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About Prinsjesdag

The third Tuesday of September is traditionally known as 'Prinsjesdag' in The Netherlands (In English: "Little Prince Day") as it was originally used to celebrate the birthdays of the Princes of Orange. On Prinsjesdag, or Budget Day as it is called abroad, King William-Alexander gives the Speech from the Throne. The Speech from the Throne sums up the state of the nation, and outlines the government plans for the coming year. After the speech, the Minister of Finance presents the Chair of the House of Representatives with the National Budget and the Budget Memorandum. These documents describe how the Dutch government plans to execute its plans, and how much of the budget is allotted to each plan.

The National Budget, the Budget Memorandum, the Tax Plan and other official Prinsjesdag documents can be found on <https://www.rijksoverheid.nl/onderwerpen/prinsjesdag>

23 September 2020

PRINSJESDAGSPECIAL TAX PLAN 2022

Expected changes in 2022

Payroll taxes/Income tax (summary)

The proposed measures will enter into force on 1 January 2022, unless stated otherwise.

Temporary increase of free space Work Cost Scheme

It had already been proposed and approved to increase the 'free space' of the Work Cost Scheme (WKR) for the year 2021. The free space is now set at 3% of the total fiscal wages up to and including € 400,000, plus 1.18% of the excess. Now the earlier approval has been laid down in the law, the increase of the free space offers employers opportunities to provide extra support to their employees during the COVID pandemic. This can e.g. be done by providing a gift card or to reimburse work-from-home expenses untaxed, in addition to the options that are already given in the law.

Please note!

The proposal will enter into force with retroactive effect from 1 January 2021.

Note: *no* increase has been proposed for the 2022 calendar year. Based on the current data, the free space for 2022 is set at 1.7% of the total fiscal wages up to and including € 400,000, plus 1.18% of the excess.

Tip!

Due to the extra free space in 2021 on the total fiscal wages up to and including € 400,000, the application of the so- called 'group scheme' for wage tax purposes may be unfavorable. Verify whether calculating the free space per individual group component is more favorable in your case.

'Customary wages' innovative start-ups

Since 2017, the salary of director major-shareholders (DGA's) of innovative start-ups can be set at the statutory Dutch minimum wages. This exception, included in the customary wages rules for director major-shareholders, improves the liquidity position of innovative new companies. The exception would expire on 1 January 2022, unless the measure was positively evaluated. Because the evaluation has not yet been completed, the expiry date of the exception will be postponed to 1 January 2023. In 2022, the statutory minimum wages can therefore also be applied for director major-shareholders of innovative start-ups.

Please note!

To be able to use the allowance, a so-called *R&D starter statement* is required.

Tip!

If the above-mentioned evaluation turns out positive, a lower wages may also be possible after 2023.

The Dutch tax authorities may approve an even lower usual wages than the statutory minimum wages, for example in the event of a structural loss situation.

Taxable moment stock options: election regime for non-tradeable shares

According to current Dutch wage tax law, employee stock options are normally taxed at the moment when these option rights are exercised (or alienated). However, at exercise of a stock option, the employee does not always have the required cash available to pay the wage tax due.

It is now proposed to defer the taxable moment of employee stock options to the moment when the shares acquired through the exercise of the option can be traded. However, the proposal also provides the employee with a choice to elect taxation of the stock option benefit at exercise (as it is now), provided additional conditions are met.

Tip!

The employee can still elect to be taxed at exercise, but obviously the pro's and con's of either choice should be carefully reviewed. Employers need to administer this election and inform the employees about this election.

Introduction of tax-free working from home allowance

Employers may provide their employees with a tax-free allowance for working from home of a maximum of € 2 per day worked at home. This may also be a fixed (monthly) amount, according to a consistent working-from-home pattern. The employer can either provide the working from home allowance, or the existing business travel allowance per day.

Tip!

Timely draft proper agreements with your employees detailing the working from home arrangements and the compensation linked to it. Consider that the tax-free working from home allowance will only apply as of 1 January 2022.

Just like the fixed business travel allowance, it is possible to apply the "128/214 rule" for the fixed work-from-home allowance. Both benefits may be applied simultaneously to employees working in hybrid mode (partially at the office, partially from home), provided that they are applied pro rata. For this, agreements must be made about the number of home-working and office days.

Simplification of R&D contribution reduction

The application for an R&D contribution reduction will be simplified. From now on, an entrepreneur can submit a new application that starts the next calendar month, even if that month has already been included in a previous R&D statement. This means that it is possible to respond quickly to new projects. Statements now also relate to all remaining months of a calendar year. This simplifies the completion of the communication, which the withholding agent must make at the end of every year. From now on, the withholding agent may also decide for himself which part of the amount granted he will deduct during a period. This provides entrepreneurs with more flexibility.

Car

Phasing out advantage of electric cars

In 2021, the addition to income for the private use of a company car, may be discounted by 10% in case of electric cars and other cars without CO₂ emissions. With a few exceptions, this discount is at most € 4,500 (calculated on a catalogue value of maximally € 45,000). As of 1 January 2022, the discount will be decreased to 6% and will then be maximally € 2,100 (calculated on a catalogue value of maximally € 35,000). In 2023, the discount will be at most € 1,800 (calculated on a catalogue value of maximally € 30,000).

