Whitepaper

# 2024 Budget Memorandum Special

The most important plans that affect you and your business

# Introduction

On Prince's Day 2023 the government presented the 2024 Budget Memorandum and therefore also the 2024 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 2024.

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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***Disclaimer***

*We have endeavored to compile these texts as reliably and as carefully as possible. Our organization cannot be held liable for any inaccuracies they may contain or the consequences thereof.*

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# 1. Rates

In the 2024 Tax Plan the caretaker government is focusing on improving the purchasing power of people on lower incomes in particular, by making changes to tax bands, tax credits and tax rates. Higher earners, SMEs and wealthy individuals will foot part of the bill. All changes to rates are presented below.

## 1.1 Rates in box 1 – Income from employment and home

The rate applicable in the first band is being raised slightly: from 36.93% (2023) to 36.97% (2024). From 2024 the second band will be indexed below inflation. The indexation will be 3.55% instead of 9.9%. As a result, the band will be widened from € 73,071 to € 75,624. This below-inflation indexation will also apply to pensioners. The rate applicable in the second band will remain at 49.5%.

| Income tax rate / national insurance contributionss for 2024 | | | |
|---|---|---|---|
| | **Taxable income:** | | **Rate for 2024** |
| **1st band** | - | up to € 75,624 | 36.97 % |
| **2nd band** | from € 75,624 | everything above | 49.50 % |

### 1.1.1 Increase in employed person's tax credit

The employed person's tax credit is being increased by € 115. This is on top of the inflation adjustment and means that the maximum employed person's tax credit will therefore be € 5,553 instead of € 5,052 (2023). By taking this measure, the government wants to make work pay.

The proposed halving of the young disabled person's tax credit will not go ahead and this credit will actually be increased by € 82. This tax credit applies to benefit recipients under the Invalidity Insurance (Young Disabled Persons) Act (Wajong) and people who are entitled to benefits while finding work under this Act.

Changes to other tax credits are shown in the table below:

| Tax credits | 2023 | 2024 |
|---|---|---|
| Maximum general tax credit (< state pension age) | € 3,070 | € 3,374 |
| Employed person's tax credit (maximum) | € 5,052 | € 5,553 |
| Young disabled person's tax credit | € 820 | € 902 |

| | | |
|---|---|---|
| Maximum income-dependent combination tax credit | € 2,694 | € 2,961 |
| Elderly person's tax credit (maximum) | € 1,835 | € 2,017 |
| Single parent's tax credit | € 478 | € 526 |
| Rate by which employed person's tax credit is reduced for higher incomes | 6.51% | 6.51% |

## 1.2 Rates in box 2 – Introduction of two bands

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. This change had already been included in the 2023 Tax Plan.

| Rate for substantial shareholdings in 2024 | | | |
|---|---|---|---|
| | **Substantial shareholding:** | | **Rate 2024** |
| **1st band** | - | up until € 67,000 | 24.50 % |
| **2nd band** | From € 67,000 | everything above | 31.00 % |

In box 2 tax is levied on benefits from substantial shareholdings, such as dividends that are paid to a shareholder (director/major shareholder (DGA)) and become part of his private assets. In the case of a partnership, the income from substantial shareholdings is regarded as a joint income component. As a result, both partners benefit from the low band, which means that a dividend payment of € 134,000 will be taxed at the low rate.

Example calculation with no tax partner

*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*

Example calculation with tax partner

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

*€ 134,000 * 24.5% = € 32,830*

*€ 366,000 * 31% = € 113,460*

*Total: € 146,290*

***Please note!***

*Dividend payments also affect the general tax credit, your box 3 assets and excessive loans. Talk to your advisor about whether paying a dividend now would be advantageous or whether it would be better to wait until 2024 or to pay a higher amount as a dividend later all at once.*

*Are you a substantial shareholder with a debt of more than € 700,000? If so, you have until 31 December 2023 to reduce this debt. If you do nothing, you will owe tax in box 2 on the amount above € 700,000.*

***Tip!***

*Does your partner have no income? If that is the case, pay out a dividend to take advantage of the general tax credit.*

## 1.3 Rates in box 3 – Savings and investments

As things stand, the aim is for actual returns to be taxed in box 3 from 2027 onwards. Until that time imputed returns will continue to be taken as a basis. There are three categories: bank and savings balances, investments and debts.

From 2024 it will be stipulated by law that shares in homeowners' associations (VvEs) will fall under the category of bank and savings balances. Do you own a flat? If so, this may mean that you will pay less tax in box 3. This 'reclassification' will also apply to funds held in a notary's client accounts.

The tax-free allowance in box 3 is not being adjusted for inflation. In addition, the rate in box 3 will be rising from 32% (2023) to 34% in 2024.

| | Bank balances | Other assets | Debts |
|---|---|---|---|
| **2022** | - 0.01% | 5.53% | 2.28% |
| **2023** | 0.01% | 6.17% | 2.46% |
| **2024** | Not yet determined | Not yet determined | Not yet determined |

***Please note!***
*In 2024 claims and debts that exist between tax partners and between parents and minor children will not belong to any category. It will therefore be possible to omit them entirely from your tax return, with retroactive effect from 1 January 2023.*

***Tip!***
*On 18 September 2023 the Advocate General concluded that the Box 3 Reparations Act (Wet rechtsherstel box 3) also infringed the prohibition of discrimination and the right to property. If the Supreme Court follows this advice, this may have consequences for your box 3 income. You should therefore make sure you lodge an objection in good time to safeguard your rights.*

*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 Unchanged corporation tax rates

Corporation tax rates will remain unchanged. From 1 January 2024 the rate will therefore be 19% up to a taxable profit of € 200,000, with a rate of 25.8% applying above that amount.

# 2. Employer

**From the introduction of a statutory minimum hourly wage through to large employers' reporting obligations relating to the CO2 emissions of their staff, you can 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 € 0.21 per kilometre is increasing to € 0.23 per kilometre from 1 January 2024.

## 2.2 Expansion of exemption for public transport season tickets and off-peak passes

The two existing schemes under which employers can provide public transport season tickets free of tax are being replaced by a single exemption under the work-related expenses scheme. The only condition is that the employee actually uses the season ticket (to any extent) for business trips (including commuting).

