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COMMISSION STAFF WORKING DOCUMENT

Mind the Gap Report
Challenges and opportunities for tax compliance and tax expenditure in the EU
The Netherlands

Country Fiche - The Netherlands

Summary box: Areas of Strength and Areas for Improvement

Areas of Strength

- **The Netherlands has a comprehensive tax gap estimation programme which was built over the past few years encompassing both direct tax gap and indirect tax gap estimation.** This programme is complemented by a formal compliance risk management strategy in place, which allows for the identification, assessment, and prioritisation of key compliance risks. These complementary efforts have been successful, and The Netherlands performs well in terms of VAT compliance, for example, with a low VAT compliance gap, indicating effective tax collection and compliance efforts.
- **The Netherlands has put in place a comprehensive reporting on tax expenditures, which provides transparency and accountability and a clear overview of the main drivers of tax expenditures as well as ways to tackle them.** The governance framework provides for evaluation procedures and monitoring obligations and emphasises that tax expenditures should be modified or phased contingent on negative evaluation. This assessment framework on new and existing tax expenditures and regular evaluations aims to assure effectiveness of tax expenditures and simplicity of the tax system. Considering the clear governance rules related to tax expenditures, it is expected that the Netherlands reviews those tax expenditures which are identified as underperforming.
- **The country has made significant progress in digitalising its tax administration, with high adaptation rates** (with 100% e-filing rate for corporate income tax returns for example) and a digital transformation strategy (including an advanced use of AI), reducing the tax compliance burden for taxpayers. Improvements may nevertheless be needed regarding the pre-filling for CIT returns.

Areas for Improvement

- **Despite its good monitoring and assessment, the Netherlands has several large tax expenditure items some of which have been identified as being potentially problematic.** Among the biggest tax expenditures items are pension tax relief schemes and home ownership incentives. There could be scope to reduce incentives for debt-financed homeownership for example. Tax benefits are provided through generous mortgage interest deductibility, coupled with a low tax on imputed rents from homeownership. Consequently, there is a high concentration of household wealth in illiquid types of wealth, which may increase the severity of economic downturns and encourage tax planning strategies.
- **The Netherlands could build on the thorough analytical work on tax expenditures to reduce the share of forgone revenue that is not achieving its intended policy goals.** The latest 2025 government report evaluating tax expenditures provides evidence that some of these tax expenditures may be failing to achieve their intended goals. The report finds that

out of the 89 tax expenditures evaluated, only 12 were found to be both effective and efficient, while 50 either lacked or had a limited rationale for government intervention.

1. Snapshot of Tax System: Tax Revenues and their Sources

In the Netherlands, tax revenues as a percentage of the country's GDP are just slightly below the EU average. In 2023, total tax revenues amounted to 38.6% of GDP compared to the EU-27 average of 39.0% ⁽¹⁾. The largest source of tax revenues were labour taxes (46.5% of tax revenues vs. EU average of 51.2%), followed by consumption taxes (28.8% of tax revenues vs. EU average of 26.9%) and capital taxes (24.8% of total revenues vs. EU average of 21.9%). VAT revenue was 18.4% of total tax revenues (EU average of 18.3%) and 7.1% of GDP (EU average of 7.1%).

The tax-benefit system significantly contributes to reducing inequality in the Netherlands. The 2023 Gini Index for equivalised disposable income (25.9%) ⁽²⁾ is significantly lower than for market income (including pensions) before taxes and social transfers (35.3%) ⁽³⁾, being in both cases below the EU average (29.3% vs 37.0%, respectively). Labour taxation is progressive in the Netherlands. The difference in the tax wedge ⁽⁴⁾ between high-income earners (167% of average wage) and low-income earners (67% of average wage) is with 14.3 percentage points among the largest in the EU (rank 3). The Netherlands has one of the lowest at-risk-of-poverty or social exclusion rate in the EU-27 (15.4%, 6.6 percentage points below the EU average) ⁽⁵⁾.

2. Monitoring of Compliance Gaps

2.1 Overview

The Netherlands is one of the few Member States that has a full programme in place to estimate the size of its tax gap. The Dutch tax gap team was created in 2006. For its tax gap estimation practices, the tax administration uses a bottom-up approach ⁽⁶⁾ based on random audits to improve compliance risk management and to better understand taxpayers' behaviours. Compliance risk management in the Netherlands consists of five steps, namely: 1) identification of uncertainties (possible mistakes); 2) analysing underlying causes; 3) prioritisation; 4) treatment (intervention); and 5) evaluation. The Netherlands' random audits programme contributes to step 1, identification of uncertainties (and therefore compliance risks) and step 2, analysis of what causes the mistakes made to enable designing interventions that change non-compliant behaviour into compliant behaviour or to strengthen existing

¹ Data on tax revenues are based on European Commission: [Data on Taxation Trends](#), edition 2025 (reference year 2023). The 2026 edition (reference year 2024) will be published in the first quarter of 2026. Preliminary data point to an upward revision of tax revenue data for 2023 (to 39.2% of GDP), followed by a decrease of total tax revenues to 38.8% of GDP in 2024: https://doi.org/10.2908/GOV_10A_TAXAG.

² European Commission, Eurostat [[ilc_di12](#)]

³ European Commission, DG EMPL calculations based on EU-SILC survey data.

⁴ The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). Data are based on European Commission, DG ECFIN: [Tax and Benefits Database](#).

