



Netherlands Enterprise Agency

Marie Skłodowska-Curie Actions

***Financial aspects of a Marie
Skłodowska-Curie fellowship in
the Netherlands***

Questions and Answers

*Issued by the Dutch Marie Skłodowska-Curie National Contact Point at the Netherlands
Enterprise Agency, in cooperation with Euraxess The Netherlands*

March 2020

Financial aspects of a Marie Skłodowska-Curie fellowship in the Netherlands

Questions and Answers

A Marie Skłodowska-Curie fellowship is always paid by the European Commission/Research Executive Agency to a host organisation. The host organisation in turn has to make sure that the fellowship benefits the fellow. No profit is to be made by the host organisation. So, what will my net salary be, many Marie Skłodowska-Curie fellows in the Netherlands wonder. Do I pay taxes? Do I pay for a pension scheme? Why do colleagues in other countries receive a different amount than I do? The Marie Skłodowska-Curie National Contact Point in the Netherlands often receives these and similar questions. This document will clarify these issues and provide you with answers.

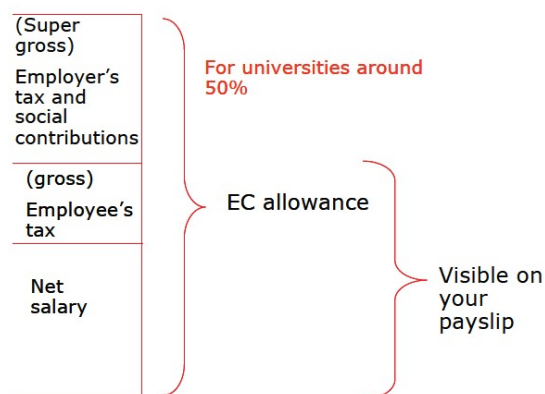
1. Why do I receive a different salary than the amount indicated in the EC documentation?
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1. Why do I receive a different salary than the amount indicated in the EC documentation?

The living allowances mentioned in the EC documentation (the Work Programme for instance) include the provisions for all compulsory deductions under national applicable legislation. That means that the living allowance is not just your gross salary, but additionally includes the compulsory employers' contributions.

How much these amount to varies from country to country, but in the Netherlands they are around 50% of the employee's gross salary (about one third of the salary sum in total). These include insurance schemes that provide for decline in income due to unemployment (WW), accidents at work or occupational disability (WIA), illness (ZV) and company pension.

So your host institution receives the allowances for the benefit of the fellow from the EC and from that amount the institution has to pay the employers' contribution and deduct wage tax and social security contributions. The remaining amount is your net salary, which you receive in your bank account each month.



Also, the yearly salary mentioned in the Work Programme is not necessarily divided into 12 equal parts. Salary conditions follow local practice, and in many cases, organisations are obliged to hire their employees according to the national collective labour agreements for a certain sector. These can determine, for example, an obligatory payment for summer holidays or as Christmas benefit. In these cases, the employer can split the yearly amount into 13 or 14 shares. Consequently, the monthly allowance may be lower than the yearly allowance divided by 12. On a yearly basis, you will receive the correct amount that is due (after taxation).

2. Why do Marie Skłodowska-Curie fellows in other countries or even within the same institute receive more salary than I do?

It seems unfair that a Marie Skłodowska-Curie fellow in another country, or even within your own host institution, with the same amount of experience as you have, receives more salary than you do. Don't you both receive your grant from the European Commission (EC)? Indeed, the source is the same. However, a few factors influence the amount of the fellowship that you receive.

First, in order to make sure that a Marie Skłodowska-Curie fellow has the same rights and duties and the same access to social security as other employees in the country where the fellow works, the EC decided that national regulations apply to all fellows.

If you have an employment contract in the Netherlands, as will be most likely the case when you have a Marie Skłodowska-Curie fellowship, your employer will have to pay the compulsory employers' contributions and you are obliged to pay income tax.

Your employer will withhold the relevant amount for both employers' contributions and income tax from your salary and transfer it to the tax authorities. The Netherlands has a progressive tax system, which means the amount of income tax deducted from your salary depends on how much you earn. The amount can vary between 36,55% and 52% of your gross salary (2016 rates), depending on the level of your income (the Human Resources department of your host institution can give you exact information). In some countries the fellowship is not taxed at all or the tax deduction is much less, as a result of which your colleague in another country may receive a higher net salary than you do.

