

Budget Day Special - 2025 Tax Plan [1/14]

This Budget Day Special outlines important proposals in the 2025 Tax Plan and additional legislative proposals. Many proposals have already been announced, for example in the Spring Memorandum.

This special is divided into the following topics:

- measures for companies;
- measures for business succession facilities;
- measures for employers;
- measures for VAT & excise duties;
- measures for property;
- measures for cars & mobility;
- measures for (wealthy) individuals;
- measures for international situations;
- measures for energy & environment; and
- other measures.

The proposed measures will enter into force on 1 January 2025, unless stated otherwise.

COMPANIES

Adjustment of interest deduction for property companies

The interest deduction restriction for real estate property companies is being restricted. In the case of rented property, the interest deduction is being optimised by spreading interest balances over several companies. As a result, the earning stripping rule will not reach the limit (€1,000,000 or 20% (as of 2025: 25%) of the adjusted profit). In order to counter this, the threshold of €1,000,000 will no longer apply to companies with properties rented predominantly (for 70% or more) to (non-affiliated) third parties. In case the taxpayer is part of a fiscal unity for Dutch corporate income tax purposes, this rule is applied at fiscal unity level.

Tip

Reassess the structuring or real estate property activities.

Objections and appeals to RVO for MIA and Vamil

Income tax and corporation tax have a number of fiscal investment schemes, such as the Energy-saving Investment Credit (*energie-investeringsaftrek, EIA*), Environmental Investment Credit (*milieu-investingsaftrek, MIA*) and Arbitrary depreciation of environmental investments (*willekeurige afschrijving milieu-investeringen, Vamil*). The investment must first be notified to the Netherlands Enterprise Agency (*Rijksdienst voor Ondernemend Nederland, RVO*). The application process of the MIA and Vamil now differs from the EIA, so it is preferable to align them. It is therefore proposed that, in future, the RVO should also issue a statement for the MIA/Vamil, to which the taxpayer can lodge an objection to the RVO. In this way, the technical assessment of the application will be carried out in full by the RVO.

Dividend tax registration date

The registration date was introduced on 1 January 2024 to counter 'dividend-stripping'. The purpose of this date is to determine who is entitled to the proceeds of publicly listed company shares from that registration date onwards. In practice, the rule was unclear in parts. It has therefore been clarified that the registration date refers to the end of the working day on the date specified by the issuing institution. On the basis of this date, it can then be determined who is entitled to dividend distributions and therefore to offsetting, exemption, refund, or a reduction of dividend withholding tax. Of course, the remaining conditions must also be met.

Take note!

The registration date is only used to indicate the time when the beneficiary to the income must be determined. The provision does not detail the concept of 'beneficiary ownership'.

Austerity of the plot exchange exemption

The plot exchange exemption for the purposes of transfer tax will no longer apply to dwellings, except for agricultural housing. Other buildings

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are only eligible if they are used for agricultural farming for at least ten years. If this continuation requirement is not met, transfer tax will still be payable, unless agricultural seizure is effected by government intervention. These changes reduce administrative burdens and improve enforceability. The government also wants to counter 'plot exchange constructs'.

Reversing the abolition of the repurchase facility

The repurchase of own shares is taxed with dividend tax. An exemption applies, subject to certain conditions, for a listed company to repurchase own shares. This exemption would have expired on 1 January 2025, which would mean a deterioration in the competitive position of Dutch listed companies vis-à-vis foreign listed companies. The Tax Plan proposes that the repurchase facility should not be abolished.

Adjustment of liquidation loss scheme

The liquidation loss scheme determines whether a loss incurred in the liquidation of a subsidiary is deductible from corporation tax. It is proposed to amend the liquidation loss scheme in two respects. The first amendment relates to the calculation of the so-called 'sacrificed amount' and implies that calculation of the liquidation loss should in certain cases also take into account a subsequent upward revaluation of a receivable due from the subsidiary. Secondly, the law is being amended so that non-deductible losses on sales of an indirectly held subsidiary cannot be converted into deductible liquidation losses of a directly held subsidiary.

Increased threshold of interest deduction restriction

In determining the taxable profit before corporation tax, interest is not to be deducted to the extent that it exceeds the higher of (currently) 20% of the adjusted profit or €1,000,000. It is proposed to increase the rate of this interest deduction restriction (earning stripping rule) to 25%. The amendment partially reduces a previous tightening and brings the rate more into

line with the European average. The government wants this to improve the Dutch business climate.

Tip

Assess the financing structure within the company. The increased threshold offers more opportunity for deduction.

