THE NETHERLANDS
2009

1. Overview of the tax-benefit system

Dutch social security provides several incomes replacement schemes under the employee's insurance act (e.g. unemployment insurances), the national insurance act (e.g. child benefits) and the Act for work and social assistance. Earnings related unemployment insurance pays 75% (first two months) and 70% for the remaining months of the last earned wage for a period of time dependent on employment record. Short-term non-earnings related unemployment benefits pay 70% of the minimum income. Supplements are available for those whose benefits are lower than the minimum income. After the unemployment benefit expires, social assistance is available conditional on a means test and registration at the job office. A system of family related benefits is universally available. Housing costs can be covered by a separate individual benefit. Unemployment and social assistance are taxable, family and housing benefits are not. Earnings related benefits are based on gross earnings. In general, the information refers to the situation on 1st January and 1st July 2007.

1.1. Average Worker wage (AW[1])

The 2009 AW level is EUR 44 235.

1. AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration (www.oecd.org/ctp). For more information on methodology see Taxing Wages 2007-2008, OECD, 2009, part IV,

2. Unemployment insurance

The unemployment benefit (WW) includes two types of benefits:

1. the earnings related short-term benefit (max. 3 months)

If one has also worked at least 52 days or more during four of the last five years one receives after 3 months

2. the earnings related benefit 4 months up to 38 months depending on employment record), .

The unemployment benefits might be supplemented by the "Supplementary Benefits Act" (TW), if the benefit is below minimum income.

2.1 Conditions for receipt

Entitlement to unemployment benefits dependent on the claimant seeking employment and being registered with the local employment agency.

2.1.1 Employment conditions

- *Earnings-related benefit*: to have worked 26 weeks in the last 36 weeks immediately preceding unemployment, plus to have worked at least 52 days or more during four of the last five years. Calendar years during which the person cared for children under 6 count for 50% of this requirement. From 2007 onwards years spend on intensive care for ill or handicapt people also count for 50% of labour years.
- *Short-term earnings-related benefit* 26 weeks in the last 36 weeks immediately preceding unemployment.

2.1.2 Contribution conditions

- Insurance is compulsory for employees. See above for conditions

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

Salary-related unemployment benefit is 75 or 70 per cent of former gross earnings up to a maximum daily wage of EUR 183.15 per day (5 days per week, that is EUR 47 619 per year).

In the first two months you will receive 75% of the wage most recently earned, thereafter 70%.

Gross minimum wage per month, 2009 (in EUR)

		Including holiday pay
Year	1398.60	1510.49

The gross minimum holiday pay is 8% of the gross minimum wage.

Supplementary Benefits Act (TW)

The TW provides assistance to people who get a benefit from one of the employee insurance schemes (such as the WW, Wajong, WAO, or ZW schemes) if their income (plus that of their partner) falls below the minimum guaranteed income (this being the gross legal minimum wage plus 8 per cent holiday pay divided by 21.75).

Supplementary benefit equals the difference between the applicable minimum guaranteed income level and the total income of the beneficiary and his or her partner.

As of 1 January 2009, the minimum guaranteed incomes were set as the following gross amounts

Family situation	Per cent of minimum wage
Single person	70%
Lone parents	90%
Married persons and couples living together	100%

The term "income" covers all work-related earnings, including most social security benefits, of claimants and their partner. Any property such as a private home, or capital such as savings, is disregarded.

For two years at most, part of the work-related income (up to a maximum of 15% of the minimum wage) is disregarded. The maximum period of two years does not account for persons older then 57.5 years.

Supplementary benefit will never be more than the difference between the daily earnings or the basis on which the benefit has been calculated and the benefit to recompense for loss of income.

There is no entitlement to supplementary benefit:

- For unmarried persons under 21 living with their parents.
- For persons living with a partner (either married or not) born after 31 December 1971 who do not have any children under 12 living at home.

2.2.2 Income and earnings disregards

If the claimant works less than 5 hours/week, gross benefit is reduced by 70 per cent of gross earnings.

If hours exceed 5, the total benefit is reduced in proportion to the number of hours worked

2.3 Tax treatment of benefit and interaction with other benefits

Taxable

2.4 Benefit duration

The duration of the earning-related benefit varies with the employment record. In this table it is assumed that the person has been working full time from 18 years of age onwards.

Duration of the benefit

Employment (years)	Duration (
1	3 months
2	3 months
3	3
4	4months
5	5 months
6 to 38 and higher	6 to maximum 38 months

Short-term benefit: 3 months.

2.5 Treatment of particular groups

2.5.1 Young persons

None.

