

THE OECD TAX-BENEFIT MODEL FOR THE NETHERLANDS

Description of policy rules for 2020



THE OECD TAX-BENEFIT MODEL FOR THE NETHERLANDS

Description of policy rules for 2020

Reference contact at the OECD: Duncan MacDonald (duncan.macdonald@oecd.org).

National team: Marcel Einerhand (coordinator), Ministry of Social Affairs and Employment

This version : October 2020

This work is published on the responsibility of the Director of the OECD Directorate for Employment, Labour and Social Affairs. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

© OECD 2020

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of the source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.



Social Policy Division and Jobs and Income Division

www.oecd.org/social

Directorate for Employment, Labour and Social Affairs

Table of contents

<i>Preface</i>	4
<i>The OECD tax-benefit model for the Netherlands: Policy rules in 2020</i>	5
1. Reference wages	5
2. Unemployment benefits	5
2.1. Unemployment insurance (Werkloosheidswet and Toeslagenwet)	5
2.2. Older workers unemployment assistance (Inkomensvoorziening Oudere Werklozen)	8
3. Social assistance and housing benefits	10
3.1. Social assistance (Participatiewet)	10
3.2. Housing benefit (Huurtoeslag)	14
4. Family benefits	19
4.1. Child benefits (Algemene Kinderbijslagwet and Wet op het kindgebonden budget)	19
5. Net costs of Early Childhood Education and Care	22
5.1. Gross childcare fees	23
5.2. Fee discounts and free provision	23
5.3. Childcare benefits for formal centre-based care (Kinderopvangtoeslag)	23
5.4. Childcare allowance for children not using child care centres	24
5.5. Tax concessions for childcare expenditures	24
6. Employment-conditional benefits	26
7. Social security contributions and payroll taxes	26
7.1. Social security contributions	26
7.2. Payroll taxes	28
8. Taxes	30
8.1. Personal income tax	30
9. Selected output from the OECD tax-benefit model (TaxBEN)	33
<i>Annex I: Childcare allowance – income thresholds and rates</i>	36

Preface

The [OECD Tax-Benefit model \(TaxBEN\)](#) incorporates detailed policy rules for tax liabilities and benefit entitlements as they apply to individual families across OECD member countries. Its main use is to calculate the amount of taxes that people are liable to pay, and the government transfers they are likely to receive, in different family and labour-market situations. The model includes legal policy rules that are relevant for people of **working age** (from 18 years old until the statutory retirement age) and their dependent children. Income tax liabilities and benefit entitlements are calculated for a broad set of *stylised* families (“vignettes”, e.g. a married couple of 40 years old adults with two children aged 4 and 6 respectively). Model users are free to change many of these characteristics, including the age and number of children, activity status of adult members, hours of work, current and past earnings levels, unemployment duration, social contribution records, and housing-related costs. The model has been updated annually since the early 2000s for most OECD countries.

TaxBEN’s policy scope includes the main taxes on employment income (earnings), social contributions paid by individuals and by employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits and support for non-parental childcare are included for a sub-set of countries and years. The most important policy areas that are outside the scope of the model include taxes on wealth (e.g. taxes on immovable and unmovable properties, including local taxes), indirect taxes (e.g. VAT), early-retirement benefits, sickness benefits and in-kind transfers (e.g. free school meals, subsidised transport and free health care).

This report describes the taxes and benefits that are included in the model and focuses on the rules that are relevant for family, individual and labour-market circumstances that are within its scope. The **Annex** provides information on other cash benefits and taxes on employment incomes that can be relevant for some members of the working-age population, but which are not included in the TaxBEN model.

Reading notes and further details on the scope and content of this report

- The **reference date** for policy rules described in this report is **January 1, 2020**.
- **Guidelines for completing and updating this report** are provided [here](#).
- Further information on the model, model results, and references to reports and analytical uses is available on the [project website](#). A [methodology](#) document provides a full description of the assumptions underlying the model as well as the model choices that users can make. The symbol  in the text provides a link to a glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- In order to facilitate transparency between the policy descriptions and the associated code in the model, the variable names are indicated in the text in square brackets using the following format: **[variable name]**, for instance: **[AW]** for the average wage.

The OECD tax-benefit model for the Netherlands: Policy rules in 2020

1. Reference wages

Average wage [**AW**]: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available [here](#)).¹ If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth² to the latest available wage estimate.

The minimum wage [**MIN**] in January 2020 is EUR 1,653.60 per month and EUR 1,785.89 per month including the 8% holiday bonus. The annual minimum wage is computed by multiplying the minimum monthly wage (as of January 1, 2020) by 12, and adding the 8% holiday bonus i.e. $\text{EUR } 1,653.60 * 12 * 1.08 = \text{EUR } 21,430.66$.

2. Unemployment benefits

The unemployment benefit system in the Netherlands is contribution-based, providing a short-term and medium-term benefit (based on the *Werkloosheidswet*, *WW*). A supplement based on the Supplementary Benefits Act (*Toeslagenwet*, *TW*) is possible if the benefit is below the minimum income. Both are described together in Section 2.1. Elderly unemployed can receive an additional benefit after exhaustion of regular unemployment insurance benefits (*Inkomensvoorziening Oudere Werklozen*, *IOW*), which is described in Section 2.2.

2.1. Unemployment insurance (*Werkloosheidswet* and *Toeslagenwet*)

Variable names: [**UB**; **UI_p**; **UI_s**; **TW_p**; **TW_s**]

This is an unemployment insurance benefit. It is contributory, partly means-tested and taxable. 

2.1.1. Eligibility conditions

The **regular unemployment benefit** (*Werkloosheidswet*, *WW*) includes two types of benefits:

1. the short term earnings related benefit (3 months)
2. the earnings related benefit (4 months up to 38 months depending on employment record; from 2015 onwards diminished to a maximum of 24 months in April 2020).

Contribution/employment history: Insurance is compulsory for employees.

¹ Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

² Wage growth projections are based on [OECD Economic Outlook](#) and [EU economic forecasts](#) (for non-OECD countries).

1. *Short-term earnings-related benefit*: worked 26 weeks in the last 36 weeks immediately preceding unemployment.

2. *Earnings-related benefit*: worked 26 weeks in the last 36 weeks immediately preceding unemployment, plus worked during four of the last five years. Each year gives an entitlement to one month benefit. From 2016 onwards each extra year after 10 years of employment counts for 0,5 additional months of benefit. A year is counted when the person has worked 52 days a year before 2013 or 208 hours a year as from 2013. Calendar years during which the person cared for children under age 5 count for 50% of this requirement. From 2007 onwards years spent on intensive care for ill or handicapped people also count for 50% of labour years.

Behavioural requirements and related eligibility conditions:  TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.³

- to be involuntary unemployed,
- loss of at least 5 or half of the working hours per week,
- timely registration with the Institute for Employee Benefit Schemes (UWV).
- to be capable for work,
- to be available for work,
- below the legal retirement age (66 years and four months in 2020),
- seeking employment,
- residence in the Netherlands,
- application for benefit on the first day of unemployment.

2.1.2. *Benefit amount*

In the first two months, recipients receive 75% of the gross wage most recently earned, thereafter 70%, up to a maximum daily wage of EUR 214.28 (5 days per week).

Supplementary Benefits Act (Toeslagenwet, TW)

The TW provides assistance to people who get a benefit from one of the employee insurance schemes (such as the IOW, WW, WAO/WIA (disability benefit), or ZW (sickness benefit) schemes if their income (plus that of their partner) falls below the minimum guaranteed income. Supplementary benefit equals the difference between the applicable minimum guaranteed income level and the total income of the beneficiary and his or her partner.

Minimum guaranteed incomes, 2020

Family situation	Per cent of minimum wage
Single person	70%

³ Details on behavioural requirements and sanction provisions for unemployment benefits are reported in regularly updated companion reports, see [Immervoll and Knotz \(2018\)](#), [Langenbucher \(2015\)](#) and [Venn \(2011\)](#).

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 than 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 benefits:

- 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.

2.1.3. *Benefit duration*

The duration of the earnings-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. Starting from 1 January 2016, the maximum duration is gradually reduced by 1 month per quarter from 38 months to 24 months in April 2019, i.e. in January 2020 it was 24 months. Also starting from 1 January 2016, duration of benefit is 1 month per year of employment. After 10 employment years, the unemployment benefit is prolonged with 0.5 months per extra year.

Duration of the benefit on January 1st 2020

Employment (years)	Duration
1	3 months
2	3 months
3	3 months
4	4 months
5	5 months
...	...
10	10 months
11 and higher	plus 0.5 months per extra year of employment, to a maximum of 24 months

2.1.4. *Means test*

See Sections 2.1.2 and 2.1.7.

2.1.5. *Tax treatment*

Unemployment insurance benefit is taxable.

2.1.6. Interactions with other components of the tax-benefit system

No information.