Adjustment of the cancellation of debt profits scheme

Due to the 2022 restriction of loss setoff, companies with more than €1,000,000 in deductible losses and a taxable profit (including cancellation of debt profits) of more than €1,000,000 always pay corporation tax. This may be a hindrance in concluding an agreement with creditors. For this reason, the exemption for cancellation of debt profits is being adjusted for purposes of corporation tax. If the company has more than €1,000,000 in deductible losses, the cancellation of debt profit in that year is fully exempted to the extent that it exceeds the other losses in the year.

Take note!

If the available deductible losses are less than €1,000,000, the cancellation of debt profits are exempted only to the extent that they exceed the losses available.

Side-step merger facilities

Simplified direct side-step mergers (merger between sister-companies), in which a(n) (individual) shareholder holds all the shares of the (sister) companies to be merged, will also qualify for tax-neutral transfer facilities. This avoids tax obstacles for substantial interest shareholders in these mergers. The existing approval is thus codified in legislation. In the case of indirect side-step mergers, the scheme will not be amended because, in practice, there seems to be less need and its complexity is greater.

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Mandatory exemption of dividend withholding tax

The dividend withholding tax has several exemptions which are optional, such as the exemptions in (domestic) cases qualifying for the Dutch participation exemption regime or within a fiscal unity tax group for Dutch corporation tax. The entity distributing dividend may choose whether or not to apply the exemption. This makes the beneficiary to the income dependent on the entity's choice. It is proposed to abolish this option. If the conditions for exemption are met, then it is mandatory to apply it. This would eliminate the need to withhold and remit dividend tax, which would eliminate the liquidity costs or loss of interest for the shareholder. In EU, EER and tax treaty situations involving a qualifying participation a mandatory withholding tax exemption already exists (if all conditions are met).

Deduction of working space costs clarified

The deductibility of costs for a non-autonomous working space in a house belonging to the business assets is being clarified. Tenancy charges such as fitting-out costs, gas, water and electricity are not deductible. The measure explicitly enshrines case law and existing practice in the law.

Tip

Assess whether it is possible to transform the non-autonomous working space into an autonomous working space. This would create more scope for deduction of costs.

Adaptation of measure on excessive borrowing

Since 2023, directors and major shareholders (*directeur-groootaandeelhouder, dga*) can no longer borrow more than €500,000 from their own company without tax consequences. However, an unintended consequence of this measure has led to a double counting of loans in joint ventures, such as commercial partnerships (*vennootschap onder firma's, vof*) and limited partnerships (*commanditaire vennootschappen, cv*).

Such double counting will now be prevented. It also prevents debts from being taken into account at more than the nominal value.

Tip

This measure will have retroactive effect to 1 January 2023. So, also check existing partnerships and debts carefully to prevent unjustified double counting.

Deduction of gifts ceases to apply for corporate taxpayers

The deduction of gifts for purposes of corporation tax (*vennootschapsbelasting, Vpb*) and the 'donation from the corporation' scheme are being abolished. As from 1 January 2025, companies will no longer be able to deduct charitable donations from their profits. This applies both to deductions for gifts for purposes of corporation tax and to donations by companies following shareholder's motives which are regarded as profit distributions. Sponsorship and Corporate Social Responsibility will remain deductible as business expenses.

Take note!

Companies will need to review and possibly restructure their donations from 2025 onwards to optimise tax advantages. Consider business sponsorship as an alternative.

Tax rate for box 2 reduced to 31%

The government is reversing the tax rate increase in the second tax bracket of box 2. On 1 January 2024, this tax rate rose to 33% but is being reduced again to 31%. In doing so, the government aims to bring the tax burden on substantial interest holders more into line with that of employees and entrepreneurs subject to income tax rules. The aim is to limit tax-driven choices of the legal form.

Tip

Deferring a dividend distribution until 2025 may be beneficial for tax purposes.

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BUSINESS SUCCESSION FACILITIES

Business succession scheme

The transfer of business assets by donation or succession, may result in the levying of gift or inheritance tax. To avoid that the continuity of a company is jeopardized by this, the business succession scheme (*bedrijfsopvolgingsregeling, BOR*) can be used. As a result, no or less inheritance tax or gift tax is due.

Transfer facilities

The transfer of business assets often leads to the levying of income tax. There are various transfer facilities (*doorschuifregelingen, DSR*) which ensure that this levy is deferred in certain situations, so as not to jeopardize the continuity of the company. One of those transfer facilities is specifically aimed at granting a substantial interest (*doorschuifregeling aanmerkelijk belang, DSR ab*). A substantial interest is, simply put, an interest that represents at least 5% of the (class of) shares in a company.

