

Law &amp; Policy Group



# Netherlands allows early retirement scheme with tax breaks

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Effective 1 Jan 2021, eligible employees in the Netherlands can agree with their employers to retire up to three years before the normal state pension age, under an act that passed parliament on 12 Jan 2021, with retroactive effect. Under the new law, employers pay eligible employees an early retirement payment but are not liable to pay the early retirement levy (RVU), which is currently 52% of the termination amount. These measures implement some of the pension reforms included in the “Pensioennakkoord,” agreed to in 2019 by the social partners and government.

## Highlights

- Eligible employees can retire up to three years before they reach the state pension age. The current state pension age is 66 years and four months, but it will increase by three months in both 2022 and 2023. From 2024 to 2027, the state pension age will be 67.
- Employers and employees have five years (from 1 Jan 2021 until 31 Dec 2025) to agree on an early retirement scheme, in writing. The scheme can last for up to three years — for instance, until 31 Dec 2028 for schemes that will start in 2025.
- The early retirement benefit must not exceed the gross net monthly state pension benefit paid to a single person — in 2021, the maximum gross monthly payment is €1,847. Employers must withhold payroll tax on payments, and they have the option to make a lump sum payment to employees — for 2021 this would be €22,164 if the employee was terminated on 1 Jan 2021 and will reach the state pension age on 1 Jan 2022.
- Employers are liable to pay the RVU levy if scheme payments are made to employees younger than the eligible age, or if the payments exceed the monthly state benefit. In such cases, the employer pays the RVU levy on the excess amount.

## Related resources

### Non-Mercer resources

- [Law](#) (Dutch) (Dutch official journal, 21 Jan 2021)
- [Pensioenakkoord](#) (Dutch) (Dutch government, 2019)

### Mercer Law & Policy resources

- [Netherlands: Pension reform consultation published](#) (26 Jan 2021)
- [Dutch pension proposal would offer flexible options](#) (20 Oct 2020)
- [Netherlands' proposed pension reforms move forward](#) (24 Aug 2020)

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