

(English version)

Question for written answer E-002277/25
to the Commission
Auke Zijlstra (PfE)
(5 June 2025)

Subject: Commission Recommendation for a Council Recommendation for the Netherlands budget and the economic risks of housing taxation

According to the Commission Recommendation of 4 June 2025 for a Council Recommendation on the economic, social, employment, structural and budgetary policies of the Netherlands, the Netherlands income tax system treats certain assets differently from others, which affects the distribution of capital and distorts economic decisions. The recommendations state that assets in the form of housing receive preferential treatment, which stimulates demand in the market for owner-occupied housing, but reduces the disposable income of households ⁽¹⁾.

This then exposes households to greater economic risk during economic shocks as disposable income is placed under pressure by high mortgage repayments during the mortgagor's years of active employment.

However, a recent European Parliament study found that, after Belgium, the Netherlands has the second lowest exposure to interest rate changes in the EU. Only 15% of Dutch households have variable mortgage rates, which means that Dutch households are actually better armed against economic shocks and sudden increases in interest rates ⁽²⁾.

1. Why did the Commission not take into account the stabilising factor of the high proportion of fixed-rate mortgages in the Netherlands in its assessment of economic risk?
2. Does the Commission agree that, in times of economic downturn, owner-occupied housing is the best 'store of value' for families with average incomes, as opposed to share portfolios, for example?

Submitted: 5.6.2025

Answer given by Mr Dombrovskis on behalf of the European Commission
(29 July 2025)

The impact of interest rate increases on Dutch households in 2022 and 2023 was indeed relatively muted due to the prevalence of fixed-rate mortgages and strong nominal wage growth.

However, the Netherlands' tax system has incentivised the accumulation of illiquid forms of wealth and debt. The primary residence benefits from substantial tax subsidies, which are not available to other forms of wealth, such as shares and bonds.

As a result, many households, particularly those in their most productive years, tend to hold limited liquid assets. Moreover, the Dutch household debt-to-Gross Domestic Product ratio is the highest among all EU Member States (92% in 2024), with mortgages being the primary component.

In the event of an economic downturn, households with already high mortgage payments (and limited liquid assets) could face a significant squeeze on their disposable incomes ⁽¹⁾. This could happen irrespective of whether interest rates are fixed or flexible.

A gradual reduction in tax benefits for primary residences could help discourage households from accumulating mainly illiquid wealth.

This, in turn, could reduce high levels of household debt and mitigate the overvaluation on the housing market by removing demand subsidies on a supply-constrained market. It would also promote a more efficient allocation of capital, as investment decisions would be more based on expected returns and risks rather than tax considerations, ultimately benefiting the broader business environment in the long run.

While in terms of storing value, owner-occupied housing can be a relatively stable option, as noted above, its limited liquidity can make households more vulnerable to income shocks.

¹ COM(2025)0219, Recital 21.

² BERG, Tobias and HASELMANN, Rainer, *Assessing real estate risks and vulnerabilities: Hidden cracks in the financial system?*, Economic Governance and EMU Scrutiny Unit (EGOV) Directorate-General for Economy, Transformation and Industry, PE 764.351 — April 2025, p. 14.

⁽¹⁾ See Ciurila et. al, 2020, 'Are the savings of Dutch households optimal?', CPB.