2025 Tax plan

This Budget Day special from Atlas Tax Lawyers lists the main proposals from the 2025 Tax Plan and additional parliamentary bills.

Many proposals have already been announced, for example in the Spring 2024 Memorandum. This special is divided into the following topics:

» measures for companies;
» measures for international situations;
» measures for employers;
» VAT & excise duty measures;
» real estate measures;
» measures (wealthy) individuals;
» business succession relief measures;
» energy & environment measures; and
» other developments.

The proposed measures will take effect from 1 January 2025, if approved in both Houses, unless otherwise stated. Click here for the Tax Plan documents.

COMPANIES

Adjustment of interest deduction for real estate entities

Currently, the deduction of interest for tax purposes under the earnings stripping measure is limited to the higher of (i) 20% of EBITDA or (ii) €1 million per taxpayer. The legislator has found that, especially in the context of real estate investors, the €1 million threshold per company has resulted in the splitting up of companies.

The €1 million threshold under the earnings stripping measure will therefore be abolished for taxpayers whose assets consist mainly (70% or more) of immovable property made available directly or indirectly to third parties. This means that qualifying taxpayers will rely on 25% of EBITDA (proposed) for calculating deductions under the earnings stripping measure (see below for the proposed adjustment to this percentage).

This retrenchment represents a tightening of interest deductions for taxpayers engaged in the business of leasing property to third parties.

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Objection and appeal by RVO in the case of MIA and Vamil

Income tax and corporation tax have a number of fiscal investment schemes, such as EIA, MIA and Vamil. In these, the investment must first be registered with the Netherlands Enterprise Agency (Rijksdienst voor Ondernemend Nederland, RVO). The application process of the MIA and Vamil now differs from the EIA. It is desirable to align this. It is therefore proposed that, from now on, the RVO will also issue a statement for the MIA/Vamil, against which the taxpayer can lodge an objection with the RVO. This way, the technical assessment of the application will lie entirely with the RVO.

Dividend tax registration date

The registration date was introduced in the Dividend Tax Act 1965 on 1 January 2024 as one of the measures to strengthen the approach to dividend stripping. This registration date is used as the time at which to determine who is the beneficiary of the proceeds of listed shares. In practice, there appeared to be a lack of clarity as to whether the regulation further defines the term beneficiary of the proceeds in addition to the time at which the beneficiary is determined. According to the legislator, the term is not further defined and the legal text has therefore been clarified.

For the registration date, the end of the business day on the date set by the issuer is considered. Based on this date, it can then be determined who is entitled to the dividend payments and therefore also to set-off, exemption, refund or reduction of dividend tax. Of course, the other conditions of such relief must then be met.

Retrenchment in parcel exchange exemption

The parcel exchange exemption in property transfer tax will no longer apply to houses, except for agricultural farmhouses. Other structures will only qualify if they have been farmed for at least 10 years following the application of the exemption.

If this continuation requirement is not met, transfer tax will still be due unless the withdrawal from agriculture is due to government intervention. At its core, the government wants this measure to counter 'parcel exchange constructions'.

Retention of repurchase tax relief for dividend withholding tax purposes

The repurchase of own shares is in principle subject to dividend tax. Under conditions, there is an exemption for listed companies for the repurchase of their own shares. This exemption was due to expire on 1 January 2025.

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The Tax Plan proposes not to abolish the buyback facility after all.

Adjustment of liquidation loss scheme

The liquidation loss scheme determines whether a loss on the liquidation of a subsidiary is deductible for corporation tax purposes. It is proposed to amend the liquidation loss scheme in two parts.

The first change is to include in the calculation of the liquidation loss a reversal by the taxpayer in favour of the taxable profit, a prior write-down of a claim against that subsidiary without using the option to add an amount equal to that write-down to the revaluation reserve. Secondly, the intermediate holding company rule will be adjusted so that decreases in value after the immediate or indirect acquisition of the participation in the dissolved entity are now both taken into account. This amendment aims to prevent non-deductible losses on an indirect participation (e.g. a loss on sale) from being converted into a deductible liquidation loss.

Raise interest deduction limitation threshold

As explained above, the deduction of interest for tax purposes under the earnings stripping measure is currently limited to the higher of (i) 20% of EBITDA or (ii) €1 million per taxpayer. It is proposed to increase the percentage under (i) to 25%. This may provide more scope for taxpayers to deduct interest.

