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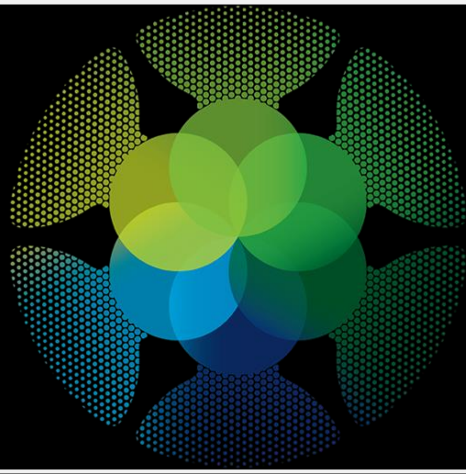
Belgium | Deloitte Tax | 09 November 2018



Global Employer Services
Individual tax

A supplementary pension scheme for every employee?

Following the recently published draft law introducing a new voluntary supplementary pension scheme (Dutch | French), employees who do not benefit from an occupational pension scheme, built up by 3% or more via their employer, will have the possibility to directly subscribe to a supplementary pension contract of their choosing. The aim of the new legislation is to improve the spread of supplementary pension coverage for all employees, taking into account the increased pressure on the sustainability of legal pensions.

The free supplementary pension scheme for employees (hereafter "FSPE") is mainly based on (i) the well-known Supplementary Pensions Act and (ii) the recently introduced supplementary pension scheme for self-employed individuals. It does nevertheless have its own legal framework and specific characteristics.

Initiative with the employee

The initiative to subscribe to a FSPE lies with the employee. It is entirely up to the employee to choose and negotiate the pension agreement (i.e. pension institution/insurance company, payable contributions, guaranteed coverage/return, etc.).

Role of the employer

Although the initiative lies with the employee, the employer does the obligation to withhold the employee's contributions of his/her net salary (i.e. salary after taxes and social security) and to transfer these contributions to the pension institution/insurance company chosen by the employee.

This obligation might lead to a high administrative burden for the employer, which can be potentially softened by the law foreseeing the possibility for the employer to conclude a framework agreement with a pension provider and allow employees to conclude a FSPE within this framework agreement. However, employees cannot be obliged to do so.

Minimum supplementary pension

The employee is in principle free to determine the contributions he/she is willing to pay, as long as the threshold determined by law is not exceeded. The draft law currently limits the contribution to 3% of the reference salary. The reference salary equals the total gross remuneration relating to the second year preceding the actual year of build-up (reference period), less any pension rights built up in a second pillar pension scheme during the reference period. The minimum reference salary is set at EUR 1600, i.e. indexed amount of EUR 980 for income year 2018.

Applicable tax and social security regime

Distribution from FSPE pension agreements will undergo the same tax and social security treatment as for an individual continuation of an occupational pension scheme (as per article 33 of the Supplementary Pensions Acts)

During the build-up

The employee is entitled to a tax credit of 30%, provided certain conditions are met (e.g. the 80%-rule and the aforementioned limitations). The contributions are subject to a premium tax of 4.4%.

At moment of distribution

If distribution occurs by means of a one-time lump sum at the legal retirement age, with decease or as of the age of 60, a flat tax rate of 10% (increased with communal taxes) will apply. In all other situations, a one-time lump sum payment will be taxed at a flat tax rate of 33% (increased with communal taxes).

Distribution through periodic payments (annuities) will be taxed at progressive tax rates.

Distributed capital will also be subject to the RIZIV (3.55%) and solidarity contributions (0 - 2%).

Entry into force

The entry into force of this new supplementary pension scheme is currently foreseen as of 3 months after publication on the Official Belgian Journal.

Contacts

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