



BUDGET DAY SPECIAL
TAX PLAN 2025

18 September 2024



In this Budget Day special, the main proposals from the Tax Plan 2025 and additional bills are listed for you. Many proposals were announced earlier, for example in the Spring Memorandum 2024.

The special is divided into the following topics:

CONTENT

3	COMPANIES
6	BUSINESS SUCCESSION ALLOWANCES
8	EMPLOYER
9	VAT & EXCISE DUTIES
10	REAL ESTATE
11	CAR & MOBILITY
13	(HIGH NET WORTH) INDIVIDUALS
17	INTERNATIONAL SITUATIONS
19	ENERGY & ENVIRONMENT
22	OTHER MEASURES

The proposed measures will take effect from 1 January 2025,
unless otherwise stated.

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COMPANIES

ADJUSTMENT OF INTEREST DEDUCTION FOR REAL ESTATE ENTITIES

The interest deduction limitation for real estate entities will be tightened. For leased real estate, interest deduction is optimised by spreading interest balances over several companies. As a result, one does not run into the limits of the earnings stripping measure (€1,000,000 or 25% of adjusted profit). To counteract this, companies with real estate leased mainly to (unrelated) third parties can now no longer deduct interest. Splitting up real estate entities to optimise interest deductions will then no longer have any effect.

Tip

Assess the structuring of real estate activities, as spreading real estate activities across multiple companies will no longer yield interest benefits.

OBJECTION AND APPEAL BY RVO IN THE CASE OF MIA AND VAMIL

Income tax and corporate income tax have a number of fiscal investment schemes, such as EIA, MIA and Vamil. In these, the investment must first be registered with the Rijksdienst voor Ondernemend Nederland (RVO). The application process of the MIA and Vamil now differs from the EIA. It is desirable to align this. It is therefore proposed that, from now on, the RVO will also issue a statement for the MIA/Vamil, against which the taxpayer can lodge an objection with the RVO. In this way, the technical assessment of the application will lie entirely with the RVO.

DIVIDEND TAX RECORD DATE

The record date was introduced on 1 January 2024. This date is designed to determine who is entitled to the proceeds of listed shares from then on. In practice, the regulation proved

unclear in parts. It has therefore been clarified that the record date refers to the end of the business day on the date set by the issuer. On the basis of this date, it can then be determined who is entitled to the dividend payments and therefore also to set-off, exemption, refund or reduction of dividend tax. Of course, the other conditions must also be met.

Note!

The registration date only serves to designate the moment when it should be determined who the proceeds creditor is. The provision does not flesh out the term 'proceeds creditor'.

AUSTERITY OF PARCEL EXCHANGE EXEMPTION

The parcel exchange exemption in transfer tax will no longer apply to houses except agricultural farm houses. Other buildings will only qualify if they have been farmed for at least 10 years. If this continuation requirement is not met, transfer tax will still be due unless the withdrawal from agriculture happens through government intervention. These changes reduce the administrative burden and improve enforceability. The government also wants to combat 'parcel exchange constructions' with this.

ROLL BACK ABOLITION OF PROCUREMENT FACILITY

The repurchase of treasury shares is subject to dividend tax. There is a conditional exemption for the repurchase of own shares by a stock exchange fund. This exemption would expire on 1 January 2025, which would worsen the competitive position of Dutch stock exchange funds compared to foreign stock exchange funds. The Tax Plan proposes not to abolish the buyback facility.

ADJUSTMENT OF LIQUIDATION LOSS SCHEME

The liquidation loss scheme determines whether a loss on the liquidation of a subsidiary is deductible for corporation tax purposes. It is proposed to amend the liquidation loss scheme in two parts. The first change involves taking into account a subsequent revaluation of a claim against the subsidiary when calculating the liquidation loss. The second is to amend the law so that non-deductible sales losses on an indirectly held subsidiary are not convertible into deductible liquidation losses on a directly held subsidiary.

INCREASE THRESHOLD INTEREST DEDUCTION LIMITATION

When determining the taxable profit for corporate income tax purposes, interest is not deductible to the extent that it exceeds the higher of (currently) 20% of adjusted profit or €1,000,000. It is proposed to increase the percentage of this interest deduction limitation (earnings stripping measure) to 25%. The amendment partially reverses an earlier tightening and brings the percentage more in line with the European average. With this, the government wants to improve the Dutch business climate.

Tip

Assess the financing structure within the company. This is because the increased threshold offers more room for deduction.

ADJUSTMENT OF REMISSION PROFIT SCHEME

With the 2022 limitation on loss relief, companies with more than €1,000,000 in offsettable losses and taxable profits (including remission profits) of more than €1,000,000 always pay corporate income tax. This may hinder the conclusion of an agreement with creditors. Therefore, the remission profit exemption in corporate tax will be adjusted. If the company has more than €1,000,000 in deductible losses, the remission profit in that year will be fully exempt to the extent that it exceeds other losses in the year.

Note!

If the available offsettable losses are less than €1,000,000, the remission gain is exempt only to the extent that it exceeds the available losses.

FACILITIES SISTER MERGER

Simplified outright sister mergers, where a shareholder holds all the shares of the companies to be merged, will also start to qualify for the tax pass-through facilities. This will prevent tax obstacles for substantial interest holders in these mergers. This will enshrine the existing approval in legislation. In the case of indirect sister mergers, the scheme will not be adjusted, as there seems to be less need for it in practice and the complexity is greater.

