European salary survey 2013

European employer also pays for the crisis

Content

Foreword

The European Salary Survey was conducted for the first time by Deloitte Belgium in 2010 and is now in its 4th edition. The 2013 survey compares actual salary costs and the associated net pay levels in Belgium and 18 other European countries: Austria, Denmark, the Czech Republic, Germany, Greece, France, Ireland, Italy, Luxemburg, Malta, the Netherlands, Spain, Slovakia, Poland, Portugal, Sweden, Switzerland and the United Kingdom.

Seven different scenarios have been compared for each country, ranging from a gross annual salary of 21,958.90 EUR to a gross annual salary of 125,000 EUR.
The survey also includes an additional section in which salary costs and net pay were examined from a different angle, converting them into 'net spendable income' by factoring in the cost of living and housing, as well as family allowances.
Furthermore, the report ranks the participating countries with respect to the taxable benefit of having a company car, and also provides a European ranking for the tax treatment of passive income (interests, dividends, capital gains and wealth).
This 4th edition also includes a section focusing on headquarter companies, including a ranking of Belgium and our main competitors in this area, as well as a chapter about legal and extra-legal pensions. Next to listing legal retirement ages and minimum/maximum state pension incomes, the existence of company pension plans have been investigated, moreover we examined how common company pension plans are within Europe and what the average percentages for employee and employer contributions would be in this respect. In this chapter, information has been provided regarding automatic annual salary indexation and legal minimum wages.
Last but not least, the study ranks Belgium and our neighbouring countries and main competitors in the area of R&D. Traditionally, the most pressing findings and highlights have been summarised at the end of the report.

Salary comparison

In this first section of the 4th edition of the European Salary Survey, we have again made a comparison between employer costs and net incomes in the various countries based on the same gross salary. The figures in question are discussed and compared below based on three different components: net income, employer cost and the net/cost ratio.

Over the years, this survey has been expanded and now also includes Malta and Austria in addition to the 17 countries investigated in the 3rd edition: i.e. our immediate neighbours Germany, France, the Netherlands and Luxembourg; the United Kingdom; Italy, Spain, Portugal and Greece for Southern Europe; Ireland and Switzerland because many companies have their headquarters located there and hence these are important competitors for Belgium; Denmark and Sweden as representatives of the Scandinavian countries; Poland as a cheap manufacturing country in Europe (comparable to China in Asia); the Czech Republic, which is a major player in the automotive sector, and finally Slovakia as an additional low-cost manufacturing country. As Switzerland has very varied tax rules depending on the location of the individual's residence, the enclosed report only contains the details and specifics for the canton Geneva, city of Geneva which is one of the most popular, as well as one of the most expensive, regions in the country.

Comparison of the figures

Reference is made to the appendix which includes the salary comparison charts.

Analysis of the data

The calculations regarding the family situation of individuals are made each time for a single person, as well as for a married or legally cohabiting taxpayer, with 2 dependent children and a partner who is not working. However, it is a fact that an "average family" these days tends to consist of 2 partners who are both employed. Yet we have again opted to develop the examples that give figures based on a married couple in which only 1 of the partners is working, because this provides a clearer indication of the impact created by different personal situations. As will be further detailed later, this impact appears to be the greatest in Luxembourg, Switzerland, Germany, France, Portugal and Belgium.

All calculations take account of the currently valid statutory and fiscal rules and sliding scale rates for 2013. Where possible, we also give the details of the expected effects of the changes announced to the legislation that will come into effect in the near future.

Blue-collar workers

Until recently, the status of the blue-collar worker in Belgium differed from that of the white-collar employee (with respect to arrangements for holiday pay, redundancy entitlements, etc.). The Constitutional Court ruled on 7th July 2011 that the statutory difference between blue-collar workers and white-collar employees was discriminatory and therefore had to be eliminated by the final deadline of 8 July 2013. The harmonisation of the blue and white collar workers is however not yet realised: whereas the new and harmonised guidelines for dismissal are becoming clearer and new legislation in this respect will soon come into effect, we note that important differences yet remain e.g. in view of social security contributions, vacation pay, etc. The former blue-collar workers are for example still receiving their vacation pay via a separate vehicle, i.e. the holiday pay fund, which is taken into account for the computations.

In the first scenario, taking into account a remuneration package of 21.958,90 EUR gross on year basis, the employer costs involved are no longer the highest in Belgium. Now France has the highest employer costs, closely followed by Belgium. In the second scenario, which takes into account a gross annual salary of 31,940.22 EUR, Belgium does remain the country with the highest employer costs, closely followed by France.

When the worker's gross pay rises from 21,958.90 EUR to 31,940.22 EUR, the employer costs also rise sharply in the Czech Republic, Slovakia, Italy, Sweden, Spain, and in Austria which always ranks 6th place when it comes to employer costs in the scenarios of the blue-collar workers. One striking point is that the tax burden is frequently a great deal higher for an unmarried worker than for a married individual who has a non-working partner and 2 dependent children.

In scenario 1, this trend is particularly striking in Belgium, Denmark, Italy, the Czech Republic and Germany where the differences in net pay roughly range from 1,985.83 EUR (Germany) to 4,176.19 EUR (Belgium). In Switzerland, the single individual also faces a heavier taxation in this scenario compared to a married individual with a non-working spouse and 2 dependent children due to the considerable tax advantages one is entitled to in view of dependent children. The impact thereof is shown in chapter 2 which includes local child benefits for all countries.

In scenario 2, the additional tax burden for a single person is the highest again in Belgium and amounts to 4,954.84 EUR which is even more than last year (when the difference amounted to 4,836.62 EUR). Next to Belgium, the difference in tax burden according to the taxpayer's personal situation is most noteworthy in Germany, Portugal, Ireland, Denmark and Luxembourg where the differences range from 2,835.72 EUR (Germany) to 2,231 EUR (Luxembourg). Sweden and the United Kingdom do not make a distinction in the personal situations of their taxpayers. Furthermore, as of this year, also Greece equally taxes married and single taxpayers as they abolished the child allowances as of income year 2013.

In scenarios 1 and 2, the net pay of the Belgian blue-collar worker still takes into account the net holiday pay that a blue-collar worker receives each year from the holiday pay fund. As explained in the introduction of the scenarios related to the blue-collar workers above, we continue to assume here that the holiday pay fund, which is fed, to a large extent, by the (high) employer contributions for social security, provides holiday pay based on 241 working days. As a result, Belgian blue-collar workers still score high in the European rankings in terms of net annual income (see below for detailed ranking).

In Luxembourg, the status of blue-collar workers and white-collar employees has been the same since 2009. There was a difference in social security contributions based on the risks associated with the profession or sector and, as a result of this, we previously took into account the slightly higher social security contributions for blue-collar workers (i.e. +1% compared with white-collar employees). This difference is no longer applicable in 2013.

NB:
In this scenario, the social security contributions (employee and employer) have already reached their maximum in Denmark and Malta. In all situations, Danish employees are required to pay a fixed amount of 145 EUR per year on their income, while Danish employers are required to pay an annual fixed amount of 1,610 EUR in social security contributions (these amounts apply regardless of the level of income).
A similar trend occurs in Malta where all employees and employers each pay 10% on a weekly maximum income of 403.16 EUR (or 20,964 EUR on year base). Consequently, as of scenario 1, Maltese employers and employees each pay maximum 2,096.64 EUR on year basis.
We refer to the concise overview on page 17 and ff. for more details about rates and scales of social security contributions in Europe.

Married (partner not working), 2 dependent children

When we look at the data for married workers with 2 children and a non-working partner, we can see that the Belgian worker takes home the highest net pay from a gross annual salary of 21,958.90 EUR.
Consequently, Belgium has the 2nd highest employer costs on the one hand and the highest net income on the other hand. Switzerland follows in 2nd place, however, we refer to our remark mentioned above that Switzerland grants considerable child allowances when calculating the tax due, but the impact of these child benefits is only shown in Chapter 2 of this report. Ireland takes 3rd place, followed closely by Luxembourg. When the gross annual salary rises to 31,940.22 EUR (scenario 2), Switzerland takes the lead, followed this time by Ireland, Luxembourg and then Belgium.

If we look at the net/costs ratio in scenario 1 (gross annual salary 21,958.90 EUR), we can see that whereas Belgium ended up in 7th place (out of the 17 countries) it now ranks in 8th place with 69.49% (versus 68.43% in 2012). This means that Switzerland, Ireland, Luxembourg, the United Kingdom, Malta, Denmark and the Netherlands outperform Belgium. As was the case in previous years, France has the lowest net/costs ratio, being 50.09% (with an ever decreasing trend coming from 55.27% in 2010, to 55.02% in 2011 and 54.99% in 2012). In line with last year, Greece and Slovakia also have a net/costs ratio of below 60% in this scenario.

When the gross annual salary rises to 31,940.22 EUR, Belgium’s net/costs ratio is 57.28% (with an ever increasing trend coming from 55.87% in 2010, to 55.98% in 2011 and 56.25% in 2012), placing Belgium again in 14th place. In line with last year, France, Greece and Italy score worse than Belgium. In addition, Slovakia, who ranked 13th last year, now falls back to the 16th place and newcomer Austria, with a net/cost ratio of 54.74% figures in 3rd to last place, just before France and Greece.

When we restrict ourselves to the figures for Belgium, Switzerland, the UK, Austria and Belgium's immediate neighbours, it is clear that Belgian blue-collar workers, in line with last year, receive a higher net income than their counterparts in the Netherlands, the United Kingdom, France, Germany and newcomer Austria. Switzerland consistently scores very strongly, while blue-collar workers in Luxembourg are again in 4th place with a net pay slightly lower than their Irish counterparts. When the gross annual salary is increased (scenario 2), Belgian blue-collar workers remain ahead of their counterparts in the Netherlands, the United Kingdom, France, Germany, and newcomer Austria, but behind Switzerland, Ireland and Luxembourg.
Of our direct neighbours, Germany still scores the worst in scenario 1 whereas Austria scores the worst of our direct neighbouring countries in scenario 2 with regard to the level of net income.

However, when we focus on the figures for the net/costs ratio, Switzerland and Luxembourg, as well as the United Kingdom and the Netherlands, keep doing considerably better than Belgium in both scenarios. In scenario 2, we again see that Germany has a better net/costs ratio than Belgium. In line with last year, the net/costs ratio in France is the lowest of the 19 countries surveyed in scenario 1 (50.09%) and in scenario 2, Greece features in last place with 53.23%, doing slightly worse than France (53.85%).

Unmarried, no dependent children

When we compare the net annual income of unmarried blue-collar workers, we can see that in scenario 1 (gross annual income of 21,958.90 EUR), Belgium moves up from 5th place in 2012 to 4th place in 2013. The frontrunner is Switzerland, followed by Ireland. Blue-collar workers in Luxembourg receive the 3rd highest net pay, followed by Belgium and the United Kingdom which came 4th last year. The Netherlands again ranks 8th, i.e. behind Sweden and Spain. When the gross annual salary rises to EUR 31,940.22 EUR, Belgium falls from 11th to 12th place as newcomer Malta takes 7th place. The unmarried worker is now worst off in Portugal, although workers in Germany, Italy, Greece, Denmark, Poland and Austria all have a lower net income compared to the Belgian workers.

When comparing the net/costs ratio, Belgium, with 56.55% (scenario 1) and 46.92% (scenario 2) (versus 55.74% and 46.21% in 2012 and 55.48% and 46.06% in 2011) continues to do far worse compared to the situation of a married taxpayer with a non-working partner and 2 dependent children. The Belgian net/costs ratio for an unmarried blue-collar worker is ranked 14th in scenario 1. As was the case in previous years, Italy (55.08%), the Czech Republic (54.72%), Slovakia (54.28%) and France (47.53%), do worse than Belgium. Portugal, who still featured in 9th place last year (with 60.10%), now dropped to the 15th place (with 56.16%) due to the considerable increase in its tax rates. In line with previous years, Belgium falls to last place when the gross annual income is 31,940.22 EUR.

When we look at the figures for Belgium, Switzerland, the UK, Austria and Belgium's immediate neighbours, we see that the unmarried Belgian blue-collar worker in scenario 1 still receives a higher net income than his counterparts in the Netherlands, France, Germany and newcomer Austria. The United Kingdom slightly outperformed Belgium last year but now scores slightly worse than Belgium. Switzerland and Luxembourg keep doing better than Belgium in this regard. In scenario 2, only Austria and Germany do worse than Belgium. Different to previous years where the unmarried German taxpayer systematically had the lowest net income of all the countries surveyed, now Portugal holds this last position in both scenarios.

When focussing on the net/costs ratio, we can see that in scenario 1 France is the only one of our neighbours with a lower ratio than Belgium. In scenario 2, though, even France surpasses Belgium, leaving it in last place with a very low ratio of 46.92% (versus 46.21% in 2012, 46.06% in 2011 and 45.97% in 2010).

Single Portuguese employees always have the lowest net income when lower salaries are concerned

White-collar employees

The figures from the examples given for white-collar employees show that the tax burden in Belgium is again much higher for an unmarried person compared to the situation of a married person with a non-working partner and 2 dependent children. The impact here varies roughly between 4,100 EUR and 5,500 EUR. Apart from Greece, Sweden and the United Kingdom, we see a similar trend in the rest of Europe.

The difference in tax burden based on an individual's personal situation produces some striking results. This trend is most apparent in Belgium, Germany and Denmark when looking at an annual gross income of 27,000 EUR (ranging from 4,119.95 EUR in Belgium to 2,301.21 EUR in Denmark). When looking however at the highest income level investigated (gross annual income of 125,000 EUR), the difference in tax burden is most apparent in Switzerland, canton of Geneva and city of Geneva (i.e. the Swiss region that applies the highest tax rates in Switzerland) where it amounts to 14,090 EUR. Next in line are France (where the difference amounts to 11,854 EUR), Germany (with a difference of 10,406.75 EUR) and Luxembourg (with a difference of 10,122 EUR).

White-collar employees with a gross annual income of 27,000 EUR

From scenario 3 onwards, the employer cost is the highest in France, which is in line with the results of all the previous editions of this study. The top 5 of countries with the highest salary costs in this scenario remain: France, Slovakia, the Czech Republic, Belgium and Sweden. The salary costs in Austria, Spain and Italy in this scenario are close to the level of Sweden and Belgium.

When comparing the net incomes in this scenario, we note that Belgium scores reasonably well in 6th place, if we look at a married person with a non-working partner and 2 dependent children. Ireland, Switzerland, Luxembourg, the Netherlands and Malta do better here. In previous years, the unmarried Belgian white-collar employee was always worst off but following the severe changes in Portugal, the latter now features last.

We see similar developments when comparing the net/costs ratio: whereas last year Belgium took the 11th place in the scenario of a married person with a non-working partner and 2 dependent children, it now takes the 9th place. This means that Belgium now performs better leaving the same 6 countries behind it as last year (i.e. Sweden, the Czech Republic, Italy, Slovakia, Greece and France), but in addition also Spain, Poland, Portugal and Austria.

Contrary to last year, Belgium performed somewhat better with a current net/costs ratio of 50.01% (versus 49.46% in 2012 and 49.14% in 2011) when looking at the net/costs ratio in the situation of the unmarried employee. As a consequence, the French single tax payer now features in last place with 49.95%.

White-collar employees with a gross annual income of 50,000 EUR

From scenario 4 onwards, we have also taken into account the benefit of a company car (Volkswagen Golf Variant 1.6 TDI). The method for calculating the taxable benefit related to having a company car considerably changed in Belgium over the last years. The 2nd edition of the Salary Survey examined the details of both the old and new tax systems regarding company cars. The figures mentioned in this 4th edition, only take into account the current rules. We can still conclude that the introduction of the company car has not led to any substantial improvements in Belgium's position in the European rankings. For more details about the current method used for calculating the Belgian benefit in kind related to a company car, as well as for a European comparison of the taxable benefit of a company car, please see section 3 of this report.

Looking at the Belgian employer costs in scenario 4 compared to the 18 other countries, Belgium previously only did better than France and Sweden, but now also outperforms the Czech Republic and Austria.

NB: The employer costs shown in the graphics always represent an estimation of the total salary costs related to the relevant remuneration package, however excluding the lease fee/purchase price (or other costs) related to the company car.

A Belgian white-collar employee with a non-working partner and 2 dependent children receives a higher net income than his counterparts in Germany, the Netherlands, Italy, Denmark, Greece and Austria, and thus acquires the 13th place.

The unmarried Belgian white-collar employee remains the worst off with a net income that is just slightly lower than in Denmark and Germany.
The reason why the unmarried Belgian white-collar employee has the lowest income in this scenario mainly results from the difference in tax burden described above depending on the individual's personal situation. In Belgium, this tax burden increases with 5,286.42 EUR, whereas the rise in taxes in the Netherlands (337 EUR), Austria (669 EUR), Slovakia (708.84 EUR), Spain (1,052 EUR), Italy (1,649.74 EUR), Malta (1,824 EUR), the Czech Republic (2,021.45 EUR) and Denmark (2,301.34 EUR) remains fairly limited. Compared to Belgium, the tax difference here is higher in Luxembourg (6,170 EUR) and Switzerland (5,492 EUR).

In terms of the net/costs ratio last year only Italy scored worse than Belgium for the situation of a married person with dependent children whereas this year, next to Italy (47.64%), also Greece (47.42%), France (45.40%) and Austria (43.58%) do worse than Belgium (49.15%).
The net/costs ratio for an unmarried individual earning a gross annual income of 50,000 EUR and a company car, amounts to 41.22% in Belgium and only France scores worse with 40.52%.

NB:
In this scenario, the social security contributions (employee and employer) have already reached their maximum in the Netherlands, Slovakia and Spain. The same applies to Sweden, although only with regard to employee contributions.
In the Netherlands, employer contributions are calculated on a maximum income of 50,853 EUR (versus 50,065 EUR in 2012) and employee contributions on a maximum income of 33,363 EUR (versus 33,863 EUR in 2012). In Spain, the employee contributions are calculated on a maximum income of 41,108.40 EUR (versus 39,150 EUR in 2012). The limit for Spanish employer contributions was brought in line with employee contributions in 2011 and consequently now also rises to 41,108.40 EUR (versus 39,150 EUR in 2012).

In Slovakia, employees and employers pay 13.4% and 35.2% respectively on a maximum income of 47,160 EUR. In Sweden, there is no ceiling for employer social security contributions. But Swedish employee contributions are still limited to 7% of gross income, with a maximum contribution of 31,976 SEK or +/- 3,730 EUR (versus 30,800 SEK or 3,737 EUR in 2012), i.e. up to a gross income of 456,800 SEK or 53,234.42 EUR (versus 440,000 SEK or approximately 53,379 EUR in 2012). Note the impact of the exchange rate in this respect: 1 EUR = 8,5802 SEK (i.e. an exchange rate of 1 EUR = 8.243 SEK was used in 2012).
Please see the concise summary on page 17 and ff. for more details about the rates and ceilings for social security contributions in Europe

White-collar employees with a gross annual income of 75,000 EUR

When we compare Belgian employer costs with those in other countries, we can see that Belgium does not have the highest salary cost. In line with previous years, France, Italy and Sweden have a higher salary cost than Belgium in this scenario.

When comparing the net income for a married person with dependent children, Belgium does better than Greece, Italy and Denmark which continues to have the lowest net income in this scenario.

An unmarried person with a gross annual income of 75,000 EUR and a BMW 318d as a company car, is also the worst off in Denmark followed by Belgium where he or she only earns 266.45 EUR net more than in Denmark.

Belgium's net/costs ratio is 42.63% (versus 42.22% in 2012, 41.96% in 2011 and 41.98% in 2010) leaving it in second-to-last place when it comes to a married white-collar employee with 2 dependent children. Only Italy does worse here with 39.17% (versus 38.85% in 2012, 39.48% in 2011 and 39.67% in 2010).
In the situation of an unmarried person, Belgium stays in last place with a ratio of 37.08% (versus 36.86% in 2012).

NB:

In this salary category, the social security contributions (employee and employer) reach its ceiling in Austria and Germany. In Austria, employees and employers pay together approximately 39.9% (18.07% for employees and 21.83% for employers) on a maximum income of 4,440 EUR per month for ordinary payments and 38.4% (17.07% for employees and 21.33% for employers) on a maximum income of 8,880 EUR per year for extra-ordinary payments. In Germany, employer and employee contributions (at 40.35%) are calculated on a maximum income of 69,600 EUR (versus 67,200 EUR in 2012 and 66,000 EUR in 2011) for pension and unemployment insurance and on a maximum income of 47,250 EUR (versus 45,900 EUR in 2012) for health care insurance.

Last year, the Czech social security contributions also reached their maximum as of this income level and additional changes to the social security system were expected. Further changes in this area have indeed been introduced following which the Czech social security contributions both for employers and employees are now unlimited.

Please see the concise summary on page 17 and ff. for more details about the rates and ceilings for social security contributions in Europe.

White-collar employees (management) – gross annual income of 125,000 EUR

The employer costs related to a salary package of 125,000 EUR gross per year and a BMW 520d business line as a company car remain the highest in France, followed by Belgium. In this scenario, the salary cost in Sweden also remains very close to Belgium (with a difference of 215.91 EUR).

Only Danish and Italian employees have a lower net income compared to Belgian employees, at least in the situation of a married person with a non-working partner and 2 dependent children. The Netherlands again do slightly better than Belgium. If we take the situation of an unmarried person into account, then Belgium remains the country with the lowest net income. Unmarried Danes only receive 69.73 EUR more.

Belgium remains in last place in the rankings when it comes to the net/costs ratio both for a married person with 2 dependent children (i.e. 37.44% versus 37.10% in 2012 and 37.28% in 2011) and for an unmarried person (34.11% versus 33.89% in 2012 and 34.13% in 2011). Italy does just a little better here than the married Belgian taxpayer, with a net/costs ratio of 38.45% (i.e. regardless of the individual's personal situation; as mentioned earlier, in this scenario the difference in the Italian tax burden disappears altogether).

