



PRINSJESDAG SPECIAL

TAX PLAN 2023

Summary

Expected Tax changes for 2023

On Budget Day 20 September 2022 (“Prinsjesdag”), the Cabinet presented the budget for 2023. As soon as the Second Chamber (House of representatives) and First Chamber (Senate) have adopted the 2023 Tax Plan, it will be final. The proposed measures will enter into force on 1 January 2023 unless otherwise stated. Certain measures have been adopted separately from the 2023 Tax Plan, but are aimed to be implemented in 2023.

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1. Employment taxes

1. 30%-ruling

a. Adjusted annual salary criterions 2023 (estimated)

As of 1 January 2023, the salary standard for the 30% ruling will be increased to € 41,954 (2022: € 39,467). For employees under the age of 30 who have a master's degree, the salary standard will be € 31,891 (2022: € 30,001).

b. Cap on 30% ruling as of 1 January 2024

1. The most important change is the introduction of a cap on the maximum amount of the tax-free allowance. The maximum amount is set on 30% of the so-called Top Income Standards Act (WNT standard); in 2022 the WNT standard is EUR 216,000, which results in a tax-free maximum allowance of EUR 64,800 per annum (prorated if the 30% ruling is not a full year applicable). The WNT standard is indexed yearly. The 30% ruling expat allowance is to cover the so-called extraterritorial costs (ETK)) without any additional proof on the amount of the costs.

2. The employer may also choose to reimburse the ETK by means of a declaration of the incurred costs instead of using the (capped) tax free 30% ruling allowance. This could be preferable if the actual incurred costs are higher than the 30% ruling allowance but requires a more burdensome process.

3. A choice should be made per calendar year regarding the reimbursement of ETK either on a declaration basis or based on the 30% ruling allowance.

4. School fees for international schools are still tax free (on top of the allowance) and are not affected by the proposed new legislation. Therefore, it may make sense to check whether the employment conditions with the employee should be amended in order to optimize the package where possible.

5. Transitional legislation for the existing 30% rulings (as per last payment period of 2022): in this case the cap will be applicable as per 1 January 2026 (assuming that the employee remains at the same employer).

Therefore, it is worthwhile to hire employees in December 2022 instead of in the year 2023 since the cap will then be applicable as per 1 January 2026 and not as per 1 January 2024.

For incoming employees who become eligible for the 30% ruling from 1 January 2023 onwards: the capping of the maximum amount is applicable as of 1 January 2024.

2. Increase tax free travel allowance

Currently, the costs of transport can be reimbursed by the employer as a tax-free amount of up to € 0.19 per kilometer over the entire travel distance for all business/commuting kilometers that the employee travels. This travel allowance is part of various targeted exemptions (“gerichte vrijstelling”) in the payroll tax within the so-called Work Cost Regulation system (“Werkkostenregeling”).

The intention is to increase the maximum of the tax-free travel allowance to € 0.21 per kilometer as of 1 January 2023 and to € 0.22 in 2024.

3. Increase working from home allowance

The home working allowance is increased by means of an inflation correction, to approximately € 2.13 per day (in 2022: € 2 per day).

4. Increase in work-related costs scheme tax free space (“Werkkostenregeling”)

To reduce the tax on labor, the government is also reducing the burden on employers from small and medium-sized enterprises. An amount of € 500 million will be earmarked for this in the years 2023 to 2027 and € 600 million structurally from 2028 onwards.

One of the measures that contributes to reducing the labor costs is the broadening of the work-related costs scheme (“WKR”). To accommodate small and medium-sized enterprises, it is proposed to increase the free space over:

- the first € 400,000 amount: by 0.22%-point (currently the first bracket: 1.7%) to 1.92%.
- the second bracket of free space remains 1.18%.

We note that all employers can make use of the first bracket as well.

5. New legislation taxable moment stock options: election regime for non-freely tradeable shares

As per 1 January 2023, the taxable event related to non-freely tradable share (e.g. start ups/scale ups) is deferred to the moment when the shares are received after exercise becomes tradable. However, the employee can still elect to be taxed at exercise.

Employers should take steps to ensure that elections are administered correctly. Also, the employer and employee should be aware when shares become freely tradable (e.g. can be sold). This legislation has passed in

the Second Chamber, but is currently pending for approval in the First Chamber.

6. Relief to avoid double taxation for Dutch resident (supervisory) board members

For the avoidance of double taxation, most tax treaties have provided a relief based on the credit of the tax paid in the source country against the Dutch personal income tax due (credit system). Nevertheless, the Dutch state secretary of Finance allowed (supervisory) board members under conditions to claim a relief for double taxation based on tax exemption method. This approval will end as of 1 January 2023, which implies that in most cases only a credit will be available resulting in a higher tax burden on such (supervisory) board member fees. The withdrawal of this approval will have no effect on situations covered by tax treaties allowing for a tax exemption. This change was announced earlier this year.

