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Dutch wage cost deduction facility for shipping industry

Wage Cost Deduction

Companies that operate ships in the Netherlands and act as a withholding agent for Dutch payroll tax purposes can, under conditions, apply for a wage cost deduction, irrespective of the crew's nationality. This tax facility reduces the employment costs for these companies as they do not have to remit part of the wage tax withheld from the employees. The employees are still able to credit the full amount of wage tax that is withheld from their salaries.

Conditions

The tax facility can be applied by companies that are withholding agents in the Netherlands for payroll tax purposes. The maximum allowable deduction is only calculated on the wages of seafarers. The law defines a seafarer as any person employed as a captain, an officer or a ship's mate. Anyone working on ships that perform regular scheduled passenger services between ports within the EU/EEA and who are not a national of an EU or EEA Member State do not qualify as seafarers.

The second requirement of the tax facility is that the seafarers have to work aboard a ship that is registered in the Netherlands (certificate of registry is required and the Manning Act should be applicable) and sails under a Dutch flag.

The qualifying ships should perform one of the following activities for more than 50%:

- the international transport of people or goods by sea;
- the transportation of people or goods overseas for the purpose of the exploration or exploitation of natural resources at sea;
- certain dredging activities at sea;
- certain towage activities at sea.

The following ships are specifically excluded:

- vessels used for pilot services;
- sailing boats (except commercial cruising vessels);
- tugboats used in harbors;
- dredging vessels without their own propulsion or without the capacity to transport by sea.

Benefit

The wage cost deduction amounts to 40% of the total fiscal wage of each individual qualifying seafarer who is a resident of an EU or EEA country. If the seafarer is not a resident of an EU or EEA country, but is nevertheless subject to Dutch wage tax or Dutch national insurance contributions, then the deduction amounts to 10% of the fiscal wage of the individual seafarer. In this respect, it is irrelevant whether the actual wage tax on the seafarer's income is paid in the Netherlands.

For seafarers on ships used for dredging activities, only that portion of the wages related to the transport of dredged material by sea can be taken into account. The same applies to seafarers on ships used for towing and salvage operations.

Planning

The wage cost deduction also applies to wage taxes withheld from other personnel of the same employer. The wage taxes withheld from qualifying seafarers may be less than the allowable deduction. However, unused deductions cannot be carried back or forward. The benefit of this wage cost deduction can be optimized by having the non-maritime employees (administrative, sales, legal, etc.) employed by the same company that employs the maritime employees.

We would be happy to explore the opportunities of this wage cost deduction facility with you. Please get in touch with your regular contact at Meijburg & Co or contact one of our wage tax specialists.

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