Tax News Bulletin
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Dutch government-elect releases its coalition agreement

On 10 October, 2017, the Dutch coalition of political parties that will form the new government released their agreement on the most important measures to be taken during their term in government. In this letter we summarize those measures that are most important to the international tax practice.

Corporate Income Tax

- The corporate income tax rates will be reduced in steps (2019 – 2021) from 20% to 16% for the first EUR 200k of profit, and from 25% to 21% for all profit in excess of EUR 200k.

- As from 1 January 2018, the applicable effective tax rate for innovation box will be increased from 5% to 7%

- A new interest deduction limitation rule will be introduced, based on the OECD's BEPS Action 4 (Limiting Base Erosion Involving Interest Deductions and Other Financial Payments). On the basis of this new rule, interest expense will be deductible up to an amount equal to 30% of EBITDA, with a threshold of EUR 1,000,000 (i.e. interest expense under EUR 1,000,000 will be fully deductible under this rule). A group escape will not apply (i.e. if the company forms part of a group which has a higher interest expense than 30% of EBITDA, the interest deduction will still be limited to 30% EBITDA).

    - In connection with this new earnings stripping rule, the existing interest deduction limitation rules relating to the financing of participations (article 13L Corporate Income Tax Act) and relating to fiscal unities (article 15ad Corporate Income Tax Act) will be abolished.

  - The existing interest deduction limitation rule aimed at combating base erosion through specific artificial transactions (article 10a Corporate Income Tax Act) will remain in place.

- The term for loss carry forward is reduced from 9 years to 6 years.

Withholding tax

Dividend withholding tax will be abolished. A new withholding tax will be introduced for dividends paid in abusive situations and for dividends flowing to low tax jurisdictions.

A new withholding tax will be introduced for interest and royalties paid to low tax jurisdictions.

Income tax

The maximum term for the tax incentive for expats working in the Netherlands (under certain conditions, 30% of their gross income can be earned free of Dutch income tax), is reduced from 8 years to 5 years.

Comments

The proposed measures are intended to stimulate domestic economic growth as well as to improve the attractiveness of the Netherlands for foreign investors. The proposed measures are likely to become effective on 1 January 2019 at the earliest. Very little detail about these proposed measures is known. Details will likely become clear when the 2019 Budget plan is introduced in September 2018.

If you have any questions please contact your OHP tax advisor.