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16 September 2025

Budget Day 2025: Rewards & Benefits changes for Dutch employers

On Budget Day, 16 September 2025, the Dutch Government submitted the 2026 Tax Package to the House of Representatives. Several legislative proposals included in the 2026 Tax Package concerning changes in the area of Rewards & Benefits may be relevant for employers and employees, such as the restriction of the tax-free reimbursement for extraterritorial costs, the structural continuation and increase of the RVU-exemption, the pseudo-final levy on fossil-fuel company cars made available to employees, and an increase in the taxable base of indirectly held lucrative interests.

In this article, we would like to inform you about several Rewards & Benefits related tax changes that will take effect as of 1 January 2026 or later.

1. Restriction of tax-free reimbursement for extraterritorial costs

Currently, employers may, under certain conditions, choose between the application of the Dutch expat ruling (previously called the ‘30%-ruling’) and reimbursement based on actual extraterritorial costs (ET Costs) for qualifying employees. ET Costs refer to specific additional expenses incurred by an employee as a result of working outside their country of origin.

The Dutch Government has announced that, as of 2026, certain expenses will no longer qualify for tax-free reimbursement or provision to employees covered under the ET Costs scheme. This concerns additional living expenses, such as gas, water, electricity, and other utilities, as well as additional private communication expenses with the home country. The Dutch Government considers it appropriate that the scheme applies exclusively to costs that are directly related to the employment relationship and that are not already reflected in the employee’s salary. Employers are advised to proactively assess the impact of these changes and to adjust their internal policies accordingly, taking into account potential labor law implications.

The Dutch expat ruling is a tax arrangement for foreign employees with specific expertise who relocate to the Netherlands for employment. Under this scheme, the employer may, subject to conditions, provide up to 30% of the employee's capped salary (up to the WNT threshold) tax-free. The 2026 Tax Package does not introduce additional restrictions to the Dutch expat ruling. However, the previously announced reduction in the tax-free allowance from 30% to 27% will take effect on 1 January 2027. Additionally, as previously announced, the income threshold for eligibility under the Dutch expat ruling will be increased.

2. Structural continuation and increase of the RVU-exemption

If an early retirement scheme (*Regeling Vervroegde Uittreding*, RVU) is in place, the employer (or withholding agent) is, in principle, liable for a pseudo-final levy. A scheme qualifies as an RVU if the payment effectively serves to bridge until the employee reaches the pension date.

RVU payments are currently subject to a pseudo-final levy of 52%. This levy will be incrementally increased starting in 2026: 57.7% in 2026, 64% in 2027, and will be capped at 65% from 2028 onward.

To avoid this pseudo-final levy, the RVU-exemption may be applied under certain conditions. This exemption stems from the 2019 Pension Agreement, which stipulates that RVU payments made between 1 January 2021 and 31 December 2025 are exempt from the pseudo-final levy under certain conditions. For the year 2025, the monthly exemption threshold amounts to €2,273 gross.

In the agreement "Gezond naar het Pensioen" dated 18 October 2024, it was agreed that the RVU-exemption will be structurally continued from 2026. The Ministry of Social Affairs and Employment and the social partners will monitor the scheme annually. In addition, evaluation moments will be established every three years to assess whether the scheme is developing in accordance with the agreements made. The first evaluation moment is scheduled for 2028.

Starting in 2026, the RVU-exemption threshold for early retirement schemes will be increased by €300 gross per month. The exemption will be indexed annually and is linked to the development of the minimum wage.

3. Fossil-fuel company cars made available to employees

The Dutch Government has expressed its intention to ensure that, as of 1 January 2027, all passenger and commercial vehicles made available by employers to employees for private use are fully emission-free. To achieve this objective, a tax measure will be introduced for the corporate leasing market.

