

2019 Budget Memorandum Special

The most important plans that affect you and your business

Reduction in rates of income and corporation tax, abolition of dividend tax, accelerated reduction in mortgage interest relief, restriction of the duration of the 30% scheme: these are just a handful of the government's plans in the area of taxation for the next few years.

This 2019 Budget Memorandum Special outlines proposals that affect you and your business. These plans will be debated by Parliament over the forthcoming period. Unless indicated otherwise, the proposed measures will enter into force with effect from 1 January 2019.

Please note: the Upper and Lower House still have to vote on all these plans.

Table of contents

1	Rates.....	2
2	Own home	4
3	VAT	5
4	Abolition of dividend tax.....	6
5	International.....	7
6	Transport and sustainability	9
7	Depreciation and deduction of costs.....	11
8	Other measures	12

1 Rates

New income tax rates

In 2019 different rates will apply to box 1 (taxable income from employment and home) for income tax purposes. A more substantial change is anticipated from 2021 onwards, when only two tax rates will be employed. With this announcement the government is therefore setting out its plan to move towards a so-called 'flat tax'.

The table below shows the income tax rates in box 1 that will apply from 2019 for all taxpayers who were born on or after 1 January 1946 and have not yet reached state pension age. The percentages indicated include national insurance contributions.

Income tax rate / national insurance contributions for 2019			
	Taxable income of more than (€)	but no more than (€)	Rate for 2019 (%)
1 st band	-	20,384	36.65
2 nd band	20,384	34,300	38.10
3 rd band	34,300	68,507	38.10
4 th band	68,507	-	51.75

This is the plan for 2021, based on two tax bands:

Income tax rate / national insurance contributions for 2021			
	Taxable income of more than (€)	but no more than (€)	Rate for 2021 (%)
1 st band	-	68,507	37.05
2 nd band	68,507	-	49.50

Overview of changes to tax credits

Everyone is entitled to a general tax credit – a credit against income tax. This credit is dependent on your income: the lower your income, the higher the credit. With effect from 2019 the general tax credit for incomes up to € 50,000 per year is being increased. Employed person's tax credit is also being raised for people in work who earn between € 20,000 and € 60,000 per year.

Tax credits	2018 (€)	2019 (€)
Maximum general tax credit (< state pension age)	2,265	2,477
Employed person's tax credit (maximum)	3,249	3,399
Young disabled person's tax credit	728	737
Maximum income-dependent combination tax credit	2,801	2,835
Elderly person's tax credit (maximum)	1,418	1,596
Single-parent's tax credit	423	429

Adjustment of rate applicable to substantial shareholdings in box 2

The rate in box 2 is currently 25%. It had previously been announced that this rate would be raised to 27.3% in 2020 and 28.5% in 2021. In the 2019 Tax Plan, however, this increase has been scaled

back. The rate will now be raised to 26.25% in 2020 and 26.9% in 2021. There will be no transitional arrangements for profits that were made before 2020, but not distributed until 2020 or later.

The rate in box 2 is being increased as a result of the lowering of corporation tax rates (see below). This will ensure that the tax burden for different types of enterprise remains broadly in balance.

Offsetting of losses limited in box 2

The period for carrying forward losses in box 2 is being reduced from nine to six years. In 2019 it will be possible to carry forward losses from substantial shareholdings up to and including 2025. For losses incurred before 2019 the current nine-year period for carrying forward losses will continue to apply. A loss dating from 2018 can therefore be carried forward up to and including 2027. Transitional arrangements should prevent any negative effects of shortening the carry-forward period that are associated with the compulsory sequence for carrying forward losses.

No change to imputed return in box 3

The tax levy in box 3 is not changing. The rate is being kept at 30% and the tax-free allowance at € 30,000. In addition, the system used to determine the imputed return is remaining unchanged. In 2019 the percentage will, however, be lower than in 2018, as for 2019 the average return on savings between July 2017 and the end of June 2018 is decisive. Over this period interest rates were lower than during the preceding period.

Change to corporation tax rates

With effect from 1 January 2019 corporation tax rates are being reduced as follows:

Corporation tax	2019	2020	2021
Profit up to € 200,000	19.0%	17.5%	16.00%
Profit above € 200,000	24.3%	23.9%	22.25%

Offsetting of losses limited for corporation tax purposes

In 2019 losses for corporation tax purposes may only be carried forward and offset against profits for six years instead of nine. The one-year loss carry-back will continue to apply.

