



## **ICAI Netherlands Chapter**

**The Institute of Chartered Accountants of India**

(Setup by an Act of Parliament)

# Quarterly Newsletter

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## May 2022 Edition



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## Chairman's Message and Introduction of the Committee members



**CA. (Dr.) Vikas Chaturvedi  
Chairman, ICAI Netherlands  
Chapter**

On behalf of ICAI Netherlands Chapter, I want to take this moment to extend my Greetings straight from the heart, I thank all Chartered Accountants in The Netherlands for your support and dedication. I wish new beginnings and new hopes for you all in 2022. I am extremely delighted to see our family growing in the Netherlands. From a meagre 8-10 CA's in The Netherlands until a decade back, we have now almost reached to 200 mark! We have had a remarkable journey, especially in last few years. Thank you all for collective efforts.

We have learnt new way of living the life. This also had an effect on how we conducted our ICAI Netherlands Chapter activities. Round the whole year, Managing Committee had been thinking out of box and coordinating with various eminent speakers on organising various physical and online events which benefits the Chapter members.

For detailed information on all events and achievements of ICAI Netherlands Chapter, please see our Annual Newsletter and Website of the Chapter. My sincere compliments to the team who has worked tirelessly in 2021 and compliments to members who have sincerely participated in ICAI Netherlands Chapter events and made them successful. I wish that the year 2022 bless all of us with happiness and good health and may we make the upcoming year a successful one with our hard work, dedication and achievements. I sincerely hope that in 2022 the whole world shall have many more reasons to smile and instil more positivity in the eco-system. We as managing committee of ICAI Netherlands are more than ever committed to take our Netherlands Chapter to new heights. Look forward to have support from you all.

Many thanks and Warm Regards,

Yours Truly,

CA. Vikas Chaturvedi



# ICAI NETHERLANDS CHAPTER

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## INTERVIEW WITH ANAND

*We have CA Radha Nikhade in conversation with CA Anand Bhugra.*



**ANAND BHUGRA**

### **1. Please introduce yourself**

My name is Anand Bhugra and born in Kolkata India. I am a qualified ICAI and ACCA. In my present role as Director Asia (recently moved to this role) with IQEQ, I am responsible for all the client relationship with Asian countries having tax structures in Netherlands. I am married to Neha Bhugra and have two daughters Aarna (15 years old) and Gurbani (8 years old) both studying in Dutch school and live in Uithoorn, the Netherlands. I love watching cricket, like walking and reading and reading business news.

### **2. Please let us know about your professional journey**

I started my career with PwC India and after spending 2.5 years, moved to Kuwait, Middle east in 2004. The reason for the move was I wanted to gain experience in financial services which I could not gain with PwC. I joined with KPMG Kuwait and gained experience in Internal audit of banks, corporate finance of various international brands, audit of funds for United Nations, Shariya Finance etc. It was an experience for about a year and then I moved to Deloitte Bahamas in 2005. The experience in the Islands was primarily in group reporting of international banks like Royal Bank of Canada, HSBC etc. I did not enjoy staying in Bahamas as life in an Island is very relaxed and not very competitive, although the only positive thing was that I got married during that time.

In September 2006, I moved to KPMG Netherlands with 2 of my friends. I came to KPMG Netherlands for ING Bank audit as KPMG won the tender that year. Soon in late 2007 KPMG lost the tender to EY, and I moved to the world of Investment Management and learnt a lot of Alternative Investments mainly hedge funds domiciled in US and Cayman Islands. However, the crisis in 2007 and 2008 shook the Investment World and we lost most of our clients due to liquidations. I moved in a new role with holding and Finance clients within KPMG Netherlands and learnt about international tax structures. In August 2014, I left KPMG as a Senior Manager, as I received an offer from First Names Group to join as Client Service Director, the role was challenging as I entered the Trust Business and learnt for about Dutch Central Bank and its regulations in the Netherlands. First Names Group had focus on US Listed clients (Fortune 500) and their tax structures in the Netherlands. First Names Group has since been acquired by IQEQ in 2018 and since then I moved with them in the new structure.



### 3. How has CA degree influenced your life?

CA Degree has given me confidence and motivated me in taking steps to move out of India and prove my professional skills in various cultures and organization I have worked around the world.

