



GLOBAL EXPANSION

GLOBAL
EMPLOYER
GUIDE

NETHERLANDS





Basic Country Facts

Full Name

- Kingdom of the Netherlands

Capital

- Amsterdam

Main Languages

- Dutch (90%)
- Frisian (2.2%)
- Turkish (0.6%)
- Arabic (0.6%)

Population

- 17.18 million

Monetary Unit

- Euro

Internet Domain

- .nl

International Dialing Code

- +31

Currency

- Euro



STATUTORY LABOR REQUIREMENTS

Probation Period

- Dutch law allows for a probationary period of a maximum of two months for permanent contracts. For fixed term contracts much stricter rules are in place and a maximum of one month's probation is permissible. A probation period can only be concluded for contracts of over six months in duration.
- During the probationary period, the employer may terminate the contract without notice. Termination may, however, not be discriminatory.
- Probation periods must be concluded in writing. A verbal agreement on probation is null and void. If the probation period is not in line with the law, then any probation clause is deemed null and void ab initio. This means that no probationary period is applicable.

Annual Leave

- The legal minimum number of vacation days in the Netherlands per year is four times the amount of days worked per week.
- This typically means 20 holidays in the case of a full time employee working a five-day week (4×5 working days = 20 Netherlands vacation days).
- However, it is common practice in the Netherlands for a full time employee to be entitled to approximately 25 holiday days per year



Public Holidays

- Netherlands has 10 public holidays: -
 - New Year's Day (1st January)
 - Good Friday (10th April)
 - Easter Sunday (12th April)
 - Easter Monday (13th April)
 - Liberation Day (5th May)
 - Ascension Day (21st May)
 - Whitsun (31st May)
 - Whit Monday (1st June)
 - Christmas Day (25th December)
 - 2nd Day of Christmas (26th December)

Maternity Leave

- If you are employed in the Netherlands and you become pregnant then you are legally entitled to at least 16 weeks paid maternity leave.
- Expectant mothers start their maternity leave from 4 to 6 weeks before the due date. This period before the birth, and the 10-12 weeks after, are financially covered by the maternity allowance (zwangerschapsuitkering).

Paternity Leave

- As of January 1, 2019, partners of mothers who have just given birth are legally entitled to 1 workweek of paid leave (partnerverlof or geboorteverlof).
- It doesn't matter whether the partner works full-time or part-time.
- To have additional time with their new child, fathers and partners also have the option to take (usually unpaid) extra parental leave or (paid) holiday leave after the birth of their child.
- The amount and duration of this leave can vary greatly and should be discussed with the employer.

Sick Leave

- Under Dutch Labor Law, Employers are obliged to continue payments for at least 70% of the Employees' wages during 104 weeks of sickness / disability.
- The 70% of the Employees' wages is capped to a maximum daily wage.
- If the amount is lower than the statutory minimum wage, the employer is obliged to supplement it to the minimum wage in the first year of illness.
- Exception by law: Organ donors, pregnant or recently delivered women who are ill in the second year will receive 100% of their daily wages instead of 70%.

Work Hours

- According to Dutch law you are allowed to work a maximum of 9 hours a day and 45 hours a week.
- However, a person is only allowed to work 2080 hours a year, thus the average working week is 40 hours.



Overtime

- Usually, overtime refers to the extra hours outside of the normal 26-40-hour work week.
- However, Dutch law does not provide a national standard for overtime; it is usually agreed upon by individual employment contracts and collective agreements.

Notice Period

- The statutory notice period for an employee is one month and the notice period for the employer depends upon the years of service of the employee, being: one month of notice for the first five years of service and for each subsequent five years of service, the notice period is increased by one month (up to a maximum of four months' notice).

Severance

- Employees are eligible for the severance payment, when they have worked for the employer for at least 24 months and have been terminated by the employer, the employment relationship has been terminated on mutual consent at the employer's initiative, a fixed term employment contract has not been renewed by the employer or when the employee has terminated the employment relationship due to misconduct of the employer.
- The payable amount must be 1/6 of the monthly wage of the employee for each 6-month period, which the employee has worked for the employer, plus 1/4 of the monthly wage for each 6-month period worked above 10 years.
- Though, the severance pay can never be higher than 77,000 EUR, or one annual wage, if the annual wage is higher than 77,000 EUR.

- In enterprises with more than 25 employees, the severance pay for employees, who are 50 or older and who have worked for the employer for at least 10 years, must be equal to half their monthly wage for each 6-month period they have worked for the employer, Art. 7:673a CC.
- Under special circumstances, based on the principles of fairness and taking into account negligent conduct of either the employer or the employee prior to the termination, the court can decide to increase or lower the severance pay.
- A different entitlement to severance pay can be set by collective agreement (Art. 7:673b CC).

