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Dutch civil service pensions taxable in Holland

The finance ministry has agreed immediate application of the new Dutch tax treaty rule to the effect that civil service pensions paid by private pension funds are taxable in the country of payment.

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Following an administrative reform, Dutch civil service pensions are now paid by a seies of private pension funds, known as ABP. The recently signed, though not yet ratified, double tax treaty with Holland recognises ABP civil service pensions as equivalent to those paid from the public purse and contains a provision for their taxation in the country of payment insofar as the pension entitlement stems from periods of public service as a civil servant or as the employee of a public body. The Central Tax Office acting on behalf of the finance ministry has now agreed with the Dutch finance ministry that this new treaty provision shall be applied immediately withou waiting for the formal entry into force. Under the terms of the treaty it shall apply retrospectively to all cases still open.

ABP pensions earned other than through public employment are taxed as income from a private pension fund, that is, in the country of residence. Pensions stemming from periods of public and private employment are to be split by length of service. The Dutch finance ministry has entrusted the tax office in Heerlen with the task of establishing and certifying the split in individual cases. Former Dutch civil servants or government employees living in Germany will thus need to contact the Heerlen tax office for the necessary certificate to demonstrate entitlement from exemption from German taxation.

Keywords

civil service, pensions