

# Income tax in the Netherlands

In the Netherlands everybody with an income must complete an annual income tax form. A tax year in the Netherlands runs from 1st January to 31st December of the same year. The Tax Office sends out the previous year's income tax forms between January and February. These are sent by post to home addresses. Income tax forms must be completed and returned, electronically or by post, before 1st April of that year.

**For example:** *For income in 2009 a tax form will be received between January and February 2010. This form must be completed and returned to the Tax Office by 1st April 2010.*

The submission of the annual income tax form is a legal obligation in the Netherlands. Failure to submit the completed form before the 1st April deadline can result in a maximum fine of € 1.134.

If you are in paid employment in the Netherlands your employer withholds a wage tax on your salary, similar to a pay as you earn (PAYE) scheme. The total amount withheld by your employer is considered as an advanced payment on the income tax for that year. Once an income tax form for that year has been completed and assessed by the Tax Office any difference between the advance payment withheld by your employer and the actual income tax for that year is calculated. The actual income tax for that tax year includes any deductions or benefits.

Most of the time too much or too little income tax has been paid and a correction is made. This depends on each individual taxpayer's situation. Taxpayers who own or rent a house in the Netherlands, have dependants or have only worked in the Netherlands for part of the year, may be entitled to a refund or benefit from the Tax Office (further examples of tax benefits are listed at the back of the document). Tax payers who have worked as freelancers may have to make an additional payment to the Tax Office.

By employing Fidante Belastingadviseurs to manage your annual income tax process you ensure an accurate completion and submission of your income tax forms and maximise the tax deductions and benefits available to you under Dutch law.

# 1 Typical Tax Forms

## *1.1 E - Form*

The form most commonly used is the E-form. This form is for people who work and live in the Netherlands. This will be completed by the Fidante team and submitted electronically on your behalf.

## *1.2 M - Form*

The M-form is for people who immigrate to, or emigrate from, Holland. This form is only available on paper. We will also fill in this tax form for you following receipt of all the necessary documents.

## *1.3 C - Form*

The C-form is a tax form for people who live in a foreign country and work in the Netherlands. This will be completed by the Fidante team and submitted electronically on your behalf.

# 2 Timeline for Submission and Assessment

## *2.1 Submitting the income tax form before 1st April*

Income tax forms must be submitted before 1st April. When the income tax form is submitted before 1st April, the Tax Office will send a provisional tax assessment in June or July. This assessment will indicate whether you are entitled to a tax refund or if you have to pay additional tax. We will check if this tax refund assessment matches the income tax form we submitted to the Tax Office. If it does not match, we will raise an objection with the Tax Office.

The Tax Office can also ask additional questions about the income tax form we submit on your behalf. You must provide answers to these questions when they are relevant for taxation purposes.

## *2.2 Submitting the income tax form after 1st April*

If a tax form is submitted after 1st April the Tax Office will not send a provisional tax assessment including any refund until the end of the current tax year. If you are entitled to a tax refund it is possible to have this tax refund earlier, but there are extra costs involved in arranging this.

### 3 Applying For A Tax Refund During The Current Tax Year

If you know in advance that you are entitled to a tax benefit (relating to house ownership or tax credits), you can apply for a provisional tax refund during the current tax year. This provisional tax refund is usually paid by the Tax Office in monthly instalments.

**For example:** *If you will pay interest on the mortgage of your house in 2010, you are entitled to a mortgage deduction. You can apply for the mortgage deduction in January 2010. The Tax Office award the provisional tax refund for this deduction in March 2010. You will receive the money in equal instalments paid over the next ten months. The first instalment in March 2010 and the last in December 2010.*

### 4 Provisional Tax Assessment

#### 4.1 Provisional Tax Assessment with Refund for Previous Tax Year

Once the tax forms have been submitted before the 1st April you will receive a provisional tax assessment that is based on the information provided. If the amount of income tax withheld for that tax year was too high, the provisional tax assessment you receive from the Tax Office will inform you of how much you will be refunded.

**Example:** *You submit the income tax form for 2009 before April first 2010. You receive the provisional tax refund in June 2010 based on the difference between the tax withheld in 2009 and the actual tax payable for 2009 indicated on your completed tax form.*

In addition to any refunded amounts you will also be paid a % interest rate on the money you were owed. This interest rate is set by the Tax Office.

#### 4.2 Provisional Tax Assessment with Additional Tax for Previous Year

If you applied for a provisional tax refund during the tax year (see section 3) and at the end of the tax year the income tax form you submit indicates that the refund was too high, the provisional tax assessment you receive from the Tax Office will inform you of the amount that has to be paid back to the Tax Office.

If the income tax form submitted for a tax year indicates that the tax withheld during that year is too low, the provisional tax assessment you receive from the Tax Office will inform you of the amount that has to be paid back to the Tax Office. This can happen if you have a large amount of savings or other investments.

Any amounts must be paid back to the Tax Office by the deadline stated on the assessment you receive. If these amounts are not paid on time, recovery charges and interest rates will be applied by the Tax Office.

## 5 Final Tax Assessment

When the Tax Office send a provisional tax assessment the tax year is not finalised. The tax process is only finished when you receive a final tax assessment notification from the Tax Office. This final tax assessment is normally the same as the provisional assessment. In some cases it can be different from the provisional assessment. Objections to the final tax assessment must be raised with the Tax Office within 6 weeks of receipt. When we receive the final tax assessment we will check it against the provisional assessment for you and raise any objections.

## 6 Tax Benefits

### 6.1 Health Care Benefit

If you have Dutch health care insurance, you may be eligible for a health care benefit. To be eligible for this benefit you must earn less than 2009: € 32.504,00 / 2010: € 33.758,00 if you live alone. If you live together with your partner then your combined earnings must be less than 2009: € 47.884,00 / 2010: € 50.018,00 . You must be over 18, and have Dutch nationality or a residence permit that states you are entitled to benefits.

### 6.2 Rent Benefit

If you rent a home in the Netherlands and you spend a significant portion of your income on rent, then you may be eligible for a subsidy for the rental costs. Other conditions include, but are not limited to:

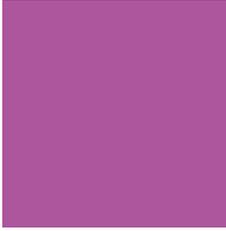
- Your age.
- Your living situation.
- Your income and the cost of your rent.
- You must have Dutch nationality or a residence permit that states you are entitled to benefits.

### 6.3 Childcare Benefit

If your child or children attend day care in the Netherlands, you are usually eligible for a childcare benefit. In order to receive childcare benefit, you and your benefit partner must be employed or studying. Furthermore, your child must go to a registered childcare organisation. Other conditions include, but are not limited to:

- Your child does not attend high school.
- Your child must be registered at your residential address.
- You or your partner must pay the cost of childcare.
- You and your benefit partner must have Dutch nationality or a residence permit that states you are entitled to benefits.

Fidante Belastingadviseurs will help you with applying for all these benefits.



## fidante *belastingadviseurs*

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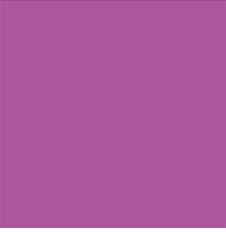


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