

# Doing Your PhD Tax-Effective

## *A small guide through the Dutch tax system*

### Introduction

So, you are about to finish your PhD period (or recently have – see section *General Tips*), and slowly the costs of such an event materialise before your eyes. Several month salaries need to be spent in order to obtain your degree. However, the Dutch tax system (“de Belastingdienst”) facilitates in reducing the overall costs. While this information is freely available (in Dutch), it is hard to interpret the rules exactly. Much is loosely defined, and refined by jurisprudence. This guide tries to give you the best and most relevant information available. But first a disclaimer:

#### *Disclaimer*

I am not a lawyer or any of the kind, nor do I have any affiliation with *de Belastingdienst*, so the information in this document is given *as is*, and does not have any legal value. The information is given to my best knowledge as of 2013 assuming your PhD is the only activity, but rules are subject to change. Anything you do is at your own responsibility. Do not attempt to fraud – de Belastingdienst is always right.

With that done, let us get started.

### Basics

Things that are deductible is anything directly related to the formal and obliged academic ceremony:

- Preparation of the thesis (including printing/binding of the manuscript etc.)
- Printing the thesis (partially, see section *Printing the Thesis*)
- ISBN registration
- Literature
- Shipping costs and phone-calls
- Envelopes and other packaging for the thesis
- Costs regarding the committee (possibly including travel)
- Renting costume, *including* costumes for the paranymphs
- Reception after the defence

Not deductible are:

- Party
- Dinner
- Photo report of the ceremony
- Nanny for the kids

So generally, all costs *directly related and/or required for the public defence* are deductible. A party is in general not public and not required, so not deductible. While the reception is in general not required, it is public and directly related to the ceremony itself.

## Planning

- Save all receipts! Small numbers add up eventually.
- Do not plan your defence in January! Costs are deductible *only in the year you paid the bill*. If your defence is in January, the printing (and preparations) were in the previous year, while the reception is in the current year. For both events, you have to deduct the threshold of € 250,- (as of 2013). If you are in the 42% tax bracket, you “lose” € 105,-. Try to negotiate with your printer to pay the bill later.
- Strictly mark every expense as “deductible” or “non deductible” and keep this separated.
- Strictly mark every funding as “must be subtracted” or “free”. You have to subtract every funding you received for the deductible costs primarily. Also this comes down to administration. So, if you receive € 1000,- for printing of the thesis (e.g. from your university) you have to subtract this from the total costs. If you receive € 1000,- sponsorship from a third party, mark this as “General sponsoring PhD”, so you can use it for printing the part of the thesis which are *not deductible*, or for the party (put a plate “Sponsored by ...” at the entrance, and make a photo of it). If you receive funding from your department (independently of the university), mark this as “For thesis requested by the department”, see next section.
- Start selecting a printer on time – negotiating details regarding billing may take up some time.
- Write down everything clearly. You do not need to hand in the details during your tax return request, but they may ask for it later. Later meaning up to 4 years after *you* are finished with it.

## Printing the Thesis

The main cost is printing of the thesis. Important to understand is that *only the number of prints required by the university (so not the request from the department) are deductible*. So, if 40 are required, and you have a bill for 400, you are only allowed to deduct 1/10th of the total figure. Also, your department may “request” 50 or 100 prints for colleagues. These cannot be deducted, but you can assign possible funding from the department to cover for those costs (i.e. you have an excuse not to subtract this funding from the deductible costs).

So, how do we maximise profit? Split the bill! Negotiate this with your printer, so you have a bill for the first 40 prints, and a second bill for the remainder. This first bill covers all one-time costs (like ISBN registration, FSC registration, printing of a proof, etc.) and start-up costs for the printing process. Normally, these first 40 are “very expensive”. It is for the responsibility of your printer to determine the reasonable costs for the first batch.

With this in mind, the tax return may alter your choice between digital printing and offset printing. Digital printing roughly prints 1 book at a time, and the total costs are almost linearly related to the number of prints. Offset printing prints a lot of copies in a short run, so starting up the printing process is the main issue here. If the average costs of a book is € 5,-, offset printing may only cost € 2,- per book for another 100 copies. The turn-over point for digital vs. offset printing is about 300 copies (heavily depending on your thesis (pages, colour pages, etc.)).

So, if offset printing is a bit more expensive, compute the tax return with the split bill approach, which may turn out that the offset printing is much cheaper after the tax return.

## General tax tips

- You are reading this document, but already finished your PhD in 2011? As long as you did not receive the final decision for 2011, you can just turn in another tax form. The last one counts! Did you just receive the final decision for 2011? No worries! You can try to (formally) complain about it within 6 weeks, and file a new one, even if the original one was correct.
- If you are married, or live together under certain circumstances, you are *financial partners*. Fill in the tax forms together, you may easily get a lot of extra money unconditionally (“combinatiekortingen”). Really!
- The PhD can be filed under “Aftrekposten”, “Studiekosten en andere scholingsuitgaven”.
- If you do a combined tax registration, you can choose from whom's income the expenses must be subtracted (“Verdeling”). You can play with this. If you are both well in the 42% tax bracket, it does not matter at all. However, if your partner is in the 52% tax bracket, it is most profitable to subtract the expenses from your partner's income. If both your incomes hit the lower bound of the same tax bracket, you may need to divide the expenses. For example, both your annual incomes are € 20645,-, € 1000,- higher than the lower bound of the 42% tax bracket. Now suppose you can subtract € 1500,-. If you subtract this from one income, you get 42% back of the first € 1000,- and 37% back of the remaining € 500,-. In this case it is better to subtract the remaining € 500,- from your partners' income, and get the full 42% back.
- If your income changes significantly in between years, and especially when moving rapidly between tax brackets, it may be interesting to average your income over 3 years (“Middelen”). This can work both ways: if you are lucky and find a well paid job after your PhD, and move from the 42% tax bracket to the 52% tax bracket, and your average income over 3 years still fits in the 42% tax bracket, this technique may be beneficial for you. If you are unlucky and become unemployed (or a full-time parent), your income drops to 0 and in that case averaging is also interesting. You have to request this within 3 years after you received the final decision for the highest year you want to average over (so if you want to average over the years 2009-2011, and you receive the final decision of 2011 in 2013, your final chance is 2016). This may also be interesting to average the last 2 years of your MSc. with the first year of your PhD. This averaging is quite complicated, so figure it out yourself.
- It is possible to get an advanced tax return (“Voorlopige aanslag” for the running year). It is no problem to “overestimate” this figure (within reasonability of course): as soon as you do your final tax, this advanced return will be settled with the totals. You can do this before your defence, which is a convenient way to have something at hand to fulfill the primary bills.

- Keep in mind that it is important to have a valid reason whether or not to subtract a funding from the expenses. De Belastingdienst may think differently about the choices, and reasonability makes the difference between (attempted) fraud and ignorance.

## **Sources**

In order of trustworthiness:

De Belastingdienst ([www.belastingdienst.nl](http://www.belastingdienst.nl))

Elsevier Belasting Almanak ([www.elsevier.nl](http://www.elsevier.nl))

Promotiewijzer ([www.promotiewijzer.nl/en/financiele-zaken/promoveren-en-de-belastingdienst.html](http://www.promotiewijzer.nl/en/financiele-zaken/promoveren-en-de-belastingdienst.html))