NB:

In this scenario, the social security contributions (employee and employer) reach its ceiling in Greece, Luxembourg and Italy.
The social security contributions in Greece for employers amount to 27.46% (versus 28.56% in 2012) and remained at 16.5% for employees on a maximum gross income of 83,135.25 EUR (versus 83,153 EUR in 2012) for 'new employees', i.e. employees who have been affiliated to the social security fund after 1st January 1993.

Italian employee and employer contributions also reach their maximum in this case. In line with last year, no contributions are owed above a gross income of 99,034 EUR (versus 96,149 EUR in 2012).

The social security contributions owed in Luxembourg by employers are equivalent to the contributions owed by employees and are calculated on a maximum income of 115,261.56 EUR (as of 1st October 2013 versus 110,790 EUR last year).
Please see the concise summary on page 17 and ff. for more details about the rates and ceilings for social security contributions in Europe.

Self-employed director – gross annual income of 125,000 EUR

When the same gross income is taken into account, but this time also taking into account the status of a self-employed director (not having his own company), we see remarkable differences in the Belgian and Polish employer costs as well as in the employer costs related to newcomer Malta. As was also the case in previous years, Belgium climbs from the depths of the rankings to a joint 1st place (with Poland and Malta). This difference can be explained by the fact that only in Belgium, Poland and Malta a separate tax status for self-employed persons exists following which no employer social security contributions are due.

For the sake of completeness, we should note that in various European countries, there is the option to pay all or part of the individual's remuneration package in the form of directors' fees creating potential benefits for the employer and/or the individual. In this respect, the individual must be a member of the Board of Directors. For example, the figures from Greece in this scenario take account of the possibility to pay part of the person's remuneration by means of directors' fees which are subject to a fixed tax rate of 35% (compared with the marginal tax rate of 45%). This can entail an increase of the individual's net income. In the Greek calculation in scenario 7, part of the remuneration is considered as directors' fees and the other part as salary, meaning that the individual takes home about 700 EUR net more compared to the previous scenario as employee. The salary cost equally decreases a little bit.

Italy also has separate rules for the income derived by Board members, resulting in Italian employer and employee contributions for social security in scenario 7 being only approximately 50% of the amounts owed in scenario 6 (which is in line with last year's figures). In this scenario however, the tax owed by the member of the Board of Directors is a little higher than in scenario 6. The result is a considerable decrease of the employer's cost, as well as the Italian individual's cost (+/-18,000 EUR less in costs and +/- 6,000 EUR more net).

France also has a different social security treatment when it concerns a high executive without an employment contract as such individuals are in France excluded from the obligation to contribute to unemployment. Consequently, scenario 7 entails limited decreased social security contributions compared to the figures shown in scenario 6 (ordinary employee). In case it would concern an actual self-employed individual, according to French legislation, the individual should have his or her own company and invoice the services provided. In the latter situation (which is not envisaged in scenario 7 of this survey), no French employer social security contributions would be due at all.

In Luxembourg, it is possible to remunerate a Board member (partly) with directors' fees and in so doing achieve a significant cost efficiency on the employer's side, because the employer's social security contributions in this case are owed by the individual in addition to his own personal contributions for social security. However, we have not included this exceptional situation in the salary comparison for scenario 7 because this situation is only possible under very strict conditions (a.o. that the individual does not exercise any activities of daily management) and because this system is applied mainly to foreign directors working in Luxembourg, whereas this salary survey focuses on local situations.

Spain also has a separate tax rate (42%) for earnings received for activities carried out as a member of the Board of Directors. However, if the individual also exercises other activities, the normal rules apply, which boils down to a situation similar to the one discussed in the previous point (scenario 6). In line with last year, we have not included this exceptional situation in the examples, meaning that the details for Spain in scenario 7 are identical to those in scenario 6 (same for Luxembourg and the other countries surveyed but not mentioned here).

In Portugal, social security contributions for employees and employers are owed in principle on the full income, with no limits. In the case of a director, however, the employer and employee contributions are restricted to less than half of the amounts normally owed, as shown by the figures in the examples.
With respect to Austria, it should be noted that a director is treated as an employee as long as he or she has not invested more than 25% in the directed company. Consequently, the figures shown for scenario 6 equal those mentioned for scenario 7.

We have already learnt that the Belgian employer costs in the scenario of a self-employed director are a good deal lower than in the previous scenario. This does not detract from the fact that the corresponding net income in this scenario remains very low in Belgium, both for married and unmarried taxpayers. Only in the situation of the married taxpayer Denmark does worse (with 1,899.85 EUR net less than in Belgium).

The Belgian net/costs ratio here is now 48.86% (versus 48.54% in 2012, 49.02% in 2011 and 48.32% in 2010) for a married person with 2 dependent children and 44.33% (versus 44.17% in 2012, 44.73% in 2011 and 43.87% in 2010) for an unmarried person. This places Belgium 12th (married) and 17th (unmarried) respectively in the European rankings. In the situation of a married taxpayer, Belgium does better than the Netherlands (48.34%), Italy (47.19%), Denmark (46.74%) and Sweden (40.23%), which corresponds with the situation last year. Unlike last year, France does slightly better than Belgium, with a net/cost ratio of 49.37% (47.15% in 2012) and Ireland does slightly worse with a net/cost ratio of 48.64% (49.12% in 2012). The Greek self-employed director is much worse off compared to last year with a net/cost ratio of 45.74% (49.77%).

In the situation of an unmarried person, only France (42.55%) and Sweden (40.23%) are doing worse than Belgium.

General comments

With the expansion of the salary survey to 19 countries, we can no longer conclude that the higher the gross salary, the greater the gap between Belgium and the rest of Europe in terms of the corresponding net income. The cards are now different and the overall picture more nuanced. We can see that the changes in the European rankings are very variable and that certain countries score a higher net income as the level of earnings rises, whereas the opposite is true for other countries. Below are a number of trends that emerge from the figures:

- Switzerland frequently has the highest net income (not consistently in scenarios 1, 3, 6 and 7). It should be noted here that the strong Swiss currency plays an important role and that the salary levels examined (i.e. up to a maximum 125,000 EUR gross income) are very low by Swiss standards (i.e. much less than half of the salary category to which the marginal Swiss, Geneva tax rate applies).
- In Luxembourg, people also earn a relatively high net income in most of the situations examined. With the exception of the highest salary category (i.e. 125,000 EUR gross per year), Luxembourg is always in the top 5 countries with the highest net income, except in the situation of a single person deriving a gross income of 50,000 EUR per year.
- The Czech Republic and Slovakia perform solidly in the rankings for net income, but it is noticeable that those countries perform better according to the increase of the salary levels.
- Among the countries that generally do less well in terms of net salary, Denmark still scores low almost systematically, particularly where the higher levels of income are concerned. Following the highest tax increase the Portuguese ever faced (and which occurred in 2013), Portugal now also often features at the bottom of the European ranking regarding net income, especially when looking at the lower salary levels.
- Newcomer Malta almost always performs 'good to average' following which it almost always features in the top 7 of the net income rankings. Newcomer Austria also performs average in view of net income following which it always features somewhere between the 10th to last place.
- Germany and Italy also often score poorly, albeit to a lesser extent: Germany does less poorly as salary levels rise significantly, whereas Italy does worse when pay levels increase (except for the self-employed scenario).
- The statement that Belgium is placed more often at the bottom of the 'net' rankings remains the case as gross income rises. The reason for this is that in Belgium, taxpayers quickly reach the highest tax rate, which can be seen clearly from the following summary on page 15 and ff (ranked on the basis of the highest tax rate).

Comparison figures 2010 - 2013

- When comparing the evolution of the employer costs of the various countries involved over the past years (i.e. 2010-2013), we can conclude that the Belgian employer costs remained equally high. Especially France faced an overall increase of its employer costs (>5% when focusing on scenario 5, i.e. annual gross income of 75,000 EUR plus company car). Also Poland faced an increased employer cost, however relating in particular to lower incomes (>3% for scenario 3, i.e. gross annual income of 27,000 EUR). Furthermore, Slovakia also faced a serious increase of employer costs, more in particular with regard to the higher salary level of scenario 5 (>5%). With respect to the Czech Republic on the other hand, a considerable decrease in employer costs could be determined concerning the higher salary level of scenario 5 (>4%).

- In 2013 Belgian taxpayers generally received a somewhat higher net income compared to 2010. In France we saw a modest increase in the net income relating to lower salary levels. In UK, the figures resulted in a considerable increase of net income related to lower salary levels however a limited decrease of the net incomes can be determined when looking at the higher salary levels. In Portugal we observed an overall noteworthy decrease in net income. In Greece and Slovakia we observed an overall decrease in net income which is very limited when looking at the lower salary levels (>2% respectively <1%) but which is considerable (>5% respectively >7%) when focusing on the higher salary levels. In Ireland and Spain we noticed a decrease in net income related to higher salary levels (>5% respectively >4%).

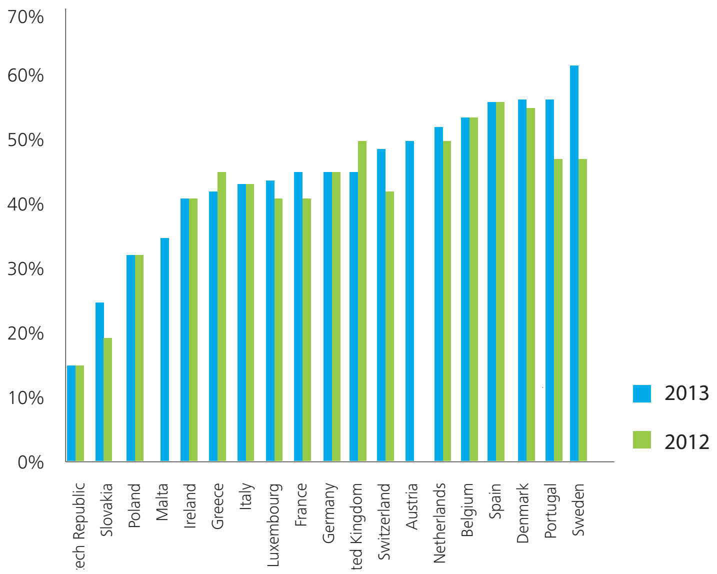
- When focusing on the net/costs ratios and its evolution over the past 4 years, we conclude that the Belgian ratio systematically improved (e.g. for a married individual with a non-working spouse and 2 dependent children and earning an annual gross income of 27,000 EUR, the ratio amounted to 60.31% in 2010 to 61.51% in 2013). France shows an opposite trend, here the ratio dropped with 3.47% from 2010 to 2013 when focusing on scenario 5 and taking into account a married individual with 2 dependent children. The net/costs ratios in Portugal and Slovakia also considerably decreased.
  The Slovakian decrease amounts to almost 8% in scenario 5, both for single and married individuals. The Portuguese decrease in scenario 5 amounts to almost 4% for married individuals versus 5% for single taxpayers.

Country	Any changes compared to last year?	Highest tax rate	From an income higher than
Czech Republic	Yes – A new Solidarity tax of 7% was implemented which is due on income exceeding a certain level	Fixed rate of 15% (in practice effective tax rate is 20.1% as the tax base is increased with SSHI contributions made by the employer) (probably 19% from 2015 onwards, however this will be applied on tax base excluding the SSHI contributions made by the employer)	On the full income Additionally the new Solidarity tax of 7% is due on annual income that exceeds the threshold of 1,242,432 CZK or +/- 48,627.50 EUR. The solidarity tax of 7% is also applied on monthly income exceeding the threshold of 103,536 CZK or +/- 4,052.50 EUR
Slovakia	Yes	25% (versus fixed tax rate of 19% in 2012)	On tax base exceeding 2,866.81 EUR per month or 34,402 EUR per year (below this threshold, the tax rate is 19%)
Poland	No (except for the exchange rate)	32%	85,528 PLN (+/- 20,363.81 EUR)
Malta	Yes (increased threshold and additional tax bracket)	35% (and income between 28,701 EUR – 60,000 EUR is now taxable at 32%, previously at 35%)	60,000 EUR (versus 28,701 EUR)
Ireland	No	41% (plus social contribution of 4 to 7%)	32,800 EUR (versus 36,400 EUR in 2010 and 2011 for an unmarried person) and 41,800 EUR (versus 45,400 EUR in 2010 and 2011 for a married person with 1 working partner)
Greece	Yes	42% (versus 45% in 2012) plus solidarity contribution of 4%	42,000 EUR (versus 100,000 EUR last year) but the solidarity contribution is only due on income above 100,000 EUR
Italy	No	43% (plus regional tax 1.23 - 2.03% and municipal tax 0 - 0.9%)	75,000 EUR
Luxembourg	Yes - Increase of marginal tax rate, from 39% to 40%	42.80% or 43.60% (depending on whether the income exceeds the limit or not) (versus 40.56% or 41.34% in 2012)	150,000 EUR (unmarried taxpayers) 300,000 EUR (couples who are taxed together)

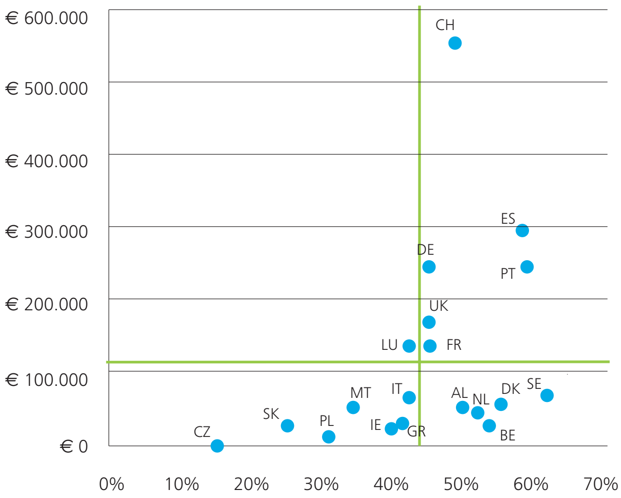
Country	Any changes compared to last year?	Highest tax rate	From an income higher than
France	Yes – changes announced at end of December 2012 have come retroactively into effect and additional changes are likely to follow at the end of December 2013	45% (versus 41% last year) *plus special solidarity contributions amounting to approximately 15.5% on investment income **plus 4% of contribution on high income	150,000 EUR (versus 70,830 EUR in 2012) * As from the 1st euro **As from 500,000 EUR for single taxpayers (1,000,000 EUR for married taxpayers)
Germany	No – only change in tax free amount	45% (plus solidarity contribution of 5.5%)	250,731 EUR
United Kingdom	Yes, decreased marginal tax rate, increased tax-free allowances and impact of exchange rate	45% (versus 50% last year)	£ 150,000 (+/- 176,043 EUR versus +/- 187,200 EUR in 2012 – only through impact exchange rate)
Switzerland	Depending on both the canton and the municipality of the person’s residence	Canton of Geneva, city of Geneva: 48,5% (top marginal rate)	569,105 EUR
Austria	No	50%	60,000 EUR
Netherlands	Yes, another rise of the tax rate in the first bracket and decrease of amount as of which the marginal tax rate applies	52%	55,991 EUR (versus 56,491 EUR in 2012, 55,694 EUR in 2011)
Belgium	Yes, rise in the scale to which the marginal rate applies	53.5% (including municipal tax: 0 – 9%)	37,330 EUR (versus 36,300 EUR in 2012, 35,060 EUR in 2011 and 34,330 EUR in 2010)
Denmark	Yes	55.56% (versus 55.38% in 2012)	61,424 EUR (versus 57,031 EUR last year)
Spain	Yes, rise in the rates for 2012 and 2013 through the introduction of a ‘supplementary tax rate’ ranging from 0.75% to 7%	52% for withholding purposes. Final tax rate depends on the region where the person lives. 56% in Catalonia (versus 49% in 2011) 51.9% in Madrid	300,000 EUR (versus 53.407 EUR in 2011)
Portugal	Yes – the highest raise of personal income taxes occurred in 2013	56.5% (including 3.5% surtax applicable on all taxable income exceeding 6,790 EUR)(versus 46.5% last year)	250,000 EUR (versus 153,500 EUR last year)
Sweden	Yes, rise in the limit on which the marginal rate applies and impact of the exchange rate	61.24% (which relates to a specific municipality and includes the church fee) (versus 56% last year)	591,600 SEK or +/- 68,879.51 EUR (versus 574,300 SEK or +/- 69,671 EUR in 2012)

In all scenarios investigated, Belgium systematically belongs to the top 5 of countries with the highest employer costs. In line with previous years, this trend can be explained by the fact that in Belgium employer and employee social security contributions are due on all income derived without any cap. As the majority of countries investigated (10 out of 19) only charge employer social security contributions up to a certain limit or threshold, the impact of charging unlimited social security contributions is very significant. Furthermore, in the countries where unlimited social security contributions are due, the percentages are much more moderate compared to Belgium and France which continue to hold the crown in this area with unlimited employer contributions of approximately 45%, as is clearly shown in below overview.

Highest income tax rate



Salary comparison - highest income tax rate



* Average highest income tax rate: 44%
* Average income on wich highest tax rate is applied: € 107.000
(CZ and CH not taken into consideration as disproportioned)

Country	Any changes compared to last year?	Social security: limited or unlimited	On a maximum gross annual income of …
Denmark	Yes, increased rate for the employer	Limited	Employees: fixed contribution of 145 EUR per year Employers: fixed contribution of +/- 1,610 EUR per year (versus 1,208 EUR in 2012)
Malta	Yes – increased limit	Limited	Employers and Employees each pay 10% of the basic weekly wage subject to a maximum income of €339.05 per week (max contribution €33.90 per week or 1,762.8 EUR per year) for persons born before 1/1/1962 and €403.16 per week (max contribution €40.32 per week or 2,096.64 EUR per year) for persons born after 31/12/1961
Netherlands	Decreased limit for employee contributions and decreased exemption. Increased limit for employer contributions, but decreased contribution %.	Limited	Employees: 31.15% on maximum earnings of 33,363 EUR (versus 33,863 EUR in 2012) and a maximum exemption of 2,111 EUR (versus 3,356 EUR in 2012) Employers: 17.9% (versus 20.02% in 2012) on maximum earnings of 50,853 EUR (versus 50,065 EUR in 2012)
Spain	Yes – increased limit for employee and employer contributions	Limited	Employees: 6.35% on a maximum income of 41,108.40 EUR (versus 39,150 EUR in 2012) Employers: approximately 29.9% (an additional percentage has to be added to this one, which depends on the activity of the employer) on a maximum income of 41,108.40 EUR (versus 39,150 EUR in 2012)

Country	Any changes compared to last year?	Social security: limited or unlimited	On a maximum gross annual income of …
Slovakia	Yes – increased limit	Limited	Employees: 13.4% with a limit for contributions between 1,153.5 and 3,076 EUR (depending on the type of unemployment insurance, pension, etc.) and up to +/- 47,160 EUR (versus 34,000 EUR in 2012) Employers: 35.2% (same limit)
Sweden	Yes, further increased limit maximum employee contributions (and impact of exchange rate)	Limited for employees Unlimited for employers	Employees: 7% on a maximum income of 456,800 SEK or +/- 53,234.42 EUR (versus 440,000 SEK or +/- 53,379 EUR in 2012) i.e. maximum contribution of 31,976 SEK or +/- 3,730 EUR (versus 30,800 SEK or +/- 3,737 EUR in 2012). As a tax reduction with a corresponding amount is granted, it is generally at no cost to the employee. Employers: 31.42% (employees born between 1948 – 1986)
Germany	Yes, increased limit	Limited	Employees and employers pay together (about 50/50) approximately 40.35% on a maximum income of 69,600 EUR (versus 67,200 EUR in 2012) for pension and unemployment and on a maximum income of 47,250 EUR (versus 45,900 EUR in 2012) for sickness and disability.
Austria	Yes, increased limit	Limited	Employees and employers pay together approximately 39.9% (18.07% for employees and 21.83% for employers) on a maximum income of 4,440 EUR p.m. for ordinary payments and 38.4 % (17.07% for employees and 21.33% for employers) on a maximum income of 8,880 EUR p.a. for extraordinary payments
Czech Republic	Yes 1. Increased limit for Social Security (SS) 2. Abolishment of limit for Health Insurance (HI) (and impact of exchange rate)	Unlimited	Employees: 6.5% on a maximum income of 1,242,432 CZK or +/- 48,627.50 EUR (SS) and 4.5% on the full income (HI) (versus on a maximum income of 1,206,576 CZK or +/- 48,389 EUR plus 4.5% on a maximum income of 1,809,864 CZK or +/- 72,583 EUR in 2012) Employers: 25% on a maximum income of 1,242,432 CZK or +/- 48,627.50 EUR (SS) and 9% on the full income (HI) (versus on a maximum income of 1,206,576 CZK or +/- 48,389 EUR plus 9% on a maximum income of 1,809,864 CZK or +/- 72,583 EUR in 2012)
Ireland	Yes – in prior years certain employees were given a weekly free allowance of €127 which was not subject to PRSI. This allowance was abolished with effect from 1 January 2013	Unlimited	Employees: approximately 4% but with certain exemptions Employers: approximately 10.75% with no exemptions