Restriction on qualifying substantial interests

From 1 January 2026, the *BOR* and *DSR ab* are being restricted to direct and indirect equity interests of at least 5% of the total issued share capital. Only ordinary shares still qualify, for which it is not of importance whether those shares give voting rights. Smaller interests, options, profit-sharing certificates and tracking stocks are excluded from the schemes. A usufruct or bare ownership of ordinary shares may still qualify. The purpose of the amendments is to limit the schemes to shares with sufficient entrepreneurial risk.

Tip

The *BOR* and *DSR ab* schemes will continue to apply to preference shares issued in the context of a phased business succession scheme.

Corrections to previous amendments in the law

As from 1 January 2024, amendments were made in the *BOR* and *DSR ab* schemes that have undesirable effects. For example, the existence of foreign capital may lead to an incorrect calculation of the exemption in the *BOR* scheme or to negative qualifying business assets. In order to correct this, the law is being amended slightly in some sections.

Holding and continuation requirement of business succession scheme (*BOR*)

The *BOR* scheme can only be applied if an acquirer continues operating the business for five years. This time limit is being changed to three years. Bottlenecks in the holding and continuation requirement relating to amendments in the legal shell of a company, such as the transfer from a sole proprietorship to a private limited company (*besloten vennootschap, bv*), are being resolved. If the institutional entitlement to the company does not increase (holding requirement) or decrease (continuation requirement), this may not be an obstacle for application of the *BOR* scheme. The requirements for mergers etc. will also be eased, so that no new holding term commences if the economic entitlement to the company remains the same.

Tip

Contrary to previous reports, the shorter continuation term will already apply to acquisitions occurring from 1 January 2025 (and therefore not 2026).

Take note!

Proposals to solve the various bottlenecks will take effect as at 1 January 2026.

Heavier holding requirement for old-age pensioners

The holding term in the *BOR* scheme will be extended with effect from 1 January 2026 for elderly testators and grantors. This does not apply to companies started by a testator or grantor at

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the latest within two years of reaching the statutory retirement age. In the case of a testator, the holding term is extended by six months per year that the testator is two years older than the statutory retirement age at the time of death. For a grantor, the holding term is extended by six months per year that the grantor is more than six years older than the statutory retirement age at the time of the donation.

Repeated use of business succession scheme (*BOR*)

Companies are sometimes transferred several times within a family (and sometimes also through third parties) in order to achieve a non-taxable transfer of assets. For example, parents apply the *BOR* scheme when granting a company to a child. The company is bought back at a later stage and granted once more under the *BOR* scheme. A measure is being introduced with effect from 1 January 2026 which excludes the *BOR* scheme in situations where the company has already been held by the acquirer at any previous time. The exclusion may not exceed the amount of the purchase price for the business assets.

Take note!

The antiabuse measure will be wide-ranging and will also apply, for example, if the company's activities have changed or the legal form has been amended.

Diluted income and small family interests

It was previously announced that with effect from 1 January 2025, the dilution scheme for the *BOR* and *DSR ab* schemes, as well as access for small family interests to the *BOR* scheme, would be extended. These amendments required approval from the European Commission. The effective date has therefore been postponed to a time still to be determined.

Preference shares

Preference shares are often issued in the context of a business succession but the definition of preference shares often leads to uncertainty. It

is proposed that preference shares be designated as priority shares in respect of profit appropriation or liquidation proceeds. This means that the risk of a preference share is lower than the risk of an ordinary share. The priority must, however, be essential. This is not the case, for example, if the paid-up premium has priority and the nominal paid-up capital does not.

Tip

The proposed definition is broadly in line with the Tax Administration's current practice. The impact of this change is therefore limited.

Take note!

The definition will be codified in Dutch tax law with effect from 1 January 2026 and will still be developed further.

EMPLOYER

Taxation of home working days

In anticipation of possible upcoming treaty changes and other international agreements that the Netherlands wants to conclude in relation to the allocation on the rights to levy tax on income related to home working days, the current legislation proposed entails the implementation of a national levybase to ensure a levy possibility if the international taxlevy right is attributed to the Netherlands.

Exemption of private use of public transport pass

The government proposes to clarify the 'targeted exemption of public transport subscriptions' measure. If an employer allows an employee to travel for free or at a discounted rate, these costs are specifically exempted, provided that some degree of business use takes place. The targeted exemption therefore also applies to private trips with a right to free travel or a right to a discount from the employer. The targeted exemption has also been extended to non-Dutch public transport.

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Take note!

The targeted exemption does not apply to private trips made with a private public transport pass. The same trips made with an employer's public transport pass are exempt.

