

Asset Pooling

Asset pooling refers to the pooling of capital to be invested by various market parties.

The parties involved in asset pooling are often pension funds, but other types of investors can also be involved. Asset pooling can provide a number of advantages for the parties involved, such as reduction in costs (management, administration, etc.), benefits of scale and achieving higher yields due to diversification.

In practice the so-called closed general resources account is often used for asset pooling. From a fiscal point of view this fund is transparent in nature, which means that the income yielded by the fund is directly attributed to participants in this fund. This also means that the fund itself has no obligation whatsoever to pay tax in the Netherlands. As a result those who participate in the fund avoid being confronted with additional tax assessments in comparison with a situation in which investments are made directly. A general resources fund is generally used not only to invest in Dutch financial instruments (such as shares and obligations), but also in foreign instruments. The other countries concerned do, in principle, have a right to deduct a "source tax" (mostly dividend tax) on dividends paid out to participants via the fund in relation to foreign shares. For this reason it is important that the countries involved in asset pooling also consider the closed fund as transparent.

The Ministry of Finance recognises the importance of asset pooling for the Dutch economy and would therefore like to support the Dutch economy in obtaining a prominent international position in the field of asset pooling. With this in mind, where possible, the Ministry of Finance is supporting the use of the closed general resources account as a means for asset pooling. For this reason an attempt is being made to reach an agreement with foreign fiscal authorities on the fiscal treatment of this fund. Once the Ministry of Finance and the fiscal authorities of another country have reached agreement about the fiscal treatment of this fund, then this can be recorded, for example, in letters between them and the foreign authorities involved (exchange of letters).

Of the various countries with which the Netherlands has been in contact in relation to the fiscal treatment of the closed general resources account, Belgium, Norway and Taiwan have already let it be known that the said fund will be considered transparent. This means that the closed fund is not subject to the payment of tax and that participants will not be directly involved in the imposition of tax over income from the fund. Finland has indicated that they cannot give general certainty in advance. In that country it will be possible to submit a request to qualify for the said entity per individual case.

This harmonisation, in combination with – among other things – the broad network of international tax conventions and the good international reputation of the Netherlands, will eventually contribute to the Netherlands being able to manifest itself as a prime international centre for conducting asset pooling.