

**Budget Day was here again. The government submitted the Tax Plan with the tax measures for 2021 to the Lower House of Parliament. The following is an overview of the (announced) measures.**



See [www.meijburg.com](http://www.meijburg.com) for more information about the 2021 Tax Plan

# Main features of the 2021 Tax Plan

## 1. Corporate income tax

- The high CIT rate remains at 25% and the low CIT rate will be reduced from 16.5% to 15% as of 2021.
- As of 2021, the low CIT rate applies to the first EUR 245,000 and as of 2022 to the first EUR 395,000.
- As of 2021 the effective rate in the Innovation Box will be increased from 7% to 9%.
- Possibility of creating, subject to conditions, a corona tax reserve to be deducted from the profit for 2019, laid down in law (and clarified).
- As of 2021, introduction of quantitative, territorial and ring-fenced limitation of the liquidation and cessation loss schemes.
- As of the 2021 financial year, the specific interest deduction limitation of Section 10a Corporate Income Tax Act can no longer result in an exemption for negative interest and/or foreign exchange profits.
- Clarification of possible overlap hybrid mismatch measures and certain interest deduction limitations.
- As of January 1, 2022 (*announcement*): in time unlimited carry-forward loss

set-off, under simultaneous limitation of annual loss set-off to 50% of the taxable profit (first EUR 1 million taxable profit fully offsettable).

- As of January 1, 2022 (*announcement*): not applying arm's length principle if this leads to a reduction of the profit, insofar as the other country does not tax the corresponding adjustment.
- No decision on the new group corporate income tax scheme will be taken during the remaining term of this government.

## 2. Personal and corporate income tax

- Changes to way in which small projects investment credit (*kleinschaligheidsinvesteringsaftrek*; KIA) is calculated.
- The compensation in the TOGS and TVL corona measures will be exempt.

## 3. Personal income tax

- As of 2021, the basic rate in Box 1 (including national Insurance contributions) will be reduced from 37.35% to 37.1%.
- The self-employed persons deduction will be reduced from EUR 7,030 to EUR 6,670 in 2021; it will continue to be reduced until it reaches

EUR 3,240 in 2036 (originally EUR 5,000 in 2028).

- As of 2021, the labor tax credit will be increased to the level initially set for 2022.
- Changes to Box 3 as of 2021: tax-free amount to EUR 50,000 (partners: EUR 100,000), rate from 30% to 31%, changes to fixed return and new tax bracket limits.

## 4. Payroll tax and social security contributions

- As of 2021, first bracket of the R&D remittance reduction increased from 32% to 40%, rate for start-ups from 40% to 50%.
- Introduction of Job-related Investment Allowance (*baangerelateerde investeringskorting*; BIK) as of January 2021 (*announcement*): businesses may deduct a certain percentage of their investments from their payroll tax and social security contributions.
- Changes to transitional rules for special leave scheme: deemed moment when credit is made available to the employee (*fictief genietingsmoment*) set at November 1, 2021, the institution will be obliged to withhold payroll taxes and social security contributions.

## The work-related costs rules

- The expansion of the fixed exemption for 2020 to 3% for payroll up to EUR 400,000 laid down in law.
- As of 2021, fixed exemption reduced from 1.2% to 1.18% for payroll from EUR 400,000.
- Expansion of specific exemption educational expenses; will be opened up to former employees.

## Addition to income for private use of company car

- Addition to income percentage for electric cars increased from 8% to 12% for maximum list price of EUR 40,000 (2021).
- Addition to income for hydrogen-powered cars and electric cars with integrated solar panels will be 12%.

## Final levy healthcare bonus

- Healthcare bonus and employer: designation fixed exemption work-related costs rules and compensation for any 80% final levy.
- Healthcare bonus no employer: final levy 75% via healthcare institution with compensation for final levy.





# Main features of the 2021 Tax Plan (continued)

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## 5. Real estate transfer tax

- As of 2021, general rate to 8%.
- As of 2021, 2% rate limited to homes serving as principal residence.
- Temporary exemption for acquiring home by qualifying starters (2021-2025).

## 6. Environmental taxes

- Introduction of CO<sub>2</sub> tax on industrial emissions as of 2021: excessive CO<sub>2</sub> emissions taxed (starting at EUR 30 per tonne). Exempt emissions will be gradually reduced.
- As of 2021, the reduced rate scheme (*Postcoderoosregeling*) will be replaced by a subsidy scheme.
- Extension through to 2022 of reduced rate for public charging stations.
- Introduction as of 2021 of reduced rate for shore-side electricity.

## 7. Tax Plan miscellaneous

- As of 2022, withholding taxes (dividend withholding tax and tax on games of chance) can no longer lead to corporate

income tax refund.

## 8. 'New' investigations

- Possibility of regulations as of 2022 that provide for the exchange of information with other countries for Dutch intermediate holding companies without substance (channeling of dividends).
- Budget-neutral introduction of net equity deduction, including further tightening of earnings stripping measure (CIT).
- Further investigation / international consensus needed for other measures Advisory Committee on the taxation of Multinationals.

