KPMG Meijburg & Co
Tax & Legal

Changes to 30% ruling

On October 28, 2024, the Deputy Minister of Finance sent the Second Memorandum of Amendment to the bill on the 2025 Tax Plan to the Lower House of Parliament. It contains various measures previously announced in the cover letter to the 2025 Tax Plan package presented on Budget Day, including changes to the 30% ruling. In this memorandum, we take a closer look at these changes.

30% ruling

The 30% ruling is a scheme that offers employers the option to pay a tax-free allowance of no more than 30% of an employee's salary to employees recruited from abroad with specific expertise that is scarce in the Dutch labor market, and to do so for a maximum of five years. A decision from the Dutch tax authorities is required for this. The allowance is intended to cover the additional costs these employees incur for their stay outside their land of origin (the extraterritorial expenses, such as travel and accommodation expenses). Each year employers can opt to either apply the 30% ruling or reimburse employees for the actual extraterritorial expenses incurred.

On Budget Day 2024 it was announced that various changes to the 30% ruling would be included in the Memorandum of Amendment to the 2025 Tax Plan. The recently published Second Memorandum of Amendment confirms these changes. The previous scaling back (30-20-10 ruling) will be reversed and a constant flat rate of 27% will be introduced as of January 1, 2027. In addition, the salary threshold will be increased. Transitional rules will apply to employees who were already using the 30% ruling no later than 2023.

Constant flat rate of 27%

The government proposes introducing a constant flat rate of 27% as of January 1, 2027. For 2025 and 2026 a percentage of 30% will still apply. The constant flat rate of 27% will apply to both incoming and seconded employees. Seconded employees are defined as a specific group of employees who are posted abroad by their employer, such as diplomatic personnel, military personnel and employees who work in a certain region or country.

We infer from the Memorandum of Amendment that was is meant by a 'constant flat rate' is a fixed amount of a 'maximum' of 27% of the taxable salary. This means that a flat rate lower than 27% is also possible, the same as the current 30% ruling, and that the term 'constant' refers to the cancellation of the scaling back of the flat rate (the 30-20-10 ruling).

Salary threshold increased

As of January 1, 2027 the salary threshold (after application of the 30% ruling) will be increased from EUR 46,107 to EUR 50,436 (2024 price level). For incoming employees under 30 years of age with a Master's degree at the university level or an equivalent foreign degree, the salary threshold will be increased from EUR 35,048 to EUR 38,338 (2024 price level). The proposed amounts still have to be inflation-adjusted for the years 2025 through 2027.

Transitional rules

The government proposes retaining the current transitional rules from the 2024 Tax Plan for incoming employees who were already using the 30% ruling no later than December 31, 2023. This means that these employees will retain the right to an untaxed allowance of 30% and the current (inflation-adjusted) salary thresholds during the entire term of their ruling decision.

For incoming employees for whom the 30% ruling applied for the first time in 2024, the constant flat rate of 27% will apply as of January 1, 2027. However, the current (inflation-adjusted) salary thresholds will continue to apply during the remaining term of their ruling decision.

The following table shows what this will look like:

Application of 30% ruling	2025 and 2026	2027 and beyond
By 12-31-2023 at the latest	30% and current salary threshold	30% and current salary threshold
In 2024	30% and current salary threshold	27% and current salary threshold
As of 01-01-2025	30% and current salary threshold	27% and new (higher) salary threshold

The government proposes having the constant flat rate of 27% as of 2027 also apply to seconded employees, even if their secondment began before 2024. In 2025 and 2026 the flat rate of a maximum of 30% will also continue to apply to this group.

However, the transitional rules will not apply to incoming employees who were using the 30% ruling before 2024 and whose work in the Netherlands was interrupted after December 31, 2023. There is no interruption if the 30% ruling was not applied for up to three months. This is in line with the rules for changing employers. This means that the current transitional rules from the 2024 Tax Plan will also continue to apply in these cases.

Partial foreign taxpayer status option scheme

The government does not propose making any changes to the abolition of the partial foreign taxpayer status option scheme. This means that the partial foreign taxpayer status will end as of January 1, 2025. Employees who were using the 30% ruling before 2024 can still benefit from the partial foreign taxpayer status through to 2026 under the transitional rules.

If you would like to know more about this matter, feel free to contact us or your usual Meijburg tax advisor.

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October 31, 2024