CPB Netherlands Bureau for Economic Policy Analysis

CPB Communication | 2017, October 4

Analysis economic and budgetary effects of the financial appendix to the Coalition Agreement

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Date: 4 October 2017
Subject: Analysis economic and budgetary effects of the financial appendix to the Coalition Agreement

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1 Introduction

This analysis is based on the measures in the financial appendix to the Coalition Agreement, as submitted to CPB on 29 September.[1] Chapter 10 lists the measures included in the analysis. The method used for assessing the package of measures is similar to that used for CPB's assessment of the election manifestos (Charted Choices 2018–2021).[2] In contrast to the election manifestos assessment, this analysis also includes measures with a budgetary impact below 100 million euros.

The baseline scenario represents the medium-term outlook as published in August 2017.[3] This means that the decisions made by the outgoing Cabinet in August, which were included in calculations for the Budget Memorandum 2018, are included in this analysis in the form of measures. Any adjustments to those decisions are included as separate measures.

Some of the submitted measures are not yet very specific. This is indicated in the list in Chapter 10, where applicable with: not to be overrun. More detailed information on the implementation could affect the impacts presented here. For measures related to the tax burden, policy-induced developments are presented on the basis of the EMU balance. Developments that are not EMU-relevant are not shown.

2 Government budget

The package of policy measures will increase spending and alleviate the tax burden. By 2021, this will have an overall negative effect on the **EMU general government budget balance** of 14.5 billion euros, compared to the baseline scenario.[4] This is the ex-ante impact, meaning that it does not take the macroeconomic delayed impact into account.

By 2021, the package of measures will have increased **public spending,** on balance, by 7.9 billion euros. The net increases in spending particularly concern social security, defence and education. Overall, most spending cuts are in health care. The measures in the so-called 'August decisions' of the previous government are part of the package of policy measures and represent an increase in spending of 0.1 billion euros, by 2021. Over the 2018–2021 period, and including the package of measures, public spending is projected to increase by 2.1%, annually.

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[1] This analysis, therefore, is not an analysis of the Coalition Agreement itself.
[2] CPB (2017), Charted Choices 2018–2021 (English summary) (*Keuzes in Kaart 2018-2021*, CPB Book, 16 February (Dutch, full report)). See Chapter 1, in particular.
[3] CPB (2017), Actualisatie Middellangetermijnverkenning (MLT) 2018-2021 [actualisation medium-term outlook 2018–2021 (only in Dutch)], CPB Communication, 16 August. (link)
[4] All figures provided in this section are compared to the baseline scenario, unless indicated otherwise.

By 2021, compared to the baseline, there will be a 0.2 billion euro increase in spending on the **employment terms in the public sector,** due to higher pension fund premiums and assuming the abolition of the uniform premium system. The package of measures will increase spending on **public administration** by 1.0 billion euros. This increase is mostly the result of growth impacts on municipal and provincial funds. These growth impacts originate from an expanded system linking the funds to total central government expenditures, as well as the net increase in spending in the package of measures. The package of measures, on balance, will increase spending on **security/public safety** by 0.5 billion euros. This includes additional spending on police, the criminal justice system, cyber security and counter terrorism.

Defence spending will be increased by 1.5 billion euros. This particularly concerns efficiency-related spending on replacement investments and modernisation of the armed forces. On the subject of **mobility and infrastructure,** the Coalition Agreement will result in a net increase in spending of 0.1 billion euros. There is a temporary increase in the infrastructure fund of, on average, 0.5 billion euros per year, over the 2018–2021 period. For 2021, the package of measures includes 0.6 billion euros in additional spending on the **environment**. This increase in spending is, in part, the result of increased, climate-related spending towards the energy transition. Furthermore, a subsidy on feed-in tariffs will be implemented, to replace the current fiscal measure regarding net metering.

In **education**, spending will increase by 1.4 billion euros, by 2021. This mainly concerns increasing the lump sum in primary education; for the purpose of wage increases, among other things. In **health care**, the package of measures will cut spending, on balance, by 0.5 billion euros (Chapter 3), and increase spending on **social security**, on balance, by 1.6 billion euros. The largest increases in spending concern increases in child benefits, child care allowance, and the child-related budget.

The package of measures, on balance, will increase spending on **transfer payments to companies** by 0.5 billion euros, by 2021. It will increase spending on **international development cooperation**, by an additional 0.8 billion euros; particularly, on budget increases for ODA (official development assistance) and the foreign diplomatic network. In the category **other**, an 0.3 billion euro increase in spending includes, among other things, temporary spending increases on regional bottlenecks.

The package of measures is projected to lead to an annual increase of 1.1% in **employment in the government sector** (Table 2.2). Employment in the **health care sector** will decline by 0.2% per year. This will bring the annual employment increase, in the baseline scenario and including the package of policy measures, to 0.8% for the government sector and 3.0% for the health care sector.

Table 2.1 Impact of policy package on government expenditure

	2017	Baseline 2021	Net increase	Baseline including package	Baseline	Baseline including package
	billion euros				% per year	
Terms of employment			0.2	0.2		
Public administration	62.8	65.6	1.0	66.5	1.1	1.5
Security/Public safety	12.6	12.0	0.5	12.5	-1.3	-0.2
Defence	7.5	7.7	1.5	9.3	0.9	5.6
Mobility and infrastructure	9.9	10.3	0.1	10.4	1.0	1.2
Environment			0.6	0.6		
Education	38.0	38.6	1.4	39.9	0.3	1.2
Health care	67.0	79.0	-0.5	78.5	4.2	4.0
Social security	88.4	90.7	1.6	92.4	0.6	1.1
transfer payments to companies	9.5	9.4	0.5	9.9	-0.3	1.0
International development cooperation	12.0	13.4	0.8	14.2	2.7	4.1
Other			0.3	0.3		
Total EMU-relevant expenditure	307.9	326.7	7.9	334.7	1.5	2.1

The baseline does not provide specifications for *terms of employment, environment* and *other*.

Table 2.2 Effects of the policy package on government and health care employment

	Baseline	Effect of package	Baseline including package	Baseline	Effect of package	Baseline including package
	2018–2021	2018–2021	2018–2021	2018–2021	2018–2021	2018–2021
	million hours worked			% per year		
Public sector	-20	65	45	-0.3	1.1	0.8
Health care	225	-20	205	3.2	-0.2	3.0
Government and health care	205	50	255	1.6	0.4	1.9

Summations may deviate from the reported totals, due to rounding of figures.

The package of measures, on balance, will alleviate the **tax burden**, by 2021, by 6.4 billion euros. Households will be paying 5.2 billion euros less in taxes and premiums. This is mainly the result of the implementation of the two-bracket tax system. For companies, the tax burden will increase by 0.1 billion euros. This is partly the result of reduced deductibility of interest rate charges on corporation tax (vpb) and an increase in the lower VAT rate. On the other hand, corporation tax rates will be lowered. The tax burden for abroad will decrease by 1.3 billion euros, particularly due to the abolition of dividend tax.

The **tax burden on income and labour** will be reduced by 7.5 billion euros. The greatest reductions in tax burden are due to the implementation of the two-bracket tax system and the increase in general tax credits. Spending cuts related to the expenditure on the Dutch Health Insurance Act (Zvw) (Framework Agreement, medications) cause Zvw premiums and health insurance subsidy to decrease. For households, this balance is counteracted by a higher rate in the first tax bracket. For employers, the lower health insurance premiums (iab) is compensated by higher disability fund (Aof) premiums. Stabilising the insurance policy excess will lead to higher nominal health insurance premiums for households and lower personal contributions than would be the case in the baseline scenario. The **burden on financial capital and profits** will be alleviated by 3.1 billion euros. This mainly involves a lowering of the corporation tax rates and abolition of the dividend tax.

Environmental taxes are increased by 1.4 billion euros. This increase mainly results from an increase in energy tax and the implementation of a minimum carbon price. The package of measures, on balance, will increase the **other taxes** by 2.8 billion euros, particularly due to the lower VAT rate increase to 9%.

The package of policy measures will reduce natural gas production in Groningen by 1.5 billion m^3, which will have a negative impact of 0.2 billion euros on the EMU-balance.

Table 2.3 Effects of the policy package on taxation, social insurance premiums and natural gas revenues

	Baseline	Net increase in tax burden	Baseline including package
	2018–2021	2021	
	billion euros		
Income and labour	4.0	-7.5	-3.5
Capital and profits	0.0	-3.1	-3.1
Environment	1.5	1.4	2.9
Other	-0.6	2.8	2.2
Total policy-induced tax burden	4.9	-6.4	-1.5
For: households	2.8	-5.2	-2.4
companies	2.2	0.1	2.3
foreign	0.0	-1.3	-1.3
Natural gas revenues		-0.2	

3 Health care

Public health care expenditure will go down, on balance, by 0.5 billion euros by 2021, 0.2 billion of which due to the so-called August decisions. The remaining decrease of 0.3 billion euros consists of an overall reduction in public Zvw expenditure of 0.6 billion euros and an increase in the budgetary financed health care expenditure of 0.3 billion euros.

In **curative care,** a number of changes will be implemented to the current system of regulated competition. This is intended to limit the increase in the volume of hospital care, district nursing, and mental health and addiction care (ggz), via Framework Agreements. Here, the macro management instrument functions as a 'stick'. It represents a spending cut of 0.9 billion euros by 2021. Various measures in de field of medication, together, will result in a spending cut of 0.4 billion euros, by 2021. The compulsory **insurance policy excess** will be maximised at 385 euros per person, starting in 2018. This represents an increase in spending of 0.7 billion euros. No changes will be made to the **insurance package**.

In **long-term care**, changes to the design of the personal contribution will lead to a limited increase in spending, by 2021.

The current personal contribution under the Social Support Act (Wmo) for **other care** will be replaced with a standard subscription fee. Municipalities will be partly compensated for these costs, via the 'government contribution Wmo', of 0.1 billion euros in 2021. In addition, various modest, efficiency-related increases in spending on, among other things, elderly care, sports and prevention, will lead to a spending increase of 0.1 billion euros by 2021, in budgetary financed health care.

4 Macroeconomic effects

The package of measures, in comparison to the baseline scenario, will result in an additional 0.2 percentage points growth in GDP, per year. This causes GDP to increase by 2.0% per year, bringing it well above the potential growth level. The reduction in the tax burden for households and the increase in employment will result in an average increase in consumption of 0.6 percentage points. Public spending will increase, particularly, on defence and education, while growing demand will lead to higher investments and cause companies to increase production levels. Higher prices will slow down export, causing a smaller increase than under the baseline scenario. The greater domestic demand will stimulate imports.

