

Annual income tax return – P / M / C Form & W-form

As an expat, the Dutch tax system can be quite daunting. There are many rules and trying to find the correct information based on your specific situation can be confusing or the information is only available in Dutch. Therefore, we have created this brochure, so we can explain the Dutch tax system for you as an expat. This brochure is regarding the annual income tax return.

Our fees for your information:

We are able to assist with the annual income tax returns for private individuals(P/ M/ C) for EUR 390, including VAT, including (tax) partner. We are also able to assist with one man companies(W) for EUR 550 excluding VAT, including (tax) partner.

In this brochure we will explain the following:

- Whether you are obligated to file your annual income tax return or not
- What tax forms there are for filing your annual income tax return
- What are the tax brackets for the annual income tax return
- What is required for the annual income tax return
- Whether you and your partner are tax partners
- What will happen tax wise with your main residence in the annual income tax return
- Which deductible costs there are and how they work
- Where you are taxed for what
- What tax credits you are entitled to
- How the 30% ruling affects your annual income tax return
- When the deadlines are for the annual income tax returns
- What the difference is between an annual income tax return and a preliminary tax assessment
- Common issues with tax filing

Obligated to file the annual income tax return or not

When you have a fiscal relation with the Netherlands, you can be invited to file Dutch taxes, but also if you are not invited to file your taxes, it might still be beneficial to do so.

You are obligated to file your taxes when you:

- own a Dutch house
- when you have your own company
- if you have assets exceeding EUR 50.000 per person (2021 rate)
- if you receive an invite from the Tax authority.

When you are not obligated to file, it might still be beneficial to file your taxes, to claim your tax refund. This is most of the time the case for M-forms or when you have had deductible costs.



Income tax forms

P(rivate) form

This is the form used when you are a tax resident of the Netherlands for the full year. The P-form can result in a refund or a to pay amount, depending on the situation.

M(igration) form

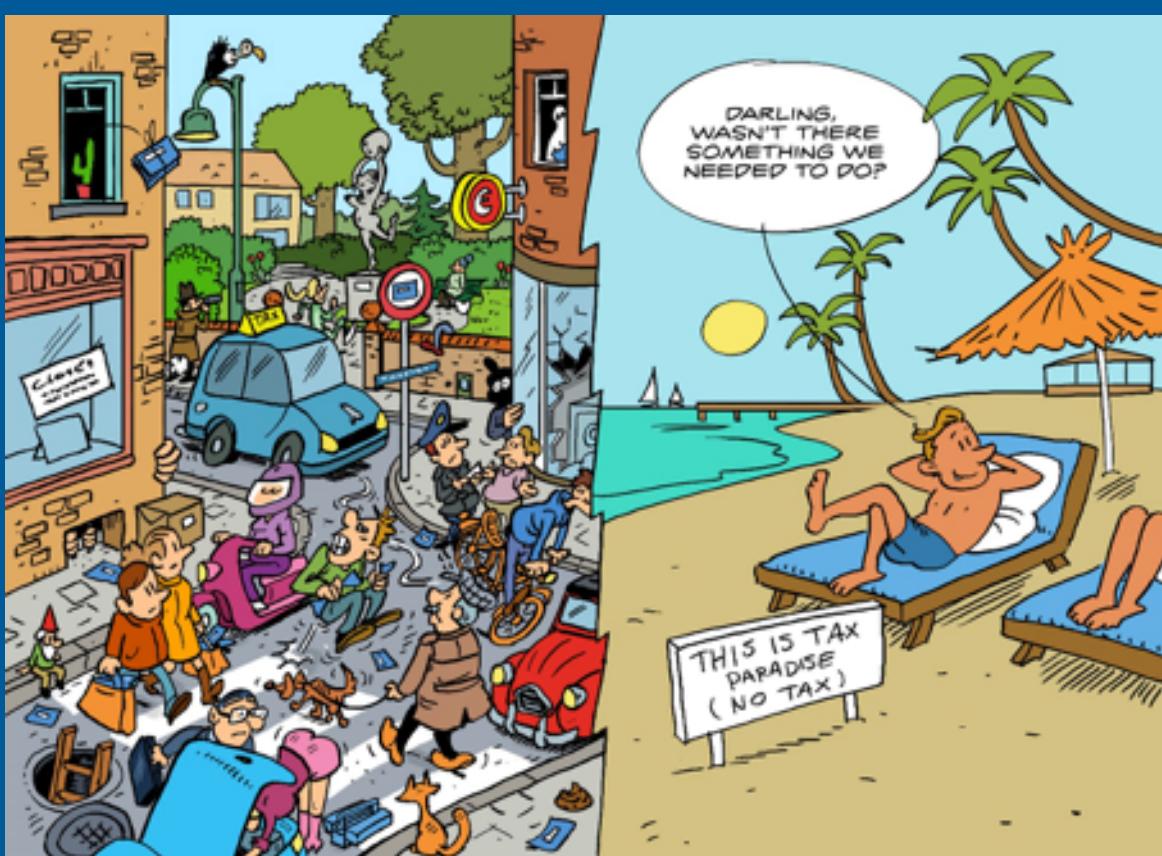
This is the form that you would have to file when you have migrated to the Netherlands. The M-form most of the time results in a refund, as employers withheld wage tax as if you are a Dutch resident for the full year.

