Whitepaper

2023 Budget Memorandum Special

The most important plans that affect you and your business

Introduction

On Prince's Day 2022 the government presented the 2023 Budget Memorandum and therefore also the 2023 Tax Plan.

This special outlines proposals by the government that will be debated in Parliament over the forthcoming period. Unless indicated otherwise, the proposed measures will enter into force with effect from 1 January 2023.

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1. Rates

The amended rates announced in the 2023 Tax Plan are presented below.

1.1 Rates in box 1 – Income from employment and home

The rate applicable in the 1st band is being lowered slightly: from 37.07% (2022) to 36.93% (2023). This 1st band is also being widened to € 73,031 (€ 69,398 in 2022).

Income tax rate/national insurance contributions for 2023			
	Taxable income of more than (€)	**but no more than (€)**	**Rate for 2023 (%)**
1st band	-	73,031	36.93
2nd band	73,031		49.50

1.1.1 Overview of changes to tax credits

Everyone is entitled to the general tax credit – a credit against income tax. This credit is dependent on your income: the lower your income, the higher the credit. The general tax credit will be increased slightly in 2023. To determine whether the general tax credit will be subject to the reduction for higher incomes, from 2025 your aggregate income will now be taken as a basis. This means that in addition to the income in box 1 (current situation), then the income in box 2 and box 3 will also be taken into account.

The employed person's tax credit is also being raised from 1 January 2023 with the aim of improving purchasing power.

Tax credits	2022 (€)	2023 (€)
Maximum general tax credit (< state pension age)	2,888	3,070
Employed person's tax credit (maximum)	4,260	5,052
Young disabled person's tax credit	771	820
Maximum income-dependent combination tax credit	2,534	2,694
Elderly person's tax credit (maximum)	1,726	1,835

Single parent's tax credit	449	478
Rate by which employed person's tax credit is reduced for higher incomes	5,86%	6,51%

1.1.2 Abolition of income-dependent combination tax credit from 2025

The income-dependent combination tax credit (IACK) is a tax credit granted to single parents or the lowest-earning partner who combines work with looking after young children. From 1 January 2025 this tax credit will be abolished, except for parents with (one or more) children born before 1 January 2025.

The loss of the IACK will be compensated for by revising the childcare allowance

1.1.3 Faster reduction in self-employed person's allowance

The self-employed person's allowance is an amount that entrepreneurs can deduct from their profit for income tax purposes, provided that they have worked as an entrepreneur for at least 1,225 hours in a calendar year. It reduces the amount on which you have to pay income tax. The self-employed person's allowance is being reduced further once again and at a faster rate. Scaling back the self-employed person's allowance in this way is intended to reduce the difference in tax treatment between employees and the self-employed.

The maximum self-employed person's allowance in 2023 will amount to € 5,030 (2022: € 6,310). For 2024, 2025 and 2026 it will be set at € 3,750, € 2,470 and € 1,200 respectively. The allowance will ultimately be lowered to € 900 in 2027.

1.1.4 Abolition of average income scheme

As part of measures to simplify and reform the tax system, the average income scheme will be abolished from 1 January 2023. The average income scheme is a way of compensating for the disadvantage that can arise under the progressive tax system if your income in box 1 varies significantly in consecutive years.

If you apply the average income scheme, you add together the box 1 income for three consecutive calendar years and divide this by three. You then calculate how much tax you would have to pay in each year on this average income. Compare this with the tax you actually paid in these three years. Is the difference greater than €545? If so, you can claim tax back.

Transitional arrangements apply for the years after 2022, provided that the 2022 tax year is included in the averaging period. The last periods over which averaging is possible are the 2022, 2023 and 2024 tax years.

Tip!
Keep an eye on the deadline. A request for averaging must be submitted within 36 months after all the final tax assessments for the calendar years you want to average have been determined irrevocably.

1.2 Rates in box 2 – Substantial shareholdings

The rate in box 2 is being split into two bands from 1 January 2024: 24.5% on the first € 67,000 and 31% on the excess amount. In 2023 the rate for box 2 will remain as it was in 2022: 26.9%.

Rate for substantial shareholdings in 2024			
	Substantial shareholding of more than (€)	**but no more than (€)**	**Tarief 2024**
1st band	-	67,000	24,5 %
2nd band	67,000		31 %

The rate in box 2 applies to benefits from substantial shareholdings, such as dividends that are paid to a shareholder (director/major shareholder (DGA)) and become part of his private assets.

Please note:
Are you considering making a dividend payment in 2022? If you have benefited from coronavirus support measures, pay close attention to the relevant regulations, as under some of these measures you are prohibited from distributing a dividend.

