BRIDDGE
LEGAL & FINANCE

# Budget Day:
# 2027 changes in Dutch Tax

# Contents

## INTRODUCTION

In the Netherlands, Prinsjesdag, or Budget Day, is a key date for businesses. On the third Tuesday of September, this year on September 15th, 2026, the Dutch government presents its tax and spending plans for the coming year. The Minister of Finance also submits the Miljoenennota (Budget Memorandum) and the national budget to Parliament.

The 2027 proposals are in continuation with the plans started in previous years and include further clarification on tax measures, that may affect businesses operating in the Netherlands. These proposals remain subject to parliamentary debate and local and international approval.

Understanding the proposed changes at an early stage allows companies to assess their potential impact on tax positions, costs, compliance processes and future planning.

Below, we summarize the main proposed updates. If you would like to discuss how these developments may affect your business, our team is available to assist.

## PERSONAL INCOME TAX

**Updated Tax rates in Box 1**

As of January 1st, 2027, inflation in personal income tax will only be partially compensated, similar to last year. This leads to a higher relative tax burden for taxpayers. An adjusted application of the table correction factor (TCF) will be used, which normally fully follows inflation as calculated by Statistics Netherlands (CBS). This measure is intended as a budgetary offset, in the context of a "Freedom contribution" to support the military budget. Please kindly see the updates to Box 1 below:

| 2026 | | |
|---|---|---|
| **Bracket** | **Taxable income** | **Tax rate** |
| 1 | 0 > €38.883 | 35,75%* |
| 2 | €38.883 > €78.426 | 37,56% |
| 3 | €78.426 > - | 49,50% |

| 2027 | | |
|---|---|---|
| **Bracket** | **Taxable income** | **Tax rate** |
| 1 | 0 > €39.247 | 36,23%* |
| 2 | €39.247 > €78.426 | 38,16% |
| 3 | €78.426 > - | 49,50% |

** : including national insurance premiums ("NI").*

**Abolition of tax-deduction specific healthcare costs**

Taxpayers can currently deduct certain qualifying healthcare expenses, provided they meet the applicable conditions. Deductible healthcare costs can include items such as medication, medical aids, and other qualifying expenses. However as of 2028, the personal tax deduction for specific healthcare costs will be abolished.

**Box 3 (Savings and Investments) adjustments**

The changes announced by the government last year on Budget Day 2026, including the increase in the deemed return on "other assets" to 6.37% and the increase in the tax-free allowance to €60,098 as of 2027. The Box 3 tax rate will remain unchanged at 36%. The Box 3 reforms currently expected to take effect on January 1st, 2028, remain under discussion.

**Scale back and abolishment of Starter's(entrepreneurs) tax deduction**

The government proposes to reduce the starter's tax deduction and abolish it entirely from January 1st, 2028. The starter's deduction is a tax deduction available to qualifying entrepreneurs during their first years of business. First, the deduction will be reduced from €2.123 to €10 as of January 1st, 2027, and then removed completely as of 2028.

# WAGE TAX

**Startup and scale-up tax measures**

The Dutch government has proposed a new tax regime for employee share options granted by qualifying startups and scale-ups. Under the proposal, only 65% of the qualifying share-option benefit would be included in the employee's taxable wages while the employer meets the relevant startup or scale-up criteria.

Employees could defer taxation until they sell the shares acquired through the options, including where the sale takes place after they have left the company. Alternatively, employees could choose taxation under the regular share-option rules.

The proposed regime would be subject to certification, valuation, administrative, recordkeeping and reporting requirements. The options must relate to shares in the employer acting as the wage-tax withholding agent, and the value of the shares when the options are exercised must be at least equal to their value when the options were granted.

The employer would also need a positive decision from the Netherlands Enterprise Agency (RVO), confirming that it meets the applicable innovation, scalability, growth-plan, legal-form and financial-viability criteria. The certification is expected to remain valid for eight years, with possible five-year extensions, although these periods may still change during the legislative process.

