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RUBIX COUNTRY INSIGHTS

NETHERLANDS

Modest recovery is expected in the Dutch economy, driven by the new government's fiscal and policy reforms that boost private consumption through wage growth, lower inflation, and tax cuts, along with increased government spending.

EXECUTIVE SUMMARY

- The 2025 Development Budget Plan of the new coalition government (formed in September 2024) outlines initiatives to enhance household purchasing power through tax relief and reduced mandatory healthcare contributions, promote housing construction, and support agriculture.

- As a service-driven economy, the Netherlands relies heavily on its services sector, which accounts for nearly 77% of the economy, with transportation, distribution, logistics, banking, and insurance being the key drivers.

- The Dutch economy, the fifth largest in the European Union (EU), experienced a slight recovery in 2024, with a GDP growth of 0.6%, driven by both private and public consumption, on the back of declined inflation.

- Real GDP growth is forecasted at 1.6% in 2025 and 1.7% in 2026, driven by rising private consumption fuelled by wage growth, lower inflation, and tax cuts alongside increased government spending on healthcare, defence, and infrastructure.

- The Netherlands is the second-largest importer and exporter of goods in the European Union, after Germany, with exports accounting for nearly 65% of its GDP.

- After the US, the Netherlands is the 2nd largest exporter of agricultural produce, which accounted for 18% of the total exports in 2023. This share has remained nearly constant since 2019.

- Germany, Belgium, France, and the UK collectively account for nearly 49% of the country's total exports, highlighting its high reliance on European markets and making it vulnerable to economic fluctuations, policy changes, and disruptions within the region.

- The Netherlands emerged as India's 3rd largest export destination (after the US and the UAE) in FY2024, improving its rank from 7th in FY2020. It was also India's 11th largest trade partner in FY2024, improving its rank from 19 in FY2020.

- Refined petroleum oil alone accounts for nearly 64% of India's exports to the Netherlands, and this share has grown by 17% in the last 4 years.
- For the first six months of FY2025 (April to September 2024), the Netherlands was ranked as the 4th largest foreign investor in India and accounted for a 7% share of the total FDI equity inflow.
- The Dutch Government is cutting subsidies and raising taxes on electric and hybrid cars, as it believes the Electric Vehicle (EV) market has matured enough to transition to sustainability without ongoing government support.

Key Economic Indicators: Summary

Indicator	2020	2021	2022	2023	2024 (E)	2025 (F)	2026 (F)	2027 (F)	Forecast
GDP, current prices (USD Trillion)	932	1,060	1,050	1,150	1,220	1,270	1,330	1,370	● (green)
GDP growth, current prices (%)	-3.9	6.3	5	0.1	0.6	1.6	1.7	1.8	● (green)
GDP per capita, current prices (USD '000)	53.53	60.38	59.54	64.83	67.98	70.61	73.1	75.3	● (green)
Inflation rate, average consumer prices (%)	1.1	2.8	11.6	4.1	3.2	2.3	2	2	● (green)
General government gross debt (% of GDP)	53.3	50.4	48.4	45	44.3	45.1	46.2	47.2	● (red)
Current account balance (% of GDP)	5.6	10	6.6	9.9	10	10.1	10.1	10.2	● (blue)

Note: ●= positive outlook; ●= negative outlook; ●= stable/unchanged
Source: International Monetary Fund

Overview of the Netherlands' Political Landscape

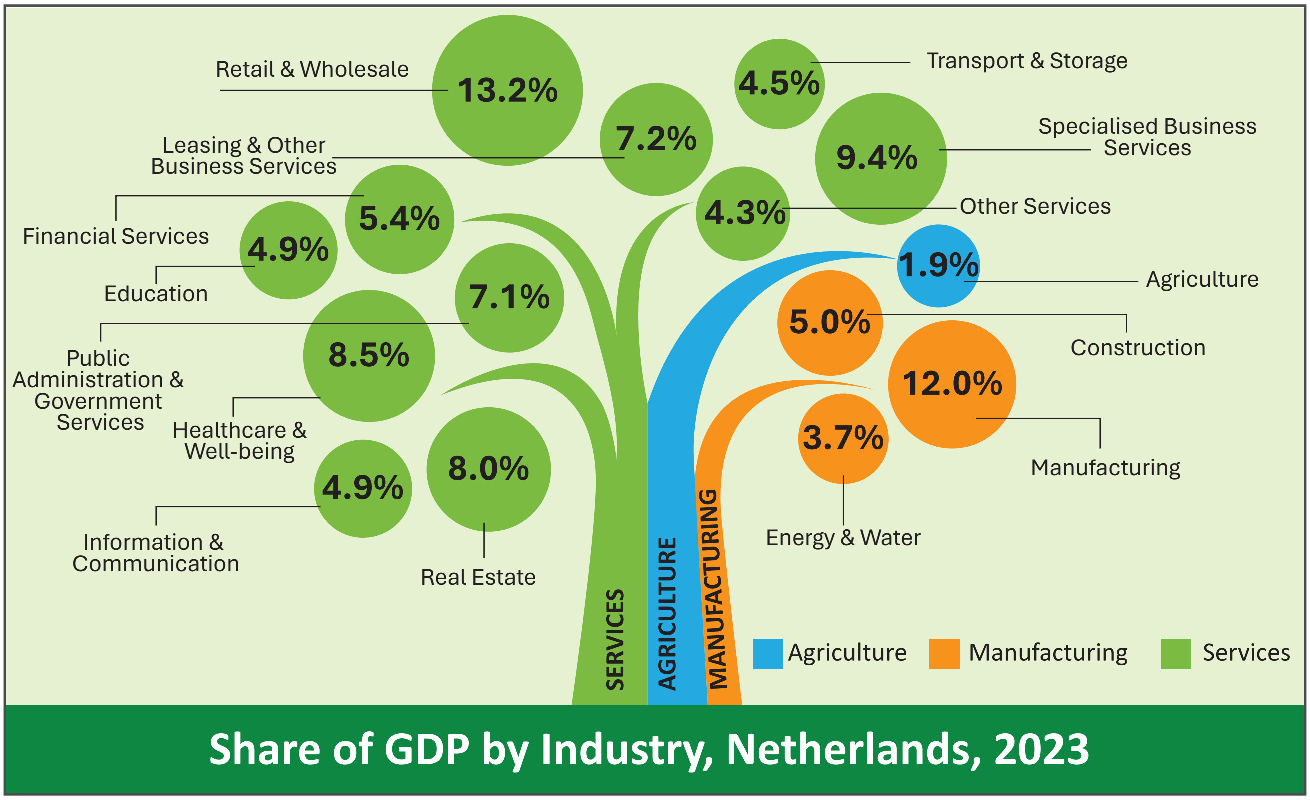
After the fall of the Rutte IV (2022–2024) Government on 7 July 2023, new elections were held on 22 November 2023. The most significant surprise of the election was the rise of the radical-right Freedom Party (PVV) as the largest party in the Dutch Parliament. The current government is a coalition of the Freedom Party (PVV), the People's Party for Freedom and Democracy (VVD), the New Social Contract (NSC) and the Farmer-Citizen Movement (BBB).

