End-of-year Newsletter 2016

1986-2016
30
J.C. Suurmond & zn.
Tax consultants

Dear Client,

We trust 2016 has gone well for you so far! It is now time for our end-of-year newsletter with fiscal tips and hints to make it better still. The 2017 tax plan was passed by parliament and awaits the final vote in the upper house on the 20th December.

The tax proposals have been changed on a number of points. The withdrawal of the proposal to terminate the tax deductions for maintenance costs of listed buildings and study costs certainly was a welcome change for the tax payer. These proposals were subject to substantial criticism of the public, also as the replacing arrangements were not worked out in detail. We did participate in the genuine objections to these plans which would have worked out very unfavourably. Further changes or reforms of the tax system will be left to a new government to be elected in March 2017.

In this newsletter you will find articles about the tax plans for 2017 and the related tax saving opportunities. We hope you will be able to take advantage of these. Please note however, that these articles are only general and may not be applicable in your situation. Please contact us for tailored advice or a further explanation.

J.C. Suurmond & zn. Tax consultants

Trusted advisors since 1986
Untaxing taxes!

EXPAT/ INDIVIDUAL

Increased exemption in Gift Tax

As already announced last year, a new one-off Gift Tax exemption comes into force from 1st January 2017. A gift of € 100.000 will be tax free if this is used for a property which is first residence of the receiver. Also a house in another country can qualify for this exemption. As before, this exemption can only be used once in a life time. Earlier exempted one-off gifts will be deducted from the maximum € 100.000.

The gift may be applied both within or without family relations as long as the receiver is between the age of 18 and 40. The gift may also be spread over 3 years. In order to make use of the exemption you will have to declare the gift with a gift tax return. As it may involve substantial amounts we would recommend to contact an advisor to make sure the exemption applies.

Foreign assets and tax evasion measures

International tax evasion continues to attract attention of the Tax Office, amongst others for data leaks such as the Panama Papers. It comes closer home for people who may have been unaware that they should have declared their foreign assets.

For these situations tax payers can make use of the amnesty ruling ('inkeerregeling' in Dutch). This ruling gives persons with undeclared assets the opportunity to put this right with the tax authorities. From July 1st, 2016 onward a fine applies of 120% over the tax which is due. The tax authorities are still actively searching for undeclared accounts. Various information requests by the Dutch Tax Office to Swiss banks regarding Dutch bank account holders were approved by the Swiss authorities.

Therefore we recommend to contact our office if you are unsure as to whether a Dutch or foreign asset, bank account, real estate, share portfolio etc. should be included in your Dutch tax return. If the tax authorities detect that you have undeclared foreign bank accounts you cannot make use of the amnesty ruling anymore and a fine of up to 300% will apply.

Foreign assets do not have to be declared when you are a non-domestic tax payer (C-form) or as long as the 30%-ruling applies. Please do note that you will have to opt for this specific partial non-domestic status to apply for this. After termination of the 30%-ruling onwards you are usually classified as a domestic tax payer that has to declare worldwide income and wealth.

Box-3 (wealth) tax changes

Beginning 2017 the taxation on income received on savings and other wealth assets will change. Currently the box 3 tax consists of a 30% levy over a notional return of 4%, which means an effective rate of 1,2% on the assets. As on many saving accounts this percentage is not even reached with interest there has been much criticism and continuing appeal procedures against this system.

The suggested changes provide for different notional income percentages:
2,9% on assets from € 25.000 to € 100.000 (effective rate 0,87% compared with current 1,2%)
4,7% on assets from 100.000 to 1.000.000 (ditto 1,41%)
5,5% on assets exceeding € 1.000.000 (ditto 1,65%)

Each year the percentages will be determined on the basis of relevant market information on interest and investment results. The tax free base will be increased to € 25.000. Up to a capital of € 250.000 (and double for partners) the new plans will be more favourable. Higher capital amounts will be faced with an increased tax burden.

The government has also presented some alternatives based on the actual return on investment instead of the fixed notional income. Working this out into legislation will be left to the next government, after the elections in 2017.

Tax deduction for listed buildings and study costs maintained

With the tax plan an additional plan was presented which would abolish the current tax deductions for listed historical buildings (‘monuments’) and study costs. Instead of this subsidies would be granted, which however did mean a substantial cut in the budget. After various protests against these measures the plan was withdrawn again, at least for the year 2017.

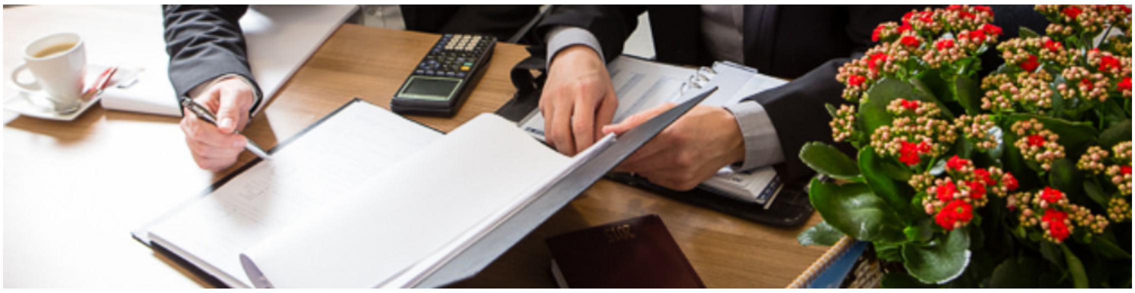
Obviously this is good news for you as tax payer. If you own a property which is a listed historical building you may deduct maintenance costs you incur, under certain conditions. Study costs which you have to pay for yourself will stay deductible.