Second, the overall level of the fellowship, before taxation, is influenced by the EC decision on the level of the allowances for all calls for proposals under a series of Work Programmes. If salaries are rising in Europe, then the Marie Skłodowska-Curie living allowances usually also rise after a few years. The rates for the first years of Horizon 2020 were different from the last years of the previous Framework Programme.

Finally, a correction factor is carried out, according to the cost of living in the country where the fellowship is. These correction factors are updated by the European Commission for a series of Work Programmes, according to calculations by Eurostat. Sometimes the cost of living calculations can vary considerably from one year to another. Furthermore, because of tax and social security treaties and legal ties to your country of origin, tax and social security contributions might be different compared to other Marie Skłodowska-Curie fellows.

So together these factors explain why your colleague Marie Skłodowska-Curie fellow in another country or on a project funded in another year may receive a different amount than you do.

3. Which allowances am I entitled to and which of them are taxed?

The fellowship that the host institution receives from the European Commission is a gross amount, meant to pay the researcher and to pay for other costs directly related to the employment of the researcher. The total amount is divided by the European Commission in cost categories. Below you can find an explanation of the cost categories for host driven actions (ITN) and individual fellowships (IF) that were granted under Horizon 2020¹:

Cost categories with regards to the fellow

Part of the Marie Skłodowska-Curie grant that the host organisation receives from the EC are allowances that are to be used by the host organisation to pay the researcher during the time of the project. The Research Executive Agency (REA) of the EC checks whether the entire amount has been used for the benefit of the researcher. If this appears not to be the case, REA will ask for corrective action (an additional payment at the end of the fellowship), to make sure that the entire amount intended for the researcher is indeed used to pay you. How your allowances are structured, and which country correction coefficients apply, is determined by the Work Programme of the year of the call for proposals that funded your project. The amounts are not subsequently adapted, even if the work programme for later calls for proposals changes. So, if for instance, you work in a project funded by the call for proposal in 2018, the amounts of your allowances and the correction coefficient for the Netherlands mentioned in the Work Programme of 2018 are applicable during the entire time of the project duration. You can find the number of the call year in the grant agreement signed by the host institution and the EC. You may also ask the scientist in charge of the project.

The following allowances are to be paid to the researcher:

Living allowance

The living allowance is a financial contribution of the EC to the salary costs of the researcher (gross salary and employer's social security charges). A correction coefficient is applicable.

What about tax in the Netherlands?

In the Netherlands, researchers on a Marie Skłodowska-Curie fellowship typically have an employment contract with their host organisation rather than a fellowship. The living allowance is liable to the same social security reductions and taxation that applies to the salary of other employed workers in the Netherlands.

Mobility allowance

The mobility allowance is meant to cover expenses linked to the personal household, relocation and travel expenses of the researcher and his/her family. The mobility allowance is *not* meant to cover travel expenses that are necessary for carrying out the research project (e.g. for field research, attending conferences).

Family allowance

Researchers that have a family (either by marriage/marriage equivalent or have dependent children) may be entitled to a family allowance. Like the mobility allowance, the family allowance must be paid by the researcher for their own use.

What about tax in the Netherlands?

Whether or not the mobility (and family) allowance is taxed depends whether it is paid as a flat rate directly to you as a researcher, or treated as a reimbursement of expenses. In the first case, the allowance makes up part of your salary and is seen as income by the Dutch tax authorities. It is therefore taxed as salary. In the second case, when it is treated as a reimbursement of expenses, it is not seen as income and it might not be taxed. Certain expenses may be reimbursed tax free by the employer in any case, according to their internal rules and the collective labour agreement in force. Others might only be reimbursed tax free if they fit the tax authorities' definition of 'extra territorial costs'. Ask your employer for more information. Notice however, that you can only make use of tax free reimbursement of actual 'extra territorial costs' costs, if you are not already making use of a flat rate tax reduction instrument, called the 30% tax facility. (see Q&A nr. 8). The mobility allowance can be paid as a flat rate directly to the researcher, or incorporated in your salary and reimbursable costs. However, it is advisable to discuss these options with your host institution before signing the grant agreement.

Cost categories with regards to the host organisation

The following contributions are managed by the host organisation. These are granted as flat rates for various categories of expenses. This means that the host institution does not need to report about how they spent these cost categories.