In September 2024, the Dutch Government announced its 2025 Development Budget Plan. The coalition agreement outlines measures to boost household purchasing power through tax relief and reduced mandatory healthcare contributions, encourage housing construction, and support agriculture. Proposed actions also include lowering the corporate tax rate and reducing the energy tax burden. To finance these initiatives, the government plans to reduce the public wage bill (including through headcount cuts), cut spending on foreign aid and education, lower contributions to the EU, and reduce immigration-related expenses.

Overview of the Netherlands' Business Landscape

The Netherlands is a central hub in the global business network, with advanced infrastructure that facilitates the efficient movement of goods, people, and data. Key distribution points such as Rotterdam, Europe's largest port, and Amsterdam Schiphol Airport, among the largest cargo airports in Europe, strengthen its position. Leveraging its strategic location and robust economy, the Netherlands has become one of the world's top trading nations, ranking 4th among the top exporters as well as importers in 2022 (latest data available as per World Statistical Review 2023).

As a service-driven economy, the Netherlands relies heavily on its services sector, which plays a crucial role in driving GDP growth and sustaining its competitive edge in global markets.



Source: Centraal Bureau voor de Statistiek, CBS

The services sector currently accounts for nearly 77% of the economy. This is slightly lower than the 79% share in 2016, partly due to the growing importance of the machinery, energy supply, and construction sectors[1]. Services in the Netherlands are primarily centred around key industries such as transportation, distribution, logistics, banking and insurance, water engineering, and emerging technologies. The country has established itself as a leader in ocean freight services across Europe, a natural outcome of its export-driven economy.

Industrial activity accounts for approximately 20% of the Dutch GDP, with key contributions from food processing, petrochemicals, metallurgy, and transport equipment manufacturing[2]. The Netherlands plays a significant role in global industrial activity by leveraging its advanced infrastructure and skilled workforce to maintain competitiveness in these areas. Additionally, it is among Europe's largest producers and distributors of oil and natural gas, further bolstering its industrial sector.

Agriculture is a vital sector in the Netherlands, as the country ranks as the second-largest exporter (in terms of value) of agricultural products, mainly horticultural, dairy, and meat, following the US. Leading companies in the food and agriculture industries are at the forefront of innovation, developing cutting-edge technologies, such as high-quality breeding materials, alternative protein nutrients, and advanced fermentation methods. Dutch farmers are embracing precision farming and state-of-the-art storage technologies to achieve high yields while minimising resource use. Furthermore, the Netherlands aims to become the global leader in circular agriculture by 2030.

[1] *Centraal Bureau voor de Statistiek, CBS, December 2024*
[2] *Lloyds Bank*

> "Although the government debt looks low now, we see the deficit and debt growing as a result of rising spending."
>
> Mr. Eelco Heinen, Finance Minister, Government of Netherlands

Business Entities in the Netherlands

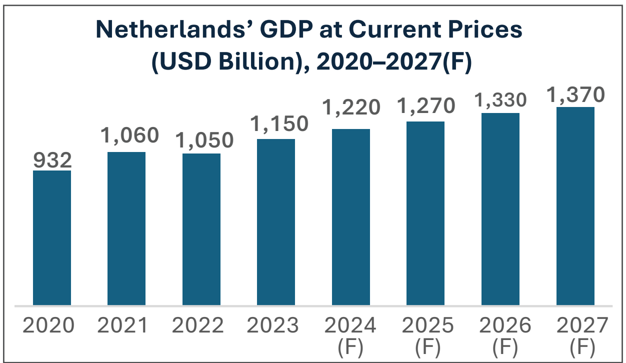
As per the latest data available from the Chamber of Commerce (KvK), the number of companies in the Netherlands went up from almost 2.2 million at the beginning of 2022 to more than 2.3 million at the end of 2022[3].

Here is an overview of the most common company types of companies in the Netherlands[4]:

Type of Company	Brief Details
Sole proprietor or sole trader (eenmanszaak)	This type of small business is popular among entrepreneurs who want things to be simple, have full control, and avoid excessive rules and regulations.
General partnership (VOF)	A general partnership, also known as a commercial partnership, is a business where at least two people work together under a shared name. Each partner contributes money, goods, or labour. There is no requirement for minimum capital, but as it is not a separate legal entity, partners are personally liable for any debts.
Professional partnership (maatschap)	In a professional partnership, at least two people work together in a shared profession, like dentistry or law, without needing starting capital. Each partner is personally liable for an equal share of any debts.
Limited partnership (CV)	A limited partnership (CV) includes at least two people—a managing partner and a limited partner. The managing partner runs the business, while the limited partner is only involved financially and does not actively manage the company. Like a general partnership, a CV is not a separate legal entity, and managing partners are personally liable for any debts.
Private limited company (BV or besloten vennootschap)	A Dutch BV can be set up with the entrepreneur as the sole director or major shareholder (DGA) or include other individuals and legal entities. A BV does not require starting capital, and its equity is divided into shares owned by shareholders.
Public limited company (NV or naamloze venootschap)	A public limited company (NV) raises capital by issuing shares, and shareholders can take part in decision-making. To register an NV, the entrepreneur needs EUR 45,000 in starting capital. An NV can only issue registered shares, not bearer shares.
Cooperative (coöperatie)	It can be set up with two or more members and can be of the following types: ● **Business cooperative:** It supports the business interests of its members in certain areas, for example, procurement, advertising, or jointly processing products in a factory. Well-known examples in the Netherlands are large dairy cooperatives. ● **Entrepreneurs' cooperative:** Members of an entrepreneurs' cooperative work independently but can also join forces to take on certain projects. This legal form is ideal for self-employed people without their own employees.

Note: Note: In July 2024, to make it easier for entrepreneurs to start a business together, the government announced its intention of having two instead of three partnerships, i.e., the VOF (general partnership) and maatschap (professional partnership) could disappear in substance and merge into the 'public partnership'.

Key Economic Indicators: Major Insights



Source: International Monetary Fund

GDP

Fifth largest economy in the EU sees gradual growth amid strong domestic demand[5]

- Following a period of stagnation in 2023, the Dutch economy saw a modest rebound in 2024, with GDP growth reaching 0.6%, supported by private and public consumption, as well as investment[6]. While growth was modest in Q1, the second and third quarters saw solid expansion, with GDP increasing by 1.1% and 0.8% quarter-on-quarter, respectively. The economy is clearly recovering from the stagnation caused by high

[3] *NL Times, January 2023*
[4] *Business.gov.nl*
[5] *Centraal Bureau voor de Statistiek, CBS, 2024*
[6] *International Monetary Fund (IMF), Country Data*

inflation in 2022-23. Since then, the Netherlands has outpaced the eurozone average.

- Strong consumer confidence and more favourable financial conditions, thanks to the European Central Bank's (ECB) interest rate cuts, provided a boost to economic activity.

- Private expenditure rose, particularly in the latter half of 2024, as wages grew faster than inflation, resulting in a 4.5% increase in real disposable income[7].