Losses incurred before the 2019 financial year may still be carried forward and offset against positive results for nine years.

Reduction in the rate of the Energy Investment Allowance (EIA)

With effect from 2019 the Energy Investment Allowance (EIA) is being reduced from 54.5% to 45%.

The EIA is a tax facility that allows businesses to benefit from a tax advantage when taking energy-saving measures, thereby stimulating sustainable business practices. In 2019 businesses will still be able to take advantage of the EIA to deduct 45% of the costs of their investments from their taxable profits.

Only new business assets are eligible for application of the EIA. Second-hand business assets are therefore excluded.

Tip:

Due to the reduction in the EIA, it may be worth making your energy-related investments in 2018.

2 Own home

Restriction of mortgage interest relief – accelerated reduction

Since 2014 the tax advantage available in the form of mortgage interest relief has been gradually reduced by 0.5% per year, if the interest is deducted at the highest income tax rate in box 1. In 2018 this rate was 51.95%. With effect from 1 January 2019 the total reduction in mortgage interest relief will rise to 3%. This means that in 2019 it will be possible to deduct mortgage interest at a rate of 49%.

Under the government's original plans the scaling back was set to continue until 2041, when it would be possible to deduct mortgage interest at a rate of just 38%. However, from 2020 the rate of this reduction will accelerate to 3% per year instead of 0.5% per year. In 2020 it will therefore be possible to deduct mortgage interest at a rate of 46% instead of 48.5%. In 2021 the maximum rate of the deduction will be 43% and in 2022 40%. A further reduction of 2.95% will be applied in 2023, with the result that mortgage interest will be deductible at a definitive maximum rate of 37.05%. This percentage is in keeping with the government's plans to introduce a two-band income tax system, the first band of which is subject to a rate of 37.05%.

Please note: this rate reduction does not apply to the addition to taxable income for the notional rental value of your own home. This addition is taxed at the maximum rate of 51.75%.

Notional rental value reduced

As the tax advantage offered by mortgage interest relief is set to be scaled back more quickly from 2020, the percentage added to taxable income for the notional rental value of a property is also being reduced. For homes with a WOZ value (value for the purposes of the Valuation of Immovable Property Act) of between € 75,000 and € 1,060,000 the percentage is being lowered from 0.70% at present to 0.65% in 2020, 0.60% in 2021, 0.50% in 2022 and 0.45% in 2023. For homes worth in excess of € 1,060,000 the percentage will remain at 2.35%.

Abolition of deduction for persons with no or little home acquisition debt

If the notional rental value is higher than the deductible costs, such as the mortgage interest, the taxpayer is entitled to a deduction ('Hillen Act'). This deduction is equal to the notional rental value less the deductible costs. On balance the income from your own home therefore cannot be higher than € 0.

The deduction for persons with no or little home acquisition debt is being reduced incrementally (over 30 years) by 3.33% per year with effect from 1 January 2019.

Example

Let's assume that in 2019 a person has completely paid off the loan he took out to buy his own home, which has a notional rental value of € 3,000. Under the current legislation, in this situation the taxpayer is entitled to deduct the notional rental value (€ 3,000), less the deductible costs (€ 0). In total this comes to € 3,000, which means the income from his own home is € 0. From 2019 this deduction can only be applied as follows: € 3,000 * 96.67% = € 2,900. In his income tax return the taxpayer has to declare income from his own home of € 100.

Tip:

Talk to us to find out whether there is any benefit in paying off (more of) your mortgage, bearing in mind that the deduction for persons with no or little home acquisition debt is being abolished and the addition may be taxed at the top rate.

Deduction for costs of maintaining listed buildings converted to a subsidy

Both the 2017 and 2018 Tax Plans postponed the abolition of the deduction for the costs of maintaining listed buildings. In the 2019 Tax Plan it has been decided that the deduction in the income tax return will be replaced by a subsidy scheme. This change will take effect on 1 January 2019.

Subject to certain conditions, it will be possible to apply for a subsidy for costs of at least € 1,000, of which 35% will be reimbursed. A total amount of € 40 million has been made available for the subsidy scheme. If the value of the subsidies applied for exceeds € 40 million, the percentage will be reduced from 35% to maintain the ceiling of € 40 million.