Duration of contribution limit for pensions

The fiscal contribution limit for accruing old-age and partner's pension in the event of death on or after the retirement date remains at 30%, but the calculation is being adjusted. Instead of a term of 100 years, this has now been legally enacted at 60 years. This will provide a more accurate yield expectation that is more in line with the original calculations in the Future Pensions Act (*Wet toekomst pensioenen*). The amendment is being introduced on 1 January 2025 and will have a retroactive effect to 1 October 2024.

Authorisation to change R&D deduction

Companies can get a tax reduction on research and development (R&D) services. To date, R&D rates and tax bracket limits have been bound to changes in the law. It is proposed to make the scheme more flexible, in which it is easier for the Minister for Economic Affairs to amend the scheme. On the basis of the proposal, the Minister may amend both the limit amounts and the deduction rates.

Reverse of austerity measures 30% facility

The earlier austerity measures with respect to the 30% facility in 2024 (the so called 30-20-10 scheme) will partially be reversed. As from 1 January 2027, the maximum non-taxable allowance will be 27%. For 2025 and 2026, the rate remains at 30% for all incoming employees. The salary standard increases to €50,436 and for employees below the age of 30 who have a Master's degree, to €38,338. Incoming employees who have made use of the 30% facility before 2024 are covered by transitional law. They will continue to be subject to a 30% rate until the end of the term and the old (indexed) salary standards apply.

VAT

Adjustment for VAT investment services

As at 1 January 2026, the VAT adjustment scheme is being extended to investment services for immovable property. VAT on these services is being monitored for five years, comparable to movable property acquired as capital goods. A threshold amount of €30,000 applies. Smaller-scale services are therefore not covered by this scheme.

Tip

This measure allows some entrepreneurs to deduct previously non-deducted VAT as input tax.

Take note!

This measure may lead to VAT adjustments for entrepreneurs who, after the first year of taxed use, may let the immovable property exempt of VAT within the adjustment period.

21% VAT for certain services

As from 1 January 2026, the reduced VAT rate for accommodations and certain cultural goods and services will be discontinued. This means that the VAT rate will change from 9% to 21%. This can be expected to – not exhaustively – at least apply for: hotels, boarding houses, books, sports, museums, music and theatre performances. Exceptions to this increase are camping resorts, theme parks, playgrounds and ornamental gardens, circuses, zoos and cinemas.

Take note!

The VAT rate at the time of the event applies. For example, if a theatre performance is paid in advance in 2025, but the event takes place in 2026, then 21% VAT is payable.

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PROPERTY

Extension of exemption of transfer tax for first-time buyers

The exemption of transfer tax for first-time buyers and the reduced transfer tax rate are extended to the acquisition of economic ownership of owner-occupied dwellings. In future, both the exemption of transfer tax for first-time buyers and the reduced rate may be applied to cases where economic ownership is acquired, as long as the other conditions are met.

Take note!

If the exemption of transfer tax for first-time buyers was used in the acquisition of economic ownership, then it cannot be used again in the subsequent acquisition of legal ownership.

Extension of exemption on sale under specified conditions

On the repurchase of dwellings in the context of 'sale under specified conditions' (*verkoop onder voorwaarden, VoV*) the so-called VoV exemption can be applied. The exemption on sale under specified conditions is extended to 'appurtenances' at dwellings, such as sheds and garages, which are simultaneously acquired with the dwelling.

Up to 8% property transfer tax

The government aims to increase the supply of rental housing, so that more citizens have access to affordable housing. Therefore, the proposal is to reduce the standard property transfer tax rate for the acquisition of dwellings from 10.4% to 8% with effect from 1 January 2026. For a dwelling which the purchaser will personally continue to occupy, the (existing) reduced rate of 2% or the exemption of transfer tax for first-time buyers continues to apply.

Housing benefit simplification

The housing benefit is being simplified, so that the housing benefit will only distinguish between single-person households and multi-per-

son households. In addition, the income-dependent scale down of the housing benefit is being simplified. Recipients of housing benefits will be able to better assess the impact of a higher income, and marginal pressures will decline for most recipients of housing benefits. In 2026, the own contribution will be reduced.

No transfer tax for key agreement

Key agreements that usually lead to economic ownership of a dwelling are excluded from transfer tax (*overdrachtsbelasting, OVB*). The following requirements apply to this:

- The key agreement must be linked to the commitment agreement for delivery of the dwelling.
- Legal ownership must be transferred within six months of the key agreement.
- The exemption of transfer tax for first-time buyers or the 2% rate must apply.

