



**RB Special**  
**Year-End Tips**

**2024**

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## 1. All entrepreneurs



### 1.1 Use remaining fixed budget under the WKR

Make good use of the fixed budget under the work-related expenses scheme (WKR). Is there still a portion of the budget that you have not yet used? If so, you may be able to grant your employees further allowances or benefits in kind free of tax this year. You cannot carry forward any unused portion of the fixed budget to next year. The settlement of the work-related expenses scheme for 2024 (WKR final levy) only has to be included in your payroll tax return for February 2025. You file and pay this return in March 2025.

**Tip:** *In 2024 the fixed budget is 1.92% on the first € 400,000 of the wage bill. Above this level a rate of 1.18% applies. In 2025 the percentage on the first € 400,000 of the wage bill will increase to 2.00%. If you expect to exceed the fixed budget of € 400,000 in 2025, it may be beneficial to bring forward some of next year's allowances and benefits in kind.*

Apply the group scheme, if applicable. You will then have access to a joint fixed budget that can be shared between the companies in your group.

**Please note:** *If you take advantage of the group scheme, you can only make use of the fixed budget on the first € 400,000 of the wage bill once in 2024. Ask your tax advisor what would be more beneficial: sharing any unused fixed budget between group companies or using the fixed budget on the first € 400,000 of the wage bill multiple times.*

**Tip:** *Set out in writing and in good time (in advance!) that you have designated allowances and benefits in kind for the purposes of the work-related expenses scheme and what they are. In this way you can avoid a great deal of discussion with the Tax and Customs Administration.*

### 1.2 Specific exemption for homeworking

Under certain conditions, an employer can grant an employee an untaxed allowance for each day that he/she works from home. For 2024 this allowance amounts to € 2.35. It is likely to rise to € 2.40 in 2025. For employees who regularly work from home there is a practical scheme that allows a fixed allowance to be paid, provided that certain conditions are met.

**Tip:** *Would you like to take advantage of this specific exemption? Talk to your tax advisor about this.*

**Please note:** *If the employee works from home and in the office on the same day, it is not possible to apply both the travel allowance and the homeworking allowance. The employer has to choose one of the two. If the employee has a company car or bicycle or a public transport chip card or public transport season ticket, no homeworking allowance can be granted on days when these are used for commuting. If the employee has been granted a fixed allowance for homeworking and commuting expenses, you do not have to adjust these allowances in the event of an occasional change to the employee's homeworking pattern.*

### 1.3 Choose annually whether or not to apply the 30% scheme

Do you employ so-called extraterritorial (incoming or posted) workers? If so, from 2023 you need to choose annually whether you will reimburse their actual extraterritorial expenses or whether you will make use of the so-called 30% scheme. You make this choice in the first pay period of the year in which you are reimbursing these costs. If you apply to the Tax and Customs Administration for a decision authorising use of the 30% scheme within four months of an incoming worker commencing employment, the first pay period following this four-month period is the one in which you make the choice that will apply for the rest of the year.

*Please note: The restriction of the 30% scheme introduced from 1 January 2024 for incoming workers is largely being reversed. With effect from 2027 a constant flat rate of 27% will apply. Higher salary standards will also come into effect. A constant flat rate of no more than 30% will apply during the 2025 and 2026 calendar years. The changes will not affect incoming workers for whom the 30% scheme was applied no later than 2023.*

### 1.4 Tax subsidy: make use of the wage expense allowance

As an employer you can receive a wage expense allowance (LKV) for older employees or employees with an occupational disability. Check soon whether you qualify for the LKV. The LKV is only granted if a target group declaration has been issued to the employee in question. It can then be taken into account directly in

your payroll tax returns. You can apply for the following wage expense allowances:

- LKV for older employees;
- LKV for employees with an occupational disability;
- LKV for persons within the target group of the job arrangement (*banenafpraak*) and for persons with an interrupted education (*scholingsbelemmerden*);
- LKV for the redeployment of employees with an occupational disability.

Your employee (or you, if your employee authorises you to do so) must apply to the UWV (Employee Insurance Agency) or local authority for the target group declaration within three months of the employee starting work with you. After this three-month period the employee is no longer entitled to this target group declaration and you can no longer apply for an LKV for your employee.

The conditions that apply to the LKV for the redeployment of an employee with an occupational disability are being relaxed. The wage expense allowance for older employees is being gradually reduced for employment relationships that commenced on or after 1 January 2024.

*Tip: To be able to receive an LKV for your employee, you need to have a copy of the target group declaration from your employee. Make sure you inform your employee about this in good time.*



### 1.5 Tax subsidy: make use of the low-income allowance

As an employer you can qualify for an allowance if you take on people who are on a low income. This low-income allowance (LIV) is a tax subsidy for employing people whose average hourly wage is between a minimum of € 14.33 and a maximum of € 14.91. The maximum contribution towards payroll costs for each employee hired amounts to € 960 per employee per year. The LIV is being withdrawn with effect from 2025.

*Tip: As an employer you do not have to apply for the LIV. The UWV assesses the employees for whom you are entitled to the LIV based on the payroll tax return you have filed. To make this possible, it is important that it knows the average hourly wage of the employees concerned and the number of paid hours they have worked (at least 1,248 per calendar year). You should therefore make sure you also enter the number of paid hours correctly in your return. The Tax and Customs Administration will pay out the LIV for 2024 to you automatically in 2025.*

### 1.6 Untaxed commuting allowance will not rise

Employers can grant employees a tax-free allowance for the costs of travelling from home to a regular place of work. In 2024 this untaxed allowance amounts to € 0.23 per kilometre for the outward and the return journey.

It will remain at this level in 2025. Employees who travel frequently between their home and a regular place of work are entitled to a fixed allowance, subject to certain conditions. Would you like to take advantage of this specific exemption in combination with a homeworking allowance? If so, contact your tax advisor to see what the options are.

*Please note: If the employee works from home and in the office on the same day, it is not possible to apply both the travel allowance and the homeworking allowance. See section 1.2 for more information.*

### 1.7 Submit your R&D tax credit application on time!

The R&D tax credit (WBSO) allows employers to benefit from a tax concession for the innovation costs they incur. This includes salary costs and other costs linked to innovation. Apply for the R&D tax credit online in advance from the Netherlands Enterprise Agency (RVO (rvo.nl)).

*Please note: Submit your application for the first period of 2025 to the RVO by 20 December 2024 at the latest!*

## 1.8 Provision of information on amounts paid to third parties

Employers are required to supply information to the Tax and Customs Administration on amounts they have paid to third parties without any deduction of payroll taxes. If you make such payments to a natural person, you need to provide a number of details to the Tax and Customs Administration, including the person's name, address, place of residence, date of birth and citizen service number (BSN), as well as the amounts paid in the calendar year, including expense allowances. This disclosure obligation does not apply to payments made to employees, artists, professional sportspeople or volunteers, amongst others. It also does not apply to people who have issued an invoice including VAT, provided that this invoice meets the requirements of the Turnover Tax Act 1968. An overview of payments made must also be provided in cases where the VAT is reverse-charged. For 2024 you can supply the information during the year itself, but no later than January 2025.