Various changes and fiscal tips:

- Move substantial payments planned early 2017 to December 2016 to save on box 3-levy; this also includes tax payments;
- Cluster deductible expenses such as charitable gifts or health expenses into one year as much as possible. The expenses will then earlier lead to actual tax deduction as the threshold will only apply once.
- The box 1 income tax rate in the 2^{nd} and 3^{rd} tax bracket will be increased with 0,4% to 40,8%. The range of the 3^{rd} bracket is also expanded slightly; the maximum tax rate of 52% therefore only cuts in at an income of € 67.072. Various levy rebates will be increased too.

For pension issues, savings needs and general financial planning we recommend our trusted partner **Blacktower Financial Management**, which is also celebrating their 30th anniversary this year! They are especially experienced with helping expats save and plan for the future.
[Read more >]

SELF-EMPLOYED / CORPORATE



Reduction Corporate Income Tax

Many countries are lowering or have announced to lower their corporate income tax rates in order to attract international companies. In order to keep the Dutch business climate competitive the government has announced to reduce the corporate tax by extending the first tax bracket. The first tax bracket applies to a profit up to € 200.000 and 25% thereabove. The government proposal consists of extension to € 250.000 in 2018 up tot € 350.000 in 2021.

Private use tax on vehicles

In 2017 the private use tax on company vehicles will be changed. The current four rates varying from 4% to 25% will be replaced by two rates. A general rate of 22% will apply for most vehicles and a low rate of 4% for zero emission vehicles only. Vehicles purchased before 1-1-2017 will maintain their current private use tax rate for the next 5 years. If you consider purchasing a low emission car with lower rates, you will keep the advantage of this for 5 years. If you are thinking of a vehicle with the normal maximum rate it may be best to postpone the purchase till after 1-1-2017, as you would remain in the high 25% rate for 5 years otherwise.

Business deduction for office at home

Earlier this year the High Court decided positively on the possibility of deducting part of the rent for the use of an office at home for self-employed persons. After extensive attention in the media State Secretary of Finance has decided to terminate this possibility with new legislation from 1-1-2017. After all the attention for this item he anticipated that too many self-employed persons would make use of it, which would cost the government too much.

Expenses of an office at home which is not separate will therefore no longer be deductible from next year. Any equipment which is used in the office for the business, will still be deductible and VAT can be reclaimed on the purchases. If the office is accessible by a separate entrance and has its own sanitary facilities, all costs related to the office remain fully deductible both if rented or owned.

Issues with replacement of the VAR declaration

Earlier this year the VAR declaration was terminated by new legislation. The VAR has been replaced by a contract between you as self- employed person and your customer which should prove that your relation is not seen as employment. The Tax Office has provided a number of approved model contracts.

These model contracts only give certainty to your customer/employer that they will not have to withhold wages tax and premiums. It does not give clarity whether your income will also be regarded as business profit, with its tax facilities. This will only be the case when the Income Tax return is finalised.

In practice a number of complications and uncertainties have shown themselves as a result of the new legislation. Enforcement of the new arrangements therefore has been postponed till 1-1-2018. By that time new clear criteria should be developed for determining the self-employed status.

Termination of self-handled pension director shareholders

A separate proposal of the tax plan terminates the self-handled pension, or the ‘pensioen in eigen beheer’. As of 2017 director/major shareholders will no longer be able to build up their pensions independently in their own BV company. Neither will it be permitted to introduce additions in existing arrangements.

The director/major shareholder with an existing, independent, pension arrangement will have three options. The existing arrangement may continue, the pension can be terminated with a lump sum, or the existing pension arrangement can be transformed in a so-called old age obligation. If the arrangement is maintained, the pension facility is ‘frozen’, and the rules that pertained before will continue to be in force. If the pension is terminated, the lower fiscal value will be taxed rather than the commercial value. Apart from this a discount will be granted on the tax rate in the next three years, with the highest discount in 2017 decreasing to the lowest discount in 2019.

Various changes and fiscal tips for businesses

- Consider to have your (studying) child who you are supporting financially on the payroll of your business; up to € 7.000 income this is tax free.
- VAT reclaim on receivables which cannot be collected anymore will be simplified. Unlike under the present regime, entrepreneurs will be able to request the refund at the latest one year after their claims fall due. In addition, submitting a separate refund request will no longer be necessary, as the refund amount can be deducted from the periodical VAT return.
- Commissioners in companies will no longer be regarded as in fictitious employment relationship with their companies, although it will be possible to choose for the opting-in arrangement. This could for example have consequences for applying the 30% tax ruling.
- Various limitations have been implemented in the innovation box in order to bring this in line with international treaties. It mainly concerns tightening the conditions for qualifying advantages.