Deloitte.

European Salary Survey 3rd Edition

Content

Foreword

The European Salary Survey was conducted for the first time by Deloitte Belgium in the autumn of 2010. The survey featured a comparison of actual salary costs and the associated net pay levels in Belgium and 10 other European countries. These countries were our immediate neighbours Germany, France, the Netherlands and the United Kingdom, as well as Italy and Spain for Southern Europe, Ireland because many companies have their head offices located there and hence it is a competitor of Belgium, Sweden as a representative of the Scandinavian countries, Poland as a cheap manufacturing country in Europe (compared with China in Asia) and, finally, the Czech Republic, which is a major player in the automotive sector.
Seven different scenarios were 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 first edition of the survey also included an additional section in which salary costs and net pay were examined from a different angle, converting them into 'net disposable income' by factoring in the cost of living and housing, as well as family allowances.

In December 2011, the results of the 2nd edition of the European Salary Survey were announced. In the report for this 2nd edition, the same seven scenarios were compared in the same 11 European countries. Once again the net disposable income was calculated for each scenario, applying adjustments for family allowances and the cost of living and housing.
Furthermore, a number of areas were examined in detail in the 2nd edition of the survey. These included the benefit of having a company car, as well as a European ranking for the tax treatment of passive assets (interests, dividends, capital gains and wealth). The tax treatment of pension savings accrued through employment (2nd pillar) was also discussed in more detail.

This 3rd edition of the European Salary Survey again features a comparison of salary costs and net pay using the initial seven scenarios. This edition also contains adjustments made taking account of family allowances and the cost of living and housing in order to compare 'net disposable income'.
The items relating to company cars and the tax treatment of passive assets have been retained (the current figures apply to income derived in 2012).
For this 3rd edition, the salary survey has been expanded from 11 to 17 European countries. These countries are Belgium, our immediate neighbours Germany, France, the Netherlands and the United Kingdom plus, this time, Luxembourg. Italy and Spain appear again this year for the countries of Southern Europe, with the addition of Greece and Portugal. As in the past, Ireland again appears and we have now included Switzerland because many companies have their head offices there, too, making both countries competitors to Belgium in that regard. Finally, Sweden again appears, accompanied this time by Denmark as representatives of the Scandinavian countries. Poland, the Czech Republic and, from this year, Slovakia represent the cheap(er) manufacturing countries in Europe.

Salary comparison

In this first section of the 3rd 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 costs and the net/costs ratio.

Last year, Belgium and 10 other European countries were involved in this survey. These countries were our immediate neighbours Germany, France, the Netherlands and the United Kingdom, as well as Italy and Spain for Southern Europe, Ireland because many companies have their head offices located there and hence is a competitor of Belgium, Sweden as a representative of the Scandinavian countries, Poland as a cheap manufacturing country in Europe (compared with China in Asia) and, finally, the Czech Republic, which is a major player in the automotive sector.
For this 3rd edition, the survey has been expanded to 17 countries: the 11 countries mentioned above, plus Luxembourg and Switzerland, because both countries compete with Belgium as centres for company headquarters, Denmark to bolster the representation of the Scandinavian countries, Greece and Portugal to include more companies from Southern Europe and, finally, Slovakia as an additional low-cost manufacturing country.

Comparison of the figures

Reference is made to the appendix enclosing the charts of the salary comparison.

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 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 (or legally cohabiting) 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 explained later, this impact appears to be the greatest in Switzerland, Belgium, Luxembourg, France and Germany.

All calculations take account of the currently valid statutory and fiscal rules and sliding scale rates for 2012. 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

In the scenarios developed, the employer costs involved are still the highest in Belgium, followed closely 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 and Spain.
One striking point is that the tax burden is frequently a great deal higher for an unmarried worker than for a married worker who has a non-working partner and 2 dependent children.

In scenario 1, this trend is particularly striking in Switzerland, Belgium, Denmark, the Czech Republic, Germany and Italy, where the differences in net pay range roughly from 2,000 EUR (Italy) to 4,240 EUR (Switzerland). This means that Belgium no longer leads the way on this point: in this scenario, an unmarried Belgian earns approximately 4,070 EUR less than his married counterpart with 2 dependent children.
In scenario 2, the additional tax burden on an unmarried person in Switzerland is as much as 4,995.33 EUR. An unmarried Belgian earning a gross salary of 31,940.22 EUR, keeps 4,836.62 EUR less than his married counterpart. The difference in taxpayers' personal situation is noteworthy in Germany, Portugal, Ireland, Denmark, the Netherlands, the Czech Republic and Luxembourg, where the differences range from 2,898 EUR (Germany) to 2,059 EUR (Luxembourg). Sweden and the United Kingdom do not make a distinction in the personal situations of their taxpayers. In these countries, the amount of tax depends solely on the level of pay.

In Belgium, the status of the blue-collar worker still differs from that of the white-collar employee (in relation 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 must be eliminated by July 2013, but for the time being we have continued to include the effect of that distinction in the figures.

In scenarios 1 and 2, the net pay of the Belgian blue-collar worker still takes account of the net holiday pay that the blue-collar worker receives each year from the holiday pay fund. 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 days worked. As a result, Belgian blue-collar workers still rate well in the European rankings in terms of net annual income (see below).
In Luxembourg, the status of blue-collar workers and white-collar employees has been the same since 2009. There is still a difference in social security contributions based on the risks associated with the profession or sector. As a result of this, the examples shown using figures take account of slightly higher social security contributions for blue-collar workers (i.e. +1% compared with white-collar employees).

NB:
In this scenario, the social security contributions (employee and employer) have already reached their maximum in Denmark. 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 1,208 EUR in social security contributions (these amounts apply regardless of the level of income). We refer to the concise overview on page 15 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 Swiss take home the highest net pay from a gross annual salary of 21,958.90 EUR. Belgium follows in 2nd place and in so doing has the highest employer cost versus the 2nd highest net income. Ireland takes 3rd place, followed closely by Luxembourg. When the gross annual salary rises to 31,940.22 EUR (scenario 2), Switzerland again leads the way, followed this time by Ireland, Luxembourg and then Belgium (which in scenario 2 of the 2nd edition of the salary survey was in 2nd place behind Ireland).

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 4th place (out of the 11 countries) in previous editions of the survey (with 68.08% in 2011 and 67.72% in 2010), its level of 68.43% now leaves it in only 7th place (out of the 17 countries). This means that Belgium has to let Switzerland, Ireland, Luxembourg, Denmark, the United Kingdom and the Netherlands overtake it. As was the case in previous years, France had the lowest net/costs ratio, at 54.99% (versus 55.02% in 2011 and 55.27% in 2010). 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 56.25% (versus 55.98% in 2011 and 55.87% in 2010), taking Belgium down to 14th place. In line with last year, both France (54.33%) and Italy (55.72%) did worse than Belgium in this area. The Greek net/costs ratio (54.64%) was in 2nd to last place, positioning Greece between France and Italy on this point.

When we restrict ourselves to the figures for Belgium and its immediate neighbours, it is clear that Belgian blue-collar workers, in line with last year, received a higher net income than their counterparts in the Netherlands, the United Kingdom, France and Germany. However, newcomer Switzerland steals a march on Belgium, while blue-collar workers in Luxembourg were in 4th place with net pay somewhat lower than their Irish counterparts (+/- 1,000 EUR less than in Ireland and a +/- 2,500 EUR difference in relation to their Belgian counterparts). When the gross annual salary is increased (scenario 2), Belgian blue-collar workers are ahead of their counterparts in the Netherlands, the United Kingdom, France and Germany, but behind Switzerland and Luxembourg. Of our direct neighbours, Germany fared the worst in both scenarios with regard to the level of net income.

However, when we focus on the figures for the net/costs ratio of our neighbours, Switzerland and Luxembourg, as well as the United Kingdom and the Netherlands do considerably better than Belgium in both scenarios. In scenario 2, we also have to give way to Germany.
In line with last year, the net/costs ratio in France in both scenarios is the lowest of the 17 countries surveyed.

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 from 3rd place (11 countries) to 5th (17 countries). The frontrunner is Switzerland, followed closely by Ireland. Blue-collar workers in Luxembourg receive the 3rd highest net pay, with the United Kingdom coming 4th. The Netherlands, which had already fallen last year from 2nd place to 6th (11 countries), is now ranked 8th out of the 17 countries, i.e. behind Sweden and Spain. When the gross annual salary rises to EUR 31,940.22 EUR, Belgium falls from 8th place (11 countries) to 11th (17 countries). The unmarried worker is worst off in Germany, although Denmark, Italy, Portugal and Greece all fare worse on this point than Belgium.

When comparing the net/costs ratio, Belgium, with 55.74% (scenario 1) and 46.21% (scenario 2) (versus 55.48% and 46.06% in 2011) does 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 13th in scenario 1. As was the case last year, the Czech Republic (54.80%), Italy (54.16%) and France (52.08%) did worse than Belgium and the same applies to newcomer Slovakia (54.75%). 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 and its immediate neighbours we see that the unmarried Belgian blue-collar worker in scenario 1 receives a higher net income than his counterparts in the Netherlands, France and Germany. Switzerland, Luxembourg and the United Kingdom all do better than Belgium in this regard. In scenario 2, only Germany does worse than Belgium (with a difference of approximately 1,700 EUR). Consistent with last year, an unmarried German taxpayer in scenarios 1 and 2 systematically had the lowest net income of all the countries surveyed.
However, when we focus 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, Belgium had to allow even France past it, leaving it languishing in last place with a miserable ratio of 46.21% (versus 46.06% in 2011 and 45.97% in 2010).

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 with the situation for a married person with a non-working partner and 2 dependent children. The impact here varies roughly between 4,000 EUR and 5,500 EUR. Apart from the United Kingdom and Sweden, we see a similar trend in the rest of Europe. Last year, we concluded that this trend for the lower levels of income was most striking in Belgium and that the differences in the tax burden in France and Germany were only greater in Belgium from an earnings level of 75,000 EUR (in 2010, it was from an earnings level of 50,000 EUR). Ireland is also mentioned in this area because the impact of the taxpayer's personal situation here rose to over 4,300 EUR, which is also confirmed by this year's figures.

By expanding the salary survey to 17 countries, we can see that the difference in tax burden based on an individual's personal situation produces some striking results. For example, the difference in tax burden in Switzerland varies between 4,600 EUR (scenario 3) and 11,800 EUR (scenarios 6 and 7) and thus exceeding the Belgian difference in tax burden in all scenarios.
In Luxembourg, the difference in tax burden in scenario 3 (gross annual income of 27,000 EUR) is approximately 1,500 EUR, considerably less than in Belgium. But from scenario 4 (gross annual income of 50,000 EUR), Luxembourg clearly outstrips Belgium to end up with a difference in tax burden of 9,649 EUR in scenarios 6 and 7. The absolute outlier on this point is France, where the difference rises to over 13,000 EUR (same as last year). Germany is also still among the top 5 countries where an unmarried person earns far less (i.e. up to almost 10,500 EUR less in scenarios 6 and 7) than an unmarried employee with a non-working partner and 2 dependent children. In addition to newcomers Luxembourg and Switzerland, Portugal should also be mentioned here in view of the fact that the tax burden on the unmarried Portuguese employee is up to 7,000 EUR higher (for a gross annual income of 125,000 EUR) than for his married counterpart with a non-working partner and 2 dependent children.
By way of a reminder, no distinction is made in the United Kingdom and Sweden in terms of the tax calculation with regard to the taxpayer's personal situation. In the Netherlands, the impact rises gradually, with a maximum of 2,002 EUR (versus a maximum difference of 1,872 EUR in 2011 and 1,859 EUR in 2010), which reaches its maximum from scenario 3 onwards (gross annual income of 50,000 EUR). In the Czech Republic, the difference here in each scenario is exactly 2,071.31 EUR (versus 1,958 EUR last year) and in Denmark, this difference in each scenario is equivalent to 2,295.84 EUR. Finally, we see in Italy that the tax difference reduces gradually according to the individual's personal situation (approximately 1,835 EUR difference in scenario 3) and even disappears entirely (0 EUR difference in scenario 6).

"Most countries have a rather conservative attitude towards a family and the income tax due by a family; Only the UK and Sweden make no distinction in the tax computation with regard to the personal situation of the tax payer."

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

From scenario 3 onwards, the employer cost is no longer the highest in Belgium, but in France, which is in line with the results of 2011 and 2010. The new top 5 of countries with the highest salary costs in this scenario are: France, Slovakia, the Czech Republic, Belgium and Sweden. The salary costs in Spain and Italy in this scenario were again close to the level of Sweden and Belgium.

When comparing the net incomes in this scenario, we note that Belgium scores reasonably well, in 5th place if we look at a married person with a non-working partner and 2 dependent children. Switzerland, Ireland, Luxembourg and the Netherlands do better here. As was the case in previous years, the unmarried Belgian white-collar employee is the worst off of all.

We see similar developments when comparing the net/costs ratio: whereas last year Belgium in the scenario of a married person with a non-working partner and 2 dependent children was in 8th position (followed by Italy, the Czech Republic and France – Sweden did somewhat better than Belgium in 2011), it is now in 11th place. This means that Sweden again does somewhat worse than Belgium as was the case in 2010, and, that, in this scenario, the Czech Republic, Italy, Slovakia, Greece and France have a lower net/costs ratio than Belgium. As was also the case last year, tax payer languishes in last place with 49.46% (versus 49.14% in 2011) when we look at the net/costs ratio in the situation of the unmarried employee.

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. The method for calculating the taxable benefit related to having a company car was reviewed in depth in Belgium last year. The 2nd edition of the Salary Survey examined the details of both the old and new tax system regarding company cars. The figures given here as examples only take account of the current rules. As indicated last year, in most cases the new tax rules mean a slightly higher tax burden, although this has little or no impact on the European rankings. Despite these changes to the legislation, it can still be said that the introduction of the company car has not led to any substantial improvement 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.

When we compare Belgian employer costs in scenario 4 with the 16 other countries, we can see that Belgium has the 3rd highest cost, or is ranked in 15th position, followed by Sweden and France. In 2011, the Czech Republic also rose above the Belgian salary costs in this scenario, but this year the cost in the Czech Republic was approximately 15 EUR lower than in Belgium.
A Belgian white-collar employee with a non-working partner and 2 dependent children receives a higher net income than his counterparts in Greece, the Netherlands, Italy and Denmark.

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 50,065 EUR (versus 49,297 EUR in 2011 and 48,716 EUR in 2010) and employee contributions are on a maximum income of 33,863 EUR (versus 33,436 EUR in 2011 and 33,189 EUR in 2010). In Spain, the employee contributions are calculated on a maximum income of 39,150 EUR (versus 38,376 EUR in 2011 and 2010). The limit for Spanish employer contributions was brought into line in 2011 with employee contributions and consequently now also rises to 39,150 EUR (versus 38,376 EUR in 2011 and 40,384 EUR in 2010). 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 30,800 SEK or 3,737 EUR (versus 29,400 SEK or 3,242.74 EUR in 2011 and 2,994.18 EUR in 2010), i.e. up to a gross income of 440,000 SEK or approximately 53,379 EUR (versus 420,000 SEK or 46,324.89 EUR in 2011 and 42,774 EUR in 2010). It should be noted here that the exchange rate also has a significant impact (i.e. an exchange rate of 1 EUR = 8.243 SEK was used, versus 9.0664 SEK in 2011).

Please see the concise summary on page 15 and ff. for more details about the rates and ceilings for social security contributions in Europe.

The unmarried Belgian white-collar employee is the worst off with a net income that is just a little lower than in Denmark and Germany.
The reason why the unmarried Belgian white-collar employee has the lowest income in this scenario stems mainly from the difference in tax burden described above depending on the individual's personal situation. In Belgium, this tax burden increases by 5,190.35 EUR, whereas the rise in taxes in Greece (+394 EUR), the Netherlands (2,002 EUR), Italy (1,472 EUR) and Denmark (2,296 EUR) remains fairly limited. The tax difference here in Germany is 4,640.85 EUR (versus 4,678.23 EUR in 2011 and 5,346.35 EUR in 2010) making German white-collar employees marginally better off than their Belgian counterparts (i.e. a married German white-collar employee with dependent children retains roughly 400 EUR net more than a married Belgian in this scenario, while his unmarried counterpart retains almost 950 EUR net more than his unmarried Belgian counterpart).

