European salary survey 2014

European employer keeps on struggling with high employer cost

5th edition - December 2014

Content

Foreword

The European Salary Survey was conducted for the first time by Deloitte Belgium in 2010 and is now in its 5th edition. The 2014 survey compares actual salary costs and the associated net pay levels in Belgium and 18 other European countries: Austria, Denmark, the Czech Republic, Germany, Greece, France, Ireland, Italy, Luxemburg, Malta, the Netherlands, Spain, Slovakia, Poland, Portugal, Sweden, Switzerland and the United Kingdom.

Seven different scenarios have been 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 survey also includes an additional section in which salary costs and net pay were examined from a different angle, converting them into 'net spendable income' by factoring in the cost of living and housing, as well as family allowances.

Furthermore, the report ranks the participating countries with respect to the taxable benefit of having a company car, and also provides a European ranking for the tax treatment of passive income (interests, dividends, capital gains and wealth).

This 5th edition also includes a section focusing on headquarter companies, including a ranking of Belgium and our main competitors in this area, as well as a chapter about legal and extra-legal pensions. Next to listing legal retirement ages and minimum/maximum state pension incomes, the existence of company pension plans have been investigated, moreover we examined how common company pension plans are within Europe and what the average percentages for employee and employer contributions would be in this respect. In this chapter, information has been provided regarding automatic annual salary indexation and legal minimum wages.
Last but least, the study ranks Belgium and our neighboring countries and main competitors in the area of R&D. Traditionally, the most pressing findings and highlights have been summarised at the end of the report.

Salary comparison

In this first section of the 5th 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 cost and the net/cost ratio.

Over the years, this survey has been expanded and now compares 19 countries i.e. our immediate neighbours Germany, France, the Netherlands and Luxembourg; Austria; the United Kingdom; Italy, Spain, Portugal, Malta and Greece for Southern Europe; Ireland and Switzerland because many companies have their headquarters located there and hence these are important competitors for Belgium; Denmark and Sweden as representatives of the Scandinavian countries; Poland as a cheap manufacturing country in Europe (comparable to China in Asia); the Czech Republic, which is a major player in the automotive sector, and finally Slovakia as an additional low-cost manufacturing country. As Switzerland has very varied tax rules depending on the location of the individual's residence, the enclosed report only contains the details and specifics for the canton Geneva, city of Geneva which is one of the most popular, as well as one of the most expensive, regions in the country.

Comparison of the figures

Reference is made to the appendix which includes the salary comparison charts.

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 or legally cohabiting 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 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 further detailed later, this impact appears to be the greatest in Luxembourg, Switzerland, Germany, France, Portugal and Belgium.

All calculations take account of the currently valid statutory and fiscal rules and sliding scale rates for 2014. 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

Until recently, the status of the blue-collar worker in Belgium differed from that of the white-collar employee (with respect 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 was discriminatory and therefore had to be eliminated by the final deadline of 8 July 2013. The harmonisation of the blue and white collar workers is however not yet realised: whereas the new and harmonised guidelines for dismissal are clear and new legislation in this respect has come into effect, we note that important differences yet remain e.g. in view of social security contributions, vacation pay, etc. The former blue-collar workers are for example still receiving their vacation pay via a separate vehicle, i.e. the holiday pay fund, which is taken into account for the computations.

In the first scenario, taking into account a remuneration package of 21.958,90 EUR gross on year basis, the employer costs involved again are the highest in Belgium, contrary to last year where France had the highest employer costs. In the second scenario, which takes into account a gross annual salary of 31,940.22 EUR, Belgium does again remain the country with the highest employer costs, closely followed 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, Spain, and in Austria which always ranks 6th place when it comes to employer costs in the scenarios of the blue-collar workers. One striking point is that the tax burden is frequently a great deal higher for an unmarried worker than for a married individual who has a non-working partner and 2 dependent children.

In scenario 1, this trend is particularly striking in Belgium, Denmark, Italy, Portugal, the Czech Republic and Germany where the differences in net pay roughly range from 1,854,84 EUR (Czech Republic) to 4,172.75 EUR (Belgium). In Switzerland, both single taxpayers and married individuals with a non-working spouse and 2 dependent children do not face any tax at all.

In scenario 2, the additional tax burden for a single person is the highest again in Belgium and amounts to 5,090.51 EUR which is even more than last year (when the difference amounted to 4,954;84 EUR). Next to Belgium, the difference in tax burden according to the taxpayer's personal situation is most noteworthy in Germany, Portugal, Ireland, Denmark and Luxembourg where the differences range from 2,865.10 EUR (Germany) to 2,231 EUR (Luxembourg). Sweden, Greece and the United Kingdom do not make a distinction in the personal situations of their taxpayers.

In scenarios 1 and 2, the net pay of the Belgian blue-collar worker still takes into account the net holiday pay that a blue-collar worker receives each year from the holiday pay fund. As explained in the introduction of the scenarios related to the blue-collar workers above, 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 working days. As a result, Belgian blue-collar workers still score high in the European rankings in terms of net annual income (see in annex for detailed ranking).

NB:
In this scenario, the social security contributions (employee and employer) have already reached their maximum in Denmark and Malta. 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 1,610 EUR in social security contributions (these amounts apply regardless of the level of income).
A similar trend occurs in Malta where all employees and employers each pay 10% on a weekly maximum income of 412.10 EUR (or 21,431.28 EUR on year base). Consequently, as of scenario 1, Maltese employers and employees each pay maximum 2,142.92 EUR on an annual basis. We refer to the concise overview on page 17 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 Belgian worker takes home the highest net pay from a gross annual salary of 21,958.90 EUR.
Consequently, Belgium has the highest employer costs on the one hand and the highest net income on the other hand. Ireland follows in 2nd place. The Netherlands take 3rd place, followed closely by Switzerland and Luxembourg. When the gross annual salary rises to 31,940.22 EUR (scenario 2), Switzerland takes the lead, followed this time by Ireland, Luxembourg and then Belgium.

If we look at the net/costs ratio in scenario 1 (gross annual salary 21,958.90 EUR), we can see that Belgium ranks in 8th place again with 69.99% (versus 69.49% in 2013). This means that Ireland, Switzerland, Luxembourg, the United Kingdom, Denmark, Malta and the Netherlands outperform Belgium. As was the case in previous years, France has the lowest net/costs ratio, being 53.48% (with an ever decreasing trend coming from 55.27% in 2010, to 55.02% in 2011 and 54.99% in 2012). However France's decreasing trend over the past 4 years has come to an end in 2014 (50.09% in 2013). In line with last year, 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 57.87% (with an ever increasing trend coming from 55.87% in 2010, to 55.98% in 2011, 56.25% in 2012 and 57.28% in 2013), placing Belgium in 12th place this year, compared to 14th in 2013 and 2012. Contrary to last year Belgium leaves behind Portugal and the Czech Republic. In line with last year, France, Greece, Slovakia and Italy score worse than Belgium. In addition, Austria, who ranked 17th last year, now falls back to the 18th place, with a net/cost ratio of 54.76% , just before France and just behind Greece.

