No grandfathering for shortening of 30% regime for expatriates

June 14, 2018

The State Secretary for Finance recently announced that the shortening of the 30% regime for expatriates from eight to five years as per 1 January 2019 will not provide for grandfathering.

Under the 30% regime, employers are allowed to pay qualifying "expatriate" employees 30% of their aggregate compensation as a tax-free allowance. This 30% tax-free allowance is deemed to cover the extraterritorial expenses incurred in relation to the employee moving to the Netherlands. Further, the regime provides for an effective base exemption from Dutch net wealth tax for investments held outside the Netherlands. The current maximum term for application of the regime is eight years. The Dutch government had already agreed to shorten the term to five years in its coalition agreement of November 2017.

Recently, the State Secretary of Finance announced that this measure will be included in the to-be-issued 2019 Tax Bill and will become effective as per 1 January 2019. According to the announcement, the legislative proposal will not provide for any grandfathering. The absence of any grandfathering is in contrast to the shortening of the term from 10 to 8 years in 2012, and therefore came as a surprise to many beneficiaries. If this proposal is adopted in current form, expatriates who currently benefit from the regime will also be faced with the five-year limit.

Further, the State Secretary announced that the period for tax-free compensation of actual extraterritorial costs incurred by expatriates will also be restricted to five years only.