In terms of the net/costs ratio Belgium last year scored lowest both for the situation of a married person with dependent children and for the unmarried person. Unlike last year, the net/costs ratio for an Italian white-collar employee with dependent children is now 47.11% (versus 47.84% in 2011), which is slightly lower than the Belgian net/costs ratio of 48.46% (versus 47.82% in 2011). For the situation of an unmarried tax payer, Belgium is right at the bottom of the rankings with a miserable net/costs ratio of 40.69% (versus 40.10% in 2011).

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 last year, 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 even better than Italy (as was also the case last year) and better than newcomer Denmark, which has the very 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 and then in Belgium (where he goes home with approximately 600 EUR net more than in Denmark).

Belgium's net/costs ratio is 42.22% (versus 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 38.85% (versus 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 36.86% (in line with previous years).

NB:
In this salary category, the social security contributions (employee and employer) in Germany and the Czech Republic reach the legal ceiling, as was the case last year. In Germany, employer and employee contributions (at 40.35% compared with 39.55% in 2010) are calculated on a maximum income of 67,200 EUR (versus 66,000 EUR in 2011) for contributions to pensions and unemployment and on a maximum income of 45,900 EUR (versus 44,550 EUR in 2011 and 45,000 EUR in 2010) for contributions for illness and disability.

The Czech Republic has undergone reforms in social security, resulting in a reduction in contributions for employers and employees. An additional limit has been introduced under which employees now have to pay 25% 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 (versus 34% last year on a maximum gross income of 1,781,280 CZK or approximately 72,587 EUR – exchange rate difference!). The maximum employer contribution is now 18,629.72 EUR (versus 24,679.51 EUR in 2011). Czech employee contributions have undergone similar reforms and are now 6.5% 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 (versus 11% last year on a maximum income of 1,781,280 CZK (+/- 72,587 EUR – exchange rate difference!). This means that the employee contribution is now a maximum of 6,412 EUR (versus 7,984.56 EUR in 2011). The Czech Republic is expected to introduce further changes in this area. The abolition of the 2nd limit is currently on the table (i.e. the ceiling of 1,809,864 CZK or 72,583 EUR on which employers have to pay 9% and employees 4.5%). If this change becomes effective in January 2013, Czech social security contributions will rise in the future because they will then be unlimited both for employers and employees.

Please see the concise summary on page 15 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 on a salary package of 125,000 EUR gross per year and a BMW 520d as a company car remains the highest in France, followed by Belgium. In this scenario, the salary cost in Sweden also remains very close to Belgium (< 200 EUR difference).

Last year, the figures from this salary category showed that Belgian white-collar employees still received the lowest net income, regardless of the personal situation of the taxpayer. Newcomer Denmark allows Belgium to pass on the red lantern, at least in the situation of a married person with a non-working partner and 2 dependent children. The Netherlands and Italy 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 keep 172 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. 37.10% versus 37.28% in 2011) and for an unmarried person (33.89% versus 34.13% in 2011). Italy does just a little better here than the married Belgian taxpayer, with a net/costs ratio of 38.57% (i.e. regardless of the individual's personal situation; as mentioned earlier, in this scenario the difference in the Italian tax burden disappears altogether), but considerably better than the single Belgian tax payer.

NB:

In this scenario, the social security contributions (employee and employer) reach its ceiling in Greece, Luxembourg and Italy.

Social security contributions in Greece are 28.56% for employers and 16.5% for employees (these are the increased percentages that apply since 1st August 2011). These rates are calculated on a maximum income of 34,051 EUR if they are 'old employees', i.e. employees who have been registered in the mandatory social security fund before 31st December 1992. This income ceiling is over 2 times as high, i.e. 83,153 EUR, for 'new employees', i.e. employees who have been affiliated to the social security fund after 1st January 1993. In the salary comparison, we have taken account of the social security rules that apply to employees registered after 1993.

Italian employee and employer contributions also reach there maximum in this case. In line with last year, no contributions are owed above a gross income of 96,149 EUR (versus 93,622 EUR in 2011 and 92,147 EUR in 2010). 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 110,790 EUR (since 1st October 2012).

Please see the concise summary on page 15 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 with the status of a self-employed director (not having his own company), we see remarkable differences in the Belgian and Polish employer costs. As was also the case last year, Belgium climbs from the depths of the rankings to joint 1st place (with Poland). This difference can be explained by the fact that only in Belgium and Poland a separate tax status for self-employed persons exist following which no employer 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 optimisations 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 optimises the individual's net income. In the Greek calculation in scenario 7, 35% of the remuneration is considered as directors' fees and 65% as salary, meaning that the individual will go home with almost 5,000 EUR net more than in the scenario for a white-collar employee. The salary cost remains virtually unchanged.

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 optimisation on the employer's side, as well as on the side of the Italian individual (+/-18,000 EUR less in costs and +/- 6,000 EUR more net).

In Luxembourg, it is possible to remunerate a Board member (partly) with directors' fees and in so doing achieve a significant saving 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 type of optimisation 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.

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 depressingly low in Belgium, both for married and unmarried taxpayers. Only in the situation of the married taxpayer does Denmark do even worse (with approximately 1,760 EUR net less than in Belgium).

The Belgian net/costs ratio here is now 48.54% (versus 49.02% in 2011 and 48.32% in 2010) for a married person with 2 dependent children and 44.17% (versus 44.73% in 2011 and 43.87% in 2010) for an unmarried person. This places Belgium 12th (married) and 15th (unmarried) respectively in the European rankings. In the situation of a married taxpayer, Belgium does better than Italy (47.68%), France (47.15%) and Sweden (40.77%), which corresponds with the situation last year. Unlike last year, Belgium does better than newcomer Denmark (46.68%) and even better than the Netherlands, which in 2011 had a net/costs ratio of 49.79%, but is now at 48.14%. In the situation of an unmarried person, only Sweden (40.77%) and France (39.95%) are doing worse than Belgium.

General comments

With the expansion of the salary survey to 17 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 virtually always has the highest net income (except in the situation of the self-employed person with a gross income of 125,000 EUR, because in that case the Czech Republic and Slovakia come 1st and 2nd). 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. less than half of the salary category to which the marginal Swiss 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 and (up the unmarried person in Luxembourg is ranked 7th in scenario 4 and 8th in scenario 5). In the highest category of salaries, Luxembourg is ranked in 6th place (married white-collar employee), and 7th (unmarried white-collar employee and married self-employed director), and finally in 9th place (unmarried self-employed director).
- The Czech Republic and Slovakia perform solidly in the rankings for net income, but it is noticeable that those countries score less well on the lower salary levels.
- Among those countries that generally do less well in terms of net salary, newcomer Denmark should be mentioned in particular, because that country scores low almost systematically, particularly where the higher levels of income are concerned.
- Germany and Italy also often score poorly, albeit to a lesser extent: Germany does less poorly as salary levels rise, whereas Italy does worse when pay levels increase.
- The statement that Belgium is placed more often low in the ‘net’ rankings remains the case as gross incomes rise. The reason for this, of course, is that Belgium quickly reaches the highest tax rate, which can be seen clearly from the following summary (ranked on the basis of the highest tax rate).

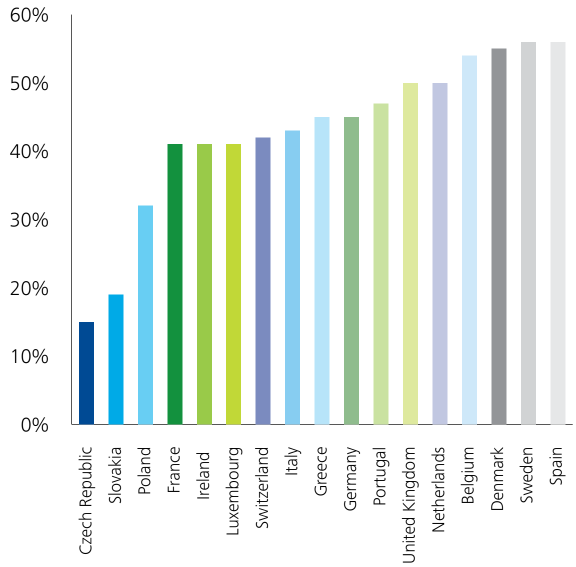
Country	Any changes compared to last year?	Highest tax rate	From an income higher than
Czech Republic	No	Fixed rate of 15% (probably 19% from 2015 – last year the assumption was made that the increased tax rate was likely to come into effect from 2013)	On all earnings
Slovakia	No	Fixed rate of 19%	On all earnings
Poland	No (except for the exchange rate)	32%	85,528.00 PLN (+/- 20,860.48 EUR)
France	No – but changes to the legislation will probably follow at the end of December 2012 (the current proposals envisage increased taxes on higher salaries and earnings from capital; the changes will probably apply retroactively to 2012 income)	41% (plus special solidarity contributions amounting to approximately 15.5%) (the current draft legislation refers to a future marginal rate of 45% + a special rate of 18% on professional income above 1,000,000 EUR)	70,830 EUR (compared with 69,783 EUR in 2010 and 2011) (the future possible marginal rate of 45% is likely to apply on income in excess of 150,000 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)
Luxembourg	Yes (the crisis tax of 0.8% introduced in 2011 was abolished in 2012)	40.56% or 41.34% (depending on whether the income exceeds the limit or not)	150,000 EUR (unmarried taxpayers) 300,000 EUR (couples who are taxed together)
Switzerland	Depending on both the canton and the municipality of the person's residence	Canton of Zürich, city of Zürich: 41.47% (married) 41.67% (unmarried)	354,100 CHF or +/- 295,083 EUR (married) 579,200 CHF or +/- 482,667 EUR (unmarried)
Italy	Yes (in terms of regional and municipal taxes)	43% (plus regional tax 1.23 – 2.03% and municipal tax 0 – 0.9%)	75,000 EUR
Greece	No	45% (plus solidarity contribution of 4%)	100,000 EUR

Country	Any changes compared to last year?	Highest tax rate	From an income higher than
Germany	No	45% (plus solidarity contribution of van 5.5%)	250,731 EUR
Portugal	Current draft tax bills are likely to result in the biggest tax increases every seen and which will probably apply on income received from 2013 onwards.	46.5% (which will probably be increased to 50.50% from 2013, plus another extra 4% on all income above 6,790 EUR, i.e. the annual legal minimum wage)	153,500 EUR (which will probably be lowered to 80,000 EUR from 2013)
United Kingdom	Yes, increased tax-free allowances, reduction in the lowest tax rate subject to 20% and impact of exchange rate	50%	£ 150,000.00 (+/- 187,200 EUR versus 170,095 EUR in 2011 – only through the impact of the exchange rate)
The Netherlands	Yes, another rise in the scale to which the marginal rate applies	52%	56,491 EUR (versus 55,694 EUR in 2011 and 54,367 EUR in 2010 and 2011)
Belgium	Yes, rise in the scale to which the marginal rate applies	53.5% (including municipal tax: 0 - 9%)	36,300 EUR (versus 35,060 EUR in 2011 and 34,330 EUR in 2010 and 2011)
Denmark	No	55.38%	57,031 EUR
Sweden	Yes, rise in the limit on which the marginal rate applies and impact of the exchange rate	56%	574,300 SEK or +/- 69,671 EUR (versus 532,700 SEK or +/-58,755.42 EUR in 2011)
Spain	Yes, rise in the rates for 2012 and 2013 through the introduction of a 'supplementary tax rate' ranging from 0.75% to 7%	56% (versus 49% in 2011) but, in line with last year, this depends on the region where the person lives. For example Madrid (51.9%), Catalonia (56%)	300,000 (versus 53,407 EUR in 2011)

In line with last year, we can see that the higher the gross income rises, the more frequently Belgium is at the bottom of the European ranking in terms of employer costs. The reason for this is that in Belgium, employer and employee social security contributions are not capped, unlike the majority of the other countries surveyed.

As can be seen clearly from the overview below, France continues to hold the crown in this area, with unlimited employer contributions of approximately 42%.

Highest income tax rate



Country	Any changes compared to last year?	Social security: limited or unlimited	On a maximum gross annual income of...
Denmark	No	Limited	Employees: fixed contribution of 145 EUR per year Employers: fixed contribution of +/- 1,208 EUR per year
The Netherlands	Yes, limit increased again and exemption for employees and a new increased limit, % and exemption for employers	Limited	Employees: 31.15% on maximum earnings of 33,863 EUR (versus 33,436 EUR in 2011) and a maximum exemption of 3,356 EUR (versus 3,289 EUR in 2011) Employers: 20.02% (versus 19.91% in 2011) on maximum earnings of 50,065 EUR (versus 49,297 EUR in 2011) with part of the income on which no contributions are calculated for unemployment insurance (income up to 17,229 EUR)
Spain	Yes, increased limit for employee and employer contributions	Limited	Employees: 6.35% on a maximum income of 39,150 EUR (versus 38,376 EUR in 2011) Employers: approximately 32.66% on a maximum income of 39,150 EUR (versus 38,376 EUR in 2011)
Slovakia	No	Limited	Employees: 13.4% with a limit for contributions of between 1,153.5 and 3,076 EUR (depending on the type of unemployment insurance, pension, etc.) and up to +/- 34,000 EUR Employers: 35.2% (same limit)

Country	Any changes compared to last year?	Social security: limited or unlimited	On a maximum gross annual income of...
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 440,000 SEK or +/- 53,379 EUR (versus 420,000 SEK or +/- 46,324.89 EUR in 2011) i.e. maximum contribution of 30,800 SEK or +/- 3,737 EUR (versus 29,400 SEK or +/- 3,242.74 EUR in 2011) Employers: 31.42%
Germany	Yes, increased limit	Limited	Employees and employers pay together (about 50/50) approximately 40.35% on a maximum income of 67,200 EUR (versus 66,000 EUR in 2011) for pension and unemployment and on a maximum income of 45,900 EUR (versus 44,550 EUR in 2011) for sickness and disability.
Czech Republic	Yes, additional limit for employers and employees and reduction of the existing limits (and impact of exchange rate)	Limited	Employees: 6.5% 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 (versus 11% on a maximum income of 1,781,280 CZK or +/- 72,586.80 EUR in 2011) – this latter limit will probably be abolished from 2013 onwards Employers: 25% 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 (versus 34% on a maximum income of 1,781,280 CZK or +/- 72,586.80 EUR in 2011) - this latter limit will probably be abolished from 2013 onwards
Ireland	No	Unlimited	Employees: approximately 4% but with certain exemptions Employers: approximately 10.75% with no exemptions
Switzerland	No	Unlimited	Employees and Employers both pay: • 5.15% (AHV); • 1.1% on max. 126,000 CHF (+/- 105,000 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	Employees: 2.45% unlimited (sickness) + maximum contribution 11,010.83 PLN of +/- 2,905.08 EUR (versus 11,346.70 PLN or +/- 2,638.76 EUR in 2011) (pension and disability) + 9% unlimited (health contribution) Employers: maximum contribution 10,324.13 PLN or +/- 2,518.08 EUR (versus 9,835.15 PLN or +/- 2,287.24 EUR in 2011) (pension) + maximum contribution 6,875.70 PLN or +/- 1,667 EUR (versus 4,534.65 PLN or +/- 1,054.57 EUR in 2011) (disability) + <0.67% -3.86%> unlimited (work accidents) + 2.45% unlimited (employment fund) + 0.1% unlimited (fund for guaranteed employee benefits)

