KPMG Meijburg & Co Tax & Legal

Budget Day 2025: changes for payroll taxes

On Budget Day, 16 September 2025, the caretaker government (hereinafter: government) submitted the 2026 Tax Plan package to the Lower House of Parliament. In this memorandum, we address the most important proposed changes for payroll taxes from the 2026 Tax Plan, the 2026 Other Tax Measures Bill, the 2026 Tax Miscellaneous Provisions Act and the consultation version of the 2027 Tax Miscellaneous Provisions Act. The proposals have an intended effective date of 1 January 2026, unless a different date is explicitly stated in the memorandum.

1. Announced tax changes in the 2026 Tax Plan

The 2026 Tax Plan proposes various adjustments in the area of payroll taxes. If adopted, the regulations will be as follows.

Tax rates[1]

The rates for employees who will not reach the state pension age in 2026 (in 2026: 67 years) will be as follows:

Taxable salary of more than	But not more than	Tax rate	National insurance contributions	Combined rate
-	€ 38,883	8,05%	27,65%	35,70%
€ 38,883	€ 79.137	37,56%	-	37,56%
€ 79.137	-	49,50%	-	49,50%

The general tax credit

The general tax credit will be increased from € 3,068 to € 3,115. The amount of the general tax credit depends on the aggregate income, which is the income of boxes 1, 2 and 3 together. The maximum tax credit is reached with an income of € 29,736.[2] For income above that amount, the general tax credit will be reduced by 6.306% to zero.

The labor tax credit

The maximum employed person's tax credit will increase from € 5,599 to € 5,712 as of 1 January 2026. The amount of the labor tax credit depends on the income from current employment. Up to an employment income of € 45,593[3] , the employed person's tax credit increases. Above that, the labor tax credit will be reduced by 6.51% to zero.

[1] The rates and amounts mentioned are subject to the adoption of the Reduced VAT Rate on Culture, Media and Sport Act and the 2026 Tax Plan. The amounts are indexed by a factor of 1.015312. If the aforementioned bill is not adopted, a factor of 1.029 will apply.
[2] Provisional amount: the phasing out point of the general tax credit is linked to the statutory minimum wage and is only final after the statutory minimum wage has been determined in November 2025.
[3] Provisional amount: the phasing out point of the employed person's tax credit is linked to the statutory minimum wage and is only final after the statutory minimum wage has been determined in November 2025.

Maximum income assessable for social security for the purposes of employee insurance schemes to be increased

A maximum income assessable for social security purposes applies to employer contributions to employee insurance schemes. This means that contributions for employee insurance schemes are no longer payable on income above that maximum. For 2025, this maximum was € 75,864 per year. For 2026, it has been proposed to increase this maximum to € 79,412. In addition, the premium percentages for the various employee insurance schemes will change slightly (both upwards and downwards).

The income-related contributions for health insurance under the Health Insurance Act

The income-related contributions for health insurance under the Health Insurance Act payable by the employer will be reduced from 6.51% to 6.07% with effect from 1 January 2026. For the Health Insurance Act, this means a reduction in the burden of around € 120 per employee who earns more than the maximum premium wage.

Changes to the 'ETK' scheme and expat scheme

The Dutch expat scheme (the so-called 30% ruling) allows employers to provide an employee with a tax-free allowance of 30% of the salary for a maximum of five years. This allowance is intended to cover the additional costs incurred by these workers for their stay outside their country of origin. This requires a decision from the Dutch tax authorities. Employers can choose annually between applying the 30% ruling or reimbursing actual extraterritorial costs ("ET costs") tax-free.

Changes

For incoming employees, the actual ET costs to be reimbursed or provided tax-free will be reduced. Additional living costs (such as gas, water, electricity and utilities) and expenses for call costs for private purposes with the home country can no longer be reimbursed or provided tax-free from 1 January 2026.

