KPMG Meijburg & Co Tax & Legal

2025 Tax Plan package passed, with several amendments, by Lower House of Parliament

On November 14, 2024, the Lower House of the Dutch Parliament passed the 2025 Tax Plan package. It concerns the following tax bills:

- 2025 Tax Plan
- 2025 Tax Plan BES Islands
- Minimum Taxation Act (Amendment) Act 2024
- Business Succession Tax Relief (Amendment) Act 2025
- Other Tax Measures 2025
- Taxation Miscellaneous Provisions Act 2025
- Netting scheme (Termination) Act
- Amendment of the Child-related Budget Act to increase the child-related budget as a means of improving consumer purchasing power
- 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 2025, 2026 and 2027
- Amendment of the Personal Rent Allowance Contribution (Reduction) Act, the Housing Allowance Act and several other Acts to improve purchasing power and simplify the scheme

We refer to our memorandum on the plans presented on Budget Day and our memo's about the three subsequent Memorandums of Amendment that mainly concerned the business succession tax relief, the 30% ruling, and the extended deadline for restructuring a mutual fund.

In particular with regard to the 2025 Tax Plan and the Business Succession Tax Relief (Amendment) Act 2025, the Lower House approved various last-minute amendments to the earlier proposals. Several motions were also adopted.

Adopted amendments

The main changes achieved by the adopted amendments are addressed below.

The proposed anti-fragmentation measure for the generic interest deduction limitation will not be introduced: The interest deduction limitation contains a tax-exempt amount, which means that at least EUR 1 million in net interest expenses may be deducted per taxpayer under this scheme. In the 2025 Tax Plan it had been proposed to exclude real estate entities from using this tax-exempt amount in order to prevent it being used more than once. The amendment has done away with the proposed anti-fragmentation measure. The scheme will retain its current form, with each taxpayer being able to make use of the tax-exempt amount. The loss of tax revenue will be compensated for by setting the deductible scope in this scheme at 24.5% of the EBITDA for tax purposes for all corporate income taxpayers, instead of increasing it to 25% as was proposed. A motion was also adopted to map how other EU Member States have overcome this issue.

First bracket of WBSO subsidy to be increased: The budget for the WBSO will be increased by EUR 100 million. This will be done by extending the first bracket of the R&D remittance deduction, to which a higher percentage applies, from EUR 350,000 to

EUR 380,000. In addition, the percentage in this first bracket will be increased from 32% to 36%. For start-ups using the WBSO, the rate in the first bracket will be increased from 40% to 50%. The increases are therefore mainly intended to increase the WBSO subsidy for start-ups and small companies. Although the increase is intended to be a permanent measure, the amendment states that the measure may be reconsidered if an ongoing evaluation of the WBSO shows that the EUR 100 million can be used more effectively. That would then be included in the 2026 Tax Plan.

Discretionary margin in the first bracket of the work-related costs rules to be increased: By means of an amendment, the discretionary margin in the work-related costs rules for payroll tax purposes will be increased in the first bracket (payroll up to EUR 400,000) from 1.92% to 2%. This will be financed by making cuts to two schemes for green investments in personal income tax (the Box 3 exemption and the general tax credit) as of January 1, 2025. As of January 1, 2027 the schemes for green investments in personal income tax will end completely.

Rules for the deduction of donations and gifts in corporate income tax and personal income tax will be retained and expanded, respectively: The 2025 Tax Plan provided for the donation deduction to be discontinued for corporate income tax purposes. An amendment has now ensured this discontinuation will not proceed. The rules for substantial interest holders who make gifts via the company will however be discontinued as planned as of January 1, 2025. In addition, the limit for periodic gift deductions in personal income tax will be extended from EUR 250,000 to EUR 1.5 million. This will be financed by reducing the budgets for the environmental investment allowance (*milieu-investeringsaftrek*; MIA) and the free depreciation of environmental investments (*willekeurige afschrijving op milieu-investeringen*; VAMIL), and by not inflation-adjusting the pension accrual cap in 2025 and 2026.

Changes to business succession tax relief subject to approval by the European Commission: The Business Succession Tax Relief (Amendment) Act 2025 includes a requirement that as of January 1, 2026 an interest of at least 5% in ordinary shares must be held in order to apply the tax relief. See our previous memorandum. These changes were to take effect on January 1, 2026.

