Filing a tax return in The Netherlands

The Dutch tax system and procedure

(2021)

Contents

1. Introduction
2. The Dutch income tax system
3. Filing a tax return
4. About Expatax

Expatax: the expat tax specialist

For more information: https://www.expatax.nl/taxreturn/.

1. Introduction

In this brochure you will find more information about the Dutch tax system and about filing a tax return in the Netherlands.

2. The Dutch income tax system

If you live in the Netherlands, you qualify as a resident taxpayer. If you live abroad and receive income from the Netherlands that is taxable in the Netherlands, you qualify as a non-resident taxpayer. If you have the 30% ruling you can opt to be treated as a deemed non-resident taxpayer. In all cases, you will be subject to Dutch income tax. To give you a proper understanding of the tax system in the Netherlands, the relevant aspects will be outlined below.

Three types of income: the box system

For income tax purposes, there are three types of taxable income, classified into three so called boxes:

Box 1: taxable income from employment and home ownership;
Box 2: taxable income from a substantial interest;
Box 3: taxable income from savings and investments.

The following overview shows the income, deductible expenditure and tax rates pertaining to each box.

Box 1: Taxable income from employment and home ownership

- Wages (including company car), pension payments, social benefits
- Income from other activities
- Profits from business activities
- Owner-occupied property
- Negative expenditure on income insurance
- Negative personal allowance
- Periodic benefits

Deductible expenditure:

- Employee's allowance (expenses of commuting by public transport)
- Deduction of mortgage interest and other deductible expenditure
- Expenditure on income insurance: annuities and other premiums
- Offsettable losses from employment and home ownership from another year

Tax rate: progressive, with a maximum rate of 49.50% (2021)

Combined rates 2021 in Box 1 for persons younger than retirement age

Taxable income		Tax per bracket	Premium National Insurance per bracket	Total rate
From	up to and including			
€ 0	€ 35,129	9.45%	27.65%	37.10%
€ 35,130	€ 68,507	37.10%	0%	37.10%
€ 68,508		49.50%	0%	49.50%

More info: https://www.expatax.nl/income-from-home-and-work-box-1/

Box 2: Taxable income from a substantial interest

- Income from shares and profit-sharing certificates that are part of a substantial interest
- Income from the disposal of these shares and profit-sharing certificates

Deductible expenditure:

- Deductible expenses
- Offsettable losses from a substantial interest

Tax rate: 25%

More info: https://www.expatax.nl/income-from-substantial-interest-box-2/

Box 3: Taxable income from savings and investments

Notional yield on capital (assets minus liabilities): the income from savings and investments

Deductible expenditure:

- None

Tax rate: 31%

If the 30% ruling has been granted to you then you may opt to be exempted from paying tax box 3 on your world wide savings and investments other than investment property.

More info: https://www.expatax.nl/income-from-savings-and-investments-box-3/

Deductible items not related to any of the boxes

Personal allowance: involved if one or more of the following items apply to you:

- alimony paid and other expenditure on maintenance;
- medical expenses and other extraordinary expenditure;
- expenditure on weekend visits by handicapped children of 30 years or older
- educational expenses;
- donations.

Calculation of the tax owed

The tax you owe on the income in the three boxes is levied as one amount with any national insurance contributions owed. This amount is reduced by the tax credits to which you are entitled.

Partners

Partners are taxed individually where possible. This means that – in principle – you yourself pay tax on your own income, and you can only utilize your deductible expenditure yourself. However, there also exist some types of joint income and deductible expenditure. You can apportion this joint income and deductible expenditure between yourself and your partner, in accordance with your personal situation.

Fiscal partnership

Fiscal partnership relates to married couples, couples living together (partners) or housemates who may determine who declares which amount of certain types of income and deductible items in their tax returns. You may then divide the balance of for example, the deductible expenditure on your owner-occupied property between you and your partner. You may make any division you wish, as long as the total is 100%. The partner with the highest income can, for example, deduct the expenditure. This offers you the largest tax advantage.