Please note:
Have you taken out a loan from your company for consumption expenditure or investments exceeding € 700,000? If so, you need to have reduced this loan to € 700,000 by 31 December 2023. You can do so by means of a dividend payment, which is then taxed as box 2 income in 2022 or 2023 (at a rate of 26.9%).

1.3 Rates in box 3 – Savings and investments

Following the Supreme Court's 'Christmas judgment', and the reparations due as a result, the tax base in box 3 will be adjusted. The rate in box 3 will increase to 32% in 2023 (31% in 2022). This box 3 rate will also rise by 1% in 2024 and 2025, to 33% and 34% respectively.

The tax-free allowance will be raised to € 57,000 in 2023 (2022: € 50,650).

The basis of assessment for the assets in box 3 will be the actual distribution of your assets between three asset groups:

- Bank balances
- Other assets (including investments and immovable property)
- Debts

The imputed return will then be calculated for each asset group:

	Bank balances (savings)	Other assets	Debts
2021	0.01%	5.69%	2.46%
2022	Not yet determined	5.53%	Not yet determined
2023	Not yet determined	Not yet determined	Not yet determined

Please note:
The tax-free allowance in box 3 will not affect your entitlement to allowances, such as care allowance, housing allowance or the child-based budget. The capital limits that determine eligibility for these allowances are lower than this.

Tip!
Do you disagree with the reparations offered for the years 2017 to 2022, as your actual return is lower than the imputed return? If so, talk to your advisor about the possibilities for lodging an objection.

1.4 Change to corporation tax rates

Corporation tax rates are rising and the tax bands are being narrowed. From 1 January 2023 the rate applicable up to a taxable profit of € 200,000 will be 19%, with profits above this taxed at 25.8%.

Corporation tax	2022	2023
Profit up to € 395,000 in 2022/ € 200,000 in 2023	15,0%	19,0%
Profit above € 395,000 in 2022/ € 200,000 in 2023	25,8%	25,8%

Tip!
Is the expected profit of a tax entity for 2023 higher than € 200,000? If so, you may obtain a tax advantage by terminating the tax entity. That is because you will then be able to benefit from the lower rate several times. Although the tax advantage appears simple to calculate, it may be outweighed by unforeseen drawbacks that result from terminating the tax entity. You should therefore check in good time whether this is an attractive option for you.

Tip!
Does your taxable profit fall into the 1st corporation tax band and can you defer incurring certain costs until 2023? If so, you will be able to deduct these costs at a rate of 19%. It is best to generate turnover in 2022, as this is taxed at 15%.

Combined corporation tax/income tax rate	2022	2023
Profit up to € 395,000/€ 200,000	37,87%	40,79%
Profit above € 395,000/€ 200,000	45,76%	45,76%

1.5 Increase in general transfer tax rate

With effect from 1 January 2023 the general rate of transfer tax for non-residential properties is increasing to 10.4% (8% in 2022). (See also section 5.3.)

The rate for residential properties for the buyer's own use is remaining at 2%, while the threshold for exemption from transfer tax is increasing to € 440,000 (2023 exemption) for buyers up to 35 years of age.

2. Employer

From the increase of more than 10% in the minimum wage to the expansion of the fixed budget under the work-related expenses scheme, the 2023 Tax Plan entails various changes and consequences for employers. Find out what you need to be aware of as an employer below.

2.1 Tax-free kilometre allowance increased

The tax-free kilometre allowance of € 0.19 per kilometre will increase to € 0.21 per kilometre from 1 January 2023 and to € 0.22 per kilometre from 1 January 2024. This means employers will have more scope to award a tax-free kilometre allowance.

2.2 Increase of at least 10% in minimum wage

The planned increase in the minimum wage is being brought forward. Instead of an increase of 7.5% spread over three years, as previously planned, it will now rise by more than 10% in one step in 2023. This increase in the minimum wage is taking place in parallel with the implementation of the Directive on adequate minimum wages in the European Union, which was recently adopted by the European Parliament.

The rise will, of course, put extra money in the pockets of employees who receive the minimum wage. Costs for employers will also increase as a result.

In addition, there will be a rise in the old-age pension and social assistance benefits, as they are linked to the minimum wage.

2.3 Reduction in Invalidity Insurance Fund (Aof) contribution

To reduce the burden on small employers, the government plans to introduce a lower contribution to the Invalidity Insurance Fund from 1 January 2023. The extent of the reduction is not yet known.