- The labour market remains tight with widespread job vacancies, putting upward pressure on costs, although business sentiment improved despite ongoing labour shortages.

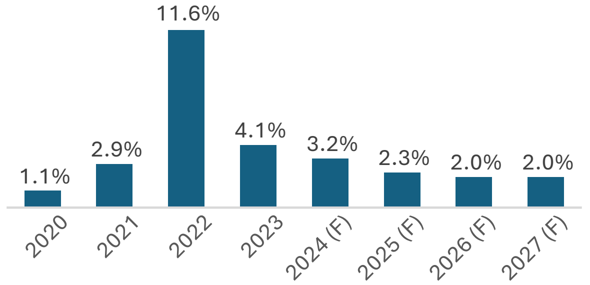
The increase in interest rates and a brief decline in housing prices in 2022 led to a slowdown in the issuance of building permits and a dip in housing investment, which typically represents around 5% of the economy. However, with concerns over interest rates easing, the number of new homes under construction started showing improvement in 2024, supporting the growth of the economy[8].

Inflation

Inflationary pressures ease slightly as ECB rate cuts aim to stimulate growth

- The Netherlands follows the interest rates set by the European Central Bank (ECB).

Netherlands' Inflation Rate at Average Consumer Prices (%), 2020–2027(F)



Source: International Monetary Fund

- Although inflation declined from 4.1% in 2023 to 3.2% in 2024, it remained relatively high, surpassing the Euro Area average, primarily due to increased taxes and excise duties[9].

- Significant hikes in excise duties on tobacco, alcohol, and non-alcoholic beverages contributed to the inflationary pressure.

- Starting in June 2022, the European Central Bank (ECB) raised interest rates to 4% in an attempt to combat rising inflation, which was significantly above the 2% medium-term target. In June, September, October, and December 2024, the ECB lowered its interest rates by 0.25%, signalling a shift towards stimulating economic growth[10].

Despite these rate cuts, inflation remains elevated, reflecting ongoing challenges in managing price stability post-pandemic and in an environment of geopolitical crisis.

Cross-Border Trade Dynamics

An economy driven by exports, accounting for nearly two-thirds of the GDP

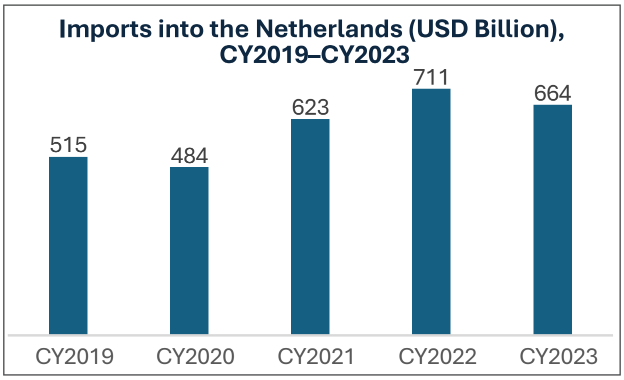
- The Netherlands' strategic location in Europe, advanced infrastructure, and well-developed logistics network, including the Port of Rotterdam, enables it to serve as a key gateway for trade within the European Union and beyond.

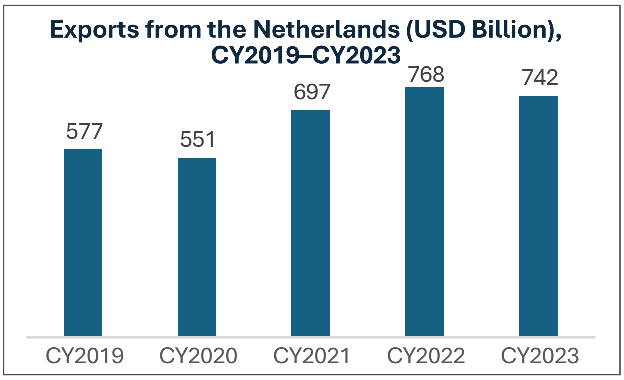
- The country is the second-largest importer and exporter of goods in the European Union after Germany[11].

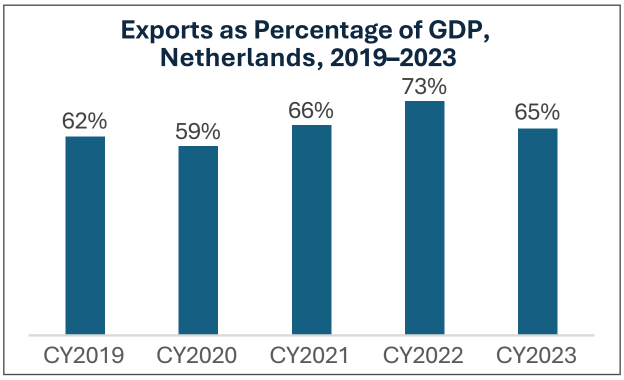
- It has a highly developed and diversified industrial base, which includes strong sectors like chemicals and petrochemicals, machinery, electronics, and agriculture that contribute significantly to exports, which accounted for nearly 65% of the GDP in CY2023. Except in CY2022, the trade surplus has been increasing year-on-year since CY2019.

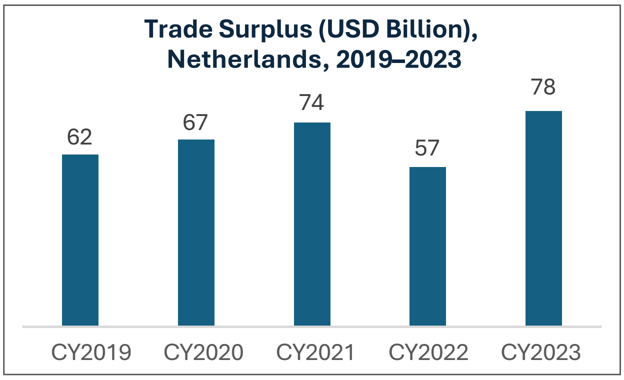
- During the period CY2019–CY2023, imports grew at 7% CAGR, while exports grew at 6% CAGR. However, economic tensions with China and the new US Government's stated intention to raise import tariffs on foreign products could adversely impact the growth of exports in the coming years.

[7] *De Nederlandsche Bank (DNB), 2024*
[8] *Rabo Bank, December 2024*
[9] *International Monetary Fund (IMF), Country Data*
[10] *De Nederlandsche Bank (DNB), 2024*
[11] *Centraal Bureau voor de Statistiek, CBS, April 2024*









Note: Trade Surplus = Exports – Imports. Source: International Trade Centre

Country-wise Trade

High reliance on European countries for imports as well as exports makes the Netherlands vulnerable to economic fluctuations, policy changes, or disruptions within the European market.

- Europe has remained the top trade destination for the Netherlands since FY2019, with Germany as its largest trading partner.
- Among top export destinations, four European countries, namely, Germany, Belgium, France, and the UK, account for nearly 49% of the country's total exports.
- Among the top import/sourcing countries, three countries, namely Germany, Belgium, and the UK, account for nearly 32% of the country's total imports.
- The Netherlands emerged as India's third-largest export destination in FY2024. However, China, and not India, features in the Netherlands' top five importers list because the imported Chinese goods were 8 times the value of the imported Indian goods.
- Semiconductor components, electrical appliances and devices, electrical power tools and electric cars were some of the major imported items from China that have shown the fastest growth in recent years.

