



Self employed in the Netherlands

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In this brochure you will find more information about becoming self employed in the Netherlands, the Dutch tax system and how Expatax can help you.

Make sure you register your activities, keep a proper administration and file your VAT returns on time. If you don't feel comfortable to do it yourself you can hire Expatax to arrange this for you. This way you can prevent a lot of discussions and problems and it helps you focusing on your freelance activities. Expatax employs several bookkeepers and administrators who can prepare many different reports and accounts and are subject to ongoing monitoring of the quality which we provide.

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Expatax: the expat tax specialist

For more information: www.expatax.nl/freelancer.

1. Information about becoming self employed

You have a great idea and you would like to exploit it commercially. But what needs to be done for this? Whether you want to provide a service or sell goods you wonder what the tax man will want from you. The red tape seems enormous. But if you arrange everything the right way you will see that you can focus on doing business instead of worrying about your administration and tax obligations.

When you have worked out what you are going to do, who your clients will be, how much you are going to charge etc. you can start your activities officially. You can make a business plan but this will only be for your own interest if you don't need external financing.

In this brochure you will find more information about the registration procedure, consequences for income tax and VAT and the independency question. If you would like to set up a limited company please check our brochure "Setting up a limited company in the Netherlands".

2. Registration

In the Netherlands registration in the trade register of the Chamber of Commerce is compulsory for every company and almost every legal entity. In general freelancers are also obliged to register, unless the activities are extremely limited.

You can make an appointment on: <https://www.kvk.nl/english/making-an-appointment-at-kvk/online-appointment/>

Important is then that your activities are registered with the tax authorities. In principle the Chamber of Commerce will inform the tax authorities who will provide you with the relevant tax numbers and send you the applicable tax returns. As a citizen you will already have a BSN, assuming that you are registered with the local municipality. If you won't have employees the tax authorities will only have to give you a VAT number.

Make sure you have the required diploma's and permits. If you provide a service it's normally not required to have specific diploma's. But in certain situations there may be an exception. Important is though that you have a legal right to stay and work in the Netherlands. If you are not an EU citizen there will be certain requirements which must be met in order to gain a residence permit as a freelancer.

3. Income tax

Freelancers pay income tax on their income. The three categories of income are:

- Business profits: if the tax authorities consider you to be self-employed, you can declare your freelance income as business profits. You are eligible for self-employed persons' tax allowances.
- Freelancing as a secondary activity: income from work which cannot be considered either as salary or as business profits is known as income from other activities.
- Salary from employment contract: if you have an employment contract, the client (= employer) deducts income tax from your salary and pays this to the tax authorities.

Criteria to determine self employment

The tax authorities use four criteria to determine whether you are self-employed: independence, sustainability, profit motive and the number of clients.

Relevant to determine whether you are employed instead of self employed are for example:

- there is a relationship of authority between the client and you (or the work is done in the client's office, you have an email address of the client, you can't hire somebody to replace you, etc.);
- the client gives (specific) instructions with respect to your work;
- the client pays wages during holidays or during illness;
- you have only one or two clients, or one big client for which the majority of the time is spent besides one or two (very) small clients.

In this brochure we assume that the income is treated as business profit or income from other activities.

Tax resident and world wide income

We assume that you are a tax resident of the Netherlands. The Netherlands taxes the entire world income in the income tax return but at the same time grants a deduction to avoid double taxation if the right to tax is assigned to another country.

In the Netherlands, circumstances play an important role in determining the country of residence or domicile for tax purposes. Those circumstances differ for individuals and organizations.

Someone is resident in the Netherlands if he or she has a lasting relationship of a personal nature with the Netherlands. The determining factor here, based on external circumstances, is whether these ties are sufficiently strong to assume that the center of a person's social life could be located in the Netherlands. This durable bond does not have to be stronger than the bond with another country, so that it is not necessary for the center of a person's social life to be in the country concerned in order to have a place of residence.

Published policy indicates that the tax authorities believe that the following facts indicate a lasting relationship with the Netherlands:

- you spend most of your time at an address in the Netherlands;
- your partner and your family live in the Netherlands;
- you work in the Netherlands;
- you are insured in the Netherlands;
- you have a general practitioner in the Netherlands;
- you are a member of one or more Dutch societies;
- your children are studying in the Netherlands.

In determining whether an organization is resident in the Netherlands for tax purposes, the following circumstances, among others, play a role:

- the place where the most important policy decisions are made;
- the place where the board members work and meet;
- the place where the administration is kept and the annual reports are drawn up.

