KPMG Meijburg & Co Tax & Legal

Special Dutch tax regime for expatriates: the 30% ruling

The Netherlands has a favorable tax ruling for employees hired from abroad. When certain conditions are met, these inbound expatriates benefit from a significant tax break. In the case of net salary agreements, the tax saving is for the benefit of the employer. Below we briefly explain the benefits, the conditions and how we can assist in this respect.

What are the benefits?

On the basis of Dutch tax law, the extra costs of a temporary stay outside the home country (extraterritorial costs) can be reimbursed tax-free. Qualifying employees are deemed to incur extraterritorial costs up to 30% of their employment income. As a consequence, the employer is allowed to pay up to 30% of the employment income as a tax-free allowance during a maximum period of five years.

Actual extraterritorial costs may not be reimbursed tax-free in addition to the 30% tax-free allowance. As of 1 January 2023, employers can each year opt to either apply the 30% ruling or reimburse, on an expense claim basis, the actual extraterritorial expenses incurred by the employee.

30% tax-free allowance

The 30% ruling provides a reduction up to 30% of the employment income. As a result, the effective marginal top income tax rate is reduced from 49.50% to 34.65% (70% x 49.50%). For a gross annual income of EUR 100,000, the annual tax saving amounts to approximately EUR 14,850.

As of 1 January 2024, the 30% ruling will be capped at 30% of the public service pay ("WNT-norm") of EUR 233,000 in 2024. Due to transitional rules, the cap will not apply as of 1 January 2024 but as of 1 January 2026, in case employees were already benefitting from the 30% ruling in December 2022.

Moreover, as per 1 January 2024, the 30% ruling will be scaled back over the course of five years to a 10% ruling. More specifically, during the first 20 months of the five-year period, 30% of the employment income can still be paid tax-free. During the next 20 months, this percentage will drop to 20% and during the last 20 months, the tax-free amount will be 10% of the employment income.

Transitional rules will apply to employees already benefitting from the 30% ruling in December 2023, with a 30% ruling certificate. Thus, the scaling back of the tax-free allowance will not affect them.

Partial non-resident status

Employees who live in the Netherlands and who fall under the 30% ruling can make use of the partial non-resident status. This status in principle results in taxation only on (world wide) income from employment, Dutch real estate and substantial interest (more than 5% of the shares) in a Dutch company. Income from e.g. bank accounts, interest, dividend, foreign real estate and capital gains are exempt from Dutch taxation, as long as the 30% ruling applies.

The taxpayer is however entitled to personal deductions, including the deduction of mortgage interest on the principal residence.

Kindly note that the partial non-resident status will be abolished as of 1 January 2025. Under the transitional rules, employees who were already benefitting from the 30% ruling on 31 December 2023, can still benefit from the partial non-resident status until 31 December 2026.

Tax-free reimbursement of international school fees

The employer can reimburse international school fees in addition to the 30% tax-free allowance, if specific conditions are met.

Exchange foreign driving licence

With the 30% ruling certificate, the employee can exchange the foreign driving licence for a Dutch driving licence, without having to take a theory and practical driving test. Kindly note, this is only possible if the foreign driving licence is still valid in the Netherlands.

Who will qualify?

The 30% ruling is only available for employees meeting the applicable conditions. In order to qualify for the 30% ruling, at least the following conditions have to be met:

- The employee should be recruited from abroad. This means that at the time of establishment of the employment contract, the employee may not live, and other than for study or internship, may not work in the Netherlands. Exception applicable in case the employee transfers from a current Dutch employment to new Dutch employment.
- The Dutch taxable wage after applying the 30% ruling should be more than EUR 46.107 (figures 2024). However:
    - For employees under the age of 30 with a qualifying Masters degree obtained from an academic institution, the Dutch taxable wage after applying the 30% ruling should be more than EUR 35.048 (figures 2024).
    - No salary requirement is applicable for scientists of qualifying universities or recognized institutions.
- The employee should have lived more than 150 km from the Dutch border during more than 16 of the 24 months directly preceding the start of the Dutch employment.
- A wage tax agent should be present in the Netherlands.

Any previous periods of staying and/or employment in the Netherlands that ended in the 25 years prior to the first employment in the Netherlands, reduce the maximum period for the 30% ruling. However, there are some exceptions to this reduction, as certain short visits in the Netherlands may be disregarded.

How can Meijburg & Co be of service?

Meijburg & Co can assist with the application of the 30%-ruling. Furthermore, the correct implementation of the 30% ruling in the payroll can be complicated. With proper planning, it is possible to optimize the benefits of the 30% ruling.

For more information, please contact our People Services specialists.

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