All the costs that a person incurs within a tax year can be included in a single subsidy application and submitted between 1 March and 30 April in the subsequent tax year. The administrator of the scheme will decide within 13 weeks of the end of the application period whether a subsidy will be awarded and at what level.

Tip:

Are you considering having maintenance work carried out on your listed building in the near future? If so, do this in 2018 so you can deduct the costs in your income tax return.

3 VAT

Increase in the reduced rate of VAT

The reduced rate of VAT is rising from 6% to 9% with effect from 1 January 2019. This means that many everyday items, hairdressing services, artworks and work on your home, for example, will become more expensive. This rise also has consequences for you as an entrepreneur, e.g.:

- changes will need to be made to your bookkeeping software/accounting system
- your prices will need to be adjusted
- you will need to take the increased rate into account in quotations for services that are provided in 2019 and are not paid for in advance in 2018
- you do not need to apply this increase to turnover invoiced in advance

Tip:

Are you unable to deduct the VAT or deduct it in full as input tax? In that case pay in 2018 (2018 invoice) for a service that will be provided in 2019 (under the 9% VAT rate). In this way you can save up to 3% VAT.

Modernisation of the small business scheme (KOR)

From 1 January 2020 the small business scheme (KOR) is being modernised. The current KOR is only applicable if the amount of VAT to be paid is below € 1,883 on an annual basis and is only open to entrepreneurs who are natural persons, e.g. sole traders.

As a result of the new small business scheme, from 2020 all entrepreneurs with a turnover not exceeding € 20,000 can opt to be exempt from value-added tax. This means that they will not charge any VAT to customers and will also not be subject to any associated administrative obligations. As a result, they will also be unable to deduct VAT on the invoices they receive. The new scheme will also apply to non-natural persons, such as associations, foundations and private limited companies (BVs).

This scheme applies only to goods supplied and services provided in the Netherlands.

Please note: if VAT has been reverse-charged, it is possible that VAT may still be owed and the associated administrative obligations will continue to apply. We advise you to contact us in such cases.

Wider scope for sports exemption

The scope of the VAT sports exemption is being widened from 1 January 2019. The exemption that previously covered sports services provided by non-profit-making organisations to their members will now also apply to non-members. In many cases it will no longer be possible to operate sports facilities as a service subject to VAT.

Consequently, clubs will no longer be able to deduct the VAT on costs and investments associated with sports facilities, which means that VAT will become a cost item for them. The government is planning to introduce a subsidy scheme on 1 January 2019 for the development, maintenance and upkeep of sports facilities.

VAT Directive for e-commerce

The EU e-Commerce Directive was drawn up primarily to modernise and simplify the levying and collection of VAT on cross-border online sales to private individuals. A small part of this Directive has to be implemented with effect from 1 January 2019. Further changes will then follow up to the end of 2021.

From now on, entrepreneurs based in one Member State only will owe VAT at the applicable rate in their own Member State on the sale of cross-border digital services to consumers within the EU. However, this only applies if the total cross-border turnover generated by the entrepreneur remains below an annual threshold of € 10,000 for such services. Entrepreneurs with cross-border turnover of less than € 10,000 can also opt to continue paying VAT in the consumer's Member State.

It is important to look into the potential consequences for your business in good time. Please get in touch with us to discuss this issue.

4 Abolition of dividend tax

Abolition of dividend tax

In spite of the considerable controversy surrounding the issue, dividend tax will be abolished from 1 January 2020. The main reason for abolishing this tax is to maintain and increase the attractiveness of the Netherlands as a location for international businesses and benefit from the associated employment opportunities.

Introduction of withholding tax

To prevent tax avoidance, a withholding tax on dividends will be introduced from 1 January 2020. This will mean that intercompany dividend payments made to entities in low-tax countries will be taxed. The same will apply in the event of abusive practices.

The withholding tax will be levied at a rate of 23.9% from 1 January 2020. A withholding tax on interest and royalties will also come into force from 2021.

Tackling of tax structures

Steps are also being taken to tackle structures set up deliberately with a view to avoiding tax, e.g. distributing funds to shareholders or donating funds to family members. It will be possible to recover such tax debts from shareholders who have received a profit distribution (dividend) or from family members who have received a donation, for example, with retroactive effect from 18 September 2018.

