# OWNER-OCCUPIED HOME

Advisory Handbook 2025

**Strict and clear tax rules apply to an owner-occupied home. For example, a loan for an owner-occupied home must meet specific repayment requirements to qualify for interest deduction. However, this interest deduction has been gradually reduced. You may consider making additional repayments, but is that a wise decision? This handbook provides you with essential information regarding the purchase and ownership of an owner-occupied home.**

The rules that apply depend on your individual situation. This advisory handbook covers various scenarios.

## OWNER-OCCUPIED HOME LOAN, REPAYMENT, AND INTEREST DEDUCTION

For an owner-occupied home loan, interest is only deductible if the loan is repaid in full within a maximum of 30 years and at least using an annuity method. This means that the monthly payment, comprising both interest and repayment, remains the same during the fixed interest period. In addition to the repayment requirement, the loan must be taken out for the acquisition, maintenance, or improvement of the owner-occupied home.

These rules generally apply to any loan taken out after 1 January 2013. However, a loan taken out on or after 1 January 2013 may be subject to transitional rules, where no repayment requirement applies. Our advisers can provide you with information specific to your situation.

## CONSEQUENCES OF FAILING TO MEET REPAYMENT OBLIGATIONS

Repayment obligations must be agreed upon in the loan agreement at the time the loan is taken out and must also be adhered to. If insufficient repayments are made on a loan, the interest on that loan is, in principle, no longer deductible. Fortunately, it is possible, under certain conditions, to correct a temporary repayment arrear or to agree on a new repayment schedule. If these corrective measures are taken in time, the interest deduction is retained. If corrective measures are not taken in time, the interest deduction is lost at that point.

Tip!

The loss of interest deduction is not permanent. If you catch up on the repayment arrear that existed at the time of the loss of interest deduction, the interest becomes deductible again from that point.

## INFORMATION OBLIGATION

If you have an owner-occupied home loan that is subject to a repayment requirement and this loan is not taken out with a bank, insurer, or other financial institution established in the Netherlands, you have an information obligation. This obligation is met through your income tax return for all debts incurred after 31 December 2015 and for all changes to your previously taken-out loan from 1 January 2016. The information obligation includes details such as the name, address, and place of residence of the lender, the amount of the loan, the term, and the interest rate.

If you do not comply (on time) with your information obligation, the interest is not deductible. If you subsequently provide the information in a later year, the interest becomes deductible again from the following year.

Important!
This also applies to a director and major shareholder who has taken out a loan for their owner-occupied home from their own company.

## LIMITATION ON INTEREST DEDUCTION IN THE HIGHEST BRACKET

Since 2014, the maximum interest deduction for a mortgage loan has been reduced annually. For 2025, this means that interest deductible in the highest tax bracket (49.5%) is no longer deductible at 49.5% but at a maximum of 37.48%. This limitation applies to both loans taken out after 1 January 2013 and loans taken out before that date.

## TRANSITIONAL RULES: EXISTING OWNER-OCCUPIED HOME LOAN

An old owner-occupied home loan does not need to meet the repayment requirement. An old owner-occupied home loan is a loan you had on 31 December 2012 for your owner-occupied home (main rule). In some exceptional cases, a loan taken out after 31 December 2012 may also be considered an old owner-occupied home loan. This can occur, for example, if there was temporary rental between two owner-occupied homes until the end of 2013, the purchase of another home, or the carrying out of maintenance or improvement to the owner-occupied home. There is also a scheme for expats.

## REFINANCING A LOAN

Your loan remains classified as an old owner-occupied home loan if you refinance it (in part), for example, at the end of your fixed interest period or when purchasing a new home. However, if you borrow a higher amount, the additional amount is classified as a new owner-occupied home loan, and interest on it is only deductible if the repayment requirements are met.

## INSURANCE FOR OWNER-OCCUPIED HOME

It has not been possible for a long time (since 2013) to take out a new savings, insurance, or investment product linked to the owner-occupied home. If you have an existing savings, insurance, or investment product linked to the old owner-occupied home loan, nothing changes.

These products remain exempt in Box 1. A linked savings, insurance, or investment product follows the transitional rules applicable to the old owner-occupied home loan. If your loan taken out in 2013 is classified as an old owner-occupied home loan, it was also still possible in 2013 to link a savings, insurance, or investment product to it.

Tip!
From 1 April 2017, you can freely use the exemption for your savings, insurance, or investment product. Surrendering is generally not financially attractive. Therefore, consult with our advisers in advance about your situation.

## ADDITIONAL REPAYMENT OR NOT?

Given the current low interest on savings accounts, you may wonder whether making additional repayments on your owner-occupied home loan is advisable. Repaying your loan has various fiscal and financial consequences, which we have outlined below:

- You will no longer have to pay mortgage interest after repayment.
- You will no longer be able to deduct that interest in Box 1.
- Be aware that you may incur an early repayment penalty due to the extra repayment.
- Given the low interest rate on your savings account, you will likely not miss that interest income.
- You may save on taxes in Box 3 because of the savings used for the repayment.
- If you have repaid your mortgage, you will no longer have an addition (or will have a reduced addition) due to the notional imputed rental income of your owner-occupied home (eigenwoningforfait). This benefit has been gradually reduced since 2019 over thirty years. In 2025, you can still deduct 76.67% of the difference between your notional imputed rental income and the deductible costs for your owner-occupied home. The percentage decreases by 3.33% each year. From 1 January 2048, the deduction will be entirely eliminated.

Note!