2.1.7. Combining benefit receipt and employment/starting a new job

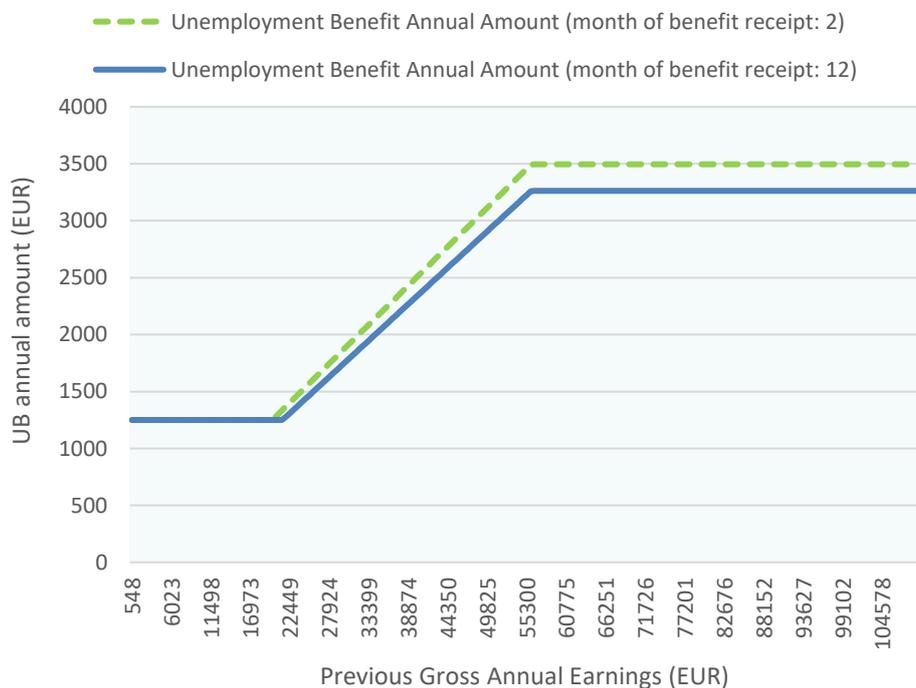
Gross benefit is reduced by 70 per cent of any earnings received from a new job.

2.2. Older workers unemployment assistance (*Inkomensvoorziening Oudere Werklozen*)

Variable names: [UB; UA_p; UA_s]

Income provision for older unemployed (*Inkomensvoorziening Oudere Werklozen, IOW*) will be continued. For beneficiaries aged 60 or over, and having first began receiving unemployment benefit between 30th September 2006 and 1 January 2020, the IOW (70% of minimum wage) is paid until the legal retirement age (66 years and 4 months in 2020) after exhaustion of regular unemployment insurance benefits. Cumulation with other income or benefits is not possible. The benefit is reduced by 100% of other earnings such as pension and other benefits. 

Figure 1 – Unemployment benefit by previous gross earnings



Note: 40-year old single person without children. Long and continuous employment record (22 years) assumed.

COVID-19 measures (Not currently implemented in TaxBEN model)

2.3. Temporary Emergency Measure Bridging Employment (NOW)⁴

The Temporary Emergency Measure Bridging Employment is a short-time work scheme that subsidises the wage bill of employers who suffer (or expect to suffer) a drop in turnover and must reduce the working time of their employees.

2.3.1. Entitlement and eligibility conditions

Employers who have suffered a decrease in turnover of at least 20% as a result of the Covid-19 pandemic can apply for this short-time work scheme.

Employers have an obligation to encourage their workers to request development advice or receive job training.

Firms that receive NOW benefits may not pay dividends and no shares may be repurchased in 2020 (up to and including the shareholders meeting of 2021).

2.3.2. Benefit amounts

Employers who pay their employees 100% of their wages while off work are compensated up to 90% of their wage bill. The actual wage support for companies depends on the size of the loss of turnover:

- 90% of wage bill if the loss is 100%;
- 45% to cover a 50% loss;
- 22.5% of wage bill if the loss is 25%

2.3.3. Benefit duration

Subsidies are provided for a maximum of three months, with the possibility of extension for an additional 3 months (up to October 1, 2020).

2.3.4. Means test

This question does not apply to the NOW arrangements as it is a subsidy focused at the employer. The employers pay the wages (or mandatory sick pay) which are treated as normal wages.

2.3.5. Tax treatment

This question does not apply to the NOW arrangements as it is a subsidy focused at the employer. The employers pay the wages (or mandatory sick pay) which are treated as normal wages.

⁴ <https://www.rijksoverheid.nl/onderwerpen/coronavirus-financiele-regelingen/overzicht-financiele-regelingen/nou/nou-wat-en-voor-wie>

2.3.6. Interactions with other components of the tax-benefit system

This question does not apply to the NOW arrangements as it is a subsidy focused at the employer. The employers pay the wages (or mandatory sick pay) which are treated as normal wages.

2.3.7. Combining benefit receipt and employment/starting a new job

This question does not apply to the NOW arrangements as it is a subsidy focused at the employer. The employers pay the wages (or mandatory sick pay) which are treated as normal wages.

Figure 2 – Unemployment benefit by month of benefit receipt



Note: 40-year old single person without children. Long and continuous employment record (22 years) assumed.

3. Social assistance and housing benefits

In the Netherlands, a social assistance benefit is provided under the Participation Act (*Participatiewet*). There is also a housing benefit (*Huurtoeslag*). Social assistance is described in Section 3.1, the housing benefit in Section 3.2.

3.1. Social assistance (*Participatiewet*)

Variable name: **[SA]**

This is a non-contributory benefit which is means-tested and taxable.

The Dutch Participation 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.

3.1.1. Eligibility conditions

Conditions for receipt of social assistance are in general:

- Persons legally residing in the Netherlands with inadequate financial resources to meet their essential living costs.
- Social assistance is a supplementary allowance that can be used for topping up for instance low unemployment benefits or low earnings.
- Obligation of job-search and work-availability.⁵

3.1.2. Calculation of gross benefit

General social assistance payments are all in payments which are intended to cover normal essential costs of living, including the costs for food, housing, heating, furniture and recreation. The Dutch national government specifies minimum basic benefit payment rates based on age, family composition and the number of persons sharing the same dwelling, the so-called ‘cost sharing standard’ according to which the rate of social assistance is lowered with every additional co-resident. Starting at 50% per person of the subsistence minimum when two people share a house, the amount per person is subsequently lowered with every added resident. The minimum is 30% per person. Students and youth under the age of 21 are excluded from the cost-sharing standard. Changes in social assistance benefits are linked to the statutory minimum wage.

General social assistance rates (Participatiewet) in 2020

Family situation	Proportion of the subsistence minimum	Gross yearly benefit incl. Holiday allowance	Corresponding net yearly benefit	
			Holiday allowance: Excluded	Included
Couples (with or without children)	100%	20140	17138	18040
Single or lone parent, 21 or older	70%	15, 829	11,996	12,628

Note: TaxBEN assumes single, lone parent or couple households, i.e. the ‘cost sharing standard’ is not applied in the model.

Young people until 27 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. There is a waiting period of 4 weeks in which the claimant

⁵ This extends 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. 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. The parent is however obliged to attend training courses.

younger than 27 years of age is required to look for work and education and in which the claimant is not yet entitled to social benefits. The benefit claim is refused if there are opportunities in the regular education system (Student Finance Act) for the claimant.

Cost sharing standard rates (Participatiewet) in 2020

Number of persons > 21 years sharing a dwelling	Proportion of the subsistence minimum	Total rate if everyone in the household receives social assistance	Gross yearly benefit Including holiday pay	Net per person yearly benefit Excluding holiday pay	Net yearly benefit Including holiday pay per person
1	70%	70%	15,829	11,996	12,628
2	50%	100%	20,140	8,569	9,020
3	43,33%	130%	24,451	7,426	7,817
4	40%	160%	28,863	6,855	7,216
5	38%	190%	34,276	6,512	6,855

General social assistance rates (Participatiewet) for young persons in 2020

Family situation	Gross yearly benefit Including holiday pay	Net yearly benefit Excluding holiday pay	Net yearly benefit Including holiday pay
Single < 21 years with children	3,117	2,961	3,117
One is >21 years and one is <21, with children	16,478	14,958	15,745
Both <21 years old, with children	9,843	9,351	9,843
Single <21 years, no children	3,117	2,961	3,117
Both <21 no children	6,235	5,923	6,235
One >21 one <21, no children	12,137	11,530	12,137

Note: TaxBEN assumes the same age for partners living in a couple household.

3.1.3. *Benefit amount*

See Section 3.1.2.

3.1.4. *Benefit duration*

As long as there is a need. Once benefits have expired, one can re-apply when the need occurs again.

3.1.5. *Means test*

No income disregards; one-to-one income-test using the household net income. Family benefits and individual housing benefits are excluded from the income-test.⁶

3.1.6. *Tax treatment*

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.

3.1.7. *Interaction with other components of the tax-benefit system*

Social assistance can be used as unemployment benefit top-up or as low income top-up.