Couples living together and housemates must meet certain conditions to become tax partners. Are you married? Then you are automatically tax partners.

Are you living together without being married and are you both registered at the same address in your municipality's records? If so, then you are tax partners when you meet one of the following conditions:

- you have jointly concluded a cohabitation contract before a civil-law notary and you are both adults;
- you jointly have a child;
- you or your partner has a child and the other partner has acknowledged the child;
- you are registered as partners with a pension fund;
- you are the joint owners of the property that is your main place of residence.

Your tax partnership begins at the time that you are both registered at the same address in your municipality's records and ends at the time that you are no longer registered at the same address.

Consequences of fiscal partnership

Are you tax partners? If so, then you may divide certain income and deductible items in your tax returns as you wish. You may make any division you wish, as long as the total adds up to 100%. The partner with the highest income can, for example, deduct the expenditure. This offers you the greatest tax advantage. However, in some situations you do not have a tax advantage, but also no disadvantage.

You may choose a different division for every question on income and deductible items. The way in which you divide the income and deductible items may have an influence on the tax and contributions you must pay or are refunded.
Example

Your deductible expenditure on your owner-occupied property is € 5,000. Your gross annual salary is € 60,000. A large portion of your income from employment and home ownership falls in the highest tax bracket of 49.5%. Your tax partner's gross annual salary is € 14,000. This falls in the lowest tax bracket of 37.10%. When you apportion the entire amount to yourself, then the tax advantage is 49.50% of € 5,000 = € 2,475. When you apportion the entire amount to your tax partner, then the tax advantage is 37.10% of € 5,000= € 1,855.

Tax partnership is also of importance when you have little or no income, since you may then be entitled to refunds of tax credits. However, this is subject to a number of conditions. For example, you must have had the same tax partner for longer than 6 months and your tax partner must pay sufficient (Dutch) tax.

What types of income and deductible expenditure can be apportioned between partners?

You may divide the following income and the deductible items between yourself and your tax partner:

- the balance between the income from and deductible items for your owner-occupied property;
- income from a substantial interest;
- the shared savings and investments tax base (box 3);
- alimony paid and other maintenance obligations;
- specific medical expenses;
- expenses for a temporary stay at home of seriously disabled children, brothers or sisters;
- study expenses or other educational expenses;
- donations;
- remainder of the personal allowance for previous years.

You may **not** divide the following income and the deductible items between yourself and your tax partner:

- taxed profits from business activities;
- wages, benefit or pension;
- public transport commuting allowance;
- income received as a freelancer, home help, artist or professional athlete;
- income from provided assets;
- alimony received and other periodical benefits;
- expenditure for income provisions;
- negative expenses for income provisions;
- negative personal allowance.

Tax credits

All taxpayers are entitled to a general credit against the tax owed: the general tax credit. On top of this, you may qualify for supplementary credits against the tax owed like the employed person's tax credit and child tax credits. Some of the credits like the general tax credit and employed person's tax credit are already calculated in the payroll administration of the employer, others like the child tax credits have to claimed in the income tax return.

More info: https://www.expatax.nl/tax-credits-in-the-dutch-payroll-administration/

Worldwide income

Residents of the Netherlands and non-resident taxpayers opting for resident taxpayer status should report their entire worldwide income in their income tax returns. This worldwide income also includes the revenue which the Netherlands is not allowed to tax under national and international regulations. Examples of such revenue are income from employment, profits from business activities or capital in other countries. To avoid a situation where you have to pay tax in both countries, the Netherlands grants a credit against the tax owed, which is known as double tax relief.

Moving internationally

If you move from the Netherlands to another country, it mostly concerns an emigration. Emigration has consequences for the levy of income tax and national insurance contributions. If you come to live in the Netherlands from another country, it (mostly) concerns an immigration. From the moment you immigrate, you are considered a resident taxpayer for tax purposes. This means that you are subject to the levy of Dutch income tax and national insurance contributions.

