

Going International:

Your **Global** **Payrolling** **Guide** for **the Netherlands**

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Introduction: Payrolling in the Netherlands

In the Netherlands, all companies are obliged to register with the Dutch Tax Authority and gain a payroll tax number. Contributions for both income tax and social insurance are paid at a federal level with at-source withholding required. Payroll taxes include taxes on wages, national insurance contributions, Health Care Insurance Act contributions, and employed persons insurance contributions. Any benefits that an employer offers

beyond this are regulated by the employment contract in place.

Payroll records must be retained in the Netherlands for a seven- year period for any employee that had payroll taxes withheld. All employees are required to file a tax return with the Dutch government, including foreign workers coming from outside the European Union. The Dutch tax year runs from the 1st January to the 31st December.





Employment Related Taxes

The Netherlands has a progressive income tax system with increasing tax rates for increasing total annual income. These rates change almost every year. Income tax is due to be paid to the authorities by the last day of the month following the month in which the income was generated.

Income tax levies in the Netherlands are “emancipated” which means there is no joint filings, and all employees are taxed individually at single payer rates.

2020 Employee Income Tax

Over	Not Over	Tax Rate
€ 0 – € 68,507		37.35%
€ 68,508 and up		49.50%

The tax rate includes premium social security contributions which are levied primarily in the first bracket.

Entitlements, Social Security & Government Pensions

Social security contribution rates for 2019 are 27.65% which includes old age, surviving spouse, and long-term care contributions. These contributions are already included as part of the first two individual income tax brackets and total contributions are reduced for any employee over the age of 66.

Approximate Wage based Employer Insurance Related Tax Liability can be seen below:

Social Security Benefits	Employer Wage Tax Rate
General unemployment insurance (AWF)	3.6%
Government unemployment insurance (UFO - paid by government employers instead of AWF)	.78%
Occupational disability insurance (WIA)	6.46%
Childcare allowance contribution	.50%

The maximum salary basis cap for the employer contributions for 2019 is set at €55,927 per year.



Allowance

Employers can grant employees a free and untaxed 30% reimbursement of wage for the extraterritorial costs which are incurred due to living in the Netherlands, which is called the 30% facility. It can be received up to five years and does not require any proof of incurred expenses.

Employees in the Netherlands are entitled to a gross payment of a minimum 8% of gross salary accrued over the employment period of June to May and is a mandatory payment. There is a choice of paying it in June or July or agreeing with the employee to break the payment down over the 12 months and pay out the monthly equivalent portion each month.

Employee Leave Legislation

In the Netherlands, full time employees are entitled to 20 days minimum paid holiday days per year, which is based on four times the number of hours worked per week. Part time employees also have this four times the number of hours worked weekly calculation for holiday leave.

- Sick leave is available at a rate of 70% of the most recent wages earned.
- Maternity leave entitlement is 16 weeks at full pay to a maximum of €214.28 per day.
 - If pregnancy causes illness either before or after the leave, the employee can claim full pay up to the €214.28 daily rate for a period of up to two years.
- Paternity leave applies to both full and part time employees and provides for one week of fully paid leave.
- Parental leave is available for parents of children up to the age of 8, which is generally unpaid. Partial cover is offered voluntarily by some employers but is not legally required. The maximum amount of parental leave per year is based on 26 times the employee's normal weekly hours.



The Netherlands is the sixth happiest country in the world.

2020 WORLD HAPPINESS REPORT¹

1 - Source: World Happiness Report, <https://worldhappiness.report//>



- Short-term care leave is available to care for a child, parent, spouse, or family member, Employees are entitled to take care leave equal to twice their weekly working time per year, during which the employer must pay a minimum 70% of pay.
- Workers compensation can be paid for up to two years and is paid through the workers' compensation system.
- Bereavement leave in the Netherlands is among the highest in the world, with an allowance for up to 4 weeks of paid leave at 100% rate, or 20 days, for the loss of a loved one, as determined by the employee's own personal relationships rather than blood or marriage ties like many countries adhere to.

Recent Employment News

There were some updates in 2020 to Dutch Payroll requirements including:

- An obligation for employers to specify on the employee's payslip the nature of the contract in terms of being either temporary or permanent.
- The new maximum terms for successive fixed-term contracts is now three years.
- Unemployment benefits for permanent contract holders is 5% less than temporary contract workers.
- Covid deferred tax payment measures are available to place tax collection measures on hold for up to 3 months upon a formal request for a payment deferral.
- The NOW Scheme, which is a temporary emergency bridging measure for sustained employment is available for a period of 3 months but is subject to be reviewed.

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**The Dutch invented
the first stock market
in the world.**

EXPATICA²



Termination of Employment Contract

Employers are required to have advance permission from the work placement branch of the Employee Insurance Agency, or a court, before they can terminate an employment agreement. There is an exception where the employment agreement is terminated through mutual consent, or during a probationary period, or for failing to meet conditions of employment, serious negligence, or similar reason. Where the notice period is not specified within the agreement or contract there is a tiered period between one and four months depending on the length of time the employee worked for the company.

Severance pay is paid in the Netherlands and referred to as a transitional compensation. The amount of severance due to an employee is based on a multiplication of the S-factor which indicates the length of service, and the R-factor which represents remuneration.

- The S-Factor is one-sixth for every 6 months in service in the first ten years of employment, plus one quarter for every six months of service after that.
- The R-Factor is the monthly remuneration inclusive of basic pay, bonuses, overtime, profit sharing and any holiday allowances.





Payroll Cycles & Considerations

Wages are normally paid on a monthly basis with the employer choosing the payment date and stipulating it within the contract. Payroll taxes include income tax and social insurance contributions, which are both withheld at source by the employer. Foreign and domestic employers are responsible for withholding tax and contributions based on the individual employee's status.

Working Hour & Minimum Wage

In the Netherlands, the minimum wage is based on age and reviewed in line with inflation every six months. The minimum wage is calculated based on the basic wage and on various allowances such as where irregular work hours exist or shift work. The minimum wage applies to all employees aged 21 and over. A work week falling between 36 and 40 hours is considered full-time work and is normally paid monthly, although it can also be paid weekly. Based on a full-time position, the minimum wage is €1,680 for employees 21 and over.

Overtime is ruled through collective bargaining agreements or within the contract itself and is not regulated under employment law.

Visa Sponsorship

Where a foreign national wants to work in the Netherlands, a few requirements must be satisfied. Depending on the country of origin the employee might need a work permit.

Workers coming in from the United States, most of Europe, and parts of Asia, do not need a visa to work in the Netherlands and only need a passport and a reason for entrance in order to enter the country. Other foreign nationals have further visa requirements as are broken into the following categories:

1. Family of EU/EEA Nationals
2. Schengen Visas
3. Airport Transit Visas
4. Authorization for Temporary Stay
5. Other



Interested in learning more about our global payrolling capabilities?

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Questions? [Contact us](#) for any answers you may have.



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