

End of year tax tips

How to wrap up smart

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Wrap up smart!

With this newsletter, we would again like to update you on the latest tax changes and savings opportunities.

The tax plan is the last budget submitted by the outgoing Rutte IV government. Despite the caretaker status of the cabinet, it contains quite a few changes. Not least because on the last meeting day (and especially night!), 20 amendments were adopted by the 'Tweede Kamer'. These have varying consequences for taxpayers. However, the tax plan still needs to be approved by the Senate which will vote on 19 December. Positive for businesses is that the gift deduction in corporate income tax will remain in place and that the SME(Mkb) profit exemption will be reduced less than originally intended. On the other hand, the rates have been increased on assets in box 3 as well as on dividends in box 2. The 30% rule for expats will also be severely scaled down. Clearly, the measures do not help the Netherlands becoming more attractive for expats or international businesses.

As for the Box 3 capital gains tax, there are still pending court cases in the aftermath of the Supreme Court decision in December 2021. The final outcome will therefore have to be awaited.

We would like to draw attention again to the tax increase for owners of second homes and other real estate from 2023. Due to the accumulation of measures such as the new box 3 system, lowering the value correction based on rental status and increasing the transfer tax, the tax bill will go up substantially. Also, if you were planning on converting (low-yielding) assets (e.g. shares, crypto, real estate) to bank accounts, this could save a substantial amount of box 3 tax for 2024 if this is done before the end of the year.

Also, the successor to the abolished study cost deduction, the 'STAP budget' will be abolished from 1-1-2024; there will not be any facility for study costs.

You can read more about these topics in the articles below.



Roderik
Fiscaal adviseur

Individual

Individual tax tips 2023

- Changes box 1 Tax – Income from work and first-residence property
- Supreme Court ruling and corrections box 3 levy
- Changes 2024 Box 3 - Benefit from savings and investments
- ‘Massaal bezwaar plus’ proceedings for non-objectors box 3 tax
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Changes Box 1 Tax – Income from work and first-residence

In 2024 the threshold for the first bracket will be raised, from € 73.032 to € 75.624. The below chart gives an overview of Box 1 income tax in 2023 and 2024:

Income Tax - AOW not reached	2023	Income Tax - AOW not reached	2024
First bracket up to € 73.032	36,93%	First bracket up to € 75.624	36,97%
Second bracket from € 73.032	49,50%	Second bracket from € 75.624	49,50%

Individual

Changes Box 1 Tax – Income from work and first-residence

For taxpayers who have reached the state pension age the following rates and brackets apply for 2023 and 2024:

Income Tax - AOW reached	2023	Income Tax - AOW reached	2024
First bracket up to € 37.150	36,93%	First bracket up to € 38.139	36,97%
Second bracket: € 37.150 - € 73.032	36,93%	Second bracket: € 38.139 - € 75.624	36,97%
Third bracket from € 73.032	49,50%	Third bracket from € 75.624	49,50%

*other brackets apply to people born before 1 January 1946. For box 2 rates, please refer to the business section of the newsletter.



Individual

Kerstarrest en rechtsherstel box 3-heffing

Legal proceedings have been going on for years about the fictitious way of levying tax on the box 3 capital. After all, a fictitious return was assumed that was many times higher than that received on the savings account. Ultimately, the Supreme Court ruled last December that the fictitious calculation of box 3 for the years 2017 and 2018 can be disproportionately burdensome and therefore in violation of the human rights treaty. According to the Supreme Court, legal redress must be offered to taxpayers who have objected.

The Tax Office has worked out this correction of taxes by taking into account the actual composition of their assets and not the fictitious progressive rates. A fictitious return is still assumed; the return on savings has been sharply reduced to 1%* or less based on actual interest rates. However, the highest percentage of around 6% applies to all other assets. A lower percentage of around 3%* applies to debts. The tax-free allowance is calculated at a weighted average rate. In any case, generally this will provide a better connection to the actual wealth situation. Since the fictitious return on other capital is calculated based on the highest percentage, the new calculation is not necessarily more favourable in all situations. However, if this turns out to be less favourable, the existing box 3 calculation will remain in effect up to the year 2022. From 2023 onwards, only the new system will be applicable.

