

## **Upper House of Dutch Parliament adopts 2024 Tax Plan package and other tax bills**

On December 19, 2023 the Upper House of the Dutch Parliament adopted virtually the entire 2024 Tax Plan package as well as the Minimum Tax Act 2024 and the Tax Miscellaneous Provisions Act 2024. It also adopted a total of 15 motions regarding these measures.

### **Adopted bills**

The Upper House voted on a total of 17 tax bills, of which it adopted the following 16:

#### *2024 Tax Plan package:*

- 2024 Tax Plan
- 2024 Tax Plan BES Islands
- Mutual Fund and Exempt Investment Institutions (Amendment) Act
- Fiscal Investment Institution (Amendment) Act
- Legal Forms Tax Qualification Policy Act
- Selective Intake Compensation Act
- Reassessment Legal Costs WOZ and BPM Act
- Business Succession Tax Relief (Amendment) Act 2024
- Temporary Scheme Revision of Personal Income Tax Return Act
- Other Tax Measures 2024
- Climate Tax Measures for Glasshouse Horticulture
- Personal Rent Allowance Contribution (Reduction) Act
- Amendment of the Surviving Dependents Act and the Participation Act in connection with the double general tax credit in the reference minimum wage not being phased out in 2024
- Amendment of the Child-related Budget Act to increase the child-related budget as a means of improving consumer purchasing power

The bill on the Climate Tax Measures Electricity and Industry Act was however rejected. This proposal included ending the exemptions for metallurgical and mineralogical processes contained in the energy tax (see §11.4 of our [Budget Day memorandum](#)); one of the adopted motions relates in particular to this aspect (see below).

#### *Other bills:*

- Minimum Tax Act 2024
- Tax Miscellaneous Provisions Act 2024

### **Adopted motions**

Unlike the Lower House of Parliament, the Upper House cannot make changes to the bills, because it does not have a right of amendment. However, the Upper House can adopt motions by majority vote. By adopting a motion the Upper House gives its opinion of the policy pursued, calls on the government to do something or not do something or makes general comments on certain matters or current developments.

Although an adopted motion has political significance, ministers are not obliged to implement it. The motions adopted by the Upper House are discussed below.

*Alternative for the further scaling back of the 30% ruling (36 418, Z)*

This motion calls on the government to bring forward the proposed evaluation of the 30% ruling and based on that evaluation present an alternative proposal in the 2025 Tax Plan that is less harmful for the economy than the current scaling back of the 30% ruling ([the scaled back 30% ruling is discussed in our memorandum of October 27, 2023](#)).

*Retention of tax relief for the redemption of shares for listed companies (36 418, Y)*

This motion calls on the government to retain the tax relief for the redemption of shares for listed companies for dividend tax purposes and to come up with an alternative proposal to cover the higher minimum wage.

*Limiting the deduction for periodic donations in excess of EUR 250,000 made by individuals (36 418, AE)*

This motion calls on the government to look for alternative measures together with the charitable sector so that it is no longer necessary to limit the deduction of periodic donations in excess of EUR 250,000 made by individuals and thus remove any adverse consequences for the charitable sector. In this context, the motion proposes better enforcement of the current rules regarding public welfare institutions (*algemeen nut beogende instellingen*; ANBIs) or a proportionate tightening of those rules in order to prevent the undesirable behavior that is feared will eventuate as a result of this limitation.

*Further analysis of the tax rates in Box 2 and Box 3 (36 418, K).*

This motion calls on the government to in 2024 further analyze all the effects of increased tax rates in Box 2 and Box 3 and to share this analysis with the Upper House. The government is also asked to include the results of this analysis in the 2025 Tax Plan and to take these results into account when setting the tax rates in Box 2 and Box 3, whereby the overall balance between, on the one hand, the director-major shareholder who carries on a business and, on the other, the business that is subject to personal income tax is restored and to also take the entrepreneurial risk of businesses into account.

*Investigation into consequences of introducing the Minimum Tax Act 2024 (36 418, AA)*

This motion calls on the government to investigate how the introduction of the Minimum Tax Act 2024 will affect innovation and investment instruments for tax purposes and also which measures the Netherlands can take so that it doesn't lag behind Europe in this respect, and to inform the Upper House about this in the first quarter of 2024.

*Measures against high marginal tax burden in the Building Blocks for a Better Tax System memorandum (36 418, AB)*

This motion calls on the government to also work out feasible measures in the 2024 Building Blocks for a Better Tax System memorandum aimed at reducing the gap between single income households and two-income households. It also asks for measures to be worked out to reduce the extremely high marginal tax burden (particularly on modal household income).

*A multi-year tax legislative agenda (36 418, Q)*

This motion recognizes that it would be better for governments to work with a multi-year tax legislative agenda for the duration of the proposed reforms, which would spread the treatment of the bills across several years. The Upper House can then discuss the reforms with the relevant Minister based on this agenda. The motion also asks that a specific time in the spring is used to deal with tax legislation that is to a lesser extent related to the budgetary decision-making process that traditionally applies to the Tax Plan.

