Tax advisor Amsterdam area

The TaxSavers

Dutch taxes explained

Buying and selling your house

Website: www.taxsavers.nl **Contact us:** contactform **Phone:** +31 (0)20-2170120

Please visit our website
for extensive background information on tax, tax return and the M-form: [***TaxSavers.nl***]

Table of contents

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An introduction
The TaxSavers

We have **extensive experience in the financial services industry** and with filing tax returns. The TaxSavers is set up to assist clients who are struggling with the Dutch tax system.

Especially in more **complex situations**, such as after buying or selling a house, or the financial results of other impactful life events.

We make the tax return process **transparent**, and with our tips and advice, our clients become well-equipped for filing their returns in the future.

"We save customers a lot of stress and time, but we think it is more important that customers understand their tax return and no longer have to 'Google' on the internet or wait on the Phone for the Belastingdienst, in order to be able to submit a flawless tax return. Tax always remains somewhat difficult to navigate."

—Boy Mulder
The TaxSavers

What can you expect in this eBook?

Did you buy or sell a house? Or maybe both?

This affects your annual tax return. On the internet, there is an overload of information. So it is understandable that it is tough to completely understand all of it.

All you want is doing your tax return in the way it has to be done and, of course, you want to pay as less tax as possible. But how? Which costs are deductible and which costs are not? Is the additional credit regulation applicable?

In this eBook, we are going to discuss this topic. We will outline three different scenarios, so you will know exactly how the buying and/or selling of a house affects your tax return after reading this book.

> *In short, a must-read if you have bought or sold a house!*

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Scenario 1

You bought a house

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SCENARIO 1

You bought a house

First of all, congratulations!

But what does this mean in terms of your annual tax return? From now on, you are entitled to certain deductible items, but you also have to pay tax on the so-called notional rental value for owner-occupiers.

Notional rental value

The notional rental value for owner-occupiers is a fictious income which increases your taxable income.

When you own a house, the Belastingdienst sees this as an income source. After all, you don't have to pay rent, but instead you build up capital.

The notional rental value for owner-occupiers is calculated using the WOZ-value multiplied by a fixed percentage.

Via the WOZ-waardeloket of the government, you can see what the **WOZ-value** of your house is. But be aware! When doing your tax return, you have to take the WOZ-value of the year before the year for which you are doing a tax return for.

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Deductible costs

When you buy a house, you qualify for certain deductible items. First of all, the mortgage interest is deductible from your taxable income. Besides that, certain financing costs are deductible, but which ones?

1 **Mortgage interest**
The mortgage interest you pay is deductible from your taxable income. In contrast to the financing costs, mortgage interest is deductible yearly.

2 **Financing costs**
When you buy a house, you have to deal with a lot of costs. Some costs are deductible, but some are not.

Which costs are deductible and which are not?

Cost item	Deductible
Agency and consultancy fees mortgage broker	**Yes**
Notary costs mortgage deed	**Yes**
Cadastral duties mortgage deed	**Yes**
Costs national mortgage guarantee (NHG)	**Yes**
Appraisal costs	**Yes**
Commitment fee	**Yes**
Penalty interest	**Yes**
Payment of long lease and building	**Yes**
Transfer tax *(this tax will change in 2021)*	No
Real estate brokerage fee	No
Bank guarantee	No
Notary costs title deed	No
Notary costs cadastral duties	No

> *The main rule is that the costs you make relating to the mortgage are deductible. The financing costs are only deductible once: in the year you buy the house.*

Scenario 2

You sold a house

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SCENARIO 2

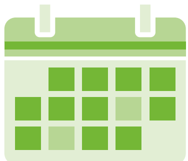
You sold a house

Besides that the mortgage interest is deductible, the cost of cancelling the mortgage is deductible as well.

Which costs are deductible and which are not?

Cost item	Deductible
Cancelation of mortgage	**Yes**
Real estate brokerage fee	**No**
Appraisal costs	**No**
Agency and consultancy fees	**No**

Did you sell your house after 28 October 2012, but before 1 January 2018 with residual debt?
When you have residual debt which arose in the above mentioned period, you are allowed to deduct the interest and financing cost due to this residual debt from your taxable income for 15 years at maximum.



What are selling costs?

When you are going to sell a house, you have to fill in your remaining mortgage and selling price when doing your tax return, but besides that, you have to fill in the selling costs as well.

You need to declare your selling costs because the Belastingdienst needs this when determining if the additional credit regulation is in force.

But what exactly are selling costs?

