The Netherlands: Revised Tax Plan 2019

October 17, 2018

On October 15, the Dutch government published a letter containing a reconsideration of certain proposals that were published on Budget Day. Please find the highlights below:

Dividend Withholding Tax

The government will withdraw the proposal to abolish the dividend withholding tax in 2020. Instead the government has proposed other measures to improve the business and investment climate.

Corporate income tax

Dutch REITs: no prohibition to own Dutch real estate directly

Because dividends distributed by a Dutch Real Estate Investment Trust (REIT) will remain subject to dividend withholding tax, there is no need to prohibit the direct investment in Dutch real estate by a REIT as from 2020.

Reduction of tax rates

The corporate income tax rate currently amounts to 20 percent for the first €200,000 of profit and 25 percent for the profit exceeding €200,000. The following reductions are proposed:

	first €200,000	> €200,000
2019	19%	25%
2020	17.5%	23.9%
2021	15%	20.5%

Restriction of depreciation of real estate for own use – transition measure

Companies owning Dutch real estate that is used to carry out their own business are currently allowed to deduct the annual depreciation, but not more than up to 50 percent of the estimated market value. In 2019, this threshold was supposed to be increased to 100 percent. It is now proposed to defer the increase from 50 percent to 100 percent of the estimated market value if the taxpayer started to use the real estate prior to January 1, 2019 and did not yet depreciate the real estate for 3 years. In such case, the taxpayer may still depreciate the real estate to 50 percent of the market value for up to a maximum of three years. Thereafter, the threshold of 100 percent will apply.

Fiscal unity – retroactive effect

The Bill to repair the fiscal unity regime to bring it in line with EU Law is still pending. The repair measures were originally meant to have retroactive effect to October 25, 2017. The government now proposes to give the repair measures retroactive effect to January 1, 2018. This way, most taxpayers can file their tax returns FY2017 without having to be concerned about the effects of the final repair measures.

Personal income tax

In September of this year, the government proposed an anti-abuse measure with the purpose of creating a disincentive for shareholders that have a 'substantial interest' (i.e. a shareholding of five percent or more) in a company to take up loans from that company in excess of €500,000. Under this proposal, amounts borrowed in excess of €500,000 would be treated as a profit distribution to the relevant shareholder. It is now proposed to exclude existing as well as new mortgage loans from this new anti-abuse measure.

Wage tax

30 percent ruling – transition measur

The proposed shortening of the duration of the 30 percent-rulings from eight to five years will be subject to a transition measure, but only for rulings that would otherwise end in 2019 or 2020 as a result of the shortening of the duration.

R&D – incentive employer

Companies that employ R&D personnel are granted a reduction of wage withholding tax remittance. The government proposes to increase the reduction in 2020 from 14 percent to 16 percent in the 2d bracket (sum of R&D wages in excess of €350,000).

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