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Tax & Legal

# Flexible employment conditions and tax benefits

## Is your company fully compliant with the Dutch work-related costs scheme (WKR)?

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**The labor market is more competitive than ever, making it increasingly challenging for employers to fill job vacancies quickly. Retaining top talent has become a key priority on the HR agenda. In today's dynamic environment, employers are expected to demonstrate a high level of creativity and adaptability.**

**At the same time, the expectations of employees are rapidly changing. They now demand more from their work environment, placing a strong emphasis on flexibility, transparency and their employer's commitment to sustainability.**

## The wishes of the modern employee: a personal approach, flexibility and meaningful work

Today's employees highly value autonomy, opportunities for personal development and a healthy work-life balance. While job security was once the top priority, the emphasis has now shifted toward purpose, flexibility and freedom of choice.

Employees want to shape their work in a way that suits their ambitions, lifestyle and personal situation. For example, working from home, a stronger focus on vitality and well-being, and being able to have a societal impact.

To remain attractive as an employer and to find and retain employees, it’s essential to offer employment conditions that reflect the changing needs of today’s workforce. As a result, an increasing number of organizations are adopting flexible benefits packages to meet these expectations.

Flexible employment conditions give employees the autonomy to select the employment conditions that best align with their personal situation and stage of life. Rather than receiving a standard package, employees are typically provided with an annual budget – such as an individual choice budget (in Dutch: IKB), a personal choice budget (in Dutch: PKB) or a cafeteria scheme – which they can allocate at their own discretion.

Rewarding in this way not only increases the satisfaction and involvement of employees but also strengthens the employer brand.

## Flexible reward policy

Compiling an attractive and relevant package of employment conditions requires customization. Beyond salary, there are numerous options to reward and support employees. For example:

- education and training;
- additional vacation days;
- leave for volunteering;
- (flex) company car;
- gym memberships;
- health and wellbeing workshops;
- financial health coaching;
- ‘green’ employment conditions such as:
  - bike plan/bike from the company;
  - helping make an employee’s house and surroundings sustainable;
  - working from home allowance.

In compiling a reward package, HR should not only identify which employment conditions enhance the organization's appeal as a modern employer, but also consider the tax implications of flexible employment conditions and the correct application of the work-related costs rules (in Dutch: WKR).

Which cost-neutral options are there for employers to reward flexibly and what key tax considerations should be kept in mind? In the following sections, we will address these questions in detail, so that HR can confidently start designing a modern and tax-efficient package of employment conditions.

# Tax rules and key considerations for flexible employment conditions

Flexible reward packages offer significant opportunities, but also require careful attention to tax implications. By looking carefully at the tax consequences beforehand, employers can design the best package and achieve the maximum benefit for themselves and their employees. By making judicious use of the WKR and arrangements such as the individual choice budget or the cafeteria scheme, an attractive package of employment conditions can be compiled without necessarily increasing payroll costs.

## A closer look at the WKR

The core principle of the WKR is that all reimbursements, provisions, and benefits provided by employers to employees—and thus received by employees in connection with their employment—are considered taxable wages. This means that, in principle, a staff party or Christmas gift also constitutes taxable salary for the employee.

Reimbursements and provisions can, if customary, be paid out to employees untaxed by designating them as part of the final levy and including them in the WKR discretionary margin.

In 2025 the discretionary margin is as follows:

- Over the first € 400,000 of the payroll for tax purposes, 2% may be paid untaxed.
- A percentage of 1.18% applies to the excess.

If the WKR discretionary margin is exceeded, then the employer will have to pay a final levy of 80% on the excess.

### Standard practice criterion/efficiency margin

Reimbursements and provisions may only be included in the WKR discretionary margin if these are 'customary' (i.e., the standard practice criterion must be complied with).

The Dutch tax authorities use an efficiency margin for this of € 2,400 per employee per year. If this amount is exceeded, the Dutch tax authorities may ask questions about this or doubt the customary nature of the reimbursements and provisions.

