

Special report on Prinsjesdag: 2024 tax plan

Key highlights of expected tax changes for 2024

In the wake of the Dutch cabinet's resignation this summer, and the upcoming elections on November 22, 2023, the outgoing government presented the budget for 2024 on "Prinsjesdag", September 19, 2023. Pending approval by the House of Representatives and the Senate of The Netherlands, the 2024 Tax Plan is set to take effect on January 1, 2024, unless specified otherwise. Please find a summary of anticipated tax changes for 2024 below.

Employment taxes

1. 30% facility

- The salary threshold for the 30% facility will increase to € 46,107 (to be confirmed) - (from € 41,954 in 2023), starting January 1, 2024.
- For employees under 30 years of age with a Master's degree, the new salary threshold will be € 35,048 (to be confirmed) (up from € 31,891 in 2023).
- A significant change is the introduction of a cap on the tax-free allowance (already announced in 2023). This cap set at 30% of the so-called prime minister's salary, as defined in the Dutch Act on the Limitation of High Incomes ("WNT"). This amount is € 233,000 for 2024. As such, the maximum tax-free allowance is € 69,900 per year (pro-rated accordingly if the facility only applies for part of the year). The WNT amount is adjusted annually.
- The 30% facility is designed to cover extraterritorial costs, without requiring additional proof of those expenses. Employers can however opt to reimburse employees' *actual* extraterritorial costs (through a declaration of incurred expenses), instead of using the capped tax-free 30% facility allowance. This may be advantageous if those actual costs exceed the allowance. It does however involve a more complex (administrative) process.
- The choice between reimbursement methods (through expense declarations or via the 30% facility) must be made annually.
- The reimbursement of fees for international schools remains tax-free, and this exemption is unaffected by the proposed changes. This makes it advisable to review employee compensation packages for tax optimization opportunities.
- There is no change proposed on the box 3 exemption applicable for employee eligible for a 30% ruling.

Based on the Parliamentary discussion the current 30% ruling benefits are being challenged compared to the tax burden for employees without 30% ruling.

2. Travel allowances and working from home allowance

- The general mileage reimbursement for business / commuting kilometres) is increased to € 0.23 per kilometre in 2024 (up from € 0.21 in 2023).
- To reduce the administrative burden of hybrid work arrangements, the private use of a public transport card provided or reimbursed by the employer will be exempt from taxation, provided the card is also used for business travel (including commuting).
- The tax-free working from home allowance will be € 2.35 (to be confirmed) per day (up from € 2.15 in 2023).

3. Work-Related Costs Scheme ("Werkkostenregeling"): free space

- The free space under the Work-Related Costs Scheme will be reduced in 2024. The first bracket is 1.92% of € 400,000 (down from 3% in 2023), and the second bracket remains at 1.18% of the remainder of the total wage bill.

4. Social security rates 2024

National insurance contributions

- The salary ceiling for national insurance contributions is set at € 38,139 (to be confirmed) - (up from € 37,150 in 2023).
- General Old Age Act (AOW): contribution by employees remains at 17.9%.
- General surviving relatives law (Anw): contribution by employees remains at 0.1%.
- Long-term Care Act (WLZ): contribution stands at 9.65%.

Employees insurance contributions

- The salary ceiling for employees insurance contributions is set at € 71,624 (to be confirmed) (up from € 66,956 in 2023).
- *Disability fund (Awf)*
There are two contribution rates within the Awf: a low rate for permanent employment, and a high rate for flexible employment. The low rate is set at 2.64% for 2024, and the high rate at 7.64%. This is equal to 2023. On average, employers pay an Awf contribution of 3.89%.
- *Childcare surcharge (Wko)*
The contribution for childcare will remain unchanged at 0.5% for 2024. The childcare contribution surcharge is paid by employers by means of a surcharge on the Aof contribution (see below).
- *General unemployment fund (Aof)*
The Aof contribution will average 7.25% in 2024. The Aof contribution has two different rates: a rate for small employers (up to 25 times the average contributory wage bill), and a rate for larger employers ("Aof-low" and "Aof-high"). In 2024, small employers will pay a contribution of 6.18%, and large employers 7.49%. For 2023, small employers pay 5.82% and large employers 7.11%.
- *Work resumption fund (Whk)*
The average contribution for the Work resumption fund (Whk), from which the benefits are paid for partially disabled persons, as well as benefits under the Sickness Insurance Act, has been set at 1.22% for 2024. For 2023 this is 1.53%.
- *Healthcare act (Zvw)*
Health care contributions are 6.57% (in 2023: 6.68%).