Country	Any changes compared to last year?	Social security: limited or unlimited	On a maximum gross annual income of …
Switzerland	No	Unlimited	Employees and Employers both pay: • 5.15% (AHV); • 1.1% on max. 126,000 CHF (+/- 102,330 EUR) (ALV 1) • 0.5% on 126,000 – 315,000 CHF (ALV 2) • 4% or more pension (2nd pillar) (% depending on type of contract)
Poland	Yes, increased limits for employee and employer contributions for pension and disability (and impact of exchange rate)	Unlimited but some contributions are capped (pension and disability)	Employees: 2.45% unlimited (sickness) + maximum contribution 12,542.51 PLN or +/- 2,986.31 EUR (versus 11,010.83 PLN of +/- 2,905.08 EUR in 2012) (pension and disability) + 9% unlimited (health contribution) Employers: maximum pension contribution 10,871.66 PLN or +/- 2,588.49 EUR (versus 10,324.13 PLN or +/- 2,518.08 EUR in 2012) + maximum disability contribution 7,240.35 PLN or +/- 1,723.89 EUR (versus 6,875.70 PLN or +/- 1,667 EUR in 2012) + <0.67% -3.86%> unlimited (work accidents) + 2.45% unlimited (employment fund) + 0.1% unlimited (fund for guaranteed employee benefits).
Luxembourg	Yes (increased limit as from January 2013 and again with effect from 1/10/2013 reflecting index of 2.5%) The 1 % employer contribution to Mutual insurance has been abolished, only employers are still liable to contribute to this fund. The rate of the accident insurance due by employers is lowered from 1.15 % to 1.10%.	Limited	Employees: 11.05% (versus 12.05% in 2012) on a maximum income of 115,261.56 EUR (versus 112.451,28 begin 2013 and 110,790.48 EUR at the end of 2012) Employers: 12.43% - 14.30% (versus 12.79% in 2012) on a maximum income of 115,261.56 EUR (versus 112.451,28 begin 2013 and 110,790.48 EUR at the end of 2012)
United Kingdom	Yes – changes in the thresholds	Unlimited	Employees: 12% on income between 7,755 GBP and 41,450 GBP or +/- 48,716 EUR (versus 7,605 GBP and 42,475 GBP or +/- 53,008 EUR in 2012) and 2% above Employers: 13.8% on all income above 7,696 GBP or +/- 9,046 EUR (versus 7,488 GBP or +/- 8,801 EUR in 2012)
Portugal	Yes for statutory directors. The rate was 9.3% for the director and 20.3% for the company. Now the rates applicable to employees also apply to statutory directors. Now statutory directors are eligible for unemployment benefits under certain requirements (more strict than for employees).	Unlimited (except for Directors, then the limit amounts to 60,367.68 EUR/ year)	Employees: 11% Employers: 23.75%

Country	Any changes compared to last year?	Social security: limited or unlimited	On a maximum gross annual income of …
Greece	Yes, decreased rate for employer contributions as of November 2012.	Limited	Employees and employers together pay 43.96% (versus 45.06% in 2012) of which employees still pay 16.5% and employers 27.46% (versus 28.56% in 2012), on a maximum income of 83,135.25 EUR (versus 34,051.25 EUR in 2012) (for 'old' employees i.e. members of the mandatory social security fund prior to 31/12/1992)
Italy	Yes, increased limit	Limited for employees hired after 31/12/1995 Unlimited for employees hired prior to 31/12/1995	Employees approximately 10% (on a maximum income of 99,034 EUR if the limit applies) (versus 96,149 EUR in 2012) Employers approximately 30 to 38% (on a maximum income of 99,034 EUR if the limit applies) (versus 96,149 EUR in 2012)
Belgium	No	Unlimited	Employees: 13.07% Employers: approximately 35%
France	No	Unlimited	Employees: approximately 18% Employers: approximately 45%

Salary comparison
Net disposable income

In this chapter, the results from the salary comparison in the previous section are placed in a different light by also including family allowances, housing costs and the costs of living. This year, we also looked at how expensive education is in the various countries surveyed. In this respect, we requested the tuition fees for public schools (primary and secondary school). Whereas the initial expectation was that Belgium, where education is free of charge, would stand out in a very positive way, the conclusion surprisingly is that all countries investigated offer free public schooling. In Italy however, a distinction exists between lower and upper secondary schools. Children between 11 and 14 years old go to the lower secondary public school in which respect no tuition fee is due. The upper secondary public school is for children between 14 and 18 years old but as of 16 years old, children are no longer required to attend the upper secondary school. As of the age of 16, they can decide whether or not to continue this education and if they do, they need to pay a tuition fee (i.e. up to the age of 18) which is calculated taking into account the respective family income. Next to the tuition fee, we also investigated the costs related to school books for public primary and secondary schools. In 8 of the countries surveyed (i.e. Austria, Denmark, France, Greece, the Netherlands, Poland, Sweden and the United Kingdom), no fees or contributions are charged in this respect whatsoever. In the other countries, people do have to contribute to the costs related to school books for primary and/or secondary school. However, the amounts are so insignificant that no corrections in view of schooling have been applied to the figures of chapter 1.

When applying the adjustments in view of family allowances, housing costs and costs of living to the net income results from chapter 1, we obtain a "net disposable income" per scenario and for each country, which frequently differs significantly from the "net income" discussed earlier.
Taking into account the adjusted net amounts, being the net disposable incomes, the 19 countries were again ranked focussing on the salary costs involved on the one hand and the ratio of net disposable income in relation to the estimated employer cost on the other.

Country	Average annual family allowance for 2 dependent children
Luxembourg	7,198.33 EUR
Germany	4,416.00 EUR
Spain	3,876.00 EUR
Belgium	3,751.68 EUR
Austria	3,495.20 EUR
Sweden	3,146.78 EUR
Ireland	3,120.00 EUR
Denmark	2,877.00 EUR
Switzerland	2,854.00 EUR
The United Kingdom	2,055.94 EUR
The Netherlands	2,025.96 EUR
France	1,542.84 EUR
Malta	700 EUR if gross income > 24,226 gross/yr 272.05 EUR if gross income < 24,226 gross/yr
Portugal	636.96 EUR
Slovakia	509.28 EUR
Italy	190.39 EUR
Greece	0.00 EUR
Poland	0.00 EUR
Czech Republic	0.00 EUR

Comparison of the figures

Reference is made to the appendix which includes the salary comparison charts.

Analysis of the data

Child allowance

As listed below, Belgium ranks 4th in the list of countries allocating child allowances for 2 dependent children. Luxembourg, Germany and Spain still allocate higher child allowances for 2 dependent children. It is interesting to note that in the majority of the countries surveyed (i.e. in Austria, Sweden, Ireland, Denmark, Switzerland, the United Kingdom, the Netherlands, France, Malta, Portugal, Slovakia and Italy) a lower or even no child allowance (i.e. the case in the Czech Republic, Greece and Poland) is allocated.

Housing costs & cost of living

Housing costs

The housing costs included in our salary comparison are defined based on generally available data applicable to the capital cities involved (which in turn have been taken from public government statistics). These data reflect the average housing costs for a particular salary level in the capital city in question. Details about the size of corresponding accommodation, as well as the surroundings in question are not available. In accordance with last year, the methodology was defined by the combination of sources in order to avoid extremes. We can again conclude that the housing costs in Amsterdam, Copenhagen, Dublin, London, Luxemburg, Paris, Milan/Rome, Stockholm, Vienna and Switzerland (Geneva) are more expensive in all scenarios than those in Brussels.

The data show that the housing costs in Barcelona and Madrid were equally expensive as Brussels in 2012, but a little bit cheaper in 2013. A similar evolution can be noted in Germany which was slightly more expensive than Belgium in 2012, but which has become slightly cheaper now.

Finally, we note that housing in Poland and the Czech Republic is still cheaper than in Belgium and the same applies to all scenarios for Greece, Malta, Portugal, Slovakia and Spain. Some of the developments described above are partly attributable to the impact of the exchange rate.

To sum up, the cost of housing is the highest in Geneva, followed by London. They are lowest in Valetta (Malta), followed by Athens.

Cost of living

The adjustments in the cost of living are also based on publicly available data supplied by various providers which gather figures and interpret them based on research of the local prices of items such as food, fruit, vegetables, cigarettes and alcohol, personal hygiene products, furniture and household items, clothes, recreation, (cost to run a) car, public transport, domestic help and restaurant expenditure. Because various sources show extremely varying changes in some countries, the same methodology as last year was used, meaning that the 'cost of living adjustment' applied in the figures was defined by the combination of sources in order to avoid extremes.

Based on this data, we can again conclude that the cost of living is cheapest in Poland, the Czech Republic, Slovakia, Portugal, Malta, Spain, Greece, Austria and Italy. Whereas German costs of living appeared to be more expensive compared to Belgium in 2012, the public data now show that Germany is somewhat cheaper compared to Belgium.

The cost of living in Brussels is still lower than in the capital city areas of most of our neighbouring countries (i.e. Amsterdam, London and Paris). Stockholm and Dublin again come out as more expensive than Brussels and the same applies to Denmark, Luxembourg and Switzerland (Geneva).

In brief, the cost of living is highest in Geneva, followed by London. Warsaw remains the cheapest to live in, followed by Prague.

Net disposable income

Blue-collar workers

In chapter 1, we saw that Belgium is ranked 1st (before Switzerland) when we look at its net income in the salary category of a gross annual income of 21,958.90 EUR for a married person with 2 dependent children. When family allowance, the cost of housing and the cost of living are included in the comparison, Belgium remains in 1st place in the European rankings as was the case last year as well. In the next salary category (i.e. a gross annual income of 31,940.22 EUR), Belgium was ranked 4th in terms of net income (after Switzerland, Ireland and Luxembourg), whereas it drops to 6th place on the European ranking of net disposable income (versus 5th place last year), i.e. after the Czech Republic, Poland, newcomer Malta, Slovakia and Spain.

In accordance with last year, Belgium reaches a higher net disposable income in both salary categories than our immediate neighbours. Germany is next in line in 8th place in both scenarios. Luxembourg follows in 9th place (scenario 1) and 10th place (scenario 2). Newcomer Austria takes the 10th (scenario 1) and 12th positions (scenario 2) on the European ranking of net disposable income whereas the Netherlands feature in 13th place in both scenarios. France takes the 17th place in both scenarios, followed by Switzerland (in last place in scenario 1) and the United Kingdom (in last place in scenario 2). Newcomer Malta performs well in terms of net spendable income: with respect to scenario 1, Malta conquers 6th place and achieves 3rd place in scenario 2 (i.e. after the Czech Republic and Poland).

The net disposable income is exceptionally the highest of all for married Belgian taxpayers in scenario 1, but in scenario 2, the Czech Republic, Poland, newcomer Malta, Slovakia and Spain perform better.

When we compare the new data for an unmarried person with no children, we can see that with a gross annual income of 21,958.90 EUR, Belgium falls from 4th (net income) to 8th place (net disposable income), which is in line with last year, beside the fact that newcomer Malta outperforms Belgium in this case. Newcomer Austria does slightly worse compared to Belgium and takes 10th place on the European ranking of net disposable income. Similar to last year, the United Kingdom, Switzerland and France have the lowest net disposable income.

However, with a gross annual income of 31,940.22 EUR, Belgium rises from 12th place (net income) to 10th place (net disposable income). These results are in line with those of last year; however newcomers Malta and Austria perform better than Belgium in this scenario.

In both salary categories, Belgium continues to outperform all of its neighbours (including Luxembourg and Switzerland) in terms of net disposable income.

Interestingly, countries like Switzerland, Luxembourg and the United Kingdom, which scored well in the rankings for net income, perform considerably less well in the rankings for net disposable income, particularly in the scenarios for blue-collar workers. We can also see that where last year all of the ratios between net disposable income and salary costs varied between 90.47% (Poland) and 30.45% (United Kingdom), this year these ratios are slightly higher as they now vary in both scenarios between 101.59% (Malta) and 31.51% (France). Belgium is ranked 10th (81.11%) / 13th (65.12%) place for a married person with dependent children in scenario 1 / scenario 2, and it takes 13th (56.55%) / 16th (46.92%) place when looking at the ratio of its net disposable income compared with the salary costs for an unmarried Belgian in scenario 1 / scenario 2. Belgium systematically outperforms France, Switzerland and the United Kingdom in this area. The corrections in view of living and housing as applied to Germany push Germany’s net spendable income up the ranking, i.e. for scenario 1 (married taxpayers): from 9th place last year to 3rd place now with an increased ratio of 88.71% (versus 79.01% last year); and for scenario 2: from 8th place last year to 6th place now with an increased ratio of 78.43% (versus 70.08% last year). These significant changes in the ranking mainly follow from the fact that both housing and living has become cheaper in the capital cities of Germany compared to Brussels.

White-collar employees

Gross annual salary of 27,000 EUR

When we compare the data from section 1, i.e. the net income, for a married sole earner with 2 dependent children, Belgium is ranked 6th in terms of net income (Ireland, Switzerland, Luxembourg, the Netherlands, as well as newcomer Malta have a higher net income). For net disposable income, Belgium comes 8th in this scenario, after the Czech Republic, Malta, Slovakia, Poland, Spain, Portugal and Germany. Last year, Belgium's net disposable income was ranked in 7th place as Malta was not included.

This also means that employees in Belgium still receive a higher net disposable income than Ireland, Luxembourg, Greece, Austria, the Netherlands, Italy, Sweden, Denmark, France, Switzerland and the United Kingdom. As far as an unmarried person with no children is concerned, net income in Belgium is ranked 2nd to last place this year (versus last place in 2012 when Portugal still scored better). However, in this situation, the Belgian net disposable income exceeds the net disposable income in Switzerland, the United Kingdom, France and Denmark by which Belgium is placed 15th in the European rankings for net disposable income (versus 10th place in 2012). Last year in this scenario, the Netherlands, Germany and Italy scored worse than Belgium in terms of net disposable income, but perform better now, together with newcomer Austria and Malta.

In the rankings for the ratio of net disposable income in relation to salary costs, Belgium is in 11th place with 71.98% for a married person with dependent children, respectively in 16th place with 50.01% for an unmarried person. Regardless of the personal situation, Belgium beats France, Switzerland and the United Kingdom.

Gross annual salary of 50,000 EUR

In line with last year, Belgium is again positioned in 13th place in view of ordinary net income in this scenario and focussing on married taxpayers with 2 dependent children. However, now Germany and newcomer Austria have a lower net income than Belgium, as remains the case for Denmark, Italy, the Netherlands and Greece.

In terms of net disposable income, Belgium climbs to 10th place, again leaving Ireland, newcomer Austria, Sweden, Italy, the Netherlands, Denmark, France, Switzerland and the United Kingdom behind. Contrary to last year, Germany now scores slightly better than Belgium. In this scenario, Poland, the Czech Republic, Malta and Slovakia have the highest net disposable income (as was the case in 2012, however Malta comes in at 3rd place pushing Slovakia to 4th place).

Similar to previous years, the net income of an unmarried person in Belgium was lower than in all of the other countries surveyed. Whereas last year, Belgium occupied the 11th place when looking at the net disposable income, this year it dropped to the 15th place: the Netherlands and Germany last year scored worse but now do better than Belgium and, in addition, newcomers Austria and Malta also perform better in this respect.

In this scenario, Belgium ranks in 11th place with 54.77% (married), and 16th place with 41.22% (single) respectively in the European rankings for the ratio of net disposable income versus salary costs. The United Kingdom, Switzerland and France do worse in both cases.

Gross annual salary of 75,000 EUR
In this scenario, only white-collar employees in Greece, Italy and Denmark have a lower net income than in Belgium (i.e. 16th place for a married Belgian with a non-working partner and 2 dependent children). When looking at the adjusted income or the net disposable income in this scenario, Belgium rises to 11th place and hence performs better than Ireland, Sweden, Switzerland, France, the Netherlands, Italy, Denmark and the United Kingdom. Newcomers Austria and Malta both score better in view of net disposable income.

The net income of an unmarried Belgian is again 2nd to last because the unmarried Dane earns another +/- 266 EUR less in this scenario. In the rankings for net disposable income, Belgium drops from 13th to 15th place because newcomers Austria and Malta do considerably better than Belgium. This year however the Netherlands do slightly better than Belgium whereas Switzerland now does considerably worse.

In this scenario Belgium comes in at 14th place with 46.38% (married) and in 18th place with 37.08% (unmarried) in the European rankings for the ratio of net disposable income versus salary costs. On this occasion, only France does worse regardless of the personal situation whereas also the United Kingdom, Italy, Sweden and Denmark do worse than Belgium in the situation of married taxpayers.

Gross annual salary of 125,000 EUR
Last year, the married Belgian taxpayer with 2 dependent children came 2nd to last in terms of net income corresponding to a gross annual income of 125,000 EUR and company car (only Denmark did worse). This year, Denmark as well as Italy have a lower net income compared to Belgium. With regard to the net disposable income, last year Belgium was ranked 12th, leaving behind Italy, the Netherlands, Sweden, Denmark as well as the United Kingdom, whereas this year, Belgium is ranked 14th again due to the fact that newcomers Austria and Malta perform much better.

In this scenario, the net income of an unmarried Belgian is ranked last in Europe for the 4th time in a row. This year, Belgium further drops to the bottom of the ranking regarding the net disposable income, with a 17th place (versus 14th last year): this year the Dutch unmarried individual has a higher net disposable income as well as the Maltese and Austrian individuals.

When we look at the ratio between net disposable income and salary costs, Belgium scores 39.69% (married) and 34.11% (unmarried), ranking at 15th (married) / 18th (unmarried). Only France does systematically worse than Belgium with 38.20% in the situation of a married person with 2 dependent children and 32.87% for an unmarried person. Furthermore, Italy, Sweden and the United Kingdom do worse than the Belgian taxpayer, however only with respect to the married individual.

Self-employed director – gross annual income 125,000 EUR
In line with previous years, the Belgian married self-employed director (not having his own company) earning a gross annual income of 125,000 EUR (and a company car) has a very low net income compared with the rest of the countries surveyed. On this point, Denmark does a little less well than Belgium.
In line with the past 3 years however, when looking at the rankings of the net disposable income, the married self-employed Belgian with 2 dependent children not only goes past his British and Dutch counterparts, but also his equivalents in Sweden and Denmark.

For the fourth year in a row, the net income of the single self-employed Belgian was the lowest of all, but in terms of net disposable income, Belgium did better than the United Kingdom and Denmark.

Of course Belgium scores better here in the ranking regarding the ratio of net disposable income versus employer costs. With 51.86% (married) / 44.33% (single), Belgium takes respectively 10th and 12th place, i.e. preceded by our neighbours Germany and Luxembourg, but leaving behind Austria, Switzerland, the Netherlands, France and the United Kingdom when focusing on the situation of the married taxpayer. When focusing on the situation of a single taxpayer, Belgium is again preceded by our neighbours Germany and Luxembourg with the addition of Austria, and we leave our remaining neighbouring countries behind.

General comments

- The good news is that, when comparing the net disposable incomes for Belgian blue-collar workers with that of our neighbouring countries / main competitors (i.e. Germany, France, Luxembourg, the Netherlands, Austria, the United Kingdom and Switzerland), we can conclude that Belgian blue-collar workers always have a higher net disposable income. Austria is however the only exception when it concerns a single Austrian taxpayer earning a gross annual income of 31,940.22 EUR, as he or she is better off by 691.78 EUR compared to the Belgian single taxpayer.
- The bad news however is that Belgian white-collar employees are generally worse off in all salary categories than his or her neighbours. More in detail, the German and Luxembourg employees always have a higher net spendable income versus the Belgian employees, except when it concerns the Luxembourg employee who is married and earns 27,000 EUR, in that case the Belgian employee has 582.26 EUR more. The Belgian employee is also always worse off than its Dutch counterpart when focussing on single taxpayers. On the contrary, Belgian married employees always outperform the Dutch. Moreover, Belgian employees always score worse compared to Austria with the exception of the married Austrian earning 27,000 EUR or 50,000 EUR.
- On a more positive note, Belgian employees always have a higher net disposable income in comparison with the French and the Swiss employees up to an annual income 75,000 EUR. So when looking at the higher income level (i.e. gross annual salary of 125,000 EUR plus company car) we see that France and Switzerland perform better than Belgium (both saving roughly 4,000 EUR compared to the Belgian taxpayers in this scenario). Finally we observe that Belgian individuals always outperform the British employees in terms of net disposable income, regardless the level of income.
- With respect to the scenario for self-employed married individuals, Belgium’s net disposable income only exceeds that of the Dutch and British self-employed directors whereas for the single individuals in this scenario, a Belgian still only seems to live better than its British counterpart.

Comparison ranking net disposable income 2012 - 2013

- Looking at the lower salaries (i.e. gross annual income of 27,000 EUR), the United Kingdom, Switzerland and France score the lowest net spendable incomes of all 19 countries investigated, both for married as for single taxpayers. In this respect, Germany remarkably gains 4 places (single) / 5 places (married) in the European ranking compared to last year, as can be partly explained by the decreased costs of living and housing. Italy also gains 4 places on the ranking of the single net disposable incomes compared to 2012 whereas it climbs 2 places up the ranking of married taxpayers. Belgium here also climbs 1 place (married), but drops 3 places when it concerns the single taxpayer.
- Looking at married employees (non-working partner and 2 children) deriving higher salaries (i.e. a gross annual income of 75,000 EUR and a company car), the same 5 countries end up with the lowest net spendable income as last year, namely the United Kingdom, Denmark, Italy, the Netherlands and France. Germany again improves its ranking, moving up 3 places compared to 2012 and is as such currently doing better than Luxembourg, Greece and newcomer Austria. Belgium drops 2 places as newcomers Malta and Austria do better.
- With respect to the single taxpayers, Denmark and the United Kingdom appear again at the bottom of the ranking of net disposable income as was the case in 2012 as well. The Netherlands, Italy and Germany all move up 3 places whereas Belgium again drops 2 places.

Company cars

In our first edition of the European salary survey, we took a closer look at a number of cost effective remuneration techniques (such as meal vouchers, representation allowances, etc.) in the 11 different countries. One of the main means of remuneration that we discussed at the time was in relation to company cars. Given that this topic was raising a lot of dust in Belgium at the time the 2nd edition of the survey was being prepared, we provided further explanation about the various European tax systems relating to company cars. Since then, the Belgian tax system on company cars has undergone a few other minor changes. For this reason and taking account of the fact that the survey has been expanded to 19 countries for this 4th edition, we have retained and updated this section. We have again based ourselves on the data used in scenarios 4 to 7 of the salary comparison.