*Tip: Start identifying the people for whom you will have to comply with this disclosure obligation in good time and check whether you have all the information you need (BSN!).*

## 1.9 Pay less tax: make use of the small-scale investment tax credit

Are you planning to invest in your business? It may be beneficial to do so this year or you may be better off deferring your investment (or part of it) until 2025. That way you can take full advantage of the small-scale investment tax credit (KIA) and will pay less tax. To qualify for the KIA, you need to invest at least € 2,800.

If you invest more than € 387,580 (2024), you are not entitled to the KIA. Investments with a value up to € 450 are not counted. The KIA

applies to both new and used assets. Certain assets do not qualify for this tax credit, such as land, residential properties and cars.

*Tip: If you have forgotten to apply the investment tax credit in your tax return, you have five years to submit a request to apply it.*

## 1.10 Pay less tax: make use of the energy and environmental investment tax credits

In addition to the small-scale investment tax credit (KIA), you are also entitled to the energy investment tax credit (EIA) if you invest in certain energy-saving assets or the environmental investment tax credit (MIA) if you make certain environmentally friendly investments. The EIA amounts to 40% of the investment. Depending on the asset in question, the level of the MIA is 27%, 36% or 45%. Only investments in new assets qualify for the EIA or MIA. Small investments with a value up to € 2,500 are not eligible for the EIA or MIA. You only receive the EIA or MIA if you have submitted notice of the investments digitally via the online service point at [mijn.rvo.nl](https://mijn.rvo.nl) within three months of entering into the commitment. You can determine whether an asset qualifies for the EIA or MIA by consulting the energy list or environmental list (available on the website [www.rvo.nl](https://www.rvo.nl)).

### 1.11 Avoid a divestment addition

Have you applied an investment tax credit in the last five years and have you subsequently sold the asset again? If so, you may be subject to the divestment addition. This is an addition to your company's profit through which you pay back a portion of the investment tax credit you previously received. The addition only applies if you sell assets with a value of more than € 2,600.

*Tip: Did you invest in an asset and take advantage of an investment tax credit in 2020? If you are planning to dispose of that asset, you can avoid the divestment addition by deferring the sale until the beginning of 2025.*

### 1.12 Avoid addition for vans made available to staff

Does your company have vans that are made available to staff? If so, in principle these employees have to pay tax on an addition to taxable income for private use of the van.

Do your employee's private journeys in this van total less than 500 km annually? In that case, as is the case with a car, the employee can apply for a declaration that the van is not used for private purposes. For vans there are also specific ways to avoid the addition to taxable income if the employee is unable or not allowed to use the van for private purposes. These include:

- declaring that the van cannot be used outside working hours, as it remains at the employer's premises;
- banning the use of the van for private travel;
- declaring that the van is used exclusively for business purposes.

In such cases you must make it impossible to use the van for private purposes and must monitor use of the vehicle. If you decide to ban private use of the van, you can make use of a template agreement, which can be downloaded from [belastingdienst.nl](http://belastingdienst.nl).

*Tip: Are the vans constantly being used by different employees, making it impossible to determine each employee's private use? In that case a final levy of € 300 per van applies. With effect from 2025 this final levy will increase to € 438 per year. From 2026 onwards it will be indexed. However, if commuting has not been excluded, you will have to adjust the amount of VAT you reclaim so that this private use is taken fully into account. Commuting is, after all, regarded as private use for VAT purposes, unless you work in different locations and need a vehicle for this.*

*Please note: If, because of its nature and design, the van is suitable exclusively (or almost exclusively) for transporting goods, you do not need to take a flat-rate addition to taxable income into account. Discuss your situation with your tax advisor.*

### 1.13 Pay tax later: apply arbitrary depreciation to assets

As an entrepreneur you have to depreciate assets if their value falls as a result of being used. This depreciation can be deducted from your profit. In some cases it is possible to apply arbitrary depreciation. This means that you are allowed to depreciate assets more quickly. You bring the costs forward and thereby defer taxation. Arbitrary depreciation can be applied to environmental investments (VAMIL (arbitrary depreciation of environmental investments scheme)), but is also available to start-ups. In 2024 start-ups can apply arbitrary depreciation to their investments if the amount invested in 2024 does not exceed € 387,580.

*Tip: If you are planning to invest in new assets in 2025, it may be worth bringing these investments forward so you can benefit from the arbitrary depreciation in 2024.*

### 1.14 Write down receivables, assets and stock

Your company's assets are stated on your (tax) balance sheet at acquisition cost, less depreciation. We refer to this as the book value. If the actual value of the assets is lower than the book value, you may be able to write them down. The writedown is deducted from your business profit, meaning that you will pay less tax this year.

### 1.15 Defer tax: create a reinvestment reserve and substantiate your intention to reinvest

Has your company sold assets this year and made a profit on them? If so, you will probably have to pay tax on this. You can avoid this by setting the profit aside in a reinvestment reserve (HIR).

To do so, however, you must be planning to make new investments in the same year or in the three subsequent years.

Until you make these investments you must demonstrate your intention to reinvest. You can do this, for example, by documenting the planned investments in a management decision, including details of the concrete steps you have taken with a view to reinvesting, such as requesting quotations or performing searches, etc.

*Please note: Under exceptional circumstances the reinvestment period can be extended. The coronavirus crisis was one such exceptional circumstance. In such cases ask the Tax and Customs Administration for an extension before the end of the three-year period. Your tax advisor can help you with this..*

### 1.16 Reinvest on time

Have you created a reinvestment reserve (HIR) in previous years? In principle, this is maintained for a maximum of three years.

If you do not invest within this period, the HIR is added back on to your profit and you have to pay tax on it. A reinvestment reserve that was created in 2021 therefore has to be used for a new investment in assets by no later than 31 December 2024. That means you need to ensure you invest on time. For a reinvestment to be deemed to have been made, it is sufficient to sign the investment contract in 2024. You do not therefore need to have received or paid for the asset in 2024.

### 1.17 Consider the option of creating a provision

Are you reasonably certain that you will have to incur certain (major) expenses in 2025? If so, you may be able to lower your profit for 2024 by creating a provision.

*Please note: You can only create a provision for future expenses if the reason for doing so is linked to facts and circumstances that arose in 2024 or previous years. The future expenses must also be attributable to these years.*

### 1.18 Limit the restriction on the deduction of mixed costs

Mixed costs are costs that include both a business and a private component. Have you incurred any mixed costs in 2024? If so, they are non-deductible up to an amount of € 5,600. However, you can also choose to deduct 80% of these costs. This is beneficial if such partially deductible costs for 2024 amount to less than € 28,000.