## 2.3 End of temporary increase in fixed budget under work-related expenses scheme

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 was expanded on a one-off basis in 2023 to 3%, on a wage bill of up to € 400,000. This increase will no longer apply in 2024. For 2024 the fixed budget will amount to 1.92% up to a wage bill of € 400,000 and 1.18% on the excess amount. If you exceed this fixed budget, you have to pay 80% tax via the final levy in your payroll accounting.

This means that, if you have a wage bill of exactly € 400,000, the level of untaxed allowances and benefits in kind is falling from € 12,000 to € 7,680. Do you have eight employees who together earn € 400,000? If so, the change means that a lower untaxed allowance of € 540 per employee will be possible.

## 2.4 Statutory mininum hourly wage

The Netherlands has a statutory minimum wage. This takes the form of a monthly minimum wage. From 2024 it will change to an hourly minimum wage. Everyone aged 21 or above who is working for the minimum wage will therefore receive the same hourly pay. A monthly, weekly or daily wage will no longer be permitted. This change has been included in the legislative proposal on the introduction of a statutory minimum hourly wage.

> ***Please note!***
> *The minimum monthly wage will be converted to an hourly wage on the basis of a 36-hour working week. This means that employers will face an increase in wage costs if they have employees who are contracted to work for more than 36 hours a week for a minimum hourly wage. It is not yet known whether the government will make arrangements to compensate for this.*

## 2.5 Obligation for large employers to report on work-related mobility

From 1 January 2024 employers with more than 100 employees will have to keep a record of the $CO_2$ emissions of their staff. This obligation is being introduced with the aim of reducing $CO_2$ emissions by 1.5 megatonnes by 2030.

A record must be kept of all business trips made by staff; this covers commuting and all other business trips. The Netherlands Enterprise Agency (RVO) will calculate the $CO_2$ emissions on the basis of the data submitted. Do you meet the criteria? If so, you have until 1 January 2024 at the latest to adapt your records accordingly.

For the time being, there is only an obligation to report this data. From 2026 additional regulations may apply if it appears that your employees are collectively emitting too much $CO_2$. This reporting obligation is part of the 'Decree on the reduction of $CO_2$ emissions from work-related personal mobility, a measure included in the Climate Agreement.

As an employer you will need data including the following:

- The total number of kilometres travelled by your employees in a calendar year for business trips and commuting.
- An annual total of kilometres travelled broken down by mode of transport and fuel type.

You will submit the data requested to the RVO using a digital form. The $CO_2$ calculation will also be performed via this digital form. The report for 2024 will need to be submitted by 30 June 2025 at the latest. For the digital form you will need at least eHerkenning level eH2+ with authorisation for RVO services.

> ***Please note!***
> *Take action promptly to comply with your reporting obligation.*

## 2.6 Capping of 30% scheme at ‘Balkenende standard’

With effect from 1 January 2024 it will be possible to apply the 30% scheme up to an income level not exceeding that laid down in the Standardisation of Top Incomes Act (known as the ‘WNT standard’ or ‘Balkenende standard’). Employees who come to the Netherlands and meet the criteria are entitled to make use of 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 € 223,000 (2023). For expats who were already taking advantage of this scheme in 2022 there will be no salary ceiling for application of the 30% scheme up to 31 December 2025.

## 2.7 ‘Older workers’ target group scrapped under wage expense allowance

The wage expense allowance (LKV) is an allowance for employers who take on one or more employees from target groups that often have difficulty finding work. The LKV for older workers is expected to be scrapped from 2026.

## 2.8 Low-income allowance (LIV) reduced

The upper limit of the hourly wage criterion for the low-income allowance (LIV) is being reduced from 125% to 104% of the statutory minimum wage.

## 2.9 Enforcement of law relating to bogus self-employment

On 1 January 2016 the Assessment of Employment Relationships (Deregulation) Act (Wet DBA) was introduced. In principle, this Act is not being enforced for the time being, but this is set to change. From 1 January 2025 the Tax and Customs Administration will start enforcing the law on bogus self-employment again. Bogus self-employment applies if, in practice, a self-employed person is actually in a disguised employment relationship with a client.

***Please note!***

*The model agreement based on ‘free replacement’ is being withdrawn from 1 January 2024.*

*Enforcement is already possible in situations where parties have acted in bad faith or an instruction to take action has been issued.*

## 2.10 STAP budget to be abolished

The STAP budget (learning and development budget intended to enhance a person’s labour market position) will be abolished from 1 January 2024. This is a subsidy of up to € 1,000 to follow a training programme or course.

## 2.11 Increase in higher-rate contribution to Invalidity Insurance Fund (Aof)

The Aof contribution is a compulsory payroll tax that you, as an employer, pay to the Invalidity Insurance Fund. A differentiated Aof contribution has applied since 1 January 2022. There is a lower contribution for small employers and a higher contribution for medium-sized and large employers. The higher Aof rate is being increased by 0.09%.

# 3. Companies and entrepreneurs

**From the splitting of box 2 into two bands through to the reduction in the SME profit exemption, what do you need to bear in mind as an entrepreneur?**

## 3.1 Reduction in SME profit exemption from 14% to 12.7%

The SME profit exemption is a deductible from your taxable profit for income tax purposes. You are granted this exemption if you are an entrepreneur. From 2024 the SME profit exemption is being reduced from 14% to 12.7%. This means that entrepreneurs will pay tax on a larger proportion of their profit.

***Tip!***

*Think about whether you could defer certain costs until 2024 so your profits will be lower and you will pay less tax on them.*

*Furthermore, ask your tax advisor whether your business being subject to income tax is still the best option for you.*

## 3.2 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. The reduction in the self-employed person's allowance that started in previous years will continue and the allowance will be cut from € 5,030 in 2023 to € 3,750 in 2024. This annual tapering of the self-employed person's allowance will eventually bring the allowance to a level of € 900 in 2027. A higher allowance applies to people who have started a new business, while the allowance is lower for entrepreneurs who have reached state-pension age.

| | Self-employed person's allowance |
|---|---|
| **2023** | € 5,030 |
| **2024** | € 3,750 |
| **2025** | € 2,470 |
| **2026** | € 1,200 |
| **2027** | € 900 |

## 3.3 Restriction on depreciation of buildings for income tax purposes

Entrepreneurs and recipients of income from other activities who are subject to income tax can only depreciate own-use buildings down to the WOZ value (value for purposes of the Valuation of Immovable Property Act).

