Netherlands Tax Knowledgebase

Employee personal income tax

Tax residence

Tax residency in the Netherlands

According to Dutch tax principles, natural persons are considered residents of a country where they have their centre of life interest. Important factors include the place where the individual actually resides and works most of the time, where they have a house, where their family resides, and where their centre of vital interest lies.

The main facts and circumstances that determine tax residence are:
- Where a permanent home is maintained.
- Where employment duties are performed.
- Where the individual's family resides.
- Where the individual is registered with the local authorities.
- Where bank accounts and other assets are maintained.
- The intended length of stay in the Netherlands.

An expatriate is generally considered a resident of the Netherlands if:

- as a married person, their family accompanies them to the Netherlands, or
- as a single person, they stay in the Netherlands for more than one year.

Every individual situation is different and should be judged independently on the basis of the criteria formulated by the Dutch tax courts, Dutch tax policies and applicable tax treaties.

Conditions for the obligation to file the PIT

Who must file?

The Netherlands taxes its residents on their worldwide income; non-residents are subject to tax on income derived from sources in the Netherlands. In some instances, non-residents with Netherlands-source income are treated in a limited manner as residents for tax purposes and are therefore entitled to certain credits.

It may be of interest to file a tax return due to a possible refund in case:

- You entered the Netherlands during 2024 (or previous years, going back to 2019) and did not file a tax return;
- You were employed for less than 12 months during 2024 (or previous years) in the Netherlands;
- Your healthcare bills are not all reimbursed by the health insurance company (> total exceeds 1,65% of your gross income);

It will be obligatory to file a tax return if:

- You have received a letter from the Dutch tax authority ("de Belastingdienst") with the request to submit a Dutch income tax return for 2024 (or previous years and did not).
- You own Dutch real estate (for example, your own residence / second home);
- Total amount in savings (bank accounts) and investments exceeds EUR 57,000 on January 1, 2024 (not applicable in case you have the 30%-ruling which was granted before January 1, 2024);
- Owner of a second home /real estate in home country or elsewhere (not applicable when 30%-ruling);
- You have performed freelance activities or received income from other activities (substantial interest in a company).

Deadlines and submission methods:
For resident taxpayers, the income tax return must be received by the tax office before 1 May of the year following the tax year.
For non-resident taxpayers (and migrated taxpayers), the tax form must be received by 1 July.
An extension for filing is possible upon request until September 1.

Penalties for non-compliance:
Failing to file a tax return, despite having a legal obligation to do so, can constitute a criminal offence, which may result in the imposition of penalties or, in extreme cases, imprisonment.

Additional reporting
Special rules apply to taxpayers who wish to report concealed income or wealth from previous years. If certain conditions are met, no or only limited penalties become due, and the taxpayer is not prosecuted for committing a criminal offence.

Proper and timely submission ensures compliance and avoids financial penalties.

Joint taxation

If both spouses are resident taxpayers, they are taxed separately on income from business activities, employment, pensions, and other recurring payments, after deducting premiums for life annuities and certain other periodic payments.

Spouses, and in some cases, partners living together as a household, automatically qualify as fiscal partners. This allows them to split certain types of income and deductions between themselves in any proportion they choose, including:

- Taxable income from their main home.

- Taxable income from substantial shareholdings (box 2).

- Taxable income from savings and investments (box 3).

- Personal deductions not related to business, based on their individual circumstances.

Tax report in question (Form name)

In the Netherlands, tax return forms are no longer issued in most cases nowadays. Still, the taxpayer receives a one-page invitation to file their annual tax return via the Dutch tax authorities' website (online portal).

Traditionally, the so-called M-Form ('M' stands for migration, linked to the tax year when one becomes a non-resident taxpayer upon tax emigration or a resident taxpayer upon tax immigration) could not be filed electronically. However, for the tax year 2020 and beyond, it is now possible to file the M-Form electronically.

