TOP 10 TAX PROPOSALS PRINCE'S DAY 2024

What are the most important tax proposals for entrepreneurs of the Dutch Minister of Finance Heinen on the Dutch Prince's Day 2024? We list the ten most important ones for you.

1. REDUCTION OF HIGH RATE SECOND BRACKET OF BOX 2

Since January 1, 2024, the uniform rate of box 2 has been replaced by two rates. For dividends received up to € 67,000, a rate of 24.5% will apply in 2024. This rate will remain the same in 2025, but will then apply to dividends up to € 67,804. For the year 2024, the rate of the second bracket at the end of 2023 was changed at the last minute from the originally proposed 31 to 33%. This change will now be reversed with effect from 2025. A 33% rate in the second bracket will still apply in 2024; a 31% rate in the second bracket has been proposed starting in 2025.

Tip!
Tax partners benefit twice from the rate of the first low bracket, which means that a dividend distribution of €134,000 in 2024 is taxed at the low rate of 24.5%. In 2025, the low rate of 24.5% applies to tax partners up to a dividend distribution of €135,608.

Note!
As of 2025, dividend payments also affect the reduction of the general tax credit. The general tax credit will generally decrease or may even become zero as a result of a dividend distribution as of 2025. In addition, a dividend distribution, even as early as 2024, affects the so called ‘dga tax’ and the amount of box 3 assets. Therefore, consult with your advisor to determine the most advantageous dividend distribution in your situation in 2024.

2. ABOLITION OF REDUCED VAT RATE ART, CULTURE, SPORTS AND HOTEL STAYS AS OF JANUARY 1, 2026

The reduced VAT rate of 9% for culture, media, lodging (hotels, vacation homes and mobile homes), books and sports will be abolished as of Jan. 1, 2026. The general VAT rate of 21% will then apply.

Note!
For non-profit sports associations, the exemption continues to apply.

Tip!
There are some exceptions: cinemas, circuses, camping sites and day recreation (amusement parks, playgrounds and ornamental gardens and zoos) remain subject to the reduced VAT rate of 9%.

Note!
The adjustment of the VAT rate depends on when the service is provided, not when the service provider receives payment. For example, if you sell a ticket for a theater performance in 2025 for a performance that takes place in 2026, the general rate of 21% already applies in 2025.

3. TRANSFER TAX REDUCTION FOR NON-OWNER-OCCUPIED HOUSING

The general transfer tax rate of 10.4% will be reduced to 8% for homes not in owner-occupied use as of Jan. 1, 2026. This rate reduction does not apply to commercial properties. For homes that are owner-occupied, the transfer tax rate will remain at 2% - under the conditions already in place for this purpose. For first-time buyers under 35 years of age, the one-time exemption from transfer tax will continue to apply - under the conditions already in force for this purpose.

Note!

This reduction has not yet been included in a concrete bill, but will be included in a bill to be introduced at a later date (envisaged in October 2024).

4. BUSINESS SUCCESSION REGULATION AND PASS-THROUGH REGULATION

The purpose of the business succession regulation (BOR) and the pass-through regulation (DSR) is to prevent the continuity of the business from being jeopardized by the tax burden during real business transfers. You can therefore pass the baton to the next generation with a tax incentive. The BOR and DSR play an important role in the transfer of family businesses, but pay attention to the changes already adopted at the end of 2023 and the additional changes announced.

The Cabinet proposes to reduce the mandatory continuation period from five to three years as of January 1, 2025. If this proposal is adopted, this means that a continuation period of five years will continue to apply to acquisitions occurring before January 1, 2025, while a continuation period of three years will then apply to acquisitions as of January 1, 2025.

As of Jan. 1, 2026, the proposed changes include the following:

- Limit the BOR and DSR for shares to common shares with a minimum interest of 5%. Options and profit certificates, among others, will then no longer qualify for the BOR and DSR for shares.
- Simplify restructuring during the possession and continuation period.
- A longer possession period for donors and testators who started the business later than two years after their state pension age.
- Addressing unintended use of double BOR.

Note!

Since January 1, 2024, real estate made available to third parties (including rentals) already by default no longer qualifies as business assets. Donating or inheriting such real estate with application of the BOR is since then no longer possible.

5. ROLLBACK OF THE MORE LIMITED 30% RULING FOR EXPATS

Employees who come to the Netherlands and meet the criteria, can claim the 30% ruling. This allows them to receive up to 30% of their salary untaxed. In the Tax Plan 2024, a moderation in steps to 10% was announced (the so-called '30-20-10-rule'). This austerity will be largely reversed, but in addition a higher salary standard will be instituted.

