

Ministerie van Financiën

> Return address PO Box 20201 2500 EE The Hague

President of the House of Representatives of the States General PO Box
20018
2500 EA 'S GRAVENHAGE

**Tax and Customs Administration /
Professional Taxation Department**

Korte Voorhout 7 2511 CW The
Hague PO Box 20201 2500 EE
The Hague www.rijksoverheid.nl

Our reference
2020-000071409

Your letter (reference)

Date April 14, 2020
Regarding Policy decision on tax measures for coronavirus

Dear chairman,

The coronavirus has gripped the world and the Netherlands. The cabinet's first priority is of course the health of the population and a well-functioning health care system. The impact of the virus is enormous - and has profound implications for the economy. Parts of the work have come to a standstill, entire sectors have to temporarily close their doors, the self-employed have seen assignments disappear and employees are in uncertainty at home.

That is why the cabinet announced the emergency package for jobs and the economy on 17 March. The emergency package consists of various measures. In doing so, offering help to entrepreneurs as quickly as possible is paramount. These measures ensure that companies can continue to pay their staff, bridge the gap for self-employed workers and where possible maintain liquidity for entrepreneurs. Your House was informed on 19 March and 2 April about the details of the tax measures. These measures strengthen the liquidity position of entrepreneurs by, for example, a special deferment of payment for various types of taxes, the non-imposition or otherwise destruction of payment default penalties associated with that postponement and the reduction of the provisional assessment for the year 2020.

In addition, the Cabinet is in constant dialogue with interest groups, entrepreneurs and citizens from society to identify the problems they are confronted with by the corona virus and which solutions can help them. This dialogue has led to a number of additional measures, which are explained below. The measures concern the following subjects:

VAT consequences of the provision of care staff; VAT consequences of the free provision of medical supplies and equipment;

Reduced VAT rate when offering sports lessons online; Frontier workers (temporary exemption from some German net benefits);

Certain legal administrative obligations regarding payroll taxes;

Travel allowance in payroll taxes; Exemption from short-term use of a motor vehicle; Measure for convertible taxis; Validity of motor vehicle valuation report; Recovery interest and tax interest.

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VAT consequences for healthcare personnel and medical supplies and equipment

The deployment of healthcare personnel and the presence of sufficient medical devices is very necessary during the corona crisis. Therefore, more than usual, health personnel are hired and hired. This is not only done by healthcare institutions, institutions and healthcare providers, but also by other companies that can lend healthcare personnel such as temporary employment agencies. In addition, entrepreneurs provide specific medical devices to healthcare institutions, institutions and GPs free of charge.

It is undesirable that the VAT rules for the lending of personnel and the free provision of resources in the current corona crisis lead to additional financial or administrative burdens. The European Commission has arranged an exemption from import duties and VAT for the import of goods needed to fight the corona virus. These measures by the European Commission were announced by the Minister of Foreign Halls in the letter to parliament of 6 April 2020. In addition, the following two temporary measures are being taken. These measures can be applied retroactively from March 16, 2020 and will apply until June 16, 2020 (3 months).

1. The lending of healthcare staff does not include the levy of VAT. It does not matter who the lender is. However, there are some conditions to ensure that the VAT benefit of the approval actually ends up with the healthcare institution or care provider. These are the following conditions: the hirer must be a healthcare institution or healthcare institution that applies the VAT exemption. The lender may only charge the gross salary costs to the hirer, possibly increased by a cost reimbursement of a maximum of 5% and no profit may be intended or made with this loan. This measure does not affect the lender's deduction of input tax. This means, for example, that a lender who normally provides VAT-taxed services and can therefore deduct the purchase VAT,

2. No VAT is payable for the free provision of medical devices to care institutions, care institutions and GPs. In addition, this provision has no consequences for the deduction of the purchase VAT from this provider. For example, as in point 1, an entrepreneur who normally provides VAT-taxed services and can therefore deduct the purchasing VAT can continue to deduct this purchasing VAT in this situation. The deduction of the purchase VAT on the costs of the free medical devices is determined on the basis of the regular business activities of the entrepreneur. The free provision of the aids is not considered here as a regular business activity

Reduced VAT rate for gyms

Many gyms and such entrepreneurs offer online sports lessons during this period when people have to stay at home as much as possible. The policy decision contains the temporary approval that the reduced rate that applies to offering a sports accommodation for active sports practice also applies to the situation that these sports lessons are offered online.

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Frontier workers

Frontier workers who work from home during the corona crisis (*home working days*) or who are unable to work and have to stay at home with pay (*home sitting days*) may be subject to a shift in taxation of their income or part of their income from the State of employment to the State of residence on the basis of tax treaties. For these frontier workers this leads to uncertainty, administrative burdens and can have negative income effects.

Home working days

Many people are working from home as a result of the corona crisis. A solution has been bilaterally agreed with Germany for salaried frontier workers who work from home in their State of residence. The Netherlands and Germany have agreed that taxpayers may, by way of derogation from the treaty, treat the extra home working days in connection with corona in accordance with where people would work under normal circumstances (the “regular” working state). The income with regard to the extra home working days must then actually be taxed in the other country. Naturally, a taxpayer may choose to rely on the literal text of the treaty, which means that the taxation right will shift to the state of residence (home-work state).

Consultations with Belgium about the treatment of home working days are still ongoing.

Temporary inactivity

As a result of the corona crisis, many people are forced to be at home without working, but with a salary. This may be the case if the company they work for has to close its doors temporarily. Germany, Belgium and the Netherlands agree that continued payment of wages for a period of temporary inactivity should be taxed according to where work would normally take place. A resident of Belgium who works in the Netherlands under normal circumstances, but now stays at home without working, remains taxed in the Netherlands as before. Germany, Belgium and the Netherlands see this only as confirmation of an existing interpretation of the tax treaty.