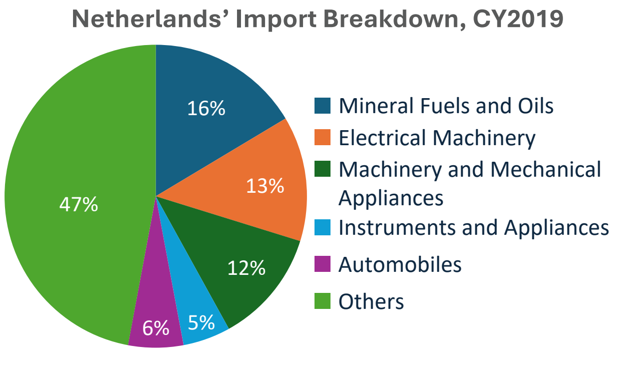
Top-5 Import Origins and Export Destinations, Netherlands, 2019 and 2023

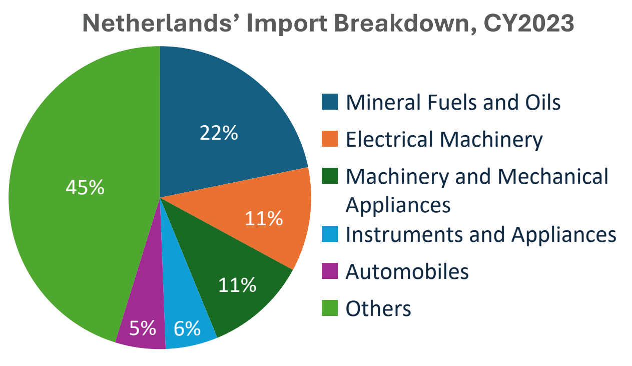
Top 5 Countries from Where the Netherlands Imported			Top 5 Countries to Which the Netherlands Exported		
Country	**Share in 2019**	**Share in 2023**	**Country**	**Share in 2019**	**Share in 2023**
Germany	17%	17%	Germany	22%	23%
USA	8%	10%	Belgium	10%	12%
Belgium	10%	10%	France	8%	8%
China	9%	8%	UK	8%	6%
UK	5%	5%	USA	5%	5%
Others	51%	50%	Others	47%	46%
Total	**100%**	**100%**	**Total**	**100%**	**100%**

Source: International Trade Centre (ITC)

Major Imports

Mineral fuels and oils (crude, gas, petroleum oils—bituminous material) and electrical products such as smartphones, integrated circuits, etc., collectively accounted for nearly one-third of the total imports.

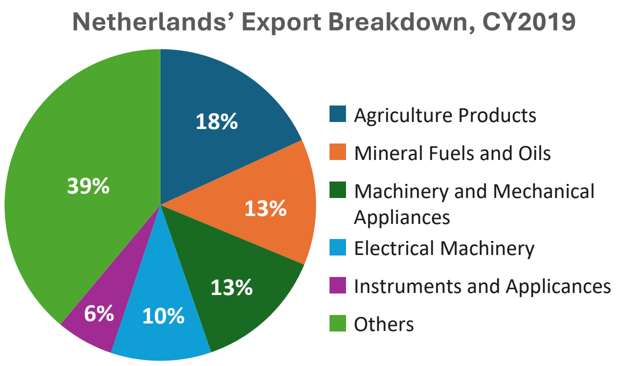


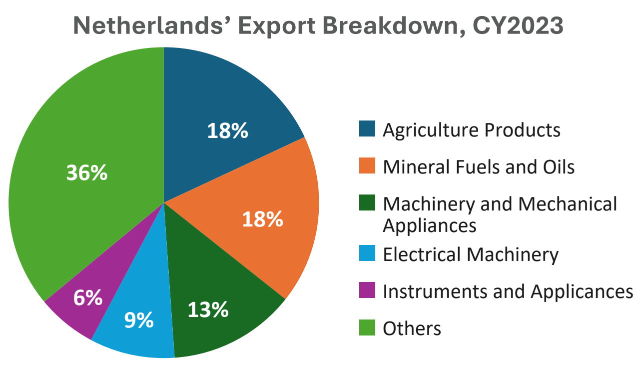


Source: International Trade Centre (ITC). Note: 4-digit HS codes have been considered for the analysis.

Major Exports

Globally recognised as a major agricultural exporter, ranking second worldwide with a diverse range of products.





Source: International Trade Centre (ITC). Note: 4-digit HS codes have been considered for the analysis.

- Agriculture products (HS code 04, 02, 07, 22, 19, etc.) include dairy, eggs, cereals, horticulture, vegetables, beverages, etc.
- Mineral fuels and oils (HS code 27) include crude and oil from bituminous minerals, hydrocarbons, etc.
- Machinery and mechanical appliances (HS code 84) include computers, machinery for semiconductor manufacturing, printing, etc.
- Electrical machinery (HS code 85) includes smartphones, electrical transformers, electronic integrated circuits, etc.
- Instruments and appliances (HS Code 90) include instruments and appliances used for medical, surgical, orthopaedic applications, physical and chemical analysis, etc.
- Automobiles (HS code 87) include vehicles other than railway or tramway rolling stock, and parts and accessories, etc

Key Highlights About Agricultural Exports

- The Netherlands is the second-largest exporter of agricultural produce after the US[12].
- Agricultural exports account for 18% of the total exports, and this share has remained nearly constant since FY2019.
- Germany, its largest trade partner, accounts for nearly 25% of the Netherlands' agricultural exports[13].
- The top three export products in the agricultural segment comprise dairy and eggs, horticulture, and meat[14], respectively.
- As per the latest data, the value of agricultural exports went up by nearly 5% in 2024 compared to 2023[15].

[12] *Government of the Netherlands*
[13] *Centraal Bureau voor de Statistiek, CBS, April 2024*
[14] *Centraal Bureau voor de Statistiek, CBS, April 2024*
[15] *Centraal Bureau voor de Statistiek, CBS, January 2025*

