

## END OF YEAR TAX TIPS

**With the end of the year in sight, now is a good time to take stock and see if there are any tax issues you need to address. Some things can't wait until 2018, while others are best left to the New Year. But either way, a number of changes require your attention. This newsletter gives you a brief run-down on what to watch out for.**

### ALL ENTREPRENEURS

#### Clear out old records

If your financial years are in sync with the calendar years, under normal circumstances you can dispose of your administration for 2010 and previous years after 31 December 2017. Because the law obliges you to keep your records for seven years. And 'records' should be interpreted broadly: the tax inspector considers all details required for business taxation as part of the administration. This includes the paperwork for pay rolling, sales, stock, the ledger, and invoices for accounts payable and receivable. And keep other documents, such as those relating to pension and annuity policies, if you think you might need them.

#### Don't postpone substantial purchases until 2018

One way of lowering your taxable profit for 2017 is by setting aside funds to finance (major) purchases planned for or after 2018. Bear in mind that companies can only form a reserve in 2017 for future expenses if those expenses relate to facts or circumstances prior to, or in, 2017. These facts or circumstances must be attributable to that year. Also, you must be reasonably sure that you will actually make the purchase. Ask your adviser about whether you can create a reserve in 2017.

#### Selling company assets in 2018

Are you planning to dispose of company assets you purchased in 2013? And did you apply an investment deduction when you purchased the assets? It might be worth considering postponing the sale until early

2018. If you dispose of the assets within five years after the start of the calendar year in which they were purchased, you will need to repay part of the deduction through the disinvestment addition. However, if the transfer prices of the company assets you are disposing of amount to less than € 2,300, there will be no disinvestment addition. The disinvestment addition will never be higher than the amount of investment deduction you received at the time.

#### Company asset unused in 2017? Make a down payment

If you have made a commitment to invest in a company asset at the end of 2017, you can apply for the KIA, the small-scale investment deduction scheme. To qualify for the KIA in 2017, you must have paid for, and be using, the company asset in 2017. Did you purchase, but not use, a company asset in 2017? And, at the end of 2017, is the investment deduction more than the amount you paid for the asset? If so, the KIA will amount to no more than the sum paid in 2017. The remainder will be deducted as part of the KIA in 2018. If you would like to make full use of the KIA, make a down payment so that the total payment for the investment in 2017 is the equivalent of the 2017 KIA deduction.

### INCOME TAX AND THE ENTREPRENEUR

#### Fill all of those 1.225 hours

A number of incentives for businesspeople are only available to entrepreneurs who fit the 'hours criterion'. Such as the entrepreneur's allowance and the option to top up your pension reserve. To qualify for the usual hours criterion in 2017 you must devote at least 1.225 hours to your business. You can provide evidence of this by keeping records of your hours. To qualify, you'll be required to work the same number of hours on your business even if you only do so for part of the year.

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### Important!

**Unless you're a start-up, you must spend more than half of your total working hours on your business. That's why it's important not to spend too much time on other activities (such as 'side jobs' for an employer). You're classed as a start-up if you have not been a sole trader in one or more of the previous calendar years and did not apply for self-employed tax deduction more than twice during that time.**

### Keep records of your start-up costs

Did you first become a sole trader in 2017? If so, you may have incurred expenses and charges since 2012, before you qualified as self-employed. Those costs can be deducted as start-up costs providing they were made between 2012 and 2016. However, you can only deduct these costs and charges if your activities were not profitable, and were not deductible or deducted from earnings from employment or property. The tax inspector may ask questions about these expenses, so it's advisable to keep all proof of start-up costs (invoices, receipts, etc).

### Change business premises on time

Business owners who pay income tax on their company profit can deduct some of their business removal costs as part of their business deductions. The deduction is the same as the costs of moving your business inventory and equipment, plus € 7.750. A move to new business premises that begins on 1 January 2016 is noted as a change of premises if the distance between home and work is reduced by at least 60%. The distance from your home to your previous company premises needs to have been at least 25 kilometres.

