

30% ruling shortened to five years as of January 1, 2019

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.

On April 20, 2018, the government announced that the 2019 Tax Plan will include a measure shortening the period for which the 30% ruling is granted from eight to five years as of January 1, 2019.

Of vital importance is the fact that this change also applies to employees currently using the 30% ruling, for whom the duration will also be shortened to five years as of January 1, 2019.

It is therefore necessary to re-determine the remaining term of the 30% ruling as of January 1, 2019, for all employees currently using it.

Under the 30% ruling, it is possible to opt for partial foreign taxpayer status. This means that for the purposes of taxation in Box 2 and Box 3, the employee is regarded as a foreign taxpayer and is only subject to tax in Box 2 on income from a substantial interest in a Dutch company and in Box 3 on income from property situated in the Netherlands.

Due to the shortened duration of the 30% ruling, the period during which the option for partial foreign taxpayer status can be taken will also be shortened from eight to five years.

Meijburg & Co
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