### 4. Please share some memorable experiences from your professional career

- In Kuwait I had to travel in the Middle East region as there was funding provided by the United Nations, it was an experience to see the role of agencies like United Nations doing so much for underdeveloped economies
- In 2007 and 2008 I have seen the entire financial system fall like pack of cards. We had a client which had invested in the Madoff Firm, who frauded billions of dollars for retired Americans, and this client had 500 employees in America, and it was a shock to see all were fired in a week's time in 2008.
- The changing tax environment by OECD and BEPS regulations is also something which will and is changing the world from tax planning prospective, I see a new world going forward with all these changes, in a positive way.

### 5. Please share your thoughts about life in NL especially the work life balance

Life in the Netherlands is very balanced and very well organized. I was surprised when I came to Netherlands my Dutch colleagues planning for holidays about 6-8 months in advance. I found it strange but now I do the same thing and I am proud about it. In India it was common for us to work till 9 in the evening and eating dinner after that, in Netherlands I learnt the discipline and have my dinner with the family every day at 18.30 and still see the work is completed and within deadlines.



CA RADHA NIKHADE

### 6. Any message or professional advice to our members at NL Chapter

My message to all members is please do not forget your roots, always be honest and sincere in whatever you do, and I believe our colleagues, clients will always respect our originality and sincere efforts



## TRANSFER PRICING – NETHERLANDS

Transfer pricing as a concept traditionally began with the amount charged by one segment of an enterprise for a product or service that it supplied to another segment of the same enterprise. With the evolution of MNE concept, segments of the enterprise started spreading as independent entities operating in various parts of the globe. Accordingly, the term has evolved to mean price which is charged between two or more entities of an MNE [associated enterprises (AEs)] operating in different countries.

For example, common business transactions between the AEs are in the nature of purchase and sale of assets, raw materials, finished goods and provision of services. Due to the lack of a natural conflict between the parties involved in commercial transactions in a group scenario, most MNEs, given their wide geographical presence, have a possibility to use their position to arrange business transaction to favourably exploit tax positions. By structuring transactions in a way which is most beneficial to the MNE from a tax perspective, a MNE is able to actively influence the tax burden. This, the tax administrators believe is unjust. Thus, to protect each country's fair share in an MNE's total profit, the tax authorities have established principles under which it can be assumed that related parties deal with each other as if they were independent and, this principle is called the arm's length principle. So, it is essential to understand that the only external party which is interested in the intra group allocation of income of MNE are the tax authorities. So, everything which is done in transfer pricing is eventually very likely assessed by a tax authority in one of the countries involved and, therefore, requires careful work and careful scrutiny before it is implemented. The Transfer Pricing Guidelines followed in Netherlands are discussed briefly here

### **Dutch Transfer Pricing Guidelines**

The Transfer Pricing regulations are based on the arm's length principle as per Article 9 of the OECD Model Tax Convention on Income and Capital and nationally implemented in Article 8b of the Wet op de Vennotschapbelasting 1969, that is, it follows the OECD Transfer Pricing Guidelines (OECD TPG). The rules are not heavily formulaic but instead are principle based. The starting point of the arm's length principle is that for tax purposes associated enterprises are assumed to act towards each other under the same conditions as independent companies would act under similar circumstances. The TP rules apply to all Dutch taxpayers that are involved in cross-border intercompany transactions, including Dutch branches of foreign companies. The Dutch Tax Administration (DTA) deems transfer pricing adjustments necessary when a transaction 'is not considered to be at arm's length. Taxpayers are obliged to prepare transfer pricing documentation that describes how transfer pricing has been established, substantiating the arm's length nature of transfer prices.



The documentation must be included in the administration of the taxpayer. If the DTA requests the transfer pricing documentation, the taxpayer would typically have to provide it within a term of between 14 to 30 days. The exact transfer pricing requirements depend on the consolidated turnover of the multinational group to which the Dutch company belongs to.

## **TP Methods- Economic analysis and how to determine arm's length price result.**

According to the OECD TPG, the most appropriate transfer pricing method should be selected on a transaction-by-transaction basis, providing a measure of an arm's length result in each case. The current OECD methods, namely the comparable uncontrolled price, cost plus, transaction net margin, and profit split methods can also be used if justifiable and appropriate. The TP Decree indicates that the DTA will always start its transfer pricing investigation from the perspective of the method used by the taxpayer at the time of the transaction. The taxpayer is in principle free to choose a transfer pricing method, provided that the chosen method leads to an arm's length result for the specific transaction. Furthermore, the TP Decree indicates that in general, the comparable uncontrolled price method is difficult to apply in practice because comparable uncontrolled transactions are almost impossible to find. This is one of the reasons why, in practice, the TNMM is often used as the transfer pricing method.