### Check your 2017 provisional assessment

Have you received a provisional assessment for your 2017 income tax, but anticipate higher profits for 2017? Avoid paying tax interest on your final 2017 income tax assessment by applying for another provisional assessment for 2017 before 1 July 2018. You will pay 4% interest on a 2017 income tax assessment dated after 1 July 2018.

## COMPANIES AND DIRECTORS / MAJORITY SHAREHOLDERS

### Postpone profits until 2019

Can your limited company, or 'B.V.', defer profits generated by a transaction or other legal act to 2019? You might want to consider this option because the corporation tax rate is set to decrease in 2019. In 2019, the rates of 20% and 25% will drop to 19% and 24% respectively. In 2020 and 2021, rates will decrease by a further 1.5% point per year.

### Avoid tax loss carry-forwards for your B.V.

Corporation tax only allows businesses to claim losses to a limited extent. A loss incurred in 2017 can be offset by profits in 2016 or profits generated from 2018 up to and including 2026. Does your B.V. have losses to offset dating back to 2008? Make sure you can claim them. You could release provisions, such as the reinvestment provision or sell company assets with hidden reserves to an affiliated partner. Another way is through the sale/lease back of company assets with hidden reserves.

### Important!

**The new cabinet is planning to change corporation tax rules so that in future, losses can only be carried forward for six years, not nine. Which gives B.V.s less time to offset their losses!**

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### Keep your last VAR

The Declaration of Independent Contractor Status (Verklaring Arbeidsrelatie, or VAR) in the context of the Assessment of Employment Relationships (Deregulation) Act (Wet DBA) was dropped on 1 May 2016. This led to some confusion, and the new cabinet has now decided to replace the Wet DBA. In view of this, we recommend keeping your last valid VAR. If the nature of your activities hasn't changed, the last VAR can be seen as a kind of indication. But more importantly, the tax authorities could decide to audit you. And impose an additional tax assessment if they believe a client did not have grounds for not withholding payroll tax. In which case, the VAR proves that there were valid grounds for not withholding payroll tax.

### VAT AND TRANSFER TAX

#### File for a sales tax refund for 2017

Are you still waiting for outstanding invoices to be paid? As a creditor, as of 1 January 2017, you are entitled to a refund of the VAT up to one year after the date on which the payment was due. You can deduct the amount of the refund from your periodical VAT return.

You don't need to send a separate request to the Belastingdienst. If it's clear that the invoice won't be paid by 31 December 2017, you must file a VAT refund for the period in which your creditor is clearly not going to pay. If the unpaid invoice is settled later, you must pay the amount of VAT that was originally deducted, in your next declaration.

#### Filing for a refund of EU VAT for 2017

Did you pay VAT to another EU country in 2017, but haven't reclaimed it? As long as you satisfy the conditions applied by the various EU countries for VAT refunds, you can claim a VAT refund at this website ["Teruggaaf van btw uit andere EU-landen"](#). You'll need log-in details to do so, which you can apply for here

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[Belastingdienst](#). Your refund needs to be filed by 30 September 2018, but we advise you to prepare for it well in advance.

### ESTATE PLANNING/PRIVATE

#### Gifts before 1 January 2018

If you're planning to make a gift to your children or grandchildren before 1 January 2018, they can use the annual exemption of € 5.320 (children) or € 2.129 (general exemption). Children aged between 18 and 40 also qualify for a one-off exemption for gifts of € 25.526. The date of their 40th birthday is covered by the age threshold. If the gift is intended to finance a costly study, the one-off exemption is € 53.176. Gifts intended to help finance the purchase of a home carry a one-off exemption of € 100.000. To qualify for this exemption, there's no need to hurry, because for tax purposes, it makes no difference if the money is gifted in 2017 or 2018. The exemption of € 100.000 applies to everyone aged between 18 and 40. The recipient does not necessarily need to be a child.

#### Give the purchase price of a home in instalments

Are you thinking of giving property as a gift, and is the house price higher than the figure estimated by the Valuation of Immovable Property Act (WOZ-waarde)? One solution is to facilitate the purchase by giving a loan instead of the purchase price, with a partial waiver of the loan (= gift) in December 2017 and in January 2018. If you haven't given the recipient a gift in 2017, he or she is still eligible for the waiver in 2017, and again in 2018. By doing this you can also plan your gift of the purchase price (waiver) to maximise the lowest gift tax rates in 2017 and 2018. And, if you give the sale price shortly after the property changes hands (within a month), you can also offset part of the transfer tax that has been charged.