When we restrict ourselves to the figures for Belgium, Switzerland, the UK, Austria and Belgiums immediate neighbours, it is clear that Belgian blue-collar workers, in line with prior years, receive a higher net income than their counterparts in the Netherlands, the United Kingdom, France, Germany and Austria. Ireland consistently scores very strongly (2nd place), while blue-collar workers in the Netherlands and Switzerland follow in the 3rd and 4th place. Luxembourg this year comes in 5th place with a net pay slightly lower than their Swiss counterparts. When the gross annual salary is increased (scenario 2), Belgian blue-collar workers remain ahead of their counterparts in the Netherlands, the United Kingdom, France, Germany, and Austria, but behind Switzerland, Ireland and Luxembourg.
Of our direct neighbours, Austria consistently scores the worst in both scenario 1 and 2 directly followed by Germany with regard to the level of net income.

However, when we focus on the figures for the net/costs ratio, Switzerland and Luxembourg, as well as the United Kingdom and the Netherlands, keep doing considerably better than Belgium in both scenarios. In scenario 2, we again see that Germany has a better net/costs ratio than Belgium. In line with last year, the net/costs ratio in France is the lowest of the 19 countries surveyed in both scenario 1 and 2 (53.48% and 53.49%).

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 again takes 4th place in 2014. The frontrunner is Switzerland, followed by Ireland. Blue- collar workers in Luxembourg receive the 3rd highest net pay, followed by Belgium and the United Kingdom. The Netherlands this year ranks 6th, i.e. this year contrary to last year followed by Sweden and Spain. When the gross annual salary rises to EUR 31,940.22 EUR, Belgium remains on the 12th place . The unmarried worker is now worst off in Portugal, although workers in Germany, Italy, Denmark, Greece, Poland and Austria all have a lower net income compared to the Belgian workers.

When comparing the net/costs ratio, Belgium, with 57.09% (scenario 1) and 47.26% (scenario 2) (versus 56.55% and 46.92% in 2013 and 55.74% and 46.29% in 2012) continues to do 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 14th in scenario 1. As was the case in previous years, Portugal (56.16%), Italy (55.57%), the Czech Republic (54.45%), Slovakia (54.32%) and France (50.92%), do worse than Belgium. 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, Switzerland, the UK, Austria and Belgiums immediate neighbours, we see that the unmarried Belgian blue-collar worker in scenario 1 still receives a higher net income than his counterparts in the Netherlands, France, Germany, the United Kingdom and Austria. Switzerland and Luxembourg keep doing better than Belgium in this regard. In scenario 2, however, as last year, only Austria and Germany do worse than Belgium. As also was the case last year the unmarried Portuguese taxpayer systematically had the lowest net income of all the countries surveyed, closely followed by Germany in both scenarios.

When focussing 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, even France surpasses Belgium, leaving it in last place with a very low ratio of 47.26% (versus 46.92% in 2013, 46.21% in 2012, 46.06% in 2011 and 45.97% in 2010).

Single Portuguese employees always have the lowest net income when lower salaries are concerned

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 to the situation of a married person with a non-working partner and 2 dependent children. The impact here varies roughly between 4,100 EUR and 5,700 EUR. Apart from Greece, Sweden and the United Kingdom, we see a similar trend in the rest of Europe.

The difference in tax burden based on an individual's personal situation produces some striking results. This trend is most apparent in Belgium, Germany and Denmark when looking at an annual gross income of 27,000 EUR (ranging from 4,116.55 EUR in Belgium to 2,339.47 EUR in Denmark). When looking however at the highest income level investigated (gross annual income of 125,000 EUR), the difference in tax burden is most apparent in Switzerland, canton of Geneva and city of Geneva (i.e. the Swiss region that applies the highest tax rates in Switzerland) where it amounts to 14,301 EUR. Next in line are France (where the difference amounts to 11,271 EUR), Germany (with a difference of 10,450.01 EUR) and Luxembourg (with a difference of 10,122 EUR).

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

From scenario 3 onwards, the employer cost is the highest in France, which is in line with the results of all the previous editions of this study. The top 5 of countries with the highest salary costs in this scenario remain: France, Slovakia, the Czech Republic, Belgium and Sweden. The salary costs in Austria, Spain and Italy in this scenario are 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 this year compared to last year, if we look at a married person with a non-working partner and 2 dependent children. Ireland, Switzerland, Luxembourg and the Netherlands do better here. In previous years, the unmarried Belgian white-collar employee was always worst off but following the severe changes in Portugal, the latter now features last and also Germany does slightly worse than Belgium.

We see similar developments when comparing the net/costs ratio: identical to last year Belgium takes the 9th place in the scenario of a married person with a non-working partner and 2 dependent children.
This means that Belgium performs better leaving the same 10 countries behind it as last year (i.e. Spain, Poland, Sweden, Portugal, Italy, the Czech Republic, Greece, Austria, Slovakia and France).

Again as last year, Belgium performed somewhat better with a current net/costs ratio of 50.65% (versus 50.01% in 2013, 49.46% in 2012 and 49.14% in 2011) when looking at the net/costs ratio in the situation of the unmarried employee. As a consequence, the French single tax payer again features in last place with 49.93%, just behind Belgium.

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 (Volkswagen Golf Variant 1.6 TDI). The method for calculating the taxable benefit related to having a company car considerably changed in Belgium over the last years. The 2nd edition of the Salary Survey examined the details of both the old and new tax systems regarding company cars. The figures mentioned in this 5th edition, only take into account the current rules. We can still conclude that the introduction of the company car has not led to any substantial improvements 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.

Looking at the Belgian employer costs in scenario 4 compared to the 18 other countries as last year, Belgium only did better than 4 other countries, i.e. France, Slovakia, Sweden and Austria.

NB: The employer costs shown in the graphics always represent an estimation of the total salary costs related to the relevant remuneration package, however excluding the lease fee/purchase price (or other costs) related to the company car.

A Belgian white-collar employee with a non-working partner and 2 dependent children receives a higher net

income than his counterparts in Portugal, Germany, the Netherlands, Italy, Denmark, Austria and Greece, and thus acquires the 12th place. (contrary to the 13th place in 2013)

The unmarried Belgian white-collar employee remains the worst off with a net income that is just slightly lower than in Denmark and Germany.
The reason why the unmarried Belgian white-collar employee has the lowest income in this scenario mainly results from the difference in tax burden described above depending on the individual’s personal situation.
In Belgium, this tax burden increases with 5,398.92 EUR, whereas the rise in taxes in the Netherlands (301 EUR), Austria (669 EUR), Slovakia (796.08 EUR), Spain (527 EUR), Italy (1,653.30 EUR), Malta (1,548 EUR), the Czech Republic (1,854.84 EUR) and Denmark (2,339.6 EUR) remains fairly limited. Compared to Belgium, the tax difference here is higher in Luxembourg (6,170 EUR) and Switzerland (5,632 EUR). As indicated earlier, the United Kingdom, Sweden and Greece have no difference in taxes between single and married individuals with children.

In terms of the net/costs ratio last year Italy, Greece, France and Austria scored worse than Belgium for the situation of a married person with dependent children whereas this year, France (50.26%) performs better than Belgium (49.88%). Only Austria (45.05%), Greece (47.48%) and Italy (47.51%) do worse than Belgium (49.88%).
The net/costs ratio for an unmarried individual earning a gross annual income of 50,000 EUR and a company car, amounts to 41.78% in Belgium and with this result Belgium again ranks last well behind Austria (44.05%) and France (44.14%).