In the majority of the countries surveyed, the taxable benefit of a company car for an employee is determined on the basis of the local purchase price (catalogue value) or the usage cost of the car in question. Only Poland, Portugal and Italy deviate from this principle. Belgium used to do so in the past, but no longer does so since 2012.

From the evaluation that follows, we can conclude that Belgium, in comparison with the 18 other European countries, despite the new and more stringent valuation method, assesses and taxes fringe benefits at a relatively low level on the part of the employee, provided we exclude expensive / highly polluting vehicles (e.g. 4WDs, SUVs, etc.) out of the equation. In Poland, the benefit results in a lower amount, but this is because the Polish legislator has not (yet) set any fixed rules in this regard. In Portugal, a taxable benefit in this respect is only taken into account in exceptional circumstances. Finally, also the Greek valuation method in practice often results in a taxable benefit for a company car which is lower than in Belgium because the Greek work with an adjusted catalogue price (that takes account of the age of the car and a kilometre factor). As a consequence of this 'adjusted catalogue price', the Greek basis for the calculation of the taxable benefit frequently falls into the lowest bracket for which the percentage applied is 0% following which the taxable benefit in kind amounts to 0 EUR.

The following overview has been produced based on a catalogue price of 31,000 EUR and hence does not take into account expensive / highly polluting cars. As reflected in the overview Belgium again scores well in the European rankings for the taxable value of a company car, despite the new tax system which in many cases turns out to be more expensive compared to the past.

Belgium

The benefit of a company car that a Belgian employee is allowed to use for private purposes is assessed for income tax purposes. Under the old system, the statutory valuation of this benefit was rather tax friendly, all the more so in comparison with most of the other countries surveyed. Nevertheless this has not resulted in the expected substantial improvement in Belgium's position in the European rankings for net (disposable) income. Since the Act passed on 28th December 2011, a new calculation method was introduced for determining the taxable benefit, which came into effect from 1st January 2012. We discussed these new valuation rules in the 2nd and 3rd edition of the salary survey. For 2013 the basic valuation method has not changed, but the standard CO2 emission level for petrol engines has been increased.

Since 1st January 2012, the calculation of the taxable benefit of a company car is based on the catalogue value, the level of emissions (CO2 emissions) and the age of the car. The term 'catalogue value' refers to the value of a factory-new car sold to a private individual, including the price of any options and the actual amount of VAT charged, but excluding any discount. The age of the car is brought into account by multiplying the catalogue value by a percentage determined based on the period that has elapsed since the vehicle was first registered (both in Belgium and abroad).

These percentages are as follows:

Period elapsed since the vehicle was first registered (any part of a month is counted as a full month):	Percentage to be applied to the catalogue value:
0 to 12 months	100%
13 to 24 months	94%
25 to 36 months	88%
37 to 48 months	82%
49 to 60 months	76%
61 months or more	70%

The catalogue value of the company car then needs to be taken into account at a rate of 6/7ths and multiplied by the corresponding CO2 coefficient. This coefficient is a minimum of 4% and a maximum of 18%, depending on the car's actual CO2 emissions. The base rate is 5.5% for CO2 emissions of 95 g/km for a diesel engine and 116 g/km for petrol vehicles. This base rate is then increased by 0.1% for every additional gram per kilometer. For 2013, the benefit may not be less than 1,230 EUR per year.

The introduction of the catalogue value means that Belgium is now aligned on this matter with most other countries in Europe. Consequently, as from the 1st January 2012, the (actual) distance of the journey between home and work has become irrelevant for the computation of the taxable benefit of the company car.

In addition to the lease cost, which is in Belgium often estimated on average between 6,000 EUR and 10,000 EUR on an annual basis, the employer is required to pay a CO2 tax (as part of the employer's social security contributions due) which is calculated using the following formula. The formula contains an indexation coefficient that is yearly indexed and therefore, the tax base increases slightly each year.

CO2 tax formula for a diesel vehicle:
[(CO2 emission x 9) - 600] x 1.192 with a minimum of 297.96 EUR per year. If the particular CO2 emission of the car in question is unknown, the following formula needs to be applied: [(165 x 9) - 600] x 1.192 = 1,054.92 EUR per year.

CO2 tax formula for a petrol vehicle:
[(CO2 emissions x 9) - 768] x 1.192 with a minimum of 297.96 EUR per year. If the particular CO2 emission of the car in question is unknown, the following formula needs to be applied: [(182 x 9) - 768] x 1.192 = 1,037.04 EUR per year.
We note that the deductibility of the cost of the company car under the old system was already limited on the part of the employer (60% to 120% depending on the CO2 emissions) and that the deductibility of the costs involved were reduced further because the new rule states that 17% of the new fringe benefit must be included by the employer in its disallowed corporate expenditure.

Example of the fringe benefit calculation for company cars in Belgium:

- Catalogue value of a diesel car (including options and VAT) is per assumption 28,000 EUR; CO2 emission of the car in question is 119 g/km -> Employee's taxable benefit = 28,000 x 6/7 x 7.9% = 1,896 EUR per year.
- Catalogue value of a diesel car in use for 2 years and 2 months (including options and VAT) is per assumption 28,000 EUR; CO2 emission is 119 g/km -> Employee's taxable benefit = 28,000 x 6/7 x 7.9% x 88% = 1,668.48 EUR per year.

Austria

In Austria a company car used for private journeys is taxed on a monthly basis at 1.5% of the initial cost (including value-added tax), up to a maximum of 600 EUR per month. If the private use does not exceed 500 km per month (average on year base), half the value may be entered as remuneration in kind (0.75% of the initial cost) up to a maximum of 300 EUR per month.

Example of the fringe benefit calculation for company cars in Austria:
The catalogue value is per assumption 25,000 EUR -> (25,000 x 1.5%) x 12 = 4,500 EUR

Czech Republic

In the Czech Republic, the taxable benefit for an employee who has a company car made available that is used for both business and private purposes is assessed at 12% of the purchase price (including VAT).

Example of the fringe benefit calculation for company cars in the Czech Republic:
The purchase price is per assumption 25,000 EUR -> 25,000 x 12% = 3,000 EUR = the employee's annual taxable fringe benefit.

Denmark

If an employee in Denmark is allowed to make use of his company car for private purposes, he is taxed on a benefit equivalent to 25% of the catalogue value up to 40,268 EUR (300,000 DKK) plus 20% of the portion of the catalogue value above 40,268 EUR. The benefit is also increased by an amount equivalent to 150% of the environment tax (excise), the amount of which depends on the type of car.

Example of the fringe benefit calculation for company cars in Denmark:
The catalogue value of the car is per assumption 50,500 EUR. In this case, an environment tax of 500 EUR is due. The taxable benefit is EUR 12,863 (i.e. [(40,268 EUR x 25%) + (50,500 EUR - 40,268 EUR) x 20% + (150% x 500 EUR)]).

France

Legislation in France allows for 2 possible methods of calculating the taxable benefit for company cars in terms of the employee. If the employer buys the car and provides the employee with a fuel card, the employer can then choose which system it will apply. If the employer is leasing the car, other rates and methods of calculation will apply.

a) On the basis of actual usage
In first instance, the actual employer cost related to the proper company car is calculated based on the costs for insurance, maintenance and depreciation of the vehicle (the latter amounts to annually 20% of the purchase price). Then the taxable benefit is defined as a proportion of the number of kilometres driven for private purposes in the total number of kilometres per year, plus the cost of the fuel used for private purposes (if provided by the employer). Hence the more intensive the private usage, the higher the taxable benefit.

b) On the basis of a fixed assessment
Using the fixed assessment method, employers in France can choose between:

- Assessment of the benefit at 9% of the purchase price (or 6% if the car is more than 5 years old) plus the price of the fuel provided by the employer (for both business and private purposes);
- Assessment at 12% of the purchase price (or 9% if the car is more than 5 years old).

Example of the fringe benefit calculation for company cars in France:
Purchase price of a new car: 25,000 EUR; the employee has driven a total of 50,000 km per year, of which 5,000 km is for private use; the insurance costs are 1,000 EUR with a further 1,000 EUR for maintenance; the fuel provided costs 1,600 EUR per year:

Method a – actual usage -> [((5,000 + 1,000 + 1,000) x 5,000 / 50,000) + 1,600] = 2,300 EUR = the employee's taxable benefit
Method b – lump-sum assessment -> (25,000 x 9%) = 2,250 EUR = the employee's taxable benefit if the employer does not provide fuel OR (25,000 x 12%) = 3,000 EUR if the employer does provide fuel.

Germany

In Germany, the benefit for which the employee is taxed is calculated based on the catalogue value (excluding any discounts granted to the employer) of the car (rounded down to the nearest 50 EUR) and the distance between the employee's home and fixed place of work. The monthly private usage (driving to and from work) is set at 1% of the catalogue value and assessed at 0.03% per kilometre.

Example of the fringe benefit calculation for company cars in Germany:
The catalogue value of the company car is per assumption 25,025 EUR, which is rounded down to 25,000 EUR. The distance between the employee's home and work is 26 km -> [(25,000 x 1%) + (25,000 x 0.03% x 26)] x 12 = 5,340 EUR = the employee's taxable benefit.

Greece

In Greece, the benefit of a company car is calculated using a percentage of the car's catalogue price (factory value), adjusted in view of the age of the car and in view of a kilometre factor. In practice, this boils down to 0 EUR taxable benefit if the adjusted catalogue price is less than 15,000 EUR which is usually the case; it is also valid for the salary comparison related to scenarios 4 and 5. Depending on the adjusted catalogue price, the following percentages need to be taken into account for calculating the benefit (there are exceptions for certain categories of employees, such as those employed in sales):

Adjusted catalogue price
< 15,000 EUR: 0%
Adjusted catalogue price
> 15,000 EUR and < 22,000 EUR: 15%
Adjusted catalogue price
> 22,001 EUR and < 30,000 EUR: 25%
Adjusted catalogue price
> 30,000 EUR: 30%

Example of the fringe benefit calculation for company cars in Greece:
Factory value of a new car is per assumption 31,000 EUR. Furthermore, it has been assumed that the car was used during all months of 2013 (as such the factory value is depreciated with 15.6%), the kilometre factor has not been taken into account -> [31,000 - (31,000 * 15,6%)] x 30% = 7,849.20 EUR = the employee's taxable benefit.

Ireland

The taxable benefit of a company car for an Irish employee is based on a percentage of the original market price for the car in question. The percentage to be used depends on the number of business kilometres driven per year and the more business kilometres, the lower the taxable benefit – see the table below:

Under 24,135 km	30%
24,136 km – 32,180 km	24%
32,181 km – 40,225 km	18%
40,226 km – 48,270 km	12%
Over 48,271 km	6%

Example of the fringe benefit calculation for company cars in Ireland:
The catalogue value or market price is per assumption 30,000 EUR and the number of business kilometres driven on an annual basis remains below 24,135 km -> (30,000 x 30%) = 9,000 EUR = the employee's taxable benefit.

Italy

The employee's taxable benefit is determined on the basis of 30% of the average consumption costs of the car in question. Each year the Italian government publishes detailed adjusted tables showing the average consumption costs for company cars and the associated benefit that the employer needs to take into consideration.

Luxembourg

In Luxembourg there are two ways of calculating the taxable benefit of a company car. The first option can be to take the actual cost into consideration while the other option is to take a fixed monthly valuation of 1.5% of the catalogue value (including VAT and options) or 18% annually. This second method of calculation has been used in the salary comparison.

Example of the fringe benefit calculation for company cars in Luxembourg:
A company car with a catalogue value of 35,000 EUR x 18% = 6,300 EUR = the employee's taxable benefit.

Malta

The benefit of a company car for a Maltese employee is calculated using a percentage of the car's catalogue price. If the car is less than 6 years old (than it is considered to be 'new' in Malta) this percentage amounts to 17%. In case the car is older than 6 years, 10% will be applied. Additionally, 3% of the purchase price (< 28,000 EUR) or 5% of the purchase price (> 28,000 EUR) will be applied for maintenance costs on the one hand and fuel costs on the other hand. Finally this amount will be multiplied by a percentage ranging from 30% till 60% of the car's value for private usage. If the value of the car is less than 16,310 EUR 30% applies and if the value exceeds 46,600 EUR the percentage amounts to 60%.

Example of the fringe benefit calculation for company cars in Malta:
The purchase price for the 'new' car (less than 6 years old) is per assumption 47,000 EUR -> [(47,000 x 17%) + (47,000 x 5% maintenance value) + (47,000 x 5% fuel allowance)] x 60% private use = 7,614 EUR = the employee's taxable benefit.

Netherlands

If a company car is made available to an employee in the Netherlands for which he sets aside more than 500 km per year for private purposes, a taxable benefit is calculated on behalf of that employee. This benefit amounts to 25% of the Dutch catalogue value of the car in question.
Environmentally-friendly cars are taxed on the basis of a

lower benefit, i.e. 0%, 14% or 20%, depending on the car's CO2 emissions. If the car is used privately for less than 500 km per year, no taxable benefit is calculated or charged on behalf of the employee.

Example of the fringe benefit calculation for company cars in the Netherlands:
A company car with a catalogue value of 25,000 EUR and 650 private kilometres per year -> (25,000 x 25%) = 6,250 EUR = the employee's taxable benefit.

Poland
Under Polish legislation, no taxable benefit is charged if a company car is used for business purposes only. However, there is in principle a taxable benefit if the employee also uses the company car for private purposes. If this is the case, Polish legislation does not provide guidelines how the taxable benefit is to be calculated. Consequently, Polish employers use a range of calculation methods and report varying values for the taxable fringe benefit. The following approaches exist in this regard in Poland:

a) Based on the prices charged by professional leasing companies;
b) Based on the lease price paid by the employer (which takes account of the technical specifications of the lease car);
c) Based on the method used to calculate the value of the business use of the employee's own car;
d) Based on a fixed amount calculated by the employer taking objective and justified criteria into account.

Example of the fringe benefit calculation for company cars in Poland:
Based on calculation method d (fixed amount), the taxable value of a company car is usually around 1,500 EUR per year (as also applied in the comparison of scenarios 4 to 7).

Portugal
Under Portuguese legislation, a taxable benefit only exists in case there is a written document stating that a specific car is allocated to a specific employee. The taxable benefit amounts to 9% of the actual acquisition cost of the car if such a document exist. In most cases however no such document is drawn up and hence the benefit of having a company car remains free of tax on behalf of the employee.
In Portugal, company cars are mainly taxed on behalf of the employer through limitation of the deductibility of related expenses and by applying an autonomous company tax at fixed rates varying between 10% and 30% (depending on the price of the car and whether the company in question is in profit or is generating a loss).

Slovakia
In Slovakia, a monthly taxable benefit is charged to employees who use their company car for both private and business purposes. This monthly benefit is 1% of the purchase price (including VAT) and is taxed at a rate of 19% or 25% depending on the income / tax base of the individual.

Example of the fringe benefit calculation for company cars in Slovakia:
The purchase price is per assumption 20,000 EUR -> (20,000 EUR x 1% x 12) = 2,400 EUR = the employee's annual taxable fringe benefit.

Spain
A Spanish employee who has a company car made available will be taxed on a fringe benefit based on the extent to which the company car is used for private purposes. This taxable benefit is calculated at 20% of the car's market value when it was still new. This amount is then multiplied by the percentage of private usage. As a general rule, the Spanish tax authorities accept that this usage amounts to 50%.

Example of the fringe benefit calculation for company cars in Spain:
Company car with a 'new' market value of 21,940 EUR -> (21,940 x 20% x 50%) = 2,194 EUR = the employee's annual taxable fringe benefit.

United Kingdom
In the United Kingdom, the taxable benefit of a company car is determined using a percentage of the purchase price. The coefficient to be applied depends on the emissions of the company car and varies from 15% of the catalogue value (in the case of emissions up to approximately 120 g/km CO2) to 35% (in the case of higher emissions – different scales apply in this respect).

Sweden
In Sweden the taxable benefit is determined based on a formula that consists of 3 different components: 0.317 of a basic amount, plus an interest-related amount and a price-related amount. The base amount for 2013 was 5,186.36 EUR (versus 5,039.34 EUR in 2012). The

second component is 75% of the statutory interest rate for the 2 years preceding the assessment year, and the third component is 9% of the catalogue price provided the catalogue price for the car does not exceed 7.5 times the basic amount. If the catalogue price is more than 7.5 times the basic amount, the taxable benefit is increased by 20% of the difference between the catalogue price and this limit. The second and third components are applied to the price of the car in question when it is introduced to the Swedish market. The value of additional options needs to be added to this 'catalogue value' in order to calculate the benefit.

Example of the fringe benefit calculation for company cars in Sweden:
The catalogue value to be taken into consideration for the 'new' car is 25,000 EUR. Extra options amount to 2,000 EUR -> [(0.317 x 5,186.36 EUR) + (0.011175 x 27,000) + (9% x 27,000)] = 4,375.81 EUR = the employee's taxable benefit.

Switzerland

A Swiss employee who has a company car is taxed annually on the fringe benefit equivalent to 9.6% of the catalogue price (excluding VAT). Neither the lease price, nor the distance between home and work, nor the number of kilometres driven play a role.

Example of the fringe benefit calculation for company cars in Switzerland:
A car with a catalogue value (excluding VAT) of 25,000 EUR results in an annual taxable benefit for the employee of 25,000 x 9.6% = 2,400 EUR = the employee's taxable benefit.

Overview of the taxable basis of the benefit in kind of a company car taking into account the same assumptions in all countries surveyed (sorted from highest to lowest)

Details of a new company car:		
- Catalogue price of the company car (including options and VAT):		€ 31,000
- CO_2 emissions g/km		123 g/km
- Distance between home and work (km):		24 km (one way)
- Diesel engine		
Country	**Formula**	**Company car fringe benefit**
Ireland	€ 31,000 x 30%	€ 9,300
Greece	€ 31,000 x 30% Abstraction has been made of the kilometre factor which reduces the base resulting in a lower rate being applied.	€ 9,300
Denmark	€ 31,000 x 25% The environment tax needs to be added to this result.	€ 7,750
The Netherlands	€ 31,000 x 25%	€ 7,750
The United Kingdom	Based on the catalogue price and emissions - complex definition of the applicable percentage – not enough information is available to be able to state the formula accurately.	To be defined
Germany	[(€ 31,000 x 1%) + (€ 31,000 x 0.03% x 24)] x 12	€ 6,398.40
Austria	€ 31,000 x 1.5% x 12	€ 5,580
Luxembourg	€ 31,000 x 1.5% x 12	€ 5,580
Sweden	(0.317 x € 5,186.36) + (0.011175 x € 31,000) + (0.09 x € 31,000)	€ 4,780.50
Malta	(€ 31,000 x 17%) + (€ 31,000 x 5% maintenance value) + (€ 31,000 x 5% fuel allowance) x 50% private use	€ 4,185
France	€ 31,000 x 12%	€ 3,720
The Czech Republic	€ 31,000 x 12%	€ 3,720
Slovakia	€ 31,000 x 1% x 12	€ 3,720
Spain	€ 31,000 x 50% x 20%	€ 3,100
Switzerland	€ 25,620 x 9.6% (lowered base using the catalogue price excluding VAT)	€ 2,459.52
Belgium	€ 31,000 x 8.3% x 6/7 x 100%	€ 2,205.43
Poland	Because there are no fixed rules in Poland for valuating the benefit of a company car, a fixed value is used, which is usually around 1,500 EUR annually.	€ 1,500
Italy	Based on specific detailed tables from the Italian government – not enough information is available to be able to state the formula accurately.	To be defined
Portugal	Not applicable if there is no document stating that a specific car is allocated to a specific employee OR 9% of the acquisition cost if such a document does exist (which deviates from common practice).	€ 0

Taxation of capital

It can be seen from section 2 that the average Belgian employee still has a reasonable net disposable income in comparison with our immediate neighbours, at least when focussing on the lower salary levels. With respect to the higher income levels, Germany, Austria and Luxembourg outperform Belgium as do France and Switzerland however the latter 2 countries only do so with respect to scenario 6 and 7 (annual gross income of 125,000 EUR and company car). The Netherlands always scores better than Belgium with respect to single white-collar employees but consistently score less than Belgium in all other scenarios envisaged. Belgium systematically outperforms the United Kingdom in this respect.

Depending on the choice of the individual the net disposable income as derived from chapter 2 can be used to save, invest, and buy shares or purchase property – and many other things. In this 4th edition we have again examined the various European tax systems in relation to interest accrued, dividends received and capital gains. At the same time we also looked at which countries impose a wealth tax and, where applicable, what the taxable base is on which this wealth tax is levied.

Below follows a short and concise discussion of the effect that the local taxation systems have on the savings and net wealth of individuals.
Given the ongoing difficult economic and financial situation in Europe, we also probed a little further and reference is made below to legislative changes (or formal intentions to adjust legislation in the near future) that already have or will have an impact on the savings of the average family.
We refer the reader in this regard to the summary table at the end of this section, which gives a concise overview of taxation of capital in a European context.

Belgium

Interest

Interest and other yields from loans, claims on debt and cash deposits are currently also taxed at the rate of 25% in Belgium which is in principal also collected via an advance levy at source.
The tax rate of 15% still exists for interest from state bonds issued between 24th November and 2nd December 2011. Interest from regulated savings deposits are also subject to the tax rate of 15%, albeit with an exempted amount of 1,880 EUR per person per year.
As a result of the increase of the default withholding tax rate from 21% to 25%, the 4% additional levy does no longer apply from 2013.