Country	Any changes compared to last year?	Social security: limited or unlimited	On a maximum gross annual income of...
Luxembourg	Yes (increased threshold amount from beginning of 2012 and again with effect from 1/10/1012)	Limited	Employees: 12.05% on a maximum income of 110,790.48 EUR (versus 108,089.16 begin 2012 and 105,453.72 EUR in 2011) Employers: 12.79% on a maximum income of 110,790.48 EUR (versus 108,089.16 begin 2012 and 105,453.72 EUR in 2011)
United Kingdom	Yes, changes in the scales (and impact of exchange rate)	Unlimited	Employees: 12% on income between 7,605 GBP and 42,475 GBP or +/- 53,008 EUR (versus 7,225.00 GBP and 42,475.00 GBP or +/-48,165.24 EUR in 2011) and 2% above Employers: 13.8% on all income above 7,605 GBP or +/-9,491 EUR (versus 7,225.00 GBP or +/- 8,192.91 EUR in 2011)
Portugal	No	Unlimited (except for directors)	Employees: 11% Employers: 23.75%
Greece	Yes, increased % since 1/8/2011	Limited	Employees and employers together pay 45.06%, employees 16.5% and employers 28.56%, on a maximum income of 34,051.25 EUR for 'old' employees (i.e. members of the mandatory social security fund prior to 31/12/1992) and on a maximum income of 83,153.25 EUR for 'new' employees (i.e. members since 1/1/1993)
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 96,149 EUR if the limit applies) (versus 93,622 EUR in 2011) Employers approximately 30 to 38% (on a maximum income of 96,149 EUR if the limit applies)
Belgium	No	Unlimited	Employees: 13.07% Employers: approximately 35%
France	Yes, CSG and CRDS calculation basis increased to 98.25% (versus 97% in 2011)	Unlimited	Employees: approximately 18% Employers: approximately 45%

Salary comparison Net disposable income

In this section, the results from the salary comparison in the previous section are placed in a different light by also including family allowance, housing costs and the cost of living. Applying these adjustments to the net incomes, we obtain a "net disposable income" per scenario for each country which frequently differs significantly from the "net income" discussed earlier (see section 1). Taking into account the adjusted net amounts, being the net disposable incomes, the 17 countries were again ranked focusing 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	7,133.64 EUR (of which 5,288.64 EUR per year is paid in monthly instalments and an additional 1,845 EUR is paid via the tax return)
Denmark	4,581 EUR
Germany	4,416 EUR (same as in 2011)
Spain	3,876 EUR (same as in 2011)
Belgium	3,678.12 EUR (versus 3,605.88 EUR in 2011)
Ireland	3,360 EUR (same as in 2011)
Sweden	3,275.51 EUR (versus 2,978.03 EUR in 2011)
United Kingdom	2,186.95 EUR (versus 1,987.16 EUR in 2011)
The Netherlands	2,025.96 EUR (versus 2,061.28 EUR in 2011)
France	1,524.60 EUR (versus 1,509.36 EUR in 2011)
Portugal	636.96 EUR (but lapses above a certain benchmark income)
Slovakia	498.48 EUR
Italy	Maximum 258.33 EUR (versus 337.79 EUR in 2011) (gradually reduced based on annual income)
Switzerland	0 EUR
Greece	0 EUR
Poland	0 EUR
Czech Republic	0 EUR

Comparison of the figures

Reference is made to the appendix enclosing the charts of the salary comparison.

Analysis of the data

Child allowance

As can be seen from the overview on the left, Belgium allocates the 5th highest allowance for 2 dependent children. Luxembourg, Denmark, Germany and Spain allocate a higher allowance for 2 dependent children. It is interesting to note that in the majority of the countries surveyed (Ireland, Sweden, the United Kingdom, the Netherlands, France, Portugal, Slovakia and Italy) a lower or even no child allowance (the Czech Republic and Poland) is allocated. In Greece and Switzerland, only a certain allowance is allocated via the declaration in the personal income tax return (i.e. an increased tax-free amount or an exemption for part of the income). Because this is part of the net income resulting from the various calculations (and because some other countries allocate a sort of tax reduction to taxpayers with dependent children), the overview below does not mention any additional allowance for dependent children in Greece and Switzerland.

Housing costs & cost of living

Housing costs

The housing costs included in our salary comparison are defined based on general available data that applies to the capital cities involved (which in turn have been taken from public government statistics). This data reflects 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.
Because various sources show extremely varying changes in some countries, this year the methodology was slightly adjusted and the 'housing adjustment' applied in the figures shown was defined by the combination of sources in order to avoid extremes.
In line with last year, we can conclude that the housing costs in Paris, Milan/Rome, Amsterdam and London are

more expensive in all scenarios than those in Brussels. Where in 2011 the housing costs in the capital city areas of Germany, Ireland and Sweden were lower than in Belgium, we have deduced the opposite from the figures for 2012 and it appears that the housing costs in the capital city areas of Germany, Ireland and Sweden are now higher than those in Brussels. In Spain, which appeared to be significantly cheaper than Belgium in 2011, the housing costs in Barcelona and Madrid have risen to exactly the same level as Brussels.
It perhaps comes as no surprise to learn that the housing costs in the capital city areas of newcomers Denmark, Luxembourg and Switzerland are considerably higher than those in Brussels.

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, Portugal and Slovakia. Some of the developments described above are partly attributable to the impact of the exchange rate (e.g. Sweden).

To sum up, the cost of housing is the highest in London, followed by Zürich. They are lowest in Athens, followed by Warsaw.

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 into 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, this year the methodology was slightly adjusted and the 'cost of living adjustment' applied in the figures shown 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, Spain and Italy. Newcomers Greece, Portugal and Slovakia are on about a par. The cost of living in Brussels is still lower than in the capital city areas of our neighbours (i.e. Amsterdam, Düsseldorf/Hamburg, London and Paris). Stockholm and Dublin again come out more expensive than Brussels. The same thing applies to newcomers Denmark, Luxembourg and Switzerland.

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

"In Belgium, the average cost of living and housing keeps midway between Northern and Southern Europe."

Net disposable income
Blue-collar workers

In section 1, we saw that Belgium is ranked 2nd (after Switzerland) when we look at net income in the salary category of a gross annual income of 21,958.90 EUR for a married person with 2 dependent children (versus first place in 2010 and 2011). When family allowance, the cost of housing and the cost of living are included in the comparison, Belgium takes 1st place in the European rankings versus 4th place in both 2010 and 2011. The Czech Republic, Poland and Spain did slightly better than Belgium, but since then the cost of living and housing in those 3 countries has risen appreciably with the result that they are just below Belgium's net disposable income in this scenario. This trend does not continue into the next salary category (i.e. a gross annual income of 31,940.22 EUR): whereas Belgium is ranked 4th in terms of net income, (Switzerland, Ireland and Luxembourg do better), it is ranked 5th for net disposable income, after the Czech Republic, Poland, Slovakia and Spain, which did slightly better than Belgium here. In 2011, Ireland and Sweden had a higher net disposable income than Belgium, but this is no longer the case this year.

In line with last year, Belgium has a higher disposable income in both salary categories than our immediate neighbours. Germany is ranked 10th for both, with the Netherlands in 11th and 12th places respectively. In both cases, France is 15th with the United Kingdom bringing up the rear, which was also the case last year. In both scenarios, newcomer Luxembourg was ranked 8th for net disposable income, with Switzerland second to last.

To summarize, this means that net income in Belgium for a married person with 2 children was 2nd best out of the 17 countries (scenario 1) and 4th best for scenario 2. By contrast, the net disposable income is exceptionally highest of all in Belgium in scenario 1, but in scenario 2, the Czech Republic, Poland, 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 5th place (net income) to 7th (net disposable income), which is in line with last year, except for Sweden and Ireland no longer doing better than Belgium, but newcomers Greece, Portugal and Slovakia doing so instead, in addition to the Czech Republic, Poland and Spain. However, with a gross annual income of 31,940.22 EUR, Belgium rises from 11th place (net income) to 8th (net disposable income), with Ireland doing a little better than Belgium.
In both salary categories, Belgium continues to outperform all of its neighbours (including Luxembourg and Switzerland) in terms of net disposable income.

Of interest is the fact the countries such as Switzerland, Luxembourg and the United Kingdom, which scored well in the rankings for net income, do much worse (Luxembourg) to very badly (Switzerland and the United Kingdom) 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 102.25% (Poland) and 43.84% (France), this year these ratios are much lower and in both scenarios vary between 90.47% (Poland) and 30.45% (United Kingdom). Belgium is positioned here towards the rear of the bunch with a 7th (79.90%) / 11th (63.89%) place for a married person with dependent children in scenario 1 / scenario 2, and a 10th (55.74%) / 14th (46.21%) place for the ratio of net disposable income compared with the salary costs for an unmarried Belgian in scenario 1 / scenario 2. From its neighboring countries,

Belgium systematically outperforms France, Switzerland and the United Kingdom in this area.

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 5th (in terms of net income, only the Netherlands and Ireland score consistently better). Newcomers Switzerland and Luxembourg also do better than Belgium here. For net disposable income, Belgium comes 7th in this scenario, after the Czech Republic, Poland, Slovakia, Spain, Portugal and Ireland. Last year, Sweden also did better than Belgium on this point, but now is only ranked 12th for net disposable income.
This also means that employees in Belgium still receive a higher net disposable income than in Germany, the Netherlands, Italy, France and the United Kingdom, as well as in Luxembourg (nearly) and Switzerland.
As far as an unmarried person with no children is concerned, net income in Belgium was ranked in bottom place both last year as well as this year. However, in this situation, Belgian net disposable income exceeds the net disposable income in the United Kingdom, Switzerland, France, Denmark, Italy, Germany and the Netherlands, by which Belgium is placed 10th in the European rankings for net disposable income. Last year in this scenario, the Netherlands, Germany and Italy scored better than Belgium in terms of net disposable income.
In the rankings for the ratio of net disposable income in relation to salary costs, Luxembourg and Germany do systematically better than Belgium (which scored 71.02% for a married person with dependent children and 49.46% for an unmarried person). The Netherlands also performs better than Belgium for an unmarried person. Belgium beats Switzerland, France and the United Kingdom here, as well as Italy.

Gross annual salary of 50,000 EUR
Last year, the net income of the Belgian married sole earner with 2 dependent children was ranked 9th (11 countries) in the situation of a gross annual salary of 50,000 EUR. Only Italy and the Netherlands did worse than Belgium on this point. Belgium's net disposable income then rose to 7th place, in front of France, Italy, the Netherlands and the United Kingdom. This year's figures for this scenario are similar to last year: in terms of net income, Belgium is positioned in 13th place and once again does better than the Netherlands and Italy, as well as newcomers Greece and Denmark.
In terms of net disposable income, Belgium climbs to 8th place, again leaving France, Italy, the Netherlands and the United Kingdom behind it, as well now as Germany, Ireland, Sweden and newcomers Denmark and Switzerland. In 2010, Germany was a little below Belgium in net disposable income, but in 2011, Germany just squeezed past Belgium. Now in 2012, it's the other way round again, with Germany performing a little worse than Belgium.
As was the case last year, the net income of an unmarried person in Belgium was lower than in all of the other countries surveyed. Unlike last year, Belgium is now no longer in last place when we look at net disposable income, but is 11th meaning that it has passed Germany, Switzerland, the Netherlands, France, Denmark and the United Kingdom.

In this scenario, Belgium gains 10th place with 53.97% (married), and respectively 15th place with 40.69% (single) in the European rankings for the ratio of net disposable income versus salary costs. The United Kingdom and France both do worse in both cases. The Netherlands and Switzerland only fare worse than Belgium in the situation of the married person and Germany does better than Belgium in both cases.

Gross annual salary of 75,000 EUR
In this scenario, only white-collar employees in Italy and Denmark have a lower net income than in Belgium (i.e. 15th place for a married Belgian with a non-working partner and 2 dependent children). In 2010, the Netherlands did worse than Belgium in this area, but not since then. However, when we look at the adjusted income or the net disposable income in this scenario, Belgium rises to 9th place and hence performs better than Ireland, Switzerland, Sweden, France, the Netherlands, Italy, Denmark and the United Kingdom. Last year, Belgium only outperformed Italy, the Netherlands and the United Kingdom on this point.
The net income of an unmarried Belgian is no longer in bottom position in the rankings, because the unmarried Dane earns another +/- 600 EUR less in this scenario. In the rankings for net disposable income, Belgium rises from last place (2011) or second-to-last place (2010) to 13th which means it is doing considerably better than France, the Netherlands, the United Kingdom and Denmark.
In this scenario with 45.89%, Belgium comes in 11th place (married) and with 36.86% in 15th place

(unmarried) in the European rankings for the ratio of net disposable income versus salary costs. On this occasion, only Italy and France do worse in both cases. In the situation of the married person, only the Netherlands and the United Kingdom do worse than Belgium, while Germany, Switzerland and Luxembourg all do better than Belgium in both cases.

Gross annual salary of 125,000 EUR

In the past two years, the married Belgian with 2 dependent children came last in terms of net income corresponding to a gross annual income of 125,000 EUR and in both of the previous editions of the Salary Survey, the related Belgian net disposable income was ranked 8th, ahead of Italy, the Netherlands and the United Kingdom. In this 3rd edition, Belgian net income in this scenario comes second to last (only Denmark does worse), whereas for net disposable income, Belgium is ranked 12th, enabling it to pass Italy, the Netherlands and the United Kingdom, as well as Sweden and Denmark.

In this scenario, the net income of an unmarried Belgian is ranked last in Europe for the 3rd time in a row. However, this time, the corresponding net disposable income in Belgium is not kept completely down and leapfrogs the Netherlands, the United Kingdom and Denmark into 14th place.

When we look at the ratio between net disposable income and salary costs, Belgium scores 39.31% (married) and 33.89% (unmarried), ranking it 13th (married) / 16th (unmarried). Only France does systematically worse than Belgium here with 38.15% in the situation of a married person with 2 dependent children and 32.14% for an unmarried person. Italy, Sweden and the United Kingdom only do worse in terms of the situation for the married person.

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

In line with last year, the Belgian self-employed director (not having his own company) with a gross annual income of 125,000 EUR had a low net income compared with the rest of the countries surveyed. On this point, Denmark does a little less well than Belgium. However, in line with the past 2 years, when we look at 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 third year in a row, the net income of the self-employed Belgian was the lowest of all his European counterparts, but in terms of net disposable income, he did better than his British and Danish equivalents (in contrast with the previous 2 years when Belgium was also ranked last here as well).

Of course Belgium scores better here in the rankings for the ratio of net disposable income versus cost. With 51.48% / 44.17%, Belgium is in 10th (married) / 11th (unmarried) place, preceded by Germany, Luxembourg and Switzerland, but better than the Netherlands, France and the United Kingdom.

Company cars

In our first edition of the European salary survey, we took a closer look at a number of fiscally friendly 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, last year 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 17 countries for this 3rd edition, we have opted to retain this section and update it. 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 16 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 legislators have not yet set any fixed rules in this regard. Things are also different in Portugal because a benefit is only granted in exceptional circumstances. Finally, also the Greek valuation method often results in a taxable benefit for a company car which is lower than in Belgium because the Greeks work with an adjusted catalogue price (that takes account of the age of the car and a kilometer 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%.

The following overview has been produced based on a catalogue price of 31,000 EUR and hence does not take account of 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. 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 edition of the salary survey, but because the government has since tinkered with them again, the new rules are again summarized hereafter.

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 115 g/km for petrol vehicles. This base rate is then increased by 0.1% for every additional gram per kilometre. For the 2012 tax year, the benefit may not be less than 1,200 EUR per year.

The introduction of the catalogue value means that Belgium is now aligned on this matter with most other countries in Europe. This means that from 1st January 2012, no further account will be taken of the (actual) distance of the journey between home and work following which an employee living close to work will not be taxed less than an employee living a long way from work.

In addition to the lease cost, which is estimated on average at 6,000 EUR to 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:

CO2 tax formula for a diesel vehicle:
[(CO2 emissions x 9) - 600] x 1.1641 with a minimum of 291 EUR per year.
If the CO2 emissions are not known, the following formula needs to be applied: [(165 x 9) - 600] x 1.1641 = 1,030.23 EUR per year.