However, last year changes in the business succession tax relief were approved, as a result of which the business succession tax relief also applies to very small interests, provided the interest together with other family members amounted to at least 25%. The 'dilution arrangement' has also been eased on some points. The question that arose about these changes was whether this constitutes prohibited State aid. Approval will be sought from the European Commission for these changes. Until a positive response has been received from the European Commission, these measures will not be able to take effect. The effective date will therefore take place by Royal Decree. The effective date for the '2024 measures' and the '2025 measures' could differ. This will make it very unclear as to which period which business succession rules apply.

The amendment therefore aims to have the various law amendments introduced at the same time. If the European Commission approves the measures during 2025, this amendment will have no effect. If approval is not given on time, then the above 5% requirement will also not take effect until a later date.

Single-income households: Single-income households pay more tax than households with the same income where both partners earn income. This is because the general tax credit of the other partner cannot be used or used only to a lesser extent. A single-income household also receives a smaller labor tax credit. As of January 1, 2028 the unused part of the general tax credit of the non-earner/low earner will be transferred to the working single-earner. This measure will be paid for by inflation-adjusting all kinds of other amounts to a lesser degree.

Adopted motions

In addition to the above, various motions relating to the 2025 Tax Plan were adopted. Members of Parliament use these motions to give their opinion of the policy pursued or to call on the government to do or not do something. Motions are also more generally used to comment on certain matters or current developments.

Alternative for increase in VAT rate on culture, sports and media: The main motion relates to the intention to end as of 2026 the low VAT rate for goods and services in the area of culture, sports and media. Due to the undertaking given by the government during the debate on this on November 14, 2024 this now seems to be off the table. The motion asks the government to present an alternative to the intention to end the low VAT rate for culture, sports and media in the Spring Memorandum. However, the increase in the VAT rate still remains part of the 2025 Tax Plan – and has thus in principle been adopted as law – and in light of the above motion will therefore have to be amended before January 1, 2026.

Other relevant motions include:

- **Share options start-ups and scale-ups:** This motion provides for the further elaboration of tax schemes for share options for start-ups and scale-ups. This involves, on the one hand, a 'moderate' tax on the awarding of the share options and, on the other, a lower threshold for taxing these share options in Box 2.
- **Examination of QRTCs:** Under the Pillar 2 global minimum tax, innovation tax relief that reduces the tax base, such as the Dutch Innovation Box, leads to a lower effective tax rate, which can result in additional taxation to ensure the minimum tax is paid. However, (innovation) schemes in the form of 'qualified refundable tax credits' (QRTCs) are not considered to result in a lower effective tax rate. This motion asks the government to examine how the Netherlands can structure such a regime.
- **Examination of problems regarding qualification policy and mutual fund**: As of January 1, 2025 the new qualification policy will be introduced. One of its features is that legal forms that are regarded as a mutual fund (*fonds voor gemene rekening*; FGR) will remain independently taxable. Given that both the qualification policy and the definition of a mutual fund have been changed, this may cause problems. An amendment was therefore submitted last week to

postpone the introduction of the qualification policy by a year. However, that amendment was withdrawn, and a motion was presented to examine whether the overlap with the mutual fund could cause practical problems and whether these could be solved.

The Upper House of Parliament

Taking account of the above, the Lower House approved the 2025 Tax Plan package in a somewhat amended form. It is now up to the Upper House to debate the package in the coming weeks. Its introduction is therefore still subject to approval by the Upper House. The Upper House is set to vote on the 2025 Tax Plan package on Tuesday, December 17, 2024.

KPMG Meijburg & Co comments

This year there were also last-minute amendments to the bills in the Tax Plan package, some of which involved significant changes. The current political make-up of Parliament means that both in the Lower and the Upper House majorities have to be sought for the various plans. And if that was not done or was not successful in the early stages of the process, it will require intense negotiations later on, resulting in last-minute changes. Cover for the loss of tax revenue resulting from the various proposed amendments will also have to be found. Noteworthy is that the schemes for green investments will first be scaled back, and then subsequently end completely in 2027. And that cover for lost tax revenue will also be found in limiting the amount over which maximum pension can be accrued. In 2028 there will be less inflation-adjusting, which means a tax increase for almost everyone. Cover still has to be found for the loss in tax revenue resulting from the increase in the VAT rate for the cultural sector, sports and media not proceeding.

Please do not hesitate to contact us if you have any questions about this tax alert.

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