⁵ European Commission, Eurostat [[ilc_peps01n](#)]

⁶ Bottom-up methodologies generally use micro-economic data (for example, audit data) to extrapolate potential non-compliance and estimate the tax gap. The most common data sources for these methodologies are either data from random audits or risk-based audits.

compliant behaviour⁽⁷⁾. While The Netherlands produces tax gap estimates per tax type, it does not publish these segment-by-segment estimates per tax type and only incorporates them for their internal use. While the tax gap estimation program in the Netherlands thus does not produce public individual tax gap figures for the different tax types, they occasionally publish the overall tax gap across tax types.

2.2 Monitoring VAT Compliance Gap

The Netherlands performs relatively strongly in terms of VAT compliance, with a VAT compliance gap⁽⁸⁾ that amounted in 2023 to EUR 5.7 billion, or 7% of the VAT Total Tax Liability (VTTL)⁽⁹⁾ (¹⁰). Data reveals a decreasing trend between 2019 and 2023 (-4 percentage points), with a fall to less than 6% in 2021, followed by an increase in 2022, before decreasing again in 2023. Given that the overall VAT compliance gap in the EU amounted to 9.5% of the VTTL in 2023, the Netherlands ranked 9th among EU Member States. The Netherlands' VAT compliance gap estimates for 2022 were updated upwards in the 2025 edition of the VAT gap in Europe study, introducing greater fluctuation over the past 5 years. This comes as a result of benchmark revisions of the national accounts, which included a 6% increase in reported household final consumption.

Modest investment activity resulted in somewhat higher VAT liabilities, exerting a slight upward pressure on the estimates of the VAT compliance gap, as investments in fixed assets increased by 5.0% in 2023.

At the same time, the Netherlands also saw an increase in the share of services in its economy (ca. +1 percentage point), including an increase in nominal household final consumption of recreational services, restaurants, and accommodation (+13%), and in the overall demand for tourism, measured by nights spent in tourist accommodations (+7%). However, both of these represented a slow-down compared to 2022. While a higher share of services can lead to a higher risk of non-compliance as services are typically harder to tax effectively compared to goods, the slower growth pace in recreational services, restaurants, accommodation and tourist accommodations can have contributed to a lower VAT compliance gap.

Fuelled by the post-pandemic recovery and phasing out of special support measures, the Netherlands also experienced in 2023 an increase in bankruptcy rates (+54.4%). This can impact recovery processes⁽¹¹⁾ and affect VAT collection, thus exerting upward pressure on the VAT compliance gap.

⁷ Source of the paragraph: OECD Tax Administration Report 2024
https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/tax-administration-2024_5c4606e4/2d5fba9c-en.pdf

⁸ The VAT compliance gap is an estimate of revenues lost due to VAT fraud, evasion and avoidance, bankruptcies and financial insolvencies, or miscalculations.

⁹ The VAT Total Tax Liability (VTTL) is the theoretical tax revenue that would be collected in a situation of perfect taxpayer compliance, assuming an unchanged net VAT base.

¹⁰ See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., *VAT gap in Europe – Report 2025*, Publications Office of the European Union, Luxembourg, 2025, <https://data.europa.eu/doi/10.2778/7868422>.

¹¹ Please also see Section 2.2 below that discusses tax recovery in the Netherlands in more detail.

In 2023, VAT losses due to Missing Trader Intra-Community (MTIC) fraud ⁽¹²⁾ were estimated at around EUR 2 billion in the Netherlands ⁽¹³⁾ ⁽¹⁴⁾, displaying an overall decreasing trend. While experiencing some fluctuations over time, the VAT losses due to MTIC fraud decreased by around EUR 800 million between 2010 and 2023.

2.3 Corporate and Personal Income Tax Compliance Gaps, and Measures of the Shadow Economy

The Dutch tax administration estimates the overall tax gap using a bottom-up approach based on random audits. Taxpayers that are selected into the random audits programme are checked on all types of taxes, including CIT ⁽¹⁵⁾. Among the different components of the PIT gap, the estimation covers the filing gap, the reporting gap and the payment gap ⁽¹⁶⁾. These results of the tax gap estimation by tax type are kept for internal use and are thus not published.

European Commission estimates suggest a low CIT compliance gap in the Netherlands. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data, the CIT compliance gap of the Netherlands was at around 2.6% of collected CIT revenues in 2015, the second lowest figure among available Member States' estimates ⁽¹⁷⁾. Based on the same methodology, the (unweighted) average for the CIT compliance gap is 10.9% of collected CIT revenues based on available estimates for 23 Member States. The European Commission methodology also allows to disentangle the CIT gap by sector. In the case of the Netherlands, the 2015 gap was particularly high in the hospitality sector (more than 5 times higher than the average CIT gap) and, to a lesser extent, in the entertainment, administrative and construction sectors. Manufacturing as well as wholesale and retail trade also displayed tax gaps above the average.

The size of the shadow economy in the Netherlands is one of the smallest in the EU. In 2022, the shadow economy in the Netherlands represented 8.2% of its GDP, according to estimates by Schneider, F. and Asllani, A. for the European Parliament ⁽¹⁸⁾. This ratio is 9.1 percentage points below the EU-27

¹² Missing Trader Intra-Community (MTIC) fraud is a form of VAT fraud that exploits VAT-free cross-border trade within the EU. Fraudsters purchase goods VAT-free from another Member State, sell them domestically, charge VAT to their customers, and disappear before paying this VAT to the tax authorities.

¹³ European Commission, CASE, Poniatowski, G., Śmietanka, A., and Skowronek, A., *VAT compliance gap due to Missing Trader IntraCommunity (MTIC) Fraud – Final Report Phase II*, Publications Office of the European Union, Luxembourg, 2024, <https://data.europa.eu/doi/10.2778/6433841>.

