

GIFTS AND LOANS TO CHILDREN

Advisory Handbook 2026



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Could your child benefit from financial support? Perhaps for education costs, purchasing a home, or during periods of unemployment? Or maybe your child has a lifelong ambition to start their own business or take over the family firm? Your financial assistance could help make these dreams achievable! Allow this Advisory Handbook to inspire you.

GIFTS

A commonly used and relatively straightforward method to financially support your child is by gifting money. Various methods are available. By strategically utilising exemptions and tax-efficient gift structures, you can significantly reduce tax liabilities—not only at the moment of gifting but also in the future. Thus, gifting can effectively transfer accrued wealth to the next generation during your lifetime, while also prompting you to review your estate planning.

Depending on the size of your estate and applicable exemptions, inheritance tax for your child(ren) can range from 10% on amounts up to €158,669, rising to 20% for amounts above this threshold. For grandchildren (and great-grandchildren), these rates are 18% up to €158,669, increasing to 36% thereafter (percentages and amounts as of 2026). The tax bands and rates for gift tax are identical to those for inheritance tax. By gifting strategically within the lowest tax band (10%) to your child(ren) during your lifetime, you can reduce the inheritance tax payable upon your death, thus benefiting your heirs.

Note!

Individuals with considerable wealth are required to contribute more towards healthcare costs under the Dutch Long-Term Care Act (Wet langdurige zorg – Wlz). Contributions are always based on income and assets from two years previously. Therefore, for 2026, your assets as of 1 January 2024 are relevant. If your assets on this date exceeded €36,952 (for individuals) or €73,904 (for partners), 4% of the excess amount is counted as income. If you wish to reduce your Wlz contribution by gifting assets, remember to account for this two-year waiting period.

TAX-FREE GIFTS

As a parent, you may gift your child a certain amount annually without incurring any tax. In 2026, this amount is €6,908. If you make a gift to a child aged between 18 and 40 years (or whose partner falls within this age range), this exemption can be increased once to €33,129 (2026).

For gifts specifically intended to fund expensive studies or education, the exemption can even be increased once to €69,009 (2026).

GIFT ON PAPER

If you wish to make a gift but prefer not to or are unable to transfer the entire amount in cash immediately, you have the option of making a "gift under acknowledgement of debt," also known as a "gift on paper." You formally acknowledge owing a sum to your child, payable only upon your death.

The advantage of this method is that you retain control of the gifted assets and liquidity, while still benefiting from gift tax exemptions. Furthermore, you retain the flexibility to repay this debt during your lifetime, providing your child with funds in the interim. To effectively utilise this method for inheritance tax savings, you must actually pay your child at least 6% interest annually.

It is advisable to have a gift on paper officially recorded by a notary. If you fail to do this but repay the entire sum during your lifetime, there are no negative consequences. However, if the gift on paper is not notarised and becomes payable only upon your death (and remains unpaid during your lifetime), it will still count towards the inheritance tax calculation.

Please note!

A gift on paper must be declared by both the donor and the recipient in Box 3 of their income tax returns. Due to the Box 3 taxation system in 2026, there is a difference between the taxable value of the receivable and the deduction of the debt. The receivable owed to your child is subject to a higher deemed interest rate (6.00% in 2026) compared to the debt you owe your child, provisionally set at 2.70%. This creates a difference of 3.30%! However, if the actual return on your total Box 3 assets is lower than the total deemed return, the actual return of 6% can be applied through the "counter-evidence rule."

Tip!

If you intend to make gifts on paper to your child over several consecutive years, it is possible to arrange this in advance for multiple years through a notary. Ensure you are fully informed about the conditions and associated advantages and disadvantages.

CONDITIONAL GIFTS

A gift may become part of your child's partner's assets through marriage or cohabitation agreements. To prevent this, you can include an "exclusion clause" in your gift, ensuring the gift remains exclusively your child's property.

Additionally, gifting significant sums could eventually impact your financial independence. If you wish to avoid financial dependency on your child, you can include a condition allowing you to revoke the gift if necessary.

Please note!

If your child married after 1 January 2018, your gift no longer automatically becomes part of marital property. However, your child and their spouse can stipulate in their marriage contract that gifts form part of communal property. In such cases, an exclusion clause remains relevant if desired.

FAMILY BUSINESS SUCCESSION

Do you intend to fully or partially transfer your business to your child? When gifting a business, you can, under certain conditions, utilise the Business Succession Scheme (BOR) and the Income Tax Deferral Scheme (DSR). The BOR offers substantial gift tax exemptions, while the DSR permits the deferral of income tax payments, provided the business continues operating. These schemes apply exclusively to active businesses. Investment activities are completely excluded under the BOR and almost entirely

under the DSR. In 2026, the BOR exemption is 100% for business assets up to €1,543,500 and 75% for amounts above this.

Consider your business succession strategy carefully and seek professional advice.

FAMILY LOAN

You can, of course, lend money to your children as well. It is not always straightforward for your children to obtain financing from a bank. Especially when interest rates on savings deposits are low, a family loan can be an attractive alternative. However, ensure that you establish clear, business-like agreements and document the terms carefully. Clearly stipulate the interest rate, loan duration, repayment schedule, intended use of the loan amount, enforceability, conditions for termination, and any securities provided. This will provide financial and legal clarity for both you and your child and generally prevents unnecessary tax complications.

Note!

Be aware that the box 3 tax system in 2026 will result in differing taxable treatments. Specifically, the receivable you have from your child will be taxed in box 3 at a high fixed percentage (6% in 2026), whereas your child's debt will be taxed at a lower fixed percentage (provisionally set at 2.70% for 2026). If the actual return on your total box 3 assets is lower than the fixed total return, you can invoke the counter-evidence arrangement to apply the actual return instead.

OWNER-OCCUPIED HOME LOAN

You can lend money to your child for the purchase, renovation, or maintenance of an owner-occupied home through a notarised or private deed. Your child will pay you interest on the loan. For you, this (business-related) loan forms part of your box 3 assets and will therefore be subject to the high fixed return percentage of 6% in 2026. Again, if the actual return on your total box 3 assets is lower than the fixed total return, you can invoke the counter-evidence arrangement to apply the actual return instead.

Is the loan to your child a so-called owner-occupied home loan that meets the fiscal conditions for such loans? In that case, the loan does not fall into box 3 for your child, and the interest paid is tax-deductible for your child in box 1.

The key tax condition is that the loan must be fully repaid within 30 years and must follow at least an annuity repayment schedule. Additionally, your child must report the details of the loan each year in their income tax return. This applies both to a new loan and to any modifications to an existing owner-occupied home loan.

Note!

It is advisable to establish a mortgage for the loan, not only to ensure repayment but also to substantiate its business-like nature from a tax perspective. To record a mortgage, you must visit a notary.

LOAN AND GIFT

You can provide additional financial support to your child by, for example, supplementing the owner-occupied home loan with a gift. In the same year that your child pays you interest, you could give your child a gift within the annual gift-tax exemption (€6,908 in 2026). Your child benefits from the tax-deductible interest on the owner-occupied home loan and from the gift-tax exemption. Consequently, you can effectively return (part of) the interest tax-free. However, it is essential that the gift and interest payment remain entirely separate transactions and are certainly not offset against each other, as otherwise, the tax advantage will be lost. Consult your adviser about the possibilities.

RISK-BEARING PARTICIPATION

Finally, one last suggestion: if your child plans to start their own business, a straightforward loan might be an obvious option. However, a risk-bearing participation by you as a financier in your child's startup could potentially benefit both parties. There are numerous ways to structure this arrangement. Please feel free to ask us for more information!

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