Question 1 of 7

What do you think of the proposal in general?

It's a step in the right direction. A realized capital gains tax would be better.

It is obvious the hybrid complexity is mainly due to political jostling over wealth inequality and naïve short-term budget thinking. It has little to do with building future proof, fair tax policy for the citizen. Mixing 3 different types of taxation methods doesn't do justice to the goal of simplifying taxes or treating income equally.

In the end only stocks\bonds of the average citizen will be taxed with capital growth. Entrepreneurs, real-estate investors and the wealthiest investors can still use structures and have a tax advantage. The assets in box 3 are mainly from upper\middle-class families not the truly wealthy. So why all the complexity to punish the unskilled investor and leave the exits open for the wealthiest? This is a prime example where politics makes things worse with misguided goals.

Lock-in is about misallocation of investments in the economy not revenue. This proposal is full of advantages for certain assets and is more detrimental to the misallocation of capital than lock-in effects. Tax policy should remain as neutral as possible.

Listening to politics it appears that several pollical parties are heavily focused on being budget neutral, this is the wrong goal. From a budgetary perspective, a capital gains tax should be viewed in 5-10-year windows not yearly budget, this basically removes the political need for a capital growth tax.

The wealth inequality statistics in the Netherlands are mainly influenced by the misallocation of capital towards housing (HRA), unjust\dysfunctional box 3 tax law also favoring real-estate, lack of pension fund asset inclusion and the wealthiest abusing arbitrage between boxes. Box 3 alone can't solve these problems.

Question 2 of 7

a. What is your view on the proposed system, which has a hybrid character and includes elements of capital growth, capital gains and lump sum tax?

A realized capital gains tax would be far more robust, neutral, and cheaper to operate. The hybrid solution is complex, discriminates assets and still results in unequal treatment. It disadvantages the average citizen against the wealthiest. In the longer term it'll increase ICT, enforcement, collection, and operation costs more than realized returns would. The hybrid approach is more detrimental to the economy than lock-in (like too much capital going to real estate).

Lock-in is more of an issue in United States for example because of the stepped-up nature of assets on death, not something present in this proposal (on death it's realized). Lock-in is also mitigated by the fact vast majority of box 3 taxpayers aren't really investors, they are in mutual funds managed by financial institutions and don't play a role in determining the individual shares. Taking inflation into account in the

calculation of the tax can also reduce this lock-in effect. Finally, there are simpler ways to tackle lock in, like slight increases in tax rate the longer an asset is held to minimize the tax benefit.

Taxing capital growth also creates additional problems if assets are managed by foreign institutions. There will be little to no automation abroad to deal with yearly capital growth tax. The most burdensome process with realized capital gains tax is when you emigrate and you need to realize unrealized returns, the capital growth tax is basically forcing this process on you every year if you hold assets at foreign institutions. It would be far simpler if a system of realized returns was chosen for both the tax authorities and the taxpayer when dealing with foreign institutions.

It's strange to read that chain partners prefer yearly, the data can easily be internalized by bank software and reduced to an annual amount and held until realized, in essence it doesn't matter. Almost all major Dutch financial institutions already operate in countries using realized capital gains. Seems more like a political narrative for growth tax than a legitimate issue.

b. How does this compare to alternatives such as a capital growth or capital gains tax, or a wealth tax?

A capital gains tax on realization with a progressive tax rate is far better, simple to understand, neutral, fair, and less burdensome on the citizen than the capital growth tax.

The capital growth tax is hiding value losses due to inflation. It treats capital growth as short-term gain, when in fact it is mainly a long-term gain heavily influenced by inflation. Inflation really needs to be considered either as part of the tax rate or adjusted by cpi. I added a link to a study out of Canada regarding the role of inflation over long-term capital gains (https://www.iedm.org/the-capital-gains-tax-and-inflation-how-to-favour-investment-and-prosperity/). This is the main reason why capital gains\growth taxes can't be taxed at the same rate as income unless adjusted for inflation.

The capital growth tax limits the ability to automate the collection using a withholding tax. It becomes legally complex or impossible since the financial institutions can't sell your shares or use your savings to cover withholding tax. (Using the savings might place an individual in financial difficulties, lawsuits happen and again ECHR cases). A realized system allows for the use of a withholding tax on realization, freeing up the tax authorities from chasing down unpaid capital gains.

