

30% facility

Incoming employee from outside the Netherlands

Members of staff who are recruited outside the Netherlands to work in the Netherlands may incur additional costs, referred to as extraterritorial costs. The UMCG as their employer can provide 30% of the taxable salary, including reimbursement, tax-free. This facility is known as the 30% facility. In short, the facility entails that no tax has to be paid on part of the salary. This results in a financial benefit, whereby and with which the extraterritorial costs may be financed. It is not necessary to prove that these expenses have been incurred.

To make use of this facility the employee must have permission from the Dutch Tax and Customs Administration. To obtain this permission, the employee and the UMCG as the employer can together file an application with the Dutch Tax and Customs Administration to make use of the 30% facility. The employee is eligible for this reimbursement provided a number of conditions are met.

Conditions

For employees who are recruited outside the Netherlands or seconded from a country other than the Netherlands to work in the Netherlands, conditions including the following will apply before an application can be filed with the Dutch Tax and Customs Administration to make use of the 30% facility:

- The employee has an employment relationship.
- The employee has specific expertise that is not or only barely available on the Dutch employment market:
 - This will be assessed using an income standard (indexed annually).
The income standard does not apply to employees who carry out scientific research and physicians who are training to become a specialist.
- In the 24 months prior to the employee's 1st day of work, the employee lived more than 150 kilometres in a straight line from the Dutch border for longer than 16 months.
 - An exception to this condition applies to employees with a PhD: if an employee who has a PhD started work in the Netherlands within 1 year of being awarded the PhD, the employee can make use of the 30% facility if the employee:
 - lived in the Netherlands or within a radius of 150 km from the Dutch border during the PhD research
 - lived in the Netherlands or within a radius of 150 km from the Dutch border between obtaining the PhD and starting work in the Netherlands
 - lived more than 150 km from the Dutch border for longer than 16 months in the preceding 24 months prior to commencement of the PhD research.

Filing an application

An application can be filed if the conditions are met. To do so, the employee must contact the Human Resources (HR) Department of the relevant section within the organization. The Dutch Tax and Customs Administration will subsequently assess the application and issue a decision that will give permission to make use of the 30% facility.

The employee is and will remain personally responsible for providing all the required information in time and in the correct manner (also during the term of the decision). The consequence of providing the requested information to the Dutch Tax and Customs

Administration too late or incorrectly is that the 30% facility may possibly start at a later date. The UMCG accepts no responsibility for the resulting financial or other consequences. Any possible resulting financial disadvantage will not be reimbursed by the UMCG.

The HR Department will forward this decision to the employee.

Applying the 30% facility and consequences

The employee's taxable salary forms the basis for the calculation. If an employee makes use of the 30% facility, no tax needs to be paid on 30% of the taxable salary. This leaves 70% of the taxable salary subject to tax. This means that reducing the taxable salary results in financial gain for the employee.

Through reduction of the taxable salary the contributions for social security insurance, which are based on the taxable salary, will also be reduced. This has consequences for the amount of possible benefits payable based on the Unemployment Insurance Act (WW), the non-statutory unemployment arrangement (BWUMC) and the benefits in case of incapacity for work (Work and Income (Capacity for Work) Act (WIA) / general pension fund for public employees (ABP) / Incapacity Pension).

If the employee makes use of the 30% facility, it is not possible to participate, or continue to participate, in the tax arrangements regarding commuting allowance, the bicycle plan or other tax arrangements that are included in the personalized collective labour agreement (CAO à la Carte) since in that case the maximum scope for tax relief has already been used up.

When making use of the 30% facility, reimbursements can no longer be provided for double house rent or travel and accommodation expenses as a consequence of fiscal guidelines.

The 30% facility does not affect the employee's pension accrual; the employee continues to accrue pension based on 100% of the gross salary, including the free reimbursement (= full pension accrual). Please contact the HR Department if the employee is accruing pension in the country of origin at the same time so possible customized arrangements can be made.

Term of the decision and end date

The decision regarding the 30% facility is issued by the Dutch Tax and Customs Administration based on the information provided by the employee and has a maximum term of 8 years. The end date of the 30% facility is stated in the decision issued to the employee and is valid for as long as the employee meets the required conditions. If there are changes to the information on which basis the 30% facility was applied for and awarded (think for example of changes to the employee's position, reduction of income as a consequence of reducing the percentage of working hours or long-term unpaid leave, including parental leave), continuation of the 30% facility may be affected.

If the employee's salary falls below the indexed standard in a single year, the 30% facility will be terminated retrospectively to 1 January of that year. If the employee later once more meets the income standard, he/she may not make use of the 30% facility again.

If the employee resigns, the 30% facility ends in any case on the last day of the salary period after the period in which the final day of work falls.

For an employee who transfers to a new employer during the term of the decision, the 30% facility may continue under certain conditions. The new employer together with the employee then has to file a new application with the Dutch Tax and Customs Administration.

Employee seconded from the Netherlands to another country

The 30% facility may also apply to employees who are temporarily seconded to another country. Employees this applies to include:

- Employees who are seconded from the Netherlands to countries in Africa, Asia, Latin America and a number of Eastern European countries.
- Employees who are seconded from the Netherlands to carry out academic research or teach abroad.
- Civil servants who represent the Netherlands abroad.

The condition is that the employee spends at least 45 days in a 12-month period abroad. If the conditions mentioned have been met, no decision by the Dutch Tax and Customs Administration is required to be able to make use of the 30% facility for *seconded* employees.

More information regarding the 30% facility can be found on the Dutch Tax and Customs Administration website, see www.belastingdienst.nl.

No legal rights can be derived from the content of this information.

Sources:

- Dutch Tax and Customs Administration
- Salary Deductions Manual