Crowe Foederer HR Services B.V.

Limitation of the 30%-ruling

Changes to the 30%-ruling have been proposed in parliament. After the already announced cap on the 30%-ruling that takes effect on January 1st 2024*, two new amendments were adopted (still to be adopted by the Senate).

Degression percentage
The first amendment stipulates that as of January 1st, 2024, the amount that can be provided as a tax-free allowance for costs of living outside the country of origin (the 30%-ruling) for expats can be set at a maximum of:

- For the first 20 months 30% of the taxable income;
- For the next 20 months 20% of the taxable income;
- For the last 20 months 10% of the taxable income.

For employees who have the 30%-ruling in December 2023, a transitional regime applies and the new rules do not apply.

Abolition non-resident taxpayer treatment
The second amendment that was adopted is the abolition of the possibility to opt as a non-resident taxpayer as per the 1st of January 2025. Employees with the 30%-ruling can opt to be treated as a partial non-resident taxpayer in their annual Dutch income tax return for their box 2 and box 3 income. As a partial non-resident taxpayer the employee is not taxable in the Netherlands on his Box 3 income for savings and investments, except for real estate located in the Netherlands. For box 2 income the non-resident employee is taxable in the Netherlands on the income from substantial interest (>5% interest) only if this is held in a Dutch entity. As a consequence of the abolition, the personal tax liability of the expat may rise. For employees who have the 30%-ruling in December 2023 latest, a transitional regime applies. They can still opt to be treated as a non-resident taxpayer up to the 31st of December 2026.

US nationals
For US nationals (or green card holders) with the 30% ruling, additional tax consequences may arise with the abolition of the possibility to opt to be treated as a non-resident taxpayer, due to the specific tax treaty policy with the US.

Conclusion
The limitation of the 30%-ruling is a drastic change that will make the scheme less attractive for expats and will lead to an increase of the administrative burden in the salary administration. To benefit from the transitional regime, new upcoming employments with expats should preferably have a commencement date ultimately December 2023 rather than 2024 (if possible, preferable and feasible). Please contact your contact person within Crowe for more information.

**The 30% ruling can only be applied up to until the WNT-cap of the applicable year. This will be € 233,000 for 2024. The capping measure will be applied from January 2026 instead of January 2024 for employees who already had the 30% ruling included in the December 2022 payroll administration. For employees who applied and were granted the 30% ruling in 2023 the capping measure should be applied in the payroll administration as of January 2024.*

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