



November 2023

## WITSCRAFT TAX NEWS ALERT

### Proposed Changes to Expatriate 30% Ruling: from 30% ruling to a 10% ruling

Recent developments in the Dutch Parliament regarding the Tax Budget Plan 2024 have paved the way for a significant adjustment to the 30% ruling. Please note that these changes are part of the 2024 Tax Plan Package, which still awaits approval by the Senate (*Eerste Kamer*).

The 30% ruling, designed to compensate foreign employees for additional expenses (so-called extraterritorial costs) incurred when working in the Netherlands, is on the brink of undergoing substantial modifications with far-reaching implications, effective from January 1, 2024.

### Key Changes

#### 1. Gradual Reduction of Tax-Free Percentages:

The 30% ruling will be reduced during a period of 60 months:

- In the first 20 months, 30% of the salary remains tax-free.
- The following 20 months see a reduction to 20%.
- In the last 20 months, the tax-free amount drops to 10% of the salary.

The same percentages and periods apply for 30% ruling decisions with durations shorter than 60 months.

#### *Transitional Clause*

Employees utilizing the 30% ruling in the final period of 2023, and having a 30% ruling decision, are eligible for a transitional arrangement. If the 30% ruling is terminated during this period, the transitional arrangement ceases to apply.

#### 2. Abolishment of Partial Non-Resident Tax Status

Currently, employees in the Netherlands under the 30% ruling can opt for the partial foreign taxpayer status. This implies that the employee (and their fiscal partner) is treated as non-resident/foreign taxpayer for the purposes of Box 2 (income from a substantial interest) and Box 3 (income from savings and investment), although they are living in the Netherlands. Starting January 1, 2025, this status will be abolished.

#### *Transitional Clause*

Employees already using the 30% ruling on December 31, 2023, can retain the status through 2026. However, in case of an interruption in the application of the 30% ruling, the transitional legislation will no longer be applicable.

### 30% Ruling Cap (included in the Tax Plan 2023)

We also note that these changes are on top of the introduction of the 30% ruling salary cap which was announced and passed both Chambers last year. As of January 1, 2024, the 30% benefit is capped for salaries exceeding the public sector pay cap (WNT norm) (EUR 223,000 in 2023). Transitional rules are in place, applying the cap from January 1, 2026, for employees already benefiting from the 30% ruling in December 2022. We refer to our previous alert in this matter. [Witscraft-Newsletter-Budget-Day-Tax-Plan-2023.pdf](#)



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### Our Perspective

1. Employers should promptly inform employees about these legislative changes, as the impact could be substantial.
2. Employer/Employees should consider applying for the 30% ruling in 2023 to benefit from transitional arrangements.
3. Employers now have the option to either apply the 30% ruling or reimburse extraterritorial ("ET") costs incurred by employees. In the future reimbursing the actual ET costs instead of the deemed percentage may become more beneficial.
4. The proposed gradually scaling back of the ruling will introduce additional administrative complexities in terms of payroll processes.
5. Application of transitional clauses may be more intricate than initially anticipated.
6. The adjustment to Box 3/Box 2 income tax should be considered before relocating to the Netherlands, especially affecting US nationals and Green Card holders due to the abolishment of the partial non-resident tax status.
7. Overall, the utilization of the 30% ruling (capping, transitional legislation and scaling back during the period), will become more intricate, increasing the risk of errors.
8. For employees considering switching employer, the application of transitional rules is an important aspect to keep in mind. In our view, the transitional rules are not fully clear at this point.

Stay tuned for further updates on this matter as the legislation progresses towards implementation on January 1, 2024. Staying informed and prepared is crucial as you navigate the evolving Dutch tax regulations.

Source in Dutch: [Wijziging van enkele belastingwetten en enige andere wetten \(Belastingplan 2024\) | Tweede Kamer der Staten-Generaal](#)  
[Wijziging van enkele belastingwetten en enige andere wetten \(Belastingplan 2024\) | Tweede Kamer der Staten-Generaal](#)

Should you have any questions, please get in touch with your contact person at Witscraft or send an email to [info@witscraft.com](mailto:info@witscraft.com)

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