5. Income tax - Box 1

- The income tax rates for 2024 (for individuals below the AOW pension age) will feature two brackets:
 - The first bracket (€ 0 - € 75,624) is 36.97% (including National Insurance Contributions of 27.65% up-to an amount of € 38,139).
 - The second bracket (> € 75,624) remains at 49.5%.
- Tax credits will be adjusted (e.g. labour credit), aiming to reduce tax on employment income.

6. Income tax - Box 2

- In 2024, Box 2 income tax will feature two brackets:
 - A basic rate of 24.5% for the first € 67,000 of profit from substantial interest
 - A rate of 31% for profits exceeding € 67,000.

7. Income tax - Box 3 (wealth tax)

- Ongoing complexities concerning Box 3 taxation will persist, with potential changes being expected only for 2027.
- The current (modified) legislation continues to be in effect until 2027, with different deemed yield percentages for various asset categories.

Current (modified) legislation

- Until January 1, 2027, the current (modified) system of taxation of deemed capital yields will remain in place (i.e. for the years 2023, 2024, 2025 and 2026).
- For the tax years preceding 2023, taxpayers have a choice between taxation according to the previous legislation, or according to the current (modified) legislation. The modification took place after the verdict of the Dutch Supreme Court. However, this modified legislation is also under scrutiny at the moment, since the deemed yield on so-called "other assets" is not tied to the actual yield.
- In the current (modified) system, there are 3 categories of assets, and each has its own deemed yield percentage:
 - Savings (bank accounts): percentage based on the current savings interest of 0.36% (2023).
 - Other investments (shares, real estate et cetera): estimated percentage in 2023: 6.17%;
 - Deductible debts: estimated percentage (in 2023): 2.57%.
- For 2024, the deemed yield percentage per category (i.e. savings, other investments and deductible debts) will be assessed by the government at the end of year 2024. The reference date to determine the capital remains 1 January of the year.
- With effect from 1 January 2024, the tax-free sum remains € 57,000. For partners, the tax-free sum is doubled to € 114,000.
- The tax rate itself will be increased to 33% in 2024, settling at 34% in 2025.
- The following is proposed for 2024, as a refinement of the current legislation:
 - Shares in a reserve fund of an Owners' Association ("VVE") and claims to money deposited in a civil-law notary's clients' account were regarded as "other assets" under the Box 3 Bridging Act, and are therefore relatively heavily taxed. They will now both be qualified as property rights under the "savings" category of Box 3, and therefore a lower yield will be taken into account (as per 1 January 2023).
 - The government proposes to de-fiscalise claims and debts between tax partners and between parents and minor children as per 1 January 2023. These do not have to be declared in the income tax return. This prevents such mutual claims and debts from leading to Box 3 taxation due to the difference in tax rates between debts and claims.
 - In case of parents and minor children, this only applies to the situation where the income of the minor child is allocated to the parents, because only then the same declaration is involved.

New system as of 1 January 2027?

- After the government had already made some progress toward a new Box 3 tax system with the "Contour note" last year, a next step in this process has recently been taken.
- On September 8, 2023, an internet consultation was started concerning a detailed draft bill which aims to arrive at a Box 3 levy based on actual returns by 2027. This system will be a combination of a capital gains tax and taxation of actual income from assets.

8. Corporate income tax

- Tax rates remain unchanged with a 19% rate for profits up to € 200,000 and a 25.8% rate for higher profits.

7. Miscellaneous

- Lucrative interests: so-called "shareholder loans" will be included in the assessment of lucrative interests, with retroactive effect as from June 26, 2023.
- Qualification of foreign entities: adjustments are made to legal forms, to prevent hybrid mismatches and to abolish the concept of open limited partnerships ("open CV's") by 2025.
- Excessive loans by substantial shareholders-emigration cases: certain legal overkill within the law has been addressed.
- Increase of the Child-related budget (Kindgebonden budget): an increase is made to the child-related budget, to assist parents with the expenditure of children.
- Minimum hourly wage: in 2024, a mandatory minimum hourly wage is introduced for all employees aged 21 and over, with fixed minimum youth wages for employees under 21. From 2024 onwards, the fixed minimum monthly, weekly and daily wages will be abolished.

This report summarizes the expected tax changes for 2024 in The Netherlands based on the presented budget on Prinsjesdag, September 19, 2023. Source: rijksoverheid.nl (as of September 20, 2023).

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