Settlement Agreements

A tax dispute does not always have to be resolved by a court. In many cases, the parties can reach a mutual understanding, for example by entering into a settlement agreement. Such an agreement records the outcome of the negotiations and sets out how the parties will proceed.

Even where legal remedies have already been initiated - such as filing an objection against a tax assessment or lodging an appeal - it remains possible to reach a settlement. In fact, a willingness to litigate can facilitate agreement. When it is clear that a case may be brought before a court, this often creates additional room to arrive at a practical solution.

When a taxpayer (and their advisers) and the tax authorities reach agreement on the outcome of a dispute, this is typically recorded in writing.

Such an agreement often relates to facts from the past, but it can also be used to obtain advance certainty regarding the tax consequences of contemplated transactions. This may concern both the tax position itself and any potential tax penalties.

The legislator attaches significant importance to the ability to resolve uncertainty and disputes. For that reason, the terms of a settlement agreement are binding, even if they deviate from the legal position that would otherwise apply. In practice, this means that parties have considerable flexibility to reach a solution, even if that solution (partly) departs from the applicable law.

In objection proceedings, it is quite common for parties to reach agreement and conclude the dispute through a settlement agreement before the matter is brought before a court. While this can save time, it also involves certain points of attention.

For example, during the objection phase the tax inspector has broad powers to request information. Such requests can be extensive, and gathering the required information may be time-consuming. In addition, sanctions may apply if the information is not provided (in a timely manner).

Furthermore, a settlement proposal made at an earlier stage may later play a role in court proceedings. It is therefore advisable to present such a proposal as indivisible and to include a clear expiry date, so that it cannot be used indefinitely against the taxpayer as a basis for further negotiations.

Once the case is before the court, the playing field changes. The court determines the course of the proceedings and, where necessary, requests information from both parties (equality of arms). Even at this stage, it remains possible to reach an amicable settlement, whether or not prompted by a hearing.

The same applies at the appellate stage.

An important point is that a settlement agreement, once signed, is in principle final. It can only be set aside in exceptional circumstances.

It is therefore essential to pay close attention to both the substance and the wording of the agreement during the negotiation phase. This requires experience and careful judgment. Proper documentation helps prevent new disputes and ensures a clear and definitive resolution of the matter.

For more information:

Robert IJzerman
Advocaat | Attorney at Law

M +31 6 224 60 796
E robert.ijzerman@halprin.law
I halprin.law