Exceeding the amount of € 2,400 does not automatically mean that the designation as part of the final levy is 'not customary'. For example, in practice we see that providing all the employees with a bike valued at € 2,500 is considered customary.

By carefully determining which reimbursements and provisions are designated as part of the final levy and taking account of the scope of the discretionary margin, employers can offer their employees extras while at the same time limiting the tax risks.

### Untaxed reimbursements and provisions

Certain costs may be reimbursed tax-free without having to include them in the WKR discretionary margin. Examples are the travel allowance of € 0.23 per kilometer for commuting and business travel, or the reimbursement of courses that are relevant for work.

**Did you know?**

Employers are obliged to keep accurate WKR accounts and records!

## Customized employment conditions: how do the IKB, PKB and cafeteria scheme work?

### Personal or individual choice budget

A personal or individual choice budget means that, in addition to their ordinary salary, employees receive an additional gross budget to spend at their discretion, for example to purchase additional vacation days or for pension.

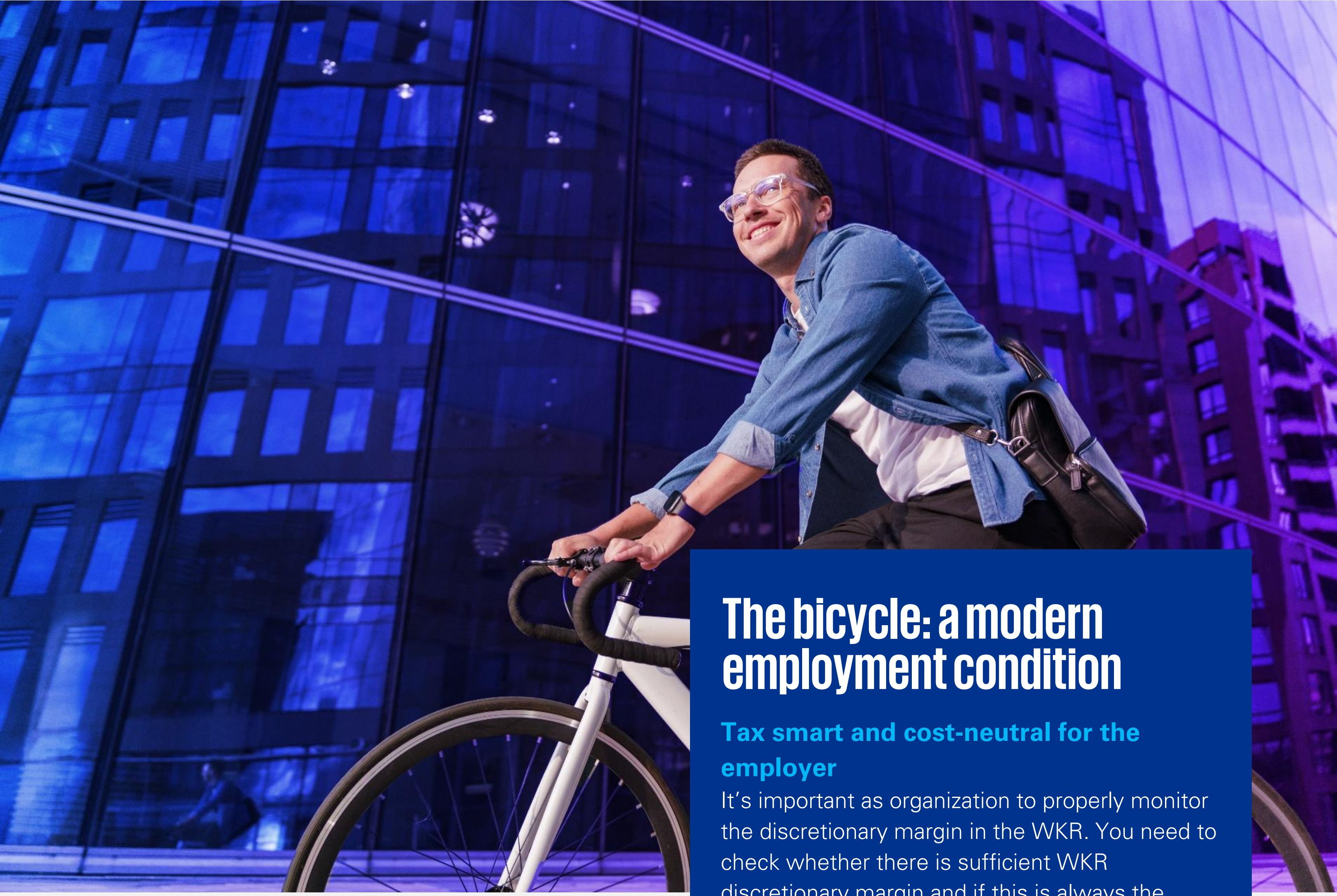
### Cafeteria scheme

A cafeteria scheme allows employees to exchange part of their taxable salary, such as ordinary salary, holiday allowance or a bonus, for untaxed reimbursements and provisions, such as a bike, additional vacation days or a training program/course. This can be done by using the WKR discretionary margin or, where possible, applying a specific exemption.

The cafeteria scheme not only leads to a tax benefit for the employee, but also to customized employment conditions that thus better align with the personal preferences of the employee.

A cafeteria scheme also offers benefits to employers. Employer expenses, such as contributions to employee insurance schemes and the employer levy under the Health Insurance Act, may be lower. However, these savings only apply if the salary does not exceed the maximum income assessable for social security purposes and for healthcare insurance purposes. Additionally, a gross amount that is higher than the value of the provisions being offered may be used for the purposes of the exchange so that the arrangement is more ‘cost-neutral’ for the employer.

