

## Dutch Government extends and expands emergency measures in response to COVID-19

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### Executive summary

On 20 May 2020, the Dutch Government announced an extension and expansion of the emergency measures in response to COVID-19. An amendment was issued on 28 May 2020.

Entrepreneurs and employees will receive financial support in the extended period because of the continuing impact of COVID-19. The Dutch Government has decided to extend various measures from the first emergency package by four months. However, various conditions will be adjusted. The Dutch Government is also taking new measures.

This Alert summarizes the key measures included in the new emergency package.

### Detailed discussion

#### Extension and adjustment of NOW

In view of the expiration of the first subsidy period as of 31 May 2020, the Dutch Government has decided to extend the "Emergency Measure for Employment Preservation" (the NOW measure) for four months to 30 September 2020.

Starting 6 July 2020, an entrepreneur who expects at least a 20% loss of turnover can apply for a wage cost allowance from the UWV (a Dutch governmental body) for June through September. The allowance amounts to a maximum of 90% of the wage expenses, depending on the loss of turnover.

In principle, the same system of compensation applies to the extended NOW measure as for the initial subsidy, but the new measure also contains changes.

### **Advance payment**

Based on the application, the UWV will provide an advance amounting to 80% of the allowance. Afterwards, the UWV will determine what the actual loss of turnover has been and whether there has been a decrease in wage expenses over the months of June through September.

### **Reference month and seasonal companies**

The reference month for the wage expenses for the NOW 2.0 will be March 2020. In addition, March will also be taken as the starting point in the current NOW measure if the wage expenses in the months of March through May is higher than in January. This is particularly important for seasonal companies.

### **No profit distribution, bonuses and purchases of own shares**

A company that uses the NOW 2.0 may not make a profit distribution to shareholders, pay bonuses to the board and management or buy back its own shares for this year.

### **Commercial dismissal**

In NOW 2.0, the correction to the subsidy when employees are laid off will continue to apply, but in the case of a commercial lay-off, the subsidy will no longer be reduced by 150%, but by 100% of the wage of the laid-off employee. This applies to lay-offs in June through September.

With the new NOW application process, companies declare that they will consult with unions if they want to apply for a commercial lay-off for more than 20 employees. This is in line with the regulations concerning collective lay-off. The legal protection in case of lay-off also remains in force.

Applications for larger lay-offs in the context of the "Wet Melding Collectief Ontslag" (commercial lay-offs of 20 or more employees) will be subject to a discount of 5% of the final NOW subsidy. This discount does not apply if an agreement has been reached between the employer and the unions (or another employee representation) or if these parties have requested mediation from the "Stichting van de Arbeid."

### **Retraining**

Employers who apply for the NOW 2.0 are obliged to encourage their employees to take additional training and retraining. Employers are required to declare this when applying for the NOW 2.0.

In support of this, the Dutch Government is launching a supportive crisis package "NL learns." This crisis package is complementary to the major investments that social partners and businesses are making to preserve employment as much as possible.

### **Flat-rate increase**

The fixed (flat-rate) surcharge is increased from 30% to 40%. As a result, the NOW currently contributes to costs other than labor costs.

### **Allowance for fixed expenses of SME's (new measure)**

Small and Medium Enterprise (SME) entrepreneurs in, among others, the catering, recreation, gyms, events, fairs, stages and theaters business can receive - in addition to the wage costs allowance (NOW) - a tax-free allowance to pay their fixed expenses.

Depending on the size of the company, the level of the fixed expenses and the degree of loss of turnover (at least 30%), companies will receive a contribution for their fixed expenses up to a maximum of € 50,000 for four months. The affected sectors that are eligible for the "Compensation for Entrepreneurs in Affected Sectors" (the TOGS) also will be eligible for this measure. As is the case with the current TOGS, this allowance is exempt from taxation.

The Government will investigate if companies in capital-intensive sectors with high fixed costs that continue to experience very significant turnover losses after 1 October, can be supported by the Government in a move towards a future-proof revenue model.