In 2021, unemployment will be 0.4 percentage points lower than under the baseline scenario, due to the higher employment level. Spending increases on defence and education will lead to more government jobs; and higher production levels will also cause an increase in employment in the market sector. In health care, the Framework Agreements leads to a lower growth in job numbers, compared to the baseline scenario (see Table 2.2). Labour supply will hardly be affected.

Contract wages at companies will increase by 0.8 percentage points per year, compared to the baseline scenario, while inflation will increase by 0.6 percentage points. The increase in the lower VAT rate and other indirect taxation immediately will cause higher inflation, and —via negotiations— will lead to higher wages. In addition, the spending impetus in the form of more public spending and reduction in tax burden will lead to a decrease in unemployment, which in turn will increase the pressure on wages and prices. Furthermore, higher real wages will also cause an increase in the labour income share.

Table 4.1 Macroeconomic impact of the package of policy measures

	Baseline	Effect of package	Baseline including package
	% per year		
Volume spending and production			
Gross Domestic Product (GDP)	1.8	0.2	2.0
Household consumption	1.4	0.6	2.0
Public spending	1.7	0.6	2.3
Private investments	2.8	0.3	3.1
Exports of goods and services	4.2	-0.2	4.1
Wages and prices			
Contractual wages market sector	2.3	0.8	3.1
Consumer price index	1.6	0.6	2.2
Labour market			
Employment (hours worked)	0.8	0.1	1.0
	effect at 2021 level, in percentage points		
Unemployed labour force	4.6	-0.4	4.1
Labour income share market sector	73.4	0.6	74.0

5 Government balance and government debt

By 2021, the EMU general government budget balance will be 0.5% of GDP, as a result of the package of policy measures. This is 1.2% lower than under the baseline scenario. The measures will cause the government budget balance to initially decrease by 1.8% of GDP. The macroeconomic delayed impact will subsequently cause the balance to improve by 0.6% of GDP. Higher consumption levels will increase VAT revenues, and higher employment and wage levels will lead to increased income tax revenues, while the number of benefit payments will decrease due to lower unemployment. The additional jobs in the government sector have a large delayed impact, via increases in spending and employment and lower unemployment. On the other hand, the abolition of dividend tax will benefit foreign parties and, therefore, will hardly produce any GDP effects.

Table 5.1 Effects of policy package on government deficit and government debt

	2018	2019	2020	2021
EMU general government budget balance (% GDP, baseline)	0.9	1.2	1.5	1.6
Initial effect of package (% GDP)	-0.6	-0.8	-1.5	-1.8
Delayed impact of package (% GDP)	0.3	0.6	0.6	0.6
EMU general government budget balance, incl. effect of package (% GDP)	0.5	1.0	0.6	0.5
Structural EMU general government budget balance (% GDP, baseline)	-0.1	0.6	1.2	1.6
Effect of package	-0.6	-0.5	-0.9	-1.3
Structural EMU general government budget balance, including effect of package (% GDP)	-0.7	0.1	0.3	0.2
EMU debt (% GDP, baseline)	53.8	50.7	47.7	45.0
Effect of package	-0.1	-0.7	-0.2	0.8
EMU debt including effect of package (% GDP)	53.6	50.0	47.5	45.8

The structural EMU general government budget balance will decrease, in the first place because of a worsening of the real EMU general government budget balance. Moreover, the increased growth and related delayed impact, partly, have a cyclical character. This causes the structural balance to end up lower than the real balance. In 2018, the structural balance will be just below the medium-term objective of 0.5% of GDP, and will be positive in subsequent years.[5] By 2021, the debt ratio will increase, compared to the baseline scenario, because the impact of the decrease in the EMU

[5] Because of the uncertainty about the estimated structural budget balance, the European Commission uses a margin of 0.25% of GDP to determine whether Member States are in compliance with the medium-term objective (MTO). See page 53 of European Commission (2017), Vade Mecum on the Stability and Growth Pact 2017 Edition, Institutional paper 052. (link)

general government budget balance is proportionally larger than the effect of the increase in nominal GDP (the denominator of the debt ratio). The increase in nominal GDP is caused both by additional economic growth and higher GDP prices.

6 Effects on purchasing power

As a result of the package of policy measures in the financial appendix to the Coalition Agreement, total median household purchasing power will increase by 0.7% per year, on average, compared to the baseline scenario. The measures that are relevant to purchasing power will be implemented in phases. The main measures contributing to a positive effect on purchasing power are those that alleviate the tax burden resulting from the introduction of the two-bracket tax system in box 1, the increase in general tax credits and in maximum labour tax credits. Negative impacts on purchasing power are caused by the freeze of the starting point for the top tax rate, up to 2021, and the abolition of the so-called *Kan-bepaling* for rent allowance (i.e. the personal contribution that is determined on the basis of either rent increases or benefit income level).

The following measures have a positive impact on purchasing power:

- Implementation of a two-bracket tax system in box 1, including alleviation of the tax burden
- Further increase in the maximum general tax credit at the starting point for the gradual reduction
- Increase in the maximum labour tax credit at the reduction starting point (in addition to the general increase in maximum labour tax credits)
- Abolition of the fixed maximum income threshold for rent allowance
- Increase in the child care allowance
- Increase in the child benefit level
- Raising of the reduction starting point for the child-related budget for couples
- Raising the maximum level for tax-free capital in box 3
- Lowering the notional rental value of privately owned homes
- Postponing the annual reduction in the social welfare benefit level, in the baseline scenario (via a gradual reduction in the double general tax credits in the reference minimum wage)
- Increasing the health insurance subsidy for couples
- Net impact of the delayed effect of the package of policy measures on nominal health care (Zvw) premiums, health insurance subsidy, and personal contributions related to the Zvw[6]

[6] This includes the effect of stabilising insurance policy excess.

The following measures have a negative impact on purchasing power:

- Freezing the starting point of the highest tax rate in first tax box, up to and including 2021 (including cancelation of policy-related increases up to and including 2021)
- Abolition of the *Kan-bepaling* for rent allowance (i.e. the personal contribution that is determined on the basis of either rent increases or benefit income level)
- Gradual abolition of the transferability of the income-dependent combination tax credits (IACK) and labour tax credits
- Gradual abolition of deductions related to a low mortgage or no mortgage on privately owned homes (the Hillen Act)
- Abolition of the uniform premium system for pension funds
- Lowering of the health insurance subsidy for single persons
- Gradual reduction in tax deductions to the lowest tax rate in box 1 (in line with the reduction in mortgage interest rate deductions)
- Acceleration of the reduction in mortgage interest rate deductions and other deductions to the lowest tax rate in box 1
- Increasing the tax rate in box 2

The following measures have different effects on different groups:

- Change to the build-up of the income-dependent combination tax credits (IACK)
- Increasing the maximum labour deductions as well as the reduction percentage
- Change to the calculation of the flat rate on savings
- Increase in pensioner credits for low incomes, and income-dependent reduction in pensioner credits down to zero for higher incomes
- The package of measures in the August decision 2018

The package of measures will cause real contractual wages at companies to increase, on average, by an annual 0.1 percentage point more than under the baseline scenario (see the chapter on macroeconomic effects). Contractual wage increases will accelerate by 0.8% per year and inflation by 0.6% per year. These adjustments to wages and prices will result in a 0.1% annual reduction in purchasing power, as the higher inflation will translate directly into a loss of purchasing power, while the impact of higher contractual wages will partly be undone by higher taxes and lower subsidies. For pensioners, the purchasing power effect of the adjustments to wages and prices is more negative than for any of the other groups, because they do experience the disadvantage of the higher inflation, but their supplementary pensions do not keep pace with contract wages (as they are indexed only to a limited degree).

The package of measures will have a positive impact on median purchasing power for all household groups; see Table 6.1. On average, all groups will benefit by 0.5% to 0.9%, compared to the baseline scenario. Households on incomes up to 175% of the national minimum wage (NMW) will particularly benefit from the increase in the maximum general tax credit and, to a lesser degree, from the implementation of the two-bracket tax system. The abolition of the *Kan-bepaling* in rent allowances (i.e. the personal contribution that is determined on the basis of either rent increases or benefit income level) and the decrease in health insurance subsidy will have a negative impact on this group. Households on incomes of 175% of the NMW or higher will particularly benefit from the implementation of the two-bracket tax system and the increase in the maximum labour tax credit. The freezing of the starting point for the top tax rate and the more rapid reduction in labour tax credits will have a negative impact on the purchasing power of the highest income group, in particular.

The employed, on average, will benefit by 0.8% per year, compared to the baseline scenario. They will benefit, particularly, from the implementation of the two-bracket tax system and the increase in maximum labour tax credit and general tax credit. The freezing of the starting point for the top tax rate will have a negative impact on the purchasing power of this group.

Welfare benefit recipients and pensioners, on average, will benefit by a respective 0.6% and 0.5% annually, compared to the baseline scenario. These groups will also benefit from the implementation of the two-bracket tax system, although less so than the employed. The increase in general tax credits, in fact, will have a relatively strong, positive impact on their purchasing power, which however will be limited because of the abolition of the *Kan-bepaling* and the lowering of the health insurance subsidy. And, finally, the pensioner credit adjustments are positive for pensioners on lower incomes, but negative for those on higher incomes.

In general, single-earner households, on average, will benefit as much as double-income households, by an annual 0.8%, compared to the baseline scenario. Single-person households will benefit by 0.6% annually, compared to the baseline scenario. Compared to the single-earner households, double-income households and particularly single-person households will benefit less from the implementation of the two-bracket tax system.

The median purchasing power of couples, both with and without children, will increase by 0.8% annually, compared to the baseline scenario. Couples with children benefit from the increase in child benefits and the lowering of the reduction percentage of the child-related budget. The new design of the income-dependent combination tax credits (IACK) will have a negative impact on the purchasing power of this group.

A measure that was not included in these purchasing power calculations is that of the abolition of the entitlement to IACK and labour tax credits for sickness benefit recipients. This measure will apply only to new benefit recipients, which means that the situation for current sickness benefit recipients will not be affected. Therefore, this measure is outside the scope of the definition of static purchasing power.