Adjustment of loss setoff rule

Since 2022, in corporation tax, losses up to €1 million can be fully set off against taxable profit, while above €1 million, the loss can only be set off against 50% of the remaining taxable profit. Due to this limitation on debt relief, corporation tax is always due when there are offsettable losses exceeding €1 million and taxable profits (including debt relief income) also exceeding €1 million. This may hinder the conclusion of an arrangement with creditors. Therefore, the exemption for debt relief income in corporation tax will be adjusted. If the company has more than €1 million in losses eligible for offset the debt relief income in that year will be fully exempt to the extent that it exceeds the losses incurred in the year.

The amount of losses to be carried forward is then reduced by the amount of the exemption for debt relief income. As a result, the debt relief income is effectively no longer subject to the 50% limit under the debt relief rules.

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Facilities for side-step mergers

Simplified direct side-step mergers, where a shareholder holds all shares in the companies to be merged and the acquiring company does not issue shares to the shareholder in the disappearing company, will also qualify for the tax carry-over facilities so that tax obstacles in these mergers will be removed. For simplified indirect side-step mergers, where an indirect shareholder holds all the shares in the companies to be merged, the scheme will not be adjusted, as there seems to be less need for it in practice and the complexity is greater.

Mandatory dividend tax exemption

Dividend tax has several withholding exemptions that are optional, such as in participation situations or within fiscal unity. The dividend-paying entity has the choice of whether or not to apply the withholding exemption. It is proposed to abolish this option for participation situations and situations where the withholding agent and shareholder are part of the same fiscal unity.

If one meets the conditions for the exemption, then it is compulsory to apply it.

Dividend tax will then no longer have to be withheld and remitted, leaving the shareholder with no liquidity or interest disadvantage. Should the withholding agent have wrongly failed to apply the withholding exemption, the shareholder has the option to lodge an objection to the withholding.

BVs can no longer deduct donations

The deduction of donations in corporation tax will be abolished. From 1 January 2025, companies will no longer be able to deduct donations to charities from their profits. However, sponsorship and Corporate Social Responsibility (CSR) will remain deductible as business expenses for limited liability companies (BVs).

INTERNATIONAL SITUATIONS

Subject-to-tax tests for corporation tax

In corporation tax, subject-to-tax tests are included for various anti-abuse provisions.

This is the case for, among others, i) the interest deduction limitation in Section 10a of the Dutch Corporation Tax Act 1969, ii) the participation exemptions iii) the ‘object exemption’.

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For tax liability under these subject-to-tax tests, a certain degree of effective tax burden must be considered. The proposed amendment clarifies that a qualifying Pillar 2 withholding tax also counts towards the calculation of the effective tax burden under the subject-to-tax tests of these three regulations. Pillar 2 ensures that multinational groups and domestic groups with a turnover of at least €750 million pay at least 15% effective tax on their profits.

Object exemption for permanent establishments

The object exemption for foreign business profits will be changed to avoid double taxation on profits of permanent establishments that continue to be disregarded. In line with the implementation of ATAD2, profits of a permanent establishment in the Netherlands will be taxed if that other state does not recognise that permanent establishment as such.

In practice, however, this sometimes leads to double taxation when the profits of the disregarded permanent establishment are also taxed in the other state. To avoid this, the rule will be amended, so that the Dutch object exemption does apply, provided the profits of the disregarded permanent establishment are taxed in the state where they are considered to be located for the purpose of the object exemption.

General anti-abuse provision ATAD1

The Netherlands is translating the General Anti Abuse Rule (GAAR), the general anti-abuse provision from ATAD1, into domestic legislation. When implementing ATAD1 in 2019, it was decided not to do so because the GAAR was already incorporated into Dutch tax law through the doctrine of fraus legis. Now that the European Commission has explicitly requested the implementation of GAAR, the Netherlands is responding to this request by dedicating a new section in the Dutch Corporation Tax Act 1969 to it. No further change to the application of the existing doctrine of fraus legis is envisaged here.

Amendments to Minimum Taxation Act 2024

The Dutch Minimum Taxaxation Act 2024 is an implementation of the EU Directive based on the OECD Model Rules on Pillar 2. Following the publication of the model rules, administrative guidance was issued in February 2023, July 2023, December 2023 and June 2024. Remaining issues from the February 2023 and July 2023 guidance and some sections from the December 2023 guidance, which require a legal basis, are being incorporated into the Minimum Taxation Act 2024 with a bill. In addition, a number of technical amendments will be immediately included.

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The remaining sections from the December 2023 and June 2024 guidance will be assessed.