For purposes of determining profits and results from other activities, depreciation of a building is only possible if the carrying amount is higher than the base value of the building. The base value for own-use buildings is 50% of the WOZ value and will now become 100% of the WOZ value. For buildings made available to third parties the base value is already 100% of the WOZ value. Have you already depreciated beyond 100% of the WOZ value? If so, this will be frozen.

This change will ensure that the base value for income tax purposes is treated in the same way as the base value for companies subject to corporation tax.

## 3.4 Box 2 split into two bands

Do you hold more than 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 more information on this topic, please read section 1.2 Rates in box 2 – Introduction of two bands in this special.

## 3.5 Corporation tax rates and bands

No changes are being made to the corporation tax rates and bands for 2024. For entrepreneurs subject to corporation tax this means that the same rates and bands that apply in 2023 should be taken into account, namely:

| | Corporation tax rate |
|---|---|
| **Low rate** | 19% |
| **Profit threshold** | € 200.000 |
| **High rate** | 25.8% |

***Tip!***

*Is the expected profit of a tax entity for 2023 or 2024 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 with your tax advisor in good time whether this is an attractive option for you.*

## 3.6 Changes to business succession scheme (BOR) and transfer facility (DSR)

When gifting business assets you can take advantage of the schemes available in the area of income tax (transfer facility (DSR)) and gift or inheritance tax (business succession scheme (BOR)). The aim of these schemes is to prevent situations in which, in the event of business assets being gifted or inherited, the tax payable on genuine business transfers puts the continuity of the company at risk, due to insufficient funds being available to pay this tax. You can make use of this fiscal incentive to pass on the baton to the next generation.

The 2024 Tax Plan includes changes relating to the business succession scheme in the area of gift and inheritance tax and the transfer facility in the area of income tax. A set of measures is being taken, the introduction of which will be spread over 2024, 2025 and 2026. These measures will result, on the one hand, in the scaling back and tightening up of the schemes, and, on the other, in a relaxation of the rules in one particular area.

### 3.6.1 Measures effective from 1 January 2024

#### Renting out of immovable property

At present the facilities are only applicable to so-called business assets. All the assets of your company that can be regarded as an investment fall outside these schemes. As far as property that you are renting out is concerned, in practice there will be a discussion with the Tax and Customs Administration to determine whether this constitutes a business or investment asset. With effect from 1 January 2024 property rented out to third parties will be classified as an investment asset. By default, such property will therefore not qualify for the application of the BOR or DSR.

The following are excluded from this measure:

- Immovable property that is used for your own business operations (within your own group).
- Property made available for short periods in the services sector, e.g. hotel rooms and bowling alleys.
- Short-term crop-lease agreements due to crop rotation.

### 3.6.2 Measures effective from 1 January 2025

#### 1. Change to exemption under the BOR

From 2025 the exemption under the BOR will be increased to 100% of the going-concern value (or higher liquidation value) of the business assets up to € 1,500,000. In 2023 this exemption amounts to € 1,205,871 and in 2024 to € 1,325,253. For the amount above this the exemption will be reduced from 83% (2023 and 2024) to 70% (2025) of the business assets.

### 2. Abolition of efficiency margin for investment assets under BOR and DSR

The 5% efficiency margin under the BOR and DSR is being abolished. This efficiency margin means that companies' investment assets are regarded as business assets up to a level of 5% of their business assets. This measure will take effect from 1 January 2025 in the case of the BOR. For the DSR it will become effective at a later date. The precise date is not yet known.

### 3. 'Free choice assets' will only qualify for BOR/DSR if used within the company

The BOR and DSR only apply to business assets. Assets that are used for both business and other purposes (e.g. private purposes or a purpose that performs no function in relation to business operations) – referred to in Dutch as keuzevermogen ('free choice assets') – currently also qualify for these facilities. This is set to change. Assets will only qualify for the BOR and DSR if they are used for business purposes within the company. This measure will relate solely to assets with a market value of at least € 100,000 whose use for purposes other than business purposes exceeds a proportion of 10%.

### 4. Employment requirement under DSR to be scrapped

For purposes of the DSR the acquirer is required to have been employed by the company for at least 36 months. This requirement will be scrapped for the DSR relating to substantial shareholdings. The employment requirement will continue to apply to the DSR relating to companies subject to income tax.

### 5. Application of BOR and DSR if acquirer is at least 21 years old

The starting point for the government continues to be the facilitation of genuine business successions. As the succession is probably not genuine if a business is gifted to very young children, a minimum age of 21 is being introduced for the acquirer of a gift for purposes of the BOR and the DSR relating to substantial shareholdings. No age limit is being proposed for business successions in the event of death.

***Please note!***

*The Council of State has advised that the proposal should not be submitted to the Lower House. It considers the changes made to the BOR and DSR to be too limited and, in its view, the decision to make such limited changes requires further substantiation. The Council of State would like the business succession scheme to be scaled back further and more tax to be paid in the event of business assets being gifted or inherited. In around three quarters of cases there are sufficient funds available to pay the inheritance or gift tax immediately when a business is transferred. From an economic perspective, there is therefore no reason to have a tax facility in place.*

## 3.7 Expansion of reinvestment reserve in the event of discontinuation

If a company is discontinued, the surplus value of the company (hidden reserves and goodwill) forms part of the profit. In certain cases the tax on this profit can be deferred by forming a reinvestment reserve. Application of the reinvestment reserve is being expanded in cases where part of a company is discontinued as a result of government intervention. This will make the reinvestment reserve more accessible for farmers who are discontinuing operations, for example.

The expansion means that, in the event of a (partial) discontinuation due to government intervention, it will be possible to use a reinvestment reserve at another of the entrepreneur's businesses. Under the current scheme the reinvestment reserve can only be used by the same company.