Research, Training and Networking Costs

This contribution is managed by the host organisation for expenses related to the participation of the researcher in research and training activities (research expenses, meetings, conference attendance, training actions, courses, etc.). It is not paid to the researcher. In most cases, the researcher can just use lab materials, go to conferences, buy publications, etc, without having to monitor expenditure, in common agreement with the scientist in charge.

Management and indirect costs

This contribution is managed by the host organisation and is intended to cover the costs for the legal, ethical, financial and administrative management of the project. It can also be used

to cover indirect costs (e.g. communication costs, water/gas/electricity, maintenance, insurance).

4. How to avoid double taxation?

It is possible that even though you stay in the Netherlands, from a fiscal point of view, you are still seen as a non-resident tax payer. For example, because other family members still live in your country of origin and you visit them regularly. Because the Dutch employer performs his task as withholding agent on the source of income and the taxable country of residence will tax you on your world income, this may lead to double taxation.

To avoid double taxation it is first important for the employer to make a correct judgment on what your taxable country of residency is. In most treaties the country of residence is determined by balancing someone's social, economic and legal ties to a country. A strong social tie to the country of origin could be decisive.

If the country of fiscal residency is not the same as the country of source income, the bilateral tax agreement applies. To avoid double taxation the Netherlands has concluded tax treaties with a large number of countries. A tax treaty is an arrangement between two countries about which of them has the right to tax certain types of income. In this way, a situation is avoided where you would have to pay tax in two countries on the same income. Treaties with different countries are not always identical in content. If the Netherlands has concluded a tax treaty with the country from which you receive income, you can only find out about the exact tax consequences in the Netherlands by consulting the applicable treaty.

5. According to the Work Programme I am entitled to a mobility allowance, but I don't see it on my salary slip. Is this correct?

The host institution has to pay you the Marie Skłodowska-Curie mobility allowance on top of the Marie Skłodowska-Curie living allowance. For early stage Marie Skłodowska-Curie fellows in the Netherlands, the level of the living allowance plus mobility allowance is typically equal to or slightly lower than the obligatory minimum salary level for PhDs according to Dutch law. The host institution is not obliged to pay the mobility allowance on top of the salary, if the (gross) salary is already as high as the living and mobility allowance combined. If it is paid to you directly (not as a reimbursement of expenses), the fiscal rules in the Netherlands do not provide room for a different fiscal treatment of the mobility allowance. It is seen as salary, the same as the living allowance. For this reason, you will typically not see the mobility allowance as a separate heading on your pay slip.

6. Why do I receive the same salary amount as a PhD hired by a Dutch university?

Employers in the Netherlands are obliged to pay their employees according to the rules set in a collective national labour agreement. Since in the Netherlands PhDs (in Dutch: AiO's or promovendi) are hired as employees, their monthly salary is determined as well in such an agreement. Marie Skłodowska-Curie fellows at universities in the Netherlands are almost always hired as employees and therefore the

collective labour agreement also applies to them. Thus they must be treated the same as other employees. Also, when split up in monthly salaries, the Marie Skłodowska-Curie fellowship amounts to roughly the same as a Dutch PhD salary (including all costs of taxation and social deductions), contrary to some other European countries where the local wage of a PhD student can be much lower than the amount of a Marie Skłodowska-Curie fellowship. The Dutch employer is obliged to pay at least the salary required by the collective labour agreement, therefore the host institution has to pay the difference between the living allowance (plus the mobility allowance, if applicable) and the legally required salary, if this is higher than the allowance received from the Marie Skłodowska-Curie fellowship.

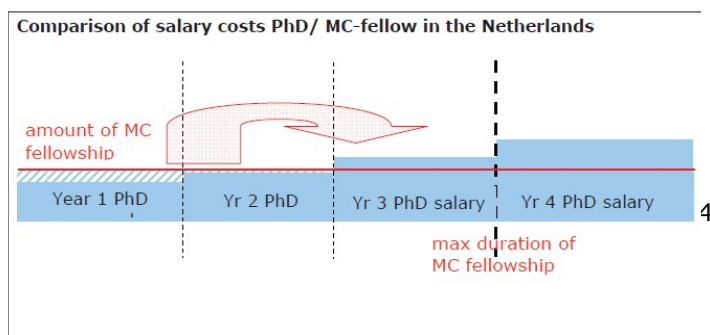
Since the legally required salary for PhD students in the Netherlands is in the first year lower than the amount of the Marie Skłodowska-Curie living allowance, but higher in the following years, the host university may compensate this in the salaries paid in year 2 and 3. So over the 3 years, the total of the Marie Skłodowska-Curie fellowship has been paid to the researcher (see graphic below).