*Please note: Different rules apply to companies subject to corporation tax. Have you set up your company as a private limited company? If so, the amount of the partially deductible costs is equal to 0.4% of the taxable wage bill, with a minimum of € 5,600. The company can also choose to replace this amount with 73.5% of the actual costs, if this is lower.*

### 1.19 VAT-registered business with low turnover: apply the small businesses scheme

Businesses in the Netherlands with a turnover for VAT purposes of up to € 20,000 can opt to apply the VAT exemption for small businesses: the small businesses scheme (KOR). Participating in

the KOR reduces your VAT-related administrative obligations. In this case the business can no longer charge VAT to its customers and also cannot deduct input VAT. This scheme also applies to private limited companies and other legal entities, such as foundations and associations.

If you want to take advantage of the KOR, you will not be able to deduct VAT on business costs and investments. The same applies to any VAT that you have paid in another EU country, such as VAT on fuel purchased in Germany. Under the VAT adjustment rules you may also have to pay back VAT that you previously deducted. Ask your tax advisor about the consequences of participating in the KOR for your business.

With effect from 1 January 2025 the KOR will change substantially and will also apply to other countries within the European Union. Your turnover must not exceed € 100,000 within the European Union and must also not be above the thresholds that apply in each Member State. Changes are also being made to the participation periods for the KOR.

*Tip: If you no longer want to apply the KOR from 1 January 2025, you can deregister from the scheme using a special form on the Tax and Customs Administration website. This must be submitted by 3 December 2024 at the latest. If you do so, however, with effect from 2025 you will not be able to make use of the KOR again for a maximum of two years. Ask your tax advisor in advance about the consequences.*

### 1.20 Correct earlier VAT returns

If you notice that you have deducted too much or too little VAT, you need to correct this. You can include this correction in your next VAT return. To do so, however, the VAT correction must not exceed € 1,000. If the correction is larger than this, you need to file a separate supplementary return.

### 1.21 One-stop-shop system for distance selling

The new EU VAT rules for e-commerce have been in force since 1 July 2021. If you supply goods to customers in the EU who are not VAT-registered, you can make use of the so-called one-stop-shop system. This removes the need to register separately in all the different countries to which you supply goods.

*Tip: Are you not yet using the one-stop-shop system? Ask your tax advisor about the possibilities.*

### 1.22 Adjustment of VAT if mixed services are provided

If you are an entrepreneur who uses capital goods for both taxable and exempt services, you cannot reclaim the VAT on these capital goods in full. The deduction is based on the proportions of taxable and exempt services in the financial year in which the capital goods enter use. If these proportions change in subsequent years, you will need to assess annually whether the VAT reclaimed on these capital goods needs to be adjusted. For movable property you must carry out this adjustment for 4 years following entry into use and for immovable property for 9 years following entry into use. The adjustment applied each year is no more than 1/5<sup>th</sup> or 1/10<sup>th</sup> respectively of the amount of VAT reclaimed. If the difference from the reclaimed amount is less than 10% in the year in question, no adjustment is required.

With effect from 1 January 2026 a 4-year adjustment period following the year of entry into use will also be introduced for services purchased to make investments in immovable property, such as renovations. A threshold of € 30,000 will apply. The new scheme will only apply to investments that enter use from 1 January 2026.

*Tip: See whether you can complete the renovation and bring this investment into use before 1 January 2026. You will then be unaffected by the new rules.*

### 1.23 Pay attention to VAT in connection with private use and the VAT Deduction Exclusion Decree (BUA)

Are goods or services purchased by your company used for private purposes by you or your staff? Or do you use them to allow you to project a certain status, to offer business gifts or gifts to parties who are not able to deduct VAT, or to provide employee benefits? If so, you may owe VAT on such use. With effect from 1 January 2024 the amount of any personal contribution paid towards employee benefits, business gifts or other gifts can no longer be deducted from the total expenses assessed against the threshold in the BUA. Talk to your tax advisor about the consequences this may have.

### 1.24 Reclaim VAT in the event of defaulting debtors

Do you know for certain that customers will not be able to pay your invoices? If so, you can reclaim the VAT that you charged on these invoices and paid over to the Tax and Customs Administration. This is possible in any case if the invoice has still not been paid one year after the final payment deadline expired. If no payment term was agreed, a payment term of 30 days from the moment your customer received the invoice applies. The VAT that you will not now receive can be reclaimed in your normal VAT return.

### 1.25 Assess the service charges linked to your tenancy agreements

The rules relating to service charges and VAT are changing with effect from 2025. As a result, landlords may no longer be able to deduct the VAT on service charges. Ask your tax advisor whether your contracts still meet the conditions for the deduction of VAT and adapt them if possible.

### 1.26 Exemption for companies from private motor vehicle and motorcycle tax on vans to be scrapped in 2025

Are you a VAT-registered entrepreneur who is purchasing a van for your business? If so, you can still take advantage of the exemption from private motor vehicle and motorcycle tax (BPM) on vans that is available under the company scheme. This scheme is being scrapped in 2025. The basis for BPM will then be the vehicle's CO<sub>2</sub> emissions, as is the case for cars. The depreciation period for BPM will change from 5 to 25 years.

As long as you continue to meet the conditions, you can take advantage of this company exemption until 31 December 2024, and even after that if your use of the vehicle does not change. For the remainder of the five-year period after that date you do not have to pay back the exempted amount of BPM in the event of the vehicle being sold to a private individual.

**Tip: Buy a new van in 2024 and benefit from the BPM exemption!**

### 1.27 Ensure your liquidity: request a provisional loss setoff

Do you expect your company to make a loss in 2024, but you have already paid a provisional tax assessment for 2024? If so, request a reduction of your provisional 2024 assessment. In this way you can

avoid paying too much tax in advance and will have more cash available for your business activities.

Once the financial year is over and you have filed your tax return, you can also request a provisional loss setoff. The advantage of this is that you can offset 80% of the loss now with profits from previous years. That way you will get money back more quickly. You should therefore make sure you apply for a provisional loss setoff as soon as you can.

*Please note: The provisional loss setoff is offset later with the definitive loss setoff. It therefore allows you to benefit from increased liquidity at an earlier stage, but does not result in a higher amount.*

### 1.28 Retention periods: check your accounting records

You are obliged to retain your accounting records for at least 7 years. In some situations a longer retention period applies. Take, for example, data relating to immovable property, for which a 10-year VAT adjustment period applies. The retention period is longer in this case. You should therefore check carefully that you are retaining your data properly.

If the retention period has expired, you can destroy everything. Make sure that no privacy-sensitive information is disclosed in the process.

### 1.29 Relaxation of special payment scheme for (coronavirus-related) tax debts

Many entrepreneurs are currently repaying the tax debts they accrued during the coronavirus crisis. Are you struggling to pay back these debts? If so, you can ask the Tax and Customs Administration to relax the payment scheme. Under certain conditions you can apply to pay in quarterly instead of monthly instalments, for a payment holiday of up to six consecutive months or two consecutive quarters, for an extension of the repayment period to 7 years instead of 5 years, or for a combination of the above. Ask your tax advisor about the possibilities and the conditions that apply.