NB:
Contrary to prior years we see that in this scenario only in one country, i.e. Spain, , the social security contributions (employee and employer) have already reached their maximum. However this excludes Denmark where social security contributions are limited to 145 EUR (employee) and 1,610 EUR (employer) regardless of the personal situation or income, as well as Malta where social security for both employee and employer is limited to 2.142.92 EUR respectively in all the scenario’s examined. The same applies to Sweden and Slovakia, although only with regard to employee contributions.
In the Netherlands, employer contributions are calculated on a maximum income of 51,414 EUR (versus 50,853 EUR in 2013) and employee contributions on a maximum income of 33,363 EUR (same as in 2013). In Spain, the employee contributions are calculated on a maximum income of 43,164 EUR (versus 41,108.4 EUR in 2013). The limit for Spanish employer contributions was brought in line with employee contributions in 2011 and consequently now also rises to 43,164 EUR (versus 41,108.4 EUR in 2013).

In Slovakia, employees and employers pay 13.4% and 35.2% respectively on a maximum income of 48,300 EUR. However, since this year employer contributions to the accident insurance are uncapped. 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 32,100 SEK or +/- 3,508.30 EUR (versus 31,976 SEK or 3,730 EUR in 2013), i.e. up to a gross income of 459,183 SEK or 51,104.60 EUR (versus 456,800 SEK or approximately 53,234 EUR in 2013). Note the impact of the exchange rate in this respect: 1 EUR = 8,9959 SEK (i.e. an exchange rate of 1 EUR = 8,5802 SEK was used in 2013). Please see the concise summary on page 17 and ff. for more details about the rates and ceilings for social security contributions in Europe

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 previous years, 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 better than the Netherlands, Greece, Italy and Denmark which continues to have the 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 followed by Belgium where he or she only earns 66.60 EUR net more than in Denmark.

Belgium's net/costs ratio is 43.36% (versus 42.63% in 2013, 42.22% in 2012, 41.96% in 2011 and 41.98% in 2010) leaving it in third-to-last place when it comes to a married white-collar employee with 2 dependent children. Only Greece and Italy do worse here with 43.18% and 38.80%

In the situation of an unmarried person, Belgium stays in last place with a ratio of 37.59% (versus 37.08% in 2013).

NB:
In this salary category, the social security contributions (employee and employer) reach its ceiling in Austria and Germany. In Austria, employees and employers pay together approximately 39.9% (18.07% for employees and 21.83% for employers) on a maximum income of 4,530 EUR per month for ordinary payments and 38.4% (17.07% for employees and 21.33% for employers) on a maximum income of 9,060 EUR per year for extra-ordinary payments. In Germany, employer and employee contributions (at 40.35%) are calculated on a maximum income of 71,400 EUR (versus 69,600 in 2013, 67,200 EUR in 2012 and 66,000 EUR in 2011) for pension and unemployment insurance and on a maximum income of 48,600 EUR (versus 47,250 EUR in 2013) for health care insurance.

Please see the concise summary on page 17 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 related to a salary package of 125,000 EUR gross per year and a BMW 520d business line as a company car remain the highest in France, followed by Belgium. In this scenario, the salary cost in Sweden also remains very close to Belgium (with a difference of 232.14 EUR).

Only Danish and Italian employees have a lower net income compared to Belgian employees, at least in the situation of a married person with a non-working partner and 2 dependent children. The Netherlands 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 receive 227.64 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. 37.84% versus 37.44% in 2013, 37.10% in 2012 and 37.28% in 2011) and for an unmarried person (34.38% versus 34.11% in 2013, versus 33.89% in 2012 and 34.13% in 2011). Italy does just a little better here than the married Belgian taxpayer, with a net/costs ratio of 37.88% (i.e. regardless of the individual's personal situation). As mentioned earlier, in this scenario the difference in the Italian tax burden disappears altogether.

NB:
In this scenario, the social security contributions (employee and employer) reach its ceiling in Greece, Luxembourg and Italy.
The social security contributions in Greece for employers amount to 24.56% (versus 27.46% in 2013) and to 15.5% (versus 16.5% in 2013) for employees on a maximum gross income of 83,153.25 EUR (versus 83,135.25 EUR in 2013) for 'new employees', i.e. employees who have been affiliated to the social security fund after 1st January 1993.

Italian employee and employer contributions also reach their maximum in this case. In line with last year, no contributions are owed above a gross income of 100,123 EUR (versus 99,043 EUR in 2013).

The social security contributions owed in Luxembourg by employers and by employees are calculated on a maximum income of 115,261.56 EUR
Please see the concise summary on page 17 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 also taking into account the status of a self-employed director (not having his own company), we see remarkable differences in the Belgian and Polish employer costs as well as in the employer costs related to Malta. As was also the case in previous years, Belgium climbs from the depths of the rankings to a joint 1st place (with Poland and Malta). This difference can be explained by the fact that only in Belgium, Poland and Malta a separate tax status for self- employed persons exists following which no employer social security 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 benefits 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. This does not entail an increase in net income for the employee but the salary cost decreases a little bit.

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

France also has a different social security treatment when it concerns a high executive without an employment contract as such individuals in France are excluded from the obligation to contribute to unemployment. Consequently, scenario 7 entails limited decreased social security contributions compared to the figures shown in scenario 6 (ordinary employee). In case it would concern an actual self-employed individual, according to French legislation, the individual should have his or her own company and invoice the services provided. In the latter situation (which is not envisaged in scenario 7 of this survey), no French employer social security contributions would be due at all.

In Luxembourg, it is possible to remunerate a Board member (partly) with directors' fees and in so doing achieve a significant cost efficiency 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 situation 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 were restricted to less than half of the amounts normally owed in 2013. However since 2014 both employee and employer contributions are due on the full income.

With respect to Austria, it should be noted that a director is treated as an employee as long as he or she has not invested more than 25% in the directed company. Consequently, the figures shown for scenario 6 equal those mentioned for scenario 7.

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 very low in Belgium, both for married and unmarried taxpayers. Only in the situation of the married taxpayer Denmark does worse (with 2,798.55 EUR net less than in Belgium).

The Belgian net/costs ratio here is now 50.08% (versus 48.86% in 2013, 48.54% in 2012, 49.02% in 2011 and 48.32% in 2010) for a married person with 2 dependent children and 45.47% (versus 44.33% in 2013, 44.17% in 2012, 44.73% in 2011 and 43.87% in 2010) for an unmarried person. This places Belgium 9th versus 12th in 2013(married) and 13th versus 17th in 2013 (unmarried) respectively in the European rankings. In the situation of a married taxpayer, Belgium does better than the Netherlands (47.54%), Italy (46.91%), Denmark (46.24%) and Sweden (40.26%), which corresponds with the situation last year. Unlike last year, France does again slightly worse than Belgium, with a net/cost ratio of 48.62% (49.37% in 2013) and also Ireland does slightly worse with a net/cost ratio of 48.57% (48.54% in 2013).

In the situation of an unmarried person, Belgium considerably rises in the European ranking, now also leaving behind Ireland, Denmark, Greece and Portugal next to France and Sweden.

