



Ministry of Finance

Taxation of capital income, gifts and inheritance in the Netherlands

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Legislation

Wealth and inheritance taxes | 8 december 2011

Markten

Dow Jones

AEX

237,71 -1,0%



8.228,10 +3,5%

Aandelen

AEX-index

Dow Jones

Nasdaq

FTSE 100

DAX-index

Euro

Frankfurt

New York

Rente

NL Staat

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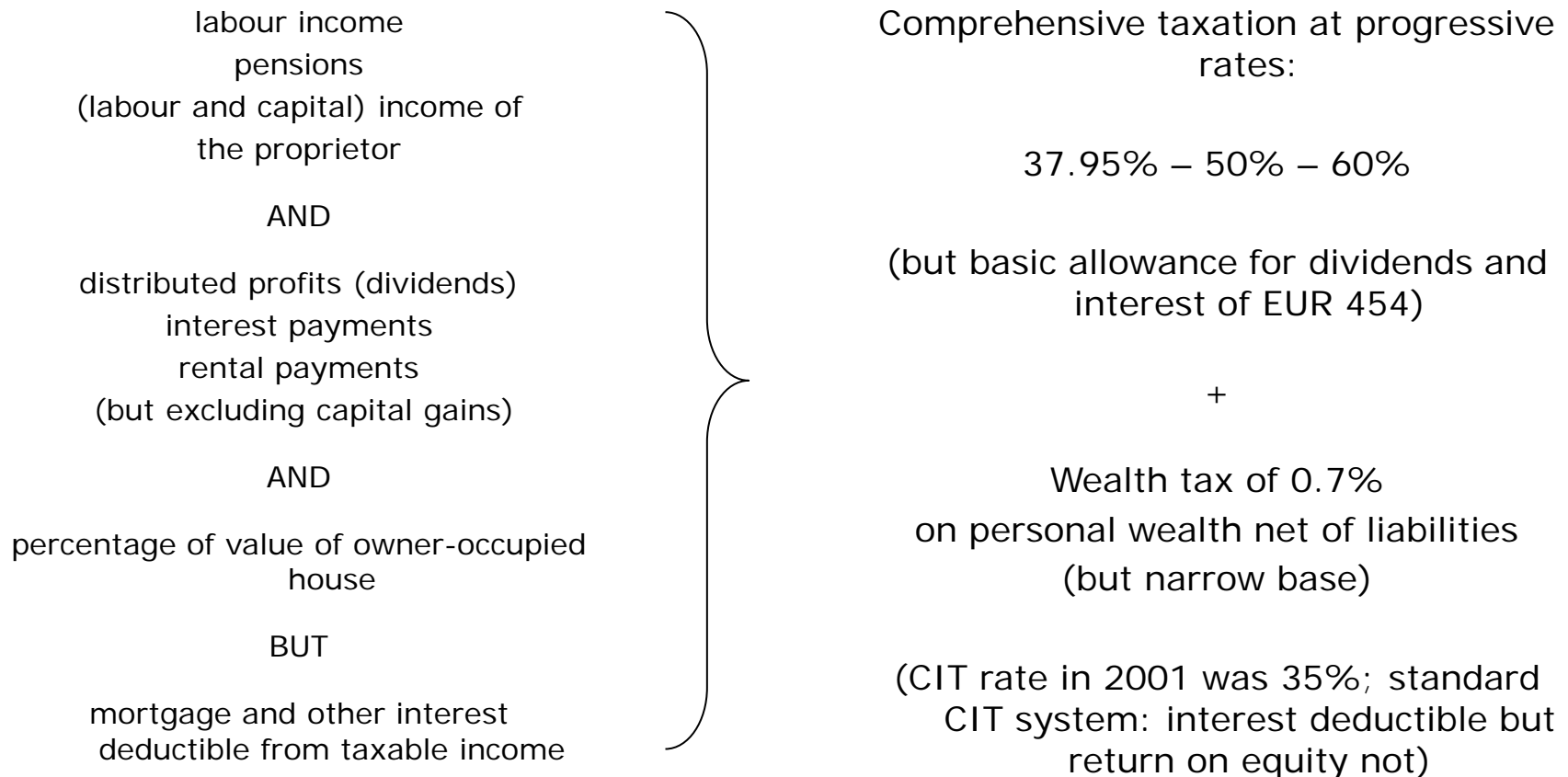
- Presumptive capital income tax
- Gift and Inheritance Tax



