

Dutch government plans for the years 2019-2023

The new Dutch government recently presented its plans for the coming four years. The full plan can be found [here](#) and below we have summarized some of the tax measures.

Employment

Maximum duration 30% ruling of 5 years

The duration of the 30% ruling will be reduced from 8 to 5 years. This was also one of the proposed changes in the 30% evaluation report published by Dialogic. At the moment the exact details are not yet known. However, since a budgetary impact is already expected as of 2019, it seems that this will also affect current 30% holders.

New regime self-employed individuals

The DBA Act for self-employed workers is abolished and a new regime will be introduced. In lieu of the new regime, the current period of non-enforcement is extended. Under the proposed regime there will be three categories:

- For lower hourly rates (€ 18 or lower), in principle an employment agreement is deemed to exist.
- If the hourly rate is above € 75, individuals in principle are assumed to act as an entrepreneur.
- If the hourly rate is between € 18 and € 75, a ruling can be obtained from the Dutch Tax Authorities (similar to the VAR statement). The new statement can be obtained through a web module, which should make the process more efficient.

Individuals

Two personal income tax rates

As of January 1st, 2019 there will only be two personal income tax rates. A lower rate of 36.93% and a higher rate of 49.5% for income in excess of €68,600.

Increased tax credits

The general tax credit, the labor tax credit and the elderly tax credit will all be increased as of January 1st, 2019.

Amendments box 3 taxation

The box 3 taxation on savings and investments will become more connected to the income that is actually generated. In addition, the tax free base for box 3 will be increased from € 25,000 to € 30,000 per individual.

Increased tax rate for substantial shareholders (box 2)

For substantial shareholders (owning more than 5% of the shares), the current tax rate in box 2 is 25%. This rate will be increased to 27.3% in 2020 and to 28.5% in 2021.

Housing market

Accelerated reduction mortgage interest deduction

The reduction of mortgage interest relief for higher incomes will be accelerated as of 2020. The current reduction is 0.5% per year. However, as of 2020 the deduction will be 3% per year, until the base rate is reached in 2023.

Reduction of notional income from homeownership

Homeowners are compensated for the reduction of the mortgage interest relief by lowering the notional income from homeownership. The notional income from homeownership will be reduced to 0.6% times the WOZ value for houses with a WOZ value between € 75,000 and € 1,060,000 (currently 0.75%).

Abolishment Hillen provision

If the notional income from homeownership exceeds the deductible mortgage interest, this will result in additional taxable income. Based on the so-called Hillen provision, this taxable income is reduced to zero to avoid any additional taxation. The government has announced that the Hillen provision will gradually be abolished over the next thirty years.

Increased legal fees residence permits

The Dutch government has published the government legal fees for 2018 residence permit applications. As of January 1st, 2018 the government legal fees will increase slightly.

Category	Current fee	2018 fee
Highly Skilled Migrant		
First application	€ 926	€ 938
Extension	€ 396	€ 401
Regular employment		
First application	€ 897	€ 909
Extension	€ 396	€ 401
Family members		
First application	€ 237	€ 240
Extension	€ 237	€ 240
Blue Card		
First application	€ 897	€ 909
Extension	€ 396	€ 401
Orientation year		
Application	€ 633	€ 641
Cross border services		
First application	€ 897	€ 909
Extension	€ 396	€ 401

The government legal fee in order to apply for recognized sponsorship will also be increased as of January 1st, 2018 from € 5,276 to € 5,345. The full fee schedule can be found [here](#) on the Immigration and Naturalization Service website.

Clarifications on the search year conditions

A third country national who has graduated (Bachelor or Master), obtained a PhD or performed scientific research in the Netherlands, may apply for a search year residence permit.

This 'search year' residence permit is also available for foreign students who have graduated from one of the TOP 200 international Educational institutions listed on the IND website. Once issued, the holder of a search year permit is allowed to work without a salary threshold. The application must be filed within 3 years after graduation.

The Dutch government recently made some clarifications in the start of the 3-year term. For students who have studied in the Netherlands, the 3-year term will commence as of the graduation date or promotion date. For students who have studied abroad at one of the TOP 200 Educational Institutions, the 3-year term will start after the date mentioned on their diploma.

