

## Dutch government extends support for businesses by three months

The Dutch government announced a three-month extension of its temporary support package for businesses. Also, the tax deferral scheme has been made more generous. This should support liquidity of Dutch businesses for longer, contributing to a quick economic rebound out of the Covid crisis



People near Binnenhof palace, place of Dutch parliament in Hague

### All major support instruments extended

The extension of public support from the end of June 2021 until the end of September 2021 involves the generic temporary wage subsidy (NOW) – the main support instrument during the Covid crisis –, fixed cost compensation (TVL), the income and lending support scheme for the self-employed (TOZO) with some minor tweaks, and some small sector-specific support measures.

Firms that deferred taxes will have to start paying back their debt to the tax authority as of 1 October 2022, one year later than initially intended. The re-payment period has been extended from 36 months to 60 months, while the charged interest rate will be increased more gradually such that it will be back at its usual level in 2024. While previous taxes remain deferred for a while, new tax bills as of 1 July 2021 will no longer qualify for these temporary generous deferral schemes. While the government states that it wants to take a constructive approach towards viable

businesses that might still be in financial trouble, it also expressed the need for eventually ending its support.

## Ongoing rebound of economy supported

The extended policy package involves €6.1 billion (0.7% of 2021 GDP) additional net spending as projected by the government, which will mostly be concentrated in 2021. This amount is substantial, and should support the ongoing rebound of the economy. While some extension of support was already anticipated and incorporated in our forecasts, the details are now lined out, giving firms more certainty concerning their liquidity position. We maintain our base line view that Dutch GDP could be back at its pre-crisis peak by the end of 2021, assuming a further gradual reduction of social distancing measures in the months ahead.

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