General comments

With the expansion of the salary survey to 19 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 frequently has the highest net income (not consistently in scenarios 1, 3, 6 and 7). 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. much less than half of the salary category to which the marginal Swiss, Geneva 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 annum), 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 and 75,000 EUR per year.
- The Czech Republic and Slovakia perform solidly in the rankings for net income, but it is noticeable that those countries perform better according to the increase of the salary levels.
- Ireland systematically scores very well for the lower salaries but drops down to the second half of the ranking for the higher incomes, whereas Poland systematically follows the opposite trend with (very) poor net levels of income for the lower scenario's and tops rankings for the higher incomes.
- Among the countries that generally do less well in terms of net salary, Denmark still scores low almost systematically, particularly where the higher levels of income are concerned. Following the highest tax increase the Portuguese ever faced (and which occurred in 2013), Portugal also often features at the bottom of the European ranking regarding net income, especially when looking at the lower salary levels.
- Malta almost always performs 'good to average' following which it almost always features in the top 7 of the net income rankings. Austria performs average in view of net income following which it always features somewhere between the 10th to last place.
- Germany and Italy also often score poorly, albeit to a lesser extent: Germany does less poorly as salary levels rise significantly, whereas Italy does worse when pay levels increase (except for the self-employed scenario).
- The statement that Belgium is placed more often at the bottom of the 'net' rankings remains the case as gross income rises. The reason for this is that in Belgium, taxpayers quickly reach the highest tax rate, which can be seen clearly from the following summary on page 15 and ff (ranked on the basis of the highest tax rate).

Comparison figures 2010 - 2013

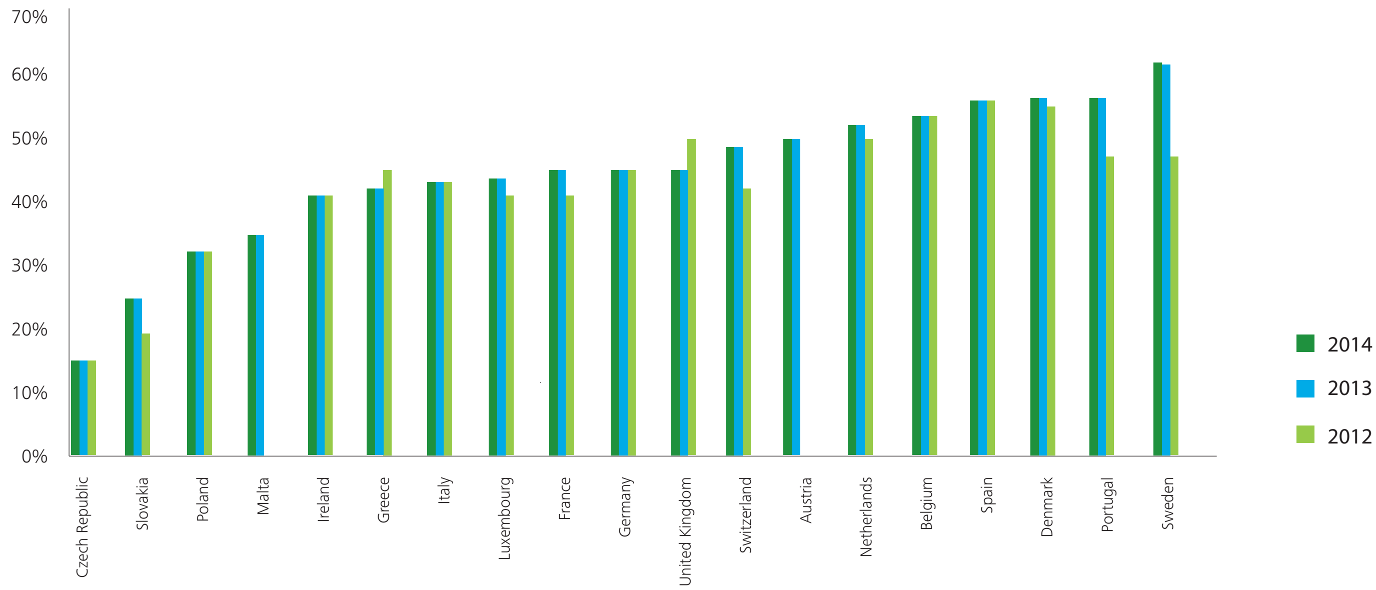
- When comparing the evolution of the employer costs of the various countries involved over the past years (i.e. 2010-2014), we can conclude that the Belgian employer costs remained equally high. Especially France faced an overall increase of its employer costs until last year (>5% when focusing on scenario 5, i.e. annual gross income of 75,000 EUR plus company car). Since 2014 however, this trend was stopped and if we compare 2013 to 2014 we see a decrease of >2.5% Also Poland faced an increased employer cost, however relating in particular to lower incomes (>3% for scenario 3, i.e. gross annual income of 27,000 EUR). Also the Netherlands faced a continued increase in employer cost (>3%). Furthermore, Slovakia also faced a continued serious increase of employer costs, more in particular with regard to the higher salary level of scenario 5 (>5%). With respect to the Czech Republic on the other hand, a considerable decrease in employer costs could be determined concerning the higher salary level of scenario 5 (>5%).
- In 2014 Belgian taxpayers generally received a higher net income compared to 2010. In France we saw a very modest increase in the net income relating to lower salary levels and a slight decrease of the higher salary levels. In the UK, the figures resulted in a considerable increase of net income related to lower salary levels, however a limited increase of the net incomes can be determined when looking at the higher salary levels. However, in 2014 no further increase of tax rates was implemented. In Portugal we observed an overall noteworthy decrease in net income. In Greece and Slovakia we observed an overall decrease in net income which is very limited when looking at the lower salary levels (<1%) but which is considerable (>8% respectively >7%) when focusing on the higher salary levels. In Ireland and Spain we noticed a decrease in net income related to higher salary levels (>2% respectively >4%).
- When focusing on the net/costs ratios and its evolution over the past 5 years, we conclude that the Belgian ratio systematically improved (e.g. for a married individual with a non-working spouse and 2 dependent children and earning an annual gross income of 27,000 EUR, the ratio amounted to 60.31% in 2010 to 62.14% in 2014). Also the UK shows a positive trend for the net/cost ratio's over the years (almost 5% in scenario 1 fading out towards the highest incomes).
- France shows an opposite trend. Here the ratio dropped with 3.47% from 2010 to 2013 when focusing on scenario 5 and taking into account a married individual with 2 dependent children but is showing a positive evolution again in 2014 (+2.05% compared to 2013). The net/costs ratios in Portugal and Slovakia also considerably decreased. The Slovakian decrease amounts to almost 8% in scenario 5, both for single and married individuals. The Portuguese decrease in scenario 5 amounts to almost 4% for married individuals versus 5% for single taxpayers.

