



Taxes in the Netherlands: who needs to pay what?

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'Nothing is certain, but death and taxes' as the saying goes. And it's true. Everyone in the Netherlands is liable to pay tax. You pay some taxes as a private individual, others as a company. Some as employee in salaried employment, others as an entrepreneur. Here you will find a short explanation of the most important types of taxes which you will encounter if you live or work in the Netherlands.

Income tax

The most important tax is the income tax (or income levy). This is divided into three types in the Netherlands, which we call boxes.

- Box 1: Taxable income from work and one's own home
- Box 2: Income from a substantial shareholding
- Box 3: Income from assets, the investment yield tax

Box 1: Income from work and one's own home

In box 1, your income from work is therefore taxed. This may be your salary from an employer, or your profits from a sole proprietorship or general partnership. Or a combination of both. All your income from work added up forms your gross annual income.

Deductible items and additional tax liabilities

Depending on your personal situation, you are entitled to certain tax-deductible items or you must apply additional tax liabilities. That means that your taxable income is usually lower in practice and you therefore have to pay less tax. The most important deductible items are:

- Deductible items for owner-occupied dwelling, annuity premiums, study costs and gifts.
- As an entrepreneur, you may be entitled to the self-employed deduction, relief for new businesses or the investment credit.

If, for example, you have a car at your disposal from your employer, you have to actually add an amount to your income and you therefore pay more tax.

After processing deductible items and additional tax liabilities, your taxable income will be left over. The tax on this is calculated 'progressively'. This means that if your income increases, you will pay more tax in percentage terms. Your income will be split into 'brackets'. Each bracket has its own percentages. It may be the case that you pay tax in a low bracket for casual jobs or contracts, but you end up in a high/higher bracket when you add up everything together. You may then have to pay additional tax with your annual return.

Wage tax for employees

Every employee in salaried employment pays wage tax on his/her salary. You don't have to arrange that yourself. That is done via the employer. The employer gives you a payslip (each month) which states how much tax you paid and you receive an annual statement at the end of the calendar year. The annual statement is for the tax return. Wage tax is an advance levy of the income tax in box 1, which is offset against the income tax return. If you have staff in salaried employment yourself, you must pay wage tax (and premiums) for that.

Income tax – for entrepreneurs

As a self-employed person, you do not have an employer that pays your tax in advance. You have to set this aside from the profit that you make with your company. However, the Dutch Tax and Customs Administration (*Belastingdienst*) often imposes an advance levy on income tax already based on your income forecast. This advance levy on income tax is offset against the return.



Box 2: Income from a substantial shareholding

In box 2, your income is taxed if you have a substantial interest in a private limited company or public limited company. That is called a substantial shareholding and is therefore slightly different than holding a few shares in Philips or Unilever, for example. Box 2 rarely occurs with self-employed persons and we will not, therefore, deal with this in further detail.

Box 3: Income from assets, the investment yield tax

In box 3 you pay tax on the income from your assets, the investment yield tax. Do you have assets, such as savings, shares or a second home? Are these assets worth more than the amount of any debts you may have? In that case, you have assets. Whether you have to pay tax on those assets, and how much you have to pay, depends on the amount. If that amount is lower than the tax-free allowance (€50,650 in 2022), you do not have to pay any wealth tax on that.

Business assets, such as money on the business account, equipment or music instruments are NOT counted for box 3. The income that is earned with this counts as income in the company and is taxed via the profit in box 1.

Tax credit

Anyone who has to pay income tax is entitled to tax credit. This is an amount that is deducted from the final amount of tax to be paid. Therefore, after all calculations in box 1, 2 and 3 have been made. Most people are in any case entitled to:

- General tax credit for everyone;
- Employed person's tax credit for everyone who has an income from work (salary, profits from business activities or freelance income).

In the case of salaried employment, the tax credit is already taken into account. You may only have this offset with one employer, however, otherwise you will receive too much tax credit and you will have to pay this back later on.

