

PENSIONS OF EXPATRIATE EMPLOYEES

MAIN CONSIDERATIONS FOR EMPLOYERS AND EMPLOYEES BEFORE AN EXPATRIATE EMPLOYEE STARTS WORKING IN THE NETHERLANDS

MANDATORY PENSION PLANS



Approximately 75% of all employees in the Netherlands are obliged to participate in a pension plan of an industry wide pension fund. This mandatory participation in principle also applies to expatriate employees, unless they are seconded and continue to participate in a pension plan which is administered in another EU Member State.

CONTINUATION OF A FOREIGN PENSION PLAN

Upon approval of the Dutch tax authorities, expatriate employees can continue to participate in a pension plan from their home country, while the pension contributions are deductible for Dutch tax purposes. The aforementioned approval is subject to various conditions.



PENSION CONTRIBUTIONS



On average, pension contributions of Dutch employees equal 25% of the pensionable base. The average employee part of these contributions is 1/3rd. Pension contributions of DC plans are age related. The pensionable base equals the pensionable salary minus a fixed amount. The pensionable base is capped at approximately EUR 100.000.

TAXATION

An expatriate employee should consider the Dutch tax aspects of pensions before deciding to continue a foreign pension plan or joining a Dutch pension plan. This relates to the tax treatment of pension contributions, accumulated pension capital and retirement benefits. Taxation of retirement benefits is also subject to bilateral tax treaties.



WORKING FROM HOME



If an expatriate employee is working from home in his or her home country, participation in a Dutch pension plan could become more complicated. In this case, one should consider participation in a Dutch pension plan based on the actual working days in the Netherlands.

OPTING OUT AND PENSION WAIVERS

Participation in a Dutch pension plan is sometimes not attractive for an expatriate employee. This is for example the case if one prefers to receive the accumulated pension capital as a lump sum; this is not allowed in the Netherlands. The decision to opt out of a Dutch pension plan is possible if the plan contains an opt out clause. Pension waivers are not useful, unless the pension plan has an opt out clause.

