



WAGE COST BENEFITS

Advisory Handbook 2025



As an employer, you are entitled to a wage cost benefit for specific groups of employees who face challenges entering the labour market, subject to certain conditions. This is established in the Wage Cost Benefits Act (Wet tegemoetkomingen loondomein, Wtl).

This benefit consists of a fixed amount per paid hour, with a set maximum per year. As of 2025, there is only one form: wage cost benefits (LKV). The other option, low-income benefits (LIV), will be discontinued in 2025. Further changes are planned in the coming years.

WAGE COST BENEFITS (LKV) – CONDITIONS

To qualify for wage cost benefits (LKV), specific conditions must be met. The employee must be covered by employee insurance schemes (e.g., social security schemes) and must not have reached the state pension age (AOW). For the wage cost benefit for older employees, the employee must be aged 56 or older at the start of employment. For other LKV types, the employee must have a work-related disability.

TYPES OF WAGE COST BENEFITS (LKV)

In 2025, four types of wage cost benefits remain:

- For older employees
- For employees with work-related disabilities
- For employees under the Jobs Agreement and those with training barriers
- For re-employment of employees with work-related disabilities

Tip!

The conditions for each wage cost benefit differ. For exact requirements, please contact our HR advisors.

You are eligible for an LKV from the moment the employee is hired, for a maximum of three years, but no later than the date the employee reaches the state pension age (AOW). The LKV for re-employing an employee with a disability is valid for a maximum of one year.

LKV AMOUNTS FOR 2025

The amount of wage cost benefit you receive depends on the number of paid hours and the type of wage cost benefit. The amounts for 2025, which will be paid out in 2026, are:

Wage Cost Benefit	Amount per Paid Hour	Maximum Amount per Year
Older Employee	€1.35	€2,600
Older Employee (hired before 2024)	€3.05	€6,000
Employee with Work-Related Disabilities	€3.05	€6,000
Jobs Agreement and Training Barriers	€1.01	€2,000
Re-employment of Disabled Employee	€3.05	€6,000

HOW TO APPLY FOR AN LKV

You apply for the wage cost benefit in your payroll tax return by enabling the LKV indicator. Without this indicator, you will not receive the benefit. The application can be submitted once you have obtained a target group declaration from your employee. This declaration specifies which wage cost benefit applies and the conditions the employee meets.

The employee must request the target group declaration from the Employee Insurance Agency (UWV), unless they have authorised you to do so on their behalf.

Note!

The target group declaration must be requested within three months of the start of employment. If the request is submitted late, the employee will not receive a declaration, and you cannot claim the LKV.

You will receive a provisional calculation of the wage cost benefits you are entitled to by 15 March each year for the previous year. This calculation is based on the declarations and corrections you have submitted for the previous year until 31 January of the following year. You can submit corrections for the previous year until 1 May, which will be included in the final calculation. The final calculation is sent to you by the Dutch Tax Authority before 1 August, based on the UWV calculation.

LKV FOR OLDER EMPLOYEES – PHASED OUT

The LKV for older employees will be phased out in stages. For all employment contracts starting on or after 1 January 2024, a reduced benefit of €1.35 per paid hour (up to €2,600 per year) will apply from 1 January 2025. From 1 January 2026, this benefit will no longer be available for this group.

For contracts that began before 1 January 2024, these changes do not apply. The three-year period can still be completed in 2026. From 2027, the LKV for older employees will also be abolished for this group.

Tip!

If a new employee qualifies for both the older employee and disabled employee target group declarations, it is more advantageous for them to apply for the disabled employee declaration. The LKV for disabled employees remains unchanged, with a maximum duration of three years, offering a higher and longer-lasting benefit.

U heeft in zo'n situatie recht op een hoger en langer doorlopend bedrag aan LKV dan wanneer de doelgroepverklaring oudere werknemer wordt aangevraagd. In such a situation, you are entitled to a higher and longer-lasting amount of LKV than if the target group declaration for older employees is applied for.

JOBS AGREEMENT BILL: CHANGES TO LKV JOBS AGREEMENT (FROM 2026?)

On 11 February 2025, the Jobs Agreement Bill was passed by the House of Representatives. The bill states that the current maximum period of three years for LKV for employees under the Jobs Agreement and those with training barriers will become a permanent benefit, provided the conditions are met.

Additionally, a type of bonus scheme will be introduced. This means that if an additional levy is imposed on employers because insufficient employees from the target group of the job agreement are employed, the amounts for this wage cost benefit (LKV) will be significantly increased, allowing employers to still benefit.

After the law takes effect, you will no longer need a target group declaration for the LKV Jobs Agreement. Instead, you must check with the UWV target group register to confirm the employee's inclusion.

Note!

This change applies specifically to the LKV Jobs Agreement. For LKV for disabled employees, a target group declaration will still be required.