13th Month

- In the Netherlands, it is very common for companies to pay their employees a 13th month allowance.
- Typically, the 13th month allowance is paid in November or December of each year.
- The percentage is the same for every employee in the company and is usually equal to 8.33 percent of an employee's base salary.





Income Tax

- The Netherlands taxes its residents on their worldwide income; non-residents are subject to tax only on income derived from specific sources in the Netherlands (mainly income from employment, director's fees, business income, and income from Dutch immovable property).
- In the Netherlands, worldwide income is divided into three different types of taxable income, and each income type is taxed separately under its own schedule, referred to as a 'box'. Each box has its own tax rate(s). An individual's taxable income is based on the aggregate income in these three boxes.
- Box 1 refers to taxable income from work and home ownership, and includes the following:
 - Employment income.
 - Home ownership of a principal residence (deemed income).
 - Periodic receipts and payments.
 - Benefits relating to income provisions.
- Box 2 refers to taxable income from a substantial interest, and box 3 applies to taxable income from savings and investment
- Box 2 income is taxed at a flat rate of 25%.
- Box 3 income is taxed at a flat rate of 30%.

Taxable Income (EUR)		Tax on Column 1 (EUR)		Tax on Excess	
Over	Not Over				
0	20,711	2,009		9.7%	
20,711	34,712	3,288		9.7%	
34,712	68,507	15,989		37.35%	
68,507				49.5%	

Social Security

- Everyone who lives in the Netherlands must pay into the Dutch social security system, regardless of employment, although a number of exceptions exist, such as working as a civil servant at an embassy or short-term contract workers.
- Some foreigners may be subject to pay social security in both the Netherlands and their home country, unless a social security bilateral agreement exists that enables an exemption from paying taxes in your home country.
- Social security in the Netherlands is divided into two strands:
 - National insurance (volksverzekeringen) is required for all those living in the Netherlands and covers social benefits.
 - Employee insurance (werknemersverzekeringen) is required for those that work in the Netherlands and provides employment-related benefits.
- The Social Insurance Bank (Sociale Verzekeringsbank, or SVB) oversees the implementation of the national insurance system, while the Institute for Employee Insurance (Uitvoeringsinstituut Werknemersverzekeringen, or UWV) handles unemployment benefits in the Netherlands and other work-related insurance programs.
- Dutch national insurance covers four areas:
 - Dutch pension system (AOW)
 - Child benefits (AKW)
 - Survivor benefits (Anw)
 - Long-term care (Wlz).

- Dutch Employee Insurance covers three areas: -
 - Unemployment Benefits
 - Sick leave
 - Disability benefits

Social Security Contribution

National Insurance

- Under the national insurance tax regulations, contributions are levied on income up to a maximum of EUR 34,712.

Employee Insurance

- Under the employee insurance regulations, contributions are to be paid on income up to a maximum of EUR 57,232.
- The contribution rate depends on the employer's industry, but on average the yearly contributions to be fully paid by the employer amount to EUR 6,576 for an employee with a permanent employment contract and EUR 9,438 for an employee with a temporary employment contract.



Deductible Expenses

Employment Expenses

- In the Netherlands, the number of deductions for tax purposes an individual can claim in one's PIT return are limited.
- Business expenses may however (in part) qualify for a tax-free reimbursement by the employer, such as moving expenses, telephone expenses, commuter and business travel, school and tuition fees, etc.
- Nonetheless, when filing a Dutch tax return, an individual may be able to claim a fixed annual amount for commuting by public transport relating to earning employment income.

Work Related Cost Scheme

- Under the work-related cost scheme, the employer may reimburse expenses tax-free, up to a fixed percentage of the total fiscal wages of his employees (the work-related costs budget).
- The work-related costs budget is 1.7 per cent for the first EUR 400,000 of the total fiscal wages, and 1.2 per cent for the remaining amount of the taxable wage bill.
- In case the work-related costs budget is exceeded, the employer needs to pay wage tax in the form of a final levy of 80% on the amount in excess of the budget.