We note that you can only apply for a search year once (per completed study) and that the permit is valid for one year without the possibility for an extension. If during the search year the holder of a search year permit finds a job as a highly skilled migrant, the lowest salary criterion (recently graduated students) applies for as long as the highly skilled migrant status is maintained, regardless if the person changes employers. The minimum salary for a Highly Skilled Migrant following a search year in 2017 is € 2,272 gross per month (excluding 8% holiday allowance). Please note that this amount is indexed annually.

Upcoming changes for posted workers within EU

On Monday, October 23rd, a majority of the European Union member states reached an agreement to reform the rules for posted workers within the EU.

The new agreement should solve the current problem of 'social dumping'. Employees from lower-income Eastern European countries can currently work in Western European countries, while remaining subject to the labor laws and social security rules of their country of origin. This undercuts the provisions in the working country and results in unfair competition between posted workers and local workers.

After 12 hours of negotiating, the European labor ministers have agreed to the following approach:

- Under the current rules, posted workers are only entitled to the statutory minimum wage of the working country. As of 2021, the earnings of posted workers have to be fully in line with the applicable collective labor agreements in the working country (e.g. 13th month, holidays, allowances, etc.).
- In addition, the maximum period for an assignment is reduced from 24 months to 12 months. There will be an option to extend an assignment for another 6 months. After this 12-month period (or 18-month period) an employee will become subject to the labor laws and social security rules of the working country.

Now that the European Council has reached an agreement on the general approach, the negotiations with the European Parliament will start. It is expected that the European Parliament will approve the new plans and that the legislation will be announced in the course of 2018.

End year evaluation work-related costs scheme

Since the end of the year is approaching, it's time for the end year WKR evaluation.

As a general rule under the work-related costs scheme, all benefits an employee receives from his employer are considered taxable wage (this also applies to benefits in kind). However, by labelling benefits as a work-related cost different rules might be applicable:

- An exemption could be applicable (e.g. travel expenses up to € 0.19 per km, etc.).
- The value of the benefit could be rated nil (e.g. office equipment, fitness at the workplace, etc.).
- For other expenses the employer has a 'budget' of 1.2% of the total sum of the fiscal wages that can be used to compensate the employee free of tax.

Expenses that have been labelled as work-related costs and that exceed the budget of 1.2%, qualify as wage subject to deduction at source. This means that the employer (and not the employee) pays a final levy of 80%.

To determine the WKR budget (and the amount under the final levy of 80%), now would be a good time to evaluate whether or not the budget of 1.2% is exceeded.

Working Holiday Program for Argentinian nationals introduced

As of July 1, 2017 Argentinian nationals can apply for a Working Holiday Program (WHP) residence permit. To be eligible for a WHP permit, the applicant must be younger than 31 and in possession of a return ticket. Next to Argentinian nationals, also nationals from Canada, Australia, New Zealand and South Korea can apply for a similar residence permit. The WHP permit allows the holder to work in the Netherlands without a work permit. The WHP is valid for one year without the possibility for an extension.

International Commercial Trade Regulations

A new regulation has been introduced by the Dutch government to stimulate the Dutch Economy and to relax the existing work permit conditions for foreign service providers. The new regulation replaces the earlier pilot for the knowledge industry.

Under the new rules, companies who operate internationally, can bring their own foreign employees to the Netherlands for temporary employment activities that are not in competition with the Dutch or EU workforce without a work permit. To qualify, an employer must first submit an application for approval of a project / plan with the Dutch Labor Authorities (UWV). The UWV will then decide within 5 weeks whether the project / plan falls within the scope of the International Trade Regulations.

If the project / plan is approved, the Dutch employer only has to notify the UWV (through a notification form) at least 2 days before the activities of the employee will start in the Netherlands.

Amendments to the Dutch Citizens Act not accepted by the Dutch Government

Foreign nationals who would like to obtain Dutch citizenship must, next to other conditions, have legally resided in the Netherlands (on the basis of a non-temporary residence permit) for at least 5 years.

On October 3, 2017 the Dutch First Chamber has voted against the proposed amendments to the Dutch Citizens Act. This means that the suggested prolongation of the 5-year term to 7 years will not be implemented.



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Lyke Apontoweil
+31 (0)20 3081402
lyke@hillbrook.nl



Henk Amorison
+31 (0)20 3081401
henk@hillbrook.nl



Gwen Keller
+31 (0)20 3081412
gwen@hillbrook.nl