

Relief and recovery package for the economy and labor market reappraised

In a letter sent to the Lower House of Parliament on December 9, 2020 the government announced that the existing relief and recovery package for the economy and labor market – which was announced in August and has applied since October 1, 2020 (see our previous memorandum of [September 2, 2020](#) about this) – would be amended and some elements expanded. This is of course related to the continuing impact of the coronavirus on the economy, which is in a recession, also with regard to the Netherlands.

The government has decided not to phase out 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*) in the first quarter of 2021 compared to the fourth quarter of 2020.

The changes to these schemes and some other striking, tax-related measures are discussed in more detail below.

1. Deferral of payment of taxes

The government is extending the period during which businesses can apply for a deferral of payment of taxes (or an extension thereof) until April 1, 2021. Businesses that have not previously applied for a deferral or extension now have until April 1, 2021 to do so. Businesses that had previously only filed an application for a three-month deferral, may now ask to have that deferral extended until April 1, 2021. For businesses that had already been granted an extension earlier this year, this extension will now automatically apply until April 1, 2021.

For all these businesses this means that as of April 1, 2021 at the latest they will again have to comply with the payment obligations arising on or after that date. The tax debt accrued during the deferral period will not have to be paid in full on April 1, 2021: businesses are eligible for a payment arrangement of 36 months as of July 1, 2021 (see our memorandum dated [September 2, 2020](#)).

2. Changes to phasing-out timeframe NOW

The government had already decided in August 2020 to extend the NOW as of October 1, 2020 with three *periods* of three months (together 'NOW 3'; we again refer to our memorandum of [September 2, 2020](#)). However, the proposed scaling back of the second period (January through March 2021) will not proceed. For example, the reimbursement percentage for that period, just as for the fourth quarter of 2020, will remain at 80% (instead of the previously proposed 70%), the minimum decline in turnover that businesses must incur in order to be eligible for NOW 3 in the second period will remain at 20% (instead of the previously proposed 30%) and the payroll

exemption, intended to allow the payroll to decline in order to adjust business operations to the crisis, will remain at 10%.

3. Changes to phasing-out timeframe TVL

The TVL had already been extended with three periods of three months as of October 1, 2020, with the maximum subsidy being increased to EUR 90,000 per period (see our memorandum of [September 2, 2020](#)). The letter dated December 9, 2020 now states that the proposed increase of the minimum loss of turnover percentage for the second period will not proceed, so that this percentage will remain at 30% from January through March 2021, thus the same as when the TVL was first made available from June through September (TVL 1) and in the fourth quarter of 2020. It has also been decided to increase the subsidy percentages by allowing the part of the overhead that is to be reimbursed to increase along with the loss of turnover: from 50% of the overhead in the case of a 30% loss of turnover to 70% in the case of a 100% loss of turnover. This increase applies to both the first and the second period, thus as of October 2020 through to March 2021. Unlike under TVL1, in that same period the TVL will be available for (nearly) all sectors; it will thus also apply to the first quarter of 2021.

The other conditions for the TVL remain unchanged, see our memorandum dated [November 30, 2020](#) (only available in Dutch), in which we also addressed the 'one-off markup for inventory and adjustment costs for the hospitality industry', which is, in any case for the fourth quarter of 2020, an integral part of the TVL subsidy. It has now been announced that, just like the TVL, this markup will be exempt from personal and corporate income tax.

Events sector

In the letter dated December 9, 2020 the government has provided several additional contours for the previously announced events sector module within the TVL:

- The scheme is aimed at organizers and suppliers of public events.
- The module is intended for businesses that were eligible for TVL 1, but are not eligible for the TVL for the fourth quarter of 2020 (due to a too low reference turnover).
- For at least 50% of their turnover in the second and third quarters of 2019, businesses must have been dependent on events organized in that same period in 2019.
- Other than previously indicated, this will not be defined on the basis of SBI codes.
- The subsidy amounts to 33.3% of the subsidy that the business received under TVL 1 (at least EUR 750).

The scheme is currently being finalized, after which the European Commission will be asked to confirm that this is approved State aid. It is therefore not expected that applications for the events sector module for the fourth quarter of 2020 will be able to be submitted before the second half of January 2021. Applications for the first quarter of 2021 will probably not be able to be submitted until the beginning of February 2021.

4. No changes to the Temporary emergency bridging measure for self-employed persons (*Tijdelijke overbruggingsregeling zelfstandig ondernemers; TOZO 3*)

As of October 1, 2020 the government had also extended the TOZO by three periods of three months (TOZO 3). The government had previously decided to postpone the introduction of the limited assets tests until April 1, 2021. TOZO 3 will thus run from October 1, 2020 through to April 1, 2021 and does not contain any changes compared to TOZO 2 (we again refer to our memorandum dated [September 2, 2020](#)).

5. Other tax measures

The following measures have been extended until April 1, 2021:

- the deferral of administrative obligations with regard to payroll tax and social security contributions;
- the agreement with Germany and Belgium concerning the taxation of frontier workers;
- the exemption for a number of German net benefits;
- the zero VAT rate on face masks;
- the retention of the right of homeowners to claim the mortgage interest deduction if they obtain a mortgage repayment break from their mortgage lender.

Finally, please note that a VAT rate of 0% on COVID-19 vaccines and test kits will apply until April 1, 2021

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.

Meijburg & Co
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