



SPECIAL ANNUAL BUDGET 2019

September 2018

This Budget Day Special outlines important proposals in the 2019 Tax Plan and additional legislative proposals. This special is divided into the following topics:

- measures for companies;
- measures for employers;
- measures for international situations;
- measures for home ownership;
- measures for VAT and excise duties;
- measures for cars & mobility;
- measures for (wealthy) private individuals;
- other measures.

The proposed measures will enter into force on 1 January 2019, unless stated otherwise.

Although this newsletter was prepared with the utmost care, RMS accepts no liability for any incomplete or incorrect information stated herein. This publication is exclusively intended to communicate news. We advise you to contact your RSM consultant to obtain information about the most current status of the legislation.

MEASURES FOR COMPANIES

Reduction of corporation tax

The rate of corporation tax will be reduced in three annual stages: As from 2019, the lowest tax bracket in corporation tax (taxable profits up to € 200,000) is taxable at 19% and the highest tax bracket (from € 200,000) is taxable at 24.3%. As at 2020, tax rates will be 17.5% and 23.9% respectively. In 2021 the rates will be 16% and 22.25% respectively. This corporation tax rate reduction will mainly benefit small and medium-sized enterprises.

Tip: try to bring costs forward by creating a provision and delaying revenues by creating a reinvestment reserve.

Consequences of corporation tax rate adjustment

Due to the tax rate changes in the Corporation Tax Act and Income Tax Act, tax rates in the tax-neutral return regulation will be adjusted.

If, in retrospect, an intangible asset does not comply with rules applicable to the innovation box, then the manner in which corporation tax is calculated also changes due to the proposed reduction of corporation tax.

Box 2 tax rate increase

Along with the reduction of corporation tax rates, it is proposed to adjust the current tax rate of 25% for personal income from substantial shareholding (i.e. shareholding of 5% or more) to 26.9% in 2021. To satisfy small and medium-sized enterprises, the original adjustment of 28.5% in the coalition agreement has therefore been reduced. The tax rate structure in Box 2 is as follows:

	Tax rate
2019	25.0%
2020	26.25%
2021	26.9%

Please note!

There will be no transitional arrangements for profits generated before 2020, but that will only be paid out to the director/major shareholder in 2020 or in later years.

Liabilities exceeding € 500,000 taxed

As from 2020, the government wants to discourage tax deferral by taxing directors and major shareholders who have a debt to their own B.V. exceeding € 500,000. The exact formulation of this levy will follow in the 2020 Tax Plan whereas also a more detailed transitional measure is expected in relation to debts that are incurred for the purchase of a so-called "own home".

Please note!

The government expects that this will be anticipated, which will already yield € 1.8 billion for the treasury in the coming year. If the current account liability to your company exceeds € 500,000, it would be advisable to consider next steps prior to 2019.

New interest deduction restriction

The government wants to introduce a new general interest deduction restriction. Roughly speaking, this measure entails that the balance of interest paid and received is deductible up to 30% of the adjusted profits. Adjusted profit is defined as profits before interest, tax, depreciation and other decreases in value. In addition, the interest deduction restriction will have a threshold of € 1 million. In principle, the non-deductible portion may be deferred.

Tip: the legislator envisages that companies will split up so that each individual company itself can make use of the € 1 million threshold. The legislative proposal, however, does not yet contain any specific provisions to counter such a split. But things can still change.

Changes as a result of Anti-Tax Avoidance Directive (ATAD) 1

If interest is not deductible as a result of the generic interest deduction restriction, this interest can be carried forward unlimited to the future. To prevent any improper use, an anti-abuse measure has been included in the corporation tax. Provisions have also been included to arrange any concurrence between carried forward interest based on the generic interest deduction restriction and the tax group rules. In addition, the provisions on demergers, mergers, administrative reorganisations or realignments are supplemented for situations where claims exist on carried forward interest based on the generic interest deduction restriction.

