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Tax lecture International PhD candidates

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Agenda

- Introduction
- 30% ruling
- Dutch income tax system
 - Box 1
 - Box 2
 - Box 3
- Partial non-resident treatment
- Questions
- Our services

Introduction: the 30% ruling...

...is a tax regime for **employees hired from abroad** with a **scarce and specific expertise** who did **not reside within 150 km from the Dutch border** before taking up employment in the Netherlands. The regime is applicable for **8 years** with a **reduction** for prior stay and employment in the Netherlands. The regime allows to reimburse **30% of the income from current employment free of tax**

Requirements of the 30%-ruling:

- Employee hired from abroad (“inbound employee”)
- Scarce and specific expertise
- Employee resided >150km from the Dutch border during 2/3 of the 24 months before taking up employment in the Netherlands
- For university doctorates, hired within a year after obtaining their PhD, the abovementioned rules will not apply during the PhD period and the period of maximum one year afterwards

Introduction: the 30% ruling...

Content of the 30%-ruling

- Tax free reimbursement of 30% of the income from current employment
- Application period
- Reduction rules
- Partial non-resident taxpayer status (Box II and III)

Inbound employee

- Requires an **employee who is recruited from abroad**, or seconded to the Netherlands
- Employee resided (i.e. living) **>150 km** from the Dutch border during **2/3 of the 24 months** before taking up employment in the Netherlands
- For **university doctorates**, hired within a year after obtaining their PhD, the abovementioned rules will not apply during the PhD period and the period of maximum one year afterwards
- Other **local hired employees** do not qualify for the 30% ruling, unless it concerns a **change of employer** (< 3 months) and the employee was (or could have been) eligible to the 30%-ruling at the commencement of employment with his first employer

University doctorates...

- Who moved to the Netherlands or a country within the 150km radius from the Dutch country borders to obtain their PhD and afterwards start working in the Netherlands are not posted or recruited from abroad.
- However, if the university doctorates lived outside the 150km radius from the Dutch country borders before, they can obtain the ruling, provided that
 1. they take up employment within one year after obtaining their PhD
 2. they meet the salary norm

Important note: when the 30% ruling is granted, previous periods of stay and work in the Netherlands are reduced (see reduction rules).

Scarce and specific expertise

Specific expertise is assessed on the basis of a **taxable salary norm**:

- **General**: EUR 37. (excluding 30%), and EUR 52.858 (including full 30% amount)
- **Masters (MSc) younger than 30 years of age**: EUR 28.125 (excluding 30%) and EUR 40.179 (including full 30% amount).
- **Scientific personel, researchers** and **(specialist) physicians under training** at designated educational institutions: **no salary norm applicable**
- The salary norm is indexed every year
- The **scarcity** of the specific expertise may be assessed for specific groups of employees (professional soccer players are mentioned in this respect) on the basis of education, relevant work experience and remuneration level

Duration period

- Maximum duration period of **8 years**, is reduction with periods of prior stay and employment in the Netherlands (**reduction rules**) if thresholds are exceeded

Nature of stay/work	Maximum period
Work	20 days per calendar year
Personal reasons	6 weeks per calendar year or 3 months in a calendar year (once)

- Duration period is reduced with periods of prior stay (physical presence) or employment in the Netherlands during **previous 25 years**
- Reduction of periods is **rounded up to months**
- For **Dutch statutory directors and commissioners** periods of Dutch employment (as in the Dutch Wage Tax Act) is considered a deemed period of employment
- 30% ruling not applicable **as of the moment that conditions are no longer met**

Dutch tax system

- **Box I** Income from employment and principal residence
Wages, free lance income, mortgage interest deduction, annuity...
Progressive taxation up to 52%
- **Box II** Income from substantial interest
5% or more of shares / interest in a company
Flat rate 25% on dividends and capital gains
- **Box III** Income from savings and investments
Balance of assets and debts (bank/saving accounts, shares, 2nd house...)
30% tax on 4% deemed ROI

Fiscal partners

- Allocation of joint income items
- Refund of levy rebate by non or low-earning partner

