

End of year tax tips

How to wrap up smart

www.suurmond-taxconsultants.com

J.C. Suurmond & zn.



———— Tax consultants



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 first budget submitted by the Schoof I government. The tax plan contains quite a few changes, although it does not involve extensive structural changes. The measures have varying consequences for taxpayers. However, the tax plan still needs to be approved by the Senate in a vote to be held on 17 December.

Important for expats is that the far-reaching limitations of the 30% ruling imposed by the parliament last year, have now partly been reversed. After an outcry from expats and international businesses the government has acknowledged the importance of the tax ruling for the Dutch business climate and has committed to continue a slightly reduced 27% ruling.

Furthermore, the tax plan was adapted in November following a number of amendments. A positive point for businesses is that the gift deduction in corporate income tax will remain in place, and the scheme for tax-free reimbursements to employers will be increased.

The box 2 tax rates for major shareholders on dividends and capital gains will also be slightly reduced amongst other smaller changes for business owners.

As for the Box 3 taxation on assets, a levy based on actual income is a step nearer after the Supreme Court decision last June. If the actual return on your assets was lower than the fictitious return in a given year, you may be entitled to a refund. This is only applicable for years of which the assessment was not yet irrevocably finalised on December 24th, 2021, as well as assessments against which an appeal was lodged. If you expect a refund for 2019, a request will have to be submitted before December 31st, 2024.

You can read more about these topics on the following pages.



Roderik
Tax advisor

Individual

Individual tax tips 2024

- Changes box 1 Tax – Income from work and first-residence property
- Supreme Court ruling and corrections box 3 levy
- Changes 2025 Box 3 – Income from savings and investments
- Possibility of taxing actual return in box 3
- Changes to 30%-ruling
- Exit tax
- Other tax tips and changes

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

In 2025 a new bracket will be added to the Income Tax in box 1 for individuals who have not yet reached the state pension (AOW) age. The below chart gives an overview of Box 1 income tax in 2024 and 2025:

Income Tax - AOW not reached	2024	Income Tax - AOW not reached	2025
First bracket up to € 75.518	36,97%	First bracket up to € 38.441	35,82%
Second bracket from € 75.518	49,50%	Second bracket from € 38.441 - € 76.816	37,48%
		Third bracket from € 76.816	49,50%