Please note!

There will be a further reduction in the discount as from 2025. The discount will then be 5% with a maximum of € 1,500.

Adjustment of the Car Tax (BPM) table

Because cars emit less and less CO₂ and the amount of the Dutch Car Tax (BPM) is based on these CO₂ emissions, the annual yield of the Car Tax has decreased. To combat this, the limits for passenger cars will be reduced by 2.3% each year for the period up to and including 2025 and the rates will be increased by 2.35%. This also applies to diesel vehicles. From 2023 onwards, the rates will first be indexed and then increased by 2.35%.

Disclosure obligation

From 2022, a new disclosure obligation (or: notification obligation) will apply to payments for work performed, or services rendered, that are made to persons who are not included in the payroll administration.

The data that must be provided are the name, address, date of birth, civil service number (BSN) and the amounts that have been paid (including expense reimbursements). The specific way in which this notification should take place is still to be published. The data must be provided annually after the end of the calendar year, no later than 31 January. For 2022, the data must therefore be provided by 31 January 2023. As from 2023, it will also be possible to provide the data during the year, as is now also possible with the so-called IB47 form.

Exceptions to the obligation

Exceptions apply for the following situations: work that has been performed as an employee, artist or professional athlete, as a member of a foreign company or as a volunteer (all within the meaning of the Dutch Wage Tax Act). In addition, activities or services are excluded for which an invoice has been issued on which VAT is stated. Fees for a copyright or related right to heirs are also excluded.

Exception for the tax partner definition for the application of income-dependent combination discount (IACK)

For the income-dependent combination discount (IACK), the treatment of taxpayers with non-resident partners will be determined on an equal basis as the treatment of taxpayers with a partner who is a resident taxpayer.

Someone who lives abroad at one address with a non-working partner can now still be classified as a single person for the purpose of the IACK. It is also possible that two foreign taxpayers with Dutch labor income who are registered with a child outside the Netherlands at the same address, are both entitled to the IACK. These exceptions to the tax partner rule will no longer apply to the IACK going forward.

Deduction of study costs

As of 2022 study costs are no longer deductible via the personal income tax return. Instead, an individual needs to file a request for a STAP-budget of maximum € 1, 000. This application can be effectuated as per 1 March 2022.

Income tax rates 2022 (non-AOW pensioner)

Taxpayers who have not yet reached the state pension (AOW) age at the beginning of 2022 are expected to be covered by the following rate brackets in 2022.

Income tax rate 2022			
Box 1 rate	Tax income more than (€)	but not more than (€)	Rate 2022 (%)
Bracket 1	-	69.398	37,07%
Bracket 2	69.398	-	49,50%

Income tax rate 2021			
Box 1 rate	Taxable income more than (€)	but not more than (€)	Rate 2021 (%)
Bracket 1	-	68.507	37,10%
Bracket 2	68.507	-	49,50%

These percentages include national insurance contributions. For individuals to whom other national insurance contributions apply, a different rate structure applies

Income tax rates 2022 (AOW-pensioners)

Taxpayers who reached the AOW entitlement age at the beginning of 2022 and were born after 1946, are expected to be covered by the following rate brackets in 2022.

Income tax rate 2022 (AOW pensioners)			
Box 1 rate	Taxable income more than (€)	but not more than (€)	Rate 2022 (%)
Bracket 1	-	35.472	19,17%
Bracket 2	35.472	69.398	37,07%
Bracket 3	69.398	-	49,50%

Income tax rate 2021 (AOW pensioners)			
Box 1 rate	Taxable income more than (€)	but not more than (€)	Rate 2021 (%)
Bracket 1	-	35.129	19,20%
Bracket 2	35.129	68.507	37,10%
Bracket 3	68.507	-	49,50%

These percentages include national insurance contributions. For individuals to whom other national insurance contributions apply, a different rate structure applies.

Box 3

The capital that is exempt from tax in box 3 will increase slightly to € 50,650 per person (in 2021: € 50,000). That is € 101,300 for tax partners. The rate of the box 3 tax remains 31%.

Amended tax credits

This only includes the changes in tax credits as stated in the Explanatory Memorandum of the Tax Plan 2022. These changes concern taxpayers who are below the AOW pension age. Lower ceilings apply to AOW recipients.

Tax credits	2022 (€)	2021 (€)
General tax credit maximum	2.874	2.837
Labour discount max.	4.260	4.205
Income-dependent combination discount max.	2.534	2.815
Young disabled discount	771	761

Corporate income tax rate

The first EUR 395,000 of taxable profits is taxed at 15% and the remainder of taxable profits is taxed at 25%.

Source:

Budget 2022

<https://www.rijksoverheid.nl/documenten/kamerstukken/2021/09/21/belastingplan-2022>

New disclosure obligation

<https://zoek.officielebekendmakingen.nl/stb-2021-358.html>