Whether making additional repayments on your mortgage loan is advisable depends entirely on your personal circumstances. You may need your savings for other purposes at a later time. If you use your savings for repayment, this money becomes 'locked' in your home and can only be released again through the sale of the property or by taking out a new loan. Remember that obtaining a new loan may not always be easy, and the interest on such a new loan may no longer be deductible in Box 1. Therefore, make sure you are well advised about your personal situation.

## RESIDUAL DEBTS

If the sale proceeds of your owner-occupied home are insufficient to cover your owner-occupied home loan and the sale costs, you will be left with a residual debt. If this residual debt arose between 29 October 2012 and 31 December 2017, you can deduct the interest on this residual debt for up to fifteen years after its creation in Box 1.

## RELOCATION SCHEMES

Under certain conditions, you can retain the application of the owner-occupied home scheme for your empty home for sale or newly purchased empty home and continue to deduct the interest on the associated loans. The term for these relocation schemes is a maximum of three years after the year in which you left the old home. For your home that has been for sale since 2022 or for your home that you purchased from 2022 and is still vacant or under construction in 2025, you are therefore still entitled to interest deduction until 31 December 2025.

The scheme can also be applied if a property is not immediately offered for sale but only from the moment it is actually listed for sale. The deduction of mortgage interest is then only possible for the remaining period for which the relocation scheme can be applied.

## INTEREST AVERAGING (RENTEMIDDELING)

Interest averaging provides an opportunity to borrow at a lower mortgage interest rate without having to pay an early repayment penalty immediately. With interest averaging, the early repayment penalty is not immediately due but is spread over the new fixed interest period. This allows a lower mortgage interest rate to become accessible to a much larger group.

The early repayment penalty under interest averaging is also deductible. In addition to the early repayment penalty, the interest rate may also be increased by other surcharges unrelated to the penalty, such as a surcharge for the risk of early repayment of the mortgage debt. These other surcharges, on top of the mortgage interest and the early repayment penalty, may not exceed 0.2% in total. In that case, the interest on these other surcharges is also deductible.

Tip!
Examine whether interest averaging is an option for your situation.

## ABOLITION OF GIFT EXEMPTION FOR OWNER-OCCUPIED HOME

Since 2017, it was possible to use an extra increased gift exemption for a one-time increased gift to your child or a third party for the purchase of an owner-occupied home. This exemption has now been completely abolished.

## REDUCED TRANSFER TAX FOR YOUNG PEOPLE

There is a one-time exemption from transfer tax (stamp duty) for young people between the ages of 18 and 35 who purchase an owner-occupied home and will live in it themselves. The exemption is limited to homes with a value of up to €525,000 in 2025. The threshold value for 2026 is already known, amounting to €555,000.

Note!
This exemption can only be used once.

Important!
For the application of the exemption, the date of transfer of the home at the notary is decisive. If you purchased a home in 2024 that is only transferred by the notary in 2025, the value threshold of €525,000 applies and not €510,000 (the threshold in 2024).

The transfer tax for those who do not qualify for the exemption remains at 2%.

Note!
For the purchase of holiday homes and homes for investment or rental purposes, a 10.4% transfer tax applies. This rate will be reduced to 8% from 2026.

## LOAN FOR ENERGY-EFFICIENT HOME

Through the National Heat Fund, you can take out a loan at an attractive interest rate to make your home more energy-efficient. The loan amount must be between €1,000 and €28,000, with a term of seven, ten, fifteen, or twenty years. The loan may only be used for energy-saving measures. If you wish to make your home completely energy-free, a loan of up to €28,000 is possible. For the purchase of a home battery, a maximum loan of €8,500 is available. This loan must be repaid within seven, fifteen, or twenty years. The interest rate depends on the term of the loan and ranges from 3.60% to 4.05% (October 2024). If your combined income is below €60,000, an interest rate of 0% may sometimes be available.

## RECLAIMING VAT ON SOLAR PANELS

The VAT rate on solar panels installed on your home has been reduced to 0% as of 1 January 2023. For private individuals, this generally means that they no longer need to register with the Dutch Tax Administration due to VAT and do not need to file a VAT return. If you purchased your solar panels before 2023, 21% VAT was charged, which you could reclaim.

You had to submit the ‘Notification for Solar Panel Holders’ form to the Dutch Tax Administration within six months of the year of purchase. After this period, you can still submit the form within five years after the calendar year in which the solar panels were purchased.

Note!

The net metering scheme for solar panels currently ensures that the electricity returned to the grid is offset against the electricity consumed. As of January 1, 2027, the net metering scheme will be permanently abolished. From that point on, energy suppliers must provide a reasonable compensation for the electricity returned to the grid. This reasonable compensation must never be less than 50% of the agreed price for the supply until January 1, 2030.

## LOW VAT RATE FOR PAINTING, PLASTERING, AND INSULATING OLDER HOMES

If your home is more than two years old, the VAT rate for painting, plastering, and installing insulation is not 21% but only 9%.

Note!

This reduced VAT rate will only apply to homes that are privately occupied from 1 July 2025. Buildings that are partly privately occupied and partly used as commercial premises must be separated. Painting and/or plastering of the part used as a commercial premises will be taxed at 21% from 1 July 2025.

## QUESTIONS?

The tax rules concerning your owner-occupied home are not simple. The coexistence of various schemes can make the practical application quite complex, especially in more complicated situations such as moving, divorce, marriage, and death. Therefore, please contact us for advice tailored to your own specific situation.

## CONTACT

Email: info@esj.nl
Phone: +31 (0)88 0 320 600

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