Previously adopted change: 27% ruling

As of 1 January 2027, a lump sum of 27% will apply. For the years 2025 and 2026, a percentage of 30% will remain in force. The lump sum of 27% will apply to both incoming and seconded employees. Posted workers are defined as a specific group of workers who are sent abroad by a withholding agent, such as diplomatic personnel, military personnel and employees who work in a particular region or country.

Previously adopted change: increase of the salary standard

The salary standard (after application of the expat scheme) will be increased annually from 2027 onwards in addition to the annual indexation based on the price level.

Previously adopted change: end of transitional law for partial foreign taxpayer status

Taxpayers who were eligible for the 30% ruling could opt for the so-called partial foreign taxpayer status up to and including 2024. This meant that they were treated as foreign taxpayers for box 2 (income from a substantial interest) and box 3 (savings and investments) for the duration of the 30% ruling. In practice, this meant that they did not owe tax in the Netherlands on foreign income in these boxes.

The option to opt for the partial foreign taxpayer status has been abolished as of 1 January 2025. Transitional rules apply to employees whose 30% ruling was applied in the payroll administration by December 2023 at the latest on the basis of a decision. They can still apply the partial foreign tax liability in 2025 and 2026. As of 1 January 2027, this transitional law will expire and the choice for partial foreign tax liability can no longer be made in the income tax return.

Transitional law

Schematically, the transitional law is as follows:[4]

Application of the 30% ruling	2025 and 2026	2027 and beyond
No later than 31.12.2023	30% and current salary norm	30% and current salary norm
In 2024	30% and current salary norm	27% and current salary standard
From 01-01-2025	30% and current salary norm	27% and new salary standard

Pseudo-final levy on private use of fossil cars

The government wants to accelerate the growth of the number of electric cars by setting standards for the business lease market from 2027. The government is therefore introducing a tax measure that encourages employers to only make fully emission-free (electric) cars available to employees for private use.

Change
From 1 January 2027, a pseudo-final levy of 12% will apply on the list price of fossil passenger cars made available by employers to employees for private purposes, among other things. For passenger cars up to and including 25 years old, the list price is taken as the basis and for passenger cars older than 25 years, the market value is taken into account.

This applies to all vehicles with CO2 emissions higher than 0 grams per kilometre (i.e. not fully electric), which fall under vehicle classification M1 (passenger cars, including, for example, motorhomes).

A pseudo-final levy is a levy on the employer that cannot be recovered from the employee. The employer retains freedom of choice, but making a fossil car available leads to considerable additional financial burdens for the employer.

The pseudo-final levy does not apply to delivery vans, trucks, motorcycles and tractors. The final levy also does not apply to vehicles that are used exclusively for business purposes and where private use is excluded and demonstrably controlled. If a fossil passenger car made available is nevertheless used for a single private kilometer, the

[4] The current salary standard refers to the salary standard including annual indexation. The new salary standard refers to the salary standard including annual indexation and additional increase from 2027.

direct application of the pseudo-final levy would lead to a disproportionate result. Therefore, in these situations, the pseudo-final levy does not have to be applied immediately. It is up to the employer to make it plausible that there was force majeure or special circumstances.

Private use

In contrast to the regular rules for the taxable benefit in kind for the private use (in Dutch: 'bijtelling') of the company car, commuting qualifies as private use for this scheme. This means that the pseudo-final levy of 12% may apply despite the fact that there is no addition to the employee on the basis of a Declaration of no private use as received from the Dutch tax authorities.

In most cases, it is immediately clear when commuting is involved. However, this may be different in certain professions. This concerns, for example, employees with on-call services (such as on-call or on-call duty). In such cases, the use of the car to drive to or from home before or after a call is not considered private use, but as necessary for business operations. In that case, the pseudo-final levy does not apply.

Transitional law

The pseudo-final levy will apply from 1 January 2027 to all fossil passenger cars that are made available for private use by the employer for the first time from that date. For contracts existing on 31 December 2026, a transition period will apply until 17 September 2030. If, for example, a new lease contract is concluded this year, the pseudo-final levy will not yet apply in 2027. From 17 September 2030, the pseudo-final levy will apply to all fossil passenger cars that are made available for private purposes (including commuting).

