KPMG Meijburg & Co
Tax & Legal

BE SMART WITH REWARDS

Efficient, manageable and tax-smart: time for a fixed expense allowance policy

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For many organizations it’s a must: remaining attractive for talent. There’s different ways to do this, but a modern rewards policy plays a major role in this. Nowadays, employees not only expect a good salary, but also modern en flexible rewards. Expense allowances contribute to satisfied and committed employees and they don’t require much in the way of administrative paperwork to ensure they fit perfectly in a future-oriented rewards policy.

Worry-free rewarding: this is how you do it!

Do you offer your employees an untaxed fixed expense allowance? Are you sure the allowance still complies with current rules? Or are you considering switching to a fixed expense allowance in order to simplify the administrative burden? Discover how you can accommodate your employees’ wishes in an easy and compliant way.

The untaxed fixed expense allowance

The introduction of the work-related costs rules means that employers can provide certain reimbursements and provisions to their employees without this being subject to tax. For example, a monthly fixed untaxed expense allowance. Such an allowance is intended for expenses that an employer has designated as being specifically exempt under the work-related costs rules or for out-of-pocket expenses. For example, lunch when traveling for business, car wash expenses for the company car, external representation expenses, or home office expenses.

The advantage of a fixed expense allowance is that employees no longer have to file expense claims for each separate expense. Instead, they receive a fixed monthly amount to cover those expenses. However, it is important to regularly check whether the allowance is still at the right amount to cover the expenses. This is because it is becoming more common for the Dutch tax authorities to audit fixed expense allowances. It often emerges from these audits that the underlying expense survey is (extremely) outdated and the Dutch tax authorities will require a new, updated survey to be carried out.

This means that employees will have to re-substantiate their expenses if they want to continue receiving the fixed expense allowance untaxed.

Why an expense survey?

The fixed expense allowance can only be paid out untaxed if specific conditions are met. One of the most important conditions is that the fixed expense allowance is substantiated beforehand with an expense survey. During a certain period (usually three months) an employer identifies which business expenses are actually incurred by its employees. It’s important that this survey takes place on a regular basis.

Do you pay out a fixed expense allowance for which you last carried out an expense survey more than five years ago? In that case, the Dutch tax authorities may require you to carry out a new, updated survey to substantiate the untaxed allowance.

The expense survey

An expense survey identifies the actual business expenses incurred by employees. By collecting and analyzing receipts, invoices and expense claims, insight is gained into the actual business expenses that are allowed to be reimbursed untaxed.

This data can be used to determine the amount of the fixed expense allowance. Such a survey is not only important in order to comply with the requirements of the Dutch tax authorities, but it also provides certainty for employees and avoids tax risks, such as supplementary tax assessments and/or penalties.

The Dutch tax authorities may ask to inspect the expense survey and sometimes wants to be involved in the statistical sample test, the structure of the survey and the report. We therefore recommend discussing this with them beforehand and ensuring the results are properly documented. That way you can be sure you're complying with the legal frameworks.

Our approach: transparent, practical and suited to your organization

An expense survey requires a clear and practical approach. Together with you, we'll decide how to structure the survey so that it aligns with your organization and employees. Clear communication, proper preparation and the active cooperation of your employees are essential.

Our steps

- **Clear explanation:** We'll inform your employees on time and be clear about the purpose of the survey and the approach used, for example via an information meeting or virtual session via Microsoft Teams.
- **Practical help:** We'll manage the collection of receipts and invoices. Employees will receive clear instructions and handy tools, such as a digital form.
- **Monitoring accuracy:** We'll carefully check the submitted receipts, including by means of a statistical sample test and our KPMG Expense Insight tool.
- **Agreement with the Dutch tax authorities:** If so desired, we will agree the survey structure with the Dutch tax authorities beforehand and discuss the results with them.
- **A clear and thorough report:** Once the survey has been completed you'll receive a clear and thorough report with the findings, suitable for internal use and for any discussions with the Dutch tax authorities. If so desired, we'll present the results to the organization.

This approach will ensure that a properly substantiated expense survey geared to your organization is carried out with due care.

How can we help you?

We'll help your team throughout all the steps of the expense survey. That starts with deciding on the survey structure and then informing the employees; something we do together with you. We'll help with drafting clear communication, organizing an information meeting and providing practical tools, such as instructions and a digital form for registering expenses.

During the survey we'll review the submitted receipts and data using our KPMG Expense Insight tool. This tool uses and generates the reports we use to provide your team with interim updates. After the survey is completed, you'll receive a clear and thorough final report and, if so desired, we'll act as your liaison with the Dutch tax authorities regarding the results.

Our approach is practical and focused on cooperation. This enables us to ensure the survey proceeds meticulously and that the requirements of the Dutch tax authorities are complied with, without your organization having to spend a lot of time on this.

More information?

Feel free to contact one of the professionals of our People Services Reward team to arrange a free introductory meeting.

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