The OECD TPG states that tax administrations may determine that, as long as the operating conditions remain unchanged, the searches in databases for comparables may be updated every three years rather than annually, with comparables' financial information being rolled forward on an annual basis. This can be considered as a common practice in the Netherlands. For the independence of the comparable companies, The DTA prescribes excluding comparables that are a part of the group, that is, with a shareholder that exceeds the shareholding position of 50%. Pan- European comparable companies are generally accepted for economic benchmark analysis.

## **Documentation available in Taxpayers' administration and burden of proof**

In the Netherlands, transfer pricing documentation should be available in the taxpayers' administration when the DTA requests it. There is a 'tick box' on the corporate income return form for taxpayers to confirm their eligibility with the local file, master file, and the CbCR requirements and to notify it there were any business restructuring or transfers of intangible properties during that fiscal year. The DTA requires tax payers to make computational adjustments in cases where transactions, as recorded in the statutory accounts, are not on an arm's length basis and the taxpayers in potentially advantaged in respect of Dutch corporate income tax. In the Netherlands, not having transfer pricing documentation available in the administration may lead to shifting burden of proof regarding the arm's length nature of the transfer price used to the taxpayer.





## Exemptions

There are exemptions for the preparation of a local and master file for small-and medium sized enterprises (SMEs), that is, who have a group revenue of below 50 million EUR. However, a Dutch taxpayer is still obliged to prepare transfer pricing documentation according to article 8b CIT. There are no safe- harbours which exclude local file or master file documentation for Dutch entities who are subjected to prepare transfer pricing documentation.

## Covid-19

As the coronavirus will most likely have a lasting impact on economies worldwide, this could have a significant impact on group earning as well. Transfer pricing models might have to be reviewed and reconsidered in some cases. Transfer pricing models should adhere to their rules. However, as the group as a whole might be affected, the guaranteed return for routine entities might exacerbate losses at the headquarter level, and a group might want to reconsider their TP model. The DTA has indicated that changes to the TP model should be motivated and substantiated well, to demonstrate that independent companies would act similarly under the circumstances. International Groups should be reviewing their potential exposure to transfer pricing enquiries and updating documentation accordingly. Where supply chains have been disrupted or work brought to a halt due to lockdown measures, expected profits may not eventuate. Comparable companies will often have been affected in the exact same way as multinational groups, but evidence must be gathered and documented contemporaneously.



**CA SUNILA CHANANA**

**-Sunila Chanana in association with  
Samir Bhatnagar**

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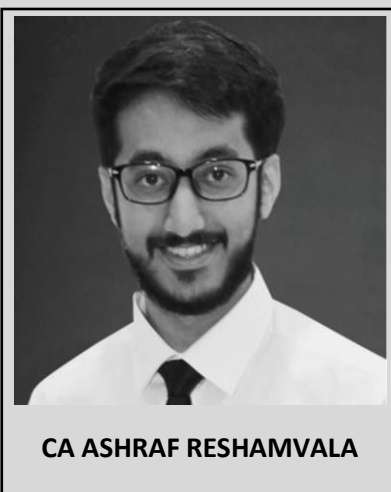
## REGULATORY UPDATES AND CHANGES

### **Better protection for whistle-blowers**

Whistle-blowers who have been wronged, will no longer have to prove that they were disadvantaged because of their report. The burden of proof shifts to the employer. The employer will have to prove the disadvantage is not related to the reporting of the (suspected) misconduct or violation. If one of the employees reports misconduct or a violation of EU law, they will be better protected against wrongdoing because of their reporting. In that case the Dutch Whistle-blowers Authority Act (the Act) offers protection for employees in the public and private sectors who report presumed wrongdoing that may harm the public interest. This Act is applicable only to employers who have 50 or more employees working with them and the EU Directive on the protection of whistle-blowers has been put into effect on 17 December 2021.

### **Import declarations**

When importing goods from other than EU, one usually must pay import duties along with other taxes like VAT, Excise duty, consumption tax or other levies. Customs officials carry out checks to determine whether travellers and businesses are required to pay taxes when importing goods. And the recent change brought in by the Netherland officials, w.e.f. 1st October 2021 is that if one is importing through a Dutch port, it will no longer be possible to submit an import declaration until and unless the goods have been already unloaded. One of the main reasons for implementation of this change was that mismatches between the bill of lading information and the weight on both declarations is common, leading to a lot of unnecessary recovery work in all parts of the logistics chain as well as high fines.