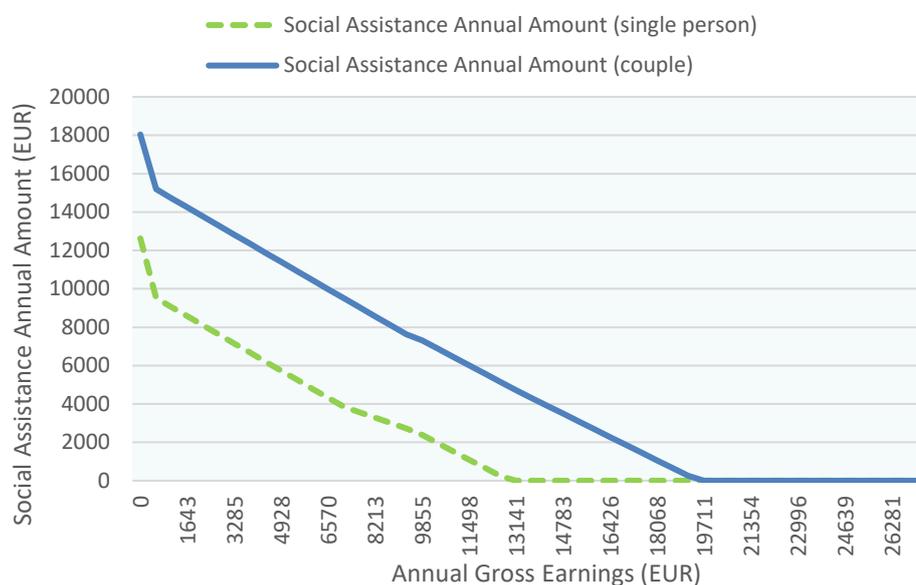
3.1.8. *Combining benefit receipt and employment/starting a new job*

See Section 3.1.5.

⁶ Three remarks: 1.) Savings and assets (which are not modelled in TaxBEN) worth over EUR 6225 (EUR 12450 for couples and lone parents) are taken into account. The own dwelling is disregarded only up to a certain maximum EUR 52,500. If the value of the house minus the mortgage exceeds this maximum, the recipient can get social assistance as a loan.

2.) 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 215 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. Given the discretion of the municipality, this is not modelled in TaxBEN.

3.) All income is taken into account. However for claimants aged 27 or older 25% of income from work can be left untouched during the first 6 months of entitlement. Additionally lone parents aged 27 or older can earn up another 12.5% during a period of 30 months. It is up to the municipality to decide this and to decide the level of disregard. Therefore, this is not modelled in TaxBEN.

Figure 3 – Social Assistance by Gross Earnings

Note: All adults are 40 years old.

3.2. Housing benefit (*Huurtoeslag*)

Variable name: **[HB]**

This is a non-contributory benefit, means-tested and not taxable.

Housing benefit is based on rent levels restricted by minima and maxima and 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.

3.2.1. Eligibility conditions

No specific conditions apart from means-test and rent limits; see Section 3.2.2.

3.2.2. Calculation of gross benefit

Housing benefit is based on current rent levels, household composition and taxable income. The underlying principle is that every household always pays part of the rent itself. This part is referred to as the “*standard rent*” (*basishuur*). In 2020 the monthly *standard rent* for people with a minimum income is EUR 229.02 (households with two or more people older than the age of retirement), EUR 230.83 (a person older than the age of retirement living alone) and EUR 232.65 (households only containing people under the age of retirement). The table below shows accordant yearly minimum incomes. The *standard rent* is determined based on the household’s taxable income so that the *standard rent* increases as the household’s income increases (see step 4: determine the standard rent). The age of retirement is settled at the age of 66 years and 4 months in 2020.

The amount of housing benefit gradually diminishes as the *standard rent* (the amount of rent households have to pay themselves) increases with their income up until the point where the *standard rent* equals or exceeds the actual rent after which a household is no longer eligible for housing benefit. The following paragraphs present additional rules and exception in addition to the above-sketched principle.

Yearly minimum income in housing subsidy calculations (EUR)

	2016	2017	2018	2019	2020
Single household < age of retirement	15,400	15,675	15,925	16,300	16,650
More persons household < age of retirement	19,925	20,275	20,600	21,100	21,575
Single household > age of retirement	16,900	17,075	17,325	17,875	18,350
More persons household > age of retirement	22,625	22,850	23,200	23,900	24,475

The process for awarding housing benefits 2020 – 6 Steps

Step 1: Determines the kind of household

The *standard rent* (*basishuur*) is the amount of rent a household has to pay themselves; it depends on the size of the household, the age of the inhabitants and the taxable household income. The following kinds of households are defined:

- Single person household (single on 1-1-2020 and younger than the age of retirement);
- More person household (min 2 persons; all persons younger than the age of retirement on 1-1-2020)
- Single person household (single older than the age of retirement on 1-1-2020)
- More person household (min 2 persons; at least one person older than the age of retirement on 1-1-2020).

The composition of the household and the age of the inhabitants is of importance for the *standard rent* (*basishuur*) and the *capping limit* (*aftoppingsgrens*; the level at which no subsidy or only 40% of the subsidy is awarded) and the maximum means level (*vermogensgrens*).

Step 2: Determines the *capping limit* (*aftoppingsgrens*)

The *capping limit* 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 EUR 619.01, for a household with 3 or more persons it is EUR 663.40.

If the rent exceeds the *capping limit*, only 40% of the rent subsidy is paid for the exceeding amount, but only if the household considered is a single person household, a household with at least one person above the retirement age or a handicapped person in adjusted accommodation. Monthly house rents up to EUR 737.14 qualify for housing benefits. To

ensure comparability across countries, TaxBEN assumes that rents above the eligibility limit are capped at the maximum.⁷

Note that the maximum rent level for a person younger than 23 years is EUR 432.51.

Step 3: Determines the *calculated income*

As the actual yearly household income level is unknown until the end of the year, the rent subsidy is determined using a specific *calculated income* (*rekeninkomen*). This is the total taxable income of the persons belonging to the household in the current year (2020) including:

Taxable income:

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

Afterwards, the (estimated) taxable income is compared to the actual taxable income. The difference in actual and estimated income may lead to an adjustment of the rent subsidy which will be settled with the receiver.

Step 4: determine the *standard rent*

All income of the household is summarized. For children up to 23 years an amount of EUR 4885 is excluded from the calculations. The *standard rent* is calculated with the following formula:

$$\text{Standard rent} = a * Y * Y + b * Y$$

In which $Y = \text{calculated income (rekeninkomen)}$, and a and b specific parameters depending on the different household types:

	a	b
Single household < retirement age	0.000000637464	0.002341779776
More persons household < retirement age	0.000000367360	0.002072354827
Single household > retirement age	0.000000871018	-0.004327048157
More persons household > retirement age	0.000000534258	-0.004410802041

Step 5: Determine the *calculated rent (rekenhuur)*

The *calculated rent* forms the basis for the rent subsidy. It consists of the net rent including a few service components such as cleaning service. Households are eligible for housing benefit if the *calculated rent* does not exceed EUR 737.41 per month and if the *standard rent* is lower than the *calculated rent*.

⁷ For details on the assumptions applied on housing benefits, see Section **XX** of the TaxBEN methodology, available at: [HYPERLINK](#)

Step 6: Calculate the amounts to be subsidized at 100%, 65%, and 40%

Three levels of benefit are paid in the case when the *calculated rent* exceeds the *standard rent*:

- The difference between the *standard rent* and the “*quality allowance limit*” (EUR 432.51 in 2020) is paid completely (=100%).
- The amount by which *the calculated rent* exceeds the “*quality allowance limit*” is subsidized at 65%. 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 *calculated rent* exceeds the “*capping limit*” (in 2020 this is EUR 619.01 for one and two person households and EUR 663.40 for three or more person households, see Step 2) is only eligible for benefit in the case of people older than the retirement age, people living alone and the handicapped. In these cases, 40% of the amount that exceeds the cap is subsidized.

Monthly house rents up to EUR 737.41 qualify for housing benefits.

3.2.3. *Benefit amount*

See Section 3.2.2.

3.2.4. *Benefit duration*

As long as eligibility conditions are fulfilled.

3.2.5. *Means test*

Up to 2019, households were eligible for housing benefit, in line with the above-described criteria, if the yearly household income did not exceed certain maxima. These income maxima have been removed in order to make sure that a relative small increase of income does not result in a possibly more substantial cut in housing subsidy.

From 2020 onwards households receive housing benefit up to the point that the *standard rent* (the amount of rent households have to pay themselves based on the household income) equals or exceeds the actual rent after which a household is no longer eligible for housing benefit.

3.2.6. *Tax treatment*

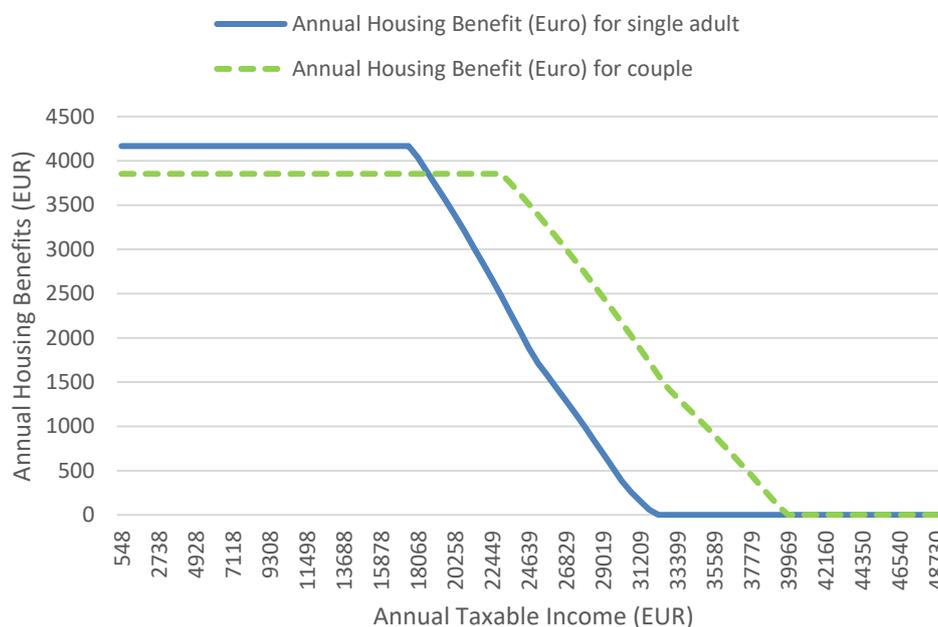
The benefit is not taxable.

