Settlement agreement with explanation per clause

Example of a balanced Dutch settlement agreement (vaststellingsovereenkomst), in English, with an explanation per article

Each article is followed by an explanation: why it matters, what often goes wrong and whether it is usually negotiable. Use it to compare your own agreement, not to copy unchanged.

Parties

Employer: [Name of employer], having its registered office at [address], [postcode and town], represented by [name and position], hereinafter: "the employer",

and

Employee: [Name of employee], residing at [address], [postcode and town], hereinafter: "the employee".

The employer and the employee are hereinafter referred to individually as a "party" and jointly as "the parties".

> **Explanation.** The correct name of the parties looks like a formality, but it is legally essential. It often goes wrong with employers that are part of a group: the agreement names a holding company, while your employment contract is with an operating company. That can later lead to discussion about who has to pay the severance. Check that the employer in the agreement is exactly the employer in your employment contract and on your payslips. If you hold a permit as a highly skilled migrant, also check which entity is your recognised sponsor at the IND. This article is not negotiable (it must be correct), but it can be corrected.

Recitals

a. The employee has been employed by the employer since [start date] on the basis of an employment contract for an [indefinite/definite] period, in the position of [job title], at a gross monthly salary of € [amount], excluding holiday allowance and other benefits.

b. The employer has informed the employee that it wishes to end the employment because of [reason, for example: economic reasons / a reorganisation].

c. The initiative for the termination of the employment lies with the employer.

d. The parties wish to end the employment by mutual consent and record their arrangements in this settlement agreement (vaststellingsovereenkomst) within the meaning of article 7:900 Dutch Civil Code.

e. The parties declare that the employee has had sufficient opportunity to obtain legal advice, and, where relevant, advice on immigration and tax.

> **Explanation.** The recitals are the financial and legal basis of the agreement. The start date, position and salary affect the transition payment, any additional payment and the final settlement. A common mistake is to mention only the base salary, while fixed components (structural allowances, fixed overtime pay or a fixed bonus) are left out. The recital that the initiative lies with the employer is important for your unemployment benefit (WW). Facts are not negotiable, but errors can be corrected.

Article 1 – Termination of employment

1.1 The employment ends by mutual consent on [end date] ("the end date").

1.2 Until the end date, the employment contract and all applicable terms and conditions of employment remain in force, unless this agreement provides otherwise.

Article 2 – Reason for termination and WW

2.1 The employment ends because of [reason, for example: economic reasons / a reorganisation], without any culpable act or omission on the part of the employee.

2.2 The parties expressly declare that:

- the initiative for the termination lies with the employer;
- there is no urgent cause (dringende reden) within the meaning of article 7:678 Dutch Civil Code;
- the end date respects the notice period that applies to the employer under the law, the employment contract or the collective agreement.

2.3 The parties intend this agreement to be a termination of employment that does not stand in the way of the employee's right to benefit under the Unemployment Insurance Act (Werkloosheidswet, WW). The employer will act consistently with this agreement if UWV asks for information.

> **Explanation.** This is a key article. A settlement agreement does not automatically give a right to WW: the wording and the context decide. A WW-safe agreement states explicitly that the employer took the initiative, that there is no urgent cause and no culpable conduct (article 24 Unemployment Insurance Act), and that the end date respects the notice period. An end date that is too early is not repaired by compensation: for the fictitious notice period (fictieve opzegtermijn) you receive no WW (article 19 Unemployment Insurance Act). Vague wording such as "by mutual agreement" without explanation, or references to performance or conflict, can lead to questions from UWV. This article is almost always negotiable, and often without concessions, because employers rarely have an interest in a WW risk. Keep it consistent with articles 1 and 3.

Article 3 – End date and notice period

3.1 The end date has been set taking into account the notice period of [number] months that applies to the employer, counted from the date on which this agreement was signed by both parties, to the end of the month.

> **Explanation.** The end date determines a lot: when WW starts, your salary, pension accrual and, if your residence permit depends on your job, when your search period (zoekperiode) starts. The statutory notice period for the employer is 1, 2, 3 or 4 months, depending on your length of service, to the end of the month (article 7:672 Dutch Civil Code); a longer period in your contract or collective agreement also counts. A quick end date may look attractive, but shifts the risk to you. This article is often negotiable: the end date can be moved, so that it respects the notice period or gives you more time for your permit.