Dividends

Dividends in Belgium are subject to the default movable withholding tax rate of 25% (versus 21% + potentially 4% surcharge in 2012). The rate applicable on dividends is still 10% when they are allocated or rendered taxable in view of the total or partial distribution of the company's assets for distributions until 30th September 2014. As from 1st October 2014 these dividends will also become taxable at the default withholding movable tax rate of 25%. The only other exemption that currently exists is a 15% tax rate on dividends from residential real estate investment companies (Act 27 December 2012).

As from January 2013 onwards, dividend taxation at 25% is again due by means of a release levy (meaning it is taxed at source following which it is not to be included in the annual personal income tax return as was also the case prior to 2012). The previous exceptional surcharge of 4% (which was potentially due on top of the 21% tax rate depending the factual situation of the taxpayer) and its associated tax return reporting obligations have been abolished. Consequently, the complex regulations in this regard, as were incorporated in the Act of 28th December 2011 and as were explained in the 3rd edition of this survey, only needed to be applied to income derived in 2012).

Under certain conditions dividends originating from capital contributions made after January 1st, 2014 are subject to a limited withholding tax of 15% or 20%.

Capital gains

Capital gains realised by individuals in view of managing their proper patrimony are in principle not taxable in Belgium. No changes are expected in the near future for the time being.

Wealth tax

There is no wealth tax in Belgium (although some people in the past year have claimed that the "solidarity contribution of 4% surcharge" is along the lines of a wealth tax). During the budgetary negotiations over the past two years, there was often talk of introducing a wealth tax, but in the end such a measure has not been adopted.

Austria

Interest - dividends - capital gains

Interests, dividends and capital gains in Austria are generally collected in the form of withholding taxes retained at source at a fixed rate of 25 % (i.e. the capital gains tax "KESt") or taxed at a special tax rate of 25%.

Wealth tax

There is no wealth tax in Austria.

Czech Republic

Interest - dividends

Interest and dividends are subject to a Czech tax rate of 15% (advance levy).

Capital gains

In principle, capital gains are also taxed at a fixed taxation rate of 15%, although there are various exceptions to this:

- Capital gains made from the sale of shares acquired before 1st January 2008 are tax-exempt if the shares have been owned by the taxpayer for at least 6 months.
- Capital gains on shares acquired after 1st January 2008 and that have been owned by the taxpayer for more than 6 months are tax-exempt if the taxpayer has not held more than 5% of the capital or the related voting rights in the company during the previous 24 months.
- Capital gains on shares that do not meet the conditions set out above are exempt if the period between the acquisition and sale of the securities is longer than 5 years.
- Capital gains made from the sale of a property owned by the Czech taxpayer for more than 5 years (2 years if the taxpayer was living in the property) are also tax-exempt unless the property is being used for business purposes.

• Capital gains on moveable assets are exempt from tax unless they are used for business purposes, with the exception of gains made on cars, aircraft and boats, which are always exempt from tax if the individual has owned the property for at least 1 year.

NB:

After 1st January 2014, capital gains made from the sale of shares will be tax-exempt, if the shares have been owned by the taxpayer for at least 3 years (which thus entails an extension of the time test from the current 6 months).

Wealth tax

There is currently no wealth tax in the Czech Republic. However, it seems appropriate to repeat that, as from 2013, there is a solidarity contribution of 7% due on income that exceeds the threshold of 48,627.50 EUR (1,242,432 CZK) and this solidarity tax of 7% is also applied on monthly income that exceeds the threshold of 103,536 CZK (or +/- 4,052 EUR).

Denmark

Interest

Income from interest is subject to a maximum tax rate of approximately 35.63% (versus 35.44% in 2012) if the thresholds of 5,369.13 EUR (40,000 DKK) per year for unmarried individuals and 10,738.26 EUR (80,000 DKK) per year for married individuals are not exceeded. For interest income above this threshold, sliding scale rates apply up to +/- 51.7% (versus 51.5% in 2012).

Dividends

Dividends are taxed in Denmark at a rate of 27% if the threshold of 6,483 EUR (48,300 DKK) per year is not exceeded. The portion of income above 6,483 EUR per year is taxed at a fixed rate of 42%.

Capital gains

Gains on shares in Denmark are taxed at a rate of 27% if the threshold of 6,483 EUR (48,300 DKK) per year is not exceeded. The portion of income above 6,483 EUR per year is taxed at sliding scale rates up to +/- 51.7% (versus 51.5% in 2012).

Wealth tax

There is no wealth tax in Denmark.

Germany

Interest - dividends - capital gains

Interest, dividends and capital gains in Germany have been taxed since 2009 at a fixed rate of 26.375% on the gross income received (26.375% = 25% income tax, plus a solidarity contribution of 5.5%). If applicable, a 'church tax' of 8 to 9% is also levied (depending on the taxpayer's place of residence). In this regard, a tax-free amount of 801 EUR per year is taken into consideration for a single taxpayer, while the tax-free amount for married taxpayers is 1,602 EUR per year.

Wealth tax
Germany used to have a wealth tax, but it has not been levied since 1997. There are currently no signs that a new wealth tax might be introduced in Germany.

Greece
Interest
The interest income in Greece is currently taxed at an increased tax rate of 15% (previously 10%) as was announced in the 3rd edition of this survey.

Dividends
In Greece, dividends are taxed at a decreased rate of 10% (previously 25%).

Capital gains
As was already mentioned in the 3rd edition of this survey, the proposal to tax capital gains realised from the sale of listed shares using sliding scale rates was already approved by parliament in December 2012. Yet, this capital gains tax which is estimated to be determined at 15%, has not been enacted and thus capital gains are still not effectively taxed in 2013.

Wealth tax
There is no wealth tax in Greece.

France
Interest
Interest is subject to the progressive French personal income tax rates. However, interest is subject to a withholding tax of 24% plus 15.5% special solidarity contributions. This is an advance payment on the progressive personal income tax.

Dividends
Dividends received are subject to the progressive French personal income tax rates, after deducting 40%. However, dividends are subject to a withholding tax of 21% plus 15.5% special solidarity contributions. This is an advance payment on the progressive personal income tax.

Capital gains
Capital gains on the sale of shares made by individuals are subject to the progressive French personal income tax rates. The taxable basis is equivalent to the difference between the selling price and purchase price (or the market value if the property was obtained free of charge), plus any costs and expenditure. The capital gain could be reduced by a deduction related to the holding period.
Capital gains on the sale of real estate property are taxed at a fix rate of 19% plus 15.5% special solidarity contributions. Certain capital gains on the sale of real estate property are fully tax exempt (example: gains realised on the sale of the person's principal place of residence).

Wealth tax
France applies a wealth tax on the value of a person's assets exceeding 1.3 million EUR on 1st January of the assessment year concerned. If the net wealth is above 1.3 million EUR, wealth tax is calculated as follows:

Net wealth	Applicable tax rate
Up to 800,000 EUR	0%
From 800,000 EUR to 1,300,000 EUR	0.50%
From 1,300,000 EUR to 2,570,000 EUR	0.70%
From 2,570,000 EUR to 5,000,000 EUR	1%
From 5,000,000 EUR to 10,000,000 EUR	1.25%
Over 10,000,000 EUR	1.50%

The actual wealth tax and income tax to be paid is limited again, in this instance to a maximum of 75% of the taxpayer's total annual income.

Ireland
Interest
In Ireland, interest is subject to a fixed tax rate of 33% from 1st January 2013 (30% in 2012, 27% in 2011 and 25% in 2010). This rate will increase to 41% as from 1st January 2014. The Universal social charge (4% - 7%) will be due on the earned interest and an additional social insurance contribution is also levied on income from interest.

Dividends
When dividends are paid out, a 20% levy is retained in Ireland. The recipient's dividend income is taxable at the marginal income tax rate (either 20% or 41%) in which regard a tax credit is granted in relation to the levy already retained. The Universal social charge (4% - 7%) will be due on the dividend and an additional social insurance contribution may also be due on this income.

Capital gains

Capital gains realised from the sale of the taxpayer's own assets are subject to a tax rate of 33% as from 6th December 2012 (previously 30% in 2012, 25% in 2011 and only 22% in 2010). To calculate the taxable base of the gain on a specific asset, the following costs may be deducted: the indexed purchase price, the indexed expenditure made to improve the value of the asset and any incidental costs related to acquiring and/or selling the item in question.

Wealth tax

There is no actual wealth tax as such in Ireland, but note that a "restriction for high-earners" was introduced as from 1st January 2010 in Ireland. This means that individuals with an annual income of at least 125,000 EUR are subject to a minimum effective tax rate of 30% (instead of minimum 20%, which was the case previously) by limiting or rejecting certain personal allowances and reductions on their behalf.
This restriction is being applied gradually for incomes between 125,000 EUR and 400,000 EUR per year and the total restriction applies to annual incomes in excess of 400,000 EUR.

Italy

With respect to taxation of capital, the Italian legislation makes a distinction depending on whether the income relates to a qualified participation or an unqualified participation. In the event of listed companies, qualified participations must represent more than 2% of the voting rights at the general meeting of shareholders, or more than 5% of shareholder capital. If it concerns a non-quoted company, a qualified participation needs to represent more than 20% of the voting rights at the general meeting of shareholders or more than 25% of shareholder capital.

Interest

As was mentioned already last year, as from 1st January 2012 onwards, income from interest is taxed at a fixed rate of 20% (previously 27%).

Dividends

Similarly, dividends from non-qualified participations are taxed at 20% since 1st January 2012 (previously only at 12.5%). Dividends from qualified participations are subject to the sliding scale rates of Italian income tax (up to 49.72% of the gross dividend).

Capital gains

Capital gains realised from the sale of shares of qualified participations are also subject to the sliding scale rates of Italian income tax (up to 49.72% of the gross capital gain). Capital gains on the sale of shares in view of non-qualified participations are taxed at 20% since 1st January 2012 instead of the previous 12.5%.

Wealth tax

Italy has no wealth tax as such, but there are various tax systems for high-wealth taxpayers.
For example, there is an additional tax of 10% on certain types of income (bonuses and stock options) paid to managers and company directors working in the financial sector. There is also an additional solidarity contribution owed by every Italian taxpayer with a total gross annual income in excess of 300,000 EUR. As was also mentioned in the 3rd edition, Italian "wealth tax" is since 2011 also due on foreign financial assets and on real estate of Italian resident individuals.

Luxembourg

Interest

In principle, interest in Luxembourg is subject to the sliding scale rates, with a tax exemption for interest and dividends up to 1,500 EUR (3,000 EUR for couples taxed jointly). A final 10% withholding tax rate is only applicable for interest income paid by a Luxembourg paying agent to a Luxembourg individual tax resident. A 10% tax rate is also applicable if the interest income is received by a Luxembourg resident and comes from a paying agent established in the EEA or in a State with which Luxembourg concluded a tax treaty including measures equivalent to the EU Savings Directive. If one wants to opt for this scenario, a specific declaration needs to be filed at the latest by 31st March after the end of the calendar year in which the interest income was received. If not, the income is taxable upon filing at the progressive tax rates. Note that interest income and dividends are tax free up to an amount of € 1.500 (and € 3.000 for jointly taxed couples).

Dividends

A tax rate of 15% applies to dividends received from an entity that under Luxembourg regulations is described as being fully taxable in Luxembourg. Also, if certain conditions are met, 50% of dividends can be considered as being tax-free. In any event, a tax-free amount of 1,500 EUR (3,000 EUR for couples taxed jointly) applies to dividends.

Capital gains
In principle, the marginal tax rate of 42.80% (previously 40.56%) (if income is less than 150,000 EUR for unmarried taxpayers and less than 300,000 EUR for individuals taxed jointly) or 43.60% (previously 41.34%) (if the above mentioned limit is exceeded) only applies to capital gains made on the sale of moveable assets in the short term (i.e. within 6 months). However, if there is a substantial participation in capital (i.e. a direct or indirect participation of more than 10% in the capital of an entity) capital gains realised in specific circumstances may also be taxed if they have already been held for more than 6 months, in which case they are then taxed at a lower rate.

Wealth tax
Luxembourg legislation makes no provision for a wealth tax.

Malta
Interest
Interest income derived in Malta is subject to a fixed tax rate of 15% which is due by means of a final withholding tax levied at source.

Dividends
Dividends are taxed at the highest tax rate of 35%.

Capital gains
In principle, capital gains arising in Malta are subject to the marginal tax rate ranging between 0 to 35%. However, capital gains realised in view of the sale of a real estate property are taxed at a final tax rate of 12% if the property was purchased more than 12 years ago.

Wealth tax
There is no wealth tax imposed by Maltese legislation.

Netherlands
Interest - dividends - capital gains - wealth tax
Savings and investments in the Netherlands are assumed to generate an annual yield of 4% of the investment. Based on this statutory assumption, this deemed yield of 4% is the taxable base which is subject to a tax rate of 30%. The actual income (interest, dividends or profits from savings and investments) is not taxed.

In principle, the taxable base of this tax on assets consists of the positive value of the total savings and investments, minus the individual's debts. There are a number of exceptions and the Dutch tax administration takes account of certain tax-free amounts.

Given that not the actual yield is taxed but a fixed amount of 4% of the deposit, this system is still the cause of much debate in the Netherlands. In recent years, a savings account in Holland has only generated average interest income of 1.5% - 2.5% while inflation has been approximately 2% - 3%. For this reason, many people in the Netherlands consider this fixed appraisal of 4% to be too high. In response to this criticism, the Dutch tax authorities have specifically stated that the current appraisal will not be lowered, because 4% was also applied in better economic times and was rather on the low side at the time.

Poland
Interest - dividends
In Poland, interest income and dividends are taxed at a fixed rate of 19%. The taxable base equals the gross income.

Capital gains
Capital gains realised following the sale of assets are also taxed at a fixed rate of 19%. Here, the taxable base equals the sale price minus the costs incurred to obtain or retain the income/asset. In case it concerns capital gains realised in view of the sale of shares, the taxable base can be lowered by the purchase price and any transactional costs incurred (including brokerage costs).

Wealth tax
There is no wealth tax applicable in Poland and there are no signals there would be a wealth tax installed in the future.

Portugal
Interest - dividends - capital gains
In Portugal, interest income, dividends and capital gains are currently all taxed at a fixed rate of 28% (previously 26.5%).

Wealth tax
Portugal has no wealth tax.

Slovakia

Dividends

Dividends are not taxable in Slovakia. This is a remarkable observation as Slovakia is the only one of the 19 countries surveyed where dividends are not taxed. Dividends are however subject to health insurance contributions.

Interest - capital gains

Interest and capital gains are taxed in Slovakia at 19% or 25% depending on the amount of income.

Wealth tax

Slovakian legislation does not impose any wealth tax.

Spain

Interest — dividends

Until 2011, interest and dividends in Spain were taxed at a fixed rate of 19% if the income was less than 6,000 EUR and at a fixed rate of 21% if the income was higher than 6,000 EUR. The rates were increased from January 2012 resulting in interest and dividends below 6,000 EUR now still being taxed at 21%, at 25% when the income exceeds the threshold of 6,000 EUR but remains below 24,000 EUR and at 27% for the portion above 24,000 EUR. Dividends are exempt for 1,500 EUR per year. Despite tax on interest and dividends being collected by way of an advance levy, Spanish taxpayers can declare this income in their annual tax return in order to be entitled to a refund on the dividend levy and the exemption of 1,500 EUR.

Capital gains

The same applied to capital gains until the end of 2011, with gains taxed at a fixed rate of 19% if the income was lower than 6,000 EUR and at a fixed rate of 21% if the income was more than 6,000 EUR. However, from 2012 onwards, capital gains made from the sale of assets are taxed at the fixed rate of 21% if the income is lower than 6,000 EUR, at 25% if the income is more than 6,000 EUR but less than 24,000 EUR, and at 27% if the capital gain exceeds the threshold of 24,000 EUR. In principle there is no advance levy due.

Wealth tax

Up to and including 2007, a wealth tax was levied annually in Spain. As from tax year 2008, this tax was neutralised by applying a 100% discount. With the goal to improve the current financial situation, Spain decided on 16th September 2011 to reactivate the wealth tax temporarily, specifically for the period from 1st January 2011 to 31st December 2012. Meanwhile this period has been extended until 31st December 2013. A number of major changes were introduced in relation to the system that was previously in effect. For example, a higher earnings threshold was introduced meaning that in principle a taxpayer's main place of residence is not subject to wealth tax (the new threshold is 300,000 EUR, compared with 150,000 EUR in the past). An increased limit has been introduced in relation to the personal exemption to which taxpayers are entitled, resulting in net assets under 700,000 EUR being exempted from wealth tax (previously the threshold was 108,182 EUR). The Spanish wealth tax entails sliding scale rates ranging from 0% to 2.5%.

Sweden

Interest - dividends

Swedish residents are taxable in Sweden on their worldwide investment income. This income includes interest from bank accounts, dividends from listed shares and capital gains made from the sale of financial instruments, property and other assets. Investment income is taxed at a fixed percentage of 30% without any personal deductions on that income being eligible. However, normally speaking, interest paid can be deducted (at least partly) from the income.

Capital gains

In general, capital gains are taxed as income from capital and hence at 30%. A capital gain is equivalent to the difference between the selling price and the acquisition price of the asset in question. Capital gains realized from the sale of a permanent residence is taxed at an effective tax rate of 22% and capital gains/dividends from the sale of unlisted non-qualified shares are taxed effectively at 25%.

Wealth tax

In 2007, the Swedish wealth tax was abolished. For the time being, the Swedish government has not expressed any intention of reintroducing a wealth tax.

Switzerland

Interest - dividends

In Switzerland, interest and dividends are taxable at sliding scale rates (depending on where the recipient lives, the highest rate is approximately 45.5%). There are no (partial) exemptions. However, a tax credit applies to take account of the advance levy (of 35%) already deducted and paid. For individuals who are not required to submit a Swiss income tax return (i.e. people who only pay tax at source and have an annual income of less than 120,000 CHF or +/- 100,000 EUR), the at-source levy of 35% on interest and dividends is the final tax and no adjustment is possible.

Capital gains
Capital gains are free of tax in Switzerland.

Wealth tax
Swiss legislation imposes a wealth tax with low rates and slow progression: for married individuals who live in the canton of Geneva and in the city of Geneva, the wealth tax rate rises to 1% on net wealth above the threshold of 3,252,000 EUR (4,000,000 CHF).

United Kingdom
Interest
In the United Kingdom interest income is taxed in the same way as other income and hence is subject to the progressive tax rates. In practice, this means that there are 4 different rates that apply to interest income and that, depending on the total income, the interest is subject to a tax rate of 10%, 20%, 40% or 45% (previously 50%). When interest is paid, 20% is taken as an advance levy and any adjustments have to be made at the time the tax return is filed. Residents of the United Kingdom can subscribe to a number of smaller investment schemes for which any interest is tax-exempt.

Dividends
The rate that applies to dividends is determined taking account of the effective tax rate that applies to the taxpayer's other income. This results in 3 different categories: someone with an annual income below 41,450 GBP (previously 42,475 GBP) will owe 10% on dividends received; someone with an annual income exceeding 41,450 GBP will have to pay 32.5% on dividends received and someone with an annual income in excess of 150,000 GBP will have to pay 37.5% (previously 42.5%) on his dividends. However, these rates do not take account of the notional tax credit of 10% contained in the dividend income. If this is taken into account, the effective tax rate is reduced to 0% if the income stays below the threshold of 41,450 GBP, 32.5% if the income is more than 41,450 GBP but less than 150,000 GBP and 37.5% if the total income exceeds 150,000 GBP.

Capital gains
The British tax system with respect to capital gains is highly complex. It boils down to the applicable rate also depending on the total income. If the taxpayer receives an annual income ranging between 9,440 GBP (previously 8,105 GBP) and 41,450 GBP, he will owe 18% on any capital gains. If the annual income exceeds the threshold of 41,450 GBP per year, he will owe 28% on any capital gains. An exemption is granted for capital gains up to an amount of 10,900 GBP (previously 10,600 GBP) per year.

Wealth tax
There is no wealth tax in the United Kingdom.

Summary of taxation of capital - Income derived in 2013

Country	Tax rate on interest	Tax rate on dividends	Tax rate on capital gains	Wealth tax
Austria	25%	25%	25%	N/A
Belgium	15 or 25%	25%[1]	N/A	N/A
Czech Republic	15%	15%	15%	N/A
Denmark	35.63% (< threshold) - 51.7% (> threshold)	27% (< threshold) - 42% (> threshold)	27% (< threshold) – 51.7% (> threshold)	N/A
France	24%[2]	21%[2]	Progressive French personal income tax rates[2]	YES
Germany	26.375%	26.375%	26.375%	N/A
Greece	15%	10%	N/A	N/A
Ireland	33%[3]	20% or 41%[3]	33%	N/A
Italy	20%	20%	20%	N/A
Luxembourg	10% (in principle progressive rates, but 10% if certain conditions are met)	15%	42.80% (< threshold) - 43.60% (> threshold)[4]	N/A
Malta	15% (final withholding)	35%	0%-35%	N/A
Netherlands	30%[5]	30%[5]	30%[5]	N/A (the wealth itself is not taxed, only the deemed annual yield)
Poland	19%	19%	19%	N/A
Portugal	28%	28%	28%	N/A
Slovakia	19% or 25%	N/A	19% or 25%	N/A
Spain	21% (< 6,000 EUR), 25% (< 6,000-24,000 EUR), 27% (> 24,000 EUR)	21%, 25% or 27%	21%, 25% or 27%	YES
Sweden	30%	30%	30%	N/A
Switzerland	35%	35%	N/A	YES
United Kingdom	10, 20, 40% or 45%	10%, 32.50% or 37.50%	18% or 28%	N/A

[1] Belgium: 15% or 20% in case of capital contributions made after January 1, 2014.

[2] France: Additionally, this income is subject to special solidarity contributions totalling 15.5%.