This bill deals with regulations on qualifying interest, qualifying negotiable tax credits, currency conversion, domestic withholding tax, excessive negative tax expenditure carried forward, the excluded income based on real presence, the temporary Country-by-Country Reporting safe harbour rule and procedural law aspects.

Because the bill will result in substantive amendments that pertain to guidelines from 2023, it has been decided to give retroactive effect to these amendments as far as possible back to 31 December 2023.

New group concept for withholding tax

The Netherlands levies a withholding tax on interest, royalties and dividends paid to affiliated entities (the beneficial owner) located in designated or low-tax jurisdictions and in situations where there is abuse.

Withholding tax arises if the beneficial owner has a qualifying interest in the Netherlands-based paying entity or permanent establishment. A qualifying interest exists if it is an interest through which decisive influence can be exercised on decisions and activities.

This may also be the case if there is a cooperating group. The definition of the term cooperating group is based on the Corporation Income Tax Act 1969, which requires a coordinated investment. Practice has shown that this can lead to unintended consequences.

The term 'cooperating group' will therefore be replaced by the group concept: qualifying entity. A qualifying entity exists when entities act jointly with the main objective (or one of the main objectives) of preventing withholding tax from being payable by one or more entities that are part of the qualifying entity.

The Dutch government expects the result of the new group concept will be that it will only be in obvious cases of withholding tax avoidance that there will be situations in where a qualifying entity is identified. However, there is still a lack of clarity as to, for example, the circumstances under which private equity structures – where the fund has a coordinating role on behalf of the investments and its investors – will be classified as a qualifying entity.

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International accrued pension transfer

In 2023, the European Court of Justice handed down rulings on international transfer of accrued pension in case of a job change. In response, the law will be amended for this.

These changes, effective from 16 November 2023, ensure that the conditions for the transfer of accrued pensions are in line with European law. Two key conditions will be removed: i) the obligation for foreign pension funds to accept liability and ii) the restriction on surrender options abroad.

EMPLOYEE

The scaling back of 30% ruling

This long-awaited measure has now definitively been announced. The scaling back of the 30% ruling from 2024 (the 30-20-10 ruling) will be partly reversed. From 1 January 2027, the maximum untaxed allowance will be 27%. For 2025 and 2026, the proportion will remain 30% for all employees recruited from abroad. The salary standard increases to €50,436 and to €38,338 for employees under 30 with a Master's degree. Incoming employees who used the 30% ruling before 2024 are covered by transitional law. For them, a 30% rate and the old (indexed) salary standards will continue to apply until the end of the term.

Repair of leak in levy for Belgian seafarers

Based on the current law, in rare situations, the Netherlands cannot levy tax on a Belgian resident who is employed as a seafarer by a Dutch employer and works entirely outside the Netherlands. This will be repaired for those cases in which the Netherlands has the authority to tax under international treaties.

Home-working days under tax treaties

The bill takes into account additional agreements that the Netherlands wants to make with other countries on allocating wages to what are called home-working days. Under most tax treaties, home-working days (for employees who normally work in another country) are taxed in the employee's state of residence. As more and more employees are working from home on an occasional basis, this is leading to more frequent tax problems. In response, the Netherlands is negotiating with Germany, among others, whereby limited working in the state of residence will not lead to a direct shift of taxation to the state of residence. These negotiations are still ongoing.

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To make it possible for the Netherlands, as the country of employment, to be able to levy taxes on those home-working days, which will then not be taxed in, say, Germany, an amendment to the national law is needed. This is dealt with in this bill.

Exempt private use of public transport card

The government proposes to clarify the measure 'targeted exemption of public transport season tickets'. If an employer gives employees the opportunity to travel freely or with a discount at its expense (via a season ticket or card provided, reimbursed or made available by the employer), these costs will be exempt in a targeted fashion, provided there is some business-related use. The targeted exemption therefore also applies to private travel with a right to free travel or a right to a discount from the employer. The targeted exemption has also been extended to non-Dutch public transport.

Duration of contribution limit for pension

The contribution limit under tax legislation for accruing old-age and partner's pensions in case of death on or after retirement date remains at 30%, but the calculation will be adjusted. Instead of a duration of 100 years, it will now be set by law at 60 years.

This provides a more accurate return expectation that better matches the original calculations in the Future Pensions Act. The amendment will be retroactive to 1 October 2024.