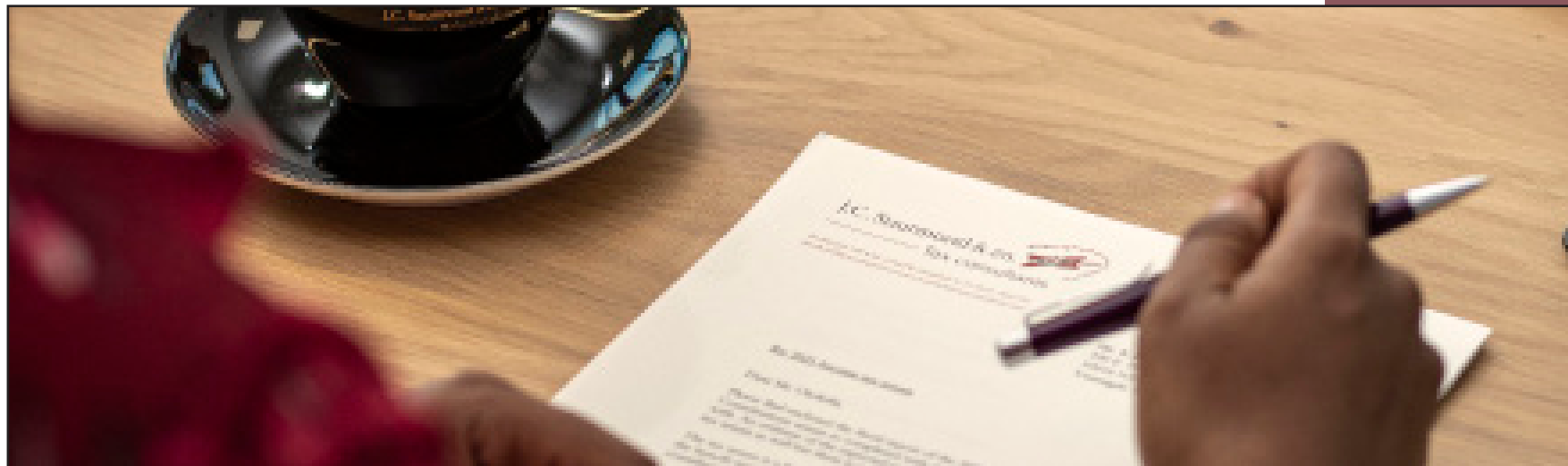
Individual

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 2024 and 2025:

Income Tax - AOW reached	2024	Income Tax - AOW reached	2025
First bracket up to € 38.098	19,07%	First bracket up to € 38.441	17,92%
Second bracket: € 38.098- € 75.518	36,97%	Second bracket: € 38.441 - € 76.816	36,97%
Third bracket from € 75.518	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

Supreme Court ruling and corrections box 3 levy

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 in December 2021 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.

On June 6th last, the Supreme Court ruled that the legal redress as offered by the Tax Office can still be disproportionately burdensome. This brings a levy based on actual income on assets a step closer. In the summer of 2025, taxpayers will be able to submit their actual box 3 return to the Tax Office through a form. In the meantime, it is important to appeal against final assessments if your actual return is lower than the fictitious return.

Changes 2025 Box 3 - Benefit from savings and investments

For box 3, there are no major changes in 2025 compared to 2024. 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 2025, the tax-free wealth increases to € 57.684 (€ 115.368 for fiscal partners). Based on the asset mix, an average return is calculated on the total assets. The flat rate on the fictitious return in box 3 was 36% in 2024. This will remain the same in 2025.

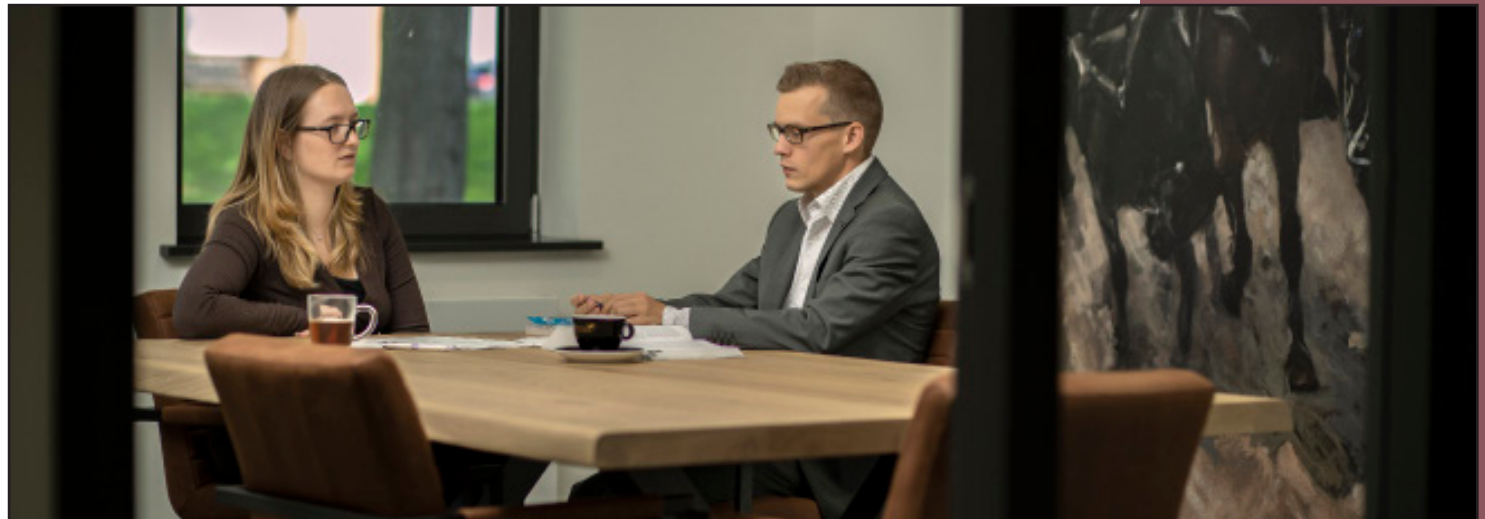
On the next page is an overview of the box 3 tax under the new system for 2024 and 2025:

Individual

Box 3 tax under the new system for 2024 and 2025:

Box 3 tax	2024	2025
Asset category	Fictitious income	Fictitious income
Bank accounts	1,03%*	1%*
Debts	2,47%*	2,5%*
Other assets	6,04%	6,%

**Exact percentage will be announced at the beginning of the following year.*



Individual

Possibility of taxing actual return in box 3

As described on the previous page, in the summer of 2025 a form can be filled in by taxpayers whose actual return was lower than the fictitious return in a given year. However, this must be specified and supported with documentation.

The actual return consists of the actual income on your box 3 assets. For instance, interest received on a bank account or loan, dividend income, capital gains and losses on e.g. shares or real estate, rental income, etc. The Supreme Court ruled that expenses will not be deductible, with the exception of interest on debts in box 3. Furthermore, both realised and unrealised gain should be included in the levy, e.g. a decrease in the value of shares or an increase in the value of real estate. To determine the value of property, the WOZ value is used.

In most cases a reduction will not be possible if there is a substantial increase in the WOZ value of a second home or holiday home. This underlines the importance of objecting against the WOZ value if it is on the high side.



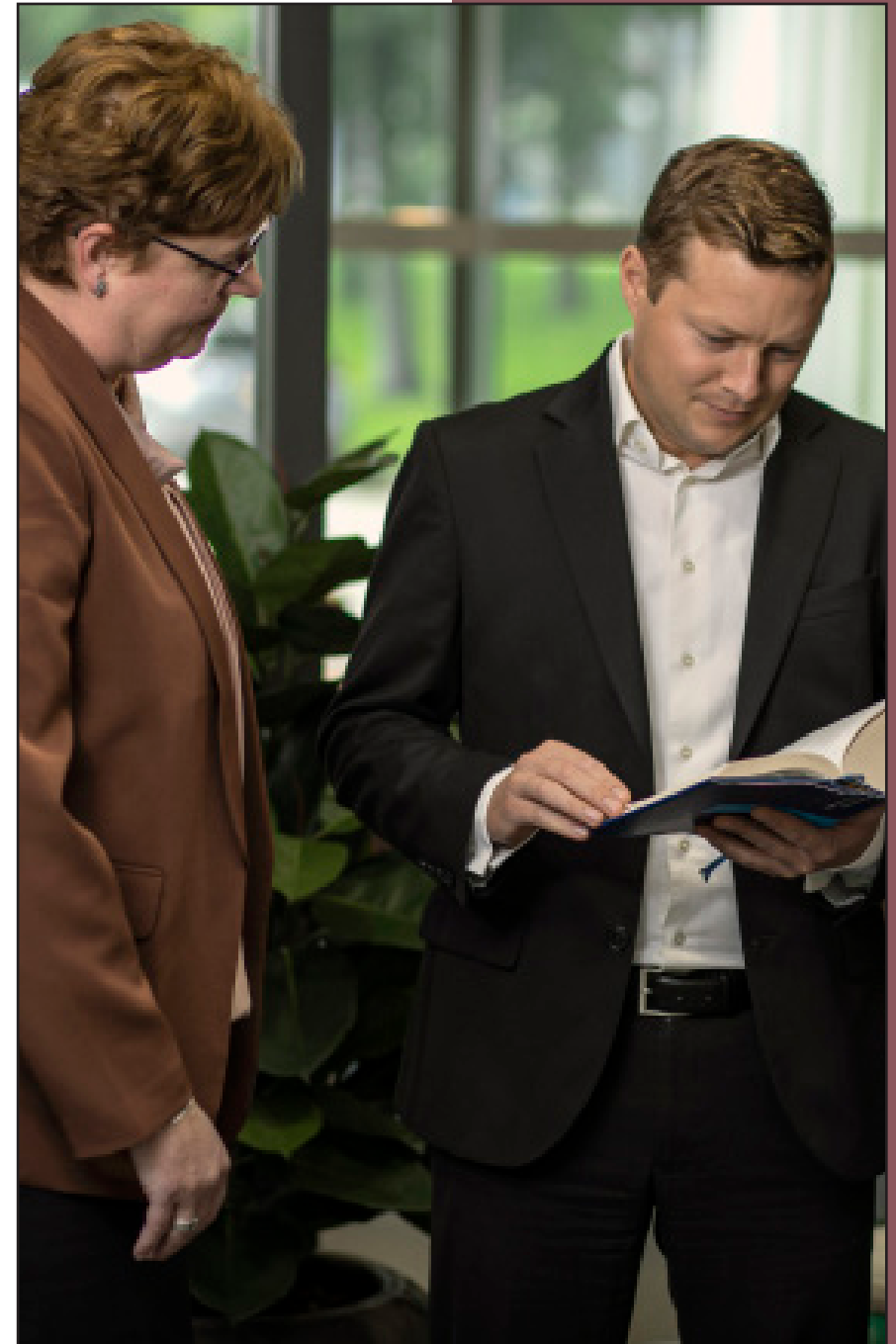
Individual

Changes in the 30% ruling

In late 2023, two amendments to the 2024 tax plan were adopted that further restricted the 30%-ruling. This involved the reduction of the tax-free percentage to 20% after 20 months and to 10% after another 20 months, as well as the abolition of the partial non-domestic tax status. These restrictions have since been amended via the 2025 tax plan. With effect from 2027, the maximum tax-free allowance will be 27% instead of 30%, and this rate will remain in place throughout the duration of the 30%-ruling period.

The option for the partial non-domestic tax status however will no longer be possible from January 1st, 2025. For employees who already were eligible for the 30%-ruling at the end of 2023, there is a transitional arrangement through which they can still opt for partial non-domestic taxation until the end of 2026.