2.5.2 Older workers

Employees of 55 years or older who excepted a lower paid function or who started working less hours keep the right on a wage related unemployment insurance based on their last full-time salary (with a max. of 90% from the daily wage after reducing the salary).

Benefit stops with the person turning 65 years of age.

2.5.3 Others if applicable

3. Unemployment assistance

3.1 Conditions for receipt

3.1.1 Employment conditions

3.1.2 Contribution conditions

3.2 Calculation of benefit amount

3.2.1 Calculation of gross benefit

3.2.1.1 Irregular additional payments

3.2.1.2 Obligations of family members

3.2.2 Income and earnings disregards

3.3 Tax treatment of benefit and interaction with other benefits

3.4 Benefit duration

3.5 Treatment of particular groups

3.5.1 Young persons

3.5.2 Older workers

3.5.3 Others if applicable

4. Social assistance

The Dutch National Assistance Act guarantees a minimum income to any Dutch inhabitant who does not have sufficient means of existence. Beneficiaries are mainly persons who are no longer entitled to benefits under the social insurance schemes such as unemployment insurance benefits and disability benefits and persons without a work record.

4.1 Conditions for receipt

Conditions for receipt of social assistance are in general:

Apply for jobs, accept jobs that don't directly fit training or experience, cooperate with offered support such as training.

Cooperate with home visits and psychological and medical examinations if necessary.

Provide correct information.

The claimant must also be registered with the local employment agency.

Social assistance is a supplementary allowance that can be used for topping up for instance low unemployment benefits or low income by working.

4.2 Calculation of benefit amount

General social assistance payments are intended to cover normal costs of living, including the costs of food, housing, heating, furniture and recreation. The Dutch national government specifies three minimum basic benefit payment rates. There are three basic rates for persons between 21 and 65 years of age related to family composition.

4.2.1 Calculation of gross benefit

2008

Family situation	Proportion of the subsistence minimum	Gross yearly benefit incl. Holiday pay	Corresponding net yearly benefit Holiday allowance:	
			excluded	included
Couples	100%	18653	14578	15281
Lone parent families*	90%	17122	13120	13752
Single, 21 or older*	70%	14447	10204	10696

General social assistance (Wwb) in 2009

Family situation	Proportion of the subsistence minimum	Gross yearly benefit incl. Holiday pay	Corresponding net yearly benefit Holiday allowance:	
			excluded	included
Couples	100%	19197	14764	15541
Lone parent families*	90%	18449	13287	13987
Single, 21 or older*	70%	14775	10335	10879

** Figures include 20% awarded by municipalities*

4.2.1.1 Irregular additional payments

Municipalities may provide a bonus, once a year up to EUR 2229, to stimulate (activities towards) work acceptance.

4.2.1.2 Obligations of family members

The obligations of job-search and work-availability extend also to the spouse or cohabiting partner of the benefit claimant. Claimant and spouse have a shared responsibility for their means of existence. When spouse or partner does not comply with the obligations the municipality may reduce or stop the allowance.

4.2.2 Income and earnings disregards

General assistance: no disregards; one-to-one income-test using the household net income. Family benefits and individual housing benefits are excluded from the income-test. Savings and assets worth over EUR 5 480 (EUR 10 960 for couples and lone parents) are taken into account. The own dwelling is disregarded only up to a certain maximum EUR 46 200 If the value of the house minus the mortgage exceeds this maximum, the recipient can get social assistance as a loan.

The exception to the rule of the one-to-one income test is for social assistance recipients who start working. The municipality can decide that a social assistance recipient is allowed to keep a certain amount of earnings from work: during 6 month 25% of the earnings up to a maximum of EUR 183 per month. It is up to the municipality to decide this and to decide the level of disregard. After six month the general rule of one-to-one income testing is resumed.

Disregarded are always: a bonus for assistance recipients to stimulate (activities towards) work acceptance.(up to EUR 2 184) and compensation payments for voluntary work up to EUR 95 per month with a maximum of EUR 764 per year (if voluntary work is done in a reintegration trajectory this amount may be raised to €150 a month with a maximum of € 1500 a year)

4.3 Tax treatment of benefit and interaction with other benefits

The level of general assistance is defined on its net value; a net income level is guaranteed.

The income taxes on the social assistance benefit are not paid by the recipient, who thus receives a net benefit, but are transferred to the tax inspector by the municipality that is administering the benefit.

4.4 Benefit duration

- General assistance (WWB): as long as there is a need. Once benefits have expired, one can re-apply when the need occurs again. In the total of applicants nation-wide on a certain date a minority always has already received benefits that expired less than a year ago.

