



Global Employer Services COVID- 19 | Individual tax

Update on COVID-19 wage withholding tax incentive and overtime remuneration

Several important updates have been published regarding measures taken by the government to help employers and their workforce respond to the impact brought by the pandemic and support them in the recovery phase.

Royal Decree on COVID-19 wage withholding tax published

Based on the Royal Decree of 22 August 2020, published on 31 August 2020 ([Dutch](#) | [French](#)), and as covered by the [23 July 2020 tax alert](#), employers that qualify for the exemption to remit wage withholding taxes to support the reactivation of workers on temporary unemployment need to:

- Insert the **"71 COVID-19"** code in the "nature of income" box in the exemption wage withholding declaration;
- Specify the **negative amount** equating to 50% of the difference between wage withholding taxes paid in May 2020 and wage withholding taxes paid respectively in June, July and August 2020, in the "payable wage withholding taxes" box;
- Keep **at the tax authorities' disposal**:
 - The full identity of the concerned employee(s);
 - If available, the national registration number;

- The employee's total gross remuneration (excluding vacation pay, year-end premium and arrears) for May 2020 and the month for which the exemption is claimed;
- The total amount of withheld wage withholding tax on this gross remuneration (as well as a detailed calculation of the wage withholding tax), after the application of other available wage tax exemptions, for May 2020 and the month for which the exemption is claimed;
- Documents proving that the employer applied temporary unemployment for at least 30 consecutive days between 12 March 2020 and 31 May 2020.

Remuneration paid for overtime performed in critical sectors

Through their circular letter 2020/C/110 ([Dutch](#) | [French](#)), the tax authorities confirm the **tax exemption** for remuneration paid for up to 120 hours of voluntary overtime, performed between 1 April and 30 June 2020 in critical sectors (see [3 July 2020 alert](#)).

The authorities also confirm that this tax exemption cannot be combined with the tax reduction for overtime payment, nor with the ordinary exemption to remit wage withholding taxes for overtime.

Contacts

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