Article 4 – Garden leave

4.1 The employee is released from the obligation to work (vrijstelling van werk) from [date] until the end date.

4.2 During this period the employee keeps the right to full salary, accrual of holiday days, pension accrual and all other terms and conditions of employment.

4.3 During the garden leave the employee is free to apply for jobs and to attend job interviews.

> **Explanation.** Garden leave is common. It is employee-friendly if salary and benefits demonstrably continue until the end date. If "with retention of" is missing or the wording is vague, discussions can arise about bonus, allowances, pension, a company car and holiday days. Watch out for clauses about being available "on call", reporting duties or restrictions on looking for new work; those are not standard and often negotiable. Are you a highly skilled migrant? Check with an immigration lawyer whether the conditions of your permit continue to be met during garden leave.

Article 5 – Salary and variable pay

5.1 The employer pays the salary until the end date on time and in full.

5.2 Variable pay (such as bonus or commission) for the current year is set at € [amount] gross, or is calculated pro rata until the end date on the basis of [scheme], and paid with the final settlement.

5.3 With regard to shares, options or other equity awards (such as RSUs), the following applies: [for example: unvested awards vest on the end date / are treated as a "good leaver"].

> **Explanation.** Variable pay and shares are often forgotten in a settlement agreement, and a broad final discharge can make them impossible to claim later. Agree a fixed amount or a clear calculation, and check what the share plan says about leavers. These terms are often negotiable.

Article 6 – Severance payment

6.1 The employer pays the employee a severance payment of € [amount] gross.

6.2 The severance payment is paid no later than [date / within one month after the end date], together with the final settlement.

6.3 The severance payment is treated as wages from employment, on which the employer withholds wage tax.

6.4 The parties declare that the statutory transition payment (transitievergoeding) [is / is not] included in the severance payment.

> **Explanation.** The severance payment is often the main point of negotiation. The amount and the payment date must be clear: vague terms such as "as soon as possible" are unfavourable. Watch out for conditions linked to the payment, such as suspension if there is a discussion about company property. With a settlement agreement there is no automatic statutory right to the transition payment (article 7:673 Dutch Civil Code applies to dismissal, dissolution or non-renewal at the employer's initiative). In the negotiation it is the usual minimum, not a standard or a maximum. A clear clause prevents a later discussion about what exactly was paid. For tax questions, including the 30% ruling, ask a tax adviser.

Article 7 – Holiday days and final settlement

7.1 On the end date the employee has [number] untaken holiday days. These are paid out with the final settlement, on the basis of the current salary including fixed components.

7.2 The final settlement also includes outstanding salary, holiday allowance, fixed allowances and outstanding expense claims, and is paid no later than [date / one month after the end date].

7.3 The employer will not set off any amounts against the final settlement or the severance payment, unless agreed in this agreement.

> **Explanation.** The final settlement is where mistakes often happen. An employee-friendly clause is complete and concrete: statutory and extra holiday days, time off in lieu, fixed allowances and structural bonuses. Be careful with wording such as "everything has been settled" without a specification. Be critical of set-off clauses (advances, study costs, company property): an open right of set-off is usually not necessary and often negotiable.

Article 8 – Pension

8.1 The employee's pension accrual continues until the end date, also during garden leave.

8.2 The employer confirms that until the end date the full employer and employee contributions have been paid and that no contributions are in arrears.

8.3 The employer will inform the employee in writing about the date on which participation ends, the consequences for the accrued pension rights and any options for voluntary continuation.

> **Explanation.** Pension looks like a side issue, but the effect can be large. Record that accrual and payment of contributions continue until the formal end date, also during garden leave. If you plan to leave the Netherlands, ask your pension provider what happens to your accrued rights.

Article 9 – Company car and other facilities

9.1 If the employee has a company car, the following applies: [use until the end date / use until date / financial compensation of € amount gross].