The Dutch tax authorities have different tax return forms depending on the taxpayer's personal situation. In essence, the following Dutch income tax return forms can be distinguished:

The following tax return form	Must be filed by the following taxpayer
P-Form	The resident taxpayer, with all categories of income, with the exception of the income from a private enterprise, and all tax deductions
F-Form	Taxpayers who are deceased

C-Form	Non-resident taxpayers who have not emigrated or immigrated during the tax year, as well as foreign entrepreneurs
W-Form	Resident taxpayers who conduct an enterprise
M-Form	Resident or non-resident taxpayers who have emigrated or immigrated during the tax year

Tax year

Corresponds to the calendar year. The Dutch tax year runs from 1 January through 31 December.

Tax rates

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. You have a substantial interest if you, or you and a tax partner together, own at least 5% of the shares, options or profit-sharing certificates in a company. It applies mainly to entrepreneurs who pay tax on income from substantial business interests.

Box 3 applies to taxable income from savings and investments. You pay tax on income from your wealth, including savings, shares and a second home. It is calculated as the value of all assets (such as savings and shares) minus any debts.

Since the taxable income is categorised into three distinct types, each taxed separately under its own system, known as a 'box.' Each box has its own applicable tax rate(s). An individual's total taxable income is determined by the combined income from all three boxes.

Box 1:

Income:	**Tax rate:**
a) up to EUR 38,441	35.82%
b) EUR 38,441 - EUR 76,817	37.48%
c) from EUR 76,817	49.50%.

Box 2:

Income:	**Tax rate:**
a) up to EUR 67,804	24.5%
b) from EUR 67,804.	31%.

Box 3: Income is taxed at a flat rate of 36%.

Tax returns and payment of tax

Deadlines and submission methods
Deadline: You can file your income tax return from 1 March. Your tax return must be received by the Tax Administration before the date stated in your tax return letter. This is usually 1 May. If this is not possible, you must apply for a postponement before 1 May. Except if you live abroad. In that case, your tax return or request for postponement must be received by the Tax Administration before 1 July.

Method: Online via the Tax agency portal.
Payment generally must be made within six weeks after the tax authorities assess the amount payable.
Regarding penalties, administrative penalties may be imposed for late filing or failure to file a tax return, or the late payment or nonpayment of tax.

Personal deductions (salary)

Personal Deductions and allowances for income from work and home ownership (Box 1):
- Tax deductions of premiums for annuities;
- Personal allowance;
- Tax-deductible expenses for maintenance obligations;
- Tax-deductible expenses of specific costs of care;
- Tax-deductible weekend expenses for disabled persons;
- Tax-deductible expenses for education;
- Tax-deductible expenses for listed monumental buildings;
- Tax-deductible gifts.

Additional tax reliefs (not mentioned above)

In the Netherlands, individuals can benefit from various tax reliefs designed to reduce their taxable income and overall tax liability. These provisions encompass deductions, credits, and allowances tailored to personal circumstances and specific expenses.

1. Personal deductions

Certain personal expenses are deductible, thereby lowering taxable income:

- Alimony payments: Maintenance payments to a former spouse are deductible for residents, partial non-residents, and qualifying non-residents.
- Charitable contributions: Donations to eligible charitable organisations can be deducted, subject to specific caps and thresholds.
- Medical and disability expenses: Expenses arising from sickness or disability, including costs for the temporary stay of a disabled child at home, may be deductible, with certain limitations.
- Life insurance premiums: Premiums for life annuities are deductible if the taxpayer can demonstrate a deficiency in accrued pension rights or capital.
- Mortgage interest expenses: Interest payments on mortgages for financing, renovating, or maintaining a primary residence are deductible from Box 1 income. To qualify, the property must serve as the taxpayer's primary residence, and specific conditions apply, especially for loans concluded after January 1, 2013.
- Home office deduction: Limited to €2,150/year (if working from home).