7. How will the fourth year of my PhD be funded?

Within a Marie Skłodowska-Curie Initial Training Network, the EU funds PhD positions for three years, since in most EU countries PhDs are three years. In the Netherlands it usually takes four years to finalize a PhD. The Marie Skłodowska-Curie allowances for the researcher (living, mobility and family allowance) should be used in three years. If Dutch host institutes participate in an ITN and want to offer a four-year PhD position, they should take care of the funding for the fourth year themselves. Of course, when starting a position as a researcher in an ITN, it should be clear if it concerns a three-year or four-year position.

8. Do I qualify for the 30% tax facility?

The Netherlands' tax authority allows employers to provide international employees in the Netherlands a tax-free compensation for the extra expenses incurred by working outside their home country (the so-called extraterritorial costs). This can be done by reimbursing actual extraterritorial costs. The Tax Office has a list of expenses that are eligible as extraterritorial costs. It is also possible to opt for a flat-rate method through the '30% tax facility'. This means that a fixed allowance of up to 30% of an expatriate's salary can be paid tax-free. It is easier to administrate, and in most cases more profitable for researchers on a Marie Skłodowska-Curie fellowship, because the 30% is calculated over the total sum of your salary, which includes the Marie Skłodowska-Curie living allowance and mobility allowance. With the actual reimbursement of 'extraterritorial costs', only part of the Marie Skłodowska-Curie fellowship - the mobility allowance - will be eligible.



Your employer may apply for the 30% tax facility for you. The Dutch tax administration decides whether you are eligible or not.

An important eligibility rule is that you have specific expertise that is scarce in the Netherlands. This is determined by a minimum annual salary threshold of more than € 38.347, exclusive of the tax free allowance under the 30% facility. For employees who are younger than 30 years and who have a Dutch university Master's degree or an equivalent degree in a country other than the Netherlands a lower threshold of minimum € 29.149 is applicable (2020 rates). This threshold is indexed every year. However, this salary threshold does not apply for scientific personnel (including PhD students) working at qualifying scientific institutions, or medical trainees at qualifying institutions. In other words, if you are a Marie Skłodowska-Curie fellow and you have a contract with a university or some research centres, than you do not have to meet the salary threshold to qualify for the 30% facility. If you work as a Marie Skłodowska-Curie fellow in industry, you do have to meet this threshold.

Another eligibility rule is that you need to be an 'incoming employee'. This means that you need to have resided outside the so-called foreign border region (defined as within a range of 150 kilometres from the Dutch border) for more than two thirds of the previous 24 months. This criteria does not apply to you if you have been recruited within one year after obtaining your PhD in the Netherlands. In that case it will be reviewed that on the start of your PhD trajectory you were recruited from abroad and have resided for more than two thirds of the previous 24 months (defined as within a range of 150 kilometres from the Dutch border). Be prepared that the tax administration expects the employee to provide solid proof of the place of residence before coming to the Netherlands. You can make use of the 30% tax facility for a maximum of 5 years. During that time a continual assessment of the criteria will be required. In practice this means the salary level will be checked at the end of each calendar year. The facility stops immediately after you stop meeting the criteria, if necessary in retrospective.

9. Do I pay for a pension scheme?

The European Commission wants the researchers who are funded by Marie Skłodowska-Curie fellowships to build up a pension. There are many differences in personal situations of the researchers and in national pension systems. Therefore the EC/REA provides flexibility to find the most suitable arrangement, provided that social security, including pension, is taken care of.

Let us first explain the Dutch pension system to answer the question. The Dutch pension system is made up of three tiers. The first tier consists of government pension provision (AOW, 'old age' pension). The second tier consists of company pension provision, accrued via one or more employers. The aim of company pension schemes is to supplement the AOW amount to a level where the final pension equals 70% of the

salary. The third tier is optional and consists of personal future provisions schemes.