9.2 The employee returns the laptop, phone, access passes and other property of the employer no later than on the end date. The employer will not charge costs for normal wear and tear.

9.3 The employee may keep [the mobile phone number / the laptop after the company data has been removed].

> **Explanation.** This clause should stay practical. Watch out for unfavourable variants: suspension of salary or payment until everything is returned, or broad rights to recover costs. Returning company information is logical, but obligations that amount to a full data check or access to private devices often go too far.

Article 10 – Illness

10.1 The parties declare that the employee [is / is not] unfit for work at the time of signing.

10.2 If the employee is unfit for work, the parties declare that this agreement has not been concluded because of that unfitness for work, but for other, independent reasons, and that the employee has been informed of the possible consequences of illness at the end of the employment for the right to WW and to sickness benefit (Ziektewet), and has been able to have this checked.

> **Explanation.** Illness requires tailor-made wording. An incorrect statement ("not ill") while you are ill can cause big problems with benefit agencies later. Being ill does not make a settlement agreement impossible, but the wording

must record that the termination is not caused by the illness. Being ill when your employment ends can affect your WW and your sickness benefit; have this checked before you sign.

Article 11 – Non-compete and non-solicitation clause

11.1 Any non-compete and/or non-solicitation clause agreed between the parties lapses in full on the end date. [Alternative:] The clause is limited to [number] months, [area] and [specific relations].

11.2 The employer waives any claim to penalties for breach of the original clause, provided that the employee acts in accordance with this article.

Explanation. A clause like this can seriously restrict your move to a new job, and for a highly skilled migrant it can block a new position within the search period. If the employer took the initiative, it is often reasonable to drop or limit it. An unfavourable variant keeps the clause "in full" without compensation. This article is often negotiable and can be a strong lever.

Article 12 – Confidentiality and reference

12.1 The parties will keep the content of this agreement confidential. This does not apply to their own legal and financial advisers, the employee's partner, government bodies (such as UWV, the IND and the Tax Administration), and insofar as a statutory duty or legal proceedings require disclosure.

12.2 The employer will provide the employee with a positive reference letter stating the job title and the length of employment, and the parties will announce the departure as follows: [text].

Explanation. Confidentiality is common, but must be proportionate. Make sure you may share the agreement with UWV, the IND, the Tax Administration and your advisers: you may need it for your WW, your residence permit or your tax return. High penalties and an unlimited duration are often unnecessary and negotiable.

Article 13 – Legal costs

13.1 The employer reimburses the reasonable costs of legal assistance that the employee has incurred in connection with this agreement up to € [amount] excluding VAT, on the basis of an invoice from the employee's legal adviser addressed to the employer.

13.2 This reimbursement is separate from the severance payment and does not form part of it.

Explanation. Reimbursement of legal costs is common in a balanced settlement agreement. State explicitly that it is separate from the severance payment, so that there is no discussion about costs being "included". Direct invoicing to the employer means you do not have to pay in advance. The maximum is often negotiable.

Article 14 – Outplacement and training

14.1 The employer makes a budget of € [amount] available for outplacement or training, to be spent [before the end date / within a number of months after the end date], at the employee's choice. [Optional:] If the budget is not used, the employer pays [all / part] of it out as gross salary.

Explanation. Outplacement or a training budget can help you find a new job faster, which matters even more if your search period is short. Whether you prefer the budget or cash is a choice to make with your situation in mind.

Article 15 – Relocation, sign-on bonus and housing (international employees)

15.1 The employer waives any claim to repayment of relocation costs, a sign-on bonus, study costs or other costs, regardless of what was agreed about repayment in the employment contract or another arrangement.

15.2 [If applicable] The employee may continue to use the housing provided by the employer at [address] until [date] on the current terms. The deposit is [returned to the employee / settled as follows: arrangement].

15.3 [Optional] The employer reimburses the costs of moving back to [country] up to € [amount], on presentation of invoices, if the employee moves before [date].

> **Explanation.** Many international employees have a relocation or sign-on arrangement with a repayment clause. If the employer ends the employment, a waiver is a reasonable request. Employer-provided housing often ends on the end date unless you agree otherwise: agree until when you can stay and what happens to the deposit. Reimbursement of moving costs back home is not a statutory right, but it can be negotiated.