The capital growth tax has a requirement for keeping track of taxes paid on gains that might never be realized increasing complexity. Taxpayers unwillingly need to manage losses in a complex system of loss carrying. Think about a small bitcoin investor here, the fluctuations in gains and losses are enormous at times. There will be a perception that if the losses are limited the government is stealing and only participating in the gains. It can cause large fluctuations in tax revenue from year to year. Using a realized system tax revenue will be more stable and less susceptible to fluctuations in markets.

In a system of realized returns the taxpayers themselves have control over when losses are realized (a typical average long-term investor will likely never have the need to file a loss). In a realized system a simple balance of taxes owed (yearly adjusted) should work. If the balance is negative no taxes are collected, and none returned. Once the balance owed turns positive in subsequent years the taxpayer pays again.

Citizens will also suffer revenue loss from future gains if they are forced to sell shares to pay taxes. This again will hurt the middle-class investor and is likely to lead ECHR cases again. The selling of shares should be for economic reasons not forced by taxes.

Taxing capital growth is also a penalty against self-employed workers trying to build up a pension in box 3 vs employed citizens building a regular pension. With a realized system they basically work the same removing another level of tax discrimination.

The only exception I would make with realized capital gains is for shares not publicly traded (family business, startups) if they are realized because of death and insufficient funds exist then tax payments could be deferred (interest free) over a period of max 15 years. This is neutral and a collection issue not a difference in taxation rules.

Lump sum taxation is a bad idea since it disadvantages those earning the least from capital (like the current box 3), doesn't follow the principles of payment and leads to unequal treatment. Taxation is about the individual and should not be influenced by the success or failures of others. Why should the loser compensate the winner? I really don't understand why politics\bureaucracy can't learn from recent court rulings.

A proper wealth tax must include all assets art, all homes, shares, cars, businesses etc. otherwise it is unjust, leaky and leads to misallocation of capital.

A wealth tax might be legally tenable according to some professors, but wealth taxes are inherently unfair, crude, expensive to maintain (if properly done) and result in unequal treatment. It should only be used in conjunction with a realized capital gains tax. It is called a wealth tax abroad for a reason because it needs to be reserved wealthy (above 5 million enough to live a good life and not work), otherwise it's ineffective and becomes detrimental wealth inequality like the current box 3.

Having lived in countries using realized capital gains the "burden" on taxpayers is heavily exaggerated in these documents, it's not the 1980s. In 99.99% of the cases with bank issued shares, bonds etc. it'll be completely automated and only require checking when realized, less of a burden than yearly capital growth. There will be lots of software products to track rental income and expenses just like abroad, in fact most professional property management\vacation park companies will likely do the majority of the work for you.

c. What do you think about the choice of a capital growth tax as the primary scheme?

The starting point of capital growth creates more problems and complexity. In the end it punishes the average citizen the most and misallocates capital in the economy. Taxation needs to remain neutral and shouldn't influence investor behavior. Capital growth tax seems more like a naïve political choice for the wrong reasons (budget neutrality) than a logical choice for a future proof tax system.

d. What considerations do you have regarding the exception for the first home in box 3 for personal use, and what advantages and disadvantages do you see in this?

Terrible idea, it leads to unequal taxation again and distorts the housing market. It also makes it a complex decision for an owner to decide how they want to be taxed (real or lump sum) capital.

I'd likely choose realized returns if I'm not renting it out for 109 days and it's outside the city. I don't need to pay taxes until it's sold, it's easy to track expenses using software, and can reinvest the tax savings yearly.

I'd likely choose lumpsum if I'm renting. From my quick calculation, 109 days of rental it'll be a big advantage, especially for a small apartment in the city. I can rent it in the summer for a high tourist price, value is likely increase more in the city and with my crud estimate come in around 20%-10% effective tax rate for an apartment that can sit empty for 70% of the time. This will misallocate capital and distort the housing market. Every Nederland now needs a second house for tax reasons to build wealth. It'll affect wealth inequality statistics; the rush will be on for Pied-a-terre in city enriching the older generation further. A lot of wealthy elderly already don't sell their apartments in the city because of the box 3 advantages.

It'll be difficult to enforce the number of rental days, delayed\inaccurate WOZ evaluations rebuttal processing and has additional enforcement costs.