4.5 Treatment of particular group

4.5.1 Young persons

Young people between 18 and 21 years of age are deemed to be in work or education. Furthermore, until the age of 21 parents are supposed to provide financial support to their children. Therefore, municipalities are only obliged to provide benefits to applicants in this age group in exceptional circumstances. For a young person only sickness insurance contributions need to be paid from gross benefits. From 1 october 2009 the WWB for persons until the age of 27 is replaced by the Law Investing in Young Persons. This law puts work or education before a benefit. Municipalities are obliged to offer young persons a trajectory towards work or education . Paying a benefit is only possible under certain circumstances.

General national assistance for young persons in 2007	Net yearly benefit Excluding holiday pay	Net yearly benefit Including holiday pay	Gross yearly benefit Including holiday pay
Single < 21 years with children	5624	5913	6505
One is >21 years and one is <21, with children	12830	13505	15806
Both <21 years old, with children	8020	8441	9024
Single <21 years, no children	2540	2673	2858
Both <21 no children	5079	5347	5716
One>21 one<21, no children	9890	10410	11128

4.5.2 Older workers

4.5.3 Others if applicable

Lone parents must start looking for work if their youngest child is 5 years or older. If the child is 5 years old or younger the lone parent may request dispensation from the obligation to look for work.

Housing benefits

Housing benefit is based on rent levels restricted by minima and maxima and dependent of taxable family income. Housing benefits must be applied for separately from social assistance. They are also separately paid and calculated from social assistance benefits. However, the social assistance income level is generally that low that all benefit recipients should be entitled to housing benefits as well, if they apply for it. Housing benefits will be calculated from the social assistance benefit or the gross unemployment benefit as reference for the income.

5.1 Conditions for receipt

All families, whether dependents are present or not, are eligible.

5.2 Calculation of benefit amount

5.2.1 Calculation of gross benefit

Housing benefit is based on current rent levels and taxable income. The underlying principle is that every household always pays part of the rent itself. This is referred to as the "standard rent". In 2009 the monthly standard rent for people with a minimum income was EUR 205,74 (households with two or more people aged 65 or older), EUR 207,55 (a person aged 65 or older living alone) and EUR 209,37 (households containing people under 65). There was a higher standard rent for people with a higher income.

Minimum income in housing subsidy calculations (minimum standard rent up until above these income the formula applies).

	2008	**2009**
Single household < 65	14875	15250

More persons household <65	19075	19700
Single household > 65	14600	15775
More persons household >65	18925	21275

The process for awarding housing benefits 2008

Step 1: Determines the kind of household

The standard rent (in Dutch basishuur) is the minimum amount of rent a household has to pay themselves. It depends on the size of the household and the age of the inhabitants. The following kind of households are defined:

- Single person household (single on 1-1-2009 younger than 65 years);
- More person household (min 2 persons; primary earner younger than 65 years on 1-1-2009
- Single person household (single 65 years or older on 1-1-2009)
- More person household (min 2 persons; primary earner 65 years or older on 1-1-2009).

The composition of the household and the age of the inhabitants is of importance for the own contribution (standard rent of normhuur) and the maximum level (aftoppingsgrens, huurprijs; the level at which no subsidy or only 50% of the subsidy can be awarded) and the maximum means level (Vermogensgrens).

Step 2: Determines the maximum rent level (aftoppingsgrens)
The maximum level for a full benefit is the rent above which level in principle no subsidy is paid. For a one- or two person household the maximum rent level is € 511,50, for a household with 3 or more persons it is € 548,18.

If the rent is higher than the maximum rent level, only 50% rent subsidy is paid for the exceding amount, and only if it considers a single person household or a household with at least one person above 65 years or a handicapped person in adjusted accommodation. Monthly house rents up to EUR 647,53 qualify for housing benefits.

Note, the maximum rent level for a person younger than 23 years is € 357,37.

Step 3: Determines the calculated income
In order to determine the rent subsidy a specific calculated income (rekeninkomen) is estimated. This is the total taxable income of the persons belonging to the household in the current year (2009) including:

Taxable income:

- income from work and accommodation
- rent from capital income
- interests

Afterwards, the (estimated) taxable income is confronted with actual taxable income. The difference in actual and estimated income may leads to a different rent subsidy, which will be recalculated and settled with the receiver.

Step 4: determine the standard rent
All income of the household is summarized. For children op to 23 years an amount of € 4341. Euro is excluded from the calculations.