Compensation on assistance fund loan of (former) entrepreneurs

An entrepreneur in financial difficulties may appeal to the municipality for general assistance for sufficient means of support. The municipality provides this as an interest-free loan, which is not part of the entrepreneur's tax income at that point in time. After a year, on the basis of the entrepreneur's annual income, the municipality decides whether the loan must be repaid in whole or in part. If repayment was not effected, then the amount was added to the entrepreneur's income. This has led to a higher qualifying income for a number of income-dependent allowances, resulting in recovery issues. With effect from 1 January 2017, these remitted loans are no longer considered to be part of the entrepreneur's income. However, those who had been disadvantaged by such remission in the years 2014, 2015, 2016 in terms of allowances, are eligible to claim from a compensatory scheme. Allowance entitlement is recalculated based on the qualifying income without assistance fund loan. Previously recovered allowances will therefore lapse. Such recovery (including interest compensation) will be refunded by the Tax and Customs Administration.

Please note!

To qualify for the compensatory scheme, a written request must be submitted to the Tax and Customs Administration with the necessary supporting documents.

Limitation of loss carry-forward in corporation tax

The current time limit for loss carry-forward in corporation tax is nine years. This time limit is being reduced to six years and will apply for the first time to losses incurred in 2019. For a loss incurred in 2018, a limitation period of nine years still applies. In the event that this relates to a split financial year, the limitation of loss compensation takes effect from the financial year that starts in 2019.

Tip: try to bring forward any losses and record as much as possible in 2018. Then, the time limit to offset these losses is still nine years.

Just six years to offset substantial shareholding losses

Currently, substantial shareholding losses can be offset against profits from the previous year (loss carry-back) and profits from nine years after the loss year (loss carry-forward). The loss carry-forward has been reduced to six years. A substantial shareholder therefore has less time to offset the loss.

Tip: If a substantial shareholding no longer exists but there is still an outstanding substantial shareholding loss, under certain conditions this loss can be converted into a tax credit for Box 1.

Investment tax credits are being continued

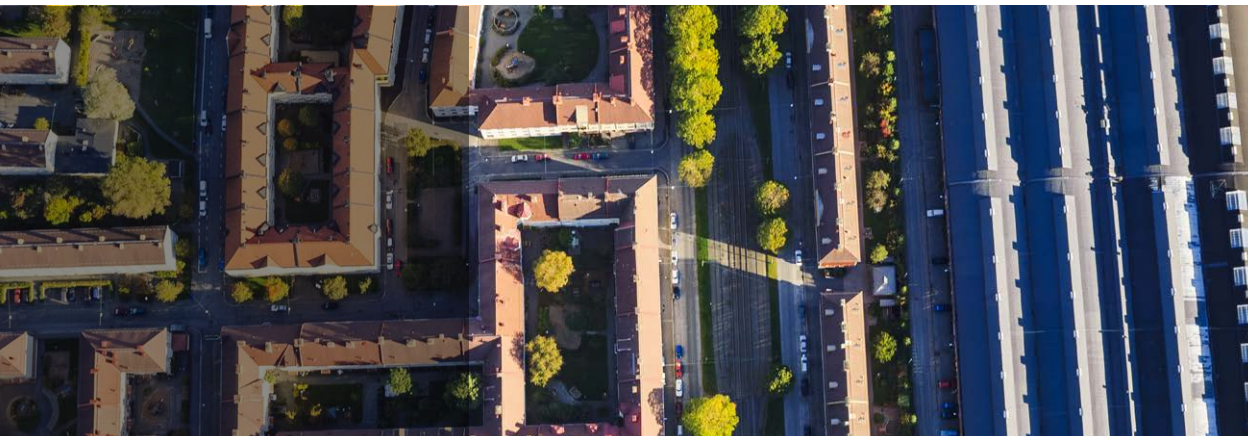
The energy investment allowance (EIA), environmental investment credit (MIA) and random depreciation environmental investments (Vamil scheme) are being extended for a further period of five (5) years until 1 January 2024. The EIA deduction percentage reduces to 45%. The Minister of Economic Affairs and Climate Policy is responsible for the Energy List.

Allowance for special capital

Tier 1 capital, or core capital, comprises the share capital and retained profits of a company. Supplementary tier 1 capital is so-called hybrid capital instruments with characteristics of both equity capital and borrowed capital. This capital consists of instruments that have an unspecified maturity date and no repayment incentive. Currently compensation, for example interest, to banks and insurance companies for providing such capital, is deductible. The government now wants to put an end to that. Hence the government aims to ensure equal treatment of equity capital and borrowed capital and thus envisages to restrict financing with borrowed capital (including hybrid capital) to ensure a healthy financial sector.

