

Zoom-in on We.Service.Heerlen (WESH) | Tax Challenges Explained



Constraints

Wage Tax

- Rewarding the performance of a task is considered **waging** by the tax authority. Therefore a wage tax should be applied as paid labour for every small single task.
- Therefore citizens are obliged to **register as freelancers**, in order to perform paid labour legally.

Income Tax

- Citizens are **obliged to register** all of their paid labour at their annually tax registration, in order to have their income taxed.
- If someone is employed by a company, then the income tax is withheld from the salary by the employer.

Local Currency

- 't Heerlens Heitje is the **local cryptocurrency** for the city of Heerlen, based on blockchain technology.
- Citizens **receive Heitjes** from the municipality when a task is performed accordingly.
- Heitjes (1 Heitje = 1 euro) can be **spent in local shops** and at local bars, so the earned money will not leave the city.

Value-added Tax (VAT)

- In the Netherlands 21 percent VAT is **added to the price** of all of the products in shops and 9 percent to food and beverages (21 percent to alcohol).
- The local coins (Heitjes) have a **fixed amount** which the municipality pays directly to the shop of hospitality service owner.

Tax Allowances

- In 2020 a huge scandal occurred in the Netherlands, where the tax authority used ethnic profiling, wrongfully accused fraudulence and **cut allowances**.
- This resulted in distrust of the tax authority and **reluctance to register** anything that could possibly cut citizens' allowances.

Solutions

- An exception was given to the project to have citizens earn up to 1,500 euros/ Heitjes annually, without taxing them or having them registered as freelancers.

- It remains solely required for citizens to register their annual income (in euros) from the performed tasks at the tax authority.

- The Heitjes are cashed-in and handled as shop vouchers, so the VAT is paid by the municipality to the tax authority.

- The **wage was dropped** from 15 Heitjes an hour to 5 Heitjes, to have it considered as voluntary work, which bypassed the tax authority and tax registration.