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Deloitte European Salary Survey – 6th edition

Tax shift gives oxygen to Belgian employers

- *Belgian employers see social security contributions decrease for lowest wages thanks to the tax shift. However, Belgium remains one of the most expensive countries for medium and higher salary levels.*
- *Despite the relatively low net income of the Belgian employee, the cost of living and housing in Belgium remain cheaper compared with other European countries*

Diegem, 5th December 2015 – Deloitte today announces the results of its sixth European Salary Survey. This large-scale survey compares wages costs, net income and net disposable income in 19 European countries.
According to the survey, Belgium is still struggling with very high employer costs due to high and unlimited social security contributions. However, measures included in the announced tax shift should make Belgium more competitive from 2016 onwards.

Belgian employers will see social security contributions decrease, for the lowest wages, as a result of the tax shift
Belgium is becoming more competitive compared to other European countries as far as the lower wages are concerned. Social security contributions will gradually decrease towards a base rate of 25% by 2019. Even lower rates will apply for the lowest wages. The result is that Belgian employer costs for low salaries will become comparable to those in the Netherlands and Luxembourg. Consequently, by 2019, Belgium will drop from 4th place in the European rankings for the most expensive countries, to 13th position based on an annual salary of EUR 25,000.

Despite the tax shift, high and unlimited social security contributions continue to be a problem for the mid and higher salary levels.
"The tax shift will give oxygen to Belgian employers," says Patrick Derthoo, Tax Partner at Deloitte Belgium. *"However, the Belgian employer costs for the mid and higher salaries still exceed those faced by our neighbouring countries, the Netherlands, Germany and Luxembourg. In those countries, social security contributions become capped from a certain salary level. The survey also shows that 60% of the countries surveyed impose a partial or maximum social security charge. Other factors that contribute to Belgium's wage handicap are the high statutory minimum wage and mandatory automatic indexation."*

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Belgians have a low net income

Belgian employees have a lower net income than the other European countries surveyed. Belgium actually often languishes at the bottom of the European rankings when it comes to net income. This is due to a high marginal tax rate (53.5%), which starts at a relatively low income level (37,870 EUR), while other countries generally apply a high marginal tax rate from a higher level of income only. In Sweden, for example, employees only start paying the top tax rate as of an income level of EUR 65,916. However, the survey does show that a top tax rate of 50% is currently in effect in almost half of the countries surveyed. The gap between Belgium and the rest of Europe is gradually closing in terms of a high marginal tax rate.

Once again, the tax shift should allow employees with a low net income to retain more of their gross income. According to Deloitte's European Salary Survey, single Belgians with a gross income of 25,000 EUR will see their net earnings rise by 9% in 2019. This will take Belgium up the rankings with the highest net income from 16th to 9th place. For pay levels of 50,000 EUR or above, however, the impact of the tax shift will be rather limited.

Substantial tax benefits for a non-working partner in Belgium

In Belgium, a married taxpayer with a partner who doesn't earn income is less taxed than a single taxpayer. In comparison with other European countries, Belgium provides the biggest benefit when considering lower incomes. For higher salary levels, we are still among the frontrunners in Europe, although Switzerland, Luxembourg and France are even more advantageous.

Most of the countries surveyed also provide a tax benefit for employees with dependent children. Belgium ranks good in this respect with a third place in the rankings for countries that provide the highest tax benefit for employee with dependent, and ranks sixth for higher incomes.

It is mainly the difference in tax burden between single taxpayers and married taxpayers with a non-working partner that makes Belgium stand out compared with other countries. "*The question arises whether it still makes sense to provide a tax advantage through fiscal means or are other methods more appropriate in this economic context,*" says Patrick Derthoo.

In Sweden and Greece, no distinction is made based on the taxpayer's personal situation. Since this year, the Netherlands has also decided to stop allocating benefits according to the personal family situation.

Cost of housing and cost of living are decreasing in Europe

The Deloitte salary survey calculates net income and then makes an adjustment by taking into consideration the cost of housing, the cost of living and family allowances in order to determine the net disposable income. In previous editions of the survey, Belgium made significant progress in the European rankings in comparison with net income. This year, the cost of housing and living remained stable in Belgium, whereas in the vast majority of European countries, there was a general decline in costs. The main exceptions are London and Geneva, where housing costs in particular continue to rise. Despite the fact that other countries have become less expensive, the cost of housing and living in Brussels is still lower than in cities such as Luxembourg and Paris, London and Geneva.

Belgian savings tax system above the European average

The European Salary Survey also looks at how taxpayers are taxed further once their net income is on their bank account.

With regard to taxation of passive income (interest, dividends), Belgium will be above the European average from 1st January 2016 with its new rate of 27%

All European countries, with the exception of Switzerland, also tax capital gains, at either a fixed or progressive rate. As a result of the tax shift, Belgium now joins the other European countries that impose an effective tax on capital gains, even though this levy is restricted to short-term profits (realised within six months of acquisition).

Finally, a wealth tax remains the exception in Europe. Switzerland, France and Spain are the only countries that levy a tax on wealth when assets exceed a certain threshold.

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A leading audit and consulting practice in Belgium, Deloitte offers value added services in audit, accounting, tax and legal, consulting and financial advisory services.

In Belgium, Deloitte has more than 3,000 employees in 10 locations across the country, serving national and international companies, from small and middle-sized enterprises, to public sector and non-profit organisations. The turnover reached 390 million euros in the financial year 2015.

The Belgian firm is a member of the international group Deloitte Touche Tohmatsu Limited, an organisation of independent member firms devoted to excellence in providing professional services and advice.

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