

# WORK-RELATED EXPENSES SCHEME

Advisory Handbook 2026



**esj**

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The final settlement of the Work-Related Expenses Scheme (WKR) for the year 2025 must be completed before 1 April 2026. Are you aware of which reimbursements and provisions fall under the WKR? Do you know up to what amount you may spend? And what happens if you exceed this maximum amount? You will find the answers to these questions and more in this practical Advisory Handbook.

## OVERVIEW OF THE RULES

The fundamental principle of the WKR is that everything you provide, reimburse, or make available to your employees is considered taxable wages. However, there are exceptions. For example, exempt entitlements, such as pension entitlements, and exempt payments and provisions (for instance, a one-off payment upon death), do not qualify as taxable wages. The same applies to intermediary expenses.

These are expenses reimbursed to employees who initially paid for items that:

- belong to your business's assets (for example, when your employee refuels a company car and initially pays for the fuel themselves);
- specifically relate to business operations (for instance, when your employee purchases a bottle of wine for a customer, and you subsequently reimburse this expense).

Additionally, provisions for which your employee pays a contribution at least equal to the market value are not taxable. Examples include a written-off computer or old tools that the employee wishes to purchase for private use. This also applies to products from your own business, provided your employee pays at least 80% of the consumer price (including VAT) and the benefit does not exceed €500 per year.

### Important!

The normal market value of the product, including VAT, is used to determine the applicable amount. Therefore, ensure your records are in order and can demonstrate the normal market value, for example by using quotations or advertisements.

### Important!

To apply the WKR, reimbursements, provisions, and allowances must be explicitly designated. In practice, this means recording them in dedicated ledger accounts for the WKR or maintaining a detailed record of what your employees have received and how these benefits are treated within the WKR.

## DISCRETIONARY ALLOWANCE ("VRIJE RUIMTE")

Under the WKR, you may spend tax-free on unspecified reimbursements, provisions, and allowances for your employees, using a budget of 2% of the first €400,000 of total taxable wages, and 1.18% of the amount exceeding this threshold for the years 2025 and 2026.

This budget is referred to as the 'discretionary allowance'. If you exceed this allowance, you must pay wage tax in the form of a final levy of 80%. This levy is borne by you, the employer, and not by your employees.

### Important!

From 2027, the discretionary allowance for the first €400,000 of taxable wages will increase from 2% to 2.16%. To continue benefiting from this increase, consider whether reimbursements and provisions under the WKR can be increased in 2026/2027.

### Tip!

The amount subject to the 80% final levy does not require payment of national insurance contributions or employee insurance premiums, nor contributions for the Healthcare Insurance Act (Zvw). This 80% levy may be more advantageous than grossing up the employee's wage to cover their tax liability.

## **NOT ALL EXPENSES FALL WITHIN THE DISCRETIONARY ALLOWANCE: TARGETED EXEMPTIONS**

Certain reimbursements, provisions, and allowances qualify as taxable wages but can still be provided tax-free without reducing your discretionary allowance. These are known as targeted exemptions. Examples include reimbursements and provisions for actual public transport expenses and private transport mileage reimbursement (up to a maximum of €0.23 per kilometre in both 2025 and 2026). Tools, computers, internet, mobile phones, and similar items necessary for work also fall under targeted exemptions.

### Important!

An item is only deemed 'necessary for work' if the employee does not pay a contribution from gross wages, such as via a cafeteria scheme. Employees may pay additional amounts if they choose to purchase, for example, a more expensive phone.

### Tip!

If you grant your employee a benefit within the discretionary allowance and the employee pays a contribution, you only need to consider the net benefit (the total benefit minus the employee's contribution). However, this benefit cannot be negative. If the employee's contribution exceeds the taxable value, the benefit must still be recorded as zero for WKR purposes.

## **OPTIONAL DESIGNATION**

By default, all reimbursements, provisions, and allowances provided to employees are taxable as wages. You must withhold wage tax and national insurance contributions on the gross amount and pay the employee insurance premiums yourself. Only if you explicitly designate these amounts as WKR wages can you apply the discretionary allowance or targeted exemption and, if exceeding the allowance, incur taxation at the employer level. This decision must be made before granting the reimbursement, provision, or allowance and cannot be reversed unless an error has been made.

### Tip!

During the calendar year, the Dutch Tax and Customs Administration assumes you have designated an item within the discretionary allowance if it has not been treated as regular taxable wages. However, after the calendar year, explicit documentation of such designation in your records is required. Explicit designation is unnecessary for targeted exemptions, such as reimbursement for education related to the employee's current or realistically achievable future occupation.

### Tip!

Partial designation is possible. For instance, if you pay a mileage reimbursement of €0.29 per kilometre in 2025, only €0.23 per kilometre is tax-free. The remaining €0.06 per kilometre can be split, for example, by designating €0.04 within the discretionary allowance and treating €0.02 as regular taxable wages.

### Note!

Certain items, such as company cars and service residences, must always be treated as taxable employee wages and cannot be included in the discretionary allowance.

## CUSTOMARINESS TEST

The customariness test imposes limitations on reimbursements, provisions, and facilities that you may include within the work-related costs scheme (WKR). This criterion is stringent, meaning that your reimbursements, provisions, and facilities cannot be included within the WKR if they deviate by more than 30% from what is usually reimbursed or provided. However, you may assume that specifically exempted items are customary, so the test only pertains to the discretionary margin and final levy.