3.2.7. *Interaction with other components of the tax-benefit system*

No information.

3.2.8. *Combining benefit receipt and employment/starting a new job*

See Section 3.2.5.

Figure 4 – Housing Benefit by Taxable Income

Note: All adults are 40 years old. Figures for households without children. In this simulation for the Netherlands, the assumed housing cost is 15% of the average wage, i.e. 684.41 EUR/month.

COVID-19 measures (Not currently implemented in TaxBEN model)

3.3. Temporary Emergency Social Assistance scheme for self-employed (TOZO, Tijdelijke overbruggingsregeling zelfstandig ondernemers)

3.3.1. Entitlement and eligibility conditions

TOZO is a supplementary and temporary allowance within the Participatiewet, that can be used for topping up for instance lost income or low earnings for self-employed persons legally residing in the Netherlands with inadequate financial resources to meet their essential living costs as a result of the coronacrisis.

- TOZO is different from the Participatiewet in the following areas:
 - There is no obligation of job-search.
 - The arrangement is temporary starting on the 1st of March and ending at the 1st of October (current situation)
 - It is limited to self-employed, who have lost income as a result of the coronacrisis to a degree that their income is below social assistance norms.

3.3.2. *Benefit amounts*

The benefit amounts are identical to the Participatiewet. However, no cost sharing standard is applied

3.3.3. *Benefit duration*

From the 1st of March till the 1st of October.

3.3.4. *Means test*

- During the entire period no account will be taken of assets and savings.
- From the 1st of March till the 1st of June the income of the self-employed was taken into account (the income of the spouse or civil partner was excluded from the means test). From 1st of June till the 1st of October the household was taken into account.

3.3.5. *Tax treatment*

Identical to the Participatiewet.

3.3.6. *Interactions with other components of the tax-benefit system*

Identical to the Participatiewet.

3.3.7. *Combining benefit receipt and employment/starting a new job*

Identical to the Participatiewet, with some minor exceptions.

4. Family benefits

In the Netherlands, there exists one universal child benefit under the General Child Benefit Act (*Algemene Kinderbijslagwet, AKW*), and one targeted additional child benefit (under the *Wet op het kindgebonden budget, WKB*). Both are described in Section 4.1.

4.1. *Child benefits (Algemene Kinderbijslagwet and Wet op het kindgebonden budget)*

Variable names: **[FB; CB; ADD_FB]**

AKW is a non-contributory benefit, not means-tested and not taxable. *WKB* is non-contributory, means-tested and not taxable.

4.1.1. *Eligibility conditions*

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.⁸

⁸ Double amounts can be paid if the child is not living at home because of study or disability if the conditions of the General Child Benefit Act are met, or if the parent(s) provide home care for their

To receive the additional child benefit (*WKB*), a means-test has to be passed (see Section 4.1.2.).

4.1.2. Benefit amount

Child benefit *AKW* is payed per quarter:

On January 1st 2020:

- Aged 0-5 € 219,97
- Aged 6-11 € 267,10
- Aged 12-17 € 314,24

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

The additional child benefit *WKB* was introduced in 2008. Parents who receive child benefits for children up to the age of 18 can qualify for *WKB* if their income and their capital do not exceed a certain ceiling. The *WKB*-amount depends on the income of the parent(s), the number of children and the age of the children. For children between 12 and 18 and for lone parents there is an extra allowance. Single parents whose household income does not exceed € 21,431 (2020) and a couple whose household income does not exceed € 38,181 (2020) receive the maximum amount of *WKB*. The benefit amount decreases as income rises.

WKB is not payable if the household income is above a certain ceiling per year.

The benefit has a maximum value per year.

The maximum monthly amounts of the allowance per child are (2020):

- 1st child: € 98.75
- 2nd child: € 91.25
- 3rd child: € 24.75.
- 4th child and further: € 24.75

The maximum amounts of the extra allowance are:

- 12-15 years: € 25.25
- 16-17 years: € 36.17.

Single parents receive an additional benefit up to a maximum of € 3190 per year (in 2020).

The whole child-related allowance is paid in advance on a monthly basis.

The benefit is withdrawn at a rate of 6.75% when the family's yearly taxable income exceeds € 21,431 (single parent) and € 38,181 (couple).

4.1.3. Benefit duration

As long as the eligibility conditions hold.

severely disabled child (aged 3 to 18) in need of extensive care. A single parent or single earner providing such home care can receive an extra amount. This is not modelled in TaxBEN.

4.1.4. Means test

For *WKB* only, see Section 4.1.2.

4.1.5. Tax treatment

AKW and *WKB* are not taxable.

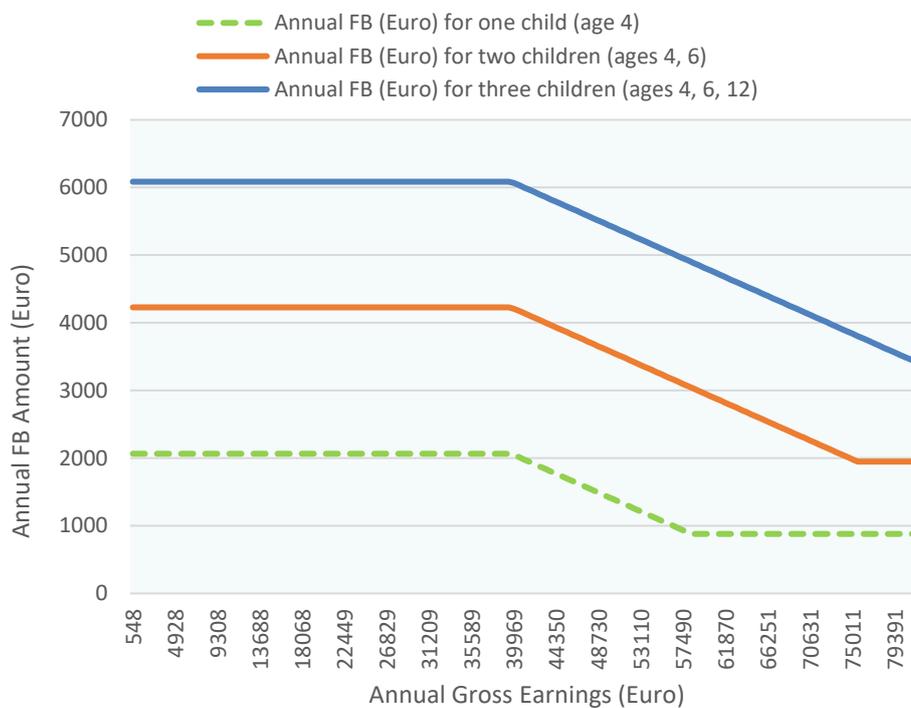
4.1.6. Interaction with other components of the tax-benefit system

None.

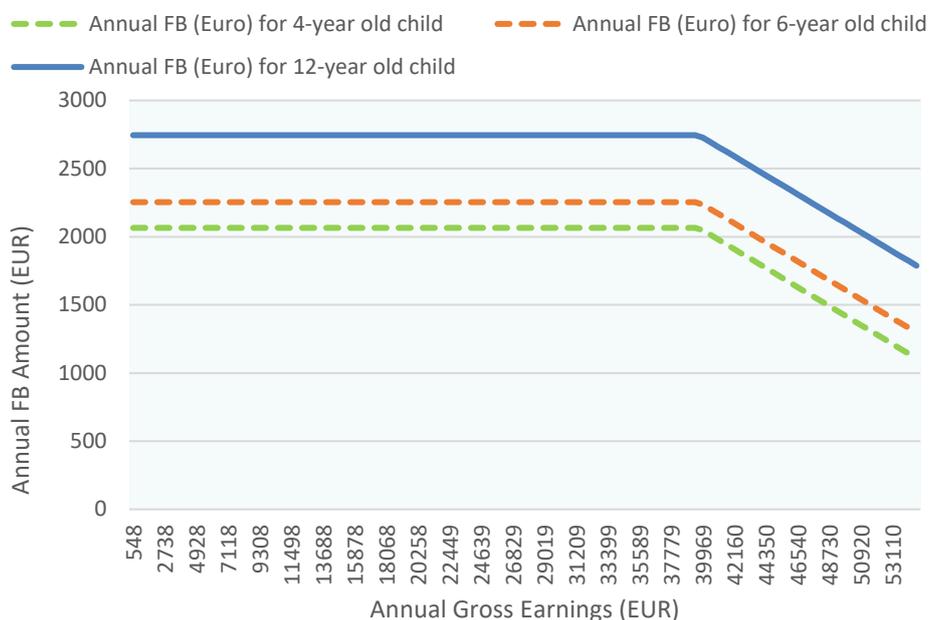
4.1.7. Combining benefit receipt and employment/starting a new job

See Section 4.1.2

Figure 5 – Family Benefit by Earnings and number of children



Note: For a two-parent, one-earner household. Adults are 40 years old.

