

Summary of the 2019 Budget Memorandum

Main policy points in 2019

Priorities and current developments



Reduced gas extraction

300m



Support for Groningen region

100m



Brexit preparations at Customs and NVWA

92m



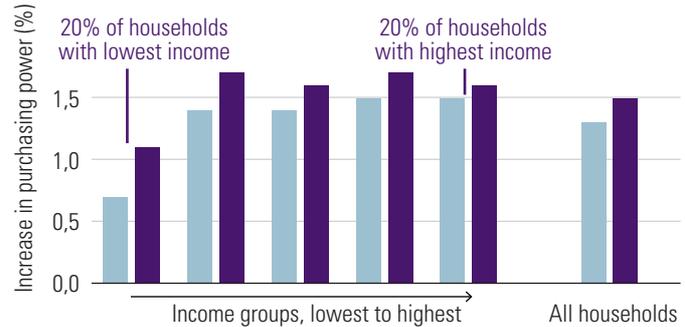
Establishing LNV

63m

NVWA: Food and Consumer Product Safety Authority
LNV: Ministry of Agriculture, Nature and Food Quality

Government improving purchasing power

■ Before purchasing power measures ■ After purchasing power measures



Corporate tax measures

Implementation of coalition agreement

Investments in 2019



Education, research and innovation

1.9bn



Defence

1.2bn



Infrastructure

1.0bn

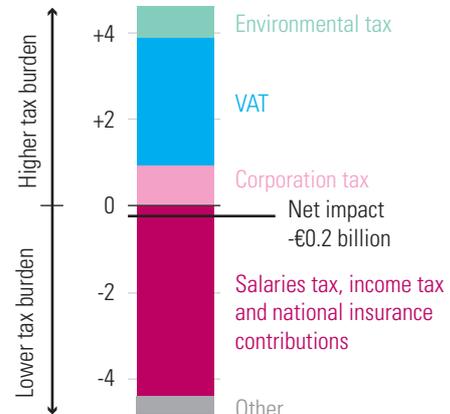


Security

0.5bn

Impact of tax measures in 2019

in billions of euros



Agenda for the future

Climate agreement



Labour market legislation



Pension agreement



Housing market, international and financial market measures

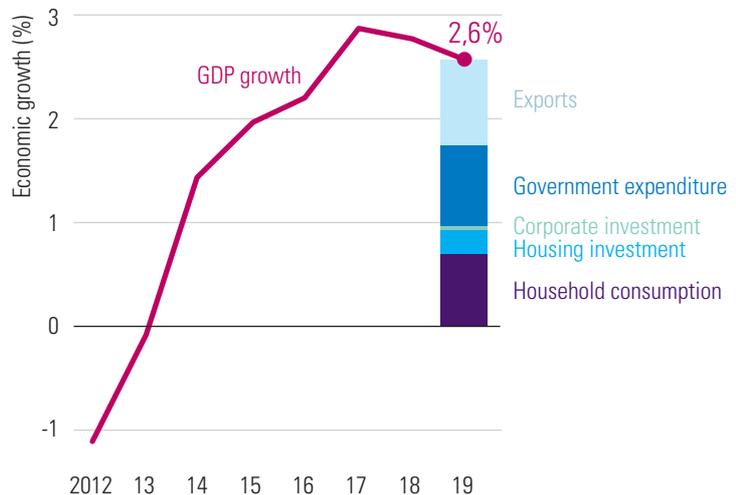


The Netherlands is doing well, but there are risks

The Dutch economy is continuing to grow

Household consumption and corporate investment are set to rise. The increase in jobs will reduce unemployment next year to its lowest level since 2001. As a result, the labour market will tighten and wages will rise. The Dutch are more positive about how the Netherlands is doing. Economic growth will strengthen purchasing power. Disposable income will increase by even more as more people find a job, are promoted or work longer hours. House prices will rise sharply, in some places so sharply that the market will become overheated.