Summary of highest tax rates

Country	Any changes compared to last year?	Highest tax rate	From an income higher than
Czech Republic	Yes – Level of income on which the Solidarity tax of 7% is applicable, was slightly increased	Fixed rate of 15% (in practice effective tax rate is 20.1% as the tax base is increased with SSHI contributions made by the employer) The highest tax rate incl. Solidarity tax is 23.35%	On the full income Additionally the Solidarity tax of 7% is due on annual income that exceeds the threshold of 1,245,216 CZK or +/- 44,719.55 EUR. The solidarity tax of 7% is also applied on monthly income exceeding the threshold of 103,768 CZK or +/- 3,726.63 EUR
Slovakia	Yes	25%	On monthly tax base exceeding 2,918.53 EUR or 35,022.36 EUR per year (below this threshold, the tax rate is 19%)
Poland	No	32%	85,528 PLN (+/- 20,363.81 EUR)
Malta	Yes	35% (and income between 28,701 EUR – 60,000 EUR is now taxable at 29%, previously at 32%)	60,000 EUR
Ireland	No	41% (plus universal social contribution of 4 to 7%)	32,800 EUR (for an unmarried person) and 41,800 EUR (for a married person with 1 working partner)
Greece	No	42% (plus solidarity contribution of 4%)	For income over 42,000 EUR but the solidarity contribution is only due on income above 100,000 EUR
Italy	Yes	43% (plus regional tax 1.73 - 2.33% and municipal tax 0 - 0.9%)	75,000 EUR
Luxembourg	No	42.80% or 43.60% (depending on whether the income exceeds the limit or not)	150,000 EUR (unmarried taxpayers) 300,000 EUR (couples who are taxed together)
France	No – but changes to the legislation will probably be announced at the end of December 2014 which could retroactively come into affect.	45% *plus special solidarity contributions amounting to approximately 15.5% on investment income **plus 4% of contribution on high income	150,000 EUR • As from the 1st euro **As from 500,000 EUR for single taxpayers (1,000,000 EUR for married taxpayers)
Germany	No – only change in tax free amount	45% (plus solidarity contribution of 5.5%) (Church tax if applicable)	250,731 EUR
United Kingdom	Yes -Increased tax-free personal allowance (£ 10,000)	45%	£ 150,000 (+/- 176,043 EUR)
Switzerland	Depending on both the canton and the municipality of the person's residence	Canton of Geneva, city of Geneva: 48,5% (top marginal rate)	579,129 EUR
Austria	No	50%	60,000 EUR
Netherlands	Yes -Decrease of the tax rate in the first bracket and increase of amount as of which the marginal tax rate applies	52%	56,531 EUR (versus 55,991 EUR in 2013, 56,491 EUR in 2012)

Belgium	Yes - rise in the scale to which the marginal rate applies	53.5% (including municipal tax: 0 – 9%)	37,750 EUR (versus 37,330 EUR in 2013, 36,300 EUR in 2012)
Denmark	Yes	55.56%	65,523 EUR (versus 61,424 EUR last year)
Spain	No - The 'supplementary tax rate' ranging from 0.75% to 7% is still applicable	52% for withholding purposes. Final tax rate depends on the region where the person lives. 56% in Catalonia, 51.5% in Madrid	300,000 EUR
Portugal	No	56,5% (including 3.5% surtax applicable on all taxable income exceeding 6,790 EUR)	250,000 EUR
Sweden	Yes - rise in the limit on which the marginal rate applies and impact of the exchange rate	61.59% (which relates to a specific municipality and includes the church fee) (versus 61.24% last year)	On income above 420,800 SEK (+/- 46,776.89 EUR) national tax of 20% is charged. On income above 602,600 SEK or +/- 66,986.1 EUR (versus 591,600 SEK or +/- 65,763.3 EUR in 2013), an additional 5% national tax is charged.

Highest income tax rate



Summary of social security rates

In all employee scenarios (scenario's 1 -6) investigated, Belgium systematically belongs to the top 5 of countries with the highest employer costs. In line with previous years, this trend can be explained by the fact that in Belgium, employer and employee social security contributions are due on all income derived without any cap. As the majority of countries investigated (10 out of 19) only charge employer social security contributions up until a certain limit or threshold, the impact of charging unlimited social security contributions is very significant. Furthermore, in the countries where unlimited social security contributions are due, the percentages are much more moderate compared to Belgium and France which continues to hold the crown in this area, with unlimited employer contributions of approximately 45% as is clearly shown in below overview.

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 +/- 1,610 EUR per year
Malta	Yes – increased limit	Limited	Employers and Employees each pay 10% of the basic weekly wage subject to a maximum income of €342.53 per week (max contribution €34.25 per week or 1,781 EUR per year) for persons born before 1/1/1962 and €412.14 per week (max contribution €41.21 per week or 2,142.92 EUR per year) for persons born after 31/12/1961
Netherlands	Same limit for employee contributions and decreased exemption. Increased limit for employer contributions, and increased contribution %.	Limited	Employees: 31.15% on maximum earnings of 33,363 EUR (same as 2013) and a maximum exemption of 3,608 EUR Employers: 19,59% (versus 17,9 % in 2013) on maximum earnings of 51,414 EUR (versus 50,853 EUR in 2013)
Spain	Yes – increased limit for employee and employer contributions	Limited	Employees: 6.35% on a maximum income of 43,164.40EUR (versus 41,108;40 EUR in 2013) Employers: approximately 29.9% (an additional percentage has to be added to this one, which depends on the activity of the employer) on a maximum income of 43,164 EUR (versus 41,108,4 EUR in 2013
Slovakia	Yes – increased limit	Limited	Employees: 13.4% with a limit for contributions to 48,300 EUR per annum (versus 47160 EUR in 2013) Employers: 35.2% (same limit). However there is no limit for accident insurance (0,8%).

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 459,183 SEK or +/- 51,104.6, EUR (versus 456,800 SEK or +/-53,234.42 EUR in 2013) i.e. maximum contribution of 32,100 SEK or +/- 3,568.30EUR (versus 31,976 SEK or +/- 3,554.5EUR in 2013). As a tax reduction with a corresponding amount is granted, it is generally at no cost to the employee. Employers: 31.42% (employees born between 1948 – 1986)
Germany	Yes, increased limit	Limited	Employees and employers pay together (about 50/50) approximately 40.35% on a maximum income of 71,400 EUR (versus 69,600 EUR in 2013) for pension and unemployment and on a maximum income of 48,600 EUR (versus 47,250 EUR in 2013) for sickness and disability.
Austria	Yes, increased limit	Limited	Employees and employers pay together approximately 39.9% (18.07% for employees and 21.83% for employers) on a maximum income of 4,530 EUR p.m. for ordinary payments and 38.4 % (17.07% for employees and 21.33% for employers) on a maximum income of 9,060 EUR p.a. for extraordinary payments
Czech Republic	Yes Increased limit for Social Security (SS) (and impact of exchange rate)	Limited But contribution to HI is uncapped	Employees: 6.5% on a maximum income of 1,245,216CZK or +/- 44,719.55 EUR (SS) 4.5% on the full income (HI)Employers: 25% on a maximum income of 1,245,216 CZK or +/- 44,719.55EUR (SS) 9% on the full income (HI)
Ireland	No	Unlimited	Employees: approximately 4% but with certain exemptions Employers: either8.5% (on weekly wage below 356 EUR) or 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)