C form

This form is used for when you live abroad for the full year. You are considered a non-resident tax payer. Most of the time this form will result in an amount of to pay tax, relating to the Dutch box 3 property.

W(inst/ profit) form

This form is used for when you have your own one man company. This results most of the time in a to pay amount, as the profit made in the company is taxed via the tax return.
Netherlands.



Tax brackets for the annual income tax return

Dutch taxes are calculated via brackets. For income (2021 rate) it is as following:

Bracket	Taxable income	Percentage
1	to € 68.508	37,10%
2	from € 68.508	49,50%

For the assets, we would first have to calculate the notional income, this is done via the following brackets(2021 rate):

Bracket	Your (part of) assets	Percentage 0,03%	Percentage 5,69%	Percentage 5,69%
1	to € 50.001	67%	33%	33%
2	from € 50.001 to € 950.001	21%	79%	79%
3	from € 950.001	0%	100%	100%

The result of these brackets are the notional income of Box 3. This income is taxed for 31% (2021 rate).

Requirements for the income tax filing

In order to file your taxes, we require general information, such as

- your full name;
- date of birth;
- Dutch tax number or BSN and
- address details.

We also require the annual income statement (jaaropgaaf) from your employer.

When you have your own one man company, we would also require:

- the profit and loss statement from your one man company and
- the Q4 VAT declarations.

If you have your own Dutch house, we require details regarding this and regarding the mortgage if applicable.

When you are entitled to the 30% ruling, we require a copy of your 30% ruling. If you do not own the 30% ruling, we require the details regarding your assets per 01-01-of the relating year, so for 2021 per 01-01-2021.

We also require the "Voorlopige aanslag" / preliminary tax assessment relating to the same year as the tax filing, so the 2021 preliminary tax assessment can be included in the 2021 annual income tax return.

If you had deductible study costs, donations made to charity or other deductible costs, please provide us with information regarding this as well. That said, from 2021 onwards the study cost deduction no longer exists.

Tax partners for the annual income tax return

Being in a relationship does not automatically make you partners for tax purposes. In order to be considered tax partners for the annual income tax returns, one of the following has to be applicable:

- You are married
- You have a cohabitation contract
- You have a child together
- You own a Dutch house together

When you get married at the end of the year, you can be tax partners from the moment that you are registered at the same address. When you are tax partners, you can allocate deductible costs and assets in the most beneficial way between you and your tax partner.

Filing jointly as tax partners can be beneficial for a couple of reasons:

- Non-working partner refund
 - o This can be claimed if one of the partners does not work, and the other partner does have income over which they pay Dutch tax.
- Main residence allocation
 - o If for instance one of the partners has Dutch income and the other does not, it is beneficial to file the deductible costs on behalf of the person who does have Dutch income. This is because if you do not pay Dutch taxes, you can also not claim Dutch taxes back.
If you do not file jointly, but do own a house together, each of the partners claims 50% of the property. This means that each partner will claim 50% of the mortgage and mortgage interest.
If for instance one of the partners does not have income, there is nothing to deduct the deductible costs from, hence the refund relating to the deductible costs is lost.