Economy to grow by 2.6% in 2019



Higher purchasing power



Lower unemployment



Higher employment



Dutch people more positive



Government keeping an eye on risks

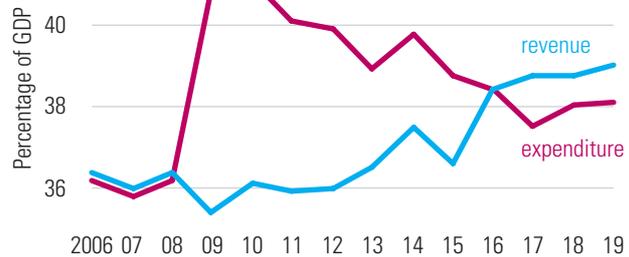
The Dutch economy is strongly connected with the wider world. The Netherlands therefore benefits from economic growth beyond its borders but is also vulnerable to international uncertainty. Trade conflicts, geopolitical tensions and Brexit can depress exports, make goods in the shops more expensive, and harm Dutch companies. Even after completion of the European banking union and measures on the Dutch housing market, households and businesses will still be exposed to financial shocks.



Public finances in better shape to withstand economic setbacks

Economic growth means higher tax and social security contribution revenues and lower expenditure on for example unemployment benefit. The government will therefore run a budget surplus in 2019.

Revenue exceeds expenditure

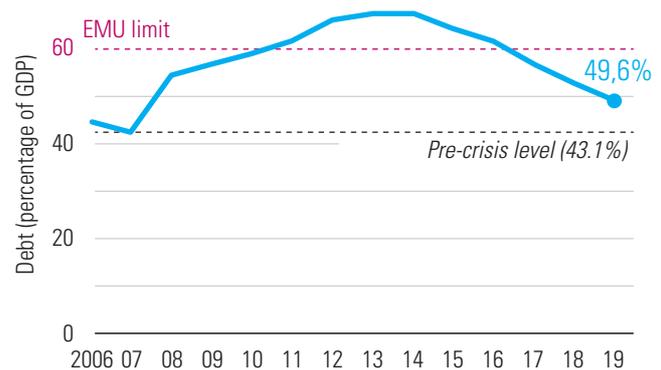


Budget surplus 1.0% of GDP in 2019



Government debt will fall further in 2019 but will still be higher than before the crisis (43.1%). With debt under control, we will not pass on the bill to our children and grandchildren. We are still paying €6 billion in interest on the debt every year. By paying back the debt, the government is not spending all the extra income generated by the favourable economic tide. This is a sensible budget policy.

Government debt falls to 49.6% of GDP in 2019



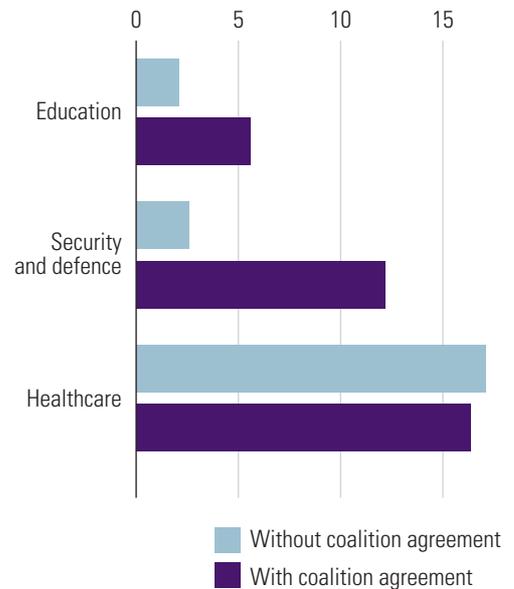
Government investing in society and reducing tax

Government investing in education, police and defence

The government is making the job of teacher more attractive in order to draw more people into the profession. It is also investing in an effective police force. And the growing instability in the world demands extra investment in defence. In 2021, these investments will total approximately €8 billion. The money is being provided in stages to ensure it can be spent effectively.

Expenditure

% volume growth, 2021 versus 2017

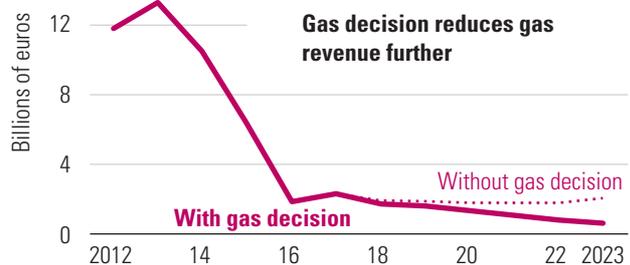
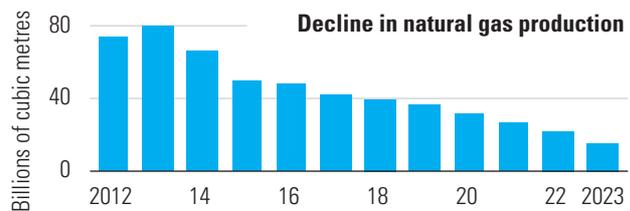


Controlling healthcare expenditure still a challenge

Patients in the Netherlands can count on excellent care, but it is becoming more and more expensive. People are feeling it in their pockets. The government has therefore taken a series of measures, reducing the growth in healthcare expenditure by €2.2 billion on a structural basis. Nonetheless, healthcare will still be the government's biggest and fastest growing area of expenditure in 2019. Controlling healthcare expenditure will therefore remain a challenge in the future.

