

# GMS Flash Alert



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## Netherlands - Grandfather Provision Will Amend Application of New 30% Ruling

Last week, the Dutch Ministry of Finance announced that a “grandfather” rule will be introduced for employees whose 30% ruling would otherwise have expired in 2019 or 2020.<sup>1</sup> (For prior coverage, see the following issues of *GMS Flash Alert*: [2018-124](#) (September 20, 2018) and [2018-067](#) (April 26, 2018).)

In our earlier report we noted that of vital importance was the fact that this change would also apply to employees currently using the 30% ruling, for whom the duration was expected to be shortened to five years as of January 1, 2019.

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### WHY THIS MATTERS

The announcement of a grandfather provision for employees whose 30% ruling would otherwise have expired in 2019 or 2020 is an important change to the initial 2019 Tax Plan. Employees whose 30% ruling would otherwise have expired in 2019 or 2020 may now continue to receive 30% of their wages as a tax-free allowance and can continue to elect the deemed nonresident taxpayer status for another two years (or earlier expiration date of the ruling per the original grant).

This results in an important tax saving for the employee and reduces the cost of international assignments for companies that apply a tax equalization policy.

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### 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. Under this tax relief, employers can remunerate roughly 30% of the salary untaxed (tax-free reimbursement).

# Changes under the 2019 Tax Plan: Impact on Employees Already Claiming 30% Ruling

The 2019 Tax Plan<sup>2</sup> included a measure shortening the period for which the 30% ruling is granted from eight to five years as of January 1, 2019.

This change would also apply to employees currently benefitting from the 30% ruling. This effectively meant that for existing cases, the end date of the 30% ruling would be brought forward by three years, but not before December 31, 2018.

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## MEIJBURG & CO. NOTE

This could mean that for employees who are benefitting from the 30% ruling prior to January 1, 2019, the term of grant will only be shortened to five years as of January 1, 2021. A further explanation from the Ministry of Finance is required to confirm this.

For employees who are benefitting from the 30% ruling as of January 1, 2019, the term of grant will be reduced to five years.

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## FOOTNOTES:

1 Communicated in a Letter from the *Directie Algemene Fiscale Politiek* of the *Ministerie van Financiën* to *Tweede Kamer der Staten-Generaal* (reference number: 2018-0000175261). Also see *Brief van de Staatssecretaris van Financiën aan de Voorzitter van de Eerste Kamer der Staten-Generaal* (issued from *Den Haag*, 15 oktober 2018, reference number 35 028, A).

2 For more on the 2019 Tax Plan (in Dutch), see the dedicated Web page on the Ministry of Finance's site: <https://www.rijksoverheid.nl/onderwerpen/prinsjesdag> .

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