Up until 2008 there were standard rent tables in which could be seen wath standard rent belonged with te calculated income. 2009 is the second year the standard rent has to be calculated with a formula. The formula is:

Standard rent = a*Y*Y + b*Y

In which Y = taxable household income

and a and b are for the different household types:

	a	b
Single household < 65	0,000000723300	0,001893071946
More persons household <65	0,000000414121	0,001879450575
Single household > 65	0,000001267262	-0,007506466780
More persons household >65	0,000000714412	-0,005988837433

Step 5: Determine the calculated rent (rekenhuur)

A specific calculated rent will be calculated which forms the basis for the rent subsidy. This amount is depending on a number of factors, such as upkeep costs.

Step 6 – calculate the amounts to be subsidized at 100%, 75%, and 50%.

Three levels of benefit are paid in the case of rents above the standard rent:

The difference between the standard rent and the "quality allowance limit" (EUR 357,37 in 2009) is paid completely (=100%).

75% of the costs of any additional rent above the "quality allowance limit" is paid. The idea behind this is that people should pay a contribution if they rent a more expensive (and therefore better quality) home.

The amount by which the rent exceeds the "cap"' (in 2009 this is EUR 511,50 for one and two person households and EUR 548,18 for three or more person households) is only eligible for benefit in the case of people aged 65 and older, people living alone and the handicapped. They receive benefit amounting to 50%.

Monthly house rents up to EUR 647,53 qualify for housing benefits.

5.2.2 Income and earnings disregards

Households are eligible for housing benefits if their income is lower than EUR 20 975 for a single younger than 65, or EUR 28 475 for a household (highest earner must be younger than 65) , or EUR 19 800 for a single aged 65 or older, or EUR 27 075 for a household if the highest earner is 65 years or older.

Next, their capital must be lower than EUR 20 661 for a single or EUR 41 332 for a household, . For people over 65 these figures can be raised with max €27 350 depending on taxable income (the maximum of €27 350 applys for households older than 65 with an income under €13 978).

5.2.3 Costs eligible for housing benefits

Monthly house rents up to EUR 647,53 qualify for housing benefits.

5.3 Tax treatment of benefit

Not taxable

5.4 Treatment of particular groups

5.4.1 Young persons

The maximum rent level above which benefits cannot be calculated are EUR 357,57 per month for persons under 23.

5.4.2 Older workers

None.

6. Family benefits

6.1 Conditions for receipt

All children under 18 qualify for child benefits.

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

The General Child Benefit Act

The General Child Benefit Act (AKW) offers people living and/or working in the Netherlands a financial allowance (child benefit) for the costs of care and maintenance of children up to the age of 18.
The amount of the child benefit depends on the age of the child. With regard to children born before 1 January 1995 the size of the family is also taken into account.
A child counts as one or two children for benefit purposes depending on whether the child lives at home or away from home, any income from labour the child might have and - in certain cases - the size of the parental support contribution.

Amount of the child benefit on 1 July 2008, payable per quarter

Children born before 1 January 1995

For children aged between 12 and 17 in families with

1 child	€ 278,55
2 children	€ 313,25
3 children	€ 324,81
4 children	€ 350,23
5 children	€ 365,47
6 children	€ 375,64
7 children	€ 382,90
8 children	€ 396,22
9 children	€ 406,57
10 children	€ 414,85

For children:

Aged 0-5 € 194,99
Aged 6-11 € 236,77
Aged 12-17 € 278,55

Every six months the child benefit amounts are adjusted to the price developments.

An additional child benefit was introduced in 2008. The child benefit, which replaces the former child tax credit, does depend on the family's number and income. A family can only claim this benefit when having children under the age of 18 years old, for which they also receive the tax free and income independent child benefit. The benefit has a maximum value per year, depending on the number of children, i.e. 1 child € 1011; two children € 1322; three children € 1505; four children € 1611; 5 children and further € 1611. The benefit is withdrawn at a rate of 6.5 per cent when the family's yearly taxable income exceeds EUR 29 914 and is completely withdrawn when taxable income is at least EUR 45 111.

6.2.1.1 Irregular additional payments **[NEW ITEM]**

6.2.2 Income and earnings disregards

These benefits are not income related; they are not included in any means test.

6.3 Tax treatment of benefit and interaction with other benefits

Not taxable.

6.4 Treatment of particular groups

6.4.3 Others if applicable

Since 1 May 1997 parents of handicapped children can get a supplementary benefit, as a partial compensation of the extra costs (TOG-arrangement). Age of the children: 3-18 years. Benefit for parents of handicapped children (mental and physical): EUR € 210,08 per 3 months.