2.4 Increase in fixed budget under work-related expenses scheme in 2023

The work-related expenses scheme allows you as an employer to grant your employees all kinds of allowances and benefits in kind free of tax. The fixed budget under the work-related expenses scheme is being increased from 1.7% up to a wage bill of € 400,000 in 2022 to 1.92% up to a wage bill of € 400,000 in 2023. For the part of the wage bill above € 400,000 the fixed budget will amount to 1.18%. If you exceed this fixed budget, you have to pay 80% tax via the final levy in your payroll accounting.

The fixed budget is therefore increasing from € 6,800 to € 7,680 for a wage bill of exactly € 400,000. This will ensure that employers can offer their employees more tax-free allowances. If eight employees together earn € 400,000, an additional tax-free allowance of € 110 per employee is possible.

2.5 Restriction of 30% scheme and introduction of compulsory choice employer

The 30% scheme is being further restricted to a salary not exceeding the so-called Balkenende standard. Foreign employees who come to work in the Netherlands and meet the criteria can be placed under the 30% scheme. This means they can receive up to 30% of their salary free of tax. As a result of the measure being taken, it will be possible to apply the 30% scheme up to a salary of € 216,000 (2022 standard). The restriction will apply from 1 January 2024. Transitional arrangements will be introduced for employees for whom the 30% scheme was applied before 1 January 2023. For these employees there will be no salary ceiling for application of the 30% scheme up to 31 December 2025.

In addition, from 1 January 2023, it will be compulsory for the employer to make a choice in its payroll accounting between applying the 30% scheme and reimbursing actual extraterritorial costs. The employer must make this choice during the first pay period that follows the first four months after initial employment. This means the choice either to apply the 30% scheme or reimburse actual extraterritorial costs can no longer be made at the end of the year.

Tip!

During the first four months of employment the employer still has the choice between applying the 30% scheme and reimbursing actual extraterritorial costs. Check which method is more advantageous.

2.6 Holiday vouchers

In practice, holiday vouchers are no longer issued. The value of holiday days is still defined in law, but this is being removed from the Wages and Salaries Tax Act from 1 January 2023.

3. Transport

From changes to private motor vehicle and motorcycle tax for vans used by entrepreneurs and changes to the addition to taxable income for use of an electric car through to an increase in air passenger tax and a reduction in fuel duty, the 2023 Tax Plan also entails a number of changes and consequences in the area of transport.

3.1 Changes to private motor vehicle and motorcycle tax for vans used by entrepreneurs

The law currently provides for an exemption from private motor vehicle and motorcycle tax (BPM) for vans registered in the name of an entrepreneur who is subject to VAT. The government is proposing to abolish this exemption with effect from 1 January 2025. The basis on which BPM is calculated depends on the CO2 emissions. This proposal will bring the basis for calculating BPM for vans into line with that for private cars.

In addition, the rate of motor vehicle tax (MRB) for vans used by entrepreneurs will increase from 1 January 2025. In 2025 the rate of this tax will rise by 15% and will increase further by 6.96% in 2026.

3.2 Rate for vans

The BPM owed is calculated by multiplying a fixed rate (€ 66.91) by the number of grams of CO2 emitted per kilometre. For an emission-free van the BPM payable is therefore zero.

Please note:
This means that the higher the CO2 emissions, the higher the BPM will be for a van.

3.3 Depreciation period for used vans

When the BPM owed for used vans is calculated a reduction is applied. This reduction depends on the time when the vehicle first entered use and the time when the BPM is due. For a van the reduction is currently 100% if the vehicle first entered use five or more years ago. As an uneven playing field can arise in relation to imported vans, the depreciation period for the BPM due is being extended to 25 years from 1 January 2025.

3.4 Shift in tax liability for payment of BPM from 2025

Until 1 January 2025 the BPM payable for vans will be levied on the party in whose name the van is or has been registered in the vehicle registration system. With the removal of the exemption from BPM, the tax liability will shift from this party to the party who entered the van in the vehicle registration system.

3.5 Transitional arrangements

Entrepreneurs can continue to take advantage of the exemption from BPM without any changes until 31 December 2024, if they continue to meet the conditions.

> ***Tip!***
> *Do you want to take advantage of the exemption for entrepreneurs who are subject to VAT when purchasing a van? If so, place the order promptly, so you can benefit from the exemption in 2023 and 2024!*

> ***Tip!***
> *The level of BPM payable on vans depends on the vehicle's CO2 emissions. If you replace vans after 1 January 2025, it is therefore fiscally advantageous to replace them with zero-emission vehicles.*

3.6 Electric car

The addition to taxable income for an electric car that is first registered or first enters use in 2023 is increasing for cars with a list price of more than € 30,000. The lower addition of 16% will also apply in 2023, but only on the first € 30,000 of the list price instead of the first € 35,000 (2022). The addition will remain at 22% above this level.

