

Euro focus: Dutch government outlines new spending commitments

With high energy prices, geopolitical turmoil, and the postponement of a minimum tax on multinationals, the Dutch government has presented a budget memo with tons of policy measures. These imply an even more expansionary fiscal policy and a further shift of taxation from households to businesses



Dutch Prime Minister, Mark Rutte at a European Summit on Ukraine in late May

Higher energy prices inspire new policies

Mark Rutte's fourth administration, which started ruling in January 2022, has announced a [lengthy list of policy changes](#). The expectation of prolonged higher energy and fuel prices has inspired new measures aimed at boosting households' purchasing power, even though similar measures (+0.4% GDP) were already implemented by the previous government. The new measures include the following three already announced in March, together already worth 0.3% of GDP in 2022.

- A temporary 21% reduction in excise duty on fuel.
- A temporary reduction in VAT on energy (9% instead of 21%).
- An increase in one-off energy compensation benefits for lower-income households.

There's now also going to be more spending on pensions and defence. The minimum wage has been increased as have pension benefits.

[The Dutch government's new budget proposals | Article | ING Think](#)

More tax on corporations and real estate

There's also been notable action to reduce net public spending. They include a reduction in pensioner tax credits and other benefits. And we're also seeing an increase in some taxes, notably for corporations and in the real estate sector.

A pattern is clearly emerging; a shift of taxation from households to businesses, that we witnessed in the previous coalition is being intensified by these new policy adjustments. The government's spring budget update shows lower investment in growth-enhancing, semi-public capital, lower investment in natural capital, and more taxation on entrepreneurial capital (firms, entrepreneurs and property owners) which is paying for higher benefits, higher pensions and better military capabilities. Considering the additional investment of the coalition agreement, minor cuts to these items do not seem to be too onerous, however.

Budget balance worsens but debt ratios improve

The total additional net spending in the spring memorandum for 2022 amounts to 0.4% of GDP, 0.0% for 2023 and 0.2% for 2024. This provides more fuel to an already overheating labour market, while the [coalition agreement already implied a large increase](#) in public spending in the medium term. The new measures only cause a one-off jump in the debt ratio: structurally the new tax measures fully match the new spending plans. Reassuringly, the debt ratio estimates were revised downwards, because of better-than-expected GDP developments, even though the government is expecting fewer firms to be able to pay back Covid-related deferred taxes.

Author

Marcel Klok

Senior Economist, Netherlands

marcel.klok@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central

Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.