

The Netherlands

tax environment for remote employees



Holland, The Netherlands, or rather the Kingdom of the Netherlands, is a country where, as many historians believe, capitalism was born. The country is over 15 times smaller than neighboring France, but it is not reflected in the number of inhabitants, as the population density is high (414 people have sq. km). Out of 17.3 million inhabitants, less than 80% have Dutch roots.

Freelancers in the Netherlands are required to register a company

As a Dutch tax resident Freelancer, known in the Dutch as zelfstandige zonder personeel (ZZP'er), you must register with the Dutch tax and customs administration (Belastingdienst) to obtain a VAT number (BTW in Dutch). However, a freelancer as such is not a legal form and, therefore, you must still open a business, for example a sole proprietorship (eenmanszaak) or a limited company (besloten vennootschap, BV).

Therefore, there is no good way to avoid registering as an entrepreneur unless you decide to operate on the black market.

The situation is therefore different than in some countries of Central and Eastern Europe and southern Europe, where freelancers who do not run companies are allowed to conclude simple civil contracts with their clients. This is the case in Poland, Bulgaria and Macedonia.

Read more:

[Bulgaria - tax obligations for freelancers](#)

[Northern Macedonia - tax obligations for freelancers](#)

What if I am an immigrant?

Whether your income is taxable depends on your taxation residency; if you're a Dutch tax resident you must provide total income and assets worldwide. This means that you should also declare any foreign company.

Payroll companies are the only way out for someone who doesn't want to start a business

The Dutch have developed their own way of servicing a niche, which is people who, for various reasons, postpone the decision of becoming self-employed. We are talking here about "payroll" companies that act as intermediaries between employers and employees.

It consists in the fact that these companies formally conclude an employment contract with a freelancer, and then "rent" them to other companies that are their actual clients. Freelancer has full freedom in choosing clients (he can have many), and of course, performs his duties remotely.

Payroll companies take care of all administrative obligations, such as administering employment contracts, preparing annual statements of income, payment of salaries and payment of relevant taxes.

Most labor law conditions and provisions apply in this convention. This means that, on the one hand, tributes paid to the state are the same as under an employment contract (i.e. they're high), but on the other, all privileges such as holidays and benefits are provided.

Freelancer, of course, deals with job search alone, because in fact he is not an employee of a payroll company. Financially, in this solution the taxes are quite alike the taxes that a self-employed would pay. However, the payroll companies take commission.

Everyone in the Netherlands is obliged to contribute to the healthcare system (Zorgverzekeringswet, Zvw) and to pay health insurance contributions. The system is constructed on the free market terms, so you can choose from many offers. The lowest price is around € 90 / month. In addition, freelancers must pay an additional income dependent ZVW contribution.

Income tax is high, but it includes social contributions

In the Netherlands, health insurance charge is compulsory

Income tax (inkomstenbelasting) is calculated on the basis of a combination of income and personal circumstances. It is divided into 3 groups (called "boxes"):

- 1) income from salaries and real estate.
- 2) income from significant participation in business activities.
- 3) income from savings and investments.

The business profit of a freelancer is part of 'income from salaries and real estate'.

From 2020, new tax regulations apply. In "box" 1, two tax thresholds are distinguished:

- for an annual income below € 68 508 the tax rate is 37.35%;
- for an amount of over € 68 508 the tax rate is 49.50%.

As for the other tax areas ("boxes"), in the second position the tax rate is 26.25%, and in the third - 30%.

As you can see, the tax rates are high, but it should be taken into account that this is the only tribute imposed by the state (except for the health care tax).

Compulsory and optional social insurance in the Netherlands

Social security is divided into two types: social security and employee insurance. Social security is compulsory for everyone. For what purposes do we pay? We're talking here about retirement and pensioners (Algemene Ouderdomswet, AOW), child benefits (Algemene Kinderbijslagwet, AKW), family benefits (Algemene nabestaandenwet, ANW), and long-term care (Wet langdurige zorg, WLZ). In the case of liberal professions (i.e. remote employees), the above is part of the income tax.

In operation are also employee insurance systems. These include: unemployment insurance (Werkloosheidswet, WW), work capacity insurance (Wet werk en inkomen naar arbeidsvermogen, WIA), sickness benefits (Ziektewet, ZW), invalidity insurance (Wet op de arbeidsongeschiktheidsverzekering, WAO).

It is important that the above is not compulsory and the self-employed organize them on their own.

Do I have to be a VAT payer?

Dutch VAT (BTW) is divided into three categories. Depending on the type of goods or services the company deals with, the rate can be 0%, 9% or 21%. For entrepreneurs who do not have large amounts of VAT due, the rules for small businesses (in Dutch Kleineondernemersregeling) apply. In practice, the smallest entrepreneurs pay low VAT or do not pay it at all.

Key factors...	...in the Dutchtax law – sole proprietorship
<ul style="list-style-type: none"> obligation to register a company when freelancing 	<ul style="list-style-type: none"> Yes. The only one option to avoid it are Payroll intermediaries (but regular employment contract taxes apply + a commission)
<ul style="list-style-type: none"> income tax (PIT) 	<ul style="list-style-type: none"> a) a progressive scheme, from 37,35% to 49,50%
<ul style="list-style-type: none"> tax-free allowance 	<ul style="list-style-type: none"> No
<ul style="list-style-type: none"> compulsory social security contributions 	<ul style="list-style-type: none"> Charges are calculated proportionally to the turnover. They are included in the income tax.
<ul style="list-style-type: none"> social charges-free allowance 	<ul style="list-style-type: none"> None
<ul style="list-style-type: none"> how often do you need to report income and pay taxes? 	<ul style="list-style-type: none"> Once a year
<ul style="list-style-type: none"> - flat fees 	<ul style="list-style-type: none"> Health care contribution – at least 90€ monthly. Accountant – from 80€ monthly.

Do you need to hire a Dutch freelancer?

Do you have a remote worker from the Netherlands or are you pondering how to legally hire one? Consider Useme - with us the whole HR process is completely non-engaging and thus simple and trouble-free for both sides.

Propose your remote co-worker to [issue an invoice as an individual](#) or use our API to account a whole team of Freelancers. Useme will take care of the formalities, payment security, transaction history, file storage and more.