For example, there is no longer a taxable acquisition prior to the legal acquisition.

CARS & MOBILITY

Rate discount for emission-free vehicles

Owners of emission-free vehicles currently do not pay any motor vehicle taxes (*motorrijtuigenbelasting, mrb*) and a one-quarter rate applies as from 1 January 2025. However, this discount will end on 1 January 2026, after which the motor vehicle tax for electric cars will be higher than for comparable petrol cars. In order to avoid stagnation in the growth of emission-free cars, a new 25% rate discount in motor vehicle tax is being introduced as from 1 January 2026. This discount applies until 2030 and is applied to both the government's part and the provincial surcharges. This should make the purchase of both new and second-hand electric vehicles more attractive.

Continuous use of commercial van

If, because of the nature of the work, a commercial van is continuously used alternately by two

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or more employees, it is often difficult to determine whether and to whom the commercial van has been made available for private purposes. Instead of taking into account an additional tax liability for the employees, the employer can pay a fixed amount of €300 per annum via the final levy. Since 2006, this amount has remained unchanged. This amount will increase to €438 per annum and will be indexed annually as from 1 January 2026, so that it aligns better to the actual extent of the private advantage.

Take note!

Ensure that the annual final levy increase is applied in the payroll administration.

End of Special BPM rate for PHEV

Since 1 January 2017, the Private Motor Vehicle and Motorcycle Tax Act of 1992 (*Wet op de belasting van personenauto's en motorrijwielen 1992, BPM*) introduced a specific rate table for plug-in hybrid electric vehicles (PHEVs) to compensate for the difference between tested and actual carbon emissions. Recent European regulations adjust the carbon emission measuring method for PHEVs, making the emissions figures more realistic. From 2025 onwards, the specific PHEV rate table will be discontinued and PHEVs will be taxed under the general private motor vehicle and motorcycle tax (*BPM*) rates for passenger vehicles. This could result in higher taxes on PHEVs with the new type approval, but makes the system simpler and more in line with actual emissions.

End of BPM exemption for commercial vans

The private motor vehicle and motorcycle tax (*BPM*) exemption for commercial vans ceases to apply. The BPM basis shifts to carbon emissions. For commercial vans without a fixed carbon emissions value, a fixed sum of 330 grams per kilometre will be applied. In addition, the refund scheme for vans for disabled persons is being improved. The BPM can be offset against the refund upon registration, thus avoiding pre-financing by disabled persons. These measures ensure a more effective taxation and aligns better in practice.

Tip

Check that your commercial vans comply with the new carbon emissions rules to avoid additional costs.

New vehicle definitions

The 2025 Tax Plan aims to simplify vehicle taxes by harmonising vehicle tax definitions with registrations at RDW (the Netherlands Vehicle Authority). This means that, from 2027 onwards, vehicle tax definitions will be in line with the vehicle registration system definitions, eliminating differences between passenger vehicles and vans, for example. This will simplify vehicle taxes and reduce the administrative burden on citizens and businesses.

Take note!

Check the new vehicle definitions carefully to understand how they affect motor vehicle taxes. This can be important for both private individuals and entrepreneurs.

(WEALTHY) INDIVIDUALS

2025 Income tax rates for taxpayers below the statutory retirement age

Taxpayers who have not reached the statutory retirement age (*Algemene ouderdomswet, AOW*) at the beginning of 2025, can expect the following tax brackets to be applied in 2025.

2025 Income tax			
Box 1	Tax.inc. more than (€)	but not more than (€)	2025 rate (%)
Tax bracket 1		38,441	35.82%
Tax bracket 2	38,441	76,814	37.48%
Tax bracket 3	76,814		49.50%

2024 Income tax			
Box 1	Tax.inc. more than (€)	but not more than (€)	2024 rate (%)
Tax bracket 1		38,098	36.97%
Tax bracket 2	38,098	75,518	36.97%
Tax bracket 3	75,518		49.50%

These percentages include national social insurance contributions. A different rate structure applies for those who qualify for fewer or no national insurance contributions.

Take note!

The combined rate adjustments for the years 2026 to 2029 are:

	First bracket	Second bracket
2026	-0.22%	0.03%
2027	-0.09%	0.03%
2028	-0.15%	-0.10%
2029	-0.05%	-0.05%

2025 Income tax rates for old-age pensioners

Taxpayers who have reached the statutory retirement age (*Algemene ouderdomswet, AOW*) at the beginning of 2025 and were born after 1946, are expected to have the following tax brackets applied in 2025.