Abolition of dividend tax: consequences for fiscal investment institutions

The abolition of dividend tax has consequences for fiscal investment institutions (FBIs). FBIs are subject to a corporation tax rate of 0%. To qualify for this rate, they have to satisfy a number of requirements. With effect from 1 January 2020 these requirements will be tightened up by introducing a ban on direct investments in real estate.

To date, FBIs have been able to offset the foreign withholding tax and dividend tax levied on them against the dividend tax deducted by the FBI itself on profits distributed to investors. This rebate will lapse with effect from 1 January 2020 as a result of the abolition of dividend tax.

As a result of this development, participants in an FBI are expected to take restructuring measures, which may lead to a transfer tax liability. The government has therefore entered into discussions with

representatives of real estate FBIs to identify the effects of the measure and allow steps to be taken, if necessary and possible.

5 International

Maximum duration of 30% scheme reduced from eight to five years

With effect from 1 January 2019 the duration of the 30% scheme for employees from outside the Netherlands is being reduced from eight to five years. There will be no transitional arrangements, which means all current schemes will also be shortened by three years. All current decisions by the tax authorities relating to the scheme that are valid up to and including 1 January 2022 will lapse with effect from 1 January 2019. As a result, the tax-favourable scheme under which such employees can choose to be treated as foreign taxpayers for a portion of their income will also be discontinued from 1 January 2019.

30% scheme

The Netherlands introduced the 30% scheme to attract foreign workers with specific skills that are in short supply on the Dutch labour market. In short, this scheme allows the employer to pay out 30% of the taxable wage free of tax to employees who are recruited from abroad.

In addition, the employees concerned can also opt to be treated as foreign taxpayers for a portion of their income. This means that they will be regarded as foreign taxpayers for the purposes of income from substantial shareholdings (box 2) and income from savings and investments (box 3). As a result, they will pay less or no tax in the Netherlands on their income from box 2 and box 3.

Tuition fees for international schools also fall under the specific exemptions, meaning that these costs may be paid to the employee on a tax-free basis for the entire duration of the 30% scheme.

Under the government's new plans a transitional arrangement will apply to international school tuition fees. If costs for the 2018/2019 academic year are incurred after 1 January 2019 but within the original scheme duration, they may still be paid out or reimbursed free of tax.

Tip:

Are you planning to pay a bonus to an employee recruited from abroad who will no longer be able to make use of the 30% scheme from 1 January 2019? If so, pay out this bonus, as well as all the holiday pay that has been accrued up to the end of December 2018, this year. In this way you will still be able to make part of the payment on a tax-free basis.

Protective assessment relating to annuities and pensions

The Netherlands has amended the national legislation governing protective assessments on several occasions as a result of Supreme Court judgments. Consequently, the Dutch government has a right to tax annuities and pensions that have been accrued over certain periods, but not those accrued over other periods. To calculate the protective assessment, it is therefore necessary, first of all, to identify which expenses, claims and contributions were accrued in which period so that the expenses, claims and contributions that the Netherlands is entitled to tax can be determined. We refer to this as compartmentalisation. This system of allocation is now being codified in law.

Deduction of interest by businesses limited by earnings stripping rule with effect from 1 January 2019

The EU Anti Tax Avoidance Directive (ATAD1) sets out a range of measures with the aim of combating tax avoidance. One of these is the earnings stripping rule: a general limitation of the deduction of interest. This new measure therefore applies to all loans and takes effect from 1 January 2019.

For the purposes of the earnings stripping rule, interest income first has to be offset against interest expenses to determine the interest owed. If the net amount of interest owed is more than € 1 million,

the deductibility of the balance of interest is limited to a maximum of 30% of the gross operating profit, or a maximum of € 1 million if this is higher than 30% of the gross operating profit. The portion of the interest that cannot be deducted in one year can be carried forward to subsequent years without limitation.

The majority of SMEs will be unaffected by this limitation of the deduction of interest, due to the interest threshold of € 1 million that has been set. Even in the case of a high average interest rate of 6%, the business would need to have more than € 16 million in outstanding loans with no offsettable claims to end up above the interest threshold.

Limitation of tax credit for foreign taxpayers

Taxpayers who live outside the Netherlands but work here are eligible – subject to certain conditions – for the same deductions and tax credits as Dutch residents. These individuals are then regarded as qualifying foreign taxpayers. For income tax purposes, qualifying foreign taxpayers are entitled to the same tax advantages as domestic taxpayers.

