



## GES NewsFlash

### The Netherlands – Tax Administration Accommodates Companies that Employ Expatriates

December 11, 2009

In this issue:

#### Summary

#### Thinking along with companies that employ expatriates

#### What agreements can be concluded?

#### Deloitte's View

#### People to Contact

#### Summary

More and more the Tax Administration wishes to consult on certain tax issues with companies beforehand as opposed to monitoring such issues afterwards through tax audits. At the same time the Tax Administration wants to push back the number of personal income tax return forms to be dealt with.

#### Thinking along with companies that employ expatriates

This has led to the Tax Administration, also at the request of Deloitte, to think about how to push back the administrative burden at companies that employ expatriates. The issues these companies have to deal with are often quite complex. One of the problems they face, practice shows, is properly processing all of an expatriate's taxable remunerations in the payroll records in the correct month. Another frequent issue considers expatriates who, three years after they have left, are still sent a Dutch personal income tax assessment. Very often this deals with a refund, so these people have had to wait for it for a long time.

#### What agreements can be concluded?

The Tax Administration is now ready and willing to conclude concrete agreements with companies. These agreements may include a provision where an expected income tax refund can already be recognized in the payroll records. What's more, the agreements could go so far as to exempt the expatriates from having to file personal income tax returns. The Tax Administration will, however, only want to conclude such agreements when all taxable remuneration components are properly processed in the payroll records. One point of attention with such agreements is how to deal with expatriates' personal deductible items, such as mortgage interest. It will not be possible to take into account such deductible items in the payroll records. Deloitte currently consults with the Tax Administration about a clear set of conditions for the Tax Administration to enforce such agreements.

### **Deloitte's View**

The choice whether or not to talk with the inspector involves many considerations. If your company employs only a few expatriates, investing in such agreements might not pay off. On the other hand, if you employ many expatriates such an agreement may lead to a substantial wage tax reduction, since income tax refunds are already factored in. We can help you to consider the options and to conclude agreements with the Tax Administration.

### **People to Contact**

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals as follows:

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**[Back to Top](#)**

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