## 3.8 Scrapping of gift deduction for companies

Companies that are subject to corporation tax are able to deduct business expenses. These include business expenses incurred in connection with CSR policy, sponsorship or advertising, for example.

In addition, there is a scheme that applies to non-business gifts in the area of corporation tax. These are gifts that are made without a direct business interest in mind.

In the 2024 Tax Plan it has been decided that the deduction of gifts for corporation tax purposes will be scrapped. Non-business gifts will therefore no longer be deductible from your taxable profit. On the other hand, the amount that the company can no longer deduct from its profits will no longer be regarded as a fictitious payment to the shareholder's private assets on which income tax is levied.

***Tip!***
*Do you want to make a gift from your company to a public benefit organisation (ANBI) or social benefit organisation (SBBI) of up to 50% of your profit and not exceeding € 100,000? If so, do this in 2023.*

***Please note!***
*Do you want to make a gift from your company to an ANBI or SBBI that exceeds 50% of your profit or is above € 100,000? In 2023 the shareholder will pay income tax on this and it is not deductible for corporation tax purposes. From 2024 income tax will no longer be payable by the shareholder in such cases.*

## 3.9 DAC7: obligation for digital platforms to provide information

The DAC7 Directive entered into force on 1 January 2023. This is a new European Directive that aims to improve tax transparency in the digital economy. The application of this Directive means that digital platforms will be required to collect information from their sellers and supply this to the Tax and Customs Administration. Platform operators will have to report this information for the first time in 2024.

For new sellers who started using your platform in 2023 you will have to collect the information immediately with effect from this year. You must then supply this to the Tax and Customs Administration by no later than 31 January 2024. For sellers who were already registered with your platform before 2023 the collection of information will commence one year later, which means that, as a one-off measure, you will have to supply it to the Tax and Customs Administration by no later than 31 January 2025.

## 3.10 General rate of VAT to apply to agricultural goods and services

The reduced rate of VAT on agricultural goods and services has been evaluated. Based on this evaluation, it has been decided that the general rate of VAT will be applied to supplies of certain agricultural goods from 1 January 2025.

Up to the end of 2024 supplies of certain agricultural goods will be taxed at a reduced VAT rate. Examples include pulses and grains that are not classified as foodstuffs, propagating material, livestock, beetroot, agricultural and horticultural seed, roundwood, straw, animal feed (e.g. rabbit feed), flax and wool (both raw and unwashed).

## 3.11 Investment via family funds (FGRs) and open limited partnership taxed directly in box 3

From 1 January 2025 mutual funds (FGRs) will be fiscally transparent if they do not hold a licence from the Dutch Authority for the Financial Markets (AFM) and they fall under the supervision of De Nederlandsche Bank (DNB). These include so-called family funds, for example. This means that the investments held by the fund will be taxed directly at the level of the participants in box 3 instead of in box 2. The fund itself will no longer be subject to tax. Transitional facilities will apply in relation to the (income) tax due as a result of this change.

The open limited partnership is a legal form that is often used for privacy structures and investments. At present, a distinction is made for tax purposes between an ‘open’ limited partnership and a ‘closed’ limited partnership. The closed limited partnership is fiscally ‘transparent’. An open limited partnership, on the other hand, is fiscally ‘opaque’. In principle, it is therefore independently liable for corporation tax in relation to the share of the profit accruing to the limited partners. This distinction is being removed, which means that, from 1 January 2025, all existing open limited partnerships will be regarded as fiscally transparent. This will have the following consequences in terms of tax:

- Immediately before its tax liability is terminated, the open limited partnership will be deemed to have sold all of its assets to its partners at market value. Existing hidden reserves, tax reserves and goodwill will be subject to corporation tax.
- The limited partners will be deemed to have sold their share in the limited partnership at market value. This will result in the levying of income tax (natural persons) or corporation tax (legal entities).

Transitional arrangements will, however, apply in certain situations. These arrangements will not apply to situations in which an open limited partnership has been established after 3.15 p.m. on 19 September 2023.

***Please note!***
*With effect from 1 January 2025 the definition of the exempt investment institution (VBI) will also change. Some investment institutions that fall under AFM supervision qualify as a VBI.*

# 4. International

**From changes to the Excessive Loans Act (Wet excessief lenen) through to adjustments to the scheme for small enterprises, the 2024 Tax Plan also includes changes in the area of international taxation. Below we set out the most important changes that will apply to you as an entrepreneur operating internationally.**

## 4.1 Changes to excessive loans

With effect from 2023 restrictions have applied to excessive loans received from your own company. Previously, borrowing money from their own company allowed substantial shareholders to defer taxation in box 2. Since 2023 this has applied to loans from your own company of more than € 700,000, with the amount exceeding € 700,000 (the excessive loan) being taxed in box 2.

If you emigrate as a substantial shareholder, you are deemed to have undertaken a fictitious sale of the substantial shareholding. At the time of emigration you therefore owe tax on the substantial shareholding in box 2, which is paid on the difference between the actual value of the shares and the acquisition price. As a director/major shareholder (DGA) you do not have to pay this tax immediately, as a protective assessment with deferment of payments is imposed. An undesirable outcome that is now being remedied concerns the situation in which payment of the protective assessment is demanded at the point when, following emigration, the substantial shareholder takes out an excessive loan from a new company based abroad.

## 4.2 Change to scheme for small enterprises

From 1 January 2025 the Directive relating to the scheme for small enterprises will be implemented. This will make it possible for small enterprises with activities in a Member State other than the one in which they are based to apply the scheme for small enterprises of that other Member State. An EU turnover threshold of € 100,000 will, however, apply in addition to the national threshold in the Member State.

A number of aspects of the Dutch scheme are being changed to ensure it is better aligned with the new European scheme. The minimum application period of three years is being withdrawn, for example. However, the notice period of four weeks prior to the start of a tax period will continue to apply.

## 4.3 Implementation of Payment Services Directive

Thanks to the Act implementing the Payment Services Directive (Wet implementatie Richtlijn betalingsdienstaanbieders), from 1 January 2024 the Tax and Customs Administration will acquire more extensive powers to carry out controls. The Tax and Customs Administration will be able to use information relating to cross-border payments. This specifically concerns payments made by a consumer to a seller in another EU Member State or outside the EU. The EU is developing a central system for the collection and exchange of payment information by EU Member States (CESOP). Fraud experts in the Member States will analyse the payment information collected. The findings will be exchanged with the other Member States and will support efforts to combat VAT fraud.