This measure will take the form of a pseudo-final levy for Dutch wage tax purposes. If, from 2027 onwards, an employer makes a fossil-fuel company car (petrol, diesel, or hybrid) available to an employee for private use, the employer will be liable for an additional levy of 12% on the taxable benefit base. In general, this base corresponds to the catalogue value of the vehicle made available. Any employee contribution will not be taken into account; the levy will be calculated on the full taxable benefit amount.

The pseudo-final levy must be remitted by the employer. Self-employed individuals (such as sole proprietorships, *eenmanszaak*) will in principle fall outside the scope of this regulation. Vehicles used exclusively for business purposes are not subject to the pseudo-final levy.

For passenger vehicles made available to employees before 1 January 2027, a transitional arrangement will apply until 17 September 2030. The 12% pseudo-final levy on the taxable benefit for private use will apply only to fossil-fuel company cars first made available to an employee after 1 January 2027. If the vehicle falls under the transitional arrangement, the regulation will continue to apply even if the vehicle is made available to a different employee after 1 January 2027.

4. Increase Box 2 taxation indirectly held lucrative interest

Certain types of management investment plans, such as sweet equity and carried interest, may qualify as lucrative interest. A lucrative interest is considered granted with the intention to also form a remuneration for services rendered by that individual (e.g., employment or management services). To qualify as a lucrative interest, the interest should in general offer potentially a disproportionally high return.

As a principal rule, proceeds derived from a lucrative interest are taxed in Box 1 (progressive income tax rates up to 49.5%). However, under certain conditions, it is possible to elect for taxation in Box 2 (not considering the above amendments, a main rate of 31%, with a reduced rate of 24.5% for the first € 67,804 in income). Income derived from a lucrative interest can only be subject to the more beneficial Box 2 taxation if the following three cumulative conditions have been met: (a) the lucrative interest is held through an intermediate holding company; (b) the taxpayer holds a substantial interest (in short, 5% or more in (a class of) the shares) in the intermediate company; and (c) at least 95% of the net lucrative interest proceeds are distributed by the intermediate company to the individual within the same calendar year.

On 2 September 2025 – prior to Dutch Budget Day 2025 – an (amended) motion was submitted in the House of Representatives proposing an increase of the Box 2 rate for indirectly held lucrative interests. The proposed increase entails that the income for Box 2 purposes should be grossed up. As a result, the ‘lower’ Box 2 rate for lucrative interests will be increased to 28.45% (from 24.5%), and the ‘higher’ Box 2 rate to 36% (from 31%). These proposed changes were also included in the tax plans for 2026 and are expected to enter into force as of 1 January 2026.

It should be noted that Box 2 taxation only applies to the return on investment. Any underpayment of the ‘fair value’ upon granting the lucrative interest may already be taxed as employment/services remuneration in kind (taxable in Box 1).

5. Other tax changes in the area of Rewards & Benefits

Changes in tax rates

- As of 2026, the wage and income tax rates will be adjusted. The rate in the first bracket will be reduced by 0.12%, whilst the rate in the second bracket will be increased by 0.08%. No changes will be made to the rate in the third bracket.
- The range of both the first and second bracket will be extended, although not fully adjusted for inflation.
- The Dutch Government proposes to increase the employment tax credit.

Clarification of taxable benefit rules for bicycles made available to employees

When an employer makes a bicycle available to an employee for both work and private use, a benefit-in-kind (*bijtelling*) of 7% of the value of the bicycle currently applies. The Dutch Government intends to clarify the rules for (leased) bicycles with retroactive effect from 1 January 2020. The proposed amendment provides that the taxable benefit will be set to nil if the bicycle is stored at or near the employee’s place of residence or only incidentally (i.e. no more than 10% of the time). This includes, for example, so-called shared bicycles. In such circumstances, the extent of private use is deemed sufficiently limited so as not to give rise to any wage or income tax liability.

The proposals mentioned in this article are to be discussed and adopted by the Dutch Parliament, and therefore are subject to changes before enacted into law.