

Offshore projects/heavy lifting on site Solutions for avoiding tax pitfalls

Theo Ostermann, Partner Tax

Agenda

1. Projects triggering tax issues - examples
2. Relevant companies
3. Issues at hand
4. Business case – new project
5. Tax treaty
6. Domestic law





1. Projects triggering tax issues

Scope of the project:

- Transport of project equipment for offshore energy projects (oil, gas, windfarms)
Heavy lift projects to installation sites
- Installation on site (FPSO – windfarms – subsea installations)
- Maintenance and repair on/of offshore installations
- Decommissioning of platforms

2. Relevant companies



- Shipping companies
- Installation companies
- Marine contractors
- Offshore engineers
- Provisioning of platforms



3. Issues at hand

- Does the project lead to a permanent establishment in another country?
- Is a profit split of the entire project required?
- Where did the transport start?
- Does domestic tax law lead to taxation in the country where the project is carried out?
- Is a tax treaty applicable?
- What is the duration of the project?
- Will there be an extension or a consecutive project that may be added to the total duration?
- Is the loading and/or unloading part of the transport service?
- What are the implications for the employees?
- Is there a (technical royalty) withholding tax applicable?
- Are there any VAT/custom aspects that need to be considered?

4a. Business case – new project



Installation of a wind farm. Project carried out by wind turbine installation vessel (WTIV) or regular heavy lift vessel

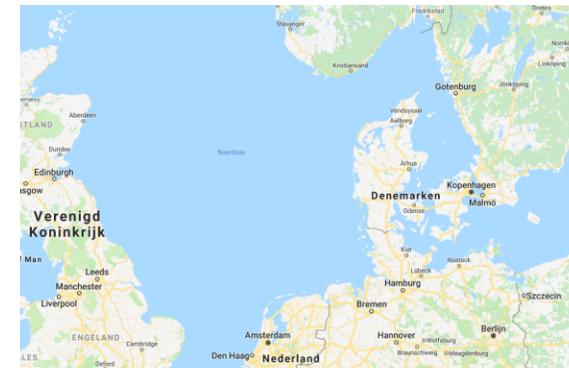


4b. Business case – new project



Scope of the project:

- Dutch shipping company engaged for installation of an offshore wind farm;
- Location: 40 KM from the UK coast in the North Sea;
- Duration of the project: 4 weeks – in case of bad weather: extension;
- Installation and loading of equipment in the Rotterdam port;
- Installation of equipment on the seabed
- Pick up equipment/staff in harbour of [NL/UK/Denmark....]
- Further installation of equipment on the seabed



5a. Tax treaty

- Specific tax treaty provision for offshore work?
- Relevant for profit tax as well as payroll tax/income tax employees
- Tax treaty:
 - exploration and exploitation of the seabed and its subsoil and their natural resources
relevant for installation work or only oil/gas companies?
relevant for installation work for wind farms?
 - if no specific treaty provision available: regular permanent establishment for long term projects vs. regular international traffic



5b. Tax treaty

- Specific tax treaty provision for offshore work?
- 30 days – term of the project
 - part of project carried out in third country
 - consecutive projects, bad weather conditions
 - 30 days in calendar year vs. any 12 month period



6a. Domestic law - NL

- NL shipping company benefits from tonnage tax
 - which part of profit is foreign profit (*claim exemption in NL*)
 - which part of profit is 'regular' transport (*claim exemption under tonnage tax*)
- Always contact local tax specialists with branch experience. Close contact between NL and foreign advisors strongly recommended.



6b. Domestic law - NL

- NL shipping company – employees – payroll withholding tax
 - NL seafarers earnings deduction: only regular crew
 - Tax position other persons (engineers) on board – 'counting days'
 - Payroll withholding tax in NL vs. foreign taxes
 - Filing income tax returns/claiming exemption for employees
 - Social security position/ A1-declaration



Questions – contact details



Theo Ostermann | Tax partner

Grant Thornton Accountants en Adviseurs B.V.

Gedempte Zalmhaven 4e | Postbus 23278 | 3001 KG Rotterdam

T +31 (0) 88-6769358 | **M** +31 (0) 615085171

E Theo.Ostermann@nl.gt.com | www.gt.nl

L www.linkedin.com/in/theoostermann