Tabel 6.1 Ex-post purchasing power of the policy package's financial appendix to the Coalition Agreement, average over 2018–2021

	Share (a)	Baseline including policy package (b)	Effect policy package (c)
	% total	% per year	
Income level (d)			
<175% nmw	38	0.8	0.6
175–350% nmw	37	1.3	0.9
350–500% nmw	14	1.4	0.8
>500% nmw	11	1.4	0.5
Income source (e)			
Workers (f)	63	1.4	0.8
Social benefit recipients	9	0.6	0.6
Pensioners	26	0.7	0.5
Household type			
Double-income households	52	1.3	0.8
Single person households	43	0.9	0.6
Single earner households	6	1.2	0.8
Household composition (g)			
With children	25	1.5	0.8
Without children	50	1.3	0.8
All households	100	1.1	0.7

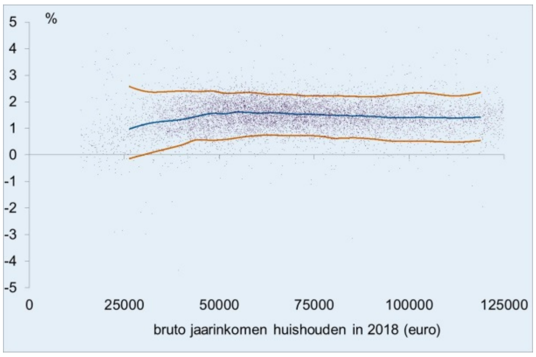
(a) Percentage of total number of households in 2018.
(b) Median static purchasing power mutations, excluding incidental income mutations. This concerns the average over the purchasing power mutations in 2018, 2019, 2020 and 2021.
(c) Effect of policy package as median of the purchasing power changes on individual level. This may deviate from the difference between the medians, because these should not be added together or subtracted from each other. To avoid confusion on this subject, this table does not include a baseline.
(d) Gross income from employment or social benefits, on household level; gross national minimum wage in 2018 will be around 20,500 euros.
(e) The categorisation according to income source is based on the highest income source on household level, whereby households where the head or partner has income from profits have been categorised under workers. Households on early retirement pensions or student financing as their highest income source were excluded.
(f) For the purchasing power mutation of workers, incidental mutations of wage, such as bonuses received or lost, were not taken into account.
(g) The categorisation according to household composition is based on the presence of children up to the age of 18, and excludes pensioner households.

Certain measures will not be allocated to specific household types and have an impact on purchasing power through inflation. Examples include measures on rents and indirect taxes, such as VAT adjustments and excise duty such as on tobacco.[7]

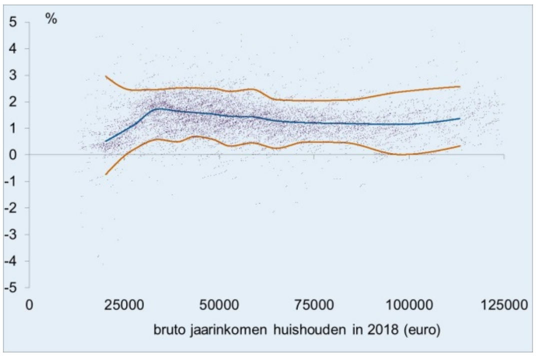
[7] For specific legislative proposals that relate to such measures, the Ministry of Social Affairs and Employment will often calculate the income effects per type of household.

Figure 6.1 **Distribution of purchasing power of the policy package's financial appendix to the Coalition Agreement (including baseline), over 2018–2021**[8]

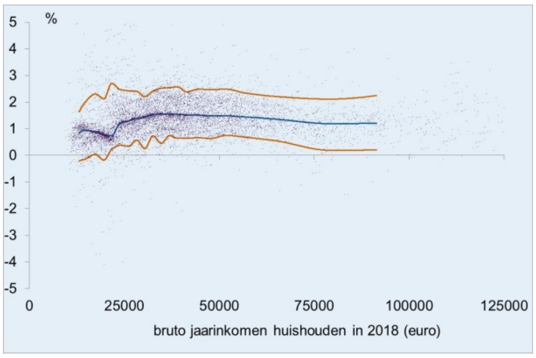
Employed double-income household[9]



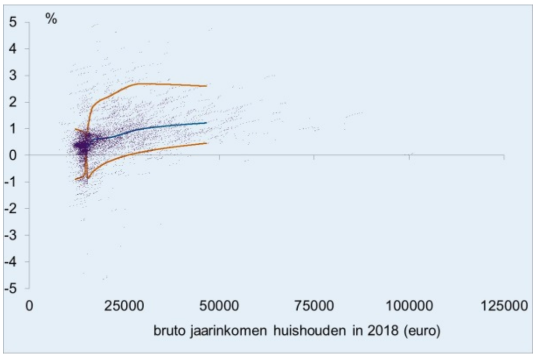
Employed single earner[9]



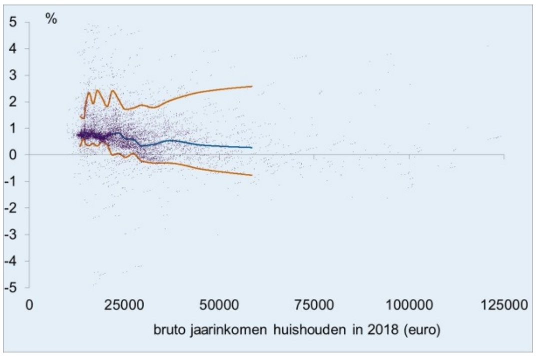
Employed single person[9]



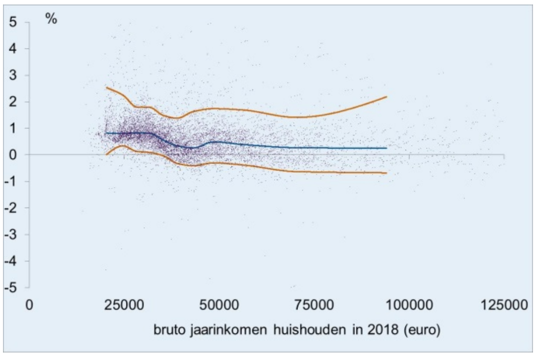
Social benefit recipient, single person[9]



Pensioner, single person[9]



Pensioner, double-income household[9]



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[8] Purchasing power per household type and household income level, mutations in % per year, 2018–2021. Per income level, the purchasing power of 90% of households is within the margin between the upper and lower lines. The middle line represents the median.

[9] The horizontal axis denotes gross annual household in 2018 (euros).

7 Long-term policy effects on income and distribution of income

The package of policy measures in the financial appendix to the Coalition Agreement will lead, in the long term, to smaller income inequalities than under the baseline scenario. Compared to the baseline, the Gini coefficient will be 2.7% lower. Important measures that lower the Gini coefficient include the increase in maximum general tax credits (with steeper reduction), the part reversal of the policy-related raise of the starting point for the top tax rate in box 1 and accelerated reduction in labour tax credits. However, the lowering of the tax rate of the current second and third bracket (the implementation of the two-bracket system), the increase in labour tax credits, and lowering of the health insurance subsidy will lead to an increase in the Gini coefficient.

Measures leading to an increase in the Gini coefficient:

- Implementation of the two-bracket tax system in box 1, including alleviation of the tax burden
- The further increase in maximum labour tax credits at the reduction starting point (in addition to the general increase in maximum labour tax credits)
- Lowering of the health insurance subsidy for single persons
- Change in build-up of income-dependent combination tax credits (IACK)
- Abolition of the *Kan-bepaling* for rent allowance
- Gradual abolition of the transferability of IACK and labour tax credits
- Abolition of IACK and labour tax credits for sickness benefit recipients
- Lowering of the notional rental value of privately owned homes
- Gradual abolition of deductions related to low mortgage or no mortgage on privately owned homes (the Hillen Act)
- Increase in the child care subsidy
- Net impact of the delayed effect of the package of measures on nominal Zvw premiums, health insurance subsidy, and personal contributions in relation to the Dutch Health Insurance Act (Zvw)

Measures leading to a decrease in the Gini coefficient:

- Increase in maximum general tax credits, with steeper reductions
- Increase in maximum labour tax credits as well as the reduction percentage
- Gradual reduction in tax deductions to the lowest tax rate in box 1
- Freezing the starting point of the top tax rate in box 1, up to and including 2021 (including cancelation of policy-related increases up to and including 2021)
- Abolition of the fixed income threshold for rent allowance

- Part reversal of the policy-related raise of the starting point for the top tax rate in box 1 after 2021
- Increase in health insurance subsidy for couples
- Raising the tax rate in box 2
- The package of policy measures in the August decision 2018
- Raising the reduction starting point for the child-related budget for couples
- Increase in the child benefit level
- Increase in pensioner credits for low incomes, and income-dependent gradual reduction in pensioner credits, down to zero, for higher incomes
- Raising of the maximum for tax-free capital in box 3

The funds reserved in relation to the transition towards abolition of the uniform premium system concerns a temporary measure and, therefore, has no structural impact.

Table 7.1 Long-term policy package effects on distribution of income

+ = larger income inequality	Baseline	Baseline including policy package (a)	Effect of policy package (b)
	%		
Relative mutation of the Gini coefficient (c)	2.7	-0.1	-2.7

(a) The baseline and the baseline including the policy package shows the relative mutation of the Gini coefficient, with ongoing policy having been cut at 2060.
(b) The effect of the policy package shows the relative mutation of the Gini coefficient by the policy package, in the structural situation, with ongoing policy cut at 2060.
(c) In equation: (mutation of the Gini coefficient) / (Gini coefficient in the baseline).

The long-term impact of the package of policy measures deviates from the effect on low and high incomes, over the 2018–2021 period. During this period, all income groups will benefit, and therefore there seems to be no or hardly any reduction in income inequality. Whereas, in the long term, there will be less income inequality (i.e. a 2.7% reduction in the Gini coefficient). The package contains measures that are positive for low incomes and those that benefit middle- and high-income groups. The measures that have a positive impact on the low-income group in the short term, such as the increase in maximum general tax credits, are permanent and, therefore, have the same effect in the long term. The policy effect that will be positive for middle- and high-income groups in the short term will largely disappear in the long term. An important measure with a positive impact for middle and higher incomes is the implementation of the two-bracket tax system. The impact of this measure can be seen particularly over the 2018–2021 period. In the long term, its effect will be smaller because the baseline scenario already includes a reduction in the tax burden after 2021, caused by lower rates, as compensation for the gradual reduction in mortgage interest rate deductions.

8 Structural employment effects

In total, the package of policy measures in the financial appendix to the Coalition Agreement will increase structural employment, in hours, by 0.2%. This effect is caused by measures in labour market policy and social security. Fiscal measures, on balance, will have no impact on structural employment. Nor does the package contain any such measures related to the state-pension entitlement age (AOW).