If you immigrate to the Netherlands, you need a so-called Citizen Service Number (BSN in Dutch) as a Dutch taxpayer. If you have a specific expertise, specific tax regulations may apply to you, the so called 30% ruling.

More info:

https://www.expatax.nl/bsn-citizen-service-number-your-dutch-tax-identification-number/

https://www.expatax.nl/30-percent-ruling/

Place of residence

The country in which you have to pay taxes depends on your place of residence. The question of where you live is often easy to answer. If you go on a holiday to another country for example, you are not living in that other country, of course.

If, for example, you go from Belgium to the Netherlands with all your household effects, you are going to live here. There are situations that are less easy to assess:

- you are going to live in another country temporarily;
- you move back to your original country of residence within a year;
- you are transferred abroad by your employer;
- you are transferred abroad by the government.

What are the consequences for your taxes in the year you move?

In the year you move to another country, you are confronted with several means of tax levying. Which ones those are depends on your situation.

The period you live in the Netherlands

For the period that you live in the Netherlands, you are a resident taxpayer. You must then indicate all the income that you have worldwide. You owe taxes on that income. You can use several allowance schemes, such as certain exemptions, various deductible items or tax credits.

You are usually covered by social insurance in the Netherlands. You will pay the contributions for this through your tax assessment in the Netherlands.

The period you live outside the Netherlands

For the period that you do not live in the Netherlands but you have income in or from the Netherlands, you are a non-resident taxpayer. You will then pay taxes on the income that you have in or from the Netherlands. You cannot always make use of the allowance schemes. In addition, you can’t always make use of tax credits, or you may only receive part of a tax credit.

You are not always covered by social insurance in the Netherlands. Whether you pay contributions for this through your tax assessment is dependent on whether you are insured in the Netherlands.

No income from the Netherlands

Do you live abroad but do you not have any income in or from the Netherlands? If so, you are not liable to pay tax in the Netherlands, nor are you insured in the Netherlands.

Tax refund if you were not in the Netherlands the entire year

The fact that you arrived in or left the Netherlands during the year will almost always lead to a refund. The same if you were not living in the Netherlands at all but only worked here for a short period.

The following reasons can be given:

- The calculation of the wage tax is based on an (estimated) annual salary. This is your monthly salary times 12 plus holiday allowance.
- The payroll administration will use the tax rate which is applicable for the annual salary. This tax rate may be lower if you worked in the Netherlands less than 12 months. In the income tax return the real salary will be the basis for the tax calculations.
- In the payroll administration you will receive 1/12 of the personal tax credit and of the employment tax credit each month. You are entitled to the full credits. So if you have not worked in the Netherlands the whole year you haven't received the maximum tax credits yet. The difference can be claimed by filing an income tax return.
- The (maximum) premium income which is the basis for the calculation of premiums social security will be reduced pro rate according to the period of stay in the Netherlands. In the payroll administration this pro rata reduction can't be claimed, so it will have to be done in the income tax return.
- Sometimes the 30% ruling has not yet been calculated in the monthly salary since the statement was not received by the employer from the tax authorities before the end of the year. It can then be possible to claim the ruling in the tax return, although this may lead to discussions with the tax authorities who can argue that it is the employer's responsibility to adjust the payroll administration. There have been situations where the Court accepted the deduction in the tax return.

3. Filing a tax return

The tax year in the Netherlands is the calendar year. If the tax authorities have information that you will have to pay income tax or if you have claimed a refund in previous years or if you received a provisional refund the tax authorities will send you an invitation to file a tax return. If you don't get one and you expect a refund or know that you do have to pay income tax then you must request a form yourself.

There are different types of forms.

P form :	tax return for private individuals
C form :	for foreign residents with income from the Netherlands
M form:	for the year of migration
O form :	tax return for business owners and freelancers

The tax authorities send out the invitations to file a tax return from January each year. The invitation can be sent later though. The normal deadline to file a tax return is May 1. If a foreign period is involved (M form or C form) the normal deadline is July 1. The deadline can be extended by filing a request for a time extension. If Expatax will prepare the tax return we will put your tax return on the special time extension agreement we have with the tax authorities. This way the deadline is extended to May 1 of the following year. But whether you file before the original deadline or not, it is important to take action.