The Netherlands is obsessed with real-estate as a "safe" investment largely due to tax advantages of HRA and the original poorly designed box 3 making it very attractive in low interest rate environment. Providing another tax advantage for real estate is detrimental to the entire economy, businesses, innovation, employment, and housing policy. Capital gains policy should remain neutral.

We live in a digital age; the "shoe box burden" mentality where everything is submitted at once is from the 1980s, the tax authorities can easily provide software for year-round receipt\expenses\income submission. Bondable companies can provide electronic or machine-readable paper receipts. The taxpayer could submit receipts all year long, when filing taxes, they can be validated well in advance (may even reduce black market construction). I'm 100% sure software companies will spring up to develop property management, digital receipt, and notary software with direct submission to the tax authorities. Then taxpayer would then only need to review when filing returns. It's not that hard millions of people do this in other countries.

f. What is your view on the exception for shares of family businesses and startups?

It again provides a tax advantage for the riskier wealthier taxpayer over the average citizen. I can already envision setting up a family business to hold publicly traded assets. Not to mention classification issues, fake structures, ICT complexity, enforcement issues. It's going to be a nightmare of lawyers and court cases where the boundaries get pushed. This is how politics, and the tax authorities waste public money and is not necessary if a system of realized capital gains was chosen.

e. The lump sum for the first home in box 3 includes the entire return including costs, including financing costs. What do you think about this?

See above d.

I strongly disagree with lump sum calculations. In real estate there are many uncontrollable factors which can determine the outcome of property income. Not all real estate increases in value equality, or have the same rental revenue, or financing costs. It is again a crude estimate and will result in unequal treatment.

g. Do you believe that the chosen lump sums result in a proportional tax burden across the various asset categories? If yes, why, and if no, why not?

No, it will never reflect the individual returns accurately and will always result in injustices. Investing is complex with many variables and normally a long-tail distribution, averages become meaningless and unjust when used in this fashion. There is a lot of bureaucratic cherry picking of data in these calculations, no academic review, no legal review, no financial expertise, and inflation is excluded; to me this is paramount to fraud. There will always be winners and losers in investing, there are no magic numbers (other than zero tax). Even in the bridging proposal using average saving rates across banks results in unequal taxation savings and citizens.

h. What is your view on the distinction between taxing your own use of a property under the capital growth (via a lump sum) and taxing a rented property (based on actual rental income minus costs and capitalizing improvements)?

See above (b,d,g).

I really see no logical explanation for a lump sum calculation other than a misguided political desire for yearly revenue. It causes more problems than it solves and misallocates capital. These should be taxed the same using realized capital gains with expenses deducted.

Question 3 of 7

a. What behavioral effects do you expect because of the hybrid nature of the system, especially with regard to the exception of capital growth on real estate, shares of family businesses and start-ups? To what extent do you expect these effects to occur?

It should be clear by now I don’t agree with the hybrid approach. I’m truly against unequal treatment of income from different asset classes. I think it favors the wealthier investors and disadvantages the middle-class investors wanting stable investments.

b. To what extent do you think the system offers opportunities for tax arbitrage, both within the hybrid system and in relation to box 2? How do you think this differs from the current (bridging) system?

It doesn’t solve the arbitrage with Box 2 it reduces is slightly. The wealthiest will still have advantages over the average. Wealthier are also more inclined to invest in riskier startups and misuse family structures. These will be exploited by accounting firms to hide publicly traded assets as well.

Only a half-baked wealth tax could be worse than the bridging system, see my answer regarding lump sum calculations.

Question 4 of 7

Currency results achieved with Bank Balances

The general feeling here is that most people speculating on currencies will be using funds. The fees involved for currency conversion at banks are generally very high and it is difficult to profit using bank accounts unless there are huge swings in currency rates. I suspect there will be some profiting here, but how big the problem is isn’t described in the proposal. I would skip it for now to move ahead quickly and review it yearly by sampling some accounts to see if there is need for a future amendment.

Question 5 of 7

Deductibility of interest on consumer debts

Only allow registered mortgage interest payments linked to the asset, consider limiting the max mortgage amount to 70% the asset purchase value, so there is a requirement for some capital risk to reduce overleveraged speculation on real-estate.

Limit all other consumer debts, there shouldn’t be a large tax advantage for debt, this encourages overleveraging and bad behavior.