Article 16 – Residence permit and 30% ruling (international employees)

16.1 The parties have taken into account that the employee holds a residence permit as [highly skilled migrant / EU Blue Card holder / other permit], and that the end date affects the search period of that permit. The employee has had the opportunity to obtain advice on this.

16.2 The employer will provide, at the employee's request, the employment statements and other documents that the employee reasonably needs for a new residence permit application or for the continuation of the 30% ruling with a new employer.

16.3 The parties have taken into account that the end date may affect the employee's 30% ruling (Expat Scheme). The employee has had the opportunity to obtain tax advice on this.

> **Explanation.** If your residence permit depends on your job, the search period starts on the day your employment contract ends: 3 months for a highly skilled migrant; for an EU Blue Card holder 3 months, or 6 months after at least 2 years with the Blue Card in the Netherlands. The 30% ruling can continue if you start with a new employer within 3 months, and the application must be made within 4 months after you start there. That is why the end date is often worth more than a slightly higher payment. WW is not on the IND list of benefits from public funds; social assistance is. If the residence of your partner or children depends on yours, include their situation. We advise on the consequences for your residence and refer you to an immigration lawyer where needed.

Article 17 – Final discharge

17.1 After this agreement has been performed correctly, the parties grant each other final discharge (finale kwijting) with regard to the employment and its termination.

17.2 The final discharge does not cover:

- the rights and obligations that follow from this agreement itself;
- claims of which the parties could not reasonably have been aware at the time of signing;
- the payment of pension contributions until the end date;
- rights that by their nature only arise after the end of the employment, including rights under share or option plans as agreed in article 5.

Explanation. Final discharge goes far: it closes off claims, even unknown ones. A clause that is too broad ("on any grounds whatsoever") can mean that later-discovered claims for salary, pension or variable pay are lost. You cannot exclude your WW from the final discharge, because UWV is not a party; protect your WW with the wording in article 2. The final discharge is often (partly) negotiable.

Article 18 – Reflection period

18.1 The employee has the right to dissolve this agreement without giving reasons by a written statement to the employer within 14 days after the date on which this agreement was concluded.

Explanation. The reflection period (bedenktermijn) is statutory: you can dissolve the agreement in writing within 14 days after it was concluded, without giving a reason. If the agreement does not mention this right, the period is 3 weeks (article 7:670b Dutch Civil Code). There is no reflection period if you conclude a new settlement agreement with the same employer within 6 months after an earlier dissolution. The reflection period cannot be excluded or limited.

Article 19 – Final provisions

19.1 This agreement is governed exclusively by Dutch law.

19.2 Amendments and additions are only valid if agreed in writing by both parties.

19.3 If one or more provisions prove to be void or voidable, the other provisions remain in force. The parties will consult in order to agree a replacement provision that corresponds as closely as possible to their intention.

Article 20 – Language

20.1 This agreement has been drawn up in [English / English and Dutch]. [If there are two versions:] In the event of any difference between the versions, the [English/Dutch] version prevails.

20.2 The employee declares that he or she has read and understood the full content of this agreement, in the language version that prevails.

Explanation. Many employers draft the agreement in Dutch. Ask for an English version, and agree which language version counts if there are two. Do not sign anything you cannot read in full: one sentence about the initiative or the end date can make the difference for your WW and your permit.

Signature

Agreed and signed in duplicate at [place] on [date].

The employer: _____ [name and position]

The employee: _____ [name]

Next step

Received a settlement agreement? We review it for payment, WW, end date, clauses and the consequences for your residence permit and 30% ruling.

The first consultation is free and without obligation. Your employer often pays the costs of further legal assistance.

Free review of your situation: +31 85 4016 014 · www.vanleeuwenbos.nl/en/settlement-agreement/free-settlement-agreement-check/

Disclaimer

This document is general information under Dutch law, last updated on 28 November 2026. It is not legal advice and no rights can be derived from it. Every situation is different; have your own situation assessed. For the consequences for your residence permit we advise on the points we can and refer you to an immigration lawyer where needed.