It is not only the reimbursement, provision, or facility itself that must be customary; it must also be customary for your employee to receive these tax-free from you and for you to bear the tax via the final levy. For example, it is generally not customary for an employer to bear the tax on an employee's monthly salary.

### Tip!

Reimbursements, provisions, or facilities of up to €2,400 per employee per year are always considered customary by the Dutch Tax and Customs Administration. In practice, the Dutch Tax and Customs Administration quickly regards amounts exceeding this €2,400 threshold as non-customary. According to a Supreme Court ruling in November 2021, the Dutch Tax and Customs Administration can substantiate its position by providing information on how other taxpayers handle similar wages.

### Note!

The Dutch Tax and Customs Administration requires a reimbursement or provision to be 'reasonable'. For instance, the Dutch Tax and Customs Administration does not consider it reasonable to include reimbursements to interns within the discretionary margin/final levy. This viewpoint is not supported by legislation, regulations, or case law. However, if you wish to avoid complications, it is advisable to take this position into account.

## NIL VALUATION FOR WORKPLACE FACILITIES

A nil valuation applies to several facilities primarily used at the workplace, such as work clothing provided to employees and refreshments at the workplace.

### Attention!

The 'workplace' is the location where the employee performs their duties and where occupational health and safety regulations apply to the employer. An employee's workspace at home is excluded and is generally not considered a workplace, except for occupational health and safety provisions. However, a separate, independently accessible area within an employee's home, with its own entrance and sanitary facilities, may under certain conditions qualify as a workplace.

### Important!

Consequently, reimbursements and provisions for a home workspace, such as coffee, tea, or work clothing, cannot be nil-valued. You can, however, utilise specific exemptions for tools, computers, and similar items, as well as the specific exemption for occupational health and safety provisions, such as ergonomic chairs. Intermediary expenses (such as postage stamps) may also be provided tax-free, provided you can prove their business use. Furthermore, you can apply the specific exemption for home working, amounting to €2.40 per home working day in 2025 (€2.45 from 2026). Note that this allowance cannot be combined with commuting allowances for the same day.

If there is a workplace in a separate part of the employee's home, the normal rules for workplace facilities apply. Consequently, standard workplace provisions can be nil-valued for WKR purposes. Examples include nil valuation for small refreshments or plants for the office space.

### Note!

Tools not covered by other specific exemptions must be at least 90% business-related to qualify for nil valuation.

## STANDARD AMOUNTS

Various standard amounts apply to benefits in kind. Examples include accommodation necessary for the proper fulfilment of employment (such as an employee who does not have their own home and lives at the workplace to perform sleep-in shifts; the standard rate for 2025 is €6.80 per day and €7 per day for 2026), meals at the workplace (standard rate for 2025 is €3.95 and €4.05 for 2026), and workplace childcare (hourly rates in accordance with the Dutch Childcare Act).

## GROUP SCHEME

The WKR applies per employer unless the group scheme is applicable. This scheme allows combining the discretionary margins within a corporate group. The group scheme can be applied if the parent company holds at least 95% ownership of the subsidiary company or companies throughout an entire year.

### Note!

Applying the group scheme could disadvantage your WKR declaration for 2025 and 2026. The slightly higher discretionary margin (2% instead of 1.18%), applicable to the first €400,000 of taxable payroll, can only be used once per group. If individual employers submit declarations separately, each may apply this higher percentage. In 2027, due to the slightly increased discretionary margin on the first €400,000, this effect will be even greater.

## FIXED EXPENSE ALLOWANCES

Fixed expense allowances remain possible under the WKR. However, you must clearly differentiate between specifically exempted expenses, intermediary expenses, and other items. Allowances for other items count as wages and can be included within the WKR. If available, you may utilise the discretionary margin. You may only provide tax-free fixed expense allowances for specifically exempted and intermediary expenses if you substantiate the allowance beforehand by conducting a survey of actual expenses incurred, and repeat this survey if requested by the Dutch Tax and Customs Administration.

### Tip!

For fixed expense allowances, it is also permissible to provide a fixed allowance based on the Dutch government collective labour agreement (cao Rijk) when an employee's expenses and allowances are comparable to those of an employee covered by that agreement.

## ANNUAL SETTLEMENT

Exceeding the discretionary margin results in a final levy of 80%. This final levy for 2025 must be paid during the declaration for the second period of 2026, which, in the case of monthly declarations, must be submitted and paid no later than the end of March 2026.

### Attention!

If your obligation to withhold taxes ends, you must not wait until the March declaration of the following year; you must settle it in the declaration for the period in which your withholding obligation ceased.

The total amount of reimbursements, provisions, and facilities must be clearly identifiable in your records. Remember that provisions and facilities involving goods must be valued at the invoiced amount charged to you (i.e., the market value including VAT).

If there is no purchase invoice, or if the invoice is issued by your business or an affiliated company and involves products from your own business, the invoiced amount does not apply. Instead, you must use the market value based on the regular consumer price including VAT. Ensure you can demonstrate how this price was determined.

### Tip!

Regarding VAT, you may agree with the Dutch Tax and Customs Administration to apply an average VAT rate across the various items included within the discretionary margin.

## IN CONCLUSION

For many small and medium-sized enterprises, the WKR remains complex. If you have any questions regarding the application of the various WKR rules for your business, please do not hesitate to contact us. We would be pleased to assist you further.

## CONTACT

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