Question 6 of 7

Immovable property

See above 2 of 7 (b,d)

I disagree that it makes it easier for the tax authorities or is better for taxpayers. It’s a crude system like the current box 3. There are too many factors in real-estate to assume averages, location, interest rates, zoning, rental income, expenses, construction costs etc. Past performance was for my father there is no guarantee of future performance even in real estate.

I suspect a taxpayer using it 100% for personal use, zero rental income will be better off with realized than using lump sum approach and I would advise people to do so. The burden is small, all you need to

do is keep track of expenses and preferably upload them to the tax authorities or into a third-party rental management app as they occur. Taxation in this case is only dealt with on sale and can likely handled by a notary. It's a small amount of work to keep track of expenses and already normal when owning a second property.

There is no mention of how the tax authorities will step-up real estate at the start of the new tax rules. I'd be upset if my property was undervalued on WOZ and I need to pay a tax on gains I never received. I think there should be a letter with a slight over evaluation (to reduce complaints) how it was calculated and rebuttal procedure if you disagree. Luckily this is only a transition problem.

Question 7 of 7

Non publicly traded shares (startups etc)

So, if this is a requirement for startups then it should be the same for all shares, publicly traded or not. This seems more like an advantage for the wealthiest of investors that can take more risks and spread it across multiple startups like a venture capitalist. It's also possible to have forced sales to pay taxes on publicly traded shares as well, so why the discrimination towards the average investor?

I don't like exceptions because it leads to arbitration, fake structures, additional enforcement cost, legal cases, pushing boundaries etc. Easier and cheaper to get rid of the capital growth tax element all together and use realized capital gains like the rest of the world.

There is no mention of how the tax authorities will evaluate non-publicly traded shares when the new tax law begins. There could be abuse here if left to the individual businesses since they would likely want to overvalue their shares at the start. What is the plan here?

Other linked but not directly Box 3:

I ask around in the Netherlands about current Box 3 system and my guess is that only about 5% of the population understand how it works. The majority seem to think its already a tax on income and confuse the tax rate of 1.6% with their income tax rate and falsely believe it is too low. When in fact for many citizens the tax rate is well above 100% of income from investing, hence the ECHR violations. There is a misconception in the general public here about what is causing wealth inequality and is being exploited by politics and the media. There is already a lot of confusion from many over the "personal use" home thinking it is the primary residence.

Society would be better served by looking at the entire tax law and simplifying taxes to income. Politics should be asking questions like:

Why does a self-employed renter trying to save a pension in box 3 get penalized while a homeowner is subsided in wealth creation through HRA and employee pension? It is odd to have such blatant discrimination in a tax code. I find it even more appalling when left parties discuss a wealth tax in box 3 they exempt the primary residence and discriminate against a renter again.

Are there ways of changing\removing\simplifying tax law that can speed up Box 3? The tax authorities are spending years converting unmanageable tax law from Cobol to unmanageable tax law in Java. Same garbage different pile. The cart in front of the horse I think they say. The goal should be phaseout, unify and remove as many of the 900 systems in places. Why convert something if changes to tax law can simplify or remove it.

Phase out as many benefits from the system (Toeslagen) over the next 2 years or normalize into one basic minimum. How much money is wasted here on ICT, enforcement, and collection issues.

Phase out Inheritance taxes. If you have a proper function realized capital gains system this is little need for Inheritance tax or could be greatly simplified.

Are there other ways to address the cashflow issues created by a realized capital gains system?
Why not Phase out HRA faster which is a form of wealth creation (favors the rich and discriminates against renters, use a portion of 12 billion to address cashflow).

Why not shift the tax authority's software towards data submission APIs and allow bondable, audited third-party software tools?
This will reduce the ICT burden on the tax authorities in the future. The tax authorities should be focused on security, data collection, data protection and enforcement, not worrying about end user tools. Let the private sector innovate here, build rental management tools etc.

Why isn't the sharing economy being brought into box 3? Unify data submission and create legal obligations for companies like Airbnb to submit statements of income. Just like any other property management institution or bank. Same goes for crypto providers.

Modernization isn't just about software, it's also about modernizing the tax law in conjunction with ICT. This top-down idiocy from politics needs to stop. The citizen needs fewer talking politicians creating complexity and more engineers simplifying things.