Ban on property investments by fiscal investment institutions (FIIs)

A corporation tax rate of 0% applies for fiscal investment institutions (FIIs). As from 1 January 2020, fiscal investment institutions may no longer invest directly in property. This measure is linked to the abolition of dividend tax. For the time being, dividend tax is being withheld on profit distribution to foreign investors. However, if the dividend



tax is abolished, the Netherlands would lose its right to levy tax on results on property located in the Netherlands. With that in mind, the property measure prohibits FIIs from investing directly in property in the Netherlands.

Please note!

Depending on the situation, restructuring could lead to taxable facts in terms of transfer tax, in which existing exemptions are not always the solution either in emerging cases.

Limitation on amortisation of property

Under current legislation, in principle, B.V.s may amortize up to a maximum of 50% of the WOZ value (Valuation of Immovable Property Act) on immovable property if this is used for businesses purposes. Investment properties may be amortized up to 100% of the WOZ value. The government wants to discontinue this differentiation in corporation tax by setting the amortisation limit of all buildings at 100% of the WOZ value. The measure ensures that the difference between book value and future sale value is smaller, resulting in the taxable profit from selling the building being lower.

Please note!

Amortisation up to 100% of the WOZ value does not detract from the fact that at a lower market value of the business premises, write-downs are permitted to this lower value in use.

Shorter deferment of exit tax for B.V.s

B.V.s (limited liability companies) and other legal entities bodies that are subject to corporation tax are given a shorter deferment for payment of the so-called exit tax. This exit tax is applied if a legal entity, subject to corporation tax, moves its fiscal place of business from the Netherlands to abroad. Tax authorities currently offer the option to pay the levy on capital gains on transferred component assets arisen in the Netherlands, but as yet unrealized, in ten equal annual instalments. This time limit is reduced to five years. Payment deferment discontinues insofar as capital gains are realised before that time.

Please note!

The shortened payment deferment only applies for tax debts for which the tax authorities have granted deferment of payment on or after 1 January 2019.

MEASURES FOR EMPLOYERS

Shortening maximum duration of 30% facility

The 30% facility offers employers the option to, under certain conditions, offer employees who temporarily work outside their country of origin an untaxed (30%) flat-rate remuneration instead of reimbursement of the actual additional (territorial) costs of such employees. As from 1 January 2019, the duration of the 30% facility for employees from abroad is reduced from eight (8) to five (5) years, for which no transitional law has been provided. The shortened term applies both for new as well as existing cases, so that the 30% facility can no longer be applied after five (5) years at the latest.

Please note!

There will, however, be a restricted transitional law for the untaxed reimbursement of school fees for international schools. These may be reimbursed untaxed for the school year 2018/2019, even after shortening the duration of the 30% facility, provided that reimbursement takes place within the original duration.

Tax credit for foreign employee

Under current legislation, tax credits granted via payroll tax for a group of foreign taxpayers are higher than the tax credits to which they are entitled regarding income tax. They must then pay the excess amount offset via income tax.

Hence it is proposed to apply to non-resident taxpayers:

- who live in the EU/EEA/Switzerland/BES Islands;
- or who reside outside the EU/EEA/Switzerland/BES islands and run a business with the help of a permanent establishment in the Netherlands, and on whom a tax treaty is applicable which prohibits discrimination against permanent establishments, only the tax part of the employed person's tax credit and of the income-dependent combination tax credit.

Increased tax exemption limit for volunteers

For persons working as a volunteer, organisations are not required to withhold any tax and national insurance contributions on remunerations and allowances which the volunteer receives if this amount totals a maximum of € 150 per month and € 1,500 per calendar year. As of 1 January 2019, these ceilings have been increased to € 170 per month and € 1,700 per calendar year.

Please note!

The amounts used in tax exemption for volunteers must be regarded, at most, as covering the costs incurred by a volunteer for his voluntary work.

INTERNATIONAL MEASURES

Abolishing dividend tax

With effect from 1 January 2020, the government proposes to abolish the dividend tax. At the same time a withholding tax will be introduced on dividend distributions to affiliated companies. As from 2021, a withholding tax will be introduced on interest payments or royalty payments made between affiliated companies. The rate of the withholding tax will be equal to that of the highest tax bracket in corporation tax, being 23.9% in 2020 and 22.25% in 2021. The withholding tax will only be levied if the receiving company is established in a country with low tax rates or if there is a question of abuse. The Ministry of Finance will publish an exhaustive list annually of countries that qualify as having low tax rates.

