Global Mobility Services
Taxation of International Assignees – Netherlands

People and Organisation
Global Mobility Country Guide

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Introduction

International assignees working in the Netherlands

PwC is the world's leading provider of professional services. The People and Organisation network works together with its clients to find solutions for the challenges they encounter when transferring people from one country to another.

This brochure is intended to inform foreign nationals and their employers about tax, social security and immigration issues in the Netherlands.

This guide is not exhaustive and cannot be regarded as a substitute for professional advice addressing individual circumstances. Nevertheless, answers will be found to most of the questions raised by an expatriate or his/her employer. More detailed advice should be sought before any specific decisions are made about these issues.

More information can be obtained from our Dutch offices specializing in People and Organisation's Global Mobility Services (see Appendix E).
Step 1
Understanding basic principles

**The scope of taxation in the Netherlands**

1. A foreign national working in the Netherlands will, in general, become liable to Dutch tax. The main taxes are:
   - Income tax;
   - Wage tax;
   - Dividend tax;
   - Gift and inheritance tax;
   - Real estate occupancy tax;
   - Real estate transfer tax;
   - Social security contributions.

**The tax year**

2. The Dutch tax year runs from January 1st to December 31st.

**Partners**

3. Partners of expatriate employees are independently liable to Dutch tax on their (employment) income. Under conditions a partner may qualify as a ‘fiscal partner’ for Dutch tax purposes. A ‘fiscal partner’ is defined as a spouse or a legally registered partner. Under certain conditions, couples living together who are not married or registered are also (automatically) regarded as fiscal partners.

Fiscal partners are (as mentioned) independently liable to Dutch tax on their income. However, for so-
called joint income and deductions, fiscal partners may choose which partner will take the joint income/deductions into account in his/her income tax return.

**Determination of residence**

4. Under Dutch tax law, an individual’s place of residence for tax purposes depends upon all facts and circumstances applicable to the personal situation. These facts and circumstances are used to determine where the center of an individual’s personal and economic life is located. If the center of the individual’s personal and economic life is located in the Netherlands, he or she is considered to be a resident of the Netherlands for tax purposes.

The most important criteria in this respect are as follows:

- Where a permanent home is maintained;
- Where employment duties are performed;
- Where the individual's family resides;
- Where the individual is registered with the local authorities;
- Where bank accounts and other assets are maintained; and
- The intended length of stay in the Netherlands.

5. In practice, an expatriate is generally considered a resident of the Netherlands if:

- As a married person, his family accompanies him to the Netherlands; or
- As a single person, he stays in the Netherlands for more than one year.

**Expatriate status (30% ruling)**

6. Under certain conditions, a foreign employee assigned to the Netherlands may be granted the right to be taxed in accordance with a special Dutch tax regime, called the 30% ruling. This ruling is outlined in detail later on in this brochure.
Step 2
Understanding the Dutch tax system

**Taxation of resident individuals**

**Taxable income**

7. Residents of the Netherlands are subject to Dutch tax on their world-wide income. This world-wide income is divided into three different types of taxable income. Each type of income is taxed separately under its own schedule, referred to as a 'Box'. Each Box has its own tax rate(s). The individual's combined taxable income is determined on the basis of the aggregate income in these three boxes.

8. For fiscal partners, some of the income is taxed jointly (joint income/deductions). With few exceptions, income must be recognized at the time it is received or offset, is put at the disposal of the individual, begins bearing interest or is collectible and receivable. Appendix B contains an overview of how taxable income is calculated.

**Box 1:**

9. Box 1 includes an individual's taxable income from work and home ownership. This type of income includes the following:
   - Employment income;
   - Home ownership of the principal residence (i.e. deemed income lowered by mortgage interest deduction);
   - Gains from self-employment and other professional activities;
   - Periodic receipts and payments;
   - Benefits relating to income provisions (e.g. refund of annuity premiums).

10. This taxable income is subject to deductions for:
    - Allowable expenses relating to employment and home ownership.

**Box 2:**

11. Box 2 includes an individual's taxable income from a substantial interest (defined further on in this brochure).

**Box 3:**

12. Box 3 includes an individual's taxable income from savings and investments (investment yield tax).

**Employment income**

13. Employment income includes all direct or indirect cash payments or benefits in kind. Benefits in kind are generally taxed at market value. However, if the benefit in kind is required for the proper performance of the employment activities, the individual is taxed on what he saves (i.e. costs he avoids incurring by virtue of the provision of the benefit). There are fixed valuation rules regarding certain benefits in kind (e.g. for company car, (restricted) shares, housing and meals).

14. In principle, all reimbursements made by the employer to the employee are considered (taxable) wage. However, 4 types of exceptions apply to this general rule.

   I. The employer has under the work-related cost scheme a budget of 1.2% of the total fiscal wages of its employees to reimburse incurred expenses tax free amongst the employees.

   II. A limited number of workplace related facilities that fall within the scope of the 1.2% budget (such as working clothes, consumptions and meals at the workplace) are valued at nil or are valued (very) low.

   III. The following expenses can be reimbursed tax free in addition to the 1.2% budget (below listed expenses are the so-named 'specific exemptions'):
       - Travel expenses at EUR 0.19 per kilometer;
- PC’s and mobile phones when necessary for an employee’s employment activities;
- Business related expenses for temporary stay (e.g. hotel and meal expenses);
- Business related expenses regarding courses, seminars, symposia, business literature, etc.;
- Study expenses;
- Extra-territorial costs (which includes the tax free allowance under the 30% ruling);
- Business related moving expenses;
- Discounts on company products.

IV. So-named intermediary costs (costs paid by the employee on behalf of the employer) can also be reimbursed tax free in addition to the 1.2% budget. Intermediary costs are for example costs of a business related meal or gasoline for a company car paid by the employee who can afterwards claim the expenses from his employer.

Tax credit

15. A general tax credit will apply to all taxpayers. In addition, there are a number of specific tax credits that are applied on a case-by-case basis. The most important specific tax credit is the labor rebate. Taxpayers who receive business profits, income from employment or income from independently performed services are entitled to claim this credit.

Social security and pensions

16. Payments that employees make to foreign social security and pension schemes may be tax deductible if the schemes would qualify under Dutch law. Please note that employers contributions to foreign social security and pension schemes can be taxable (and employees contributions non-deductible) if the schemes are non-qualifying. Upon emigration, the Dutch tax authorities may issue a precautionary tax assessment on the capital sum of company pension accrued (or, depending the applicable tax treaty, on the amount of contributions that were subject to Dutch tax relief) in order to retain their right to levy tax on that amount.

17. The tax beneficial build-up of pension entitlements is capped to a maximum income. For 2019, the maximum salary amounts to EUR 107,593. It is no longer possible to accrue tax-facilitated pension for salary in excess of EUR 107,593. It might therefore be advisable for employees who participate
in a foreign (non-EU) pension scheme and whose salary exceeds EUR 107,593 to seek further guidance on the impact of these limitations. Making further arrangements might be recommended, to ensure that their pension scheme still suits their wishes.

**Foreign pension schemes**

18. The Dutch Tax Authorities can assign a foreign pension scheme as a recognized Dutch pension scheme. As a result, the foreign pension scheme does qualify under Dutch law, which means that payments to the pension scheme are tax deductible. For employees from the EU/EEA a simplified procedure applies for recognition of the foreign pension scheme.

**Home ownership**

19. Individuals who own property in the Netherlands will be liable to pay tax on this (deemed) source of income in the Netherlands. A distinction should be made between a property that is considered to be the individual's principal residence and a property owned for other purposes.

**Principle Residence**

20. The principal residence is taxed in Box 1 based on the property’s fixed (deemed) rental value. This rental value is based on the property's fair market value as determined by the local authorities. The deemed rental value ranges from 0%-0.65% of the fair market value. The deemed rental value on property valued higher than EUR 1,080,000 is EUR 7,020 plus an additional 2.35% of the value above EUR 1,080,000.

21. Interest paid on (mortgage) loans related to the principle residence is in principle deductible in Box 1 for a maximum period of 30 years. However, from January 1, 2013 the conditions under which an individual can benefit from the (mortgage) interest deduction have become more strict. A distinction should therefore be made between loans that already qualified as a mortgage loan for a principal residence ('eigenwoningen schuld') on December 31, 2012, and mortgage loans that did not qualify as a mortgage loan for a principle residence at that moment (e.g. mortgage loans concluded for a principal residence from January 1, 2013 onwards).

22. For mortgage loans that did not qualify as a mortgage loan for a principle residence on December 31, 2012 and where transitional law is not applicable, the new conditions can be summarized as follows:

- The interest on (mortgage) loans will only be deductible if the mortgage is fully repaid within a maximum period of 30 years;
- These loans must be repaid periodically on the basis of a fixed pattern (e.g. linear/annuity), which is included in the loan agreement/contract as well. For foreign loans proof needs to be provided (strict deadlines apply);

23. For loans that do not meet the above-mentioned conditions and where the transitional rules are not applicable, the mortgage interest deduction will no longer be allowed.