Tax component of tax credit

Tax credits are made up of a contribution component and a tax component. These tax credits are settled through payroll in the Netherlands.

The contribution component is linked to the question of where a person is covered by social insurance. At present there are no changes in this area.

However, changes are being made to the tax component of tax credits. From 1 January 2019, under certain conditions, only the tax component of the employed person's tax credit may be applied for wage tax purposes in the case of foreign taxpayers. This means that the employer can no longer take the tax component of other tax credits into account, namely the general tax credit, the young disabled person's tax credit, the elderly person's tax credit and the single-parent's tax credit. If a taxpayer is entitled to the tax component of these tax credits, e.g. because he is a qualifying foreign taxpayer, he can claim this back through his income tax return.

Tip:

If it has become apparent in a previous year that the taxpayer is a qualifying foreign taxpayer, he can receive the tax component of the tax credits in advance by means of a provisional income tax assessment, instead of only receiving them once the tax year has ended. It is also possible to obtain an automatic provisional assessment, to avoid the administrative burden associated with annual applications. We can apply for this provisional assessment for you.

Tax component of tax credits for non-qualifying foreign taxpayers

From 2019, on the basis of European law, non-qualifying foreign taxpayers who live in another EU Member State, an EEA country, Switzerland or on Bonaire, Sint Eustatius or Saba, will always be entitled to the tax component of the employed person's tax credit and the income-dependent combination tax credit.

At present only residents of Belgium, Germany, Suriname, Aruba and Sint-Maarten who are non-qualifying foreign taxpayers in the Netherlands are entitled to these tax credits on the basis of the non-discrimination clause included in the tax treaties with these countries.

Permanent establishments of foreign taxpayers

From 2019 foreign taxpayers who are not residents of one of the above countries will only retain an entitlement to the tax credits if they run a business via a permanent establishment in the Netherlands. The tax treaty must also contain a clause prohibiting discrimination against permanent establishments.

6 Transport and sustainability

7% addition to taxable income for company bicycles from 1 January 2020

An employer is permitted to make a company bicycle available to an employee. The private use made of this bicycle is taxed. The government has decided to simplify the current scheme for determining such private use by introducing an addition to taxable income based on a fixed percentage with effect from 1 January 2020. This addition will amount to 7% of the recommended retail price set by the manufacturer.

Please note: commuting is also regarded as private use for the purposes of this scheme. The addition applies even if an employee only uses the bicycle to travel to and from work.

The addition for private use of a company bicycle applies to different types of bikes, such as (electric) city bikes, cargo bikes and so-called speed pedelecs (bicycles that have electric pedal assistance and are registered as mopeds).

Example

An employer purchases an electric bike worth € 2,000 for an employee with an annual salary of € 35,000. The annual addition is 7% of the retail price, or € 140. This results in tax of € 58 per year being levied for this employee, which works out at less than € 5 per month.

The VAT charged on the purchase price of the bicycle can be deducted in full up to a purchase price of € 749 including VAT. The portion in excess of the maximum amount is not deductible.

Tip:

The addition for private use of a company bicycle also applies to entrepreneurs and recipients of income from other activities ('resultaatgenieters') who use the bicycle themselves.

Introduction of 'Tesla tax' from 1 January 2019

The addition to taxable income for the private use of fully electric company cars is currently 4% of the list price of the company car made available. From 1 January 2019 this lower percentage will only apply up to an amount of € 50,000. The normal addition of 22% will apply to the portion of the list price above € 50,000.

Example

If a Tesla Model S with a list price of € 120,000 is first registered in 2018, the monthly addition will be € 400. If this car is not registered until 2019, the monthly addition for the same vehicle will be € 1,450.

The percentage of the addition will be fixed for five years, from the first day of the month following that in which the vehicle first enters use.

Tip:

If you are planning to purchase an electric car with a list price of more than € 50,000, make sure its first registration date falls in 2018. In this way you will ensure that the lower percentage is applied to the full list price of the car for five years.

Abolition of motor vehicle tax refund scheme for taxis and public transport

At present a refund of motor vehicle tax is granted upon application for passenger vehicles that are used entirely or almost entirely for public transport or as taxis. In the government's view this group has no financial incentive to purchase environmentally friendly vehicles. It has therefore been decided to abolish this scheme with effect from 1 January 2020.