### **Conditions for extended Tozo**

The Dutch Government is extending the temporary financial support for self-employed workers (Tozo). Self-employed workers can receive additional income support for living expenses from their municipality. Until the end of September 2020, this measure will increase the income to the social minimum and the financial support does not have to be repaid.

New in the extended measure (Tozo 2.0) is a partner income test. This means that only households with an income below the social minimum can claim the financial support. When applying for Tozo 2.0, the self-employed worker and his partner have to confirm that the household income has fallen below the social minimum as a result of the COVID-19 crisis.

The possibility to apply for a working capital loan will remain available to self-employed workers in Tozo 2.0. Self-employed workers may request a loan from their municipality of up to € 10,157 at a reduced interest rate. Self-employed workers who have previously applied for a loan under this amount, may still request a second loan from the municipality up to the maximum amount. When applying for a loan, the applicants are asked to declare that their company is not in a suspension of payment or in a state of bankruptcy. If this is the case, the additional loan will no longer be granted by the municipality due to the risk that the loan cannot be repaid as the self-employed worker will have too much debt.

## Startups

The emergency package 1.0 contains several measures supporting companies, including the COVID-19 bridging loan (COL) that contributes to improving the liquidity position of innovative companies.

The Dutch Government has decided to provide a second tranche of €200 million in loans for the COL for the next four months.

## Financing and guarantees (BMKB, GO, KKC)

The additional, extended or more accessible lending and guarantee programs for small and medium-sized companies, startups and scale-ups from the first emergency package will be continued. As a result, these companies will also maintain or gain access to, for example, bank financing. The measures that are extended include the guaranteed SME-credits (BMKB), the Guarantee for Business Financing (GO), the new Small Credit COVID-19 Guarantee Measure (KKC) and the increased budget of the SEED Capital measure.

## Extension of tax measures

### Short deferral of payment

The period during which affected entrepreneurs can apply for a deferral of tax payments has been extended from 19 June 2020 to 1 October 2020. Entrepreneurs will receive a three-month extension of payment on first request.

### Long deferral of payment

Entrepreneurs can receive a deferral of tax payments for longer than three months for tax debts more than € 20,000 if they demonstrate that they have encountered payment problems due to the COVID-19 crisis. In this case, a statement from a third-party expert must be included with the request.

In addition, for a deferral of longer than three months, the entrepreneur will be required to declare that it will not pay dividends and bonuses, nor buy back its own shares.

The granted extension of more than three months lasts until the extension is withdrawn. In any case, this is no earlier than 1 October 2020. When the postponement ends, entrepreneurs will be offered an appropriate payment arrangement.

### Eligible taxes

The special deferral procedure applies to income tax, corporate tax, value-added tax (VAT), wage tax, gambling tax, insurance tax, landlord levies, various environmental taxes, excise duties, consumption tax of non-alcoholic drinks and similar taxes in the Caribbean Netherlands.

Postponement of payment of the taxation on passenger cars and motorcycles (BPM) will be made possible for license holders as of June, for the tax period May 2020.

The special deferral procedure does not apply to VAT, excise duties, consumption tax for non-alcoholic drinks and coal tax, insofar these taxes are levied in accordance with customs legislation on imports. However, a separate deferral of payment may be requested for payment obligations under the European Union customs legislation.

### Administrative penalties

Administrative penalties for late payment are not required to be paid during the deferral period.

### Tax and collection interest

The tax and collection interest was temporarily reduced from 4% to 0.01% as of 23 March 2020. The reduction originally applied for three months. The Dutch Government has decided to extend the reduction of the tax and collection interest for all taxes until 1 October 2020.

### Other tax measures

The Dutch Government has also extended the duration of other tax measures to 1 October 2020. This means, among others, that the VAT exemption for medical supplies, the VAT exemption for the lending of healthcare staff, the relaxation of the “hour criterion” for income tax entrepreneurs and the period in which a temporary postponement of mortgage payments while retaining the right to mortgage interest deduction can be requested for and granted are extended until 1 September 2020.