**Please note:** *The relaxation of the payment scheme will affect the late payment interest that you have to pay. The rate of late payment interest that will apply is 1% from 1 July 2022, 2% from 1 January 2023, 3% from 1 July 2023 and 4% from 1 January 2024.*

### 1.30 Take advantage of the ISDE this year

If you are planning to invest in a heat pump, solar boiler and/or small-scale wind turbines in 2024, it may be worth bringing these investments forward so you can benefit from the renewable energy and energy-saving investment subsidy (ISDE). Ask your tax advisor about the possibilities.

### 1.31 Moratorium on enforcement for self-employed persons to be lifted from 2025

The moratorium on enforcement will end from 2025. This means that the Tax and Customs Administration will start enforcing the rules on bogus self-employment again. From 2025 onwards the Tax and Customs Administration will be able to impose correction obligations, additional assessments and fines, with retroactive effect from 1 January 2025, if it becomes apparent that a self-employed person actually meets the criteria of an employment relationship. There will be a 1-year transition period during which employers and workers will not be subject to a negligence penalty if they can prove that they are taking steps to prevent bogus self-employment. Default penalties may be imposed, however.

**Tip:** *Act now and cast a critical eye over the relationships with all the self-employed persons you work with. Talk to your tax advisor about this.*



### **1.32 Concurrence exemption in the area of transfer tax to be withdrawn for share transfers in real estate companies**

With effect from 1 January 2025 the concurrence exemption in the area of transfer tax will no longer apply when shares are transferred in a real estate company owning new immovable property or a building plot. It will, however, remain possible to apply the exemption if at least 90% of the immovable property or building plot is used for activities that are subject to VAT for at least two years following acquisition. If the exemption does not apply, transfer tax will be charged at a rate of 4%. Transitional arrangements will apply to acquisitions that were agreed in writing before 3.15 p.m. on 19 September 2023. In such cases, however, the inspector must have been notified by 1 April 2024.

*Tip: Make sure shares in a real estate company owning new immovable property or a building plot are transferred in 2024. Ask your tax advisor about the possibilities.*

### **1.33 Reduced rate of VAT on various agricultural supplies and services to be withdrawn**

With effect from 2025 various supplies of agricultural goods and services will no longer be subject to the lower rate of VAT. This concerns the following items in Table I, section a: items 2 (various cereals and pulses), 3 (propagating material intended for the cultivation of fruit and vegetables), 4 (animals), 40 (beetroot), 41 (various agricultural and horticultural seeds), 43 (roundwood), 44 (straw and animal feeds), 45 (flax) and 46 (wool).

From 2025 animal breeding and plant cultivation will also fall under the higher rate of VAT. This is particularly relevant to the horse-breeding sector.

## 2. Entrepreneurs subject to income tax



## 2.1 Record your hours!

The hour criterion is the key that unlocks many tax allowances for entrepreneurs who are subject to income tax. These include the self-employed person's allowance, the tax relief for new businesses, the retirement reserve, the research and development tax credit and the working partner's abatement. To qualify for them, you need to demonstrate that you have dedicated at least 1,225 hours to your business in a calendar year. If your business is not (or is no longer) a start-up and you also carry out other activities (in an employed capacity or otherwise) alongside the work for your business, you also need to demonstrate that you dedicate more than half of the working time you have available to your business.

**Tip: If your business is a start-up, keep an accurate record of all your work, including the time spent working for your business, and talk to your tax advisor in good time.**

**Please note:** The self-employed person's allowance is being reduced annually with effect from 1 January 2023. This allowance will be as follows:

2023	2024	2025	2026	2027
€ 5,030	€ 3,750	€ 2,470	€ 1,200	€ 900

The tax relief for new businesses will remain unchanged.

## 2.2 Convert your retirement reserve and/or discontinuation profit to reduce box 3 tax

If you are planning to top up your pension pot privately this year by converting your retirement reserve and/or discontinuation profit into an annuity product, make sure you do this before 1 January 2025. In this way you will reduce your assets in box 3, which means your box 3 tax is likely to be lower.

## 2.3 Convert your retirement reserve in years with lower profits

If you are expecting your profit to be low this year and you have liquid assets, you could convert your retirement reserve into an annuity product. Because of the SME profit exemption, the release of the retirement reserve is taxed at a rate lower than that of annuity premium tax relief. In addition, the release of the retirement reserve means that your taxable company profit will be higher. The employed person's tax credit may therefore also be higher, saving you extra income tax. Ask your tax advisor whether this would be beneficial for you.

## 2.4 Choose reasonable remuneration for your co-working partner

If your partner also works with you in your business, it is reasonable to grant him/her appropriate remuneration. There are four options available to you: you can enter into a husband-and-wife partnership, you can enter into an employment relationship with your partner, you can agree on a reasonable level of remuneration or you can opt for the working partner's abatement. The husband-and-wife partnership is a complex option. You should talk to your tax advisor about this.

If you enter into a civil-law employment relationship with your partner, a relationship of authority must arise from this employment. Such an employment relationship entitles you to make use of facilities in the area of payroll tax. If you opt to pay reasonable remuneration to your partner, you can charge this remuneration to your profit in the form of labour costs. In this case, however, the remuneration must amount to € 5,000 or more and must also actually be paid.

You can apply the working partner's abatement if your business makes a profit, you satisfy the hour criterion and your partner works for at least 525 hours in your business in the calendar year concerned without receiving any remuneration that you can charge to your profit. The abatement amounts to a percentage of the profit and ranges from 1.25% to a maximum of 4%, depending on the number of hours worked by your partner in your business. In contrast to the employment scenario and the remuneration of € 5,000 or more, your partner does not owe any tax on the working partner's abatement that you claim.

Whether it is best to opt for an employment relationship, reasonable remuneration or the working partner's abatement depends on your actual situation. Ask your tax advisor to check before the end of the year which option would be best for you and your partner.

*Please note: In 2024 the working partner's abatement can only be deducted at a maximum rate of 36.97% and in 2025 at a maximum rate of 37.48%.*

## 2.5 Take out invalidity insurance in a favourable year

On Prince's Day 2024 it was announced that the current government is planning to make basic invalidity insurance for self-employed persons compulsory for entrepreneurs in 2027. The premium will be tax-deductible. Ask your tax advisor whether it would be advantageous for you from a tax perspective to take out invalidity insurance.

### 3. Entrepreneurs with a private limited company



### 3.1 Two bands for substantial shareholdings in 2024

Since 2024 the tax rate in box 2 has consisted of two bands. You pay 24.5% tax on the first € 67,000 and 33% above this figure. Such income includes dividends from your company or proceeds from the sale of your company, for example. In 2025 the higher rate will be reduced to 31% (and the threshold will rise to € 67,804). Bear in mind that from 2025 dividends can affect the level of the general tax credit. You should therefore talk to your tax advisor in good time if you are planning to distribute a dividend or sell your shares in the future.