24. For mortgage loans that qualified as a mortgage loan for a principle residence on December 31, 2012 (and in specific other situations), transitional rules apply. If transitional rules apply, the interest paid can be deducted for a maximum period of 30 years, irrespective if the mortgage loan is being paid off or not during this period. A careful assessment is required in situations where changes occur to mortgage loans that were concluded prior to January 1, 2013, or situations where the property for which the mortgage loan was concluded qualified as a primary residence previously.

25. Furthermore, from January 1, 2014, the maximum effective tax rate against which the mortgage interest is deducted has started to decrease annually. In 2019, the maximum effective tax rate is 49%. As from 1 January 2020 the percentage at which the interest is deducted per annum is to be decreased in four stages of three percent to ultimately 37.05 percent in 2023.

26. If an individual has no (mortgage) loan, or the (mortgage) interest paid is lower than the deemed rental value, the individual will be granted a deduction on the deemed rental value (i.e. the difference between the deemed rental value and the interest paid). From 2019 onwards, this difference may only be partially deducted in box 1. This deduction will be reduced annually.

**Real estate owned for other purposes**

27. In case real estate does not qualify (or no longer qualifies) as a principal residence, the real estate and the related (mortgage) loan are taxed in Box 3 rather than in Box 1 (Box 3 taxation is explained further on in this brochure). The mortgage interest paid for this type of real estate is not tax deductible. However, under conditions, certain exceptions may apply (under which Box 1 treatment and thus mortgage...
interest deduction is still allowed), when the home is to be sold or a new home is bought or for a property under construction.

**Substantial interest (Box 2)**

28. In Box 2, income from a substantial interest is taxed, less the allowable losses and expenses from that substantial interest. Generally, a taxpayer earns income from a substantial interest if he/she owns at least 5% of the shares in a company. The Box 2 tax rate is 25%.

**Investment yield tax (Box 3)**

29. In Box 3, income from savings and investments is taxed. Rather than taxing the actual income received from saving accounts, bonds, shares and real estate, Dutch law assumes a fixed return on investment (see Appendix A) on net assets (assets less liabilities). The value and fiscal qualification of the assets on January 1 is decisive. This fixed ROI is taxed at a fixed rate of 30%. However, an amount of 30,360 euros is exempted from this taxation. For partners this is 60,720 euros.

**Deductions**

30. Extraordinary expenditures, personal pledges and donations are tax deductible within limits. A distinction is made between deductions relating solely to Box 1 income and those relating mainly to the taxpayer's personal circumstances.

31. Insofar as these personal deductions exceed the (positive) income in Box 1, they will be deducted from Box 3 income and, thereafter, Box 2 income. Any remaining balance may be carried forward to the next year(s).

**Incentive income and executive remuneration**

32. Income and benefits from equity based remuneration is generally taxable at the moment the benefit becomes unconditional (shares) or at the moment the benefit is exercised (stock options). The income is pro-rated for the period it is earned (e.g. the vesting period) in case the individual worked and was taxable in more than one country during this period. The Dutch taxable income is determined based on the net benefit (i.e. gross benefit minus any exercise price paid). Furthermore, a discount applies on the taxable value in case of a holding lock or forced postponed exercise date.

33. The rules regarding 'excessive' remuneration have brought so-called lucrative investment (carried interest arrangements) under taxation in Box 1. The income from a lucrative investment, both income and capital gains, will, in principle, be taxed in Box 1 rather than Box 3, and as such, be taxable at progressive tax rates (up to 51.75%).

**Commuting expenses**

34. With respect to costs of traveling by public transport, a fixed amount can be deducted as commuting expenses. The fixed amount depends on the distance traveled and the number of days traveled per week. Costs of traveling associated with traveling by car or motorbike cannot be deducted.

35. Employers can reimburse actual costs of commuting tax free regardless the way of travel with a maximum of EUR 0.19 per kilometer. Insofar as the reimbursement exceeds EUR 0.19 per kilometer, the excess is considered taxable wage. If commuting takes place with public transport, the actual costs can be reimbursed tax free.

**Life annuity premiums**

36. Life annuity premiums are deductible under certain conditions, amongst those the existence of a pension gap. Other tax deductible premiums for life annuities include premiums towards (temporary) old age annuities and a survivor's annuity.

**Personal deductions**

37. Personal deductions are deductible from income (in chronological order) in Boxes 1, 3 and 2.

38. The following expenses are considered personal deductions:

- Alimony and other maintenance obligations;
- Specific medical and health expenses (under restriction of limited costs);
- Weekend care expenses for handicapped close relatives older than 21 years;
- Study costs and other educational expenses (From 2020 onwards, this deduction will be replaced by a subsidy for every person that has obtained a minimum level of education as determined by the government);
- Charitable donations;

**Foreign tax relief**

39. According to Dutch tax law, resident individuals are taxed on their worldwide income. However, tax treaties concluded by the Netherlands and other unilateral provisions of law may result in the exemption of certain types of foreign-sourced income.
from Dutch taxation. According to most tax treaties the Netherlands has concluded, the following types of income may be exempted from Dutch taxation:

- Income from a business or profession, provided that the income is generated by a foreign permanent establishment or fixed base;
- Income from employment, provided that the Dutch resident spends more than 183 days in a 12 month period (or in a tax or calendar year) in the foreign country or the remuneration is (deemed to be) paid by an employer resident in that foreign country or borne by a permanent establishment of the employer in that country;
- Directors' fees received in respect of a directorship of a foreign-resident company;
- Income from foreign real estate.

40. Generally, the exemption is calculated as a pro-rata reduction of the amount of Dutch tax computed on the individual's world-wide income (exemption with progression method). However, the avoidance for double taxation for director's fees is under most tax treaties concluded, based on the credit method (i.e. actual foreign tax paid). Nonetheless, exceptions may apply if certain conditions are met. Some countries also levy withholding taxes (source tax) on dividend and interest payments to Dutch residents. In general, such foreign withholding tax is credited against Dutch income tax payable.

**Wage withholding tax**

41. Employment income is generally subject to wage tax withholding. Wage tax is levied as a prepayment of income tax. The wage tax rates are based upon the income tax rates, taking into account general and labor levy rebates. If the amount of wage tax withheld is lower than the ultimate income tax liability, or if no tax is withheld, tax will be due on the receipt of a provisional or final income tax assessment after having filed a Dutch annual income tax return.

**Other taxes**

42. The most important other taxes levied by the Netherlands are:
- Inheritance and gift tax;
- Real estate transfer tax;
- Real estate tax; and
- Road tax.

Further details can be found later on in this brochure.

**Taxation of non-resident individuals**

**Taxable income**

43. An individual's residency status is determined as described in the section entitled "Determination of residence", above.

44. Similar to residents of the Netherlands, individuals who qualify as non-residents for tax purposes are taxable in the Netherlands based on the Boxes system. They are liable to pay tax on their Dutch sourced taxable income in Boxes 1, 2 and 3. This comprises the following:

**Box 1:**
- Taxable income from current or past employment performed in the Netherlands;
- Taxable income from lucrative investments in the Netherlands;
- Gains from self-employment and other activities in the Netherlands attributable to a Dutch permanent establishment or representative;
- Certain periodic benefits and payments;
- Income received in the employee's capacity as a managing or supervisory director of a Dutch company;
- Home ownership of the principal residence (deemed income);

**Box 2:**
- Dividend and (capital) gains from a company in the Netherlands in which the taxpayer has a substantial interest;

**Box 3:**
- Income from real estate located in the Netherlands (other than the principal residence);
- Entitlements relating to real estate in the Netherlands;
- Profit-sharing entitlements relating to companies whose management is based in the Netherlands (except if the shareholding qualifies as a lucrative investment which is taxed in Box 1).

**Employment income**

45. Under Dutch tax law, all income derived by non-residents from employment duties physically performed in the Netherlands, is in principle subject to Dutch income tax. However, according to most tax treaties concluded by the Netherlands, the
employment income is exempted from Dutch taxation if the following three cumulative conditions are met:

- The individual is present in the Netherlands for a period or periods not exceeding in the aggregate 183 days in a calendar year, tax year or any twelve months period commencing or ending in the fiscal year concerned (depending on the tax treaty); and
- The individual’s salary is paid or borne by an employer who is not a resident of the Netherlands; and
- The individual’s salary costs are not borne by a permanent establishment or fixed base in the Netherlands.