- Tax free threshold
 - o Each person has EUR 50.000 (2021 rate) as a tax free threshold for assets. When filing jointly, you have 2x EUR 50.000, hence EUR 100.000 tax free threshold. This is for instance handy if one of the partners has assets and the other does not. The partner with the assets can claim the tax free threshold of the partner without assets.
- Asset allocation
 - o With the asset allocation, you can split the assets in the most beneficial way. By claiming part of the assets on behalf of one person and the other part on the other partner, you will remain in lower tax brackets, meaning that less tax will be due over your assets.
- 30% ruling
 - o If your partner has the 30% ruling, you can benefit from this as well when filing jointly. When filing jointly, you can allocate your assets to your tax partner and as they are entitled to the 30% ruling, no tax will be due over your assets. Please check the 30% ruling brochure for more details!

Please note, that when you leave the Netherlands, but your partner remains in the Dutch property, you will also be considered a Dutch tax resident, even though you are not living in the Netherlands.

Main residence in the annual income tax return

Your Dutch house will be considered your main residence when you live (and are registered) at the property. Your Dutch main residence will not be considered an asset in box 3, it will be your main residence in box 1. This means that you are allowed to deduct the mortgage interest and the one off financing costs relating to the property. You are not allowed to deduct mortgage interest and one off financing costs for Box 3 properties.

How the property would have to be declared, depends on whether you own the property with your (tax) partner.

- One owner of the Dutch property, living in the property
 - o The owner will claim all deductible costs
- Two owners of the Dutch property, who are filing jointly, both living in the property
 - o The most beneficial allocation will be made
- Two owners of the Dutch property, not filing jointly, both living in the property
 - o Each person declares 50% of the property, the mortgage and mortgage interest (and one off financing costs if it is the year of purchase).
- Two owners of the Dutch property, filing jointly, one living in the property
 - o Only one person is using the property as main residence and the other is not. 50% of the property will be considered as main residence and the other 50% will be considered an asset and will be taxed accordingly. The allocation can be done in the most beneficial way.
- Two owners of the Dutch property, not filing jointly, one living in the property
 - o The person who lives in the property will declare the property for 50% as their main residence, the person who does not live in the property will declare the property for 50% as an asset.

Deductible costs in the annual income tax return

In the Netherlands, you are allowed to deduct some costs from your taxable income, meaning that they will lower your taxable income, hence less tax will be due over your income. The following costs can be tax deductible:

- Mortgage interest
 - o Mortgage interest is deductible for your main residence for the period that you live in the property
- One off financing costs
 - o One off financing costs are deductible in the year of purchasing a property, if the property will be your main residence
- Study costs
 - o Study costs deduction will disappear in 2022. Study costs that are made to improve job opportunity can be tax deductible if they exceed EUR 250.
- Partner alimony
 - o If court or the divorce agreement state that you have to pay alimony to your partner, this alimony is tax deductible. Alimony for children is never tax deductible.
- Donations made to charity
 - o Donations made to charity can be deducted if they exceed 1% of your combined income, so of box 1, 2 and 3 combined. The deduction cannot exceed 10% of your combined income. Donations made to so called ABNI institutres are deductible for 125%.
- Medical costs
 - o Medical costs can be deductible, but the restrictions for this are very strict and the thresholds are high. Please see below the threshold for when you do not have a (tax) partner:

Please see below the threshold for when you do not have a (tax) partner:

Income	Threshold
€ 0 to € 7.989	€ 139
€ 7.989 to € 42.434	1,65% from income
€ 42.434 and more	€ 700 + 5,75% from amount above € 42.434

If you do have a tax partner, please see the threshold below:

Income	Threshold
€ 0 to € 15.978	€ 278
€ 15.978 to € 42.434	1,65% from income
€ 42.434 and more	€ 700 + 5,75% from amount above € 42.434

For a specific list of deductible costs, please visit the website of the Tax authority:

<https://www.belastingdienst.nl/wps/wcm/connect/nl/belastingaangifte/content/overzicht-zorgkosten-2021>

What is taxed in the Dutch annual income tax return and what is taxed abroad?

