

Extension and expansion of Jobs and Economy emergency package (Emergency package 2.0)

More than two months ago the government announced a number of emergency measures in its 'Jobs and Economy emergency package' letter to the Lower House of Parliament dated March 17, 2020. These measures were intended to mitigate the first acute and widespread shock resulting from the coronavirus and the crisis measures introduced in this respect (see [our previous memorandum](#) on this). On May 20, 2020 the government announced – once again in a letter to the Lower House of Parliament – that various measures in the first emergency package (Emergency package 1.0) would be extended and supplemented with new measures (Emergency package 2.0). With regard to the extended measures, various conditions will be amended as workers, businesses and entrepreneurs will increasingly have to adapt to a new economic reality. An important new element is, for example, that resources are also being freed up for the training and retraining of staff.

In the run-up to Budget Day, the government will consider the information that is available and look at what steps are appropriate for the period after this extension.

This memorandum specifically addresses the extended and new measures in Emergency package 2.0.

1. Extension of temporary emergency bridging measure to retain jobs (NOW 2.0)

The government has decided to extend the Temporary emergency bridging measure to retain jobs (*Tijdelijke noodmaatregel overbrugging voor behoud van werkgelegenheid*; NOW) by another three months. The first NOW tranche (NOW 1.0) started on March 1, 2020 and runs until May 31, 2020 (click [here](#) for our latest memorandum on NOW 1.0). The second NOW tranche (NOW 2.0) is expected to apply to the period June 1 through August 31, 2020.

The details of the scheme still have to be released, but in the meantime the government's announcement of May 20, 2020 is discussed below.

Features of NOW 2.0

The purpose and structure of NOW 2.0 is the same as that of NOW 1.0. In order to retain jobs, employers with a decline in turnover of at least 20% can receive compensation for their payroll costs. This compensation is related to the loss of turnover and is for the payroll costs for the months June, July and August 2020.

- The government aims to start the application process for NOW 2.0 as of July 6, 2020.

- In connection with the extension, the final determination of the first subsidy application (NOW 1.0) cannot be filed until September 7, 2020 (for employers that have only filed an application for NOW 1.0).
- When the final determination of the subsidy for the second period (June - August 2020, NOW 2.0) can be filed, will be announced at a later date.
- The turnover period for calculating the decline in turnover is once again three months. This period starts on June 1, July 1, or August 1. If a subsidy application has also been filed for the period March-May 2020 (NOW 1.0), then the turnover period for the extended application (NOW 2.0) must directly follow after the period chosen in the earlier application.
- The reference month for the payroll has been moved from January 2020 to March 2020. This can offer a solution for organizations with peak seasonal activities.
- In NOW 2.0 the fixed increment (as compensation for other employer expenses) will be increased from 30% to 40%.
- Businesses and organizations may also file an application under NOW 2.0 if they have not already filed an application for the period March-May 2020 (NOW 1.0).

Additional conditions NOW 2.0

- Also under NOW 2.0 employers must commit to paying 100% of the salaries of their employees.
- Any subsidies received as a result of the corona crisis will be taken into account in the determination of the turnover. This also applies, for example, to the Overhead Compensation SMEs (see section 2 below).
- As with NOW 1.0, NOW 2.0 also imposes a penalty if redundancy on economic grounds is applied for during the period in which the payroll costs are subsidized (NOW 2.0: between June 1 and August 31, 2020). However, under NOW 2.0 the penalty is no longer 150% but 100% of the payroll of those employers for whom redundancy was applied for on economic grounds.
- In the application for NOW 2.0, employers must state that the Collective Redundancy Notification Act (*Wet Melding Collectief Ontslag; WMCO*) applies and that they will consult with unions during a four-week period about the proposed redundancy. They must also state that they will not file the redundancy application until four weeks after the WMCO notification has been submitted to the unions.

Dividends, bonuses, redemption of own shares and retraining and refresher training programs

NOW 2.0 applications are subject to the condition that a company or group must not distribute any dividends or award any bonuses for 2020, or redeem any own shares, through to the shareholders' meeting in which in 2021 the financial statements are approved. This requirement only applies to companies for which an auditor's statement is required.

The prohibition on paying out bonuses (including profit sharing and other bonus payments) only relates to the management board and board of directors.

With the extension of the NOW, a best-efforts obligation will apply to employers, which requires them to encourage employees to retrain or attend refresher courses. It is still unclear exactly how this obligation will be incorporated into the scheme, but Staff Councils or employee representative bodies will presumably play an important role in this. NOW 1.0 had already required that these bodies be notified of the subsidy application; this obligation will continue under NOW 2.0.

2. Overhead Compensation SMEs

Because, in addition to personnel expenses, overhead is also a problem for many companies and organizations, the government has introduced a new scheme, the Overhead Compensation SMEs (*Tegemoetkoming Vaste Lasten mkb*; TVL). This new compensation can be applied for by SME entrepreneurs working in sectors that fall under the current TOGS scheme (Tax-exempt compensation for Entrepreneurs in Affected Sectors COVID-19; *Tegemoetkoming Ondernemers Getroffen Sectoren COVID-19*; TOGS). Depending on the size of the company, the amount of overhead and the degree of lost turnover (which must be at least 30%), these entrepreneurs will be compensated for their overhead up to a maximum of EUR 20,000 for three months. As is the case under the current TOGS scheme, this compensation will also be tax-exempt.