**Deemed country of employment**

46. A non-resident employee (employed with an employer who is a Dutch wage tax withholding agent), who performs part of his employment duties in the Netherlands and part outside the Netherlands, is deemed to have carried out 100% of his employment duties in the Netherlands. Consequently, the non-resident is in principle liable to pay Dutch income tax on his total employment income (not only on the part of the employment income that relates to Dutch workdays). Subject to double taxation treaties between the Netherlands and other countries, the deemed country of employment provisions do not apply to income earned from employment abroad if the income was subject to taxation in the other country and if the taxation rights on this income are allocated to the foreign country in question.

**Definition employer in tax treaties**

47. The policy guidelines on the definition of “employer” in the employment article of tax treaties have been set out in a specific Decree published by the Dutch Ministry of Finance. The Decree solely applies in case of assignments to a separate legal entity in the country of employment (it does not apply to assignments to permanent establishments). Furthermore, the assignment must be in the context of an exchange programme or career development, or in situations where the employee in question has a specific expertise. Based on the Decree, in some cases it can be assumed that – irrespective of who is actually bearing the employment costs – the host country employer is not considered as the tax treaty employer when an assignment does not exceed 60 days over a twelve-month period. This relief is intended for group entities as defined in the Dutch Wage Tax Act (which means that a 1/3 equity stake is required). Groups that do not satisfy this requirement, but do present themselves as a group, can file an application with the Dutch tax authorities to request corresponding application of the Decree.

48. When an employee is subject to Dutch wage tax, the foreign (formal) employer is in principle liable to remit wage tax. In other words, the home country employer will have to register in the Netherlands and process a Dutch (shadow) payroll. However, there is a general facility to transfer the wage tax withholding obligation from the home country (formal) employer to a Dutch entity within the same concern. As such, the Dutch entity can take over the withholding obligation from the home country employer. A request should be filed with the Dutch tax authorities in this respect.

**Incentive income, executive remuneration and severance payment**

49. Similar to resident taxpayers, non-resident taxpayers are generally taxed in the Netherlands on income and benefits from equity based remuneration at the moment the benefit becomes unconditional (shares) or is exercised (stock options). The income is prorated for the period it is earned (e.g. the vesting period) in case the individual worked in more than one country during this period. The Dutch taxable income is determined based on the net benefit (i.e. gross benefit minus any exercise price paid). Furthermore, a discount applies on the taxable value in case of a holding lock or forced postponed exercise date.

50. Specific rules regarding ‘excessive’ remuneration apply to income from lucrative investments (i.e. both income and capital gains). These gains will, in principle, be taxed in Box 1 rather than Box 3, and, as such, be taxable at progressive tax rates (up to 51.75%).

51. For non-residents, where and to the extent (taxable) activities are performed in the Netherlands, (part of) the lucrative investment is subject to taxation in the Netherlands based on Dutch domestic tax legislation. However, it should be determined on a case-by-case basis whether the Netherlands also have the right to levy tax on the income from lucrative investments based on the applicable tax treaties.
52. Furthermore, for individuals who arrive in the Netherlands after January 1, 2009, whilst holding a lucrative investment and who did not qualify as non-residents for Dutch tax purposes prior to the date of arrival for this (lucrative) investment, a step up to the fair market value of the lucrative investment on the date of arrival will be applied.

53. Finally, different rules may apply in case of an indirect lucrative investment and if the substantial interest route is chosen.

54. The Dutch taxation on severance payments that relate to activities performed in different countries, is based on the OESD guidelines. This means for example that the (actual) severance payment is allocated for tax purposes according to the taxation on the regular employment income during the twelve months preceding the termination of employment.

**Director’s fees**

55. Generally, based on most Dutch tax treaties, income earned as a managing or supervisory director of a company that is domiciled in the Netherlands is fully taxable in the Netherlands. It is irrelevant in this respect whether the director’s duties are actually carried out in the Netherlands.

**Personal deductions**

56. A non-resident taxpayer is granted with the following personal deductions:

- Foreign social security contributions paid in relation to Dutch sourced employment income, provided that certain conditions are met;
- Contributions made to a so-called qualifying pension scheme (limitations may apply);
- Expenses for income provisions, such as annuity premiums and premiums for disability or accident insurance provided that certain conditions are met;
- Interest and costs on (mortgage) loans for real estate, provided that the real estate qualifies as a principal residence for Dutch tax purposes. This includes, for example, the scenario in which the former Dutch principle residence is for sale or is being sold, provided certain limitations in time are met. Kindly note that as of January 1, 2015, it may be necessary for non-residents to be considered as qualifying non-resident in order to be eligible for Dutch mortgage interest deduction.

57. The Dutch levy rebates consist of both an income tax and a social security part.

58. As of 1 January 2019, non-qualifying non-resident taxpayers who are resident in an EU member state, the EEA, Switzerland or the Caribbean Netherlands will be given the statutory right to the tax portion of the employed person’s tax credit. The same applies, in principle, to non-resident taxpayers who operate a company via a permanent establishment in the Netherlands. The amount of the tax portion of the employed person’s tax credit will be based on the worldwide employment income. Furthermore, on basis of tax treaties, Ministerial Decrees and EU law, non-residents may also be entitled to the income tax part of various levy rebates normally only available to residents.

59. If non-residents are covered by the Dutch social security scheme, they are entitled to the social security part of all applicable levy rebates.

**Qualifying non-resident status**

60. As of January 1, 2015 the option regime (‘keuzeregeling’) has been revoked and replaced by the ‘qualifying non-residents’ regime. As a consequence, only non-residents who meet the conditions to be considered as qualifying non-resident taxpayers of the Netherlands (i.e. individuals who earn 90% of their worldwide income in the Netherlands and meet certain other conditions) are eligible for personal/familial deductions, tax credits, etc. normally only available to Dutch tax residents. Please note that only residents of EU countries, Liechtenstein, Norway, Iceland, Switzerland, Bonaire, Sint Eustatius or Saba can qualify as qualifying non-resident taxpayers of the Netherlands (this rules out third country residents). Furthermore, the Netherlands will only grant the benefits to the extent that the non-resident taxpayer is not able to effectuate these deductions in the home country.

**Income tax rates**

61. For non-resident employees, the income tax rates are the same as for resident taxpayers. However, in the Netherlands, the social security tax rates are levied together with the tax rates. As such, for employees not covered by the Dutch social security system, taxation on box 1 income (e.g. employment income) is effectively levied at “lower” tax rates due to the exclusion of the social security tax rates (see Appendix A).
Other taxes

62. Non-resident taxpayers may also be subject to other taxes. The most important of these taxes are:
   - Inheritance and gift tax;
   - Real estate transfer tax; and
   - Real estate tax.

Information about these taxes is summarized further on in this brochure.

Special regime for expatriates (30% ruling)

General

63. The 30% ruling is a special tax regime available for inbound employees who meet certain conditions. Before explaining these conditions in more detail, please find below the main features of the 30% ruling:

   - Upon granting of the 30% ruling, a maximum of 30% of an employee's gross income from current employment is considered to be a reimbursement for extraterritorial costs and can therefore be reimbursed tax free (i.e. regardless of the actual extraterritorial costs incurred). This means that if the conditions of the 30% ruling are met, the employee will only be taxed on 70% of his employment income. This will result in a substantially reduced effective tax due (i.e. the effective maximum rate is reduced to 36.2% (70% x 51.75%)).

   - The employer is allowed to reimburse school fees relating to the education of the employee's child(ren) at an international school free of Dutch tax;

   - The employee can opt to be "partially liable to Dutch tax". The term "partial" indicates that, even if the employee qualifies as a resident of the Netherlands, he is treated as a non-resident taxpayer for Box 2 and Box 3 income, but as a resident taxpayer for Box 1 income. Hence, he is eligible for all general and personal allowances in connection with Box 1, as well as for tax credits;

   - The employee involved, and his/her spouse, can exchange their foreign drivers' license for a Dutch driver's license without taking a Dutch driving test.

Conditions

64. Please find below the most recent conditions under which the 30% ruling can be applied:

   - The employee should be assigned to the Netherlands, or recruited from abroad for the purpose of employment in the Netherlands (i.e. inbound employee criteria);

   - The employee must be employed by a Dutch resident employer or a foreign employer who is a wage tax withholding agent in the Netherlands;

   - The employee must have specific skills or knowledge not readily available on the Dutch labor market ("the specialist test");

   - The employee should have lived outside a 150 km radius from the Dutch borders for more than 2/3rd out of 24 months before being recruited to work in the Netherlands, in order to be considered as incoming employee.

Specialist test

65. The 30% ruling only applies to employees with special skills or knowledge not readily available on the Dutch labor market (specific expertise). The specific expertise is assessed on the basis of a (taxable) salary norm. When an employee meets this salary requirement, he is in principle deemed to meet the condition of specific expertise. The following three salary requirements can be applicable:

   - General (taxable) salary norm: EUR 37,743 (or EUR 53,919 including full 30% allowance);

   - Masters (Msc) younger than 30 years of age: EUR 28,690 (or EUR 40,986 including full 30% allowance);

   - Scientific personnel, researchers and (specialist) physicians under training of designated educational institutes: no salary norm.

