

Budget Day was here again. The government submitted the Tax Plan with the tax measures for 2020 to the Lower House of the Dutch Parliament. Here you will find an overview of the measures included in the Tax Plan.



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information about
the 2020 Tax Plan

Main features of the 2020 Tax Plan

1. Corporate income tax

- The basic corporate income tax rate (through to EUR 200,000) reduced to 16.5% in 2020 and to 15% in 2021.
- More gradual reduction of regular corporate income tax rate (> EUR 200,000); remains 25% in 2020, to be reduced to 21.7% in 2021.
- Introduction of interest deduction limitation (thin cap rule) for banks and insurers as of January 1, 2020.
- Extension of exemptions for public enterprises.
- Introduction of possibility to revise earnings stripping decision.
- *Intentions* for 2021:
 - Effective Innovation Box rate from 7% to 9%.
 - Limitation of liquidation and cessation loss scheme (e.g. no deductible loss on participations and permanent establishments outside the EU/EEA).
 - Abolition of payment discount (now granted for prompt payment in full).

2. Personal, payroll and corporate income tax

- In future, definition of permanent establishment in relevant tax treaties to be in line with MLI.

3. Personal income tax

- As of 2020, the self-employed persons deduction will be reduced in eight steps of EUR 250 and one step of EUR 280 to EUR 5,000 in 2028.
- No settlement at year-end 2020 of annuities whose premiums were partly non-deductible (*hybride saldolijfrenten*) and certain foreign pensions; however, end of transitional rules for annuities whose premiums were wholly non-deductible (*zuivere saldolijfrenten*).
- Deduction of education expenses to be replaced by grant scheme after 2020.
- Implementation of two-bracket regime brought forward, with top rate of 49.5% already applying in 2020.

4. Payroll taxes

- Work-related costs rules:
 - Fixed exemption of 1.7% for payroll up to EUR 400,000.
 - To be settled in second period of new year
 - Purchase of company's own products on basis of fair market value.
 - New specific exemption for statement of good conduct.
- Addition to income percentage for zero-emission company cars increased from 4% to 8% for maximum list price of EUR 45,000.
- R&D declaration, number of application filing dates per calendar year from three to four.
- Last date for filing application: one day before commencement of R&D activities. Please note: for activities commencing in January, the last filing date is December 20.

5. Withholding taxes

- As of 2021 withholding tax of 21.7% charged on interest and royalties to group entities established in low-taxed countries.
- Substance requirements for purposes of dividend withholding tax exemption, foreign substantial interest rules and Controlled Foreign Companies (CFC) rules no longer safe harbor.

6. VAT

- 4 VAT quick fixes for international trade.
- 9% VAT on e-books and news websites.
- VAT scheme for small businesses modernized.



Main features of the 2020 Tax Plan (continued)

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7. Procedural law amendments

- Possibility of publishing irrevocable negligence penalties imposed on culpable (tax) advisors.
- Penalty-free voluntary disclosure of substantial interest income and domestic Box 3 income abolished.
- Option scheme for electronic messaging with the Dutch Tax and Customs Administration: either digitally or on paper.
- Dutch Tax and Customs Administration given power to impose adjustments and penalties in the case of spontaneously filed tax returns.
- Interest on tax due rules for corporate income tax and inheritance tax in line with tax return period.
- Banks to provide information to Dutch Tax and Customs Administration to identify payments.
- Costs of administrative penalties no longer deductible

8. Climate Agreement tax measures

- Major changes to energy tax: tax on gas increased, tax on electricity decreased and tax burden to shift from households to business sector.
- Tax benefits under the Motor Vehicle Tax Act (MRB) for zero-emission vehicles and plug-in hybrid electric cars extended.
- Private motor vehicle and motorcycle tax (BPM): zero rate for zero-emission cars not abolished until January 1, 2025.
- Motor vehicle tax (MRB) for business delivery vans to increase.
- Real estate transfer tax rate for non-residential properties increased to 7%, probably as of January 1, 2021.

9. Tax Plan miscellaneous

- Tightening of tonnage regime for time and voyage charters, flag requirements and non-transport activities.
- As of July 1, 2020, BPM rates based on new CO2 test method.
- Diesel surcharge in the BPM will not apply to petrol cars with a compression ignition.
- Introduction of new tax credit for new build homes in areas where housing is scarce and exemption for temporary rental accommodation in the landlord levy.
- Changes to emission registration of fine particles and fine particle standard for certain diesel cars (MRB).
- Introduction of insurance premium tax exemptions for absence and WGA self-insurance and for broad cover weather insurance.
- Excise tax on cigarettes and tobacco to be increased as of April 1, 2020.

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