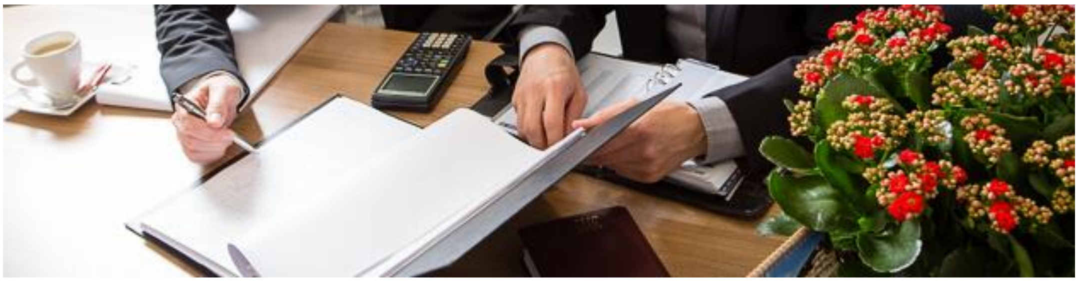

Ten points of attention 2018 tax return

The Tax Office has selected the 10 most important points of attention for the 2018 Income Tax return, as follows:

1. Remainder personal tax deduction (if a tax deduction could not be fully utilised in the previous year)
2. First residence and divorce situation
3. First residence: increase of mortgage
4. Starters on the housing market
5. Study costs
6. Other income (freelance/non business)
7. Redemption annuity pay
8. Fiscal partnership – incorrect allocation
9. Inheritance bank account
10. Cryptocurrencies

If one or more of these subjects are relevant to you, it is important to give it due attention. The Tax Office will focus on these areas.

Tax deductions 2018

In the tax return 2018 you can claim the following personal tax deductions to reduce your taxable income:

- mortgage interest of your first residence
- life annuity premiums
- non-compensated health care expenses (including medical care, prescribed medication, travel expenses for hospital visits);
- financial obligations to an ex-spouse i.e. alimony
- gifts or donations to recognized charitable institutions and churches (refer to the ANBI-list)
- study costs
- expenses for maintenance or restoring of a property that is classified as a national monument (listed building) (last time possible)
- travel expenses for regular use of public transport between home and work
- weekend expenses for taking care of disabled relatives

2018 is the last year that deduction of expenses for a listed building is possible. Any expenses paid during 2018 can be taken into account.

Do take into account that for some of the mentioned deductions a threshold or other conditions may apply. The expenses may therefore not be fully tax deductible. If you think you had expenses that may qualify and have questions about this, please contact us.

Legal interest on tax amounts

With the new tax interest rules, from July 1st 2019 the Tax Office will charge interest on potential tax debts for the 2018 tax return. This interest amounts to 4% for the Income Tax and 8%(!) for the Corporate Income Tax. If you expect a high assessment and you want to avoid paying a high interest, please contact us to request a provisional assessment. In case of a tax refund the Tax Office only compensates interest in a limited way.

Is a tax return necessary?

If the Tax Office issues you with a tax form or letter to request you to do so, this will have to be filed anyway. If you do not receive a letter, but you will have to pay additional tax on your income or assets, you are also obliged to file a tax return. Obviously if you are entitled to a refund, it is in your own interest to file one. For a regular domestic tax return the deadline is May 1st. For a migration tax return (M-form) the deadline is July 1st. For both forms extension can be requested if necessary.

This year again we have heard of tax payers who received a letter from the Dutch tax authorities mentioning that they did not need to submit a tax return, although in their particular situation it would have been either mandatory to file a tax return, or they were entitled to a refund. For example a foreign tax payer with property in the Netherlands, on which Dutch tax is applicable. Furthermore the Tax Office in the main is not aware of your possible tax deductions. We therefore advise to have your refund possibilities checked.

The Tax Office has also mentioned that some details in the prefilled tax return may be incorrect, such as the mortgage interest deduction. It is always important to check the figures with the underlying documents. By the way, any electronic messages you receive from the Tax Office (Berichtenbox) are still also sent by regular post.

Tax free giving to your children and others

If you give amounts to your children or other persons in principle you will need to pay Gift Tax. Certain amounts however are exempted. In 2018 the annual tax exempted gift amount to children is € 5.363 (2019 € 5.428) and to other recipients € 2.147 (2019 € 2.173). If your gift exceeded the mentioned amounts it is necessary to submit a gift tax return.

For gifts in relation to a study or purchase of a property there are additional tax free amounts. From 2017 it is possible again to claim a gift tax exemption of € € 100.000 (2018: € 100.800; 2019: € 102.010) if the amount is used for purchasing a house or paying back a mortgage. In these situations it is necessary to submit a gift tax return in order to claim these tax free amounts. In principle the Gift Tax return needs to be done by March 1st following on the year the gift was made. Let us know if you need help with this.

Foreign capital in the Dutch tax return

As a resident tax payer in the Netherlands you have to declare your worldwide income and wealth. In case you have not declared a bank account or a holiday residence abroad in the past years, we would still recommend to take the initiative yourself and declare this. Although the amnesty ruling officially is abolished, for older years it can yet be made use of, which would lead to lower penalties.

30% ruling and foreign wealth

If the 30% ruling applies you can opt for partial domestic taxation which exempts you from taxation of your wealth, as a result of which the above paragraph does not apply.

It is however imperative to complete the tax return correctly and opt for the correct status. If you do state (some of) your box 3 wealth items which the tax forms asks for, the Tax Office concludes that you opt for full Dutch taxation which means you become taxable for your worldwide wealth. This is a tricky pitfall many innocent tax payers have been tripped up by.

If you have any questions about the above, please contact us.