3.7 Increase in air passenger tax

From 1 January 2023 air passenger tax is increasing by € 17.95 per ticket, which means this tax will amount to € 26.43 per passenger departing from the Netherlands. The length of the flight is irrelevant. As a result, shorter flights will be taxed relatively more heavily than longer flights. This is in line with the ambition of discouraging flights over shorter distances.

3.8 Extension of reduced rate of fuel duty

The reduction in fuel duty that was introduced on 1 April 2022 will remain in force after 1 January 2023. This reduction in the duty on petrol, diesel and LPG amounts to 17.3 cents, 11.1 cents and 4.1 cents respectively. The Tax Plan indicates that the reduction will apply until 30 June 2023. As things stand at present, it will therefore be abolished from 1 July 2023, from which point annual indexation will apply.

4. Sustainability

The government is keen to encourage sustainability and safeguard the security of the gas supply. It is therefore proposing various changes in the area of climate and environmental law. These will have an impact on energy tax, VAT on solar panels and various subsidy schemes for entrepreneurs, for example. The details of the proposals are set out below.

4.1 Reduction in energy tax

In view of the persistently high level of gas prices, the government feels that the reduction in energy tax will have to remain in place beyond 1 January 2023.

4.2 Zero rate of VAT on the supply and installation of solar panels

The VAT rate applicable to the purchase and installation of solar panels on or in the immediate vicinity of homes is being reduced to 0%. This does not necessarily mean a new tax advantage for consumers, as they can already claim back the VAT now.

4.3 Tightening up of CO2 levy on industry

In spite of the temporary reduction in taxes on fossil fuels, the government sees the climate targets as important. To achieve the targeted reduction in greenhouse gases of 14.3 megatons by 2030, the freely tradable dispensation rights for exempted emissions for industry will be gradually reduced each year. This represents a tightening up of the regulations compared to the original path.

4.4 More environmentally friendly commercial vehicle fleet

To safeguard the security of the gas supply, the government has taken measures that will result in additional CO2 emissions in the short term. It intends to compensate for these additional CO2 emissions with a package of alternative measures, which it announced in the letter presenting the draft Climate Change Policy Document. These measures include the following:

- Electrification in industry and the horticultural sector to be accelerated through the regulation of e-boilers, for example, in combination with subsidies.
- Commercial vehicle fleet to be made more environmentally friendly more quickly. The possibilities are being explored of introducing regulations from 2024/2025 requiring all new commercial vehicles to have zero emissions.
- Bio-based and circular construction and renovation to be accelerated, with a focus on reducing use of building materials with high CO2 emissions,

increasing use of bio-based and circular materials and realizing carbon sequestration in buildings.

The government will work out these measures in further detail over the coming months. They will be included in the comprehensive decision-making on supplementary climate policy in the regular budgetary cycle in the spring of 2023.

4.5 Incentive for investing in sustainability

To encourage entrepreneurs to continue improving their sustainability, the Budget Memorandum stated that the budgets will be increased for the energy investment deduction (EIA) and the environmental investment deduction (MIA) or the arbitrary depreciation of environmental investments (Vamil) scheme. The details of this increase are not yet known.

5. Housing market

The government is not taking any far-reaching measures to reform the housing market. However, the tax on property investments is being raised through a number of measures and mortgage interest relief is being reduced further. The main changes relating to the housing market that are contained in the 2023 Tax Plan are explained below.

5.1 Increase in value of investment properties (vacant value ratio)

The vacant value ratio ensures that when valuing properties that are let by private individuals and taxed in box 3 and via the Inheritance Tax Act, the reduction in value associated with letting is taken into account. An important factor here is that the tenant must benefit from security of tenure. This reduction therefore does not apply to holiday homes or non-residential properties. The vacant value ratio is a percentage (dependent on the annual rent) that is multiplied by the WOZ value (value for purposes of the Valuation of Immovable Property Act) of the let property to arrive at a 'markdown' on the value.

From 2023 the vacant value ratio will be increased by updating the tables (see below), despite the coalition agreement stating that this ratio would be abolished. As a result, on average you will have to pay 33% more tax on a let property in box 3.

Annual rent as percentage of WOZ value		Current vacant value ratio	New vacant value ratio
More than	Less than		
0%	1%	45%	73%
1%	2%	51%	79%
2%	3%	56%	84%
3%	4%	62%	90%
4%	5%	67%	95%
5%	6%	73%	100%
6%	7%	78%	100%
7%	-	85%	100%

Please note:
Based on this new table, on balance it is therefore no longer possible to mark down the value if the annual rent amounts to 5% or more of the WOZ value.