Selling costs are all costs which you faced concerning the sale of your house. Think of the real estate brokerage fee, the appraisal costs, the obliged energy label and the costs of cancelling the mortgage.

Did you sell your house and realised surplus value?

Did you sell your house and was the selling price more than the remaining mortgage + selling costs? In that case, you realised surplus value.

From this, a home equity reserve follows. The home equity reserve has an impact on the mortgage interest deduction you get on your next mortgage.

In the next scenario, we dive into this topic.

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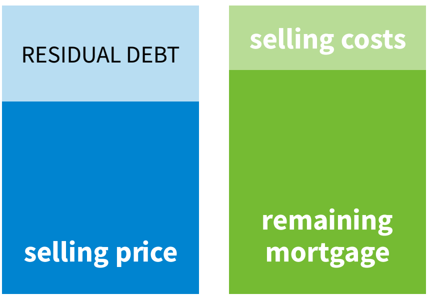
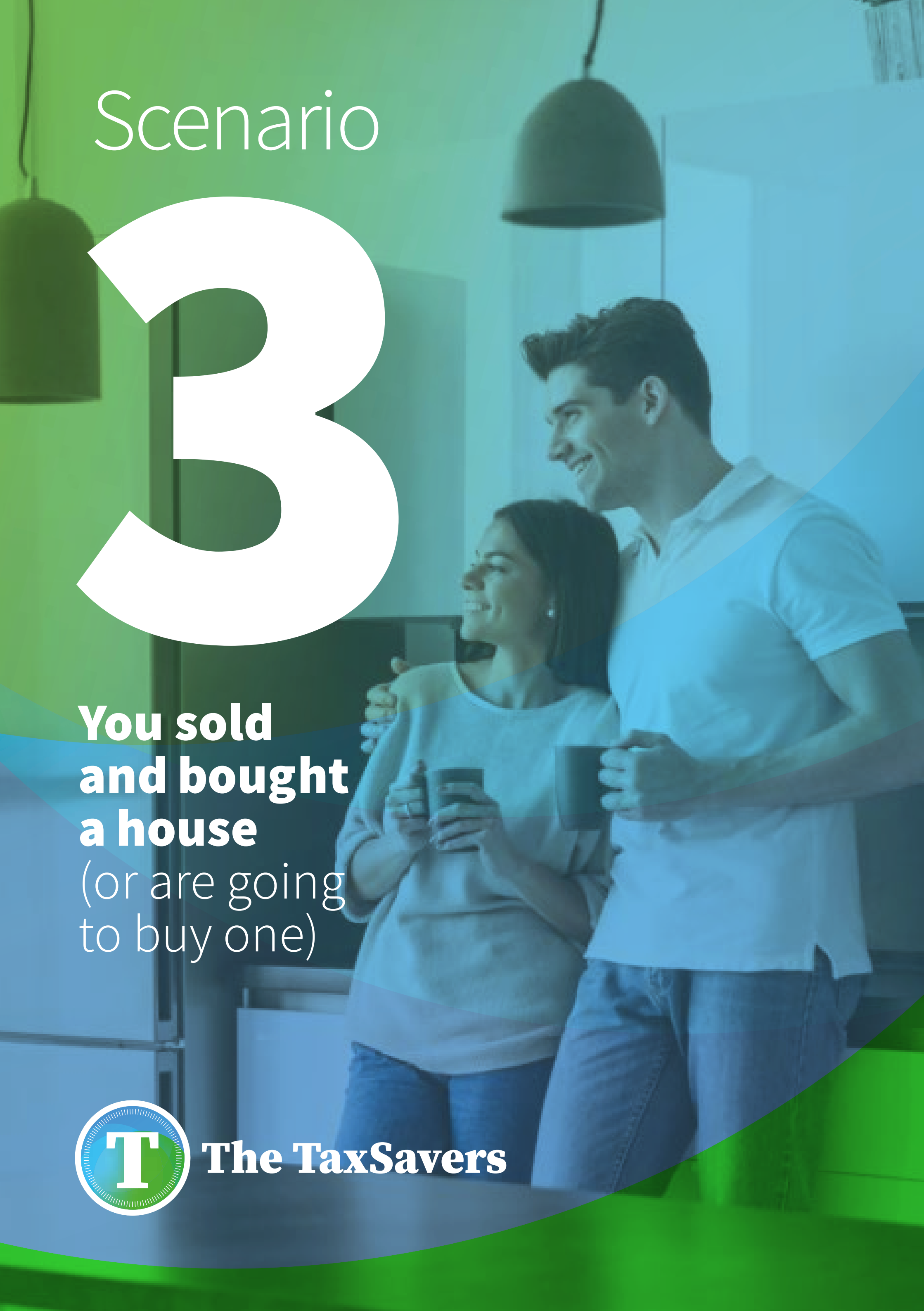


Residual debt

When the sale price is lower than your remaining mortgage + the selling costs.