7.1 Out-of-pocket childcare fees paid by parents

Childcare Act 2005
A new law, the Childcare Act, went into effect on January 1st 2005. This law reformed the childcare system. 'Demand-side funding' provided via parents replaced 'supply-side funding' mainly provided by the municipal authorities. The direct subsidising of facilities has ceased as a result. This means that childcare organisations are subject to market forces. Childcare facilities compete in terms of price and quality, since parents will be able to opt for a different care establishment if the price is too high or if the quality is found wanting. This law applies to day care centres (0-4 years), day care outside school hours (4-12 years) and family day care. Primary education starts at 4 years and is mandatory at 5.
In 2007 40% of the children in the age up to 4 years visit day care and 12% of the children in the age of 4-12 years visits after-school care.

Finance
The Childcare Act provides for a new method of financing childcare. The act assumes that parents, employers and government collectively bear the costs of childcare. The employer's contribution was meant to be voluntary and part of collective labour agreements. The target figure was that in 2008 90% of employees would be able to receive a full contribution for childcare from their employer. Monitoring of the development of collective labour agreements on employer's contributions to childcare led to the conclusion that this target would not be reached. Therefore an obligatory employer's contribution was introduced in 2007. Since 2006 the costs for parents have been reduced by increasing the subsidie from the government.. On a macro-level, parents (all together) pay some 20% of the costs, the government and employers about 80%.

Through the Tax Department parents receive the subsidie that the government contributes to childcare themselves, this includes also the employers's contribution. The amount parents receive depends on their income and varies from 95,5% of the costs to 33, 3% for the first child, and varies from 96,5% of the costs to 85,0% for next children.

7.2 Child-care benefits

Parents pay the costs for childcare themselves, and receive a subsidie from the government (the 'child-care benefit'). The child-care benefit is calculated as a percentage of the total costs of the childcare and varies with the income of the parents: the lower the income, the higher the benefit. The benefit starts with a contribution of 95,5% of the costs at an annual income up to € 17.553 (minimum-income) going down in 50 steps to 33,3% at an income more than € 113.016 for the first child; and a contribution of 96,5% of the costs at an annual income up to € 17.553 going down in 69 steps to 85,0% at an income more than € 162.936 for next children.
See table for the average costs for parents per hour on three different levels of income:

	2007	2008	2009
Average costs for childcare	**€ 5,71**	**€ 5,84**	**€ 5,95**
Costs first child for parents with an income of:			
- 130% minimum	**€ 0,35**	**€ 0,36**	**€ 0,47**
- 1,5 x average income	**€ 0,89**	**€ 0,91**	**€ 1,20**
- 3 x average income	**€ 2,31**	**€ 2,36**	**€ 3,10**
Costs next child for parents with an income of:			

- 130% minimum	**€ 0,21**	**€ 0,21**	**€ 0,21**
- 1,5 x average income	**€ 0,30**	**€ 0,31**	**€ 0,32**
- 3 x average income	**€ 0,48**	**€ 0,49**	**€ 0,50**

7.2.1 Conditions for receipt

Parents have to meet the following conditions in order to receive the child-care benefit:

- Working parents, including single working parents;
- Parents in a reintegration traject to work;
- Immigrants taking part in a integration course;
- Child care is needed because of social-medical reasons
- Use of formal day care that complies to standard quality regulations.

7.2.2 Calculation of benefit amount

7.2.2.1 Calculation of gross benefit

The benefit is calculated as a percentage of the total costs of the child care starting with a contribution of 96,5% of the costs at an annual income up to € 16.000 going down in 40 steps to 33,3% at an income more than € 130.000 for the first child; and a contribution of 96,5% of the costs at an annual income up to € 16.000 going down in 40 steps to 90,7% at an income more than € 130.000 for next children. bekostiginsgbeluit 2007.pdf

7.2.2.2 Income and earnings disregards

7.2.3 Tax treatment of benefit and interaction with other benefits

The childcare benefit is not taxable

7.2.4 Treatment of particular groups

see 7.2.1.

8. Employment-conditional benefits

An extra single-parent tax credit exists for working lone parents and a tax-credit for all working parents (see section 10.1.1).

8.1 Conditions for receipt

8.2 Calculation of benefit amount

8.2.1 Calculation of gross benefit

8.3 Tax treatment of benefit and interaction with other benefits

8.4 Benefit duration

8.5 Treatment of particular group

8.5.1 Young persons

8.5.2 Older workers

8.5.3 Others if applicable

9. Lone-parent benefits

There is a special tax credit (see section 10), and lone parent families have a specific minimum basic benefit rate (see section 4), but specific benefits do not exist. (see section 10).

9.1 Conditions for receipt

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

9.2.1.1 Irregular additional payments

9.2.2 Income and earnings disregards

9.3 Tax treatment of benefit and interaction with other benefits

9.4 Benefit duration

9.5 Treatment of particular group

9.5.1 Young persons

9.5.2 Older workers

9.5.3 Others if applicable

10. Tax system

10.1 Income tax

There are three categories ('boxes') of taxable income:

- Taxable income from work and owner-occupied housing
- Taxable income from a substantial interest in a limited liability company
- Taxable income from savings and investments.

