



**Impact analysis of reduction 30% ruling
period to 5 years per 1-1-2019**

Impact analysis

Reduction 30% period to 5 years per 1-1-2019 (1)

General

- 30% ruling duration period will be reduced to 5 years as of (primary) NL employment start date
- Existing cases are impacted if government plans are accepted:
 - 8 year cases (employments started as of 2012) as well as 10 year cases (employments started before 2012) are both impacted
 - Employments started before or on 1-1-2014 lose the ruling immediately per 1-1-2019
- September 18, 2019 more details will be available as proposed changes will be part of the 2019 Budget Plan
- Budget Plan usually only accepted by senate in last quarter of the year
- Impact on existing cases is highly criticized. If plans are adopted in law, court cases are likely to arise (10 years cases stand formally slightly stronger)

Impact analysis

Reduction 30% period to 5 years per 1-1-2019 (2)

Loss of the following benefits

- 30% ruling benefit in the payroll – no 30% tax free allowance anymore
- International school fees – cannot be paid tax free anymore by employer
- ET costs – no fallback to actual tax free ET costs reimbursement
- Partial non-resident status:
 - Tax liability as normal residents in Box II and Box III
 - US nationals: no workday exclusion anymore

Planning opportunities

- Accelerate taxable moment, e.g. option exercise, early bonus, reimbursement international school fees
- Utilize work-related costs scheme if company is faced with compensation need to employee

Impact analysis

Reduction 30% period to 5 years per 1-1-2019 (3)

Recommendations to employers

- Review of employment contracts and 30% ruling addendums to assess employer promises or commitments
- Review cost effectiveness of TEQ assignments to the Netherlands (and potentially prematurely terminate or not extend assignment duration)
- Review international school fees reimbursements and check salary sacrifice schemes and specific wording
- Determine company position and decide whether company is willing to
 1. compensate the loss of the benefit (and, if so, to what extent)
 2. make exceptions (and, if so, to all or only few employees)
- Once determined, inform employees on the company position (and the rationale adopted) at earliest convenience as 30% ruling holders are worried and show them the net impact on their payslip.

Impact analysis

Summary

Subject	Impact proposed plan	Action
30% ruling in payroll	No tax free allowance of max. 30% of current employment income anymore after 5 years.	<ul style="list-style-type: none">• Review employment contracts and addenda & determine company willingness or need to compensate loss of tax benefit• If compensation is given, consider appointment as work-related costs as 80% levy is more beneficial than gross-up
International school fees	No tax free reimbursing of international school fees anymore if 30% ruling ends.	<ul style="list-style-type: none">• Review costs effectiveness TEQ assignments impacted by the reduction and limit or not extend assignment period• Check possibilities to accelerate taxable moment (option exercise, bonus) or tax reimbursement of school fees
ET costs	If no 30% ruling duration period is left, actual ET costs can no longer be reimbursed tax free.	<ul style="list-style-type: none">• If compensation is given, consider appointment as work-related costs as 80% levy is more beneficial than gross-up
Partial non-residency	Tax liability as normal residents in Box II & III if 30% ruling ends.	<ul style="list-style-type: none">• 30% ruling holder may want to accelerate dividend payment of share alienation of non-Dutch company and accelerate, postpone or terminate investments or investment decisions.• Recommendation to employers not to compensate for any disadvantage (as these are private tax matters)
	US nationals: no foreign workday exclusion anymore if 30% ruling ends.	<ul style="list-style-type: none">• US nationals will sooner be faced with higher NL tax liability. Potential net impact loss is difficult to assess given US tax(credit) system.

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