

Temporary reduction in excise duties on fuel and VAT on energy

The Dutch Senate passed the Act on Additional Tax Measures to Increase Purchasing Power 2022 on June 28, 2022. This Act governs the reduction in the VAT rate on energy from 21% (general rate) to 9% (reduced rate) with effect from July 1, 2022 and the reduction in excise duties on fuel by 21% with retroactive effect to April 1, 2022. The objective of these temporary measures is to counteract the impact of the current price increases for consumers due to the energy crisis.

Nature of measures

The reduced VAT rate will be applied to the supply of natural gas via the natural gas system, the supply of district heating via a heating network and the supply of electricity via the electricity grid from July 1 through December 31, 2022. The reduced rate will apply to supplies during that period only. As a result, supplies will have to be broken down by deliveries before and after July 1, 2022 on the final bill for 2022.

Excise duties on unleaded light oil (petrol), gas oil (diesel) and liquefied petroleum gas (LPG) will temporarily be reduced by 21% with retroactive effect to April 1, 2022. The Dutch Tax and Customs Administration will accept refund requests for excise duties as of April 1, 2022 where fuels are concerned that are already on the Dutch market for commercial purposes.

Reduced VAT rate – aspects to consider

Besides fuel and energy suppliers, other companies may be affected by the Act on Additional Tax Measures to Increase Purchasing Power 2022 as well. There are also a number of practical aspects that need to be considered. We will elaborate on some of these aspects below:

- The supply of electricity for charging electric vehicles is subject to the 9% rate if the costs are recharged in the chain. The lower kWh price inclusive of VAT will produce a price gain for motorists who are not in a position to deduct all or part of the VAT on car expenses as input tax. This also applies if the costs of electricity are recharged via parties other than the actual operator of a public charging station.
- The supply of energy by landlords of commercial properties to tenants is typically included in the service charges that they recharge to their tenants separately inclusive of VAT. Landlords should take into account the reduction in VAT rate on energy from 21% to 9% during the period from July 1, 2022 through December 31, 2022.
- Invoices for supplies of energy between July 1 and December 31, 2022 must have the correct VAT rate and the right amount in VAT must be remitted to the Dutch Tax and Customs Administration. Given that wrongly invoiced VAT (i.e. at a rate of 21% rather than 9%) is not deductible as input tax in principle, we

recommend reviewing any purchase invoices for energy supplies carefully to check whether the correct rate was applied.

- Normally speaking, the applicable VAT rate is based on the rate that is in effect on the invoice date. The new Act includes a transitional provision that offers an explicit exception in that the supply date rather than the invoice date is decisive for the VAT rate.
- Any prepayments or subsequent payments invoiced or received outside the period from July 1 through December 31, 2022 that do, in fact, relate to supplies within that period are subject to the reduced VAT rate. Conversely, the rate of 21% applies to prepayments or subsequent payments invoiced or received within the period from July 1 through December 31, 2022 for supplies before July 1, 2022 or after December 31, 2022.

Follow-up

The indirect tax advisors of KPMG Meijburg & Co would be happy to answer any questions you may have about the implications of the reduced VAT rate for energy and excise duties on fuel. Please feel free to contact one of them or your regular advisor.

KPMG Meijburg & Co
June 2022

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