

Press release

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Employer charges further reduced in Belgium thanks to the tax shift

Deloitte European Salary Survey – 8th edition

- *Belgium goes down again one place in the ranking of the most expensive countries and moved in two years from the second most expensive country for employers to a fifth place. Although Belgium's position has improved, it is still placed in the upper half of the ranking due to the uncapped employer contributions.*
- *In the last five years, the top tax rate for professional income remained stable in Europe (44%) while the threshold as of which this rate was applied decreased substantially (from 121,664.29 EUR in 2013 to 95,612.88 EUR in 2017). The foregoing implies that higher professional income is taxed more heavily than five years ago.*

Zaventem, 2nd December 2017 - Deloitte announces today the results of its eighth European salary survey. This large-scale survey compares wage cost, net income and net disposable income in 19 European countries. According to the survey, Belgium goes down one place in the ranking of the most expensive countries and in two years moved up from the second most expensive country for employers to a fifth place. Belgian employees also have a lower net income than most other European employees. This is due to the high marginal tax rate (53,5%), which is already applied to a relatively low income level (38,830 EUR).

Belgian employers benefit from lower social security contributions

The eighth edition of the survey demonstrates that Belgium is becoming somewhat more competitive compared to other European countries. Social security contributions decreased this year to an average rate of 30.46% and will indeed gradually decrease towards a base rate of 25% by 2019. This year Belgium takes the 5th position of most expensive countries across all salary levels (instead of 2nd position in 2015) as a result of the tax shift. For lower salary levels, Belgium even ranks in 7th position (i.e. in the middle of the ranking) of most expensive countries.

Belgians have a low net income

Belgian employees have a lower net income than most other European employees. This is caused by the high marginal tax rate (53.5%), which is already applied to a relatively low income level (38,830 EUR). A top tax rate above 50% is not exceptional amongst the countries surveyed. This is indeed the case in the Netherlands, Sweden, Portugal, Denmark and Belgium. Although the average highest income tax rate (44%) remained stable in Europe between 2011 and 2017, the income level as of which it is applied decreased substantially, from 121,664.29 EUR in 2013 to 95,612.88 EUR in 2017. The gap between Belgium and the rest of Europe, in terms of taxation of professional income, is therefore gradually closing.

The tax shift had to allow employees with a low income to retain most of their gross income. While we saw a clear improvement of Belgium's position in the ranking last year, overall net income levels are not impacted this year. As of 2018, however, the second wave of the tax shift will have a positive impact again on net wages in Belgium.

In other countries surveyed, we notice that Slovakian employees see their net income decreasing due to the switch to an uncapped health insurance.

Substantial tax benefits for a non-working partner in Belgium

In Belgium, a married taxpayer with a partner who does not earn income is taxed more favourable than a single taxpayer thanks to the marital quotient. In comparison with other European countries, Belgium provides the highest benefit for lower incomes. For higher salary levels, we are still amongst the countries that provide the highest tax benefits for a non-working partner in Europe, although Switzerland, Luxembourg, France and Portugal are more advantageous. Most of the countries surveyed also provide a tax benefit for employees with dependent children. Belgium ranks also relatively good here.

In Sweden, no distinction is made based on the taxpayer's personal situation. The impact in Greece is also extremely limited. Since last year, the Netherlands has also decided to stop allocating benefits according to the personal family situation.

Cost of housing and cost of living is stable in Europe, with the exception of the United Kingdom

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. When considering the net disposable income, Belgian employees are generally worse off than its German neighbours. Belgium does slightly better however than France, Luxembourg and the Netherlands. In comparison to last year the cost of housing is generally decreasing in all of the cities investigated. Exceptions are Germany, Ireland and Luxembourg which are slightly more expensive compared to 2016. The cost of housing and living remains the highest in Geneva, followed by London. Athens is the cheapest, followed by Bratislava and Warsaw.

The cost of living and housing in Brussels is still lower than in the capital city area of most of our neighbouring countries (i.e. Luxembourg, London and Paris).

Belgian savings tax system ranks in 2017 amongst the high tax countries

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

With regard to taxation of passive income (interest, dividends), Belgium again moves two positions in the ranking further to the increase of the taxation of dividends (12th place) and interest (13th place) to 30% instead of 27% last year. Also in Luxembourg, the taxation on interest increased from 10% to 20% placing now the country in the 6th position. The European average is 26.78% for interest payments and 26.47% for dividends.

The European average tax rates for passive income generally stayed stable in the last five years. "Some countries increased their rate while others went down, making the average rate stable over the years but it is fair to say that Belgium moved from a low tax to a high tax country for passive income," says Patrick Derthoo, Tax Partner at Deloitte Belgium.

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