3.2.2.2. Filing rights

To obtain exclusive rights to a drawing or model you must file the right with the “Benelux-Bureau voor de Intellectuele Eigendom” (Benelux Office for Intellectual Property) in The Hague.

Anybody can file the rights to a drawing or model. You can do it yourself or ask a specialized agent to do it for you. New entrepreneurs with no experience of registering models are advised to seek assistance from a specialist agent. These agents are legally specialized in the field of patents, brands and models.

3.2.3. Brand protection

3.2.3.1. For brands

A strong brand is very important to an entrepreneur. Clients choose a certain brand because they are confident of its quality, for example. A brand can take different forms. Every symbol that helps to distinguish between the products or services of a business can be seen as a brand. It can be a brand in words or images or a combination of both. Colour, number and letter combinations, symbols and shapes can also be brands.

3.2.3.2. Filing

You can obtain exclusive rights to a brand by filing it with the “Benelux-Bureau voor de Intellectuele Eigendom” (Benelux Office for Intellectual Property) in The Hague. Anybody can file a brand. You can do it yourself or ask a specialized agency do it for you. New entrepreneurs with no experience of registering brands are advised to seek assistance from a specialist agent. These agents are legally specialized in the field of patents, brands and models.

3.2.4. Copyright protection

3.2.4.1. For literary, artistic and scientific works

If you produce a literary, artistic or scientific work that clearly bears your stamp, you automatically have copyright on that work. In the Netherlands you do not have to complete any formalities to obtain copyright.

Copyright law means that you are the only person with copyright authority over how your work is used or exploited by other parties.

Literary, artistic and scientific works have to fulfill two requirements:

- *Original character*
The work must have an individual and personal character. It must be an original work.
- *Observable via the senses*
The work must also be - or have been - observable via the senses. In other words you must be - or have been - able to see, read or hear the work.

3.2.4.2. Registration

In order to prove that you hold the copyright, you can register your work (with a date and initials) with the tax authority's "Registratie en Successie" service.²⁰

3.3. Taking on staff

When you take on staff, you also take on certain responsibilities. What do you have to do?

- Drawing up employment contracts
- Notification of staff

3.3.1. Drawing up employment contracts

The law states that the employment contracts which you agree with your employees have to be put in writing. A number of sectors use a "CAO" (Collective Labour Agreement) specific to the sector.

These state the agreed conditions of employment. An individual employment contract must not contravene the conditions of the CAO. More information on CAO's is available from employers' organizations and the "Arbeidsinspectie" (Dutch Labour Inspectorate).

3.3.1.1. What information is in an employment contract?

- Job description
- Type of employment agreement (permanent, temporary, on-call, zero hours)
- Length of the employment (definite or indefinite period)
- Length of the trial period
- Working hours
- Notice period
- Number of holidays
- Salary
- Sickness rules
- Working conditions
- Identification requirements
- Any pension schemes
- Any competition clauses

²⁰ For more information on copyright, contact: "Buma-Stemra" or international organizations BIEM and CISAC.

3.3.2. Notification of staff

As an entrepreneur it is your duty to notify the following authorities about new members of staff:

- *Tax authorities*

Employers must notify the tax authorities of new employees. You have to pass on the deductions made to salaries to the tax authorities. You therefore have to keep a salary administration which can be checked by the tax authorities. Every employee in the Netherlands has a “sofi” number (short for social-fiscal).

- *“Arbo” service*

If you employ staff, you have to register with a recognized “Arbo” service, which is an advisory body on health and safety at work and sick leave questions.

3.4. Registering with the Chamber of Commerce

Every business and almost every legal entity has to register with the trade register of the Chamber of Commerce. The trade register is a source of information that is open to everyone.

3.4.1. Registration and amendments

You can register your company in the trade register from one week before your start date. The Chamber of Commerce will check if your home address is correct. Therefore you will need valid personal identification, a copy of a recent bank statement (which is not older than 30 days) or an excerpt of the register of births, deaths and marriages.

Also, for example, if you start your business in rented premises, you may be asked to show the rental contract in order to confirm the establishment address. Once you have registered, you are given a unique eight-figure registration number. You must print this number on all your outgoing post.

Ask for a print-out straightaway to prove that you have registered. The tax authorities, bank and suppliers will regularly ask for proof of registration.

Registered entrepreneurs pay a contribution to the Chamber of Commerce every year. The level of the contribution will mainly depend on the legal form of your business.²¹

Once you have registered, it is your responsibility to ensure that the information is up to date and correct. Only the following persons are allowed to register a business or communicate changes to the register information: the owner, a partner, a manager or a proxy with a general power of attorney.