In addition, two further changes are being made:

- With effect from 1 January 2023, temporary tenancy agreements will be excluded from application of the vacant value ratio. For house lettings an agreement of up to two years is regarded as temporary and for room lettings an agreement of up to five years.
- If the property is being let to related persons (such as a son or daughter), the vacant value ratio cannot be applied. This is based on the assumption that, if a property is let to a related person, landlords generally make the conscious decision themselves to charge a rent below the market rate. In such cases it is not considered appropriate to mark down the value.

5.2 Reduction and abolition of tax exemption for gifts to assist with purchase of own home

The tax exemption for gifts made to assist a person with the purchase of his or her own home (also known in Dutch as the 'jubelton') will be abolished entirely from 1 January 2024. With effect from 1 January 2023 this one-off exemption will be reduced to € 28,947. At present, the maximum exemption amounts to € 106,671.

It is possible to take advantage of this one-off exemption if the recipient or his or her partner is between 18 and 40 years of age and uses the exemption to:

- Purchase or renovate his or her own home.
- Pay off the mortgage or remaining debt on his or her own home.
- Buy out the ground rent, right of superficies or perpetual hereditary lease relating to his or her own home.

Please note:
Previously, it was possible to spread the maximum amount of the exemption over three years. It has now been proposed that if the first gift payment was made in 2022, the remainder of the exemption can only be used in 2023 and no longer in 2024. If use is made of the exemption in 2023, it will no longer be possible to spread it out over future years.

Tip!
A person who receives a gift in 2022 has until 2024 at the latest to spend it on his or her own home. If you want to take full advantage of this exemption, you need to make the gift (or at least part of it) before 1 January.

Tip!
The 2023 exemption is therefore only an attractive option in the case of non-parent-child relationships.

5.3 Increase in transfer-tax exemption for first-time buyers

The threshold for the transfer-tax exemption for first-time buyers is being increased from € 400,000 (2022) to € 440,000 (2023). This exemption applies to first-time buyers on the housing market up to 35 years of age, provided that the property will be their main residence.

5.4 Increase in transfer tax

The transfer tax applicable to property that cannot be regarded as the buyer’s own home (in short: investment property) is increasing from 8% to 10.4%.

Changes were already made to the rates from 1 January 2021, with the result that the rate applicable to the purchase of the buyer’s own home (main residence) was reduced from 6% to 2% and the rate applicable to other residential properties and business premises was increased from 6% to 8%. A further increase in the general rate to 10.4% is therefore being proposed from 2023. On balance, this means that companies and investors, as well as people who buy or let a holiday home, will pay more transfer tax.

No changes are being made to the reduced rate of 2% and the first-time buyers’ rate.

Tip!
If you are planning to purchase an investment property, the 8% rate of transfer tax will still apply if the property is transferred before 1 January 2023.

5.5 Reduction in mortgage interest relief on own home

Since 2014 the tax advantage available in the form of mortgage interest relief has been reduced, if the interest is deducted at the highest income tax rate in box 1. This rate amounts to 40% in 2022. A further reduction will be applied in 2023, with the result that mortgage interest will be deductible at a definitive maximum rate of 36.93%. This percentage corresponds to the rate in the 1st income tax band.

Tip!
Do you pay little or no interest as you have no or only a small home acquisition debt? In that case you can take advantage of the Hillen deduction. This deduction is being phased out over 30 years and in 2023 will amount to 83.33% (2022: 86.67%).

5.6 Abolition of landlord levy

Do you own more than 50 rented properties with a monthly rent that does not exceed the housing allowance threshold? If so, you have to pay the landlord levy. This is being abolished from 1 January 2023. In practice, this levy is paid almost exclusively by the housing association sector and a number of investors. It was introduced in 2013 as a temporary measure during the economic crisis.

6. Companies

From changes to the rates for box 2 through to the abolition of the efficiency margin for the customary salaries of directors/major shareholders (DGAs), the 2023 Tax Plan also entails a number of changes and consequences for companies. Find out what you need to be aware of as an entrepreneur below.

6.1 Abolition of tax-deferred retirement reserve

Until the end of 2022 entrepreneurs who are liable for income tax (self-employed persons, sole traders, partnerships, general partnerships, etc.) can take advantage of a special tax facility: the tax-deferred retirement reserve (FOR). This is a reserve on which tax is paid in the future.