**The exact percentages are dependent on how interest rates will develop in the year itself, therefore the exact figures for 2023 are not yet known.*

Changes 2024 Box 3 - Benefit from savings and investments

For box 3, there are no major changes in 2024 compared to 2023. Under this system, the savings, other assets and debt categories each have their own percentage of fictitious return based on the value per beginning of the year. In 2024, the tax-free wealth remains the same as in 2023; the amount is €57,000 (€114,000 for tax partners). Based on the asset mix, an average return is calculated on the total assets. The rate on the fictitious return in box 3 was 32% in 2023. This rate will be increased to 36% in 2024.

On the next page is an overview of the box 3 tax under the new system for 2023 and 2024.

Individual

Box 3 tax under the new system for 2023 and 2024:

Box 3 tax	2023	2024
Asset category	Fictitious income	Fictitious income
Bank accounts	1%*	1%*
Debts	3%*	3%*
Other assets	6,17%	6,04%

**Exact percentage will be announced at the beginning of 2025*



Individual

'Massaal bezwaar plus' proceedings for non-objectors box 3 tax

It was announced on the 4th November that a supplementary procedure, 'massaal bezwaar plus', will be set up for non-objectors. If it follows from the 'massaal bezwaar plus' procedure that non-objectors are eligible for legal redress, this restoration will take place in the same way as for objectors. Taxpayers will then no longer have to make an individual request. By doing so, the Tax Office wants to prevent large numbers of appeals being filed again. This mass appeal procedure specifically is for those who did not timely submit an appeal. A final ruling in this case is expected to take a few months to a year. Until then, no final assessments will be imposed that include box 3 assets.

If you have lodged an appeal, but still do not agree with the outcome for other reasons, we recommend you do submit an additional request. This may concern, for example, the allocation between partners or the calculation of the levy on foreign property. For the year 2018, this request will have to be submitted before the end of 2023. For more details about this, please contact our office.



