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## Budget Day 2024 Tax Update Automotive Sector



**On Budget Day, the Dutch government unveiled the Tax Plan 2025, which includes several legislative proposals and amendments related to automotive and energy taxes. In this article, we detail the key proposals affecting the automotive sector. Additionally, we discuss other legislative changes set to take effect on 1 January 2025 that were announced in previous years.**

In the 2025 Tax Plan, the Dutch government reiterated their commitment to achieving climate and energy goals in the mobility sector, ensuring a stable long-term revenue from Automotive taxes, maintaining the affordability of car mobility, and preserving accessibility within the Netherlands. The proposal in the 2025 Tax Plan impact Automotive taxes, definitions, and subsidies. The changes should be seen also in the light of the government's announcement of a comprehensive reform of Dutch automotive taxes, for which a plan is expected to be published in the first quarter of 2025.

### Budget Day proposals

#### **Motor vehicle tax (MRB) on zero-emission passenger cars**

Currently, owners of zero-emission vehicles do not pay Motor Vehicle Tax (**MRB**). From 1 January 2025, a discounted rate will be applied (75% discount), which was set to expire on 1 January 2026. The legislator considered that the MRB for zero-emission passenger cars will be higher than that for petrol cars of comparable weight. To prevent stagnation in the growth of zero-emission passenger cars in the Netherlands, a further temporary tax discount of 25% is proposed for zero-emission passenger cars for the years 2026 up to and including 2029. The funding will come among others from the increased BPM revenue for plug-in hybrid passenger cars (see further below), and the budget for the second-hand EV purchase subsidy. The previous caretaker government already proposed a weight correction for BEVs to mitigate the higher vehicle weight caused by battery packs. The current proposals provide a weight correction significantly lower than initially indicated. The weight correction will also end after 2029 - a year earlier than planned. From 2030, the weight correction and thus the MRB benefit for BEVs will be completely eliminated. The government explains that new figures show a significantly higher budgetary shortfall than previously estimated, necessitating this more modest approach.

For plug-in hybrid electric cars (PHEV), a 25% reduction applies in 2025. From 1 January 2026, the discount rate for plug-in hybrid passenger cars will be reduced to 0%, eliminating the MRB benefit for PHEVs.

### **Changes to purchase tax (BPM) on zero-emission and plug-in hybrid passenger cars**

Private Motor Vehicle and Motorcycle Tax (**BPM**) is levied as a registration tax when a car is purchased or imported into the Netherlands. The amount of the tax for cars consists of a fixed amount and a variable part based on the CO<sub>2</sub> emissions of the car in question.

PHEVs are subject to a specific BPM rate table, with no base rate in 2024. The government now proposes to abolish the PHEV rate table. Recent changes in European regulations, aimed at aligning CO<sub>2</sub> emission measurements more closely with actual emissions, will lead to significantly higher BPM rates for these vehicles from 2025 and 2027. In response, it is proposed to discontinue the specific PHEV rate table from 1 January 2025. The proposal to end the specific PHEV rate table will result in a lower rate per gram of CO<sub>2</sub> emitted per kilometre for PHEVs, aligning their tax treatment more closely with that of regular fuel cars. This change reflects the more accurate representation of actual emissions under the new testing methods.

In addition, following from earlier proposals, from 1 January 2025, the exemption from BPM for zero-emission cars will expire and BPM will become due upon registration. Consequently, a base rate of €200 will apply.

### **Simplification effort in Automotive tax definitions**

A significant simplification in car taxes is proposed by aligning vehicle classifications in taxation with the definitions in the vehicle registration system. This change aims to eliminate discrepancies within the car tax system, specifically in the BPM and the MRB.

The legislative proposal highlights that this alignment will reduce complexity and administrative burdens for citizens, businesses, and implementing agencies. The current discrepancies between fiscal vehicle definitions and those used by the RDW (*Netherlands Vehicle Authority*) often lead to confusion and inefficiencies. By adopting the RDW definitions, the proposal aims to streamline the system, making it more straightforward and reducing unnecessary regulatory burdens.

### **Abolishment of purchase tax exemption on commercial vehicles**

Following from the 2023 Tax Plan, the BPM exemption for commercial vans owned by entrepreneurs will be eliminated from 1 January 2025. From this date, the basis for purchase tax for commercial vans will be CO<sub>2</sub> emissions. With the 2025 Tax Plan, the implementation of these measures will be improved, for instance by introducing a specific flat rate for (heavy) commercial vans for which no CO<sub>2</sub> emission value has been established based on the Worldwide Harmonised Light Vehicle Test Procedure (WLTP).

For commercial vans for which no CO<sub>2</sub> value is established, a flat rate will be applied based on 330 grams per kilometre. This rate is based on data from the RDW, which looked at the CO<sub>2</sub> value of commercial vans with a first registration date from 1 January 2018. Note that this flat rate is lower than the rate announced in the 2023 Tax Plan following consultations with the Automotive sector.

## Earlier proposals

### **Phase-out of wage tax benefit BEVs**

If a company car is elected to be used privately as well, an addition (in Dutch: *bijtelling*) to the salary for wage tax purposes applies. Zero-emission cars enjoy a reduced wage tax addition. It has been previously announced that the reduction for BEVs is phased out, so that the addition rate will be the same for all cars from 2026 onwards. In 2024, the wage tax addition rate for BEVs has been 16% on the list price up to the threshold amount of €30,000.

Above the threshold amount, the default rate of 22% will apply. For 2025, the addition rate for electric cars will be increased to 17% up to the threshold amount, after which in 2026 the default rate will apply to all cars. Interestingly, on hydrogen-powered (FCEV) and solar cell cars, the reduced wage tax addition rate can be applied to the entire list price, i.e., without the threshold still in 2025.

### **Subsidy schemes in 2025**

The Private Electric Passenger Car Subsidy Scheme (SEPP) and Zero-emission Company Car Subsidy Scheme (SEBA) are two important subsidy schemes that have been active in 2024. For the private purchase or lease of a (used) electric passenger car, a subsidy of €2,950 applies in 2024, while used cars are eligible for a subsidy of €2,000. As announced in the Dutch government's coalition agreement of May 2024, and confirmed in the Tax Plan 2025, the SEPP subsidy scheme and the SEBA subsidy for company cars will be discontinued.

## Contact

We will keep you informed on further developments. Should you have any questions with respect to the Budget Day proposals, or any other tax developments in the Automotive sector, please contact your trusted adviser or a member of our Automotive Team.

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