DUTCH TAXATION UNDER THE 30%-RULING

TAX YEAR 2022

I. INTRODUCTION

Employees working in the Netherlands under the 30%-ruling are entitled to the following tax advantages:

1. approximately 30% of their gross salary is paid as a tax-free '30%-cost reimbursement';
2. for other income elements than salary, they can choose for the so-called **partial** taxation. They are considered **deemed** non-residents.

In general, living and working in The Netherlands makes you a resident taxpayer. While in the 30% ruling the employee can choose to be a **deemed non-resident tax payer**. In principle:

1. **resident tax payers** are employees who are **living** in the Netherlands;
2. **non-resident tax payers** are employees who are **not living** in the Netherlands.
3. **Deemed non resident taxpayers** are living in The Netherlands but choose to be taxed as a non resident for passive income while keeping the advantages to take certain deductions.

Item 1. **Resident tax payers and 30% ruling.**
Practically every resident taxpayer in the 30%-ruling will choose for the so-called **partial** taxation. This means that only a **limited** number of income elements are taxed in the Netherlands, like:

a. the salary from Dutch and if applicable also foreign employment (incl. a company car);
b. income from a main residence in the Netherlands. (if your main residence is abroad, in general you are a non-resident.);

On the other hand, they are entitled to **deduct** extraordinary expenses like medical expenses, major charitable donations and alimony payments as mentioned under B.3 to B.7. And besides that, they have the claim on the general tax credit for their (non working) spouse (so-called 'algemene heffingskorting').

Item 2. **Non-resident tax payers**.
In principle you are considered a non-resident if you and/or your **spouse and family** are (still) **living abroad** (outside the Netherlands). Although you have the option to be considered a **resident** taxpayer. Therefore we will give you some general remarks regarding these 2 different fiscal options:

a) non-residents are **not liable** for Dutch taxation for **foreign** working days (this means days worked outside the Netherlands). These days are taxable in their home country. The difference in the Dutch and home country tax rates could lead to a tax benefit; **or**
b) non-residents have the **option to be taxed like resident tax payers** (**partial** taxation like in Item 1.). This implies that they loose the opportunity to deduct the foreign days as mentioned under a). This option is only available when the partner is living in a EU country and more than 90% of your worldwide income(this includes passive income) is earned in the Netherlands.

Attention:
The request for the deemed non resident type of taxation can be made together with the application for the 30%-ruling, but ultimately when the tax return is filed.

In the following, after some general remarks, first the Dutch taxation of your salary and of Dutch real estate will be elaborated. After that, categories A and B are explained in further detail.

II. GENERAL REMARKS

* In the following, only a limited number of income elements and deductions are explained. If you have any doubt whether a specific item is taxable or deductible, please do not hesitate to contact me.

* In almost all cases the **deemed** non resident type of taxation is the most beneficial option. This could be different for a **non-resident** as mentioned above under Item 2.

* In the Netherlands, husband and spouse are taxed **separately** on labor income (like a salary).
If both husband and spouse have to be considered **resident** taxpayers, other income like your Dutch or foreign main residence, but also deductions like medical expenses and alimony can be allocated to one of the two or to both spouses in any spread. This is a way to optimize taxes.

* If the partner(see requirements on first page questionnaire) is not working he/she can be entitled for the refund of the non working partner. For this refund the working partner needs to pay at least € 2,000 a year on taxes and the joined household has to exist for more than 6 months in a calendar year.

* On your Dutch salary (excl. the tax free 30% cost reimbursement) Dutch **wage withholding tax** will be withheld. The wage withholding tax in most cases can be considered as a preliminary payment of **income tax** finally due after filing the income tax return.
Most tax deductions (e.g your Dutch main residence) can already be taken into account in a monthly refund of income tax. However you will have to file a form to claim the monthly refund. In this case please contact **Witlox International Tax Advice. This service is included.**

* After the calendar year has ended an **income tax return** needs to be filed. Therefore we send a questionnaire. Based on the information provided in the questionnaire Witlox International Tax Advice will file your income tax return.

* Please note that only income received and expenses paid between the moment you enter the Netherlands up till the moment you leave the Netherlands are relevant.

* Foreign currencies must be converted into EUR at the rate of exchange at the moment the income is received or the expenses are paid.

* **Capital gains** (e.g. on the sale of a real estate or shares) are **not** taxable in the Netherlands.

III. TAXATION OF SALARY AND REAL ESTATE

* Of your salary, approximately 30% will be paid **tax free**. The remainder is taxable.
Professional costs are **NOT deductible** (but can be reimbursed by the employer).
Costs which can be reimbursed regarding employment income are e.g.:

. travelling between home and work: up till limited amounts
. membership fees for professional unions
. expenses for professional magazines, books etc.
. office costs like paper, stamps, telephone costs (**not**: the furniture in your study)
. expenses for a computer etc. at home
. (international) school fees for children.

