

Lower House of Parliament adopts various amendments and motions during vote on 2024 Tax Plan package

On Friday, October 27, 2023 the Lower House of Parliament adopted the 2024 Tax Plan package, the Minimum Profit Tax Act 2024 and the Tax Miscellaneous Provisions Act 2024. The Lower House also adopted a considerable number of tax amendments and motions. In this memorandum we list the adopted bills and explain the adopted amendments and motions in more detail. We also address several Memorandums of Amendment that were submitted after our [Budget Day memorandum](#) was published and which are now part of the adopted bills.

Adopted bills

The Lower House voted on a total of 17 tax bills. All 17 bills were adopted.

2024 Tax Plan package:

- 2024 Tax Plan
- 2024 Tax Plan BES Islands
- Mutual Fund and Exempt Investment Institutions (Amendment) Act
- Fiscal Investment Institution (Amendment) Act
- Legal Forms Tax Qualification Policy Act
- Selective Intake Compensation Act
- Reassessment Legal Costs WOZ and BPM Act
- Business Succession Tax Relief (Amendment) Act 2024
- Temporary Scheme Revision of Personal Income Tax Return Act
- Other Tax Measures 2024
- Climate Tax Measures for Glasshouse Horticulture
- Climate Tax Measures Electricity and Industry Act
- Personal Rent Allowance Contribution (Reduction) Act
- Amendment of the Surviving Dependents Act and the Participation Act in connection with the double general tax credit in the reference minimum wage not being phased out in 2024
- Amendment of the Child-related Budget Act to increase the child-related budget as a means of improving consumer purchasing power

Other bills:

- Minimum Profit Tax Act 2024
- Tax Miscellaneous Provisions Act 2024

Memorandums of Amendment

Various Memorandums of Amendment were submitted after our [Budget Day memorandum](#) was published. Several of these memorandums only contained technical and/or editorial changes. Other memorandums did however introduce substantive changes, and it is these memorandums that we will be addressing.

Memorandum of Amendment Legal Forms Tax Qualification Policy Act

The Memorandum of Amendment to the Legal Forms Tax Qualification Policy Act provides for rules whereby if an open limited (type of) partnership in 2024 in principal has a withholding tax obligation in respect of dividends pursuant to the hybrid provision in Section 2.1(1)(e) Withholding Tax Act 2021, it is nevertheless possible to 'look through' (*doorkijken*) the structure to the underlying participants. Whether there is a withholding tax obligation in respect of the relevant dividends must then be determined at the level of these underlying participants.

It should be noted that these rules are limited to benefits in the form of dividends – and thus *not* to interest and royalties. Also of importance is that the rules only apply if the open limited (type of) partnership in principal has a withholding tax obligation pursuant to the hybrid provision in Section 2.1(1)(e) Withholding Tax Act 2021. The concession therefore does *not*, for example, apply if the open limited (type of) partnership has a withholding tax obligation due to it being established under the laws of a low-tax jurisdiction or it being resident there.

Memorandum of Amendment 2024 Tax Plan

The Memorandum of Amendment to the 2024 Tax Plan limits the annual adjustment for inflation for certain amounts in the Personal Income Tax Act 2021 and certain thresholds in the General Income-Dependent Schemes Act, and provides for rules to avoid economic double taxation resulting from the additional CFC measure in the Corporate Income Tax Act 1969 and the qualifying domestic addition to income in the bill on the Minimum Profit Tax Act 2024. It also lays down by law that the minimum tax is non-deductible for corporate income tax purposes.

Memorandum of Amendment Minimum Profit Tax Act 2024

After publication of the OECD's model rules, administrative guidance was published by the OECD's Inclusive Framework. The Memorandum of Amendment to the Minimum Profit Tax Act 2024 aims to legally anchor several elements of that guidance in the Minimum Profit Tax Act 2024, such as the definition of a qualifying interest, deferred taxation with regard to obtaining a right to a tax credit as well as the crediting of tax, the temporary safe harbor rule for the undertaxed profit measure and the qualifying domestic addition to income in respect of the safe harbor rule.

