

# Netherlands Knowledgebase

## Payroll, compensation and benefits

### Salary structure

In the Netherlands, "base salary" refers to the minimum amount an employee earns before any additional benefits, bonuses, or allowances are added. It serves as the foundation for calculating an employee's total compensation and is often determined by factors such as job role, industry, and experience level.

#### Minimum wage

As of January 1st, 2025, employers are required by law to pay workers the hourly minimum wage. The hourly minimum for all employees aged 21 years and older is €14.06/hour. For employees under the age of 21, the minimum salary per hour varies depending on their age:

20 years: €11.25/hour

19 years: €8.44/hour

18 years: €7.03/hour

17 years: €5.55/hour

16 years: €4.85/hour

15 years: €4.22/hour

Employers are required to provide a holiday allowance, calculated as 8% of the annual gross salary, ensuring employees receive additional compensation during their time off.

Allowances can be classified as taxable or non-taxable; taxable allowances include:

Bonuses

Commissions

Overtime pay

Non-taxable allowances encompass:

Reimbursements that are exempt from taxation.

Examples of tax-free allowances include:

Travel expenses reimbursed up to €0.19 per kilometer for business travel

Home office allowances under specific conditions

Work-related training costs covered for job-related education  
Tools or equipment provided by the employer for work purposes.

The Total Employment Cost (TEC) for employers includes all financial obligations related to employing staff, such as base salary, mandatory contributions like social security, and legally mandated benefits.

## Salary and wages

In the Netherlands, the local currency is the Euro (EUR), and while contracted salary amounts can be stated in foreign currency, it is more common to express them in euros.

If a salary is specified in a foreign currency, the contract must clearly outline the conversion method and how it relates to taxes and deductions, although for compliance with Dutch tax laws, salaries must ultimately be reported and paid in euros.

For 2024, the maximum taxable wage for social security contributions is approximately €66,600 per year; earnings above this threshold are exempt from these contributions.

Employees are typically paid on a monthly basis, with salaries disbursed on the last business day of the month.

Although the 13th and 14th salary payments are not mandatory, some employers offer them as part of their compensation packages, with the 13th month usually paid in December.

## Allowances and deductions

In the Netherlands, employers are required to provide a mandatory holiday allowance, which amounts to 8% of the annual gross salary.

There is no obligation for a private pension system, meaning participation in such schemes is not mandated.

## Bonus and incentives

In the Netherlands, performance bonuses are not mandatory, giving employers the discretion to offer them based on individual or company performance. The bonus calculation can vary between net and gross amounts; a gross bonus is calculated before taxes and deductions, while a net bonus reflects the amount received after taxes.

## Employer contributions

In the Netherlands, employer contributions are calculated based on employee salaries and include social security and health insurance. To streamline this process, employers should utilise payroll software to automate calculations and reporting. Contributions must be reported in a monthly declaration to the Belastingdienst (Dutch tax authority), with payments made by the specified deadlines.

## Benefits packages

In the Netherlands, health insurance premiums are the responsibility of employees, who pay them directly to their chosen health insurer. The average monthly premium is expected to rise to approximately €158 in 2024, reflecting ongoing increases in healthcare costs and wages.

Employers contribute to employee insurance through social security contributions, which cover unemployment, disability, and sickness benefits.

Unemployment insurance is managed through payroll, with employers paying a percentage of employee wages for this coverage. These contributions are deducted from gross salaries and reported in monthly payroll declarations to the tax authorities.

Workers' compensation is integrated into the employee insurance system, providing financial support for employees unable to work due to illness or injury, as well as assistance for those who become permanently disabled.

## Currency and payment considerations

### Currency requirements

Salary payments are typically made in euros (EUR), which is the official currency. While it is possible to pay salaries in foreign currency, this requires mutual agreement between the employer and employee, and the payslip must always be issued in euros.

Employees are responsible for understanding the tax implications of receiving payment in a foreign currency, as this could affect their taxable income.

Additionally, fluctuations in exchange rates may impact the actual value of their salary when converted to euros. Employers must ensure that salaries are paid at least once a month, commonly through direct bank transfers to employees' accounts.

## Taxation and compliance

### Employee and employer tax obligations

Income tax are based on the employee's earnings, which is deducted through the PAYE (Pay As You Earn) system. Employees contribute to social security schemes, which cover benefits like unemployment, disability, and healthcare.

Employees must have health insurance, which includes a mandatory basic package. Premiums may be deducted from their salaries. If applicable, employees may also contribute to a pension scheme, which can be mandatory or voluntary depending on the employer. They can also benefit from various tax deductions and credits, which may affect their overall tax liability.

### Payroll declarations and reporting

In the Netherlands, payroll declarations are required on a monthly, quarterly, and annual basis.

#### Monthly payroll declarations

Employers must submit monthly payroll tax returns, detailing gross wages, withheld taxes, and social security contributions. They are also responsible for remitting the withheld amounts to the tax authorities by the specified deadline.

#### Quarterly payroll declarations

Some employers may need to report specific social security contributions on a quarterly basis, ensuring compliance with regulatory requirements.

#### Annual payroll declarations

On an annual basis, employers must provide each employee with a summary of total earnings and withheld taxes by January 31. Additionally, they must reconcile payroll accounts and report total earnings to the tax authorities as part of their year-end reporting obligations. These structured reporting requirements help maintain transparency and compliance with Dutch labour laws.

### Termination and severance

Termination payments are typically made on the final payroll date following an employee's termination. This includes outstanding salary, unused vacation days, and any severance or transition payments. Employees should receive a statement detailing these payments.

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Additionally, they are entitled to cumulated holiday allowances of 8% of their gross salary and payment for any unused holidays. The deadline for paying terminated employees matches the termination payment date, ensuring timely settlement of all dues.