Global Tax Network

Netherlands Overview
2019 Individual Income and Social Taxes

Gaining an understanding of the tax system in a new country is a critical step in addressing risks and reducing costs for companies with mobile employees. This overview summarizes key individual income and social tax compliance and tax planning considerations for companies sending employees to work in the Netherlands.

Individual income tax overview

A resident of the Netherlands is subject to the Netherlands income tax on worldwide income at graduated tax rates that range up to 51.75% for taxable employment income. A non-resident of the Netherlands is subject to the Netherlands income tax only on limited Netherlands source income (e.g., Dutch employment income, income from Dutch real property) at graduated rates similar to the rates that apply to resident taxpayers.

Residency

A person is generally a resident of the Netherlands based on facts and circumstances. Factors that indicate residency include availability of a permanent home, location of family, center of economic and personal interests, and intent. Available tax treaties should be considered in cases of dual-residence.

Tax filings

Tax Year: Calendar Year
Due Date: In general, May 1 following the calendar year. However, the due date often varies and is based on the date the tax declaration is provided by the Dutch tax authorities. If a deadline applies, filing extensions are available.
Joint/Separate Returns: Spouses must file separate tax returns.
Tax Payments: Withholding for income and social tax is required for wages under the Pay-As-You-Earn System. Any additional tax due must normally be paid within two months from receipt of an assessment.

Special expatriate tax regime

Foreign employees who are assigned to the Netherlands may apply for special treatment under the "30% facility," which allows qualifying expatriates to receive a tax-free allowance of up to 30% of their total compensation, for a maximum period of five years. Prior to January 1, 2019, the maximum period had been eight years. Transitional rules apply in 2019 and 2020 for scenarios that had been approved under the previous limitation.

To qualify for the tax-free allowance, the employee must have specific expertise that is scarce or unavailable in the Netherlands and meet specified criteria. Qualifying employees under this facility can opt for "partial non-resident status," which provides non-resident tax treatment for income related to savings and investments and to income and capital gains from substantial (generally at least 5%) ownership in corporate entities.

Planning ideas and common tax issues

1. Timing of transfer may help reduce Netherlands taxation (tax treaties must be consulted).
2. Capital gains may be subject to tax at special tax rates or might not be subject to tax.
3. In addition to the reimbursement of actual moving costs, a tax-free allowance up to a maximum of EUR 7,750 may be provided when moving for business reasons.
4. Certain allowances and reimbursements may be fully or partially excluded from taxable income (e.g., education expense) or subject to special valuation (e.g., company car).
5. Qualifying for the “30% facility” will save substantial tax.

Income tax treaties

The Netherlands has income tax treaties with many countries including the US. Business travelers going to the Netherlands may be exempt from income tax in the Netherlands if certain conditions are met (i.e., related compensation expense is not deducted by the employer in the Netherlands and the employee does not exceed a defined physical presence threshold). The “legal” Home country employer must bear the risk and responsibility for the employee’s work in the Netherlands for application of the treaty exemption.

Social taxes

National insurance and employee insurance tax apply to both residents and nonresidents as follows:

- Employees are subject to national insurance tax on taxable income up to EUR 34,300 at a tax rate of 27.65% (less several minor rebates).
- Employers are subject to employee insurance on taxable income up to EUR 55,927. The contribution rate will vary depending on the employer’s industry. On average, the employer tax rate is approximately 12%.

The Netherlands has social security agreements with approximately 35 countries (including the US). These agreements may exempt or partially exempt salary from Dutch social taxes.

It is also compulsory for residents and employees subject to Dutch wage tax to be covered under the Dutch Health Insurance Act. Depending on the level of coverage, annual employee contributions can be in the range of approximately EUR 1,200 – EUR 3,000 and are payable to the health insurance company (no cost to cover children). For employers, a contribution of 6.95% on income up to EUR 55,927 applies and is paid to the Dutch tax authorities.

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GTN specializes in mobility tax services. To learn how we can help you better understand these rules, or if you have additional questions, please contact us at info@gtn.com or +1.888.486.2695.

This overview is based upon tax law in effect as of January 1, 2019. The information provided is for general guidance only and is subject to change. This information should not be utilized in lieu of obtaining professional tax and/or legal advice.