Netherlands

Netherlands Gazettes New Pension Law Containing Various Income Tax Changes

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The Netherlands has recently gazetted a new pension law, that applies from 1 July 2023. The most important income tax provisions are summarized below.

Income Tax Act (ITA)

Annuity savings and investment account

Based on article 3.126a(1) of the ITA, the yield realized on an annuity savings or investment account is added to the amount on the bank account or investment right and may only be used to purchase an annuity paid in several instalments.

A condition is that if the first instalment is paid in the calendar year following the year in which the taxpayer has 1 year until the statutory pension age, the period between the first and the last instalment must be at least 5 years if the total of instalments in a year is not more than EUR 24,168 in 2023 and at least 20 years if the total is higher.

The new law provides that this period decreases by the number of years between the pensionable age and the payment of the first instalment.

Pension shortfall

Article 3.127 of the ITA contains an additional deduction of premiums for retirement and surviving dependant's annuity in the case of a shortfall in the pension built-up in previous years.

Annuity premiums paid for such shortage in the previous year are deductible up to 13.3% of the taxable business profits, taxable employment income, income from other (freelance) activities and periodical payments less 6.27 times the amount of the business pension increase of the previous year. The new law increases this deduction to a maximum of 30%.

For a shortage resulting from the past 7 years, the maximum deduction per year is 17% of the calculation base, with a maximum of EUR 8,065. The new rules increase the 7-year period to 10 years and the maximum deduction to EUR 38,000.

The maximum income considered for the pension shortfall is currently EUR 128,810 less EUR 13,646, the new rules increase this amount to EUR 14,802. However, under a transitional regime the current figure will remain applicable for existing situations.

Partner pension

As per article 5.17b of the ITA the maximum partner pension is 50% of the wage part exceeding the pensionable base increased by 55%.

Article 5.17c of the ITA provides that for full and half-orphans, the maximum percentages are 40% on 20% respectively of the wage part exceeding the pensionable base multiplied by 55%. Articles 18b and 18c of the Wage Tax Act (WTA) include similar provisions.

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