¹⁴ The Dutch tax authorities estimate the VAT losses due to Missing Trader Intra-Community (MTIC) fraud based on own analysis which is lower than the Commissions' own estimate. The European Commission is in continuous contact with the Dutch Tax Authorities to discuss the data and methodology of the report for further improvements.

¹⁵ OECD Tax Administration Report 2024

¹⁶ OECD Tax Administration Report 2024.

¹⁷ European Commission: Directorate-General for Taxation and Customs Union (2025), *The Corporate Income Tax Gap, A European approach to measuring losses in corporate tax revenues*, Publications Office of the European Union, <https://data.europa.eu/doi/10.2778/0541549>. The JRC has recently developed a novel approach to estimate the CIT gap based on National Accounts and existing data on the undeclared economy, providing approximations of the CIT gap for a majority of EU Member States. JRC's estimations are based on the exhaustiveness adjustments made to Gross Operating Surplus (GOS), Gross Value Added (GVA) and Gross Domestic Product (GDP), that national statistical offices perform to account for non-observed economy. The JRC approach does not capture CIT gaps associated with tax avoidance and (international) profit shifting, which would require other estimation methods.

¹⁸ European Parliament (2022), *Taxation of the informal economy in the EU*. [https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU\(2022\)734007_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2022/734007/IPOL_STU(2022)734007_EN.pdf)

unweighted average, supported by a slight decline over the past decade (9.5% of GDP in 2012). According to the report, the most significant drivers of the shadow economy for the Netherlands can be attributed to indirect taxes and self-employment. While information at sectoral level is very limited for the Netherlands, a recent OECD report ⁽¹⁹⁾ highlights how the current preferential tax treatment of self-employment contributes to an increase in false self-employment and to labour market distortions. These developments undermine collection of both direct and indirect taxes.

2.4 Other compliance gaps

Excise Gap estimates are not publicly disclosed in the Netherlands. However, the country does assess unrecorded cigarette consumption—a key element for the calculation of Tobacco Excise Gap—through the Empty Pack Survey. This bottom-up method involves collecting and analysing discarded cigarette packs in different public spaces across the country. In 2023, 25% of the packs were not subject to Dutch excise duty, up from 15.3% in 2021. The share of foreign excise duty cigarettes rose from 10.9% to 18.6%, while the proportion of illicit cigarettes increased from 1.4% to 4.1% in 2023 ⁽²⁰⁾.

3. Monitoring of Policy Gaps

3.1 Tax Expenditures

The Netherlands have a comprehensive reporting on tax expenditure (TEs) ⁽²¹⁾. According to the authorities, considerable revenues are foregone due to TEs: in 2025 these 125 actively monitored TEs are budgeted to result in foregone revenues of EUR 167 billion, or about 42% of total government tax revenues collected, representing 15.6% of GDP. Furthermore, the report evaluated 89 TEs and found that only 12 of these were both effective and efficient, and that 50 TEs either lacked or had a limited rationale for government intervention.

Overall, the largest and potentially challenging TEs in the Netherlands are (i) pension tax relief schemes and (ii) home ownership incentives ⁽²²⁾. The Commission has expressed concerns regarding these two schemes, particularly on how the unequal tax treatment of certain assets can lead to tax arbitrage. In its 2025 Country Specific Recommendations, the Commission has urged the Netherlands to “align the taxation of different types of income from wealth, amongst others, to reduce the household debt bias”.

The Netherlands also has in place an innovation box regime which has been deemed by the authorities to be of limited effectiveness and not efficient in terms of stimulating innovation.

¹⁹ OECD (2025), OECD Economic Surveys: Netherlands 2025, OECD Publishing, Paris, <https://doi.org/10.1787/2dd1f4aa-en>.

²⁰ Empty Pack Survey measurement 2023 | Report | Rijksoverheid.nl

²¹ Albeit there is no formal legal basis, TE monitoring is adopted in the coalition agreement. The Dutch Court of Audit also monitors that TEs are being reported. In addition, monitoring is essential for evaluation of TEs which is in principle guided by the secondary legislation ('regeling periodiek evaluatieonderzoek').

²² Overall, the report identifies seven tax expenditure types which are assessed to underperform in at least three dimensions. These are 1) the deduction of specific medical expenses, 2) home ownership expenditure, 3) the deduction due to no or low owner-occupied housing debt, 4) agricultural exemption in the profit sphere, 5) VAT Low Accommodation, 6) the exemption for vans or a reduced energy tax rate for greenhouse horticulture (quarterly rates) and 7) excise duty reduced rate for small breweries.

Under the Dutch innovation box regime, the tax rate on qualifying income under this regime derived from qualifying assets is reduced from the top statutory CIT rate of 25.8% to 9%. The assessment notes that despite being ineffective at stimulating innovation, the scheme is effective and partly efficient in promoting the business environment. Promoting the business environment is seen by the Netherlands as the most important of the two goals. While its budgetary importance is smaller than some of the TEs discussed before, it remains as the 12th most significant TEs according to the latest evaluation available.

The 2026 budget of the Netherlands provides a detailed list of TEs ⁽²³⁾ which includes, for instance, the purpose of each measure, estimated budgetary impacts (revenue foregone), type of taxpayer affected (households, businesses) and duration (temporary or permanent). The governance framework provides for evaluation procedures and monitoring obligations and emphasises that tax expenditures should be modified or phased out contingent on negative evaluation. This assessment framework on new and existing tax expenditures, and respective regular evaluations ⁽²⁴⁾, aims to assure effectiveness of tax expenditures and simplicity of the tax system.

