

Expansion of corona support in connection with extension of lockdown (January 2021)

On January 21, 2021 in a letter sent to the Lower House of Parliament the government announced that the current relief and recovery package for the economy and labor market would again be expanded. This package, which had been announced in August 2020, has applied since October 1, 2020 (see our memorandum of [September 2, 2020](#)) and was also amended and expanded on December 9, 2020 (see our memorandum of [December 14, 2020](#)).

In its letter of January 21, 2021, the government announced that it would expand 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*), by, for example, increasing the subsidy percentages and broadening the group of businesses that are eligible for the subsidy schemes. In addition, the government is extending the deferral of payment for tax debts until July 1, 2021.

These changes 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 and for which businesses can apply for a deferral of payment of taxes or an extension thereof until July 1, 2021 (was April 1, 2021). This means that businesses have until July 1, 2021 at the latest to apply for a deferral of payment or an extension of a deferral already granted:

- Businesses that submit an application for the *first time* after April 1, 2021 will not have to comply with their newly arising payment obligations, such as the periodic remittance of VAT and payroll tax and social security contributions, until July 1, 2021.
- Businesses that had previously only filed an application for a *three-month* deferral, may – under certain conditions – still ask to have that deferral extended until July 1, 2021. **Please note:** it is essential that if these businesses cannot meet their payment obligations after the end of that three-month deferral, they apply for an extension of the deferral *themselves*. If they do not do that, they risk being excluded from the payment arrangement of 36 months for the accrued tax debt.
- For businesses that have already been granted an *extension* this year, the extension will automatically apply until July 1, 2021.

As of July 1, 2021 at the latest, all these businesses must again comply with the payment obligations arising on or after that date. The tax debt accrued during the temporarily eased deferral period does not have to be paid in full on July 1, 2021: businesses are eligible for a payment arrangement of 36 months as of October 1, 2021 (was July 1, 2021).

2. Normative salary

A holder of a substantial interest who performs work for an entity in which it holds a substantial interest (an SI employee), normally must in any case pay tax on an appropriate salary laid down by law, i.e. the 'normative salary'. In view of the large loss of turnover incurred in some sectors due to the corona crisis, it will be arranged that the normative salary for 2021 may also be determined at a lower amount. Unlike in 2020, during which a similar measure applied, an entry threshold will apply for 2021, which means that a loss of turnover of at least 30% must be incurred in 2021 compared to 2019. If this is the case, then the normative salary for 2021 may – without having to consult the tax inspector – be set at the amount of the normative salary for 2019 multiplied by a factor being the turnover for the *whole* of 2021 divided by the turnover for the *whole* of 2019. For 2020, the first four months of 2020 were compared to the first four months of 2019.

Otherwise, the same requirements apply as for reducing the normative salary for the year 2020 (see our memorandum of [May 8, 2020](#)).

3. Travel allowance, work-related costs rules and working from home

3.1 Travel expenses

The measure for the untaxed fixed travel allowance will be extended until April 1, 2021 (was February 1, 2021). This means that until April 1, 2021 employers may pay existing fixed travel allowances untaxed, even if these travel expenses are no longer (fully) incurred as a result of working from home. However, this is subject to the condition that an employee had an unconditional right to this fixed travel allowance on March 12, 2020 at the latest.

3.2 Work-related costs rules

Just as in 2020, the fixed exemption in the work-related costs rules will also be increased in 2021 from 1.7% to 3% for the first EUR 400,000 of the payroll for each employer.

3.3 Working from home

The government is examining the options for an additional scheme under which it will be possible for employers to reimburse untaxed the costs of working from home, in addition to the reimbursement of, for example, health and safety facilities and IT equipment, which is already possible.

4. Hours criterion

An entrepreneur who is subject to personal income tax is only entitled to certain entrepreneur tax relief, such as the self-employed persons deduction, if they spend at least 1,225 hours per calendar year on their business. It is however conceivable that because of the corona crisis entrepreneurs will perform less or no activities for their business, which means they could lose the entrepreneur tax relief. It will therefore be regulated that when assessing whether the hours criterion has been met, entrepreneurs will be deemed to have spent at least 24 hours per week on their business during the period January 1, 2021 through June 30, 2021 (and at least 16 hours per week for the business start-up allowance in the event of occupational disability).

Entrepreneurs who usually work peak hours during the period January 1, 2021 through June 30, 2021 because they perform seasonal work, will be deemed to have spent the same number of hours during the same period in 2021 as the number of hours spent during the period January 1, 2019 through June 30, 2019. The above arrangements are comparable with those for 2020.