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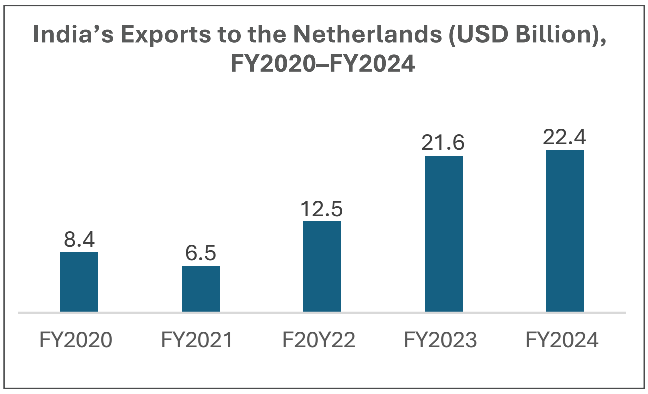
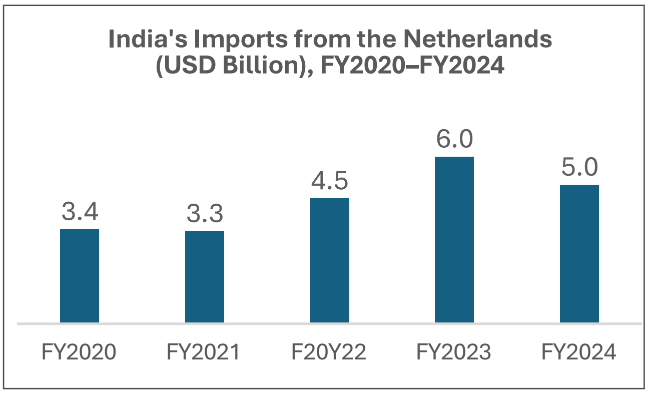
Cross-Border Trade Dynamics: With India

- The Netherlands has emerged as India’s third-largest export destination (after the US and UAE) in FY2024, improving its rank from 7 in FY2020.
- It was India’s eleventh-largest trade partner in FY2024, improving its rank from 19 in FY2020.

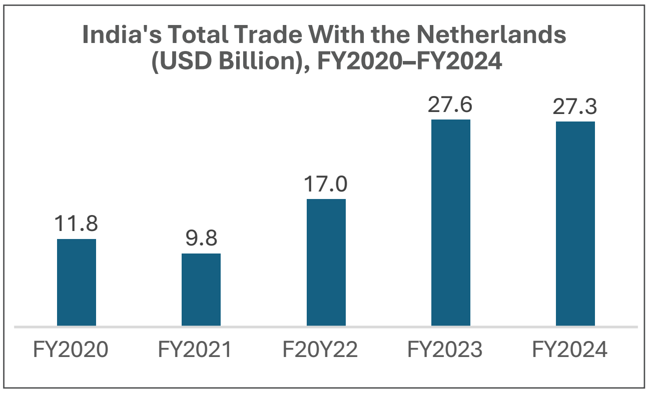


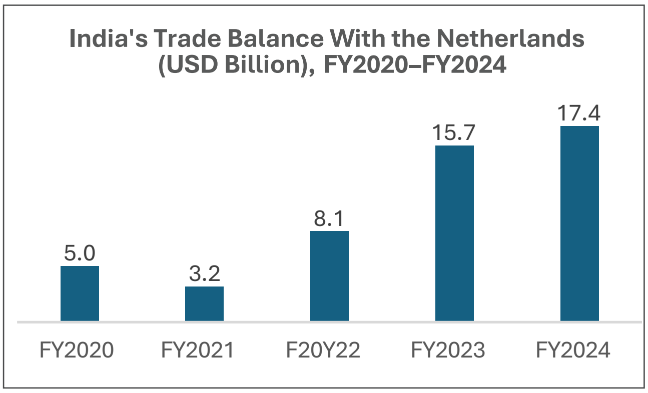


Source: Ministry of Commerce and Industry, Department of Commerce, Government of India

In the past five years, from FY2020 to FY2024:

- India’s exports to the Netherlands increased at 28% CAGR.
- India’s imports from the Netherlands increased at 10% CAGR.
- Total trade (imports + exports) between the two countries increased by 23% CAGR.
- India’s trade surplus (difference between exports and imports) with the Netherlands increased by more than 3.5 times (at 37% CAGR).





Note: Total Trade = Imports + Exports and Trade Balance = Exports - Imports
Source: Ministry of Commerce and Industry, Department of Commerce, Government of India

Refined petroleum oil alone accounts for nearly two-thirds of India's exports to the Netherlands, and this share has gone up by 1,700 basis points (17%) in the last 4 years.

India-Netherlands Trade, FY2020 and FY2024					
Major Products Exported by India to the Netherlands			**Major Products Imported by India from the Netherlands**		
Product	**Share in FY2020**	**Share in FY2024**	**Product**	**Share in FY2020**	**Share in FY2024**
Petroleum oil other than crude	47%	64%	Soya bean oil	2%	5%
Telephone sets/Cellular net-works	2%	6%	Electronic integrated circuits and micro assemblies	0.4%	5%
Medicaments	2%	2%	Ferrous waste and scrap	5%	3%
Unwrought aluminium	1%	1%	Surgical and dental instruments	4%	3%
Electrical transformers	1%	1%	Human blood, animal blood prepared for therapeutic, prophylactic or diagnostic uses	2%	3%
Others	47%	26%	Others	87%	81%
Total	**100%**	**100%**	**Total**	**100%**	**100%**

Note: 4-digit HS codes have been considered for the analysis. Source: Ministry of Commerce and Industry, Department of Commerce

India has been leveraging the Netherlands as a key intermediary for exporting refined petroleum products, particularly petrol and diesel. Since the start of the Russia-Ukraine war, India has been purchasing discounted crude oil from sanctions-hit Russia and refining it in its own facilities. However, due to sanctions preventing direct sales to certain European countries, India has increasingly relied on the Netherlands as a major transit point. With its well-developed ports and strategic position in Europe, the Netherlands has become the top destination for India's petroleum exports, facilitating shipments to Europe.

The Netherlands is among the top foreign equity investors in India

As per the latest data available, for the first six months of FY2025 (April 2024 to September 2024), the Netherlands was ranked as the fourth-largest foreign investor in India. It accounted for a 7% share of the total FDI equity inflow, with cumulative equity inflows of USD 52 billion from April 2000 to September 2024[16].

Empowering growth through strategic corporate cooperation

More than 200 Dutch companies, including prominent names like Philips, AkzoNobel, DSM-Firmenich AG, KLM Royal Dutch Airlines, and Rabobank, have a strong presence in India, reflecting the close business ties between the two nations. Likewise, more than 200 Indian companies operate in the Netherlands, with major IT firms such as TCS, HCL, Wipro, Infosys, and Tech Mahindra, as well as leading industries like Sun Pharmaceuticals and Tata Steel contributing to the Dutch economy[17]. This cooperation has resulted in a robust and growing trade and investment relationship between India and the Netherlands, with both countries benefiting from knowledge exchange, innovation partnerships, and the expansion of business operations. The collaborative efforts between these businesses are fostering deeper economic integration and paving the way for future growth, particularly in sectors like technology, pharmaceuticals, and manufacturing.

[16] *Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry*
[17] *Business Standard, January 2025*

> "The Netherlands is a trusted and valued partner. We are committed to advancing and providing a strategic dimension to bilateral ties in diverse sectors, including water, agriculture, security, technology, semiconductors, and renewable energy."
>
> Shri Narendra Modi, Hon'ble Prime Minister, Government of India

India-Netherlands Partnership for Agricultural Excellence Through Centers of Excellence[18]

India and the Netherlands are collaborating to establish 24 Centers of Excellence (CoEs) focused on enhancing India's horticulture, animal husbandry, and related agricultural sectors. Of these, 9 Centers have received funding under the Mission for Integrated Development of Horticulture (MIDH), with crucial technical support from the Netherlands in their development. Seven Centers are already operational, producing top-quality planting material and providing training to farmers. To date, more than 25,000 farmers across India have benefited from these training programs, gaining access to cutting-edge practices in horticulture and sustainable farming.