The Dutch RRP includes five reforms aimed at reducing tax expenditures, out of which four have been completed. Specifically, the Netherlands have completed the reform aimed at eliminating tax exemptions on negative interests and positive currency results (Q1-2021), the limitation of loss relief under the corporate income tax (Q1-2022), the limitation of the exemption from taxes due to liquidation and cessation losses (Q1-2021), the reduction of the tax deduction for self-employed persons (Q1-2023). The Netherlands is on track to complete in 2025 the reform phasing out the motor vehicle and motorcycle purchase tax (BPM) exemption for commercial vans.

In general, the transparency and monitoring related to tax expenditures in the Netherlands can be considered exemplary. Considering the clear governance rules related to tax expenditures, it is expected that the Netherlands reviews, revises or abandons those tax expenditures which are identified as underperforming in the Netherlands internal assessment.

3.2 VAT Policy Gap

The VAT policy gap ⁽²⁵⁾ **in the Netherlands was slightly lower than the EU average in 2023** ⁽²⁶⁾. The level of the VAT policy gap in the Netherlands was estimated that year at 49% of the notional ideal revenue ⁽²⁷⁾ (EUR 78 billion), while the EU VAT policy gap was 51%. This represents an increase of more than 1 percentage point compared to 2022, and almost 2 percentage points compared to 2019.

²³ Annex to Budget 2026 (in Dutch), [4.1 Inleiding | Ministerie van Financiën - Rijksoverheid](#)

²⁴ The last update to the comprehensive evaluation of 116 TEs has been undertaken in 2025 (Dutch MoF, 2025) and builds on the 2023 report which is published in English language. (Dutch MoF, 2023).

²⁵ The VAT policy gap refers to the revenue lost due to the application of VAT exemptions and reduced, super-reduced, and zero VAT rates on selected products.

²⁶ See European Commission, Syntesia, Poniatowski, G., Bonch-Osmolovsky, M., Śmietanka, A. et al., *VAT gap in Europe – Report 2025*, Publications Office of the European Union, Luxembourg, 2025, <https://data.europa.eu/doi/10.2778/7868422>.

²⁷ The notional ideal revenue is the benchmark VAT revenue that assumes perfect taxpayer compliance in a situation where the current standard VAT rate is applied to all final consumption and household, government, and NPISH investment.

The VAT exemption gap ⁽²⁸⁾ was slightly higher in the Netherlands compared to the EU estimate in 2023. It amounted to 39% of the notional ideal revenue (EUR 62 billion), while for the EU-27 overall it was 38%. This constitutes an increase compared to 2022 (about +1.5 percentage points). The VAT exemption gap has fluctuated slightly over time, having increased by 1.5 percentage points since 2019.

The national policy-driven VAT exemption gap ⁽²⁹⁾ of EUR 12 billion, was estimated in 2023 at 7% of the notional ideal revenue, while the overall EU estimate was 11%. This represents an increase in the Netherlands compared to 2022 (+1 percentage point) and has increased steadily every year since 2020 (almost +3 percentage points).

The VAT rate gap ⁽³⁰⁾ in 2023, which amounted to EUR 16 billion, was estimated at 10% of the notional ideal revenue, while for the EU-27 overall it was 12%. It has remained stable compared to 2022, and also when looking at a longer horizon from 2019 to 2022. The introduction of reduced VAT rates on energy between July and December 2022 is reflected in the jump and subsequent decrease in 2022 in the portion of the VAT rate gap due to utilities services.

Reduced VAT rates have overall a regressive effect in the Netherlands. Reduced rates are often introduced with the argument to mitigate the regressive nature of VAT taxation (the share of income spend for consumption decreases with income so that the relative tax burden of VAT also decreases). A simulation of the distributive impact of reduced rates using EUROMOD for 2019 however indicates that the totality of reduced rates are themselves regressive in the Netherlands ⁽³¹⁾. This effect is well known for reduced rates in the hospitality sector since the use of hotel and restaurant services increases with income. There is however no evidence which reduced rates specifically drive the overall regressive effect in the Netherlands.

4. Effectiveness of Tax Collection and Recovery Systems

4.1 VAT Collection

As regards the registration of taxpayers for VAT purposes, the Netherlands generally apply good practices based on risk analysis to ensure the registration database is complete, accurate and up to date ⁽³²⁾. They should however more systematically – instead of only occasionally - verify the validity of the VIES number after the taxpayer has registered to remove the VIES number in the event of fraud (which in addition prevents “exporting” fraud opportunities) to ensure the reliability of the database. The

²⁸ The VAT exemption gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of VAT exemptions on selected products.

²⁹ The national policy-driven VAT exemption gap represents the part of the VAT policy gap that can in principle be influenced by national policies on exemptions. In practice, it consists of revenue forgone from services falling under Article 137 (such as real estate and certain financial services), from the SME scheme, and from national exemptions applied under standstill clauses or derogations.

³⁰ The VAT rate gap refers to the portion of the VAT policy gap resulting from revenues lost due to the application of reduced, super-reduced, and zero VAT rates on selected products.

³¹ Turrini, A., Guigue, J., Kiss, Á., Leodolter, A., Van Herck, K., Neher, F., Leventi, C., Papini, A., Picos, F., Ricci, M., Lanterna F.; (2024). [Tax Expenditures in the EU: Recent Trends and New Policy Challenges](#). European Economy-Discussion Papers, (212).