## 4.4 Change to place of taxation for VAT on virtual services

With effect from 1 January 2025 VAT on cross-border virtual services will be payable in the Member State where the purchaser of the service is established. This is referred to as the ’Member State of consumption’. This change to the regulations will relate to various services, including cultural, artistic, sports, scientific, educational and entertainment services.

## 4.5 Extended period for post-clearance recovery by customs authorities brought into line with regular period

Under current customs legislation the standard period for the post-clearance recovery of customs duties is three years, with the possibility of applying an extended period of five years in specific cases (criminal acts). Until recently, however, the customs authorities often applied the extended period in the event of any error being identified in the customs declaration. As a result, the regular period of three years was rarely used. The extended period will therefore be reduced to three years.

## 4.6 Classification of (foreign) legal forms: two additional methods

To assess whether a foreign legal form is transparent (not independently subject to tax) or opaque (subject to tax), the legal form comparison method is currently used for the purposes of applying Dutch tax law. An important aspect within this context is whether the legal form is classified as a capital company or a partnership. This was laid down in a Decree dating from 2009. It is now being proposed that this be enshrined in law.

There are also situations in which the Netherlands regards the foreign legal form as transparent, while another country considers it opaque, or vice versa. We refer to this as a ‘hybrid mismatch’. This difference in classification leads to different tax treatment in both countries. A situation of double taxation or double non-taxation can result from this.

To avoid these two situations, two methods are being introduced – in addition to the 2009 Decree – for the classification of foreign legal forms: the symmetrical and the fixed method. A condition for applying these alternative methods is that the foreign legal form cannot be compared with a Dutch legal form on the basis of the legal form comparison method. It is being proposed that these additions also be enshrined in law.

## 4.7 Minimum Tax Act for large international companies

The introduction of a global minimum rate of profit tax of 15% is designed to create a more level playing field. From 2024 these regulations will apply to multinationals that generate a global annual turnover of € 750 million or more and effectively pay less than 15% tax on their profit.

The Tax and Customs Administration will be authorised to take action if it appears that a company, or a part thereof, is effectively paying less than 15% tax elsewhere on its profit. In such cases the Tax and Customs Administration will be able to apply an additional levy to bring the effective rate up to 15%.

## 4.8 Final dividend-tax levy upon departure from the Netherlands

If a multinational decides to relocate its head office from the Netherlands to another country, the Netherlands may lose its claim to dividend tax. As a result, under certain conditions, final settlement will take place at the time of emigration, under the new Conditional Final Settlement of Dividend Tax Act (Wet conditionele eindafrekening dividendbelasting). There is no option to defer payments or obtain a waiver.

Companies with a profit reserve of more than € 50 million will owe dividend tax on leaving the Netherlands for a non-EU country in the following situations:

1. Relocation of the registered office of a company from the Netherlands to another country;
2. A cross-border legal merger of a Dutch company;
3. A cross-border share-for-share merger of a Dutch company;
4. A cross-border division of a Dutch company.

If the Dutch dividend tax claim is exchanged for a comparable foreign claim, the levy does not apply. In addition, final settlement is not applied if the exemption from dividend withholding tax in participatory relationships applies.

## 4.9 Prevention of dividend tax avoidance

To avoid double non-taxation of dividend payments made from the Netherlands, from 1 January 2024 a withholding tax will be introduced on such payments, which will be equal to the highest rate of corporation tax (25.8% in 2023). This withholding tax will apply to Dutch companies that distribute dividends to foreign shareholders in the following scenarios:

1. The shareholders are based in low-tax countries (with a statutory corporation tax rate of less than 9%); or
2. The shareholders are based in countries that appear on the EU list of non-cooperative jurisdictions.

Payments made in return for capital injections by founders, shareholders, members or participants will also be regarded as dividends for purposes of the withholding tax. Furthermore, this additional withholding tax will also apply to artificial structures set up with the aim of avoiding Dutch dividend withholding tax.

Finally, this withholding tax will be payable even if there is an existing tax treaty between the Netherlands and the country concerned.

## 4.10 Dividend stripping

Dividend stripping refers to a situation in which a company wrongly reclaims dividend tax. One structure used to do this involves a temporary transfer of ownership by a body that is not entitled to refunds of dividend tax to a body that is entitled to them. Within this context it is stipulated contractually that the economic benefit and, for example, the exchange risk remain with the transferring party. The burden of proof for plausibly demonstrating that the recipient of the dividend is not the beneficial owner currently rests with the inspector.

The caretaker government is introducing two measures that will allow dividend stripping to be tackled more effectively:

1. Specifying a record date by law;
2. Reversing the burden of proof in cases where more than € 1,000 in dividend tax is levied per year.

This is expected to allow the inspector to access relevant information at an earlier stage and improve his position as regards the burden of proof.

## 4.11 ATAD 3 – abuse by shell companies

On 22 December 2021 the European Commission published a proposal for a Directive (ATAD 3) aimed at combating the use of shell entities (also known as 'letter-box entities') for abusive tax purposes. The European Commission intends to apply ATAD 3 from 1 January 2024. Whether this date is feasible for its entry into force is still unclear.

The proposal means, amongst other things, that entities in the EU with no or minimal economic activities will be subject to new reporting obligations. They will also not qualify for certain tax advantages.

Any entity that is subject to tax and has cross-border activities may come up against this Directive. An entity is considered to be a shell company if:

- more than 65% of its revenues over the past two years are passive income; and
- 60% of its activities are cross-border activities; and

- the management and administration of the company have been outsourced to third parties.

In addition to these three criteria, a rebuttal provision has been included for shell entities, who will have the opportunity to demonstrate that they were established on the basis of commercial considerations and to provide information on their staff and the place where taxing rights are held.