Adopted amendments

The Lower House of Parliament has adopted a considerable number of amendments to the various bills. These amendments change the bills and are part of or will become part of the bills to be presented to the Upper House of Parliament.

2024 Tax Plan

Increased tax rates for Box 2, Box 3 and bank tax, abolition of tax relief for redemption of shares (36 418, no. 11)

Under this amendment, the top rate in box 2 (for income from a substantial interest exceeding EUR 67,000) will increase from 31% to 33% as of January 1, 2024, the Box 3 tax rate will increase to 36% as of January 1, 2024, the bank tax will be increased as of 2024 and the tax relief for the redemption of shares for listed companies will be abolished for dividend tax purposes as of January 1, 2025. The revenue from this will be used to increase the statutory minimum wage by 1.2%.

Corporate income tax deduction for donations will not be discontinued, excessive borrowing from own company lowered to EUR 500,000 (36 418, no. 60)

Under this amendment, the corporate income tax deduction for donations under EUR 100,000 will not be discontinued. The resultant loss of revenue will be covered by reducing the maximum amount that can be borrowed from the own company from EUR 700,000 to EUR 500,000 as of January 1, 2024 (for the reference date of December 31, 2024).

Scaling back of 30% ruling (36 418, no. 63)

Under this amendment, the 30% ruling will be set at a maximum of 30% of the taxable salary for the first 20 months of the maximum five-year period for which the 30% ruling is issued. It will be drop to 20% of that taxable salary for the next 20 months and to 10% of that salary in the last 20 months. Transitional rules will apply to employees who in the last period of 2023 benefited from a 30% ruling that had already been issued to them (for more information see [this memorandum](#)).

Abolition of partial foreign taxpayer status (36 418, no. 69)

This amendment abolishes the partial foreign taxpayer status. The partial foreign taxpayer status is an additional tax facility for expats using a 30% ruling. Under this facility, they do not have to pay any tax in Box 2 or Box 3 on their foreign capital income. Transitional rules will apply under which expats who were already applying the 30% ruling on December 31, 2023 can still benefit from the partial foreign taxpayer status through to 2026 (for more information see [this memorandum](#)).

Extent of reduction of SME profit exemption limited (36 418, no. 43)

This amendment almost halves the proposed reduction of the SME profit exemption for 2024, bringing the SME profit exemption to 13.31 percent. The loss in revenue resulting from this proposal will be covered by bringing forward by one year the date on which the exemption for dual use and non-energy use of coal was to end, i.e. from 2028 to 2027.

Current excise duty discount on fuel extended for a year (36 418, no. 83)

This amendment will extend by one year the current excise duty discount on petrol, diesel and LPG applying since July 1, 2023. The normal (inflation-adjusted) increase as of January 1, 2024 will not proceed. Without changes to the policy, the proposed

increase in excise duty would have meant that one liter of petrol would be subject to almost EUR 0.21 in additional excise duties. For one liter of diesel, excise duties of more than 13 cents would be levied at the pump. Funds in the National Growth Fund that have not yet been earmarked for use will be used to cover the loss in revenue resulting from this amendment.

Reduction of energy tax, lower indexation and higher occupational disability contribution (36 418, no. 68)

This amendment will provide for a EUR 200 million tax reduction in the Environmental Taxes Act (energy tax) as of January 1, 2024. The loss in revenue will be partly covered by a further reduction in the indexation factor used for certain amounts in personal income tax and payroll tax and partly by increasing the top rate for the occupational disability contribution by 0.05%.