Time of payment

In order to limit the administrative burden, the pseudo-final levy does not have to be paid monthly. Employers can choose to pay the levy only after the end of the calendar year, at the latest when filing the wage tax return for the second wage tax period of the following year. In the case of a one-month tax return period, this means that the pseudo-final levy for 2027 must be paid at the latest with the February 2028 tax return, with a payment deadline of 31 March 2028. In addition, it is possible to pay the levy during the calendar year on the basis of an estimate, after which a final settlement takes place at the end of the year.

The pseudo-final levy is calculated per calendar month. If a fossil passenger car is only made available for part of the calendar year, the tax is only due for those months. As soon as the car is partially available for private use in a month, the charge applies for the entire month.

No taxable benefit in kind for the private use (in Dutch: 'bijtelling') for bicycles used exclusively for commuting

For a bicycle that is made available to an employee by the employer and that is also used privately, a taxable benefit in kind via the payroll of 7% currently applies. A bicycle used for commuting is considered to have been made available for private purposes. This leads to unintended consequences for bicycles that are only used for the journey between home and work, but are usually not taken home, such as so-called hub bicycles, public transport bicycles and other shared bicycles. This creates an obligation for these bicycles to apply the taxable benefit in kind for the private use while in fact there is hardly any private use.

Change

For bicycles that are not parked or only incidentally (no more than 10%) at the employee's home or residence address and over which the employee has the power of disposal, an addition of nil can be applied. This also applies to entrepreneurs for income tax purposes (self-employed) who use a company bicycle that is not parked more than incidentally at the home or residence address. The adjustment applies retroactively to 1 January 2020.

Execution

In most cases, it will be clear whether a bicycle qualifies for the nil addition. Employer and employee can make agreements about this, for example by including in the terms of employment that the bicycle may not be parked at home, or by applying a key policy whereby the bicycle key must be returned at the end of the working day. With hub bikes, it is usually easy to prove that the bike is not going home.

RVU threshold exemption structurally extended and increased

Currently, there is the possibility of early retirement without the employer having to pay a pseudo-final levy of 52% due to an Early Retirement Scheme ("RVU"). This concerns, for example, a monthly payment up to the state pension age or a one-off bridging payment. Since 2021, there has been a threshold exemption: up to a fixed amount, an employer can make a payment without the pseudo-final levy being due. In 2025, this threshold amount will be € 2,273 per month. Up to this amount, an exempt benefit can therefore be provided. Above this amount the pseudo-final levy of 52% applies. The exemption was originally temporary, until 31 December 2025.

Changes

The threshold exemption will be extended and will be increased by € 300 from 2026. The amount of the threshold exemption will be evaluated every three years, for the first time in 2028.

Based on the bill, the threshold exemption is a generic facility, but the *Healthy to Retirement Agreement* from October 2024 shows that the scheme is aimed at employees with heavy work who cannot reach the state pension age while working healthily. The social partners must define the RVU.

The pseudo-final levy for RVU benefits above the threshold exemption will be gradually increased from 2026 to 57.7% in 2026, 64% in 2027 and 65% from 2028.

Removing tax bottlenecks in pension conversion

As of 1 July 2023, the Future Pensions Act ("Wtp") will come into force. Pension funds, trade unions and employers have until 1 January 2028 to adapt their pension scheme to the new legislation. This means, among other things, that a pension scheme must be converted into a defined contribution scheme.

With the introduction of the Wtp, existing pension entitlements and pension rights will be converted (in Dutch: 'invaren') to the new pension system. This process raises tax questions, because the transition from the old to the new system may have consequences for the tax treatment of pension rights.

There were tax bottlenecks around the conversion. For example, it was not always clear whether converting old pension entitlements to the new system would lead to direct taxation, or whether there were other tax consequences for participants and pension funds. This uncertainty made it difficult for the entry to proceed smoothly.