2. Income Tax - box 1

1. Income tax rates 2023: box 1

Income tax rates 2023 (non-AOW pensioner)

Taxpayers who have not yet reached the State Pension Age (AOW) at the beginning of 2023 are expected to be covered by the following rate brackets in 2023:

- The first bracket tax rate will be decreased to: € 0 - € 73,071 (in 2022 € 69,398): 36.93% (in 2022: 37.07%)
- The second tax bracket tax rate remains unchanged: > € 73,071: 49.5%.

These percentages include national insurance contributions.

Percentages are different for those whom other national insurance contributions are applicable or for pensioners.

Certain tax credits will be increased, and others will be decreased; the overall aim is to reduce tax on employment income.

2. Sole proprietor (“winst uit onderneming”)

Phasing out self-employed deductions; increase in labor tax credit (“zelfstandigenaftrek”)

From 2023, the self-employed deduction will be radically reduced in steps.

- In 2022 the amount is € 6,310; this amount will be reduced to € 5,030 in 2023, with the aim to be lowered yearly to a final rate of € 900 in 2027.

Self-employed persons are compensated partially by an increase in the labor tax credit.

The so-called starter's deduction for self-employed remains unaffected (€ 2,123).

Abolishing fiscal old-age reserve (FOR) for entrepreneur

As of 1 January 2023, the FOR may no longer be built up in a tax-facilitated manner. However, there are other possibilities to build up pension in tax facilitated manner.

3. Income tax – Box 2

Box 2 income tax relates to individuals owning a substantial interest in an entity. The following changes are proposed.

a) Income tax: introducing two tax brackets for box 2 (profit from substantial interest) as of 2024

Tax rate in 2023 (same as in 2022): 26.9%.

To fund the tax reduction on box 3 (see below) -on the basis of the judgment of 24 December 2021- the government proposed to increase the tax charges in box 2.

It is proposed to introduce two brackets in the box 2 rate as of 2024. In the current situation, there is a flat rate that applies to the entire amount of taxable income from a substantial interest in box 2 of the income tax.

The two proposed brackets in box 2 as of 2024 are:

- a basic rate of 24.5% for the first € 67,000 profit from substantial interest,
- a rate of 31% for the excess above the profit € 67,000.

b) Termination of exception to the usual remuneration scheme for innovative start-ups (gebruikelijk loonregeling innovatieve startups).

Since 2017, the salary of DGA's (director/substantial shareholders) of innovative start-ups can be set at the statutory minimum wage. This exception, included in the customary wage regulation for substantial shareholders, improves the liquidity position of innovative new companies. As per 1 January 2023 this rule will be terminated.

Substantial interest holder(s) who are already using the scheme in 2022 can continue to apply the scheme based on the present legislative proposal. In that case, the conditions for the compensation as they apply on 31 December 2022 will continue to apply for the remaining period in which the substantial interest holder can still use the compensation. Specifically, these are the calendar years 2023 and 2024, depending on in which calendar year the taxpayer first applied the scheme. It is therefore proposed that the transitional law should lapse with effect from 1 January 2025.

c. Changes to minimum income threshold for substantial interest holders – “gebruikelijk loonregeling”

Substantial interest holders, who are employed by the entity in which they hold such substantial interest, must receive a customary wage. For 2022, a customary wage is at least € 48,000. Since it is not always possible to determine the "customary wage" for the substantial interest holder, a margin of 25% is allowed in 2022. The plan is to abolish this margin, which will result in a higher customary wage for substantial interest holders.

4. Income tax - Box 3 (Wealth tax)

Until 1 January 2026, the current modified system of taxation of a deemed yield will remain in place (for the years 2023, 2024, 2025). The modification took place after the verdict of the Supreme Court. It is expected that as of 1 January 2026 a new system will be in place to tax the actual proceeds of savings and investments.

In the current (modified) system, there are 3 categories of assets, and each has its own deemed yield percentage:

- Deemed yield based on the actual savings (bank account) – percentage based on the current savings interest: 0.01% (2022);
- Deemed yield based on other investments (shares, real estate, et cetera): estimated percentage 5.53% (in 2022);
- Deemed interest on debts: estimated percentage (in 2022) 2.46%.

In conclusion:

- The deemed yield percentage on the actual amount per category (i.e. savings, other investments and debts) will be assessed by the government at the end of year 2023. The reference date to determine the capital remains 1 January of the year.
- With effect from 1 January 2023, the tax-free capital will be increased from € 50,650 to € 57,000. For

partners, the tax-free capital is thus increased from € 101,300 to € 114,000.

- The tax rate 2023 will be increased with 1% to 32%. With the proposed measures for box 3, the current rate will be increased by 1% per year to 34% in 2025.

Anti-abuse measure

To prevent taxpayers from converting 'other assets' into bank balances or temporarily raising more debts just before the reference date of the capital return tax of box 3 (1 January), the government is introducing an anti-abuse measure with a three-month period. This means, for example, that if a taxpayer converts 'other assets' into bank balances in a period of three months in which the reference date of box 3 falls and converts those bank balances back into 'other assets' after the reference date of box 3, that capital in question is qualified as 'other assets' on the reference date of 1 January. The anti-abuse measure does not apply if the taxpayer can demonstrate business considerations (non-tax reasons) for the conversion of the assets.

Note:

There will be no compensation for individuals who have not appealed timely against the box 3 taxation in the past years.