66. In addition, the specific expertise should still not or hardly be available on the Dutch labor market. The scarcity of the expertise may be checked for certain specific groups of employees where the salary level is not a sufficiently distinctive criterion for specific expertise.
PhD Graduates

67. If university doctorates move to the Netherlands (or a country within the 150 km radius from the Dutch country borders) to obtain their PhD and start to work in the Netherlands afterwards, they can in principle not benefit from the 30% ruling, as they cannot be considered as inbound employees for the 30% ruling (i.e. they are not posted or recruited from abroad). However, a specific exemption applies in their case, allowing them to obtain the 30% ruling if they take up a Dutch employment within one year after obtaining their PhD. For completeness’ sake it is noted that university doctorates still need to meet the salary norm, which depends on their age (younger than 30 or not) and/or where they will be working (educational and research institutes or other).

Supervisory board members

68. Until October 12, 2007 members of the supervisory board of a Dutch entity were not able to benefit from the 30% ruling, as they were not considered employees of the company. However, the Dutch Supreme Court ruled on October 12, 2007 that, provided that all conditions are met, a supervisory board member could be allowed to benefit from the 30% ruling, as supervisory board members are in most cases treated as employees for Dutch wage tax purposes. However, as of 1 January 2017 opting-in is required for supervisory board members to still benefit from the 30% ruling, as supervisory board members are as of January 1, 2017 no longer treated as employees. As of 1 January 2018 non executive directors of a one tier board of a listed company are also no longer treated as employees and also need opting-in to benefit from the 30%-ruling.

Period of validity

69. As of 1 January 2019, the maximum term of the 30% ruling is reduced from eight to five years. The ruling will be applicable as long as the conditions are met. Periods of previous stay and employment in the Netherlands during the last 25 years are deducted from the maximum duration period of the 30% ruling. This rules out almost all Dutch national employees who return to the Netherlands at some stage in their international career.

70. The five years term will also apply to existing cases. For existing expats that would lose the 30% ruling in 2019 or 2020 due to this new legislation, transitional law will be applicable. In case of employees who have used the 30% ruling for five years or longer in 2019 or 2020, transitional law of two years maximum will be applicable. The ruling will end as of 1 January 2021 at the latest (i.e. unless the original end date would be reached earlier). In case of employees who have not yet used the 30% ruling for five years in 2019 or 2020, the end date of their eligibility for the 30% ruling is reduced with three years. For some expats this means that their 30% also ends as of 2021.

71. The period for which individuals qualify as employee in the meaning of the Dutch Wage Tax Act is considered a deemed period of work for the purpose of reduction rules. With this rule, it is avoided that (statutory) directors and members of the supervisory board of Dutch companies, who in the past have benefitted from the 30% ruling, can obtain the ruling in the future again whilst only a reduction is applied on days physically spent in the Netherlands.

72. Please note the tax free 30% allowance can only be paid during the period the 30% ruling is applicable. Based on the current legislation, for inbound assignees the applicability of the 30% ruling ceases on the last day of the wage period following the period in which the employee's Dutch employment ends (i.e. for most employees on the last day of the month following the month in which the Dutch employment ends). Please note that a lower Dutch court in 2015 has made the judgement that the applicability of the 30% ruling also ceases when the employer suspends the employee from active duty, preceding the formal end of the employment. This has effect on the application of the 30% ruling on the remuneration during this period and potentially also for the potential (future) continuation of the ruling with a new employer.

School fees

73. When the 30% ruling is granted, the actual cost of attendance at an international primary or secondary school, reimbursed by the employer, will not be considered as taxable wage to the employee, provided that the costs are limited to tuition fees and if arranged by the school, transport. A Dutch school with an "international stream" also qualifies as an international school if the school is in principle only available for children of employees working outside their home country. The maximum tax-free term of reimbursement is also set at five years. School fees that employees pay themselves are not tax deductible.
Other reimbursements and allowances

74. As mentioned, under the 30% ruling, the employer is allowed to reimburse a maximum of 30% of the employee's salary from current employment (excluding 30% allowance) tax free as a reimbursement for extraterritorial expenses incurred. Any other reimbursement of actual extraterritorial expenses by the employer to the employee in addition to the 30% allowance will be considered as taxable income (or should be deducted from the 30% tax free allowance). If the actual extraterritorial expenses incurred are higher than 30% of the employee's total salary, it might therefore be more beneficial not to apply the 30% ruling and to reimburse the actual expatriate expenses instead.

75. Allowable business expenses (not being extraterritorial expenses) can be reimbursed tax free in addition to the 30% allowance. The following payments do not qualify as allowable business expenses and are considered as taxable reimbursements and benefits:
- Foreign-service premiums;
- Tax and social security equalization payments; and
- Reimbursements for losses on the sale of assets due to the transfer.

76. In addition, an employer may reimburse certain expenses tax free if they are incurred wholly because of the expatriate's employment outside the country of origin. The actual moving expenses and, in addition, an amount of EUR 7,750 can be reimbursed tax free. Examples of other tax free expenses are:
- Professional expenses incurred on business trips;
- Limited business mileage at EUR 0.19 per kilometer; and
- Professional education expenses otherwise incurred in connection with employment.

Wage withholding tax

77. The 30% ruling is granted on a case-by-case basis. The application must be filed with the Dutch tax authorities within four months after the start of the Dutch employment in order for the ruling to be applicable as of the start date. If the application is filed after the four months period, the ruling (if granted) will be applicable as of the month following the month in which the application was filed. If the foreign employee is assigned to the Netherlands to work for a foreign employer that does not have sufficient substance in the Netherlands (for tax purposes), then the foreign employer should apply be appointed as a wage tax withholding agent by the Dutch tax authorities before filing the application for the 30% ruling.

Foreign tax relief

78. Expatriates covered by the 30% ruling who reside in the Netherlands are liable to tax on their worldwide employment income. Consequently, if they receive employment income which, under a tax treaty, is liable to tax in another country, foreign tax relief can be claimed. Expatriates covered by the 30% ruling who do not reside in the Netherlands are only liable to Dutch tax on the portion of their employment income that relates to activities actually carried out in the Netherlands. Kindly note that applying the 30% ruling may have an impact on the relief for double taxation that the non-resident employee is eligible for in the home country. Also note that special rules apply to US nationals, residing in the Netherlands who are covered by the 30% ruling.

Other matters

79. The 30% ruling may have an impact on the amount of pension rights which can be built-up tax free while working in the Netherlands. Expert advice should be sought on a case by case basis in this respect. The 30% ruling may also have an impact on the amount of Dutch social security contributions due (if applicable) and the build-up of Dutch social security entitlements of the expatriate.

Similar to resident and non-resident individuals, expatriates who qualify for the 30% ruling may also be subject to other taxes. The most important of these taxes are:
- Inheritance and gift tax;
- Real estate transfer tax;
- Real estate tax; and
- Road tax.

Information about these taxes is summarized further on in this brochure.

The Dutch Social Security System

General

80. The Netherlands has an extensive compulsory social security system, including national health insurance and employee’s insurances. Employees only pay...
contributions with respect to the national insurance and the Dutch health insurance.

**Dutch national insurance**

81. Under Dutch law, the national insurance schemes cover all residents of the Netherlands, regardless of their employment status. In general, non-residents are covered if they are employed in the Netherlands and if their employment income is subject to Dutch wage withholding tax. The national insurance schemes are provided by the following legislation:

- General Old Age Pensions Act ("AOW");
- Dependants Benefits Act ("ANW");
- General Act for Long Term Care ("WLZ");
- General Child Benefit Act ("AKW").

82. The national insurance contributions paid by an employee are not deductible from his taxable income. National insurance contributions and income taxes are included as a single tax in the first and second income tax brackets (see Appendix A).

**Dutch employee’s insurance schemes**

83. Dutch employee’s insurance schemes are provided for in the following legislation:

- Unemployment Insurance Act ("WW");
- Occupational Disability Insurance Act ("WIA");
- Sickness Benefits Act ("ZW");

84. Generally speaking, no employee’s insurance contributions are due if activities are performed in the Netherlands for a period not exceeding six months, provided that they are performed by a non-resident employee under an employment contract with a non-resident employer. This exemption is not applicable if the EU Regulation or a social security treaty is applicable.

