KPMG Meijburg & Co Tax & Legal

2022 Spring Memorandum – tax measures

Dutch Minister of Finance Ms. Kaag submitted the 2022 Spring Memorandum to the Lower House of Dutch Parliament on Friday, May 20, 2022. This Memorandum sketches the outlines of the planned decision-making on the budget for 2023 and subsequent years. The final draft budget for 2023 will be presented on Budget Day (2023 Tax Plan). The parliamentary debate and the decision-making will take place in the fall.

The Spring Memorandum shows, among other things, that the Dutch government plans to spend money to compensate consumers for the increase in energy prices and to improve the purchasing power of elderly persons. The government also wants to step up Dutch defense spending. In addition, it will have to find money to finance the restoration of rights of taxpayers with Box 3 savings to comply with the judgment of the Dutch Supreme Court of December 24, 2021 (the so-called Christmas judgment). The government is also looking to explore ways of how to create a better balance between tax on capital and labor.

To finance these plans, the government has proposed a number of tax measures, which we will address in greater detail below.

Corporate income tax

Reduction in step-up tax bracket as of 2023
The step-up corporate income tax bracket, i.e. the portion of the taxable amount that is subject to the low corporate income tax rate of 15%, will be reduced from EUR 395,000 to EUR 200,000 with effect from 2023. This substantial reduction is explained by referring to the fact that the implementation of the OECD Pillar Two Model Rules (or rather the implementation of the EU Directive that is based on these Model Rules) has been delayed by one year and will effectively come into force in 2024. The fiscal loss associated with that delay is estimated at EUR 1 billion. The Dutch Ministry of Finance had said earlier that the worldwide implementation of the Pillar Two Model Rules in the Netherlands would result in a gain of EUR 0.5 billion because it expected activities to be relocated from low-tax jurisdictions to the Netherlands. Now that the implementation date of the Pillar Two Model Rules is uncertain, however, expectations are that no activities will be relocated to the Netherlands for the foreseeable future.

Personal income tax and payroll tax

Two tax brackets in Box 2 as of 2024
The Dutch government plans to introduce two tax brackets in Box 2 with effect from 2024. The first EUR 67,000 in income from substantial interest (Box 2 income) will be taxable at 26%; any excess will be taxable at 29.5%. These amounts are per person.

Efficiency margin for normative salary lowered to 15% as of 2023
Employees who work for an entity in which they hold a substantial interest, i.e. directors/majority shareholders, are governed by the normative salary rule. Based on

this rule, the salary of a director/majority shareholder is to be set at the highest of the following amounts in principle:

(a) 75% of the salary of the most comparable employment;
(b) the salary of the best-paid other employees of the entity or entities affiliated with it;
(c) EUR 48,000.

The rule under (a) means that the salary of a director/majority shareholder can be set 25% lower than the normative salary for the level of their activities and the hours they put in. The Dutch government plans to lower this so-called efficiency margin to 15% with effect from 2023.

30% ruling limited to public sector pay cap as of 2024
The 30% ruling is a form of tax relief for employees coming to the Netherlands who are recruited from abroad and have specific expertise that is scarce or unavailable in the Dutch labor market. Under this tax facility, roughly 30% of their salary is exempt from tax. The Dutch government intends to limit the 30% ruling to the public sector pay cap (2022: EUR 216,000) with effect from 2024. There will be a transitional scheme, but the details of this scheme are not available as of yet.

Tax-free commuting allowance as of 2023
In its coalition agreement, the Dutch government announced that it planned to increase the tax-free commuting allowance, which currently stands at EUR 0.19 per kilometer. The government is now looking to bring this increase forward by a year. In concrete terms, this means that the tax-free commuting allowance will be raised as early as on January 1, 2023. The exact increase is unknown as yet, but the tax-free allowance is reported to rise to EUR 0.21 on January 1, 2023 and on to EUR 0.23 one year later.

Decrease of general tax credit based on aggregate income as of 2025
The Dutch government plans to base the decrease of the general tax credit with effect from 2025 on a taxpayer's aggregate income, which is the total income in all three boxes. As it stands, the decrease of the general tax credit is based on a taxpayer's Box 1 income (income from work and home) only.

No increase in Box 3 tax-free amount
The Dutch government intends to cancel the planned step-by-step increase in the Box 3 tax-free amount to about EUR 80,000 as outlined in the coalition agreement. The current tax-free amount is EUR 50,650 (for married or civil partners: EUR 101,300).

Abolition of tax-deferred retirement reserve as of 2023
The Dutch government plans to abolish the tax-deferred retirement reserve with effect from January 1, 2023. Any reserves accrued until that date can effectively be settled based on the current rules.

No increase in elderly person's tax credit
The Dutch government intends to abandon its plan to increase the elderly person's tax credit by EUR 376 as of 2025 as outlined in the coalition agreement.

Increase in general real estate transfer tax rate to 10.1% as of 2023

The Dutch government plans to increase the general real estate transfer tax rate to 10.1%. This general rate is 8% at present; it was supposed to rise to 9% by January 1, 2023. The government now plans to raise it to 10.1%. The purchase of a residential property by a natural person who will use it as their principal residence will continue to be taxable at 2%, or at 0% if the first-time buyer's exemption applies.

Future

Better balance between tax on capital and labor
In the run-up to Budget Day, the Dutch government will explore ways of how to create a better balance between tax on capital and labor. In this context, measures will be considered in light of at least the outcome of the Interdepartmental Policy Research on Wealth Distribution and the evaluation of the business succession scheme. The government will report its findings on Budget Day.

Restoration of rights for non-litigants against Box 3 tax liability
On Friday, May 20, 2022, the Dutch Supreme Court ruled – in short – that the government is under no legal obligation to restore the rights of taxpayers who did not file a notice of objection against the Box 3 tax liability (see our tax alert of May 20, 2022). That said, the Ministry of Finance may still decide to restore the rights of non-litigants. The Dutch government will announce by Budget Day 2022 at the latest whether or not some or all of the non-litigants will have their rights restored. If their rights *are* restored, additional fiscal measures will be in order.

Corporate income tax
Expectations are that, as a result of the OECD/G20 Pillar Two solution, a global minimum corporate income tax rate of 15% will be introduced with effect from 2024. It is uncertain at this time what gains the Netherlands can expect from Pillar Two. If these gains are lower than budgeted, cover will be sought in the low rate or in the corporate income tax bracket ranges.

KPMG Meijburg & Co comments

The 2022 Spring Memorandum provides insight into the policy themes that the Dutch government is grappling with at this time. It also paints a picture of the measures the government plans to take to finance its spending. Dutch-based businesses and high-net-worth individuals can expect substantial tax increases in particular. This might give rise to you having to rethink your tax position. Your Meijburg advisor would be happy to help you review your situation.

KPMG Meijburg & Co
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