2. Tax credits

Tax credits directly reduce the amount of tax owed and vary based on individual circumstances:

- General tax credit (algemene heffingskorting): This credit applies to all taxpayers, with the amount depending on income level. For 2025, individuals with taxable income up to €28,406 are entitled to a maximum credit of €3,068. The credit decreases as income rises and phases out entirely for incomes above €76,817.
- Labour tax credit (arbeidskorting): Available to all working individuals, this credit is calculated based on income from employment and is automatically applied by employers. Self-employed individuals receive this credit upon filing their annual tax return.
- Other specific tax credits: Depending on personal situations, taxpayers may be eligible for additional credits, such as the elderly tax credit or the income-related combination tax credit. These credits are designed to provide relief based on factors like age, income, and family composition.

3. Entrepreneurial deductions and schemes

For individuals engaged in business activities, several deductions and schemes are available to reduce taxable profit:

- Entrepreneur allowance (ondernemersaftrek): This encompasses various deductions, including the private business ownership allowance and the deduction for research and development work (WBSO). Eligibility depends on meeting specific criteria, such as time invested in the business.
- SME profit exemption: A percentage of the profit is exempt from taxation, reducing the taxable amount for small and medium-sized enterprises. This exemption applies regardless of whether the business made a profit or a loss.
- Tax schemes for starters: New entrepreneurs may qualify for additional reliefs, such as the tax relief for new companies (startersaftrek), which supplements the private business ownership allowance.

It's essential for taxpayers to assess their eligibility for these deductions and credits annually, as personal circumstances and tax regulations can change. Consulting the Dutch Tax and Customs Administration (Belastingdienst) or a tax professional can provide tailored guidance to optimise tax positions.

How to submit the tax return

Filing your income tax return in the Netherlands is a structured process that can be efficiently managed by following these steps:
1. Determine if you need to file a tax return
You are required to file a tax return if you receive an invitation from the Dutch Tax and Customs Administration (Belastingdienst). Even without an invitation, you must file if you owe tax or are eligible for a refund. For detailed criteria, refer to the Belastingdienst guidelines.
2. Gather necessary documents
Before starting your tax return, collect the following information:
- Personal details:
  - Citizen service number (burgerservicenummer, BSN) for yourself and, if applicable, your partner and children.
  - Bank account details (IBAN).
  - DigiD credentials or an EU-approved login key.
  - Telephone number and home address.
- Income information:
  - Annual income statements for the relevant tax year.
  - Payslips if annual statements are unavailable.
  - Details of any spousal maintenance payments received.
- Bank account details:

o Annual statements for current, savings, and investment accounts for yourself, your partner, and children under 18.

• Property information:

o WOZ value of your home as of January 1 of the tax year.

o Mortgage annual statement.

o Notarial settlement details if you bought or sold property.

• Deductible expenses (if applicable):

o Proof of gifts, unreimbursed medical expenses, and paid partner alimony.

A comprehensive checklist is available on the Belastingdienst website.

3. Access the online tax return system

Log in to Mijn Belastingdienst using your DigiD or an EU-approved login key. Navigate to 'Inkomstenbelasting' (Income Tax) and select the relevant tax year.

4. Review and complete your tax return

• Pre-Filled Information: The system may have pre-filled data. Verify its accuracy against your documents and make corrections as needed.

• Manual Entries: Input any additional income, deductions, or assets not pre-filled.

• Save Progress: Use the 'Opslaan' (Save) function to store your progress. Note that inactivity for 15 minutes will result in automatic logout, but your information will be saved.

5. Submit your tax return

After ensuring all information is accurate, electronically sign and submit your tax return through the system.

6. After submission

Upon submission, you'll receive confirmation from the Belastingdienst. They will process your return and send a tax assessment indicating whether you owe additional tax or are due a refund.

Additional considerations

- **Non-resident taxpayers:** If you live outside the Netherlands but have Dutch income, you may need to file as a non-resident taxpayer. Detailed instructions are available here.
- **Migration year:** If you immigrated to or emigrated from the Netherlands during the tax year, special filing procedures apply. More information can be found here.
- **Assistance:** If you need help, consider contacting the Belastingdienst or seeking advice from a tax professional.

