

# Netherlands 30% ruling for expats as per 1 January 2019

## Introduction to the 30% ruling

*Please find below a selection of frequently asked questions we received regarding the 30%-ruling to serve as a brief introduction to this tax facility.*

### **What does the facility entail?**

A Dutch wage (and income) tax facility, which basically allows an expat to receive 30% of his or her salary tax-free.

In addition, tuition fees for children of the expat, who attend a primary or secondary school at international schools and international departments of non-international schools, may be reimbursed tax free by the employer.

The tuition fees may be reimbursed up to the amounts charged by the school according to its rates for education, with the exception of costs and accommodation expenses but including travelling expenses.

### **To whom does it apply?**

Expatriates who have been assigned to the Netherlands, or are recruited from abroad to work in the Netherlands and qualify as an extraterritorial employee.

### **What is the purpose of the facility?**

The facility is to compensate the additional costs the expatriate incurs regarding his or her temporary stay outside the country of residence. These additional costs are defined as “extraterritorial expenses” and can be reimbursed up to the amount of actual expenses incurred (which have to be substantiated) or as a fixed tax-free allowance of up to 30% of the normal wage taxable (without having to provide any proof of the costs incurred), to be referred to as the “30%-allowance”.

### **When can it be obtained?**

The expatriate must have specific skills, which are scarcely available on the Dutch labor market.

### **What is the effect of the facility?**

The employer may pay the employee a fixed tax-free allowance of 30% of the employee’s wages.

### **Duration of the 30% ruling facility?**

The employee can benefit from the 30%-ruling for a maximum period of 5 years. Periods of earlier employment or stay in the Netherlands, that ended less than 25 years prior to the start of the current Dutch employment will be deducted from total length of the 30%-ruling. The 30%-ruling ends at the last day of the pay period after the pay period in which the employment ended.

As per 1 January 2019 the maximum period of the 30% ruling is reduced to 5 years. For 30% rulings granted before 1 January 2019 transitional law may be applicable so that the duration of

these ruling may be for a maximum period up to 8 years. The new end date of rulings granted before 1 January 2019 can be determined as follows:

End date on ruling in year:	New end date of ruling
2019 or 2020	End date as stated on ruling (no changes)
2021, 2022 or 2023	31 December 2020
2024 or later	End date as stated on ruling minus 3 years

## The 30%-ruling conditions

The employee must have a rare specific expertise which is determined based on a salary norm, which is indexed annually. For 2019, the employee must have a taxable annual salary of € 37.743 or more which is exclusive of the application of the 30% ruling.

The salary norm for an employee with a master's degree up to the age of 30 is € 28.690. Part-timers have to comply to the same salary norm, in other words, the salary norm does not change in proportion to the FTE. The salary norm does not apply to employees who work in the Netherlands in the area of teaching and research at certain educational institutes, including universities, designated for this purpose.

In addition to the criterion of specific expertise, another applicable factor is scarcity: the specific expertise is not available or hardly available in the Dutch labor market. However, the scarcity criterion is only applicable in special cases (for example for professional football players).

The employee will have to show that prior to the start of employment, he or she has lived for more than 2/3 of 24 months (= 16+ months) at a distance of more than 150 kilometers (in a straight line) from the Dutch border. When determining whether the employee meets the criterion, the period of doing a doctorate is not taken into account for a doctoral candidate (in the case of consecutive employment in the Netherlands).

## Applying for the 30%-ruling

The application for the 30% ruling is a mutual request by the employer and the employee and must be filed to the tax office in Heerlen within four months after the start of the employment activities in the Netherlands. If the application is not made within four months, the facility will only be granted as of the first day of the month following the month in which the application is filed.

The 30% ruling may be applied to payments received after the end of the employment, if they are actually paid in the month following the month in which the employment or assignment in the Netherlands ended. Examples of these payments received after the conclusion of the assignment in the Netherlands, but which relate to the assignment period in the Netherlands, are

accrued vacation allowance, a 13th month incentive payment, or a payment to compensate outstanding vacation days. The Dutch tax authorities have given approval for these payments to be made under application of the 30% ruling, if the payment occurs in the month following the month the employment or assignment ended.