Previously published decision of 14 April 2025 (published on 23 April 2025)

With the decision of 14 April 2025, the Deputy Minister of Finance has removed the most important tax bottlenecks in the conversion of pensions. This means that pension funds and insurers can carry out the conversion without this leading to direct tax levying or other undesirable tax consequences for participants. For example, the conversion of pension entitlements to the new system will be treated in a tax-neutral manner. Also, no revision interest will be applied at the time of conversion.

More specifically, the decision gives three approvals:

1. Pre-pension commenced: this may be paid as a variable benefit after conversion.
2. Bridging pension that has commenced: this may be retained after conversion and does not have to be converted into a lifelong retirement pension.
3. Orphan's pension accrued and commenced: the maximum final age for the benefit remains 30 years.

With this decision, the tax bottlenecks in the conversion of pensions were removed and the approvals had retroactive effect to 1 January 2025. The proposed amendment to the law – also with retroactive effect to 1 January 2025 – is a codification of the decree. The decision will expire on 1 January 2026.

In addition to the decree, the bill provides that premium compensation may still be applied to surviving dependants' bridging pension that has commenced. This measure also has retroactive effect to 1 January 2025.

2. Miscellaneous as of 2026 – announced tax changes that are not part of the 2026 Tax Plan

Clarification of Assessment of Employment Relationships and Legal Presumption Act ('Wet verduidelijking beoordeling arbeidsrelaties en rechtsvermoeden', "VBAR") with effect from 1 July 2026

The intended date of entry into force of the Assessment of Employment Relationships and Legal Suspicion Act ("VBAR") is 1 July 2026. The VBAR is aimed at combating false self-employment in the labor market. It provides an assessment framework based on case law on the assessment of employment relationships, so that workers and employers have more clarity about their legal position.

What will change with the VBAR?

1. Assessment framework for employment

When assessing whether there is an 'employment relationship', it must be carefully considered which of the following situations prevails:
- work-related or organizational management (W): indicates employee hood;
- working for own account and risk (Z): indicates independence.

The assessment starts with an assessment against the main element W. If there are indications of work-related or organizational management, the main element Z is then also examined, to determine whether there are elements that indicate working for one's own account and risk. The final assessment depends on where the center of gravity in the employment relationship lies between the elements of employment and self-employment. The above criteria are weighted by means of a number of indicators, which are also apparent from the bill. Some examples of this are 'the activities have a structural character' (W) and 'financial risks and results lie with the worker' (Z). On 12 September 2025, the Decree on the Clarification of Assessment of Employment Relationships (VBAR Decree) was submitted for internet consultation. This decree gives further substance to the main elements W and Z.

2. Legal presumption in the event of a low hourly rate

A rebuttable legal presumption is also introduced for workers who earn less than € 36 per hour. An employment contract does not therefore automatically arise, but the worker can invoke the legal presumption of employment contract in the event of a rate below the standard and claim an employment contract more easily.

What are the consequences for practice?

Since 1 January 2025, the Dutch tax authorities have again enforced false self-employment. The VBAR Act (intended to enter into force on 1 July 2026) will enter into force without a transition period. This means that the new criteria and the legal presumption will apply directly to all employment relationships from that date. For the time being, it is unclear whether and how the Dutch tax authorities will take the upcoming changes into account in the period up to 1 July 2026.

In addition to the VBAR, there is also the initiative proposal for the Self-Employed Act, which aims to clarify the position of the self-employed in a different way. This proposal has gone through the internet consultation phase and it now remains to be seen whether, and if so, with what changes this bill will be submitted to the Lower House of Parliament.

End of tax benefit for electric lease cars

As of 1 January 2026, the addition to taxable income for company electric cars will be set at 22%, the same percentage that applies to petrol and diesel cars. The addition is calculated as a percentage of the list price of the car and added to the employee's salary. In 2025, a reduced percentage of 17% will still apply for the part of the list price up to € 30,000 and 22% for the excess. From 2026, this reduced rate will disappear and the full list price of electric cars will fall under the general addition percentage of 22%.