Authority to change R&D deduction

Companies can receive tax relief on research and development (R&D) work. Until now, R&D rates and bracket limits have been subject to legislative changes. It is proposed to make the regulation more flexible, making it easier for the Minister of Economic Affairs to amend the regulation. Under the proposal, the minister can change both the threshold amounts and the deduction percentages.

Continuous van use

If a van is used continuously by two or more employees alternately due to the nature of the work, it is often difficult to establish whether and to whom the van was made available for private use. Instead of taking into account an additional taxable benefit for the employees, the employer can pay a fixed amount of €300 per year via the final levy.

This amount has not changed since 2006. It will now go to €438 per year and will be indexed annually from 1 January 2026 to better reflect the actual size of the private benefit.

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VAT & EXCISE DUTIES

Penalty clause General Customs Act

Customs performs tasks covered by the General Act pertaining to national taxes and the General Customs Act. Therefore, the General Customs Act is being brought into line with the General Act pertaining to national taxes. As a result, an inspector imposing fines under the General Customs Act will apply the same rules as when imposing fines under the General Act pertaining to national taxes. Among other things, this amendment ensures that the inspector handling the report and detecting an offence can also impose a fine. And that after a default fine, a penalty fine can be imposed for the same offence if new objections have become known.

Revocation of excise licences

The envisaged amendment to the Excise Duty Act will allow for a licence for

a still and a licence for a tobacco production apparatus. This is because the current regime does not allow this, leading to a cluttered licences file with licences that are no longer being used. This change will allow Customs to monitor this more effectively.

Expiry of fuel duty adjustment

The proposal is to repeal the provisions around additional levying and refunding of excise duty on duty-paid fuel stocks. These rules are impracticable for Customs and create a lack of clarity for businesses. The measure simplifies the Excise Duty Act and creates greater clarity for the future.

Adjustment of VAT on investment services

One of the main changes concerns the introduction of a new adjustment rule for services relating to immovable property (called investment services). Under the adjustment rule, VAT must be adjusted over a period of several years if the use of the service changes.

This is similar to the rule that already exists for capital goods such as immovable property and certain movable property. The rule will take effect from 1 January 2026 and will apply to relevant services brought into use on or after this date.

Limit for adjustment

There is a limit of €30,000 per investment service. Services concerning immovable property below this amount are excluded from the adjustment rule.

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This has been done to reduce administrative burdens and prevent smaller services from being subject to the adjustment rules.

Duration of the adjustment rule

The duration of the adjustment rule for services involving immovable property is set at 5 years (year of putting into operation and the four subsequent years), just as for movable capital goods. This means that if a service for an immovable property is used for VAT-taxed purposes in the first year but for VAT-exempt activities in a later year, the previously deducted VAT on that service must be corrected.

Example:

- In 2026, a renovation service on a property is carried out for €100,000, on which there is €21,000 VAT.
- The property is primarily used for VAT-taxed activities, so the full VAT (€21,000) is deducted.
- However, in 2029, the property will be used for 50% exempt activities (e.g. exempt rentals). The adjustment will then take place for the remaining period, i.e. 2 years.

Services covered by the rule

The VAT rule for immovable property applies to services that are provided to the immovable property on a multi-annual basis. This includes services directly related to the physical condition or adaptation of the immovable property, such as:

- Renovation or construction services (the proposal also cites painting, insulation and sealants as examples.
- Installation of fixed machinery or equipment considered immovable by their nature and method of attachment.
- Long-term maintenance services that substantially affect the value of the property.

Small(er) services such as cleaning, minor repairs, or temporary installations are generally not covered.

We foresee challenges and possible discussions regarding the application of this adjustment rule. The Tax Plan explicitly states that the limit is set to prevent the adjustment rule from applying to smaller services. However, we expect discussions to arise in practice in cases where multiple services are purchased that remain below the limit per service.

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It is also possible that the proposal may still be modified by the recent case law of the European Court of Justice, which decided that it may not be in line with the EU VAT Directive to have different adjustment periods in relation to immovable property.

21% VAT for specific services

From 1 January 2026, various goods and services currently covered by the reduced VAT rate of 9% will now be taxed at the general rate of 21%. This will apply to the following services:

- Supplying and lending books, newspapers, magazines and other publications, both paper and digital (including digital educational information).
- The supply and import of works of art, as well as collectibles.
- Providing sports and swimming facilities, provided this is done for profit (in other cases a VAT exemption usually applies).
- Providing access to museums, concerts, festivals, music and theatre performances, and lectures.
- Granting access to sporting events.
- Performances by performers.

Cinemas, amusement parks and similar leisure facilities are not part of the change in the VAT rate.

