



ARE YOU READY FOR THE FIFTH ANNIVERSARY CELEBRATION OF THE WKR?

The Work-related costs scheme (WKR) became compulsory for all employers on 1 January 2015. The idea behind the WKR is simple. All reimbursements and benefits in kind to your employee are considered wages and are, in principle, taxable.

Under the WKR a maximum of 1.2% of the total tax payroll, the so-called 'discretionary scope', may be spent on tax-free allowances and benefits in kind for employees. This means you do not pay any payroll taxes on this. You pay a final levy of 80% on everything you reimburse or provide above that. Some reimbursements and benefits in kind are not charged to the discretionary scope. These are the so-called specific exemptions, intermediate costs and zero valuations.

On 1 January 2020, the WKR will celebrate its fifth anniversary. But do you already have a grasp on the WKR? Below we will discuss four misconceptions we often come across.

Misconception 1

When it concerns the WKR, it refers to the 1.2% 'discretionary scope' and tax is due if this is exceeded.

The WKR covers more than the discretionary scope and also includes specific exemptions, zero valuations and intermediary costs. This brings us to misconception 2.

Misconception 2

Travel expenses for commuting (€ 0.19 per km) are always untaxed because they are specifically exempt.

Without designation, the Work-related costs scheme does not apply! Without application of the Work-related scheme, travel expenses for commuting are taxable wages for the individual employee.

Despite the fact that there will be no employer in the Netherlands who chooses to pay out a taxable commuting allowance to his employee, such allowances are, according to the letter of the law, considered taxable wages of the individual employee if they have not been explicitly designated as a final levy component under the WKR.

The evaluation of the WKR carried out in 2018 already showed that the compulsory designation of reimbursements for which a specific exemption is included in the law is experienced as a bottleneck by both employers and some employees of the Tax and Customs Administration.

Although the State Secretary has indicated that he will consider this bottleneck as an amendment, to date he has not amended the Act or otherwise determined that it can be omitted.

The same applies to other reimbursements for which a specific exemption has been included in the law, such as the '30% rule' or reimbursement of the actual extraterritorial costs, study costs, business meals and the like.

Action

- Check whether all costs for which a specific exemption may apply have been designated as a final levy component under the WKR;
- If not, make sure that these costs are designated this year!

Misconception 3

Christmas hampers are untaxed when the employer's discretionary scope has not yet been exhausted

Here too, the WKR may not be applied without designation. As a result, the Christmas hampers must be taken into account as taxable wages for the employee. Of course, you do not want employees to pay tax on their Christmas hampers. Grossed-up, these Christmas hampers suddenly cost more than twice as much.

Action

If you are planning to give your staff a Christmas hamper this year:

- Check whether the Christmas hamper has been designated as a final levy component under the WKR;
- If not, you may still be able to arrange this for this year!

Misconception 4

We hold the staff party in the workplace and it is untaxed, therefore

We are repeating ourselves... If you do not designate the staff party as a final levy component under the Work-related costs scheme, the staff party at the workplace is also just taxed as employee's wages. This applies not only to the staff party at the workplace, but also to other reimbursements for which a zero valuation applies, such as the provision of work clothing and small refreshments at the workplace.

Action

- Check whether the staff party and all reimbursements or benefits in kind for which a specific exemption may apply have been designated as a final levy component under the WKR;
- If not, you may still be able to arrange this for this year!

In short, no designation? Then it is considered wages!

To clarify, a sample calculation:

Reimbursements 2019	In euro's
Commuting expenses (€ 0,19km)	18,000
Travel and accommodation costs	13,000
30%-ruling	15,000
Study costs	9,000
Christmas hampers	11,000
Workplace staff party	10,000
Total	76,000

If you have not designated any of the above costs, these are considered wages. For 2019, the additional tax assessment may be as high as € 82,164 (excluding penalties and interest).

More information?

Are you having doubts about whether the WKR is properly sorted within your organisation? If so, contact your permanent contact person within RSM or one of the payroll tax specialists before the end of the year (Sonja Matzedda at smatzedda@rsmnl.nl or Linda Stouten at lstouten@rsmnl.nl).