Country	Any changes compared to last year?	Social security: limited or unlimited	On a maximum gross annual income of …
Poland	Yes, increased limits for employee and employer contributions for pension and disability	Unlimited but some contributions are capped (pension and disability)	Employees: 2.45% unlimited (sickness) + maximum contribution 12,653.99PLN or +/- 3,012.85 EUR (versus 12,542.51 PLN of +/- 2,986.31 EUR in 2013) (pension and disability) + 9% unlimited (health contribution) Employers: maximum pension and disability contribution 18,272.99 PLN or +/- 4,350.71 EUR + <0.67% -3.86%> unlimited (work accidents) + 2.45% unlimited (employment fund) + 0.1% unlimited (fund for guaranteed employee benefits).
Luxembourg	No	Limited	Employees: 11.05% on a maximum income of 115,261.56 EUR + 1;4% of dependence contribution which is not capped Employers: 12.43% - 14.30%) on a maximum income of 115,261.56 EUR
United Kingdom	Yes – very small changes in the thresholds	Unlimited	Employees: 12% on income between 7,956 GBP and 41,865 GBP or +/- 52,365 EUR (versus 7755 GBP and 41,450 GBP or +/- 51,869EUR in 2013) and 2% above Employers: 13.8% on all income above 7,956 GBP or +/- 9,950.22 EUR (versus 7,748 GBP or +/- 9,697 EUR in 2013)
Portugal	Yes for statutory directors. the contributions were capped and now are uncapped	Unlimited	Employees: 11% Employers: 23.75%
Greece	Yes, decreased rates for employee and employer contributions as of July 2014.	Limited	Employees and employers together pay 40.06% (versus 43.96% in 2013) of which employees pay 15.5% (versus 16.5% in 2013) and employers 24.56% (versus 27.46% in 2013), on a maximum annual gross income of 83,153.25 EUR (versus 83,135.25 EUR in 2013)
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 100,123 EUR if the limit applies) (versus 99,034 EUR in 2013) Employers approximately 30 to 38% (on a maximum income of 100,123 EUR if the limit applies) (versus 99,034 EUR in 2013)
Belgium	No	Unlimited	Employees: 13.07% Employers: approximately 35%
France	Yes Employee and employer retirement contributions increased by 0.2 points Family allowances contributions reduced by 0.15 points	Unlimited	Employees: approximately 18% Employers: approximately 45%

Belgian government agreement 2014

1. Targetted reduction of the base rate of employer's social security contribution to 25%

Reduction of the base rate of employer's social security contributions before end of the 5 year term of office. Targeted base rate: 25%
The Belgian government announced in it's Government Agreement the aim to reduce the base rate of employer's social contributions before the end of the 5 year term of office. The targeted base rate would amount to 25%.

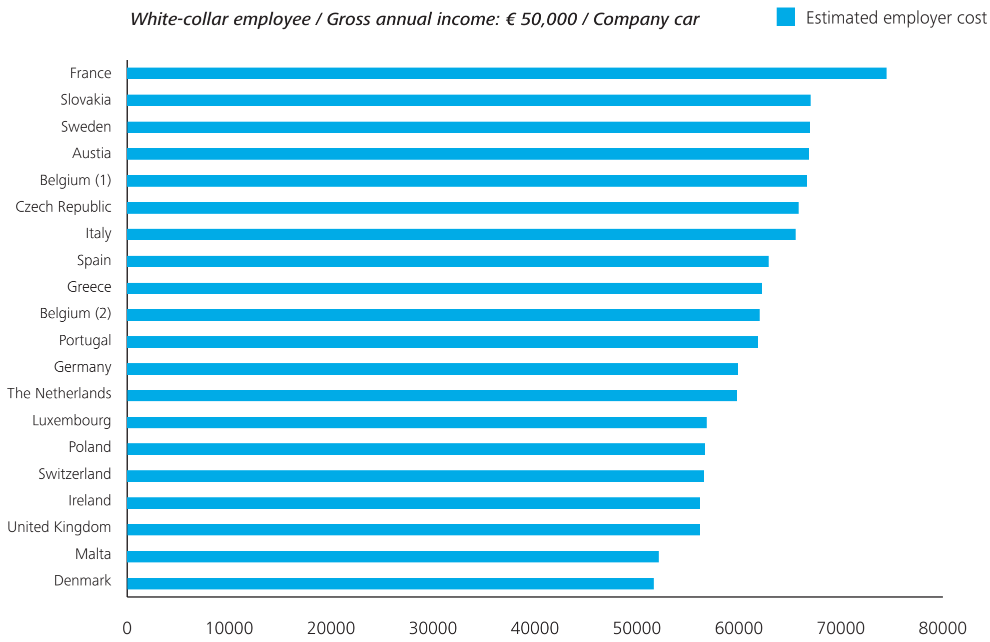
Currently, the employer social security contributions amount approximately to 35% of the total gross salary. In order to verify the impact of this decrease on the total employer cost, we have recalculated the employer cost of scenario 4, 5 and 6 taking into account a contribution of 25%. Compared to the rankings discussed earlier, Belgium climbs 4 places in scenario 4 (gross salary of EUR 50,000) from being the 5th most expensive country in terms of total employer cost to the 9th most expensive country. Although this might seem impressive, Belgium only overtakes Greece, Spain, Italy and the Czech Republic in being less expensive. The main neighbouring countries (except for France who has the highest employer cost), are still less expensive.

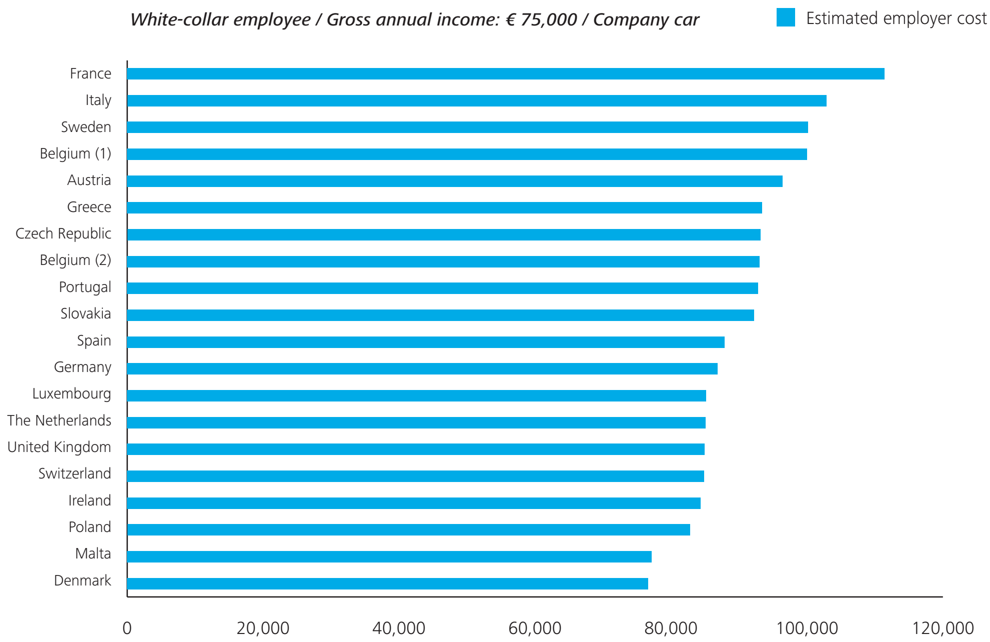
As of scenario 5 (gross income of EUR 75,000), the impact is even smaller. Belgium gains 3 places in scenario 5 from being the 4th most expensive country to the 7th most expensive country. In scenario 6 (gross salary of EUR 125,000), Belgium only climbs 2 places from being 2nd most expensive country to the 4th most expensive country.