Transitional law

For electric cars registered for the first time before 1 January 2026, the reduced addition percentage applicable in that year will remain in force for a maximum of five years. This period starts on the first day of the month following the date of first admission of the car. At the end of the five years, the addition percentage that applies in the law at that time is automatically applied.

3. Miscellaneous as of 2027 – announced tax changes that are not part of the 2026 Tax Plan

Tax-free budget under the WCR rises to 2.16% in the first bracket

The work-related costs scheme ("WCR") gives employers the opportunity to give certain allowances and benefits, such as Christmas hampers and gift vouchers, to employees tax-free. This can be done within the so-called tax-free budget, which is calculated on the total taxable wage bill of the organization.

The tax-free budget in the first bracket (up to € 400,000 wage bill) has been gradually increased in recent years. As of 2025, the percentage rose from 1.92% to 2%. A new increase to 2.16% will follow with effect from 1 January 2027. For wages above the limit of € 400,000, the lower percentage of 1.18% will continue to apply.

This increase gives employers extra room to provide tax-free allowances and provisions, without a final levy of 80% being due.

Obligation to report opting-in changes to retention obligation

The opting-in arrangement makes it possible to regard a working relationship that is not normally subject to wage tax as a (fictitious) employment relationship for wage tax purposes. As soon as opting-in is chosen, the regular wage tax rules apply.

To use opting-in, employer and employee must currently submit a joint statement to the Dutch tax authorities before the work starts. Only after confirmation can the scheme actually be applied. This reporting obligation entails additional administrative steps, both for employers and for the Dutch tax authorities.

Change

It is proposed to change the obligation to report opting-in to the Dutch tax authoritiesinto a retention obligation. The joint statement no longer has to be sent to the Dutch tax authorities, but must be kept in the payroll administration. In principle, the method of recording is free of form, although subordinate legislation will determine the minimum data required. The Dutch tax authorities make a model available for this. This proposal is part of the draft version of the Tax Miscellaneous Provisions Act 2027 bill that has been submitted for internet consultation and the amendment should therefore enter into force on 1 January 2027.

Adjustment of the R&D remittance reduction ("WBSO")

The WBSO (Research and Development Promotion Act) is a wage tax subsidy to stimulate innovation. Companies that are engaged in research and development ("R&D") can, under certain conditions, deduct part of the costs incurred for technically innovative work from the payroll taxes to be paid. The Netherlands Enterprise Agency must approve the WBSO application and issue the R&D statement.

If a company has already performed R&D activities in previous years, the R&D hourly wage is based on the average wage from that reference year. However, if a company does not yet have a reference year (for example, because it receives an R&D statement for the first time), a fixed hourly wage applies. This lump sum has been fixed at € 29 per hour since 2008. For some time now, it has been indicated from practice that this amount is no longer a realistic reflection of the actual wage costs.

Change

As part of the consultation version of the Tax Miscellaneous Provisions Act 2027, it is proposed to increase the fixed hourly wage to € 33 per hour as of 1 January 2027. This is more in line with the current wage costs and prevents new users of the scheme from being disadvantaged. For companies that make use of the R&D scheme for the first time, this means a higher deduction from the start.

Abolishment of first-day reporting

Between 1 July 2006 and 31 December 2008, all employers were obliged to register new employees with the Dutch tax authorities no later than the day before the first working day. This was known as the first-day report ("EDM").

As of 1 January 2009, only companies that had been designated by the inspector were obliged to do so.

Change

Because the EDM is no longer or hardly applied in practice, the statutory regulation for the EDM will expire on 1 January 2027 on the basis of the proposals in the consultation version of the Tax Miscellaneous Provisions Act 2027.