Activities as a ZZP'er or freelancer fall under the article for 'self-employment' in the tax treaties (usually Article 14). Some recent treaties no longer have a separate article for self-employment but place this income under the article for 'profit from business' (usually Article 7).

In both cases the tax treaties give the country of residence, the Netherlands, the right to tax the income, even if the work is done outside the Netherlands (exactly the other way around as for employees).

This is only different if in the other country there is a 'fixed base' or - in the case of profit from business activities - a 'permanent establishment' from which the activities are performed. In that case, that country may levy tax insofar as profits are attributable to the permanent center or the permanent establishment.

The treaties define a permanent establishment as a fixed place of business through which the business of an enterprise is wholly or partly carried on. For a ZZP'er this permanent establishment can be, for example, a room in an (office) building or a workshop. Ownership or rent is not required, but the space must actually be available. Also, the space must be somewhat durable, i.e. available for a certain period of time. The fixed business establishment must be equipped in some way for the activities of the enterprise.

There is no permanent establishment in the case of a warehouse, a goods depot or an establishment where only supporting activities take place.

The term fixed base is not defined in the treaties, but the requirements are lighter than those for a permanent establishment. For a permanent establishment, at least a physical structure must be present, but for a fixed center, a center of activities of a fixed or permanent nature may be sufficient. Circumstances such as the duration, whether or not the activities are repetitive, and the nature of the activities play a role. Some treaties consider a fixed center to be present if the stay in that country exceeds 183 days (in a calendar year or in a 12-month period).

Tax number

The freelance income will have to be declared in your annual income tax return, so for this there is no separate tax number or tax return required. This is only different in case you run your business through a limited company.

Self employed tax deductions

The administration will be the basis for your income tax return which will be filed after the end of the year. In this income tax return the applicable self employed tax deductions can be claimed too. The most important requirement to claim these tax deductions is that you have worked at least 1,225 hours for your business in the calendar year. This includes direct working hours but also hours you spent on traveling, market research, administration, education etc. The first years it might be wise to keep an administration of the hours spent, especially if you also have a paid job besides your freelance activities. Once you work a full year and make a decent turnover the tax authorities won't doubt anymore that you worked 1,225 hours for your business. Be advised that the required 1,225 hours will not be reduced pro rata if you become self employed during the year.

Besides the general self-employed tax deductions there are also other specific tax deductions and tax credits for which different rules apply.

The following deductions are available:

- » Self-employed tax deduction
- » Starters deduction
- » SME profit deduction
- » Investment deduction
- » Co-working deduction
- » Fiscal old age reserve (FOR)
- » Random depreciation

Deductible expenses

Some expenses can be claimed as business expenses. You can think of costs related to for example:

- » rental of business space
- » stationery and other correspondence material
- » furnishing of an office or workshop
- » equipment, computer, laptop, materials
- » telephone costs, both your business telephone and your calling costs.
- » internet costs at your office (not at home, unless specially required)
- » website design, hosting, online advertising
- » insurance
- » travel costs
- » payments for work by fellow self-employed workers (also called: work by third parties)
- » marketing costs for your company

- » bookkeeping and external advisors
- » software
- » courses, training, seminars and workshops
- » professional literature
- » registrations

Difficulties concern usage of your own car and a home office. If you use a car you can decide to keep it in private and claim business kilometers against 19 cents per kilometer or you can put the car on your business balance, claim all the costs and make an adjustment in your income tax return for the personal use. Which option is more beneficial depends on your specific situation.

Then there is the question whether you are allowed to work from home or need an external office. As long as you won't have a lot of clients visiting you the municipality will not bother that you work from home. But still if you have clients visiting you an external office could be a wise decision, not only because the costs of such an office are tax deductible. The costs of an office at home are not deductible unless there is a separate entrance from outside and the office has separate facilities. However, expenses may be deductible if your home office is classified as a business asset in your administration. This requires specific attention.

4. VAT

Anyone who practices a profession independently is considered to be self-employed for the purposes of VAT.

Depending on the expected turnover and profit the tax authorities will determine how often you will have to file a VAT return and whether they will send you a provisional tax assessment for income tax. That's why it is important that the estimates which are made during the registration are accurate.

VAT return

When the tax numbers are provided by the tax authorities you will also receive the first VAT return(s) for the past period. Normally a VAT return must be filed every quarter, in case of high turnovers this may be changed to monthly. If the turnover is very low every year it can also be changed to annually.