MANDATORY DIVIDEND TAX EXEMPTION

Dividend tax has several exemptions that are optional, such as in participation situations or within fiscal unities. The dividend-paying entity can choose whether or not to apply the exemption. This makes the revenue owner dependent on the choice of the entity. It is proposed to abolish this option. If one meets the conditions for the exemption, then it is mandatory to apply it. Dividend tax would no longer have to be withheld and remitted, leaving the shareholder at no liquidity or interest disadvantage.

DEDUCTION OF WORKING SPACE COSTS CLARIFIED

The deductibility of expenses for a non-self-contained workspace in a home that is part of the business assets is clarified. Tenant expenses such as furnishing costs, gas, water and light, for example, are not deductible. The measure explicitly anchors case law and existing practice in the law.

Tip

Assess whether it is possible to convert the non-autonomous workspace into an independent workspace, then there is more scope for cost deduction.

ADJUSTMENT MEASURE EXCESSIVE BORROWING

Since 2023, managing directors can no longer borrow more than €500,000 from their own company without tax consequences. However, an unintended consequence of this measure led to double-counting of loans in partnerships, such as vofs and cvs. These double counting will now be prevented. It also prevents debts being taken into account for more than the nominal value.

Tip

This measure will take effect retroactively on 1 January 2023. So carefully check existing partnerships and debts as well to avoid unjustified double counting.

GIFT DEDUCTION BV EXPIRES

The gift deduction in the corporate income tax Act (VPB) and the 'giving from company' scheme will be abolished. From 1 January 2025, companies can no longer deduct donations to charities from their profits. This applies to both donations deduction in the VPB and donations from companies following shareholder motives. Sponsorship and Corporate Social Responsibility will, however, remain deductible as business expenses.

Note!

Companies should review and possibly restructure their donations from 2025 to optimise tax benefits. Consider corporate sponsorship as an alternative.

BOX 2 RATE CUT TO 31%

The government is reversing the increase in the Box 2 rate in the second bracket. This rate went up to 33% on 1 January 2024, but will be reduced again to 31%. With this, the cabinet wants to bring the tax burden on substantial interest holders more in line with that of employees and IB entrepreneurs. The aim is to limit tax-driven legal form choices.

Tip

It may be fiscally advantageous to defer a dividend payment until 2025.



BUSINESS SUCCESSION ALLOWANCES

BOR

If business assets are transferred by gift or inheritance, this may result in the levying of gift or inheritance tax. To prevent the continuity of a company from being jeopardised as a result, the business succession regulation (BOR) can be used. As a result, no or less inheritance or gift tax is due.

PASS-THROUGH ARRANGEMENTS

The transfer of business assets often results in the levying of income tax. There are various carry-over arrangements (DSR) that ensure that this levy is deferred in certain situations, so that the continuity of the business is not jeopardised. One such pass-through scheme specifically targets the gift of a substantial interest (the DSR ab). A substantial interest is, simply put, an interest representing at least 5% of the (type of) shares in a company.

LIMITATION OF QUALIFYING INTERESTS

From 1 January 2026, the BOR and DSR ab will be limited to direct and indirect shareholdings of at least 5% of the total issued share capital. Only ordinary (regular) shares will still qualify, regardless of whether those shares carry voting rights. Smaller interests, options, profit-sharing certificates and tracking stocks will be excluded from the schemes. A usufruct or bare ownership of ordinary shares can still qualify. The aim of the changes is to limit the schemes to shares with sufficient enterprise risk.

Tip

The BOR and DSR ab continue to apply to preference shares issued as part of a phased business succession.

CORRECTIONS TO PREVIOUS LEGISLATIVE AMENDMENTS

As of 1 January 2024, changes have been made to the BOR and DSR ab that have unwanted consequences. For example, the presence of loan capital can lead to an incorrect calculation of the exemption in the BOR or to negative qualifying business assets. To correct this, some parts of the law will be slightly amended.

POSSESSION AND CONTINUATION REQUIREMENT BOR

The BOR can only be applied if a transferee continues the business for five years. This period changes to three years. Bottlenecks in the possession and continuation requirement that relate to changes in the legal shell of a company, such as the contribution of a sole proprietorship to a private limited company, are resolved. If the subjective entitlement to the company does not increase (possession requirement) or decrease (continuation requirement), this should not be an obstacle to application of the BOR. The requirements for mergers etc. will also be relaxed, so that no new possession period will start if the economic entitlement to the company remains the same.

Tip

Contrary to previous reports, the shorter continuation period will already start to apply to acquisitions occurring from 1 January 2025 (and not 2026).

Note!

The proposals to resolve the various bottlenecks will take effect from 1 January 2026.

HEAVIER POSSESSION REQUIREMENT FOR STATE PENSIONER

The possession period in the BOR will be extended for older testators and donors with effect from 1 January 2026. This does not apply to businesses that a testator or donor started no later than two years after reaching the state pension age. For a testator, the possession period is extended by six months for every year that the testator is two years older than the state pension age at the time of death. For a donor, the possession period is extended by six months for each year that the donor is more than six years older than the AOW entitlement age at the time of donation.

REPEATED USE BOR

Businesses are sometimes transferred several times within a family (and sometimes through third parties) to achieve an untaxed wealth transfer. For example, parents donate a company to a child with application of the BOR. Later, the company is bought back and donated again under the BOR. With effect from 1 January 2026, there will be a measure that excludes the BOR in situations where the company has already been owned by the transferee at some earlier time. The exclusion will be up to the amount of the purchase price for the business assets.

Note!

The anti-abuse measure will be broad and will also apply, for example, if the company's activities have changed or its legal form has been modified.