German social security benefits

As a result of the corona crisis, an increasing number of cross-border workers living in the Netherlands will receive German income support in the form of a net social security benefit. Where the Netherlands supports employers with continued payment of wages, Germany pays “Kurzarbeitergeld” to employees with a reduction in working hours. In addition, it is expected that as a result of the corona crisis an increasing number of inhabitants of the Netherlands

Will receive "Insolvenzgeld" or "Arbeitslosengeld". These German social security benefit (s) are adjusted to net wages and are therefore exempt from tax in Germany. If these benefits (together with certain other) German (social security) benefits in a calendar year amount to € 15,000 or less, the tax treaty with Germany allocates the taxation right on these German net benefits to the Netherlands. With the undesirable consequence that the Netherlands would then levy a net benefit paid by Germany from a frontier worker who would normally have worked in Germany and would have been taxed there for his salary.

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As part of the policy decision appended to this letter, it is approved that the Netherlands, in short, exempt Kurzarbeitergeld, Insolvenzgeld and Arbeitslosengeld insofar as this is deemed to have been obtained as a result of corona (measures). This exemption applies for the period from March 11, 2020 to December 31, 2020. ¹

Relaxation of administrative burdens and travel allowance in payroll taxes

Certain legal administrative obligations payroll taxes

Employers have certain statutory administrative obligations for payroll taxes. The current special circumstances may mean that employers are unable to fulfill these obligations, or do not comply with them on time or in full. For example, the employer's obligation to determine the employee's identity on the basis of the original proof of identity applies. If an employer cannot identify an employee in time, this can lead to an application of the so-called anonymous rate. This is a fixed rate of 52%.

In such circumstances, I consider such a consequence of not being able to fulfill an administrative obligation undesirable. Therefore, the Tax and Customs Administration takes a flexible position in these situations if an employer or employee repairs the shortcoming in the administrative obligation as far as possible as soon as possible. For the example of the obligation to identify, this means that the application of the anonymous rate can be dispensed with if the employer still determines the employee's identity as soon as he is reasonably able to do so.

Fixed travel allowance

It is possible to agree a fixed untaxed reimbursement for travel costs, for example for the commuting route. For many employees, the measures surrounding the corona crisis in terms of the costs of transport lead to a change in their travel pattern. This change may mean that an employer must adjust the fixed travel allowance or count it in whole or in part as wages. I find this undesirable in these special circumstances. That is why the policy decision provides that the employer who offers a fixed travel allowance does not need to have any consequences for this during these home working hours. This means that the

¹ The method of article 22, second paragraph, parts a and b, of the tax treaty with Germany is applied (exemption with progress reservation).

for this period, the employer may continue to use the travel pattern on which the compensation was already based.

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Taxation of passenger cars and motorcycles

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As a result of the corona crisis, the RDW places the priority on crucial inspections. Import inspections are also being started up step by step. This has undesirable consequences for the application of some provisions in the legislation and regulations regarding the bpm that are related to registration in the vehicle registration register. That is why three temporary measures have been taken for the bpm.

The first measure concerns the exemption for short-term use. This exemption is used, among other things, to drive a motor vehicle purchased abroad to the RDW for inspection and registration in the Dutch vehicle registration register. This measure contains an approval to apply for the exemption a second time in those cases where the inspection of the motor vehicle could not take place due to the corona measures of the RDW.

The second measure extends the current end date of the transitional arrangement for taxis that are converted for, for example, wheelchair transport from until 1 April 2020 to 1 July 2020. By extending the end date, the planned - but due to the corona measures - inspection agreements can be extended until 1 April to July 1 be moved.

The third measure relates to the valuation report that is usually drawn up before the inspection at the RDW and before submitting a bpm declaration. The report may not be older than one month. Due to the restriction in RDW's services, inspection agreements have lapsed and the one-month period has not been met in all cases. This measure extends the maximum validity period of the RDW appraisal report to a maximum of four months.

Recovery interest and tax interest

In the letter of 17 March as a measure to provide entrepreneurs with more liquidity, the Cabinet announced that the percentages for the recovery interest and tax interest will be lowered for 3 months to

0,01%. Omdat de invorderingsrente is gekoppeld aan de betalingskorting is de verlaging van het rentepercentage niet alleen begunstigend voor ondernemers. Voor de betalingskorting wordt namelijk hetzelfde wettelijke percentage gebruikt als voor invorderingsrente, waardoor de verlaging tot gevolg zou hebben dat ondernemers nagenoeg geen aanspraak meer kunnen maken op betalingskorting. Ondernemers die menen hiervan nadeel te ondervinden, kunnen bezwaar maken, waarna de betalingskorting alsnog zal worden toegekend. Daarnaast is de mogelijkheid gevonden om bij de tijdelijke verlaging van de invorderingsrente om de te vergoeden invorderingsrente, ten gunste van burgers en bedrijven, op het bestaande niveau van 4% te houden. Dit leidt wel tot hogere dan de bij de incidentele suppletore begroting geraamde uitgaven (ca. € 5 mln.). Dit zal bij een eerstvolgend budgettair moment verwerkt worden.

Finally

These new measures and the previously announced measures will be laid down in a policy decision and published in the Government Gazette in the short term. In addition, the Cabinet will continue to discuss the consequences of the corona virus with interest groups, entrepreneurs and citizens from society and will try to find a solution as soon as bottlenecks are identified. If this is the case, I will of course inform your House about further measures and about relevant developments in the implementation by the Tax and Customs Administration.

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Yours sincerely,

the State Secretary for Finance - Taxation and Tax Administration,

YES File letter