In the first VAT return you can claim back the VAT charged to you on expenses made before you registered your activities. The expenses must have been made with the intention to use the goods/services for your freelance activities. So if you bought a computer 6 months ago which you used to do market research before starting as a freelancer, then the investment in the computer can still be treated as a business expense. After the VAT return has been filed the tax authorities will send you a VAT assessment confirming the amounts you declared.

Deadline

It is important that the VAT return is filed before the deadline and that if you have to pay an amount that you also arrange payment a couple of days before the deadline. The tax authorities are very strict concerning VAT.

You can be fined for filing late and for paying late. Fines start at 1% and go up every next time with a certain maximum. Filing and payment must be arranged before the end of the month following the applicable quarter. So you have one month to arrange everything. If you don't file a VAT return, the tax authorities will estimate an amount which will normally be much higher than it really should be. The VAT returns must be filed online using a digital ID and password which you will get from the tax authorities. If Expatax will arrange the filing of your VAT return we will use our own digital signature instead.

VAT on invoices

You will have to charge VAT on the invoices you send to your clients. A business client will be able to deduct this VAT in their VAT return again but an individual client won't be able to do this. The VAT rate is 0%, 9% or 21% depending on the goods you sell or the service you provide. General VAT rate is 21% though. If your clients are outside the EU it may be possible to send an invoice without VAT. For ecommerce special rules apply.

The invoice must (in general) contain certain information like:

- date of issue;
- invoice number;
- full business name and address of yourself and your client;
- description of the goods sold or the services provided;
- the charged amount excluding VAT, the VAT rate, the VAT amount and the total amount;
- in EU situations your VAT number and the client's VAT number;
- your Chamber of Commerce number.

Income and expenses will have to be declared in the quarter in which the invoice is sent. The real payment date is not relevant. So if your client pays in the next quarter you still have to declare the VAT in the current quarter. This means there is a liquidity risk. Keep that in mind when you invoice a client, although you should invoice a client before the 15th of the month following the month in which the goods were sold or the service was provided.

To be able to file the VAT returns it is important that you keep an administration and save all the invoices you receive and send to your clients. VAT can only be claimed if you have an invoice showing the VAT amount, for income tax it is enough that the payment can be proved. It is advised that you use a separate bank account for your freelance activities. This way you can keep all business related transactions separate from your personal situation. This will make it easier to keep an administration and may prevent that the tax authorities want to see all your bank accounts during an audit.

5. Conclusion

Make sure you register your activities, keep a proper administration and file your VAT returns on time. If you don't feel comfortable to do it yourself you can hire Expatax to arrange this for you. This way you can prevent a lot of discussions and problems and it helps you focusing on your freelance activities. We have a monthly package for freelancers which include the administration, VAT returns and income tax return. This way you are serviced all year round.

Freelancer package

Monthly

€ 80 (see conditions below)

- ✔ We take care of your administration
- ✔ Online cooperation through MyExpatax
- ✔ Preparation and filing of VAT returns
- ✔ Year end accounts
- ✔ Personal income tax return
- ✔ Check of tax assessments
- ✔ Personal meeting
- ✔ Answering questions by email and telephone

Choose this package

Request more information

Conditions

- » Monthly fee is an indication based on an average administration. Actual fee depends on the amount of transactions and complexity of the administration. This will be discussed with you in advance.
- » Additional services will be charged based on the hourly rate. The applicable rate will be discussed with you before any work is done.
- » The package is based on a full tax year and charged in monthly installments. In case you start during the tax year the annual total fee will be adjusted with respect to the preparation of VAT returns and processing of the administration.
- » All amounts are excluding VAT.
- » By hiring Expatax you agree with our [terms and conditions](#).

6. About Expatax

Expatax was set up in 2001 and has grown to a fully licensed tax, payroll and administration 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 foreign 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.

Don't forget to check our knowledge base which provides answers to frequently asked questions. You can find the knowledge base on www.expatax.nl/knowledge-base.

You can also find more information on: www.expatax.nl/tax-benefits-for-entrepreneurs-take-advantage-of-the-available-deductions-and-benefits/

Services

We provide the following services:

- » preparation of a tax return (www.expatax.nl/taxreturn)
- » application of the 30% ruling (www.expatax.nl/30-percent-ruling)
- » payroll administration (www.expatax.nl/payroll-administration)
- » company formation (www.expatax.nl/company-formation)
- » accounting for freelancers (www.expatax.nl/freelancer)
- » accounting for businesses (www.expatax.nl/business-administration)

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