Please note!

The proposed anti-abuse provisions apply not only in the case of direct payments between companies, but also for (contrived) structures with interposed companies and in situations with hybrid entities.

Controlled foreign companies

The government wants to introduce a measure to tackle abuse with so-called 'controlled foreign companies' (CFCs). A CFC is understood to be a legal entity that is subject to corporation tax that has an (in)direct interest of more than 50% in another legal entity or has a permanent establishment. The legal entity could hold this interest jointly with an affiliated party. The other legal entity or permanent establishment only qualifies as a CFC if it is established in a state that does not levy taxes on profits of legal entities, or levies taxes at a tax rate of less than 7% or is included in a list of non-cooperative jurisdictions. The anti-abuse measure in principle means that interest, dividends and royalties of CFCs are deemed to be tainted benefits. If the CFC does not pay out these tainted benefits (in due time), the Tax and Customs Administration adds them to the profit of the Dutch holding company after deduction of the corresponding costs.

Tip: this anti-abuse provision does not apply to situations where the CFC brings significant economic activity to bear. Where the CFC generally receives non-tainted benefits or runs a financial enterprise and receives the tainted benefits mainly from third parties, then the anti-abuse measure is not applicable.

MEASURES FOR HOME OWNERSHIP

Notional rental value

The notional rental value is expected to decrease for some private home owners. These expectations are shown in the following schedule:

For a private home owner value	Notional rental value on an annual basis	
	2018	2019
€ 0 ≤ 12,500	0%	0%
€ 12,500 ≤ € 25,000	0.25%	0.25%
€ 25,000 ≤ € 50,000	0.40%	0.35%
€ 50,000 ≤ € 75,000	0.55%	0.50%
€ 75,000 ≤ € 1,060,000*	0.70%	0.65%

* 2018 level, adjusted annually using the taxes percentage indexation

For amounts over € 1,060,000 a notional rental value of € 7,420 increased by 2.35% of the private home owner value is applicable as far as this exceeds € 1,060,000. This applies for the years 2018 and 2019.

MEASURE FOR VAT & EXCISE DUTIES

Increasing reduced VAT rate

As of 1 January 2019, the reduced VAT rate of 6% increases to 9%. The increase relates to proposals providing for the structural reduction of taxes on income. No transitional law has been provided in respect of the rate change.

Tip: this increase may be a reason to make advance payments. In ascertaining the VAT rate, the normal moment of chargeability must be assumed.

Broadening Dutch exemption for sports

In principle, services provided by sports organisations to their members are exempt from VAT. In line with European law, Dutch VAT exemption for sports and sports-related activities will be expanded as of 1 January 2019, so that

services by sports organisations to third parties are also exempt. Broadening the exemption for sports affects municipalities and sports clubs/foundations because, after introduction of the measure, providing sports facilities in future will qualify as a tax-exempt activity, which means that the right to tax deduction of input tax lapses.

Please note!

Perhaps transitional law will apply for sports facilities that have not yet been delivered as of 1 January 2019. Other cases may be entitled to a subsidy scheme for sports clubs and a specific allowance for municipalities as of 1 January 2019.

Digital services across the border

Entrepreneurs who sell cross-border digital services to consumers within the EU are subject to VAT in the Member State and to the tax rate of the Member State in which the consumer is located. The entrepreneur can opt to make use of the mini-one-stop-shop (MOSS). The entrepreneur can pay the foreign VAT due to his own Tax and Customs Administration, who then settles this with the tax authorities of the consumer's Member State. For sales of services, it is difficult for entrepreneurs to ascertain via the internet where the consumer lives and, therefore, at which Member State the entrepreneur must pay VAT. Payment via MOSS not only means administrative expenses, but aside from the domestic VAT return also an additional return. To satisfy small enterprises, VAT for the sale of cross-border digital services will in future be due in the Member State of the entrepreneur and at the rate applicable there. A condition, however, is that the entrepreneur's annual total cross-border turnover for these services remains below € 10,000. Additionally, invoicing rules have been simplified for entrepreneurs who provide digital services to consumers in other Member States. In future, only the Member State's invoicing rules apply where the entrepreneur is identified for MOSS application.