Gas extraction in Groningen being phased out and to end by 2030 at the latest

The government will invest €200 million a year in the Groningen region as from 2019. This decision was taken primarily with a view to the safety and welfare of residents in the area affected by earthquakes. The decision will have budgetary consequences. The government has made available €300 million in 2019, rising to €1.5 billion in 2023. The government has been able to accommodate the extra expenditure because other areas of spending, chiefly healthcare, social security and interest expenditure on the national debt, are lower than expected.

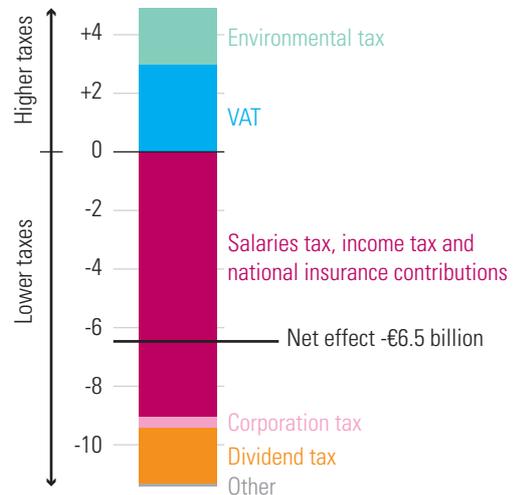


Government making work more financially attractive

As from next year, the Dutch will pay less income tax thanks to the new two-bracket tax system, a higher general tax credit and a higher elderly person's tax credit. To finance this measure, the government will increase the low VAT rate from 6% to 9% and introduce higher environmental taxes so that polluters pay more. On balance, taxes will be lower than the baseline. This package of lower taxes on work and enterprise and higher taxes on consumption and environmental pollution will give households more money to spend and boost economic growth.

Impact of government tax measures in 2021

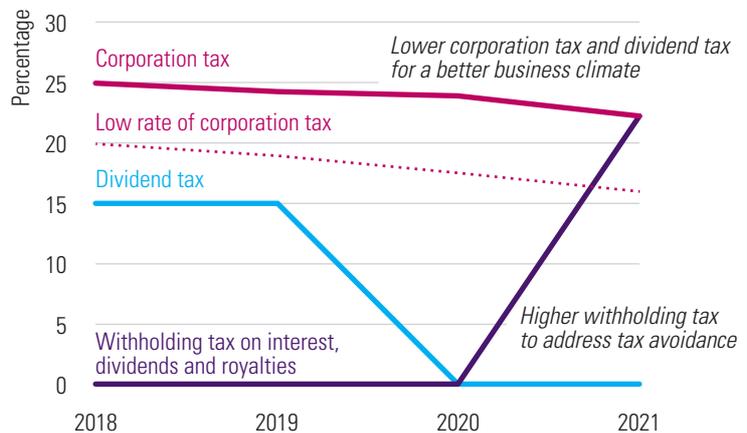
in billions of euros



The Netherlands will remain attractive for investment

The government is lowering corporation tax rates and widening the tax base. It is also making corporate debt less attractive for tax purposes. It is abolishing dividend tax in order to retain and attract the head offices of major companies. A new withholding tax on interest, royalties and dividends will address tax evasion and tax avoidance. The Netherlands will therefore be less welcoming to companies that do not add value but only exploit legal loopholes in order to cut their tax bill.

Corporation tax rates



Confidence in the future

An agenda for the Netherlands

People and businesses can benefit from the opportunities provided by trends such as demographic ageing, globalisation, digitalisation, climate change and technological advances, and the government can help them cope with the associated uncertainties. With reformed labour market laws, a stronger pension system and ambitious climate goals, the Netherlands will remain an attractive place to live, work and do business. The government is seeking both public and political support for its reform agenda. This approach will overcome differences and ensure that we can work together in confidence to build the Netherlands of the future.



Overview of central government revenue and expenditure in 2019

In billions of euros

