The 30% rule | insights 2021


How it once started...

After World War II, the Netherlands had to be rebuilt. For this, we needed bright minds, and some of them were flown in from abroad. To compensate for the extra costs resulting from the 'temporary' stay in the Netherlands, a lump sum was granted to these employees. The settlement was a secret arrangement. Later on, when several companies became aware of the arrangement, it was embedded in the Wage Tax Act as an extraterritorial allowance in the context of a temporary stay.

To whom does the settlement apply?

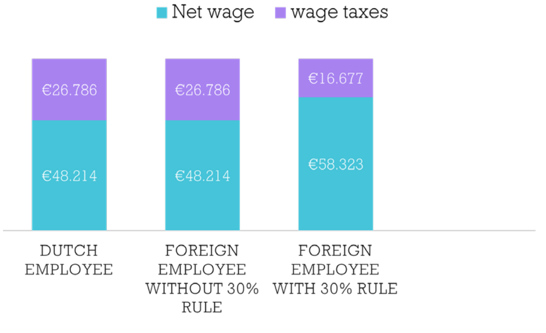
- Employees temporarily residing outside their country of origin (incoming workers & dispatched workers); and
- Employees with a specific knowledge or skill that is scarce on the Dutch labor market; and
- Employees who lived more than 150 kilometers from the Dutch border prior to employment in the Netherlands for more than 16 months.

How does it work?

When applying the 30% rule, the employee receives a tax-free expense allowance of up to 30% of the salary including the allowance.

In most cases this means that the gross salary is reduced by 30% and then a tax-free allowance is given of the same amount (see figure example below).

Another possibility is that the allowance is paid on top of the gross salary.



Terms and conditions:

- Employees > 30 years with a salary of at least € 38,961 (gross equivalent € 55,658.57)
- Employees < 30 years with a salary of at least € 29,616 (gross equivalent €42,308.57)
- Scientists and doctors must have a specific expertise.

In conjunction with each other is additionally assessed:

- The level of education recieved;
- The working experience relevant to the position;
- The remuneration level in the Netherlands in relation to the remuneration level in the country of origin.

In figures:

	Employee without 30% rule	Employee with 30% rule
Gross salary	€ 75.000	€ 75.000
30% compensation	€0,-	€ 22.500
Taxable salary	€ 75.000	€ 52.500
Withheld wage tax	€ 26.786	€ 16.677
Net wage	€ 48.214	€ 58.323

Partial foreign tax liability

If the 30% rule applies, the employee can opt to only take the income in box 1 into account. Foreign investments or savings do not have to be declared in the Dutch tax return for the first five years.