

Relief and recovery package for the economy and labor market also available in the third quarter 2021

On May 27, 2021 the caretaker government (hereinafter: the government) announced in a letter sent to the Lower House of Parliament that it intended to extend the current relief and recovery package for the economy and labor market by three months as of July 1, 2021. This means that the relief package will also be available in the third quarter of 2021.

The extension of the relief package means, among other things, that the NOW (Temporary emergency bridging measure to retain jobs; *Tijdelijke noodmaatregel overbrugging voor behoud van werkgelegenheid*) and the TVL (Overhead Compensation SMEs; *Tegemoetkoming Vaste Lasten mkb*), will also be available to businesses in the third quarter of 2021. In addition, the government intends to set up a generous payment arrangement for accrued tax debts, which will be broader than that proposed several months ago (see [our memorandum of January 22, 2021](#)).

These matters and several other (tax) measures are briefly addressed below.

1. Tax measures

1.1 Deferral of payment and associated measures

Deferral of payment

The more flexible policy on the special deferral of payment ends on June 30, 2021. This means that businesses must, in any case as of July 1, 2021, again comply with the payment obligations arising on or after that date. Please note: if the deferral ends before July 1, 2021, then as of that earlier date businesses must comply with the payment obligations incurred on or after that date.

The government wishes to set up a generous payment arrangement for tax debts accrued before July 1, 2021 (hereinafter: the corona debt). Timely compliance with payment obligations arising after the granted deferral has expired is a condition for being entitled to this payment arrangement.

Payment arrangement for corona debt

For the repayment of corona debt, the government wants to set up a broader payment arrangement than that initially proposed (see [our memorandum of January 22, 2021](#)). In short, the revised payment arrangement means that as of October 1, 2022 (was: October 1, 2021) the accrued corona debt will be able to be repaid in a maximum of 60 (was: 36) equal monthly installments. Businesses will thus have until October 1, 2027 to repay the accrued corona debt.

Late payment interest

To limit the interest expense associated with the outstanding tax debt, the late payment interest rate (payable by taxpayers) has been set at 0.01% since March 23, 2020. Because late payment interest acts as an important incentive to pay tax assessments (on time), the government considers it desirable to revive this incentive. That is why the government intends to have the late payment interest rate gradually return to 4%. Specifically, this means that as of January 1, 2022 the late payment interest will amount to 1%. It will subsequently be increased to 2% as of July 1, 2022. Thereafter, the interest rate will be increased by one percentage point at the beginning of each calendar year until the usual rate of 4% has been reached. Thus: 3% on January 1, 2023 and 4% on January 1, 2024.

Debt rescheduling

The government is looking into the possibilities of expanding the Dutch tax authorities' debt rescheduling policy. This, for businesses that are only viable if their receivables are wholly or partly remitted. Because these businesses often also have other creditors, collaboration with other private creditors is crucial. The government is therefore exploring the possibilities of restructuring unsustainable debts at viable businesses on the basis of public-private agreements. To speed-up this process, the government is organizing round table discussions with both specialists and the largest creditors, including banks. The government will inform the Lower House of Parliament about the results of these discussions.

1.2 Other tax measures

In addition to the more flexible special deferral of payment policy, several other tax measures will, in principle, end on June 30, 2021. The government will extend some of these tax measures until October 1, 2021. This involves the following:

1. the deferral of administrative obligations with regard to payroll tax and social security contributions;
 2. the agreement with Germany and Belgium concerning the taxation of frontier workers;
 3. the tax-free travel allowance;
 4. the exemption for a number of German net benefits;
 5. the zero VAT rate on face masks;
 6. the VAT exemption for the outsourcing of healthcare workers;
 7. the zero VAT rate on COVID-19 vaccines and testing kits, healthcare personnel;
- and

8. the retention of the right of homeowners to claim the mortgage interest deduction if they obtain a mortgage repayment break from their mortgage lender.

Group lessons

Due to the corona measures, gyms are still not able to organize indoor group fitness lessons. By way of an approval it will therefore be arranged that gyms may apply the reduced VAT rate to the offering of online lessons that temporarily replace these group lessons. This approval will be immediately canceled as soon as group lessons are again allowed to take place indoors.

Hours criterion

During the period January 1, 2021 through June 30, 2021 an approval applies under which, in short, for the purposes of the hours criterion entrepreneurs are deemed to have spent at least 24 hours per week on their business (see [our memorandum of January 22, 2021](#)). This approval will not be extended. As of July 1, 2021 only the hours that entrepreneurs actually spend on their businesses will therefore count for the purposes of the hours criterion.

2. NOW

The government intends to extend NOW 3 virtually unchanged by three months as of July 1, 2021, thus extending it to October 1, 2021. In the letter that was sent to the Lower House of Parliament, this new NOW subsidy period is referred to as NOW 4. The virtually unchanged continuance of NOW 3 means, for example, that under NOW 4:

- the subsidy percentage will be 85%;
- a business must have at least 20% of lost turnover;
- the fixed increment will be 40%;
- the payroll exemption will be 10% of the payroll; and
- the maximum salary per employee to be taken into account will be capped at twice the maximum daily wage.

Under NOW 4, February 2021 will be used as the reference month for the payroll (under NOW 3 this was June 2020).

In addition to this, the government announced that the TVL subsidy will be excluded from the 'NOW turnover' concept. This change will apply to both NOW 3 (the subsidy periods as of October 2020) and NOW 4. This means that employers that apply for, or have applied for NOW 3 and NOW 4, will not have to take the TVL subsidy they received into account when determining those NOW subsidies.

3. TVL

The government also intends to extend the TVL, as it applied for the second quarter 2021, virtually unchanged for three months until October 1, 2021. In the letter that was sent to the Lower House of Parliament, this new subsidy period is referred to as TVL 3. The virtually unchanged continuance of TVL 2021 as it applied for the second quarter 2021, means, for example, that under TVL 3:

- the compensation percentage will be 100%;
- the loss of turnover must be at least 30%;
- a business must have at least EUR 1,500 of approximated overhead;
- the measure will also be available to non-SME companies;
- the maximum subsidy amount will be EUR 550,00 (SME) or EUR 600,000 (non-SME); and
- to determine the loss of turnover businesses have the choice between two reference quarters: the third quarter of 2019 or the third quarter of 2020.

In addition, the government intends to increase the maximum TVL subsidy amount for non-SME companies for the *second* quarter of 2021 to EUR 1,200,000. As stated above, the maximum subsidy amount for these companies will return to EUR 600,000 in the third quarter.

With regard to the TVL for the *second* quarter of 2021, the government recently announced that:

1. For the purposes of determining the loss of turnover, all businesses have the option to choose between two reference quarters: the second quarter of 2019 or the third quarter of 2020.
2. All businesses that were registered in the Trade Register on June 30, 2020 (was: March 15, 2020) under one of the designated SBI codes will, in principle, be able to apply for the TVL as of the second quarter of 2021 (this also applies to TVL 3).

It is expected that the TVL for the second quarter of 2021 will be able to be applied for as of the second half of June 2021. It is not yet known when the TVL for the third quarter of 2021 (TVL 3) will be able to be applied for.

Should you have any questions about the above, Meijburg's advisors would be pleased to use their expertise to help you minimize the tax and financial consequences of the corona crisis. We will, of course, keep you informed of tax developments.

KPMG Meijburg & Co
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