



Types of taxes

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Types of taxes

As an employee, self-employed person or freelancer, you pay income tax. If you work in salaried employment, your employer pays your wage withholding tax. The tax authorities distinguish three different tax boxes; in box 1 income from work and residence, in box 3 income from savings and investments. Box 2 applies to a limited group of taxpayers; in this box, income from a private company is taxed.

Wage tax (*Loonbelasting*)

Each employee in salaried employment pays wage tax directly on his or her income. You do not have to take care of that yourself, it is done through your employer. Your employer gives you a (monthly) pay slip which says how much tax you have paid and at the end of the calendar year you receive an annual review. The annual review is meant for the tax return. If you employ personnel yourself, you have to pay wage tax (and premiums) for them!

Income tax (*Inkomstenbelasting*)

As a self-employed person or freelancer you pay income tax. You send invoices or bills and the client pays you gross (with or without VAT). The tax authorities do often already make an advance levy on you. This advance levy is settled to the tax return.

Labour costs and tax credit (*Loonheffing en heffingskorting*)

The withholding of tax on wages or income is calculated 'progressively' on your annual income. This means that if your income increases, you start paying more taxes in terms of percentage. Your income is divided into 'brackets'. Each bracket has its own percentages. It could happen that for odd jobs or contracts, you pay taxes in a low bracket, but when you add everything up, you end up in a high(er) bracket. You then have to pay additional taxes.

Depending on your personal situation, you have a right to certain tax credits and deductions. The most important ones are:

- General tax credit for everyone.
- Employed person's tax credit for everyone who generates income from employment (wages, profit from enterprise or free-lance income).
- Deductible items such as your own house, annuity premies, tuition fees and gifts
- As an entrepreneur, you may be entitled to the self-employed deduction, starters deduction or investment deduction.
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VAT/ turnover tax (*Btw / omzetbelasting*)

If you are a self-employed person or a freelancer, you might be confronted with VAT (Value Added Tax, or turnover tax). VAT is an indirect tax that is levied on the delivery of a product or the performing of a service.

Your activities are VAT-taxable if you regularly perform services or goods against payment to society. This means that only occasionally performing services, doing voluntary service activities and performing services for family are exempt from VAT. There are two VAT-rates: 21% and 9% (this was 6% up to and including 2018). Besides that there are also activities exempt from VAT. If you do not have a VAT-number, you cannot levy VAT.



Corporate income tax/ profits tax (*Vennootschapsbelasting/ winstbelasting*)

Legal persons who enter into competition with others or who are aiming on making a profit have to pay corporate income tax. This applies to both private companies and public limited companies, as well as to foundations and associations.

Return on equity levy (*Vermogenrendementsheffing*)

Your capital in the form of property, money, shares or other possessions are taxed in box 3. On this capital you have to pay 1,2 % tax (the tax authorities refer to it as a return levy and levies 30 % tax on a fixed levy of 4%, which comes down to 1,2 % of your capital). There is an exemption for the first € 30.000 (2018).

Municipal taxes (*Gemeentelijke belastingen*)

Each municipality levies taxes, both from private persons and from self-employed persons. The amounts vary considerably per municipality. The most important municipal levies are: Property Tax or movable space tax, sewerage charges and tax on waste. For information on this, you can turn to your municipality. People with a minimum income and in rare cases artists, who are not self-employed persons and who are in the WWIK can apply for a (partial) exemption with the municipal tax authorities.

Gift tax (*Schenkingsrecht*)

Every year, each individual is allowed to receive € 2,147 tax-free (2018) from whoever. On the surplus you have to pay gift tax. For amounts that you receive from your parents special exemptions apply: € 5,363 (2018).

Working abroad

The Netherlands has made arrangements with many countries in order to avoid double taxation. Inform yourself on that, as well as of the VAT-regulations. If you leave the Netherlands, please remember that it is possible to voluntarily get insured for the General Old Age Pensions Act. If you decide not to get insured, you will receive a lower amount of old-age pension after your 65th year. Weigh this option against building a pension abroad.

More information

- [Beroepkunstenaar.nl](https://www.beroepkunstenaar.nl), under *Income and taxes*, article on the *performing artists tax scheme* (pdf).
- Site of the [tax authorities](#), for more information on vat, foundations, living and working abroad/avoiding double taxation,