

30% ruling

What is the 30% ruling?

The 30% ruling is a special cost reimbursement scheme for employees from abroad who do not have to pay tax on 30% of their taxable income if certain conditions are met. This reimbursement scheme was devised to make it easier for employers to grant a tax-free allowance to employees from abroad who have come to work in the Netherlands.

Necessary is that you meet the following conditions of the 30% ruling:

1. You have an employment relationship;
2. You have a specific expertise that is not or is only barely available on the Dutch employment market;
 - You have a specific expertise if your salary in the Netherlands is at least EUR 55.659 (2021).
 - If you are under the age of 30 and in possession of a Master degree. In that case you meet this requirement if your salary is at least EUR 42.309 (2021).
 - If your work in the Netherlands involve conducting scientific research. In that case, you are not required to have a minimum salary.
3. The employee should (in principle) have lived more than 150 km from the Dutch borders in at least 16 of the 24 months prior to the Dutch employment. The Dutch tax authorities are requiring excessive proof in this regard.



1. Employment relationship

In order to apply the 30% ruling, there must be an employer and an employee.

The 30% ruling is specifically privileged to employees posted or recruited from abroad by a Dutch employer or a foreign employer registered as a Dutch wage tax withholding agent. Please note that partial relief of this condition may apply to university doctorates.

2. You have a specific expertise that is not or is only barely available on the Dutch employment market

The employee must have specific expertise. This is simply determined by an annual-based (taxable) salary norm. If an employee meets this salary norm (indexed annually), he is deemed to have a specific expertise. Note that the salary norm is a taxable salary norm.

2021	Excluding the 30% allowance	Including full 30% allowance
General	€ 38.961	€ 55.659
Masters below 30 years old	€ 29.616	€ 42.309
Certain scientific personnel / researchers	N/A	N/A

3. 150 km condition rule

The 30% facility only applies to employees who lived more than 150 kilometers from the Dutch border for more than 16 months in the 24 months before their first working day in the Netherlands. You cannot therefore use the 30% facility for employees from Belgium and Luxembourg. Employees from Northern France, large parts of Germany and a small part of the United Kingdom are also not eligible for this scheme.



Exception to limitation of the 150 km rule when you worked before in the Netherlands

Where you previously eligible for the 30% ruling and then moved back to live outside the Netherlands? Then it does not have to be more than 150km from the Dutch border, if you meet all of the following conditions:

- The employee has previously worked in the Netherlands and will return to work in the Netherlands after a stay abroad, whereby the previous working period started a maximum of 5 years ago. Before January 1, 2021, your previous working start period had to have started a maximum of 8 years ago.
- In the 24 months prior to this previous working period in the Netherlands, this employee lived for more than 16 months at a distance of more than 150 kilometers from the Dutch border.

You got promoted and you have a PHD degree?

You can then make use of the 30% facility if you lived more than 150 kilometers from the Dutch border for more than 16 months in the 24 months prior to the start of your PhD research in the Netherlands.

You may have lived in the Netherlands or within a radius of 150 kilometers from the Dutch border during your PHD research and between your PhD and the start of your work in the Netherlands.



Ph.D degree

How long is my 30% ruling decision valid?

The date of issue of your decision determines the term!

Issued from January 1, 2019

Your decision has a maximum term of 5 years

Issued between January 1, 2012 and January 1, 2019

Your decision has a maximum term of 8 years, but due to a transitional arrangement the end date on your decision letter may no longer be correct. You will not receive a new decision letter.

Please find below a clear overview of your correct end date of your decision:

Table duration 30% ruling

On your decision there states an end date in:	Correct end date is:
2019 or 2020	End date on your decision
2021, 2022 or 2023	December 31, 2020
2024 or later	The end date on your decision minus 3 years

The duration of your 30% ruling will be shortened if you have earlier worked or lived in the Netherlands

The tax office will reduce the duration of your 30% ruling decision by the period that you have previously worked or stayed in the Netherlands.

The tax office will not reduce the duration of your 30% ruling to the following below situations:

- You have worked or lived earlier in the Netherlands and that period ended more than 25 years before the start of your current job
- You worked occasionally in the Netherlands in the past 25 years, but in total less than 20 days a year. Like example during a business trip from abroad.
- You have been resided the last 25 years occasionally in the Netherlands, like example for family, vacation or other personal circumstances. In total this was not longer than 6 weeks a year or a one-off period of 3 consecutive months.

