

# Finding the best balance\*

Summary of the  
2009 Tax Package





# 2009 Tax Package approved by Dutch House and Senate

Two bills were published on Budget day, 16 September 2008, as part of the 2009 Tax Package. The bills reflect the aspiration of the Dutch government to stimulate the participation of people in the working process and to distribute the burden of taxation in a balanced way. Additional points of attention of the Dutch government regard i) the stimulation of innovative entrepreneurship, ii) care for the environment and iii) the simplification of rules for employers and companies. This is in line with the findings of the World Bank and PricewaterhouseCoopers annual report, called Paying Taxes.

We have summarized the most important changes that were published in the two bills. With a number of amendments, the two bills were accepted by the House of Representatives on 25 November 2008. The proposals were approved by the Senate on 16 December 2008. Most proposals included in the 2009 Tax Package are set to take effect on 1 January 2009. Proposals entering into force at an earlier or a later date are specifically addressed.

## Lowering of the corporate income tax rate

For the purposes of the year 2008 it is proposed to incidentally lower the corporate income tax rate. Based on present law, the corporate income tax rate amounts to 20% when the taxable income does not exceed € 40,000. A second bracket of 23% covers taxable income between € 40,000 and € 200,000. It is proposed to extend the upper limit of the first bracket to € 275,000 which means that the second bracket is to be cancelled. The proposed adjustment enters into force as of 1 January 2008 and it concerns only the year 2008. The lowering of the corporate income tax rate is related to the European Commission not yet approving the special regime for group interest (group interest box). The tax rate adjustment should be regarded as an alternative way of spending of the money that was put aside for the group interest box. As part of the Dutch measures to support the economy, an amendment to a bill has been published proposing that the first and second brackets of the corporate income tax will also be combined in 2009 and 2010, resulting in a 20% tax rate for profits up to € 200,000 for the years 2009 and 2010.

## Improvement of the Dutch Tonnage Tax Regime

The government wants to improve the Dutch Tonnage Tax Regime in order to make the Netherlands more attractive for ocean shipping. It is proposed to lower the tax base for large ships substantially and also to lower the amount of tax that is due by taxpayers that perform ship management activities. The proposal will need to be approved by the European Commission for the purposes of EU state aid. It should enter into force (retroactively) as of 1 January 2009 as soon as it is approved by the European Commission.

## Investment companies

It is proposed to make some changes in the regime for investment companies. This proposal should remove some bottlenecks for those investment companies that exploit real estate in separate subsidiaries. The definition of the notion 'investment' will be changed in order to include some specific financing and pledging activities. In addition, two more changes are proposed regarding the financing requirements for investment companies.

## Measures concerning stimulation of energy-saving use of company car

When the company car provided by the employer is used for private purposes for more than 500 km, a percentage of 25% of the catalogue price of the company car is currently added to employment income for wage tax purposes. For environmentally clean and efficient cars the already more favorable taxation will be further extended. For cars that (a) do not drive on diesel and with a CO<sub>2</sub> emission between 111 and 140 gram per kilometer, and (b) do drive on diesel with a CO<sub>2</sub> emission between 96 and 116 gram per kilometer the income included in the taxable income will be reduced to 20%. A lower CO<sub>2</sub> emission leads to taxable income of just 14%.

## No increase of value-added tax (VAT)

The increase of the main VAT tariff from 19% to 20% as of 1 January 2009 (as was announced last year) has been cancelled.