### Caribbean Netherlands

A similar approach as for the mainland Netherlands is taken for the Caribbean Netherlands. This means that the above-mentioned measures will also be extended by three months (such as measures regarding loss of wages and income and temporary deferral for paying tax). However, it is still under consideration whether the current phase requires an adjustment of the conditions of these measures.

### Further reading

More information on the impact of the COVID-19 crisis can be found on the following EY websites.

- ▶ [Dutch website of EY](#)
- ▶ [Overview of COVID-19 Dutch Alerts](#)
- ▶ [Global website of EY](#)
- ▶ [HVG Law](#)

The websites also include a number of trackers. The COVID-19 measures in the Netherlands and in the rest of the world can be followed using these trackers. The trackers are updated regularly.

- ▶ EY Tax Controversy Response Tracker: [Dutch version](#) | [English version](#)
- ▶ EY Global COVID-19 Response Tracker: [Dutch version](#) | [English version](#)
- ▶ EY Global Mobility Response Tracker: [Dutch version](#) | [English version](#)
- ▶ EY COVID-19 Global Trade Considerations Tracker: [Dutch version](#) | [English version](#)
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For additional information with respect to this Alert, please contact the following:

Ernst & Young Belastingadviseurs LLP, International Tax and Transaction Services, Amsterdam

- ▶ Danny Oosterhoff [danny.oosterhoff@nl.ey.com](mailto:danny.oosterhoff@nl.ey.com)
- ▶ Dirk Stalenhoeft [dirk.stalenhoeft@nl.ey.com](mailto:dirk.stalenhoeft@nl.ey.com)

Ernst & Young Belastingadviseurs LLP, International Tax and Transaction Services, Rotterdam

- Michiel Swets [michiel.swets@nl.ey.com](mailto:michiel.swets@nl.ey.com)

## Ernst &amp; Young LLP (United States), Netherlands Tax Desk, New York

- ▶ Simone Admiraal [simone.admiraal1@ey.com](mailto:simone.admiraal1@ey.com)
- ▶ Rik Jansen [rik.jansen@ey.com](mailto:rik.jansen@ey.com)
- ▶ Tim Clappers [tim.clappers@ey.com](mailto:tim.clappers@ey.com)
- ▶ Annelien Dessauvagie [annelien.dessauvagie@ey.com](mailto:annelien.dessauvagie@ey.com)
- ▶ Max t Hart [max.t.hart1@ey.com](mailto:max.t.hart1@ey.com)

Ernst & Young LLP (United States), Netherlands Tax Desk, Chicago

- ▶ Sebastiaan Boers [sebastiaan.boers1@ey.com](mailto:sebastiaan.boers1@ey.com)
- ▶ Martijn Bons [martijn.bons2@ey.com](mailto:martijn.bons2@ey.com)

Ernst & Young LLP (United States), Netherlands Tax Desk, San Jose/San Francisco

- ▶ Dirk-Jan (DJ) Sloof [dirkjan.sloof@ey.com](mailto:dirkjan.sloof@ey.com)
- ▶ Laura Katsma [laura.katsma2@ey.com](mailto:laura.katsma2@ey.com)

## Ernst &amp; Young (China) Advisory Limited, Netherlands Tax Desk, Beijing

- Yee Man Tang      yeeman.tang@cn.ey.com

Ernst & Young Tax Services Limited, Netherlands Tax Desk, Hong Kong

- ▶ Miranda Baas [miranda.baas@hk.ey.com](mailto:miranda.baas@hk.ey.com)
- ▶ Joost Huisman [joost.huisman@hk.ey.com](mailto:joost.huisman@hk.ey.com)

Ernst & Young LLP (United Kingdom), Netherlands Tax Desk, London

- ▶ Randall Hornberger [randall.hornberger@uk.ey.com](mailto:randall.hornberger@uk.ey.com)
- ▶ Celeste Krens [celeste.johanna.krens@uk.ey.com](mailto:celeste.johanna.krens@uk.ey.com)

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EYG no. 003570-20Gbl

1508-1600216 NY  
ED None

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