27 MoUs for Strengthening Partnerships and Driving Innovation

In September 2023, following the G20 Summit in New Delhi, the erstwhile Prime Minister of the Netherlands, Mark Rutte, led a high-level trade mission to Bengaluru to strengthen economic ties between the two countries. The delegation, which included representatives from more than 60 Dutch companies, focused on sectors such as semiconductors, cloud computing, sustainable agriculture, and medical technologies. The visit culminated in the signing of 27 Memoranda of Understanding (MoUs) between Dutch and Indian stakeholders to enable deeper collaboration in crucial areas like affordable healthcare and sustainable food systems[19].

Brief Snapshot of Key Developments in the Netherlands: Impact Metrics

Key Developments	Impact		
	1–2 years	3–5 years	6–10 years
Tax relief boost for working citizens	High	High	High
Reduction in transfer tax of non-primary residence to boost the housing market	High	High	High
Reversal of 30-20-10 Tax Scheme for expatriates	High	High	High
Supporting business growth: increasing interest deduction for corporation tax and easing debt waiver rules	High	High	Medium
Higher interest deductions for businesses with increased EBITDA rule percentage, reducing tax burdens	High	High	Medium
Simplifying business succession with more flexibility starting in 2025	High	High	Medium
Higher taxes on corporate donations from 2025	High	High	Medium
Health insurance contribution changes resulting in smaller savings but higher costs for employers	High	Medium	Medium
Cuts to education and research may secure short-term finances but risk future prosperity	High	Medium	Low
End of the National Growth Fund's final rounds sparks industry concerns about future innovation	High	Medium	Low

[18] *Krishak Jagat, October 2024*
[19] *India Briefing (From Dezan Shira and Associates), September 2024*

> "India and the Netherlands are strengthening agricultural collaboration through 'Seed Secretariat', expanding centres of excellence, educating and training farmers together to achieve good production."
>
> Mr. Jan-Kees Goet, Secretary General, Ministry of Agriculture, Nature and Food Quality, Government of the Netherlands

Key Developments

Tax Relief Boost for Working Citizens[20]

As a part of its 2025 Budget Plan, the government is implementing various measures to boost the purchasing power of middle-income earners.

- The rate payable in the first income tax band on income of up to EUR 38,441 per year will be reduced to 35.82% (about 1% lower than in 2024).
- A new second tax bracket will be introduced, with a rate of 37.48% applicable to income of between EUR 38,441 and EUR 76,817 per year.
- The minimum wage for an adult over the age of 20 is going up by 38 cents an hour to EUR 14.06.

Reduction in Transfer Tax of Non-Primary Residence to Boost the Housing Market

From 2026, the general rate of transfer tax on homes that are not considered primary residences in the Netherlands will be reduced from 10.4% to 8%. This is to boost the housing market and make it more attractive for investors or those purchasing second homes. By lowering the tax rate, the government hopes to stimulate the demand for non-primary residence properties, which could lead to increased property transactions and overall market activity.

Reversal of 30-20-10 Tax Scheme for Expatriates[21]

Under the Netherlands' expatriate tax regime, selected qualifying employees can receive a tax-free reimbursement of up to 30% of their salary for the first five years of employment. The 30% ruling regime was initially introduced to attract skilled professionals from overseas with industry-specific knowledge. However, it has undergone a few changes in the past year. From 1 January 2024, expats who met the conditions received the following tax benefits: 30% tax-free for the first 20 months, 20% tax-free for the next 20 months, and 10% tax-free for the last 20 months (30-20-10).

However, in its 2025 Budget Plan, the new government announced that the scaling back '30-20-10' regime will be reversed, and a maximum tax-free reimbursement of 27% will apply from January 2027. For years 2025 and 2026, a 30% rate will apply to all incoming employees. The salary threshold for incoming employees will be increased from EUR 46,107 (2024) to EUR 50,436 (after the 30% ruling is applied). The salary threshold for incoming employees younger than 30 years of age with a Master's degree will be increased from EUR 35,048 (2024) to EUR 38,338.

While the increase in salary thresholds is a positive aspect, the reduction of the tax-free percentage after 2026 may be seen as a negative factor for expats.

Supporting Business Growth: Increasing Interest Deduction for Corporation Tax and Easing Debt Waiver Rules

Starting in 2025, the general limit on interest deduction for corporation tax will increase from 20% to 25%, aligning it more closely with the European average. The higher interest deduction limit will reduce the tax burden for businesses, potentially increasing cash flow and encouraging investment.

Additionally, the rules for exempting profits from debt waivers for businesses with losses of over EUR 1 million will be relaxed, making it easier for financially stable companies to reach agreements with creditors. Easing the debt waiver rules will provide struggling businesses more flexibility, allowing them to restructure and recover without facing excessive tax penalties.

Higher Interest Deductions for Businesses with Increased EBITDA Rule Percentage, Reducing Tax Burdens[22]

The earnings stripping rule is a tax rule that allows businesses to deduct interest payments on their debts from their taxable profits. The government announced an increase in the percentage for the earnings stripping (EBITDA) rule from 20% to 24.5% of the adjusted taxable profit from 2025, which effectively means businesses can deduct a larger portion of their interest expenses from their taxable income. This change provides more room for companies to reduce their taxable profits, ultimately lowering their Corporate Income Tax (CIT) liabilities.

Simplifying Business Succession with More Flexibility Starting in 2025[23]

Starting 1 January 2025, the rules for the business succession scheme (BOR) and the deferral scheme for business owners transferring a substantial interest have been simplified. The requirement for both the donor and recipient to hold a substantial interest and continue the business for five years has been shortened to three years. This change gives business owners more flexibility to make decisions sooner without losing the benefits of the BOR scheme.

[20] *Government of the Netherlands, September 2024*
[21] *BDO Global, December 2024*
[22] *PwC, Netherlands*
[23] *Government of the Netherlands, September 2024*

Higher Taxes on Corporate Donations from 2025

Starting in 2025, businesses will no longer be able to deduct donations from their corporation tax. Donations will also be treated as profit distributions again and will be taxed accordingly. This means businesses will face higher taxes on donations they make, as these will no longer reduce their taxable profits. Without the ability to deduct donations from corporation tax, companies may face higher overall tax liabilities. Additionally, treating donations as profit distributions and taxing them could discourage some businesses from contributing to charitable causes, as it would reduce the financial benefits of making those donations.

Health Insurance Contribution Changes Result in Some Savings but Higher Costs for Employers

Starting from January 2025, the health insurance contribution rate for employers will be slightly reduced from 6.57% to 6.52%. However, the maximum contribution base for this purpose will increase from EUR 71,624 to EUR 75,860. While the lower contribution rate might seem like a saving, the higher contribution base means employers will face an extra cost. Employers will pay slightly lower health insurance contributions due to the lesser rate, but the higher base will lead to increased costs for employees with higher earnings. This could result in higher overall expenses for employers with higher-paid staff.

