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**The Netherlands –
Changes to Rules on
Which Bank Accounts Tax
Refunds Paid Into**

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The Dutch tax authorities have changed the procedures on transferring income tax refunds.

In response to massive tax fraud that was uncovered recently, new legislation took effect as from December 1, 2013.¹ The Dutch tax authorities have changed the procedure for transferring income tax refunds to bank accounts which are not in the taxpayer's name.

Taxpayers whose income tax refunds were, in the past, paid into a bank account belonging to their employer, will receive a letter from the tax authorities requesting them to provide the tax authorities with their own bank account number. It will no longer be possible to transfer income tax refunds to a bank account which is not in the taxpayer's name.

Who Will Be Affected?

This new legislation will affect employers with employees on international assignment who are tax equalized. To date, it was common practice to provide the tax authorities with the employer's bank account number; the employer being the party entitled to the income tax refund under the tax equalization agreement. However, under the new legislation, the tax refund must be transferred to the employee's bank account. Potentially, this will create an additional administrative burden for employers with employees on international assignment based on tax equalization.

KPMG Meijburg Note

Parties concerned by this development should contact their tax service providers for guidance and assistance with addressing this development. Adjustments to the management of expatriate payrolls may be of particular importance. If the employment income has been correctly reported in the Dutch payroll, the income tax return should result in a nil assessment. In certain situations, it may be possible to obtain a tax return filing exemption ruling.

Footnote:

1 Artikel 7a Invorderingswet 1990, Wijzigingsbesluit Leidraad Invordering 2008.

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The information contained in this newsletter was submitted by the KPMG International member firm in the Netherlands. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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