# Budget 2013

The Dutch Budget for 2013 was introduced on 18 September 2012. Summarized below, we have gathered the most notable items of the legislative proposals concerning changes in taxation that are included in the Budget.

*Corporate income tax*

- **The general thin cap provision will be abolished.** Since 2004, Dutch corporate income tax law contains a general thin cap provision that in principle limits the deduction of interest if a tax payer (any corporate tax payer) exceeds a debt to equity ratio of 3:1. This provision will be abolished. However, the two recently introduced, specific thin cap provisions with respect to holding structures remain. One provision concerns holding structures where a target company is “merged” into an acquiring holding company (that has financed the acquisition with debt) through a fiscal unity or legal merger/legal division. The other provision concerns the general situation where holding companies are financed with debt.

- **Extension of taxation right concerning foreign management companies.** Foreign companies that perform management activities in their capacity as statutory director or member of the supervisory board of a company resident in the Netherlands, are taxed on the profit of those activities. The legislative change has the effect that profits made on management activities that are performed without being a statutory director or supervisory board member, can now also be taxed (provided this is allowed under an applicable double tax treaty).

*Real estate transfer tax (RETT)*

- **Extension of RETT credit period on subsequent acquisitions.** If RETT is paid on acquisition of Dutch real estate, followed by a subsequent acquisition of this real estate within 6 months, the RETT paid on the previous transaction can in fact be credited against the RETT of the subsequent acquisition by decreasing the taxation basis (value of the real estate) with the value of the real estate in the previous transaction. It is now proposed that by ministerial decree the 6 month period can be temporarily extended. The Ministry has announced that it intends to extend the 6 month period into 36 months for transactions that occur or already have occurred in the period 1 September 2012 until 1 January 2015.

*Wage tax*

- **Specific tax free allowances for travel between home and work place will be abolished.** Currently, travel between home and work place can be tax free reimbursed to employees at a standard rate of € 0.19 per km, without limitations. It is proposed that this is no longer allowed. Insofar as there is free space in the so-called “*werkkostenregeling*”, i.e. the (currently) 1.4% (2013: 1.6%) of total wages “free space” for tax free allowances, tax free travel allowances could still be allowed. It is doubtful, however, if the proposed abolition of the tax free travel allowance will make it through Parliament as since the elections of 12 September 2012, a majority in Parliament appears to be against abolition.

- **Travel between home and workplace with a company car will be considered private use.** Employees with a company car are in principle subject to additional wage tax on a percentage of the price of their company car, unless they can prove that their private use of the car is less than 500 km annually. Travel between home and workplace is currently not considered private use of the car. It is now proposed to change that, and qualify home-workplace travel as private use. For company cars that have been acquired/leased before 25 May 2012 the new rule will not fully apply until ultimately 31 December 2016.

*Fines*

- **Administrative fines can be imposed before an assessment is raised.** Administrative fines, e.g. for late filing of a tax return, can only be imposed when an assessment is raised. In order to stimulate compliance by tax payers with respect to administrative deadlines, it is now proposed that such fines can also be imposed before raising an assessment, with the possibility to reduce the fine when the assessment is raised eventually.

*Personal income tax*

- **(Further) limitation of the deduction of interest on loans connected to homes.** As has been announced for some time, interest on loans connected to homes will become tax deductible only if the loan will be redeemed through (at least) an annuity scheme during the term of the loan. Existing situations will not be affected. The proposed changes will only apply to new financing arrangements.

*New: specific taxation for landlords*

- **Introduction of a specific taxation for landlords with more than 10 properties.** A landlord that owns more than 10 properties that are rented out and of which the rent is regulated *("sociale huurwoningen")*, will be subject to a specific taxation. The tax is calculated as 0.231% (only in 2013: 0.0014%) of the sum of the taxation value of the properties that is also used for other taxes *("WOZ"-value*) minus 10 times the average value of the properties.

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