CO2 tax formula for a petrol vehicle:
[(CO2 emissions x 9) - 768] x 1.1641 with a minimum of 291 EUR per year.
If the CO2 emissions are not known, the following formula needs to be applied: [(182 x 9) - 768] x 1.1641 = 1,012.76 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 28,000 EUR; CO2 emissions are 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 28,000 EUR; CO2 emissions are 119 g/km -> Employee's taxable benefit = 28,000 x 6/7 x 7.9% x 88% = 1,668.48 EUR per year.

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 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 50,500 EUR. In this case, an environment tax of 500 EUR is due. The taxable benefit is EUR 12,613 (i.e. [(40,268 EUR x 25%) + (50,500 EUR – 40,268 EUR) x 20% + 500 EUR]).

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 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.

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; 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] = 2,300.00 = the employee's taxable benefit
Method b – fixed 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.

Greece
In Greece, the benefit of a company car is calculated using a percentage of the car's catalogue price, adjusted for the age of the car, plus a kilometre factor. In practice, this comes down to 0 EUR taxable benefit if the adjusted catalogue price is less than 15,000 EUR. In practice this is usually the case, and 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%.

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: 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 as the taxable benefit (an option) 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.

The Netherlands

If a company car is made available to an employee in the Netherlands for which he sets aside more than 500 km for private purposes per year, 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. 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 a taxable benefit if the employee also uses the company car for private purposes. If this is the case, Polish legislation does not have any rules regarding how the taxable benefit is calculated. Consequently, Polish employers use a range of calculation methods and report varying values for the taxable fringe benefit. The following calculation methods can be used 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 applied in the examples).

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. In most cases, 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%.

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

The purchase price is 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 for company cars.

The 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 25,000 EUR -> 25,000 x 12% = 3,000 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 CO_2) to 35% (in the case of higher emissions – differing 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 2012 was 5,039.34 EUR. 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 any 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 5,039.34 EUR) + (1.2375% x 27,000) + (9% x 27,000)] = 4,361.60 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.

Details of a new company car:		
- Catalogue price of the company car (including options and VAT):		€ 31,000
- CO2 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% Here we have made abstraction 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
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
Luxembourg	€ 31,000 x 1.5% x 12	€ 5,580
Sweden	(0.317 x € 5,039.34) + (0.12375 x € 31,000) + (0.09 x € 31,000)	€ 4,771.10
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 catalogue value if such a document does exist.	€ 0

This figure shows the taxable values in Europe for the fringe benefit of a company car, taking account of the details stated above the summary.

Taxation of capital

It can be seen from section 2 that the average Belgian employee has a reasonable net disposable income, at least when compared with our immediate neighbours. Depending on the choice of the individual this net disposable income can be used to save, invest, buy shares or purchase property – and many other things. In this 3rd 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 current economic and financial situation in Europe, we also probed a little further and mention is made below of 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 figure at the end of this section, which gives a concise overview of taxation of capital in a European context.

Belgium

Dividends

Dividends in Belgium are currently subject to an advance levy of 25%. If clearly defined strict conditions are complied with, a lower rate of 21% on the dividend has to be paid. The rate applicable on dividends is only 10% when they are allocated or rendered taxable in view of the total or partial distribution of the company's assets.
Under the Act of 28th December 2011, Belgian residents who have an annual moveable income (interests and dividends) in excess of 20,020 EUR (indexed amount applicable for the 2012 calendar year) pay an additional special surcharge of 4% ("solidarity contribution").
The following items of moveable income are excluded in defining whether or not the threshold of 20,020 EUR has been exceeded: the tax-free portion of interests from savings deposits and other exempted interests and dividends, interest from state bonds issued in the period from 24th November to 2nd December 2011, and liquidation bonuses. At the same time, the additional tax levy of 4% does not apply to tax-free interests from savings deposits and other tax-free interest and dividends, on the state bonds described above and on liquidation bonuses. Nor is the 4% surcharge owed on interests and dividends subject to the 25% advance levy.

There are 2 possible systems for levying this 4% surcharge.
1) If the taxpayer allows the institution executing the payment to notify a central point of contact within the Belgian authorities about the moveable income, the additional tax levy of 4% is not deducted at source, but is charged through the individual's personal income tax return.
2) If the taxpayer does not allow the institution executing the payment to notify the government about the moveable income, the said institution will immediately deduct 4% at source. Excessive deductions at source (e.g. because the threshold of 20,020 EUR has not been reached) can be claimed back through the individual's personal income tax return. The taxpayer can also opt to pay the additional tax of 4% (not owed) in order not to have to disclose his moveable income.

As previously discussed in the 2nd edition of the salary survey and as confirmed by the Act of 28th December 2011, the reduced rate of 10% applied to liquidation bonuses and the reduced rate of 15% applied to some specific types of dividend, was raised to 21% from 2012. Based on the current governmental agreement, this 21% advance levy will also be increased to 25% from 1st January 2013. The rate of 10% applicable to liquidation bonuses will remain.
Since this advance levy of 25% will again take on the form of a release levy as from 2013 onwards, the exceptional surcharge of 4% and its associated reporting obligations will be abolished (which means that the complex regulations in this regard, as incorporated in the Act of 28th December 2011, only need to be applied to income derived in 2012).

Interest

Interest and other yields from loans, claims on debt and cash deposits are currently taxed at the rate of 21% in Belgium. In principal, this tax is also collected via an advance levy at the time the interest is paid.
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 1,830 EUR per person per year. As stated earlier, an additional levy of 4% is due on interest income if the taxpayer's moveable income exceeds the threshold of 20,020 EUR per year.
The current governmental agreement provides for an increased rate of 25% for interest accrued from 1st January 2013. As a result of this, the 4% additional levy will no longer apply from 2013. Interest from regulated savings deposits above the exempted limit and the state bonds mentioned above will also remain taxable in 2013 at a rate of 15%.

Capital gains

Capital gains realised by individuals in view of managing their proper patrimony are in principle not taxable in Belgium. It would seem that the current assessment negotiations will not change this and hence it can be expected that capital gains of this kind will still be tax-free after 1st January 2013 in Belgium.

Wealth tax

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

Denmark

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%.

Interest

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

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 +/- 51.5%.

Wealth tax

There is no wealth tax in Denmark.

Germany

Dividends - interests - 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 an unmarried 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.

"In principle no individual tax due on capital gains derived in Belgium, Greece and Switzerland."

France

Dividends

In principle, dividends received are subject to the sliding scale rates of French personal tax, after deducting 40% and a fixed annual reduction. This income also entitles the taxpayer to a tax credit of 50% on the income, but this amount is capped based on the individual's personal situation (1,525 EUR for an unmarried person and 3,050 EUR for a couple).
However, French taxpayers can opt for a fixed release levy of 21% on their gross income. If this option is taken, this income is no longer subject to the sliding scale rates for personal taxation. The taxpayer's choice is irrevocable and must be exercised before a certain time, as detailed in the applicable legislation.
If the taxpayer opts for this 21% release levy, he can no longer use the fixed reduction of 40% or the tax credit, not even with respect to other income received during the same tax year and which, if the levy option is not exercised (at the appropriate time), is subject to the sliding scale rates for personal taxation. Income from dividends is also subject to the special solidarity taxes (CSG, CRDS and other special levies), which currently total 15.5% of gross income.
The French government currently discusses a draft bill which would apply rectroactively as from 1st January 2012 and following which it would no longer be possible to opt for the advance levy of 21%. Consequently, dividends received in 2012 would be mandatorily subject to the sliding personal income tax scale rates. The tax credit is also set to be abolished. However, time is pressing to have this proposal approved by the French Senate, which most probably will not agree with it.
In the context of the new (yet to be passed) legislation, dividends received from January 2013 would be mandatorily subject to a release levy of 21%.

Interest

In principle, interest is subject to the sliding scale rates for French personal taxation.
However, in a European context, French taxpayers can opt for a 'release levy' for which the rate depends on the type of income. In general, this rate is 24% (versus 19% in 2011). As is the case with dividends, the taxpayer's choice is irrevocable and is subject to strict rules in terms of time and the conditions that apply. Some interest is specifically exempt from income tax, for example, this is the case for savings accounts for young people. Income from interest is also subject to the solidarity taxes (CSG, CRDS and other social levies) totalling 15.5%.
The French government currently has also tabled a draft law that in principle will apply retrospectively to interest received from 1st January 2012. In this draft bill, the government abolishes the choice to opt for a release levy of 24% and hence interest received from 1st January 2012 will be mandatorily subject to sliding scale tax rates.

There is also a draft bill proposing that any interest received from January 2013 will be mandatorily subject to a fixed, non-release levy.

Capital gains

Capital gains made by individuals on the sale of property as part of managing their private patrimonium are taxable at the fixed rate of 19%. The taxable base 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. Certain capital gains are totally exempt of tax, such as gains made on the sale of the person's principal place of residence or in view of property for which the price does not exceed 15,000 EUR. There is also a partial exemption of 2% on the gross capital gain for each year after the first 5 years that the property is owned by the taxpayer. This partial exemption rises to 4% for each year after the first 17 years and to 8% for each year after the first 24 years that the property is owned by the taxpayer. This means that the capital gain on the sale of a property (such as a 2nd home) that has been owned for more than 30 years is entirely exempt.
In principle, losses on the sale of property are not deductible and cannot be offset against similar gains.

Capital gains made by a French resident following the sale of shares are also taxed at a fixed percentage of 19%. An exemption is granted on 1/3 of the gain on certain shares for each year that the French taxpayer holds these shares after the end of the 6th year and where the resident is retiring prior to 31st December 2013. In other words, gains on the sale of shares that have been held by the taxpayer for more than 8 years are totally exempt from French income tax at 19%. In view of the fact that the law states that this applies to shares held since 1st January 2006, this exemption only comes into effect for capital gains made from 2012. It is to be noted that, since 1st January 2012, capital gains made by individuals domiciled in France are subject to social contributions totalling 15.5% (versus 13.5%

previously).
The draft law currently being discussed also aims in principle to subject capital gains to the French sliding scale rates and hence adjust the gradual exemption and limit it to a maximum exemption of 40% after 12 years.

Wealth tax

France applies a wealth tax on the value of a person's assets as applicable on 1st January of the assessment year concerned. As already anticipated and explained in brief in the 2nd edition of the salary survey, a simplified wealth tax has applied since 1st January 2012. Taxpayers with net assets between 1.3 million EUR and 3 million EUR will now have their entire wealth subject to a rate of 0.25%. Anyone with net assets in excess of 3 million EUR will owe wealth tax at a fixed rate of 0.5%.
Previously, French wealth tax and personal income tax together were limited to a maximum of 85% of the total income of the previous year. This limit was abolished last year and a 'mitigating' system applied for 2012 to assets with a value between 1.3 million EUR and 1.4 million EUR and for assets between 3 million EUR and 3.2 million EUR. This specific system should mitigate the effect of the changing scales as follows:

Net wealth	Tax reduction
> 1.3 million EUR but < 1.4 million EUR	24,500 EUR - (7 x 0.25%P)
> 3 million EUR but < 3.2 million EUR	120,000 EUR - (7.5 x 0.5%P)

P= net taxable value of the asset

For the tax year 2012 (and in principle only for that year) there is also an exceptional wealth tax due which is based on the following tax scales:

Net wealth	Applicable tax rate
Up to 800,000 EUR	0%
From 800,000 EUR to 1,310,000 EUR	0.55%
From 1,310,000 EUR to 2,570,000 EUR	0.75%
From 2,570,000 EUR to 4,040,000 EUR	1%
From 4,040,000 EUR to 7,710,000 EUR	1.30%
From 7,710,000 EUR to 16,790,000 EU	1.65%
Over 16,790,000 EUR	1.80%

The amount of wealth tax already paid/assessed on the basis of the fixed rates as previously discussed, may be deducted from this exceptional wealth tax.
The value of the net wealth must be defined in accordance with the inheritance rules which in principle means taking account of market value.
Finally, it is worth mentioning that various types of assets are totally or partly exempt from wealth tax, such as business assets, certain artworks, literary and artistic copyrights, etc.

The draft bill would fundamentally reform French wealth tax and replace the fixed rates by sliding scale rates ranging from 0.5% to 1.5%. According to the new rules, the wealth tax would be levied already on net assets of 800,000 EUR. The actual wealth tax and income tax to be paid would then be limited again, in this instance to a maximum of 75% of the taxpayer's total annual income. We are however waiting to see whether the bill will actually be converted into law, because there is a good chance that the French Senate will vote against the current draft law.

Greece

Dividends

Greek dividends are taxed at a rate of 25%.

Interest

Currently, interest in Greece is taxed at 10%. We note that the Greek government has concrete plans at the present time to raise this percentage to 15%, possibly with retrospective effect to January 2012.

Capital gains

Capital gains are still not effectively tax for the 2012 tax year. The proposal to tax capital gains realised from the sale of listed shares using sliding scale rates has already been approved by parliament, although this proposal has not yet come into effect.

Wealth tax

There is no wealth tax in Greece.

Ireland

Dividends

When dividends are paid out, a 20% levy is retained in Ireland. The recipient's dividend income is taxable at the marginal rate (either 20% or 41%) in which regard a tax credit is granted in relation to the levy already retained. An additional social contribution could also be due on this income.

Interest

In Ireland, interest is subject to a fixed tax rate of 30% from 1st January 2012 (previously 27% and 25% in 2010). An additional social contribution is also levied on income from interest.

Capital gains

Capital gains realised from the sale of the taxpayer's own assets are subject to a tax rate of 30% from 7th December 2011 (previously 25% 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 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.

Dividends

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).

Interest

From 1st January 2012, income from interest is taxed at a fixed rate of 20% (previously 27%).

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.

Italian state residents also have to pay tax on their foreign financial assets at 0.1%, while property located in Italy is subject to tax varying from 0.4% to 0.76%, depending on where the property is located.

Luxembourg

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 interest and dividends.

Interest

In principle, interest in Luxembourg is subject to sliding scale rates, with a tax exemption for interest and dividends up to 1,500 EUR (3,000 EUR for couples taxed jointly). Where interest paid by a Luxembourg entity to a Luxembourg resident is concerned, or if a Luxembourg resident receives interest from an entity established in the EEA or in a state with which Luxembourg has a double taxation treaty that includes rules similar to the European Savings Directive, the interest is subject to a 10% advance levy. If the taxpayer takes this option, a separate tax return has to be filed at the latest by 31st March of the year after the year in which the interest was received.

Capital gains

In principle, the marginal tax rate of 40.56% (if income is less than 150,000 EUR for unmarried taxpayers and if income is less than 300,000 EUR for individuals taxed jointly) or 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 (if the above mentioned 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.

The Netherlands

Dividends — interest — capital gains — wealth tax

Savings and investments in the Netherlands are assumed to generate a yield of 4% per annum. Based on this statutory assumption, this fixed yield of 4% is subject to a tax rate of 30%. The actual value of 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 of 2.5% while inflation has been approximately 2%. 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

Interests - Dividends

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

Capital gains

Capital gains realized 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 realized 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

Dividends — interest — capital gains

In Portugal, interest, dividends and capital gains are currently all taxed at a fixed rate of 26.5%. From 1st

January 2013, this percentage is set to rise to 28%.

Wealth tax

Portugal has no wealth tax.

Slovakia

Dividends

Dividends are not taxable in Slovakia. This is a remarkable observation given that it is the only one of the 17 countries surveyed where dividends are not taxed.

Interest — capital gains

Interest and capital gains are taxed in Slovakia at a fixed rate of 19%.

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 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. This moveable income is 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, capital gains made from the sale of assets are also taxed at the increased 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 treshold of 24,000 EUR.
In principle there is no advance levy.

Wealth tax

Up to and including 2007, a wealth tax was levied annually in Spain. As from 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. Negotiations are currently ongoing to extend this period 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%.

The Czech Republic

Interest — dividends

Interest and dividends are subject to a Czech tax rate of 15% (advance levy). However, from 2015, dividends are likely to be taxed at 0%, making the Czech Republic the second country of the 17 surveyed in which dividends would be free of tax.

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.

