

Issue: Withholding Tax and Treaty Relief

Background:

A leasing group in the Netherlands and Belgium was being sold. The buyer queried historic royalty payments and whether they should have been exempt from withholding tax under the Netherlands-Belgian double tax treaty.

Issue:

There was some doubt over which article of the double tax treaty applied and alternative versions of the treaty had existed at different time periods. The worst case tax liability if treaty relief were denied would be very significant even in the context of what was a large transaction and this was a risk the buyer was not prepared to inherit.

Solution:

We issued a policy to the target and the buyer against the risk that the tax authorities challenged the historic treaty relief claims. Both seller and buyer were very happy with the insurance process as it enabled the deal to proceed.

