

Philanthropic Freedom Pilot Study: Netherlands Country Report

Overall Philanthropic Freedom Score: 4.79

General Background Information on the Netherlands

- GDP per capita: \$ 50,076¹
- Population: 19.7 million²
- Percent of population reporting “giving money”: 73%³
- Percent of population reporting “volunteering time”: 34%⁴
- Civil society organizations (CSOs), which are associations formed by a group of individuals, are not required to obtain legal personality. Registration is required only if CSOs want to acquire a tax exempt status.

Philanthropic Freedom Score Overview

Category	Score	Key Points
Civil Society Regulation	5.00	<ul style="list-style-type: none"> • All purposes of CSOs that do not involve illegal activities are permitted. • CSOs are free to operate without excessive government interference. CSOs are free to communicate and cooperate with partners from all sectors. • Involuntary termination may only occur upon a court order after illegal activities have been demonstrated in court. All involuntary terminations are subject to judicial supervision.
Domestic Tax Regulation	4.63	<ul style="list-style-type: none"> • For individuals, there is a minimum threshold for deductions at 1% of (before tax) income or €60.00 (\$80.00), whichever is higher. For corporations, there is no minimum threshold for deductions, but a maximum of €100,000 (\$135,000). • All CSOs serving public benefit are eligible for tax incentives in the national income tax system. There is no state or provincial tax. Registered public benefit CSOs are exempt from the estate tax.
Cross-Border Flows Regulation	4.75	<ul style="list-style-type: none"> • Private entities are able to send charitable contributions abroad without extra cost and receive similar tax benefits for international contributions as for domestic. There are no restrictions on the types of activities that can be supported abroad. • Civil society organizations are eligible to receive donations from abroad and receive similar tax benefits for international contributions as for domestic contributions.
Overall	4.79	<ul style="list-style-type: none"> • The policy environment in the Netherlands is highly conducive to philanthropic activity due to open civil society and few barriers to domestic and cross-border donations.

¹ World Bank. (2012). Data retrieved December 26, 2012, from World Bank Databank.

² Central Intelligence Agency. (2012). Data retrieved December 26, 2012, from The World Factbook 2012.

³ World Giving Index. (2012). Kent, UK: Charities Aid Foundation, 2012.

⁴ Ibid.

Socio-Cultural Background on the Netherlands' Giving Environment
Provided by Dr. Rene Bekkers
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Philanthropic activity is a widespread phenomenon in the Netherlands. More than 90% of households give to charitable causes. Philanthropy is generally regarded positively in the Netherlands and as an example of good citizenship. Social norms on giving are generally also positive. Trust in nonprofit organizations is relatively high. The general public is more trusting of charities, than of the government.

There is a very rich history of philanthropy in the Netherlands. Ultimately, it can be viewed as an important part of the U.S. national history and culture of philanthropy. Wall Street in New York was built as the 'Walstraat', a wall of defense against the Indians (and other potential insurgents). The costs of the defense wall were paid for by contributions of inhabitants of New Amsterdam. Before the advent of the welfare state, local welfare, assistance to the poor, funding for culture and education came from philanthropy. Since World War II, public funding has provided for the financial needs of most of the nonprofit sector. Recently, philanthropy has returned on the stage as a source of income for the nonprofit sector.

In Dutch culture, it is not common to publicize philanthropic donations. Thus, major donors often do not identify themselves as such, and remain anonymous. In culture and the arts, however, there is an increase in the number of foundations associated with the family names of the founders.

**Scoring of the Netherland's Civil Society Regulation
Provided by Dr. Rene Bekkers**

<p>Indicator Question 1: To what extent can individuals form and incorporate the organizations defined?</p>	<p>Score: 5.0</p> <p>Freedom of association is highly valued in the Netherlands in both law and practice. CSOs are not required to obtain legal personality. Registration is required only if CSOs want to acquire exemption from the estate tax or if they want to advertise tax deduction possibilities for donors in the income tax.</p> <p>All purposes of CSOs that do not involve illegal activities are permitted. Tax deductibility depends on the level of public benefit. Donations to CSOs that provide services only to its members cannot be deducted.</p> <p>There is no fee for registration or a minimum capital required for registration. The government body processing applications is understaffed. Operations are not always consistent because of discretion of individual staff members.</p>
<p>Indicator Question 2: To what extent are CSOs free to operate without excessive government interference?</p>	<p>Score: 5.0</p> <p>CSOs are free to operate without excessive government interference. CSOs are free to communicate and cooperate with partners from all sectors.</p> <p>At present, very little documentation is required. Laws governing CSOs have recently been revised (January 1, 2012). A requirement for a higher level of detail in documentation has been announced, but the content of the requirement has not been published. Variables to be included in the new database are currently developed jointly between the state and the nonprofit sector.</p>
<p>Indicator Question 3: To what extent is there government discretion in shutting down CSOs?</p>	<p>Score: 5.0</p> <p>A governing body of a CSO in the Netherlands is permitted to voluntarily terminate its activities, dissolve it as a legal person, and liquidate its assets pursuant to the decision of a court and upon application by the organization. The CSO registration agency is not allowed to involuntarily terminate a CSOs existence. Involuntary termination may only occur upon a court order after illegal activities have been demonstrated in court. All involuntary terminations are subject to judicial supervision.</p>
<p>Average Score on Civil Society Regulation: 5.0</p>	