DILUTED AND PETTY FAMILY INTERESTS

It was previously announced that with effect from 1 January 2025, the dilution regime for the BOR and DSR ab and access for small family interests to the BOR will be widened. These adjustments require approval from the European Commission. The effective date has therefore been postponed to a time to be determined.

PREFERRED SHARES

Preference shares are often issued as part of a business succession, but the definition of preference shares often

leads to ambiguity. It has been proposed to designate preference shares as shares with priority over profit distribution or liquidation proceeds. This means that the risk of a preference share is lower than the risk of an ordinary share. Incidentally, the priority must be substantial. This is not the case, for example, if the paid-up share premium has priority and the nominal paid-up capital does not.

Tip

The proposed definition is largely in line with the Tax Administration's current implementation practice. The impact of this change is therefore limited.

Note!

The definition will become law with effect from 1 January 2026 and will be further elaborated.



EMPLOYER

REPAIR LEVY LEAK BELGIAN SEAFARER

Based on the current law, in rare situations, the Netherlands cannot levy tax on a Belgian resident who is employed as a seafarer by a Dutch employer and works entirely outside the Netherlands. This will be repaired for those cases where the Netherlands has taxing powers under international treaties. This bill already takes into account additional agreements that the Netherlands intends to make with other countries on the attribution of wages to so-called home working days.

EXEMPT PRIVATE USE OF PUBLIC TRANSPORT CARD

The government proposes to clarify the measure 'targeted exemption of public transport season tickets'. If an employer gives an employee the option of free travel or discounted travel at his expense, these costs will be targeted exempt, provided some degree of business use takes place. The targeted exemption therefore also applies to private travel with a right to free travel or a right to discount from the employer. The targeted exemption has also been extended to non-Dutch public transport.

Note!

The targeted exemption does not apply to private trips made with a private public transport card. The same journey made with an employer's public transport card may again be exempt.

MATURITY OF CONTRIBUTION LIMIT PENSION

The tax contribution limit for accruing old-age and partner's pensions in case of death on or after retirement date remains 30%, but the calculation is adjusted. Instead of a duration of 100 years, it is now set by law at 60 years. This provides

a more accurate return expectation that better matches the original calculations in the Future Pensions Act. The change will work back to 1 October 2024.

AUTHORITY TO CHANGE R&D DEDUCTION

Companies can receive tax relief on research and development (R&D) work. Until now, R&D rates and bracket limits have been subject to legislative changes. It is proposed to make the scheme more flexible whereby the Minister of Economic Affairs can more easily amend the scheme. Under the proposal, the minister can change both the limit amounts and the deduction percentages.

ROLLBACK OF AUSTERITY 30% RULE

The 2024 austerity of the 30% rule (30-20-10 rule) will be partly reversed. From 1 January 2027, the maximum untaxed allowance will be 27%. For 2025 and 2026, the rate will remain 30% for all incoming employees. The salary standard increases to €50,436 and to €38,338 for employees under 30 with a master's degree. Incoming employees who used the 30% rule before 2024 are covered by transitional law. For them, a 30% rate and the old (indexed) salary standards will continue to apply until the end of the term.



VAT & EXCISE DUTIES

PENALTY CLAUSE GENERAL CUSTOMS ACT

Customs performs duties covered by the General Act on State Taxes (AWR) and the General Customs Act (Adw). Therefore, the Adw is brought into line with the AWR. This achieves that the inspector imposing fines under the Adw applies the same rules as when imposing fines under the AWR. Among other things, this amendment ensures that the inspector who handles the return and finds an offence can also impose a fine. And that after a default fine, an offence penalty can be imposed for the same offence if new objections have become known.

REVOCAION OF EXCISE LICENCES

The proposed amendment to the Excise Duty Act will make it possible to revoke a licence for a distilling device and a licence for a tobacco production device. In fact, under the current regime, this is not possible, leading to a polluted permit file with permits that are no longer used. This amendment ensures that Customs can monitor this more effectively.

EXPIRED FUEL DUTY ADJUSTMENT

The proposal is to repeal the provisions around after-tax and refund of excise duty on excisable fuel stocks. These rules are impracticable for Customs and cause ambiguity for businesses. The measure simplifies the Excise Act and brings more clarity for the future.

REVIEW OF VAT INVESTMENT SERVICES

From 1 January 2026, the VAT revision scheme will be extended to investment services for immovable property. VAT on these services will be tracked for five years, similar to movable investment goods. A threshold amount of €30,000 applies. Smaller services are therefore not covered by this scheme.

Tip

This measure allows some entrepreneurs to deduct previously non-deducted VAT as input VAT.

Note!

This measure may lead to revision VAT for entrepreneurs who - after the first year of taxable use - start renting out the property exempt within the revision period.

21% VAT FOR CERTAIN SERVICES

From 1 January 2026, the reduced VAT rate for accommodation and certain cultural goods and services will be abolished. This means the VAT rate will rise from 9% to 21%. This applies - not exhaustively - at least to: hotels, guesthouses, books, sports, museums, music and theatre performances. Camping, amusement parks, play and ornamental gardens, circuses, zoos and cinemas are excluded from this increase.

Note!

The VAT rate at the time of the performance applies. For example: if a theatre performance is paid in advance in 2025 but takes place in 2026, 21% VAT is due.



REAL ESTATE

EXTENSION OF START-UP EXEMPTION

The start-up exemption and the reduced transfer tax rate will be extended to the acquisition of beneficial ownership of owner-occupied houses. In the future, both the starter exemption and the reduced rate can be applied to cases where beneficial ownership is acquired, as long as the other conditions are met.

Note!

If the start-up exemption has been used when acquiring beneficial ownership, it cannot be used again when later acquiring legal ownership.