*Tip: It may be beneficial from a tax perspective to bring forward the distribution of a dividend or postpone it until next year. Talk to your tax advisor about this in good time.*

### 3.2 Excessive Loans from Own Company Act

The Excessive Loans from Own Company Act was introduced with effect from 1 January 2023. On the reference date of 31 December the Tax and Customs Administration will assess whether, from a tax perspective, you have borrowed too much from your own company. Have you and your partner together or have persons related to you borrowed more than € 500,000 from your company as at 31 December 2024? If so, the surplus amount will be regarded as imputed income in box 2. Under certain conditions a debt to the company connected with the purchase of your own home may be disregarded. Contact your tax advisor in good time about the consequences of this Act.

*Please note: It is currently unclear whether the Excessive Loans from Own Company Act contravenes European law. It may make sense to lodge an objection against the final assessment that includes the imputed income from excessive loans. Ask your tax advisor whether this would be a sensible step!*

### 3.3 Make use of your partner's general tax credit

If your partner was born after 31 December 1962, the general tax credit will not be paid out to your partner if he/she has no income in 2024. You can make sure you do not miss out on the general tax credit for 2024 (€ 3,362) by paying out a dividend of € 13,723 from your company in 2024. In your 2024 income tax return this dividend payment can be allocated to your partner as income in box 2. Your partner has to pay 24.5% tax (€ 3,362) on this, which can be offset with the general tax credit of € 3,362. This means that the dividend payment of € 13,723 in 2024 is received free of tax. Ask your tax advisor for advice.

### 3.4 Pay attention when distributing dividends

If your company distributes a dividend, you will pay tax on this in box 2. At present you will pay tax at a rate of 24.5% or 33% on this dividend. You may use the amounts received to pay off private debts, incur private expenses or reduce the amount of a loan from or current account with your company, for example. If you do not use the dividend to pay off loans, but instead leave it in your savings account, this can affect the tax you pay in box 3 and the tax credits you receive. Ask your tax advisor for advice.

*Tip: It may be beneficial from a tax perspective to bring forward the distribution of a dividend or postpone it until next year. Talk to your tax advisor about this in good time.*

### 3.5 Assess your customary salary

If you are a director/major shareholder (DGA), you are considered to receive at least a 'customary' salary. You can determine this salary yourself. In 2024 your customary salary is at least equal to the highest of the following three amounts:

- 100% of the salary for the 'most comparable position';
- the highest salary received by the other employees within the company or affiliated legal entities;
- € 56,000.

In some cases you are allowed to apply a customary salary that is lower than € 56,000, for example if you only work for your company on a part-time basis. In that case you must be able to demonstrate that you actually work fewer than 40 hours per week and that the proportionate amount of the salary for the most comparable position or the highest salary received by an employee is lower than € 56,000.

### 3.6 Avoid tax on extra remuneration: dividend instead of salary

Do you run your business via a private limited company and would you like to pay yourself a bonus this year? By distributing a dividend instead of paying out a bonus, you may be able to save tax. Ask your tax advisor for advice.

*Please note: Before distributing a dividend you must perform a balance-sheet test and a distribution test. Always make sure these are carried out.*

### 3.7 Loss from substantial shareholdings that cannot be set off: request conversion into a tax credit

Do you, as director/major shareholder, and your partner no longer have a substantial shareholding, but still have losses from substantial shareholdings that have not been set off? If so, ask the Tax and Customs Administration to convert these losses into a tax credit of 24.5% (2024) of the amount of the loss. Contact your tax advisor for more information.

### 3.8 Liquidation of a participating interest: assume the loss

If the company liquidates a participating interest (a subsidiary), the liquidation loss is deductible: the participation exemption does not apply to a liquidation loss. The liquidation loss can only be taken into account if the liquidation of the subsidiary has been completed. If your company wants to assume a liquidation loss in 2024, make sure that liquidation is completed in its entirety in 2024. If, from a tax perspective, you would be better off using the loss in a subsequent year, delay the completion of the liquidation process. You will then have longer to offset the tax loss.

*Please note: You can only take the liquidation loss into account if you liquidate the company within 3 years of the calendar year in which it is discontinued.*

### 3.9 Benefit from setting up a tax entity

If you have a number of private limited companies, you need to file a separate corporation tax return for each of them. This changes if you ask for these companies to be brought together in a tax entity. You then only have to file one corporation tax return. Most inter-company transactions are also then no longer relevant for corporation tax purposes. That means you do not have to pay any tax on the profit made on these transactions.

Furthermore, losses made by one company can be offset with the profits of another.

To set up a corporation tax entity, a number of requirements must be met. The parent company must hold at least 95% of the shares, for example.

*Tip: Within a corporation tax entity the companies have to share the corporation tax that is payable. You should therefore ensure that an agreement is drawn up in which the settlement of this corporation tax between the companies is clearly set out.*

*Please note: Ask your tax advisor whether a tax entity may be beneficial. If you would like to set up a tax entity from 1 January 2025, you must submit your application by 1 April 2025.*

### 3.10 Terminate your tax entity promptly and avoid disadvantages

If you have a corporation tax entity, this can give rise to numerous benefits. However, a tax entity can also have disadvantages. All companies are, after all, jointly and severally liable for the tax entity's corporation tax debt. You can avoid this disadvantage in relation to future debts by terminating the tax entity.

A request to terminate the tax entity must be submitted before the desired termination date. If you want to terminate your tax entity with effect from 1 January 2025, you therefore need to submit your request by no later than 31 December 2024.

### 3.11 Report the termination of a VAT tax entity

Is your company made up of a number of private limited companies that form a tax entity for VAT purposes? If you sell one of these companies, this tax entity is terminated. You need to report this to the Tax and Customs Administration, as otherwise the remaining companies will be liable for the VAT debts of the sold company, including any VAT debts of that company that arise following the sale of the shares.



### 3.12 Take advantage of the lower rate of corporation tax!

Keep your company's profits below € 200,000 to take advantage of the lower corporation tax rate of 19%. Bring costs forward and defer income to reduce your corporation tax liability, for example by making use of the cost equalisation reserve, the reinvestment reserve, provisions or accelerated depreciation. Ask your tax advisor whether this would be an option for you.

### 3.13 Consider terminating your VAT tax entity

Many companies are having a difficult time as a result of the coronavirus crisis. Is one of your operating companies faring badly and do you fear this subsidiary might not survive?

If your holding company is in a VAT tax entity with this operating company, you could consider terminating this entity. After all, if your operating company does not survive, your holding company will have to cover the operating company's VAT debt.

***Please note:** Terminating the VAT tax entity requires a substantial change to the actual relationships between the companies. Talk to your tax advisor about whether this is desirable and how best to approach it in your situation. In any case, the termination of the VAT tax unity must be reported in writing to the Tax Authorities.*

### 3.14 Apply the innovation tax incentives

If you run your business via a private limited company, you may be able to apply the innovation box. Any profit your company makes from innovative activities will then be taxed at a rate of only 9%. There are also other tax incentives that can free up (substantial)

liquid assets. These include the research and development tax credit.

### 3.15 Report inability to pay promptly

Is your company unable to pay the payroll tax and/or VAT that it owes on time? If so, make sure that, as director of the company, you report this to the Tax and Customs Administration promptly. Should you fail to do this, you may be liable for the company's debts in your capacity as director. You need to report your inability to pay quickly: generally speaking, this has to be done within two weeks of the date when the company should have paid its tax.