Turnover tax (VAT)

If consumers sell products, they have to pay VAT (value added tax). VAT or turnover tax is therefore exclusively intended for consumers and not for entrepreneurs. It is, however, an indirect tax and entrepreneurs are responsible for collecting this for Tax and Customs Administration. Turnover tax is not, therefore, revenue and not a cost item for entrepreneurs. You do have the obligation to perform this duty.

As an entrepreneur, you collect the VAT from the client/customer and you pass this on to the Tax and Customs Administration. You get all the VAT that you pay yourself as an entrepreneur back. If you do shopping as a private individual, you cannot get the VAT that you pay for that back.

You are liable to charge VAT for your activities if you regularly perform services or supply goods, in return for payment, in social and economic life. In that case, you must also register with the Dutch Chamber of Commerce. That is not necessary if you do a job now and again or work as a volunteer. The two most important VAT rates are: 21% and 9%. In addition, there are also activities that are exempted from VAT. If you do not have a VAT number, you cannot levy VAT.

Tax for legal entities

Corporation tax / corporate income tax – among others for foundations, associations, private limited companies and public limited companies

Legal entities that enter into competition with others or that are focused on making a profit must pay corporation tax. This applies to both private limited companies and public limited companies, as well as to foundations and associations.

Other examples of tax that you pay as a private individual

Municipal taxes – for everyone

Every municipality levies taxes, both from private individuals and from entrepreneurs. The amounts differ somewhat per municipality. The most important municipal levies are: Property tax or movable space tax, sewerage charges and waste tax. You can receive information about this from the



municipality. People with a minimum income can apply for (partial) exemption from the municipal tax office.

Gift tax – for everyone that receives a gift

The general exemption is €2,274 (2022). You are allowed to receive this amount tax-free each year from each giver. You must pay gift tax on the excess. Higher exemption amounts apply to amounts that you receive from your parents.

Please note: if you set up a crowdfunding campaign as a private individual and you receive a higher amount than the exemption from one person, you must also pay gift tax on that. If you receive a gift that is intended for a business, thus for your sole proprietorship or your foundation, for example, you pay no gift tax but that amount is added to the profits.

Outline of taxes for people in work

Below you will find the most important differences between taxes which you will encounter if you do paid work.

	employee	self-employed person	work according to tax facility for performing artists ¹ (not as an entrepreneur)	'opting in'
wage tax owed	yes	no	yes	yes
Income tax owed	only when wage tax was not sufficient	yes	yes	yes
national insurance schemes	yes	no	yes	yes
standard expense deduction scheme for performing artists	no	no	you are allowed to choose either the standard expense deduction scheme, or the individual expense deduction ruling per (series of) show(s).	no
individual expense deduction ruling	no	no		no
writing off professional expenses	no	yes	yes	no
total fee statement form obligation	no	no	yes	no
liable to charge VAT	no	yes	no	no
self-employed deduction	no	yes	no	no
keeping one's own books	no	yes	no	no

1. *The tax facility for performing artists is a tax arrangement for artists who are notionally employees in salaried employment and who do not work with the model agreements approved by the Tax and Customs Administration. The artist's fee is paid by the client and paid out to the artist.*

Working abroad

The Netherlands has made agreements with many countries to avoid double levying of taxes. Look on the Tax and Customs Administration to see what the rules are for paying tax and levying VAT in the country where you work.

If you leave the Netherlands for a longer period of time, be aware that you can voluntarily take out additional insurance for the General Old Age Pensions Act (AOW). If you do not do this, you will get a lower old-age pension benefit after you turn 65, because you did not contribute or contributed less via taxes.

More information

- Visit [Beroepkunstenaar.nl](https://www.beroepkunstenaar.nl) for information about income, tax and the tax facility for performing artists.



- Visit the [Dutch Tax and Customs Administration](#) website for information about foundations and associations, about tax liability for cultural institutions, about working abroad, about gift tax and VAT.