

# GMS Flash Alert

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## Netherlands - New Proposals for 30% Ruling Could Have Significant Impact

The Dutch Ministry of Finance has announced recently a proposal to change the “30% ruling.” It is not clear whether this change will apply as of 2023 or 2024 (per the official accounts, the government only expects additional tax revenues as of 2024).<sup>1</sup>

As of the date this change is implemented, the 30% ruling may only be applied on a maximum amount of employment income. This amount is the maximum income for government employees (“WNT norm”), €216,000 in 2022 (subject to indexation each year).

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### WHY THIS MATTERS

The 30% ruling is now applicable to total employment income. This means that for eligible employees, the effective top income tax rate is 34.65%.

As of the date this change is implemented, the 30% ruling may NOT be applied to employment income exceeding the WNT norm of €216,000 (2022 amount). Consequently, the top income tax rate will increase from 34.65% to 49.5% to the extent the employment income exceeds €216,000. This results in an increased Dutch income tax liability for high-income earners. This could, for example, increase the Dutch income tax liability on one-off payments such as bonuses or equity-based compensation (if the one-off payments result in exceeding the ceiling). In case the employee is covered by a tax-equalisation policy, this may also increase the employer’s cost of an assignment.

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### Background

The Netherlands has an expatriate tax concession: the 30% ruling. Eligible employees from abroad who meet the conditions and are granted the 30% ruling, may receive 30% of their gross employment income as a tax-free allowance.

Consequently, the effective income tax rates are reduced by 30%. For example, the top rate is 49.5%; with application of the 30% ruling the effective top rate is reduced to 34.65% (as 30% of the wages is tax-exempt).

## More on the Proposal

The proposal states that a grandfather rule will be implemented for employees who are already benefitting from the 30% ruling; the cap will be introduced step-by-step in three years. No details are available yet.

Please note this is a proposal from the government (part of the 2023 budget measures) and is subject to approval by the Dutch Parliament.

## FOOTNOTE:

1 See (in Dutch) "Minister Kaag (Financiën) stuurt de Tweede Kamer namens het kabinet de Voorjaarsnota 2022. De Voorjaarsnota bevat een bijwerking van de begroting voor 2022, en de plannen voor 2023 en verder" at:

<https://www.rijksoverheid.nl/documenten/kamerstukken/2022/05/20/kamerbrief-bij-aanbieding-voorjaarsnota-2022> .

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## Contact us

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