Partial non-resident taxpayer status

- The incoming employee is eligible to opt for the status of partial non-resident taxpayer (**Box II and Box III**)
- Taxation in Box II and III as a non-resident: not taxable on income from savings and investments, but no credit of dividend tax (unless related to NL taxable income)
- Duration period, in principle, **8 years**

Box I – self-employed income

2 categories

- Income from other activities (incidental activities or hobby / amateursque)
 - Proceeds -/- costs (some limits) are tax deductible, no specific deductions
- Entrepreneur (more professional)
 - As above, but 14% profit deduction (MKB exemption) after entrepreneur deduction
 - Entrepreneur deduction only when meeting 1,225 hours per annum
 - Self-employed deduction: € 7,280
 - Starters deduction (3 years max.): € 2,123

VAT

Note that both categories could be subject to VAT in which case VAT is due on gross proceeds whilst VAT refund can be claimed on expenses. VAT exemption may apply for certain services. Small VAT liable entrepreneurs may stay below threshold for payment of VAT (small entrepreneurs regulation).

Various

Averaging (“middeling”)

- Income over consecutive 3 year period is averaged and compared with actual tax and national insurance contributions. Positive difference is refunded if $> \text{€ } 545$.
- Migration and non-resident years are excluded.
- Only tax rate differences are considered (no afterwards effectuation of levy rebates)

Study expenses / promotion costs

- Study expenses include college monies, materials, promotion costs (publishing costs, clothes of promovendus and paranimf; reception not deductible).
- Deduction limitations:
 - No deduction insofar untaxed study subsidies are received
 - Low treshold: $\text{€ } 250$ / upper treshold: $\text{€ } 15.000$ (if younger than 30 possibly no upper treshold)
- Possibly abolished in 2018! (then voucher system)

Questions (1)

- Advantages of filing a tax return?

Besides logical advantages for claiming refunds due to tax deductions such as mortgage interest, this depends on situation, but a.o.:

- *Claiming levy rebate to for non or less working partner or claiming the income depending combination rebate (working and having child(ren))*
- *Claim study expenses, even for years with low or nil income since non-effected deduction is carried forward*
- *Sometimes one must file a tax return (i.e. (i) when invited and (ii) when (additional) income tax is payable of € 45 or more)*
- *For certain nationalities (e.g. US) or non-residents of the Netherlands, claiming a tax return may be needed to show taxation abroad*

Questions (2)

- Migration to / from the Netherlands / M-form & registration?

When someone is moving to the Netherlands, he must register with the municipality. This applies by law if someone will stay more than 4 months in the Netherlands in a 6 month period. If he leaves the Netherlands, he must deregister.

If someone has not obligation to register as resident, it is also possible to register as non-resident (RNI – Register niet-ingezetene) with designated offices of the Dutch tax authorities.

Fiscal residency is based on facts and circumstances, it is critical in which country someone has his centre of vital interest. Registration with the municipality is often seen by the Dutch tax authorities as a migration by default. This can be challenged of course if someone clearly has his centre of vital interest elsewhere (for instance, principal residence abroad and direct family (spouse and/of children) in other country).

Upon migration (immigration and emigration) an M-form must be filed. Taxation is based on the residence period (and does not include parts of the year where no tax residency existed). In the non-resident period, only tax liability on NL sourced income (such as NL real estate and income from (past) NL employment).

Questions (3)

- Pension system in Netherlands?

Individuals who are subject to Dutch social security (e.g. typically residents of the Netherlands or non-residents who work in the Netherlands) build up state pension (“AOW”) for each full year that they are subject to social security. At retirement age, they can claim benefits. By that time, it is expected that such will go automatically via the social security portals of the residence state.

Company pension is also payable at retirement. Besides small pension capitals, pension cannot be received in a lump sum.

Our services

AANGIFTE
DIRECT

- **TaxDirect**

Preparation and filing of tax returns

Tax advisory activities for private individuals / entrepreneurs

Check our websites for our tax returns fees and whether a tax refund may be available: www.taxdirect.nl

Address: Nachtwachtlaan 20, 1058 EA Amsterdam

- **TTT Group**

Application of 30%-ruling

Social security services (applications A1)

Tax advisory services for employers / companies