As was the case in 2024, the 30% ruling is capped to a certain income level called the WNT norm (also known as the Balkenende norm). In 2024 this amount is € 233.000 on an annual basis. For 2025 this will be increased to € 246.000. This means that the 30% will not be applied to the part of the income that exceeds this amount. There is a transitional arrangement for employees for whom the 30%-ruling was applied over the last pay period (December) of 2022. For these employees, the 30%-ruling will only be capped from January 1st, 2026.



Individual

Exit tax

Lately we have received a lot of queries about a so-called emigration tax or Exit Tax. A motion was passed by parliament in October, asking the government to explore options for restricting tax evasion when leaving the Netherlands e.g. through a fictitious domestic tax liability after emigration. The parliament has requested a response before the end of the year. As this is only a motion, it is by no means certain whether this will have any further legal effect. No conclusions can yet be drawn from this and the government's response to the motion should be awaited.



Individual

Other tax tips and changes

General

- Do you expect to pay tax for the 2024 or 2025 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 2025). The interest is 7.5% currently. To ensure that the assessment is imposed in time, we recommend that you apply for it before 1 April 2025. The assessment for the 2024 tax year must be paid at once. There is the possibility of paying the assessment for the tax year 2025 in instalments during the year. 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 2019, an Income Tax return for this year must be submitted before December 31, 2024. In 2024, the 5-year term for submitting this declaration will expire.



Individual

Deductions

- 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 to donating to a charitable institution for 5 years, which has to be agreed on in writing.
- In 2024, deductible items may be taken at a maximum of the low rate of 36,97% even if your income falls in the highest bracket.

Box 3

- 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 2025 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 2025 if the amounts are received or paid back into your bank account before the end of the year. This is only applicable if, in due course, you choose for taxation on fictitious box 3 income. 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 was € 71.251.