Table 8.1 Effects of the policy package on structural employment (in hours)

	Effect of package
Employment (a,b)	0.2
of which: fiscal	0.0
social security and labour market policy	0.2
state pension entitlement age	0.0

(a) Change compared to the baseline, in percentages.
(b) 0.1% equals around 7,000 full-time jobs.

On balance, the measures on social security and labour market policy will have a slightly positive effect on structural employment, which will grow at the lower end of the labour market, because the number of sheltered employment positions will be increased. In the area of social security, the more stringent claim assessments related to disability will stimulate structural employment. However, this is partly counteracted by the extension of parental leave for partners and the limitation on premium differentiation WGA[10] to five years.

The fiscal measures, on balance, will have no impact on structural employment. The introduction of a two-bracket tax system in box 1 of the income tax will hardly have any effect on structural employment. Although this new system will lead to a lower tax rate in the current second and third brackets – which will increase structural employment – this will be counteracted by the reduction in the raising of the top tax rate starting point. In addition, the increase in labour tax credits and general tax credits also counter each other; on balance, they will have a slightly negative effect on structural employment. The raised reduction starting point for the child-related budget for couples will also have a downward impact. However, the higher child-care subsidy will stimulate structural employment, as will the abolition of the entitlement to labour tax credits and income-dependent combination credits for sickness benefit

[10] This concerns a premium differentiation for companies with employees who become disabled. Currently, companies are obligated to pay higher premiums for a period of 10 years, as soon as any of their employees become disabled.

recipients, the lowering of corporation tax and abolition of the *Kan-bepaling* for rent allowance.

The combination of all child-related schemes, both fiscal and in social security, on balance, will lower structural employment. Although the increase in child-care benefits will stimulate structural employment, this will be more than counteracted by changes to the child-related budget, the extension of parental leave and the increase in child benefits.

Differences between permanent staff and workers on a flexible work arrangement will become smaller, due to the package of measures. This is partly caused by the various adjustments to the transition reimbursement, which will decrease for long-term employment contracts and will also apply to short-term contracts. In addition, the differences in costs for workers with a flexible work arrangement and permanent staff will become smaller, because, for small companies, the transition reimbursement and the second year of continued wage payments in cases of illness, in certain situations, will be collectivised.

Because some of these measures – just as some other ones (compensation lower health insurance premiums and extension of parental leave for partners) – will be financed from higher Aof and general unemployment fund premiums, their impact on the cost differences between permanent staff and workers with a flexible work arrangement remains uncertain. On the one hand, the cost differences will become smaller due to lower transition reimbursements for long-term contracts. On the other hand, they become larger because of higher employee premiums[11] and the transition reimbursements from the first day of the employment contract.

9 Sustainability of public finances

The package of policy measures in the financial appendix to the Coalition Agreement will reduce the sustainability of public finances by 0.6% of GDP. The resulting sustainability balance will be -0.4% of GDP. This implies that, at a certain time in the future, spending cuts or revenue increases will be required. The sustainability is decreasing because expenditure in the long term (in a few decades) will become higher than incoming revenues. The package of measures will increase long-term spending by 0.5% of GDP. This particularly concerns increases in spending in public administration, defence, education and social security. On the other side, there are smaller net spending cuts (particularly due to the Framework Agreements) in curative care, among other things. The structural increase in spending will be lower, by 0.2% of GDP, than in 2021. The effect of replacing wage cost subsidies, in the

[11] The higher environment-related costs for companies will partly be compensated via lower Aof premiums, although, on balance, the Aof premium will increase.

Participation Act, with a wage dispensation will increase after 2021, the increase in spending on environment will slow down, and the impact of spending cuts in health care will grow due to ageing of the population.

The package of policy measures will increase the tax burden in the long term, but this increase, of 0.1% of GDP, is smaller than the increase in spending. The tax burden will grow, in the long term, due to higher indirect taxes for households and companies (VAT, environmental costs). These will not be compensated fully by lower direct taxes for households. With respect to the direct taxes for households, the increase in tax burden (due to a decrease in tax deductions) will be counteracted by larger burden alleviations, such as the implementation of the two-bracket tax system, and an increase in both general tax credits and labour tax credits. For companies, higher indirect taxes will be partly compensated by a lowering of corporation tax rates. However, by 2021, particularly because of the early introduction of an alleviation of the tax burden for households, the tax burden will decrease by 1.0% of GDP.

The package will lead to an 0.2% increase in structural employment (Chapter 8). The higher structural employment will have a positive impact on the sustainability, rounded at 0.0% of GDP.

The negative sustainability impact will be fully realised in this Cabinet term. The package of measures will have an impact of -1.2% of GDP on the EMU general government budget balance in 2021. After 2021, this will be followed by a positive impact of 0.6% of GDP. The main reason for this is the early implementation of the alleviation of the tax burden for households, which, under the baseline scenario, does not take place until after 2021. In addition, expenditures will decrease after 2021. On balance, the budgetary effects will be more negative in 2021 and during the first decades thereafter, than in the long to very long term. Because of the negative effects in the first decades, the sustainability loss will be slightly larger than the budgetary impact in the long term.

Table 9.1 Effects of the Coalition Agreement's policy package on the sustainability of public finances

	% GDP	Billion euros
Sustainability baseline	0.2	1
Effect of policy package	-0.6	-5
Sustainability including policy package	-0.4	-3
Effect on sustainability within the Cabinet term and beyond		
Effect on EMU general government budget balance in 2021	-1.2	-9
Effects after 2021	0.6	4

10 Financial appendix to the Coalition Agreement: the measures

This chapter provides a detailed analysis of the package of policy measures[12], as submitted by the coalition partners, as well as its impact on public finances. The figures are ex ante, in 2017 price levels, and represent deviations from the baseline scenario.

10.1 Expenditures

The package of policy measures in the Coalition Agreement, on balance, will increase public spending by 7.9 billion euros, by 2021. The measures are described below, followed by a summary table.

Public sector terms of employment

- From the year 2020, there will be fiscal room to increase pension fund premiums by 1.0 billion euros (not to be overrun), to enable a well-balanced transition, following the abolition of the uniform pension system. The package of measures in the Coalition Agreement assumes employers will contribute two thirds of this amount. The increase in pension fund premiums will lead to an 0.2 billion euro increase in budgets due to wage adjustments via current arrangements. (RA_551_b)

Public administration

- The standardisation system for the Municipalities and Provinces Funds (GF/PF) will be adjusted. Funds will no longer only be linked to government budgetary framework (RBG) but also to the other two expenditure frameworks (social security framework (SZA) and budgetary health care framework (BKZ)). 1) Because, on balance, expenditures in these frameworks will increase, this leads to an increase in the means of the Municipalities and Provinces Funds. 2) The broadening of the base of the standardisation system will increase expenditures compared to those in the baseline scenario. The total increase in spending, by 2021, will amount to 1.2 billion euros. Of this increase, 0.1 billion euros are required for the implementation of the Wmo subscription fee. (RA_503)
- Additional budget will be made available for the Inspectorate of Social Affairs and Employment (SZW). This represents a limited increase in spending in 2021 and a structural increase of 0.1 billion euros. (RA_656)

[12] For each measure the code used is given. RA_551 for example means measure 551 of the Coalition Agreement (RegeerAkkoord).

- Limited increase in spending on the capacity of the Netherlands Food and Consumer Product Safety Authority (NVWA) in 2020–2022. (RA_620)
- Spending cuts in the municipal and provincial funds of 0.3 billion euros, as a result of the continuation of the scale-up credits under the Rutte II Cabinet. (RA_501)
- An temporary increase in spending of 0.1 billion euros in 2018, in the Tax and Customs Administration, on the investment agenda (August decision). (RA_216)
- A limited temporary increase in spending in 2018, for the Netherlands Food and Consumer Product Safety Authority (NVWA) (August decision). (RA_217)
- Temporary increases in spending, on average, of 0.1 billion euros per year, over the 2018–2021 period, for the Tax and Customs Administration's investment agenda. (RA_505)

Security/Public safety

- An increase in spending of 0.5 billion euros in 2021, on police security and safety, strengthening of the criminal justice system, the seizure of criminal capital, spending increases in cyber security, reducing recidivism, combating subversive illegal activities and counterterrorism, as well as cannabis experiments. The structural increase in spending will be 0.4 billion euros. (RA_506)
- Increase in spending on combating cyber espionage. This represents a limited increase in the spending on security (August decision). (RA_212_a)
- A limited increase in spending on counterterrorism (August decision). (RA_214)
- A limited, temporary increase in spending, in 2018, on the Dutch Caribbean coastguard (August decision). (RA_215)
- A limited increase in spending on security/public safety, for the confiscation of criminal assets (August decision). (RA_218)

Defence

- Increase in spending of 1.5 billion euros on defence (not to be overrun), for replacement investments, modernisation of the armed forces, the coastguard, and other spending increases in security (e.g. within the cyber and information domains). (RA_507)
- A limited increase in spending on the Royal Netherlands Marechaussee (August decision). (RA_213)
- A limited increase in spending on defence, for combating cyber espionage and sabotage (August decision). (RA_212_b)

Mobility and infrastructure

- Temporary increases in the infrastructure fund of an average 0.5 billion euros per year, over the 2018–2021 Cabinet term. The structural increase in spending will be 0.1 billion euros. (RA_508)

Environment

- Temporary increases in spending of 0.3 billion euros per year, up to and including 2030 (not to be overrun), on the energy transition, for the purpose of decreasing greenhouse gas emissions. (RA_509)
- As an alternative to the net metering scheme, a subsidy on feed-in tariffs for solar energy will be implemented in 2020, representing an expenditure of 0.3 billion euros (not to be overrun). (RA_611)
- Temporary increases in spending on nature and water quality, over the 2018–2020 period, on average, of 0.1 billion euros per year. (RA_619)

Education

- The lump sum funding of primary education will increase by 0.4 billion euros, to alleviate the pressure of work, additional spending on eliminating educational disadvantage and for special attention for intellectually gifted children. (RA_625)[13]
- The lump sum funding of primary education will increase by 0.3 billion euros, on improvement in the terms of employment for primary education staff. (RA_626)
- Net increase in spending of 0.2 billion euros on basic research. (RA_511_f)
- Increase in spending of 0.2 billion euros on early and preschool education (not to be overrun). (RA_624)
- Increase in spending of 0.2 billion euros on a reduction in tuition fees for freshmen in higher education (and first- and second-year 'pabo' students (teacher training college for primary education)). (RA_635)
- Increase in spending of 0.1 billion euros on stimulating adolescents to participate in social services activities. (RA_630)
- Increase in spending of 0.1 billion euros on cultural integration / language courses. (RA_658)
- Net increase in spending of 0.1 billion euros in secondary education on quality improvement in the technique sector of VMBO (preparatory secondary vocational education). (RA_511_b)
- A limited increase in spending on addressing illiteracy. (RA_634)
- A limited increase in spending on Dutch schools abroad. (RA_678)
- Spending cuts of 0.1 billion euros in education, distributed over the lump sum funding of MBO (intermediate secondary vocational education), HBO (higher vocational education) and WO (university education). (RA_511_c, 511_d, 511_e)
- A limited temporary increase in spending on 'green' education, in 2018 (August decision). (RA_211)
- The interest rate on student loans will be raised from the 5-year obligation to a 10-year obligation. This represents a structural spending cut of 0.2 billion euros. (RA_515)

[13] In the macroeconomic assessment, the lump sum funding in education occurs according to a fixed distribution over wage costs and material consumption, independent of the objective of the measure.

