



Caribisch Nederland  
Belastingdienst

## TERMINATE A SOLE PROPRIETORSHIP

### For whom is this leaflet intended?

- ▶ You have a sole proprietorship and you are terminating your entrepreneurial activities
- ▶ You are emigrating
- ▶ You are going bankrupt
- ▶ You are changing your legal form
- ▶ The entrepreneur passes away





### What should you do? Step-by-step plan

- 1 You are an employer, then please deregister at Social Affairs and Employment (Sociale Zaken en Werkgelegenheid, SZW)
- 2 Deregister at the Chamber of Commerce
- 3 Deregister as an entrepreneur at the Belastingdienst (Tax Office)
- 4 Deregister for your employer insurance premiums and licences
- 5 You retain your records for seven years and your payroll records for 10 years

Are you converting your sole proprietorship into another legal form, then please read on under transfer of assets with and without tax consequences.

#### Why is this important?

- > If you do not deregister at the Belastingdienst, your obligations such as submitting the annex to the inkomstenbelasting (income tax) return, will continue to exist.
- > If you do not deregister, you will receive tax returns and you will have to submit and pay them.
- > If you do not deregister at the Chamber of Commerce, your annual payment obligation will continue to exist.

### Please note!

- > If you resume entrepreneurial activities, you will have to register again at the Chamber of Commerce and re-register as an entrepreneur at the Belastingdienst.
- > You have received a tax return from the Belastingdienst after deregistration? Then you should always submit it.
- > You may not have been deregistered at the Belastingdienst as an entrepreneur until you have received confirmation from us.

### What situations qualify as termination of the undertaking?

- > You no longer perform any activities.
- > The undertaking has permanently been reduced in size (but continues to exist in a very limited form).
- > You sell your main operating assets.

#### Example:

*You rent out immovable property, you sell your building (this includes converting a building into private property). Then this qualifies as termination of your undertaking.*

- > The legal form or the joint venture changes. If your sole proprietorship is transferred to a general partnership, partnership or private limited liability company (or vice versa), the Belastingdienst also considers this as cessation of business.
- > Your heirs continue your sole proprietorship.



What is your situation?	What should you do?
You sell your company You transfer your company You terminate your company	Make sure to get proper advice from an expert. Include the profit/loss on sale of business in your inkomstenbelasting return and settle it with the Belastingdienst.
Your sole proprietorship is declared bankrupt	The court may declare you bankrupt if you can no longer meet your debts. If you are declared bankrupt, you should immediately notify the Belastingdienst.
What if the entrepreneur passes away?	If the entrepreneur passes away, the heirs must settle the tax matters.
You are converting your sole proprietorship into a private or public limited liability company	A change in legal form always has fiscal consequences. In some cases you must calculate profit on sale of business.

### What is profit/loss on sale of business?

Profit/loss on sale of business is the difference between the company's book value and actual value at the moment of the transfer or termination of business. The profit on sale of business is part of your income in the year of termination. You are obligated to pay inkomstenbelasting on the profit on sale of business.

**It is wise to consult an adviser/accountant/administrator.**

### Conversion of a sole proprietorship into a private or public limited liability company

You can convert your sole proprietorship without or with tax consequences.

#### Conversion with tax consequences

If you choose to convert your sole proprietorship with tax consequences, you must terminate your sole proprietorship and settle the profit/loss on sale of business in the inkomstenbelasting return. You subsequently transfer your assets/debts to the new private limited liability company at fair value.

#### Conversion without tax consequences

If you choose conversion without tax consequences, you will transfer the assets/debts of your undertaking to the acquiring limited liability company

without the levy of income tax. The limited liability company will then continue with the same book values. It should meet special requirements for this purpose. Please contact the inkomstenbelasting department of the Belastingdienst Caribisch Nederland for more information on this topic.

### Payment of outstanding debts

If you terminate your company, you must pay your outstanding tax debts. A tax debt may also arise because you must settle your profit on sale of business. If you have problems paying outstanding tax debts it is important that you contact the collection (invordering) department of Belastingdienst Caribisch Nederland.

### What if my sole proprietorship employs personnel?

If you terminate your company and your company employs personnel, you should take account of the fact that you have obligations regarding the dismissal of personnel set by Social Affairs and Employment (Sociale Zaken en Werkgelegenheid, hereinafter SZW).

Please refer to the SZW Unit 'employer and dismissal' document for information on what factors you should take into account.