Home owners

- If you received a one-off gift under the exemption of up to € 100.000 for a house in 2022 and you have not yet fully used this amount, you should spend it on your house in 2024; if not, gift tax will be due on the unused portion.
- House buyers between the age of 18 and 35 can benefit from a one-off transfer tax/stamp duty exemption if they meet certain requirements. The limit of this starter exemption (house value limit) will be raised from € 510.000 to € 525.000 in 2025, meaning that by waiting with the house purchase until 2025, you could potentially save thousands of euros in transfer tax.
- The general transfer tax/stamp duty rate will remain at 10.4% in 2025 as in 2024. However, with effect from 1 January 2026, this rate will be reduced to 8%. This rate is valid for all properties except those to which the reduced rate of 2% or the starter exemption applies.



Business

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- Change in box 2 tax
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- Changes for self-employed/partnership
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- Tax-free allowances employees
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- Other tax tips and changes

Change in corporate tax

The 2025 corporate tax rates will remain the same as for 2024:

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 was introduced in box 2. This concerns income from substantial interest, such as dividends and capital gains on shareholdings above 5%. The rate in 2025 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 fiscal partnership.

Income tax box 2	2024	2025
First bracket up to € 67.000	24,5%	24,5%
Second bracket from € 67.000	33%	31%

Restriction on borrowing from own company

The possibility to borrow from one's own BV has been restricted as of 2023, with the taking effect of the Excessive Borrowing from Own Company Act(wet excessief lenen). If a shareholder borrows more than € 500.000 from his or her own BV, the excess will be taxed in box 2 (once). Last year the amount was €700.000, but as per reference date of 31 December 2024 this has been reduced to € 500.000. First home equity debts do not count towards the € 500.000 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 € 500.000? Contact our office to discuss the possibilities and consequences.

Business

Changes for sole proprietorship /partnership

The self-employed deduction has been phasing out since 2020. From 2023, this is happening in an accelerated fashion. The plan is to gradually reduce the self-employed deduction by € 1.280 a year, to € 900 in 2027. In 2024, the maximum self-employed deduction was € 3.750, in 2025 this will be € 2.470. In 2025 the SME profit exemption will be reduced from 13,31% to 12,7%.

Charitable giving from own BV

It was the intention of this cabinet to halve the benefit of the charitable donations deduction. The 2025 Tax Plan therefore scrapped the gift deduction in corporate income tax. However, as a result of an adopted amendment, the gift tax deduction remains in place for gifts under € 100.000 and up to a maximum of 50% of the profit. Since personal tax deductions are limited to the lowest bracket, it may be more favourable to make donations from the BV. Moreover, there is no threshold for deduction BV as opposed to personal giving. Let us know if you have any questions on this subject.

Tax-free allowances employees

The tax-free travel allowance of € 0,23 remains the same in 2025. 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 € 2,36 per day in or part of a day worked in 2024 (€ 2,40 in 2025). 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.

Business

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 1,92% 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. A maximum amount of € 2.400 would be regarded as usual. For 2025 the percentage is increased to 2% of the company wage to € 400.000.

Deadline (de)registering for KOR arrangement

Do you expect your annual turnover to remain below € 20.000 in the coming years? And do you wish to participate in the small business VAT exemption arrangement (KOR)? Then make sure you have registered this with the Tax Office before December 3rd next. Entrepreneurs who apply for the KOR are exempt from VAT and have fewer administrative obligations. For instance, they usually don not have to file a VAT return. However, the KOR can also be disadvantageous, as for instance, entrepreneurs with the KOR cannot deduct VAT on expenses.

If you have turnover taxable in another EU country for VAT, you may be able to qualify for a similar VAT exemption arrangement in. The regulations change as per 1-1-2025 in order to unify the schemes in various countries. An important condition is that the EU-wide annual turnover must remain below the €100.000 limit. For more information about the regulations, 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 legal interest. The tax rate for income tax entrepreneurs is currently 7.5% and for Corporate Tax the rate is 10%.
- Did you find out that you forgot to include some items in your VAT return? Then consider to 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 may be included in the next VAT return without a correction for the previous period.
- 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 2025). 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, as a business owner, 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 BPM exemption will continue to apply to emission-free vans.



Services

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-  Tax returns
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-  Capital gains & housing

Untaxing taxes!

J.C. Suurmond & zn.
Tax consultants