Surplus value

The selling price was higher than the remaining mortgage + selling costs



Scenario 3

You sold and bought a house
(or are going to buy one)

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SCENARIO 3

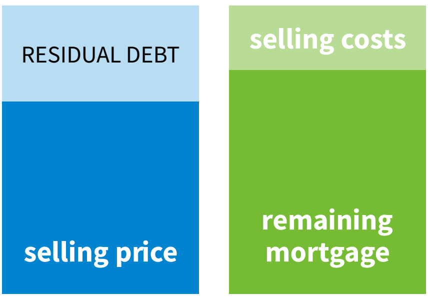
You sold and bought a house (or are going to buy one)

Besides the information mentioned before, the additional credit regulation is important in this scenario as well.

The additional credit regulation is in effect when you sell your house and you realise surplus value. You realise surplus value if the selling price is higher than the remaining mortgage + selling costs.

The additional credit regulation influences how much mortgage interest is deductible when engaging in a new mortgage.

How does the additional credit regulation work?
When you have realised excess value, a home equity reserve arises. The home equity reserve is equal to the excess value. When buying a new house, the mortgage interest is deductible on the amount of the actual mortgage – home equity reserve.



Residual debt

When the sale price is lower than your remaining mortgage + the selling costs.

Surplus value

The selling price was higher than the remaining mortgage + selling costs

So, it’s advisable to invest the excess value in the acquisition of a new house. Do you not buy a new house right away? The home equity reserve stays in effect for 3 years.

Example 1

What is the additional credit regulation exactly?

Imagine you sell your house for € 320,000. Obviously, you won’t get this entire amount on your bank account (although that would be nice), because the mortgage still needs to be paid off. Also, some costs will be incurred for selling the house.

Selling price – remaining mortgage – cost of sales = surplus value

Selling price	€ 320,000	
Remaining mortgage	€ 276,000	–
Cost for sales	€ 4,000	–
Surplus value	**€ 40,000**	

The **additional credit regulation** means that you have to use this surplus value when you are going to buy a house within 3 years after the sale. If you do not do this, you may not deduct the mortgage interest on this part.

So: suppose you buy a new home within three years with the purchase price of € 340,000. Then you are expected to invest € 40,000 in the purchase of your house, such that the new mortgage is €300,000. In this case you are able to deduct the entire mortgage interest.

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But what if you used the € 40,000 for a holiday or you finally bought that new car?
That doesn't have to be a problem! The only difference is that, in this case, you are no longer allowed to deduct the full mortgage interest. Imagine you will buy a house of € 340,000 and you also take out a mortgage of € 340,000.

We have just seen that the maximum deductible mortgage at a purchase price of € 340,000 may be a maximum of € 300,000. This means that a part of € 40,000 of the mortgage is no longer deductible and you can no longer deduct 11.76% of the mortgage interest in the tax return.

Be aware, you must indicate this yourself properly in the annual tax return!

Example 2

I have bought a house, what does that mean for the tax return?

When you buy a house, you have to deal with deductible financing costs and mortgage interest in the first year.

You made a lot of costs because of the purchase. Such as notary fees for the mortgage, but also the mortgage deed. Other costs incurred are 2% transfer tax, brokerage commission and mortgage advice costs.

Which costs can you declare as a deductible item in the income tax return? Only the costs directly related to obtaining the mortgage are deductible. Usually, these are the notary costs for the mortgage, the costs for the mortgage advisor and the costs for the valuation. Of course, the mortgage interest that you have paid in the relevant year is also deductible.

This does not mean that you will get back all deductible financing costs and mortgage interest because it is deductible from your income:

Suppose: your gross income is € 45,000. You may also deduct € 4,000 financing costs and you have paid € 5,000 mortgage interest.

Gross income	€ 45,000	
Financing costs	€ 4,000	–
Mortgage interest	€ 5,000	–
Taxable income	**€ 36,000**	

Your employer withheld payroll tax every month during the year based on an income of € 45,000. When filing the annual tax return it turns out that too much tax has been withheld and you will receive money back from the Belastingdienst.