Expats often face difficulties with their tax returns as they have to obey Dutch tax rules, but most of the time also foreign tax rules. Luckily, the Netherlands has tax treaties with most countries. Therefore, one thing might be taxed in the Netherlands, but something else might be taxed abroad, but there should be no double taxation. Each country has their own tax treaty, but in general below information is how it is taxed. Please feel free to reach out to double check if the rules below also apply on the tax treaty of the Netherlands and the country that you might interfere issues with.

- Income
 - o Income should be taxed where the work is exercised.
If you work for a Dutch employer in the Netherlands, pretty straight forward, you will pay tax in the Netherlands. If you work for a foreign employer, but in the Netherlands, you would have to pay Dutch tax over your foreign income. The brochures regarding Payroll and Accounting might be beneficial for you to check out as well! If you work for a foreign employer and work abroad(so traveling abroad for the week, coming back for the weekend for instance), you have to pay tax abroad.
- Bank accounts
 - o Bank accounts are taxed in the country of which you are a resident. If you are a Dutch resident, they will be taxed in the Netherlands per 01-01-relating year, so for 2021 per 01-01-2021.
- Stocks
 - o Stocks are taxed in the country of which you are a resident. If you are a Dutch resident, they will be taxed in the Netherlands per 01-01-relating year, so for 2021 per 01-01-2021.
- Dutch real estate (not your main residence)
 - o Dutch real estate will be taxed in the Netherlands per 01-01-relating year, so for 2021 per 01-01-2021. The WOZ-value is what is used for tax calculations. If this also needs to be declared abroad, the other country will most likely apply double taxation relief, depending on the tax treaty with that specific country.
- Foreign real estate
 - o Foreign real estate is most of the time taxed in the country where the property is located. The property does have to be declared in the Netherlands, but double taxation relief will be applied by the Netherlands.

With respect to US nationals and greencard holders. The sequence is that first the Dutch tax return is to be filed, and then the US tax return.



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Tax credits in the annual income tax return

The Netherlands provides several tax credits such as:

- General tax credit
 - o Everybody living in the Netherlands can be entitled to this tax credit, if your income does not exceed the threshold of EUR 68.508.
- Employment tax credit
 - o If you work for an employer you can be entitled to this tax credit if your income does not exceed EUR 35.652. This tax credit also causes the non-working partner refund.
- Income dependent tax credit
 - o Everybody who has a child under 12 registered at their address can claim this tax credit. Please note, this is not applicable for foster children.
- Tax credit for AOW beneficiaries
 - o Everybody who has the AOW age (minimal 67years, 2021figure) is entitled to this refund if your income does not exceed EUR 49.324.
- Young handicapped discount
 - o Everybody who received a WAJONG is entitled to this tax credit
- Life course leave discount
 - o If you have saved for life course leave discount between 2006 and 2011, you can claim EUR 223 per year that you have contributed.
- Tax credit for green investments
 - o If you invest in green investments, you get 0,7% tax credit over the value of the asset.
- MKB tax credit
 - o When you have your own ZZP company, you are entitled to this tax credit. It will amount to 14% of your profit.
- Starters discount
 - o When you have your own ZZP company, you are allowed to claim the starters discount 3 times in the first 5 years of existing
- 1225 hour discount
 - o When you have your own ZZP company and you work more than 1225 hours for the company, you can claim the 1225 hour discount.

30% ruling and the annual income tax return

When you are entitled to the 30% ruling, only 70% of your income is taxed and you do not have to declare your worldwide assets. The employer will create annual income statements based on the taxable income.

For more details regarding the 30% ruling, please check out our 30% ruling brochure.



Double taxation relief in the annual income tax return

If more than one country would like to tax you, the tax treaties decide who can tax what. It is possible that information does need to be declared twice, but one country will apply the double taxation relief, to avoid double taxation.

Please keep in mind, that double taxation relief does not have to be 100%, meaning that some tax can still be due after the double taxation relief, due to the way that the double taxation relief is calculated.

How it works is as following:

First, we add all the details in the tax return. Your foreign income will be added on top of your Dutch income and foreign assets will be included on top of the Dutch assets.

