



# Tax Expenditures and Benchmarking In The Netherlands



# Overview

1 Definition TE and Benchmarking

2 TE Report in NL

3 Overview NL

4 Case study

5 Questions



# Definition TE

- › Benchmark system
  - Conceptual approach
  - Reference tax law approach
  - Expenditure equivalent approach
- › No clear definition, but guidelines:
  - Policy aim, other than reference
  - Loss of tax income



# Definition TE

- > Example PIT:
  - PIT aims to promote fairness and tax according to financial capacity.

Name	Policy aim	TE?
Reduced rate first bracket in the PIT	Promoting fairness / redistribution	No
Labour Credit in the PIT	Promoting labour force participation	Yes
Healthcare cost reduction	Correcting taxable income for expenditures	Yes



# TE Report NL

- > Annual report as Annex to the Budgetplan
- > Not mandatory by law.  
Required by budget rules.
- > Periodic evaluations of TEs are required by law.

# Labour tax credit

## Category

Lifting discounts and discounts

## Description

The labour credit is a tax credit on income tax and the national insurance premium for workers. The amount of the discount depends on the amount of the labor income. The discount is zero from a specific labour income.

## The purpose

Stimulate labour participation, boosting hours worked and targeted income support for workers.

## The article of the law

[Article 8.11 of the Income Tax Act 2001](#)

## Sunsetclause

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## The Ministry

SZW, Article 1: Labour market.

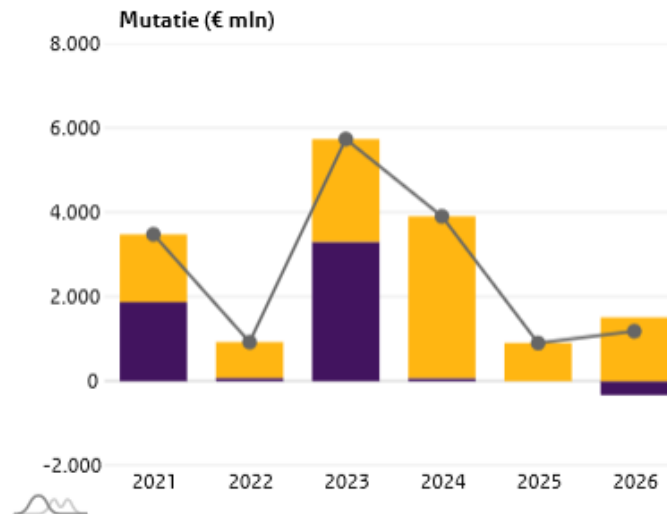
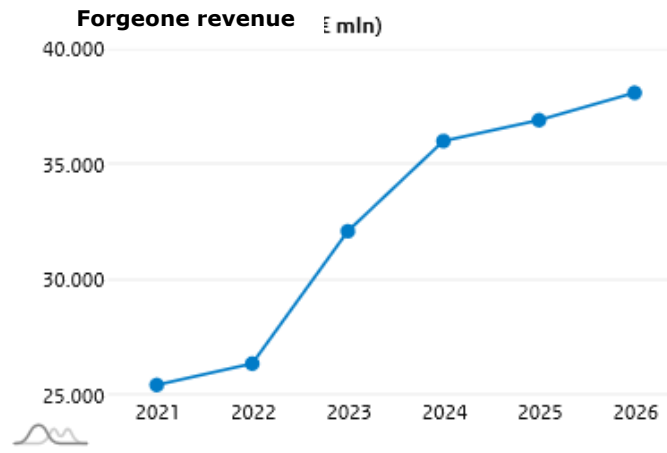
## Evaluation

[Final report Evaluation tax credits and tariff structure, Center data, 2024. Chamber chapters II 2023-2024, 32 140 No. 185 of 185.](#)

## Estimation

The estimate is based on MIMOSI, the microsimulation model for taxes, social security, labour costs and purchasing power. Figures are updated annually. Figures of [t-3] and further back in time are considered as realization.