EXTENSION OF VOV EXEMPTION

When repurchasing homes under 'conditional sale' (VoV), the so-called VoV exemption can be applied. The VoV exemption is extended to 'appurtenances' to dwellings, such as barns and garage boxes, which are acquired simultaneously with the dwelling.

MAXIMUM 8% TRANSFER TAX FOR HOMES

The government aims to increase the supply of rental housing so that more citizens have access to affordable housing. It is therefore proposed to reduce the regular transfer tax rate with regard to the acquisition of homes from 10.4% to 8% with effect from 1 January 2026. The (existing) reduced rate of 2% or the starter's exemption will continue to apply to a home that the buyer will occupy himself on a long-term basis.

SIMPLIFICATION OF RENT ALLOWANCE

The rent allowance will be simplified so that the rent allowance will soon only have the distinction between single- and multi-person households. In addition, the income-dependent reduction of the rent allowance will

be simplified. Rent subsidy recipients will soon be able to better assess the consequences of a higher income and the marginal pressure will decrease for most rent subsidy recipients. In 2026, the own contribution will be reduced.

NO OVB WITH KEY AGREEMENT

Key agreements that normally lead to beneficial ownership of a property are excluded from transfer tax (OVB). This is subject to the following requirements:

- The key agreement must be related to the commitment agreement for delivery of the property.
- Legal ownership must be transferred within six months of the key agreement.
- The start-up exemption or the 2% rate must apply.

Thus, there is no longer a taxable acquisition prior to the (legal) acquisition.



CAR & MOBILITY

TARIFF REBATE FOR EMISSION-FREE CARS

Owners of emission-free vehicles currently pay no motor vehicle tax and a quarter rate applies from 1 January 2025. However, this discount will end on 1 January 2026, after which the motor vehicle tax for electric cars will become higher than for comparable petrol cars. To avoid stagnation in the growth of emission-free cars, a new 25% motor vehicle tax rate discount will be introduced from 1 January 2026. This discount will apply until 2030 and will be applied to both the state and provincial surcharges. This should make the purchase of new and used electric cars more attractive.

CONTINUOUS USE VAN

If a van is used continuously alternately by two or more employees due to the nature of the work, it is often difficult to determine whether and to whom the van was made available for private use. Instead of taking into account an additional taxable benefit from the employees, the employer can pay a fixed amount of €300 per year via the final levy. This amount has not changed since 2006. This amount goes up to €438 per year and will be indexed annually from 1 January 2026 to better reflect the actual extent of the private benefit.

Note!

Ensure that the increase in final tax liability is reflected (annually) in the payroll records.

END OF SPECIAL BPM RATE PHEVS

Since 1 January 2017, the 1992 Passenger Car and Motorcycle Tax Act (BPM) has had a specific rate table for plug-in hybrid vehicles (PHEVs) to compensate for the difference between tested and actual CO2 emissions. Due to recent European regulations, the CO2 measurement method for PHEVs is being adjusted, making the emission figures

more realistic. From 2025, the specific PHEV tariff table will disappear and PHEVs will be taxed under the regular BPM rates for passenger cars. This may lead to higher taxation for PHEVs with the new type approval, but makes the system simpler and more in line with actual emissions.

END OF BPM EXEMPTION FOR VANS

The BPM exemption for entrepreneurs' vans will expire. The BPM basis shifts to CO2 emissions. For vans with no established CO2 value, a flat rate of 330 grams per kilometre will be applied. In addition, the refund scheme for vans of disabled people will be improved. The BPM can be set off against the refund upon registration, thus preventing pre-financing by the disabled. These measures ensure more effective taxation and are more in line with practice.

Tip

Check whether your vans comply with the new CO2 rules to avoid extra costs.

NEW VEHICLE DEFINITIONS

The 2025 Tax Plan aims to simplify car taxes by harmonising tax vehicle definitions with RDW registrations. This means that from 2027, tax vehicle definitions will match the RDW registration definitions, eliminating differences between, for example, passenger cars and vans. This will simplify car taxes and reduce the administrative burden for citizens and businesses.

Note!

Check the new vehicle definitions carefully to understand how they affect car taxes. This can be important for both individuals and business owners.



APPLICATION PROCEDURE ZERO RATE FOR BUSES

Buses running on natural gas or LPG and used mainly for public transport currently benefit from a zero rate of motor vehicle tax. When changing the registration of these buses, uncertainty may arise about (the moment of) applying this rate. To ensure that the zero rate is correctly applied, the holder of the bus must submit a request to the inspector. This request is necessary to ensure that the rate is applied from the correct time.

Note!

Make sure to submit a request to the inspector if the registration of the bus changes to avoid problems with the zero rate.

Tip

A request is only necessary for a bus registered after the 2025 Tax Plan comes into force.



(HIGH NET WORTH) INDIVIDUALS

RATES IB 2025 NON-AOW

Taxpayers who have not reached the state pension age at the beginning of 2025 are expected to face the following rate brackets in 2025:

Income tax 2025			
Box 1	Tax. income more than (€)	but not more than (€)	Rate 2025 (%)
Disc 1		38,441	35.82%
Disc 2	38,441	76,814	37.48%
Disc 3	76,814		49.50%

Income tax 2024			
Box 1	Tax. income more than (€)	but not more than (€)	Rate 2024 (%)
Disc 1		38,098	36.97%
Disc 2	38,098	75,518	36.97%
Disc 3	75,518		49.50%

These rates include national insurance contributions. A different rate structure applies to those to whom less or no national insurance contributions apply.

Note!