If a time extension is granted the tax authorities may decide during the year to send you a provisional tax assessment based on income you earned in the previous year. This is only done when you had to pay tax in that year.

If the final tax assessment shows that you will receive a refund or will have to pay an additional amount the tax office will also calculate interest. The interest rates are adjusted every quarter and roughly vary between 2 and 5%.

You can request the tax authorities to issue a provisional tax assessment if you want to minimize the amount of interest. This can already be done during the year.

If you expect a refund because you own a house in the Netherlands for example which is your principal residence and mortgage interest is paid, then you can also request the tax authorities to pay you a provisional refund which is divided in monthly amounts during the year. This way you don't have to wait too long for your refund.

All tax forms are filed electronically.

In January and February you should also receive all the relevant information which is necessary to file the tax return. From your employer you will receive a year end statement (if you don't get one you can also use the last pay slip you received for the tax year), the bank will also send you year end statements including the mortgage statement if you own a property, the WOZ value of the property you own can be found on a separate statement provided by the municipality or on the local property tax bill, etc. It is important that you keep all the original statements.

If the tax return is filed before May 1 you should receive a tax assessment before 1 July, that's why it may be important to file before the deadline. If an M form or a C form is filed it may however take longer than that. But a request for a provisional refund can be filed if the M or C form is filed before May 1.

To be able to receive the refund the tax authorities must always have information about your current bank account. If they have no information they will send you a form on which you can provide all the details, otherwise they will automatically use the bank account they have used the last time.

If you don't agree with the tax assessment you can object against it within 6 weeks after the date of the assessment. The tax authorities can also ask additional questions before they send you a tax assessment. Normally the tax authorities send you a provisional tax assessment first. This assessment should be according to the filed tax return. This is done so you can receive your refund earlier. The final tax assessment will take some more time. This means that the tax authorities can still change their mind and adjust the calculations made in the provisional tax assessment. Keep that in mind when you receive a refund.

If you leave the Netherlands and haven't heard anything from the tax authorities yet be sure that the tax authorities always have your current address. You need to deregister with the municipality and give them your foreign address. The tax authorities will be informed automatically. If your foreign address however changes later you will have to contact the tax office directly. It is preferred that you keep your Dutch bank account till you have received the last tax refund. The tax authorities can pay a refund to a foreign account but our experience is that this leads to extra time delays and possible problems.

Expatax can assist you with everything related to the tax return. You can find more information about our procedure on https://www.expatax.nl/taxreturn/.

Don't forget to check our website which provides answers to a lot of questions. Use the Search button in the menu to search through all our posts and knowledge base articles.

4. About Expatax

Expatax was set up in 2001 and has grown to a fully licensed tax and accountancy firm employing several qualified advisors. These advisors come from Big 4 firms, have a solid background and are interested in the client. Permanent education is part of our policy, which means that our advisors stay up to date.

We are specialized in assisting expatriates and foreign businesses who want to work and do business in the Netherlands. Our approach is very personal and direct. Lines are short and we do all we can to find a solution around the client's needs. By focusing on the international tax advice we can keep our knowledge high, the procedures clear and the fees reasonable.

Due to our client base all our outgoing correspondence like tax reports, annual accounts, etc. are prepared in English. Specifications are provided so that you can see exactly what we have done and what the result will be.

Services

Besides assistance with the preparation of a tax return we provide the following services:

- application of the 30% ruling (https://www.expatax.nl/30-percent-ruling/)
- company formation (https://www.expatax.nl/business/company-formation/)
- accounting (https://www.expatax.nl/business/business-administration/)
- payroll solutions (https://www.expatax.nl/employers/payroll/)

Cooperation's

Cooperation's have been set up with other specialized advisors:

- activpayroll Ltd: worldwide payroll solutions
- VeDeVe legal: international labour law, pension rights and social security
- Buiting & Hurkmans pensionadvisors

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