KPMG Meijburg & Co Tax & Legal

Tax measures in the general coalition agreement

On May 15, 2024 the four coalition parties PVV, VVD, NSC and BBB published their general agreement 'Hope, Courage and Pride'. The general agreement and the budgetary appendix provide insight into the main features of the tax plans of the new coalition government. In this memo we discuss the tax measures.

Corporate income tax and dividend tax

- Improving the business climate is the main priority.
- The generic interest deduction limitation (earnings stripping measure) for corporate income tax purposes (Section 15b Corporate Income Tax Act 1969) has a threshold: EUR 1 million or 20% of the adjusted profit (EBITDA), whichever is higher. The percentage of 20% will be increased to 25%; this corresponds to the EU average.
- The measure to end, as of 2025, the share redemption tax relief for listed companies for dividend tax purposes will be reversed.
- The tax measures for donations (the donation deduction for personal and corporate income tax purposes and company donations) will be limited in the coming years. A first step will be taken in 2025. As of 2028 the donation deduction for personal income tax purposes will be made uniform so that different donations are treated the same.

Payroll tax and personal income tax

- The tax burden for working middle-income households will be reduced as of 2025 by, for example, the introduction of an additional tax bracket. This is preferred to adjustments to the labor tax credit or general tax credit, because an additional tax bracket is more visible.
- The SME profit exemption will remain at 12.7%. The reduction to 12.03% as of 2025, as included in the 2024 Spring Memorandum, will therefore not go ahead.
- As of 2025 the high Box 2 rate will return to 31%. The increase to 33% will therefore be reversed. Nothing is said about the low Box 2 rate.
- EUR 100 million will be made permanently available for a rate reduction in Box 3.
  NB Neither the general agreement nor appendix mention a rate. From the key table to the 2024 Tax Plan it follows that a rate adjustment in Box 3 of 1 percentage point would involve EUR 162 million. This would mean a rate adjustment of approximately 0.6%.
- The mortgage interest deduction and the imputed income from home ownership will remain unchanged.
- The tax measures for donations (the donation deduction for personal and corporate income tax purposes and company donations) will be limited in the coming years. A first step will be taken in 2025. As of 2028 the donation deduction for personal income tax purposes will be made uniform so that different donations are treated the same.
- As of 2026 contributions to the General Unemployment Fund (*Algemeen werkloosheidsfonds*; AWF contribution) for both open-ended and flexible contracts will be increased by 0.1 percentage point.

- As of 2027 the deductible excess (also referred to in Dutch as 'own risk') in health insurance will be more than halved to EUR 165. The deductible excess will also be capped at EUR 50 per medical treatment. Due to the cost-covering funding of the Health Insurance Act, the nominal contributions, income-dependent contributions and the care allowance will automatically increase. In order to achieve the desired purchasing power effect, a compensatory reduction of the tax burden for households will be introduced via personal income tax and for companies via the contribution to the Invalidity Insurance fund (*Arbeidsongeschiktheidsfonds*; AOF contribution).
- To increase the efficiency of the tax system and simplify it, further steps will be taken during the new government's term of office to phase out (negatively evaluated) tax measures and tackle unintended arrangements. A provisional sum has been included for this. If the provisional sum is not (or only partly) realized through phasing out, abolishing or tackling tax schemes, then the unrealized amount will be found through personal income tax brackets and tax credits via the adjustment factor.
- **NB** The documents do not (specifically) address the (scaling back of) the 30% ruling. It may be that the coalition parties are waiting for the evaluation/interim report on the 30% ruling (see our memorandum of April 17, 2024).

Environmental taxes

- The increase of the 3rd, 4th and 5th energy tax bracket for natural gas (more than 170,000 m^3 natural gas per year) by 22.4% as of 2025 and an additional 2.7% as of 2030, as announced in the 2024 Spring Memorandum, will be reversed.
- The rate in the 1st and 2nd natural gas bracket (up to and including 170,000 m^3) will be reduced by 2.8 cent per m^3 in 2024, increasing to 4.8 cent per m^3 in 2030 (2024 price level).
- The higher CO_2 tax announced in the 2024 Spring Memorandum will not go ahead.
- The netting scheme for low-volume users will end as of January 1, 2027.
- The current reduction in excise duties on fuels will be extended by a year through to 2025. As of 2027 red diesel will be reintroduced for the agricultural sector.
- A circular plastic tax will be introduced as of 2028.
- A differentiated flight tax based on distance will be introduced as of 2027.

VAT

- The reduced VAT rate for accommodation will mostly be canceled as of 2026. The VAT rate for accommodation will go from 9% to 21%. The current low VAT rate for camping grounds will be retained and is excluded from the increase.
- The current low VAT rate for cultural goods and services will mostly be canceled as of 2026. The VAT rate will go from 9% to 21%. The current low VAT rate for day visitor recreation and cinemas will be retained and is excluded from the increase.

Tax on games of chance

- As of 2025 the tax on games of chance will increase from 30.5% to 37.8%.

Miscellaneous

- A generous, voluntary and long-term cessation scheme for agriculture and horticulture will be introduced on a tax-friendly basis.
- Local governments will be given more autonomy, including through a tax on undeveloped land with a residential designation.
- The construction of (private) rental homes will be stimulated by reducing red tape and where possible the tax burden.
- Working more should mean earning more. The parties have indicated that the tax burden on labor must be reduced as well as the marginal burden, for example through an additional personal income tax bracket.
- Legislation is being prepared to reform the allowances and tax system.

KPMG Meijburg & Co comments

The general coalition agreement contains many specific, but also less specific tax measures. The variety of plans means that almost everyone will be affected. Attention has been paid to the (tax) business climate and the environment, which will improve doing business in the Netherlands. It seems that, from now on, a new government will not implement EU rules any stricter than necessary. With regard to housing, there are a lot of plans, but the tax rules have been left untouched. The cultural sector should prepare itself for higher VAT rates.

In the long term, the allowances and tax system will be reformed. What stands out for us is that the general coalition agreement does not say anything specific about Box 3, the business succession scheme, the 30% ruling and reducing real estate transfer tax; matters that have received a lot of attention recently.

Please feel free to contact us, if you would like to know more about the general coalition agreement.

KPMG Meijburg & Co
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