This description is limited to most relevant aspects of taxable income from the first category, 'taxable income from work and owner-occupied housing', because of its relevance for the AW.

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

Related to wage earnings:

- Employees' social security contributions are deductible with the exception of the health insurance contribution. The employers' health insurance contribution is subject to tax.

- For distances of more than 10 km between home and work, fixed amounts for travel expenses with public transportation are deductible. The maximum deduction for employees who travel by public transport is EUR 1 951 for distances of more than 80 km. If the travel expenses are reimbursed or the employer provides transport, there is no deduction; the reimbursement is untaxed (also for employees who travel by car) if it is below certain specified amounts;

- Employee contributions to private (company provided) pension schemes.

Related to owner-occupied housing:

- Excess of mortgage interest over net imputed rent.

Related to personal circumstances:

Medical expenses and other exceptional expenses:

In 2009 the deduction of exceptional expenses due to chronic illness or disability has totally changed. Disabled persons or chronic ill persons will receive a specific benefit and the fiscal deduction of exceptional expenses will be reduced to the specific costs as a result of the chronic illness. As specific

costs are seen diet costs, special medicine described by a doctor and transportation costs. Visual tools and insurance premiums are not seen as specific costs and are therefore no longer deductible.

- For a single person: the specific expenses in excess of 1.65 per cent of income are deductible if income exceeds EUR 7 152 and is below EUR 38 000. If income is lower than or equal to EUR 7 152, the non-deductible limit is EUR 118. For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 236.

- If income exceeds EUR 38 000, the specific expenses in excess of 1.65 per cent of EUR 38 000 increased with 5.75 per cent of income above EUR 38 000 are deductible.

- *Some educational expenses:* in direct connection with vocational education. Expenses above the threshold of EUR 500 are deductible. Expenses above EUR 15 000 are not deductible;
- Donations to certain institutions (charity) that serve the public good are deductible if in excess of 1 per cent of the income and in excess of EUR 60. No more than 10 percent of the income may be deducted in this way.

10.1.1.2 Standard tax credits

The tax credits are applied to the combined amount of income tax levied and premiums paid for the general social security schemes (see Section 1.13). The share of the credit attributed to tax is related to the ratio of the tax rate to the sum of the tax rate and the social security contributions rate in the first bracket of the tax schedule. Because this ratio is currently 7.0 per cent (= 2.35% / (2.35% + 31.15%), only 7.0 per cent of the (tax) credit is attributed to tax; the remaining 93.0 per cent being attributed to social security contributions. In the country tables, the social security contributions on taxable income are net of credits.

- *General tax credit.* This credit amounts to EUR 2 007; the transfer of the general tax credit of the spouse to the principal will diminish with 6.67 per cent per year in the period 2009-2024, such that in 15 year time the general tax credit for a non-working spouse cannot be capitalized against the tax paid by the principal. This reduction of the transfer of the general tax credit starts in 2009. In 2024 the general tax credit can only be capitalized against the tax and premiums paid on own earned income.;
- *Work credit:* This credit is the sum of 1.738 per cent of taxable income from work with a maximum of EUR 154 and 12.38 per cent of taxable income from work with a franchise of EUR 8 859. The work credit is income dependent and is extended in 2009 for taxable income exceeding EUR 42 509. The work credit will be reduced by 1.25 per cent of taxable income above EUR 42 509; the reduction will be maximised till EUR 24; so the reduction stops at a taxable income of EUR 44 429. The maximum work credit before it is reduced is EUR 1 504; the maximum reduced work credit is EUR 1480.;
- *Combination credit:* The combination credit is abolished in 2009;
- *Income dependant combination credit:* The additional combination credit is replaced with the income dependent combination credit. A taxpayer who is either a single parent or the partner with the lowest income, who has children below the age of 12 and has his/her taxable income from work exceeding EUR 4 619, is entitled to an income dependent combination credit of EUR 770

plus an extra combination credit of 3.8 per cent of taxable income above EUR 4 619. The maximum total combination credit is EUR 1 765;

- *Single parent credit:* A single parent under certain conditions is entitled to the single parent credit of EUR 902;
- *Additional single parent credit:* A single parent who is entitled to the single parent credit receives an additional credit of 4.3 per cent of his or her income from work, with a maximum of EUR 1 484.