Health care

- The insurance policy excess on the Zvw will be stabilised at 385 euros, between 2018 and 2021. This represents an increase of 0.7 billion euros in public health care spending, by 2021. This partly concerns a shift from private to public spending on health care. (RA_637_a)
- The insurance policy excess under the Wmo (Social Support Act) will be abolished and replaced with a standard monthly subscription fee of 17.50 euros. This measure will lead to an 0.3 billion euro reduction in municipal income, by 2021. This income reduction will be partly compensated by an increase of 0.1 billion euros in the central government contribution Wmo in 2021. (RA_522_a)
- Budgetary-financed expenditure will increase by 0.1 billion euros, in 2021. This concerns various spending increases (not to be overrun) of a limited magnitude, on elderly care, sports, prevention, development of outcome indicators, digital care support, client support, subsidies on employment contracts for medical specialists, child welfare, slightly intellectually challenged people, the homeless, vagrant adolescents, and cannabis experiments. In addition, and only during the 2018-2020 period, limited spending increases (not to be overrun) will occur for the purpose of transformation funds for adolescents and indemnification payments related to Q fever. (RA_639, 640, 641, 642, 643, 644, 645, 646, 647, 649, 650, 651)
- Budgetary-financed expenditure will increase by 0.1 billion euros in 2021 (August decision). This concerns a transfer of 0.1 billion euros, from Wlz (Long-term Care Act) to budgetary-financed funds, in relation to the quality framework for nursing care homes. (RA_223)
- Changes will be made to three elements of the insurance policy excess in the Wlz: (1) a reduction in the private-wealth-based addition to taxable income (VIB) in the Wlz, from 8% to 4%, per 2019; (2) shortening of the period during which the low insurance policy excess applies, from 6 to 4 months, per 2019; (3) reduction in the marginal rate for the low insurance policy excess in the Wlz, from 12.5% to 10%, per 2018. On balance, this measure will result in an increase in spending of 0.025 billion euros in 2021. This concerns a shift from private to public spending on health care. (RA_648_a)
- The intention to reach a Framework Agreement in combination with a macro-management instrument will lead to spending cuts, in 2021, of 0.7 billion euros in hospital care, 0.1 billion euros in mental health care, and 0.1 billion euros in district nursing. Such spending cuts on health care will lead to less health care or lower quality health care. (RA_518)
- In curative care, several measures will be taken in the field of medications: adjustment of the Dutch Pharmaceuticals Pricing Act (*Wet geneesmiddelenprijzen*) (ZiK_065), recalculation of limitations in the pharmaceuticals reimbursement system (ZiK_066), transfer of medical specialist pharmaceuticals to the hospital budget (ZiK_067), expansion of the central purchasing of pharmaceuticals and medical aids by the national government (ZiK_071), and compulsory standard bar

coding of pharmaceuticals and medical aids (ZiK_073). The adjustment to the Dutch Pharmaceuticals Pricing Act will lead to higher personal financial contributions. These measures will lead to a saving of 0.4 billion euros by 2021. Finally, for 2021, 0.02 billion euros (not to be overrun) have been factored in, to maximise the additional personal contribution per person. This maximum not necessarily needs to equal 250 euros per person. (RA_520_a, 520_d)

- The Wlz expenditures, on balance, will be reduced by 0.3 billion euros, in 2021 (August decision). This includes a spending cut of 0.1 billion euros by lowering the rate for housing costs due to the lower interest rate, a budget reduction of 0.1 billion euros, and a transfer of 0.1 billion euros from Wlz to budgetary-financed funds in relation to the quality framework for nursing home care. (RA_222, 219, 220, 221)
- The spending on child welfare will be reduced, only in 2020, by a limited amount, due to a transfer from child welfare to Wlz, in relation to the transformation fund (August decision). (RA_224)
- Wmo expenditures will increase, only in 2018, by a limited amount, and be reduced only in 2020, also by a limited amount (August decision). The reduction concerns a transfer from Wmo to Wlz, in relation to the transformation fund. (RA_225)

Social security

- The starting point for the reduction in the child-related budget for couples will be raised by 16,350 euros in 2020. This represents an increase in spending of 0.5 billion euros in 2021. (RA_604)
- The health care subsidy will be increased via the standard percentages. This represents an increase in spending of 0.3 billion euros in 2021 (August decision). (RA_204)
- Per 2019, the child benefit will increase by 92 euros per year. This represents an increase in spending of 0.3 billion euros. (RA_536)
- The child care subsidy will be increased (via an adjustment to the child care tables). This represents an increase in spending of 0.3 billion euros. (RA_537)
- A public insurance for the second-year continuation of wage payments will be introduced for companies with up to 25 employees. Public expenditure will increase by 0.2 billion euros in 2021, and by 0.4 billion euros, structurally. Premiums for small-scale employers will increase. (see RA_534_b). (RA_534_a)
- The parental leave for partners will be extended from 2 to 5 days full paid leave, and subsequently by 5 weeks against 70% of the full wage. Adoption leave will be extended from 4 to 6 weeks. This represents an increase in spending of 0.2 billion euros. (RA_617_d)
- The fixed income threshold for rent subsidy will be abolished in 2020. From then on, rent subsidy will be gradually reduced according to income level. This represents a spending increase of 0.1 billion euros. (RA_544)

- The health insurance subsidy for couples will be increased per 2019, via the lowering of standard percentages. This represents a spending increase of 0.1 billion euros in 2021. (RA_583_b)
- An earmarked budget will be allocated to increase the number of face-to-face client meetings in UWV services. This represents a spending increase of 0.1 billion euros in 2021. (RA_523)
- Since 2012, the double general tax credits in the baseline minimum wage for the social welfare benefit have been gradually reduced. This causes the social welfare benefit to decrease (as well as any related schemes, such as the Subsidies Act (Toeslagenwet)). This measure will lower the annual reduction from 5 percentage points to 3.75 percentage points, which causes the social welfare benefit to decline less rapidly. This represents an increase in spending of 0.1 billion euros in 2021. (RA_605)
- The number of sheltered employment positions will be increased by 20,000. This is in line with the incremental growth pathway for the original positions. This represents an increase in spending of 0.1 billion euros in 2021, and a structural increase in spending of 0.5 billion euros. (RA_525)
- The child-related budget for the second child will increase by 71 euros. This represents an increase in spending of 0.04 billion euros in 2021 (August decision). (RA_205)
- The premium differentiation in the WGA will be limited to 5 years, instead of 10 years. The removal of this financial incentive will lead to a limited increase in WIA expenditure in 2021 (and 0.2 billion euros, structurally) and, on balance, also to higher WGA premiums. (RA_615_b) (RA_615_a)
- The health insurance subsidy will increase because of the stabilisation of the insurance policy excess. This represents an increase in spending of 0.03 billion euros in 2021. (RA_675)
- The starting point for the reduction in the general tax credits for social welfare benefit recipients will be postponed. This represents an increase in spending of 0.02 billion euros in 2021 (August decision). (RA_203)
- During this Cabinet term, a limited amount will be reserved for an educational experiment for the disabled. (RA_655)
- Whether a second-tier pathway is entered or not, or entered too early or too late, this no longer may lead to a wage sanction by the UWV (Public Employment Service). As the incentive for reintegration will be reduced, the WIA expenditures will increase by a limited amount in 2021, and by 0.1 billion euros, structurally. (RA_672_a)
- For people entitled to WGA and IVA who return to the workforce, during the first five years of employment, the UWV will not assess whether their earning capacity has changed. This will lead to a limited increase in the expenditure on benefit payments. (RA_654)

- The spending cuts on Zvw expenditures will lead to lower health insurance subsidies, via lower nominal premiums. This represents a spending cut of 0.3 billion euros in 2021. (RA_547)
- The *Kan-bepaling* for rent allowance (personal contribution determined on the basis of either rent increases or income level) will be abolished. This means that the standard rent (the rent share paid by the tenant), per 2019, will be coupled only to the rent price development. This represents a spending cut of 0.2 billion euros. (RA_543)
- Wage cost subsidy in the Participation Act will be replaced with wage dispensation. This represents a saving of 0.1 billion euros in 2021, and 0.5 billion euros, structurally. (RA_524)
- The assessment of people's ability to work (*Schattingsbesluit*) will be adjusted in such a way that the disability percentage will be based on the wage that a person could earn in nine different of jobs (independent of the number of functions). This will result in a limited saving in 2021, and a saving of 0.3 billion euros, structurally, because fewer people will be declared permanently disabled. (RA_526)
- The health insurance subsidy will be reduced for single persons, per 2019, via an increase in standard percentages. This represents a spending cut of 0.03 billion euros in 2021, and 0.2 billion euros, structurally. (RA_583_a)
- The AOW income support will be decreased by 10 euros. This represents a spending cut of 0.03 billion euros in 2021 (August decision). (RA_208)
- The WGA 80-99 introduces a wage supplement benefit. This is to stimulate paid employment following the wage-related phase of the WIA. People who have been declared to be unable to work will receive a wage supplement benefit if a minimum of 50% of their remaining earning ability is being utilised. In cases of lower utilisation of the remaining earning ability, a lower subsequent benefit will follow. This regime is already in effect in the WGA 35-80. This represents a limited structural saving. (RA_676)
- The IOW (Income provision for the older unemployed) will be extended by 4 years, and the age threshold for the IOW will go up, per 2020, together with the state-pension (AOW) entitlement age. (RA_653)
- During this Cabinet term, additional budget will be reserved for the alleviation of debts and poverty among households with children. In total, this represents 0.1 billion euros. (RA_657)

