

## Press release

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## 20% increase in net income for lowest wages thanks to tax shift

### 9<sup>th</sup> edition of Deloitte's European Salary Survey

- *Belgium no longer ranks among the top five most expensive countries for employers, but it still remains one of the more expensive countries. This is due to the unlimited employer's contributions and is particularly applicable to higher income levels.*
- *On the other hand, net income is increasing for the lowest wages thanks to the tax shift. A Belgian employee with a working partner and two dependent children, who earns 25,000 EUR gross per year, has seen his net pay rise by 20.07% or 3,293.02 EUR compared with 2015.*

**Brussels, 1 December 2018**

**Deloitte announces the results of its ninth European Salary Survey today. This large-scale study compares wage costs, net income and the net disposable income in 19 countries. The survey shows that Belgium no longer ranks among the top five most expensive countries for employers, thanks to the tax shift.**

Belgian employees with a low net wage have seen their net income increase again since 2015 thanks to the tax shift. As a result, Belgium drops from the 2<sup>nd</sup> to the 6<sup>th</sup> place in the European ranking and holds a good position. Employees with average and higher income levels continue to receive a low net income. This is due to our highest tax rate (53.5%, including 7% municipal tax) which is applied as of a relatively low-income level (39,660 EUR).

### **Belgium no longer ranks among the top five most expensive countries for employers**

The ninth edition of the survey shows that Belgium is becoming more competitive with regard to other European countries, certainly, when it comes to lower wages. The social security contributions for employers **decreased from 30.46% to 27.36% on average** this year. Thanks to the tax shift, Belgium ranks 6<sup>th</sup> among the most expensive countries, when levels from 25,000 EUR to 125,000 EUR are considered (compared to second place in 2015). For the lower wage levels, Belgium is now in the middle of the rankings (eight place). For the higher salary levels (125,000 EUR) Belgium climbs to the 5<sup>th</sup> place among the most expensive countries. The European frontrunners are France, Sweden, Italy, Slovakia and Austria.

*"An important conclusion is that countries with unlimited social security contributions, such as Belgium, have difficulties keeping salary costs under control resulting in reduced competitiveness,"* says **Patrick Derthoo**, Tax Partner at Deloitte Belgium.

## **Thanks to the tax shift net income increases for lowest wages**

A Belgian employee with a working partner and two dependent children, who earns 25,000 EUR gross per year, has seen his position rise by no less than 12 places in the European rankings (from 19<sup>th</sup> to 7<sup>th</sup> place) compared with 2015. Net pay for this employee increased by 20.07% or 3,293.02 EUR. A single employee without children has climbed from 16<sup>th</sup> to 10<sup>th</sup> place in the rankings. Net pay for this employee increased by 6.4% or 1,142.27 EUR compared with 2015.

As salary levels rise, Belgian employees are again losing ground compared with other European employees and are dangling near the very bottom of the rankings. This is due to the high marginal rate (53.5%) applied as of a relatively low income level (39,660 EUR). A top rate above 50% is not exceptional amongst the countries surveyed. This is also the case in the Netherlands, Sweden, Portugal and Denmark. The average highest income tax rate in Europe is 44% and the average income as of which this rate is applied amounts to 95,904.53 EUR.

## **Belgium worst in class in terms of net salary polarization**

This year, the survey includes a calculation of the degree to which the net salary rises in case the corresponding gross salary would increase, referred to as the net salary polarization factor. A lower polarization factor means a lower corresponding net income when gross pay increases, and vice-versa.

The study shows that Belgium has the lowest net salary polarization factor, followed by Greece and Denmark. For all salary levels, Belgium has the lowest score of the 19 countries surveyed, while Switzerland has the highest net salary polarization factor.

*"The polarization factor is an important barometer for measuring the ambition level of your employee population. The lower this factor, the less motivated people are to work more and to earn more,"* **Patrick Derthoo** adds.

## **Substantial tax benefits for 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. Belgium ranks among the top five countries that grant the highest tax to a non-working partner.

Most of the countries surveyed also provide a tax benefit for employees with dependent children. Belgium also ranks good here.

In the Netherlands and Sweden, remarkably enough, no distinction is made based on the taxpayer's personal situation.

## **Cost of living and cost of housing still lower in Brussels than in the capital cities of our neighbouring countries**

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. Belgian employees have a relatively good net disposable income when the lower wage levels are taken into account, but they are positioned in the lower half of the rankings for the higher income levels. Belgian employees still have a higher net disposable income, than Dutch, Swedish, Irish, British and Danish employees. Germany and Luxembourg perform worse than Belgium for the lower and average income levels, but they do better (than Belgium as of a salary level of 75,000 EUR. Zurich, Geneva and London continue to be the most expensive cities in terms of the cost of living and housing. Warsaw, Prague and Bratislava have the lowest cost of living, while Athens, Warsaw and Bratislava have the lowest cost of housing.

The cost of living and housing in Brussels is still lower than in the capital cities of our neighbouring countries (London, Paris, Luxembourg and Amsterdam).

## **Belgian taxation of passive income among the highest in 2018**

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

In terms of the taxation of passive income (interest, dividends), Belgium ranks once again 13<sup>th</sup> for interest and 12<sup>th</sup> for dividends. The average European tax rate is 26.09% for interest and 26.04% for dividends. This tax rate has remained generally stable in the past five years.

It is noteworthy that Ireland and France lowered taxes on interest this year, from 39% to 37% and from 24% to 12.80% respectively. In France, however, an additional levy of 17.2% has to be paid (compared with 15.5% last year).

*“The French government is making significant efforts to attract capital to France again. Not only has taxation on interest and dividends been adjusted, but the wealth tax applies only to immovable income. Belgium also introduced a 0.15% wealth tax in 2018 on amounts above 500,000 EUR on securities accounts”,* **Patrick Derthoo** concludes.

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## **Deloitte in Belgium**

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