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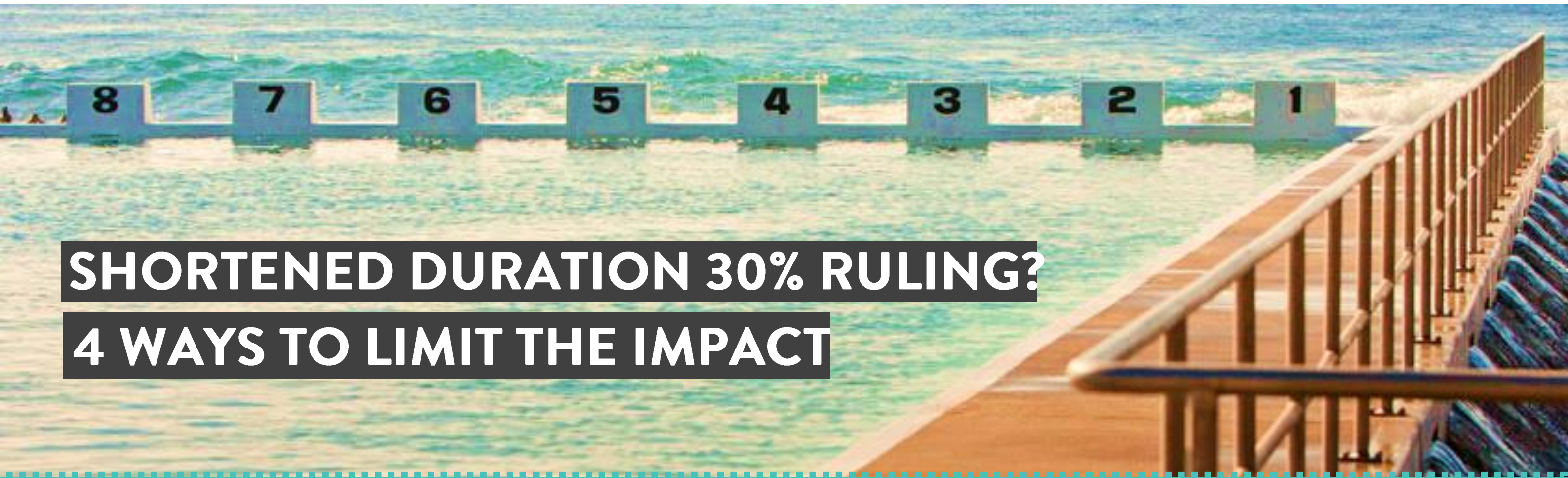


# SHORTENED DURATION 30% RULING? 4 WAYS TO LIMIT THE IMPACT

The Dutch government plans to reduce the maximum duration of the 30% ruling from 8 to 5 years as of January 1st, 2019. There will be no transitional period for current 30% holders. In other words, the reduction will already have an impact for both employers and employees as of the start of the new year. Obviously I could have written another article about how unfair this is. However, with Glomotion I always try to find a fresh angle. Therefore, below you will find various options to limit the financial impact of the announced amendment to the duration of the 30% ruling.

Do you want to know more? Give me a call at 06 18186614 or send an e-mail to henri@glomotion.nl

## Bonus payment

If the 30% ruling expires, it can still be applied to payments processed in the following month. This means that if you pay out the 2018 bonus in January 2019, 30% of the bonus can still be paid out free of tax. Companies usually process the annual bonus somewhere in the first or second quarter of the following year. In the light of the announced changes to the 30% ruling, speeding up your end of year process for 30% holders could be worthwhile.

## Salary split

For international employees the 30% ruling does not necessarily have to be the only option to reduce the overall tax burden. If the employment activities are performed in multiple countries, setting up a salary split may have the same result. If the physical presence in the other country is limited, foreign taxation can be triggered by recharging the salary costs. Part of the employment income will be taxable abroad, so that the employee will benefit from the lower initial tax rates in the other country. For the part of the income that will be taxable abroad, there will be a tax exemption in the Dutch tax return.

## Holiday allowance

The holiday allowance is often paid out once per year (in May or June). If the 30% ruling is no longer applicable at the time of the payment, the full allowance will be taxable. You might want to consider switching to monthly payments. For employees losing the 30% ruling as of 2019, the 30% ruling will at least be applicable to part of the holiday allowance. For employees with lower salaries it will also simplify the calculation of the salary threshold.

## Accelerated vesting

A lot of companies use long-term incentive plans to attract and retain employees. The 30% ruling also applies on LTI income. However, if the taxable moment occurs when the 30% is no longer applicable, the full income will be subject to tax. For 30% holders participating in LTI plans, losing the 30% ruling as of 2019 will have a huge financial impact. First of all, they should exercise all vested options before the January 2019 payroll run closes. Furthermore it could be interesting to see if it's possible to accelerate existing vesting schedules to further limit the financial impact.