A turnover-related exemption

As of 1 January 2020, the Small Businesses Scheme (KOR) will be replaced by a new optional turnover-related exemption with a turnover ceiling of € 20,000. This concerns the entire turnover that a Netherlands-based entrepreneur generates from delivering goods and services that are taxable in the Netherlands, regardless of the rate applicable and regardless of whether the VAT has been reverse-charged to the customer. An entrepreneur who remains below the turnover threshold and opts to apply the new KOR, does not charge VAT to his customers and any VAT charged to him by other entrepreneurs cannot be deducted. Other than the present KOR, the new scheme also applies to legal entities.

MEASURE FOR CARS & MOBILITY

Employer-provided bicycle

As of 1 January 2020, there will be a flat-rate scheme for employer-provided bicycles. An imputed income of 7% of the recommended retail price of the bicycle is proposed, in which no distinction is made between the various types of bicycles. The imputed income applies if the bicycle is made available for (part of) the commute. There is no entitlement to a tax-free allowance for any private kilometres or business kilometres travelled with the employer-provided bicycle. Similar schemes will be introduced for the entrepreneur and recipient of income from other activities.

End of BPM refund scheme

To encourage the buying of environmentally friendly cars, it is proposed to discontinue the private motor vehicle and motorcycle tax (BPM) refund scheme for taxis and public transport (OV) with effect from 1 January 2020. According to the scheme, the BPM refund is granted upon request for passenger vehicles used entirely – or almost entirely – for public transport or taxi services within the meaning of the Dutch Passenger Transport Act 2000. Exemption of motor vehicle tax for taxis and public transport is not being abolished. By abolishing the refund scheme, the Tax and Customs Administration's approvals policy for certain voluntary transport projects and the BPM refund scheme are being discontinued.

Polluters are going to pay more

Environmental differentiation in the Heavy Motor Vehicles Taxation Act (Wbzm) is being updated to ensure that the more polluting heavy-duty vehicles at home and abroad are going to pay more tax. The current rate will continue to apply for the cleanest heavy-duty vehicles. Agreement was reached on this measure with the Euro vignette countries. The change means a further differentiation according to the EURO emission standards and an increase in rates for less clean heavy-duty vehicles. The new rates enter into force as from 1 July 2019 provided that the ratification procedure has been finalized by 31 May 2019. The EURO V regulation will then be increased as from 1 January 2020. If that fails, then all new rates enter into force as per 1 January 2020.

Motor Vehicles Memorandum (Implementation) Act II postponed

The surcharge for diesel engines with a fine dust emission of more than 5 milligrams per kilometre, which would have been introduced as of 1 January 2019, has been postponed. Necessary automation at the Tax and Customs Administration is only expected to be ready as of 1 January 2020.

Automatic number plate recognition

A legal basis will be provided for Automatic Number Plate Recognition (ANPR) using cameras. The Tax and Customs Administration may automatically identify number plates, in which the location, date and time are recorded. The recorded information will be used for levying and checking motor vehicle tax (MRB), such as monitoring the application of trading standards and the transitional arrangement for vintage cars. If no 'hit' is found for motor vehicle tax, the data must be destroyed. So, it seems that ANPR cannot be used for monitoring private use of a company car.

Please note!

There are, of course, other means for the inspector to check, e.g. a kilometre log, including the help of work rotas, diaries or time recordings.

MEASURES FOR (WEALTHY) PRIVATE INDIVIDUALS

Introducing a two-tax bracket system

For the purposes of levying income tax (Box 1), a two-tax bracket system will gradually be introduced as from 2019. This will be fully implemented as from 2021. This social flat tax must ensure that taxation of different types of households is more balanced. A common basic rate (37.05% in 2021) will apply for income up to € 68,507 and a top rate for income above € 68,507. It should be noted that the limit where this top rate begins, will be frozen until 2025. The new top rate will be 49.50% (2021), almost 2.5 percentage points lower than the current top rate.

New income tax rates

For taxpayers born on 1 January 1946 or later, the following Box 1 rates apply as of 1 January 2019:

Box 1 rates 2019	Tax on income (€)	2019 rate (%)*
1 st tax bracket	≤ € 20,384	36.65%
2 nd tax bracket	€ 20,384 ≤ € 34,300	38.10%
3 rd tax bracket	€ 34,300 ≤ € 68,507	38.10%
4 th tax bracket	≥ € 68,507	51.75%

* These percentages include national social insurance contributions.