Employee taxation of income (int, div, royalties)

Interest income: Tax rates

In the Netherlands, income from savings and investments, including interest earned on bank balances, falls under Box 3 of the income tax system. For the year 2024, the taxation of such income is calculated using notional (assumed) rates of return, which approximate actual market returns. These notional rates are applied to the value of your assets to determine the taxable return.

Notional rates of return for 2024:
- Bank balances (e.g., savings accounts): 1.44%
- Investments and other assets (e.g., stocks, real estate): 6.04%
- Debts: Deductible at a rate of 2.61%

Tax calculation steps:
1. Determine taxable return: Calculate the notional return for each asset category by applying the respective rates to the value of your assets and subtracting the return on deductible debts.
2. Calculate capital return tax base: Subtract any applicable debts from your total assets. Note that not all debts may be fully deductible; certain thresholds apply.
3. Apply tax-free allowance: For 2024, the tax-free allowance is €57,000 per person. Subtract this from your capital return tax base to determine the taxable amount.
4. Compute tax liability: Multiply the taxable amount by the Box 3 tax rate of 36% to arrive at the tax due.

Example:
Suppose you have €150,000 in savings.
1. Taxable return:
   - Bank balances: €150,000 × 1.44% = €2,160
2. Capital return tax base:
   - Assets: €150,000
   - Debts: Assume €0
   - Capital return tax base: €150,000 - €0 = €150,000
3. Basis for savings and investments:
   - €150,000 - €57,000 (tax-free allowance) = €93,000
4. Tax liability:
   - €93,000 × 36% = €33,480

It's important to note that these calculations are based on notional returns and may not reflect your actual earnings. The Dutch tax authorities use this method to simplify the taxation process for savings and investments. For personalised advice, consider consulting a tax professional or referring to official resources provided by the Dutch Tax and Customs Administration.

Dividend income: Tax rates

Income from savings and investments, such as dividends, is not directly taxed in the Netherlands. However, the total value of an individual's assets as of January 1 is assumed to generate a fixed return, which is taxed at a flat rate of 36% in Box 3.

For both residents and non-residents, a portion of the taxable base is exempt, and certain deductions may apply.

Until 2027, assets in Box 3 are divided into 3 categories:

1. bank deposits (savings);
2. other assets; and
3. debts.

Capital gains: Tax rates

Capital gains tax:

Capital gains and investment income are generally not taxed in the Netherlands, except under specific rules for Box 2 and Box 3. If an investment is considered "lucrative," it is usually taxed as "income from other activities" in Box 1. However, in some cases, it may be subject to Box 2 taxation.

For non-residents using the Box 2 regime, gains are typically taxed under the "dividends" or "capital gains" sections of a tax treaty. If Box 2 is not used, the Netherlands may still claim tax rights based on the location of the investment activities. However, this approach may differ from the tax interpretations in other countries, potentially leading to double taxation.

- Box 2: Capital gains from selling shares are taxed at 26.9% in 2024;
- Box 3: Instead of taxing actual capital gains, the Dutch system assumes a fictional return on total wealth, which is taxed at 32% in 2024 (savings, investments etc.).

Royalty income: Tax rates

You pay income tax on royalties. Whether the royalty is taxed in box 1 or box 3 depends on the situation:

Box 1. When you receive royalties as an owner, this is seen as income. The royalties are added to your profits from business, additional activities, and/or salary from employment. You pay tax on your total income in box 1 (income from work and home).

Box 3. If you do not own the product yourself but have inherited the rights, you also receive the royalties. In this case, you pay tax in box 3.

Withholding

Withholding tax on interest: Rates

The Netherlands generally does not impose withholding tax on interest.

Withholding tax on dividends: Rates

A 15% dividend withholding tax applies to dividends:

- Residents can use this tax as a credit against their Box 3 income tax.
- Non-residents pay this as a final tax in the Netherlands. The WHT can be reduced under an applicable DTT or offset credited against the domestic PIT.