Tip:

The existing refund option will be respected in cases where the entitlement to a refund of motor vehicle tax arose no later than 31 December 2019. This means that if the full refund application was submitted on time, it is still possible to take advantage of the existing scheme.

The abolition of the motor vehicle tax refund scheme is restricted to the cases mentioned above. Existing refund schemes for other vehicles, such as vehicles for the collective transport of wheelchair users or vehicles intended for export, will remain in force.

Please note: the level of motor vehicle tax depends on the vehicle's CO₂ emissions. If a car, van mobile home or motorcycle has CO₂ emissions of 0 g/km, no motor vehicle tax is payable. This therefore also applies to vehicles used as taxis.

Increase in tax on highly polluting HGVs (Eurovignette)

From 1 July 2019 the tax on heavy goods vehicles is being raised for more highly polluting HGVs. This measure will enter into force in all so-called Eurovignette countries (the Netherlands, Luxembourg, Denmark and Sweden), as well as in Belgium.

As a result, vehicles with higher emissions will be taxed more heavily. The new rates for the various EURO categories of HGV are presented below and represent the price for a one-year period. The lower the EURO category, the higher the emissions of the HGV concerned.

Tax on heavy goods vehicles (annual vignette) with three axles or fewer for each EURO category

Category	Current rate	Rate from 1/7/2019	Rate from 1/1/2020
EURO 0	€ 960	€ 1,407	€ 1,407
EURO I	€ 850	€ 1,223	€ 1,223
EURO II	€ 750	€ 1,065	€ 1,065
EURO III	€ 750	€ 926	€ 926
EURO IV	€ 750	€ 842	€ 842
EURO V	€ 750	€ 750	€ 796
EURO VI or cleaner	€ 750	€ 750	€ 750

Tax on heavy goods vehicles (annual vignette) with four axles or more for each EURO category

Category	Current rate	Rate from 1/7/2019	Rate from 1/1/2020
EURO 0	€ 1,550	€ 2,359	€ 2,359
EURO I	€ 1,400	€ 2,042	€ 2,042
EURO II	€ 1,250	€ 1,776	€ 1,776
EURO III	€ 1,250	€ 1,543	€ 1,543
EURO IV	€ 1,250	€ 1,404	€ 1,404
EURO V	€ 1,250	€ 1,250	€ 1,327
EURO VI or cleaner	€ 1,250	€ 1,250	€ 1,250

Please note: the tax on heavy goods vehicles is being increased in this way to implement the changes made to the Eurovignette Treaty in the Netherlands. If these changes have not been incorporated into the national legislation of all five of the countries mentioned above by 31 May 2019, the new rates will come into effect on 1 January 2020 at the earliest.

Changes to energy tax: from natural gas to electricity

To make replacing natural gas with electricity a more attractive option, the government is introducing a change to energy tax from 1 January 2019. The standard rate in the first bracket for natural gas will be increased by € 0.03 per m³. For the horticultural industry it will rise by € 0.00482 per m³. For electricity the rate in the first bracket is being reduced by € 0.0072 per kWh.

Compensation for low-income households

In addition, the government has decided to lower the fixed tax relief in the area of energy tax by € 51 per connection, from € 308.54 to € 257.54. It plans to use the proceeds resulting from this change to compensate low-income households for the high level of energy tax.

7 Depreciation and deduction of costs

Reduction of level of depreciation permitted for commercial property

The permitted depreciation of property used by a company for its own purposes is being restricted for purposes of corporation tax. At present such property may be depreciated down to 50% of its WOZ value. With effect from 1 January 2019 it may not be depreciated below 100% of its WOZ value.

Example

Let's assume that the WOZ value of a property is € 1,000,000 and the book value is € 900,000. Previously, it was possible to depreciate this property down to 50% of its WOZ value, i.e. to € 500,000 in this example. Under the new plans it will no longer be permitted to depreciate it below the WOZ value, which means that no further depreciation is possible in this example.

	WOZ value	Book value	Maximum depreciation down to
2018	€ 1,000,000	€ 900,000	50% of WOZ, i.e. € 500,000
2019	€ 1,000,000	€ 900,000	100% of WOZ, i.e. no depreciation possible

Please note: this measure only applies to entities subject to corporation tax.

Accelerated reduction of rate applicable to deductible items for income tax purposes

Since 2014 the rate applicable to deductible expenses associated with your own home, e.g. mortgage interest paid, has been reduced by 0.5% per year. With effect from 1 January 2020 the rate of this annual decrease will rise to 3%, meaning that fewer and fewer costs can be offset.