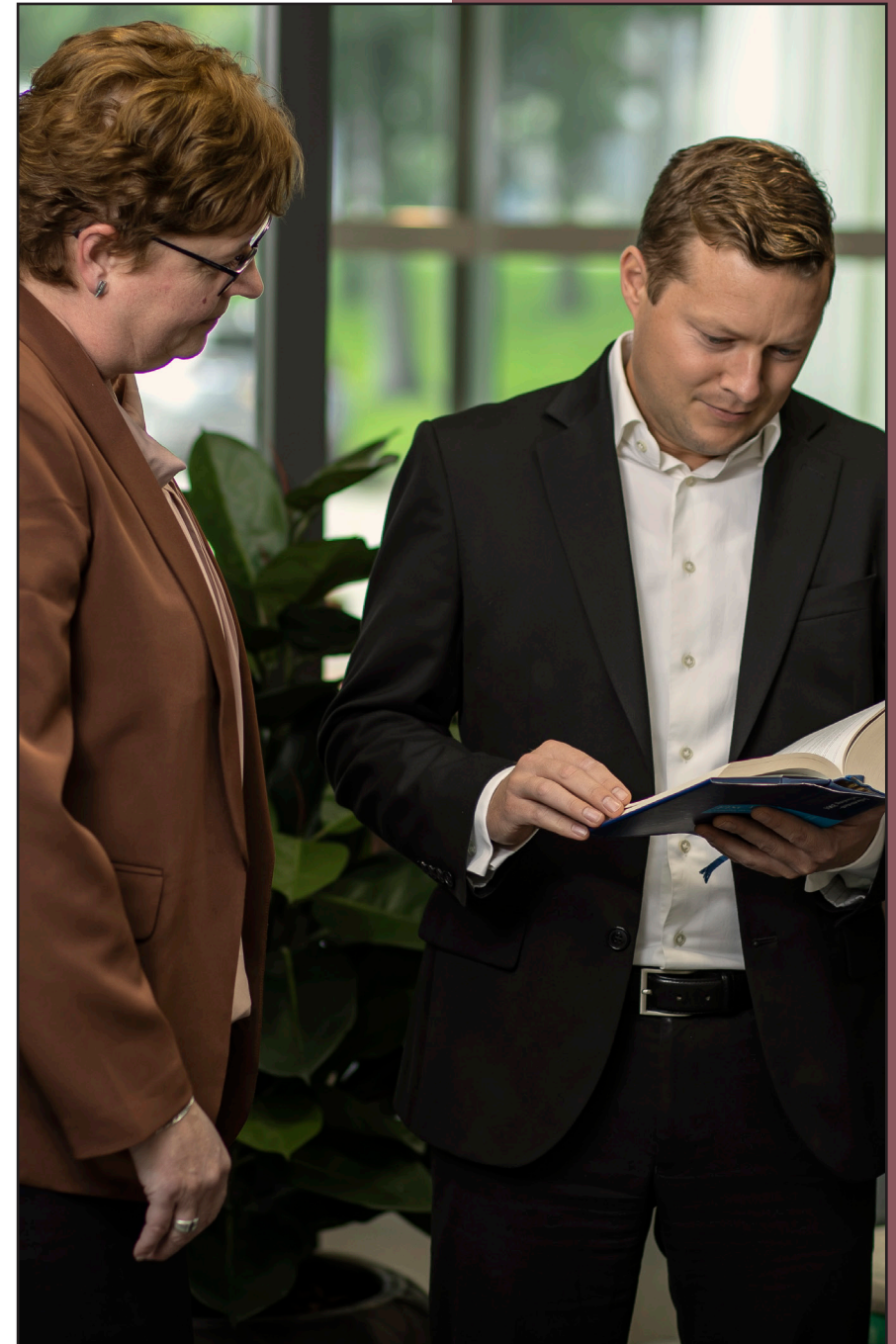
Individual

Objection based on actual return on assets

Depending on your assets, the legal redress offered based on the new box 3-system may still lead to an excessive burden because, for example, you have suffered losses on your investments or there are unrealised capital gains and/or losses. There have been plenty of rulings from lower courts for these types of situations, all of which overturn the legal redress and follow the actual return on assets. Thus it is definitely worth looking at the possibilities of appeal if the actual return on your assets is lower than according to the new box 3-system.

Box 3 calculation - levy on foreign property

Incidentally, there are some ambiguities regarding the calculation of the double taxation deduction on foreign real estate. In our view, the deduction was calculated in an unfavourable way, assuming the average rate instead of the high rate applied to real estate. The Tax Office has since started correcting the previous deductions itself. In addition, the choice between the old or the new system is also not unambiguous in situations involving double taxation deductions. We recommend checking these cases extra carefully and raising an appeal if necessary.



Individual

Limitation to shifting between box 3 categories

Under the new system of box 3 taxation, savings are taxed more favourably than other assets. To prevent taxpayers from shifting their assets between the different asset categories just around the tax reference date for box 3, a provision has been included in the Box 3 Bridging Act. If a transaction falls within a three-month period around January 1, it is ignored for the purpose of calculating the box 3 tax on 1 January.

Shifting between asset categories around the reference date of 1 January is therefore, in principle, only successful if the shift is maintained for three months. Of course, costs of transferring securities and other assets should also be taken into account. If it can be proved the transaction was not for tax reasons this may also be accepted.