Higher general tax credit

For 2018, the maximum general tax credit is € 2,265. For the years 2019, 2020 and 2021 the government will increase the maximum general tax credit by a total of € 358 via the 2019 Tax Plan.



Please note!

The general tax credit decreases as the income in Box 1 exceeds the upper limit of the lowest tax bracket. Eventually the general tax credit ends at nil.

Changed tax credits

This includes only the changes in tax credits as proposed in the 2019 Tax Plan. For persons entitled to an old-age pension, in principle the lower maximum amounts apply.

Tax credits	2018 (€)	2019 (€)
General tax credit max. (< Statutory retirement age)	€ 2,265	€ 2,477
Employed person's tax credit max.	€ 3,249	€ 3,399
Income-dependent combination tax credit max.	€ 2,801	€ 2,835
Young disabled person's tax credit	€ 728	€ 737
Elderly person's tax credit	€ 1,418	€ 1,596
Single elderly person's tax credit	€ 423	€ 429

Beneficiary and liability

Beneficiaries can now be held liable up to the amount of their heritage for retrospective charges and revised tax assessments and liability debts that have only emerged after the testator's death. This means that the Tax and Customs Administration sometimes misses recovery options because people donate their assets shortly before their death. Then the beneficiary receives no inheritance or only a minor one. Liability has therefore been expanded by the amount of donations received shortly (up to 180 days) before the testator's death.

Tip: expansion of liability does not apply to donations that are exempt from gift tax.

Please note!

This change already applies as of 18 September 2018 (15:15).

Austerity on deductible items

As from 1 January 2020 the effective top rate is being reduced, against which the entrepreneur's allowance, small business profit exemption, business use exemption, and personal allowance are deductible. For deductible negative income from home ownership, such an austerity already applies, which is now being accelerated. In 2020 the aforementioned deductible items are deductible by 46% instead of 50.5%. The austerity process will take place gradually. In 2023, the austerity will have progressed to a deduction at 37.05% (second tax bracket).

Limited protective assessment

When a tax treaty allows the full right to levy tax on pension/annuity income to be granted to another country (state of residence), the Netherlands may not impose a

protective assessment on accrued rights in certain periods. This was ruled by the Supreme Court and is now being laid down by law. It means that on emigration to such countries, annuity premiums for the period prior to 1 January 1992 or from the period 1 January 2001 to 15 July 2009, are not taken into consideration. The same applies for pension entitlements and contributions in the period up to 15 July 2009.

Tip: for emigration, check whether the state of residence has the full right to levy tax on annuity or pension income. If so, then object to the imposed protective assessment.

Tax liability of beneficiaries

Sometimes very high networth individuals strip themselves of their assets just before the Tax and Customs Administration can secure its recovery options. For example, by donating assets to family members or by liquidating a legal person. That is why there will be a new tax liability for beneficiaries. A beneficiary is someone who, for example, receives a donation or liquidation pay-out from a legal person. Three conditions must be met:

- The beneficial treatment was undertaken without being obliged to do so;
- The Tax and Customs Administration has been disadvantaged in its recovery options;
- The tax debtor as well as the beneficiary knew or ought to have known that the Tax and Customs Administration would be disadvantaged.

It can be assumed that the parties involved knew that the Tax and Customs Administration was disadvantaged. The beneficiary must then prove the contrary.

Please note!

This change already applies as of 18 September 2018 (15:15).

Change of combination tax credit

The income-dependent combination tax credit (IACK) will be calculated differently, so the maximum IACK is already achieved at a lower income.

The income-dependent combination tax credit (IACK) is currently calculated by increasing a fixed amount by an accrual percentage on that part of the employment income that exceeds a threshold. The 2019 Tax Plan contains a proposal to scrap the fixed amount. According to the 2019 Tax Plan, accrual of the IACK then takes place from nil. Those ending up just above the threshold would not benefit much from IACK. However, the accrual percentage has increased from 6.159% to 11.45%.

Tax credits for sick unemployed persons

Recipients of unemployment benefits who become sick and have the right to receive a pay-out pursuant to the Sickness Benefits Act (ZW), are entitled to an employed

person's tax credit and any income-dependent combination tax credit (IACK). As a rule, this results in a substantial increase in income. Conversely, unemployed people who receive a sickness benefit experience a significant reduction of their net income when they report that they are better. To prevent this, the sickness benefit is no longer considered as employment income for unemployed groups as of 1 January 2020.