3.4.2. What information does the trade register contain?

- The trading name
- The place of establishment
- The legal form
- A brief description of the business
- The names and addresses of the owners, managers, supervisory board members or partners
- The capital invested in the business
- The number of employees

3.4.3. The trade register as a source of information

Everyone has the right to consult the information in the trade register. For example, you can check in the trade register to see who owns a company, who is authorized to sign contracts and who is responsible for financial matters. This gives you more certainty about the legal basis for doing business.

Many companies use information from the trade register for market research, sales or debtor management.²²

3.5. Legal forms

The legal form of your company determines the financial risks you will run in case of debts or obligations. It also determines the type of tax you will have to pay.

In all cases you pay tax on your profits. For sole traders, VOF partnerships and CV partnerships, the profit is taxed as income tax. If you have a BV, profit is taxed as corporation tax.

²¹ Ask your local Chamber of Commerce to check the exact amount charged in your region.

²² To consult the trade register online contact your local Chamber of Commerce.

- Liability of the different legal forms
- Sole trader
- Limited partnership
- Partnership under common firm (VOF)
- The partnership
- Private limited liability company (BV)
- Foundation
- Association
- Diagram of legal forms

3.5.1. Liability of the different legal forms

3.5.1.1. Do you want a large or small financial risk?

There are two types of legal form:

- Legal forms which do not involve a legal person. Your entire personal assets are liable for obligations.
 - Sole trader
 - “Vennootschap Onder Firma” (“VOF”) or general partnership
 - “Commanditaire Vennootschap” (“CV”) or limited partnership
 - Partnership
- Legal forms which do involve a legal person: you are liable for the amounts that you have invested. Like an individual, a legal form with a legal person has independent rights and obligations.
 - “Besloten Vennootschap” (“BV”) or limited liability private company
 - “Vereniging” or association
 - “Stichting” or foundation

The freelancer occupies a special position. It should also be noted that the “Naamloze Vennootschap” (“NV”) or public limited company form is rarely taken by start-up companies.

3.5.2. Sole trader

There may be several people working in your company, but you are the only owner. As the owner you are entitled to the profits your company makes.

3.5.2.1. Taxes

You pay income tax on the profits. In certain circumstances you are entitled to the self-employed tax allowance.²³

3.5.2.2. Liability

There is no distinction between your business and personal assets. If you have business obligations, your creditors can demand that you pay these from your personal assets. If you have personal obligations, your creditors can make a claim on your business assets.

If you are married on the basis of communal estate, creditors can also make claims on your partner's assets. If you are married on the basis of a marriage contract, the personal assets of your partner fall partially or completely outside the area of business liability. If you are married on the basis of communal estate, you can still arrange a marriage contract.²⁴

3.5.3. Limited partnership

The limited partnership (CV) is a special form of the general partnership (VOF). There are two sorts of partners:

- active partners
- limited or sleeping partners.

The active partner is active as an entrepreneur. The sleeping partner stays in the background and tends to finance the business. He has much less authority and bears less risk. He is not allowed to act as active partner and his name cannot be used in the name of the partnership.

A limited partnership tends to develop from a sole trader or general partnership when a sleeping partner enters the business to provide extra finance for growth.

A partnership agreement is not compulsory, but is in fact essential. The agreement states the length of the limited partnership, the contribution, authority, profit share and the arrangements for resignation of the two sorts of partners.²⁵

²³ Ask the tax authorities for more information.

²⁴ Ask the civil notary for details.

²⁵ You can either ask a civil notary to draw up the contract or do it yourself using a model contract.

3.5.3.1. Taxes

Generally the tax authorities consider active partners to be self-employed entrepreneurs. Active partners can therefore benefit from tax allowances for the self-employed, the fiscal retirement reserve, the working partner's allowance and termination allowance. Each active partner pays income tax over his or her share of the profits.

If the sleeping partner only provides capital for the business without any liability towards the business creditors, the new tax system does not consider the sleeping partner to be an entrepreneur. It considers him or her to have joint entitlement.

The entrepreneur is the taxpayer on whose account the business is run and who directly commits the business to obligations.

3.5.3.2. Liability

The active partner is jointly and severally liable for the obligations of the business. The sleeping partner has no liability to third parties. His only risk is losing the money he has invested.

If you are married on the basis of communal estate, creditors can also make claims on your partner's assets. If you are married on the basis of a marriage contract, the personal assets of your partner fall partially or completely outside the area of business liability.

If you are married on the basis of communal estate, you can still arrange a marriage contract.²⁶

3.5.4. Partnership under common firm (VOF)

You run a business with one or more other persons. This makes you partners. Each partner brings money, goods and/or manpower into the business. A partnership contract is not compulsory, but is in fact essential.

The agreement states the length of the limited partnership, the contribution, authority, profits share and the arrangements for resignation of the partners. Profits are allocated in line with a formula set out in the partnership contract.²⁷

²⁶ Ask the civil notary for details.