Transfer payments to companies

- Spending on applied research will increase by 0.2 billion euros. (RA_629)
- The transition reimbursement following illness will be collectivised, in return for a cost-covering premium (671_b). This represents an increase in spending of 0.2 billion euros in 2021, as well as structurally. (RA_671_a)
- In certain, clearly described situations, the transition reimbursement will be collectivised for SMEs. This will be funded from a structural budget of 0.1 billion

euros (not to be overrun), in return for an increase in premiums. (RA_614_b). (RA_614_a)

- The build-up of the transition reimbursement will be adjusted. In the first place, from the very first day of their employment contract, all employees will be entitled to a transition reimbursement (also in case of temporary contracts of less than two years). In addition, for each employment year, the transition reimbursement will comprise one third of a month's salary (also after 10 years of employment). This will result in a lower transition reimbursement for employment contracts of more than 10 years. The transition scheme for people over the age of 50 will be maintained. (RA_679)

International development cooperation

- Temporary increases in spending on international development cooperation, during this Cabinet term, of up to 0.5 billion euros, by 2021. This amount includes an increase in spending on the diplomatic network abroad. (RA_540)
- The ODA budget has been corrected for an erroneous extrapolation of an temporary reduction in budget, so that the structural budget is now in line with political agreements. This represents an increase in spending of 0.3 billion euros in 2021, and a structural increase of 0.4 billion euros (August decision). (RA_210)

Other

- Temporary increase in spending on regional bottlenecks (including the BES islands), nature, and a confiscation fund for subversive illegal activities, of an average 0.3 billion euros per year, during this Cabinet term. (RA_542)
- Increase in spending of 0.1 billion euros on the cultural sector and historic public awareness. (RA_631)
- During this Cabinet term, a total of 0.2 billion euros will be added to the natural gas fund Groningen. The structural increase in spending will be zero. (RA_664)
- Limited temporary increases in spending, during this Cabinet term, on stimulating the conversion from low-calorie to high-calorie natural gas. (RA_663)
- Temporary increases in spending of an average 0.1 billion euros per year, in the cultural heritage and monuments sector, during this Cabinet term. (RA_633)
- Limited increase in spending to support volunteer work and volunteer organisations. (RA_665)
- Limited increase in spending on media, aimed to support investigative journalism, among other things. (RA_632)
- Limited increase in spending in agriculture, over the 2018–2020 period, by an average 0.1 billion euros per year, for a co-financing fund for active restructuring in pig farming, co-financing innovative fisheries, and a fund for business succession in the agricultural sector. (RA_621)

Table 10.1 Net spending cuts in 2021, compared to the baseline, ex ante (in billion euros)

(-) means EMU balance will worsen; (+) means EMU balance will improve	2021
Terms of employment in the public sector	-0.2
Reserve funds towards the transition resulting from abolition of the common system (increase in budgets due to wage corrections via current arrangements) (RA_551_b)	-0.2
Public administration	-1.0
Growth effect, including amendment to the standardisation system GF/PF (RA_503)	-1.2
Increase in spending on the Inspectorate of Social Affairs and Employment (ISZW) (RA_656)	0.0
Increase in spending on the Netherlands Food and Consumer Product Safety Authority (NVWA) (RA_620)	0.0
Decrease in spending on local government authorities (RA_501)	0.3
August decision: Investment agenda Dutch Tax and Customs Administration (RA_216)	0.0
August decision: Increase in spending on the Netherlands Food and Consumer Product Safety Authority (NVWA) (RA_217)	0.0
Temporary increase in spending on the Dutch Tax and Customs Administration (RA_505)	0.0
Security/Public safety	-0.5
Increase in spending on security/public safety (RA_506)	-0.5
August decision: Increase in spending on cyber security (security) (RA_212_a)	0.0
August decision: Increase in spending on combating terrorism (RA_214)	0.0
August decision: Increase in spending on the Dutch Caribbean coastguard (RA_215)	0.0
August decision: Increase in spending on security/public safety (RA_218)	0.0
Defence	-1.5
Increase in spending on defence (RA_507)	-1.5
August decision: Increase in spending on the Royal Netherlands Marechaussee (RA_213)	0.0
August decision: Increase in spending on cyber security (defence) (RA_212_b)	0.0
Mobility and infrastructure	-0.1
Expansion of the infrastructure fund (RA_508)	-0.1
Environment	-0.6
Increase in climate-related spending in the energy transition (RA_509)	-0.3
Implementation of the subsidy on feed-in tariffs (RA_611)	-0.3
Temporary increase in the Delta Fund (RA_619)	0.0
Education	-1.4
Increase in the lump sum for primary education (RA_625)	-0.4
Increase in the lump sum for primary education to fund wage increases (RA_626)	-0.3
Increase in spending on basic research (RA_511_f)	-0.2
Increase in spending on early and preschool education (RA_624)	-0.2
Lowering of tuition fees for freshmen (RA_635)	-0.2
Increase in spending on social services activities for adolescents (RA_630)	-0.1
Increase in spending on integration and language courses (RA_658)	-0.1
Increase in the lump sum for secondary education (RA_511_b)	-0.1
Increase in spending on addressing illiteracy (RA_634)	0.0
Increase in spending on Dutch schools abroad (RA_678)	0.0
Decrease in spending on education (RA_511_c, 511_d, 511_e)	0.1
August decision: Increase in spending on 'green' education (RA_211)	0.0
Increase in the interest rate on student loans (from 5-year obligation to 10-year obligation) (RA_515)	0.0
Heath care	0.5
Stabilising insurance policy excess, EMU-relevant (RA_637_a)	-0.7
Increase in the government contribution to the Social Support Act (Wmo) (RA_522_a)	-0.1
Various budgetary financed spending increases (RA_639, 640, 641, 642, 643, 644, 645, 646, 647, 649, 650, 651)	-0.1
August decision: On balance, increase in spending on budgetary financed BKZ expenditure (including financial transfers) (RA_223)	-0.1

Measures personal contribution Wlz (RA_648_a)	0.0
Framework Agreement 2019–2021 combined with MBI (RA_518)	0.9
Measures related to medications and medical aids, EMU-relevant (RA_520_a, 520_d)	0.4
August decision: Decrease in spending on Wlz (RA_222, 219, 220, 221)	0.3
August decision: Decrease in spending on child welfare (RA_224)	0.0
August decision: On balance, increase in spending on Wmo (RA_225)	0.0
Social security	-1.6
Raising the starting point of the reduction in the child-related budget for couples (RA_604)	-0.5
August decision: Increase in health insurance subsidy (RA_204)	-0.3
Increase in the child benefit level (RA_536)	-0.3
Increase in the child care allowance (RA_537)	-0.3
Continuation of wage payment in case of illness: collective second year for small-scale employers (RA_534_a)	-0.2
Expansion of parental leave for partners (RA_617_d)	-0.2
Abolition of a fixed income threshold for rent allowance (RA_544)	-0.1
Increase in health insurance subsidy for couples, via standard percentages (RA_583_b)	-0.1
More face-to-face client meetings in the provision of UWV services (RA_523)	-0.1
Postponement of the reduction in the social welfare benefit level (RA_605)	-0.1
Increase in sheltered employment positions (RA_525)	-0.1
August decision: Increase in the child-related budget (RA_205)	0.0
Limitation on premium differentiation WGA to five years: expenditure (RA_615_a)	0.0
Stabilisation of insurance policy excess: effect on health insurance subsidy (RA_675)	0.0
August decision: Lower reduction in general tax credits (AHK) in social welfare (RA_203)	0.0
Pilot project education WGA (RA_655)	0.0
Limiting wage sanctions for the second tier of reintegration: expenditure (RA_672_a)	0.0
Guaranteeing work resumption in the WIA (RA_654)	0.0
Delayed impact health care measures on health insurance subsidy (RA_547)	0.3
Abolition of *Kan-bepaling* for rent allowance (RA_543)	0.2
Wage dispensation, instead of wage-cost subsidy (RA_524)	0.1
More stringent claim assessments (RA_526)	0.0
Lowering the health insurance subsidy for single persons, via standard percentages (RA_583_a)	0.0
August decision: Lowering the income support for state pension recipients (AOW) (RA_208)	0.0
Introduction of wage supplement benefits for WGA recipients 80–99 (RA_676)	0.0
Extending the income provision for the older unemployed (IOW), and coupling an age limit to the state-pension (AOW) entitlement age (RA_653)	0.0
Tackling debts and poverty among couples with children (RA_657)	0.0
Transfer payments to companies	-0.5
Increase in applied research for innovation (RA_629)	-0.2
Transition reimbursement following illness (Labour market package 2016): expenditure (RA_671_a)	-0.2
Collectivised transition reimbursement SMEs: expenditure (RA_614_a)	-0.1
International development cooperation	-0.8
Temporary increase in spending on international development cooperation (RA_540)	-0.5
August decision: Increase in spending on Official Development Assistance (ODA) (RA_210)	-0.3
Other	-0.3
Temporary increase in spending on regional bottlenecks (RA_542)	-0.1
Increase in spending on cultural activities (RA_631)	-0.1
Temporary increase in spending on natural gas fund Groningen (RA_664)	-0.1
Increase in spending on the conversion from low-calorie to high-calorie natural gas (RA_663)	0.0
Temporary increase in spending on cultural heritage and monuments (RA_633)	0.0
Increase in spending on volunteer work and volunteer organisations (RA_665)	0.0
Increase in spending on media and investigative journalism (RA_632)	0.0
Temporary increase in spending on agriculture (RA_621)	0.0
Total	-7.9

10.2 Tax burden

The package of policy measures in the financial appendix to the Coalition Agreement will reduce the public tax burden, on balance, by 6.4 billion euros in 2021. The description of the measures below is followed by a summary table. This concerns measures related to the tax burden, policy-induced developments are presented on the basis of the EMU balance. The reduction of 6.4 billion euros comprises of a reduction of 5.2 billion euros for households, an increase of 0.1 billion euros for companies, and a reduction of 1.3 billion euros abroad.

