Your 2017 Income Tax Return

March 2018

Tax deductions 2017

In the tax return 2017 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)
- travel expenses for regular use of public transport between home and work
- weekend expenses for taking care of disabled relatives

If your children have study costs which are not compensated by the government, they may claim their study costs in their own tax return. If they have no income, this will result in a loss which is deductible from future income. The government is actually considering to replace the study costs deduction with a subsidy, but further details and date are not yet known.

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 2018 the Tax Office will charge interest on potential tax debts for the 2017 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.

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.

By the way, any electronic messages you receive from the Tax Office (Berichtenbox) are still also send 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 2017 the annual tax exempted gift amount to children is € 5.320,-- (2018 € 5.363,-) and to other recipients € 2.129 (2018 € 2.147,--). 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,-- 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. Please take into account gift tax also applies in situations where the 30% ruling is applicable.

Changes in regulations self-employed status

If you are self-employed and have your own business it is important to be able to prove that you are an independent entrepreneur. If you for example are relying on just one client, and have to follow their instructions also as to how and when to do the work, this would generally be more like an employment situation. In that case you would not be entitled to the tax facilities which are available to self-employed persons.

The original VAR declaration which proved you were independent was replaced by new legislation in 2016. As in practice this new legislation caused much uncertainty on the Dutch labour market, enforcement of the new arrangements has been postponed further till 1st January 2020. Only in situations where it is abundantly clear it concerns semi employment and this is known by the persons concerned a fine is possible. The government is in the process of developing new regulations and criteria for determining the self-employed status. This is expected to be finalised by 2020.

Foreign capital in the Dutch tax return

The Dutch Tax Office is yet actively tracing declared or non-declared foreign assets and has sent letters to tax payers with possible foreign assets. Recently the Tax Office sent letters to account holders of various Swiss and Luxembourg banks, of which they had acquired information. In that case we would advise to cooperate with the Tax Office in view of keeping the financial consequences and penalties as low as possible. Obviously it is important to present the information in the most optimal way.

Also as a consequence of FATCA regulations US tax authorities provide information about bank accounts to Dutch tax authorities and vice versa. It is important to do the necessary tax returns in both countries.

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.