**Dutch Health Insurance Act**

85. According to the Health Insurance Act, an individual, who is mandatory covered by the Dutch social security system, should conclude a Dutch health insurance. This means that the individual should conclude a health insurance with a Dutch health insurance company. The employer’s contribution to the Health Insurance Act (amounting to 6.95 %) is paid on a maximum amount of EUR 55,927 on an annual basis (maximum amount is EUR 3,886.93). This contribution should be processed via the payroll. This amount does not need to be processed via the individuals’ pay slips and does not constitute taxable income for the employee anymore. In addition, the employee should pay a fixed contribution per year (the so-called “nominale premie”) per adult to the health insurance company. This amount varies per health insurance company (average for 2019: EUR 1,420 and an own contribution of EUR 385).

**EU/EEA nationals**

86. EU rules apply to the temporary assignment of an employee from one EU* country to another (under EU Regulation 883/04). The rules direct that, under certain conditions, the employee remains subject to the social security system of his home country, provided that the duration of the transfer does not exceed 24 months. This is an exception to the main rule that employees are compulsorily covered under the social security system of the country in which they work. It is possible to extend this coverage for a period of up to five years (in general, depends per country). Special rules apply to employees who work in more than one EU Member State.

87. The EU Regulation 883/04 has entered into force on May 1, 2010. This Regulation is applicable to all EU countries. Under certain conditions the previous EU Regulation 1408/71 remains applicable for situations which started before May 1, 2010.

88. The scope of EU Regulation 883/04 is applicable to third country nationals from January 1, 2011. This relates only to moves between EU countries.

The UK does not participate in this new Regulation for third country nationals. They continue to apply the old EU Regulation 1408/71 for third country nationals. Please note that Denmark has not adopted the old Regulation for third country nationals and will not adopt the new Regulation either.

**Other nationals**

89. Non-EU/EEA or Swiss nationals** employed in the Netherlands are covered by the Dutch social security system. However, social security agreements between the Netherlands and some other countries may entitle the employee to an exemption from paying Dutch social security contributions. This relief is similar to the provisions for an EU/EEA or Swiss national.

Some social security treaties also apply to third-country nationals and to family members. We recommend that you check the treaty provisions in each individual case.
In Appendix D you can find an overview of countries with which the Netherlands has concluded social security treaties.

*EU = Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, The Netherlands and the United Kingdom.

**EEA = European Union plus Norway, Liechtenstein, and Iceland.
Step 3
What to do before you arrive in the Netherlands

Immigration formalities in the Netherlands

90. A Dutch immigration procedure must be started for foreign nationals who want to reside and/or work in the Netherlands. In general, a Dutch employer needs to obtain a work permit to arrange legal employment in the Netherlands. Depending on the nationality and duration of intended stay, an entry visa and/or residence permit are/is required. For a stay of more than four months in a timeframe of six months, registration at the town hall of the municipality of residence is required. EU/EEA and Swiss nationals are exempted from the entry visa, work and residence permit requirement.

Application for a (MVV) visa

91. In order to enter the Netherlands third country nationals may be subject to entry visa requirements, depending on nationality and duration of intended stay. In case a foreigner comes to the Netherlands for a stay shorter than three months a short term (Schengen) visa may be required. When coming to the Netherlands for a period longer than three months a long term entry visa (in Dutch so-called MVV) may be required prior to arrival in the Netherlands. A visa is an annotation, placed in the foreigner's passport, enabling the foreigner to enter the Netherlands. The nationals of the following countries are exempted from the MVV requirement:

- Australia;
- Canada;
- Japan;
- Monaco;
- New Zealand;
- South Korea;
- United States of America;
- Vatican City.

92. Foreigners who have the nationality of these countries may come to the Netherlands without an MVV. Their residence permit application can be started while they are still residing abroad or shortly after their arrival in the Netherlands in case their intended stay exceeds three months.

93. In case the company of the foreign national is registered as an recognized sponsor and the foreign national is in possession of a valid residence permit issued by another Schengen country no long term entry visa (MVV) is required.

94. Foreigners must obtain an entry visa prior to enter the Netherlands from the Dutch embassy/consulate in the home country or from the country where the foreigner has legal residence (e.g. be in the possession of a residence permit and passport valid for at least six months at the moment of collection of the entry visa).

95. The regular procedure for the application of a MVV has to be started simultaneously with the application of a work permit and residence permit. In general a MVV will be issued after a work permit has been granted.

96. MVV applications in combination with a work permit will in principle be granted within six to eight weeks of the date that documents have been received by the authorities. In cases other than work, obtaining a MVV can take up to three months.

Application for a work permit

97. Dutch employers who hire a foreign employee must obtain a work permit for him/her from the first day he/she will work in the Netherlands (see ‘Penalties for non-compliance’ under 102). No work permit is required for employees who are nationals of the EEA and Switzerland excluding Croatian nationals.

98. There are several work permit procedures, under paragraphs I – V the most common procedures are outlined.
I. Highly skilled migrant residence permit procedure

99. This is the most commonly used procedure in the Netherlands. Under the highly skilled migrant residence permit procedure, the employer is not required to arrange for a separate work permit for the employee. Instead, the employer applies for a residence permit that will entitle the employee to work and reside in the Netherlands. For the highly skilled migrant procedure, it is not relevant whether the employee is already employed by the Dutch company or not or hired from abroad as a new recruit by a Dutch company. The highly skilled migrant procedure can only be used if the employer has the status of an acknowledged sponsor issued by the Dutch Immigration Authorities.

100. For immigration purposes, a person qualifies for this procedure if the intended stay in the Netherlands exceeds three months and the salary threshold is met. In 2019 the gross monthly threshold is EUR 4,500 (EUR 4,860.00 including 8% holiday pay) or EUR 3,299 (EUR 3,562.92 including 8% holiday pay) for applicants under 30 years of age. The processing time of the application is approximately 2 to 3 weeks.

101. For recently graduated students, who studied in the Netherlands, possibilities exist to obtain a residence permit to look for a job as a highly skilled migrant for a period of one year (starting after their graduation). As soon as they have found a job after this search year in the Netherlands, their employer can apply for a residence permit as a Highly Skilled Migrant, if the gross wage of EUR 2,364 per month (EUR 2,553.12 including 8% holiday pay) (figure 2019) is met.

II. Highly Skilled Migrant work permit procedure

103. If the employee will have to work in the Netherlands for less than 90 days, a work permit as a highly skilled migrant can be applied for, provided that all conditions are met. The processing time of the application is approximately 2 to 3 weeks. In order to be able to make use of this possibility, the employer must fulfil a key position or must have at least a Bachelors degree.

The gross monthly salary threshold for this work permit is EUR 4,500 (EUR 4,860.00 including 8% holiday pay) or EUR 3,299 (EUR 3,562.92 including 8% holiday pay) for applicants under 30 years of age (figures 2019).

III. Intra company transfer

104. The conditions for the intra company transfer procedure include the following:

- The foreign employee must be assigned from a company abroad to the Dutch company within the same global group;
- The international group of companies need to have an annual turnover of at least EUR 50 million;
- The foreign employee is in the possession of at least a bachelor degree, has a management or key position and has a monthly gross wage of at least EUR 4,500 (EUR 4,860.00 including 8% holiday pay) (figure 2019);
- In addition, trainees can under certain conditions also be assigned on an intra company base. A traineeship program outlining the tasks and objectives must then be available and a gross monthly wage must be paid of EUR 3,299 (EUR 3,562.92 including 8% holiday pay, figure 2019).

IV. Students

105. Employers are no longer required to obtain a work permit for students who, as being a part of their study at a Dutch institution, must follow a mandatory apprenticeship in the Netherlands during their Dutch education. Before the start of the apprenticeship, the student should have a valid Dutch residence permit for study and the employer should have a contract governing the apprenticeship signed by the university, the student and the employer.

V. Regular procedure

106. In case no exceptional application procedures are applicable, the procedure for new recruited employees most likely needs to be followed. This is a more time-consuming procedure because of the prerequisites of prior notification of the vacancy and fulfilling recruitment efforts.
107. The employer should actively investigate whether personnel is available on the EEA labor market. First of all, the employer should therefore advertise the vacancy in several newspapers throughout the EEA and professional journals, during a period of five weeks, and fulfill sufficient additional recruitment activities.

108. Secondly, the employer has to report the job vacancy with the Dutch employment authorities ("UWV Werkbedrijf") for at least five weeks, or for three months when the labor market for this kind of positions is very tight. We also recommend the employer to report the job vacancy with EURES (European Employment Services).

VI. Exceptions and special rules on work permits

109. Exception 1: EEA and Swiss nationals do not require a work permit.

110. Exception 2: spouses and partners - actually living together - of a Dutch or European employee in the Netherlands can obtain a residence permit for the purpose "stay with partner/husband". The residence permit should include the notification that no work permit is required.

111. Exception 3: if the foreign employee is in the possession of a residence permit under the heading 'Arbeid vrij toegestaan', no work permit is required. This type of residence permit is open for employees that have:
   - An uninterrupted residence permit and work permit for at least five years, directly preceding the application for this new residence permit; or
   - A permanent residence permit.