Income and labour

- A two-bracket tax system will be implemented in phases, with tax rates of 36.89% and 49.5% in 2021 (retaining the lower rates for pensioners in the old first and second brackets). For the tax burden, this will result in a decrease of 5.9 billion euros in 2021, and 0.6 billion euros, structurally. The structural reduction in tax burden is lower, because, within the framework of the Dutch Act on housing market measures, the tax rates in the second, third and fourth brackets already would be lowered after 2021, in the baseline scenario. (RA_563, 548, 582)
- The maximum general tax credits will be increased, in phases, by a total of 350 euros, by 2021. Because the general tax credits will be reduced over a fixed income trajectory (between the starting points for the first and fourth tax bracket), the general tax credits thus are also reduced more steeply. This represents a decrease in tax burden of 3.1 billion euros in 2021. (RA_564)
- The flat maximum of the labour tax credit will be replaced, in phases, with a build-up pathway. The new maximum will be 364 euros higher, and will be reached at the income level where the reduction in labour tax credit begins. This represents a decrease in tax burden of 1.5 billion euros in 2021. (RA_560)
- Health insurance premiums will decrease, as a result of the spending cuts in Zvw expenditures. This represents a decrease in tax burden of 0.7 billion euros for households, and 0.5 billion euros for companies, in 2021. (RA_545, 546)
- The EWF rate (notional rental value of privately owned homes) will be reduced, gradually, to 0.15 percentage points. This represents a decrease in tax burden of 0.4 billion euros by 2021, and 0.9 billion euros, structurally. (RA_601)
- The maximum pensioner tax credits will be increased by 160 euros, per 2019. At the same time, an income-dependent reduction will be introduced. This reduction will be 15% of the income above ca 36,000 euros, and replaces the fixed threshold between the high and low pensioner tax credits. At an income of around 46,000 euros, the credits will be reduced to zero. This represents a decrease in tax burden of 0.4 billion euros. (RA_603)
- The maximum pensioner tax credits will be increased by 115 euros. This represents a decrease in tax burden of 0.2 billion euros, for households, in 2021 (August decision). (RA_206)

- Per 2020, there will be fiscal room for increasing pension premiums by 1.0 billion euros (not to be overrun) to enable a well-balanced transition, assuming the abolition of the uniform pension system. The package of measures assumes that employees will contribute by one third to this system and employers by two thirds. The increase in pension premium will lead to an increase in tax burden that is not EMU-relevant, for companies and households. The tax deductibility of pension premiums and lower corporate profits will result in a temporary, 0.2 billion euro EMU-relevant decrease in tax burden, from 2020 onwards. (RA_551)
- The higher environment-related tax burden for companies will be partly compensated via lower Aof premiums. This represents a decrease in tax burden of 0.2 billion euros in 2021. (RA_613)
- The maximum tax-free reimbursement for volunteers will increase to 1700 euros. This represents a decrease in tax burden in 2021, as well as structurally. (RA_670)
- From 2019 up to and including 2021, the policy-related raise in the reduction starting point for the top tax rate in box 1 will be reversed. In addition, the starting point will temporarily not be indexed over this period. This means that the starting point will not change over the 2018–2021 period. This represents an increase in tax burden of 1.2 billion euros in 2021, as well as structurally. (RA_556)
- The maximum rate for tax deductibles will be reduced more rapidly, down to the low rate of the two-bracket tax system (by 3% per year, starting in 2020). This represents an increase in tax burden of 0.6 billion euros, by 2021. (RA_554_b)
- As a result of the stabilisation of the insurance policy excess, health insurance premiums for households will increase by 0.6 billion euros in 2021. (RA_673)
- As compensation for the lower income-dependent health insurance premiums for employers, the Aof premium will increase. This represents an increase in tax burden of 0.5 billion euros for employers, in 2021. (RA_549)
- The purchasing power budgetary package (*koopkrachtbesluitvorming*) has been changed vis-à-vis CPB's August Projections . As a consequence, the tax rate in the 1st bracket is not reduced. This represents an increase of 0.4 billion euros in the tax burden for households, in 2021 (August decision). (RA_201)
- The maximum labour tax credit will be increased, in phases, by 179 euros in total, by 2021. In addition, the reduction percentage will be increased to 6.0% in 2019. On balance, this represents an increase in tax burden of 0.4 billion euros, by 2021. (RA_561)
- The duration of the 30% scheme for joining employees from abroad will be shortened from 8 to 5 years. This represents an increase of 0.3 billion euros in the tax burden for companies. (RA_558)
- A public insurance will be introduced to cover the second year of continued wage payments, for companies with up to 25 employees. The increase in public expenditure (RA_534_a) will be financed from a premium payable by small-scale employers. This represents an EMU-relevant increase in tax burden of 0.2 billion

euros, in 2021, and 0.4 billion euros, structurally. The increase in tax burden is partly due to the shift from privately funded continued wage payment to the public insurance. (RA_534_b)

- The fixed rate in the IACK will disappear. The build-up percentage will increase to 11.45%, from the same starting point as in the baseline scenario. This causes the maximum IACK to remain the same, but the maximum to be reached at an earlier point in time. This represents an increase in tax burden of 0.2 billion euros in 2021. (RA_557)
- The transition reimbursement following illness will be collectivised, in return for a cost-covering increase in premium. This represents an increase of 0.2 billion euros in the tax burden for companies, in 2021, as well as structurally. (RA_671_b)
- The extension of parental leave for partners and adoption leave will be financed by employers, partly directly and partly via a higher Awf premium. This represents an increase in tax burden of 0.2 billion euros. (RA_617)
- The degree of transferability of income-dependent combination tax credits (IACK) and labour tax credits will be set to the same level as the limited transferability of the general tax credits. By 2023, transferability of these credits will have ceased completely. This represents an increase in tax burden of 0.2 billion euros. (RA_555)
- A higher Aof premium will lead to an increase of 0.1 billion euros in the tax burden for employers, in 2021 (August decision). (RA_202)
- For sickness benefit recipients without employment contracts, the entitlement to labour tax credits and IACK will cease, from 2020 onwards. This represents an increase in tax burden of 0.1 billion euros in 2021, and 0.2 billion euros, structurally. (RA_550)
- In certain, clearly described situations, the transition reimbursement for SMEs will be collectivised. To this end, a budget of 0.1 billion euros (not to be overrun) will be reserved (RA_614_a), in return for an increase in premiums to the same amount. (RA_614_b)
- The deductions related to a low mortgage or no mortgage on privately owned homes (the ‘Hillen Act’) will be abolished over the course of 20 years, starting in 2019. This represents an increase in tax burden of 0.1 billion euros in 2021, and 1.1 billion euros, structurally. (RA_559)
- A maximum rate for tax deductibles will be introduced in 2020 (with the exception of the pension-related tax benefits) This rate is equal to the maximum mortgage interest rate deduction, which is already being reduced gradually. Structurally, the rate is the same as the low rate of the two-bracket tax system. This represents an increase in tax burden of 0.1 billion euros in 2021, and 0.6 billion euros, structurally. (RA_554_a)
- The maximum general tax credit will be reduced by 8 euros. This represents an increase of 0.1 billion euros in the tax burden for households in 2021 (August decision). (RA_207)

- As a result of the stabilisation of the insurance policy excess, health insurance premiums will increase for employers by 0.05 billion euros in 2021. (RA_674)
- The single-parent tax credit will be decreased by 19 euros. This represents an increase of 0.04 billion euros in the tax burden for households in 2021 (August decision). (RA_209)
- The premium differentiation in the WGA will be limited to 5 years instead of 10 years. The removal of this financial incentive will lead to higher WIA expenditure (RA_615_a) as well as higher WGA premiums in 2021 (0.2 billion euros, structurally). (RA_615_b)
- Higher expenditure as a result of limiting wage sanctions in the second tier of reintegration will be financed from higher Aof premiums. This represents a limited increase in the tax burden for companies in 2021, and of 0.1 billion euros, structurally. (RA_672_b)
- Raising the reduction starting point for the top tax rate after 2021, in the baseline scenario, will partly be reversed. The starting point will be reduced by 3,100 euros. This represents an increase in tax burden of 0.7 billion euros, structurally. (RA_602)

Financial capital and profits

- The tax rates in the first and second brackets of the corporation tax (vpb) will be lowered from 20% and 25% in 2018 to 19% and 24% in 2019, 17.5% and 22.5% in 2020 and 16% and 21% in 2021. This represents a decrease of 3.3 billion euros in the tax burden for companies. (RA_575)
- The dividend tax will be abolished by 2020. This will not have an impact on residents, because for them the dividend tax is included in the income tax. On balance, this represents a decrease of 1.4 billion euros in tax burden abroad. (RA_668, 666, 667)
- In relation to the reduction in the corporation tax rate, the rate in box 2 in the income tax (IB) will increase from 25% in 2019 to 27.3% in 2020 and 28.5% from 2021 onwards, in order to avoid businesses becoming attracted to the private limited liability company (BV) construct. For companies, this will lead to a structural increase in tax burden of 0.4 billion euros. However, because of the expected anticipation effects (early payments) in 2019, the budgetary effect in 2021 will be negative, to the amount of 0.5 billion euros. (RA_576)
- The level for tax-free capital will be raised from 25,225 euros to 30,000 euros in 2018. This represents a decrease in tax burden of 0.2 billion euros in 2021. (RA_578_a)
- The tax exemption in dividend tax for participation dividends paid to treaty countries will be expanded. This represents a limited decrease in tax burden, rounded at 0.0 billion euros (August decision). (RA_226)
- The tax deductibility for companies will be limited to a maximum of 30% of the profits before interest, taxes, depreciations and amortisation (EBITDA), with a threshold of 1 billion euros without group exemptions, conform the building

blocks 0 and 1 of the working group on taxation of the Studiegroep Duurzame Groei (official advisory group on sustainable growth). This represents an increase of 1.3 billion euros in the tax burden for companies. (RA_567)

- A generic minimum capital rule (thin capitalisation rule) will be implemented conform building block 8 of the working group on taxation of the Studiegroep Duurzame Groei (official advisory group on sustainable growth). This represents a limitation on tax deductions over foreign capital from 92% of the commercial balance total. This represents an increase in tax burden for companies of 0.3 billion euros. (RA_570)
- The planned increase in the first tax bracket of corporation tax (vpb), from 200,000 euros to 350,000 euros will be reversed. This represents an increase in tax burden for companies of 0.3 billion euros. (RA_566)
- The depreciation of owner-occupied buildings in the corporation tax (vpb) will be limited to 100% of their WOZ value (Valuation of Immovable Property Act). This represents an increase of 0.2 billion euros in the tax burden for companies. (RA_572)
- The effective tax rate in the innovation box will increase from 5% to 7%. This represents an increase of 0.1 billion euros in the tax burden for companies. (RA_571)
- The return on savings will no longer be based on the five-year moving average interest on savings (t-6 – t-2), but rather on the average interest on savings between July (t-2) and June (t-1). The impact of this measures varies from year to year. (RA_578_b)
- The vehicle registration tax (BPM) rebate on taxis will be abolished in 2020. This represents a limited increase in tax burden for companies, rounded at 0.0 billion euros. (RA_669)
- The compensation of losses in corporation tax will be reduced by limiting the carry forward period to six years. This represents a structural increase of 0.9 billion euros in the tax burden for companies. (RA_568)