Individual

Long-term plans for box 3

In September State Secretary of Finance Van Rij published a proposal for the new box 3 system from 2027 onwards. In outline, assets in box 3 will be taxed following a capital gains system. Under this system, realised and unrealised income from assets is taxed and related costs are deductible. Exceptions to the capital gains tax are real estate and shares in family businesses and start-ups. These assets are subject to a capital gains tax on the development of value only upon realisation, such as sale. The submission of this draft bill is left to a new cabinet, which means that this proposal can still be amended. As in practice every system has its drawbacks, there is still much uncertainty about the new tax system. This may further delay the planned effective date of 1 January 2027. Do you have questions about the consequences and/or effect of this proposal? If so, please contact our office.



Individual

Increasing taxation on second property

From 1 January 2023 the property transfer tax when buying a second property, will be raised to 10,4%. Until now this rate was 8%. Furthermore from 2023 onwards the correction that was possible based on the rental status of a second property will be limited. Whereas until 2022 the value could be reduced to 45% of the WOZ-value, from 2023 onwards this will be a maximum of 73%. On top of that the box 3-taxation for second property has also significantly increased due to the new box 3-system that is applicable from 2023 onwards. All these measure significantly increase the taxation on second property. If you would like to know how this will work out in your situation please contact our office.

Further limitations of the 30% ruling

In the night before the election recess the parliament initiated two amendments to the 2024 tax plan that further restrict the 30% ruling. One amendment relates to the partial non-domestic tax liability for 30% rulings which is no longer applicable from 2024 onwards. Transitional regulations apply to existing 30% rulings, allowing partial non-domestic tax liability to continue through to 2026. Furthermore, the benefit percentage on income will be phased out. From 1 January 2024, for the first 20 months 30% of the salary will remain tax-free. For the following 20 months, a percentage of 20% will be tax-free and the 20 months thereafter 10%. For cases existing as of 1 January 2024, the old scheme will remain in force for the entire duration. Therefore, if it is possible to bring forward an employment to the end of this year, this will provide more benefit.

This year the 30% ruling for incoming employees was already capped to a certain income level called the WNT norm(also known as the Balkenende norm). From 1 January 2024 this norm will be € 233.000 on an annual basis, for 2023 the amount was € 223.000. This means that the 30% will not be applied to the part of the income that exceeds this amount.

Individual

Other tax tips and changes

- Do you expect to pay tax for the 2023 or 2024 tax year? Requesting a provisional assessment in good time, will save you legal interest. Interest is calculated if the assessment is imposed later than 6 months after the end of the calendar year (1 July 2024). The interest is at least 6%. To ensure that the assessment is imposed in time, we recommend that you apply for it before 1 April 2024. The assessment for the 2023 tax year must be paid at once. There is the possibility of paying the assessment for the tax year 2024 in instalments. Do you have questions about this? We are happy to assist you in applying for a provisional assessment.

- If you expect to receive a refund for 2018, an Income Tax return for this year must be submitted before December 31, 2023. In 2024, the 5-year term for submitting this declaration will expire.

- As mentioned in the introduction, if you were planning on converting (low-yielding) assets (e.g. shares, crypto, real estate) to bank accounts, this could save a substantial amount of box 3 tax for 2024 if this is done before the end of the year. All other assets apart from bank accounts are taxed at the highest rate, while bank accounts are taxed at a lower rate. Receivables and loaned amounts are also taxed at the highest rate, therefore it would save box 3 tax for 2024 if the amounts are received or paid back into your bank account before the end of the year.

- If possible, bundle deductible expenses such as medical expenses and donations in one specific year. For example, a deduction is achieved earlier and the threshold is only deducted once from the expenses. For donations, the threshold disappears completely if you commit the donation to a charitable institution for 5 years.

- In 2023, deductible items may be taken at a maximum of the low rate of 36,93% also if your income falls in the highest bracket. This completes the phase-out of the deduction rate for almost all deductions and other exemptions.