112. Other exceptions: the following individuals do not need a work permit (list is not exhaustive):
   - Foreigners that reside abroad and who are incidentally in the Netherlands for business purposes provided that the employee stays in the Netherlands no longer than a total of 13 weeks within 52 weeks;
   - Information Technology personnel in case of installment or adjustment of software or in case of installment or repairing of machines delivered to an employer located outside the Netherlands during an uninterrupted period with a maximum of 12 weeks within a period of 36 weeks;
   - Training or education purposes. This exemption is applicable provided that the training is conducted for to receive trainings /instructions in a classroom environment under the guidance of a trainer. The maximum duration of this exemption is 4 weeks within a period of 13 weeks.

Special rules

Directors

113. Directors and/or major shareholders must apply for a work permit for the activities they are to perform in the Netherlands, unless they can be considered as independent entrepreneurs. They will be considered as independent entrepreneurs if they own 25% or more of the shares in a company, run a certain entrepreneurial risk and can influence the level of their own salary. As independent entrepreneurs, they must apply for the residence permit applicable to self-employed individuals who work in the Netherlands. In this case no separate work permit is required.

30% ruling

114. Both the employee and the employer need to consider whether they should apply for the special expatriate tax regime (the 30% ruling).

Requesting an A1 statement

115. If you are an EU/EEA or Swiss national, you may remain covered by your home country's social security system, provided that the duration of your stay does not exceed 24 months. It is possible, however, to extend this period for up to five years. Your employer must file a request for a so-called A1 statement with the appropriate social security authorities in your home country. We advise to apply for an S1 statement for health insurance purposes as well.

Requesting a Certificate of Coverage

116. If you are assigned to the Netherlands from a country with which the Netherlands has concluded a social security treaty, you may, under certain conditions, remain covered by your home country's social security system. Your employer must file a request for a so-called Certificate of Coverage with the appropriate social security authorities in your home country. In addition, we advise to apply for a so-called S1 statement for health insurance.
purposes if this is possible based on the specific social security treaty.

**Timing of arrival**

117. To minimize your tax burden, you should, if possible, discuss your arrival date with a tax adviser. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after your arrival.

**Importing personal possessions**

118. Before you arrive in the Netherlands, bear in mind that importing certain items may be prohibited or restricted. This not only includes the more obvious items such as firearms and drugs but also certain meat and poultry products, fish, plants and animals. Certain articles made from protected species are also prohibited.

119. When you arrive in the Netherlands, you will have to formally declare to customs anything you are importing, apart from goods covered by duty- and tax free allowances. This applies even to goods on which you are claiming relief from duty and tax. “Importing” in this context means bringing in goods from outside the EU. All goods on which taxes have been paid can be moved freely within the EU (except vehicles). We recommend that you employ a shipping agent who will ensure that all customs paperwork is completed. To speed up customs clearance, we recommend that you apply for a customs authorization in advance. You will also find it very useful to prepare a packing list so that customs can see at a glance which goods you intend to import. If you wish to bring your car or any other vehicle with you, it will have to be declared separately. For this purpose a registration with the local municipality in the Netherlands will be required.

120. Relief from customs duty for your personal possessions, including cars, can be obtained if you move your principal residence to the Netherlands. The import of a car into the Netherlands is not exempt from customs duty, value-added tax or motor vehicle tax, and you will have to pay the tax due at the appropriate rate. Upon registration of the vehicle, a special car registration tax will be due under the Private Motor Vehicle and Motorcycle Tax Act.
Step 4
What to do when you arrive in the Netherlands

Registration with the local municipality and application for a residence permit

121. In case a foreign national travels to the Netherlands with an MVV, the residence permit can be collected at the Dutch Immigration Authorities upon arrival in the Netherlands. In case the foreign national is exempted from the MVV requirement, the residence permit application can be started before or after arrival in the Netherlands. If the procedure is not initiated prior to the arrival, the foreign national should file his residence permit as soon as possible upon arrival in the Netherlands. Once a positive decision is made, the residence permit can be collected at the indicated office of the Dutch Immigration authorities after digital passport photos are taken and biometric data are delivered. EEA and Swiss nationals only need to register with the population register of the town hall in case the intended stay exceeds four months in The Netherlands.

Separate application for family members

122. If the family members arrive at the same time as the employee (or not later than 3 months in case of a highly skilled migrant) and intend to stay in the Netherlands for at least three months, the applications for the residence permits can be filed together.

Registration at the local municipality

123. In general, if a foreign national is staying in the Netherlands for a period of at least four months, registering with the Municipal Population Database (Bpr) population register of the local municipality is required. For this purpose a recently issued and legalized birth certificate is required. Certificates need to be issued in or translated into English, German, French and Dutch.

124. If a foreign national is married, recently issued and legalized and, if applicable, translated marriage certificate as well as a legalized/translated birth certificate of the spouse is required. Birth certificates of children joining the applicant also need to be properly legalized and, if applicable, translated.

125. As a consequence of the EEA agreement, EEA nationals are free to reside and work in the Netherlands. Once they have a permanent home address in the Netherlands, EEA nationals must register their address with the municipality in the place where they reside.

126. To an increasing extent, the Dutch Tax Authorities, Dutch employment authorities and other authorities, will send mail to a person’s digital mailbox for mail from government institutions. It is therefore recommended to activate your ‘MyGovernment-account’ (www.mijnoverheid.nl) with e-mailbox.

Penalties for non-compliance

127. Please note that, until the Dutch employment authorities (“UWV Werkbedrijf”) have issued the application for the work permit, the employee is not allowed to work in the Netherlands. For working without a work permit severe fines may be imposed. The authorities may decide to deport the employee. Authorities as well as the employee may lodge claims. Also under the “Modern Migration Policy” there is a strong focus on enforcement of compliance.

Timing

MVV procedure

128. In general, it takes two to four weeks to obtain a MVV if the highly skilled migrant/accelerated regular employment procedure is applicable. In all other cases three to six months.
Work permit procedure

129. In general, the length of obtaining a work permit is as follows:
   - Intra company transfer procedure: maximum 5 weeks;
   - Highly skilled migrant residence procedure: maximum 2 to 3 weeks;
   - Highly skilled migrant work permit procedure: maximum 2 to 3 weeks;
   - New recruited employee procedure (including prior notification of the vacancy): in general 12 to 17 weeks.

Depending on the type of work permit application, we advise to start with the work permit application well before the employee's planned date of arrival in the Netherlands.

Residence permit

130. The application procedure for (the extension of) a residence permit may be lengthy (3 months) under the regular procedure. However, individuals have a legal status in the Netherlands during the application. Please note that for travelling from and back into the Netherlands a special return visa may be required. In case of a first application for a Dutch residence permit a return visa can only be obtained for urgent matters (e.g. business, serious illness in direct family).

Registration with social security and tax authorities

131. Registration with the appropriate social security and wage tax authorities is handled by the employer. However, the foreign employee must obtain a so-called ‘Burgerservicenummer’ (BSN). After the foreign national registers with the town hall a BSN is issued automatically. Should the foreigner not register with the town hall (e.g. for a stay shorter than four months) the foreign national needs to register with the “register non-residents” (in Dutch: “Register niet-ingezetenen” or “RNI”) to obtain a BSN.

Application for the 30% ruling

132. The 30% ruling is granted on a case-by-case basis. An upfront request should be filed with the Dutch tax authorities and a wage tax withholding agent appointed (if necessary). Based on the legislation regarding the 30% ruling an appendix signed by both employer and employee should be included (in addition to the assignment letter or employment contract) in which they agree that part of the employee’s remuneration consists of a tax-free allowance.
Application for Dutch health insurance

133. Every person who becomes subject to Dutch social security should conclude a health insurance with a Dutch health insurance company upon arrival in the Netherlands. Children under the age of 18 years can be covered free of charge.

Registration for Dutch health insurance

134. A person who is exempted from Dutch social security based on an A1 statement or a Certificate of Coverage and who has obtained a S1 statement, should register with the Dutch health insurance company CZ. Based on this registration they are entitled to medical coverage in the Netherlands for the account of their home country. Whether or not the partner and/or children need to be registered depends on the specific treaty and on the question whether they earn income/perform employment activities.

General child benefit

135. Individuals subject to Dutch social security can qualify for the general child benefit and receive quarterly allowances. Applications for the general child benefit must be filed with the Social Security Authorities (“Sociale Verzekeringsbank”).