Fairer and more logical phasing out of the IACK (36 418, no. 61)

This amendment implements a fairer and more logical phasing out of the income-related combination tax credit (in Dutch: IACK) than the phasing out proposed by the government last year. Firstly, the amendment will phase out the IACK in nine steps for all parents whose income and family situation entitles them to the IACK, including parents of children born after December 31, 2024. The amendment also postpones the abolition of the IACK by two years, from 2025 to 2027. This is in line with the fact that the new after school and after care regime has been delayed by two years and will only apply as of 2027. The IACK will be completely phased out as of January 1, 2035. The phase-out is budget-neutral.

Rules for pension plans that are excessive for tax purposes

In specific situations (in particular for hairdressers) a pension plan may be excessive for tax purposes. This amendment provides for rules for these situations.

Phasing out of reduced rate for shore-side power (36 418, no. 27)

This amendment will increase the reduced rate for shore-side power in 10 steps from 2024 through 2033. As of January 1, 2033 the rate will be 100% of the normal rate. The revenue from phasing out the reduced shore-side power rate will be used to annually reduce the energy tax rate on electricity in the (new) first bracket.

Reduction maximum take-off weight of aircraft falling under air passenger tax (36 418, no. 29)

Under this amendment, the maximum permissible take-off weight falling under the current definition of "aircraft" for air passenger tax purposes will be reduced from 8,616 kilograms to 4,000 kilograms. As such, passengers departing in aircraft with a maximum take-off weight between 4,000 kilograms and 8,616 kilograms will also be subject to air passenger tax. There is an option to exclude, for example, spray planes, flight training and ambulance planes.

Halving of proposed increase in excise duties on alcohol (36 418, no. 111)

The 2024 Tax Plan contains a proposal to increase the excise duties on alcohol by 16.3%. This amendment will almost halve the proposed increase. To cover the loss in revenue from this amendment, two amendments to the 2024 Tax Plan will be introduced: an increase in the excise duties on tobacco and an increase in the tax on games of chance by 1 percentage point.

Request to inspect the tax file (36 418, no. 110)

This amendment gives taxpayers and withholding agents the right to request to inspect their tax file.

Business Succession Tax Relief (Amendment) Act 2024

Exemption to rise to 75% and removal of 'at least 0.5%' (36 421, no. 11)

This amendment will set the exemption for invested equity capital exceeding EUR 1.5 million in the business succession scheme for gift and inheritance tax purposes at 75% (instead of 70%). It also removes the condition contained in the dilution arrangement, i.e. that an indirect interest of at least 0.5% must be held, for situations where the acquirer is a blood relative or relative by marriage in the direct descending line. The Members of Parliament who introduced this amendment did so with the intention to ensure that old family businesses that have been in the family for generations and whose aim is to stay in the family in the future, will continue to have access to business succession tax relief, even if the interests are diluted because they are spread across multiple family members.

To cover the loss in revenue resulting from this relaxation of the rules, the exemption for green investments in Box 3 will be reduced to EUR 30,000 (for tax partners: EUR 60,000) as of January 1, 2025.

End to registration condition for crop rotation (36 421, no. 8)

This amendment will remove the condition under the business succession scheme and the transfer facility requiring a taxpayer to register with the Agricultural Tenancies Authority, provided there is a written lease agreement that also meets the condition for necessary crop rotation contained in Section 7:396(1)(a) through (c) Dutch Civil Code.

2024 Tax Plan BES Islands

Tax-free amount BES islands no longer less than statutory minimum wage (36 419, no. 9)

Under this amendment, the tax-free amount on the BES islands will no longer be less than the statutory minimum wage. This amendment rectifies an omission as a result of which the increase in the statutory minimum wage is partly skimmed off by the tax authorities.

Climate Tax Measures for Glasshouse Horticulture/Industry and Electricity Act

Timeline for phasing out reduced rate for glasshouse horticulture extended to 10 years (36 426, no. 14)

This amendment extends the timeline for phasing out the reduced rate for glasshouse horticulture from five to 10 years. The CO₂ tax for the horticulture sector, which will be introduced in 2025, will be used to cover the loss in revenue resulting from this amendment.