Cuts to Education and Research May Secure Short-term Finances but Risk Future Prosperity

To maintain a strict fiscal policy, the Dutch Government plans to keep its budget deficit below 3% of GDP, as required by the EU. To meet this goal, it is making EUR 1 billion in cuts to higher education, research, and innovation. This has sparked criticism, with key advisory boards warning that these cuts could harm the country's future prosperity, especially in terms of innovation. While these cuts provide short-term financial relief, they may undermine long-term growth.

End of the National Growth Fund's Final Rounds Sparks Industry Concerns About Future Innovation[24]

A significant portion of the recent increase in Dutch R&D spending has come from the National Growth Fund (NGF), which has been a key tool for long-term public-private investment in innovation. It was launched in 2021 to boost innovation and economic growth by disbursing a total of EUR 20 billion to consortia of research organisations and companies. The fund has supported projects like advancing the biotech sector, greening the steel industry, and developing animal-free biomedical research.

However, the new government announced that it would cancel the final two rounds of the NGF, totalling EUR 6.8 billion. This decision has faced strong opposition from industry groups, as it may limit further innovation and economic growth, especially in critical sectors like biotech and sustainable industries. Stakeholders fear the loss of funding will slow down the momentum built by previous rounds.

Given this development, the private sector's contribution becomes even more critical. The Netherlands currently allocates 2.3% of its GDP, or EUR 22 billion annually, to R&D, but many neighbouring countries have surpassed the EU's 3% target. A key challenge is the relatively low private sector investment in R&D, as the 3% goal requires 1% from the government and 2% from private enterprises. This hesitance may stem from concerns over the deteriorating business and investment climate, including increased regulations, high energy costs, and various infrastructural bottlenecks. The private sector's R&D spending needs to rise by EUR 6.7 billion annually to meet the 3% target. Thus, encouraging private companies to increase their R&D investment is crucial for the country's innovation and economic growth[25].

[24] *Science.org, May 2024*
[25] *IO+/Innovations Origin, TNO, September 2024*

Key Sectoral Initiatives

Real Estate: Residential Housing

Tackling the housing crisis with ambitious construction and accessibility plans[26]

The Netherlands is facing a severe housing crisis, with a shortage of around 401,000 homes in 2024, according to research agency ABF Research B.V. (ABF). The government aims to reduce this deficit to 2% of the total housing stock. Home prices have risen by 150% in the past decade, with the average home now costing EUR 452,000, more than 10 times the average salary. To address this, the government plans to build 100,000 homes annually, with EUR 5 billion allocated for construction and an additional EUR 2.5 billion to improve housing accessibility.

Agriculture, Fisheries, Food Security, and Nature

Investing in sustainable agriculture and nature to achieve leadership

The Netherlands is already a major player in agriculture, especially in exports. To continue this momentum, the new government has announced an ambitious program for agriculture, fisheries, food security, and nature, outlining crucial initiatives for the coming years. In 2025, EUR 40 million will be allocated, and EUR 500 million will be set aside for nature management. From 2026 onwards, a multi-year budget of EUR 5 billion will support the program. The program aims to position the Netherlands as a leader in sustainable farming, capable of adapting to market and environmental changes.

Horticulture

Lower Carbon Tax on the horticulture sector starts in 2025, with gradual increases till 2030[27]

From January 2025, the government announced a carbon tax on CO_2 emissions from the greenhouse horticulture sector, similar to the existing system for the industrial sector. This aligns with the EU's new emissions obligations towards building a sustainable environment. Although this proposal was adopted in 2023, it has now been revised to start the carbon tax at EUR 9.50 per ton of CO_2 in 2025 (lower than the previously planned EUR 12.25), with an increase to EUR 17.70 per ton of CO_2 by 2030. The lower starting tax rate will ease the financial burden on the greenhouse horticulture sector while still encouraging emission reductions. At the same time, the gradual increase in the tax rate will push industries toward greener practices over time.

Nuclear Energy

Paving the way for a sustainable energy future with new nuclear plants[28]

In addition to the two planned new nuclear power plants, the Dutch Government is also aiming to build two more. EUR 250 million from the Climate Fund will be allocated for preparatory work on four new nuclear plants and extending the lifespan of the existing Borselle plant. In 2025, the government plans to tender the technology, select suitable locations, and set up the project organisation for the planned nuclear plants.

Green Energy

Lower hydrogen tax rate to drive growth in green energy solutions[29]

From January 2026, the Netherlands plans to introduce a significantly lower energy tax rate for hydrogen compared to natural gas, aligning it with the lowest electricity tax bracket (which currently stands at EUR 0.00188 per kWh, but this will be increased in the future).

This reduction is designed to promote the production and use of green hydrogen, making it a more affordable and attractive energy source. The lower tax rate will help make green hydrogen more cost-competitive and encourage investment in cleaner energy solutions. Therefore, this policy supports the transition to sustainable energy by boosting the hydrogen market.

Natural Gas

Gradual tax cuts on natural gas, but no relief for electricity users[30]

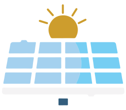
Starting from January 2025, the energy tax rates on natural gas supply up to 170,000 cubic metres will

[26] *RNational Institute of Advanced Studies (NIAS), October 2024*
[27] *Loyens & Loeff, September 2024*
[28] *Loyens & Loeff, September 2024*
[29] *Loyens & Loeff, September 2024*
[30] *Loyens & Loeff, September 2024*

gradually decrease, beginning at EUR 0.028 per cubic metre in 2025 and reaching EUR 0.048 per cubic metre by 2030. The gradual reduction in natural gas tax will provide relief to businesses and households using natural gas, helping to lower overall energy costs.

However, the new government has reversed the originally planned reduction in energy tax on electricity. This reversal could result in higher electricity costs for consumers in the coming years.

Solar Energy



Shifting Gears: End of the Net Metering Scheme

From January 2027, the current netting metering scheme for small-scale panel users will be replaced with a new arrangement. Under the new scheme, owners of solar panels will no longer be able to offset the electricity they return to the grid against the electricity they buy. However, consumers will receive 'reasonable' compensation from the energy supplier for the solar energy the consumer feeds back to the grid. With this measure, the government aims to encourage users to maximise their consumption of the solar energy they generate.

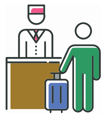
However, owing to a lack of clarity about 'reasonable' compensation, solar panel owners may face higher electricity bills as they will no longer receive credits for the energy they send back to the grid. This could also reduce the financial incentives for installing solar panels, potentially slowing the growth of solar energy adoption among small-scale users.

Games of Chance (Lotteries, Betting, etc.)

Raising taxes on games of chance to strengthen public finances

To maintain healthy public finances, the Government has introduced a gradual increase in the tax on games of chance (such as lotteries, betting, online gambling, etc.) from 30.5% in 2024 to 34.2% in 2025 and 37.8% in 2026. The higher tax rate will generate additional revenue for the government, helping stabilise public finances. However, this increase could reduce the profitability of gaming companies, potentially affecting the industry's growth and consumer costs.