Short-term rentals

The VAT rate for hotels and guesthouses will be increased. From 1 January 2026, overnight stays in these forms of accommodation will no longer be taxed at the reduced rate of 9%, but at the general rate of 21% if they qualify as short-term rentals. However, this does not apply to camping sites, which will remain under the reduced rate of 9%. In this way, the government wants to preserve the accessibility of camping as a recreational activity

Transitional arrangement

For both changes, pre-invoicing does not offer a rate advantage as the transitional regime describes that the VAT rate applicable is the one that is in force at the time the service is actually provided (i.e. time of giving access).

Depending on the exact final wording of the amendment to the law, we foresee discussions regarding the application of the reduced rate. We also see opportunities for various cultural parties to make use of the exceptions to the reduced rate exclusion.

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Multi-day events such as Lowlands may therefore become the subject of discussion.

In addition, ambiguity may arise as to what is to be understood by 'camping sites', especially if multiple forms of 'camping' are offered on such a site (i.e. tents, holiday homes, vacant pitches).

CAR & MOBILITY

Motor vehicle tax rebate for emission-free cars

Owners of emission-free vehicles currently pay no motor vehicle tax and a 25% rate will apply from 1 January 2025. However, this discount will end on 1 January 2026, after which the motor vehicle tax for electric cars will become higher than for comparable petrol cars because electric cars tend to be heavier. To prevent stagnation in the growth of emission-free car sales, a new 25% motor vehicle tax rate discount will be introduced from 1 January 2026 (instead of the previously expected 40%).

PROPERTY

The **starter's exemption** and the reduced property transfer tax rate will be extended to cases where **beneficial ownership** of an owner-occupied property is obtained.

This means that the exemption or reduced rate can also be taken advantage of when economic ownership is obtained, as long as the other conditions are met. This provides more flexibility in transfers of ownership.

Important note: if the starter exemption has been applied when acquiring beneficial ownership, it cannot be used again when legal ownership is acquired later. Take this into account in your planning!

Extension of VoV exemption

When repurchasing homes under the conditional sale (in Dutch: verkoop onder voorwaarden, VoV) scheme, the existing exemption will be extended to appurtenances such as barns and garages, provided these are acquired at the same time as the home. This adjustment ensures that attached buildings can also be bought back without an additional tax burden.

Transfer tax reduction for rental properties

To encourage the supply of rental properties, it is proposed to reduce the transfer tax rate on rental properties from 10.4% to 8% from 1 January 2026. This measure aims to encourage investors to make more homes available for renting.

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For homes occupied by the buyer, the reduced rate of 2% or the starter exemption will continue to apply.

No transfer tax on 'key agreements'

'Key agreements' (sleutelovereenkomsten) – where economic ownership is transferred before legal ownership is obtained – are exempted from transfer tax, provided legal ownership is transferred within six months of the key agreement. However, this only applies when the starter exemption or the 2% rate applies and the transfer is related to the supply agreement for the delivery of the property.

This measure prevents double taxation and provides more clarity for transactions where the actual delivery of the property precedes the legal transfer.

INDIVIDUALS

2025 income tax rates

Box 1

Taxpayers who have not reached the state pension age at the beginning of 2025 are expected to face the following income tax rate brackets in 2025:

Income tax in 2025			
Box 1	Income more than (€)	but no more than (€)	2025 rate (%)
Bracket 1		38,441	35.82%
Bracket 2	38,441	76,814	37.48%
Bracket 3	76,814		49.50%

Income tax in 2024 (current)			
Box 1	Income more than (€)	but no more than (€)	2024 rate (%)
Bracket 1		75,518	36.97%
Bracket 2	75,518		49.50%

These rates include national insurance contributions. A different rate structure applies to those to whom less or no national insurance contributions apply.

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Box 2 high rate reduced to 31%

The government is reversing the increase in the Box 2 rate in the second bracket. This rate went up to 33% on 1 January 2024, but will be reduced again to 31%. The maximum combined rate of corporation tax and box 2 for a Managing Director and Majority shareholder (MDM) will thus be 48.80% (was 50.29%) from 2025.

The low Box 2 rate of 24.5% remains unchanged, the bracket limit amounts also remain the same (€67,000 or €134,000 for tax partners).

Box 3 rate unchanged in 2025

The current rate of 36% remains unchanged. It had earlier been announced that the Dutch government was considering lowering it to 34%, but this will not go ahead for budgetary reasons.