3. Extension of temporary emergency bridging measure for self-employed persons (TOZO 2)

The government is extending the current temporary emergency bridging measure for self-employed persons (*Tijdelijke overbruggingsregeling zelfstandig ondernemers*; TOZO), which ends on May 31, 2020, for a one-off period of three months, while at the same time amending the conditions. For example, the TOZO 2 scheme will contain a partner's income test. This means that under TOZO 2 households with an income above the social minimum will no longer be able to claim compensation for their cost of living expenses.

The option offered to self-employed entrepreneurs to take out an interest-bearing loan for operating capital with their municipality up to a maximum of EUR 10,157, will also continue to be available under TOZO 2. Entrepreneurs who had already applied for a loan, but stayed under the maximum, have the option to take out a second loan with their municipality. However, the sum of both loans must not exceed EUR 10,157. When applying for a loan for operating capital, self-employed entrepreneurs will be asked to state that their business is not subject to suspension of payments nor is it in a state of bankruptcy.

The payment period for TOZO 2 runs through to August 31, 2020.

4. Start-ups: Corona bridging loan (COL)

Due to the large number of filed applications and the expected increase in these applications in the coming months, the government has decided to expand the Corona bridging loan (*Corona-Overbruggingslening*; COL) in Emergency package 1.0 for the coming three months with a second tranche of EUR 150 million of loans so as to improve the liquidity position of innovative companies.

5. Financing instruments: Government-guaranteed scheme for loans to small and medium-sized enterprises (*Borgstelling MKB-kredieten*; BMKB) and the Business Loan Guarantee Scheme (*Garantie Ondernemingsfinanciering*; GO)

Generic liquidity subsidies are also available for companies via the corona-guarantee instruments. The extended guarantee instruments BMKB-C and GO-C from Emergency package 1.0 will be continued under Emergency package 2.0. The guarantee budget has been increased for this. The combined amount for BMKB and BMKB-C is EUR 1.5 billion, with the combined amount for GO and GO-C being EUR 10 billion. Emergency package 1.0 had at some point already been supplemented with the granting of more small loans. The Small Corona Loans (*Klein Krediet Corona*; KKC scheme) is currently being implemented. A guarantee budget of EUR 713 million is being made available for this.

6. Deferral of payment

Approval had already been given for deferral of payment to be granted to businesses upon request if they were encountering liquidity problems as a result of the corona crisis. A distinction was made between deferral of payment for a period of three months and deferral of payment for a period longer than three months. We refer to [our memorandum of April 29, 2020](#).

The option to obtain deferral of payment under the above approval was originally available until June 19, 2020. This period will be extended until September 1, 2020.

Businesses requesting deferrals of payment longer than three months must meet a number of additional conditions (including a statement by an expert third party if the total tax debt is EUR 20,000 or more). An additional requirement will be that businesses state that they will not distribute any dividends, award any bonuses or redeem any own shares. What form the statement will take is currently being worked out in more detail.

If businesses are granted a deferral of payment longer than three months, this deferral will not be withdrawn before September 1, 2020. A suitable payment arrangement will be offered when the deferral of payment ends. We are still waiting for more information about this.

As of the period May 2020, it will be possible for license holders to obtain a deferral of payment for private motor vehicle and motorcycle tax (*belasting van personenauto's en motorrijwielen*; BPM). A request for a deferral of payment of the BPM is only possible if a supplementary assessment has been imposed; for the period May 2020 this will be around the middle of July 2020.

Customs will apply a deferral policy for payment obligations under EU Customs legislation for the months March, April and May 2020. To extend or phase out this policy, agreement from the European Commission is needed. The government will address this issue separately.

7. Interest on tax due and late payment interest

The government had already announced that as of March 23, 2020 the late payment interest rate will be reduced to 0.01% for a period of three months. It has now been decided that the reduction of the late payment interest rate will be extended until October 1, 2020.

The government had also already indicated that as of June 1, 2020 the rate for interest on tax due would be reduced to 0.01% for three months, with the exception of personal income tax, for which the reduced rate will apply as of July 1, 2020. It has now been decided that the reduction of the rate for interest on tax due will be extended until October 1, 2020.

8. Other tax measures

The duration of a number of other tax measures that would end before September 1, 2020 if no further decisions on them were taken by the government, will be extended until September 1, 2020. This means, for example, that the VAT exemption for medical relief supplies, the VAT exemption for the outsourcing of healthcare workers, the easing of the hours criterion for businesses subject to personal income tax, and the period during which a temporary deferral of mortgage payments while retaining the right to claim the mortgage interest deduction can be applied for and granted, will be extended until September 1, 2020.

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 any additional tax measures.

Meijburg & Co
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