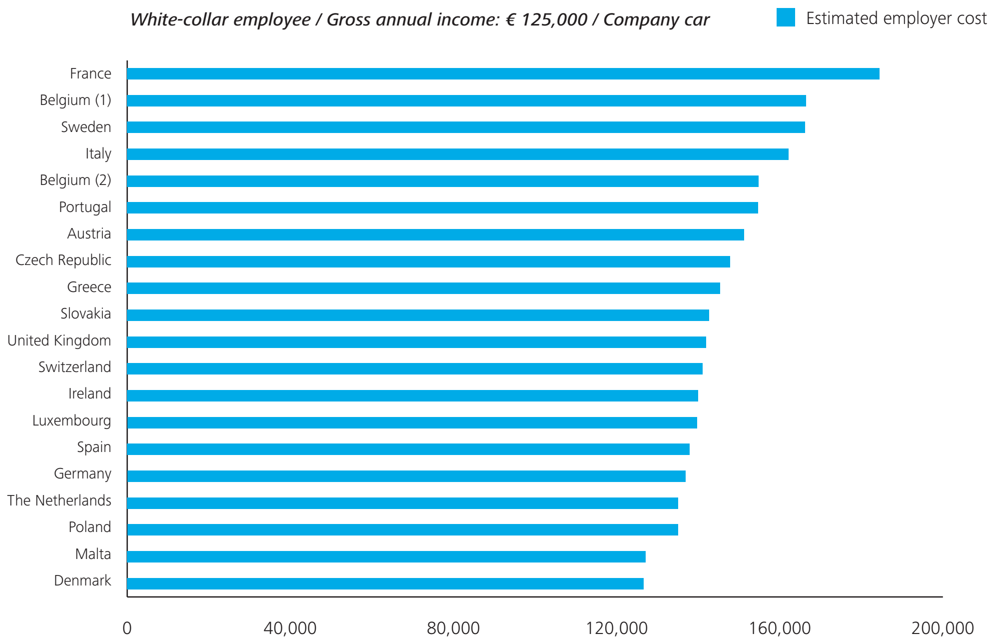
Although lowering the employer social security contributions to 25% has an impact on the position of Belgium in the ranking of the total employer cost of the European countries envisaged, Belgium is still more expensive than its main competitors (except for France) and therefore less competitive.

2. Lump Sum business expenses

The Belgian government also announced to increase the lump-sum deduction for business expenses as of tax year 2016. Given the proposed brackets and maximum as of tax year 2016, we have investigated the impact on scenario's 4, 5 and 6. The impact on the increased lump-sum deduction for business expenses on the total net income in view the other countries is minimal. Only in scenario 4 the ranking of the net income of the Belgian single employee differs. In this scenario, Belgium passes Denmark, Germany and the Netherlands.


White-collar employee / Gross annual income: € 50,000 / Company car
Estimated employer cost
France
Slovakia
Sweden
Austria
Belgium (1)
Czech Republic
Italy
Spain
Greece
Belgium (2)
Portugal
Germany
The Netherlands
Luxembourg
Poland
Switzerland
Ireland
United Kingdom
Malta
Denmark
0
10000
20000
30000
40000
50000
60000
70000
80000


White-collar employee / Gross annual income: € 75,000 / Company car
Estimated employer cost
France
Italy
Sweden
Belgium (1)
Austria
Greece
Czech Republic
Belgium (2)
Portugal
Slovakia
Spain
Germany
Luxembourg
The Netherlands
United Kingdom
Switzerland
Ireland
Poland
Malta
Denmark
0
20,000
40,000
60,000
80,000
100,000
120,000


White-collar employee / Gross annual income: € 125,000 / Company car
Estimated employer cost
France
Belgium (1)
Sweden
Italy
Belgium (2)
Portugal
Austria
Czech Republic
Greece
Slovakia
United Kingdom
Switzerland
Ireland
Luxembourg
Spain
Germany
The Netherlands
Poland
Malta
Denmark
0
40,000
80,000
120,000
160,000
200,000

Salary comparison
Net disposable income

When applying the adjustments in view of family allowances, housing costs and costs of living to the net income results from chapter 1, we obtain a "net disposable income" per scenario and for each country, which frequently differs significantly from the "net income" discussed earlier.
Taking into account the adjusted net amounts, being the net disposable incomes, the 19 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	7,198.33 EUR
Germany	4,416.00 EUR
Spain	3,876.00 EUR
Switzerland	3,871,00 EUR
Belgium	3,751.68 EUR
Austria	3,495.20 EUR
Denmark	3,346.00 EUR
Ireland	3,120.00 EUR
Sweden	2,801.28 EUR
The United Kingdom	2,077.29 EUR
The Netherlands	2,025.96 EUR
France	1,552.20 EUR
Malta	900 EUR if gross income > 24,621 gross/yr
Portugal	636.96 EUR
Slovakia	513.84 EUR
Italy	258.33 EUR
Greece	0.00 EUR
Poland	0.00 EUR
Czech Republic	0.00 EUR

Comparison of the figures

Reference is made to the appendix which includes the salary comparison charts.

Analysis of the data

Child allowance

As listed below, Belgium ranks 5th in the list of countries allocating child allowances for 2 dependent children. Luxembourg, Germany, Switzerland and Spain still allocate higher child allowances for 2 dependent children. It is interesting to note that in the majority of the countries surveyed (i.e. in Austria, Denmark, Ireland, Sweden, the United Kingdom, the Netherlands, France, Malta, Portugal, Slovakia and Italy) a lower or even no child allowance (i.e. the case in the Czech Republic, Greece and Poland) is allocated.

Housing costs & cost of living

Housing costs

The housing costs included in our salary comparison are defined based on generally available data applicable to the capital cities involved (which in turn have been taken from public government statistics). These data reflect 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. In accordance with last year, the methodology was defined by the combination of sources in order to avoid extremes. We can again conclude that the housing costs in Amsterdam, Copenhagen, Dublin, London, Luxemburg, Paris, Milan/Rome, Stockholm and Switzerland (Geneva) are more expensive in all scenarios than those in Brussels.

The data show that the housing costs in Barcelona and Madrid were equally expensive as Brussels in 2012, but a little bit cheaper in 2013 and still cheaper in 2014. A similar evolution can be noted in Germany which was slightly more expensive than Belgium in 2012, but which has become slightly cheaper in 2013 but is becoming slightly more expensive again in 2014 (however still behind Belgium).

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, Malta, Portugal, Slovakia, Austria and Spain. Some of the developments described above are partly attributable to the impact of the exchange rate.

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

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 of 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, the same methodology as last year was used, meaning that the 'cost of living adjustment' applied in the figures was defined by the combination of sources in order to avoid extremes.

Based on these data, we can again conclude that the cost of living is cheapest in Poland, the Czech Republic, Slovakia, Portugal, Malta, Spain, Greece, Austria and Italy. Whereas German costs of living appeared to be more expensive compared to Belgium in 2012, the public data now show that Germany is still clearly cheaper compared to Belgium (same level as Italy).

The cost of living in Brussels is still lower than in the capital city areas of most of our neighbouring countries (i.e. Amsterdam, London and Paris). Stockholm and Dublin again come out as more expensive than Brussels and the same applies to Denmark, Luxembourg and Switzerland (Geneva).

In brief, the cost of living is highest in Geneva, followed by London. Prague is the cheapest to live in, followed equally by Warsaw and Bratislava

Net disposable income

Blue-collar workers

In chapter 1, we saw that Belgium is ranked 1st when we look at its net income in the salary category of a gross annual income of 21,958.90 EUR for a married person with 2 dependent children. When family allowance, the cost of housing and the cost of living are included in the comparison, Belgium contrary to previous years, this year ends in 2nd place in the European rankings behind the Czech Republic. In the next salary category (i.e. a gross annual income of 31,940.22 EUR), Belgium remains 6th, on the European ranking of net disposable income, i.e. after the Czech Republic, Slovakia, Poland, Malta, and Spain.