Every resident and every employee in the Netherlands accumulates 2% AOW entitlement each year between the ages of 15 and 65. As a foreign researcher employed in the Netherlands, you too will accumulate these AOW entitlements provided that you pay into the Dutch national insurance schemes while in this country (this is the case if you are obliged to take out a Dutch public healthcare insurance). When you leave the Netherlands, these accumulated AOW rights are retained.

However AOW payments are only made to countries with which the Netherlands has a treaty.

See: www.svb.nl

http://www.svb.nl/int/en/aow/wonen_buiten_nederland/beu/ind_ex.jsp

The pension provisions that you pay into a Dutch pension fund will be deducted from the total Marie Skłodowska-Curie allowance. These provisions are marked on your salary slip with abbreviations such as ABP, OP/NP, etc. These deductions (about 7,5% of your gross salary) will take place before taxation. Besides your own contribution the employer also contributes into the Dutch pension fund. The employer's contribution is about 17,5% of your gross salary.

10. Can I transfer my foreign pension savings to the Dutch pension fund or vice versa before I retire?

National pension systems generally do not facilitate for a smooth connection with your new pension fund when you move abroad, therefore it is often not easy or possible to transfer your foreign pension savings to a Dutch pension fund or vice versa. Each country, whether a member or not of the European Union, has its own set of rules. In the European Union, the Netherlands is one of the few (member) countries where specific rules for international value transfers (IVT) or transition are in use. However, all international transfer procedures of pension benefits accumulated in the Netherlands to a foreign country are subject to stringent and various (mandatory) legal and fiscal conditions. There are many reasons why an IVT cannot be effectuated. Foreign insurers are not always willing to cooperate or cannot qualify for the conditions. Also tax authorities do not always approve of an IVT because pension savings have been saved before taxes when transferred income tax has to be paid on it. In this case it is not advisable to continue the process of IVT.

11. How do I file for an International Value Transfer of my pension?

The first step is to ask your foreign pension fund if they are willing to cooperate in an International Value Transfer.

National pension schemes (first tier)

There are formal agreements between EU and EFTA countries for the mutual recognition of national pension schemes made in a different EU country. In the European regulation on the coordination of social security systems (883/2004) it is arranged that all periods of insurance and labour in any EU or EFTA state will be recognized.

All member states in which a person has been insured must pay an old age pension when the insured person reaches retirement age. The calculation of the amount of the benefits takes into consideration all the periods completed in another member state.

The regulation also contains rules concerning the way in which the competent institutions calculate benefits and rules to prevent overlapping.

If you are insured at ABP (the pension insurer for all civil servants, schools and universities), you may start the process for International Value Transfer via a written letter, which can be sent to: ABP Pensioenen, Service Verzekerden/KTD, Postbus 4830, 6401 JM Heerlen. If you are not insured at ABP please check with your own pension insurer for the procedure. When your insurance company receives your request for an IVT it will contact the foreign pension fund and request an overview of your pension accruals. With this information you can ask for an offer. The offer should consist of the eligibilities towards an old age pension and a surviving dependants' pension. This provides you with the possibility to compare the pension accruals.

What about my pension?

Working in different countries often results in a lower pension, as by changing pension fund or pension system generally this has a negative influence on your pension accumulation. It depends on the fund or system that you come from and go to what the specific impact is in your situation.

12. What happens with my pension if I do not get an International Value Transfer of pension savings?

This will be the situation in most cases. If you have saved pension with a Dutch pension insurer, at the legal retirement age (currently going up to 67) they will start carrying out periodical pension payments to you. The only thing you need to do is keep the Dutch pension fund informed about your legal address. You can find your pension funds on this website: www.mijnpensioenoverzicht.nl (DigiD required). Depending on your country of residence it can be determined if and where you need to pay tax on the periodical pension payments. This is stated in tax treaties that the Netherlands has with most other countries. In most situations the tax liability lies in your home country. You can always consult a tax advisor to see what applies to your specific situation.

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This publication was commissioned by the ministry of Economic Affairs and Climate Policy

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NL Enterprise Agency is a department of the Dutch ministry of Economic Affairs and Climate Policy that implements government policy for agricultural, sustainability, innovation, and international business and cooperation. NL Enterprise Agency is the contact point for businesses, educational institutions and government bodies for information and advice, financing, networking and regulatory matters. Netherlands Enterprise Agency is part of the ministry of Economic Affairs and Climate Policy.