Change from employer – What does this mean for the 30% ruling

If you change from employer and you have already the 30% ruling through your previous employer and you want to have also the 30% ruling through your new employer, you need to start at your new employer within 3 months.

The 30% ruling need to be applied again through the new employer and this need to be within 4 months after your first day of employment through your new employer, so you can use the 30% ruling approval from first day of employment.

Question: If there is a change of employer referred to in Article 10ed of the UBLB, must a new request be made?

Answer: Yes. If the incoming employee receives another employer during the term, at the joint request of the employee and the new employer, the proof rule will continue to apply for the remaining term, provided that the period between the end of the employment by the old employer and the conclusion of the employment contract with the new employer does not exceed three months. In the event of such a request, the new employer must again prove that the employee should be regarded as an incoming employee.

30% ruling and more employers

The 30% ruling can only be applied to 1 employer, unless you have been recruited from abroad and starts with 2 employers at the same time.

Question: An incoming employee works one day a week as a scientific researcher at an institution as referred to in Article 10eb, paragraph 3 of the UBLB. On this basis, he is regarded as an employee with specific expertise. His annual salary at this institution is € 5.000. After he has worked in the Netherlands for five months, this employee also accepts a second job with another withholding agent. At this employer he will earn an annual gross salary of € 20.000. Does he also qualify for the application of the 30% rule with this other employer?

Answer: No, he was not recruited from abroad for the employment of the new employer. The employee is not an incoming employee for that second employment.

30% ruling for entrepreneurs

Self-employed contractors may also be able to benefit from the 30% ruling when properly arranged and managed. They should set-up a BV prior to arriving to the Netherlands, which can be regarded as the employer. If you register the BV company after your arrival to the Netherlands, it is possible that you are still entitled to the 30% ruling, but that is only possible if you have not registered yet in the Netherlands. This is a very important requirement for the eligibility of the 30% ruling as owner of a BV company.

Be aware that entrepreneurs that registered as a one man company (eenmanszaak), are not eligible for the 30% ruling!

What are extraterritorial costs? Which costs are not part of these extraterritorial costs?

Employees who come to the Netherlands from another country to work are often reimbursed for the extra costs of staying outside their country of origin, the so-called extraterritorial costs. You can choose to reimburse these costs: reimburse the actual extraterritorial costs or apply for the 30% facility under certain conditions.



Please find below what includes the extraterritorial costs:

- Extra costs for living, because the price in the Netherlands is higher than in the country you come from. Like example extra expenses for meals, gas, water and electricity.
- Costs for an introductory trip to the Netherlands. Possibly with your family for example to look for a home or a school
- Costs for applying for or converting official personal papers, such as residence permits, visas and driving licenses
- Costs for medical examinations and vaccinations for your stay in the Netherlands
- Double housing costs when you continue to live in the country you come from like hotel costs
- The (first) housing costs. If you receive housing, only the (first) housing costs that exceed 18% of the wage from current employment are extraterritorial costs. The rest of the costs are wages.
- Storage costs for the part of the estate that you do not move to the Netherlands
- Travel expenses to the country you come from, for example for family visits or family reunification
- Course costs to learn the Dutch language for you and for the family members staying with you

- Extra (non-business) call costs for calling your country of origin
- The costs of an application for exemption from social security, such as an A1 or E101 statement

No extraterritorial costs

Your employer cannot provide a tax free allowance for costs that are not extraterritorial costs.

These costs are not part of the extraterritorial costs:

- Agency work allowances, bonuses and similar compensation
- Capital losses
- Buying and selling costs of a home
- Compensation for higher tax rates in the country of employment

Reimburse actual (extraterritorial) costs

Only if you can demonstrate that the total extraterritorial costs are higher than the 30% of the wage, including the reimbursement, you may reimburse the costs actually incurred tax-free. There are no standards or restrictions for this.

Question: An extraterritorial employee has additional costs of temporary stay outside the country of origin. The employer does not reimburse these costs with a specifically exempted fee as referred to in Article 31a, second paragraph, under e of the Wet LB. Can this employee reduce his wages with these extra costs in the income tax return?