**CA ASHRAF RESHAMVALA**

**-CA Ashraf Reshamvala  
Country Manager,**

**International Assurance &  
Accounting Advisory at KNAV**



## CHANGES IN THE DUTCH ACCOUNTING STANDARDS

### Changes to Dutch Accounting Standards for medium-sized and large legal entities Changes to annual edition 2021

#### **Revenue Recognition**

The Dutch Accounting Standards Board (DASB) has published amended standards for revenue recognition. The reason for the amendments is the need in practice for more detailed requirements regarding the revenue

recognition under Title 9, Book 2 of the Dutch Civil Code (DCC) and the Dutch Accounting Standards. DAS 270 'The profit and loss account' (revenue recognition of goods and services) and DAS 221 'Construction contracts' (revenue recognition of construction contracts) have been amended under this notification. These changes are applicable from 1<sup>st</sup> January 2022.

#### **Onerous contracts**

The DASB has clarified how provisions for onerous contracts should be measured. The DAS already required that a provision for onerous contracts shall be based on the unavoidable costs of meeting the obligations under the contract, where the unavoidable costs under a contract reflect the lower of

(1) the cost of fulfilling it and

(2) any compensation or penalties arising from failure to fulfil it.

However, it was not clearly explained what should be understood by the cost of fulfilling the contract. Therefore, in view of the deficiency noted above, it was clarified that the cost of fulfilling a contract comprises

- the incremental costs, i.e. the additional costs that would not have incurred without the contract;
- an allocation of other costs that relate directly to fulfilling a contract.

#### **Government grants**

The DAS includes new standards regarding the presentation of grants related to income in the profit and loss account. Grants related to income can be presented as part of the:

- revenues, either separately or under a general heading such as 'other income'; or
- expenses, deducted from the expenses related to the grant.

The nature of the grants related to income should be taken into account in the determination of which method is appropriate.



## **Subsequent events and the going concern assumption**

An entity shall not adjust the amounts recognized in its financial statements to reflect non-adjusting events after the reporting period, unless the going concern assumption is no longer applicable. In this situation, the financial statements should be prepared on a liquidation basis. It has also been clarified that the events which have become known to the enterprise between the date of preparation and approval of the financial statements shall fall under the purview of this standard.

## **Management board's report**

The DASB has restructured DAS 400 'Management board's report in a policy neutral way. This means no new requirements have been included. The new structure is intended to increase the readability and accessibility of the standard. The structure is as follows:

- Paragraph 1: requirements for all medium-sized and large legal entities;
- Paragraph 2: supplementary requirements for large legal entities;
- Paragraph 3: supplementary requirements for (certain) public interest entities;
- Paragraph 4: supplementary requirements for listed entities

## **Classification of real estate in parent entity's separate financial statements**

The annual edition 2020 of the DAS included a draft standard 0020 in this regard which have now been finalized in January 2021 without any changes.

Previously, it was stipulated in the DAS that a parent entity that owns a property and makes it available to another group company, classifies this property as investment property in the parent entity's separate financial statements. In the consolidated financial statements, however, the property is classified as property for own use.

But with respect to the updates, the DASB allows, if the parent entity owns the property and makes it available to a consolidated subsidiary for its own use, then the property can be classified as property for its own use in the parent entity's financial statements.



## **Temporary rent reductions as a result of the covid-19 pandemic**

Due to the unfavourable economic developments as a result of the covid-19 pandemic lessors have provided rent concessions to lessees by:

- rent reductions for a period of time;
- granting deferment of payment

For the situation whereby a lessor and lessee have agreed to rent reductions for a period of time, the DASB has issued new standards describing how such reductions should be accounted for in the financial statements of both the lessor and lessee.

The accounting treatment according to these new standards is as follows:

- in the case of an operational lease, both the lessor and the lessee:
  - may allocate the rent reduction to the period to which it relates;or
  - may allocate the rent reduction on a straight-line basis over the remaining lease term.
- In the case of a financial lease the lessee may:
  - Recognize the rent reduction directly as income at the time of the contract modification; or
  - Allocate the rent reduction to the period to which it relates.
- In the case of financial leases,  
the lessor shall recognize the rent reduction directly as an expense in the profit and loss account.