The combined tariff adjustments for the years 2026 to 2029 are:

	First tranche	Second tranche
2026	-0.22%	0.03%
2027	-0.09%	0.03%
2028	-0.15%	-0.10%
2029	-0.05%	-0.05%

RATES IB 2025 STATE PENSION

Taxpayers who have reached state pension age at the beginning of 2025 and were born after 1946 are expected to face the following rate brackets in 2025:

Income tax 2025 (state pensioners)			
Box 1	Tax. income more than (€)	but not more than (€)	Rate 2025 (%)
Disc 1		38,441*	17.92%
Disc 2	38,441	76,814	37.48%
Disc 3	76,814		49.50%

*Born before 1946: bracket 1 up to €40,502

Income tax 2024 (state pensioners)			
Box 1	Tax. income more than (€)	but not more than (€)	Rate 2024 (%)
Disc 1		38,098*	19.07%
Disc 2	38,098	75,518	36.97%
Disc 3	75,518		49.50%

*Born before 1946: bracket 1 up to €40,021

These rates include national insurance contributions. A different rate structure applies to those to whom less or no national insurance contributions apply.

MODIFIED TAX CREDITS

Below are the expected tax credits for 2025. With the exception of the elderly tax credit and single elderly tax credit, these are tax credits for taxpayers younger than the state pension age. Lower ceilings apply to people older than the AOW age.

Tax credits	2025 (€)	2024 (€)
General tax credit maximum	3,068	3,362
Labour discount maximum	5,599	5,532
Income-dependent combination discount maximum	2,986	2,950
Youth disability discount	909	898
Elderly discount	2,035	2,010
Lone elderly tax credit	531	524

The phase-out of the general tax credit will be linked to the statutory minimum wage (WML). As a result, taxpayers with an income up to the WML will retain the maximum reduction.

DEDUCT TRANSPORT AS A HEALTHCARE EXPENSE

Transport costs for obtaining medical assistance and aids can be deducted as care costs. Because of simplicity, it is proposed to assume €0.23 per kilometre if travelling by car (not taxi). For other transport, such as taxi or public transport,

the actual costs remain deductible. In addition, for excessive transport costs due to illness or disability, a deduction of €925 per year is proposed, provided that the taxpayer can convincingly demonstrate his inability to walk more than 100 metres independently, in line with the disabled parking card and the public transport companion card.

TAX SOLUTION FOR SINGLE EARNERS

Without an additional measure, the income of some single-earner households falls below the social minimum due to a confluence of schemes. As a solution, it is proposed to partly pay out the unused (full) general tax credit to the lowest-earning partner born on or after 1 January 1963. In doing so, a number of additional conditions must be met. This measure may not be introduced until 1 January 2028. Therefore, for the years 2025 up to and including 2027, a temporary relief will be provided to this type of household by the municipality.

Note!

This measure requires, among other things, a family income below €48,500 gross. This is an estimated amount for the year 2028.

SIMPLIFICATION OF OBJECTION OF BENEFITS

An objection to the determined amount of an allowance will henceforth also be an objection to the related recovery decision announced in the same letter. An objection to a recovery decision will henceforth also be an objection to the related determined amount of an allowance announced in the same letter. This increases legal certainty for citizens and reduces the administrative burden.

Note!

These measures do not apply if the objection states that only the determination of the allowance or the recovery is objected to.

VISITS BY LONG-TERM CAREGIVERS

For the deduction of travel expenses for visiting a long-term cared-for person, the visitor must have a joint household with the cared-for person at the onset of the illness or disability. That touchstone may prove unreasonable in certain cases. It is therefore proposed to change that assessment moment so that it is assessed at the start of the nursing treatment whether the visitor had a joint household with the person being nursed. That moment is also more verifiable for the tax authorities on the basis of the basic registration of persons.

BOX 3 RULES FOR ACTUAL RETURNS

New legislation with rules for determining the actual return in Box 3 is still to come. These rules are needed because the Supreme Court has ruled that if the actual return in box 3 is lower than the flat rate return, tax should be levied on the actual return. The new rules cover the years from 2017 onwards and are important for taxpayers with box 3 income who can appeal the Supreme Court rulings.

Note!

The new rules are scheduled to be introduced from 1 June 2025.

BOX 3 EXEMPTION FOR EARTHQUAKE DAMAGE COMPENSATION

Claims to repair damage caused by earthquakes in Groningen and Drenthe and similar property rights will be subject to an exemption in box 3. This change will not yet be able to be reflected in the provisional income tax assessment 2025. The exemption does not apply to damages paid in cash.

Tip

This special box 3 exemption works partly back to 1 July 2020 and partly to 1 July 2023.

WAIVER GAINS AND SURCHARGES

When a business debt is cancelled, the entrepreneur incurs a profit. For income tax purposes, those profits are exempt or offset against offsettable losses. For benefits, however, offsettable losses are not taken into account. A remission in

that situation can therefore lead to no or lower entitlement to benefits. This is undesirable. In such situations, therefore, at the taxpayer's request, remission gains that are not fully exempted from income tax due to offsettable losses are not taken into account for the purpose of benefits.

Note!

This is a specific arrangement and does not mean that other paper income can also be disregarded for benefits.

AGE OF ALLOWANCE PARTNERSHIP

Currently, parent and adult child or foster child, from the age of 27, are considered allowance partners. This can lead to lower allowances when cohabiting. It is therefore proposed to remove the age limit of 27 years for first-degree relatives by blood and marriage in determining allowances partnership.

Note!

The Inland Revenue uses the age limit of 27 years, which means that first-degree relatives by blood and marriage remain partners for tax purposes, but are therefore no longer allowances partners for allowances purposes.



