



Global Employer Services

Individual tax

Dutch 30% facility shortened to 5 years

Change from 1 January 2019 applies to both new and existing cases

On 20 April 2018, the Dutch State Secretary for Finance presented the House of Representatives with the government's response to the evaluation of the 30% facility. This tax alert outlines the government's main conclusions.

Reasons behind government response to 30% facility evaluation

In the first half of 2017, the Ministry of Finance commissioned an evaluation of the 30% facility's effectiveness and efficiency. Consequently, adjustments to the 30% facility have been suggested, while various organisations and individuals were also asked to respond to this evaluation in writing.

The government's response discusses these recommendations and comments.

Main conclusions on the 30% facility

1. Term is shortened from eight years to five

The government endorses the recommendation to shorten the 30% facility's term as of 1 January 2019, as part of the Dutch 2019 Tax Plan. This term limitation also applies to:

- **Partial taxability:** This optional scheme offers employees the possibility to be considered a non-resident taxpayer for the taxation indicated in Box 2 and Box 3.
- **Reimbursement of extraterritorial expenses:** Instead of the 30% facility, employers can opt for a tax-free reimbursement of the actual costs. This option will also be limited to five years.

2. Term limitation also applies to existing cases

Shortening the term to five years also affects employees already benefiting from the 30% facility. Hence, the remaining terms of the existing 30% facilities should be reset.

3. Other recommendations will not be followed

The government has chosen to maintain the 150-kilometre criterion. Suggestions to increase or replace it (e.g. with the actual distance) will not be followed to maintain simplicity.

According to the government, recommendations involving the salary cap or the fixed sum's differentiation would affect simplicity and practicality, and will therefore not be followed.

Deloitte comment

Although the government response contains a concrete proposal to cut down on the 30% facility, it does endorse the importance and objectives formulated in relation to the 30% facility. In the meantime, this would seem to guarantee the continued existence of the (shortened) 30% facility.

The practice is still uncertain about how the term limitation will affect existing cases. It depends on the outcome of the substantive debate regarding the Dutch government's 2019 Tax Plan.

Contacts

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