***Tip:** One option may be to request a relaxation of the payment scheme for (coronavirus-related) tax debts.*

***Please note:** If you are experiencing liquidity problems, contact your tax advisor as soon as possible to discuss whether, when and how you need to report this.*

### 3.16 Check your 2024 provisional corporation tax assessment

The rules on tax interest are strict. The interest you have to pay to the Tax and Customs Administration is very high, especially if you compare it to the interest paid on a savings account. From 2025 a rate of 6.5% (depending on the ECB rate) will apply to all taxes, with the exception of corporation tax, for which the rate will be 9% (depending on the ECB rate). You therefore need to examine your provisional assessment or provisional refund with a critical eye. Has your company performed better than you thought in 2024? Do your (provisional) figures suggest that your company will have to pay additional corporation tax for 2024? If so, ask for your 2024 provisional corporation tax assessment to be adjusted. That way you can avoid having to pay tax interest.

*Please note: The court recently decided that the tax interest for the company is too high. If you do receive a assessment, ask your tax advisor whether it would be sensible to lodge an objection against the tax interest!*

*Tip: You can avoid tax interest by submitting a request for a provisional assessment for 2024 before 1 May 2025 or by filing your corporation tax return for 2024 before 1 June 2025.*

### 3.17 Avoid debate: always draw up a good loan agreement

In recent years the Tax and Customs Administration has focused considerable attention on loans between companies. If the loan has not been granted on commercial terms, it is considered a non-arm's

length loan. A non-arm's length loan may apply if no repayment schedule has been agreed or if insufficient security has been provided to the creditor. If a non-arm's length loan is deemed to exist, any loss on this loan cannot be deducted from your profit.

To avoid a loan being regarded as a non-arm's length transaction, you first need to draw up a loan agreement. Ensure you make good agreements on the interest to be paid and the repayment of the loan, as well as on the security for the creditor. This also applies if the loan is granted between the company and the natural-person shareholder.

### 3.18 Check whether you have documented all agreements with the company

The director/major shareholder and the company are often regarded as one and the same. Strictly speaking, of course, that is not the case. This means that all agreements between the company and the director/major shareholder need to be set out in writing. You should therefore check whether you have taken care of this for all agreements (employment contract, loan agreement, etc.).

*Tip: While you are making sure everything is documented, also check whether your employees all have a written employment contract. If they do not have a written employment contract, a higher rate applies to the unemployment insurance contribution.*

### 3.19 Obligation for large employers to report on work-related personal mobility

If your organisation employs 100 or more people, as of 1 July 2024 you are required to report on the business travel and commuting journeys of your employees. This reporting obligation has been introduced to gain an insight into CO<sub>2</sub> emissions in the Netherlands, with a view to cutting such emissions. The requested data for 2024 must be submitted by no later than 30 June 2025.

### 3.20 Open limited partnership and mutual fund

With effect from 2025 open limited partnerships (open CVs) will be regarded as fiscally transparent and mutual funds will, as a rule, no longer be independently subject to corporation tax. In principle, this will result in the mandatory transfer of assets, including settlement of any tax owed, and the sale of the participation of the limited partner or the unitholder in the mutual fund with effect from 31 December 2024. Extensive transitional arrangements have been put in place, but these require restructuring to take place in 2024. As such restructuring operations generally involve the use of a notary, we recommend setting this process in motion as quickly as possible.

*Please note: Such a restructuring operation is a complex process. Make sure you get help from a specialist.*

## 4. Private individuals



#### 4.1 Lower tax advantage for deductibles

Many deductibles can no longer be deducted at the highest income tax rate, but have been capped at a certain rate. This is the case for the deduction of interest on home acquisition debt and for personal deductions, such as matrimonial maintenance, for example. The rate at which deductions can be applied is being reduced to the rate in the lowest tax band: in 2024 this is 36.97% and in 2025 37.48%.

#### 4.2 Combine deductibles

For certain deductible costs you need to take an income-dependent threshold into account. This is the case for healthcare costs and charitable gifts, for example. It may therefore be beneficial to bring forward or defer costs or gifts so you only have to worry about reaching the threshold once, instead of separately in each year.

**Please note:** A ceiling applies to the deduction of gifts. This has been set at 10% of your aggregate income (your total income from boxes 1, 2 and 3), before any personal deductions are deducted. If the gifts exceed this ceiling, you are better off splitting them.

**Tip:** Consider converting annually recurring gifts into a periodic gift. A threshold then does not apply. Your tax advisor can help you with this.

**Please note:** Cash gifts are not deductible. You therefore need to make the payment by bank transfer.

#### 4.3 Request for extra deduction for gifts to cultural institutions

For deduction purposes, gifts to cultural institutions are increased by 25%, but by no more than € 1,250. For 2017-2022 the maximum increase legally applies on a per-person basis. As of 2023 it applies to tax partners jointly. In its tax return systems up to 2023 the Tax and Customs Administration has already taken a maximum joint increase for partners of € 1,250 as a basis.

**Tip:** Does 25% of the amount of annual gifts made to cultural institutions by you and your partner come to more than € 1,250 in 2018-2022? If so, for these years you can ask the Tax and Customs Administration to reduce your tax assessment. This can be done by requesting an official reduction, or, if the tax assessment was imposed less than six weeks ago, by means of an objection. For 2019 you need to apply for the reduction by 31 December 2024.

#### 4.4 Avoid the high tax in box 3

Since 1 January 2024 the tax-free allowance in box 3 has been € 57,000. Tax partners pay no tax on assets up to € 114,000. Above this amount you pay 36% tax on income in box 3. Since 1 January 2024 box 3 income has been calculated as follows. Firstly, an imputed income is calculated for three asset categories: bank balances, investments/other assets and debts. The flat-rate percentages for bank balances and debts for 2024 will not be announced until February 2025(!). In the case of investments the flat-rate percentage for 2024 is 6.04% (2025: 5.88%). These imputed incomes are added together and divided by your total assets (rate of return). You multiply this rate of return by your assets above your tax-free allowance. In 2024 you will pay 36% (2025: 36%) tax on the income calculated in this way in box 3.

***Please note:** As of 1 January 2023 cash, shares in homeowners' association (VvE) reserve funds and assets in a notary's/bailiff's client account are taxed on the basis of the imputed return for bank balances.*

***Tip:** The flat-rate percentages for investments are higher than those for bank balances and debts. For purposes of the tax in box 3 it may be beneficial to use investments to pay off debts or to hold the proceeds as a bank balance following the sale of investments. You should do this before the reference date of 1 January 2025.*

***Please note:** In connection with anti-abuse provisions, any reduction made to your investments in the last quarter of 2024 in favour of your bank balances must be maintained for at least three months, unless you can demonstrate that the transaction was effected for reasons not related to tax. Otherwise, such transactions will be disregarded on the reference date of 1 January 2025.*

***Tip:** It may also make sense to pay off debts in box 3 if you have limited assets and do not pay tax in box 3, as in this way you can avoid high interest charges.*

#### 4.5 Villa tax: ask your tax advisor whether it would be sensible to lodge an objection

If you have a home with a WOZ value (value for purposes of the Valuation of Immovable Property Act) of more than € 1,310,000 (2023: € 1,200,000) in 2024, an increased notional rental value of 2.35% is applied to the excess amount. This is referred to as the 'villa tax'. It is possible that this villa tax contravenes European law. Have you received a final income tax assessment in which the villa tax has been applied? If so, ask your tax advisor whether it would be sensible to lodge an objection! You must do this within 6 weeks of the date of the assessment.