³² Commission’s Ninth Report on VAT registration, collection and control procedures following Article 12 of Council Regulation (EEC, EURATOM) No 1553/89, [EUR-Lex - 52022DC0137 - EN - EUR-Lex](#). / Answers to the survey sent to the Member States in June 2025 in view of the Tenth Report on the same subject matter.

Netherlands is, however, relatively fast in changing the status of VAT identification numbers used for both domestic and intra-EU transactions to "invalid" in the national VAT numbers register, where there are significant indicators of VAT fraud, e.g. following Eurofisc risk signals. They do this in a timespan of less than 15 days, which only 4 Member States do.

The Netherlands did not introduce any changes related to registration, deregistration and identification of taxpayers since 2022 while most other Member States did. It uses, as most Member States do, a risk register (i.e. a central repository of identified risks that potentially pose a threat to the continuity of tax administration operations) The Netherlands should also however invest in maintaining a register specifically for e-commerce traders given the fraud opportunities that e-commerce creates, even though there is no indication that OSS is being misused. They should also increase the types of pre-registration checks and pro-actively de-registrate when it comes to (M)OSS (Mini One Stop Shop).

While the Netherlands ranks overall well in providing easy access to information and support to make taxpayers comply voluntarily, there is equally room for improving taxpayer services and thus voluntary compliance in the VAT area. Indeed, the Netherlands could use data of more sources including from third parties for VAT compliance purposes. Even though the Netherlands - like almost all Member States – monitors automatically the timely filing of VAT returns, it could benefit from using risk criteria or profiling techniques to achieve even higher VAT-filing rates. Putting in place an online channel for interacting with taxpayers to facilitate payment obligations has also been advised to the Netherlands. The introduction of an app called "BTW alert" to reminding taxpayers to file on time as recently done, is a step in the good direction.

The Netherlands perform strongly when it comes to complementing their VAT audit programme with other measures such as the use of rulings, cooperative compliance activities and estimation of VAT losses due to inaccurate reporting. It has an already rich variety of types of VAT audits but could benefit from adding advisory audits to the list. To enhance even further its VAT audit capacity, the Netherlands are advised to set up a specific VAT audit procedure with dedicated software including sector specific instructions.

Since 2022, the Netherlands did not introduce changes when it comes to "compliance risk management", "audit and enforcement", "payment and collection" and "enforcement and debt collection". This approach differs from most other Member States which have introduced some of these changes. The Netherlands does not have a system in place to monitor introduced changes which remains advisable.

4.2 Recovery of Taxes

For an efficient tax recovery, the Netherlands uses a wide range of actions. While it operates on a trust-focused model (for instance by sending simple reminders or calling first-time late-payers and campaigns influencing taxpayer's behaviour), the Netherlands also perform gradual enforcement measures like applying penalties, seizing the taxpayer's bank account or other assets, and perform cross-border tax recovery ⁽³³⁾.

The gradual enforcement strategy is facilitated by the use of digital tools, with a classification of debtors that takes account of non-payment risk indicators, combined with digitally available

³³ <https://www.tweedekamer.nl/downloads/document?id=2022D56798>

information about assets and recovery possibilities. The digital tools facilitate contact with tax debtors (e.g. online payment platform) and ensure a timely follow-up of the recovery cases and processes within the administration ⁽³⁴⁾. As older tax debts are more difficult to recover, it is important to avoid lengthy contestations that delay the recovery, reducing the recovery chances. On this point, the Dutch tax Administration is allowed to continue the recovery of contested claims ⁽³⁵⁾. Moreover, legal rules provide for strict periods for concluding litigations.

Tax arrears in the Netherlands are below the EU average and have remained in recent years. The level of outstanding tax arrears for the Netherlands was stable over 2020-2023, and stood at 9.5% in 2023, just below one third of the EU average ⁽³⁶⁾. This is the closing stock of arrears at year end as percentage of total revenue collected. The percentage suggests that the tax administration is capable to collect the taxes owed. Of the closing stock of arrears, the Netherlands consider 70.8% to be collectible in 2023 ⁽³⁷⁾. This percentage is nearly the same as in 2021. The Netherlands has a conservative writing off policy which focuses on keeping debts as long in the books as the administration sees a chance of collecting the amount due ⁽³⁸⁾.

Tax arrears can be reduced by focusing on on-time payment performance. The Netherlands put effort in promoting voluntary tax compliance through clear guidance and effective communication. They also provide seamless administrative processes that facilitate tax payment such as, prefilled tax returns (see below point 5.2.1), direct payment links in correspondence and the possibility to pay online using a payment app ⁽³⁹⁾. The Netherlands focuses on integration of administrative software used by taxpayers and their advisors with the tax administrations' systems ⁽⁴⁰⁾. In the Netherlands in 2023, 97.6% of the CIT payments due, 94.2% of the PIT payments due and 97.5% percent of the VAT payments due were paid on time ⁽⁴¹⁾. This is all significantly above the EU average.

³⁴ *ibid.*

³⁵ Information provided by the Netherlands to the Commission in 2021.