Tightening excessive borrowing measure

The limit for excessive borrowing for MDMs was €700,000 at the end of 2023. This limit will be reduced to €500,000 at the end of 2024 (tightening had been announced earlier).

Donations by BVs (Box 2)

In 2024, the previous government introduced the possibility for MDMs to make donations to Public Benefit Organisations directly from their own company without dividend tax and income tax being levied. The current government proposes abolishing this rule again with effect from 1 January 2025. As a result, donations from limited liability companies (BVs) will qualify as a deemed dividend to the shareholder from 1 January 2025 (as was the case until 2024). The MDM will therefore owe income tax in Box 2, which may possibly be offset via the regular donation deduction for income tax, which otherwise remains unchanged.

Noting that the maximum for 'pu donations' is €250,000 a year. Substantial donations will therefore no longer receive tax support from the government.

Box 3 rules for actual returns

On 6 and 14 June 2024, the Dutch Supreme Court ruled that the current Box 3 rules still violate international treaties.

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If taxpayers can prove that their actual return was lower, they will be eligible for a refund. On Budget Day, the government announced it was working on a bill to simplify the determination of the actual return in Box 3. This legislation is not yet ready; it is expected that the bill will be presented to Parliament in early 2025 and could then come into force in mid-2025. This regulation covers the years from 2017 (subject to conditions) to the end of – presumably – 2026, as a new Box 3 system is expected to be introduced as of 2027.

Box 3 from 2027?

On Budget Day, no new information was announced about the new Box 3 system as it is expected to be introduced from 2027.

The previous Rutte IV government submitted this draft bill to the Council of State in June 2024, which has yet to issue its opinion on it.

BUSINESS SUCCESSION ALLOWANCES

Business Succession Plan

If business assets are transferred by gift or inheritance, this may result in the levying of gift or inheritance tax. Under certain conditions, the Business Succession Plan (BSP) may be used. As a result, no or less inheritance or gift tax will be owed.

Carry-forward regulations

The transfer of company assets often results in the imposition of income tax in Box 2. Several Box 2 carry-forward regulations (CFR) are available. One such carry-forward regulation is specifically aimed at the gift (or inheritance) of a substantial interest (the CFR si). A substantial interest is, simply put, an interest representing at least 5% of the shares or type of shares in a company.

The government has proposed the following adjustments to these regulations:

1. Access to the BSP and the CFR si will be limited to ordinary shares with a minimum holding of 5% of the total issued share capital;
2. Relaxation of the possession and continuation requirement in the BSP;
3. Tackling unintended use of the BSP at an advanced or very advanced age;
4. Address specific construction of double BSP use (multiple times);
5. Changing the effective date of the extension of the dilution regime and access for small family interests; and

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6. Other measures consisting of the netting of the debt on property made available and legislative improvements.

Re 1 - Access to BSP restricted

The BSP and CFR si will be limited to direct and indirect equity interests of at least 5% of the total issued share capital (per company) with effect from 1 January 2026.

An indirect 'type' of substantial interest will therefore generally no longer qualify. Only ordinary (regular) shares will still qualify, regardless of whether those shares carry voting rights. Smaller interests, options, profit-sharing certificates and tracking stocks will be excluded from the regulations. A usufruct or bare ownership of ordinary shares can still qualify. The aim of the changes is to limit the regulations to shares with sufficient enterprise risk.

Of relevance is that the BSP and CFR si can continue to apply for qualifying preference shares issued as part of a phased business succession.

Re 2 – BSP possession and continuation requirement

The BSP can only be applied if a transferee continues the business for five years.

This period will be reduced to three years from 1 January 2025. Bottlenecks in the possession and continuation requirement related to changes in the legal shell of a company, such as the transfer of a sole proprietorship into a limited liability company, will be resolved with effect from 1 January 2026.

If the subjective entitlement to the company does not increase (possession requirement) or decrease (continuation requirement), this should not hinder the application of the BSP. The requirements for mergers etc. are also relaxed, so that no new possession period starts if the economic entitlement to the company remains the same.

Re. 3 - Tightening possession requirement for older MDM (state pension age)

The possession period was 1 year in the event of death and 5 years in the event of a gift. Unlike the continuation period, this remains unchanged, and will actually be tightened with effect from 1 January 2026 for older testators and donors. This may result in longer durations for the possession period both in the case of gift and inheritance.

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Re 4- Double use of BSP

In very specific circumstances, it may be possible for businesses to be transferred several times within a family (and sometimes through third parties) to achieve an untaxed transfer of assets.