Personal Deductions

- Residents (as well as partial non-residents and qualifying non-residents) are entitled to claim deductions mainly relating to their personal or family circumstances, including maintenance payments to a former spouse (i.e. alimony).
- Residents (as well as partial non-residents and qualifying non-residents) are entitled to claim deductions relating to charitable donations (deductions for certain expenses are capped or subject to thresholds).
- Residents (as well as partial non-residents and qualifying non-residents) are entitled to claim deductions for educational expenses (deductions for certain expenses are capped or subject to thresholds).
- Residents (as well as partial non-residents and qualifying non-residents) are entitled to claim deductions mainly relating to their personal or family circumstances. These include expenses arising from sickness or disability, and weekend expenses of handicapped close relatives (deductions for certain expenses are capped or subject to thresholds).
- Life annuity premiums are only tax deductible if the taxpayer can prove that one has a lack in the pension rights/pension capital built up to date.
- Mortgage interest payments in relation to the financing, renovation, or maintenance of the primary residence may be deducted from box 1 income. In order to qualify for this deduction, the property needs to qualify as the taxpayer's primary residence.

Deductible Expenses

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Work Related Cost Scheme

- Under the work-related cost scheme, the employer may reimburse expenses tax-free, up to a fixed percentage of the total fiscal wages of his employees (the work-related costs budget).

Personal Deductions

- Residents (as well as partial non-residents and qualifying non-residents) are entitled to claim deductions related to the following:
 - Personal or family circumstances
 - Charitable donations
 - Educational expenses
 - Mortgage or interest payments





Immigration

- The Netherlands has a streamlined visa and work permit system, meaning that all migrants from outside of the European Economic Area (EEA) who want to work in the country for longer than 3 months need to apply for a single Combined residence and employment permit (GVVA).
- There are 3 main pathways for hiring foreign workers in the Netherlands:
 - The Combined residence and employment permit (GVVA).
This is a combined work and residence permit for all non-European Economic Area nationals who plan to work in the Netherlands for longer than 3 months
 - The Work Permit (TWV)
This standard work permit must be combined with a residence permit, and is meant for workers who are not eligible for a combined GVVA permit. This includes:
 - Non-EEA nationals who plan to work in the Netherlands for less than 3 months
 - Students
 - Seasonal workers
 - Asylum seekers
 - International company employees who have been seconded to the Netherlands
 - **Nationals of Croatia**
European Blue Card
The European Blue card also allows migrants to live and work in the Netherlands (and some other EU countries) for longer than 90 days, but is aimed specifically at highly skilled workers. In order to qualify for a European Blue Card, you must have at least a Bachelor's degree, and an employment contract with a Dutch company in a job which pays at least €70,022.88.

Type of Visa	Documentation	Validity	Eligibility
Combined residence and employment permit (GVVA)	<ul style="list-style-type: none"> The application form lists the documents that you have to enclose with the application. Examples of the necessary documents and evidence include: <ul style="list-style-type: none"> the employer's testimonial, employment contract the work permit or an application for this a copy of your passport; in the case of work experience: a work placement or work experience agreement; antecedents certificate. This indicates whether or not you have been committed of a criminal offence. 	Maximum 1 year	<ul style="list-style-type: none"> All non-European Economic Area nationals who plan to work in the Netherlands for longer than 3 months You are going to earn sufficient income. The organization of your employer is entered in the Commercial Register of the Chamber of Commerce (if required by the Commercial Registers Act 2007).
The Work Permit (TWV)	<ul style="list-style-type: none"> The application form lists the documents that you have to enclose with the application. Examples of the necessary documents and evidence include: <ul style="list-style-type: none"> the employer's testimonial, employment contract the work permit or an application for this a copy of your passport; in the case of work experience: a work placement or work experience agreement; antecedents certificate. This indicates whether or not you have been committed of a criminal offence. 	Maximum 1 year	<ul style="list-style-type: none"> Some groups of foreign nationals do not need to apply for a single permit, but the employer must still apply to the Employee Insurance Agency (UWV) for an employment permit (TWV). These include: <ul style="list-style-type: none"> employees coming to work in the Netherlands for less than 3 months; students who have a residence permit for study purposes; asylum seekers awaiting a decision on their application for asylum.



Type of Visa	Documentation	Validity	Eligibility
EU Blue Card	<ul style="list-style-type: none"> • Bachelor or Master's Degree • Valid Passport • Application Form • IDW evaluation • Proof of Health Insurance 	Maximum 4 years	<ul style="list-style-type: none"> • A valid work contract or binding job offer of at least one year. • The EU Blue Card applicant must have successfully completed a post-secondary higher education program of at least three years: a Bachelor or Master degree • The threshold in the Netherlands is a gross monthly salary of EUR 5,403.- (exclusive of 8% holiday allowance) amounting to an annual gross salary of EUR 70,022.88 (including 8% holiday allowance).



