

> Return address: Postbus 20201 2500 EE Den Haag

Directie Directe Belasting

Korte Voorhout 7
2511 CW Den Haag
Postbus 20201
2500 EE Den Haag
www.rijksoverheid.nl

Chairman of the House of Representatives of the Netherlands

Postbus 20018

2500 EA 's-Gravenhage

Our reference:
DB/2011/302U
Your letter (reference):
2011D31897
Enclosures

Date: 7 September 2011

Re: Improvement of the 30% ruling

Dear Chairman,

A proper 30% ruling is an important contribution to retaining an inviting and competitive settling climate in the Netherlands. During the meeting procedures of the standing committee on Finance of 15 June last, the 30% ruling was discussed because of recent reports in the media and the use of this ruling and the consequent attention given to it on a social level. The standing committee on Finance requested additional information on the effects of the ruling and the results of the following discussions, the latter in consultation with the business community. By means of this letter my aim is to inform you on the 30% ruling and the steps I am intending to take in order to improve its direction towards its target group.

The 30% ruling

Regarding income tax, compensations for costs made for living abroad (extraterritorial costs), which are provided as a supplement on ones wages, are exempt of taxes. Certain employees who are dispatched abroad or employees recruited from abroad are, if so requested, entitled to conditional fixed compensations for these extraterritorial costs. These costs are also known as the 30% ruling.¹ The employee and the withholding agent put in a request together for the 30% ruling with the tax inspector. Should the employee meet the requirements, then the 30% ruling will be awarded for a maximum of 10 years. This term is reduced should the employee have worked or stayed in the Netherlands in the past. The 30% ruling for employees recruited from abroad is aimed at professionals in specific fields which are scarce or not available at all in the Netherlands.

¹ Example: a taxpayer who qualifies for the 30% ruling and earns more than €70,000 annually, may receive a tax-free compensation over €30,000. The amount of €70,000 will be included in the levy.