INTERNATIONAL SITUATIONS

CORPORATE TAX SUBJUGATION TESTS

In corporate income tax, several (anti-abuse) provisions use subjectivity tests to determine whether a taxpayer pays sufficient tax. The proposed amendment clarifies that a qualifying Pillar 2 surtax also counts towards some of the subjectivity tests. Pillar 2 ensures that multinational groups and domestic groups with a turnover of at least €750 million pay at least effectively 15% in tax on their profits. This includes rules on interest deduction limitation, participation and object exemption.

Tip

A tax adviser can identify whether the changes will affect the existing structure.

OBJECT EXEMPTION PERMANENT ESTABLISHMENTS

The object exemption for foreign business profits is being adjusted to prevent double taxation in the case of permanent establishments taxed in the Netherlands but not recognised as permanent establishments in other countries. With this adjustment, the exemption will now be applied even if the profits are subject to tax abroad. This prevents unintended double taxation due to mismatches in the recognition of permanent establishments.

GENERAL ANTI-ABUSE PROVISION ATAD1

The Netherlands transposes the general anti-abuse provision (GAAR) from ATAD1 into national legislation. When ATAD1 was implemented in 2019, it was chosen not to do so because the GAAR had already been incorporated into Dutch law through the doctrine of *fraus legis*. Now that the European Commission has explicitly requested the implementation of GAAR, the Netherlands is complying with this request.

AMENDMENTS TO MINIMUM TAX ACT 2024

The Minimum Tax Act 2024 (WMB) is an implementation of the EU directive. Remaining issues from administrative guidelines, for which a legal basis is required, are included in the WMB, as are some technical amendments. These include regulations on qualifying interest, qualifying negotiable tax credits, currency conversion, domestic withholding tax, accrued excess negative tax expense, the excluded income based on real presence, the temporary Country-by-Country Reporting safe harbour rule and formal law aspects.

NEW GROUP CONCEPT OF WITHHOLDING TAX

The Netherlands levies a withholding tax on interest, royalties and dividends paid to a related entity established in a low-tax country. The withholding tax applies if there is a qualifying interest. This may also be the case if there is a cooperating group. The term 'cooperating group' is replaced by the group term: qualifying entity. This is the case if entities act jointly with the main objective (or one of the main objectives) of avoiding taxation at one of the entities.

Tip

The burden of proof that a qualifying unit exists is on the inspector, but in case of doubt, it is advisable to enter into preliminary consultations. This provides certainty in advance.

INTERNATIONAL VALUE TRANSFER

In 2023, the European Court of Justice handed down rulings on international value transfer of pension in case of a job change. In response, the law will be amended on international value transfer of pension. These amendments, effective 16 November 2023, ensure that the conditions for value transfer

are in line with European law. Two key conditions will be removed: i) the obligation for foreign pension funds to accept liability and ii) the restriction on surrender options abroad.

Note!

The condition of no wider surrender opportunities abroad than under national law continues to apply to individual value transfers outside the EU, EEA and Switzerland.



ENERGY & ENVIRONMENT

ENERGY TAX REDUCTION

The tax reduction for electricity will be increased to €521.81 with retroactive effect until 1 January 2024. This measure replaces the phase-out of the reduced rate for shore-side electricity, which would result in an insignificant benefit of up to €3.6 cents per year for electricity consumers. By increasing the tax reduction, the benefit will be given to consumers in a simpler way, without additional burdens for energy suppliers and the Tax Administration. For the period 2025 to 2033, the tax rebate will also be increased.

CO₂ -LEVY GREENHOUSE HORTICULTURE

The Greenhouse Horticulture Tax Measures Act brings three important changes. First, the definition of energy companies will be adjusted: only companies that supply at least 75% of their heat generated with natural gas to greenhouse horticulture companies will be taxable. Secondly, the tariff path of the CO₂ levy will be reduced, with a new tariff structure that will be revised every year according to current data. Finally, the implementation of the CO₂ levy greenhouse horticulture will move from the Minister of Agriculture, Nature and Food Quality (LNV) to the Tax Administration.

Note!

The cabinet plans to decide in spring 2025 on the extension of the European Emission Trading Scheme (ETS2) to the greenhouse horticulture sector and its impact on the CO₂ levy.

PROLONGATION OF LOW FUEL DUTY

The reduction in excise duty rates on unleaded petrol, diesel and LPG that began on 1 April 2022 will remain in force until 31 December 2025. This measure keeps the rates the same as those of 1 July 2023 and avoids indexation, making the

reduction wider than before. This policy is aimed at easing fuel costs for households and businesses and gives them more time to adjust to changing economic conditions.

Note!

If the extension is not pushed through, rates could rise significantly in 2025. They now total €0.18473 (unleaded petrol), €0.11964 (diesel) and €0.04362 (LPG).

ABOLITION OF BALANCING SCHEME

End customers with small installations currently receive the same tariff (supply costs, energy tax and VAT) for imported electricity as for extracted electricity. In 2024, this is a tax benefit of around €0.167 (energy tax and VAT) per netted kWh. This benefit is going to expire. The government proposes that from 2027, electricity supplied back will no longer be netted against electricity supplied. There is supervision that the compensation for the electricity supplied back is transparent and reasonable. This compensation cannot be negative.

Note!

When calculating the return on solar panels, take into account the expiry of the netting scheme from 2027.

REDUCTION IN ENERGY TAX ON NATURAL GAS

The energy tax on natural gas will be reduced for consumption up to 170,000 m³. This reduction starts at 2.8 cents per m³ in 2025 and rises to 4.8 cents per m³ in 2030. Households with an average consumption of 1,050 m³ will save around €29 per year in 2025, rising to around €50 in 2030 as a result. Businesses also benefit from lower costs due to this adjustment in tax rates.