³⁶ Source: ADB, CIAT, IOTA, IMF, OECD, International Survey on Revenue Administration, Indicators: "Closing stock of arrears at year end as percentage of total revenue collected." and "Closing stock of collectable arrears as percentage of closing stock of arrears", <http://isoradata.org>

³⁷ *Ibid.*

³⁸ <https://www.tweedekamer.nl/downloads/document?id=2022D56798>

³⁹ Betalen met iDEAL in Overzicht betalen en ontvangen

⁴⁰ Diensten aan softwareontwikkelaars

⁴¹ Source: ADB, CIAT, IOTA, IMF, OECD, International Survey on Revenue Administration, Indicators: VAT/PIT/CIT "payments received on-time as a percent of payments due", <http://isoradata.org>

4.3 Use of Directive on Administrative Cooperation (DAC) ⁽⁴²⁾ instruments and data ⁽⁴³⁾

The Netherlands use DAC1 ⁽⁴⁴⁾ and DAC2 ⁽⁴⁵⁾ data for assessing taxation on individuals: DAC1 data is currently used for internal risk assessment ⁽⁴⁶⁾, while information on financial accounts (DAC2) is mainly used for prefilling tax returns, risk assessment, and general audits (for instance for personal income tax, inheritance or wealth tax and properties taxes). DAC1 and DAC2 data is also used for recovery purposes, which is considered as a good practice.

Data matching rates concerning individuals in the Netherlands are below the EU average ⁽⁴⁷⁾: On DAC1 and DAC2, the average matching rate in the Netherlands for the year 2024 is around 50% for DAC1, and 80% for DAC2, while the EU-average is at 80% and 85%, respectively ⁽⁴⁸⁾. It suggests that the Netherlands should increase their effort to identify the taxpayers concerned by this information.

The Netherlands uses DAC3 ⁽⁴⁹⁾ and DAC4 ⁽⁵⁰⁾ data for risk-analysis purposes in the field of corporate income taxation in an efficient way. DAC3 data is used for risk assessment purposes, which fits with the objectives of DAC3. The percentage of DAC3 reports identified successfully is 92%. The NL use DAC4 reports and enrich them with data available from other sources. The outcome of the process is used by analysts for assessing base and profit shifting or transfer pricing risks, which corresponds to the goal of DAC4. The matching rate on DAC4 reports is 100%.

Similarly, the Netherlands has a good practice on the use of DAC 6 data, as also pointed out by the European Court of Auditors ⁽⁵¹⁾. The Dutch tax administration implemented a rule-based model designed to detect DAC 6 reports with the highest degree of risk. A dedicated team within the tax administration ("DAC 6 team") can then manually review and further analyse such cases. The model allocates points to each DAC 6 report in accordance with both general rules (e.g. value of the tax

⁴² Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC, as subsequently amended

⁴³ Yearly Assessment 2025 – Subject to confidentiality clause on DAC art. 23a

⁴⁴ Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation and repealing Directive 77/799/EEC

⁴⁵ Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

⁴⁶ Risk assessment: tax risk assessment is a key element of modern tax administration. It allows tax authorities to identify indicators that suggest specific taxpayers or arrangements may pose an increased risk to their jurisdiction and require further actions in terms of compliance. In general, EU tax authorities use automated methods based on domestic data and information received from other jurisdictions. Yet, a manual element may remain, as (i) tax authorities vary in terms of whether tax risk assessment is conducted centrally by a specialist risk assessment team incorporating input from the compliance function, or locally by the compliance team (or tax inspector); (ii) some data types remain challenging to be automatically processed, e.g. literal summaries.

⁴⁷ The matching rate indicates to what extent a Member State has been able to identify their taxpayers in their national tax databases with information received from other Member States under the DAC. Such matching is necessary to ensure that the data can be used for tax compliance purposes. The matching rates mentioned in this report are based on the metrics approved by the tax authorities in the TADEUS meeting of December 2024.

⁴⁸ EU average matching rate in 2024 is 80% on DAC1 and 85% on DAC2 (aggregated data from the Yearly Assessment questionnaire 2025).

⁴⁹ Council Directive (EU) 2015/2376 of 8 December 2015 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

⁵⁰ Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation

⁵¹ See point below on Recommendations, best practices and outcome.

arrangement, size of the taxpayer, etc.) and specific rules (such as certain hallmarks). The DAC 6 team can also select more arrangements for analysis based on other elements (e.g. new tax structures, requests from tax inspectors, etc.)

The Netherlands makes active use of other advanced cooperation instruments provided by the DAC, such as simultaneous audits ⁽⁵²⁾. Between March 2024 and March 2025, the Netherlands initiated 15 simultaneous audits and participated in 10 simultaneous audits initiated by other Member States, being one of the most prominent users of these tools within the EU. The tax increases derived from these coordinated activities help to reduce the tax gap.

To conclude, The Netherlands uses the data obtained from the automatic exchange of information in coherence with the objectives of the DAC, based on an advanced approach as they include the data in their risk-analysis systems, particularly regarding business taxation. The comprehensive use of DAC3, 4 and 6 data show that the Netherlands has invested heavily in risk-analysis on businesses and companies, with a view to identifying critical situations that could affect its tax base. The Netherlands also makes appropriate use of advanced cooperation tools like simultaneous controls, where they are very proactive. However, there is room for improvement in the processing of data concerning taxation on individuals, as illustrated by the matching rate of DAC1 and DAC2 data, which is below the European average.

5. Digitalisation and Compliance

The Netherlands has made important steps with respect to the digitalisation of their tax administration, with high adaption rates for the digital indicators and the existence of a digital transformation strategy. According to a recent Eurobarometer survey, 68% of citizens in The Netherlands find it very easy or fairly easy to complete their tax return, placing them 5th among EU Member States ⁽⁵³⁾.