Wealth tax

There is currently no wealth tax in the Czech Republic, but from 2013, there will be a solidarity contribution of 7% due on income that exceeds the threshold of 48,388.90 EUR (1,206,576 CZK).

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 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 42,475 GBP will owe 10% on dividends received; someone with an annual income exceeding 42,475 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 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 42,475 GBP, 25% if the income is more than 42,745 GBP but less than 150,000 GBP and 36.1% 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 8,105 GBP (versus 7,475 in 2011) and 42,475 GBP, he will owe 18% on any capital gains. If the annual income exceeds the threshold of 42,475 GBP per year, he will owe 28% on any capital gains. An exemption is granted for capital gains up to an amount of 10,600 GBP per year.

Wealth tax

There is no wealth tax in the United Kingdom.

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. Passive 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 passive 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.

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 41.5%). There are no (partial) exemptions. However, a tax credit applies to take account of the advance levy already deducted and paid of 35%. For individuals 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 Zürich and in the city of Zürich, the wealth tax rate rises to 0.657% on net wealth above the threshold of 2,695,833 EUR (3,235,000 CHF).

Summary of the tax rates and thresholds applicable to income from capital

The figure below shows the various percentages for the tax rates that apply to interest income, dividends and capital gains. This summary also shows which of the countries surveyed in Europe impose a wealth tax.

Summary of taxation of capital - Income derived 2012				
Country	**Tax rate on interest**	**Tax rate on dividends**	**Tax rate on capital gains**	**Wealth tax**
Belgium	15%*, 21%* or 25%	21%* or 25%	N/A	N/A
Denmark	35.44% (< threshold) – 51.5% (> threshold)	27% (< threshold) - 42% (> threshold)	27% (< threshold) - 51.5% (> threshold)	N/A
Germany	26.375%	26.375%	26.375%	N/A
France	24%**	21%**	19%**	YES
Greece	10%	25%	N/A	N/A
Ireland	30%	20% or 41%	30%	N/A
Italy	20%	20%	20%	N/A
Luxembourg	10%	15%	40.56% (< threshold) - 41.34% (> threshold) ***	N/A
Netherlands	30%****	30%****	30%****	N/A
Poland	19%	19%	19%	N/A
Portugal	26,5%	26,5%	26.5%	N/A
Slovakia	19%	N/A	19%	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
Czech Republic	15%	15%	15%	N/A
United Kingdom	10, 20, 40% or 50%	10%, 32,50% or 42.50%	18% or 28%	N/A
Sweden	30%	30%	30%	N/A
Switzerland	35%	35%	N/A	YES

*Belgium: Where appropriate to be increased with the additional levy of 4%.

**France: Additionally, this income is subject to social contributions totalling 15.5%.

***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 substantial participation (>10% of the capital of the entity concerned).

****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).

Comparison of social insurance and pension accruals

In the first edition of this European salary survey, we made a short and concise examination of the local social security systems. At the time, we also discussed briefly how local governments deal with the 1st tier 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. We were also able to conclude 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. Given that there is an inextricable and important link between the general sense of prosperity and the local systems for social security and pensions, we retained this section in our 2nd edition and now also in the 3rd edition.

Social security

Belgium

Social security contributions in Belgium provide protection in the event of illness, unemployment, old age and death.
Personal medical expenses (i.e. doctor's fees, costs for medication and, under certain circumstances, also dental fees) are reimbursed in Belgium up to 70% to 75% by the government.
The annual cost of supplementary health insurance (providing virtually full cover for medical expenses) can be estimated on an annual basis at approximately 150 EUR for a single person and approximately 400 EUR for a couple with 2 dependent children. Prices vary according to the health fund chosen.

Denmark

Denmark has low social security contributions of approximately 2% for both employees and employers. This is because the high rate of income tax covers government finances to a large extent, including a large part of the social expenditure. Pensions savings are also largely a private matter and a pension savings plan is usually agreed with the employer in which respect the cost of the contributions is shared between employer and employee.

France

Social security contributions in France also provide protection in the event of illness, unemployment, old age and death.
France currently has the best and most beneficial healthcare system in Europe. Medical expenses are paid for to a large extent by the government. In general, the government pays up to 70% of costs and even up to 100% in the case of very expensive treatment or serious and long-term disorders. Solidarity and support are very much to the fore: the more seriously ill someone is, the less that person is required to contribute to the cost of their illness (in some cases, patients are not required to make any personal contributions at all). Compared with 2010, though, this support appears to have been wound back a little. For example, the refund rates for many forms of medication that are used frequently, but which are not related to a 'significant medical care' have been reduced from 35% to 30%. The refund rates in 2011 for certain medical care (e.g. optician) have also been reduced from 65% to 60%.
Almost 85% of the population has now taken out supplementary French private insurance, which provides virtually total cover for illness and which can be estimated approximately at 558 EUR per year.

Germany

Social security contributions in Germany also provide protection in the event of illness, long-term nursing care, unemployment, old age, disability, death, accidents in the workplace and occupational diseases.
Personal medical expenses are paid for to a large extent by the government. Employees are only automatically and mandatorily insured when their normal gross working income remains under a specific threshold. For 2011, this threshold is 49,500 EUR per year (or 4,125 EUR per month). If this threshold is exceeded, the employee is exempted from the mandatory contribution for health and long-term nursing care insurance. When this is the case, German employees can opt for cover via statutory insurance on a voluntary basis, or for private health insurance. The cost for supplementary private health insurance in Germany (providing virtually full cover for medical expenses) can be estimated at approximately 576 EUR per person per year.

Greece

The Greek social security system provides pension insurance (old age, disability and survivor's pension), health insurance (health and maternity benefits), unemployment insurance, minimal social assistance for persons with a disability, for example, and family protection. However, the funds that cover these needs no longer have the liquidity required because many employers have for some time failed to make the contributions they owe. During the course of 2011, this shortfall reached the stage where the potential collapse of the social system currently is a real threat.

Ireland

In Ireland, people are entitled to a tax reduction (of 20%) when they have medical expenses. A family is required to pay a maximum of 120 EUR per month for its medication. Depending on the income (which has to remain below a certain threshold), age and illness, a person may obtain a medical card that reduces the amount to be paid by each family from 120 EUR to a maximum of just 10 EUR per month. There is an enormous variety of different private health insurance policies in Ireland. The system is highly complex and annual premiums vary from 144 EUR per person for the cheapest plan (which provides cover for up to 480 EUR of expenses per year, excluding hospitalisation) up to 2,832.72 EUR per person for the most expensive cover (which provides a very high threshold of costs covered, including long-term admission to a private hospital). Without private insurance, people have to wait (much) longer for treatment (plus they cannot choose where and by whom they wish to be treated). As a result, approximately 50% of the Irish population has private insurance cover.

Italy

The Italian healthcare system provides quality healthcare at a relatively low price. Virtually all medical services are provided by the National Health Service, which is funded virtually in full by the State. One feature is that the State has a salary system for doctors under which repeated visits to the doctor, examinations and referrals are not encouraged. However, dental fees are mainly handled within the private sector. As a result, many Italians also take out private insurance so that they can be treated in private hospitals and to avoid waiting times (or at least to shorten them).

Luxembourg

Social security in Luxembourg provides family benefits, unemployment insurance, insurance to cover accidents in the workplace, healthcare, old age and disability pensions, and insurance for long-term care. The quality of the system is high, but because of high costs, the government has considered introducing certain changes to encourage people to take greater responsibility themselves for the cost of pensions, disability and even healthcare.

Poland

The Polish social security system provides every insured person with free medical care. Premiums for health insurance (which are paid via the employer) amount to 9% of gross income and are paid in addition to social security contributions. The cost of health insurance also provides an entitlement to a tax deduction.

Portugal

The Portuguese social security system is based on universality. It provides equal social protection for everyone and is made up of 3 systems: a social protection system for all residents (aimed mainly at fighting poverty), an insurance system that is funded by employers and employees and which provides a host of benefits (in the event if illness, maternity, paternity, disability, old age, death, accidents at work and unemployment). Finally, there is a supplementary system to which voluntary contributions can be made in order to receive more benefits in certain situations.

Slovakia

In Slovakia, the social security system provides medical cover, social insurance and a system of pension savings and government support for families. There is a universal system for healthcare based on residency and funded by mandatory contributions from employers and employees. The state itself also contributes to this funding.

Spain

Social security contributions in Spain provide protection in the event of illness, unemployment, old age and death, maternity and other circumstances. In principle, the Spanish public healthcare system provides 100% cover for all illness-related expenses. A self-employed person is required to join the system at a rate of 29.8% of their income with a minimum contribution of 250 EUR per month, or 3,000 EUR per year. If the person does not call on the public system or if they wish to have private medical care (e.g. so that they have less long to wait for a particular type of treatment), then private health insurance is required. The average annual cost of private health insurance is 800 EUR per year (with a minimum of 180 EUR per year).

Sweden

Paying Swedish social security contributions pays for protection in the event of illness, unemployment, old age and death, maternity and youth benefits. Dental fees are automatically and separately covered as from the age of 20 (dental care is free of charge under the age of 20). Individuals can also obtain a dental allowance (ranging from 15 EUR to 30 EUR per year). Medical care is funded mainly (+/- 98%) by the State and partly by the individual, i.e. the individual pays as a standard approximately 15 EUR per doctor's visit but limited to approximately 85 EUR per year and maximum about 190 EUR per year for prescriptions.
In total, individuals never pay more than around 275 EUR per year. However, when individuals incur 'unnecessary' medical expenses (e.g. plastic surgery in certain circumstances) or opt for private care, they are required to pay the full amount. Only +/- 3% of the population has private health insurance. Swedish healthcare is among the very best worldwide.

Switzerland

Switzerland has a tight-knit network of different types of social insurance that offer a wide range of protection against risks for which the financial consequences cannot be covered by any other insurance. Swiss social security is divided into 5 areas and provides protection against old age (including survivor's pensions and disability), illness and accidents. It also provides entitlements to replacement income in the event of maternity, as well as unemployment insurance and, finally, family allowances. The Confederation and the Cantons contribute towards the cost of pensions and disability.

The Czech Republic

Social security contributions in the Czech Republic provide for protection in the event of illness, unemployment, old age, death and maternity. Making voluntary contributions for health insurance only provides entitlement to maternity benefits and replacement income in the event of illness. People can contribute 1.4% of their monthly taxable base, with a minimum of approximately 30 EUR per year. The cost of public healthcare is very low. Private insurance in the Czech Republic is mainly something for foreigners and the self-employed.

The Netherlands

The Dutch system covers costs relating to emergencies, hospitalisation, the cost of prescribed medicine, etc. This basic health insurance does not cover dental fees for people under the age of 18.

The average individual cost is approximately 1,312 EUR per year, making the Netherlands about the most expensive country in Europe for private health insurance.

The United Kingdom

UK social security contributions build up entitlement in the event of old age and death, illness, unemployment and maternity. The public national healthcare system provides free medical care. Individuals are only charged fees for a number of items (incl. dental fees). Only +/- 13% of the population has health insurance. The average cost of this insurance is approximately 251 EUR per year.

Statutory pension accruals (1st pillar)

Belgium

The statutory retirement age in Belgium is set in principle at 65.
The minimum pension for a single person with a full working life of 45 years (including equivalent periods) is 12,796 EUR net per year or 1,066.33 EUR per month. Converted into a family pension (x 1.25 if the partner has not built up a separate pension) the net family pension amounts to a minimum of 15,989.96 EUR per year or 1,332.50 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 is approximately 20,035.92 EUR per year or 1,669.66 EUR net per month.

Denmark

The statutory retirement age in Denmark is currently also 65, but this will be raised in the future to 67.
Denmark is said to have the best pension system in the whole world. In 2012, it took 1st place in the 'Melbourne Mercer Global Pension Index', thereby dethroning the Netherlands. For Denmark, this means recognition of its well-funded pension system that is at a high level and which distributes its funds and contributions well. According to some experts in this area, the Danish pension system stands out mainly on account of the good benefits it provides on the one hand and the general sustainability and encouragement of integrity on the other. At the moment, the Danes themselves are not so positive because the various statutory interventions in recent years have generated great uncertainty. There has been a high level of mistrust. Would pension savings still provide good yields over the long term or would efforts to save money by the Danes simply be used as savings to serve public interests?

Currently, annual pension incomes in Denmark are approximately 65,376 DKK or 8,775 EUR for both an unmarried person and a married or cohabiting retiree who has lived in Denmark for the minimum 40 years before retiring and who passes a specific test (i.e. if the person earned a business income in excess of 277,700 DKK or 37,275 EUR per year, the pension income can be reduced). This amount is reduced by 2.5% for every year that the individual has lived in Denmark for under 40 years. Retirees are also entitled to a supplementary pension of 67,896 DKK or 9,114 EUR for an unmarried person 32,820 DKK or 4,405 EUR for a married or cohabiting retiree, except where the individual's total income (unmarried) exceeds the threshold of 61,300 DKK or 8,228.18 EUR per year (123,000 DKK or 16,510 EUR for each partner) because then the supplement is reduced by 32% of the excess. There is also a third form of pension income, known and the ATP pension that contributes a maximum of approximately 23,000 DKK or 3,087 EUR per year (regardless of the individual's personal situation), depending on the number of years that the person has paid Danish social security contributions. Finally, each pension income is increased for each month that the person defers taking retirement after reaching the age of 65 and until the age of 75.

France

The statutory retirement age in France was raised at the end of 2010 from 60 to 62. Individuals who have contributed to the French system during their whole working life (i.e. 40 - 41 years), can earn up to 50% of their average annual salary for their best 25 years as their annual gross statutory pension income. Based on recent new legislation, the pension capital paid out for example by the Belgian government (and/or a Belgian company) to a person residing in France (e.g. a Belgian who took up residence in France after retiring) as from January 2011 will be taxable at the marginal French personal income tax rate.

Germany

The statutory German retirement age was recently raised from 65 to 67 (applicable from 2012). In total, approximately 20% of monthly German social security contributions goes towards the pension insurance for the employee in question, with one half contributed by the employer and the other half by the employee. The maximum amount for the annual pension contribution is limited to 6,567 EUR both for the employer and employee. It is not possible to determine the corresponding average net German pension income, because it depends on too many variables, such as the total gross pay of all employees for a particular year, as well as the percentage of inflation and various pension adjustments, etc.

Greece

In Greece, the normal retirement age is 65, but this will probably be raised to 67 in the future. To be able to retire at the age of 65, the individual must have contributed for a minimum of 15 years to the Greek pension system. If the individual has contributed for 37 years, he or she can enjoy a full pension, regardless of their age. At the moment, the pension income in Greece is, in principle, 2% of the person's professional earnings for each year they contributed (in total a maximum of 35 years). Also in principle, the maximum pension is 4 times the GNP per capita. Retirees are also entitled to a supplementary pension that amounts to 20% of the person's professional income received during the years that they were contributing to the Greek social security system. There is also an increase of 1/35th for every year in which contributions were made over and above 35 years. If a person continues to contribute after his 68th birthday, the pension income ceases to be increased. At the end of 2008, the minimum pension was 496 EUR per month or 6,944 EUR per year (all pensions are paid in 14 'monthly' instalments). At that time, the supplementary pension provided 122 EUR per month or 1,708 EUR per year. In March 2012, it was claimed during political discussions that 1 million Greeks are currently only able to benefit from one pension of 400 to 500 EUR per month and that something needs to be done about it urgently.

Ireland

The statutory retirement age in Ireland is currently 66 and 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. In principle, gross pension income is subject to Irish income tax, but most retirees do not actually have to pay any tax because their income is too low. Where people have had a full working life, they have a gross pension income of 230.30 EUR per week, or 11,975.60 EUR per year. If they have a dependent partner, this amount is increased annually by 7,982 EUR (if the partner is aged under 66) or by 10,727.60 EUR (if the partner is over 66). Retirees may also be entitled to an additional annual increase of 774.80 EUR and up to 1,549.60 EUR for dependent children.

