

Corona measures focusing on wage tax and social security

In a letter dated March 17, 2020 sent to the Lower House, the government announced a number of important measures. The government wishes to use these bridging measures to support employers and self-employed persons during the period in which the economic consequences of the coronavirus are felt. In this document we summarize the specific measures that could be relevant for you as an employer. The information is based on the measures in their current form. We are still waiting on their further elaboration. We will publish new developments on our website by means of updates of this document.

For the measures for self-employed persons, we refer to [our website](#).



Temporary Emergency measure to retain Jobs (NOW)

Due to the sharp increase in the number of businesses wishing to make use of the existing reduced working hours scheme (*werktijdverkortingsregeling*; WTV scheme) the government has announced a temporary emergency bridging measure to retain jobs (*Noodmaatregel Overbrugging voor Werkbehoud*; NOW). The NOW covers more employers and is more efficient than the WTV scheme, which has been withdrawn.

- Every employer that expects a loss in turnover of at least 20% (for the period as of March 1, 2020) can request compensation for the payroll costs.
- The compensation will be related to the loss of turnover and amounts to a maximum of 90% of the payroll for employees with indefinite *and* flexible contracts.
- Employers must continue to pay the salaries and are not permitted to apply for dismissal of employees for economic reasons during the compensation period.
- The measure will apply for a period of three months and can be extended once for three months.
- After the application has been received by the Dutch Employee Insurance Agency (*Uitvoeringsinstituut Werknemersverzekeringen*; UWV) it will make an advance payment of in any case 80% of the requested amount. The actual loss of turnover and the amount of the payroll will be determined later (an auditor's report may be required).
- Applications already filed under the WTV scheme will be regarded as NOW applications.

We are currently investigating the extent to which other EU Member States are introducing similar measures. As soon as more is known about this, we will include the information in this overview.



Labor Market (Improved Equilibrium) Act

The Minister of Social Affairs and Employment is preparing two amendments related to the Labor Market (Improved Equilibrium) Act (*Wet arbeidsmarkt in balans*).

1. No adjustment from lower unemployment insurance contribution rate (2.94%) to higher unemployment insurance contribution rate (7.94%) for overtime as a result of the corona crisis.

- a. Employers that apply the lower unemployment insurance contribution to employees with indefinite employment contracts must apply the higher unemployment insurance contribution with retroactive effect if, during a calendar year, 30% more hours are paid than contractually agreed.
- b. The extra overtime that is now occurring in certain sectors (such as healthcare) as a result of the coronavirus could cause an unintended adjustment from the lower contribution to the higher contribution for the year 2020.
- c. We are still awaiting further details about this measure and the sectors to which it will apply.

2. WAB leniency rules extended until July 1, 2020

- a. The lower unemployment insurance contribution can only be applied if indefinite employment contracts are laid down in writing and included in the payroll administration. This must be done by April 1, 2020 at the latest.
- b. This deadline has been extended to July 1, 2020 in connection with the present corona crisis.

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Special deferral of tax payments

The sudden crisis may cause healthy businesses to experience temporary liquidity problems. The government has announced that the Dutch tax authorities will, upon request, grant a special deferral of payment for wage tax and social security assessments, personal income tax assessments, corporate income tax assessments and VAT assessments.

- Businesses must submit a written request indicating the tax for which they are requesting a deferral of payment and explain that the coronavirus is causing payment problems for them.
- After the Dutch tax authorities have received the request, they will immediately put any tax collection measures on hold and automatically grant a three-month deferral of payment. Penalties for late payment will also not be collected by the authorities.
- The Dutch tax authorities have announced that the request can be submitted once the assessment has been imposed.
- If you require deferral of payment for longer than three months, you can request this, but you may then be required to provide additional information and possibly a statement from a third party expert. The rules for this are not yet completely clear.

Please note:

- Outstanding and pending assessments will, however, have to be paid at a later date. They will not be canceled.
- Your obligation to file tax returns is not suspended.
- It is prudent to verify whether you – at the same time and timely – have to file a notification of insolvency ('melding betalingsonmacht') with the Dutch tax authorities. If this notification is filed too late, it can lead to directors' liability. Please contact your tax consultant for more information.



Payment arrangements for pension contributions

On March 21, 2020 pension providers agreed upon temporary payment measures for employers that are facing acute liquidity problems due to the corona crisis. The Labor Foundation ('Stichting van de Arbeid') and the pension provider umbrella organizations 'Pensioenfederatie' and 'Verbond van Verzekeraars' announced measures of which they claim will not adversely affect the employees' pension entitlements.

The measures vary per sector and employer and can be summarized as follows.

1. Individual employers with acute liquidity problems can request a payment arrangement with their pension fund, pension insurer or premium pension institution (PPI)
2. Within the legal limitations, payment terms for pension contributions can be extended for certain sectors and employers that are affected.
3. Pension providers will implement a temporary relaxation of the collection policy for the pension premiums.