The group of employees eligible for the current LKV (Labour Cost Advantage) for job agreement and training-impaired employees will change. The LKV will only apply to those listed in the job agreement target group register.

After the implementation of the law, the LKV will no longer be available for:

- Wajong recipients who are permanently unable to work; however, they may still be included in the target group register.
- Employees with training impediments who are not part of the job agreement target group.
- Employees from the job agreement target group with an indication for sheltered work.

The Senate must still approve the bill. The aim is for the law to take effect in 2026.

Expansion of LKV for Replacing Employees with Disabilities – Effective 1 January 2025

Currently, employers are entitled to the LKV for replacing an employee with a disability if the employee resumes their work, either fully or partially, or takes on another position with the same employer, and had entitlement to a WIA benefit in the previous month. These conditions will change from 2025.

Under the revised LKV scheme for employing workers with disabilities, employers will also be entitled to the LKV if the employee starts working (even partially) during the waiting period, subsequently qualifies for a WIA benefit, and continues to work for the same employer. The employee must apply for a target group declaration from the UWV within three months after receiving the WIA decision, following the 104-week waiting period.

Additionally, employers will have the option to transfer the remaining LKV entitlement when an employee changes employers. This allows more employers to qualify for the LKV for more employees.

LOW INCOME BENEFIT (LIV) – ABOLITION FROM 1 JANUARY 2025

From 1 January 2025, the LIV has been abolished. Employers were still entitled to the LIV for 2024 for employees earning around the minimum wage (an average hourly wage of between €14.33 and €14.91). Additional conditions applied for the LIV, including a requirement that the employee had at least 1,248 paid hours in 2024.

Although the LIV is abolished from 2025, the payment for the 2024 LIV will still take place in July/August 2025.

WAGE SUBSIDY – ELIGIBILITY AND CALCULATION

Employers can qualify for a wage subsidy for employees with a disability who cannot earn 100% of the statutory minimum wage through full-time work (falling under the municipal target group of the Participation Act). The subsidy is paid by the municipality where the employee resides, and applications must also be submitted there.

The productivity of the employee is determined through a wage value assessment, and the subsidy amount is calculated based on this. The maximum subsidy is 70% of the statutory minimum wage. Once the employee's wage value equals the minimum wage, the subsidy ends.

Employers also receive compensation for employee insurance premiums, the employer's share of the pension premium, continued salary payment during holidays, and other employer expenses. This compensation is set at 25% in 2025.

The percentage of employer cost compensation is an average of the employer costs across various sectors. With a wage subsidy, the employee receives the minimum wage, which may still entitle them to the LIV.

A special type of wage subsidy is the fixed subsidy for the first six months of employment. This means that, in agreement with the municipality, a subsidy of 50% of the minimum wage can be provided for the first six months. After this period, the municipality adjusts the subsidy based on an objective wage value assessment conducted at the workplace.

A fixed wage subsidy can make it easier for you as an employer to start an employment contract with someone from the wage subsidy target group. Moreover, the first six months can provide a clear view of the employee's abilities.

Important!

Applications must generally be submitted before the start of employment or within one month after the start. For certain target groups, you can also apply for the wage subsidy within six months of the start. This includes, among others, school leavers from special secondary education, practical education, or entry-level MBO courses, as well as individuals under the municipality's reintegration responsibility.

WAGE DISPENSATION – CONDITIONS FOR WAJONG RECIPIENTS

For employees with a disability and a Wajong benefit, employers can apply for wage dispensation from the UWV. This permits employers to pay employees less than the statutory minimum wage. The application is made by completing the Wajong Wage Dispensation Application Form.

An occupational expert from the UWV will assess whether the employee performs at a lower level due to their illness or disability and will determine the percentage of the statutory minimum wage that must be paid. The employee will receive a supplementary payment from the UWV.

Wage dispensation is granted for a minimum of six months and a maximum of five years, with the option to apply for an extension. Ultimately, the aim is for the employee to earn the same as other employees.

OTHER SUBSIDIES AND ARRANGEMENTS

In addition to the above subsidies and benefits, other arrangements are available through the UWV or the municipality, including:

- Reimbursement or support for a customised workplace for an employee with an illness or disability.
- A no-risk policy when hiring an employee with a high risk of absence.
- A trial placement allowing an employee to work for two months on a trial basis.
- Personal support/job coach assistance.

CONTACT

For more information on this subject, please contact us. We are here to help you.



CHANTAL VAN DER ZWAAN

Senior Salary and HR Advisor
+31 6 59 849 410

Chantal.van.der.Zwaan@esj.nl



JEROEN VAN DER HEIJDEN

Senior Salary and HR Advisor
+31 6 59 816 794

Jeroen.van.der.Heijden@esj.nl

Disclaimer

While every effort has been made to ensure the accuracy of this advisory handbook, no liability is accepted for any inaccuracies or omissions. Due to its broad and general nature, this advisory handbook is not intended to provide comprehensive financial guidance.