2025 Income tax for old-age pensioners (AOW)			
Box 1	Tax.inc. more than (€)	but not more than (€)	2025 rate (%)
Tax bracket 1		38,441*	17.92%
Tax bracket 2	38,441	76,814	37.48%

Tax bracket 3	76,814		49.50%
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* Born before 1946: tax bracket 1 up to €40,502

2024 Income tax for old-age pensioners (AOW)			
Box 1	Tax.inc. more than (€)	but not more than (€)	2024 rate (%)
Tax bracket 1		38,098*	19.07%
Tax bracket 2	38,098	75,518	36.97%
Tax bracket 3	75,518		49.50%

* Born before 1946: tax bracket 1 up to €40,021

These percentages include national social insurance contributions. A different rate structure applies for those who qualify for fewer or no national insurance contributions.

Changed tax credits

Below are the expected tax credits for 2025. With the exception of the elderly person's tax credit and the single elderly person's tax credit, these are tax credits for taxpayers who are younger than the statutory retirement age. For people older than the statutory retirement age, lower limits apply.

Tax credits	2025 (€)	2024 (€)
General tax credit max.	3,068	3,362
Employed person's tax credit max.	5,599	5,532
Income-dependent combination tax credit max.	2,986	2,950

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Young disabled person's tax credit	909	898
Elderly person's tax credit	2,035	2,010
Single elderly person's tax credit	531	524

The scale down of the general tax credit is matched to the statutory minimum wage (*Wet minimumloon en minimumvakantiebijslag, WML*). As a result, taxpayers with income up to the *WML*-level will retain the maximum tax credit.

Take note!

Please be aware that the coupling of the general tax credit to *WML* wage will have as a direct consequence that any *WML* adjustment will also directly lead to an adjustments of the Dutch wage tax tables during the year.

Tax relief for transport as healthcare costs

Transport costs for obtaining medical assistance and devices may be deducted as healthcare costs. For sake of ease, it is proposed to assume €0.23 per kilometre when travelling by car (not by taxi). For other forms of transport, such as a taxi or public transport, the actual costs remain deductible. In addition, for excessive transport costs due to sickness or disability, a deduction of €925 per annum is proposed, provided that the taxpayer can convincingly prove that they are unable to walk more than 100 metres independently, in accordance with rules for a disabled parking card and the public transport companion card.

Tax solution for single earners

Without additional measures, the income of some single earner households is below the social minimum due to a combination of schemes. The proposed solution is to partially pay the general tax credit that is unused or not fully used to the least-earning partner whose date of

birth is on or after 1 January 1963. In the process, a number of additional conditions must be met. This measure could possibly only be introduced as from 1 January 2028. So, for the years 2025 to 2027, a temporary concession is provided by the municipality to this type of household.

Take note!

This measure requires, among other things, that the gross household income is below €48,500 per annum. This is an estimated amount for the year 2028.

Simplification of objection to benefits

An objection to the amount of an established benefit will in future also be an objection to the corresponding recovery decision which is notified in the same letter. An objection to a recovery decision will in future also be an objection to the corresponding set amount of a benefit which is notified in the same letter. This improves legal certainty for citizens and reduces the administrative burden.

Take note!

These measures do not apply if the objection indicates that objection is only made against determining the benefit or the recovery decision.

Visits to persons requiring long-term nursing

In order to deduct travel expenses for visits to persons requiring long-term nursing, the visitor must have a joint household with the nursed person at the inception of the illness or disability. In certain cases, such assessment date may be considered unreasonable. It is therefore proposed, to change that assessment date so that, at the inception of the nursing process, it is assessed whether the visitor had a joint household with the person requiring the nursing. That date is also easily verifiable for the Tax Administration based on the Personal Records Database.

Box 3: rules for effective yield

New legislation is being introduced with rules for determining the effective yield in box 3.

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These rules are necessary because the Supreme Court has decided that if the effective yield in box 3 is lower than the notional yield, tax should be levied on the effective yield. The new rules are relative to the years since 2017 and are important for taxpayers with box 3 income who can rely on the rulings by the Supreme Court.

Take note!

The intention is to introduce the new rules as at 1 June 2025.

Box 3 exemption: compensation for earthquake damage

An exemption will apply in box 3 for reparation of earthquake damage in Groningen and Drenthe and similar property rights. This change will not yet be reflected in the provisional 2025 income tax assessment. The exemption does not apply to compensation for damage paid out in cash.

Tip

This special box 3 exemption will partly be applied with retroactive effect to 1 July 2020 and partly be applied with retroactive effect to 1 July 2023.