Income tax - Empty value ratio – rental value - box 3

The government wants to update the percentages of the empty value ratio table for rented homes. As a result, landlords will pay more tax on the property they rent out. The empty value ratio reduces the value of rented homes for box 3 of income tax and gift and inheritance tax, because rented homes are sometimes worth less than non-rented homes.

According to the proposal, from 1 January 2023, temporarily rented homes will also be excluded from applying the vacancy value ratio. In addition, when renting to affiliated parties such as a son or daughter, the highest percentage in the table must now be assumed. In the proposal, this is 100% of the WOZ value.

5. Income Tax Credits

a. The labor credit increases in the future

The labor credit is dependent of the age and the amount of labor income.

b. Phasing out IACK tax credit

The income-related combination tax credit (IACK) is a tax credit that is granted to single parents or lowest-earning partners who combine work and care for young children and meet the other conditions of the IACK. The aim of this scheme is to encourage this group to combine work and care for young children, thereby promoting the participation of this group in the labor market. In line with the coalition agreement, it is proposed to abolish the IACK from 2025, except for parents with (one or more) children born before 1 January 2025.

c. Phasing out the general tax credit (“algemene heffingskorting”)

The general tax credit (AHK) is a discount of up to € 2,888 (2022) for each taxpayer for income tax purposes. For taxpayers with an income from work and home (box 1) of more than € 21,317 (2022), the discount is reduced by 6.007% (2022) from the surplus to nil at the start of the highest tariff bracket in box 1 (€ 69,398). With the proposed measure, this reduction will no longer depend exclusively on the level of income from work and home, but on the **collective income, which consists of the income from work and home (box 1), the income from a substantial interest (box 2) and the income from savings and investments (box 3) minus the income** to be preserved included therein. The general tax credit applies to all taxpayers.

6. Corporate income tax

Lower corporate income tax bracket limit to € 200,000 and increase low rate to 19%

Proposed is:

- to lower the first bracket limit from € 395,000 (2022) to € 200,000 from 1 January 2023 and to increase the

tax rate for a taxable amount up to and including € 200,000 from 15% (2022) to 19%.
- the second bracket is taxed at a rate of 25.8% (unchanged) from a taxable amount of more than € 200,000.

7. Gift tax

Abolishing and reducing the gift exemption for owner-occupied dwellings

The Cabinet has announced that it wants to lower the one-off increased gift exemption (€ 106,671 in 2022) for the owner-occupied home to the threshold of the 'ordinary' one-off increased gift exemption (€ 28,947 in 2023) as of 1 January 2023. Moreover, the government intends to completely abolish this exemption as of 1 January 2024.

Should you want to donate with optimal use of this exemption, you should still make (part of) the donation in 2022. The use of this donation may be spread over several years. Regarding the gift made in 2022: the endowed person has until the end of 2024 to spend the amount on his own home. The possibility to spread the donation itself over several years expires in 2023, meaning that if the donor donates half of the amount of this gift in 2022, for example, the same donor will only have the possibility to donate the other half to the endowed person in 2023 with the application of this exemption.

8. Real Estate Transfer tax

Increase general transfer tax rate from 8% to 10.4% (“Overdrachtsbelasting”) – purchase of real estate

The increase of the standard rate from 8% to 10.4% as per 1 January 2023 is expected to reinforce the intended effect of the Transfer Tax Differentiation Act and generate a budgetary return.

On 1 January 2021, the Transfer Tax Differentiation Act entered into force. One of the measures in this act concerns a limitation of the application of the reduced rate of 2% for the acquisition of housing by including a main residence criterion. This reduced rate remains the same.

The acquisition of dwellings that are not intended for personal use (as main residence) is taxed at the general rate. The consequence of this measure is that investors are taxed more heavily when acquiring homes that are purchased for investment.

9. Miscellaneous

a. Zero VAT rate on the purchase and installation of solar panels

The current government wants to (make use of the created possibility to) reduce the administrative burden for solar panel holders and the Tax and Customs Administration as well as stimulate (additional) investments in solar panels and solar panels as roofing (hereinafter together: 'solar panels', unless explicit distinction is made). The application of a zero VAT rate to the supply and installation of solar panels on or in the immediate vicinity of homes leads to tax relief for private solar panel holders.

b. Increase flight tax

The rate of flight tax with effect from 1 January 2023 will be increased by € 17.95. Since the current fare of € 7,947 is indexed annually, the new rate including indexation and increase comes to € 26.43 per departing passenger.

c. Increase of the Statutory Minimum Wage

Do you employ staff? The statutory minimum wage will go up by 10.15%. Benefits linked to the minimum wage, such as AOW (stage pension), welfare, and the Wajong (Young Disabled Persons benefit), will also increase (evt zeggen 'will increase accordingly?'). Previously it was announced the statutory minimum wage was to increase by 7.5% in 3 annual steps. The increase of 10% will now be effective on 1 January 2023.

Source: [Belastingplan 2023 | Ministerie van Financiën - Rijksoverheid \(rijksfinancien.nl\)](https://rijksfinancien.nl)

20 September 2022