As of Jan. 1, 2027, a constant flat rate of 27% will be introduced for up to five years. In 2025 and 2026, a rate of 30 will apply to all employees who meet the criteria. The salary standard will be raised from €46,107 (amount in 2024) to €50,436 from 2027. For incoming employees who are younger than 30 and have a master's degree, the salary standard is increased from € 35,048 (amount in 2024) to € 38,338.

Note!
For employees who already applied the 30% rule before 2024, the percentage of 30 will apply for the entire term. In addition, the old (indexed) income standard will continue to apply to them. Thus, they will not face 27% and a higher salary standard from 2027.

Note!
These changes are not yet included in a concrete bill, but will be included in a bill to be introduced at a later date (targeted in October 2024).

6. MOTOR VEHICLE TAX CREDIT FOR EMISSION-FREE PASSENGER CARS

Currently, users of an emission-free passenger car (fully electric or hydrogen-powered) do not pay motor vehicle tax. At the end of 2019, the Climate Agreement Tax Measures Act already adopted that a 75% motor vehicle tax rate discount will apply to such cars in 2025 and that the rate discount will be abolished from January 1, 2026. However, because zero-emission passenger cars have heavier batteries, they are also taxed more heavily. To reduce this difference and thus ensure that no fewer emission-free passenger cars will be sold, a 25% reduction in the motor vehicle tax rate for emission-free cars will apply from 2026 through 2029. The government has announced to assess in the spring of 2025 whether the 25% rate discount for emission-free passenger cars is sufficient.

Note!
This change is not yet included in a concrete bill, but will be included in a bill to be introduced at a later date (targeted in October 2024).

7. ABOLITION OF THE GIFT DEDUCTION IN CORPORATE INCOME TAX.

For fiscal years beginning on or after January 1, 2025, the corporate gift deduction will be abolished. This means that as of that date, you can no longer deduct donations from your company from your profits. Donations from your company will additionally be considered a dividend distribution to you privately from 2025 and will therefore be taxed with dividend tax and in box 2 of the income tax. In box 2, depending on the amount of total dividend payments in a year, a rate of 24.5% or 31% will apply in 2025. However, you can, under conditions, then use the gift deduction in income tax in private.

Note!
Although the gift deduction in corporate income tax disappears, this deduction in income tax remains unchanged in 2025.

Note!
Do you support charities through sponsorship or advertising? Then these costs are not donations, but business expenses. These costs, like other business expenses, remain deductible from profits. The same applies to expenses you incur as part of Corporate Social Responsibility.

8. INTRODUCTION THIRD INCOME TAX BRACKET

As of January 1, 2025, a new reduced first bracket will be introduced in Box 1. This will provide a more targeted reduction in the burden on middle-income earners in particular. The rate in this first bracket will drop from 36.97% (2024) to 35.82% (2025). This bracket runs in 2025 up to an income of €38,441. The rate of the second bracket in 2025 is 37.48% and runs up to € 76. 817.The limit for the third (highest) bracket is thus € 1,298 higher than in 2024. The highest rate in box 1 remains 49.5%.

Note!
If you fall in the lowest rate, you will also receive deductions in the lowest rate.

9. BOX 3 RATE REMAINS 36%

The rate in box 3 will remain at 36% next year. Despite expectations that the rate for box 3 would be lowered to reduce the tax burden on savers and investors, the rate will not change.

Note!
On June 6, 2024, the Supreme Court ruled - briefly described - that a taxpayer is entitled to more legal recovery if the actual return in box 3 is lower than the statutory (flat rate) return. The consequences and further details of this ruling have been fleshed out a bit further in a parliamentary letter published on Prince's Day 2024. We will inform you about this in more detail shortly.

10. CHANGES TO THE EARNINGS STRIPPING MEASURE

The earnings stripping measure limits the generic interest deduction and applies to all corporate taxpayers. As a result, you can deduct less of the difference between the interest expense and interest income of money loans when determining your profit. From 2025, you can no longer deduct the interest balance if it exceeds the higher of 25% (20% in 2024) of the (adjusted) profit or the threshold of €1 million.

As of January 1, 2025, the €1 million threshold will no longer apply to real estate entities that lease real estate to third parties. This means that real estate entities can deduct a maximum of 25% of the (adjusted) profit in interest.

Note!
This rule does not apply to real estate that is rented out to an affiliated entity or to an affiliated natural person.

CONTACT

info@esj.nl
088 0 320 600