Additional analysis may be required for cross-border movements of employees working in different countries, particularly regarding payroll withholding, the allocation of income subject to taxation between countries and potential double taxation. The measure is intended to take effect on January 1st, 2027, subject to completion of the legislative process and approval from the European Commission.

**Freezing of maximum pensionable salary cap**

In 2026, and now extended up to and including 2032, the maximum pensionable salary cap will be €137.800. As a result, the affected individuals (with taxable income exceeding the cap) will accrue less pension the coming years. The maximum is fixed, but the franchise (non-pensionable part due to old age pension) does index yearly, eventually lowering the pensionable basis.

**Adjustments to regulation of the company car market**

The government will regulate the company car market, as of 2027. It is intended for employers to only make available zero-emission cars to their employees, which they also use for private purposes (with tax addition being applicable). Should employers choose to provide fuel-powered cars instead, the employer will be taxed for 12% of the tax addition base. Company cars purely used for business purposes will not be affected. For fuel-powered company vehicles that were made available prior to 2027, a transition period applies up to September 17th, 2030, excluding them from the employer 12% tax addition. Some adjustments have been proposed this year, including:

- Replacement vehicles during repairment of the regular company car will not be subject to the employer tax addition for the first 14 days;
- Fuel-powered cars not exceeding a maximum of 7 days usage for personal purposes per calendar year, will not be subject to the employer tax addition.
- The ruling will not apply to manual driving school cars;
- The transition period is extended from September 17th, 2030, to December 31st, 2030.

- A proposed anti-cumulation rule prevents overlapping application of the pseudo-final levy on excessive severance payments and the pseudo-final levy on fossil-fuel company cars. In cases of overlap, only the levy on fossil-fuel company cars will apply.

**Abolishment of discount industry-specific products (shift to WKR)**
The government proposes abolishing the tax exemption for employee discounts on company products. Currently, employees can receive a discount for these products of up to 20%, capped at €500 per year, tax-free. Employers can still provide these discounts tax-free through the discretionary scope (*vrije ruimte*) within the WKR. The change is intended to simplify the WKR and reduce administrative burden.

**Reimbursement of business travel**
The maximum tax-free travel allowance in the Netherlands has increased from EUR 0.23 to EUR 0.25 per kilometer.
The increase applies retroactively from January 1st, 2026. This means employers can reimburse employees up to EUR 0.25 per kilometer tax free for eligible commuting and business travel during the whole of 2026.
Whether an employee receives EUR 0.25 per kilometer depends on the agreement between the employer and employee, as stated for example the employment contract or company travel policy. If an employer reimburses more than EUR 0.25 per kilometer, the amount above EUR 0.25 is treated as taxable salary, unless another tax exemption applies.

## CORPORATE INCOME TAX

**Rates remain the same in 2027**
In spite of negative evaluation of the current rate structure, the Dutch corporate income tax rates in 2027 will remain the same as in 2026.

| 2027 | |
|---|---|
| **Taxable amount** | **Tax rate** |
| 0 > €200.000 | 19% |
| €200.000 > - | 25,8% |

**FX hedging and participation exemption**
As from 2027, only the non-priced-in foreign exchange result on qualifying hedging instruments will be covered by the participation exemption. The priced-in FX result will remain taxable. Transitional rules apply to existing hedging instruments.

**Business mergers and demergers**
The statutory presumption of non-business motives where shares are transferred within three years following a business merger or demerger will be abolished.

**Energy Investment Allowance**
The applicable deduction percentage will be increased from 40% to 45.5%.

**Innovation box**
The maximum amount eligible for the simplified lump-sum regime will increase from EUR 25,000 to EUR 100,000 per taxpayer per year.

## DIVIDEND WITHHOLDING TAX

**Refund mechanism for Dutch investors**
A new refund mechanism will be introduced for Dutch resident individuals and entities investing through foreign investment funds that receive dividends from Dutch companies. The measure aims to eliminate unequal treatment compared with investments through a Dutch fiscal investment institution (FBI).