*Ending exemptions for metallurgical and mineralogical processes (36 418 M)*

This motion calls on the government to enter into further consultation with the industries involved to ensure that the correct principles are used to end the exemptions and that the analysis is complete and accurate. The motion also calls on the government to bring this analysis forward, to share the results of the analysis with the Upper House and on the basis of this evaluation to include an alternative proposal in the 2025 Tax Plan that is less harmful for the economy.

*Impact analysis of the phasing out of exemptions (36 418, L)*

This motion calls on the government to perform an impact analysis of the phasing out of exemptions for:

- 1) congestion on the grid;
- 2) the contribution that cogeneration installations can make to a more flexible electricity grid;
- 3) the genuine options available to industrial companies for decarbonization before 2030;
- 4) the impact of CO<sub>2</sub> emissions;
- 5) the costs for purchasers of industrial cogeneration installations.

The motion asks that this analysis be sent to the Upper House no later than the second quarter of 2024.

*Zero rate for sugar-free beverages (36 418, X)*

This motion calls on the government to, as of January 1, 2024 or as soon as possible thereafter, introduce in the consumption tax on non-alcoholic drinks a zero rate for sugar-free drinks.

*Implementation date for consumption tax on non-alcoholic drinks January 1, 2025 (36 418, W)*

This motion calls on the government to postpone the implementation date of the new consumption tax on non-alcoholic beverages until January 1, 2025 to prevent unintended secondary effects.

*Capital gains tax as part of tax system reform (36 418, S)*

This motion primarily calls on the government to make capital gains tax part of the reform of the tax system.

*Adjustment for inflation to apply in full (36 418, R)*

The Upper House has used this motion to demand that the adjustment for inflation must always be applied in full.

*Adjustment of normative salary in the 2024 Tax Plan BES Islands (36 418, P)*

This motion calls on the government to examine how the proposed increase will affect purchasing power and to do so from the perspective of the net income of small-scale entrepreneurs with a private limited liability company or public limited company on the BES islands, comprising a normative salary and a profit distribution, and to assess these against the subsistence minimum.

*Tax measures should be submitted on time and dealt with promptly (36 418, I)*

This motion takes into consideration the fact that the careful and prompt treatment of tax legislation in conjunction with other budgetary items in the State budget can only be guaranteed if that plan is submitted each year much earlier than on Budget Day. The motion calls on the government to quickly take specific steps so that a start can be made on this in the next new budgetary cycle.

**KPMG Meijburg & Co comments**

Yesterday, the Upper House of the Dutch Parliament adopted 16 tax bills and the measures included therein, as had been adopted by the Lower House on October 27, 2023 in its composition at that time ([see our memorandum of October 27, 2023](#)).

What is striking about the adopted motions is that in several of them the Upper House calls on the government to reverse some of the tax measures the Upper House had adopted yesterday in the 2025 Tax Plan and to replace them with other measures. More specifically, this concerns the further scaling back of the 30% ruling and the discontinuation of tax relief for the redemption of shares for listed companies for dividend tax purposes. As far as the 30% ruling is concerned, the government was called on to use the results of an evaluation to come up with a less economically harmful measure. As far as the tax relief for the redemption of shares for listed companies is concerned, the government was asked to come up with one or more measures with the same budgetary revenue. In this respect, the Deputy Minister of Finance promised to present options in the Spring Memorandum in mid-May 2024; in that memorandum he will also address alternative measures for increasing the tax rates in Box 2 and Box 3 and the increase in the bank tax. Which alternative measures will

ultimately be included in the 2025 Tax Plan depends on the political situation at the time, mainly whether there is a coalition government and, if so, what its composition is.

Specifically, this could mean the following. In principle, the 30% ruling will be scaled back as of January 1, 2024 in accordance with the amendment by Lower House MP Omtzigt, (currently: leader of the New Social Contract political party, [see our memorandum of October 27, 2023 discussing the scaled back 30% ruling](#)). However, the scaling back that will take effect as of 2024 is based on a phase-out process whereby the first scaling back will only take place after 20 months. Taxpayers will therefore not yet feel any substantive effects of the scaling back in 2024. During 2024 it must then become clear what the economically less harmful 30% ruling for 2025 will look like, beginning with potential alternatives in the spring of 2024, followed by a final proposal on Budget Day 2024. It must be borne in mind here that Lower House MP Omtzigt, who submitted the amendment, and his New Social Contract political party may (in some way or another) land up being one of the parties making up the next coalition government.

The same applies in general to the tax relief for the redemption of shares for listed companies for dividend tax purposes. As things now stand, that redemption tax relief is set to end as of 2025. During 2024 it will become clear whether, and if so, how the government will act on the motion adopted by the Upper House calling on the government to reverse the discontinuation of the tax relief and to come up with one or more other measures with the same budgetary revenue, beginning with proposals/alternatives in the spring of 2024. An important question in this is whether budgetary coverage will be sought in the same domain (listed companies), or whether the government will look beyond that domain. A final proposal will probably be included in the 2025 Tax Plan. What the measures will be, again depends on the political situation at the time.

KPMG Meijburg & Co  
December 20, 2023

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