Foreign driving license

136. If a foreign employee becomes a resident of the Netherlands, the foreign driving license is valid for 6 months after registering in the Netherlands. After this 6 month period, a Dutch driving test needs to be passed or the license needs to be exchanged. However, individuals with a driving license from the following countries can apply for the exchange:

- EU/EEA member states
- Aruba
- The former Dutch Antilles
- Jersey
- Isle of Man
- Monaco
- Switzerland

In addition certain driving licenses from Andorra, Canada (province of Quebec), Israel, Japan, Singapore, and South Korea can be exchanged. Persons holding a license issued in another country will need to (re)take a Dutch driving exam, consisting of a theoretical and a practical part.

137. If an expatriate has a 30% ruling, it is possible for the 30% ruling holder and the member(s) of his family to exchange their foreign driving license without having to take a Dutch driving exam.
Step 5
What to do at the end of the tax year

**Tax return**

138. A Dutch tax return filing obligation only exists if an amount of income tax is expected to be due or if the Dutch tax authorities issue a tax return form. An individual is free to file a Dutch tax return if an income tax refund is expected. Income tax returns are issued by the tax inspector shortly after the end of each calendar year. They should be filed by May 1st of the next calendar year. This period may be extended to July 1st upon request. A tax return extension may be granted if there is sufficient cause. Dutch income tax returns require no calculation of tax liability and show all items of gross income and deductions, with the amount of taxable income shown at the bottom of the return.

**Refund of wage tax**

140. If Dutch wage tax is over withheld during a calendar year, you are entitled to a refund. You will have to file a Dutch income tax return in order to claim this refund.

**Prepayment of tax**

139. If salary is processed through a Dutch (shadow) payroll, wage tax and social security contributions (if applicable) will be withheld by the employer as a prepayment on the final income tax and social security contributions due. If the salary is not processed through a Dutch (shadow) payroll, a prepayment on the final Dutch income tax and social security contributions due can be made by requesting for a provisional income tax assessments with the Dutch tax authorities. If, based on the income tax return filed at the end of the calendar year concerned, the deductions at source and/or provisional assessments are higher than the ultimate Dutch income tax and social security liability, a refund payment will take place in the amount of the overpayment; if lower, an assessment is issued for the additional tax and social security contributions payable including interest. Final income tax assessments must, in general, be issued by the tax authorities within three years after the relevant tax year.
The Dutch tax authorities will (in most cases) only transfer refunds to the personal bank account of the concerning taxpayer. Hence, it is not possible to transfer tax refunds directly to the bank account of the employer (e.g. if an employee is working on a net contract basis).

141. Income tax assessments are issued by the tax inspector after the tax return has been audited. Payments should be made or refunds will be received after receipt of the assessment (normally within two months).
Step 6
What to do when you leave the Netherlands

Reporting departure
142. You must report your and your family’s departure from the Netherlands at the Municipal Population Database (Bpr) in the municipality where you live. Your Dutch residence permit must be returned. Your employer must inform the IND about your departure in case you hold a residence permit as a highly skilled migrant or on another employment residence permit. You must also report your departure to the tax authorities. When you leave the Netherlands, a special emigration income tax return has to be filed with the tax authorities.

143. A request must also be filed with the foreign customs office to enable household possessions to be removed to non-EU countries free of VAT or import duty. No certificate from the tax authorities is necessary to remove household goods from the Netherlands.

Other issues
144. It is advisable to discuss the date of your departure with a tax adviser, as the timing can alter your tax liability. Furthermore, all reasonable steps should be taken to avoid the possibility of dual residence or double taxation after your departure. Any payments or bonuses received after departure in respect of Dutch employment may be liable to tax in the Netherlands under certain conditions.

145. Please note that expatriates who receive child benefits from the Netherlands and who are no longer covered by Dutch social security after their departure should cancel their Dutch child benefits. If the payment is not cancelled, the expatriate will have to pay it back at a later moment but also a penalty can be charged which can amount to 100% of the amount repayable.

146. Expatriates and their family members who are 15 years or older who have been covered by the Dutch social security system have built up old age pension rights under the General Old Age Pension Act, which provides for a state pension at the age of 66 + four months in 2019 (and as of 2021 at the age of 67). The Act applies to both partners, even though a non-working partner may not have paid any old age pension contributions during the stay in the Netherlands.

147. If the expatriate’s home country is an EU/EEA country or Switzerland, at pensionable age the social security authorities of their home country will notify the Dutch authorities when they apply for state pension. If their home country is not an EU/EEA country or Switzerland they will have to apply for their state pension with the Dutch authorities when reaching pensionable age.

148. Please note that based on the Benefit Restrictions (Foreign Residence) Act, not all Dutch social security benefits can be transferred for use in all countries abroad.

149. Dutch employers have the obligation to notify the Dutch immigration authorities in case a highly skilled migrant is no longer employed by this employer under the highly skilled migrant ruling.
Inheritance and gift taxes

150. The Netherlands have an inheritance and gift tax, which is levied on the fair market value of the gift or inheritance (i.e. less an exempt amount which varies depending on the relationship with the donor). The tax rate levied on the net gift or inheritance (10% to 40%) also depends on this relationship. The tax is due when:

- A gift or inheritance is received from a resident of the Netherlands;
- A gift or inheritance is received from a former resident of the Netherlands who is a Dutch national, within ten years of his departure from the Netherlands;
- A gift is received from a former resident of the Netherlands who is not a Dutch national, within one year after his departure from the Netherlands.

151. The above implies that a non-resident of the Netherlands who receives a gift or inheritance from a resident of the Netherlands may be subject to Dutch inheritance and gift tax. Gifts or inheritances consisting of Dutch real estate received from a non-resident of the Netherlands are not subject to Dutch inheritance and gift tax.

152. If an individual is considered a partial non-resident taxpayer of the Netherlands based on the 30% ruling, this individual can still be subject to Dutch inheritance and gift tax.

Real estate taxes

154. A municipal tax applies to the ownership of immovable property. The circumstances as at January 1st of a given year are determinative. The tax is payable upon an annual assessment which is based on the value of the property (as determined by the municipality). Non-residents and residents are equally subject to real estate tax.

Transfer tax

153. The transfer of non-residential immovable property or certain rights thereto (e.g., buildings, houses, shares in real estate companies) is subject to 6% transfer tax, payable by the new owner. The transfer tax on homes is 2%. The transfer tax applies equally to residents and non-residents.
Road tax

155. The owner and/or user of a car in the Netherlands may become liable to Dutch road tax. The person who owns the car as at the start date of each quarter will be liable to road tax. The amount due depends on the weight of the car and the type of fuel it uses.
Appendix A
Rates of tax

Personal income tax rates for 2019

Box 1
The amount of tax due is calculated by applying the following progressive tax rate schedule to taxable income:

<table>
<thead>
<tr>
<th>Bracket</th>
<th>Taxable income over (EUR)</th>
<th>Not over (EUR)</th>
<th>Income Tax rate (%)</th>
<th>National Insurance Tax rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0</td>
<td>20,384</td>
<td>9.0%</td>
<td>27.65%</td>
</tr>
<tr>
<td>2</td>
<td>20,384</td>
<td>34,300</td>
<td>10.45%</td>
<td>27.65%</td>
</tr>
<tr>
<td>3</td>
<td>34,300</td>
<td>68,507</td>
<td>38.10%</td>
<td>0.00%</td>
</tr>
<tr>
<td>4</td>
<td>68,507 and above</td>
<td></td>
<td>51.75%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

Box 2
A flat rate of 25%.

Box 3
Flat rate of 30% on the following savings and investments schedule:

<table>
<thead>
<tr>
<th>Savings and investments</th>
<th>Deemed income</th>
<th>Effective tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to € 30,360 (tax free amount per adult)</td>
<td>Exempted</td>
<td>0.00%</td>
</tr>
<tr>
<td>Above tax free amount up to € 102,010</td>
<td>1.94%</td>
<td>0.58%</td>
</tr>
<tr>
<td>From € 102,010 up to € 1,020,096</td>
<td>4.45%</td>
<td>1.34%</td>
</tr>
<tr>
<td>As of € 1,020,096</td>
<td>5.60%</td>
<td>1.68%</td>
</tr>
</tbody>
</table>
## Appendix B

### Calculation of taxable income

**Calculation of taxable income**

**Resident taxpayers**

The calculation of a resident individual’s taxable income is outlined as follows:

**Box 1 (income from work and the principal residence)**

The aggregate amount of net income or profit arising from the following sources, less (allowable) expenses:

<table>
<thead>
<tr>
<th>Source</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profits and capital gains from a business or profession</td>
<td>A</td>
</tr>
<tr>
<td>Income from employment</td>
<td>B</td>
</tr>
<tr>
<td>Imputed rental income less mortgage interest</td>
<td>C</td>
</tr>
<tr>
<td>Other income</td>
<td>D</td>
</tr>
</tbody>
</table>

**Gross income**

\[
\text{Gross income} = \text{Box 1} \text{ deductions} + \text{Gross income from work and the principal residence} - \text{expenses}
\]