- If you received a one-off gift under the exemption of up to € 100,000 for a house in 2021 and you have not yet fully used this amount, you should yet spend it on your house in 2023; if not, gift tax will be due on the unused portion. A gift received in 2022 should be spent latest by 2024.

- The STAP budget introduced in 2022 to replace the study cost deduction in the income tax will be abolished from 1 January 2024. No replacement scheme has been introduced in its place as yet.

- The green investment exemption in box 3 will be scaled back from 1 January 2025. From 1 January 2025, the green investments exemption will be reduced to € 30.000, for 2024 the exemption will be € 71.514.

Business

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- Loss relief corporate income
- Other tax tips

Change in corporate tax

The corporate tax rates will remain the same as for 2023:

Corporate tax 2024	2024
First bracket up to € 200.000	19%
Second bracket from € 200.000	25,8%

Business

Changes in box 2 tax

In 2024 a two bracket tax rate will be introduced in box 2. This concerns income from substantial interest, such as dividends and capital gains on shareholdings above 5%. The rate in 2024 will be 24,5% for the first € 67.000 and 31% for the amount above that. Since this applies per partner, a total of € 134.000 can be taxed at the low rate in case of tax partnership.

Income tax box 2	2023	2024
First bracket up to € 67.000	26,9%	24,5%
Second bracket from € 67.000	26,9%	31%

Changes for self-employed/partnership

The self-employed deduction has been phased since 2020. From 2023, this will be accelerated. The plan is to gradually reduce the self-employed deduction by € 1.280 a year, to € 900 in 2027. In 2023, the maximum self-employed deduction was € 5.030, in 2024 this will be € 3.750. The SME profit exemption will be reduced from 14% to 13,31% in 2024.

Business

Tax-free allowances employees

The tax-free travel allowance of € 0,21 per km as per 2023 will be raised to € 0,23 for 2024. Because many people have been working from home since the corona crisis (and this indirectly costs the employee money; more energy consumption, coffee consumption, etc.), the cabinet has decided to introduce a tax-free working from home allowance. As a result, employers can reimburse a maximum of € 2,15 per day or part of a day worked. The allowances cannot be paid at the same time; per day you can either opt for payment of the work from home allowance, or payment of the travel allowance.

An employer can provide a tax-free allowance for setting up a home workplace. The employer can reimburse the costs for, for example, an office chair or computer screen via other specific exemptions from the work-related costs scheme.

Tax free scheme

We would like to make you aware of the possibility under the Dutch Wages Tax Act to make a payment on a tax free basis for certain reimbursements which normally would be regarded as taxable income. This year this tax free scheme ('vrije ruimte') is maximised at 3% of the total company wages up to € 400.000,-- and 1,18% beyond that. If you have not paid any other reimbursements or benefit of any kind to employees including directors which could be regarded as taxable wage, you could still make use of this scheme by paying out a tax free bonus as long as this is usual. An amount of maximally € 2.400 would be regarded as usual. For 2024 the percentage is reduced again to 1,92% of the company wage to € 400.000. For the amount above € 400.000 the percentage will remain 1,18%.

Business

Restriction on borrowing from own company

The possibility to borrow from one's own BV will be restricted as of 2023, in connection with the entry into force of the Excessive Borrowing from Own Company Act (wet excessief lenen). If a shareholder borrows more than € 700.000 from his or her own BV, the excess will be taxed in box 2 (once). The first tax reference point is 31 December 2023. First home equity debts do not count towards the € 700.000 limit if they are covered by a notarial mortgage deed (a mortgage deed is not required for home equity debts existing as of 31 December 2022). In the case of high loans or overdrafts, it is important to anticipate this and consider repayments before the end of the year, or reserve money for the tax settlement. Specific rules also apply in partner situations. Is your debt to the BV higher than € 700.000? Contact our office to discuss the possibilities and consequences. As per 31-12-2024 the amount will be lowered to € 500.000.