## VALUE ADDED TAX

**VAT rate changes**
VAT rate for floriculture products (such as flowers, plants, and flower bulbs) and hot air balloon flights will increase from 9% reduced rate to 21% as of January 1, 2028.

**Single VAT registration under ViDA**
The single VAT registration introduced under the ViDA (VAT in Digital Age proposal) aims to reduce the number of Member States in which businesses must register for VAT. The proposed Dutch legislation would expand the existing Union OSS scheme and introduce a new OSS arrangement for transfers of a business's own goods between Member States. The existing call-off stock arrangement would be gradually withdrawn and replaced by the new transfer scheme by June 30th, 2029 (subject to change).

The OSS expansion would cover additional B2C supplies, including certain domestic and installation supplies. This should reduce local VAT-registration requirements, although the business would still need to determine the correct place of taxation, VAT rate and reporting route for each transaction. The Dutch single-registration bill was submitted in March 2026 and remains under consideration by the House of Representatives. Its proposed date is January 1st 2027.

## GLOBAL MINIMUM TAX

**Side-by-Side safe-harbor package**
The Minimum Tax Act 2024 (Wet minimumbelasting 2024, WMB 2024), effective as of December 31st, 2023, introduced a minimum tax to ensure that multinational and domestic groups with revenues of €750 million or more pay an effective tax rate of at least 15% on their profits. The new Side-by-Side safe-harbor package agreed internationally on 5 January 2026 has not yet been incorporated into enacted Dutch legislation.

The concept bill includes

- an extension of the temporary CbCR safe harbor;
- a simplified effective-tax-rate safe harbor;
- a qualified equivalent minimum-tax-system safe harbor;
- an ultimate-parent-entity safe harbor; and
- a qualified tax-incentive safe harbor.

The proposed amendments will be included in the Safe Harbour Rules Minimum Tax Act 2024 Bill, which, once approved by Parliament, will partly take effect retroactively from 1 January 2026.

## CUSTOMS

**Abolition of the import duty exemption for e-commerce goods**

Due to structural market distortions and risk considerations, the EU has abolished the import duty exemption for consignments with a value of up to EUR 150 as of July 1st,2026 and introduced a temporary flat-rate duty of EUR 3 per declaration line (product category). From July 1st, 2028: this temporary flat-rate duty will be replaced by the application of the Common EU Customs Tariff.

On June 12th, 2026, the State Secretary for Finance confirmed that the Netherlands will not introduce an additional national handling fee for the time being and will monitor the developments of the EU handling fee, expected to be introduced from November 2026 on e-commerce parcels. The amount of this EU handling fee has not yet been determined

## TAX TREATY UPDATES

**Cross-border work from home ("WFH") between the Netherlands and Germany**

As of January 1st, 2026, the Netherlands and Germany have introduced a WFH arrangement for cross-border employees. Employees can work from their home for up to 34 days per calendar year without affecting which country has the right to tax their employment income. Their employment income will remain taxable and allocated to the employer's country. The measure aims to reduce administrative complexity and provide greater certainty for cross-border workers.

**The new Netherlands-Belgium Tax Treaty (2023)**

The Netherlands and Belgium signed a new bilateral tax treaty on June 21st, 2023, to replace the older 2001 agreement, currently pending ratification process.

The changes with the greatest practical impact concern the broader permanent-establishment rules, including the anti-fragmentation rule, stricter treatment of supporting activities and expanded dependent-agent test. Businesses should review cross-border sales functions, warehouses, purchasing operations, construction projects and activities divided between group companies.

For employers, home-working raises two separate questions. First, the employee's home office may create a permanent establishment for the employer. Second, the employee's salary generally needs to be allocated according to where the employee physically performs the work. The separate 50% guidance is only applicable on the permanent-establishment question under the 2001 treaty and does not provide a threshold for allocating employment income.