- If you have a **company car**, each year (a maximum of) 22% (percentage is dependable on CO2-emission of the car) of its list price has to be added to your taxable income and will be taxed though your salary, which means the 30% ruling is also applicable on this income. In order to avoid taxation through your salary in case the car is used for less than 500 km a year you can file for a statement of the Revenue Service to avoid taxation. This can be done through your employer. Driving from home to work and back is not considered to be private use.

* If you own **real estate** in the Netherlands, which is your main residence and **not rented out**, you have to add a **deemed rental income** to your taxable income. On the other hand, interest and other expenses **paid on a mortgage/loan** to finance the real estate are deductible.
For details, we refer to item A.2 below.

* **Interest income** (e.g. of saving accounts) and **dividends** from shares are **NOT TAXABLE.**

A. TAXABLE INCOME

1. You are liable for Dutch taxation on your Dutch labor income.

2. Individuals owning **real estate** in the Netherlands, which is **not rented out**, have to pay Dutch income tax on a **deemed rental income**.
The amount of deemed rental income depends on the fair market value of the real estate. In the Netherlands this is the so-called WOZ-value, the value as determined by the municipality.

market value (WOZ-value) more than EUR:	**But not more Than EUR:**	**Deemed rental Income as a % of market value:**
75,000	1,130,000	0.45 %
1,130,000	-	€5,085 plus 2,35% of value over 1,130,000

Any expense **connected to a loan** (for instance a mortgage loan) used to buy the real estate is tax deductible. The most important expense is the interest paid. But also other costs (only if connected to the loan) are deductible (e.g. notary fees, bank commission). You have to be aware that **only** the interest related to the **purchase or maintenance** of the house is tax deductible.

A limitation has been made on the interest deductibility. In case a house is bought in Holland you have to take into account the difference between selling price and balance of the mortgage at the date of sale of the former house. If this money is not used to pay (part of) the new house the interest paid on that part of the mortgage is not tax deductible. Maximum rate of tax refunded is 40,0% a year, which will decline 3% a year. So in tax year 2023 the rate is 37,0%. At this moment 2023 is the last year the percentage is lowered, but new legislation is likely to be introduced.

The maximum period to deduct the interest is 30 years.

You have to add the deemed rental income to your taxable income if no or little expenses are deducted for the main residence. 6/30th of this income will be added to the taxable income in tax year 2022. In 30 years time this will grow to 100% of the deemed rental income.

The above-mentioned schedule refers to a Dutch real estate that is your **principal residence**.
When you own more than one real estate, the other real estate is part of your Box 3 income.

If real estate located abroad which used to be your principle residence is for sale, you are entitled to deduct 2 to 3 years mortgage interest while it is for sale.

When a new house is bought the only two mortgages leading to interest deduction are:
Annuity: You pay the same amount each month, while the interest part gets smaller in time and the principal payback slightly grows.
Linear: You pay off the mortgage in 30 years with a fixed amount of principal and the amount of interest is slightly decreasing. This means your monthly expenses get smaller in time.

B. DEDUCTIONS ON TAXABLE INCOME

* Please note: Dutch tax deductions are against taxable income and not against the income tax payable!
* Deductions on real estate are dealt with in section A. above.
* **Interest paid** on a loan (e.g. a car loan), is **NOT TAX DEDUCTIBLE.**
  Interest related to real estate is dealt with in A.2.

3. So-called **extraordinary expenses** exceeding certain limits are tax deductible. They mainly comprise medical expenses.

4. **Educational expenses**
   These are no longer deductible in your tax return but you need to ask a subsidy for this. This can be done at UWV and is called a STAP-budget. These requests can be filed from March 1, 2022 for tax year 2022 and further. Expenses in 2021 can still be deducted in the 2021 return.

5. **Gifts** to religious, charitable, cultural and scientific institutions in the Netherlands are tax deductible as much as they exceed € 60 **and** 1% of income. The limit is 10% of income.
   However, gifts paid by an annuity contract with a minimum of 5 years and by notary deed are deductible without thresholds and limits. Most institutions have a low cost possibility to set up this scheme for at least 5 years.

6. Premiums paid for a **Dutch life annuity(private pension)** are tax deductible, as far as the current pension rights are not sufficient. In order to determine this, a calculation has to be made.
   A life annuity is a contract that you conclude with a Dutch life insurance company or in a specified banking product. Against the premium(s) paid, you will receive yearly payments from the company, starting at a certain date and ending at a certain date or a person's death. Only premiums for specific contracts qualify for the deduction. Premiums paid for early retirement are not tax deductible.

7. **Alimony** payments to the former spouse are tax deductible.

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