

GMS Flash Alert



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Netherlands - Important Change to 30% Ruling Coming in 2019

On April 20, 2018, the Dutch government announced that the 2019 Tax Plan will include a measure shortening the period for which the 30% ruling is granted from eight to five years as of January 1, 2019.¹

WHY THIS MATTERS

The shortening of the period for claiming the 30% ruling can create compliance and cost issues for expatriate employees and their employers, once the five-year period expires. Expatriate employees who are affected by this decision should, with their employers and their tax service providers, assess their situations in light of the shortened period of applicability. Planning alternatives for expatriate employees who may remain taxable in the Netherlands beyond the five-year limit of the 30% ruling should be considered.

Background

The 30% ruling is a form of tax relief for employees coming to the Netherlands who are recruited from abroad and who possess specific expertise that is not present or is scarce in the Dutch labor market.² Under this tax relief, roughly 30% of such an employee's salary will not be taxed.

Applicability to Employees Currently Taxed under 30% Ruling

Of vital importance is the fact that this change also applies to employees currently using the 30% ruling, for whom the duration will also be shortened to five years as of January 1, 2019.

KPMG NOTE

Employers should re-determine the remaining term of the 30% ruling as of January 1, 2019, for all employees currently using it.

Other Noteworthy Aspects of Change to 30% Ruling

Under the 30% ruling, it is possible to opt for partial foreign taxpayer status. This means that for the purposes of taxation in Box 2 and Box 3, the employee is regarded as a foreign taxpayer and is only subject to tax in Box 2 on income from a substantial interest in a Dutch company and in Box 3 on income from property situated in the Netherlands.³

Due to the shortened duration of the 30% ruling, the period during which the option for partial foreign taxpayer status can be taken will also be shortened from eight to five years.

FOOTNOTES:

- 1 See (in Dutch) "[Fiscale regeling voor buitenlandse werknemers verkort van acht naar vijf jaar](#)," (20-04-2018).
- 2 For prior coverage of the 30% ruling, see GMS [Flash Alert 2016-050](#) (8 April 2016).
- 3 For more on taxation in the Netherlands and further information on Box 2 and Box 3, please see [Taxation of International Executives: The Netherlands](#), a publication of KPMG International.

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Contact us

For additional information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in the Netherlands:



Ruben Froger

Partner – Tax

Tel. +31 (0)88 90 93416

Froger.ruben@kpmg.com

The information contained in this newsletter was submitted by the KPMG International member firm in The Netherlands.

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