The amount of the tax credit is limited to the amount of tax and premiums payable (non-refundable tax credit). If, however, a taxpayer with insufficient income to fully exploit his/her tax credit has a partner with a surplus of tax and premiums payable over his/her own tax credit, the tax credit of the former taxpayer is increased by (at most) the surplus tax and premiums payable by his/her fiscal partner. As a consequence, the tax credit of the former taxpayer will exceed tax and premiums payable, resulting in a payout of the residual tax credit to the taxpayer by the tax authority.

10.1.2 Income tax schedule

The tax schedule for income from work and owner-occupied housing is as follows:

Taxable Income (EUR)	Tax Rate (%)	Social securities contributions	
		< 65 years	*> 65 years*
0 – 17 878	2.35	31.15	13.25
17 878 – 32 127	10.85	31.15	13.25
32 127 – 54 776	42	-	-
54 776 and over	52	-	-

The contributions for the general social security schemes are levied on income from work and owner-occupied housing in the first and second income tax bracket. These social security contributions are not deductible for income tax purposes. Individuals of 65 years and older pay 13.25 per cent (for widows and orphans pensions and exceptional medical expenses); individuals younger than 65 years pay 31.15 per cent (for widows and orphans pensions, exceptional medical expenses, and old age income provision).

10.1.3 State and local income taxes

None.

10.2 Treatment of family income

Husband and wife are taxed separately on their personal income, which includes, besides income from business, profession and employment, all pensions and social security benefits. Certain parts of income

may be freely split between husband and wife, such as the net-income from owner-occupied housing and the income from savings and investments.

10.3 Social security contribution schedule

10.3.1 Contributions payable by employees and benefit recipients

Schemes for employees:

- Unemployment: 0 per cent of the gross earnings between EUR 16 443 and EUR 47 802 (this contribution is only for the general unemployment fund); employees do not have to pay an unemployment premium in order to reduce administration costs. Employers pay both an unemployment premium and a premium for invalidity for their employees (see par.2.2). ;
- For basic insurance each adult pays an average amount of EUR 1 064 a year to a self-chosen private health insurance company. This premium is a non-tax compulsory payment. Employees might obtain compensation for this nominal contribution, depending on the household's personal situation and taxable income. This is called the health care benefit. This benefit is included in the NTCP calculations as it compensates for the basic insurance premium of on average EUR 1 064. Also 6.9 per cent of gross earnings net of employees' pension premiums and unemployment social security contributions is paid for health care until a maximum of net earnings of EUR 32 369. For the last health contribution, an employee receives mandatory compensation of his employer for the same amount. This amount is included in the taxpayer's taxable income.
- Employees might obtain compensation for the nominal contribution of on average EUR 1 064 for the basic health insurance, depending on the household's personal situation and taxable income. This is called the health care benefit. The care benefit is calculated as follows:

  Single parent households: 1 209 – 2.7 per cent * 19 135 – 5 per cent * (taxable income – 19 135)

  Married couples: number of adults * 1 209 – 5.00 per cent * 19 135 – 5 per cent * (taxable income principal and spouse – 19 135).

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General schemes (levied combined with income tax on income from work and owner-occupied housing):

- Old age pension: 17.9 per cent of taxable income in the first and second tax bracket. This scheme does not apply to individuals aged 65 or older;
- Widows and orphans pension: 1.10 per cent of taxable income in the first and second tax bracket;
- Exceptional medical expenses and disability: 12.15 per cent of taxable income in the first and second tax bracket.

As of January 2006, a new insurance system for curative healthcare came into force in the Netherlands. Under the new Health Insurance Act (Zorgverzekeringswet), all residents of the Netherlands are obliged to take out a health insurance.

Private insurance, social conditions

The new system is a private health insurance with social conditions. The system is operated by private health insurance companies; the insurers are obliged to accept every resident in their area of activity. A system of risk equalisation enables the acceptance obligation and prevents direct or indirect risk selection.

The insured >18 pay a nominal premium to the health insurer (average in 2006 €1038). Everyone with the same policy will pay the same insurance premium. The Health Insurance Act also provides for an income-related contribution to be paid by the insured. Employers contribute by making a compulsory payment towards the income-related insurance contribution of their employees (both 6,5% of taxable income with maximum at an income of €30623). This is the same for unemployed and disabled people (they also receive the compulsory payment). Other insured without employer pay 4,4% of taxable income.

Essential healthcare

The new health insurance comprises a standard package of essential healthcare. The package provides essential curative care tested against the criteria of demonstrable efficacy, cost effectiveness and the need for collective financing.

Former situation

Before 2006, there were two types of health insurances: compulsary and voluntarily. Employees, people entitled to a social benefit and self-employed people with incomes to a certain level were compulsorily insured under the Social Health Insurance Act (Ziekenfondswet). People on a higher income could choose to either take out a private health insurance or to go through life uninsured.

