

# Covid-19 tax measures: what to do after the 3- month payment extension period?

Tax Alert | 30 July 2020

## Introduction

In response to the impact of the Covid-19 virus, on March 17 the Dutch government has proposed tax measures to improve the liquidity position of taxpayers. This includes extension of payment of taxes and lowering the tax interest and collection interest to 0.01%. Due to implementation reasons the percentage cannot be lowered to 0%. The Dutch government decided to extend these tax measures. The payment extension measures and the temporary reduction of tax interest and collection interest are applicable at least until October 1st 2020.

In previous Tax Alerts we have outlined a.o. practical instructions in order to obtain payment extension for taxes based on various publications. Meanwhile, for certain taxpayers the automatic 3-months payment extension period ended or will end soon. The Dutch tax authorities has provided additional information on what to do after this 3-months payment extension period. This will be addressed in this Tax Alert.

## Option: no additional payment extension after the automatic 3-months payment extension period

If a taxpayer requests (or has requested) for payment extension due to financial problems as a result of the Covid-19 virus outbreak, payment extension is granted automatically for 3 months. This applies to all existing unpaid and future tax assessments<sup>1</sup> that will be imposed during the 3-month extension period.

Once the 3-months payment extension period ends, the taxpayer is not required to directly pay all outstanding tax liabilities for which the payment extension applied. The Dutch tax authorities indicated that the taxpayer will receive a letter after the summer containing a suggested (re)payment arrangement. Please note that for 'new' tax liabilities arising after the 3-months payment extension period, no payment extension applies and timely payments should be made. In case of late payments for these 'new' tax liabilities penalties may be imposed and collection measures may be initiated.

Based on the example provided by the Dutch Tax Authorities: in case a taxpayer requested for payment extension on April 23, payment extension is granted until July 23. If no additional payment extension (exceeding 3 months) is requested (see below), all tax liabilities arising on or after July 23 have to be paid in time. The Dutch tax authorities indicated that in case of VAT and/or wage tax returns for the second quarter of 2020 or the month of June 2020, that were filed during the month of July 2020 but have not been paid before or on July 31, 2020, a penalty for late payment will be waived in case the payment will be done as soon as possible. This is only applicable for returns that have to be filed during the month of July 2020 (e.g., the Q2 or June 2020 VAT returns) due to unclear communication by the Dutch tax authorities. We assume that any supplementary returns regarding previous periods, that happened to have been filed in the month of July 2020, are not subject to this relaxed penalty regime.

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<sup>1</sup> This applies to the following taxes: personal income tax, Health Insurance Act, corporate income tax, VAT and wage tax, gambling tax, insurance premium tax, landlord tax, environmental taxes (a.o. energy tax,

coal tax, waste tax) and excise duty on domestic transactions (including those on non-alcoholic beverages)

In case no additional payment extension (exceeding 3 months) will be requested, it is possible to make (partial) tax payments prior to receipt of the (re)payment arrangement from the Dutch tax authorities. (partial) Tax payments can be made on the bank account of the Dutch tax authorities (NL86 INGB 0002 4455 88) with the relevant payment reference of the tax assessment. The taxpayer can choose when and what amounts are paid until receipt of the (re)payment arrangement from the Dutch tax authorities. As mentioned above, the Dutch tax authorities will send a letter after the summer which will contain a suitable (re)payment arrangement. We expect that also after receipt of the (re)payment arrangement a taxpayer can always make additional tax payments further to the prescribed payment instalments as part of the (re)payment arrangement.

The example provided by the Dutch Tax Authorities does not cover situations in practice whereby the "original" tax liability arises within the payment extension period, but the subsequent tax reassessment is issued after the payment extension period has ended. This applies for example to taxpayers currently enjoying payment extension ending on or beyond 1 August 2020. While the same was not confirmed by the Dutch Tax Authorities, we do assume that all original tax liabilities arising within the payment extension deadline (e.g., the 31 July 2020 deadline), will become part of the overall tax liability for which a (re)payment arrangement will be offered after the summer. The original tax liability arose during the payment extension period and was only formalized by the Dutch Tax Authorities later - three to four weeks following the original payment deadline on average. The tax reassessment is a consequence of the non-payment of the taxpayer, while the non-payment of the taxpayer is justified during the period of payment extension.

Whether this tax liability will be part of the (re)payment arrangement automatically, may also depend on the date of the tax reassessment as well as the date of the letter in which the (re)payment arrangement is offered. It is possible that these are sent crosswise. All taxpayers that enjoy a payment extension period ending on or after 1 August 2020 and that are not capable to repay e.g., the VAT liability for Q2 or the month of June, should duly review whether this tax liability is included in the suggested (re)payment arrangement and if not, contact the Dutch Tax Authorities immediately. For completeness sake we repeat that we assume that tax liabilities arising from supplementary returns with respect to previous periods that happen to have been filed during the payment extension period, but are reassessed after the period has ended, will not become part of the (re)payment arrangement.

Summarizing, a taxpayer not requesting for additional payment extension:

1. Enjoying a payment extension period ending on or before 31 July 2020, should pay all tax (re)assessments with a date beyond the payment extension period within 14 days of the date of the (re)assessment.
2. Enjoying a payment extension period ending beyond 31 July 2020, should pay all tax (re)assessments with a date beyond the payment extension period within 14 days of the date of the (re)assessment, optionally excluding the reassessments that follow the non-payment of the original tax liability within the payment extension period - for example the Q2 or June 2020 VAT returns.

## Option: request for additional payment extension after the automatic 3-months payment extension period

additional tax payments than the prescribed payment instalments as part of the (re)payment arrangement.

The request for payment extension exceeding 3 months can be filed directly. It is not required to first request for the 3-months payment extension. The request can also be filed within the 3-months payment extension period, but before October 1st, 2020. According to the website of the Dutch tax authorities, you can defer the payment of the tax assessments until the Dutch tax authorities have decided on the request for payment extension. This applies to the tax assessments for which the 3-months payment extension period applies, but also for tax liabilities arising after the 3-month period (in any case until decision on the request for payment extension). We refer to our Tax Alert (most recent version dated June 25, 2020) for more information on requests for additional payment extension (exceeding the 3 months) and the relevant requirements.

During the extension period the Dutch tax authorities can also demand for an interim repayment, assuming the liquidity position provides for repayment.

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