

Netherlands

Spring Memorandum 2023 Announces Dividend Stripping Measures, Changes to Business Succession Exemption of Inheritance Tax

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On 28 April 2023, the Ministry of Finance published the Spring Memorandum 2023 (*Voorjaarsnota 2023*) which, amongst other things, announces dividend stripping measures and changes to the business succession regime for inheritance tax.

Dividend stripping

In the tax plan for 2024, the following two dividend stripping measures will be included:

- the legal stipulation of the registration date; and
- amendments to the burden of proof to improve the proof position of tax inspectors.

Earnings stripping rule

Under the current earning stripping rule a safe-harbour threshold of EUR 1 million applies. This threshold bears the risk of a split-up of companies.

Based on the new proposal, as of 1 January 2025 the safe-harbour rule will no longer apply to real estate entities with rented real estate.

Business succession exemption under inheritance tax, exempt business transfers in income tax

Currently, in the case of a business succession, 100% of the going-concern value of the business property, real estate made available to the business, and the value of shares and profit certificates that are part of a substantial shareholding, remain exempt if the value does not exceed EUR 1,205,871 (in 2023). Furthermore, the business activity must continue for at least 5 years, and the main activity of the company should not consist merely of investing in shares. If the value exceeds EUR 1,205,871, the exemption is 83% of the going-concern value. The government proposes to increase this threshold to EUR 1.5 million and to decrease the 83% exemption to 70%.

Taxation of liquidation profits in case of a business termination is deferred under income tax if those profits are invested in a new or existing company.

Further proposed changes include:

- the abolition of the 5% efficiency margin for investment capital for the application of the business succession regime (BSR) under the inheritance and the income tax deferral regulation (IDR);
- assets that can be classified as business or private assets only qualify for the BSR/IDR insofar as they are used in the company;
- applying the BSR/IDR to regular shares with a minimum holding of 5%;
- a relaxation of the possession and continuation requirement for the BSR; and
- combating planning constructions resulting in a double BSR.

Draft bill on real estate share transaction

On 27 February 2023, the government launched a consultation on a draft real estate share transactions bill to avoid the situation that real estate is transferred exempt from tax through a real estate share transaction (see [Netherlands Seeks Public Comments on Real Estate Share Transactions Draft Bill \(28 February 2023\)](#)).

The government proposes to add a transitional regime to that bill proposal.

Reinvestment reserve

The government will broaden the option for applying reinvestment reserve in case of a partial termination to facilitate its use for farmers who terminate their business.

Public transport subscription

The government will also simplify the wage tax exemption for a public transport subscription.

The Spring Memorandum, which was published by the Ministry of Finance on 28 April 2023, is available [here](#) (in Dutch only).

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