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### Tip!

**Is the WOZ-waarde of the property lower than the estimated value? You might consider giving the property itself or, if it's more advantageous, giving the purchase price in instalments.**

### Professional training in 2018

You can still deduct the costs of training for a (future) profession in 2018. The phase-out of the scheme has been postponed until 1 January 2019. This means there's no rush to pay course fees in 2017 because you'll also be able to deduct them in 2018. Of course, there's no harm making plans for a future course.

### Gifts to a cultural body

If you want to make a gift to a charitable body in 2017, donating to a cultural institution with ANBI status has greater tax benefits than a gift to an ordinary public benefit organisation. A donation to a cultural institution creates a deduction of 125% of the donated amount, instead of the usual 100%. The additional 25% deduction is maximised at € 1.250. Like an ordinary donation, a threshold applies: 1% of the joint total income (the donation must be no less than € 60) before the personal deduction, and a maximum deduction of 10% of the joint total income (prior to the personal deduction).

### Paying alimony in 2017

Maintenance payments you make to a former spouse are part of the personal deduction. It's important to state the maintenance you pay to a former partner in the right year in your income tax declaration. This is because alimony payments are only deductible in the year in which they were paid. So, if you want to deduct maintenance in 2017, the payments must all have been made no later than 31 December 2017.

### Important!

**You cannot list alimony payments as a debt in box 3.**

### Arrange your fiscal partnership in 2017

In 2017, being fiscal partners has advantages. If you and your partner are not yet considered fiscal partners you can still be deemed partners in certain cases. If you are not married, you must be living together and registered at the same address as per 1 January 2017, and meet one of the other stipulations. Signing a notarial cohabitation contract is a quick and easy way to meet one of the requirements. You can also include your partner on your partner pension.

If you do this prior to 1 January 2018, and fulfil the above conditions, you meet the criteria for being considered fiscal partners in 2017.

### Remember the 2017 periodical settlement

If you have a prenuptial agreement and the agreement includes a periodical settlement scheme, don't forget to draw up this settlement for 2017. If you don't make the settlement, in the event of divorce or decease, you might be treated as though you were married in community of property.

### Pay your annuity in 2017

If you have a pension shortfall, it's a good idea to consider taking out an annuity. The premiums you pay as part of an annuity are tax deductible. The deduction of annuity premiums is restricted to an annual margin. Also, the premium is only deductible if it has been paid in the year in which you wish to apply the deduction. So, make sure you pay the annuity premium in 2017.

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### **Avoid high charges on savings as per 1 January 2018**

Now that interest on savings is extremely low, the box 3 charge on savings can generate a high tax burden. You can avoid this in 2018 by using your savings for one of the following before the target date of 1 January 2018: keep them in a new savings B.V., put your savings in a fund for joint account (known as 'fgr'), deposit your savings as informal capital or premium in your B.V., or turn your savings into a claim on your B.V. (known as a business use claim).

#### **Important!**

**The above-mentioned benefits may also bring risks and disadvantages. Creating a B.V., for instance, costs money. Decide which is the best option for you, and if it's more beneficial than keeping your savings in box 3. The box 3 rates coming into effect on 1 January 2018 will actually benefit people with more modest savings.**

## OWN HOME

### **Pay your 2018 mortgage interest in 2017**

If you reach state pension age in 2018 or fall into a different tax category for whatever reason, we recommend you pay your mortgage interest for the period up to 1 July 2018, in 2017. You will pay less tax because you're deducting this interest from a higher rate.

### **Renting your home after 1 January 2018**

Thinking about renting your home? Wait until after 1 January 2018. Because if you rent your home, it will henceforth be considered investment capital and no longer as your own home. This means your property will move from box 1 to box 3, where it will be added to your investments and assets for tax purposes. It makes sense to wait.