Remission profits and allowances

On remission of a business debt, the entrepreneur will have a profit. For income tax purposes, that profit is exempt or the profit is offset against deductible losses. For allowances, however, no account is taken of deductible losses. In this situation, remission may result in either no entitlement or a lower entitlement to allowances, which is undesirable. In such situations, therefore, at the taxpayer's request, the benefits do not take remission profits into account which are not fully exempted from income tax due to losses to be offset.

Take note!

This is a specific scheme and does not mean that other income on paper can also be disregarded for the allowances.

Allowance partnership age

Currently, parents and adult children or foster children over the age of 27, are considered as allowance partners. This may result in lower allowances in the event of cohabitation. It is therefore proposed to abolish the age limit of 27 for first-degree blood relatives and relatives by marriage when determining allowance partnerships.

Take note!

The Tax Administration applies the age limit of 27, which means that first-degree blood relatives and relatives by marriage remain partners for tax purposes, but are no longer an allowance partner for benefits.

INTERNATIONAL SITUATIONS

Effective tax rate tests

Various anti-abuse rules for corporation tax, apply effective tax rate tests to determine whether sufficient tax is levied. The proposed amendment clarifies that a (qualifying) pillar two top-up tax is also included in some effective tax rate tests. Pillar two ensures that multinational group companies and domestic group companies with a turnover of at least €750 million, effectively pay at least 15% tax on their profits. This applies, among other things, to rules on the interest deduction restriction, participation exemption, as well as exemption for business income from foreign permanent establishments.

Object exemption for business income from foreign permanent establishments

The object exemption for business income from foreign permanent establishments ('object exemption') has been adjusted to avoid double taxation of permanent establishments taxed in the Netherlands but not recognised as permanent establishments in other countries. With this adjustment, the exemption is now also applied if profits abroad are subject to profit taxation in the country in which the permanent establishment is considered to exist for application of the

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object exemption. This avoids unintended double taxation due to mismatches in recognising permanent establishments.

General anti-avoidance rule ATAD1

The Netherlands has transposed the general anti-avoidance rule (GAAR) of ATAD1 into national legislation where the GAAR will apply for corporation tax purposes. When ATAD1 was implemented in 2019, it was opted not to do so, because the GAAR was already included in the Netherlands case law doctrine of *fraus legis*. Now that the European Commission has explicitly requested implementation of the GAAR, the Netherlands will meet this request.

Amendments to Minimum Taxation Act 2024

The Minimum Taxation Act 2024 (*Wet minimumbelasting 2024, WMB*) is an implementation of the EU Directive. Remaining topics in administrative guidelines which require a legal basis, have been incorporated in the WMB, as are some technical changes. These include qualifying interest schemes, qualifying tradeable tax credits, currency conversion, domestic top-up taxation, excess negative tax expenditures carried forward, substance-based income exclusion, the transitional Country-by-Country Reporting (CbCR) Safe Harbor rule and procedural-law aspects.

New group definition for conditional withholding tax

The Netherlands applies a conditional withholding tax on interest, royalties and dividends paid to an affiliated entity established in a low-tax country (or, in specific cases, to a 'hybrid' entity). The conditional withholding tax is relevant when a qualifying interest exists. This may also be the case if a collaborating group is involved. The concept of 'collaborating group' is replaced by the group concept: 'qualifying unity'. This is when entities act together for the main purpose (or one of the main purposes) of avoiding taxation for one of the entities.

Tip

The burden of proof that a qualifying unity exists lies with the tax inspector, but in case of doubt it is wise to hold preliminary consultations to get advance certainty.

International transfer payment

In 2023, the European Court of Justice delivered judgments on the international transfer payment of accrued pension benefits in the event of a job change. In response, legislation was amended for international transfer payments of accrued pension benefits. These amendments, effective since 16 November 2023, ensure that the conditions for transfer payments are in line with European law. Two important conditions are being discontinued: i) the obligation for foreign pension funds to accept liability and ii) the restriction on commutation options abroad.

Take note!

The condition of no wider-ranging commutation options abroad than pursuant to national law continues to apply for individual transfer payments outside the EU, the EEA and Switzerland.

ENERGY & ENVIRONMENT

Abolition of netting arrangement

End customers with a small installation currently receive the same rate for electricity fed into the grid (supply costs, energy tax and VAT) as for the electricity consumed. In 2024, this is a tax advantage of around €0.167 (energy tax and VAT) per netted kWh. This advantage will be cancelled. The government proposes that as from 2027, electricity fed into the grid should no longer be offset against supplied electricity. It is being monitored that compensation for the electricity fed into the grid is transparent and reasonable. This compensation cannot be negative.

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Take note!