## **Transitional provision in DAS 122 'Measurement bases for foreign currency'**

The annual edition 2019 of the DAS (effective for financial years starting on or after 1 January 2020) excluded the option (except for goodwill) to translate at transaction rate on the date of acquisition, adjustments to fair value of the carrying amounts of the identifiable assets and liabilities of the acquired foreign operations. Such adjustments may only be translated at the closing rate. A transitional provision determines that this change in accounting policy may be accounted for prospectively. It has been clarified that prospective application in this case means that this option is no longer permitted for acquisitions of foreign operations taking place on or after 1 January 2020.



## Draft Standards

### Tangible fixed assets – proceeds from selling produced items

Before the amendments in the annual edition 2021, the DAS specified that, when an asset is not at the location and condition necessary for it to be capable of operating in the manner intended by management, the proceeds from selling any items produced by that asset are deducted from the cost of the asset (tangible fixed

assets). For example, the proceeds from selling of produced samples when testing the asset. Similar to the amendments to IFRS, the DASB proposes to add an option to recognize such proceeds and related expenses directly in the profit and loss account. If this option is chosen, the relevant amounts recognized in the profit and loss account should be disclosed.

In addition, it is also proposed in a transitional provision, that the change in accounting policy should be accounted for retrospectively. Retrospective application in this case means that only those assets should be considered that are at the location and condition necessary for it to be capable of operating in the manner intended by management, at or after the start of the previous financial period.

### 'Pooling of interests' method – disclosure requirements

DAS prescribes that for mergers in which the acquiring party can't be designated, the 'pooling of interests' method should be applied. In this situation information should be disclosed (amongst others) about assets and liabilities, and results regarding the period prior to the merger date of the entities involved in the merger. The DASB proposes to clarify that the following items of information should be disclosed as amounts of the assets and liabilities at the beginning of the reporting period of the entities involved in the merger. In fact, this

concerns the balance sheet of the entities involved in the merger at the beginning of the reporting period in which the merger took place; and Net turnover, other operating income, exceptional items and net

result of the entities involved in the merger regarding the reporting period preceding the merger.

It is recommended that this information should also be disclosed as of the merger date (regarding assets and liabilities) and for the period between the beginning of the reporting period and the merger date (regarding the results).

**-CA Ashraf Reshamvala  
Country Manager,**

**International Assurance &  
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## INDIA- AN ATTRACTIVE DESTINATION FOR INVESTORS

India is amongst the few countries in the world that has this unique combination of having abundance of natural resources, young and energetic skilled work force and to top it a vibrant democracy of the world.

It offers healthy prospects of economic growth. As per the IMF recent report it is predicted that India would be among the fastest growing major economies of the world and the third largest economy in the world after US & China by the year 2030.

**Some of the factors that contribute to India's strengths are pointed below:**

- a) It has the largest adolescent & youth population and would continue to have one till the year 2030. Thus providing the demographic dividend.
- b) It has a work force that is abundant in skills and talent.
- c) It has a huge consumer market that attracts investors and also insulates them from international volatilities.
- d) It has competencies in manufacturing, digital & IT, and a spectrum of other sectors.
- e) It manages to pull huge FDI interest into several capital intensive sector's like textile/ apparels, food processing, electronics, pharmaceuticals, vehicle/ parts, chemicals and capital goods
- f) The Indian youth aspire to become the new age entrepreneurs drawing lots of investor's interest with many going on to become Unicorns.



As factors listed above clearly reflect that India is the place to be, a favoured investment destination, a large economy with tremendous potential to grow for long periods to come.

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## DRAFT TIMELINE OF THE ICAI NETHERLANDS CHAPTER EVENTS/PARTICIPATIONS IN 2022

| SR NO. | EVENTS   | DATE      |
|--------|--|-----------|
| 1.     | Future of Financial Reporting                          | May 2022  |
| 2.     | Transfer Pricing                                       | May 2022  |
| 3.     | Family day outing of CA Members                        | June 2022 |
| 4.     | Technical event on financial crime Compliance Advisory | July 2022 |
| 5.     | Motivational Session (specific agenda to be decided)   | Aug 2022  |
| 6.     | Technical Session on Audit                             | Sep 2022  |
| 7.     | Technical Session (specific agenda to be determined)   | Oct 2022  |
| 8.     | Social Event (Diwali)                                  | Nov 2022  |
| 9.     | India Symposium 2021                                   | Dec 2022  |



## A GLANCE OF ICAI NETHERLANDS MEET AND GREET FOR THE NEWSLETTER





## NL CHAPTER OF ICAI

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