Figure 6 – Family Benefit by Earnings and Age of Child

Note: For a two-parent, one-earner household with one child. Adults are 40 years old.

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **January 1, 2020**.

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, as private institutions, 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 they want a higher quality of care. This law applies to day care centres (0-4 years), day care outside school hours (4-12 years) and family day care (0-12). Primary education starts at 4 years and is mandatory at age 5.

In 2018 54% of the children in the age up to 4 years visit subsidized day care and 28% of the children in the age of 4-12 years visit subsidized after-school care.

The Childcare Act provides 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 subsidy from the government. On a macro-level, parents (all together) pay 30% of the costs, the government and employers about 70% in 2018.

Through the Tax Department parents receive the subsidy that the government contributes to childcare themselves, this includes also the employer's contribution. The amount parents receive depends on their income, their hours of childcare use, the maximum hourly rate, and the actual hourly rate.

5.1. Gross childcare fees

Variable names: `[NLcc_cost]`

There are legal maximum hourly rates that are eligible for a subsidy. In the case where parents pay a higher price for childcare, the difference between this maximum rate and the higher rate is not eligible for a subsidy. The legal maximum rates for the three different types of childcare provided are:

	2017	2018	2019	2020
Max. costs per hour for daycare (in EUR) ¹	7.18	7.45	8.02	8.17
Max. costs per hour for after-school care (in EUR)	6.69	6.95	6.89	7.02
Max. costs per hour for childminder (homecare) (in EUR)	5.75	5.91	6.15	6.27

1. This is the fee implemented in TaxBEN.

The average gross rate parents pay (before the subsidy) for the three different types of childcare provided are:

	2017	2018*	2019*	2020*
Avg. gross costs per hour for daycare (in EUR) ¹	7.17	7.40	7.87	8.02
Avg. gross costs per hour for after-school care (in EUR)	6.98	7.15	7.28	7.42
Avg. gross costs per hour for childminder (homecare) (in EUR)	5.81	5.91	6.06	6.17

* These values are taken from the Dutch Government Budget 2020 and are estimated with the data available. These values could change afterwards.

5.1.1. Discounts for part-time usage

Childcare (hourly) fees and childcare allowance apply independently of the amount of childcare used, i.e. they are also applicable in case of part-time usage (see Section 5.3).

5.2. Fee discounts and free provision

None.

5.3. Childcare benefits for formal centre-based care (Kinderopvangtoeslag)

Variable names: `[cc_subsidy]`

Parents pay the costs for childcare themselves, and receive a subsidy from the government (the 'childcare allowance'). The childcare allowance 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. In 2020, at an annual income up to € 25,188, the benefit starts with a contribution of 96.0% of the costs for the first child, decreasing in 43 steps to 33.3% at an income of more than €126,832. For further children, the contribution begins at a rate of

96.0% and declines in 64 steps to 67.7% for further children at an income of more than €194,136. The detailed values for all steps are outlined in Annex I.

5.3.1. Eligibility

Parents have to meet the following conditions in order to be eligible for childcare benefits:

- Working parents, including single working parents;
- Parents in a reintegration course to work;
- Parents who follow recognized education;
- Immigrants taking part in an integration course.

5.3.2. Benefit amount

See above.

5.3.3. Benefit duration

As long as eligibility criteria are fulfilled.

5.3.4. Means test

Benefit amount dependent on household income, see above.

5.3.5. Tax treatment

The childcare benefit is not taxable.

5.3.6. Interaction with other benefits

No information.

5.3.7. Combining benefit receipt and employment/starting a new job

See above.

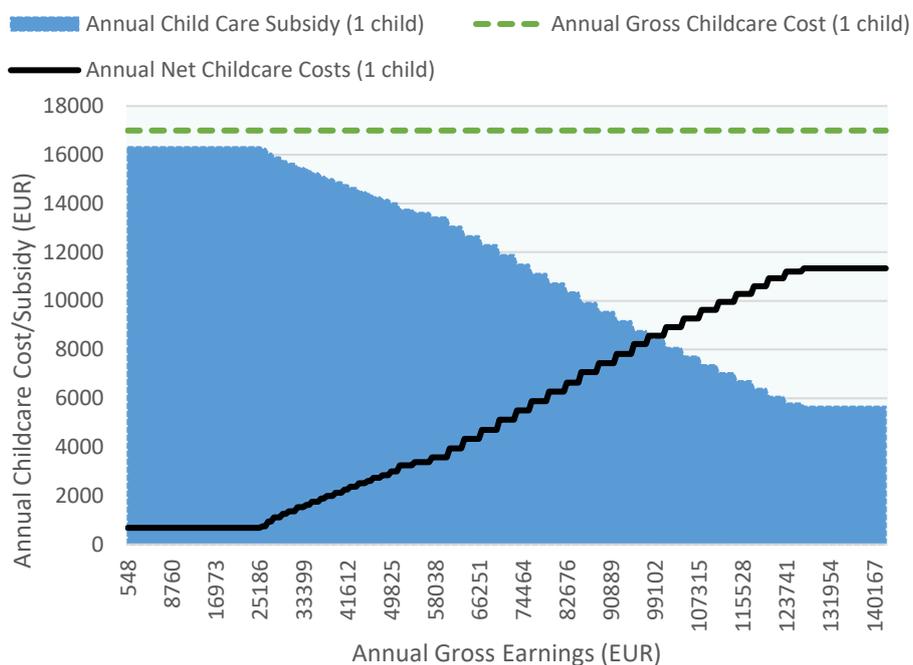
5.4. Childcare allowance for children not using child care centres

Childcare benefit can also be received if the child is taken care of by a private childminder (gross fees are provided in Section 5.1). This is not considered in TaxBEN.

5.5. Tax concessions for childcare expenditures

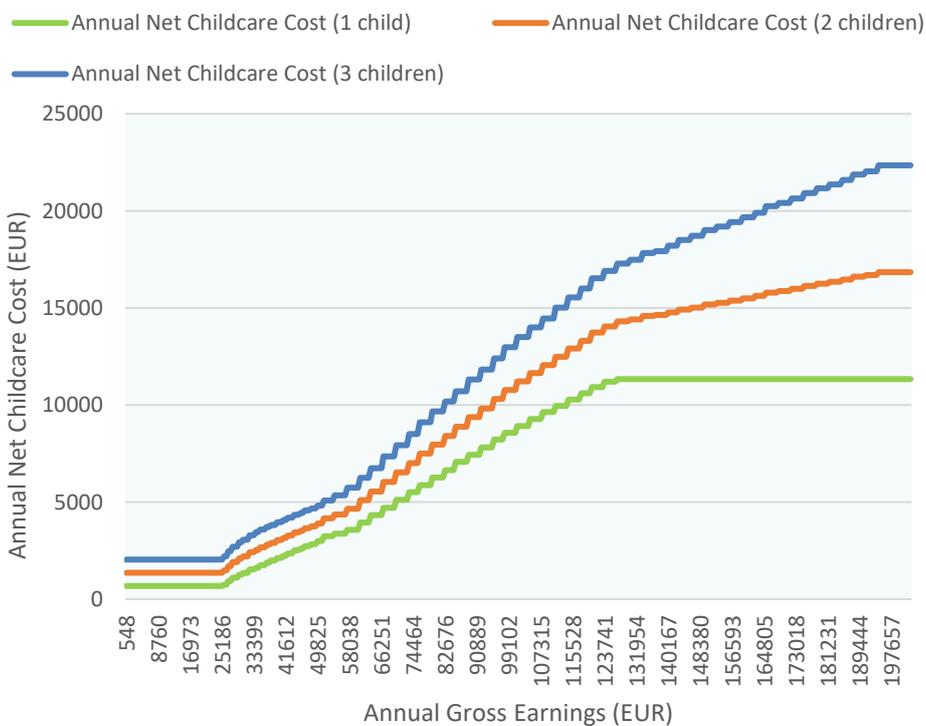
None.

Figure 7 – Child Care Costs and Subsidies by Gross Earnings



Note: Figures for 40-year old lone parent with 3-year old child.

Figure 8 – Net CC Cost by number of children



Note: All adults are 40 years old. All figures for single parent household.

6. Employment-conditional benefits

Variable names: `[IW; IW_p; IW_s]`

There are no specific employment-conditional benefits in the Netherlands. However, the Work credit and the Income dependent combination credit are dependent on work, of which the latter is currently classified as an in-work benefit **IW** in TaxBEN. For further details, see Section 8.1.

7. Social security contributions and payroll taxes

7.1. Social security contributions

Variable names: `[SC; F_SOCSEC_p; F_SOCSEC_s; CARE_ben; SSCR; SSCR_general_p; SSCR_general_s; SSCR_NTCP_p; SSCR_NTCP_s]`

Ceilings for social security contributions: Employee and/or employer social security contributions are payable until a maximum of gross earnings of EUR 57 232 for Unemployment, Health and Invalidity insurance. Different ceilings apply to Old age pension, Widows and orphans pension and Exceptional medical expenses, as indicated.