X



■ Policy

Mutations by adjusting the tax regime or by adjusting the general rate of the tax type within which the tax regime falls

■ Endogenous

Changes through general economic development, such as price and volume development

■ Technical adjustment

Mutations by adjusting the methodology or the estimation data

■ A total

> Publicly available in a visuals of content

> Report provides more background:

- New TEs
- Evaluation planning and outcomes
- Ad hoc TE comprehensive reviews



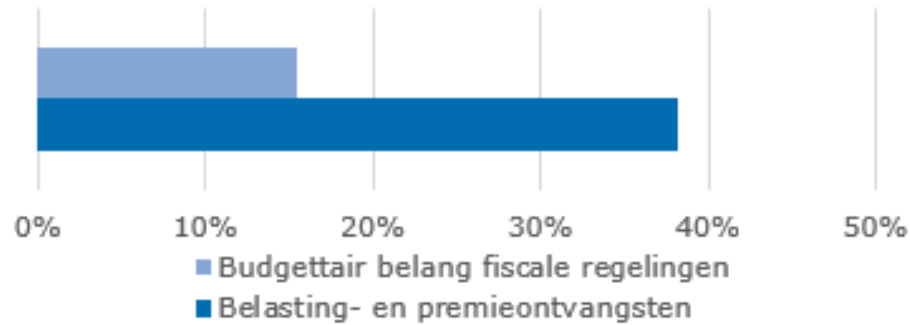
# We do not monitor **all** Tax Expenditures

- > Goal of monitoring
  - Budget cap
  - Effect policy interventions
  - Effect on policy goals
- > Rules monitoring
  - Tax Loss > 5 mln.
  - No international law
  - Data availability
  - TE is not technical tax measure
  - TE is not an efficiency threshold

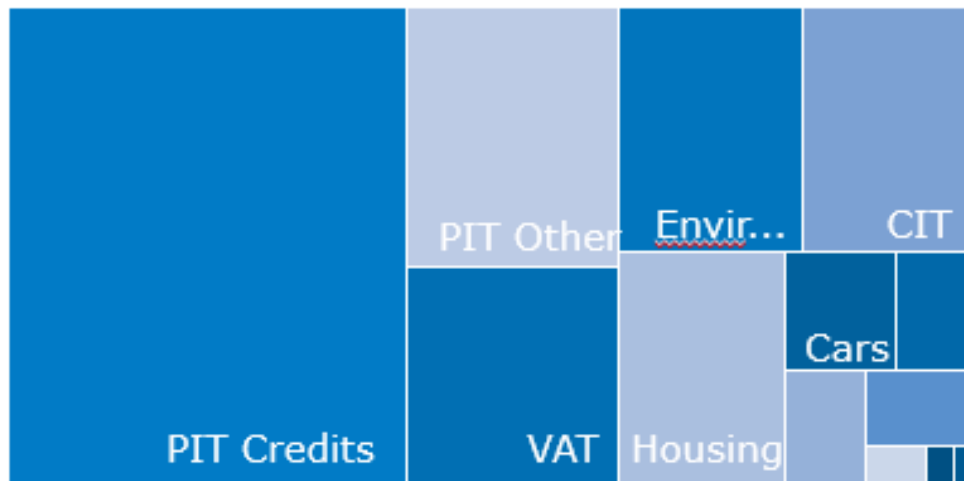


# Overview NL

% of GDP (2024)



TEs by tax type



- > Around 200 identified TEs
- > List grows every year
- > Total foregone revenue:
  - 188 billion EUR
  - ~15 % GDP



# Case study

## Adding 'new' TEs

How we go about identifying missing TEs



## > Structural reviews

- Dividend tax
  - Discussion in parliament on a repurchase exemption provision in 2023/2024
- Environmental taxes
  - Discussion on fossil subsidies
- Transaction tax
  - Discussion in parliament and a request to comprehensively review tax provisions

## > Ad hoc happenstance

- SME rate in the CIT
  - Ad hoc based on comprehensive review (Bouwstenen, 2020) and wish for evaluation (completed in 2025)
- Reduced rate payment in art inheritance tax.
  - Casual chat with the tax administration