5.1 Digital Transformation Strategy, Skills and Culture

The Netherlands have developed a strategy for digital transformation, identified the future skills required by the administration for a successful digital transformation (for parts of the administration) and developed a strategy to build a digital culture within the administration. This strategy already identified and signalled in 2018 to the then Minister of Finance Wopke Hoekstra and State Secretary Menno Snel, stressed the need to compensate for IT deficiencies in the Tax Administration. These three pillars are mutually reinforcing and can be seen as making the Netherlands more likely to design and put into practice processes which allow taxpayers to meet their tax responsibilities in a seamless way. Nevertheless, the tax administration faces a need to modernise its IT infrastructure to ensure a smooth operation following the introduction of new tax-benefit measures.

⁵² EU-AIAC Annual statistics, April 2025 – Subject to confidentiality clause on DAC art. 23a.

⁵³ European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, <https://data.europa.eu/doi/10.2778/6066713>

The Netherlands requires individuals and businesses to use an approved digital identity to access secure digital services ⁽⁵⁴⁾. For example, it helps increase the accuracy of taxpayer identification, thereby reducing the potential of identity fraud, duplication of records and administrative errors.

5.2 Front-end digitalisation

5.2.1 Pre-filling

As regards pre-filling for PIT, the Netherlands performs in line or above the performance of other Member States. In line with most EU Member States ⁽⁵⁵⁾ in 2022, the Netherlands did provide prefilling facilities for personal income tax returns. This should contribute to reducing the burden of tax compliance and providing greater tax certainty for individual taxpayers and the tax administration.

Pre-filling of VAT returns in the Netherlands is however still subject to development. The Netherlands was 1 of 19 Member States that did not pre-fill VAT returns, indicating an increased burden of VAT compliance for taxpayers. It is however important to take into account that “VAT in the Digital age” (ViDA) was adopted in March 2025 and will be rolled out progressively until 2035. This initiative will lead to the introduction of digital reporting and e-invoicing across the EU, thereby providing the conditions to introduce pre-filled VAT returns.

The Netherlands does not offer pre-filling for CIT returns. However, it should be noted that only 6 Member States reported (partial) pre-filling for CIT in 2022.

5.2.2 E-filing

E-filing is the filing of tax returns in a digital manner. The Netherlands has e-filing rates for CIT returns above the EU average. In 2023, the Netherlands reported an e-filing rate of 100% for CIT, higher than the EU average of 97.1% ⁽⁵⁶⁾. This indicates that every company in the Netherlands files their taxes electronically.

The e-filing rates for PIT returns (98.9% in 2023) are also high and above the EU average (87.1%) ⁽⁵⁷⁾. This is a slight increase from 2018 (97.9%) and highlights that the Netherlands have been ahead of the curve in the EU with respect to this indicator. The fact that most individuals in the Netherlands file their taxes electronically, likely indicates that the e-filing facility is easy to navigate and has clear, straightforward instructions.

Lastly, the Netherlands had e-filing rates for VAT returns (100%) above the EU average (99.2%) in 2023 compared to 100% vs 94.7% in 2018 ⁽⁵⁸⁾. Such high rate gives the Netherlands a better ability to analyse trends and detect VAT fraud, as well as aforementioned accuracy and efficiency.

The high e-filing rate in the Netherlands is an indication of the fact that the Netherlands are well advanced in the digitalisation process. It likely means lower compliance burden for Dutch taxpayers

⁵⁴ OECD Inventory of Tax Technology Initiatives 2024. <https://data-explorer.oecd.org/>, Note that data is self-reported by tax administrations and therefore not 100 % objective or comparable.

⁵⁵ OECD Inventory of Tax Technology Initiatives 2024 (OECD Data Explorer • Inventory of Tax Technology Initiatives).

⁵⁶ International Survey on Revenue Administration data. https://data.imf.org/en/datasets/ISORA:ISORA_LATEST_DATA_PUB

⁵⁷ Ibid.

⁵⁸ Ibid.

compared to the EU average. It is also beneficial to the tax administration, as e-filing reduces manual work and administrative costs, frees up resources to allocate to other functions and allows for quicker or automatic detection of potential fraud or tax evasion.

5.2.3 Provision of Other Online Services

In the Netherlands, the tax administration provides a variety of additional online tools and services to taxpayers to reduce compliance costs. These include: tax calculators, facilities to request deadline extensions, payment arrangements and secure communication services (video, phone and message). Taxpayers can also upload files onto the administrations system, access a personalised taxpayer portal and use the tax administrations mobile application ⁽⁵⁹⁾. All these facilities can foster tax-compliant behaviour, as well as allowing administration resources to be allocated more effectively indicating that the tax administration in the Netherlands is using digital services to their advantage. According to a recent Eurobarometer survey, 54% of citizens in the Netherlands believe that support for filing tax returns provided by the tax administration is either fully adequate or mostly adequate, placing them 7th among EU Member States ⁽⁶⁰⁾.

5.3 Back-end digitalisation

5.3.1 Use of Artificial Intelligence by the Tax Administration

In the Netherlands, there are systems allowing for the use of artificial intelligence in place in the tax administration. Along with 7 other Member States, the Netherlands had such systems in place in 2018 ⁽⁶¹⁾. In the past, The Netherlands used AI for AI web scraping via XENON, which is the process of collecting data from websites, social media, e-commerce platforms etc. to match with their existing database. The objective was to detect unknown taxpayers and identify non-compliance.

The Netherlands also use a social network analysis system which visually represents a network of taxpayers and is used particularly to detect missing trader and carousel schemes. Another function of AI in public administration in the Netherlands, albeit not used by the tax administration itself, was the use of a machine-learning system for risk ratings (*'Systeem Risico Indicatie – SyRI'*) by Dutch governmental bodies, on the basis of which taxpayers were ranked according to their risk category and different treatment strategies are designed for each category of risk and specific thresholds. However, the use of this system was deemed unlawful and banned by the District Court of the Hague in 2020 ⁽⁶²⁾. The court has ruled that the legislation regulating the use of SyRI does not comply with Article 8 of the European Convention on Human Rights (ECHR), which protects the right to respect for private and family life, home and correspondence.