Presumptive Capital Income Tax



The tax system in the Netherlands before the tax reform of January 1, 2001





Objectives of the 2001 PIT reform

- Broadening and strengthening of the tax base
- Increasing of employment and improvement of the economic structure
- Lower tax rates on labour
- Further “greening” of the tax system
- Equitable distribution of tax pressure
- Stimulation of emancipation
- Simplification of the tax system



The 2001 PIT reform

PIT becomes analytical (schedular)

- Box I: income from labour and owner-occupied housing (rate up to 52%)
- Box II: income from closely-held companies (rate of 25%)
- Box III: presumptive income (imputed return of 4%) from savings and investments (rate of 30%)

(losses in one Box cannot be offset against income in other Box)

Wealth tax abolished



Taxation of personal capital income after the 2001 tax reform

- Capital gains included
- Capital income taxed at lower rate than labour (30% > < up to 52%)
- Capital income taxed on accrual base
- Presumptive tax base: 4% of net wealth
- Basic allowance ~ EUR 20,000 per person (= > only 25% households pay the presumptive capital income tax)



The tax system in the Netherlands after the tax reform of January 1, 2001: OVERVIEW

BOX	Type of income (c)	Tax rates (2011)
BOX I (d) (e)	-Labour income (f)	Younger than 65 yrs:
	-Social security benefits	33 – 41.95 – 42 – 52%
	-Pensions (g)	
	-Return on capital of proprietor	Older than 65 yrs:
	-Interest, rental income and capital gains on assets put at the disposal of closely held companies by controlling shareholders	15.1 – 24.05 – 42 – 52%
	-Net presumptive rental value of owner-occupied housing (minus interest)	
BOX II	Distributed profits (dividends) and realised capital gains on shares that belong to a 'substantial holding' (h)	25%
BOX III	Income from personal wealth (i): 4% presumptive return on the value of shares, savings deposits, bonds, immovable property (j) and (non tax-exempt) capital insurances	30%
Corporate Income Tax	Corporate profits (net of interest payments)	20-25% (k)
	+ INNOVATION BOX: Qualifying profits are taxed at a rate of	5%
Main Exemptions	-Capital income realised by pension funds, insurance companies	Exempt: not in CIT
	-Tax-exempt capital insurances (linked to owner-occupied housing)	Exempt: not in Box I
	-Specific saving opportunities (income blocked on a savings account for four years, "social" capital)	Exempt: not in Box III



Average Return on equity:

- 18.3% for the period 1991 – 1995
- 26.0% for the period 1996 – 2000
- -3.3% for the period 2001 – 2005
- +.8% for the period 2006 - 2010
- Outliers: 2001: -19.2%; 2002: -32.8%; 2005: + 30.7%
- 2006: + 20.1%; 2008: - 49.5%; 2010: + 34.3%

Return on government bonds:

- $> 4\%$
- But $< 4\%$ in 2005, 2006, 2009, 2011

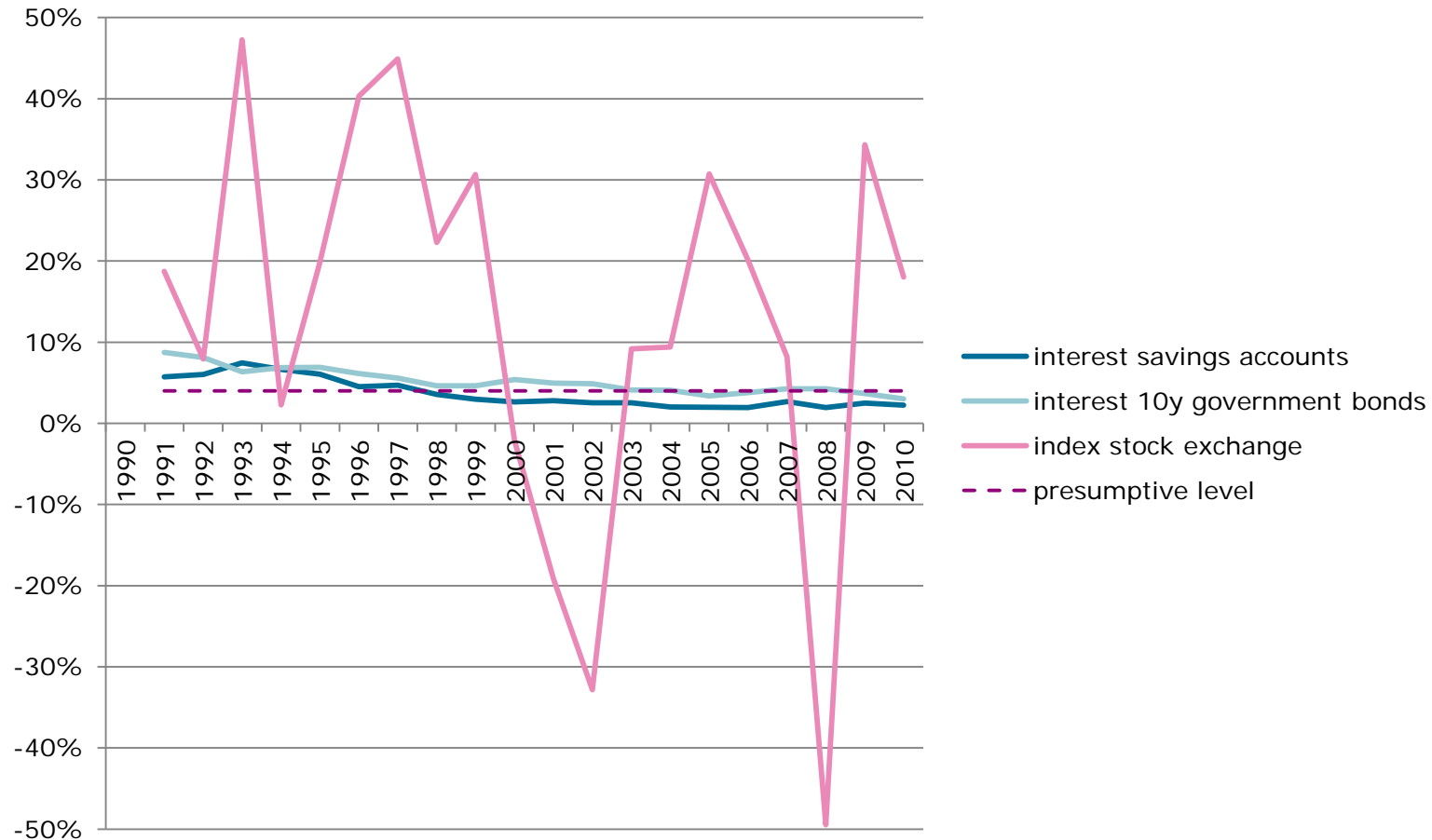
Return on bank deposits:

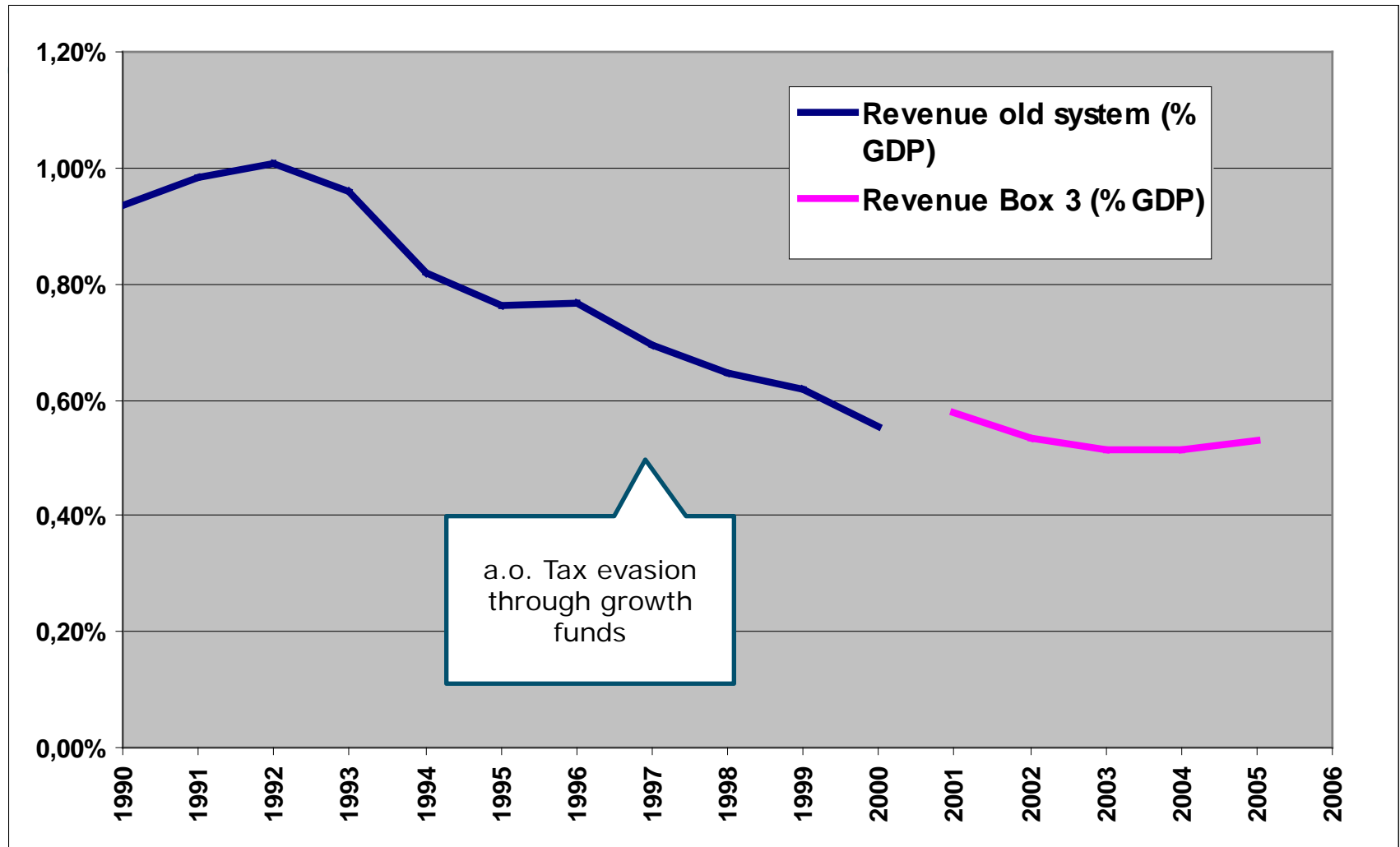
- $< 4\%$
- 2.3% in 2010

Conclusion: until the financial crisis, households that have saved for a longer period in shares and (government) bonds have realized a return $> 4\%$ (but not necessarily in the short run). Putting savings in a bank account yields a return below 4%.



Yield financial assets







Administrative issues

Originally:

Tax base year t = average wealth 1 January and 31 December of year t

Banks inform their clients and the tax authorities

From 2011:

Tax base year t = wealth on 1 January of year t

This enables banks to inform the tax authorities, so the latter can pre-fill the returns of the taxpayers



Political Issues

Reform processes started years before the actual introduction of the reform; there were basically no losers of the reform.

Value of presumptive yield

Complexity of anti-arbitration rules

Tax base (cars, art, yachts, owner-occupied housing)



Gift and Inheritance Tax



Inheritance and Gift Tax (2011)

Tax Rate Structure Inheritance and Gift Tax

Taxable amount	Tax Rate Group 1 (spouses and children)	Tax Rate Group 1A (grandchildren)	Tax Rate Group 2 (other beneficiaries)
€ 0 - € 118 708	10%	18%	30%
€ 118 709 – higher	20%	36%	40%

Exemptions Inheritance Tax

Spouses	€ 603 600
Children and grandchildren	€ 19 114
Disabled children	€ 57 342
Parents	€ 45 270
Other beneficiaries	€ 2 012

Exemptions Gift Tax

Children	€ 5 030
Children 18 – 35 year (once-only)	€ 24 144 / € 50 300
Other beneficiaries	€ 2 012

Revenue

Revenue inheritance and gift tax	EUR 1.7 bn.	.3% GDP
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Tax Rate Structure Inheritance and Gift Tax (2009) [Prior to Revision 2010]

		Tax Rate Group 1	Tax Rate Group 1A	Tax Rate Group 2	Tax Rate Group 3
Taxable amount		(spouses and children)	(grandchildren)	(siblings and (grand)parents)	(other beneficiaries)
0	22.763	5%	8,0%	26%	41%
22.763	45.519	8%	12,8%	30%	45%
45.519	91.026	12%	19,2%	35%	50%
91.026	182.042	15%	24,0%	39%	54%
182.042	364.073	19%	30,4%	44%	59%
364.073	910.163	23%	36,8%	48%	63%
910.163	higher	27%	43,2%	53%	68%



Highlights Revision Inheritance and Gift Tax 2010

- Complete Overhaul Tax Rate Structure
- Highest Tax Bracket lowered from 68% to 40%
- Exemption for Children increased from € 10,000 to € 19,000
- Total Value of Business Assets exempted up to € 1,000,000 and 83% of the Value exceeding € 1,000,000
- Budgetary Costs of Lowering Tax Rates and increasing Exemptions financed by more effective Taxation of Trusts
- Proposal for “third progression” (personal income beneficiary) in addition to already existing “first progression” (amount inheritance) and “second progression” (relationship to testator) rejected by Government



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Thank you for your
attention

Any Questions?