[3] Ireland: Aditionally, this income is subject to the Universal social charge (4 - 7%) and may be subject to an additional social insurance contribution

[4] Luxembourg: The above mentioned tax rates for capital gains only apply if the capital gain is realized in the short term (less than 6 months) OR in case it concerns a (direct or indirect) substantial participation in capital (>10% of the capital of an entity).

[5] Netherlands: The income is presumed to amount to an annual yield of 4% of the investment and this 4% of the investment is the taxable base (the actual income is not considered).

Building up pension rights versus receiving pension income

In previous editions of this European salary survey, we made a short and concise examination of the local social security systems and we briefly discussed how local governments deal with the 1st pillar of pension accruals (i.e. statutory pensions).
At the time we came to the cautious conclusion that Belgium was doing well in this area in comparison with the other countries surveyed. It could also be concluded that Belgium has built in a number of important social safety nets that in all likelihood have a beneficial effect on the sense of wellbeing among Belgian employees. Obviously an inextricable and important link exists between the general sense of prosperity and the local systems for social security and pensions. With respect to the local social security systems, reference is made to the various rates and brackets elaborated on in chapter 1. In the current chapter, no further details have been withheld anymore regarding the coverage offered by the local social security systems or regarding the estimated cost of a private insurance.
With respect to building up pension rights and the related income people derive upon retirement, this chapter now provides an overview with respect to legal or statutory pension on the one hand and regarding extra-legal pension (i.e. through the employment) on the other hand.

Statutory pension accruals (1st pillar)

Austria

In Austria, the statutory retirement age in 2013 is 65 years for men and 60 years for women (will be assimilated to 65).
The minimum state pension income in Austria amounts to 837.62 EUR per month, payable in 14 instalments, or 11,726.68 EUR on year base. The maximum state pension income amounts to 45,621.80 EUR per year or 3,258.70 EUR per month.

Belgium

The statutory retirement age in Belgium is in principle set at the age of 65.
The minimum pension income for a single person with a full career of 45 years (including equivalent periods) is 13,480.03 EUR per year or 1,123.34 EUR per month (versus 12,796 EUR per year or 1,066.33 EUR per month in 2012). Converted into a family pension (x 1.25 if the partner has not built up a separate pension) the family pension income amounts to a minimum of 16,844.72 EUR per year or 1,403.73 EUR per month. These amounts are adjusted annually based on movements in the consumer price index in order to track changes in the cost of living. The maximum pension income amounts to 25,739.40 EUR per year or 2,144.95 EUR per month for a single person and to 32,174.28 EUR per year or 2,681.19 EUR per month for a family pension.

Czech Republic

The statutory retirement age in the Czech Republic is also 65 (between 64 and 65 for women with children). The statutory retirement age is increasing steadily due to the recent small pension reform and it is based on gender (women with more children retire earlier) and year of birth (the younger the later). The difference between the statutory retirement ages for men and women will further decrease in the future).
The minimum pension income is 227.40 EUR per month or 2,728.80 EUR per year and on average, the maximum Czech pension income is 858.40 EUR per month or 10,300.80 EUR per year.

Denmark

The statutory retirement age in Denmark is currently still determined at 65 years, but in the future this will be raised to 67. The Danish government doesn't stipulate a minimum Danish pension income. The maximum state pension income amounts to 19,058 EUR per year.

France

The statutory retirement age in France was raised at the end of 2010 from 60 to 62. The minimum French state pension income amounts to 7,547.96 EUR per year whereas the maximum French state pension income amounts to 18,516 EUR per year.

Germany

The statutory German retirement age was raised from 65 to 67 taking effect as from 2012. There are no further changes in this respect planned by the German government.
Germany does not impose a governmental minimum or maximum legal pension income.

Greece
In Greece, the statutory retirement age is now 67 years (versus 65 years in 2012).
The minimum legal pension income amounts to 486.84 EUR per month or 5,842.08 EUR per year (provided it concerns a retired employee who meets all the conditions for retirement). The maximum legal pension income amounts to 2,373.50 EUR per month or 28,482 EUR per year (though the actual amount may alter depending on the total number of working years and the type of social security contributions the employee concerned paid during the employment).

Ireland
The statutory retirement age in Ireland is currently 66, 67 or 68, depending on the date of birth. As part of the reforms of recent years, it was decided that the latest retirement age would be 70. From 2021, the minimum retirement age for everyone will be increased to 67 and again up to 68 in 2028.
The Irish minimum and maximum state pension income is 230.30 EUR per week or 11,975.60 EUR per year (based on a person having reached 66 years).

Italy
The statutory retirement age in Italy was raised to 66 in 2012, but there are still various exceptions. In the future, the retirement age is likely to rise to 67 (probably by 2025).
The minimum legal pension income in Italy is 495.43 EUR per month, payable in 13 instalments, or 6,440.59 EUR per year. There is no maximum state pension income applicable in Italy.

Luxembourg
The statutory retirement age in Luxembourg is 65.
The minimum legal pension income is 1,703.10 EUR per month or 20,437.20 EUR per year (i.e. after contributing for 40 years). The maximum legal pension income in Luxembourg amounts to 7,884.73 EUR per month or 94,616.76 EUR per year.

Malta
The statutory retirement age in Malta ranges between 62 years (for persons born between 1952 and 1955) and 65 years (for persons born after 1961). Previously, women could retire at the age of 60 years and men at the age of 61 years.
The minimum state pension income in Malta amounts to 130 EUR per week or 6,760 EUR per year for a married person with a dependent spouse and 108.54 EUR per week or 5,644.08 EUR per year for a single person. When the person qualifies for the increased National Minimum Pension, the amounts are 143.95 EUR per week or 7,485.40 EUR per year for a married person who has a dependent spouse versus 119.51 EUR or 6,214.52 EUR per year for a single person. The maximum legal pension income amounts to 226.43 EUR per week or 11,774.36 EUR per year regardless the personal situation of the retiree.

Netherlands
The statutory retirement age in the Netherlands is 65 and 1 month. The parties in the Dutch government have reached an agreement to raise the retirement age in 2 stages: in 2020, the retirement age will rise from 65 to 66 and then to 67 in 2025.

The state pension income is a fixed amount of 1,086 EUR per month or 13,032 EUR per year for a single individual and 750 EUR per month or 9,000 EUR for a married individual, and as such the minimum and maximum amounts are the same. In the Netherlands individuals can accrue pension entitlements until the age of 70. If an individual remains in paid employment after this, no further pension entitlements are built up.

Poland
The statutory retirement age in Poland is 60 and 3 months for women and 65 and 3 months for men as of October 2013. The retirement age will be further increased until it finally reaches 67 years for women and men. The transition period is longer for women (increase from 60 to 67 years).
The minimum statutory pension income is approximately 200 EUR per month or 2,400 EUR per year. No maximum legal pension income is determined in Poland.

Portugal
In Portugal, the statutory retirement age is 65 and there are currently no legislative initiatives or discussions to further raise this age.

A Portuguese person is entitled to the minimum state pension income of 197.55 EUR per month or 2,765.70 EUR on year base (14 payment instalments). Portuguese legislation does not foresee in a maximum legal pension income. Here again the pension is increased if the person remains working and remains contributing to the Portuguese system after the age of 65.

Slovakia

In Slovakia the statutory retirement age is 62 years which will be universally applicable as from 2014. Currently, the government has no plans to further increase this age. Slovakian law does not provide for a minimum or maximum statutory pension income, however, if the pension income is lower than 198.09 EUR per month or 2,377.08 EUR per year, than the Slovakian state will compensate the individual for the difference to ensure that he or she at least receives the living minimum. The maximum state pension income however would be too difficult to calculate due to the calculation changes and the fact it can be impacted by various aspects.

Spain

The statutory retirement age in Spain is currently still 65. This will be raised gradually to 67.
Where a full pension is paid (if the person has contributed for a minimum of 37 years, compared with 35 years previously), the minimum amount is 631.30 EUR per month payable in 14 instalments or 8,838.20 EUR on year base. The maximum state pension income is 2,548 EUR per month or 35,672 EUR per year.

Sweden

There is no official statutory retirement age in Sweden, but in general Swedish people retire around the age of 65 and it is possible to remain working until 67 years. The minimum state pension income for a married individual is 821.19 EUR per month or 9,854.28 EUR per year whereas a single individual receives 902.61 EUR per month or 10,831.32 EUR per year. These amounts imply that the person concerned must have lived in Sweden at least 40 years. Otherwise, it will be decreased with 1/40 for every missing year. No maximum state pension income is determined in Sweden.

Switzerland

In Switzerland, the statutory retirement age is still 65 for men and 64 for women.
The state pension is minimum 11,415 EUR per year and maximum 22,829 EUR per year.

United Kingdom

The statutory retirement age in the United Kingdom currently ranges between 61 and 68 depending when someone was born and if they are male or female. From November 2018 onwards, the State Pension age will be 65 both for men and women.
The minimum and maximum state pension income in the United Kingdom amount to approximately 5,727.80 GBP or +/- 6,720 EUR.

Summary of statutory retirement ages in Europe		
Country	Statutory retirement age in 2013	Future
Austria	65 for men and 60 for women	65 for both
Belgium	65	-
Czech Republic	65 (between 64 and 65 for women with children). The statutory retirement age is increasing steadily after small pension reform and is based on gender (women with more children retire earlier) and year of birth (the younger, the later). The difference between statutory retirement age for men and women will decrease in the future and will eventually be the same for both men and women.	-
Denmark	65	67
France	62	Currently discussed by Parliament
Germany	67	-
Greece	67	Already raised
Ireland	66 or 67 or 68 (depending on date of birth)	67 and 68
Italy	66 (recently increased, but there are many exceptions)	67
Luxembourg	65	-
Malta	62 – for persons born between 1952 and 1955 63 – for persons born between 1955 and 1958 64 – for persons born between 1958 and 1961 65 – for persons born after 1961	Raised from age 60 for women and from age 61 for men
Netherlands	65 and 1 month	67
Poland	60 and 3 months for women and 65 and 3 months for men (October 2013), the retirement age increases until it finally reaches 67 (for women and men)	67
Portugal	65	-
Slovakia	62 (applicable universally from 2014)	-
Spain	65	67
Sweden	No staturorily defined retirement age; in practice +/- 65	N/A
Switzerland	65 for men and 64 for women	-
United Kingdom	Between 61 and 68 depending when someone was born and if they are male or female	65 for men and women (as of November 2018)

Company pension accruals (2nd pillar)
Following the above information, it is clear that statutory pension income is usually insufficient for maintaining the same standard of living after reaching retirement age. As most people currently share this opinion, more and more employers and employees are taking action to ensure a beneficial supplementary pension income is built up through the employment. A substantial supplementary pension can be built up with contributions from the employer and/or the employee. In line with the local regulations governing social security and taxation, these contributions and/or the pension entitlements payable at the time of reaching the statutory retirement age (see above), can be subject to social security contributions and/or income tax.
In general there are various systems within Europe and it is virtually impossible to make an objective comparison regarding taxation of the various systems in the countries surveyed. In broad terms, the following systems apply:

- Either immediate taxability as professional income of the premiums paid by the employer, at sliding scale rates (sometimes with significant exemptions), combined with the pension capital being exempted at the time it is distributed;
- Or exemption of premiums and taxation when the capital is paid out (at special or sliding scale rates);
- Or no immediate taxability of premiums, but at the end of the process, a mandatory taxable allowance instead of the ability to opt for a lump sum to be paid out.

Given the complexity of the systems involved for building up pension rights through an employment, and, consequently, the lack of comparable data, this 4th edition of the survey no longer focuses on the technical side of taxation of company pensions (for details in this respect, reference is made to the 3rd edition of the survey) but rather on practical aspects of company pension plans. In this respect, the countries surveyed were asked to provide input regarding how common it is in their local country to install a company pension plan for their employees, taking into account a number of specific salary levels. In case such a pension plan exists, countries also indicated an estimated average percentage of employer and employee contributions in practice.

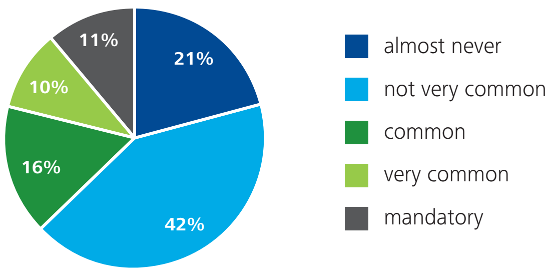
In view of this investigation, we again focused on the figures of chapters 1 and 2, moreover on those of scenarios 3, 4 and 6 (i.e. the scenarios taking into account a remuneration package of an annual gross income of 27,000 EUR, respectively 50,000 EUR and a company car, and 125,000 EUR and the benefit of a company car).

Analysis of the data regarding company pensions

As reflected by the below charts, there is a clear trend in Europe not to conclude a company pension plan on behalf of an employee deriving a rather modest wage. The opposite is however valid for employees earning a high(er) salary. Malta is the only country where it is not possible to build up additional pension rights through employment as no company pension plans exist in Malta.

Looking more in detail in first instance at the modest wages as envisaged in **scenario 3** (annual gross income of 27,000 EUR), we see that from the 19 countries surveyed, over 60% (or 12 countries) indicate that the employee concerned will almost never (21% - group composed by Denmark, France, Malta and Poland) or seldom receive a pension income built up through employer and/or employee pension contributions (42% or a group of 8 countries selected 'not very common', being Austria, Belgium, Germany, Greece, Ireland, Italy, Spain and Portugal).

How common is a company pension plan in case of a monthly gross salary of 1,500 EUR?

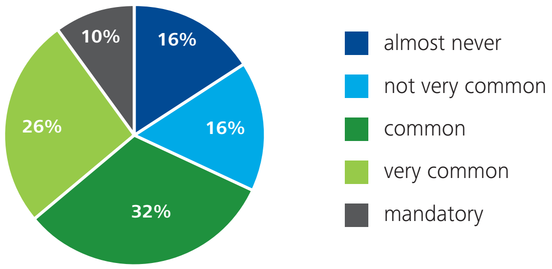


Whereas the trend in the majority of the countries surveyed is to not build up additional pension benefits through the employment, it is striking to learn that company pension plans are legally mandatory in Switzerland and the United Kingdom, regardless the level of income the employee derives. These are the only 2 countries out of the 19 countries surveyed in Europe

where employers and employees are legally required to conclude a company pension plan in which respect pension rights are built up on behalf of the employee, in addition to his or her state pension entitlements. In Switzerland, the average contribution made into this company pension plan, both by the employee as well as by the employer, in practice generally ranges between 2% and 5% of the gross salary. In the UK, this obligation to build up a company pension plan was introduced as of October 2012, however, it concerns a scheme which is being phased in over five years. The amounts of money involved will be increased gradually to prevent contribution-shock but by October 2018, all employees should pay a contribution which will likely range around 4% of gross income whereas their employer will need to pay a contribution which will likely range around 3% (they will receive a further 1% in tax relief).
In Sweden and the Netherlands on the other hand, it is very common practice to build up an additional pension income through the employment. Swedish employers and employees in practice generally contribute 0 to 2% of gross income when it concerns modest wages as envisaged here. The Dutch could not provide an indication of average contributions as this depends on age, type of pension plan and level of income.
In the final 16% of countries surveyed, being the Czech Republic, Luxembourg and Slovakia, it is rather common for an employee earning a modest annual salary to build up additional pension benefits through the employment. In the Czech Republic, the average percentage of employee contributions in practice range between 0 and 2% whereas the employer contributions in this respect rather range between 2 and 5%. The Luxembourg pension premiums into an extra-legal pension plan are among the highest and range between 2 and 5% for employees and between 5 and 10% for employers. In Slovakia, although it is common practice to build up additional pension rights through the employment, the level of contributions solely depends on the details of the agreement concluded between the employer and employee, and therefore, no standard or average percentage could be indicated.

When focusing on a higher salary level as envisaged in **scenario 4,** a minority of 32% (versus over 60% in the situation discussed above), indicates that a company pension plan almost never occurs or that it is not very common in their local practice.

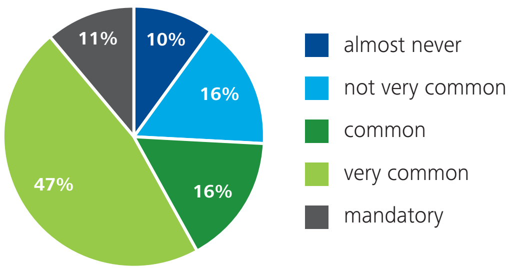
How common is a company pension plan in case of a monthly gross salary of 3,500 EUR?



Consequently, the European trend for this salary level is that, generally speaking, a supplementary pension income is being built up through the employment in addition to the state pension.
This is not the case for France and Poland where also for this salary level, a company pension plan almost never occurs, nor for Austria, Greece and Portugal where it is not very common to conclude a company pension plan when the employee derives a rather average employment income. In the remaining 13 countries (or 32%), it is common (Belgium, Germany, Ireland, Italy, Luxembourg and Slovakia) or very common practice (the Czech Republic, Denmark, the Netherlands, Spain and Sweden) or even mandatory (Switzerland and the United Kingdom), to have a company pension plan concluded on behalf of an employee deriving an annual gross income of about 50,000 EUR per year.
The related average contributions paid into such pension plan seem to be the highest in Denmark and Ireland with an estimated average employee contribution ranging between 5 and 10% and between 10 and 15% for the Danish employer respectively between 5 and 10% for the Irish employer. Next in line is Luxembourg where the employee contributions range between 2 and 5%, and the employer contributions in practice on average range between 5 and 10%. In Switzerland and Italy, both the employee and employer contributions normally are between 2 and 5%. In the remaining countries where a company pension plan is common or very common practice, the related contributions generally range between 0 and 2% for the employee and between 2 to 5% for the employer. For a number of countries, the details regarding estimated pension contributions are lacking (as is the case for the UK, the Netherlands, Germany and Slovakia), as these can be so variable that it is impossible to provide a solid general indication.
When looking at the highest salary level investigated for

the purpose of this survey, i.e. a gross annual income of 125,000 EUR and a company car, the group of countries where a company pension plan on behalf of the employee is almost not existing or certainly not very common practice, now further decreased to just over 25%. Only in Poland a company pension plan on behalf of the employee is almost never in place. France belongs to the group of countries where such company pension plan is not very common practice, together with Greece and Portugal.

How common is a company pension plan in case of a monthly gross salary of 8,500 EUR?



Consequently, in 74% of the countries investigated, building up additional pension benefits through the employment is generally a fact for most high earners. In Austria, a company pension plan becomes rather common practice as of a certain salary level, as is the case in this situation. It is also common practice in Luxembourg and Slovakia (as is always the case for these 2 countries, regardless the level of income). In the UK and Switzerland it is still mandatory and the remaining countries surveyed indicate that a company pension plan is very common practice for the envisaged salary level. The related average contributions paid into such pension plan seem to be the highest in Denmark and Ireland with an estimated average employee contribution ranging between 5 and 10% and between 10 and 15% for the employer. In Sweden, the employee in this situation would contribute on average 4.5% of gross income whereas the employer would contribute 15% (but it would concern 'salary exchange contributions'). In Switzerland, both employer and employee contributions would on average range between 5 and 10% in practice for this salary level.

Impact of company pension contributions on the European rankings

The survey respondents were asked 'if a company pension would be in place, what would be the average percentage of employer and/or employee contributions' and in this respect, they could select one of the following options for each of the salary levels mentioned above:

- Between 0 and 2%
- Between 2 and 5%
- Between 5 and 10%
- Between 10 and 15%
- More than 15%

In order to verify the impact on the employer costs on the one hand, and, on the net disposable income of the employee on the other, we have each time (where provided) taken into account the maximum percentage of the range indicated above and applied that percentage to the figures of chapter 2.

Looking at the net disposable income and merely focusing on the ranking of the countries where for the envisaged salary level a company pension plan is mandatory, common or very common, it can be concluded that only minor changes occur in the European ranking of the net spendable income. However, in the highest income level investigated, Belgium gains 3 (married) to 4 (single) places on the ranking following it positions its net spendable income (after contributing to the company pension scheme) in the middle of Europe (in 11th respectively 13th place). Ireland, who was in 13th (married) respectively 14th (single) place on the ranking of net spendable income, now dropped to 17th respectively 18th place.

Looking however at the related employer costs and given the general trend that employer contributions into a company pension plan are often double of what the employee needs to pay in this respect, the ranking regarding the employer cost is clearly impacted. In view of modest salary incomes, it still entails only minor changes like the Czech Republic becoming more expensive than Slovakia. In the next income level, the Czech Republic and Sweden switch places; now the Czech Republic features as 3rd most expensive for employers whereas the Swedish salary cost now features as 4th most expensive. In this respect, Ireland, who belonged to the group of less expensive countries for employers (as it featured in the top 5 of countries with the lowest employer cost), now rather belongs to the middle group, featuring in 12th place on the ranking of most expensive countries. When looking at the highest income level investigated, Ireland's employment cost even features as 7th most expensive of all countries surveyed (whereas it took 12th place previously). A similar trend is viewed in Italy and Luxembourg, however these countries only drop 1 respectively 3 places on the ranking. Finally, it is to be noted that Denmark, who always had the cheapest employer cost, is more expensive when company pensions are taken into account for the equation of employer costs. In view of modest income levels, only Malta comes out cheaper (it is to be noted that no company pension possibility exists in Malta) than Denmark and in higher income levels, Denmark features 16th place on the ranking of highest employer costs, and even belongs to the middle group (with the 11th place) of expensive countries when the highest income level is envisaged.

Minimum wages

The majority of governments in the European countries surveyed, provide for a statutorily defined minimum wage which is aimed at preventing and fighting poverty. The amounts in question are summarized below for those countries where the employer is required to adhere to a legal minimum wage. Where no statutory minimum wage is stated, an average monthly wage is mentioned which is based on public data.