**Scoring of the Netherlands' Domestic Tax Regulation
Provided by Dr. Rene Bekkers**

<p>Indicator Question 4: Are there income tax incentives (at national, state, or provincial levels) in the form of credits or deductions for individuals and/or corporations to donate money or charitable gifts?</p>	<p>Score: 3.5</p>	<p>Individuals and corporations subject to the income tax can deduct donations to registered CSOs at their marginal tax rate. Rules for deductions have changed since January 1, 2012, pending approval from the European Commission. Donations to cultural and arts organizations may be multiplied by 1.25 (for individuals) and 1.5 (for corporations) before they are deducted. The new law eliminates the minimum threshold for deductions for corporations and introduces a maximum of €100,000 (\$135,000). The threshold for individuals remains at 1% of (before tax) income or €60 (\$80), whichever is higher.</p> <p><i>(This question did not require a score by the country expert; CGP applied a score of 3.5. On the positive side, tax deductions are available and a wide pool of CSOs is eligible to receive donations. On the negative, the maximum and minimum requirements set by the law are narrow and significantly limit the size of donations.)</i></p>
<p>Indicator Question 5: To what extent is the tax system favorable to making charitable donations?</p>	<p>Score: 5.0</p>	<p>The tax system is favorable to making charitable donations. The procedure is clear and generally predictable with two exceptions: (1) individuals with tax income hovering around the income brackets are uncertain which level of tax they will pay and hence what the price of giving will be; (2) the new law on tax deductions has not yet been approved by the European Commission. This makes it uncertain whether the multiplier for donations to arts and culture will take effect.</p>
<p>Indicator Question 6: Do CSOs receive tax exemptions in the form of property tax exemptions, income tax exemptions, or others? If so, what are these exemptions?</p>	<p>Score: 5.0</p>	<p>All CSOs serving public benefit are eligible for tax incentives in the national income tax system. There is no state or provincial tax. Registered public benefit CSOs are exempt from the estate tax.</p> <p><i>(This question did not require a score by the country expert; CGP applied a score of 5.0 due to the available tax exemptions for CSOs without restrictions.)</i></p>
<p>Indicator Question 7: To what extent is the tax system favorable to CSOs in receiving charitable donations?</p>	<p>Score: 5.0</p>	<p>Registered CSOs do not have to pay any taxes (except for VAT). Given the high level of income tax in the Netherlands this is a substantial financial benefit. The procedure for tax exemption is clear and predictable; registration as a CSO is required. All registered CSOs enjoy these benefits.</p>
<p>Average Score on Domestic Tax Regulation: 4.63</p>		

**Scoring of the Netherlands' Cross-Border Flows Regulation
Provided by Dr. Rene Bekkers**

<p>Indicator Question 8: Are there costs/taxes on cross-border philanthropic cash and/or in-kind donations (e.g. customs, duties, VAT, etc)? If so, what are these costs?</p>	<p>Score: 4.5</p> <p>Private entities are able to send charitable contributions abroad without extra cost and receive similar tax benefits for international contributions as for domestic. There are no restrictions on the types of activities that can be supported abroad.</p> <p>Civil society organizations are eligible to receive donations from abroad and receive similar tax benefits for international contributions as for domestic contributions. CSOs are subject to VAT.</p> <p><i>(This question did not require a score by the country expert; CGP applied a score of 4.5. On the positive side, sending and receiving money from abroad is easy and low cost. On the negative side, there is an application of VAT to in-kind donations.)</i></p>
<p>Indicator Question 9: To what extent is the legal regulatory environment favorable to cross-border flows impeded?</p>	<p>Score: 5.0</p> <p>Private entities are able to send charitable contributions abroad without extra cost and receive similar tax benefits for international contributions as for domestic.</p> <p>Civil society organizations are eligible to receive donations from abroad and receive similar tax benefits for international contributions as for domestic contributions.</p>
<p align="center">Average Score on Cross-Border Flows Regulation: 4.75</p>	

Overall Philanthropic Freedom Score*: 4.79

***This score reflects equal weighting of the three categories described above.**