Contributions payable by employees:

- **Unemployment:** 0% of the gross earnings (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 below).
- **Health:** Each adult in the Netherlands makes a payment for basic health insurance to a privately-managed health insurance company. The average payment in 2020 was EUR 1 415. Employees might obtain a compensation for this nominal contribution depending on their family situation and taxable income through the ‘health care benefit’. Both this benefit and the basic health insurance premium are included in the non-tax compulsory payments (NTCP) calculations in TaxBEN.⁹ The care benefit is calculated as follows:
 - *Single parent households:* $1642 - 1.83\% * 21\,431 - 13.55\% * (\text{taxable income} - 21\,431)$
 - *Married couples:* $\text{number of adults} * 1642 - 4.14\% * 21\,431 - 13.55\% * (\text{taxable income principal and spouse} - 21\,431)$.

In addition a payment of 6.70% of gross earnings net of employees’ pension premiums and unemployment social security contributions is paid to the Health Care Fund. Until 2012, this payment was made by the employee and reimbursed by the employer. Since 2013, it has been paid by the employer (see below). This is

⁹ NTCPs refer to compulsory payments made by employers or employees in connection with the employees’ labour activity that do not qualify as taxes and social security contributions. See the [“Associated paper: non-tax compulsory payments”](#) to the latest OECD *Taxing Wages* report for more details on NTCPs.

also modelled as a NTCP. The expenditure of this fund mainly compensates private insurance companies for their (public) obligation to insure individuals with a high health risk.

- **Old age (public – first pillar) pension:** The age is adjusted such that elderly will receive Old age (state) pension at the age of 66 years and 4 months in 2020 and at 67 years in 2021. The Old age premium percentage is 17.9 per cent of taxable income in the first and second tax bracket (i.e. up to gross earnings of 34 300, see Section 8.1.3). This scheme does not apply to individuals above the current pension age.
- **Old age (private – second pillar) pension:** In the Netherlands, compulsory contributions under collective labour agreements are paid by employees and employers to privately-managed pension funds. All company sectors¹⁰ are obliged to have a pension arrangement for their employees. Capital is built up and invested to create an acceptable rate of return. The pension premiums vary between companies. On average employees working in the private sector pay a pension premium of 6.6%¹¹ of gross earnings net of the pension franchise of EUR 13 765 in 2020. These pension premiums are considered as NTCPs in TaxBEN. The pension franchise is built into the pension scheme to prevent an employee whose wage is too low to obtain a second pillar pension (and so receives only the first pillar pension) from having to pay pension premiums in the second pillar. The employee does not have to pay personal income tax on the pension premiums but the pension payments will eventually be taxed when the employee retires. This exemption from personal income taxes is limited to gross earnings of EUR 110 111 in 2020. Pension premiums paid over gross earnings above this threshold are taxed. The premiums of the employee qualify as a standard tax relief.
- **Widows and orphans pension:** 0.10 per cent of taxable income in the first and second tax bracket.
- **Exceptional medical expenses and disability (long-term care):** 9.65% of taxable income in the first and second tax bracket.

Contributions payable by employers:

- **Unemployment:** 4.188% of gross earnings for the general unemployment fund and a contribution of 0% of gross earnings for the industrial insurance associations redundancy payments fund, net of employees' NTCP pension premiums.
- **Invalidity:** 8.55% of gross earnings;
- **Health:** For medical care employers contribute 6.70% of gross earnings net of employees' NTCP pension premiums and unemployment social security contributions.
- **Old age (private – second pillar) pension:** On average employers in the private sector pay a pension premium of 11.01% of gross earnings of their employees

¹⁰ Very small companies do not have pension arrangements for their employees. If a company offers a pension arrangement to one of its employees, it has to offer the same arrangement to all of its employees. Nearly all SME's (approximately 95 per cent) have pension arrangements for their employees.

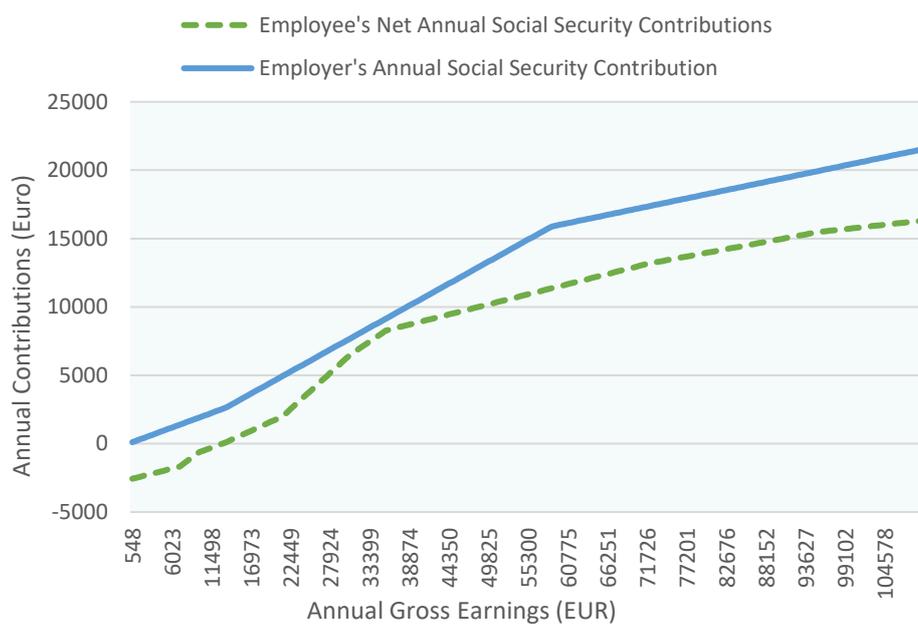
¹¹ This is an estimated value. Final information regarding the pension premium contributions for employees and employers in Sectors B-N (ISIC Rev. 4), as a percentage of average earnings, becomes definitive only after three years. This implies that currently definitive information regarding the contribution rates is only available for 2012 and prior years.

exclusive of the pension-franchise of EUR 13 429 in 2020. The compulsory pension premiums of employers to privately-managed funds are NTCPs.

7.2. Payroll taxes

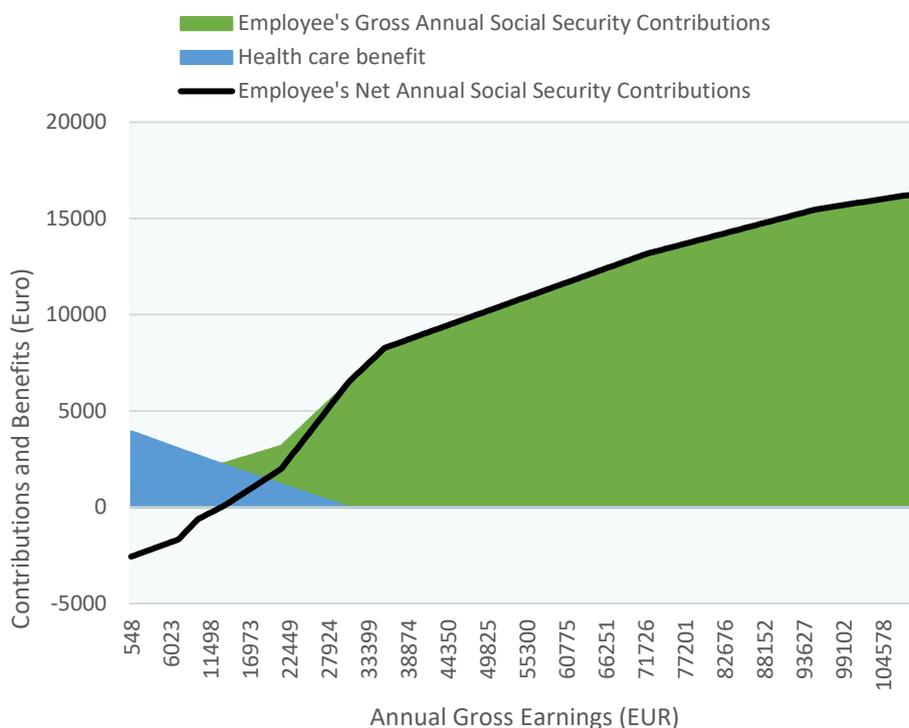
None.

Figure 9 – Total Employee and Employer Social Security Contributions



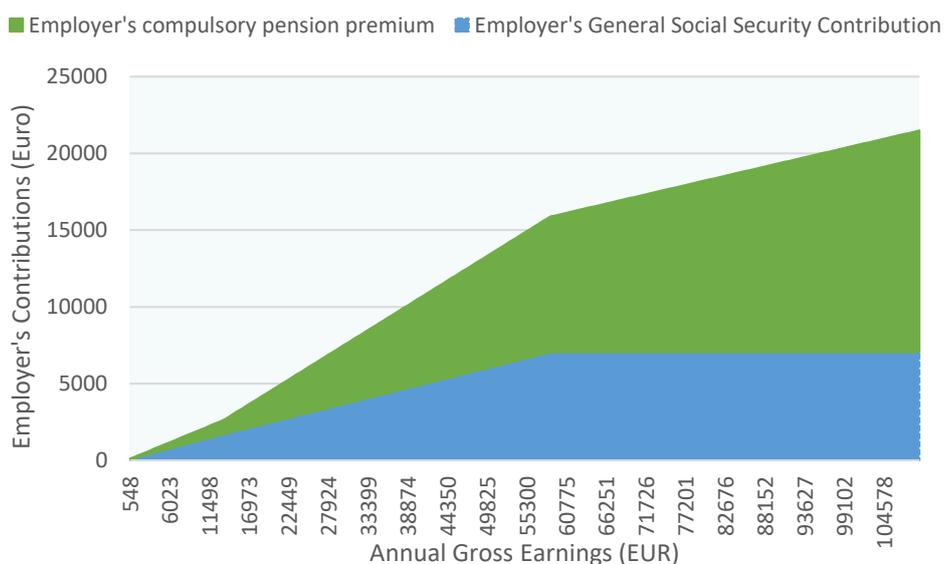
Note: For single 40-year old without children.