Withholding tax on capital gains: Rates

In the Netherlands, you are currently not taxed for capital gains or actual rental income. Instead, the Dutch tax office assumes that you enjoy a yield of up to 5.69% over your total asset value, irrespective of whether any actual gains are higher or lower (!). However, this is about to change. In a few years, the government wants to transform Box 3 into a "capital gains tax".

Withholding tax on royalties: Rates

The Netherlands generally does not impose withholding tax on royalties. A conditional withholding tax on royalties paid to related entities in low-tax jurisdictions applies, with a rate equal to the highest corporate income tax rate in the year the royalties are paid. The conditional withholding tax also applies in cases of abuse.

Fees for technical services:

No withholding tax on fees for technical services.

Employee tax - Special regimes to apply

Special tax regimes (if applicable)

The 30% ruling (expat scheme) in the Netherlands provides tax advantages for highly skilled workers moving to the Netherlands or employees posted abroad. Employers can either reimburse actual relocation-related costs tax-free or pay a tax-free percentage of the employee's salary for up to 5 years.

Expatriate Law (Working abroad rules)

The 30% ruling is a Dutch tax benefit for highly skilled workers recruited from abroad or employees posted to the Netherlands. Instead of reimbursing actual relocation costs, employers can provide 30% of an employee's salary tax-free for up to 5 years.

Scope & key updates

- From 2024, a salary cap applies to the tax-free benefit.
- From 2027, the tax-free percentage will gradually decrease (30% → 27%).
- From 2025, foreign employees under this scheme must report savings, investments, and substantial interest in the Netherlands.

Eligibility criteria
To qualify for the 30% ruling, an employee must:

- Be highly skilled and recruited from abroad. → evaluated on a case-by-case basis by the Dutch tax authorities.
- Meet the minimum salary threshold (adjusted annually):
  - 2025 salary threshold: €46,660
  - Under 30 with a Master's degree: €35,468

- Have lived at least 150 km outside the Netherlands for 16+ months in the last 2 years.
- Have an employment contract with a Dutch employer, which must explicitly mention the application of the 30% ruling.

Employment contract requirement
The employment contract must include a clause stating that the employer and employee agree to apply for the 30% ruling and that the minimum taxable salary requirement is met. If the contract has already been signed, this can be added through a separate addendum.

Required documents

- Employer information: Company address + Dutch wage tax number
- Employee information: Address + Dutch tax number (BSN)
- Copy of passport
- Residence and work permit (if applicable)
- Employee's CV
- Employment contract (including the 30%-ruling clause/addendum)
- Proof of residency abroad (showing the employee lived at least 150 km away from NL for the 2 years before employment)

Application process

1. Employer and employee agree on applying for the 30% ruling (must be included in the contract or an addendum).
2. Gather all required documents.
3. Complete the "Application 2025 - Expat Scheme (30% facility)" form.
4. Print the form, have it signed by an authorised representative of NT and the employee.
5. Attach all supporting documents.
6. Send the application to: Belastingdienst/Kennis— en Expertisecentrum Buitenland PO Box 2865, 6401 DJ Heerlen, The Netherlands
7. Wait 8-12 weeks for the Dutch tax authorities to process the application.

Once granted, the 30% ruling must be implemented in payroll to apply the tax benefit. Please note that the Dutch tax authorities may refuse to apply the 30% rule or apply it only partially.

The application should be submitted within 4 months of the beginning of the employment in the Netherlands in order to be able to apply the 30% ruling (if granted) retroactively.

It is crucial to follow the correct timing of each step in order to have a successful application.

Application form:
https://download.belastingdienst.nl/belastingdienst/docs/applic_2025_Inc_tax_nat_insur_lh5981z51foleng.pdf

Digital nomads' tax regime

The Netherlands doesn't offer a specific digital nomad visa, but it provides various opportunities for foreign professionals looking to work remotely in the country:

1. Self-Employed Residence Permit (MVV Visa): Often considered the closest alternative to a digital nomad visa, this permit is for independent entrepreneurs planning to establish and run their own business in the Netherlands. Approval is based on a points system that evaluates factors such as your personal experience, business plan, and potential contribution to the Dutch economy.