As many entrepreneurs do not actually transfer the FOR into a retirement provision account, the main effect of creating an FOR is to defer taxation.

From 2023 it will no longer be possible to build up a pension in a tax-friendly way using the FOR. However, any retirement reserve that you have accrued up to the end of 2022 may be settled on the basis of the current rules.

Tip!
Do you want to create a reserve to make provision for retirement, but do not yet want to take the funds out of your company? If so, make use of the tax-deferred retirement reserve in 2022.

6.2 Box 2 split into two bands

Do you hold at least 5% of the shares, profit-sharing certificates or voting rights in a company? If so, you are considered to be a substantial shareholder. The income you receive from this holding (such as dividends) is taxed in box 2 for income tax purposes.

The rate in box 2 is being split into two bands from 1 January 2024: 24.5% on the first € 67,000 (€ 134,000 for partners) and 31% on the excess amount. In 2023 the rate for box 2 will remain as it was in 2022: 26.9%.

Rate for substantial shareholdings in 2024			
	Substantial shareholding of more than (€)	**but no more than (€)**	**Rate for 2024 (%)**
1st band	-	67,000	24,5 %
2nd band	67,000		31 %

The rate in box 2 applies to benefits from substantial shareholdings, such as dividends that are paid to a shareholder (director/major shareholder (DGA)) and become part of his private assets.

Example calculation

In the case of a dividend payment of € 500,000, the tax payable from 2024 will be as follows:

*€ 67,000 * 24.5% = € 16,415*

*€ 433,000 * 31% = € 134,230*

Total: € 150,645

Until the end of 2023 the tax payable on this will be € 134,500.

Please note:
From 2023 dividend payments will also affect the general tax credit. Talk to your advisor about whether paying a dividend now would be advantageous or whether it would be better to wait until 2024 or later to pay a higher amount as a dividend all at once.

Tip!
Does your partner have no income? If that is the case, from 2023 pay out a dividend, if possible, to take advantage of the general tax credit.

6.3 Higher customary salary for directors/major shareholders due to abolition of efficiency margin

Directors/major shareholders (DGAs) (holding more than 5% of the shares in a company) who work for their own company have an obligation to award themselves a customary salary and include it in the company's payroll accounting. This salary must be customary for the level and duration of the work performed for the company.

As this salary is difficult to determine, a so-called efficiency margin of 25% currently applies. By law, this salary must be set at least at 75% of the salary for the most comparable position or at the level of the highest salary received by the employees of your company, if one of these amounts exceeds € 48,000. That means you can take the salary for the most comparable position and deduct 25% from it. This efficiency margin is being abolished with effect from 2023. You may therefore need to award yourself a higher salary from 2023 onwards.

Please note:
Make sure your customary salary is well substantiated to avoid any debate about it.

6.4 Withdrawal of customary salary scheme for innovative start-ups

The customary salary scheme has currently been relaxed for DGAs of innovative start-ups, allowing them to award themselves a lower salary. This scheme will be withdrawn from 1 January 2023, as the review revealed that little use is being made of it.

6.5 Rise in corporation tax rate and narrowing of tax bands

2023. The threshold of the 1st band is also being lowered from € 395,000 to €200,000. The rate applicable in the 2nd band will remain at 25.8%.

For entrepreneurs with profits below € 200,000 the rate of corporation tax will therefore increase by 4% from 2023. Profits between € 200,001 and € 395,000 will be taxed at a rate 10.8 percentage points higher in 2023 than in 2022.

Tip!
Think about whether you could defer certain costs until 2023 so your profits will be lower then and you will pay less tax on them.

6.6 Conversion of retirement provision into annuity

From 1 April 2017 to 31 December 2019 it was possible to convert a self-administered pension scheme into a retirement provision administered within your own company.

This retirement provision had to be paid out within 20 years of reaching state pension age. Provided that no payment had been made out of the retirement provision, it was possible to use it to create an annuity, an annuity account or an annuity investment right. This avoided the need to keep the company in existence for 20 years after reaching state pension age.

In practice, it became clear that directors/major shareholders (DGAs) also wanted to have the option of transferring the retirement provision into an annuity after payments out of the retirement provision had started, so that the company could be wound up. Consequently, irrespective of their age, DGAs are being permitted to convert their retirement provision into an annuity with retroactive effect from 1 April 2017.

Tip!
Do you have a retirement provision and do you want to wind up your company? If so, consider transferring the retirement provision.

7. Assets

In its 'Christmas judgment' of 24 December 2021 the Supreme Court ruled that the taxation of savings and investments was in conflict with European law. For the years 2017 to 2020 reparations are being offered to taxpayers who had lodged an objection or whose tax assessment had not yet been determined irrevocably. Following the 'Christmas judgment' changes are being made to the box 3 system.

