Tax aspects of 2021 coalition agreement

On December 15, 2021 the parliamentary parties VVD, D66, CDA and the ChristenUnie presented the coalition agreement 'Looking out for one another and looking to the future' setting out the new government's plans and ambitions for their term of office. This memorandum briefly addresses what is currently known about the intended tax measures.

Please note that the coalition agreement only provides a general outline of the intended measures. During its term of office, which will in principle end in March 2025, the new government will present bills to implement the agreement. The specifics of the various tax measures will only become apparent from those bills. The coalition agreement therefore does not replace the bills in the 2022 Tax Plan package, on which the Upper House of Parliament will vote next week.

Corporate income tax

Tightening of CFC measure
The new government will implement the controlled foreign company measure (CFC measure) in the Ter Haar report as of 2023. Although not said in so many words, we assume this refers to the advice/measure A.5 in the report 'Striking a balance in corporate income tax (*Op weg naar balans in de vennootschapsbelasting*)' by the Advisory Committee on the Taxation of Multinationals (the Ter Haar committee). If the new government adopts measure A.5 in its entirety and in its most far-reaching form, then this will mean that as of 2023:

1) the CFC measure will also apply to distributed profits;
2) the CFC's profit for accounting purposes will be decisive when calculating the benefit to be taken into account;
3) the effective profit tax rate will be used in future;
4) the exception for economic activities of substance will be amended or completely disappear.

The revenue from this is estimated at EUR 200 million per annum.

Implementation of OECD Pillar 2
The new government will implement OECD Pillar 2. This is the initiative by the OECD/G20 which, in short, introduces a global minimum profit tax rate. It is still uncertain how much revenue this will generate for the Netherlands. If it does not result in the projected revenue (EUR 800 million), then other ways of expanding the tax base will be examined, taking into consideration the low CIT rate and/or the specific range of the different corporate income tax brackets. The business climate and the position of SMEs will also be taken into account.

Personal income tax and payroll tax

EUR 3 billion in tax cuts
Lowering tax rates will provide EUR 3 billion in tax cuts, in particular for low and middle incomes, the employed and families.

Phasing out of self-employed persons deduction
As of 2023, the self-employed persons deduction (*zelfstandigenaftrek*) will be further reduced in steps of EUR 650 (including the baseline; in the last two years in steps of EUR 605) to EUR 1,200 in 2030. During the new government's term of office, the self-employed will be compensated via an increase in the labor tax credit.

Average salary plan to be abolished
As of 2023 the average salary plan for personal income tax purposes will be abolished.

Untaxed travel allowance to be increased
As of January 1, 2024 the untaxed travel allowance will be increased. The exact rate increase still has to be worked out.

Bill on excessive borrowing
The bill on excessive borrowing will be amended, with the threshold being increased from EUR 500,000 to EUR 700,000.

Introduction of actual return on investment in Box 3 and taxing of tenanted property
As of 2025 a new Box 3 regime based on the actual return on investment will be introduced. In anticipation of this, the value with vacant possession ratio will be abolished as of 2023, which means that the tax on the return from tenanted property in Box 3 will be more in line with the actual situation. The revenue from this, together with an additional budget of EUR 200 million, will be used to increase the exemption in Box 3 to approximately EUR 80,000. Under the new Box 3 regime (thus as of 2025) savings and investment will be directly taxed at the actual return realized. The change in value of property will initially still be taxed at a fixed rate, with the transition to an actual return following as soon as possible.

Inheritance Tax Act (and personal income tax)

Business succession tax relief
Business succession tax relief for inheritance tax and gift tax purposes and for personal income tax purposes is important for the continuity of businesses, in particular family businesses. During the new government's term of office, the business succession tax relief will be examined to see how it can be improved and how improper use of the scheme can be combated, so that it is used as intended; this will take place together with the evaluation of the business succession scheme (*bedrijfsopvolgingsregeling*; BOR) which is set be completed in 2022.

Gift exemption for own home to be abolished
As of 2024, the gift exemption for the own home – also referred to as the tax-free lump sum (*jubelton*) – will be abolished.

Climate and environmental taxes
Numerous changes are in the pipeline for climate and environmental taxes. Some of these measures are listed below.

- The current CO_2 tax on industrial emissions will be tightened 'in the margins'. This will be done via changes to the number of dispensation rights and the rate.
- As of January 1, 2023 a minimum CO_2 price for industry will be introduced.
- The energy tax rate structure will be made less degressive by increasing the rates in the higher consumption brackets for gas and electricity.
- The ODE rates (surcharges for sustainable energy) in the second and third electricity brackets will be reduced as of 2023 (compared to the rates in the ODE baseline).
- The energy tax rate for gas in the first bracket will be increased by 5.23 cents/m^3 during the period 2023-2028.
- The energy tax rate for electricity in the first bracket will be increased by 5.23 cents/kWh during the period 2023-2028.
- The reduced energy tax rate for greenhouse horticulture companies will be abolished as of January 1, 2025.
- In 2030 an MRB Plus (kilometer charge) will be introduced with a flat kilometer rate for all passenger cars and delivery vans.
- The air passenger tax will be increased as of 2023.
- As of January 1, 2025 the budget for the environmental investment allowance (*milieu-investeringsaftrek*; MIA) will be permanently increased by EUR 30 million.

Miscellaneous

Real estate transfer tax to increase
The real estate transfer tax on non-residential property and on the purchase of homes by legal entities and individuals who will not be living in the home in the long-term, will be increased from 8% to 9%. This measure will be introduced as of 2023.

Landlord levy to be abolished
The landlord levy will be abolished as of 2023.

Increase in consumption tax on alcohol-free drinks
As of 2023, the consumption tax on alcohol-free drinks will be increased (mineral water may be exempted as of 2024).

Excise tax on cigarettes and tobacco to increase
The excise tax on cigarettes and tobacco will increase to approximately EUR 10 per packet. This will happen in two steps, as proposed in the National Prevention Agreement (*Nationaal Preventieakkoord*).

Leading role in the European Union
The Netherlands will take on a leading role in the European Union and work intensively together with like-minded Member States. Where necessary it will form leading groups

to arrive at solutions, for example, in the field of combating tax avoidance (see also in this respect the report by the Advisory Committee on Conduit Companies (*Adviescommissie Doorstroomvennootschappen*)). The Netherlands will also commit to a digital services tax – although there are now signs that the European Union is definitely abandoning a digital services tax –, an air passenger tax, a CO_2 border tax and a minimum profit tax rate to prevent unfair competition between Member States. The Netherlands will also work together to tackle tax evasion.

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