Figure 10 – Components of Employee Social Security Contributions



Note: For single 40-year old without children.

Figure 11 – Components of Employer Social Security Contributions



Note: For single 40-year old.

8. Taxes

8.1. Personal income tax

Variable name: [IT; F_INCTAX_p; F_INCTAX_s]

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 (not applicable in TaxBEN).

8.1.1. Tax allowances

Variable names: [ALLOW; SS_UNEMP_p; SS_UNEMP_s]

Related to wage earnings:

- Employees' social security contributions are partly deductible (see Section 7).¹²

¹² Other non-standard tax allowances not modelled in TaxBEN:

- Employee contributions to private (company provided) pension schemes.
- 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 2 090 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.

Related to owner occupied housing:

- Excess of mortgage interest over net imputed rent.

Related to personal circumstances:

- Medical expenses and other exceptional expenses: Fiscal deduction of exceptional health expenses will be reduced to the specific costs as a result of the chronic illness. As specific costs are seen medical treatment (not paid for by insurance company), diet costs, special medicine described by a doctor, extra domestic care, special expenses for clothing and transportation costs. Visual tools and insurance premiums are not seen as specific costs and are therefore no longer deductible. As from 2014, expenses for wheelchairs, scooters for the disabled and home adjustments made because of a chronic illness are no longer deductible. All expenses except for medical treatment expenses may be increased by a factor. This factor is income and age dependent. The factor amounts to 1.4 if the person is below the legal pension age and has an income on or below EUR 34 404. The factor amounts to 2.13 if the person is on or above the legal pension age and has an income on or below EUR 34 404. People with an income above EUR 34 404 cannot apply the factor.
- For a single person: the specific expenses (after multiplication with the factor) in excess of 1.65% of income are deductible if income exceeds EUR 7 647 and is below EUR 40 691. If income is lower than or equal to EUR 7 647, the non-deductible limit is EUR 131 For a person with a partner: the joint income is used to determine the non-deductible amounts and the non-deductible limit is EUR 262.
- If income exceeds EUR 40 691 the specific expenses in excess of 1.65% of EUR 40 691 increased with 5.75% of income above EUR 40 691 are deductible.

8.1.2. Tax base

Variable names: `[TAX_INC; TAX_INC_p; TAX_INC_s]`

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.

TaxBEN assumes the definition of taxable income from the first category, 'taxable income from work and owner-occupied housing', because of its relevance for the AW (while income from owner-occupied housing is assumed away).

8.1.3. Income tax schedule

The 2020 tax schedule for income from work and owner-occupied housing is as follows:

Taxable Income (EUR)	Tax Rate (%)	Social security contributions	
		< 65 years	> 65 years
0–34 712	9.70	27.65	9.75
34 712–68 507	38.10	-	-
68 507 and over	51.75	-	-

The contributions for the general social security schemes (for widows and orphans pensions, exceptional medical expenses, and old age income provision) 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 at or above the current pension age pay 9.65 per cent (for widows and orphans pensions, and exceptional medical expenses). Individuals younger than the current pension age pay 27.65 per cent, (for widows and orphans pensions, exceptional medical expenses, and old age income provision).

8.1.4. Tax credits

Variable names: `[TAX_CREDIT; F_TAX_CRED_p; F_TAX_CRED_s]`

The tax credits are deducted partly from the income tax liability and partly from the contributions that are made to the general social security schemes. For most families, 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. In

-
- Some educational expenses: in direct connection with vocational education. Expenses above the threshold of EUR 250 are deductible. Expenses above EUR 15 000 are not deductible; PM still the same amounts?
 - Donations to certain institutions (charity) that serve the public good are deductible if in excess of 1% of the income and in excess of EUR 60. No more than 10% of the income may be deducted in this way.

2020, this ratio was 25.97% ($= 9.70 \% / (9.70 \% + 27.65 \%)$), implying that 25.97% of the (tax) credit is attributed to the personal income tax and the remaining 74.03% to social security contributions. If the individual's total tax credit is higher than the total tax and social security contributions levied on the first tax bracket, the shares of the residual amount of the tax credit that are attributed to the personal income tax and social security contributions are based on the rates of deduction in the second tax bracket in order that the employee can benefit from the full amount of the credit where the level of income allows it. As a result, the ratio of the tax rate to the sum of the tax rate and social security contribution rates is increased to 57.95 % for the residual amount in 2020 (i.e. $38.10 \% / (27.65 \% + 38.10 \%)$).

Division of credits for tax and social security contributions is essential in the OECD publications. In the Netherlands no division is made in the general tax scheme between tax and SSC.

Note that the table above shows the total amount of social security contributions net of the credits that are claimed.

- *General tax credit*: The general tax credit is made dependent on income since 2014, meaning that higher incomes receive less general tax credit. Since 2018, the general tax credit is fully phased out, meaning that higher incomes receive no general tax credit. In 2020, the maximum for this credit is EUR 2 711 when no reduction is applicable and taxable income is below or equal to EUR 20 711. For incomes above this threshold, the general tax credit is fully phased out at a rate of 5.672% (per euro). So incomes above EUR 68 507 receive no general tax credit.
- *Work credit*: The amount of work credit depends on taxable income from work and is phased in on three trajectories; the first one runs from EUR 0 to EUR 9 921. On this first trajectory, work credit equals 2.812% of taxable income from work. On the second trajectory, which runs from EUR 9 921 to EUR 21 430, the work credit equals EUR 279 plus 28.812% of the part of income that is above EUR 9 921. On the third trajectory, which runs from EUR 21 430 to EUR 34 954, the work credit equals EUR 3 595 plus 1.656% of the part of income that is above EUR 21 430. So at an income of EUR 34 954, the maximum of EUR 3 819 is reached. Above this income of EUR 34 954, the work credit is fully phased out at a rate of 6.0% (per euro) so that incomes above EUR 98 604 receive no work credit. See also Section 6.
- *Combination credit and additional combination credit*: 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 5 072, is entitled to an income dependent combination credit of 11.45% of taxable income above EUR 5 072. The maximum total combination credit is EUR 2 881 (reached at an income level of EUR 30 234).¹³
- *Single parent credit*: Abolished in 2015: The single parent credits have stopped and instead the cash transfers become more important. TaxBEN models an extra

¹³ This credit is classified as an in-work benefit **IW** in TaxBEN. See also Section 6.

cash transfer for single parents with children and a low income (as part of family benefits; see Section 4.1.2).

- Elderly tax credit: individuals above the pension age receive a tax credit of EUR 1 622 if their income is below EUR 37 372. This tax credit is gradually phased out to 0 at a rate of 15.0% for incomes above EUR 37 372. Individuals above the pension age who do not have a partner receive an additional tax credit of EUR 436 that is not income dependent. (Individuals above the retirement age are not modelled in TaxBEN).
- *Additional single parent credit*: Abolished in 2015, see explanation above.

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. The transfer of tax credits of the spouse to the principal will diminish with 6.67% per year in the period 2009-2023, such that in 15 year time the tax credits for a non-working spouse cannot be capitalised against the tax paid by the principal. The cap for this increase is at 20% of sum of the general tax credit, the work credit and the income dependent combination credit. As a consequence, the tax credit of the former taxpayer will exceed tax and premiums payable, resulting in a pay out of the residual tax credit to the taxpayer by the tax authority.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for the Netherlands in 2020 (see figure below). TaxBEN by default produces the following output: 1) net household incomes (**black line**) and 2) related income components (**coloured stacked areas**) for selected family and individual circumstances (users are free to select many of these circumstances). The model and the related web calculator is accessible from the [project website](#). The figure below shows output for a two-adult family with two children (adults are both 40 years old whereas children are 4 and 6 years old respectively) and four different scenarios:

- By percentage of the average wage (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record (in months), for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas show the following household income components: **GROSS** = gross earnings; **UB** = unemployment benefits; **SA** = social assistance / guaranteed minimum income benefits; **HB** = housing benefits; **FB** = family benefits; **IW** = in-work benefits; **SSC** = social security contributions; **IT** = income tax. Note that these components may be the result of the aggregation of more than one benefit/tax into a composite category. Please refer to the sections above for the benefits/taxes included in each category.