A measure will be introduced from 1 January 2026 that will exclude the BSP in situations where the business has already been owned by the transferee at any previous time. The exclusion will be up to the amount of the purchase price for the business assets.

Re 5 - Diluted and small family interests

Through an amendment in October 2023, it was announced that with effect from 1 January 2025, the dilution regulation for the BSP and CFR substantial interest (“si”), and access for small family interests to the BSP will be widened. The government believes that this is potentially a scheme that could qualify as EU prohibited state aid. For this reason, approval has been sought from the European Commission. The effective date has therefore been postponed to a time yet to be determined.

Preferred shares

With the exception of qualifying business succession prefs, preference shares are excluded from the BSP and CFR si. The definition of preference shares often leads to discussions with the tax authorities.

The government proposes (via a memorandum of amendment in October 2024) to lay the definition of preference shares down in law with effect from 1 January 2026. Shares will be able to qualify as preference shares earlier than before, and will no longer qualify for the BSP and CFR si. The impact of this measure could be significant, especially for more complex structures.

ENERGY & ENVIRONMENT

Energy tax reduction

The tax reduction for electricity will be increased to €521.81 with retroactive effect to 1 January 2024. This measure replaces the phase-out of the reduced rate for shore power, which would result in an insignificant benefit of up to €3.6 cents per year for electricity consumers. By increasing the tax reduction, the benefit will be given to consumers in a simpler manner, without additional burdens for energy suppliers and the Tax and Customs Administration.

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For the period 2025 to end-2033, the tax rebate will also be increased.

CO_2 tax on greenhouse horticulture

The Fiscal Climate Measures Act for Greenhouse Horticulture brings three important changes. First, the definition of energy companies will be changed: only companies that supply at least 75% of their heat generated with natural gas to greenhouse horticulture companies will be taxable. Second, the tariff path of the CO_2 tax will be reduced, with a new tariff structure that will be revised every year according to current data. Finally, the implementation of the CO_2 tax on greenhouse horticulture will move from the Minister of Agriculture, Nature and Food Quality (LNV) to the Tax and Customs Administration. The government plans to decide in spring 2025 on the extension of the European Emission Trading Scheme (ETS2) to the greenhouse horticulture sector and its impact on the CO_2 levy.

Extending low fuel duty

The reduction in excise duty rates on unleaded petrol, diesel and LPG that began on 1 April 2022 will remain in force until 31 December 2025.

This measure keeps the rates the same as those of 1 July 2023 and avoids indexation, making the discount larger than before.

This policy is aimed at easing fuel costs for households and businesses and giving them more time to adjust to changing economic conditions. If the extension is not pushed through, rates could rise significantly by 2025. They now total €0.18473 (unleaded petrol), €0.11964 (diesel) and €0.04362 (LPG).

Abolition of net metering scheme

End customers with small installations currently receive the same rate (supply costs, energy tax and VAT) for imported electricity as for extracted electricity. In 2024, this is a tax benefit of around €0.167 (energy tax and VAT) per netted kWh. This benefit is going to expire. The government proposes that from 2027, electricity that is fed back will no longer be netted against electricity supplied. There is supervision to ensure that the compensation for the electricity fed back is transparent and reasonable. This compensation cannot be negative. When calculating the return on solar panels, take into account the expiry of the net metering scheme from 2027.

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Reduction in energy tax on natural gas

The energy tax on natural gas will be reduced for consumption up to 170,000 m³. This reduction starts at 2.8 cents per m³ in 2025 and rises to 4.8 cents per m³ in 2030. Households with an average consumption of 1,050 m³ will save around €29 a year in 2025, rising to around €50 in 2030 as a result. Businesses will also benefit from lower costs due to this adjustment in tax rates.

Separate hydrogen tariff

From 1 January 2026, hydrogen will be taxed at a lower rate in energy taxation than natural gas. This is to encourage the use of hydrogen as a sustainable energy source and supports the energy transition. In addition, the exemption for making hydrogen using electricity will be clarified and extended. These measures promote the development of the hydrogen market, create new opportunities for economic growth and employment, and strengthen the competitive position of the Netherlands. The reduced tariff will be evaluated by 2030 at the latest. In the event of a negative evaluation, the separate tariff will expire on 1 January 2031.

Abolition of coal tax exemption

Companies that import, transport or store coal have to pay coal tax. Coal tax revenue is low. The government proposes abolishing exemptions for dual and non-energy use of coal by 2027. The refund scheme, through which exemptions that have not been applied are reclaimed, will also be abolished. This scheme will remain available for five years after abolition for old cases. The objective of ending the exemptions is twofold: to reduce coal use in the Netherlands and to realise more tax revenue. Submit coal tax refund requests in time before the scheme finally expires.

