



Changes in the Netherlands

VAT and Holding companies

From July 1st, 2025, the Dutch "Holding Decree" and "Share Sale Decree" will be replaced by two new decrees:

- ✓ the **Deduction Decree**, which introduces guidelines for the deduction of VAT on costs related to the acquisition, issuance, holding, and sale of shares (Besluit aftrek van voorbelasting bij aandelenactiviteiten) and
- ✓ the **Decree on Taxable Status and VAT Grouping** which includes approval for the inclusion in the VAT group of holding companies that do not qualify as VAT entrepreneurs. (Besluit belastingplicht en fiscale eenheid btw)



Key changes:

1. Clarification of VAT taxable activities where input VAT deduction on share-related costs is only allowed if:
 - ✓ The business interferes in the management of the company in which it holds shares.
 - ✓ The shareholding is a direct, permanent, and necessary extension of its economic activity (immediate link).
 - ✓ The business is a commercial trader in shares.
2. Clarification on cost allocation:
 - ✓ **Direct costs** (e.g., legal or advisory services before a share sale) are typically not deductible unless the sale supports a VAT-taxable activity.
 - ✓ **General costs** may be partially deductible using a pro-rata method if they support the overall economic activity of the business.
 - ✓ **Exception:** Deduction of VAT may still apply if the buyer is outside the EU.
3. Pure holding companies can still be included in a VAT group, but:
 - ✓ Inclusion must now be formally requested and approved, no longer automatic.
 - ✓ Applies to management holdings and intermediate holding companies actively performing steering roles within a group.

VAT on education and sport

The Ministry of Finance has released the Spring Memorandum 2025 on April 18th, 2025, confirming that the proposed increase in the VAT rate from 9% to 21% from 2026 for goods and services in the field of culture, media and sport will not be implemented.

International changes

Estonia VAT rate

From July 1st, 2025, the standard VAT rate of Estonia will be temporarily increased to 24% from the current 22% and remain in effect until December 31st, 2028 as part of budgetary measures.



Distance sales of imported goods and import VAT

On the ECOFIN meeting held on May 13th, 2025, EU Finance Ministers agreed on a draft directive to amend VAT rules for low-value imports, which means that responsibility for import VAT and VAT on distance sales will shift to suppliers or online platforms instead of the current system of postal and courier operators collecting import VAT. Member States must implement the directive by July 1st, 2028.

Key changes:

- ✓ Suppliers or platforms must register for VAT in each Member State where goods are delivered or use the IOSS (Import One-Stop Shop) scheme. IOSS (Import One-Stop Shop) simplifies VAT collection on online sales of goods worth up to €150 shipped from outside the EU to consumers within the EU. With IOSS, sellers charge VAT at the point of sale and remit it through a single IOSS registration.
- ✓ Sellers from third countries that are not part of an administrative cooperation agreement must designate a tax representative when not using IOSS.
- ✓ Sellers will no longer be able to shift the import VAT responsibility to the customers via the scheme which was only introduced with the EU VAT eCommerce Package in July 2021.

HIGHLIGHT: Negative wages from selling company shares



This outlines the Dutch wage tax implications for employees who incur a financial loss due to a contractual obligation to sell company shares at a fixed price upon termination of employment — typically under a bad leaver clause. Specifically, it examines the conditions under which such a loss may be considered negative wages (negatief loon) for wage tax purposes.

Background

In many equity compensation plans, employees are granted or acquire company shares subject to certain restrictions. Upon termination, a bad leaver clause may compel the employee to sell the shares at a predetermined price, which may be lower than the fair market value (FMV) at the time of sale. In such cases, the employee may suffer a financial loss, particularly when the sale price is below the FMV. Under Dutch tax law, this difference may qualify as negative wages, thereby reducing the employee's taxable wage base.

Conditions for Negative Wages

To qualify as negative wages under Article 10 of the Dutch Wage Tax Act (Wet op de loonbelasting 1964), the following three cumulative conditions must be satisfied:

- ✓ **Link to the Employment Relationship.** The loss must directly arise from the employment relationship. In this case, the bad leaver clause is typically part of the employee's remuneration structure or share plan.
- ✓ **Actual Loss.** The employee must incur a real, demonstrable financial disadvantage (i.e., the sale price is lower than the FMV of the shares at the time of sale).
- ✓ **Employer's Knowledge or Involvement.** The employer must have knowingly caused, or at least accepted, the possibility of this disadvantage. This can often be demonstrated by the employer's role in drafting or enforcing the share plan and bad leaver clause.

Tax Consequences

If all conditions are met, the financial loss qualifies as negative wages, which reduces the employee's taxable income for wage tax purposes. Consequently, the wage tax due is lowered accordingly.

This applies regardless of whether the employee previously received a taxable benefit upon acquisition of the shares (e.g., at a discount or for free). That prior benefit is taxed independently and does not affect the assessment of negative wages.

Practical Considerations

Documentation is essential. Employers should retain evidence of FMV, the agreed transfer price, and the terms of the bad leaver clause. If shares are held through a holding company or trust, additional complexity may arise, and professional advice is recommended.

The employer may consider proactively clarifying in the share plan that the loss on forced sale may constitute negative wages.

Conclusion

Losses incurred by an employee upon the forced sale of shares under a bad leaver clause may qualify as negative wages, provided that all statutory conditions are met. This can reduce the taxable wage and associated wage tax due. A careful review of the specific facts, plan documentation, and employer involvement is essential to substantiate this position.

Should you require any additional information or our assistance, please connect with us!

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