# 5. Private individuals

**In the area of income tax, changes are being made in particular to the rates in boxes 1 and 3. Box 3 especially will be worth keeping an eye on. What are the main changes?**

## 5.1 Rates in box 1

Tax on income from employment and home is being increased in a number of areas:

- Income tax in box 1 is divided into two bands. From 2024 the second band will be indexed below inflation. The indexation will be 3.55% instead of 9.9%. As a result, the band will be widened from € 73,071 to € 75,624. For pensioners the income tax applicable to pension income comprises three bands. The second and third bands will also be indexed at 3.55% instead of 9.9%.
- The rate applicable in the first tax band is increasing by 0.04 percentage points in 2024 from 36.93% (2023) to 36.97%.

## 5.2 Increase in employed person's tax credit

The employed person's tax credit is increasing by € 115 for incomes around the statutory minimum wage. This will benefit employees with gross salaries of up to almost € 40,000.

## 5.3 Box 3 – Savings and investments

As things stand, the aim is for actual returns to be taxed in box 3 from 2027 onwards. Until that time imputed returns will continue to be taken as a basis. There are three categories: bank and savings balances, investments and debts.

From 2024 it will be stipulated by law that shares in homeowners' associations (VvEs) will fall under the category of bank and savings balances. Do you own a flat? If so, this may mean that you will pay less tax in box 3. This 'reclassification' will also apply to funds held in a notary's client accounts.

The tax-free allowance in box 3 is not being adjusted for inflation. In addition, the rate in box 3 will be rising from 32% (2023) to 34% in 2024.

For more information on this topic, please read section 1.3 Rates in box 3 – Savings and investments in this special.

## 5.4 Gift from a company is no longer a fictitious dividend

Companies that are subject to corporation tax can make business and non-business gifts. Non-business gifts are gifts made on the basis of a shareholder motive, i.e. without a direct business interest in mind.

Up to the end of 2023 a gift based on a shareholder motive is regarded as a fictitious distribution of profit from the company to the shareholder. The shareholder has to pay dividend tax and box 2 income tax on this distribution. Under certain conditions the shareholder can deduct this gift from his or her income tax.

It has been decided that gifts will no longer pass via the shareholder, but will instead be made directly from the company. On the other hand, they will no longer be deductible from the taxable profit within the company.

## 5.5 Periodic gift and loss of ANBI status

If an ANBI (public benefit organisation) gets involved in a dispute with the Tax and Customs Administration about whether its purpose and/or actual activities serve the public interest, the inspector can revoke the ANBI status. A periodic gift is only deductible for income tax purposes if it has been made to an ANBI by means of a notarially executed or private deed. The general rule is that once ANBI status has been lost such periodic payments are no longer deductible. From 2024 it will be clarified in law that gifts will only cease to be deductible once the opportunities for objection and appeal have been exhausted. Only then has the loss of ANBI status become irrevocable.

To avoid a gift becoming non-deductible in the event of ANBI status being lost, you can stipulate in the (notarially executed or private) deed of gift that the periodic gift will be terminated in certain situations.

## 5.6 Averaging of income in box 1 to be scrapped

The last years over which averaging is possible are the 2022, 2023 and 2024 tax years. This had already been included in the 2023 Tax Plan. 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 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.

***Please note!***
*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.*

## 5.7 Abolition of income-dependent combination tax credit from 2025

The income-dependent combination tax credit (IACK) is a tax credit for single parents or lowest-earning partners who combine 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.

## 5.8 End of payment discount for income tax

The payment discount relating to provisional income tax assessments is being abolished from 2024.

## 5.9 Exemption of 'leefvervoer' provided via UWV will now not be capped

On the basis of the Social Support Act (Wet maatschappelijke ondersteuning (WMO)) the local authority is responsible in principle for providing people with transport facilities that are necessary for their day-to-day life. This kind of transport that a person needs to participate in society is referred to in Dutch as 'leefvervoer'. It may include transport by means of a regional taxi or wheelchair-accessible taxi, an adapted car, a mobility scooter or a loaned car. We are therefore not talking here about transport to and from work or school.

The provision of 'leefvervoer' on the basis of the WMO is exempt from income tax. For 'leefvervoer' provided via the UWV (Employee Insurance Agency) there is no statutory income tax exemption. A decision was previously taken to introduce an exemption up to a maximum of 2,000 kilometres. An exemption for 'leefvervoer' provided via the UWV will now be included in the law without any upper limit.

## 5.10 No revision interest when surrendering an annuity in the event of incapacity for work

In the event of long-term incapacity for work you are allowed to surrender an annuity without having to pay revision interest (standard rate of 20%) on it. A maximum amount applies here. If you exceed this maximum amount, you have to pay revision interest on the entire sum.

In practice, this is proving to be a heavy-handed approach. In a policy decision it has therefore been specified that revision interest will only be due on the amount by which the surrender threshold is exceeded. This will also now be enshrined in law.

## 5.11 Change to lucrative interest scheme

The lucrative interest scheme is being adapted following a ruling by the Supreme Court. This ruling relates to the economic comparability of property rights and subordinated classes of shares. The Supreme Court ruled that the capital requirement should be followed, according to which a lucrative interest is present if the subordinated classes of shares represent less than 10% of the issued share capital. With retroactive effect from 26 June 2023 a loan that does not qualify as informal capital will also be taken into account when assessing whether a lucrative interest exists.

## 5.12 Child-based budget

To combat (child) poverty, the child-based budget is being increased. Through the child-based budget parents receive a contribution towards the costs of raising children. The level of the contribution depends, amongst other things, on the number of children, their ages and the level of the parents' income and assets.

The maximum increase in the child-based budget will be € 750 for the first child and € 883 for the second child and subsequent children. For children aged between 12 and 17 the increase will be € 400.

# 6. Property

**In the area of property numerous changes are being introduced that will apply to investment property. Investment property will be excluded from the business succession scheme (BOR) and fiscal investment institution (FBI), for example. Steps will also be taken to tackle tax structures. The main changes relating to property that are contained in the 2024 Tax Plan are explained below.**

## 6.1 Change to rectify homeownership scheme in the case of partners

Under certain circumstances it makes a difference whether your old home is sold before or after you purchase and move into your new home. This is the case for partners in situations where one tax partner has, or both tax partners have, a homeownership history. This situation is being rectified with retroactive effect from 1 January 2022.