Hospitality, Culture, Sports, and Media



Higher Value Added Tax (VAT) rates on accommodation and cultural services from 2026

In addition to the standard VAT rate of 21%, there is also a lesser VAT rate of 9% for selected products and services. From January 2026, the lower VAT rates for providing accommodation and for certain cultural goods and services are being abolished, and consequently, the general rate of 21% will apply. This increase in the tax rate could lead to higher prices for consumers, particularly in the hospitality and culture sectors, potentially affecting demand. Businesses in these industries may also face higher operating costs, which could be passed on to customers.

However, facing backlash from the hospitality industry, the government has made certain transitional arrangements (as per the latest data available on December 2024) as the matter is under discussion[31]:

- For accommodation: Transfers of single-use vouchers and payments made in 2025 for benefits in 2026 and beyond will be charged 21% VAT.

- For culture, sports, and media: Transfers of vouchers and payments made up to 30 June 2025 for benefits in 2026 and beyond will be charged 9% VAT; those made after 30 June 2025 will be charged 21% VAT.

Electric Vehicles

The Dutch Government is removing subsidies and increasing taxes on electric and hybrid cars as a part of its broader strategy to phase out direct financial incentives, encouraging the market to transition towards sustainability without relying on continuous government support. The government believes that the EV market has matured enough to stand on its own, with electric cars becoming more mainstream and accessible. Additionally, the removal of subsidies aligns with efforts to manage public finances more effectively while still promoting green technologies through other means, such as tax adjustments and infrastructure investments. Some key announcements include[32]:

Zero-emission vehicle tax discounts to end in 2030, with higher costs ahead: Currently, zero-emission vehicle owners in the Netherlands are exempt from Motor Vehicle Tax, but starting 1 January 2025, they will receive a 25% discount on the tax until 2029.

[31] *TVAT Update, December 2024*
[32] *RSM Netherlands Holding N.V., October 2024*

From 2030 onwards, zero-emission cars will no longer benefit from tax exemptions or weight corrections, leading to a higher Motor Vehicle Tax compared to gasoline cars due to their greater weight.

2025 Tax Plan to end motor vehicle tax discount for plug-in hybrids by 2026: For plug-in hybrid electric vehicles, the 2025 Tax Plan will remove the 50% Motor Vehicle Tax discount completely by 1st January 2026, making plug-in hybrid electric vehicles fully liable for Motor Vehicle Tax payments.

Electric cars to face BPM charges starting from 2025: From January 2025, the BPM exemption (one-time payment made when a vehicle is first registered in the Netherlands) for electric cars will be removed, and these vehicles will be subject to a base BPM rate upon registration, based on their CO_2 emissions.

End of SEPP and SEBA subsidies for electric vehicles to end in 2025: Discontinuation of the SEPP (Private Electric Passenger Car Subsidy Scheme) and SEBA (Zero-Emission Company Car Subsidy Scheme) subsidies mark the government's shift away from direct financial incentives for electric vehicles.

Reduced bijtelling rates for zero-emission cars to end by 2026: Bijtelling is a surcharge for the private use of a company car. Currently, employees using zero-emission cars for private use benefit from a reduced wage tax addition (bijtelling) of 16%, compared to the standard 22% rate, which will increase to 17% in 2025. By 2026, the bijtelling rate will be standardised at 22% for all cars, including electric ones.

OUTLOOK

Domestic Demand to Drive Dutch Growth Amid Rising Geopolitical and Inflationary Challenges

The Netherlands, traditionally a trade-oriented economy, typically experiences growth driven by external factors. However, over the next two years, domestic demand is expected to play a more significant role in economic expansion as external trade faces certain challenges. Growth in the Netherlands will primarily come from domestic consumption, with consumers leading the way as the key drivers of GDP growth.

In 2025 and 2026, private consumption is forecast to rise steadily, supported by solid wage growth, decreasing inflation, and tax cuts that will boost households' real disposable incomes. As the purchasing power increases, consumer spending will contribute significantly to the country's economic performance. Additionally, government spending is projected to grow due to rising healthcare needs and investments in defence and infrastructure, further stimulating demand. Thus, real GDP growth is forecasted at 1.6% in 2025 and 1.7% in 2026[33].

[33] *International Monetary Fund*
[34] *Rabo Bank, December 2024*

"The clear long-term agreement is that the government's finances must be kept in order by pursuing a strict fiscal policy. Not only will this foster clarity, but it will also force choices to be made, since we face a number of immediate setbacks. In the short term the government's priority is to ensure, as swiftly as possible, that people have more money to spend."

His Majesty King Willem-Alexander, King of the Netherlands

Government consumption and investment, which together account for about 28% of the Dutch economy, are expected to grow substantially in 2025 and 2026. Government consumption, which includes expenditures for civil servants, teachers, defence personnel, and healthcare workers, is forecast to grow by 1.6% in 2025 and 1.7% in 2026. Public investment, particularly in infrastructure and defence, is also expected to rise sharply, at a growth rate of 5.3% in 2025, followed by an increase of 8.1% in 2026[34].

The recovery of household purchasing power will be a key driver of consumer spending over the next two years. However, challenges in business investment may offset some of the economic growth. A notable factor is the anticipated sharp decline in van sales due to the ending of their exemption from the Motor Vehicle Tax (BPM) in 2025, which could dampen overall investment activity.

Despite the positive outlook for domestic consumption, inflation is expected to remain relatively high in the Netherlands compared to the rest of the Eurozone. The ECB's policy rate cuts to stimulate growth across the Eurozone may further complicate efforts to manage inflation in the Netherlands. Additionally, a weaker Euro against the US Dollar is contributing to import inflation, while global trade restrictions, especially those announced by the US under President Trump, are expected to increase price pressures on imports.

Geopolitical risks pose a significant threat to the Netherlands' economic outlook. As a highly trade-dependent nation, the country remains vulnerable to global uncertainties, including tensions in the Middle East and the ongoing war in Ukraine. These external risks could affect global trade flows and put additional pressure on the Dutch economy in the coming years.

RECENT CREDIT RATINGS FOR THE NETHERLANDS

Date	Credit Rating Agency	Outlook	Brief Details
November 2024	Scope Ratings	• Affirmation of long-term local and foreign currency issuer and senior unsecured debt ratings at 'AAA' with a stable outlook • Affirmation of the short-term issuer ratings at S-1+ in local and foreign currency with a stable outlook	Affirmation of AAA credit rating due to its wealthy, diversified, and competitive economy, sound public finances with moderate debt levels, and a strong external position supported by consistent current-account surpluses
October 2024	S&P	Affirmation of 'AAA' Foreign Currency LT credit rating	Strong, diversified economy, sound public finances, and solid external position, which enhance resilience to economic shocks
August 2024	Fitch Ratings, Inc.	Affirmation of Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AAA' with a Stable Outlook	Economic resilience backed by a high level of domestic savings, low public debt, recurrent high current account surpluses, and initiatives to face the challenges related to a tight labour market

Source: Scope Ratings, S&P Global Ratings, Fitch Ratings Inc.

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ABOUT RUBIX

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