Instead of EDM, the so-called six-month fiction has become a more important instrument. If the Dutch tax authorities find that an employee is not included in the payroll administration, it is assumed that this employee has been employed for at least six months. This supervisory instrument will continue to exist.

4. Other

Tackling rogue temporary employment structures

With the Admission of Workers Act ("Wtta"), the government wants to combat mala fide practices at employment agencies and other lenders. The Wtta amends the Placement of Workers by Intermediaries Act ("Waadi"). The Lower House of Parliament adopted the bill in April 2025; the Upper House of Parliament still has to agree. The amendment to the law is expected to enter into force on 1 January 2027.

As a result, as of 1 January 2028, it is prohibited to make workers available in the Netherlands without so-called authorization in a public register. Admission to this register requires an inspection report showing that the company meets the legal standards.[5] From 2028, the hirer will be obliged to check whether his lender is registered. The admission requirement applies broadly and includes not only temporary employment agencies, but also companies that make workers available as an ancillary activity. There are some exceptions, including for the provision of workers within a related group.[6]

Admission to the public register is granted for four years and must be applied for again as long as the company provides workers. The provisional authorization for starting lenders is valid for six months.

The Dutch Labour Inspectorate monitors compliance with the obligations under the Wtta and can impose fines on both hirers and lenders in the event of violations.

Tightening of recipients' liability (temporary employment sector)

On the basis of recipients' liability under the Recovery Act 1990, the hirer can be held liable for the unpaid wage tax, social security contributions and VAT by the hirer. This also applies to the taxes and contributions that the on-lending company owes when a worker is made available. Hirers can limit their liability risk under certain conditions by depositing part of the amount due into a blocked account ("G-account").

The government wants to simplify the process of liability in two respects and further promote the use of the G-account. This has been included in the Tax Miscellaneous Provisions Act 2026, the vote of which has been postponed.

Intended adjustments as of 1 January 2027

The simplification of the recipients' liability means that the Dutch tax authorities no longer have to conduct a detailed investigation into the extent of the liability debt. Instead, a legal presumption is introduced whereby the tax and social security contributions debt is set at 35% of the invoice sum. The Dutch tax authorities can hold

[5] On the basis of transitional law, admission can be applied for once with the SNA quality mark instead of an inspection report

[6] Art. 24a and 24b of Book 2 of the Civil Code.

the hirer liable for this part of the invoice sum, unless this amount has been deposited into the g-account of the lender or on-lender. If less than 35% of the invoice amount has been paid, the hirer can be held liable for the difference.

In addition, a second presumption is introduced: a company that is registered in the public register (Waadi-check) is presumed to be a lender according to the rules of tax hirer's liability.

Pay Transparency Directive: equal pay for men and women

With the legislative proposal for the Implementation of the Pay Transparency Directive for Men and Women, the Netherlands is working on the national implementation of the European Directive. This bill must enter into force by 7 June 2026 at the latest. Employers will then have to deal with new obligations aimed at reducing the gender pay gap and promoting equal pay.

Key points of the bill

The bill gives employees the right to request information about their own wages and about the average wage, broken down by gender, of colleagues in similar positions. Employers are obliged to inform employees of this right annually and must also make their remuneration criteria and career opportunities transparent, objective and gender-neutral. Also, contracts or internal arrangements may no longer contain confidentiality clauses about salary. For applicants, information must be provided in advance about the amount or bandwidth of the salary, while questions about the salary history are no longer allowed. In addition, employers with more than a hundred employees will be obliged to report on wage differences. If an inexplicable difference of 5% or more emerges, a plan of action must be drawn up together with employee representatives.

In the event of non-compliance, full compensation can be claimed, including back wages, bonuses and immaterial damages. The burden of proof lies with the employer. This means that employers must be able to demonstrate that there is no wage inequality or discrimination. In practice, this means that organizations must put their payroll administration, HR processes and reports in order in a timely manner and set up their remuneration policy in a transparent and defensible way.

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The information contained in this memorandum is of a general nature and does not address the specific circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.