Environment

- The tax on rental earnings will decrease for corporations, depending on the size of their investments in making their housing stock more sustainable. This represents a decrease in tax burden of 0.1 billion euros. (RA_565)
- The fixed reduction amount in energy tax will decrease from 308 euros to 257 euros. This represents an increase of 0.3 billion euros in the tax burden for households and 0.1 billion euros for companies. (RA_607)
- The net metering scheme for the oversupply of solar power generated by consumers will be abolished, which will be partly compensated by the implementation of a subsidy on feed-in tariffs. The abolition represents an increase of 0.3 billion euros in the tax burden for households. (RA_610)
- A minimum carbon price in power generation will be implemented, with increasing amounts from 18 euros in 2020 to 43 euros by 2030. This represents

an increase in tax burden of 0.3 billion euros for companies and 0.6 billion euros, structurally. (RA_612)

- An aviation tax will be implemented for each departing passenger aged 2 years and over, which will yield an amount of 0.2 billion euros (not to be overrun). Transfer passengers will be exempt from paying this tax. This represents an increase of 0.1 billion euros in the tax burden abroad and of 0.1 billion euros for Dutch households and companies. (RA_609)
- There will be a shift in energy tax, with an increase of 3 eurocents per m^3 in the tax rate in the first bracket for natural gas and a decrease of 0.72 eurocents per kWh in the tax rate in the first bracket for electricity. This represents an increase in tax burden of 0.1 billion euros for households and 0.1 billion euros for companies. (RA_606)
- The tax on the combustion and deposition of waste will see an increase of 0.1 billion euros (not to be overrun). This represents an increase in tax burden for both households and companies. (RA_608)

Other

- The low VAT rate will be raised in 2019, from 6% to 9%. This represents an increase in tax burden of 2.0 billion euros for households and 0.6 billion euros for companies. (RA_580)
- The excise duty on tobacco products will see an increase. This represents an increase of up to 0.2 billion euros (not to be overrun) in the tax burden for households, by 2021. (RA_581_a)
- The lowered VAT rate for medications will be limited to products that are allowed to be traded as medications on the basis of the Dutch Medicines Act (GMW). This represents an increase in tax burden, rounded at 0.0 billion euros (August decision). (RA_227)

Natural gas revenues

- Natural gas production will decrease by 1.5 billion m^3. This will lead to a decrease of 0.2 billion euros in natural gas revenues and corporation tax. The demand for natural gas will be lower due to reduced export demand and the conversion to high-calorie natural gas. This decrease in demand is included in the lower production of natural gas. (RA_662)

Table 10.2 Mutations in tax burden, compared to the baseline in 2021, ex ante, billion euros

(-) means EMU balance will worsen; (+) means EMU balance will improve	2021
Income and labour	-7.5
Implementation of two-bracket tax system (RA_563, 548, 582)	-5.9
Increase in the maximum general tax credit (RA_564)	-3.1
Increase in the maximum labour tax credit at the starting point of the reduction (RA_560)	-1.5
Delayed impact of health outlays measures on health insurance premiums for families (RA_545, 546)	-1.2
Lowering of the EWF rate (notional rental value of privately owned homes) (RA_601)	-0.4
Increase in the maximum pensioner credits and implementation of gradual income-dependent reductions (RA_603)	-0.4
August decision: Increase in pensioner credits (RA_206)	-0.2
Reserve funds for the transition resulting from abolition of the common system	-0.2
Portfolio feedback environment-related tax burden for companies (RA_613)	-0.2
Increase in the tax-free remuneration for volunteers (RA_670)	0.0
Freezing of the top tax rate starting point at the 2018 level, during this Cabinet term (RA_556)	1.2
Acceleration of the reduction in mortgage interest rate deductions and other tax deductions, down to the low rate of the two-bracket system (RA_554_b)	0.6
Stabilisation of insurance policy excess: effect on health insurance premiums households (RA_673)	0.6
Increase in the Aof premium (health insurance premium compensation for employers) (RA_549)	0.5
August decision: Raising of the rate of the 1st tax bracket (RA_201)	0.4
Increase in the maximum labour tax credits as well as the reduction percentage (RA_561)	0.4
Limiting the 30% scheme to 5 years (RA_558)	0.3
Continuation of wage payments during illness: second year premium small-scale employers (RA_534_b)	0.2
Fixed rate in the IACK to 0, build-up rate to 11.45% (RA_557)	0.2
Transition reimbursement following illness (Labour market package 2016): Awf premium (RA_671_b)	0.2
Extension of parental leave for partners (RA_617)	0.2
Gradual abolition of the transferability of income-dependent combination tax credits (IACK) and labour tax credits (RA_555)	0.2
August decision: Increase in the Aof premium (RA_202)	0.1
Abolition of the entitlements to labour tax credits AK and income-dependent combination credits (IACK) for sickness benefit recipients without an employment contract (RA_550)	0.1
Collectivised transition reimbursement SMEs: premium (RA_614_b)	0.1
Gradual abolition of deductions related to a low mortgage or no mortgage on privately owned homes (the ‘Hillen Act’) (RA_559)	0.1
Gradual reduction in tax deductions in line with the reduction in mortgage interest rate deductions (RA_554_a)	0.1
August decision: Lowering of general tax deductions (RA_207)	0.1
Stabilisation of insurance policy excess: effect health insurance premiums employers (RA_674)	0.0
August decision: Lowering of single-parent tax credits (RA_209)	0.0
Limiting the premium differentiation under the Return to Work Scheme for the Partially Disabled (WGA) to 5 years: Aof premium (RA_615_b)	0.0
Limiting wage sanctions in the second tier of reintegration: Aof premium (RA_672_b)	0.0
Reduction in the raising of the top tax rate starting point, after 2021 (RA_602)	0.0
Financial capital and profits	-3.0
Lowering the corporation tax rates (vpb) (RA_575)	-3.3
Abolition of dividend tax (RA_668, 666, 667)	-1.4
Correction of the box 2 tax rate in Income Tax (IB), from the perspective of general equilibrium (RA_576)	-0.5
Adjustment in box 3: raising the maximum level for tax-free capital (RA_578_a)	-0.2
August decision: Expansion of the withholding tax exemption for participation dividends paid to treaty countries (RA_226)	0.0
Limiting the deductibility of corporation interest rates (RA_567)	1.3
Minimum capital requirement for banks (RA_570)	0.3
Reversal of the extension of the rate increase in the 2017 Tax Plan (RA_566)	0.3
Limiting of the depreciation of owner-occupied buildings in corporation tax (vpb) (RA_572)	0.2
Effective tax rate in innovation box to 7% (RA_571)	0.1
Adjustment in box 3: amendment to the calculation of the flat rate on savings (RA_578_b)	0.1
Abolition of the tax rebate scheme for taxis (RA_669)	0.0

Reducing the deductibility of corporate losses (RA_568)	0.0
Environment	1.4
Lower taxation of rental earnings from sustainable housing (RA_565)	-0.1
Increase in energy tax (RA_607)	0.4
Abolition of the net metering scheme (RA_610)	0.3
Increase in the minimum carbon price in electricity generation (RA_612)	0.3
Implementation of aviation tax (RA_609)	0.2
Shift of the energy tax from electricity to natural gas (RA_606)	0.2
Increase in the tax on the combustion and deposition of waste (RA_608)	0.1
Other	2.8
Increase in the low VAT rate (RA_580)	2.6
Increase in excise duty on tobacco (RA_581_a)	0.2
August decision: Restriction on the low VAT rate for medications (RA_227)	0.0
Total policy-related tax burden	-6.4
For: households	-5.2
companies	0.1
abroad	-1.3
Natural gas revenues	
Decrease in natural gas production (RA_662)	-0.2

Abbreviations

AHK	General tax credits
Aof	Disability fund
AOW	General Old Age Pensions Act / state pension
awf	General unemployment fund
BKZ	Budgetary health care framework
CO_2	Carbon dioxide
CPB	CPB Netherlands Bureau for Economic Policy Analysis
EBITDA	Earnings before interest, taxes, depreciation and amortisation; measurement for the gross profit before the deduction of overhead costs
EMU	Economic and Monetary Union of the European Union
EWF	Notional rental value of privately owned homes
GDP	Gross Domestic Product
GMW	Dutch Medicines Act
HRA	Mortgage interest rate deductions
iab	Income-dependent contribution; personal contribution for the Zvw
IACK	Income-dependent combination tax credits
IB	Income tax
IOW	Income provision for the older unemployed
IVA	Income provision for the fully disabled
MBI	Instrument of macromanagement; can be used by the Minister of VWS when health care costs exceed the macro budget
mbo	Intermediate secondary vocational education
MLT	Medium-term outlook
MTO	Medium-term objective; EU budgetary regulations, related to Member State government deficit
NVWA	Netherlands Food and Consumer Product Safety Authority
ODA	Official Development Assistance; conform the definition by the OECD
Po	Primary education

RA	Regeerakkoord (Coalition Agreement)
RBG	Government budgetary framework (in a narrow sense)
SME	Small and Medium-sized Enterprises
SZA	Social security framework
SZW	Ministry of Social Affairs and Employment
UWV	Public Employment Service
VAT	Value added tax
VIB	Private equity-based addition to taxable income, under the Wlz
vmbo	Preparatory secondary vocational education
vo	Secondary education
vpb	Corporation tax
WGA	Return to Work Scheme for the Partially Disabled
WIA	Work and Income according to Labour Capacity Act
Wlz	Long-term Care Act
wml	Minimum Wage and Minimum Holiday Allowance Act
Wmo	Social Support Act
WOZ	Valuation of Immovable Property Act
ZiK	Health care-related charted choices
Zvw	Dutch Health Insurance Act
ZW	Sickness Benefits Act

Publisher:

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P.O. Box 80510 | 2508 GM The Hague
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October 2017