When calculating the yield of solar panels, take the cancellation of the netting scheme as at 2027 into account.

Reduction of energy tax on natural gas

The energy tax on natural gas is being reduced for consumption up to 170,000 m³. This reduction starts at 2.8 euro cents per m³ in 2025 and rises to 4.8 euro cents per m³ in 2030. Households with an average consumption of 1,050 m³ will save around €29 per year in 2025, rising to around €50 in 2030. Businesses will also benefit from lower costs through this adjustment in tax rates.

Separate tariff for hydrogen

As from 1 January 2026, hydrogen will be taxed at a lower rate than natural gas for purposes of energy tax. This will provide an incentive to use hydrogen as a renewable energy source and supports the energy transition. In addition, the exemption for producing hydrogen via electricity has been clarified and extended. These measures incentivise development of the hydrogen market, create new opportunities for economic growth and employment, and strengthen the Netherlands' competitiveness.

Take note!

The reduced rate will be reviewed by 2030 at the latest. In the event of an adverse evaluation, the separate rate will be cancelled on 1 January 2031.

Plastic levy, diesel tax, and flight tax

There are also several tax measures in the framework coalition agreement that are not included in the 2025 Tax Plan. The introduction of a circular usage plastic levy, the reintroduction of red diesel for agriculture, and a differentiation in flight tax based on distance of travel. These measures will be elaborated at a later stage because they are complicated and, according to the government, require a careful policy pathway and a balanced parliamentary debate.

OTHER MEASURES

Extension of the penalty period for third parties

The penalty period for third parties, such as consultants and accomplices, will be extended to 12 years if the taxpayer concerned is also subject to an additional tax assessment period or an extended time limit for imposing an additional assessment. For existing cases, transitional rules will apply.

Tightened property measure for fiscal investment institutions (FIIs)

The 2025 Tax Plan contains a measure taken to ensure that a fiscal investment institution (FII) can no longer invest directly in Dutch property: the property measure. If an FII does invest directly in Dutch property from 1 January 2025 onwards, the FII cannot apply the special corporation tax regime for FIIs. This measure will be followed by further adjustments to plug a leak and to give substance to the concept of "property". The precise amendment proposals are not yet known at this time.

Tip

Ensure the FII complies in good time with the new property investment rules to prevent loss of the FIIs favourable corporation tax rate.

Refund without tax return form

The government will introduce a legislative proposal to determine an income tax assessment for taxpayers who have failed to submit their tax returns, even though their income tax assessment shows an amount of zero or a tax refund. This is in the interests of citizens who do not respond to requests to submit a tax return, while there is a right to a tax refund.

Take note!

It is always a good idea to respond in good time to a request to submit a tax return.

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Tax treatment of foreign legal forms

The tax treatment of various foreign legal forms, as well as a number of Dutch legal forms, will change as per 1 January 2025. For example, a Dutch (open) Limited Partnership will no longer be liable to Dutch corporation tax and be considered tax transparent. A mutual fund will only be liable for corporation tax if it is an investment fund or fund for collective investment in securities within the meaning of the Financial Supervision Act (*Wet op het financieel toezicht, Wft*). The certificates of participation must also be tradeable. Some refinements are now being made to the earlier legislative proposal in this respect. For example, introducing the change in the tax treatment of various legal forms has unintentionally limited the scope of the restriction on deductibility for the allocation and issuance of shares and option rights within a group of companies. These types of omissions are now being adjusted.

Tip

In principle, the loss of corporation tax liability of an open limited partnership, for example, triggers taxation. But if structured properly, e.g. via a facilitated share merger, the tax claim can be deferred.

Increase in tax on games of chance

The tax rate on games of chance will be increased substantially from 30.5% to 34.2%, and then increased further to 37.8% as from 1 January 2026.

Interest on overdue tax for loss setoff

A tax assessment must be paid within the applicable deadline. Where that deadline is exceeded, interest on overdue tax will be charged. A change in the law erroneously deleted a scheme in 2013. This cancelled the legal basis to recalculate the interest on overdue tax when loss setoff is applied. This scheme is now being reintroduced into the law, so that the scheme corresponds again to the situation prior to 2013. This amendment is only expected to enter into

force as at 1 January 2027 due to the necessary change in the automation system.

Take note!

For many years after loss setoff, the Tax Administration erroneously did not recalculate the interest on overdue tax. In 2021, the Tax Administration launched a recovery action to rectify this situation.

Child-related budget increase

In order to improve the financial position of families in a targeted manner, the government is increasing the amount for a child in the child-related budget. In addition, the phase-out percentage is raised incrementally each year to make the child-related budget more targeted.