### Employment contract

The employment contract should specifically refer to the 30%-ruling. The remuneration package should be drafted in the employment agreement in such a manner that the 30% tax-free allowance will be paid in addition to the wage from current employment relating to the employment activities in the Netherlands as an extraterritorial employee.

The wage from current employment includes not only the fixed salary elements like the gross salary and the holiday allowance, but it also includes incidental and flexible reimbursements such as bonuses. Since the "30%-ruling" is calculated based on the wage from current employment income, the 30%-ruling is not applicable to indemnity payments in case of dismissal or retirement.

### Change of employer

An employee who already has the 30% ruling can switch to a new employer and benefit from the 30%-ruling again (for the time left). The period between the one employment and the other may not exceed three months. However, a new application for the 30%-ruling is required again.

### Other extraterritorial costs

#### Reimbursement of expenses separate from 30%-ruling

In case the tax authorities deny the granting of the 30%-ruling, it is still possible to reimburse expenses tax-free as long as the expenses qualify as extraterritorial expenses. Please bear in mind that the expenses should be actually incurred by the expatriate and reimbursement should only be taken place after handing over receipts and invoices to the employer.

Foreign service premiums, cost of living allowances, tax and social security equalization payments and reimbursements for losses on the sale of assets due to the transfer, cannot be reimbursed tax free, in addition to the 30%-allowance.

In case expenses qualify as "extraterritorial expenses", they can be reimbursed tax free, but at the same time they lower the amount of the 30%-allowance with an equal amount. Relocation expenses are not regarded as extraterritorial expenses. This in contrast to double housing costs which are regarded as extraterritorial costs and therefore not tax allowable separately from the 30%-allowance. Double housing costs can occur in case the expatriate uses a temporary dwelling in the Netherlands and has his permanent dwelling outside the Netherlands. Other

examples of extraterritorial costs are home leave, flights for visiting partner or family, storage furniture, language courses in Dutch and extra costs for housing (extra costs for a permanent dwelling in the Netherlands).

### Housing expenses

For practical reasons the State Secretary of Finance has approved that 18% of the income from current employment (excluding the rental income) should be considered as a normal expense for housing. In case the costs related to housing are more than 18%, the additional amount above the 18% will be regarded as extra-territorial costs and the 30%-allowance should be lowered for the extra costs of housing. Housing costs for a permanent dwelling in the Netherlands under the 18% are taxable wage. Our advice to employers is to increase the level of income of the expatriate for the costs of housing so that the expatriate should pay for the rent from his net salary including the 30%-allowance paid on top of the higher gross income.

### Reimbursement of other expenses

In addition, an employer may reimburse actual expenses tax-free separately from the 30%-allowance if they incur wholly in connection with the expatriate's employment and should be incurred by Dutch employees under similar circumstances, for example:

- moving expenses at the beginning and end of the assignment period (€ 7.750 plus transport costs);
- professional expenses incurred on business trips;
- a limited fixed allowance for commuting other than public transport;
- the actual expenses incurred for public transport;
- professional education expenses in connection with employment.

## Additional advantages of the 30%-ruling

### Deemed non-resident taxpayer

An expatriate who qualifies as a resident taxpayer of The Netherlands, can opt to be taxed as a deemed non-resident taxpayer. The advantage is that as a deemed non-resident taxpayer, the expatriate need not report any investment income to the Dutch Revenue (except for Dutch source income, such as Dutch real estate).

The choice will be made in the application form but can be changed every year. The expatriate can still deduct certain personal expenses (i.e. alimony payments, medical expenses etc.).

### Driver's license

Expats to whom the 30%-ruling applies can exchange their foreign driver's license for a Dutch license. This can be an advantage for expats from non EU-countries (EEA and Switzerland included), who can only use their foreign driver's license for 6 months after their date of registry

in the Netherlands. After a period of 6 months, they will need to obtain a Dutch license. This implies needing to take a standard theory and practical test at the Central Office for Motor Vehicle Driver Testing.

## Contacts and Links

*For more information and questions regarding the 30%-ruling please contact us.*

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