Loss relief corporate income

Currently, companies can offset losses against profits from the previous year or the six consecutive years. No maximum amount applies. From 2022, up to €1.000.000 of the profit can be offset against losses. Only 50% of the profit that exceeds €1.000.000 can be set off against tax losses. In addition, the time limit of 6 years will be cancelled; losses can be settled indefinitely. For small companies, the longer term for loss set-off may actually be an advantage.

Drastic changes for FBI, VBI and FGR and CV

Three bills relate to the 'fiscale beleggingsinstelling' (FBI), the 'vrijgestelde beleggingsinstelling' (VBI), the 'open fonds voor gemene rekening' (OFGR) and the 'open commanditaire vennootschap' (CV). It has been decided that the measures will take effect as per 1-1-2025. As a result of these measures, an OFGR with investment assets will no longer be considered an independent taxpayer for CIT and will therefore be ineffective. It is also proposed to change the qualification of certain (foreign) legal forms from 2025 to eliminate qualification differences with other countries. This should prevent double taxation, on the one hand, and double deduction of costs or deduction of costs without taxing them elsewhere, on the other. Transitional rules are provided for 2024. Specifically, one of the proposals is to abolish the CV. This will end the Corporate Tax liability of existing CV's as per 1 January 2025. Are you dealing with the above legal forms in your situation? If so, please contact our office.

Business

Other tax tips and changes:

- Do you expect to pay tax for the tax year 2024? If you request a provisional assessment in good time, this will save you tax interest. The tax rate for income tax entrepreneurs is currently 6% and for Corporate Tax the rate is 8%.
- Did you find out that you forgot to include some items in your VAT return? Then submit a supplement declaration. You can do this for this year or for the past 5 years. If it concerns VAT to be received or remitted of € 1,000 or less, this is allowed to be included in the next VAT return. You do not need to submit a separate supplementary declaration for this.
- Do you drive a company car and do you use this car privately? In that case, a correction must be made for private use in the last VAT return (to be submitted in January 2024). This may be based on actual use or on the basis of a fixed rate. Do you have questions about this? We are happy to help you.
- If you have made sufficient investments to qualify for the small-scale investment deduction, but have not yet paid all investments, we advise you to make these payments before the end of the year so that you are eligible for the small-scale investment deduction. You are eligible for the small-scale investment deduction when the total investment is higher than € 2.600.--.
- Has your partner worked in your business this year but has not received compensation yet? Then consider paying compensation before the end of the year. This is deductible in your business. For your partner, this reimbursement is taxable in box 1. The rate depends on your partner's total Box 1 income and is especially advantageous if your partner has a low income.
- From 1 January 2025, the BPM exemption for company vans will be abolished. However, the exemption will continue to apply to vans purchased before that date. So if you were planning to purchase a van for your business anyway, it will be advantageous if this takes place before 1 January 2025. However, the BPM exemption will continue to apply to emission-free vans.














Business

Other tax tips and changes:

- For director-major shareholders (>5% shareholding in a BV), the efficiency margin (doelmatigheidsmarge) in the customary wage scheme has been abolished from 2023, meaning the customary wage must be at least equal to that of someone with the most comparable employment with a third party. Previously, the wage was allowed to be 25% lower. This may require adjustments.
- Last year the EU Court of Justice ruled that that the provision in the European Anti-Money Laundering Directive, which requires Member States to ensure that any member of the general public must have access to UBO information, is insufficiently substantiated and therefore invalid. In response, the government has decided that pending further decision-making, the Chamber of Commerce will temporarily stop providing information from the UBO register.
- The planned abolition of the gift deduction in the Corporate Income tax for gifts below € 100.000 will not be implemented. In addition, an amount of gifts above € 100.000 will henceforth not be taxed as a profit distribution in box 2.
- The business successor facility in the gift and inheritance tax (BOR) is limited to a lower percentage.



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Untaxing taxes!

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