⁵⁹ <https://data.rafit.org/regular.aspx?key=74180919> – tabs “Online services 1” and “Online services 2”

⁶⁰ European Commission: Directorate-General for Taxation and Customs Union and Directorate-General for Communication, *Citizens' attitudes towards taxation – Eurobarometer report*, European Commission, 2025, <https://data.europa.eu/doi/10.2778/6066713>

⁶¹ [13. Stakeholder interactions: Compliance and innovation - ISORA](#) – tab “innovative technologies 1”.

⁶² [ECLI:NL:RBDHA:2020:1878, District Court of The Hague, C-09-550982-HA ZA 18-388 \(English\)](#)

The Dutch tax administration also uses a nudging system which adapts the language used in standard communication to taxpayers, based on behavioural insights derived from scientific literature and inference from profiling of individual taxpayers ⁽⁶³⁾.

5.4 Compliance Risk Management

5.4.1 Compliance Risk Management Strategy

The Netherlands has a formal compliance risk management strategy in place, allowing for identification, assessment and prioritisation of key compliance risks ⁽⁶⁴⁾. All possible areas are covered by this strategy including return filing, payment processing, collection enforcement, verification/audit and taxpayer service. The Netherlands also make the risks public on a regular basis, and one could assume that this is to deter non-compliant taxpayer behaviour.

5.4.2 Audit Types

The Dutch tax administration performs desk audits, limited scope audits, single issue audits, comprehensive audits and avoidance and evasion investigations ⁽⁶⁵⁾. The large variety of intervention processes indicates the administration's capacity to target all aspects of potential non-compliance and may be a result of the risk analysis done by their AI systems allowing the administration to apply the appropriate intervention based on the perceived risk reported by their systems.

5.4.3 Staff Dedicated to Audit, Investigation and Other Verification Functions

In the Netherlands, the percentage of full-time equivalents (FTEs) assigned to audit, investigation and other verification functions was 36.34% in 2018 and 31.67% in 2023, similar to the EU average (32.1% in 2018 and 32.2% in 2023) ⁽⁶⁶⁾. Although this figure is not a concrete indicator of the strategy of the tax administration, it indicates that the Netherlands have a moderate approach to audits with one third of their staff allocated to the function. While revenue generation is important to the tax administration, they place equal value in fostering voluntary tax compliance. Another explanation for the decrease in FTEs in audit related functions between 2018 and 2023 is the longstanding use of AI systems in the tax administration.

5.4.4 Additional Revenue from Audits as Share of Total Revenue

In the Netherlands, the additional revenues raised from audits was equal to 1.67% of total net revenue in 2018 and 1.32% of total net revenue in 2023 which is below the EU average for both years (respectively 2.77% and 1.6%), but the decrease from 2018 to 2023 follows a similar trend to the EU average ⁽⁶⁷⁾. Given the advanced level of digitalisation (particularly in AI and risk analysis) in the Netherlands, the fact that these figures are below the EU average may reflect an increased voluntary

⁶³ [The Netherlands - AI Country Report - AI Tax Administration](#)

⁶⁴ ISORA database. <https://data.rafit.org/regular.aspx?key=74180916> – tab “CRM Strategy”

⁶⁵ <https://data.rafit.org/regular.aspx?key=74180916> – tab “Post filing enforcement actions” and “interventions after filing, intervention effectiveness”

⁶⁶ Own elaboration based on ISORA Database

⁶⁷ Ibid.

compliance. As mentioned in section 3.4.3, the greater risk of being audited can make taxpayers more risk averse.

As part of their reform efforts to modernise public administrations, the Netherlands has in 2022 launched the Public information management (Open Government Act - Wet open overheid, WOO) (⁶⁸). The objective of this reform which is part of the RRP was to revise the management of information by the public administration in order to improve its transparency and openness. This Act shall make authorities more transparent by ensuring that public sector information can be found more easily, is compatible and easy to access digitally.

5.5 Tax complexity

The Netherlands ranks 7th out of the 27 Member States in the Tax Complexity Index ('TCI') where a higher rank corresponds to lower tax complexity (⁶⁹). The TCI is based on the Global MNC Tax Complexity Project, a joint research project of Deborah Schanz (LMU Munich) and Caren Sureth-Sloane (Paderborn University). The Netherlands score 1st among the Member States with respect to Tax Framework Complexity, but at the same time rank 10th in the Tax Code Complexity. This may indicate that whereas the tax processes carried out by the tax authorities are very efficient (notably, in the area of payment and filling, according to the authors), there might be some room for improvement in areas related to the structure of the tax regulations (e.g., general anti-avoidance).

⁶⁸ <https://www.rijksoverheid.nl/onderwerpen/wet-open-overheid-woo/hoofdpijnen-woo>

⁶⁹ See: <https://www.taxcomplexity.org/> The aim of the Global MNC Tax Complexity Project is to identify the determinants of tax complexity, to develop and maintain an index measuring the level of tax complexity across countries [Tax Complexity Index, TCI] and to examine the effects of tax complexity. The Tax Complexity Index measures the complexity of a country's corporate income tax system as faced by multinational corporations. The closer a country is to the first position of the ranking, the lower level of complexity it exhibits, and vice versa.