Please note:

- Businesses that are mandatorily connected to an industry-wide pension plan should consider to timely file a notification of insolvency.

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Social security within the European Union

Regulation (EC) No 883/2004 coordinates social security within the European Union. This regulation determines within the EU which member state's social security legislation is applicable when employees work outside their residence country and/or in more than one member state. Many of these employees will have requested and received A1 declarations.

The corona crisis may impact the coordination rules, because employees are required to work from home during this crisis. Consequently, employees' regular working patterns may change, possibly leading to a shift of the social security coverage from one country to another. Employers can be faced with additional (administrative) burdens.

- To date, the European Union has not made any statements about the impact of the corona crisis on the social security position of employees covered by Regulation No 883/2004.
- The Dutch Social Insurance Bank (*Sociale Verzekeringsbank*; SVB) recently published that for individuals working and/or living in the EU, EEA or Switzerland, a temporary deviating working pattern will not impact the social security position as it was directly prior to the corona crisis. No action is required in this regard at the moment. Should the 'home-working-measures' be extended, the SVB can announce different consequences.



Maritime crew and R&D remittance reductions

One of the conditions for applying the maritime crew remittance reduction is that the vessel on which the maritime crew works sails under the Dutch flag and is at sea (for a qualifying activity) for a majority of the time (more than 50%). The 'majority of the time' test is assessed per calendar month and the remittance reduction is calculated per pay period (usually a calendar month).

The research and development remittance reduction depends on a number of factors, including the number of hours that employees work on qualifying R&D projects within the company.

- With regard to the maritime crew remittance reduction, it is currently unclear what the consequences will be if a vessel is docked, i.e. not at sea or not in use as a result of the coronavirus. 'Idle time' is usually calculated on a pro rata basis, but even then it can have a negative outcome.
- It is very likely that during this corona period there will be a temporary decline in the number of R&D hours used. If they are not used up at a later date, this could result in the R&D remittance reduction being curtailed.

We understand from the Royal Association of Netherlands Shipowners (*Koninklijke Vereniging van Nederlandse Reders*; KVNRR) that they have now raised this point with the Ministry. We would also like to point out that halting all work in the offshore sector may also have consequences for any foreign tax liability, as there are very specific deadlines for permanent establishments involving construction work or offshore permanent establishments.

We are currently not aware of any measures regarding the R&D remittance reduction. We recommend that you critically examine in the coming months whether you want to include a lower remittance reduction amount than usual in the wage tax return to avoid that you have to repay (part of) the remittance reduction to the Dutch government.

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Immigration & International

Governments in various countries have introduced tax and immigration measures. KPMG will publish a GMS Flash Alert if these measures are relevant to you. An overview of all GMS Flash Alerts about COVID 19 can be found on the special [‘landing page’](#):

The relevant alerts are listed under the section ‘Flash Alert Topic Pages COVID 19’. You can also opt for ‘Flash Alerts by Country’.

Immigration

On March 17, 2020, the EU heads of government decided that travelers from outside the European Union will no longer be allowed to enter the Schengen area, unless it is absolutely necessary for them to do so. This travel ban will apply for at least 30 days and may be extended if necessary.

The ban does not apply to journeys that are absolutely essential for the supply of food and medicines. In addition, also travelers with EU or Schengen passports or valid Dutch residence documents are permitted, as well as travelers with a valid temporary residence permit (‘mvv’) or with special notifications.

You will find more information in our [news alert](#).

International

The various measures that a number of countries have taken and which could be relevant to you are listed below. The list of measures is non-exhaustive and will be updated.

Belgium

- Social distancing measures, including the call to work from home, the closure of schools, bars, restaurants and shops, with the exception of supermarkets and pharmacies.
- Travel restrictions to and from Belgium in line with the travel restrictions issued by the European Union.
- Applications for residence permits may be applied for by email. Delays in their processing are expected.
- Unilateral decision by the social security authorities to disregard working from home when determining the social security position in the European Union.

Germany

- Social distancing measures, including the closure of schools and universities, restaurants during specific hours, the closure of bars, concert halls, museums and stores, with the exception of supermarkets, banks, petrol stations and pharmacies.
- The borders with Austria, Denmark, France, Luxembourg and Switzerland have been partially closed. In addition, physical border controls are taking place. The exact details have not yet been made available.
- Delays are expected in the processing of applications for residence permits

United States

- Travel restrictions to and from the Member States of the European Union and the United Kingdom.
- Individuals will receive a 90-day interest-free and penalty-free deferral of payment for taxes up to USD 1 million.
- Businesses will also receive a 90-day interest-free and penalty-free deferral of payment for taxes up to USD 10 million.