2. Orientation year permit: This residence permit is for graduates from Dutch universities or highly educated foreign nationals. It allows one year of residence in the Netherlands, during which you can work or start a business.

3. Dutch American Friendship Treaty (DAFT) / Dutch-Japanese Trade Treaty: These treaties offer more relaxed conditions for American and Japanese nationals, allowing them to start a business in the Netherlands under simplified procedures.

4. Short-stay Schengen visa: This visa allows you to travel freely within the Schengen Area for up to 90 days within a 180-day period, which can be ideal for remote work while visiting multiple European countries.
5. Orange carpet visa facility: Designed to ease the documentation process, this facility is meant for organisations and independent contractors who frequently travel to the Netherlands for business purposes.

6. Entry visa: This visa facilitates the return of individuals whose Dutch residence permit has been lost or stolen abroad.

7. Caribbean visas: These visas are designed for travel to the Caribbean regions of the Kingdom of the Netherlands, for either short or long stays.

These options provide flexibility for remote workers and entrepreneurs who wish to reside and work in the Netherlands while managing their professional and legal requirements.
To obtain a remote work visa for the Netherlands, you must meet the minimum income requirements based on your freelance or business activities.

For self-employed applicants, the mandatory gross monthly income, including holiday allowance, is approximately €1,300 ($1,450). However, these income thresholds are subject to change and may vary depending on your specific circumstances. For those applying under the Dutch-American Friendship Treaty (DAFT) or the Dutch-Japanese Trade Treaty, the required minimum income is higher, at least €4,500 ($5,000) per month.

The Netherlands does not have a specific visa category for digital nomads. However, the self-employed residence permit, commonly used by digital nomads, is typically valid for up to three years. The exact duration of the permit depends on your individual circumstances, including the nature of your business and your personal situation.

Double taxation agreements (link website)

https://www.netherlandsworldwide.nl/tax-return-abroad/tax-treaty-countries

Digital nomads' tax regime

How to apply and deadlines for employees

Here is a list of the required documents to apply for a Netherlands remote work visa (often used by digital nomads):
1. Valid passport: Your passport should be valid for at least six months from the date of your application.
2. Application form: A completed and signed application form.
3. Proof of income: Documentation demonstrating that you meet the minimum income requirement. This can include bank statements, contracts showing your freelance work or business activities, etc.
4. Photographs: Three passport-sized photos (3.5 x 4.5 cm).
5. Health insurance: Proof of comprehensive health insurance coverage that is valid in the Netherlands.
6. TB test: Citizens from certain countries may be required to undergo a tuberculosis test upon arrival in the Netherlands.
7. Clean criminal record: A certificate of good conduct showing a clean criminal record.
8. Business plan: A detailed business plan outlining your entrepreneurial activities in the Netherlands, including market analysis and financial forecasts.

We are delighted to deliver a step-by-step guide on how to apply for a digital nomad visa (self-employed residence permit) in the Netherlands:

1. Understand the criteria: Start by familiarising yourself with the requirements and conditions outlined on the official IND (Immigration and Naturalisation Service) website. Here, you'll find detailed information about the various residence permits, including their associated conditions, rights, and obligations.

2. Complete the application form: The application can be submitted either online or in writing. Be sure to gather and attach all the required documents at this stage.

3. Pay the application fees: Application fees vary depending on the type of visa you are applying for. Visit the IND website for specific details, but fees typically range from €150 to €400 ($170 to $450). You can pay the fees via direct debit or by waiting for a letter with payment instructions. 4. Paying by direct debit often speeds up the process.

5. Await the decision: After submitting your application and fees, the waiting period begins. The decision-making process can take up to 90 days. If your application is incomplete, this period may be extended.

6. Collect your permit: Once your application is approved, you'll receive instructions on where and when to collect your residence permit or visa. If your application is denied, you have the option to request a review.