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 gross pension in Italy is 460.97 EUR per person per month or 5,531.40 EUR per year. But according to the official bureau of statistics Istat, the average pension for a civil servant is 2,033 EUR gross per month or 24,396 EUR per year. There is a general expectation here that the situation will change fundamentally and that the generous arrangements of the past will be changed radically (such as abolishing the option for civil servants in Sicily to retire at the age of 40 after barely 20 years of contributing to the pension system). The recent reforms have caused a storm of protest and it looks as though there will be no immediate end to these changes.

Luxembourg

The statutory retirement age in Luxembourg is 65. To be eligible for a pension, an individual has to have contributed to the Luxembourg social security system for a minimum for 120 months. It is also possible to retire at the age of 60 provided social security contributions have been made for a minimum of 480 months. The old age pension is 1/40th of the funs accrued for each year the person has been covered (for a maximum of 40 years) plus a proportional supplement of 1.85% of the professional income received during the individual's working life in Luxembourg. If the individual remains working after the date on which he or she is entitled to a retirement income, the pension is increased by 0.01% for each additional year worked.
The minimum pension is 1,400 EUR per month or 16,800 EUR per year (i.e. after contributing for 40 years).

Poland

The statutory retirement age in Poland is 60 for women and 65 for men. From 2013, the retirement age will be increased to 67 for women by 2040, with the same retirement age for men, but by 2020. A total contribution of 19.52% (employer and employee each pay 9.76%) from gross pay (with a defined limit) is paid into a pension fund. The related pension income depends on the total contributions made and life expectancy. Women receive a minimum pension after contributing to the Polish system for 20 years and men after contributing for 25 years. Given that this is still a rather new system, there no reliable figures yet available about average pension incomes.

Portugal

In Portugal 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 pension after contributing to the Portuguese system for 15 years. Early retirement is possible from the age of 55 if contributions have been made for 30 years. A retiree's pension takes account of his or her professional income, an adjustment factor (for inflation and CPI) and a durability factor. A person who has contributed for 31 years or more is entitled to a minimum pension of 363.81 EUR per month or 5,093.34 EUR per year (14 'monthly' payments). Here again the pension is increased if the person remains working and contributing to the Portuguese system after the age of 65.

Slovakia

In Slovakia the statutory retirement age is 62 since 2004. However, this change did not take immediate effect and is being introduced gradually over a period of 10 years. 62 will not be the universal retirement age until 2014. Individuals have to contribute to the Slovakian social security system for at least 15 years to be able to receive pension entitlements. Slovakian law does not provide for a minimum or maximum statutory pension.

Spain

The statutory retirement age in Spain currently is still 65. This will be raised gradually to 67 in 2013. 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 570 EUR per month, or 7,985 EUR per year and a maximum of 742 EUR per month, or 10,388 EUR per year (taking account of 14 payments on an annual basis).

Sweden

There is no official statutory retirement age in Sweden, but in general it is around the age of 65. However from the age of 61 individuals are entitled to a Swedish state pension. In total, employer and employee together pay 18.5% of the gross annual income (capped) into an individual pension fund. In principle, a person must have made contributions to the Swedish social security system for 3 years to be entitled to a statutory pension. The minimum annual pension income for a full working career (i.e. 30 years) was a little over 9,000 EUR in 2008.

Switzerland

In Switzerland, the statutory retirement age is 65 for men and 64 for women. A full pension requires contributions have been made to the Swiss social security system for 44 years for men and 43 for women. Early retirement is possible, in which case the pension income is reduced by 6.8% per year. It is also possible to defer retirement for 1 to 5 years, in which case the pension is increased by a factor varying between 5.2% and 31.1%. Switzerland is a country with one of the highest employment rates for people aged between 55 and 64. Despite the lack of additional benefits, Switzerland has experienced an increased uptake in early retirement over the past decade. The state pension after a full career is a minimum of approximately 13,920 CHF or 11,600 EUR per year and a maximum of approximately 27,840 CHF or 23,200 EUR per year.

The Czech Republic

In principle, the statutory retirement age in the Czech Republic is also 65, but is between 62 and 65 for women with children. In the near future, the Czech Republic will be introducing in-depth reforms to the pension system. For the time being, individuals are required to contribute to the Czech system for a minimum of 25 years in order to be entitled to a state pension. This will gradually be increased to 35 years.

The minimum gross pension income is 142 EUR per month or 1,704 EUR per year and on average, this income is maximum 410 EUR per month, or 4,920 EUR per year. Only part of the pension income is actually taxed as earned income at the fixed rate of 15%.

The Netherlands

The statutory retirement age in the Netherlands is also 65. 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. Each year, 2% of Dutch social security contributions are paid into the pension fund (from the age of 15 to 65). A married person who has had a full working life receives approximately 748 EUR per month, or 8,976 EUR gross per year (which corresponds to approximately 6,933 EUR net per year). The state pension is a maximum of approximately 9,800 EUR per year. 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.

The United Kingdom

The statutory retirement age in the United Kingdom is currently 65 for men and 60 for women but government expressed its intention to raise both to 66 at the latest by 2020 and later on even to 68. The average pension income last year was approximately 5,166 EUR for an unmarried person and 7,375 EUR per year for a married person. This income is taxable as professional income (subject to sliding scale rates). Last year, the system in the UK underwent a number of changes, the effects and scope of which are not yet entirely clear.

Summary of statutory retirement ages in Europe		
Country	**Statutory retirement age in 2012**	**Future**
Belgium	65	-
Denmark	65	67
France	62	Already raised
Germany	67	Already raised
Greece	65	67
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	-
Poland	60 for women and 65 for men	67
Portugal	65	-
Slovakia	62 (applicable universally from 2014)	-
Spain	65	67
Sweden	No statutorily defined retirement age; in practice +/- 65	N/A
Switzerland	65 for men and 64 for women	-
the Czech Republic	65 (between 62 and 65 for women with children)	-
the Netherlands	65	66 and 67
the United Kingdom	60 for women and 65 for men	66 and 68

Pension accruals via employment (2nd pillar)

In the 2nd edition of the European Salary Survey, we delved more deeply into pension accruals in the context of employment. The relevance is clear: the statutory pension is usually insufficient for maintaining the same standard of living after reaching retirement age. The result of this is that more and more employers and employees are taking action to ensure an optimised supplementary pension income is built up through the employment. A substantial supplementary pension can be built up with contributions from the employer and/or 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.
We have retained this section in the 3rd edition of the survey, but the details given below have not been updated (consequently this information lacks details for those countries that were not included in this survey last year, i.e. Denmark, Greece, Luxembourg, Portugal, Slovakia and Switzerland).

In general there are various systems within the European landscape 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, 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.

Belgium

In Belgium, 2nd-pillar pension entitlements are often accrued via a group insurance scheme introduced into the company by the employer. Where appropriate, a plan such as this can be applied in the same way to all employees in a particular category in that company. Depending on the terms of the plan, pension entitlements are usually accrued via a combination of employer contributions and employee contributions (it is also possible that this type of plan may stipulate for example that only employer contributions are required).

It may also be that the employer and employee agree that pension entitlements will be built up via an individual pension plan or via an individual life insurance scheme, boosted by employer contributions or by a combination of employer and employee contributions.
In principle, personal contributions that the employee pays to accrue pension entitlements as part of a group insurance plan (or personal pension fund) are deducted from the employee's net pay and paid directly into the group insurance policy of the employee in question (or into the personal pension fund). Personal contributions of this type are eligible for a tax reduction, calculated at a special average rate that varies between 30% and 40%, as applied prior to January 2012). Employer contributions for building up a supplementary pension are tax-free for the employee and no social security contributions are due on them. These contributions are also deductible for the employer provided the 80% threshold is complied with (i.e. the total amount paid may not exceed the threshold of 80% of the person's normal pay) and provided the total payment does not exceed the threshold of 72,485 EUR per year (additional limit since January 2012).

In principle, when reaching retirement age, the employee is entitled to the payment of a pension capital (which can be converted into annuities) that has been built up via a group insurance policy (or in the personal pension fund) taken out up to and including 31st December 2003.
In Belgium, the payment of the pension capital in view of a supplementary pension (2nd pillar) is subject to separate tax rates. The tax rate that applies to such payment differs according to the type of policy and the time of settlement.

In principle, this pension capital is taxed at 16.5% for the part accrued via employer contributions, as well as for the part accrued via employee contributions paid prior to 1993. It is taxed at 10% provided it has been accrued via employee contributions (this also applies to employer contributions where an individual life insurance policy is concerned) paid since 1992. These rates apply if the pension capital is paid out under normal statutory conditions, i.e. in principle at the time the policy matures (i.e. on reaching the statutory retirement age), or if the person retires at the age of 62¬64. Last year, the rate was increased to 20% if a person retired at 60 and to 18% on retirement at 61.
Payments of pension capital following from collective

schemes (i.e. group insurance and pension funds taken out as from 1st January 2004 as well as payments of pension capital made as from 1st January 2010 in view of policies or commitments previously concluded) follow the same system and hence the related tax treatment also depends on the fact whether the pension capital is paid out under statutory conditions or not and the way in which the capital was accrued (i.e. employer contributions versus employee contributions).
If the pension capital is paid out via annuities, these payments are in principle subject to the sliding scale rates of Belgian personal taxation.

France

In France, supplementary pensions are built up in principle by employee contributions only. These employee contributions provide no entitlement to any tax reduction or deduction. However, if the employer makes payments as part of building up a supplementary pension, these payments qualify as taxable earnings and are subject to the sliding scale rates of personal taxation.
In principle, pension payments are subject to normal French social security contributions and are taxable at the French sliding scale rates for personal taxation, regardless of whether payment of the pension takes the form of a one-off lump sum or is paid in annual amounts (annuities). The taxable base is equal to the gross amount of the capital, after deduction of 10%. This deduction of 10% is limited to a fixed amount of 3,660 EUR per household.
However, if certain strict conditions are met, employees can opt for a different tax system, in which case the pension capital is subject to a release levy of 7.5% (instead of sliding scale rates). The choice lies with the individual and is irrevocable. In this case, the taxable base is also equal to the gross income minus 10%, but this deduction is not limited to a maximum amount.

Germany

Employer contributions for building up a supplementary pension are generally viewed in Germany as earnings and are taxable for the employee at the sliding scale rates for German personal taxation. However, an annual exempted amount of 4,440 EUR (maximum for 2011) applies for these employer contributions.
If the employer pays contributions under non-capitalised arrangements (e.g. in the event of the employer making a particular pension promise), the employee is not liable to pay tax on these employer contributions.
If the threshold of 4,440 EUR mentioned above has not yet been reached, the difference can be topped up by employee contributions that are then deducted directly from the person's gross earnings. That way, the employee's salary up to that amount will not be subject to German personal income tax.
Under certain strict conditions, employees may be eligible for a special deduction of 2,100 EUR per year via their tax return.
The tax rates that apply to the payment of pension capital accrued differ according to whether the capital has been built up using exempted contributions or with contributions that have already been taxed.
The payment of pension capital made up of untaxed contributions for the retiree is fully taxable at the applicable marginal personal income tax rate (hence any payment made as part of a pension commitment is fully taxable for the recipient). The payment of lump sums accrued with contributions that have already been taxed is only taxable up to the amount of the yield included in the payment.

Ireland

In Ireland, the tax system for employer and employee contributions is similar to the Belgian taxation system. Employer contributions are not taxable for the employee and are fully deductible as a business expense for the employer. Since 2011, the employee contributions have become subject to 10.75% social security contributions which is due by the employer. Consequently, the employer cost of building up an extra legal pension (2nd pillar) increased compared with 2010. The employee contributions provide an entitlement to a personal income tax deduction. The amount of the employee contributions generating a personal tax deduction depends on the age of the employee, expressed as a percentage of the employee's gross income. This percentage varies from 15% for employees aged under 30 to 40% for employees aged 60 and over. A maximum income of 115,000 EUR is taken into account.
From 1st January 2011, any payment of company pensions up to 200,000 EUR per person is tax-exempt. Pension payments ranging between 200,000 EUR and 575,000 EUR are subject to a fixed tax rate of 20%. Any pension payment in excess of 575,000 EUR is subject to the marginal tax rate.

Italy

The pension system in Italy is extremely complex. Unlike other countries, in Italy both the employer and employee are required by law to pay pension contributions, which

are processed through the payroll and directly paid into the employee's personal pension fund. This is the statutory form of building up a pension (1st pillar), which is mandatory via employment. Payments made by the employer and/or employee in addition to the mandatory legal contributions accrue supplementary or extra legal pension entitlements (2nd pillar). This is possible if the payments are regulated by a collective agreement on a company, regional or industry level. The main rules of the taxation system applicable to both 1st and 2nd pension pillar contributions, are set out in brief below.
In principle, neither employer contributions nor employee contributions are taxable on behalf of the employee. For the accrual of supplementary pensions (2nd pilllar), the principle of non-taxability applies provided the contributions do not exceed 12% of the salary (and subject to an annual ceiling of 5,000 EUR).
Employer contributions are fully deductible as a business expense for the employer. Employee contributions are deductible from the employee's taxable salary.
Payment of the related pension capital for 1st-tier accruals is deemed to qualify as professional income and hence is taxed at the sliding scale rates of Italian personal income tax.
The effective payment of a pension capital (and/or annuities) as part of 2nd-pillar accruals is subject to a tax rate that varies from 9% to 15%, depending on the number of years the person has been affiliated to the pension fund.

Poland

A Polish employer can make 2nd-pillar pension contributions up to a maximum of 7% of the employee's gross salary. These contributions, which are paid directly into the employee's pension fund, are considered as professional income for the employee and hence are subject to the progressive personal income tax rates. They are not subject to social security contributions. Contributions made by the employee are also possible on a voluntary basis and must be limited to 4.5 times the average monthly salary for that year. Payment of the related pension capital is exempt from income tax for the employee.

Spain

Spanish employer contributions paid as part of building up a supplementary pension for the employee are taxable as additional professional income. They are however not subject to the withholding tax obligation on behalf of the employer. These contributions must be reported as a fringe benefit in the employee's Spanish personal income tax return. At the same time they lower the taxable base for the employee.
The employee contributions that are collected via payroll and paid directly into the employee's pension fund also entitle the employee to a reduction in his taxable base. There are no legal limitations to the employer and/or employee contributions. However, the taxable base may only be lowered by a maximum amount of 10,000 EUR if the employee is aged below 50 and a maximum amount of 12,000 EUR if the employee is over 50 years old.

Payment of the pension capital (or annuities) is considered in Spain as professional income and hence is taxable at the Spanish progressive personal income tax rates (0% - 49%).

The Czech Republic

Employer contributions paid into a supplementary pension fund for Czech employees are tax-exempt on behalf of the employees. The contributions made by the employees themselves, are eligible for a deduction from taxable earnings up to a maximum of 12,000.00 CZK per year (+/-489 EUR). The Czech government also makes a contribution for every Czech employee in the accrual of 2nd-tier pension entitlements. These contributions are treated in the same way as for personal employee contributions. In principle, the payment of the pension capital (or annuities) built up in the pension fund of the employee in question is taxed at the fixed rate of 15%.

The Netherlands

In the Netherlands, the tax system that applies to employer contributions paid as part of 2nd-pillar pension accruals is similar to the Belgian tax system.
This means that employer contributions are not taxable on behalf of the employees. Employee contributions are also not taxable for the employee.
As a result, the payment of Dutch 2nd-tier pension capital is subject to the normal Dutch progressive tax rates which rise to a maximum of 52%. It is important to note that a (company) pension in the Netherlands is only paid in the form of periodic payments. It is not possible to obtain a one-off lump sum payment of the total capital accrued.

The United Kingdom

In the United Kingdom, employer contributions which are paid as part of 2nd-tier pension accruals in principle are not taxable on behalf of the employee.

Employee contributions provide an entitlement for a tax reduction of 20% of the contribution. The exemption of employer contributions and the reduction of employee contributions only apply if the contributions (employer and employee) do not exceed the threshold of 50,000.00 GBP (+/- 56,698.34 EUR) in total.
Payments of the related pension capital are taxed at source and are subject to the progressive personal income tax rates.