Annual evaluation combined heat and power (cogeneration) measure (36 426, no. 13)

This amendment introduces an annual evaluation provision applying as of the date the combined heat and power (cogeneration) measure takes effect.

Dual use to end as of 2027 (36 432, no. 11)

This amendment brings forward the proposed end to the exemption for dual use and non-energy use of coal, from 2028 to 2027.

Reassessment Legal Costs WOZ and BPM Act

Reimbursement of costs incurred under Traffic Regulations (Administrative Enforcement) Act to be reduced in the same way as costs incurred for WOZ and BPM (36 427, no. 7)

This amendment provides for the reimbursement of costs incurred for legal aid provided by a professional third party for legal proceedings against administrative pecuniary fines as referred to in the Traffic Regulations (Administrative Enforcement) Act to be reduced in the same way as for legal proceedings against WOZ decisions, BPM tax returns and BPM supplementary tax assessments.

Adopted motions

The Lower House also adopted a large number of motions. Members of Parliament use these motions to give their opinion of the policy pursued or to call on the government to do something or not do something. Motions are also more generally used to comment on certain matters or current developments.

Analysis stacking measures for the metallurgical and mineralogical sectors (36 418, no. 70)

This motion asks the government to analyze the effects of the stacking of all the proposed and adopted measures aimed at the metallurgical and mineralogical sectors and to report back to the Lower House about this in the second quarter of 2024. It also calls on the government to draw up additional policy, such as a revised phasing-out timeline or to explore and prepare additional incentives, for which this analysis can be used as the basis for improving the perspective for action by these sectors and to reduce the actual risk.

Monitoring the cross-border effects of increased excise duties (36 418, no. 71)

This motion calls on the government to monitor how the ultimate increase in excise duties will impact cross-border purchases of alcohol and other products by Dutch consumers, how it will impact local small and medium-sized businesses in border regions and how the revenue from the increased excise duties compares to the projections, to discuss this with the sector and report back to the Lower House no later than the summer of 2024.

Differentiation in consumption tax (36 418, no. 72)

This motion calls on the government to allow consumption tax to differentiate between fruit juices and other sugary drinks.

Evaluation of 30% ruling to start as soon as possible (36 418, no. 73)

This motion calls on the government to evaluate the 30% ruling as soon as possible, but no later than 2024.

Global minimum wealth tax for billionaires (36 418, no. 74)

This motion calls on the government to form a leading group with as many OECD countries as possible, which will actively advocate for the introduction of a global minimum wealth tax for billionaires.

Consumption tax on e-cigarettes (36 418, no. 75)

In anticipation of the revision of the EU Excise Directive, this motion calls on the government to present a bill to introduce a consumption tax on e-cigarettes and to present the bill before the 2024 parliamentary summer recess.

Global billionaires tax (36 418, no. 76)

This motion calls on the government to commit to a global billionaires tax and, together with one or more like-minded countries, to take the initiative, for example by publishing a White Paper.

Insight into the relative position of taxpayers in the distribution of income (36 418, no. 77)

This motion calls on the government to include in the next personal income tax assessment, or as soon as this is technically possible, a clear and understandable diagram of the relative position of the relevant taxpayer in the Dutch distribution of income.

Appointing temporary committee tax and benefits system (36 418, no. 78)

This motion calls on the Presidium of the Lower House of Parliament to appoint a temporary committee to reform the tax and benefits system.

Indexation hourly rate for remuneration of volunteers (36 418, no. 79)

This motion calls on the government to, as of 2024, have the hourly rate for the remuneration of volunteers also adjusted for inflation by the table correction factor. It calls on the government to cover the associated EUR 2 million in costs out of the funding surplus of also EUR 2 million resulting from the submitted Grinwis amendment

limiting excessive borrowing from the own company (Grinwis et. al. amendment (36 418, no. 60).

Costs for suspending the license plate registration of camper vans to fall under low rate (36 418, no. 80)

This motion calls on the government to present a proposal before the private motor vehicle and motorcycle tax (BPM) on camper vans is increased, so that the costs incurred for suspending the license plate registration of a camper van can fall under the low rate.