7.1 Changes box 3

From 1 January 2023 the actual distribution of savings, other assets and debts will be taken as a basis for all taxpayers. An imputed return will then be allocated to each of these asset categories after the end of the calendar year. The following imputed returns have been determined for 2021:

Asset type	2021 return
Savings (incl. cash and usufructs on savings balances)	0.01%
Other assets	5.69%
Debts	2.46%

The imputed returns for 2022 will be amended with retroactive effect after the end of the calendar year to bring them into line with the returns achieved in that year. This therefore means that certain returns are not yet known at present.

The return for each asset category is the value of the asset multiplied by the associated return percentage. In the event of a negative return the return is set at zero.

7.2 Tax-free allowance

The tax-free allowance is increasing from 1 January 2023 from € 50,650 to € 57,000 (€ 114,000 for tax partners).

7.3 Rate

In 2023 a rate of 32% will be levied on income from savings and investments. This rate will increase annually by 1% up to 34% in 2025.

7.4 Reference date arbitrage

The transitional legislation will include an anti-abuse provision to prevent taxpayers from shifting assets for a short period of time, between three months before and three months after the reference date.

Please note:
Any shifting of assets that takes place around the reference date will not be recognised by the Tax and Customs Administration, unless there are non-fiscal reasons for it. The Tax and Customs Administration will consider the assets as if they had not been shifted.

7.5 Green investments

Green investments also have to be split into green savings balances and other green investments. The exemption for green investments still applies, but will have to be divided between the two categories. The transitional legislation states that the exemption will be allocated to the category of other assets as much as possible.

Tip!
If you have other assets whose return is lower than the amount of tax that has to be paid on them, it may be desirable to convert them into bank balances or – if possible – transfer them to the company

Tip!
Talk to your tax advisor about the composition of your assets.

8. Other expected proposals that were previously announced

What is the situation with the business succession scheme in 2023? And by how much are the taxes on tobacco, non-alcoholic drinks (soft drinks) and nitrous oxide being increased? We outline these and other previously announced measures for you below. In addition, we mention which issues were absent from the 2023 Tax Plan.

8.1 Change to business succession scheme postponed

The business succession scheme (BOR) has been a topic of debate for some time. To summarize the scheme, in the event that business assets are transferred, the BOR allows for a partial exemption from inheritance and gift tax and a deferment of income tax. Although various alternatives to the BOR have been put forward in the recent past (ranging from scaling back to reform and even abolition), next year this facility will remain unchanged, as State Secretary Marnix van Rij explained in an interview with the FD (Financiele Dagblad) newspaper. According to the Budget Memorandum, however, the BOR will in fact be amended next year. Property that is being let will no longer qualify as business assets, with the result that this facility cannot be used for such assets.

It has been announced that, in addition to the BOR, tax structures relating to the following will also be examined, amongst other things:

- Tax exemptions obtained via country estates under the Estates Act (NSW).
- 30% scheme and the tax advantage on (income from) assets.
- The family bank: fiscally advantageous asset transactions within the family.

8.2 Increase in tobacco duty

In accordance with the coalition agreement, the government is proposing to increase tobacco duty. In 2024 the average retail price for a packet of (20) cigarettes should amount to around € 10. This increase will be implemented in two equal, consecutive steps. The rate of duty per kilogram on smoking tobacco (e.g., rolling tobacco) will also rise in 2023, in line with the rate of duty on cigarettes. Duty on cigars will also be increasing (by 1% on two occasions).

8.3 Increase in consumption tax on non-alcoholic drinks (the sugar tax)

Again, in accordance with the coalition agreement, the government is proposing to increase the consumption tax on non-alcoholic drinks. To this end, from 1 January

2023 the rate per hectolitre of non-alcoholic drink will be raised by € 11.37 in the Non-alcoholic Drinks Consumption Tax Act (Wvad). This will bring the consumption tax to a level of € 20.20.

The government wishes to exempt mineral water from the consumption tax on non-alcoholic drinks. However, this will only be possible one year later, from 1 January 2024, as the customs authorities are only able to implement this change of system from that date.

The lowest rate of beer duty (for light beers) corresponds to that of the consumption tax on non-alcoholic drinks. With effect from 2023 and 2024 this rate of duty on beer will be raised by the same amounts as the rate applicable to non-alcoholic drinks.

