

## New interest rates for negligence and moratory interest payments

The legislator finally took action to align interest rates for negligence and late payment with the market rate. The 7% rate will disappear. For interest for negligence the minimum rate will amount to 4%.

### Interest for negligence and moratory interest: what's the difference?

The difference is very simple: it relates to the party which has to pay the interest:

- If the **tax payer** has to pay interest (e.g. when the tax is paid too late), **negligence interests** are due;
- In case the **Government** should repay certain amounts, **moratory interests** are due.

### Alignment with market interest rate

Until now the interest rate amounts to 7%. Everyone agreed that this was an excessive rate. Especially compared to the market interest rate and the legal interest rate in non-tax related matters (which amounts only to 2%).

In the future the interest rate will be calculated based on the OLO-rate over ten years for July to September of the previous year (which is also used to determine the interest rate for the notional interest deduction).

In order to encourage the tax payers to pay their taxes in due time, a **minimum rate of 4%** is fixed as negligence interests (this is still double of the legal interest rate of 2%). This 4% rate will be applied for negligence interests effective as from 1 January 2018.

Moratory interests will be **2%** lower. For interest due by the Government the minimum of 4% does unfortunately not apply. Since these are 2% lower, moratory interests amount to 2%.

### Moratory interest? Hold in contempt

Moratory interests are no longer automatically due by the Government. You will have to hold the Government in contempt. As from this day, interest will be due.

Additionally no moratory interests are due if:

- they do not amount to 5 EUR per month; and
- when for the authorities it was reasonably not possible to perform the payment, e.g. when lacking the identity or bank details of the beneficiary (this is however curious since moratory interest will only be due after being held in contempt, whereby the Government will have the details of the beneficiary - still the tax authorities argue that there can be situations in which they have insufficient information).