Value Added Tax (VAT)

- Value-added tax (VAT), known in Dutch as Omzetbelasting or BTW, is payable on sales of goods and on services rendered in the Netherlands as well as on the importation of goods and on the 'intra-European' acquisition of goods.
- There are three VAT rates: 21%, 9%, and 0%. As of 2019, the reduced rate for prime necessities is increased from 6% to 9%.
- The main VAT rate is 21%.
- The reduced 9% VAT rate is applicable on certain prime necessities (and also on certain energy-saving insulation activities on houses).
- The special 0% VAT rate is applicable mainly to intra-EU supplies, exports, imports stored in bonded warehouses, services rendered in connection with the above, and certain other services.

VAT Rates	
General Rates	<ul style="list-style-type: none">• The main VAT rate is 21%.
Reduced Rates	<ul style="list-style-type: none">• The reduced 9% VAT rate is applicable on certain prime necessities and on certain energy saving insulation activities on houses• The special 0% VAT rate is applicable mainly to intra-EU supplies, exports, imports stored in bonded warehouses, services rendered in connection with the above, and certain other services.

Withholding Tax

Dividends

- If you run a business in the Netherlands and you receive interest, royalties or dividend from abroad, withholding tax (bronbelasting) is often deducted on payment of these sources of income.
- Dividends from Dutch corporations are generally subject to a 15% Dutch dividend withholding tax. In general, this does not apply to the Dutch cooperative (i.e. 'co-op') in a business-driven structure, a widely used vehicle for holding and financing activities.

Interest

- The Netherlands does not levy WHT on interest.
- Interest on a hybrid loan can qualify as a dividend for tax purposes, in which case the rules for dividends apply.
- However, a WHT on interest is planned to be introduced in 2021 to apply in cases of abuse

Royalties

- No WHT on Royalties
- However, a WHT on royalties is planned to be introduced in 2021 for cases where abuse is involved

WHT	
Dividends	15% Dutch Dividend WHT
Interest	No WHT on interest
Royalties	No WHT on royalties

Termination

- Essentially, the employer requires prior permission by the work placement branch of the Employee Insurance Agency (UWV WERKbedrijf) or the sub-district court before it can terminate the employment agreement.
- Since 1 July 2015, the UWV procedure has been the compulsory route if the employment contract is to be terminated for economic reasons or in the case of incapacity for work due to illness for longer than two years.
- The court procedure is the compulsory route if the employment contract is terminated for performance-related or other personal reasons. In both situations, parties are allowed to appeal (and appeal in cassation) the decision of the UWV/court with the competent higher court and claim reinstatement.
- In The Netherlands, the employer has generally five ways to terminate the employment agreement:
 - **Termination by mutual consent** - by means of a settlement agreement. In cases of termination by mutual consent, it is common to sign a settlement agreement that outlines the conditions of termination. A settlement agreement is often used by the (former) employee to safeguard entitlements to unemployment benefits, if any, as much as possible. In the event parties reach an amicable settlement, the employee will be entitled to a two-week period after reaching agreement about the settlement to “reflect” on the settlement

(three weeks in the event the employer does not notify the employee in writing of this right within two working days after reaching agreement about the settlement agreement).

- **Termination proceedings before the UWVWERKbedrijf** (Employee Insurance Agency);
- **Termination proceedings before the cantonal court.**
- **Termination with consent of the employee**
- **Urgent dismissal**

Employees can be dismissed without notice or prior approval for “urgent cause,” i.e., a cause of such a nature that no employer could reasonably be expected to continue the employment relationship any longer. Examples of urgent cause include serious incompetence, for instance obstinately refusing to obey the reasonable instructions of the employer.



Statutory Benefits

- In the Netherlands the relationship between employees and employers is arranged under labor law.
- The statutory Benefits include annual holidays, public holidays, maternity and paternity leave, sick pay, 13th month pay, notice period, severance payment, and social security insurance.
- Social security insurance includes national insurance and employee insurance.
- National insurance includes Dutch pension system, child benefits, survivor benefits and long term care.
- Employee insurance includes unemployment benefits, sick leave, and disability benefits

Statutory Benefits

Annual Holidays

Public Holidays

Maternity Leave

Paternity Leave

Sick Pay

13th Month

Notice Period

Severance Payment

Dutch Pension System

Child benefits

Survivor Benefits

Long term care

Unemployment Benefits

Sick Leave

Disability Benefits

Payments and Invoicing

- Spouses are not taxed jointly; each individual is treated as a separate taxpayer for their personal income (such as employment income).
- In principle, the non-personal income is taxed separately on the spouse who is the beneficial owner of the income.
- Returns must normally be filed by 1 May following the end of the tax year. Returns prepared by a registered tax professional are generally covered by a tax return extension ruling.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Netherlands ranked 42nd in the World in 2019 in terms of ease of doing business.

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