From 1 January 2020 this reduction will also apply to the following deductible items for income tax purposes:

- the entrepreneur's allowance: self-employed person's allowance, research and development allowance, co-working partner's allowance, start-up allowance in the event of incapacity for work and discontinuation allowance
- the SME profit exemption
- the provision of assets exemption
- the personal allowance: costs of maintenance obligations, specific care costs, weekend care costs for disabled persons, education costs, deductible gifts, the remaining personal allowance carried over from previous years and losses on venture capital investments

Please note: these changes may result in your income being taxed at the highest rate of income tax, while your deductible costs are deductible at a lower rate.

The reduction in these deductible items is presented in the table below.

Year	2018	2019	2020	2021	2022	2023
Maximum rate for deductible costs associated with own home	49.5%	49.0%	46.0%	43.0%	40.0%	37.05%
Maximum rate of other deductible items	51.95%	51.75%	46.0%	43.0%	40.0%	37.05%

Tip:

Are you expecting to incur deductible costs, e.g. necessary costs for the fitting of dental implants? If so, plan the treatment for no later than 2019. After that the rate at which these costs can be deducted will fall by 3% per year. Please speak to your advisor to examine the extent to which your costs can be deducted. This will depend on various factors, such as your health insurance.

8 Other measures

Debts to own company above € 500,000 will be taxed

From 2022 directors and principal shareholders will pay tax on any debts to their own company that exceed € 500,000. It is currently unclear how exactly this tax will be levied and which kinds of debt relationships with your own company will fall under the measure. In all probability it will concern income tax in box 2. The measure will certainly apply to a director and principal shareholder's current account debts to his/her own company.

Tip:

Make sure your current account debt to your own company is less than € 500,000 before 2022. You could make repayments, but possibly also pay out dividends to offset the current account debt. Please get in touch with us to consider the options.

Volunteer's allowance

Due to the significant importance of voluntary work to society, the untaxed allowance is being increased by € 200 from 1 January 2019. The maximum untaxed allowance for volunteers is therefore increasing to € 170 per month and € 1,700 per calendar year.

The volunteer receives the allowance to cover his/her costs and does not have to pay any tax or contributions on it.

Reduction in landlord levy if rented homes are made more sustainable

Landlords who own more than 50 rented homes with a monthly rent that does not exceed the housing allowance threshold (€ 710.68 in 2018) are required to pay the landlord levy. If they improve the energy performance of the homes they rent out, from 1 January 2019 they will be eligible for a reduction in this levy.

This is on condition that the home is improved by at least three energy index classes. There is also a minimum investment amount for the landlord. The reduction in the landlord levy that applies is presented below, according to the number of energy index classes by which the home is improved.

Category	Number of energy index classes	Reduction in levy per home	Landlord's minimum investment
1	9	€ 10,000	€ 25,000
2	7 or 8	€ 7,000	€ 17,500
3	5 or 6	€ 5,000	€ 12,500
4	3 or 4	€ 3,000	€ 7,500

Tax interest

If a tax assessment is late for reasons attributable to the taxpayer, tax interest is charged.

The following measures have been taken in relation to income tax and inheritance tax assessments:

- If a provisional income tax assessment is requested or the income tax return is submitted by 1 May, following the end of the tax year, no tax interest will be charged.

- If a provisional inheritance tax assessment is requested or the inheritance tax return is submitted within eight months of the death of the person concerned, no tax interest will be charged.

Extension of duration of exemption applicable to foster care allowance

Benefits received within the context of foster care are currently exempt from income tax. This exemption was due to expire with effect from 1 January 2019 on the basis of a sunset clause. However, this has now been deferred until 1 January 2020, as an assessment of the financial aspects associated with foster care has not yet been completed. The exemption is expected to be introduced as a long-term measure.

The purpose of the exemption is to avoid the need for an investigation to establish whether the foster care constitutes a source of income, in cases where foster care is offered to more than three children. If more than three children are being given foster care, the foster care allowance may be higher than the costs the foster parents incur to look after their foster children.

Disclaimer

We have endeavoured to compile these texts as reliably and as carefully as possible. Our organisation cannot be held liable for any inaccuracies they may contain or the consequences thereof. Publication date: 19 September 2018.