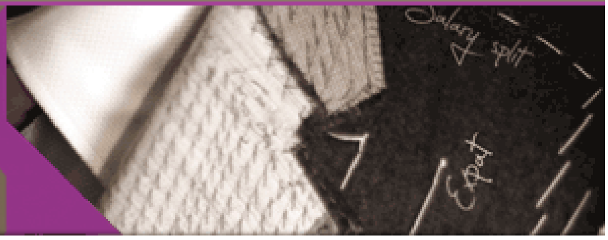
courdid

Employment tax
with a personal fit



Courdid news | Budget Agreement 2013

May 2012

On 25 May 2012 the Spring Memorandum was publicised, which included the Spring Agreement already known in outlines (which has meanwhile become the Budget Agreement for 2013). Some important issues in the field of payroll taxes are set out below. Of course, at this stage these issues are no more than proposals. Expectations are that, for the majority of the tax plans, the legislative process will be finalised before the summer. Many issues will not be processed until the definitive Budget Memorandum for 2013, which means that changes and clarifications are forthcoming.

Travel Expenses

- As early as 2013 commuting allowances will be taxed (irrespective of the means of travel). In 2013 the allowance for business travels (for all means of travel) may still be paid tax-free;
- If an employee has a company car at his disposal, as of 2013 all commuting kilometres will be regarded as private kilometres for purposes of the 500 km limit. Transitional law will be introduced for car lease contracts already entered into before 25 May 2012 (note that the relevant drivers of lease cars will not be fully spared, but that, as of 2013, they will have to pay 25% of the actual addition due if their other private use remains within the 500 kilometre limit). Transitional law will be introduced also for public transport season tickets that took effect before 25 May 2012. This type of season tickets will be honoured for their full remaining terms, as a result of which commuting kilometres with this type of season ticket will continue to be untaxed;
- As of 2014 (the year as of which everybody will be subject to the work-related costs scheme) all travel costs allowances will, in principle, be taxed (hence, also the 100% business kilometres!). In exchange, as of 2014 the work-related costs scheme margin will be increased to 2.1% (note that as of 2013 the margin will already be increased to 1.6%);
- Benefits in kind provided by the employer for business travels, e.g. train tickets purchased by the employer and provided to the employee in connection with a business trip will be valued at nil, as a result of which they will continue to be untaxed as of 2014. Hence, they will not be deducted from the work-related costs scheme margin.

Tax Credit

- Currently, individuals who are insured and liable to pay national insurance contributions for part of the year only are entitled to the contributions part of the tax credits for the entire year. As of 2013 the tax credits for the national insurance contributions will be converted in proportion to the time that these individuals are insured and liable to pay national insurance contributions.

(Temporary) Crisis Levy

- Introduction in 2013 of a new once-only final levy (employers' levy) of 16% of the wages (including bonuses and share (option) schemes) to the extent exceeding EUR 150,000 in the year 2012 (!).
- Increase of the final levy (employers' levy) on excessive severance payments as of 2013. Such final levy will be increased from 30% to 75%.

Pension / Old Age Pension ("AOW") / Vitality Package

- Accelerated increase of state pension age (gradual increase in months);
- In 2014 the pension target age will be adjusted to 67 years;
- The third pillar, the tax-deferred income for self-employed and the membership year pension will be curtailed in a similar manner;
- The maximum accrual rates will be decreased by 0.1% in 2014 (becomes 1.9% of the final pay; 2.15% of the average salary);
- The vitality savings scheme to be introduced in 2013 will be reduced somewhat. The envisaged introduction of the new work bonus for elderly working people for 2013 (addition to the earned income tax credit and the replacement of the current deferred pension bonus) will not take place. The work bonus for employers employing people of 52 years and over and the mobility bonus for people of 55 and over will not be introduced either.

As indicated the measures have not yet been worked out in detail. It is clear, however, that also the employer will have to pay for certain items in respect of the government's budgetary plans.

Please keep this in mind. You may also start to think about how to restrict the once-only 16% levy during times of crisis. There seem to be some options here, for instance a shift of the moment when certain year-end bonuses are deemed paid for tax purposes for the year 2013.

Furthermore, it is clear that there will be a strong focus on the work-related costs scheme as of 2014. See within this framework the abolishment of the targeted exemption for business kilometres as of 2014 and the increase of the work-related costs scheme margin.

Should you have any questions, please do not hesitate to call us or send us an email.

Jean-Paul, Martijn, Maurice en Olav

Courdid
Prinses Margrietplantsoen 83
2595 BR Den Haag
(The Hague) The Netherlands
Telephone: +31 (0)70-3153470
Fax: +31 (0)70-3153479
E-mail: info@courdid.com
Website: www.courdid.com

courdid Employment tax with a personal fit