*Please note: due to the problems associated with box 3, the Tax and Customs Administration will not be imposing final assessments for 2021 to 2023 if your box 3 assets include more than just bank and savings balances. If you do receive a final assessment for these years, ask your tax advisor whether it would be sensible to lodge an objection against the villa tax!*

#### 4.6 Apply to reduce box 3 income for 2019

In the so-called 6 June judgments delivered in 2024 the Supreme Court ruled that the Box 3 Reparations Act (2017-2022) and the Box 3 Bridging Act (2023 and subsequent years) are not acceptable. The Supreme Court held that reparations should be offered by taking the actual return on box 3 income as a basis.

*Please note: If you have a final assessment for 2019 with an assessment date that falls on or after 12 November 2021, or if the date of the final assessment is before 12 November 2021 but you have lodged an objection in time against the 2019 assessment, you need to take action. To qualify for box 3 reparations on the basis of actual returns, you must submit a request for an official reduction before the end of the year. You may have received a form with a reply-paid envelope from the Tax and Customs Administration for this purpose. This form must be returned to the Tax and Customs Administration well before the end of this year. If you have not received a form with a reply-paid envelope from the Tax and Customs Administration, contact your tax advisor.*

#### 4.7 Make use of your partner's general tax credit

If your partner was born after 31 December 1962, the general tax credit will not be paid out to your partner if he/she has no income in 2024. You can make sure you do not miss out on the general tax credit for 2024 (€ 3,362) by allocating a portion of your box 3 assets to your partner. Your partner has to pay 36% tax on this, which can be offset with the general tax credit of € 3,362. Ask your tax advisor for advice.

#### 4.8 Opt for green investments

Do you have assets in box 3 on which you have to pay income tax? If so, think about whether it would be beneficial to make green investments, as an exemption applies to green investments in box 3. The value of these investments is determined on 1 January of each year (reference date) and an exemption applies in box 3 up to a combined value of € 71,251 (2024). This is the amount that applies if you do not have a tax partner. For tax partners the amount of the exemption is doubled, i.e. € 142,502. You can also benefit from an additional tax credit. If you make green investments, you are entitled to the tax credit on these investments, which amounts to 0.7% of the exempt amount in box 3.

*Please note: You can only take advantage of the exemption and the tax credit if you have green investments on 1 January 2025. With effect from 1 January 2025 the exemption for green investments will be € 26,000 (for tax partners: € 56,000). Additionally as of January 1, 2025 the tax credit on these investments will be reduced from 0.7% to 0.1%. As of January 1, 2027 the exemption and tax credit for green investments will be abolished.*

#### 4.9 Get your prenuptial agreement checked

The decision to opt for a particular matrimonial property system is often a conscious choice made on entering into a marriage and is then taken as a given in the years that follow. However, changes to facts and circumstances over time may mean that a different matrimonial property system is considerably more favourable than the one originally chosen. It is therefore advisable to review this from time to time, particularly if there is a change to your family situation or a significant increase or decrease in your assets.

*Please note: A prenuptial agreement must be entered into or amended via a notary.*

#### 4.10 Implement the setoff clause in your prenuptial agreement

Do you have a prenuptial agreement and does this include a setoff clause? If so, do not forget to keep a record of the setoff made with your spouse. If this setoff has not been carried out (for a number of years), this can have extremely unfortunate consequences in the event of death or divorce. In such situations it is often then assumed that the partners were married in community of property.

*Tip: If you have not complied with the periodic setoff clause for a number of years, contact your tax advisor. This situation needs to be rectified as quickly as possible. Effect can be given to the intentions of the parties by means of a settlement agreement and an amendment of the setoff.*



#### 4.11 Buying or selling your own home and tax in box 3: before or after 31 December 2024?

If you will soon be selling your home, you will benefit from deferring the transfer of ownership until after the turn of the year if you have not yet purchased another home and want to use the sales proceeds from your current home for this. If you sell and officially transfer ownership of your home this year, the proceeds will fall into your box 3 assets. Waiting until after the turn of the year to transfer ownership means that the proceeds will not be considered for purposes of the tax on imputed return on investment on 1 January 2025.

If you want to buy a home and would like to pay a substantial portion of the price in cash, the opposite applies. In this case your assets switch from box 3 to box 1, which means it is beneficial to transfer ownership of the property before the turn of the year.

#### 4.12 Put off the purchase of your first home until 2025

If you are purchasing your first home this year, as a first-time buyer it may be beneficial, from a tax perspective, to put off the official transfer of ownership until 2025. That is because the transfer-tax exemption for first-time buyers is increasing from € 510,000 (2024) to € 525,000 from 1 January 2025. If you are purchasing your first home for a price between € 510,000 and € 525,000, you can avoid transfer tax of 2% by deferring the official transfer until 2025. To be eligible for the transfer-tax exemption for first-time buyers, the following conditions must be met:

- The buyer of the home is at least 18 and less than 35 years of age;
- The total value of the home is no more than € 510,000 in 2024 (2025: € 525,000);

- The buyer of the home has not previously taken advantage of the transfer-tax exemption for first-time buyers.

From 2025 the acquisition of economic ownership of a home is no longer excluded from the 2% rate or the transfer-tax exemption for first-time buyers. This exemption can only be used once, however. If the exemption has been used on acquiring economic ownership, for example, it cannot be used again when legal ownership is subsequently acquired.

A key-handover agreement is often concluded to allow a buyer to carry out work on a home before acquiring legal ownership. If, as a result of such an agreement, the risk of any change in value is transferred to some degree to the buyer, the buyer is deemed to have acquired economic ownership. This acquisition is subject to transfer tax.

With effect from 2025 a key-handover agreement will no longer be regarded as an acquisition of economic ownership and will therefore not result in a tax liability, provided that legal ownership of the home is transferred within 6 months and the home falls under the 2% rate or the transfer-tax exemption for first-time buyers.

**Please note:** To qualify for the transfer-tax exemption for first-time buyers, the buyer must also declare in writing clearly, emphatically and without reservation that he/she will use the home as his/her main residence (not just on a temporary basis).

#### 4.13 Put off the purchase of a second home or buy-to-let property until 2026

With effect from 2026 the rate applicable to second homes and buy-to-let properties will be reduced from 10.4% to 8%. The general rate for other immovable property will remain at 10.4%.

