

## MEMO

From : Taxand Netherlands B.V.  
Date : 22 November 2023  
Concerning : Update 30% ruling

The Dutch House of Representatives passed a number of amendments to the 2024 Tax plan. Two of these amendments relate to the further scaling down of the 30% ruling, provided the Dutch Senate will also agree to these changes. Below, we explain the planned changes and also set out those already known.

### 1. Reduction of tax-free allowance

In the first amendment, the tax-free allowance of the 30% ruling will be scaled back during the period of the 30% ruling per the 1<sup>st</sup> of January 2024. Currently, employees who obtained the 30% ruling receive a tax-free allowance of 30% of their income during the 5 year period of the 30% ruling. Based on the amendment, the tax-free allowance of 30% of the salary may be reimbursed tax-free during the first 20 months of the 30% ruling period. During the next 20 months of the 30% ruling, only 20% of the taxable salary can be reimbursed tax-free and during the last 20 months, only 10% of the salary can be reimbursed tax-free.

For employees to whom the 30% ruling has been granted and who benefit from a tax-free allowance under the 30% ruling in December 2023/the last period of 2023, transitional law applies. For these employees, the scaling-down of the 30% ruling does not apply.

### 2. Abolishment of the partial foreign tax liability

Another benefit of the 30% ruling is the partial foreign taxpayer status. Based on the partial foreign taxpayer status, employees who live in the Netherlands may choose to be considered a partial foreign taxpayer in their Dutch personal income tax return. Based on this status, for so-called Box 1 income (business profits, income from employment, and income from owner-occupied property) the employee is considered a Dutch resident taxpayer. However, for so-called Box-2 income (substantial interest) and Box-3 income (savings and investments), the employee is considered a non-resident taxpayer. As a result savings- and investment income will not be subject to Dutch taxation, except for income from Dutch sources, such as Dutch real estate (i.e., a second home).

Based on the second amendment, the option for the partial foreign tax liability will be abolished as of 1 January 2025. Employees with the 30% ruling will then be treated as resident taxpayers for the purposes of box 1, box 2 and box 3. Transitional law applies for employees who had the 30% ruling before 31 December 2023 and received a tax-free allowance in the last wage tax period of 2023. These employees still have the option of partial foreign tax liability until 31 December 2026.

As mentioned above, both amendments are not yet final as they still need to be approved by the Dutch Senate. However, if the changes are also approved by the Dutch Senate, we advise you inform your

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employees using the 30% ruling on the above changes and its consequences. We will inform you when the changes are adopted and the final new legislation is available.

### 3. Already known changes

From 1 January 2023, an annual decision must be made between the application of the 30% ruling or untaxed reimbursement of actual extraterritorial expenses. The decision made at the beginning of the year will apply for the entire calendar year. If the 30% ruling was applied for in the first 4 months of the first year of employment in the Netherlands, the final decision between application of the 30% ruling or untaxed reimbursement of the actual extraterritorial costs does not have to be made until after 4 months. Because of the above mentioned downsizing, it is wise to calculate both options to see which is the best option for the employee.

From 1 January 2024, the taxable wage over which the 30% ruling can be applied will be capped. The maximum taxable wage over which the 30% ruling may be applied is EUR 233,000 (2024) and this amount will be adjusted each year by indexation. For employees who received remuneration to which the 30% ruling was applied in payroll in the last wage tax period of 2022, transitional law applies. For them, the cap does not have to be applied until December 2025.

Finally, it is important to check each year whether the correct percentage untaxed reimbursement of the 30% ruling has been applied and the employees meet the salary criterion set.

Please don't hesitate to reach out if you have any questions.

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