²⁷ You can either ask a civil notary to draw up the contract or do it yourself using a model contract.

3.5.4.1. Taxes

Generally the tax authorities consider each partner to be a self-employed entrepreneur. Each partner can therefore benefit from tax allowances for the self-employed. Each partner pays income tax over his or her share of the profits.²⁸

3.5.4.2. Liability

The partners are each jointly and severally liable for the obligations of the VOF. If the assets of the partnership are insufficient, creditors can make a claim on the personal assets of the partners in the VOF.

If you are married on the basis of community of goods, creditors can also make claims to your partner's assets. If you are married on the basis of a marriage settlement, the personal assets of your partner fall partially or completely outside the area of business liability.

If you are married on the basis of community of goods, you can still arrange a marriage settlement.²⁹

The husband-wife business

Two people who are married, living together or are registered partners who start a business can enter into a VOF with each other, the so-called husband-wife business. If they both want to claim tax allowances for the self-employed, they have to perform equal tasks within the business.

The disadvantage of the husband-wife construction is that they are both jointly and severally liable, even if they are married on the basis of a marriage settlement.

3.5.5. The partnership

Entrepreneurs in the liberal professions (such as doctors, lawyers and graphic designers) often set up a partnership.

It is advisable to draw up a partnership contract which states the rights and obligations of the partners.³⁰

²⁸ Ask the tax authorities for more information.

²⁹ Ask the civil notary for details.

³⁰ You can ask a civil notary to draw up the contract or do it yourself using a model contract.

3.5.5.1. Taxes

Generally the tax authorities consider each partner to be a self-employed entrepreneur. Each partner is entitled to the self-employed tax allowance. Each partner pays income tax on his or her share of the profit.

3.5.5.2. Liability

There is no separate partnership capital. In principle a partner may only enter into obligations towards third parties on his or her own behalf. The other partners are not jointly and severally liable for obligations. However, each partner is liable for the partnership obligations.

If you are married on the basis of common estate, creditors can also make claims on your partner's assets. If you are married on the basis of a marriage contract, the personal assets of your partner fall partially or completely outside the area of business liability.

If you are married on the basis of common estate, you can still arrange a marriage contract.³¹

3.5.6. Private limited liability company (BV)

The private limited liability company is a legal person. This limits the risks of joint and several liability. When it is established, a BV must have a capital of € 18,000 in money or goods.

The capital is divided into shares which cannot be freely transferred. The shares are registered by name and you cannot simply trade them. When you establish a BV, a civil notary has to draw up the Articles of Association.

You also have to obtain a proof of good conduct from the Ministry of Justice. The Ministry checks whether the person(s) establishing the company has/have been involved with bankruptcy or fraud cases.

3.5.6.1. Taxes

You are not entitled to tax allowances for the self-employed. Corporation tax is charged on the profit; income tax is charged on the managers' salaries.

³¹ Ask the civil notary for details.

If you own more than 5% of the shares in a BV, you are considered to own a substantial interest in the company. The new income tax system taxes income from a substantial interest (such as dividend payments and profits from the sale of shares) in box 2 at a rate of 25%.³²

3.5.6.2. Liability

The BV is a legal person. In principle creditors can only make claims on the assets of the BV and not on the assets of the director(s) or shareholder(s). The liability of shareholders is limited to the amount invested.

3.5.7. Foundation

A foundation is a legal person without members which is established with a certain amount of capital to achieve a goal which is stated in the Articles of Association. Foundations tend to have idealistic or social objectives. A foundation is allowed to make profits, but there are restrictions on how the profits can be allocated. This is why the foundation and the association are not the ideal legal form in which to start a business.

3.5.7.1. Taxes

If a foundation does run a business, it has to pay corporation tax on the profits. Deciding whether or not turnover tax (BTW) has to be paid can be quite complex.³³

3.5.7.2. Liability

In principle the managers of a foundation are not liable for obligations. However, if the foundation runs a business, the managers may be held liable under certain circumstances.

3.5.8. Association

An association is a partnership between two or more people (“members”) who wish to realize a certain objective. An association is allowed to make a profit, but the profit must be used for the common goal. The objective must not be to disturb law and order or to challenge public morality. Profits may not be divided amongst the members.

³² Ask the tax authorities for more information.

³³ Ask the tax authorities for more information.

There are two sorts of association:

- Associations with complete authority under the law: the association is established with articles of association drawn up by a civil notary. The association has to be registered in the Chamber of Commerce trade register.
- Associations with limited authority under the law: the articles of association are not drawn up by a notary. The associations can register in the trade register but this is not compulsory.