## 6.2 Tax exemption for gifts spent on own home abolished

The increased 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. In anticipation of this step the exemption had already been reduced from € 106,671 (2022) to € 28,947 from 1 January 2023.

## 6.3 Property share transactions addressed

The government has noted that it is possible to transfer new immovable property via a share transaction without any VAT or transfer tax becoming payable. It plans to prevent this by making changes to the concurrence exemption ('samenloopvrijstelling'). As a result, with effect from 1 January 2025, in certain situations the acquisition of shares in real estate companies owning 'new' immovable property will no longer fall under the concurrence exemption. Such transactions will be subject to transfer tax at a rate of 4%.

No changes are being made to the reduced rate of 2% and the first-time buyers' rate. Transitional arrangements have been included. Under these arrangements the existing rules will be respected for projects that are ongoing at the time the legislative proposal is submitted (3.15 p.m. on 19 September 2023) and for declarations of intent that have been signed at that time for projects yet to be implemented and for which acquisition will be completed by 31 December 2029.

## 6.4 Property investment no longer permitted for the FBI

The fiscal investment institution (FBI) scheme will no longer allow direct investments in property.

## 6.5 Temporary exemption from transfer tax for conversion of a fiscal investment institution (FBI) into a fiscally transparent mutual fund (FGR)

From 1 January 2025 an FBI will no longer be allowed to invest directly in Dutch or foreign property. To prevent transfer tax from becoming payable on restructurings connected with this change, a conditional exemption will be introduced. This exemption will apply from 1 January 2024 to 31 December 2024.

In addition, in the event of restructurings that are exempt from transfer tax on the basis of this temporary exemption, FBI status will not be lost with retroactive effect. As is the case for other exemptions from transfer tax, a return must be filed to obtain this temporary exemption.

# 7. Transport

**From an increase in the flat-rate portion of private motor vehicle and motorcycle tax (BPM) through to withdrawal of the exemption from BPM for vans and the discount on the addition to taxable income for zero-emission cars, the 2024 Tax Plan also contains various changes with associated consequences in the area of transport. Find out what you need to be aware of below.**

## 7.1 Increase in flat-rate portion of BPM

In 2025 it will become more expensive to purchase a new car. The flat-rate portion of private motor vehicle and motorcycle tax (BPM) will be increasing by € 200. BPM is a tax payable on the purchase of a new car or motorcycle. An exemption from BPM will still apply to electric cars next year. However, this will be scrapped from 2025, which means the purchase price of electric cars will be higher in 2025 than in 2024.

## 7.2 Exemption from BPM for vans to be withdrawn

Entrepreneurs who use a van for business purposes currently pay no BPM if such use exceeds a proportion of 10%. This exemption is being withdrawn from 2025. As BPM is calculated on the basis of CO2 emissions, this measure will not affect electric vans; they will remain exempt from BPM. This means that only vans that are not zero-emission vehicles will become more expensive.

***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 2024!*

*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 your vans with zero-emission variants.*

## 7.3 Change to rate of motor vehicle tax (MRB) for camper vans, horse-transport vehicles and vintage cars

### Increase in rate of MRB for camper vans

The rate of motor vehicle tax applicable to a camper van for your own use will increase in 2024. Camper van owners currently owe 25% of the MRB that would normally apply to a car with the same weight. From 2024 this will increase to 50%.

### Increase in rate of MRB for horse-transport vehicles

From 2024 the MRB payable on horse-transport vehicles used for non-professional equestrian sports will become more expensive. At present, the rate that applies is

25% of the MRB that would normally apply to a car with the same weight. From 2024 the full rate will be charged.

### End of MRB exemption for vintage cars

You currently pay no MRB on vintage cars that are 40 or more years old. From 2028 this rule will only apply to vehicles manufactured before 1 January 1988. Vehicles manufactured after this date will no longer qualify for this exemption.

## 7.4 Tightening of rules relating to lower addition to taxable income for solar cars

New zero-emission vehicles benefit from a discount on the addition to taxable income for use of a company car. This discount is 6% for 2023 and 2024 and 5% for 2025. From 1 January 2026 the discount will be withdrawn.

The discount is applied up to a maximum list price (the ‘cap’). From 2023 onwards this cap will amount to € 30,000. However, the cap does not apply to zero-emission vehicles that run on hydrogen or cars equipped with integrated solar panels.

It is being proposed that the definition that applies for the purposes of the addition to taxable income be tightened up in the case of cars with integrated solar panels. The output of the solar panels in watt peak divided by the consumption in watt hours per kilometre must be at least 7. At the moment the criterion is that the solar panels must have an output of at least 1 kilowatt peak.

## 7.5 Higher MRB for public transport buses and vehicles that run on CNG, LNG or LPG

Motor vehicle tax (MRB) will increase for public transport buses and private cars and vans that, according to the vehicle registration system, run on CNG, LNG or LPG. This is because the lower fuel surcharge will end on 1 January 2026.

## 7.6 Shorter period for retrospective charging of MRB for vehicles with foreign registration plate

Vehicles with a Dutch registration plate are automatically subject to motor vehicle tax (MRB). Owners of vehicles with a foreign registration plate have to register for MRB themselves. If they fail to do so, from 1 January 2024 it will be possible to charge tax retrospectively for a period of twelve months. Previously, this could be done for a five-year period. The shorter period will apply both to fraudulent cases and to cases in which people were unaware of the rules.

# 8. Sustainability and climate

The caretaker government is focusing on the further greening of the tax system. The details of the proposals are set out below.

## 8.1 Energy investment deduction (EIA) reduced

Is your business investing in energy-saving assets? If so, it is possible to deduct a certain percentage of the investment amount directly from your profit via the energy investment deduction (EIA). As this means your profit will be lower, you will pay less tax as an entrepreneur. For 2023 the rate is 45.5%. This will be reduced to 40% from 2024.

***Tip!***
*Are you considering an investment in energy-saving assets? If so, it may be worthwhile to do this in 2023.*

## 8.2 Change to energy tax rates and bands

A number of measures are being taken in relation to energy tax. This tax is levied on the supply or consumption of electricity and natural gas.