For corporate dividends, the general maximum source-country rate remains 15%. However, the new treaty provides a full source-country exemption where a qualifying corporate shareholder directly holds at least 10% of the paying company's capital for a continuous period of 365 days that includes the dividend payment date. Recognized pension funds may also qualify for this exemption. Companies should therefore review their ownership percentage and holding period before making or receiving cross-border dividends.

The treatment of directors' remuneration is more clearly divided according to the nature of the work. Remuneration received in the capacity of a board or supervisory-board member may be taxed in the country where the company is resident. Remuneration for operational or other employment activities falls under the ordinary employment-income rules and is generally allocated according to where the individual physically performs the work. Businesses may therefore need to separate board fees from remuneration for day-to-day activities.

The pension rules remain broadly similar. Private pensions and social-security benefits are generally taxable in the recipient's country of residence, but the source country may also tax where the cumulative treaty conditions are met, including the €25,000 annual threshold. The treaty also clarifies the treatment of early lump-sum payments, transfers between pension providers and pensions built up partly through public service and partly through private employment.

The exit-tax provisions preserve the former residence country's right to tax appreciation that arose before emigration. They also protect against double taxation by requiring the new residence country to exclude appreciation already taxed by the former country when calculating the gain on a later disposal. Limited source-country taxing rights may also continue to apply to certain dividends and interest connected with an outstanding exit-tax claim.

The double-taxation rules place greater emphasis on where income is effectively taxed. Belgium generally grants an exemption for income taxable in the Netherlands only where that income is subject to Dutch tax and does not benefit from an exemption. The treaty also contains switch-over rules under which the credit method may apply instead of the exemption method in specified situations, including where the other country exempts the income. Taxpayers should therefore confirm both the allocation of taxing rights and the actual tax treatment in the other country before determining the available relief.

**The new Netherlands-Sweden Tax Treaty (2026)**
The Netherlands and Sweden signed a new tax treaty on June 24th, 2026, to replace the current 1991 treaty. The new treaty still requires approval in both countries before entering into force.
The most important changes concern pensions, corporate dividends, exit taxation, permanent establishments and dispute resolution.

The source country may now tax pensions accrued there, while the residence country must provide relief from double taxation. Currently, the Netherlands generally has taxing rights over Dutch social security benefits, such as AOW, and public sector pensions. Under the new treaty, this will be extended to private-sector pensions. For corporate dividends, the ownership threshold for a full source-country exemption decreases from 25% to 10%, subject to a 365-day holding period, while the general maximum rate remains 15%.

The former residence country may tax certain gains on shares and similar assets for up to ten years after emigration, instead of five years, and the treaty expressly recognizes domestic exit taxes on pre-emigration appreciation.

For permanent establishments, connected construction and offshore activities performed by closely related companies may be combined when applying the relevant time thresholds. Finally, compulsory and binding arbitration will be available if the Netherlands and Sweden cannot resolve a treaty dispute, providing greater certainty in cases of unresolved double taxation.

**The Netherlands-Spain Tax Treaty (2026)**
The proposed new Netherlands–Spain tax treaty will replace the current 1971 treaty and align the bilateral rules with current OECD standards.

The most significant change concerns real-estate investment structures: Spain will be able to tax gains from the sale of shares in companies whose value is derived mainly, generally more than 50%, from Spanish real estate. Under the current treaty, these gains are generally taxable only in the seller's country of residence. This could materially affect Spanish property investments held through Dutch companies.

The new treaty is also expected to introduce stronger anti-abuse provisions, including a principal-purpose test, specific rules for income received through tax-transparent entities, and restrictions for arrangements involving low-taxed permanent establishments in third countries. In addition, enhanced dispute-resolution procedures, including mandatory arbitration, should provide greater certainty where the Dutch and Spanish tax authorities cannot resolve cases of double taxation.

The treaty is not yet in force. On March 10th, 2026, the Spanish Council of Ministers authorized its signature, but the final treaty text had not yet been published in the cited official process updates and parliamentary approval and ratification remain necessary. Detailed changes concerning dividends, pensions, employment income and withholding-tax rates should therefore be confirmed once the official text becomes available.

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