Sweden

Employer contributions that are paid into a qualified Swedish pension scheme as part of 2nd-pillar pension accruals are in principle not taxable on behalf of the employee. In principle, these contributions are deductible business expenses on behalf of the employer. However, the deductible amount may not exceed 35% of the salary. The employer is required to make a special contribution of 24.26% on the cost of the company pension.
Employee contributions provide an entitlement to a tax deduction of up to 12,000 SEK per year (+/- 1,323.57 EUR in 2011).

Pension payments (capital or annuities) are taxable on behalf of the employee as professional income and hence are subject to the sliding scale rates of Swedish personal taxation.

If contributions are paid into a non-qualified pension scheme, then it is called capital insurance and employer contributions paid for capital insurance are not exempt and thus personal income tax must be paid by the individual. In the case at hand, payment of the capital accrued will not be subject to Swedish personal income tax.

Minimum wages

Not all governments of the European countries surveyed provide for a statutorily defined minimum wage wich is aimed at preventing and fighting poverty. The amounts in question are summarised 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 below, the statutory minimum wage in Belgium is one of the highest among the 17 countries surveyed. Only Luxembourg has a higher statutory minimum wage.

Country	Statutory gross minimum wage
Belgium	From age 21: 1,472.40 EUR per month, From 21 years and 6 months + 6 months' service: 1,511.48 EUR per month From age 22 + 12 months' service: 1,528.84 EUR per month
Denmark	No statutory minimum wage; average 2,220 EUR per month (in 2009)
Germany	No statutory minimum wage; average 1,430 EUR per month (in 2011))
France	1,425.67 EUR per month (based on a statutory 35-hour week)
Greece	586.08 EUR per month
Ireland	1,384 EUR per month
Italy	No statutory minimum wage; average 1,057.01 EUR per month
Luxembourg	1,846.51 EUR per month for unskilled employees and 2,215.81 EUR per month for skilled employees
Nederland	From age 15: 434 EUR per month From age 16: 499.10 EUR per month From age 17: 571.40 EUR per month From age 18: 658.20 EUR per month From age 19: 759.45 EUR per month From age 20: 889.65 EUR per month From age 21: 1,048.80 EUR per month From age 22: 1,210.75 EUR per month (unchanged from last year) From age 23 and older: 1,424.40 EUR per month (idem)
Poland	1,500 PLN (+/- 365.85 EUR) per month (12 payments per year)
Portugal	485 EUR per month
Slovakia	327.20 EUR per month
Spain	641.50 EUR per month (unchanged from last year)
Czech Republic	8,000 Koruna (+/- 326 EUR) per month (unchanged from last year)
United Kingdom	1,072.94 GBP (+/- 1,339.02 EUR per month)
Sweden	No statutory minimum wage; average 1,643.25 EUR per month (in 2011)
Switzerland	No statutory minimum wage

Statutory indexation of annual salaries for white-collar employees

For this 3rd 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 and Spain, also in Luxembourg and Slovakia salaries are automatically and annually to be indexed as imposed by the 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 2012, all salaries and pensions in Luxembourg were indexed by 2.5%.

In a number of countries, including Sweden, 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 labour agreements. Following this approach, salaries should keep pace with evolutions in welfare and inflation. Belgium and Spain also use similar mechanisms for adjusting salaries in certain sectors.

Poland and the United Kingdom however only apply an annual statutory indexation to the minimum wage. In France, the legal and mandatory indexation system was abolished in 1983. However, as is the case in Poland, the statutory minimum wage in France is still linked to the consumer price index or CPI.

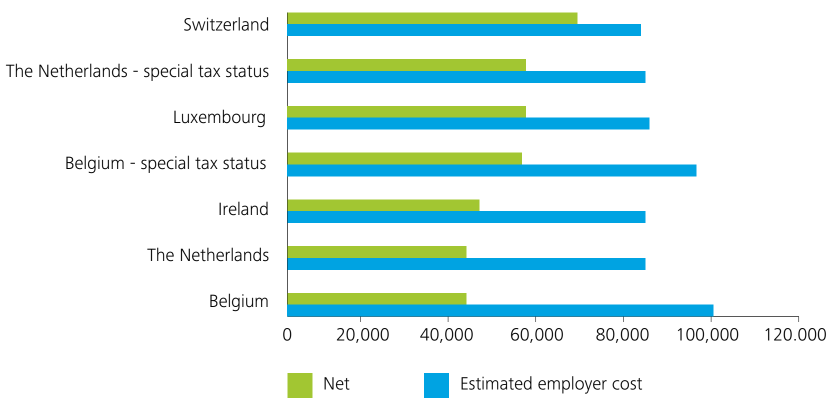
Comparison of countries aiming to attract headquarters of international companies

Companies operating in the international market like to have their head office located in a country that offers them the best assets for further growing the company. Which country that is depends on a number of factors. 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 important factors 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 example). Various location surveys show that companies 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 +/- 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 to 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 and in a successful way and to generating profit. On the other hand, centers distribution 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.

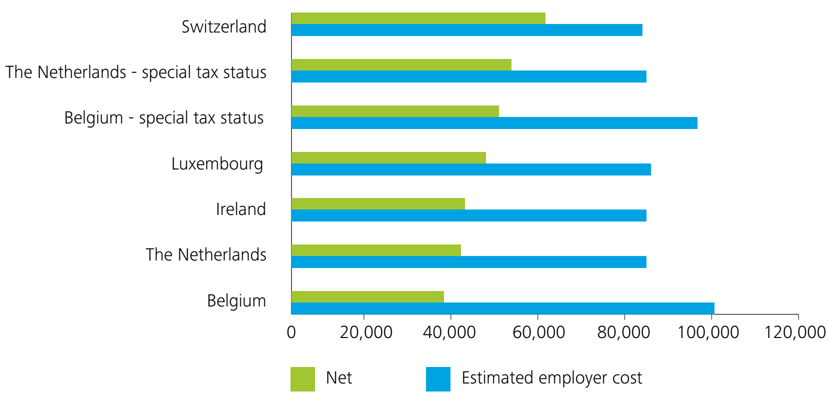
Having said that, it might be obvious that Belgium in the past in a rather consistent way has proven to be a very suitable country for setting up the head office of a multinational company. Figures from numerous studies and surveys (including from the OECD) show that until a few years ago Belgium was often viewed as the ideal country to establish the head office of a multinational. As the capital of Europe, Brussels still often exerts an attraction for companies who want to be located in the center of trading. Diversity, knowledge of languages, high-quality education and good infrastructure are just some of the many benefits that Belgium has to offer.

There are also other countries in Europe in addition to Belgium that are very attractive to companies and which also want to develop further as the best country for corporate headquarters. In this area Belgium is mainly competing against the Netherlands, Ireland, Luxembourg and Switzerland.

Headquarter countries
Married individual (non-working spouse & 2 children at charge)



Single individual, no dependant children



To see how Belgium performs in relation to these countries in the war for headquarters, we have put together the figures from scenario 5, section 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, this special status can be applied for in relation to a large number of staff. And by applying the beneficial special tax status which has a lowering effect on the individual income tax due and/or on the related employer's costs, in many cases these employees are able to enjoy a competitive salary.
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 optimize the individual's 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 status for foreign executives in Belgium). In addition, the person's direct salary cost will be reduced (i.e. in the situation of the special tax status for foreign executives in Belgium). In Ireland, Luxembourg and Switzerland, there is no similar structural status with tax advantages that are commonly applied to foreign executives. On the other hand, major clearly defined optimisations can be achieved in these countries on an ad hoc basis if a whole series of conditions are met and formalities fulfilled. But in view of the fact that this is not the case on a structural and regular basis, we have opted not to further elaborate on these tax vehicles.

However, if we look at the figures, we can see that despite the application of the tax beneficial status, Belgium does not stand out from the crowd in terms of offering attractive net packages. In the situation of both unmarried and married employees, Switzerland wears the crown in terms of the highest net annual income and lowest employer costs. It should also be noted in this case that a gross annual income of 75,000 EUR is however very low according to Swiss standards. For the position we are considering, a person can easily expect to have a salary package in Switzerland that is three times the size of what a Belgian employer would offer. Taking the beneficial special tax status for foreign executives into account, a married taxpayer in Belgium is only better off in comparison with his Irish counterpart. Belgians also outstrip the Dutch here, but only if the Dutch special tax status, i.e. the so-called 30% rule, does not apply. For an unmarried person in Belgium, a salary package can be put together which is more attractive compared to Luxembourg, Ireland and the Netherlands (unless the 30% rule can be applied here), provided the Belgian special tax status is applicable. 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, is faced with higher salary costs if it wants to attract similar profiles.

Salary costs are certainly not the only or the most important factor in persuading companies to set up in a particular country. Another important factor in relation to choosing a location is the political / tax certainty of a particular country. However, based on our recent 'EMEA Tax Certainty Survey', Belgium again scores abundantly less well than Luxembourg, the Netherlands and Switzerland (Ireland was not featured in the EMEA Tax Certainty survey). The main reasons for this perception of tax uncertainty include 1) (the announcement of) changing tax legislation, 2) multiple adjustments of tax legislation, often retroactively, and 3) the length of time it takes to settle tax matters.

Belgium does score much better if we look at net disposable income. If we make adjustments for family allowances, the cost of housing and the cost of living in the graphics above, then the net disposable income in Belgium (also applying the special status) is significantly higher than in other countries, for both married and unmarried employees. But considering that Belgium scores poorly in terms of pure salary costs and tax (un) certainty, few companies will look at net disposable income in Belgium when it comes to deciding whether to set up a business here – all the more so in times of economic and financial crisis. This may possibly explain why in recent years Belgium has been considerably less successful in the fight to secure corporate headquarters.

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 are required 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. For this reason, Belgium has put in place a very important measure by which the wage handicap is to a large extent mitigated with regard to the salary costs 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 11 countries surveyed, virtually only Belgium has any important measures in place for reducing salary costs significantly in the area of research and development. On expanding this survey to 17 countries, this conclusion remains unchanged. Through the Belgian 'Research & Development measure', higher income-earners in Belgium are again receiving 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.

The Netherlands also has an attractive salary cost measure, although the aim of this measure is broader and it is aimed 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 2012, the reduction applied in Holland for research can be as much as 42% of salary, up to a maximum of 110,000 EUR and 14% above this threshold to a maximum of 14 million EUR.

For the sake of completeness we should note that Denmark has also developed a special 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 generates savings for employers in very exceptional situations and mainly benefits foreign workers employed as researchers in Denmark (they receive a higher net income through application of the special tax status), we will not consider this potential cost saving measure any further.

There is also a similar status in Sweden (with new rules that apply from 2012 to make this status even more attractive) that produces a higher net salary for foreign researchers in certain cases. Swedish business is also currently lobbying for exemption from Swedish social security for employees working in R&D, although this has not yet filtered down into any effective legislation.

The same applies mutatis mutandis to Ireland. Ireland has had a special system since 2012 that results in lower income tax for researchers in Ireland. Here again it is the researcher who receives the benefits and not the employer, and therefore it is not an actual salary cost measure.

In Italy, new rules were introduced recently 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. According to these new rules, companies are entitled to a reduction in their salary costs if they meet a number of specific conditions. However, the terms of this new legislation still need to be published before effective use can be made of them.

Other countries such as France, the Czech Republic, Luxembourg, Greece, Portugal and the United Kingdom are also trying to stimulate the sector for research and development. However, they are doing this purely through measures sorting an effect on corporate income tax. Because Belgium (and the Netherlands, Denmark and Ireland) also have similar measures in addition to the R&D salary cost measure mentioned above, we will not go any deeper into the range of European corporate tax measures aimed at stimulating innovation, research and development.

The examples below provide an overview of the effect that the salary cost measure in Belgium (applicable to employees working in the area of research and development) has on the figures in section 1.
When we compare Belgian salary costs in the context of R&D activities with the salary costs of our direct neighbours and Switzerland, we can see that the higher the salary, the better Belgium's competitive position becomes. We also note that the figures below for the

Netherlands do not take account of the Dutch salary cost measure (because of being insufficient information to apply the measure correctly).

1) Belgian salary cost measure – Exemption from withholding tax

The Belgian government introduced (since income year 2006) a salary cost measure that has provided an enormous stimulus for the Belgian R&D sector. Provided the strict conditions are met, the employer only has to pay 25% of the withholding tax that would normally have to be paid to the Belgian treasury for the employee in question working in the research and development sector. This means that 75% (lower percentages apply for the 2006 and 2007 income years) of the withholding tax owed reverts directly to the employer, because the employer retains the correct amount of withholding tax due on the gross salaries of qualified employees who work in research and/or development. As such, the employer saves a large proportion of the initial salary cost. This measure is also totally tax-neutral for the employee in question. The recent Di Rupo recovery plan proposed the idea of increasing the of 75% to 80%, but this has not yet been passed into law.

2) Belgian Innovation Premiums – Additional measure affecting salary costs

Employers are also permitted to give 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 provides an attractive, tax-friendly and relatively inexpensive opportunity for employers to pay employees who come up with innovations an additional allowance in the form of a bonus.

Example illustrated with figures

The figures below demonstrate that the Belgian R&D salary cost measure generates 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 also be eligible without prior accreditation as research centres. From comparison with our direct neighbours 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 measure, this sector is able to make enormous savings to their wage costs, meaning that the companies involved are able to have considerably more resources to continue investing in this sector and to develop it further. It is clear that our competitive position in Europe is stimulated very favourably by this measure in view of the fact that with the exception of the Netherlands, none of the other European countries surveyed has a similar salary cost saving for research and development.

Scenario 3 – White-collar employee, gross salary of 27,000 EUR per year, married 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	35,825.43	8,825.43	27,000	1,724.19	-1,293.14	34,532.29
Germany	32,285.25	5,285.25	27,000	1,054.00	0	32,285.25
France	38,989.62	11,989.62	27,000	99.46	0	38,989.62
Luxembourg	30,453.30	3,453.30	27,000	0.45	0	30,453.30
the Netherlands	31,620	4,620	27,000	1,113.00	0	31,620.00
United Kingdom	29,436,28	2,436.28	27,000	3,377.09	0	29,436.28
Switzerland	29,767,50	2,767.50	27,000	-3,959.70	0	29,767.50

This means that Belgian employer costs remain in 6th place, but already performing better thanks to a reduction of nearly 1,300 EUR. With its most expensive employer costs, France comes in 7th and last place.

Scenario 3 - White-collar employee, gross salary of 27,000 EUR per year, single

Country	Old estimated employer costs	Social security for employer	Gross salary	Income tax	Exemption from withholding tax	New estimated employer costs
Belgium	35,825.43	8,825.43	27.000	5,769.62	-4,327.22	31,498.21
Germany	32,285.25	5,285.25	27.000	3,497.33	0	32,285.25
France	38,989.62	11,989.62	27.000	1,418.53	0	38,989.62
Luxembourg	30,453.30	3,453.30	27.000	1,523.45	0	30,453.30
the Netherlands	31,6200	4,620.00	27.000	1,230.00	0	31,620
United Kingdom	29,436.28	2,436.28	27.000	3,377.09	0	29,436.28
Switzerland	29,767.50	2,767.50	27.000	645.30	0	29,767.50

In this case, Belgian employer costs fall by a little over 4,300 EUR, lifting Belgium from 6th and second-to-last place to 4th with the United Kingdom, Switzerland and Luxembourg doing better.

Scenario 4 – White-collar employee, gross salary of 50,000 EUR per year, married 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	66,786.91	16,786.91	50,000	11,132.45	-8,349.34	58,437.57
Germany	59,781.16	9,781.16	50,000	7,040.92	0	59,781.16
France	73,203.00	23,203	50,000	1,422.08	0	73,203.00
Luxembourg	56,878.44	6,878.44	50,000	3,742.57	0	56,878.44
the Netherlands	59,226.00	9,226.00	50,000	13,040.00	0	59,226.00
United Kingdom	56,138.23	6,138.24	50,000	8,905.73	0	56,138.23
Switzerland	55,488.10	5,488.10	50,000	-3,251.91	0	55,488.10

In this case, through the application of the R&D measure, the Belgian employer cost falls by more than 8,300 EUR, lifting Belgium from 6th to 4th in the rankings for salary costs. Once again the United Kingdom, Luxembourg and Switzerland do better. Last year, the Netherlands did slightly better than Belgium.