Please note!

The measure does not apply for those voluntarily insured for sickness benefit.

Assessment of dissolved company

There will be an alternative method for giving notice of tax assessments to legal persons who (presumably) no longer exist. This is to combat the dodging of taxation. The tax assessment form is issued to the Public Prosecution Service at the most recent competent court or to the District Court of The Hague. The tax assessment details are published in the Government Gazette and a copy of the notice of assessment is sent to the last known directors, shareholders and liquidators.

Broadening of obligation to provide information

Persons who could potentially be liable for a tax liability of others are legally obliged to provide information to the Tax and Customs Administration. However, a condition is that the Tax and Customs Administration has evidence to suggest that there is liability. For example, in the event of a hirer, director or shareholder with a substantial interest, but if this Tax Plan is adopted, this also applies to an heir or beneficiary.

Please note!

Failure to comply with this broadened obligation to provide information can be fined (max. € 8,300) or is punishable by imprisonment for up to six (6) months.

OTHER MEASURES

Adjustment of interest on tax scheme

The starting point of interest on tax, is that this is charged if imposition of a tax assessment takes too long due to the actions of the taxpayer. The interest on tax scheme relating to income and inheritance tax, however, was not in line yet with this starting point. As a result, sometimes interest was brought into account whereas assessments were done in a timely manner. Since 2014, however, the Tax and Customs Administration has not brought any interest on tax into account in those cases. This practice will now be incorporated in legislation both for income tax as well as for inheritance tax.

Tax rates of general expenditure tax for Saba and St. Eustatius

Since the introduction of the tax system in the BES Islands they have a general expenditure tax (ABB), which, in effect, amounts to a highly simplified VAT. On introduction, the general expenditure tax rates at Saba and St. Eustatius were lower than at Bonaire because of the different starting position in respect of Bonaire. The temporarily reduced tax rates for Saba and St. Eustatius would have applied until 31 December 2018, but given the current level of prices on both islands, the lower tax rates will be laid down structurally. This will prevent the high prices on the islands rising even further as a result of higher general expenditure tax rates.

Adjustment to energy tax

The lowest tax bracket for energy tax on natural gas will be increased and the lowest tax bracket for electricity will be decreased. This brings about a better balance in energy tax rates in relation to CO2 emissions. The government is hoping for an accelerated switch to heat pumps and geothermal heat. As of 1 January 2019, the normal rate of the lowest tax bracket for energy tax on natural gas increases by 3 cents per m³ and the rate for glasshouse horticulture of the lowest tax bracket for natural gas by 0.482 cents per m³. The rate of the lowest tax bracket for electricity will be reduced by 0.72 cents per kWh.

Lower energy tax reduction

The government proposes to lower the tax reduction for energy tax by € 51, from € 308.54 to € 257.54. The tax reduction is a fixed amount deducted for each connection from the energy tax due for the supply of electricity. Revenues from this measure are used for the reduction of tax on income and profits. Low-income households will be compensated through targeted income policy for the higher energy bills.

Reduction of landlord levy

The government wants to reduce the landlord levy for housing corporations. This reduction depends on the size of their investments in sustainability improvements of their housing stock. Landlords who pay landlord levy and bring about improvements in the energy performance of existing rented housing, may be eligible for a reduction of levy. Then the housing unit must be improved by at least three (3) Energy Efficiency Index (EEI) classes, which, after renovation, results in an Energy Efficiency Index of up to 1.4 (labelled B or better). The envisaged date for entry into force is 1 January 2019, but this date has not yet been finalized.

Betting and Gaming tax on sports betting

Providers of country-related sports betting are taxable entities for betting and gaming tax. This creates equality in respect of providers of sports betting and online bingo, and these providers will also be liable for betting and gaming tax.

For other games of chance, the betting and gaming tax is levied on the player. For promotional games of chance, the person who receives the prize remains the taxable person and the tax is calculated on the prize.

Entry into force depends on the online games of chance bill (currently being debated in the Dutch Senate).