Answer: No, the employee may not reduce his wages with the extra costs. If the employer has not reimbursed the costs with a specifically exempted allowance, the employee will bear the additional costs of a temporary stay outside the country of origin. The employee cannot deduct these costs from his income in his income tax return, as the income tax act (Wet LB) does not allow for this.

What is partial foreign tax liability?

You can opt for partial non-resident tax liability in your income tax return if you live in the Netherlands and make use of the 30% ruling. You are then a non-resident taxpayer for your taxable income from a substantial interest (box 2) and your taxable income from savings and investments (box 3). This can be advantageous for you, because you then pay tax on a lower taxable income in box 2 and box 3.

You can be partially subject to non-resident tax from the 1st day of the calendar year in which you opt for this, but no earlier than the 1st day that you make use of the 30% ruling.

Have you worked as a foreign expert in the Netherlands? And do you opt for partial non-resident tax liability in the tax return year? In that case, you only need to state the following in the question about assets:

- Your real estate in the Netherlands
- Your right to profit from a Dutch company

An employee that want to be eligible for partial non –resident tax liability, must meet the following conditions:

- He must live in the Netherlands.
Pay attention: If the incoming employee does not live in the Netherlands, he can still make use of the partial non-resident tax liability if he chooses to be treated as a resident of the Netherlands. In that case, he must declare the worldwide income in the three boxes. After this, with a choice for partial non-resident tax liability, the levy in BOX 2 and 3 is again limited to the levy in accordance with the rules that apply to a non-resident taxpayer.
- He must be an incoming employee to whom the rule of proof of the free reimbursement of extraterritorial costs applies and must be in possession of an incoming employees decision.

Advantages of the 30% ruling

- You don't need to pay tax on your worldwide assets and savings (wealth tax).
- You can change your foreign driver license to a Dutch driver license at the municipality
- If you have the 30% ruling, the so-called extra-territorial expenses cannot be paid tax free in addition to the 30% ruling. Examples of such costs are double housing, home leave tickets and international school fees. However, for international school fees an exception is made. These can be paid or reimbursed tax free by your employer in addition to the 30% ruling. If your employer do not want to pay for this, consider discussing a salary sacrifice scheme, i.e. you agree to a temporary salary reduction in return for a temporary tax free reimbursement of international school fees. This may also be beneficial to your employer (i.e. less social premiums due). Be aware to check with your employer if such salary sacrifice impacts your pension entitlements.

30% ruling and maternity/parental leave

The salary requirement for the 30% ruling is a strict hard requirement. In the case of part-time work, the salary requirement may not be applied pro rata. The salary requirement may be applied only pro rata to maternity leave and parental leave.

Article 8.2a Implementation wage criteria 30% facility

Garden leave

30% ruling is not applicable during period of garden leave

In 2015 the Dutch court decided that the 30% ruling cannot be applied during a period of garden leave. Based on Dutch fiscal law the 30% ruling ends at the last day of the month after the end of the performed activities. Since there aren't any activities being performed during the period of garden leave, the 30% ruling has ended. The 30%-ruling does not apply to "garden leave" following termination of employment

On 14 August 2015, the District Court of Zeeland-West

Brabant ruled that the 30%-ruling does not apply to salary paid to an employee, who following termination of employment is no longer required to work in the period up to the official date of termination of the employment contract ("garden leave").

An important question in this matter was whether the salary was from current or former employment.

The 30%-ruling may only be applied to salary from current employment. Because severance pay is considered income from previous employment, the 30%-ruling does not apply to a severance payment.



The court determined that the salary was indeed from current employment, but ruled that the 30%-ruling did not apply for a different reason. The fact is that, for the 30%-ruling to apply, actual work should be performed for the employer. That was not the case. The 30%-ruling ends on the last day of the month following the month in which the employee stops working.

This judgment will also have consequences for employees who wish re-avail themselves of the 30%-ruling in a new position. Their new employment contract must be concluded within three months (see section 4 above). The three-month period commences on the first day of "garden leave", not on the official date of termination of the employment contract!

The consequences of this judgment are worth bearing in mind when terminating an employment contract. No appeal has been filed against this judgment!

