

Basic information - Dutch income tax system

In the Netherlands, 3 distinguished types of income which are taxed in different ways are for the personal income tax system.

Box I	Income from employment, other activities and principal residence
Box II	Income from substantial interest (5% < of the shares in a company)
Box III	Income from savings and investments

Box I

Progressive tax rates, income tax and social security contributions
If employed, payroll wage tax is withheld to cover the income tax

2021 rates*	Income		Income tax rate	social security rate	combined rate
	from	up to			
1st bracket	€ 1	€ 35.129	9,45%	27,65%	37,10%
3rd bracket	€ 35.129	€ 68.508	37,10%		37,10%
4th bracket	€ 68.508	<	49,50%		49,50%

* these rates apply for people under the state pension age

Box II

Flat tax rate of 26.9% applies on dividend payments
Capital gain tax applies

Box III

Actual income is irrelevant for Dutch tax purposes
Deemed result, result rate is based on net value of assets on January 1 of the tax year
Tax free amount of € 50,000 (in 2020)
Flat tax rate of 30%

2021 rates	Value of assets		Deemed result rate		Average result rate (deemed)
	from	up to	Low result	High result	
1st bracket	€	- € 50.000	0,03%	5,69%	1,898%
2nd bracket	€	50.000 € 950.000	67%	33%	4,501%
3rd bracket	€	950.000	21%	79%	5,690%
			0	100%	

For the first € 50,000 in worldwide assets (exceeding the tax free amount), it is stated that 67% of the wealth is in the bank or in low risk / low result investments (0,03% result) 33% of the wealth is invested in high risk / high result investments (5,69% result) so on average, the deemed result in the first bracket is 1,898% etc.

The progressive deemed result rates are the rates mentioned in the right section

Possibilities for tax deduction (deduction from income)

There is not much room for tax deduction in the Dutch income tax system. There are some possibilities which can lead to deduction in case certain conditions are met. Also, in most of these situations rather high thresholds are applicable.

- Finance costs of principal residence (in case of owning the property)
- Life annuity premiums in case of pension shortage
- Study costs (no longer apply as from 2022)
- Medical expenses (not reimbursed by insurance)
- Charity donations

Levy rebates / tax credits

Depending on your situation, certain tax credits may apply

Some of these are payroll processed (resulting in more net pay)

Some depend on personal situation and can be claimed in income tax return