

Netherlands Limited Partnership (CV)

The set up

According to Netherlands law a CV should consist of at least one general partner and at least one limited partner. In order to establish a CV, the general partner and limited partner need to enter into a partnership agreement, for which no involvement of a Dutch notary is required.

General partner

The general partner is usually a Dutch Foundation ('Foundation'), which is incorporated by a notarial deed. A Foundation does not issue shares nor does it have any share capital.

Typically, the interest of a general partner will be very minimal e.g. 0.01% and will be limited in the management agreement to an annual fee and hourly charges for work performed.

Limited partner

The limited partner can be a natural person or a separate legal entity. The limited partner holds substantially all of the interests in the capital and profits of the CV. The limited partner is not allowed to manage, externally represent or otherwise act on behalf of the CV or on behalf of the general partner of the CV. Such actions would jeopardize the CV's transparent status for Dutch tax purposes which may result in tax liability of the CV in the Netherlands.

A limited partner contributes the assets to the CV as a capital contribution or in the form of an interest free loan. A limited partner's liability will not go beyond the amount of capital contributed.

Bank accounts

A CV is allowed to open bank accounts. As mentioned above, in order to keep the liability of the limited partner to the amount of capital contributed it is important that a limited partner refrains from active management. However, it is generally assumed that having a limited partner sign on the bank account does not create full liability. A limited partner could therefore be an authorized signatory on the CV's bank accounts.

Netherlands taxes

A closed CV is not subject to tax in the Netherlands. Profits can be immediately reinvested. A Limited Partner can defer receipt of its partnership income as long as desired. In addition, the CV agreement may determine that in case of decease of the limited partner, the CV is either dissolved and the assets are distributed in conformity with the provisions in the CV agreement or the assets remain managed for certain persons (to be nominated in the arrangement).

Foreign taxes

Since a CV is considered fiscally transparent for Netherlands tax purposes, income received is usually taxed at the level of its (limited) partners. How taxation of income and/or capital gains occurs on the level of the limited partner depends on the country of residence of the limited partner. In case no distributions are made by the CV taxation at the level of the limited partner may be deferred.

Public filing in the Netherlands

Registration with the Dutch Commercial Registry is only obligatory, if the CV is engaged in a trade or business in the Netherlands

Nevertheless, registration may be desirable in order to emphasize the existence of the CV as a separate entity in the country of residence of the limited partner, in which case it is advisable to incorporate the CV before a Netherlands notary.

In that case a CV is required to prepare annual accounts in conformity with Dutch civil law. The CV is however not required to file an abbreviated version of its annual accounts with the Dutch Commercial Register as long as its General Partner is a Dutch entity. In its deed of establishment the CV needs to disclose its objectives, directors, founder and its activities.