SEPARATE HYDROGEN TARIFF

From 1 January 2026, hydrogen will be taxed lower in energy taxation than natural gas. This encourages the use of hydrogen as a sustainable energy source and supports the energy transition. In addition, the exemption for making hydrogen via electricity will be clarified and extended. These measures promote the development of the hydrogen market, create new opportunities for economic growth and employment and strengthen the Netherlands' competitive position.

Note!

The reduced rate will be reviewed no later than 2030. In case of a negative evaluation, the separate rate will expire from 1 January 2031.

ABOLITION OF COAL TAX EXEMPTION

Companies that import, transport or store coal have to pay coal tax. Coal tax revenue is low. The government proposes to abolish exemptions for dual and non-energy use of coal by 2027. The refund scheme, through which unapplied exemptions are reclaimed, will also be abolished. This scheme will remain available for five years after abolition for old cases. The objective of ending the exemptions is twofold: to reduce coal use in the Netherlands and to realise more tax revenue.

Note!

File a refund claim for coal tax in time before the scheme finally expires.

LEVY AVI'S

Due to various legislative changes, waste incineration plants (AVI's) have fallen under both the definition of AVI and the definition of greenhouse gas plant since 2024. To avoid confusion over the CO2 levy, waste-to-energy plants are now specifically treated as AVI's. This will avoid double regulation and ambiguity on tariffs.

Note!

For 2024, the ambiguity remains. The more favourable rate for Waste incineration plants will apply to AVI's before 2024.

WASTE TAX CLARIFICATION

The in/out method for waste tax is clarified. CO2 emissions released through the chimney after incineration should not be deducted from the tax base for waste tax. Instead, the in/out method encourages the prevention of waste incineration and pollution, which is made more explicit with this legislative amendment.

ADJUSTMENT TAX RULES GREENHOUSE HORTICULTURE

The taxation rules for natural gas and electricity in greenhouse farming will be adjusted. Currently, there is an exemption for electricity generated with an efficiency of at least 30% and through cogeneration. These exemptions will be limited and henceforth based on the electrical capacity of installations. Installations with more than 20 megawatts of electrical capacity will become taxable, while medium-sized installations will remain exempt. This will ensure more uniform control and application of the rules.

Tip

Check whether an installation falls within the new limit to avoid unexpected tax charges.

PLASTIC TAX, DIESEL AND AIRLINE TAX

Several tax measures from the outline agreement were also not included in the Tax Plan 2025. Introducing a circular plastic tax, reintroducing red diesel for agriculture and differentiating the air passenger tax by travel distance. These measures will be elaborated later, as they are complex and, according to the government, require a careful policy process and considered parliamentary consideration.

AVI CORRECTION FACTOR FOR CO LEVY2

The CO2 levy for industry, in force since 2021, will be tightened with the introduction of an AVI correction factor. This measure reduces the number of dispensation rights



for waste incineration plants (AVI's) by 1 Mtonne by 2030, strengthening the incentive to reduce CO2 emissions. The correction factor will be phased in from 2026 to allow the sector to adapt. After 2030, the correction factor will remain in place to support the broader objectives of the CO2 levy: reducing greenhouse gases and promoting the circular economy.

Note!

AVI's should prepare for the stricter emission rules in time and take measures to reduce their CO2 emissions.



OTHER MEASURES

FIXING TAX INTEREST MORE FLEXIBLY

The proposed amendment should ensure that tax interest rates can be set more flexibly in the future. If it is desirable to allow the percentage of tax interest to be reimbursed to be different from the percentage of tax interest to be charged, this will no longer require a legislative amendment, an order in council will suffice.

EXTENSION OF PENALTY PERIOD FOR THIRD PARTIES

The penalty period for third parties, such as advisers and accomplices, will be extended to 12 years if an extended post-recovery or post-taxation period also applies to the taxpayer concerned itself. This will prevent that third parties involved can no longer be fined, while the taxpayer can still be dealt with within the extended period. For existing cases, transitional law will apply.

REAL ESTATE MEASURE FBIS TIGHTENED

The Tax Plan 2025 includes a measure that ensures that a fiscal investment institution (FBI) can no longer invest directly in Dutch real estate: the real estate measure. If an FBI still invests directly in Dutch real estate on 1 January 2025, the FBI will not be able to apply the special corporate income tax regime for FBIs. This measure will be followed by further amendments to close a loophole and give substance to the term "real estate". The exact amendment proposals are not known at this time.

Tip

Make sure the FBI complies with the new rules around investment property in time to avoid losing the favourable corporate tax rate for FBIs.

COMPENSATION IN WOZ AND BPM OBJECTION CASES

To discourage the revenue model of no-cure-no-pay agencies, the litigation fee for WOZ and BPM objection cases has been reduced to 25% from 1 January 2024. The Supreme Court has ruled that the low litigation fee rate in tax and premium cases should remain inapplicable. As a result, the rate for other cases will apply and that rate is currently double. To bring the level of the fee back in line with the intention of the legislator, it is proposed to reduce the litigation fee for WOZ and BPM cases to 12.5%.

REFUND WITHOUT DECLARATION

The government is still coming up with a bill to make it possible to also determine an income tax assessment with a zero amount payable or a refund in case the taxpayer has failed to file his/her return. This is in the interest of the citizen who does not respond to the request to file a tax return while there is a right to a tax refund.

Note!

It is always wise to do respond to a request to file a tax return in time.

