



Global Employer Services Income Tax | Social Security

Planned and proposed changes to payroll incentives as from 2022

This alert provides an overview of planned and proposed changes to several social security and tax payroll incentive measures as from 2022.

Limitations to various National Social Security Office (NSSO) reductions

NSSO first hire reduction

Employers on hiring their first employee currently enjoy an NSSO reduction equal to the full basic employer contributions for an indefinite period. The amount of the reduction is unlimited and an employer may apply the reduction to the employee for whom the highest amount of employer contributions are payable.

This is expected to change as from 1 January 2022. The Draft Program Law ([Dutch](#) | [French](#)) of 1 December 2021 that is yet to be adopted, limits the NSSO first hire reduction to a maximum of EUR 4,000 per quarter. The limitation would apply both to employers who benefited from the measure before 2022 and to those who first benefit in 2022 or subsequent years. The period of the reduction would remain unlimited.

The NSSO reduction for the second to sixth employees would remain unchanged.

Flemish NSSO reduction for older employees

In addition, the Flemish government [agreed](#) (available in Dutch only) on 12 November 2021 to raise progressively the age for the NSSO reduction for older workers.

For the NSSO reduction of EUR 600, the age would be raised to:

- 59 years as from 1 January 2022;
- 60 years as from 1 January 2023; and
- 61 years as from 1 January 2024.

For the EUR 1,500 reduction, the age would be raised to:

- 61 years as from 1 January 2022; and
- 62 years as from 1 January 2023.

Specific transitional provisions are expected to be introduced for employees who are at least 57 years old or at least 60 years old on 31 December 2021. The proposed changes are subject to further notification from the Social and Economic Council of Flanders and the Council of State.

The NSSO exemption available to employers when hiring employees aged between 58 and 64 years of age would in principle not be adjusted.

Recruitment incentive

The recruitment incentive targets the employment of long-term job seekers who qualify neither for the NSSO reduction for young and low educated employees nor the NSSO reduction for older workers.

Currently, the job seeker must be at least 25 years old but less than 56 years old to attract the recruitment incentive. The scope of this measure likely will be extended going forward. In the 12 November 2021 agreement, the Flemish government decided that the age should be raised to 58 years as from 1 January 2022. The proposed changes are subject to further notification from the Social and Economic Council of Flanders and the Council of State.

For the recruitment of jobseekers aged 58 years old or more, companies would continue to be entitled to an exemption from employer social security contributions.

Other amendments

The Draft Program Law of 1 December 2021 also refines the definitions of “technical business unit,” “new employer,” and “replacement” to increase legal certainty and limit as far as possible court proceedings in this regard.

In addition, the Draft Program Law foresees an easier continuation of all target group reductions by a successive employer; a situation that currently often results in an outcome that is perceived as unfair.

Partial wage tax exemption for overtime

The Draft Program Law of 1 December 2021 increases the number of overtime hours for which the partial wage tax exemption can be applied in the construction sector from 180 to 220 hours (280 hours for employers who primarily perform road or railroad works and for whom the government imposes working during weekends, public holidays, or at night). The measure is intended to apply for an indefinite period but would be available only where the employer uses an electronic attendance recording system on site.

Before the measure can be implemented, the European Commission must confirm that the measure does not constitute unauthorised state aid. The date of entry into force will be determined by a Royal Decree to be issued on the first day of the second month following the Commission’s approval.

Other upcoming changes

Updated frequently asked questions (FAQs) regarding the “one-third rule”

The tax authorities on 16 November 2021 published updated FAQs on the calculation of the “one-third rule” applicable for the purpose of the partial exemption from withholding tax on remuneration paid for night and shift work. The FAQs have been amended to align the tax authorities’ administrative guidelines with case law of the Court of Appeal of Mons of 21 October 2020.

The updated administrative guidance will enter into force as from 1 January 2022. As a result, it will still be possible until 31 December 2021 for employers to use the daily basis of calculation to determine whether the one-third rule has been satisfied for the purpose of claiming the wage tax incentives, provided that the method is applied consistently. For more information, please refer to our [Tax Alert](#) of 25 November 2021.

Potential amendments to professional withholding tax partial exemption measures

On 9 November 2021, the government published a general policy note (finance) announcing its intention to limit the increasing cost of wage tax incentive measures. Although the details of the upcoming legal initiative have not been confirmed, the current proposal is that various key concepts may be clarified to remedy problems of interpretation. This would both increase legal certainty and help to avoid or mitigate the risk of misuse. In addition, in accordance with the recommendation of the Court of Audit, systematic tax audits would be carried out to ensure the correct application of the measures. Further news is awaited.

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