8.4 Rate of VAT on nitrous oxide

In future, nitrous oxide canisters will fall under the standard 21% rate of VAT (with one specific exception, which will apply to the supply of nitrous oxide that is classified as medication). The reason for this is that nitrous oxide canisters are also used as a recreational drug. This change is being made in part to bring the policy into line with the change to the Opium Act.

8.5 Taxation of Excessive Loans Act

The Taxation of Excessive Loans Act aims to discourage the granting of loans from a company to its director/major shareholder (DGA). From 31 December 2023 a fictitious profit distribution will be taken into account in box 2 at a rate of 26.9% (rate in 2023) if the debts of the DGA and his or her partner to the DGA's own company together amount to more than € 700,000.

This measure will also apply to debts owed to the company by relations by blood or affinity of the DGA and the partners of these relations.

Home acquisition debts in respect of which a right of mortgage has been established by a notary or home acquisition debts entered into before 1 January 2023 will not be taken into account, provided that these debts qualify for mortgage interest relief.

8.6 Restriction of gift deduction for public benefit organizations (ANBIs)

ANBIs are charitable organizations that satisfy certain requirements laid down in tax legislation. An important condition for being granted ANBI status is that at least 90% of the organization's activities must serve a public interest goal.

Gifts to ANBIs are deductible from income for income tax purposes. Periodic gifts to ANBIs (made for a period of at least five years) can be deducted without restriction.

The deduction of non-periodic gifts is restricted by an income-dependent lower and upper limit.

A private individual or family can also establish a foundation, apply for ANBI status for it and then make a periodic donation to this ANBI. The government considers it undesirable that (extremely) wealthy individuals can reduce their entire income to zero through high donations of this kind. It is therefore proposing to limit the deduction of periodic gifts to € 250,000 per household.

The precise details of this measure will be included in the memorandum of amendment to the 2023 Tax Plan bill.

8.7 Enforcement of law relating to bogus self-employment

The Tax Plan does not contain any new measures relating to the bogus self-employment of self-employed persons. The intention to start enforcing the law in this area had already been announced in June 2022. Use of the model agreements for self-employed persons will therefore be enforced.

8.8 Transfer of right to periodic payments to investment company

Until 31 December 2013 it was possible to agree on a right to periodic payments in the event of redundancy. This meant that the severance payment was used to establish a right to periodic payments, with the result that no payroll tax was due at that particular moment. The severance payment could be placed with a company incorporated specifically for this purpose. Payroll tax has to be subsequently deducted from the periodic payments made. It has now been approved that investment companies also qualify as permitted providers to administer such periodic payments. This means that companies incorporated for this purpose can be wound up and the balance transferred to an investment company. The administrative burden will therefore be reduced for persons with a company set up to make periodic payments. This measure is being introduced with retroactive effect from 1 April 2017.

8.9 Increase in homeworking allowance in 2023

The untaxed homeworking allowance will be indexed on the basis of the table adjustment factor with effect from 1 January 2023. This will take inflation into account. The table adjustment factor is expected to be 1.063, which means that from 2023 the untaxed homeworking allowance will probably amount to € 2.13 per day worked from home. The law does not allow for any further increase, in spite of the fact that in March 2022 the Nibud (National Institute for Family Finance Information) calculated the costs of homeworking to be around € 3.05.

Please note:
The actual amount that can be reimbursed free of tax in 2023 will be announced in mid-December this year.

8.10 Introduction of a basis for the non-charging of late payment interest in specific cases

There are certain situations in which the Tax and Customs Administration can decide to postpone the collection of tax debts. In such situations, following the expiry of the only or the final payment deadline, late payment interest will be charged. A legal basis is now being created that will make it possible to specify certain situations in which late payment interest will not be charged.

One current situation in which charging late payment interest is considered unreasonable concerns provisional income tax assessments for 2022 that include tax on box 3 assets. That is because, when the provisional income tax assessments for 2022 were determined, the Supreme Court's 'Christmas judgment' was not taken into account. However, it is no longer possible to implement a correction of these provisional assessments. It has therefore been decided not to commence enforced recovery for these provisional 2022 assessments that include box 3 income.

8.11 Fiscal investment institutions (FBIs) and property

From 1 January 2024 the government wants to introduce a measure in the area of corporation tax that will prevent fiscal investment institutions from investing directly in property in the future. This measure will be included in the 2024 Tax Plan.

8.12 Mining levy: additional tax for energy companies

In these exceptional times energy companies have generated large profits. These profits will be subject to additional taxation through an increase in the so-called mining levy. The precise details will follow in the memorandum of amendment.

9. More information and contact

Would you like to know more about the consequences of cabinet plans for your personal situation and / or your company? Our (tax) specialists are ready to help you.

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