

Dutch 2021 Tax Bill Presented

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On Budget Day, 15 September 2020, the Dutch Ministry of Finance presented its 2021 tax plan. For the proposed bills to have effect, they first must be approved by Parliament. If approved, many of the proposed measures will have effect beginning 1 January 2021, with some beginning 1 January 2022. This GT Alert outlines current proposals and previous measures that are proposed to have effect beginning 1 January 2021.

CORPORATE INCOME TAX

Tax rate

<i>Taxable amount</i>	2020	2021	2022
€ 0 - € 200.000	16,5%	15%	15%
€ 200.000 – € 245.000	16,5%	15%	15%
€ 245.000 - € 395.000	25%	25%	15%
€395.000 or higher	25%	25%	25%

Fiscal COVID-19 reserve

Under current Dutch corporate income tax (**CIT**) law, a CIT loss in a current year can be offset with a CIT profit realized in other years. For example, a 2020 CIT loss can be offset with a CIT 2019 profit. In many cases, this will lead to a refund of CIT. However, these liquidities will not be paid to the taxpayer until at the earliest mid-2021 in the aforementioned example. To accelerate CIT refund, taxpayers will be allowed to form a fiscal COVID-19 reserve in 2019 with regard to the expected 2020 CIT loss. This will effectively accelerate a CIT refund.

Liquidation loss

Under the liquidation loss regime, Dutch taxpayers can take a CIT-deductible loss into account in case a subsidiary is liquidated, if that liquidation results in a CIT loss. As of 2021, a CIT-deductible liquidation loss would be maximized at EUR 5 million, unless:

- The subsidiary is a resident of an EU or EEA member state or Turkey;
- a controlling interest is held in the liquidated subsidiary.

Moreover, a liquidation should be completed in the third year after the decision to discontinue. Similar rules are introduced with regard to the liquidation of a permanent establishment.

Innovation box

The tax rate for the innovation box will increase from 7% to 9%.

Interest deduction limitation

Under current rules, positive exchange gains or negative interest charges incurred on a tainted intra-group loan are exempt from CIT. As of 2021, it will not be possible to claim CIT exemption of that income, if and to the extent no corresponding costs are incurred in that year on the same loan.

WAGE TAX

Work-related expenses scheme (*werkkostenregeling*)

Through the work-related expenses scheme, an employer can provide certain remunerations to employees free of wage tax. As a result of COVID-19, the first bracket of the fixed exemption has been extended.

<i>Fixed exemption</i>	2020	2021
Wage sum ≤400.000	1,7%	3%
Wage sum >400.000	1,2%	1,18%

PERSONAL INCOME TAX

Box I

Tax rate

<i>Taxable amount</i>	2020	2021
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