10.3.2 Contributions payable by employers

- Unemployment: 4.15 per cent of gross earnings between EUR 16 443 and EUR 47 802 for the general unemployment fund and a contribution of 1.41 per cent of gross earnings below EUR 47 802 for the industrial insurance associations redundancy payments fund;
- Invalidity: 6.32 per cent of gross earnings below EUR 47 802;

For medical care employers contribute 6.9 per cent of gross earnings net of employees' pension premiums and unemployment social security contributions until a maximum of gross earnings of EUR 32 369. 10.3.3 Payroll taxes

10.4 Treatment of particular group

10.4.1 Young persons

10.4.2 Older workers

10.4.3 Others if applicable

11. Part-time work

11.1 Benefit rules for part-time work

Seasonal workers have different qualifying conditions for the basic unemployment insurance benefit.

11.2 Special tax and social security contribution rules for part-time work

12. Policy developments

12.1 Policy changes introduced during the previous year

Part-time unemployment scheme

The part-time unemployment scheme was introduced at 1 April 2009 to allow sufficiently healthy companies to keep their indispensable skilled people despite of the shortfall of orders and turnover. Part-time unemployment must cover at least 20% and be limited to 50% of the number of hours worked and has to be combined with training. During that period the employees receive unemployment benefits for the hours not worker. The minimum duration is 6 months (three months after the initial application and an extension of three months) while the maximum duration varies between nine and fifteen months depending on the number of employees on the scheme. The budget of the scheme amounts to EUR 550 million (net budget). Applications are possible until 1 April 2010, but will be stopped earlier in case the allocated budget is depleted. Representatives of employees have to agree to the application. Negative incentives for employers and employees aim at preventing improper use of the scheme.

Mobility centres

Since 1 March 2009 a network of mobility centres in the Netherlands has been set up to support job-to-job mobility. Preferably, the centres try to find a new job for workers before they become unemployed, but at least within four weeks being unemployed. Furthermore, the centres stimulate regional cooperation parties at the area of work, income and education. At the end of 2009, 13,000 people who are confronted with unemployment are directed to another job. Moreover, 95,000 people who were fired got a job within 3 months. Until the end of December 2010 mobility centres will be financed as a separate crisis measure. Since 2011 the concept of mobility centre will become as an integral and structural part of the PES.

Measures tackling youth unemployment

To tackle youth unemployment agreements has been made between the government and 30 regions for designing and implementing regional action plans creating participation possibilities for youngsters up to 27 by joining social partners, schools, municipalities and the public employment system. The budgetary impact of these agreements amounts EUR 60 million in 2009 and EUR 70 million in 2010. Other measures in the field of vocational training are aimed at improving the starting qualifications of young people before entering the labour market. This is essentially done by increasing the duration of the training, which is intended for (young) students following vocational training who currently face a particularly difficult labour market situation. Overall these measures tackling youth unemployment are set op the be temporary for 2009-20011, with a budgetary impact of EUR 100 million in 2009 , EUR 120 million in 2010 and EUR 30 million in 2011.

Eeducational measures for adults (temporary instruments since the end of June 2009)

- Retraining premium. To improve the intersectoral mobility and facilitate job transitions, the Dutch government established a retraining premium. The new employer receives an allowance and employers receive a subsidy of 50% of the training costs (maximum of EUR 2500) to retranin worker who are getting fired.

- Recognition of obtained competences. The government stimulates workers without a start qualification to obtain recognition of obtained competences-certificate. The certificate can be seen as an instrument for long life learning and employability. This certificate offers an overview of the competences of the worker. With the help of the certificate, it is easier for the worker to find a new job. Employers have to bear 50% of the costs of the admission of obtained competences projects. Besides, the government is bearing part of the cost of obtaining the certificate.

Up until now, the use of previous educational instruments was limited. In 2009, 113 retraining premiums and 77 certificates have been recognised.

UB system has changed. Changes are included in the description.

An additional child benefit was introduced in 2008. The child benefit, which replaces the former child tax credit, does not depend on the family's number. A family can only claim this benefit when having children under the age of 18 years old, for which they also receive the tax free and income independent child benefit. The benefit has a maximum value of EUR 994 per year. The benefit is withdrawn at a rate of 5.75 per cent when the family's yearly taxable income exceeds EUR 29 413 and is completely withdrawn when taxable income is at least EUR 46 700.

12.2 Policy changes announced

ANNEX
DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

Social security contributions to general government

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here […] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

Social security contributions paid to institutions outside general government

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

Payroll taxes

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.

Reference date for all information is **July 1st 2009**
Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)