

Wage tax | Term of validity 30% ruling reduced

On 26 October the Dutch government has amended the legislative proposal, as included in the Tax Plan (*Belastingplan*) 2019, that reduces the term of the 30% ruling from 8 years to 5 years. The government has proposed a grandfathering rule for the (foreign) employees who currently benefit from the 30% ruling. This amendment will in principle postpone the applicability of the reduction of the term of the 30% ruling from 8 to 5 years until 31 December 2020.

Reducing the term of the 30% ruling will have a number of adverse consequences for employees who currently benefit from the 30% ruling. When the 30% ruling ends it will no longer be possible for employers to provide these employees with a tax free-allowance for extraterritorial expenses. For employees with a tax equalization agreement, this financial disadvantage will be for account of the employer. The partial non-resident status for personal income tax of employees residing in the Netherlands will also end.

This has, among other things, as a consequence that Dutch income taxation on 'substantial interest' (i.e. 5% or more of any class of the shares of a company) will extend to such interests in non-resident entities as well. In addition hereto the employee's net assets (e.g. savings, portfolio investments) will be considered to generate (deemed) income when the 30% ruling ends, which will be taxed at a rate of 30%.

For some of the employees who currently benefit from a 30% ruling the proposed transitional arrangement will be sufficient to enjoy the maximum length of the 30% ruling of eight or ten years. However, the proposed transitional rules do not provide for a full grandfathering of all existing 30% rulings. In fact, for some cases, in particular for 30% rulings issued from 2016, they offer no benefit at all. Those rulings will be reduced from 8 to 5 years. Below is a general overview including the maximum and actual duration of 30% rulings provided in the period between 2010 and 2018 (disregarding specific situations, such as application of the so-called reduction rule):

Date of issue	Maximum duration under current regime	Date of termination under current regime	Maximum duration under new regime
31 December 2010	10 years	31 December 2020	10 years
31 December 2011	10 years	31 December 2020	9 years
31 December 2012	8 years	31 December 2020	8 years
31 December 2013	8 years	31 December 2020	7 years
31 December 2014	8 years	31 December 2020	6 years
31 December 2015	8 years	31 December 2020	5 years
31 December 2016	8 years	31 December 2021	5 years
31 December 2017	8 years	31 December 2022	5 years
31 December 2018	8 years	31 December 2023	5 years

For more information on the reduction of the term of the 30% ruling and the consequences it will have for you or your company, we advise to contact your tax adviser.

Contact

Hans van Ruiten

Partner

T +31 10 224 64 18

hans.van.ruiten@loyensloeff.com



Jan Bart Schober

Partner

T +31 20 578 54 51

jan.bart.schober@loyensloeff.com

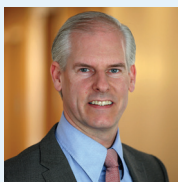


Aleid Langevoord

Tax Adviser

T +31 10 224 65 17

aleid.langevoord@loyensloeff.com



Jelmer Post

Tax Adviser

T +31 10 224 62 19

jelmer.post@loyensloeff.com



Rina Driece

Senior Tax (Compliance) Adviser

T +31 10 224 64 24

rina.driece@loyensloeff.com



Gerwin Hoeksma

Tax Adviser

T +31 20 578 55 66

gerwin.hoeksma@loyensloeff.com