3.5.8.1. Taxes

An association that runs a business pays corporation tax on the profits. Deciding whether or not turnover tax (BTW) has to be paid can be quite complex.³⁴

3.5.8.2. Liability

Once an association with complete authority has been registered in the trade register, the executives and members are not liable for obligations. Once an association with limited authority has been registered in the trade register, the executives and the association are jointly and severally liable for the agreements entered into by the executives. If the association is not registered, the executives are jointly and severally liable.

3.5.9. Diagram of legal forms

Legal form	Liability of legal form	Taxes
Sole trader One owner	<ul style="list-style-type: none"> • No legal form • Owner is liable 	<ul style="list-style-type: none"> • Income tax • Turnover tax
General partnership (VOF) One business with two or more people (partners)	<ul style="list-style-type: none"> • No legal form • Each partner is liable for obligations 	<ul style="list-style-type: none"> • Income tax on each person's share of the profit • Turnover tax
Limited partnership (CV) Two sorts of	<ul style="list-style-type: none"> • No legal form • Active partners are liable for 	<ul style="list-style-type: none"> • Income tax • Active partners: on their share

³⁴ Ask the tax authorities for more information.

<p>partner:</p> <ul style="list-style-type: none"> • Active partners (active in the business) • Silent partners (only contribute funds) 	<p>obligations</p> <ul style="list-style-type: none"> • Silent partners are liable for the amount they invested 	<p>of the profits</p> <ul style="list-style-type: none"> • Silent partners: on remuneration received • Turnover tax
<p>Partnership Entrepreneurs working together to exercise a liberal profession</p>	<ul style="list-style-type: none"> • No legal form • Each partner is liable for the obligations of the partnership but not for the individual obligations of the partners 	<ul style="list-style-type: none"> • Income tax on each person's share of the profit • Turnover tax
<p>Private limited liability company (BV) Capital € 18,000 on establishment</p>	<ul style="list-style-type: none"> • Legal form • The BV is liable for obligations of the business 	<ul style="list-style-type: none"> • Wealth tax on the capital • Corporation tax on the profit • Turnover tax
<p>Association or foundation An association or foundation runs a business</p>	<ul style="list-style-type: none"> • Legal form • The association or foundation is liable for obligations 	<ul style="list-style-type: none"> • Corporation tax on the profit • Turnover tax

3.6. General terms and conditions

Your general terms and conditions set out the standard rules and conditions which apply when your business enters into an agreement.

- Are they compulsory?
- What are the requirements for the general terms and conditions?
- Drawing up general terms and conditions.

- Do I have to file my general terms and conditions?

3.6.1. Are they compulsory?

It is not compulsory to adopt a set of general terms and conditions - also known as delivery and payment conditions - but it is useful to do so. It means that you do not have to negotiate conditions every time you enter into a contract. It also avoids any misunderstandings which might otherwise arise between you and your business clients. For example, if anything goes wrong you might be held liable if you do not have any general terms and conditions.

3.6.2. What are the requirements for the general terms and conditions?

The general terms and conditions must meet two requirements:

- The terms relating to delivery, payment, liability, guarantee and service must not be an unreasonable burden on your business partner.
- The general terms and conditions must be supplied to the client either before or during the agreement to do business.

You can deliver them in person, send them or print them on the back of the quotation document (with a reference to them in the quotation document). In other words, it is not sufficient simply to refer to your general terms and conditions (whether you have filed them or not) on your printed paper. If you send your terms and conditions only when you send the invoice, they are not valid in law.

3.6.3. Drawing up general terms and conditions

A number of branch organizations have drawn up standard terms and conditions for use by members. You can also draw up your own conditions, but be sure to ask for advice from your branch organization or a lawyer.

3.6.4. Do I have to file my general terms and conditions?

You can file your general terms and conditions with the Chamber of Commerce or the district court. You are not obliged to file them, but it can be to your advantage to do so. For example, if it is not possible for you to provide your client with a copy of the terms and conditions. Or if there is any disagreement about the text, you can use the text filed at that time.

3.7. Contracts and agreements

In business transactions you agree to do things. What you agree is usually set out in writing in contracts and agreements.

3.7.1. Partnership contracts

For a general partnership (VOF), partnership, or limited partnership (CV) it is advisable to draw up a partnership agreement. For a limited liability company (BV) a civil notary has to draw up the Articles of Association.

If you start a business with someone else, the legal form of the business is usually a general partnership (VOF), partnership, limited partnership (CV) or private limited liability company (BV). It is not compulsory to draw up a contract or agreement to set up a VOF, partnership or CV. But we do recommend that you set out in writing the agreements you make with your partners.

You can do this yourself, but we would advise you to ask a civil notary to draw up a contract.

To set up a BV, you always have to ask a civil notary to draw up the Articles of Association.

*Information originates from the Chamber of Commerce website³⁵
Last update: March 2009*

³⁵ Chambre of Commerce, <<http://www.kvk.nl/english/startingabusiness/default.asp>>.