Then, over the amount, the Dutch tax will be calculated, so your foreign income and foreign assets are taxed in the higher tax brackets, as the Dutch income and assets will be taxed first.

After we know how much tax is due, we will calculate the double taxation relief. The double taxation relief is calculated over the average of the tax brackets, but the tax calculation was in the higher tax brackets. Hence, this can cause some tax to be due, even though double taxation relief was applied.



Deadline for the annual income tax return

The deadlines for the annual income tax return are as following:

Year	From	Before
2021	March, 1st, 2022	March, 1st, 2022
2020	March, 1st, 2021	March, 1st, 2021
2019	March, 1st, 2020	March, 1st, 2020
2018	March, 1st, 2019	March, 1st, 2019

If you are not invited to file your taxes, your deadline is within 5 years.



What is the difference between an annual income tax return and a preliminary tax assessment?

In the Netherlands, you can claim your tax refund or pay your tax due via 2 ways. The first option is the most known tax filing, the annual income tax return. Another way is via the preliminary tax calculations.

A preliminary tax calculation is as the name states preliminary. This means that the preliminary tax calculation is based on expectations and calculations, as the final figures are not known yet. A preliminary tax calculation can include income, profit from your company, your main residence and the deductible costs relating to it, your assets and other deductible costs. It can include all of the information but it can also be requested for a specific part of the details, so for instance only for your assets or only for the profit of your company.

The preliminary tax assessment has many names, such as a preliminary tax calculation, preliminary refund request, preliminary tax payment or Voorlopige aanslag in Dutch.

The preliminary tax assessment will result in monthly installment or monthly payments to the Tax authority. If it is a to pay amount, you can also pay the amount at once via the preliminary tax assessment.

The annual income tax return is filed once the year has ended and takes into account the actual figures. The annual income tax return has to include all information that needs to be declared.

The annual income tax return results in a one time refund or payment.

The result of the annual income tax return and the preliminary tax assessment of the same year, will be settled with each other. The 2021 annual income tax return will be settled with the 2021 preliminary tax assessment and so on.

Issues with tax filing

When you file the annual income tax return, it is possible that the Tax authority will reject it or adjust it. There can be many reasons for this.

- Filing the incorrect form
 - o This happens mostly with the M form. When filing via Digid, the P form is send, hence the tax authority will not process your tax return because the forms do not line up. The Tax authority will reject your filing and will send you the M form via post.
- Not deregistering when they leave the Netherlands
 - o This causes incorrect information in the system of the Tax authority. If you do not deregister, you will remain a Dutch tax resident. This can cause issues if you are a tax resident of another country, as both the Netherlands as the other country would like to tax you as a tax resident. The Tax authority will reject your filing as the incorrect form is used. This would not be correct as you did leave the Netherlands, but forgot to deregister. A formal request needs to be filed stating that you forgot to deregister. Proof has to be included that you are no longer living in the Netherlands, such as a registration of residency abroad and as much proof as possible that you are paying your groceries/rent/water/gas abroad.
- Not providing all details
 - o Your employer, your bank, your investment company, all of them have to provide details to the tax authority. If the details filed by you do not line up with the details from your employer, your bank or your investment company, the Tax authority will adjust the calculations. If this information is incorrect, this can only be corrected by reaching out to your employer, your bank, your investment company and ask them to correct the details. If the information is correct, the tax authority will adjust the calculations.
- Not providing additional proof when requested
 - o The Tax authority can ask for additional proof when they are processing your tax returns. Most of the times the additional proof is so the tax authority can check whether you are deducting the correct amount of deductible costs. If you do not provide the requested proof, the tax return will be adjusted and will not take into account the deducted costs.
- Feel free to reach out to ask if your situation is not described.



Tax is exciting

We think tax is exciting, even though it might seem complex at first. We would happily assist you with filing your tax returns or with objection decisions from the tax authority. We will communicate in English but we can also read and speak Dutch, so we can translate the letters from the Tax authority or reach out to the Tax authority on your behalf.

As we are specialized in Dutch taxes for expats, many international situation pass by us daily, so it is very likely that your complex tax situation, is not complex for us!

If you require more information about your specific situation, feel free to reach out so we can explain how it will work in your exact situation!