Levy on waste incineration plants

Due to several legislative changes, waste incineration plants (WIPs) have come under both the definition of a WIP and the definition of a greenhouse gas plant since 2024. In order to avoid confusion over CO2 charges, waste incinerators will now be specifically treated as WIPs. This will avoid double regulation and ambiguity on tariffs. Before 2024, the ambiguity will remain.

The more favourable rate for greenhouse gas plants will apply to WIPs before 2024.

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Waste tax clarification

The in/out method for waste tax will be clarified. CO_2 emissions released through the chimney after incineration may not be deducted from the tax base for waste tax. Instead, the in/out method encourages the prevention of waste incineration and pollution, which is made more explicit with this legislative amendment.

Adjustment of tax rules for greenhouse horticulture

The taxation rules for natural gas and electricity in greenhouse horticulture will be adjusted. Currently, there is an exemption for electricity generated with an efficiency of at least 30% and through cogeneration. These exemptions will be limited and henceforth based on the electrical capacity of installations. Installations with more than 20 megawatts of electrical capacity will become taxable, while medium-sized installations will remain exempt. This ensures more uniform control and application of the rules. Check whether an installation falls within the new limit to avoid unexpected tax levies.

Plastic levy, diesel and airline tax

Several tax measures from the outline agreement were also not included in the 2025 Tax Plan. Introducing a circular plastic tax, reintroducing red diesel for agriculture and differentiating the air passenger tax according to travel distance. These measures will be fleshed out later, as they are complex and, according to the government, require a careful policy process and informed consideration in Parliament.

WIP correction factor for CO_2 tax

The carbon tax for industry, in force since 2021, will be tightened with the introduction of a WIP correction factor. This measure reduces the number of dispensation rights for waste incineration plants (WIPs) by 1 Mtonne by 2030, strengthening the incentive to reduce CO_2 emissions. The correction factor will be phased in from 2026 to allow the sector to adapt. After 2030, the correction factor will remain in place to support the wider objectives of the CO_2 tax: reducing greenhouse gases and promoting the circular economy.

WIPs should prepare in time for the stricter emission rules and take measures to reduce their CO_2 emissions.

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OTHER DEVELOPMENTS

Property measure for FIIs tightened

The 2025 Tax Plan includes a measure that ensures that a fiscal investment institution (FII) can no longer invest directly in Dutch property: the property measure. If an FII still invests directly in Dutch property on 1 January 2025, the FII will not be able to apply the special corporation tax regime for FIIs. This measure will be followed by further changes to close a loophole and to give substance to the term 'property'. The exact proposals for changes are not known at this stage.

Treatment of foreign legal forms

From 1 January 2025, the tax treatment of several foreign legal forms, but also some Dutch legal forms, will change dramatically.

Limited partnerships (LPs) and similar foreign legal forms will be considered fiscally transparent from 1 January 2025, shifting taxation to the partnership participants.

The definition of mutual fund (MF) is also changing. An MF will be fiscally non-transparent from 2025 only if it is regulated and the units are freely tradable.

For foreign partnerships, the tax treatment will be based on their comparability to Dutch legal forms (legal form comparison method). If there is no comparable Dutch legal form, the symmetrical method will be followed, with the Netherlands following the qualification of the partnership's country of incorporation. For foreign partnerships established in the Netherlands, the fixed method always applies, in which the partnership is classified as independently taxable.

The introduction of the change in the tax treatment of different legal forms affects, for example, the interest deduction limitation of Section 10a of the Corporation Tax Act 1969, which prevents abuse of interest deductions between related entities.

Despite the legislative changes adopted, clarification is still needed on, among other things, the tax classification of foreign partnerships.

Gambling tax increase

The gambling tax rate will be sharply increased from 30.5% to 34.2%, before being further increased to 37.8% by 1 January 2026.

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Recovery interest on debt relief

A tax assessment must be paid within the applicable period. If that deadline is missed, recovery interest is charged. A change in the law in 2013 inadvertently removed a regulation. This removed the legal basis for recalculating recovery interest when debt relief is applied.

This regulation will now be reinstated in the law, so that the regulation again corresponds to the pre-2013 situation. Due to the required change in automation, it is expected that it will not be possible for this amendment to enter into force until 1 January 2027.

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