As can be seen on the next page, the statutory minimum wage in Belgium is one of the highest among the 19 countries surveyed. Only Luxembourg has a higher statutory minimum wage. Almost a third of the countries surveyed (i.e. Austria, Denmark, Germany, Italy, Sweden and Switzerland) does not foresee in a statutory minimum wage. In Germany, however, the Chancellor, Angela Merkel, recently signaled that a national minimum wage would be introduced. Most likely, as of early 2015 a minimum wage of 8.5 EUR per hour will be applicable. If this actually happens, then Germany will appear in the list on the next page after the Netherlands with 1,473.33 EUR per month [(8.5 x 40 x 52)/12].

Statutory indexation of annual salaries for white-collar employees

For this 4th edition of the European Salary Survey, we also verified which countries legally impose an automatic annual indexation of employees' salaries based on the evolutions of the consumer price index.
Research shows that in addition to Belgium, also in Luxembourg and Slovakia salaries are automatically and annually indexed as imposed by law. However, in Luxembourg, the government has changed this legislation temporarily so that for the period from 2012 to 2015, salaries and pensions to be indexed for inflation will only be increased once a year and there must be an interval of 12 months before a new indexation adjustment can be made. On 1st October 2013, all salaries and pensions in Luxembourg were indexed by 2.5%.

In a number of countries, including Sweden, Spain, Denmark and the Netherlands, no automatic annual statutory indexation occurs, but the salary of all employees in a particular sector, category and/or industry is indexed at regular intervals based on collective labor agreements. Following this approach, salaries should keep pace with evolutions in welfare and inflation. Similarly in Austria where, although there is no automatic indexation by law, there is some kind of an 'actual automatic' indexation due to the periodic collective bargaining negotiations. Belgium also uses similar mechanisms for adjusting salaries in certain sectors in addition to the automatic legally required indexation.
Malta, Poland and the United Kingdom however only apply an annual statutory indexation to the minimum wage. Also in Spain, the minimum wage is each year established by the government based on several indicators, one of those being the inflation. In theory, the same goes for Portugal, however, in times of economic crisis, the Portuguese do not actually increase the legal minimum wage as has been the case during the last years.
In France, the legal and mandatory indexation system was abolished in 1983. However, as is the case in o.a. Poland, the statutory minimum wage in France is still linked to the consumer price index or CPI.

Country	Statutory gross minimum wage
Luxembourg	1,921.03 EUR per month for unskilled employees and 2,305.23 EUR per month for skilled employees
Belgium	From age 21: 1,501.82 EUR per month From 21 years and 6 months' service: 1,541.67 EUR per month From age 22 + 12 months' service: 1,559.38 EUR per month
Netherlands	From age 15: 443 EUR per month From age 16: 510 EUR per month From age 17: 584 EUR per month From age 18: 672 EUR per month From age 19: 776 EUR per month From age 20: 909 EUR per month From age 21: 1,071 EUR per month From age 22: 1,256 EUR per month From age 23 and older: 1,478 EUR per month
Germany	No statutory minimum wage (probably as of 2015 - 1,473.33 EUR per month)
France	1,430.22 EUR per month (based on a statutory 35-hour week)
Ireland	1,384 EUR per month (based on a 40-hour week)
United Kingdom	Current rate is GBP 6.31 per hour for people aged 21 and more or approximately 1,097.52 GBP per month (based on a 40 hour week) (+/- 1,287.62 EUR)
Malta	Under 17 years old – 152.57 EUR per week or 661.14 EUR per month 17 years old – 155.41 EUR per week or 673.44 EUR per month As of 18 years old – 162.19 EUR per week or 702.82 EUR per month
Spain	645.30 EUR per month
Greece	Under 25 years old: 510.95 EUR per month As of 25 years old: 586.08 EUR per month
Portugal	485 EUR per month
Poland	1,600 PLN (+/- 381 EUR) per month
Slovakia	337.70 EUR per month
Czech Republic	8.500 CZK (+/- 332.70 EUR) per month
Austria	No statutory minimum wage; fixed in collective contracts for most industries
Denmark	No statutory minimum wage; on average 2,220 EUR per month (in 2009)
Italy	No statutory minimum wage; on average 1,057.01 EUR per month
Sweden	No statutory minimum wage; Minimum wages are established by collective bargaining agreements between employers and unions without any involvement of the government. The collective agreements have strong positions in Sweden and may not be deviated from.
Switzerland	No statutory minimum wage

Comparison of countries aiming to attract headquarters of international companies

Companies operating in the international market prefer to have their head office located in a country that offers the best assets for further growing the company. Which country that is, depends on various elements. For example, the maturity of the company in question plays a major role (because a start-up company for example benefits more from labour-intensive measures, whereas a mature company would rather welcome a government that focuses on capital and investment intensive measures). Other relevant points include technical factors, production criteria (e.g. volume, packing, perishables or products with a long shelf-life, etc.), level of preparedness to do business (industrial or corporate psychology – are they ready for it?) and the specific properties and features of a particular country (such as political stability for instance).

Various location surveys show that companies that are in the process of considering to internationalise, mainly take an in-depth look at the following 7 criteria: 1) political / macro environment, 2) regulations, 3) workforce and labour resources, 4) business infrastructure, 5) quality of life, 6) accessibility and, finally 7) costs. Depending on the industry the company is operating in, these criteria are weighted differently. Companies looking for a suitable country to set up their head office may have a high need for suitable employees, making this 1 of the top 3 priorities for them (What is the local labour market like? The head office of a company that operates internationally must have sufficient staff and resources available to be able to continue growing). In 2nd instance, companies looking for the most suitable country to set up their head office also focus closely on the standard of living (quality of life), with the 3rd priority being the overall accessibility of the country itself: establishing the head office of a company in a country that is very attractive to staff on account of its standard of living and/or because of its high level of accessibility (in terms of infrastructure, diversity, pace of life, etc.), may provide an important stimulus for the company in question to be able to operate successfully and to take the business to a higher level.

In fact, obtaining/ creating a sustainably positive and constructive attitude among staff and between the various business units, undoubtedly also contributes to doing business in a successful way and to generating profit. On the other hand, distribution centres for example have less need for a multi-skilled and flexible labour market and hence place fewer requirements on the local labour market, whereas they might be very demanding in terms of "accessibility". This is only logical, because without reasonable accessibility and a good infrastructure, goods cannot be transported and distributed efficiently.

Having said that, it might logically follow that Belgium in the past consistently emerged as a very suitable country for setting up the head office of a multinational company. Figures from numerous studies and surveys (including from the OECD) showed that Belgium was often viewed as the ideal country to establish the head office of a multinational. Also being the capital of Europe, Brussels still often exerts an important attraction for companies who want to be located in the centre of trading. Diversity, knowledge of languages, high-quality education, a very strong performing harbour and good infrastructure are just some of the many benefits that Belgium has to offer.

In addition to Belgium, other countries in Europe are very attractive to headquarter companies as well and also want to develop further to become the most attractive location for corporate headquarters of multinational companies. In this area Belgium is in general mainly competing against the Netherlands, Ireland, Luxembourg and Switzerland.

To see how Belgium performs in relation to these countries in the war for headquarters, we have put together the figures from scenario 5, chapter 1, for these countries alone. In these overviews, Belgium and the Netherlands are both mentioned twice. Under specific conditions, both offer a special tax status to certain employees. If a company wants to set up its headquarters here, the special tax status could be requested most probably on behalf of a large number of staff. And by applying the beneficial special tax status when granted by the government, the employees concerned are in many cases able to enjoy a competitive salary as the special tax status has a lowering effect on the individual income tax due and/or on the related employer's costs. This chapter does not provide full detail on the potential benefits of such special tax status but if we take the example of a finance manager who spends approximately 20% of his time travelling inside and outside Europe, and assuming that this person can benefit from the special tax status, it is possible to achieve an attractive remuneration package.

As a result, the employee takes home a higher net pay (i.e. by applying the 30% rule in the Netherlands and by applying the special tax status for foreign executives in Belgium). In addition, the related salary cost will be considerably reduced (i.e. in the situation of the special tax status for foreign executives in Belgium). In Ireland and Switzerland, there is no similar structural status with tax advantages that are commonly applied to foreign executives. In Luxembourg a special tax regime was put in place in 2011 which was heavily adjusted in May 2013 to expand the scope of the regime. However, as the details regarding how to apply and calculate the tax advantages imbedded in this regime are currently insufficient to accurately reflect the related savings in the envisaged scenario, no special tax regime for Luxembourg has been taken into account to make the below comparison.

On the other hand, considerable clearly defined benefits can be achieved in Ireland and Switzerland as well however rather on an ad hoc basis and provided a whole series of conditions are met in which respect a number of related formalities need to be fulfilled. As these do not entail structural advantages on a regular basis, we have opted not to further elaborate on such foreign tax structures.

When comparing the net incomes for Belgium with those of our main competitors in view of attracting headquarters of multinationals, Belgium does not stand out from the crowd in terms of offering attractive net packages, even despite the application of the Belgian special tax status for foreign executives. In the situation of both unmarried and married employees, Switzerland wears the crown in terms of the highest net annual income whereas the Netherlands score the best on the employer's side. It should however be noted that a gross annual income of 75,000 EUR is rather low to even very low for a headquarter function according to Swiss standards. For the position we are considering, a person can easily expect to receive a salary package which is significantly higher in Switzerland.
Taking into account the Belgian special tax status for foreign executives (based on the assumption mentioned above), the married taxpayer in Belgium is only better off in terms of net pay than his or her Irish counterpart. Belgians also outstrip the Dutch here, but only if the Dutch special tax status, i.e. the so-called 30% rule, is not applied.

Headquarters
Married taxpayer (non-working spouse & 2 dep. children)
Gross annual income 75,000 EUR + company car

Headquarters
Single taxpayer, no children at charge
Gross annual income 75,000 EUR + company car

For an unmarried Belgian benefiting from the Belgian special tax status, a salary package can be proposed which is more attractive compared to Luxembourg, Ireland and the Netherlands (unless the beneficial regime of the 30% rule is taken into account here).

So it can be seen clearly from these examples that a company opting to establish its head office in Belgium instead of, say in Switzerland or Luxembourg, have to deal with considerably higher salary costs.

On a more positive note, Belgium scores much better if we look at its net disposable income and take into account the benefits of the Belgian special tax status. If we add adjustments for family allowances, the cost of housing and the cost of living in the graphs above, the net disposable income in Belgium is significantly higher than in the other countries involved in the equation, again provided that the Belgian special tax status for foreign executives is applied.

So whereas Belgium remains the most expensive for the employers, even when applying the benefit of the Belgian special tax status, it is important to note that both the married and unmarried Belgian employees who have been granted the Belgian special tax status, outperform their closest neighbours / main competitors in terms of net spendable income. In the situation of the married taxpayer (with a non-working spouse and 2 dependent children), the Belgian individual takes home 61.46% of the related estimated employer's cost. Furthermore, the Luxembourg employee is second in row here, in which respect the difference in net spendable income roughly amounts to 4.750 EUR.

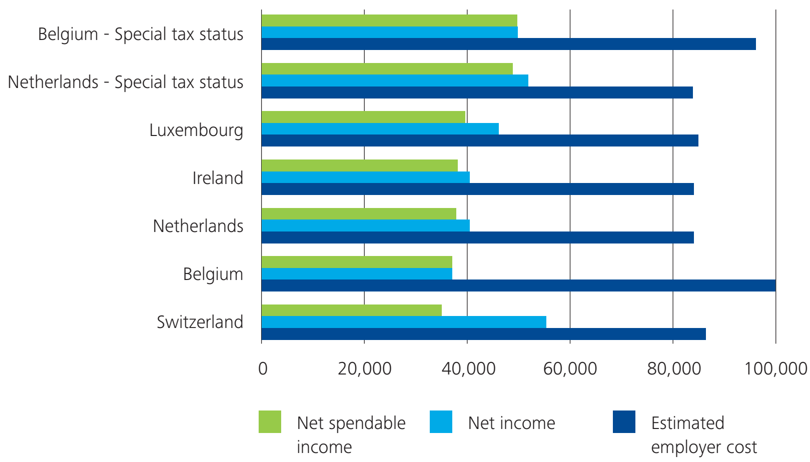
In the situation of a single employee, the Belgian keeps a net spendable income amounting to 51.98% of the related estimated employer's cost. The Dutch employee benefiting from the Dutch special tax status, follows as a close second with a difference in net spendable income of roughly 700 EUR net.

Salary costs are not the only or the most important factor to persuade companies to set up their headquarters in a particular country. Another important factor in relation to choosing a location is for example the political environment and related (tax) certainty of a particular country. According to the latest trends in this respect as follows amongst others from our recent 2013 European Tax Survey which touched upon this subject, Belgium is picking up but still scores less well than Luxembourg, Switzerland and the Netherlands.

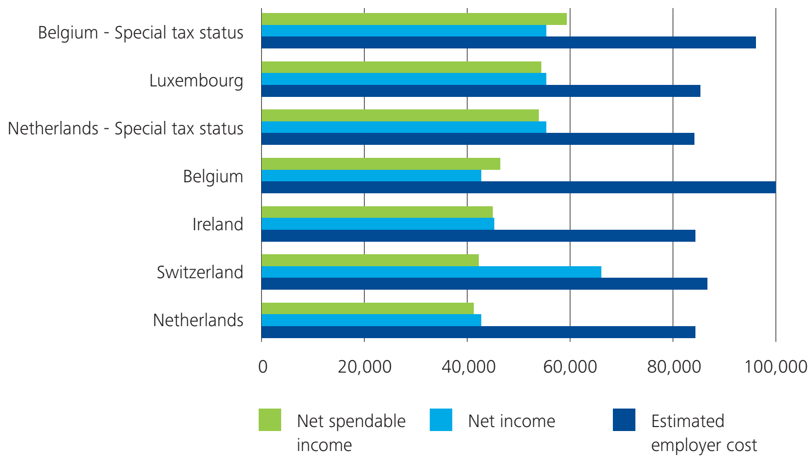
The main reasons for the rather negative perception of Belgians on the level of our local tax certainty include 1) the frequent changes to tax legislation and 2) ambiguity, weaknesses and reversals in the Tax Authorities' doctrine or publicly available guidance.

As long as Belgium scores poorly in terms of pure salary costs as well as rather weak in view of tax stability, it is likely to expect that always fewer companies will take a further look at Belgium's total assets (among which an attractive level of net disposable income), when deciding to set up a business in Europe. This may explain why in recent years Belgium has been considerably less successful in the challenge to secure corporate headquarters.

Headquarters
Single taxpayer, no children at charge
Gross annual income 75,000 EUR + company car



Headquarters
Married taxpayer (non-working spouse & 2 dep. children)
Gross annual income 75,000 EUR + company car



R&D measures

Belgium has a wage handicap which has a direct negative impact on attracting investments to the country. Yet virtually everyone in Belgium is convinced that new investments remain key to counter the economic turbulence and for the country to remain a welfare state in the longer term. Because Belgium wants to develop further into a genuine knowledge economy (as advised by Europe), it is extremely important to attract investments in the areas of innovation, research and development.

As of 2006, Belgium put in place a very important tax measure, which to a large extent mitigates the salary handicap in view of scientists and researchers working in the field of research and development. The previous editions of the European Salary Survey have shown that out of the 17 countries surveyed, virtually only Belgium has an important measure in place which significantly reduces salary costs in the area of research and development. Upon expanding this survey to 19 countries, this conclusion remains unchanged. Through the Belgian 'Research & Development incentive', higher income-earners in Belgium are again enabled to receive a competitive pay, which has effectively encouraged Belgian companies to invest in research and development. In this particular area, Belgium scores better than our direct neighbours, with the exception of the Netherlands in certain specific circumstances.

The Netherlands also have an attractive salary cost measure, although the aim of this measure is broader as it aims at promoting education, research and shipping/ transport. This highly complex Dutch salary cost measure is subject to very strict conditions, but if these are met, they result in a significant reduction in salary levies for Dutch employers (i.e. payroll tax) that are normally owed on the salaries of employees working in research, education and shipping/transport. For example, in 2013, the reduction applied in the Netherlands for research can be as much as 38% of the salary (versus 42% in 2012), up to a maximum of 200,000 EUR (versus 110,000 EUR in 2012) and 14% above this threshold to a maximum reduction of 14 million EUR (idem in 2012). For start-up companies some higher percentages may apply.

Also **Denmark** developed a special tax status for developers under which specific incomes received by researchers are taxed at a separate and more advantageous rate (i.e. at 32%). However, as this only in very exceptional situations generates savings for the employer and mainly provides benefits for foreign workers employed as researchers in Denmark (they receive a higher net income through application of the special tax status), this potential cost saving measure has not been further detailed in this report.

In **Sweden** a similar possibility exist to be taxed taking into account a special tax status for foreign experts (with new and simplified rules that apply as from 2012 onwards to make this status even more attractive). When this special tax status for foreign experts can be applied, it produces a higher net salary for foreign researchers in certain cases. Consequently, further details of this special tax status have not been included in this report.

For quite some time now, Swedish business has also been lobbying for an exemption of Swedish social security for all employees working in Sweden in the area of R&D. Although such exemption has still not been enacted yet, the Swedish expect that the exemption will most likely enter into force as of 1st January 2014 onwards (only the Swedish Parliament still needs to approve/confirm, but in practice this would only be a formality). The exemption of social security would amount to 10% of the social security contributions due, however limited to 230,000 SEK or +/- 26,806 EUR per month per company group. Depending the factual situation, this Swedish R&D employer incentive is not very significant, especially compared to the Belgian R&D incentive. Consequently, it has not been included in the below figures which focus on the situation in our neighbouring countries / main competitors.

Portugal also has a special tax regime for foreigners working in Portugal. Most R&D activities are eligible for a (very beneficial) special 23.5% tax rate provided the conditions are fulfilled. Similarly in **Ireland**, a special tax system exist since 2012 which results in lower income tax due by all researchers. As these special tax systems provide benefits for the researchers instead of the employer, it is not considered as a salary cost measure and therefore not further considered in this report.

Other countries also have a special tax status for foreign (and/or for local) employees based on which significant employer and/or employee savings are created (e.g. in Belgium, France, Luxembourg, the Netherlands) but these are not further considered in this chapter as the related benefits are not comparable with the Belgian R&D salary cost measure.

In **Italy**, new rules were introduced last year for 'Innovative Start-up Companies', which affects new Italian businesses created solely for the purpose of developing and selling innovative products and services with a high technological value. In this respect, companies are entitled to a reduction in their salary costs if they meet a number of specific conditions. Furthermore, from 2012 a 35% tax credit is available for total labour cost incurred by companies hiring qualifying researchers.

Most of the countries surveyed (e.g. Austria, the Czech Republic, Denmark, Luxembourg, Greece, Portugal, Spain, the Netherlands, Ireland, the United Kingdom and especially France) obviously also try to stimulate research and development activities and related investments in their country. They however mainly focus on corporate tax measures as does Belgium in addition to its very important and significant R&D incentive. The below excludes the range of European corporate tax measures aimed at stimulating innovation, research and development.

The figures below provide an overview of the effect the salary cost measure in Belgium has (applicable to employees working in the area of research and development) on the figures of chapter 1, scenarios 3 to 5. When we compare the related Belgian salary costs in the context of R&D activities with the salary costs of our main neighbours / competitors, it is clear that the higher the salary level, the better Belgium's competitive position becomes. Note that the below figures for the Netherlands exclude the Dutch salary cost measure briefly elaborated on above (due to insufficient information to accurately apply it).

1) Belgian salary cost measure – Exemption from withholding tax

In 2006, the Belgian government introduced a salary cost measure which provided an enormous stimulus for the Belgian R&D sector. Provided the strict conditions of this legislation are met, the employer currently only actually pays 20% of the total amount of withholding taxes that he in ordinary situations would have to pay to the Belgian treasury on the researcher's salary. This means that 80% (before 1st July 2013 this percentage amounted to 75% and lower percentages applied for previous income years) of the withholding tax owed on the researcher's salary, reverts directly to the employer, because the employer retains the correct amount of withholding tax on the gross salaries of qualified employees. As such, the employer saves a large proportion of the initial salary cost. This measure is totally tax-neutral for the employee in question.

2) Belgian Innovation Premiums – Additional measure affecting salary costs

Belgian employers can also grant innovation bonuses to employees who create added value for the company by putting forward a new proposal. The bonus is exempt from taxes and social security contributions provided certain conditions are adhered to. As a result, this offers employers an attractive, tax-friendly and relatively inexpensive opportunity to pay their employees something extra as a reward for coming up with innovative solutions.

Example illustrated with figures

The figures below demonstrate that the Belgian R&D salary cost measure creates an attractive environment for employers who are (partly) involved in the research and development sector. Please note that not all of the company's activities have to relate to research and development to be able to benefit from this important government incentive. Certain departments may be eligible without prior accreditation as research centres. In comparison with our main neighbouring countries / competitors only, it is clear that Belgian employer costs are the lowest, both for a gross annual income of 50,000 EUR for unmarried employees and for 75,000 EUR (for married employees with 2 dependent children). By applying this incentive, this sector is able to make enormous savings to their wage costs, following which the companies involved are enabled to have considerably more resources to continue investing in this sector and to further develop it. It is clear that our competitive position in Europe is significantly stimulated by this measure and that, with the exception of the Netherlands in specific circumstances, none of the other European countries surveyed have a similar R&D salary cost saving measure in place.