Scenario 4 - White-collar employee, gross salary of 50,000 EUR per year, single

Country	Old estimated employer costs	Social security for employer	Gross salary	Income tax	Exemption from withholding tax	New estimated employer costs
Belgium	66,786.91	16,786.91	50.000	16,322.80	-12,242.10	54,544.81
Germany	59,781.16	9,781.16	50.000	11,567.02	0	59,781.16
France	73,203	23,203	50.000	6,089.69	0	73,203.00
Luxembourg	56,878.44	6,878.44	50.000	9,643.57	0	56,878.44
the Netherlands	59,226	9,226	50.000	13,165	0	59,226.00
United Kingdom	56,138.23	6,138.24	50.000	8,905.73	0	56,138.23
Switzerland	55,488.10	5,488.10	50.000	3,576.63	0	55,488.10

Here Belgian employer costs rise from 6th and second to last up to 1st place with an impressive cost-saving of over 12,200 EUR. In this case, Belgium passes the United Kingdom (which drops to 3rd place) and even eclipses Switzerland (now in 2nd place).

Scenario 5 – White-collar employee, gross salary of 75,000 EUR per year, married 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	100,073.85	25,073.85	75,000	-22,998.63	-17.248,97	82,824.88
Germany	86,391.83	11,391.83	75,000	15,288.83	0	86,391.83
France	109,227.47	34,227.47	75,000	4,112.91	0	109,227.47
Luxembourg	85,230.72	10,230.72	75,000	10,347.53	0	85,230.72
the Netherlands	84,237	9,237	75,000	27,138	0	84,237
United Kingdom	84,849.84	9,849.84	75,000	19,663.49	0	84,849.84
Switzerland	83,102.07	8,102.07	75,000	-1,076.83	0	83,102.07

The higher the withholding tax, the greater the savings for the employer, in this case a saving in excess of 17,000 EUR, also taking the employer cost in Belgium up from 6th to 1st place.

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

Country	Old estimated employer costs	Social security for employer	Gross salary	Income tax	Exemption from withholding tax	New estimated employer costs
Belgium	100,073.85	25,073.85	75,000	28,356.12	-21.267.09	78,806.76
Germany	86,391.83	11,391.83	75,000	22,799.61	0	86,391.83
France	109,227.47	34,227.47	75,000	11,855.74	0	109,227.47
Luxembourg	85,230.72	10,230.72	75,000	19,481.53	0	85,230.72
the Netherlands	84,237	9,237	75,000	27,263	0	84,237
United Kingdom	84,849.84	9,849.84	75,000	19,663.49	0	84,849.84
Switzerland	83,102.07	8,102.07	75,000	7,390.66	0	83,102.07

In this scenario Belgium again rises from 6th to 1st place through a reduction in the employer cost of over 21,000 EUR. In this situation, Switzerland is again next and the difference with the Belgian employer cost on this occasion rises to almost 4,300 EUR.

Conclusion

Employer costs are the highest in France and Belgium
Employer costs in Belgium are still very high. In the scenarios with blue-collar workers, the costs in Belgium are the highest of all 17 countries surveyed. In the scenarios with white-collar employees, Belgium still virtually always has the 2nd highest salary costs after France, which almost always performs the worst in this area. The salary costs in Sweden and Italy are always close to those in Belgium.

The villain of the piece here is social security. In 8 of the 17 countries, the social security contributions that the employer has to pay are restricted from a certain income upwards. In France, Belgium, Sweden and Italy, however, employer contributions are unlimited. Moreover, employers in these countries have to contribute at rates ranging from +/- 30% (e.g. Italy) to as much as 45% (i.e. in France). In Portugal, the United Kingdom, Poland, Switzerland and Ireland, employer contributions for social security are also unlimited, but the major difference here is that they are calculated using lower rates that vary from +/- 10% (e.g. Ireland and Switzerland) to +/- 24% (i.e. in Portugal).

In about half of the countries surveyed, employers have to pay social security contributions up to a specific maximum income. Income above this threshold is not subject to social security. 8 of the 17 countries surveyed have a similar limit on social security and, on average, the ceiling above which no further social security contributions due, amounts to approximately 60,000 EUR. This means the social security contributions in Belgium are already sky-high. On top of this comes the fact that Belgium is in the top 3 countries with a high statutory minimum wage (Luxembourg leads the way here, followed by Belgium and France). As a result, getting people employed might be considerably more difficult.

The Belgian social security system thus needs to take account of high percentages (which are applied without restriction), a high base (because of the high statutory minimum wage) and, as the cherry on the cake, mandatory annual indexation of all wages and salaries. Alongside Belgium, only Luxembourg, Slovakia and Spain also have a statutory system of indexation that employers are required to apply automatically to all salaries, in line with changes to the consumer price index. Although Luxembourg has the highest statutory minimum wage, it does not struggle with the same issues as Belgium, because employer contributions in Luxembourg are only 13% and are only paid on maximum incomes of 110,790 EUR.
In a number of countries, the business sectors themselves make an adjustment to salaries based on changes in local inflation and/or welfare. This happens in general via collective labour agreements whose terms are required to be applied within the same sector or industry. Whether it would make sense to impose separate percentages and ceilings depending on the risk of the sector or industry where people are employed would first require an in-depth examination of the current rates and contributions for each sector.

Is the 'fiscal cliffhanger' still 50%?
In 2011, we saw that the tax rates in Belgium were the 2nd highest of the 11 countries surveyed. Sweden came first with 57% and Belgium second with 53.5% with the main difference being that the top rate in Belgium kicks in already from an income of +/- 36,000 EUR, whereas in Sweden it is not until +/- 58,700 EUR. We also concluded in our 2nd edition of the survey that many countries appear to be afraid of increasing their top rate of income tax beyond the psychological threshold of 50%. With the expansion of the survey, 6 of the 17 countries now have a top rate of 50% or more. At the time this 3rd edition was being prepared (Fall of 2012), some countries announced that their top rate would be increased in the near future (e.g. Portugal, which will very probably break through the 50% barrier in 2013). No doubt the difficult economic and financial circumstances have led to this psychological threshold becoming blurred and/or disappearing. At the same time we also note that the average amount to which the top rate applies in much higher in most countries than in Belgium (e.g. approximately twice as high in Denmark and Sweden and around 10 times as high in Spain).

Non-working partner rewarded in Belgium
An unmarried person in Belgium is taxed more heavily than someone who is married and has a partner who is not working, as well as 2 dependent children. In Belgium, the difference in the tax burden varies roughly between 4,000 EUR and 5,500 EUR. Last year, we thought that Belgium was a bit of an exception to the rule in this area, except in the higher income categories where the differences in tax burden in Germany and France went even higher. With the expansion from 11 to 17 countries, it appears that several countries

have a rather conservative attitude with regard to the family and the income tax it has to pay. For example, the tax burden is now greater in France and Germany, as well as Luxembourg, Portugal and Switzerland (in 1 or more scenarios) than it is in Belgium. Only in the United Kingdom and Sweden is no distinction made in the taxpayer's personal situation when it comes to calculating the amount of income tax owed. So the vast majority of the countries surveyed give a tax reduction – or in other words a kind of bonus for having dependent children. Many taxpayers will consider this to be both obvious and logical. But what about the way spouses' incomes can be combined in Belgium? This tax measure gives legally cohabiting or married couples a sort of bonus in Belgium if only one of the two partners is working. However, in the context of the active welfare state, the aim is to get both partners working. When couples have a little less because only one of the partners is working, it might be better to allocate financial benefits via other channels than through taxes, because by giving a tax break, you might also be giving an advantage to people who don't need it.

Life expectancy and housing costs in Belgium take the mid-line between Northern and Southern Europe

The net disposable income received in Belgium by applying 'adjustments' on the basis of the cost of housing, the cost of living and child allowances is ranked even better this year. Belgium is clearly cheaper to live in than the more wealthy European countries and on the whole is somewhere between Northern and Southern Europe. For example, living in Brussels is cheaper than living in Luxembourg, Zürich, London, Paris, Dublin, Copenhagen and Amsterdam, with the gap becoming greater all the time. Having said that, living in Belgium is more expensive than in Poland, the Czech Republic, Slovakia, Greece and Portugal; although here the difference with Belgium is becoming smaller all the time.

Company cars still attractive in Belgium

Company cars have been taxed under a new system in Belgium since this year. If we leave expensive and highly polluting cars out of the equation, we can conclude that the new rules have had little impact on Belgium's ranking and that in comparison with the other countries surveyed, company cars are still dealt with leniently in Belgium from a tax point of view. The opposite is true for cars with a high catalogue value or with high CO_2 emissions.

Belgium attractive thanks to special R&D measure

Active or professional income is taxed heavily in Belgium, resulting in companies often finding it difficult to attract suitable staff. For companies able to employ staff in research and development – and provided they comply with a number of conditions and formalities – can use a tax measure that allows them to recover 75% of the researcher's withholding tax. The measure enables these employees to generate immediate and attractive savings on their salary costs meaning that Belgian companies in the highest salary categories in the examples given are able to get one step ahead of their competitors in neighbouring countries.
None of the other countries surveyed has a similar advantageous and structural system covering research and development. If Belgium is able to make people aware internationally of this R&D measure, it would probably increase the country's importance even more in this area.

Attracting company headquarters to Belgium is made difficult by high salary costs

Belgium has always traditionally been on the shortlist for company headquarters. However, the figures show that our high salary costs make us uncompetitive in relation to our immediate rivals, such as Luxembourg, Switzerland, Ireland and the Netherlands. Switzerland offers a structural benefit in terms of attractive headquarters operations purely because it has relatively low taxes and social security contributions. Even if we take account of the benefits that can be generated by applying the special tax status for foreign managers here, Belgium only scores better than Ireland and sometimes Luxembourg. But when we compare ourselves with the Netherlands, we have to conclude that on average Holland has a more favourable system for attracting foreign managers than Belgium has. However, Belgium scores best in terms of net disposable income. But because companies rather tend to base themselves on the gross cost of salaries and the fiscal (un)certainty in Belgium, there seems to be only a small chance that net disposable income will be a decisive element in choosing Belgium to establish their headquarters in.

Interest and dividends: Belgium on the European average

In line with last year, Belgian investors continue to pay an average amount of tax on interest and dividends compared with the other European countries surveyed. The average tax rate in the 17 countries surveyed amounts to 23.42% for interest (leaving out the United Kingdom and Denmark because their sliding scale rates are very wide ranging) and 25.13% for dividends (again the United Kingdom has been left our here because its sliding scale rates are very wide ranging). As a general trend, we see tax rates rising on passive income. This trend can also be seen in Belgium.
It is noteworthy that the normal tax rate in Belgium that applies to dividends is exactly the same as the European average for the 17 countries (i.e. 25%). It is also close to the average European rate that applies to dividends (i.e. 25.13%). In terms of interest, we can conclude that the normal Belgian tax rate that applies to interest (i.e. apart from the main exceptions that apply to regular saving accounts and some state bonds) is exactly the same as the median (i.e. 25%) and is also close to the average European tax rate that applies to interest (23.42%).
In Luxembourg and Greece, interest is taxed the least (at 10%). Dividends are taxed the least in Luxembourg and the Czech Republic (at 15%), whereas they are totally tax-free in Slovakia. In the future, the Czech Republic is likely to fall into line with Slovakia, because at the present time there is a proposal to make dividends totally tax-free in the Czech Republic as from 2015. Most countries apply a rate of tax on interest that remains below 30% (the exceptions here being Denmark and Switzerland). In Ireland and the United Kingdom, interest and dividends are often taxed at a higher rate, because it always depends on the taxpayer’s total income.

For capital gains, the general trend in Europe is to be systematically taxable if they are realised in the short term (e.g. < 6 months). As was the case last year, capital gains made in Belgium remain untaxed, except in the case of speculation (in which case 33% tax is levied on the capital gain). Whereas Belgium was the only exception in this area last year, we can now see that Greece and Switzerland have similar regulation following which they do not tax capital gains. In Luxembourg capital gains not made in the short term (< 6 months) and gains in connection with major shareholdings (>10% of the capital), are also free of tax.

Finally, a wealth tax remains the exception in Europe. Most European countries appear not to want to venture into a formal tax on wealth. However, newcomer Switzerland obliges taxpayers to pay tax on net wealth that exceeds certain thresholds. In Switzerland, low percentages apply and the threshold from which net wealth becomes taxable depends on the canton and city where the person lives, but is roughly around 2 million Swiss franc (i.e. +/- 2,700,000 EUR). We can say that France and Spain are the only other countries that have a wealth tax, in addition to Switzerland. We should ask ourselves whether this wealth tax actually delivers the expected results.

Everyone still at work until 67 or even 68?

In half of the countries surveyed, formal steps have already been taken to raise the statutory retirement age to 67 in the future. This applies for Denmark, Greece, Italy, the Netherlands, Poland and Spain. In Ireland, they have even dared to introduce a statutory retirement age of 68 (gradually by 2028) The United Kingdom has also decided to work towards a statutory retirement age of 68, but without setting an exact target date.
With its retirement age currently set at 65, Belgium is still in the middle of the bunch. However, if Belgium neglects to take measures in the short term on this matter, there is a risk that we will find ourselves at the back of the field within the foreseeable future. France, Luxembourg, Portugal, Slovakia, the Czech Republic and Switzerland are in the same boat.

Outliers and misfits

- Sweden has no statutory retirement age.
- Denmark has the lowest social security contributions for both employers and employees at 2%, but with an annual maximum contribution of approximately 145 EUR for employees and 1,208 EUR for employers. At the other end of the scale is the top Danish rate of up to 55.38% that applies to 57,031 EUR.
- Slovakia has no tax on dividends (and the Czech Republic is likely to follow suit from 2015).
- Switzerland, Greece and Belgium have no formal capital gains tax. In practice, this also applies to Luxembourg, except for gains made in the short term (< 6 month) or in relation to substantial shareholdings (> 10% of the capital).
- Only the Czech Republic and Slovakia collect income tax at a single fixed percentage that is applied to the person’s entire income, at 15% and 19% respectively.
- Portugal is the only country where employees are almost nevert taxed in practice on the benefit of a company car, even if the employee uses it for private purposes.

Epilogue

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

Our special thanks go to the following individuals:

Deloitte Denmark - Birgitte Nedergaard Hammerum and Bjarke Frostholm Rasmussen

Deloitte Germany - Nina Erdell and Katharina Schmutzler

Deloitte Greec - Vassileios Nakos and Achilleas G. Mitsanidis (e)

Deloitte Italy - Tiziana Creta and Andrea Paoletti (Deloitte Italy)

Deloitte Ireland - Justine Murphy and Jackie Coughlan

Deloitte Kortrijk - Anne-Sylvie Hubert

Deloitte Luxembourg - Marleen Vandenput and Andries De Prijcker

Deloitte Netherlands - Sebastian Spauwen and Marloes Slaakweg

Deloitte Poland - Magdalena Olkiewicz and Marcin Grzesiak

Deloitte Portuga - Luis Miguel Leon and Rosa Maria Soares

Deloitte Spain - Victoria De Las Heras and Elena Burgos

Deloitte Slovakia - Jozef Stieranka and Lubicia Dumitrescu

Deloitte Czech Republic- Robert Bezecny and Lucie Slejskova

Deloitte UK - Peter Austin-Bailey and James Whyte

Deloitte Sweden - Lina Sundstrom and Jonna Rickardsson

Deloitte Switzerland - Sofie Vandendriessche and Pascale Affolter

Deloitte Global Mobility Compensation Services - Mike Wincott

Contact

For more information, please contact:

Patrick Derthoo
Partner
+32 9 393 75 05
pderthoo@deloitte.com

Els Wouters
Manager
+32 3 800 86 17
elwouters@deloitte.com

Lies Moens
Senior
+32 3 800 86 57
lmoens@deloitte.com