**Q&A about fiscal investment institutions (FIIs) that invest in securities**

1. **What is a fiscal investment institution?**

A fiscal investment institution or FII (in Dutch referred to as *fiscale beleggingsinstelling*, abbreviated to FBI) is a tax regime that may be used by a public limited liability company [*naamloze vennootschap*, abbreviated to ‘nv’], a private limited company [*besloten vennootschap*, abbreviated to ‘bv’] or a fund for mutual account [*fonds voor gemene rekening*, abbreviated to FGR]. For this purpose, the institution must meet a number of requirements, the most important one being that the fiscal result is paid to the participants within eight months after the end of the relevant tax year.

1. **What is the purpose of the FII regime?**

The purpose of the FII regime is to treat investors as equally as possible in fiscal terms, both when they invest directly in shares or bonds or indirectly through an investment fund.

1. **Why would a Dutch citizen wish to invest in an FII?**

The tax burden of Dutch private investors who invest through an equity fund with an FII status is the same as if they were to invest directly. This means that an FII ensures that the costs of investment remain manageable and analogous to direct investment in shares and bonds. This is in line with the European Commission’s policy of rendering long-term diversified investment accessible. Given the currently low savings interest rates, this therefore offers people a good alternative for capital growth.

1. **Which tax rate applies to an FII?**

If the FII meets the requirements, a 0% tax rate will apply to the taxable amount. In order to apply the 0% rate, its objectives and actual activities must focus on the investment of assets, which should be evident from its Articles of Association and the actual operations.

1. **When is the 0% rate applied?**

In order to apply the 0% rate, the objectives and actual activities must focus on the investment of assets, whereby a number of specific requirements are to be met. The most important requirement is that the tax result is paid to the participants within eight months after the end of the relevant tax year.

1. **Which legal forms qualify for an FII?**

The following Dutch legal forms qualify for the FII status: a private limited company, a public limited liability company, or a fund for mutual account [*fonds voor gemene rekening*, abbreviated to FGR], or a comparable foreign legal form. In the latter case, this should involve a legal form established in line with the governing law of an EU Member State or a country with which the Netherlands has entered into a double-taxation treaty[[1]](#footnote-1).

1. **Wat are Dutch examples of FIIs?**

Most Dutch retail-investment funds are FIIs, which renders this an important fiscal regime for corporate Netherlands (in Dutch referred to as ‘BV Nederland’). In general, we can state that the advantages of the FII regime for Dutch private investors include lower costs, professional guidance, the benefit of economies of scale, and the risk diversification provided by the investment fund. Moreover, pension funds and insurance companies also invest a great deal through FIIs.

1. **How do you as a private person invest in an FII?**

Private persons can easily invest in an FII via their own bank, broker, or pension consultant.

1. **Can foreign investors also invest in a Dutch FII?**

Yes, foreign investment funds may apply the Dutch FII regime provided that they meet certain conditions, which include the shareholder, financing, legal-form, and investment requirements, and the distribution obligation. However, funds that are domiciled abroad do not fall under the scope of Dutch dividend tax.

1. **Does providing an FII also have advantages for the holder/manager of the investment institution?**

Not directly. The participants in the investment fund benefit from a cost-efficient fund structure.

1. **What ecosystem surrounds an FII?**

An FII will be deposited with a custodian or a sub-custodian, proof of which is to be provided by the fund manager. On this basis, the custodian will be able to apply the tax treaties to their full potential. The fund manager may also call on an internal or external tax specialist for support, on an accountant to have the annual accounts checked, and on an asset manager who has final responsibility for portfolio management.

1. **Who do I contact if I have questions about an FII?**

For more information about FIIs, please contact the DUFAS trade association, or visit the website of the Dutch tax authorities.

1. agreements to prevent taxing income twice by allocating taxing rights over this income between two countries. [↑](#footnote-ref-1)