**Please note:** Exchange via the cafeteria scheme may have consequences for the accrual of pension, the accrual of vacation allowance, the 13th month salary, and UWV benefit payments and allowances. Employers are obliged to point this out to employees and ensure it is mentioned in a cafeteria scheme. Employees must provide the employer with their written consent to participate in the scheme and do so on time.



# The bicycle: a modern employment condition

### Tax smart and cost-neutral for the employer

It's important as organization to properly monitor the discretionary margin in the WKR. You need to check whether there is sufficient WKR discretionary margin and if this is always the case.

Depending on the WKR discretionary margin, it is possible to implement a cafeteria scheme, IKB or PKB. Is discretionary margin available, then an attractive option is, for example, to have employees buy a bike via their gross salary. By means of a cafeteria scheme this can be done on a cost-neutral basis for the employer.

If there is no (or insufficient) WKR discretionary margin available, then you still have options. For example, an employer can offer a lease bike via a cafeteria scheme, also on a cost-neutral basis, without this being deducted from the WKR.

In this way an employer not only contributes to the health of their employees, but also to a satisfied workforce.

Moreover, practice shows that the government is increasingly focused on sustainable mobility, such as bikes and electric cars. It's therefore worthwhile to agree policy on this and anticipate these developments on time.

Want to know more about the opportunities to provide a bike in a way that is advantageous for tax purposes or to implement a bike plan via a cafeteria scheme? Our specialists are ready to help you.

# Ready to automate your flexible employment conditions package?

KPMG's Flex Reward Tool offers a clearly organized and user-friendly platform for remunerating flexible employment conditions; a win-win situation for both employers and employees. The tool helps make implementing and managing flexible employment conditions easy and employees can compile their reward package themselves and see what the tax implications are. The tool significantly reduces the administrative burden on HR and ensures maximum transparency and involvement.

## Did you know?

Starting in 2027, employers may be subject to a 12% penalty tax on the catalogue value of non-emission-free company cars that are also used privately. Review your policies now to ensure compliance and stay ahead of these upcoming changes!

# More information

Would you like to learn more about flexible rewards and their tax implications? Or do you need help applying the WKR? Please contact our Reward Tax team. They are ready to help you find the best solutions.



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