NB: this motion refers to private motor vehicle and motorcycle tax, but it probably means motor vehicle tax.

Tax rate differentiation in tax on games of chance (36 418, no. 81)

This motion calls on the government to explore a rate differentiation in the tax on games of chance, so that another percentage can be used for Lotto and Section 3 lotteries than that used for risky games of chance, and to report back to the Lower House on this at the beginning of 2024.

An above-norm for the marginal tax burden (36 418, no. 85)

This motion calls on the government to come up with an above-norm for the marginal tax burden (personal income tax and benefits combined), to report back to the Lower House on this before the summer of 2024 and to use this in future when deciding on income policy.

No skimming-off of increase in statutory minimum wage BES islands (36 418, no. 86)

This motion calls on the government to also implement a system in the Dutch Caribbean whereby an increase in the statutory minimum wage is not skimmed off for tax purposes, for example by linking the statutory minimum wage on the BES islands to the tax-free amount.

Differentiation consumption tax on non-alcoholic drinks (36 418, no. 87)

This motion calls on the government to introduce, as soon as possible but no later than 2026, a very simple, enforceable form of differentiated consumption tax on non-alcoholic drinks based on their sugar content.

Simpler SME business transfers (36 418, no. 88)

The equity capital an entrepreneur has invested in their business is often the only provision they have made for their retirement. In making gifts it is preferable that this equity capital remains with the gift giver, although the operating company with the actual business is gifted to the children. Under the current business succession scheme this means that before a business is transferred it must be split into a business with invested equity capital and a business with operating assets, which is a complex and expensive procedure. This motion calls on the government to present solutions for this and so make it easier to transfer businesses for small and medium-sized enterprises.

A list of obstacles in the tax system (36 418, no. 89)

This motion calls on the government to identify such obstacles in the tax system, to list solutions to improve the regimes and to report back to the Lower House on this.

Monitoring the Business Succession Tax Relief (Amendment) Act 2024 (36 418, no. 90)

This motion calls on the government to closely monitor the impact of the Business Succession Tax Relief (Amendment) Act 2024, so that unintended consequences can be avoided or rectified and to report back to the Lower House on this.

Examination of rebuttal provision (36 418, no. 93)

This motion calls on the government to examine a rebuttal provision and to report back to the Lower House on this. NB: although the motion does not explicitly say so, the Member of Parliament who submitted the motion probably means a rebuttal provision in Box 3.

KPMG Meijburg & Co comments

On the day the Lower House went into recess for the upcoming elections, the Members of Parliament made significant changes to the 2024 Tax Plan. The changes that were made involve (the shifting around of) several billion euros. Several of the measures introduced by the Lower House can even be characterized as 'essential'. What stands out are, for example, the increase in the rates in Box 2 (33% for income from a substantial interest exceeding EUR 67,000) and Box 3 (36% as of 2024) and the lowering of the threshold for excessive borrowing from the own company to EUR 500,000. These amendments may force a review of the capital position.

The further scaling back of the 30% ruling, the abolition of the partial foreign taxpayer status and the abolition of tax relief for the redemption of shares for dividend tax purposes also stand out.

On the other hand, the changes to the Business Succession Tax Relief (Amendment) Act 2024 in the form of a 75% exemption for invested equity capital exceeding EUR 1.5 million (instead of 70%) and the removal of the 'at least 0.5% requirement' for situations where the acquirer is a blood relative or relative by marriage in the direct descending line, are welcome news for some taxpayers.

Next steps

The adopted amendments are now being incorporated into the bills, after which they will be debated in the Upper House of Parliament in the coming weeks. Unlike the Lower House, the Upper House cannot make any changes, but can only adopt or reject the bills in their entirety. The Upper House will vote on the bills in mid-December 2023.

KPMG Meijburg & Co
October 27, 2023

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.