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Dutch pension proposal would offer flexible options

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A bill submitted to the Dutch parliament on 3 Sep 2020 includes measures that would allow individuals to take a lump sum payment from their pension entitlement on retirement, ease the early retirement levy payable by employers, and introduce fiscal measures to allow employees to stop work earlier.

Highlights

- **Lump sum payments**. Individuals could request withdrawal of up to 10% of their pension capital on retirement, subject to meeting certain requirements. The lump sum would be subject to taxation at a progressive rate. The measure could take effect on 1 Jan 2022.

- **Easing of early retirement levy**. From 2021 to 2025, employers would be exempt from paying a 52% levy on pension entitlements paid under early retirement arrangements concluded by employers and employees. To be eligible for the scheme, employees would have to take early retirement during the three years immediately prior to the start date of their state pension. They may also receive their pension entitlement as a lump sum. The measure could take effect on 1 Jan 2021.

- **Extended leave savings**. Employees would have increased opportunities to retire early, or take breaks from working, under a proposal to double the number of weeks — to 100 — that qualify for tax-exempt leave savings. Currently, employers can give employees additional leave entitlement as partial compensation for overtime or shift work, but employers must pay tax on leave exceeding 50 weeks. The measure could take effect on 1 Jan 2021.

Related resource

- Information on the pensions bill (Dutch) (Government, 3 Sep 2020)

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