5. Other tax measures

The following measures have been extended until July 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 zero VAT rate on the outsourcing of healthcare workers;
- the zero VAT rate on COVID-19 vaccines and testing kits; and
- the retention of the right of homeowners to claim the mortgage interest deduction if they obtain a mortgage repayment break from their mortgage lender.

The temporarily reduced VAT rate (9%) on sport lessons offered by gyms online will continue until the mandatory closure of gyms is lifted.

6. NOW subsidy percentage increased

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'; see our memorandum of [September 2, 2020](#)). When presenting NOW 3, the government outlined a phasing out of the NOW subsidy. However, at the beginning of December 2020 the government announced that the subsidy percentage for the first quarter of 2021 would not be reduced, which means that it would also be 80% for that quarter. In the letter of January 21, 2021, the government announced that it had agreed with employers' and employees' organizations that the NOW subsidy percentage would be *increased* from 80% to 85%. This increase applies to both the first and the second quarter of 2021.

The minimum lost turnover percentage of 20% that already applied to the first quarter of 2021, will also apply to the second quarter (instead of 30%). And the payroll exemption percentage in the second quarter of 2021 will be reduced from 20% to 10% and thus will (also) be the same as in the first quarter of 2021. The maximum salary per employee to be taken into account for the subsidy will also be aligned, so that in both quarters it will be based on twice the applicable maximum daily wage per month (a reduction was initially envisaged for the second quarter of 2021 of once that daily wage).

7. Expansion of 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](#)). At the beginning of December 2020 it was announced that the proposed increase of the minimum lost turnover percentage for the second period would not go ahead, so that this percentage will remain at 30% for January through March 2021. It was also announced that the subsidy percentage would be increased by allowing the part of the overhead that is to be reimbursed to increase along with the lost 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 would apply to both the first and the second period.

In its letter of January 21, 2021 the government announced that the TVL would be significantly expanded.

7.1 Reimbursement percentages

The government is increasing the reimbursement percentages for overhead to 85% for all businesses with a loss of turnover starting at 30%. As a result, the reimbursement percentage will no longer rise from 50% to 70% (depending on the extent of lost turnover), but is proportionally 85%.

7.2 Target group expanded: employee threshold abandoned

In the first and second quarters of 2021, the government is also making the TVL available to companies with more than 250 employees.

7.3 Maximum subsidy amount increased

In order to better align the support for both larger, capital-intensive companies and harder hit companies with their situation, the maximum subsidy amount for a business will be increased from EUR 90,000 to EUR 330,000 per quarter. This applies to both the first and the second quarter of 2021. For companies with more than 250 employees, the maximum subsidy amount is set at EUR 400,000.

7.4 Stock subsidy Closed Retail Sector (*Voorraadsubsidie Gesloten Detailhandel; VGD*)

In response to the closure of the retail sector, the government announced at the end of last year that in the first quarter of 2021 there would also be a one-off additional subsidy ('top up') linked to the TVL for businesses operating in this sector. In the letter of January 21, 2021, the government announced that in the first quarter of 2021 this subsidy will amount to a top up of 21% of the overhead percentage in the TVL (or: 17.85% of the lost turnover).

To receive the VGD, eligible businesses do not have to submit a separate application. It will automatically be a part of the application to be filed for the TVL in the first quarter of 2021. The top up has its own maximum reimbursement of EUR 200,000 and falls outside the increased maximum reimbursement of EUR 330,000/EUR 400,000 mentioned above.

NB. The Hospitality Industry Subsidy for Stock and Design Changes (*Horecasubsidie Voorraad & Aanpassingen; HVA*) will not return in the first quarter of 2021.

7.5 Minimum subsidy amount and minimum overhead

To also accommodate small businesses, the government has decided to double the minimum subsidy as of the first quarter of 2021 from EUR 750 to EUR 1,500 per business. In addition, the government is examining whether the requirement of at least EUR 3,000 of overhead per quarter can be reduced.

8. Business start-ups

The government is also introducing a separate scheme for business start-ups, which will be based on the TVL as much as possible. This scheme will apply to all businesses that commenced operating between January 1, and June 30, 2020. The reference period for these businesses will be the third quarter of 2020 and the scheme will apply to both the first and the second quarter of 2021. The scheme is still being worked out. The government hopes to be able to open the start-up counter in April/May 2021.

9. 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. In the letter of January 21, 2021 the government announced that it had decided not to introduce the limited assets test as of April 1, 2021 (under TOZO 4) (see for more information our memorandum of [September 2, 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 tax developments.

Meijburg & Co
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The information contained in this memorandum is of a general nature and does not address the specific circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.