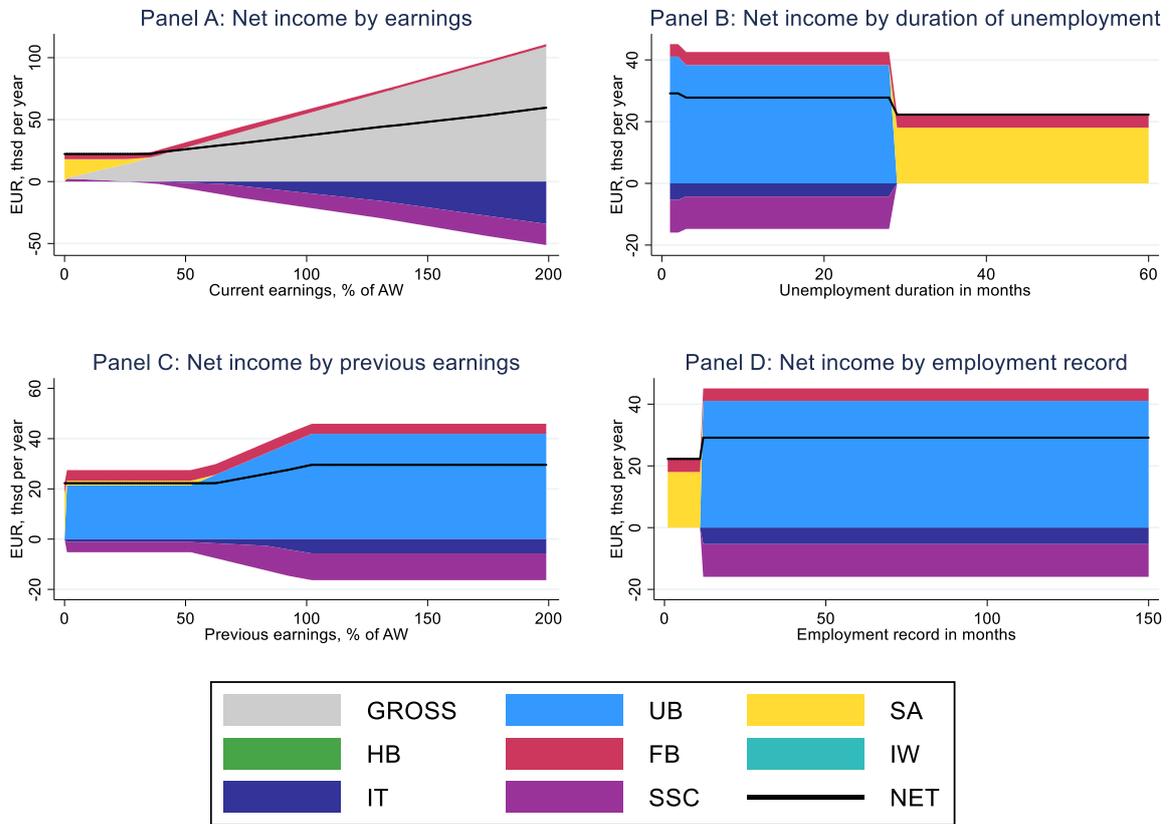
Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that one adult family member (the so-called ‘second adult’ using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (the so-called ‘first adult’) is employed full-time throughout the entire year at different earnings levels ranging between 0 and 200% of the average wage (AW). When earnings of the first adult are precisely 0% of the AW this person is assumed to be out of work without receiving unemployment benefits (again, e.g. because they have expired) but claiming social assistance or guaranteed minimum income benefits, as applicable.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The x-axis in Panel B measures the time of benefit receipt, starting from the first month. The x-axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt. In Panel B and D, previous earnings are assumed to be equal to the average wage.

Figure 12. Selected output from the OECD tax-benefit model

Couple with two children



Source: Calculations based on the OECD tax-benefit model. Rent is assumed to be 20% of the average wage.

Annex I: Childcare allowance – income thresholds and rates

The table below provides detailed income thresholds and rates for childcare allowance in 2020 (*Kinderopvangtoeslag*, see Section 5.3).

Household income (from), in EUR	Household income (up to), in EUR	Childcare allowance 1 st child (Percentage of gross fee)	Childcare allowance as of 2 nd child (Percentage of gross fee)
0	19,890	96.00	96.00
19,891	21,215	96.00	96.00
21,216	22,537	96.00	96.00
22,538	23,863	96.00	96.00
23,864	25,188	96.00	96.00
25,189	26,512	95.60	95.70
26,513	27,836	94.50	95.50
27,837	29,156	93.50	95.30
29,157	30,581	92.60	95.10
30,582	32,004	92.00	95.00
32,005	33,430	91.00	94.80
33,431	34,853	90.50	94.60
34,854	36,280	89.70	94.60
36,281	37,704	88.90	94.60
37,705	39,161	88.30	94.60
39,162	40,622	87.50	94.60
40,623	42,082	86.80	94.60
42,083	43,542	86.10	94.60
43,543	45,004	85.20	94.60
45,005	46,465	84.70	94.60
46,466	47,924	83.90	94.60
47,925	49,385	83.30	94.60
49,386	50,981	82.40	94.60
50,982	54,110	80.90	94.60
54,111	57,238	80.10	94.20
57,239	60,368	79.00	93.60
60,369	63,499	76.80	93.20
63,500	66,627	74.50	92.90
66,628	69,758	72.30	92.20
69,759	72,887	69.90	91.70
72,888	76,016	67.60	91.20
76,017	79,148	65.40	90.50
79,149	82,276	63.10	90.00
82,277	85,408	60.90	89.60
85,409	88,537	58.40	89.30
88,538	91,665	56.20	88.60
91,666	94,795	54.00	88.20
94,796	97,987	51.60	87.70
97,988	101,192	49.60	87.00

101,193	104,397	47.50	86.50
104,398	107,602	45.40	86.10
107,603	110,805	43.30	85.80
110,806	114,011	41.40	85.10
114,012	117,218	39.50	84.50
117,219	120,423	37.60	84.10
120,424	123,625	35.70	83.50
123,626	126,831	34.10	83.20
126,832	130,037	33.30	82.50
130,038	133,241	33.30	81.90
133,242	136,446	33.30	80.90
136,447	139,650	33.30	80.60
139,651	142,856	33.30	79.80
142,857	146,064	33.30	78.90
146,065	149,266	33.30	78.30
149,267	152,472	33.30	77.40
152,473	155,675	33.30	76.90
155,676	158,882	33.30	76.20
158,883	162,088	33.30	75.50
162,089	165,292	33.30	74.80
165,293	168,497	33.30	73.80
168,498	171,699	33.30	73.30
171,700	174,906	33.30	72.60
174,907	178,110	33.30	71.80
178,111	181,317	33.30	71.10
181,318	184,522	33.30	70.50
184,523	187,726	33.30	69.80
187,727	190,932	33.30	69.00
190,933	194,135	33.30	68.50
194,136	and higher	33.30	67.60

Source: <https://wetten.overheid.nl/BWBR0017321/2019-01-01>

Annex II: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in the Netherlands that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

1.1. Mandatory employer sick pay

1.1.1. Entitlement and eligibility conditions

[Not pre-filled]

1.1.2. Benefit amounts

Benefit is at least 70% of the worker's daily wage, and can reach 100% of the workers wage via collective wage agreements. The benefit is paid monthly.

1.1.3. Benefit duration

Benefits are paid for up to 104 weeks after a waiting period of two days; but employers and employees can agree on 'no waiting period' in collective labour agreements.

COVID-19 measures (Not currently implemented in TaxBEN model)

In case of quarantine during the Covid-19 situation, an employer may apply on behalf of the employee for income continuation paid through sickness benefits, under the condition that the employee is not able to work from home.

1.1.4. Means test

No

1.1.5. Tax treatment

Like wages

1.1.6. Interactions with other components of the tax-benefit system

Like wages

1.1.7. Combining benefit receipt and employment/starting a new job

Like wages

1.2. Sickness Benefit (Ziektewet)¹⁴

Most workers receive sick leave from their employers. Those workers who do not receive this leave may receive a sickness benefit from the government.

1.2.1. Entitlement and eligibility conditions

Workers without an employment contract (fixed-term contract that has just ended, agency workers, unemployed).

1.2.2. Benefit amounts

Benefit is at least 70% of the worker's daily wage. The daily wage (dagloon) is the total of earnings of the previous calendar year for which social contributions were paid, divided by 361. The maximum daily wage considered is EUR 222,78.

If 70% of the daily wage is less than the social minimum a means-tested supplement can be claimed under the Supplementary Benefit Act. The Sickness benefit is paid weekly (but monthly when a person entitled to unemployment benefits becomes ill and – after a waiting period – will be entitled for sickness benefit).

1.2.3. Benefit duration

Benefits are paid for up to 104 weeks. In some situations, there is a waiting period of two days.

1.2.4. Means test

No.

1.2.5. Tax treatment

Sickness benefits are subject to taxation, comparable to labour income.

1.2.6. Interactions with other components of the tax-benefit system

Depends on the kind of other benefits. Some other benefits will not be affected by the Sickness Benefits, while entitlement to other benefits can not go together with entitlement to the Sickness benefit.

1.2.7. Combining benefit receipt and employment/starting a new job

A partial sickness benefit is possible in the context of re-integration to work with the old or with a new employer.

¹⁴ <https://www.uvw.nl/particulieren/veelgestelde-vragen/ziektewet-uitkering/detail/gelden-er-wachtdagen-voor-de-ziektewet-uitkering>