First of all, a new first energy tax band will be introduced from 2024 for both natural gas and electricity. The current first band will be split into two smaller bands. This will result in a reduction in this tax up to a certain level of gas consumption. Above this, households will pay a higher rate.

A separate rate will also be introduced for hydrogen. There are also plans to take measures to change the degressive tariff structure that applies to natural gas. A reduction in the rates for electricity in the higher consumption bands is also on the agenda.

In certain cases it is possible to request a refund of energy tax. Changes are being made in this area.

## 8.3 List of sustainable heat sources expanded

For energy tax purposes, natural gas that is used to support the generation of heat from sustainable sources will be treated more favourably. As part of this change, new sustainable technologies will also be added to the list of sustainable sources.

## 8.4 Changes for glasshouse horticulture industry

The reduced rate of energy tax for the glasshouse horticulture industry will be gradually scaled back from 2025 onwards. The intention is to abolish the reduced rate entirely from 2030.

With effect from 1 January 2025 a CO2 levy will also be introduced for the glasshouse horticulture industry.

## 8.5 Restriction of energy tax exemptions

A number of changes will be made to the exemptions in the area of energy tax from 1 January 2025:

- The input exemption for electricity production will be limited to the use of natural gas for the production of electricity supplied to the grid. This measure targets combined heat and power plants;
- The exemptions from energy tax for metallurgical and mineralogical processes will be withdrawn.

## 8.6 Scrapping of dual-use exemption in the area of coal tax

In the area of coal tax an exemption applies to coal that is used as a heating fuel, but also for other purposes, such as a motor fuel (dual use). From 1 January 2028 this exemption will be scrapped.

## 8.7 Increase in $CO_2$ levy

To encourage companies to emit less $CO_2$ during their production process, since 1 January 2021 a national levy has applied to $CO_2$ emissions in industry. The rate of this $CO_2$ levy will be increased from 1 January 2025.

# 9. Other

**Excise duties on fuel, alcohol and tobacco will increase. Whether there is a majority in the Lower House in favour of increasing excise duty on fuel remains to be seen. Steps will also be taken to discourage legal actions being brought on a no-cure, no-pay basis. We outline these and other previously announced measures for you below.**

## 9.1 Change to donations in kind

For donations in kind it is difficult for both the Tax and Customs Administration and taxpayers to determine the market value. It will therefore be stipulated that donations in kind with a total market value of more than € 10,000 will only qualify for deduction if an objective value appraisal has taken place that is apparent from an independent valuation report or a value can be taken from an invoice. A lower limit of € 20,000 will apply to partners for income tax purposes.

For income and corporation tax the lower limit will apply separately for one-off donations in kind and periodic donations in kind. This means that a company can make a donation below the threshold amount on a one-off basis and periodic donations below the threshold amount without being subject to the new obligation to provide a valuation report or invoice. Conditions apply to the valuation report.

To save taxpayers the administrative and financial burden of having a valuation report drawn up, a recent purchase invoice may also be deemed sufficient instead. An example given is a situation in which a person purchases a painting and immediately donates it to a museum. The invoice date must be no more than three months before the donation and the invoice must indicate the market value, as this was or would have been agreed between independent parties. A number of administrative conditions also apply here.

## 9.2 Change to compensation in no-cure, no-pay cases relating to WOZ and BPM

From 1 January 2024 compensation for professional support received in objection and appeal proceedings (compensation for legal costs) brought against decisions and assessments relating to the WOZ (Valuation of Immovable Property Act) and private motor vehicle and motorcycle tax (BPM) will be transferred, wherever possible, to the bank account of the interested party. This means that it will no longer be paid to the no-cure, no-pay office. The level of the compensation for legal costs is determined on a flat-rate basis. This flat rate is also being reduced. These changes are designed to discourage legal actions being brought on a no-cure, no-pay basis.

## 9.3 Penalty clause in State Taxes Act extended to 2029

Some tax rules contain a sunset clause. This means that a regulation has a fixed end date and that its continuation depends on a positive opinion regarding its extension. The sunset clause that applies to the penalty clause in the State Taxes Act (Algemene wet inzake rijksbelastingen) is expiring and is now being extended by five years until 1 January 2029. This penalty clause is the basis for imposing fines on perpetrators, inciters and accomplices.

## 9.4 Reversal of reduction in excise duties

Fuel prices will increase from 1 January 2024. This is due to a reduction dating from 2022 being reversed on account of the sharp rise in energy prices. Part of the reduction was already reversed in July 2023. The remainder will be reversed from 1 January 2024.

## 9.5 Tax interest on allowances

If you are entitled to an allowance, you will receive an amount each month as an advance payment. This advance payment is based on an estimate of your income. As the level of your income only becomes clear at the end of the year, you may have received too much or too little allowance.

If the amount you received is too high or too low, tax interest is charged on the amount that you have to pay back or the amount that will be subsequently paid to you. The level of this interest is based on the statutory interest for non-commercial transactions. On 1 July 2023 this rose from 4% to 6%. The government does not consider it desirable for interest on allowances also to rise to 6%. Claiming back allowances can have a significant financial impact on the vulnerable target group that relies on them. Increasing the interest on allowances that are reclaimed would further exacerbate this.

For this reason, with retroactive effect from 1 July 2023, the tax interest payable on allowances will be uncoupled from the statutory interest for non-commercial transactions and a rate of 4% will be retained.

## 9.6 Act to compensate taxpayers for infringements during tax return selection process

The Tax and Customs Administration receives millions of income tax returns every year. The system used to select tax returns for audits led to certain returns being labelled as potentially incorrect or fraudulent. This selection procedure infringed many of the core principles of the General Data Protection Regulation (GDPR). The introduction of this Act (Wet compensatie wegens selectie aan de poort) will prevent a repeat and ensure that the taxpayers concerned are compensated.

## 9.7 Increase in excise duties on tobacco and alcohol

The excise duties on tobacco and alcohol are being increased. From 1 January 2024 the excise duty on tobacco will be raised further by € 0.60 per pack of twenty cigarettes. This increase is expected to bring the average sale price for a pack of twenty cigarettes to € 10.70. The average price for a 50 gram pack of rolling tobacco is expected to be €24.14 in 2024. Excise duty on alcohol will rise by 16.2%.

# 10. 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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