Scenario 3 – White-collar employee, annual gross salary of 27,000 EUR, married (non-working partner) and 2 dependent children

Country	Old estimated employer costs	Social security employer	Gross salary	Income tax	Exemption withholding tax	New estimated employer costs
Belgium	35,825.43	8,825.43	27,000	1,451.98	-1,161.58	34,663.85
France	39,496.00	12,496.00	27,000	0.00	0.00	39,496.00
Germany	32,190.75	5,190.75	27,000	998.00	0.00	32,190.75
Luxembourg	30,423.60	3,423.60	27,000	35.32	0.00	30,423.60
Netherlands	31,833.00	4,833.00	27,000	1,055.00	0.00	31,833.00
Switzerland	30,049.00	3,049.00	27,000	0.00	0.00	30,049.00
United Kingdom	29,480.17	2,480.17	27,000	3,185.27	0.00	29,480.17

The Belgian employer costs remain in 6th place, but already performing better thanks to a reduction of 1,162 EUR. With its most expensive employer costs, France comes in 7th and last place.

Scenario 3 – White-collar employee, annual gross salary of 27,000 EUR, single

Country	Old estimated employer costs	Social security employer	Gross salary	Income tax	Exemption withholding tax	New estimated employer costs
Belgium	35,825.43	8,825.43	27,000	5,571.93	- 4,457.54	31,367.89
France	39,496.00	12,496.00	27,000	1,423.00	0.00	39,496.00
Germany	32,190.75	5,190.75	27,000	3,455.13	0.00	32,190.75
Luxembourg	30,423.60	3,423.60	27,000	1,645.32	0.00	30,423.60
Netherlands	31,833.00	4,833.00	27,000	1,357.00	0.00	31,833.00
Switzerland	30,049.00	3,049.00	27,000	594.00	0.00	30,049.00
United Kingdom	29,480.17	2,480.17	27,000	3,185.27	0.00	29,480.17

In this case, Belgian employer costs decrease with almost 4,460 EUR, lifting Belgium from 6th and second-to-last place to 4th place, leaving now also the Netherlands and Germany behind.

Scenario 4 – White-collar employee, annual gross salary of 50,000 EUR, married (non-working partner) and 2 dependent children

Country	Old estimated employer costs	Social security employer	Gross salary	Income tax	Exemption withholding tax	New estimated employer costs
Belgium	**66,722.45**	16,722.45	50,000	10,706.78	-8,565.42	**58,157.03**
France	**78,589.00**	28,589.00	50,000	870.00	0.00	**78,589.00**
Germany	**59,762.71**	9,762.71	50,000	7,063.69	0.00	**59,762.71**
Luxembourg	**56,821.43**	6,821.43	50,000	3,902.44	0.00	**56,821.43**
Netherlands	**59,102.00**	9,102.22	50,000	11,622.00	0.00	**59,102.00**
Switzerland	**57,491.00**	7,491.00	50,000	0.00	0.00	**57,491.00**
United Kingdom	**56,166.40**	6,166.40	50,000	9,544.08	0.00	**56,166.40**

Through the application of the R&D measure, the Belgian employer costs fall by more than 8,560 EUR, lifting Belgium from 6th to 4th place in the rankings of salary costs. Once again the United Kingdom, Luxembourg and Switzerland do better.

Scenario 4 – White-collar employee, annual gross salary of 50,000 EUR, single

Country	Old estimated employer costs	Social security employer	Gross salary	Income tax	Exemption withholding tax	New estimated employer costs
Belgium	**66,722.45**	16,722.45	50,000	15,993.00	-12,794.40	**53,928.05**
France	**78,589.00**	28,589.00	50,000	4,709.00	0.00	**78,589.00**
Germany	**59,762.71**	9,762.71	50,000	11,640.87	0.00	**59,762.71**
Luxembourg	**56,821.43**	6,821.43	50,000	10,072.44	0.00	**56,821.43**
Netherlands	**59,102.00**	9,102.00	50,000	11,959.00	0.00	**59,102.00**
Switzerland	**57,491.00**	7,491.00	50,000	5,492.00	0.00	**57,491.00**
United Kingdom	**56,166.40**	6,166.40	50,000	9,544.08	0.00	**56,166.40**

Belgium in this scenario rises from 6th and second-to-last up to 1st place with an impressive cost-saving of almost 12,800 EUR. In this case, Belgium passes Switzerland and even eclipses the United Kingdom.

Scenario 5 – White-collar employee, annual gross salary of 75,000 EUR, married (non-working partner) and 2 dependent children

Country	Old estimated employer costs	Social security for employer	Gross salary	Income tax	Exemption from withholding tax	New estimated employer costs
Belgium	100,087.25	25,087.25	75,000	22,582.86	-18,066.29	82,020.96
France	114,455.00	39,455.00	75,000	3,443.00	0.00	114,455.00
Germany	86,531.14	11,531.14	75,000	15,518.82	0.00	86,531.14
Luxembourg	85,145.57	10,145.57	75,000	10,757.40	0.00	85,145.57
Netherlands	84,102.00	9,102.00	75,000	25,800.00	0.00	84,102.00
Switzerland	86,275.00	11,275.00	75,000	1,576.00	0.00	86,275.00
United Kingdom	84,944.14	9,944.14	75,000	20,493.66	0.00	84,944.14

The higher the withholding tax, the greater the savings for the Belgian employer. In this case a saving in excess of 18,000 EUR is realized following which Belgium has the lowest employer cost and rises to the 1st place.

Scenario 5 – White-collar employee, annual gross salary of 75,000 EUR, single

Country	Old estimated employer costs	Social security for employer	Gross salary	Income tax	Exemption from withholding tax	New estimated employer costs
Belgium	100,087.25	25,087.25	75,000	28,131.35	-22,505.08	77,582.17
France	114,455.00	39,455.00	75,000	10,419.00	0.00	114,455.00
Germany	86,531.14	11,531.14	75,000	23,151.98	0.00	86,531.14
Luxembourg	85,145.57	10,145.57	75,000	20,184.40	0.00	85,145.57
Netherlands	84,102.00	9,102.00	75,000	26,137.00	0.00	84,102.00
Switzerland	86,275.00	11,275.00	75,000	12,237.00	0.00	86,275.00
United Kingdom	84,944.14	9,944.14	75,000	20,493.66	0.00	84,944.14

In this scenario Belgium again rises from 6th to 1st place through a reduction in the employer cost of over 22,500 EUR. In this situation, the Netherlands follow next and the difference with the Belgian employer costs on this occasion amounts to almost 6,520 EUR.

Conclusion

European employers feel a rise in labour costs through a general increase in social security

As in previous years, Belgium and particularly France are still the leading countries when it comes to high social security wage costs. This can be explained by high and unlimited social security contributions. In addition, employer costs are under pressure due to the high statutory minimum wages. In Belgium a person aged 21 receives a minimum wage of EUR 1,502 per month, making Belgium the country with the second highest statutory minimum wage in Europe. Only Luxembourg has a higher minimum wage. France ranks in fifth place with a minimum wage of EUR 1,430. Belgian employer costs are also negatively influenced by automatic wage indexation. Among the European countries, only Luxembourg and Slovakia still have an automatic indexation system. Although wages in Luxembourg were indexed at 2.5% in October 2013, with Luxembourg having the highest statutory minimum wage, it does not have to cope with the same issues as Belgium. The reason for this is that employer contributions in Luxembourg are limited to a maximum of 14.30% and are only payable up to a maximum wage of EUR 115,261.56.

Social security cost for employers (and in other words, wage cost) has increased in the majority of the countries surveyed. In 11 of the 19 countries, the social security rate has either risen (i.e. in Denmark and Luxembourg), or there has been an increase of the limit to which the contributions are due (i.e. in Germany, Italy, Luxembourg, Malta, Austria, Poland, Slovakia, Spain and the United Kingdom). In the Czech Republic, limited contributions have even been partly abolished. The Netherlands is the odd one out because it is the only country in Europe that lowered its employer contribution rate by 2.12% (current rate is 17.9%). However, an attentive analyst of the Dutch figures will notice that this apparent decrease in employer costs is only observed for higher wages, whereas lower wages are subject to higher contributions due to a reduced exemption. This is a remarkable move of the Netherlands to reduce labour costs.

More than 60% of the countries surveyed succeed in imposing a maximum social security bill on employers, either partially or entirely. Danish and Maltese employers get an extremely low bill anyhow. Although social security contributions are unlimited in Poland and the Czech Republic, these countries manage to keep the employer contributions within very reasonable limits, all the more so where higher wages are concerned (the part of unlimited social security contributions amounts to only 7% in Poland and 9% in the Czech Republic).

In 8 other countries (the Netherlands, Spain, Slovakia, Germany, Austria, Luxembourg, Greece and Italy), there is an absolute maximum amount for employer's social security contributions. In these countries, the limit amounts on average to EUR 69,929 (varying between EUR 41,108.40 in Spain and EUR 115,261.56 in Luxembourg). Above this threshold, employers do not have to pay social security, in contrast to the other group of countries where employers' social security contributions are unlimited: Belgium, France, Portugal, the United Kingdom, Switzerland, Ireland and Sweden.

The crisis affects Portuguese and Spanish taxpayers the most

Alongside an increase in social security costs for the employers, the personal income tax rates and scales in many countries have been raised substantially for the first time since the crisis. While only 1 or 2 countries implemented a significant tax increase or modification last year, this year almost half of the countries surveyed raised the marginal tax rate and/or the tax scales. The tax rate rose most noticeably in Portugal, Spain, the Czech Republic and Slovakia. These countries increased their top rate by 10%, 7%, 7% and 6% respectively. Consequently a top rate of over 50% currently applies in 8 of the 19 countries surveyed. The marginal tax rate is the highest in Sweden (61.24% (including communal & church taxes)), followed by Portugal (56.5%), Spain (56%), Denmark (55.56%), Belgium (53.5%), the Netherlands (52%), Germany (45% + 5.5%) and Austria (50%). For several years already, the marginal rate in Belgium is fixed at 50%; adding communal taxes of (on average) 7% sets the effective top rate at 53.5%. The gap with other European countries in terms of the top rate is gradually being filled. However, the average limit from which the top rate applies is still much higher in most countries compared to Belgium. In Belgium, the top rate is already reached as from a taxable income of EUR 37,330. In Sweden this amount is almost 2 times as much (+/- EUR 69,000) and the limit in Spain (EUR 300,000) is almost 8 times that of Belgium.

In Greece, the marginal tax rate was lowered from 45% to 42%. However, the scale from which this top rate applies was lowered from EUR 100,000 in 2012 to EUR 42,000 in 2013. In practice, this means a tax increase for most Greeks.

As a significant exception, we must mention the United Kingdom, which is the only country in which the top personal income tax rate has been lowered, from 50% to 45%. Moreover, this rate only applies to a taxable income of approximately EUR 176,000.

Non-working partner with 2 dependent children is rewarded twice in Belgium

A single person in Belgium is taxed more heavily than a married taxpayer who has a non-working partner and 2 children as dependents. The tax burden difference in Belgium fluctuates roughly between EUR 4,000 and EUR 5,500. Further research showed last year that a majority of the countries treat such a family situation in a fiscally favourable manner. In France, Germany, Luxembourg, Portugal and Switzerland, the tax burden difference with regard to single employees is even more significant than in Belgium. In these countries, the tax bonus for families with one working partner can even run up to EUR 14,090 (in Geneva).
On the other hand, when personal income tax is calculated in the United Kingdom and Sweden, no distinction is made on the basis of the taxpayer's personal situation. In its struggle with the crisis, Greece has also decided that as from 2013, there will be no difference in tax burden between single and married people. Finally, in Italy, the tax burden difference also disappears however only for higher incomes.
The great majority of the countries surveyed thus give a tax bonus for non-working partner and/or children at charge. Last year, the marriage quotient in Belgium was already criticized because it entails granting a bonus to legally cohabiting or married couples with only one working partner. This family situation is less and less common in Europe, and the question rises whether the European countries concerned might need to mitigate or even abolish such a tax benefit in order to motivate more people to enter or remain in the labour market.

European savings again more heavily taxed

Clearly active income or earnings are heavily taxed in Belgium. However, passive income, or income from capital, is subject to a rather average taxation in Belgium. The current Belgian rates are again close to the average European rate to which interest and dividends are subject (i.e. 24%).
Despite the fact that the average European rate on interest and dividends remained stable, the rates and scales applying to passive income have increased compared to 2012 in 8 countries: Ireland, France, Portugal, Greece, Luxembourg, Slovakia, Belgium and Denmark.

In the 19 countries surveyed, the tax rate on interest amounts to an average of 24% versus 23.42% in 2012 (the United Kingdom and Denmark are not considered here because the applicable rates vary widely and there is no separate rate applying to withholding tax). The general tendency in Europe is a slight increase of taxation on interest.
Greece raised its rate of 10% to 15%, Ireland from 30% to 33%, Portugal from 26.5% to 28%, and in Denmark the rate was raised by approximately 0.2%. In Slovakia, interest income may now also be taxed at 25% in addition to the standard rate of 19%. Belgium stands out as it raised the tax rates for interest income from 15% to a standard tax rate of 25% over a two-year period.
It is striking that over the years, Ireland has seen the largest tax increase for interest: in 2010, interest was still taxed at 25% while in 2013, a rate of 33% applied, and this will probably further increase to 41% on 1 January 2014.
Newcomers Malta and Austria tax interest at 15% and 25% respectively. Finally, in the United Kingdom the top rate was lowered from 50% to 45%.
The average European rate applying to dividends also amounts to 24% versus 25.13% in 2012 (again, the United Kingdom was not considered here). Here we see a reverse trend, namely a slight drop in the European average. In this regard, Greece has lowered its rate (from 25% to 10%); we also see a drop in the rate in the United Kingdom (from 42.50% to 37.50%). On the other hand, Portugal has raised its rate from 26.50% to 28%. In Belgium we see the largest increase due to the abolition of the lower rate of 21%. Newcomers Malta and Austria tax dividends at 35% and 25% respectively.
For capital gains, the general trend in Europe remains that they are taxable if realised in the short term (for ex. < 6 months). Capital gains not realised in the short term in principle remain untaxed in Belgium, Greece and Switzerland and also under certain conditions in Luxembourg and the Netherlands.
The tax on capital gains was raised compared to last year in the following countries: Ireland, France, Slovakia, Luxembourg, Portugal and Denmark. Newcomers Malta and Austria tax capital gains at a rate fluctuating between 0% and 35% and 25% respectively.
Finally, a wealth tax remains the exception in Europe. Switzerland, together with France and Spain, are the only three countries where a wealth tax is payable if the net assets exceed a certain limit.

Belgian still lives well but Belgium's position on the European rankings slightly deteriorates

The Belgian blue-collar worker with a gross salary of EUR 21,958.90 or EUR 31,940.22 always has a higher net disposable income compared to our neighbouring countries, the UK and Switzerland. Belgian white-collar employees, on the other hand, are worse off in all wage categories than their counterparts in Germany and Luxembourg. Moreover, a single Belgian employee always has a lower net disposable income when compared to a single Dutch employee. Married Belgians are, however, better off than married Dutchmen. Belgian employees always do much better than their French and Swiss counterparts except in the highest wage category of EUR 125,000. Finally, Belgian employees always have a higher net disposable income at all income levels in comparison with the British.

Housing costs are decreasing in Europe - except in Belgium

Housing costs are undergoing a general drop in Europe (by an average of 6% in the case of lower incomes). The cost of living is also decreasing (an average of approximately 3% in the case of lower incomes). The net disposable income that Belgians gain when "corrected" for housing costs, cost of living and child support is similar to that of the previous year. However, in general, Belgium must give up a few places on the European ranking list. Among other reasons, this is because newcomers Malta and Austria often score better than Belgium.
Contrary to the European trend, both the cost of living and housing are increasing slightly in Belgium.
A striking finding is that Germany, which last year was more expensive than Belgium in both areas, now comes out a little bit cheaper than Belgium both for housing as for the cost of living.
However, Belgium is still cheaper than other richer European countries and once again stands in the middle between northern and southern Europe. For example, the cost of living in Brussels remains cheaper than in Luxembourg City, Geneva, London, Paris, Dublin, Copenhagen, Stockholm and Amsterdam. However, the gap has become smaller. Vienna is more expensive than Brussels in terms of housing costs, but the cost of living there is cheaper.
This year, we also examined how expensive primary and secondary education is in the different countries surveyed. In Belgium the perception exists that the citizen pays a lot to the government in exchange for free quality education. However, this proves to be a flawed perception since the research shows that in almost all the countries surveyed, public education is virtually free. The quality of the education offered was not the subject of our research, for obvious reasons.

R&D measure makes Belgian employer the cheapest in Europe

Belgium still has to cope with very high wage costs and often has a difficult time attracting or retaining labour-intensive investments. A few years ago, Belgium adopted far-reaching measures with the aim of attracting and retaining companies investing heavily in R&D.
Thanks to these measures, Belgian employers who take on employees in research and development can realise a substantial reduction in salary costs. In doing so, Belgium is once again a step ahead of its competitors in the higher wage categories. None of the other countries surveyed, except for the Netherlands, has such an advantageous and structured system that provides a real incentive for research and development. The question rises whether a more effective marketing of these favourable measures might better position Belgium on the international scene.

Belgium: less attractive for corporate headquarters but still competitive

Belgium traditionally belongs to the "short list" of potential locations for corporate headquarters. The figures show that at first glance, because of its high salary costs, Belgium is not competitive with respect to its immediate competitors, i.e. Luxembourg, Switzerland, Ireland and the Netherlands. As far as attracting head offices is concerned, Switzerland has a structural advantage purely because of its relatively low taxes and social security contributions. Even if we take into account the advantages which can arise from the application of Belgium's special tax status for foreign executives, Belgium only scores higher than Ireland and sometimes higher than Luxembourg. However, if we compare Belgium with the Netherlands it can be concluded that its northern neighbour has on average a more favourable system for attracting foreign executives.
Despite the fact that at first glance, Belgium does not seem to be the most favourable location for establishing corporate headquarters, two fundamental adjustments must be made to this ranking.
In the first place, the base salaries in Luxembourg and especially Switzerland are substantially higher than in other locations. However, this was not the focus of our

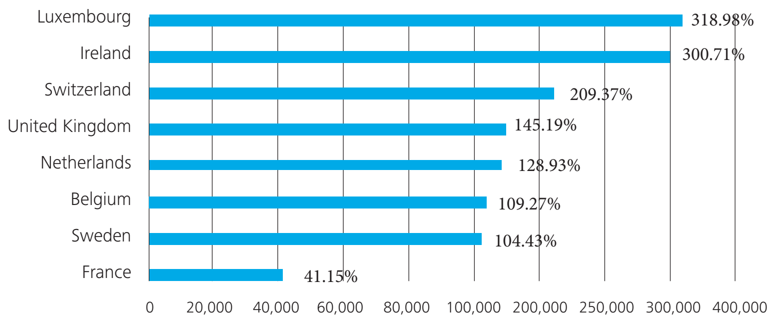
research.
Secondly, when making adjustments to determine the net disposable income, Belgium moves to the first position in the ranking. Headquarters are mostly populated by international executives who qualify for expat status. Under this status, a "net package" is frequently offered which includes compensation for housing and cost of living. These costs are substantially lower in Belgium than in its competing countries.
When net disposable income is considered, Switzerland tumbles from absolute first place (net income) to last place but one (married people) and even to last place (single people).

High social security contributions do not necessarily guarantee a high statutory pension

The majority of the countries surveyed (84%) guarantees pensioners a minimum statutory pension. In 12 countries (almost 63.16%) a maximum pension also applies. Belgium has one of the highest minimum statutory pensions (only Luxembourg does significantly better). The Netherlands is close behind Belgium, Switzerland follows in 6th place, France is in 9th place, and the United Kingdom ranks in 10th place. Portugal, the Czech Republic and Poland score far below on the ranking list of minimum statutory pension.
Statutory pension (or 1st pillar pension) is in principle built up by means of social security contributions. The question could be raised whether the pensions paid out are proportional to the amount of social security contributions paid by employees and employers. If we try to make a correlation between the minimum pension by country for a single person who during his or her career derived a low income, and the total social security contributions paid (in this case an annual gross salary of EUR 27,000 was taken into account), we note that this is frequently not the case.

In view of this investigation only countries have been compared where salary levels within the labour market are rather similar: Luxembourg, Ireland, the United Kingdom, the Netherlands, Belgium, Sweden and France.
On one end of the spectrum, we find Luxembourg and Ireland, where minimum pensions are proportionally considerably higher than social security contributions. Of the total social security contributions payable for this salary, an individual in Luxembourg gets 319% at retirement (i.e. the total social security amounts to EUR 6,407.10 in this situation, while the minimum pension amounts to EUR 20,437.20 when all conditions are satisfied). In Ireland this proportion is 301%. On the other end of the spectrum, remarkably enough, lies France: the minimum pension is only 41% of the social security contributions paid.
Belgian employers and employees pay the highest social security contributions after France. The minimum pension of a Belgian pensioner amounts to 109% of contributions, as long as he or she meets all conditions and formalities. Belgium almost performs as well as the Netherlands (129%) in this respect. Sweden notably doesn't take position at the top of this ranking, but ranks in between Belgium and France with only 104%.

Stratutory minimum pension versus total social security



Statutory pension is often insufficient to provide for the essential needs of a pensioner. For this reason, we also examined to what extent company plans are local common practice (2nd pillar pensions). The accrual of pension benefits through employment is only a common practice when higher salaries are envisaged. In 74% of the countries surveyed, company pension plans for an annual income of EUR 75,000 are virtually the rule, whereas for an annual income of EUR 27,000, this is only the case in 37% of the countries surveyed.
It is quite remarkable that company pensions are a statutory obligation in Switzerland and, since 2012, in the United Kingdom as well.
Finally, France, Greece, Portugal and Poland still have relatively low minimum statutory pensions as well as an unfavourable proportion to social security contributions. Moreover, extra-legal (2nd pillar) pensions are rare in these countries.

Epilogue

To prepare this fourth edition of the European Salary Survey, we have again been able to call on the knowledge of our colleagues from the Deloitte network.

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