#### 4.14 Make large private purchases this year!

If you purchase a new car or new furniture for your living room out of private funds this year, you will save tax in box 3. That is because such assets are not included in the base for calculating the tax on imputed return on investment. This means that if you make a purchase with a value of € 50,000 this year, for example, your assets in box 3 on 1 January 2025 will be € 50,000 lower, while you do not have to declare the value of the car or furniture you have purchased in box 3. You may then remain within the tax allowance, saving you tax in box 3. Ask your tax advisor about the possibilities.

#### 4.15 Pay annuity premiums on time

If you need to build up an additional pension pot for your retirement, an annuity may be a good option. An annuity allows you to save so you can receive extra income alongside or instead of a pension. The premium or contribution you pay is deductible. If you would like to deduct premiums in your 2024 income tax return, you need to pay the annuity premium or contribution before 31 December 2024.

***Please note:** The premium paid is only deductible if you have a pension deficit. This is determined on the basis of the annual margin and reserve margin. Your tax advisor can work out whether you have a pension deficit and can inform you whether the annuity premium or contribution is deductible.*

*Tip: Since 2023 the annual margin and reserve margin for the deduction of annuity premiums have been greater. You will probably therefore be able to deduct more in annuity premiums than in previous years. Ask your tax advisor whether this could be an attractive option for you.*

#### 4.16 Make use of the income-dependent combination tax credit (IACK)

In 2024 you are entitled to the IACK if you have earned income of more than € 6,073, you have a child who is under the age of 12 and registered at your home address for at least 6 months of a calendar year, and you have a partner whose earned income is higher than yours. The IACK is capped at € 2,950 in 2024 and € 2,986 in 2025. Under certain conditions co-parents can also take advantage of the IACK, but separate rules apply to them. Talk to your tax advisor about this.

***Please note:** The IACK will be gradually reduced for all parents from 2027. This will result in the IACK being abolished altogether from 1 January 2035.*

#### 4.17 Request for averaging

If your income has fluctuated significantly in three consecutive years, you may still be entitled to a tax refund. By averaging your income – distributing it equally – over these three years, you can cancel out the adverse effect of the progressive rate of income tax. Averaging means that the tax will be recalculated on the basis of your average income over these three years. The difference between the tax actually charged and the recalculated tax after averaging will be refunded, after the deduction of a threshold. For 2024 this threshold amounts to € 545. Averaging is only possible on box 1 income. Talk to your tax advisor about this.

*Tip: Ask your tax advisor to check whether averaging could be an attractive option for you and over which years. Each year may only be included in a request for averaging once. Your tax advisor can also submit the request for you.*

*Please note: Averaging was abolished with effect from 1 January 2023. The last period over which averaging is possible are the 2022, 2023 and 2024 tax years.*

#### 4.18 Check your 2024 provisional income tax assessment

The rules on tax interest are strict. The interest you have to pay to the Tax and Customs Administration is very high, especially if you compare it to the interest paid on a savings account. From 2025 a rate of 6.5% (depending on the ECB rate) will apply to all taxes, with the exception of corporation tax, for which the rate will be 9% (depending on the ECB rate). You therefore need to examine your provisional assessment or provisional refund with a critical eye. Check your provisional income tax assessment or provisional refund

for 2024. Do you have to pay additional tax for 2024? If so, ask for your 2024 provisional income tax assessment or provisional refund to be adjusted. That way you can avoid having to pay tax interest. Talk to your tax advisor about this.

*Please note: You can avoid tax interest by filing your income tax return for 2024 before 1 May 2025.*

#### 4.19 Take advantage of gift tax exemptions

The two most well-known tax exemptions for gifts to children are the annual exemption (€ 6,633 in 2024) and the one-off increased exemption (€ 31,813 in 2024). This increased exemption can only be used once for a child between the ages of 18 and 40. Have you forgotten to make a 'large' tax-exempt gift to your son or daughter in time (before his/her 40<sup>th</sup> birthday)? If his/her spouse or partner is under 40, you can still take advantage of this exemption when making a gift to your child. Ask your tax advisor about the possibilities.

***Please note:** If you take advantage of the one-off increased exemption of € 31,813, you can no longer make use of the other increased exemptions in later years (see below). If you have already benefited from an increased gift tax exemption for your child, it is not possible to make use of this exemption again.*

***Please note:** You need to file a gift tax return if you have taken advantage of the one-off increased exemption. If you only make use of the annual exemption, you do not need to file a return.*

#### 4.20 Give your child a tax-free gift of € 66,268 for an expensive course of study

In 2024 parents can give a child a one-off tax-free gift of € 66,268 to allow them to follow an expensive course of study. To take advantage of this exemption, the following conditions must be met:

- the child must be between the ages of 18 and 40 at the time the gift is made;
- the gift must be made in a single year and may not exceed € 66,268;
- the child must use the amount of the gift to pay for the costs of a course of study or a vocational training programme for which the costs, excluding living expenses, are at least € 20,000 per year;
- the intended use of the gifted amount for a specific course of study or training programme and the expected costs of this course or programme must be documented in a notarial deed, and the money must have been spent on this course or programme in the second year following the year in which the gift is made at the latest.

***Please note:** You need to file a gift tax return if you make use of this exemption. If you have already benefited from an increased exemption for the same person, it is not possible to make use of this exemption again. Talk to your tax advisor about this.*

#### 4.21 Make a gift to your (grand)child

For gifts to children there is a regular annual exemption of € 6,633 (amount for 2024). For a gift to a grandchild the exemption is € 2,658.

#### 4.22 Make a gift with acknowledgement of debt

If you make a gift with acknowledgement of debt, you make a gift to your children 'on paper': you gift a sum of money but the actual payment remains outstanding. This means that you have a debt to your children and your children have a claim against you. They can usually only claim payment upon the death of the last surviving parent. This form of gift is a good option if you do not have sufficient spare funds available, for example because the money is tied up in your business or in investments.

***Please note:** You need to pay your children interest of 6% per year on the outstanding amount. If you fail to do so, your children will be deemed to have received the amount of the gift (plus the interest payable) pursuant to inheritance law upon your death. They will then have to pay inheritance tax on it. Your income therefore needs to be sufficient to pay interest annually. In principle, the gift must also be documented in a notarial deed.*

#### 4.23 Gifting a company to your children

Tax facilities are currently available if you gift a sole tradership or shares in a private limited company within which a business is operated. The income tax claim can be deferred and there is a conditional exemption from gift tax. Are you planning to gift your company within the foreseeable future? If so, in view of the changes to these tax facilities, it is worth considering bringing this gift forward. Talk to your tax advisor about this.

#### 4.24 Increased exemption for gifts for purchase/renovation of own home

Gifts made in 2022 to help a person with the purchase/renovation of his/her own home must be spent on this home by 31 December 2024. If the gift is not spent by this date, you must notify the Tax and Customs Administration before 31 May 2025. If the gift agreement included the resolute condition that the gift for the person's own home must be spent on time, the recipient will then have to pay back the amount in question and no gift tax will be due. If this condition was not included, gift tax must be paid. Talk to your tax advisor about this.