**Less Box 1 deductions:**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures to provide for income (annuity premiums)</td>
<td>F</td>
</tr>
</tbody>
</table>

**Total Box 1 deductions**

\[
\text{Total Box 1 deductions} = \text{Box 1} \text{ deductions} + \text{total expenses}
\]

**Less personal deductions, e.g.:**

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures for maintenance obligations (e.g. alimony)</td>
<td>H</td>
</tr>
<tr>
<td>Extraordinary expenditures (limited costs)</td>
<td>I</td>
</tr>
</tbody>
</table>

**Total personal deductions (maximum of \(e - g\))**

\[
\text{Total personal deductions} = \text{Total Box 1 deductions} - \text{Total Box 1 losses} + \text{Total Box 2 losses}
\]

**Less: Box 1 losses carried forward**

\[
\text{Taxable income Box 1} = \text{Gross income} - \text{Total Box 1 deductions} - \text{Total personal deductions}
\]

**Box 2 (income from a substantial interest)**

<table>
<thead>
<tr>
<th>Source</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income and capital gains from shares representing a substantial interest</td>
<td>M</td>
</tr>
</tbody>
</table>

**Less personal deductions (insofar as not deducted in Box 1 or 3)**

\[
\text{Less: Box 2 losses carried forward} = \text{Box 2} \text{ deductions} - \text{Total personal deductions}
\]

**Taxable income Box 2**

\[
\text{Taxable income Box 2} = \text{Box 2} \text{ deductions} - \text{Box 2 losses carried forward} + \text{Box 2 losses carried forward}
\]

**Box 3 (income from savings and investments)**

<table>
<thead>
<tr>
<th>Source</th>
<th>Formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imputed return on capital assets not falling under Box 1 or 2</td>
<td>P</td>
</tr>
</tbody>
</table>

**Less personal deductions (insofar as not deducted in Box 1)**

\[
\text{Taxable income Box 3} = \text{Box 3} \text{ deductions} - \text{Box 3 losses carried forward} + \text{Box 3 losses carried forward}
\]
**Non-resident taxpayers**

The calculation of a non-resident individual’s taxable income is outlined as follows:

**Box 1 (income from work and the principal residence)**
The aggregate amount of net income or profit arising from the following sources, less (allowable) expenses:

- Profits and capital gains from a business or profession \( A \)
- Income from employment \( B \)
- Imputed rental income \( C \)
- Other Dutch-sourced income \( D \)

**Gross income** \( E \)

Less Box 1 deductions:

- Expenditures to provide for income (annuity premiums) \( F \)

**Total Box 1 deductions** \( G \)

**Taxable income Box 1** \( H \)

**Box 2 (income from a Dutch substantial interest)**

- Dividend income from a Netherlands-based company in which the taxpayer has a substantial interest \( I \)

**Taxable income Box 2** \( I \)

**Box 3 (income from savings and investments)**

- Imputed return on Dutch-sourced capital assets not falling under Box 1 or 2 \( J \)

**Taxable income Box 3** \( K \)
Appendix C
Double-taxation agreements

_Countries with which the Netherlands has double-taxation agreements:_

<table>
<thead>
<tr>
<th>Albania</th>
<th>Finland</th>
<th>Malaysia</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>France</td>
<td>Malta</td>
<td>South Korea</td>
</tr>
<tr>
<td>Argentina</td>
<td>Georgia</td>
<td>Mexico</td>
<td>Spain</td>
</tr>
<tr>
<td>Armenia</td>
<td>Germany</td>
<td>Moldavia</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>Aruba (1)</td>
<td>Ghana</td>
<td>Montenegro</td>
<td>St Maarten</td>
</tr>
<tr>
<td>Australia (2)</td>
<td>Greece</td>
<td>Morocco</td>
<td>Surinam</td>
</tr>
<tr>
<td>Austria</td>
<td>Hong Kong</td>
<td>Netherlands Antilles</td>
<td>Sweden</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>Hungary</td>
<td>New Zealand</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Bahrain</td>
<td>Iceland</td>
<td>Nigeria</td>
<td>Tadzhikistan</td>
</tr>
<tr>
<td>Bangladesh (2)</td>
<td>India</td>
<td>Norway</td>
<td>Taiwan</td>
</tr>
<tr>
<td>Barbados</td>
<td>Indonesia</td>
<td>Oman</td>
<td>Thailand</td>
</tr>
<tr>
<td>Belarus</td>
<td>Ireland, Rep. of (2)</td>
<td>Pakistan</td>
<td>Tunisia</td>
</tr>
<tr>
<td>Belgium (2)</td>
<td>Israel</td>
<td>Panama</td>
<td>Turkey</td>
</tr>
<tr>
<td>Bosnia-Herzegovina (4)</td>
<td>Italy</td>
<td>Philippines</td>
<td>Uganda</td>
</tr>
<tr>
<td>Brazil (2)</td>
<td>Japan</td>
<td>Poland</td>
<td>Ukraine (2)</td>
</tr>
<tr>
<td>Bulgaria (2)</td>
<td>Jordan</td>
<td>Portugal</td>
<td>United Arab Emirates</td>
</tr>
<tr>
<td>Canada (2)</td>
<td>Kazakhstan</td>
<td>Qatar</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>China</td>
<td>Kosovo (4)</td>
<td>Romania</td>
<td>United States of America</td>
</tr>
<tr>
<td>Croatia</td>
<td>Kuwait</td>
<td>Russian Fed. (2)</td>
<td>Uzbekistan</td>
</tr>
<tr>
<td>Curacao (1)</td>
<td>Kyrgyzstan (2)</td>
<td>Saudi Arabia</td>
<td>Venezuela</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Latvia</td>
<td>Serbia (5)</td>
<td>Vietnam (2)</td>
</tr>
<tr>
<td>Denmark (2)</td>
<td>Lithuania</td>
<td>Singapore</td>
<td>Zambia</td>
</tr>
<tr>
<td>Egypt (2)</td>
<td>Luxembourg</td>
<td>Slovakia</td>
<td>Zimbabwe (2)</td>
</tr>
<tr>
<td>Estonia</td>
<td>Macedonia</td>
<td>Slovenia</td>
<td></td>
</tr>
</tbody>
</table>

(1) A separate Regulation applies to these former countries of the Dutch Antilles.
(2) These tax treaties are being renegotiated.
(3) The (old) tax treaty with the Soviet Union currently applies to Kyrgyzstan and Tadzhikistan.
(4) The (old) tax treaty with Yugoslavia currently applies to Bosnia-Herzegovina, Kosovo, Montenegro and Serbia.

(5) The Netherlands Antilles (i.e. the islands of Bonaire, St. Eustatius and Saba) became part of the Netherlands in 2010. The Netherlands Antilles will, however, maintain a tax regime which is different than that of the mainland Netherlands (in Europe). A new Regulation covers the allocation of taxation rights between both geographic areas.

**Countries with which the Netherlands is in the process of negotiating double taxation agreements:**

<table>
<thead>
<tr>
<th>Angola</th>
<th>Cyprus</th>
<th>Mongolia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andorra</td>
<td>Iran</td>
<td>Mozambique</td>
</tr>
<tr>
<td>Chile</td>
<td>Iraq</td>
<td>Senegal</td>
</tr>
<tr>
<td>Colombia</td>
<td>Kenya</td>
<td>Senegal</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Liechtenstein</td>
<td>Uruguay</td>
</tr>
<tr>
<td></td>
<td>Malawi</td>
<td></td>
</tr>
</tbody>
</table>

With respect to tax treaties, please note that this is a very dynamic area of law. The status of (negotiations on) tax treaties changes continuously. The above-mentioned lists of countries with which the Netherlands has double taxation treaties or with which the Netherlands is in the process of negotiating double taxation agreements should therefore only be used as a guide.
## Appendix D

### Social security agreements

<table>
<thead>
<tr>
<th>Countries with which the Netherlands has social security agreements:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Bosnia-Herzegovina (1)</td>
</tr>
<tr>
<td>Canada</td>
</tr>
<tr>
<td>Cape Verde, Isles</td>
</tr>
<tr>
<td>Chili</td>
</tr>
<tr>
<td>China</td>
</tr>
<tr>
<td>EEA (4)</td>
</tr>
<tr>
<td>Egypt</td>
</tr>
</tbody>
</table>

(1) The (old) social security treaty with Yugoslavia currently applies to Bosnia-Herzegovina, Kosovo, Montenegro and Serbia.

(2) This treaty has not entered into force yet or is being renegotiated.

(3) EU = Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, The Netherlands and the UK.

(4) EEA = European Union plus Norway, Liechtenstein, and Iceland.

(5) In addition to the EU regulations regarding social security (EC 883/04 and EC 1408/71) the Netherlands and Norway have concluded a separate social security agreement.
Appendix E

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