TREATMENT OF FOREIGN LEGAL FORMS

The tax treatment of several foreign legal forms, as well as for a number of Dutch legal forms, is changing. This means, for instance, the end of the independent tax liability for the open limited partnership and similar partnerships. Some refinements to this bill are now being made. The introduction of the change to the tax treatment of various legal forms, for example, unintentionally limited the scope of the deduction limitation for grants and issuances of shares and option rights within a group. Such omissions are now being corrected.

Tip

In principle, the loss of corporate tax liability of an open limited partnership, for example, results in a tax settlement. But by certain means, such as a facilitated share merger, the tax claim can be passed on.

GAMBLING TAX INCREASE

The gaming tax rate will be sharply increased from 30.5% to 34.2%, before being further increased to 37.8% by 1 January 2026.

RECOVERY INTEREST ON LOSS RELIEF

A tax assessment must be paid within the applicable time limit. If that deadline is missed, recovery interest is charged. A change in the law in 2013 inadvertently removed a regulation. This removed the legal basis to recalculate recovery interest when loss relief is applied. This regulation will now be reinstated in the law, so that, the regulation is again in line with the pre-2013 situation. Due to the required change in automation, this amendment will - it is expected - not be able to enter into force until 1 January 2027.

Note!

For years, the Tax Administration wrongly failed to recalculate recovery interest after loss relief. In 2021, the Tax Administration launched a remedial action to rectify this.

BES ISLANDS

The following changes have been proposed for the BES Islands tax system:

- The duration of the investment tax credit in property tax (no levy on increased capital gains on property) will be reduced from 10 to five years.
- The property tax rate for real estate in which a hotel business is conducted will be increased from 10% to 11%.
- The yield tax rate will be increased from 5% to 7.5%.
- The amount of the small business scheme will be indexed annually from 2025.
- In the transfer tax, some erroneous references are corrected.

- There will be a separate transition rule for some formal deadlines in case of an accounting year ending before 31 March 2025.
- The concepts of 'own home' and 'wages' in income tax will be tightened.
- The income tax free allowance will be linked to the statutory minimum wage.
- The income tax rate structure will be adjusted.
- The rate for substantial interest gains in income tax will be increased from 5% to 7.5%.
- Several substantive and technical changes will be made to the payroll tax, including an adjustment to the wage concept.
- A notional employment will be introduced for the partner of a substantial interest holder.
- The treatment of claims against savings and provident funds will be modified.
- The declaration that withholding of tax may be omitted.
- A final levy regime will be introduced for situations where an additional tax assessment is imposed on the employer.

INCREASE IN CHILD BUDGET

To improve the financial position of families in a targeted way, the government is increasing the child budget amount. In addition, the phase-out percentage will be increased incrementally each year to make the child-related budget more targeted.

NO REDUCTION IN SOCIAL BENEFITS

The planned gradual reduction of some benefits at the social minimum will be paused for the next three years (2025, 2026 and 2027). As a result, these benefits will be higher until the end of 2038 than they would be without this proposal. This concerns social assistance, survivor benefits and the supplement to the social minimum for single people with UWV benefits.

Note!

This is not an increase in benefits, but the removal of a proposed cut.

WRONGFUL REJECTION OF DEBT ARRANGEMENT

From 2012 to March 2021, citizens' requests to cooperate in extrajudicial debt settlement (MSNP requests) were rejected by the Tax Administration on one ground only. It is incorrect that the Tax Administration has (automatically) rejected MSNP requests for one reason only. These are vulnerable citizens in whom the possibility of achieving a debt-free start has been unfairly restricted.

Therefore, a bill is being drafted in which the government introduces a basis for the relief policy designed to accommodate affected citizens.

PREVIOUSLY SUBMITTED LEGISLATION, INCLUDING:

- The margin scheme sales tax for antiques, art and collectibles can no longer be applied if a reseller has purchased the goods at a rate other than the general rate.
- The location of virtual services of a cultural, artistic, sporting, scientific, educational and entertainment nature for turnover tax purposes will now be where the customer (entrepreneur or non-entrepreneur) resides, is established or where the permanent establishment is.
- A number of agricultural goods are no longer subject to the low VAT rate.
- The small business allowance (KOR) in sales tax will now apply within the entire EU.
- Foreign legal forms are taxed by the legal form comparison method in the same way as comparable Dutch legal forms.
- The open limited partnership is no longer independently liable to corporate income tax.
- A mutual fund is only liable to corporate income tax if it is an investment fund or fund for collective investment in securities within the meaning of the Financial Supervision Act. Proofs of participation must also be negotiable.
- An investment institution exempted from corporation tax will only continue to exist if it is an investment institution within the meaning of the Financial Supervision Act.
- The method of determining qualifying business assets, the extent of the exemption and the requirements on the

transferee for the BOR/DSR ab change.

- The additional tax rate for an electric car is 17% on the first €30,000 and 22% on the value above €30,000.
- The self-employed deduction is further reduced to €2,470.
- The tax liability for BPM is transferred from the registered owner to the applicant.
- The levy and payment of BPM must be made prior to registration.
- The zero rate for passenger cars with CO2 emissions of 0 g/km will be replaced by a quarter rate of MRB. Passenger cars with CO2 emissions above 0 g/km up to and including 50 g/km will be subject to a three-quarter rate of MRB.
- The labour cost benefit for low-income workers will expire. The labour cost benefit will also be phased out for older workers.
- The concurrence exemption in the transfer tax for share transactions will be adjusted. A 4% rate will now apply if it concerns new real estate, which will be exploited for less than 90% VAT taxable.





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