

# Covid-19 payment extension measures extended until July 1, 2021

Tax Alert | January 25, 2021

## Introduction

In response to the impact of the Covid-19 virus, the Dutch government has implemented certain 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%.

Until January 21, 2021 taxpayers could request for payment extension until April 1, 2021. On January 21, 2021 the Dutch government decided to extend the payment extension measures to July 1, 2021. Repayment of the total incurred tax liabilities needs to start as of October 1, 2021.

An overview of the consolidated measures, including the repayment procedure (updated January 25, 2021; 8.30 AM), is outlined in this Tax Alert.

## Payment extension regime extended to July 1, 2021

On January 21, 2021 the Dutch government has extended the deadline for new applications for the Covid-19 payment extension regime to July 1, 2021. Summarizing, the following practical implications can be identified:

- Taxpayers that have not requested or obtained Covid-19 payment extension, are allowed to do so for new tax obligations arising until July 1, 2021. The payment extension will end no later than July 1, 2021.
- Taxpayers that have requested and obtained Covid-19 payment extension for 3 months, but have not (yet) applied for further extension, are allowed to request extension until July 1, 2021. In case of a request for extension, the requirements for payment extension exceeding 3 months extension apply. This payment extension ends ultimately on July 1, 2021.

- Taxpayers that have requested and obtained Covid-19 payment extension for 3 months, have not applied for further extension and have meanwhile settled all outstanding payments, are allowed to request payment extension until July 1, 2021 for new payment obligations that arise until July 1, 2021. The payment extension will not later than July 1, 2021.
- Taxpayers that have obtained a payment extension of 3 months and have already applied for and obtained extension thereof do not have to take any action. This payment extension will be extended automatically and will end on July 1, 2021.

All requirements and restrictions that applied to the Covid-19 payment extension regime continue to apply. I.e., the regime is not available to apply for customs duty and for VAT, excise duty or coal tax levied upon import. Equally, a new request for payment extension will automatically be regarded as a “notification unable to pay”, unless the request concerns payment extension on behalf of a VAT fiscal unity.

## New tax payment obligations

It is important to the Dutch government that entrepreneurs are not faced with increased tax payment arrears. Therefore, new tax payment obligations need to be fulfilled as follows. In this respect we note that reference is made to tax payment obligations and not taxes due. This means that the moment of a tax payment obligation is relevant and that moment can vary depending on the type of tax. For VAT and wage tax for example this moment is in principle no later than one month after the end of the relevant tax period. For personal income tax and corporate income tax this moment is the ultimate payment date of the respective tax assessment.

- Did you only request for the 3-months payment extension (and no additional payment extension has been requested or granted)? In that case, new tax payment obligations arising after the 3-months payment extension period need to be fulfilled. Depending on the moment payment extension is requested, this could mean that new tax payment obligations need to be fulfilled even before July 1, 2021. For payment obligations that are covered by the Covid-19 payment extension regime, the repayment regime as described in the next paragraph applies.
- Taxpayers for which the initial payment extension period has ended, are allowed to conditionally extend the regime until July 1, 2021. For all payment obligations that arise under the extension, the repayment regime as described in the next paragraph applies. We understand that this extended payment extension regime also applies to outstanding tax debts that arose prior to March 12, 2020. Despite further extension, any new payment obligations that arise after July 1, 2021 must be fulfilled.
- In all other cases, new tax payment obligations arising after July 1, 2021 need to be fulfilled. Based on earlier explicit references this concerns tax periods Q2 2021 and June 2021<sup>1</sup> (for VAT purposes and wage tax purposes), as the tax payment obligations for these tax periods arises after July 1, 2021.

Attention: the publication of the Dutch government of January 21, 2021 mentions that when entrepreneurs do not fulfil their new tax payment obligations that arise after the payment extension period ends, they are at risk to be no longer eligible for the repayment

arrangement as described in paragraph “repayment of total incurred tax debt – repayment period of 3 years” of this tax alert. Please note that the website of the Dutch tax authorities instead prescribes that in such cases the total incurred tax debt must be repaid before October 1, 2021.

## Repayment of total incurred tax debt – repayment period of 3 years

As a result of the tax payment extension entrepreneurs incurred tax debts towards the Dutch tax authorities. To repay these tax debts as of October 1, 2021 a repayment period of maximum 36 months, with equal monthly instalments, will be granted. In other words, the existing tax debts need to be repaid in three years with monthly payments.

The first instalment needs to be paid no later than October 31, 2021, followed by monthly instalments. All taxpayers having outstanding tax debts, will receive a letter from the Dutch Tax Authorities before October 1, 2021 detailing the individual circumstances.

In case a taxpayer can successfully demonstrate that it is unable to initiate repayment in October 2021, it is possible to defer the repayment date. However, the entire tax debt needs to be repaid no later than October 1, 2024. The Decree mentions as a sample valid reason the liquidity position of a taxpayer not allowing for repayments as of October 2021.

In this respect no guarantees or security rights will be requested, there will be no offset against any tax receivables and in principle there will be no other requirements. Only in exceptional cases, such as abusive situations, this may be different.

---

<sup>1</sup> For non-established VAT taxable persons with a VAT registration in the Netherlands, only periods prior to May 2021 would qualify.

If the repayment period of three years proves to be too short, in our view based on earlier publications, the Dutch tax authorities can provide for a tailor-made solution (on an individual basis) which could allow for additional extension. In that case certain requirements need to be met and additional conditions, such as guarantees or security rights, may be imposed.

It is also possible to repay the existing tax debts before the end of the 3 year period. Repayments can also be initiated prior to October 1, 2021 (the general repayment starting date). A reason to do so would be mitigating collection interest charged on the outstanding tax debts.

## Tax and collection interest

On August 28, 2020, the Dutch government extended the reduced collection interest rate of 0.01% until December 31, 2021. The publications of January 21, 2021 do not refer to an extension of this measure, but it cannot be excluded that this is announced in the future. If no further extension is allowed, collection interest of 4% will be calculated as of January 1, 2022 on all outstanding tax debts, including those that are being repaid under the repayment regime.

The application of the tax interest rate of 0.01% has ended per October 1, 2020. In other words, as of October 1, 2020 the tax interest rate has increased back to 4% for all taxes. The tax interest rate for corporate income tax has therefore not been re-installed to the former applicable 8% but to 4%. This rate is continued up to and including December 31, 2021.

The decision of the Dutch government of January 21, 2021 does not affect these measures.

## Other related tax measures

Based on the website of the Dutch tax authorities as per January 25, 2021, 8.30 AM, the following related tax measure is extended as well:

- As long as new tax payment obligations are fulfilled and repayments are made, upon request the Dutch tax authorities will issue a statement of 'no backlog in tax payments' during the repayment period.

According to the website of the Dutch tax authorities the temporary measures in relation to the Blocked account are related to the payment extension measures and at least until January 1, 2023 the following will apply:

- As long as new tax payment obligations are fulfilled and repayments are made, the amount on the Blocked account can be released. This does not apply to new tax payment obligations.
- As long as the Covid-19 repayment measures and / or payment extension measures apply, the Blocked account will not be enforced.

The temporary measure not to impose tax penalties for late tax payments has been extended until July 1, 2021.

## Information

For any questions regarding this alert please contact your EY tax advisor.

This tax alert is intended for general information purposes only and should not be regarded as tax advice.

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via [ey.com/privacy](https://ey.com/privacy). EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit [ey.com](https://ey.com).

© 2021 Ernst & Young Belastingadviseurs LLP.

All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.  
[ey.com/nl](https://ey.com/nl)