Betting and gaming tax rate

In 2018, the betting and gaming tax rate was temporarily increased to 30.1%. This temporary increase was not extended, so the tax rate will return to 29% at a time to be determined by royal decree, in accordance with current planning, six months after entry into force of the Online Betting and Gaming Act (Wet Organiseren van kansspelen op afstand).

Participants fine

An administrative fine can be imposed on offenders of tax laws. Since 2014, this also applies to those offenders' assistants. This includes the instigator, the accomplice or the person enforcing the offence to be committed. This extension provision was valid for five years, but now this time limit has been extended for a further period of five years until 1 January 2024. So far, the Tax and Customs Administration has made little use of this, but this provision could enable an important preventive mechanism.

Please note!

The approach of professionals involved in tax avoidance is increasingly attracting more attention. Consideration is being given to disclose the participant fines imposed on those in the legal profession. However, this has not been included in this bill.

Waste tax on exports

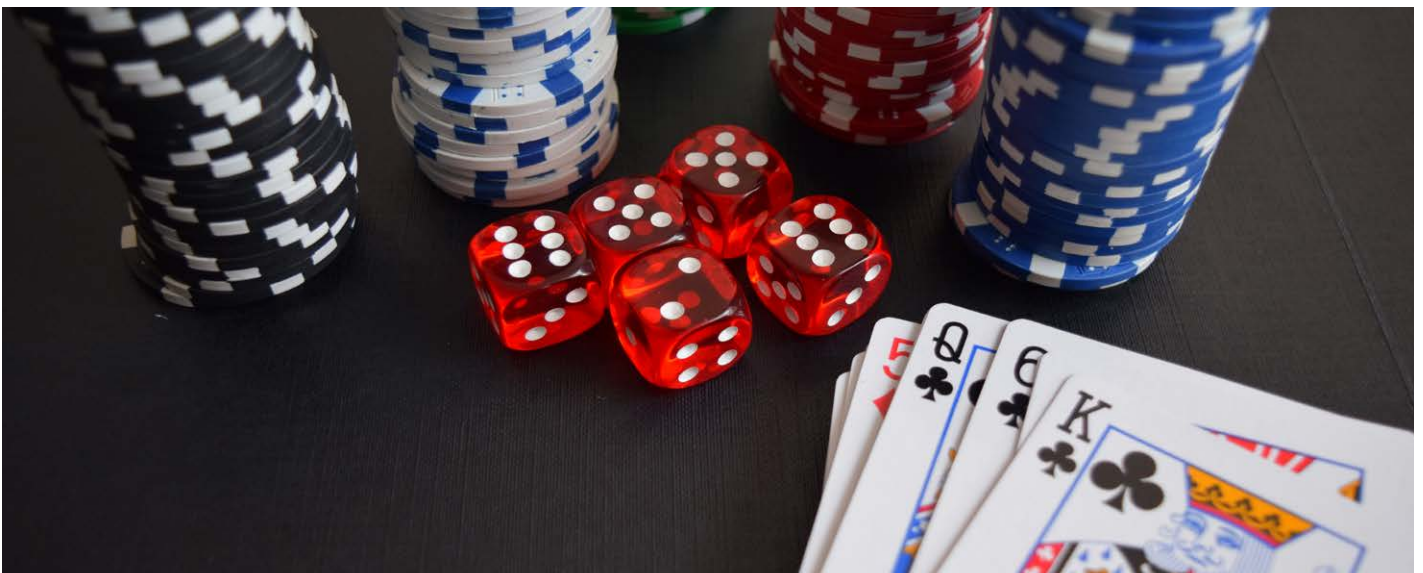
Waste tax will also apply for waste that has arisen in the Netherlands and has been dumped or incinerated abroad. A connection has been sought in existing EC regulations for shipping waste, on the basis of which the party who ships the waste abroad must report this (the notifier).

Pregnancy and pension accrual

A period of absence due to pregnancy or childbirth, still results in the pension accrual being suspended for independent professionals who are obliged to participate in a pension scheme. Legislation is being amended so that it is possible for such pension accrual simply to continue.

Exemption on foster care allowance

The income tax exemption for foster care allowances would have ceased as of 1 January 2019. This would result in the allowance being partially taxed in the case of foster care to more than three children. The exemption is now extended by one year to 1 January 2020. The government expects that the exemption will then be structural, which means without an expiration date.



For more detailed information and questions, please contact your advisor within one of the RSM-offices:

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