

**MUTUAL UNDERSTANDING ON THE APPLICATION OF THE PARTICIPATION
EXEMPTION**

Having regard to Article 7 of the Agreement between the Isle of Man and the Kingdom of the Netherlands on the access to mutual agreements procedures in connection with the adjustment of profits of associated enterprises and the application of the Netherlands participation exemption, signed on 12th October, 2005, in Douglas, and having regard to the Isle of Man Income Tax Act 1970,

Whereas:

it is understood that pursuant to Article 13 of the Corporate Income Tax Act 1969 of the Netherlands profits from an Isle of Man subsidiary of a parent company of the Netherlands are tax exempt in the Netherlands (participation exemption), so long as, among other conditions to be fulfilled, the subsidiary is subject to tax on its profits in the Isle of Man;

the Competent Authorities of the Isle of Man and the Netherlands have agreed as follows:

1. For the application of the participation exemption with respect to an Isle of Man subsidiary of a parent company of the Netherlands the subject to tax clause shall, if all other conditions are met, be considered to be fulfilled, regardless of the applicable tax rate in the Isle of Man Income Tax Act 1970.
2. This mutual understanding shall enter into force on 12th October, 2005.

3. This mutual understanding shall also apply to taxable business periods of the parent company of the Isle of Man subsidiary that have already commenced before the date of signing of this mutual understanding and that will end on or after the date of signing.

4. This mutual understanding shall terminate on 31 December 2006.

5. Notwithstanding paragraph 4 of this mutual understanding, the termination of the Agreement between the Isle of Man and the Kingdom of the Netherlands for the exchange of information relating to tax matters, pursuant to Article 12 of that Agreement, shall also terminate, in the manner provided for in that Article, the application of this mutual understanding.

Done at Douglas this 12th day of October, 2005,

Assessor of Income Tax
of the Isle of Man

Director for International Tax Policy and
Legislation of the Ministry of Finance
of the Netherlands