

MINISTERIE VAN FINANCIEN
Den Haag, 16 september 1994

UNDER EMBARGO UNTIL 15.15. HRS ON TUESDAY 20 SEPTEMBER 1994
1995 BUDGET MEMORANDUM

More people in work, sustainable economic growth and a consistent financial and economic policy that will inspire confidence: this is the central message of the 1995 Budget Memorandum, which Mr. Gerrit Zalm, the Minister of Finance, will present to the Lower House of Parliament on Budget Day together with the government budget. The reassessment of individual and government responsibilities in the social security and care sectors likewise receives a great deal of attention in the Budget Memorandum.

The Dutch economy is now growing faster than expected, after a weak performance in 1993. The high level of unemployment, especially among the less well educated and among older people, remains a cause for concern, however. Labour costs must be kept down if the number of people in work is to rise. This is one reason why the government has decided on an extensive package of tax-reduction measures worth about 4½ billion guilders in 1995, rising to around 9 billion guilders in 1998, designed mainly to narrow the gap between gross labour costs and net wages. Together with policy in other fields, this package of measures should make it possible to create at least 350,000 jobs between now and 1998 whilst ensuring an even distribution of incomes.

The government has decided to implement a comprehensive package of measures intended to reduce public spending by 18.2 billion guilders over the next few years. These will have far-reaching effects on both the central government budget and the social security and care sectors. Expenditure will be reduced by improving efficiency in government departments, reducing the amount spent on subsidies and introducing more rigorous conditions of employment in the public sector. In the field of social security, implementation of the Sickness Benefits Act will be privatised and market forces and varying contribution rates will be introduced in respect of invalidity benefits. There will be a review of child benefit and statutory benefit for surviving dependents. In the care sector, too, measures will be taken to improve control over numbers and costs. These measures are necessary to boost employment, strengthen the economy and reduce the budget deficit.

Spending on security, social housing, education and culture, support for financially vulnerable groups, the elderly and international cooperation will be increased in the coming period by a total of 3.8 billion guilders.

Reductions in tax and social security contributions

When it comes to reducing tax and social security contributions during the government's term of office, the approximate target of 9 billion guilders will be achieved by various means. In addition to the measures already planned for 1995 such as a lower rate of tax in the first tax band, an income-related tax-free allowance for older people and lower employers' contributions under the Sickness Benefits Act, labour costs will be reduced still further. The precise figures will be decided each year during preparation of the budget. For the period after 1995, half a billion guilders has been set aside for small and medium-sized businesses (including small farms). A further 0.3 billion guilders has been set aside for extending the second tax band for wages and salaries tax.

Provision has also been made in the coalition agreement for various tax adjustments. Duty on petrol and diesel will, for instance, be brought into line with inflation in due course. The real increases in fuel taxes provided for in the National Environmental Policy Plan-2 will be implemented if developments in neighbouring countries permit. The revenue from this tax will preferably be used to lower motor vehicle tax. An energy tax on small consumers will be intro-