In accordance with last year, Belgium reaches a higher net disposable income in both salary categories than our immediate neighbours. Germany is next in line in 9th place in both scenarios. The Netherlands follow in 11th place (scenario 1) and 13th place (scenario 2). Austria takes the 10th position (in both scenario's) on the European ranking of net disposable income whereas Luxembourg features in 12th place in both scenarios. France takes the 17th place in both scenarios, followed by Switzerland (in last place in scenario 1) and the United Kingdom (in last place in scenario 2).

The net disposable income is exceptionally the 2nd highest of all for married Belgian taxpayers in scenario 1, but in scenario 2, the Czech Republic, Slovakia, Poland, Malta 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 4th (net income) to 8th place (net disposable income), which is in line with last year. Similar to last year, Switzerland, the United Kingdom and France have the lowest net disposable income.

However, with a gross annual income of 31,940.22 EUR, Belgium rises from 12th place (net income) to 11th place (net disposable income). These results are in line with those of last year.

In both salary categories, Belgium continues to outperform all of its neighbours (including Switzerland and the United Kingdom) in terms of net disposable income. (except for the Netherlands in case of a single individual earning 31,940.68 EUR).

Interestingly, countries like Switzerland, Luxembourg and the United Kingdom, which scored well in the rankings for net income, perform considerably less well in the rankings for net disposable income, particularly in the scenarios for blue-collar workers. We can also see that as last year all of the ratios between net disposable income and salary costs equally vary between 97.33% (Malta) and 26.57% (Switzerland) They are slightly lower than last year i.e. 101,59% (Malta) and 31,51% (France). Belgium is ranked 11th (81.58%) / 13th (65.69%) place for a married person with dependent children in scenario 1 / scenario 2, and it takes 14th (57.09%) / 16th (47.26%) place when looking at the ratio of its net disposable income compared with the salary costs for an unmarried Belgian in scenario 1 / scenario 2. Regarding its neighbouring countries Belgium systematically outperforms France, Switzerland and the United Kingdom in this area. The corrections in view of living and housing as applied to Germany push Germany's net spendable income up the ranking, i.e. for scenario 1 (married taxpayers): from 5th place with a ratio of 88.24%; and for scenario 2 : 7th place with a ratio of 78.05%. These significant differences in the ranking between the scenario without and with correction for cost of living and housing mainly follow from the fact that both housing and living has become cheaper in the capital cities of Germany compared to Brussels.

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 (Ireland, Switzerland, Luxembourg, the Netherlands have a higher net income). For net disposable income, Belgium comes 9th in this scenario, after the Czech Republic,Slovakia, Spain, Poland, Malta, Portugal, Greece and Germany. Last year, Belgium's net disposable income was ranked in 8th place. A Greek employee now also disposes of a slightly higher net disposable income of 814 EUR compared to a Belgian employee.

This also means that employees in Belgium still receive a higher net disposable income than in Austria, Ireland, Luxembourg, the Netherlands, Italy, Sweden, Denmark, France, Switzerland and the United Kingdom. As far as an unmarried person with no children is concerned, net income in Belgium is ranked 3rd to last place this year (versus 2nd place in 2013 and last place in 2012 when Germany still scored better). However, in this situation, the Belgian net disposable income exceeds the net disposable income in Switzerland, the United Kingdom, France, Denmark and Luxembourg by which Belgium is placed 14th in the European rankings for net disposable income (versus 15th place in 2013). Last year in this scenario, Luxembourg scored better than Belgium in terms of net disposable income, but performs worse now.

In the rankings for the ratio of net disposable income in relation to salary costs, Belgium is in 13th place with 72.61% (versus 71.98% in 2013) for a married person with dependent children, respectively in 15th place with 50.65% (versus 50.01% in 2013)for an unmarried person. Regardless of the personal situation, Belgium beats France, Switzerland and the United Kingdom.

Gross annual salary of 50,000 EUR

Contrary to last year, Belgium is now positioned in 12th place in view of ordinary net income in this scenario and focussing on married taxpayers with 2 dependent children (versus 13th in 2012 and 2013). However now Portugal has a lower net income than Belgium, as remains the case for Germany, the Netherlands, Italy, Denmark, Austria and Greece.

In terms of net disposable income, Belgium climbs to 10th place, again leaving Austria, Ireland, Italy, the Netherlands, Sweden, France, Denmark, Switzerland and the United Kingdom behind. In this scenario, the Czech Republic, Poland, Slovakia and Malta have the highest net disposable income (as was the case in 2012 and 2013).

Similar to previous years, the net income of an unmarried person in Belgium was lower than in all of the other countries surveyed. Similar to last year, Belgium occupied the 15th place when looking at the net disposable income. Only France, Denmark, the United Kingdom and Switzerland perform worse in this respect.

In this scenario, Belgium ranks in 11th place with 55.5% (married), and 16th place with 41.78% (single) respectively in the European rankings for the ratio of net disposable income versus salary costs. The United Kingdom, Switzerland and France do worse in both cases.

Gross annual salary of 75,000 EUR
In this scenario, only white-collar employees in the Netherlands, Greece, 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). When looking at the adjusted income or the net disposable income in this scenario, Belgium rises to 11th place and hence performs better than Ireland, the Netherlands, France, Sweden, Italy, Switzerland, Denmark and the United Kingdom.

The net income of an unmarried Belgian is again 2nd to last because the unmarried Dane earns another +/- 66,6 EUR less in this scenario. In the rankings for net disposable income, Belgium drops from 15th to 14th place. Ireland now does worse than Belgium.

In this scenario Belgium comes in at 13th place with 47.11% (married) and in 17th place with 37.59% (unmarried) in the European rankings for the ratio of net disposable income versus salary costs. On this occasion, only Switzerland and France do worse regardless of the personal situation whereas also the United Kingdom, Italy, Sweden and Denmark do worse than Belgium in the situation of married taxpayers.

Gross annual salary of 125,000 EUR
As last year, the married Belgian taxpayer with 2 dependent children comes 3rd to last in terms of net income corresponding to a gross annual income of 125,000 EUR and company car (only Denmark and Italy do worse). Denmark as well as Italy have a lower net income compared to Belgium. With regard to the net disposable income, this year Belgium is ranked 12th, leaving behind Ireland, the Netherlands, Italy, Switzerland, Sweden, Denmark as well as the United Kingdom

In this scenario, the net income of an unmarried Belgian is ranked last in Europe for the 5th time in a row. This year, Belgium climbs 1 place in the ranking regarding the net disposable income, with a 16th place (versus 17th last year): this year the Swiss unmarried individual has a lower net disposable income than the Belgian individual.

When we look at the ratio between net disposable income and salary costs, Belgium scores 40.10% (married) and 34.38% (unmarried), ranking at 15th (married) / 18th (unmarried). Only France does systematically worse than Belgium with 37.44% in the situation of a married person with 2 dependent children and 32.37% for an unmarried person. Furthermore, Italy, Sweden and the United Kingdom do worse than the Belgian taxpayer, however only with respect to the married individual.

Self-employed director – gross annual income 125,000 EUR
In line with previous years, the Belgian married self-employed director (not having his own company) earning a gross annual income of 125,000 EUR (and a company car) has a very low net income compared with the rest of the countries surveyed. On this point, again Denmark does a little less well than Belgium.

In line with the past 3 years however, when looking at the rankings of the 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 and this year also Switzerland and Ireland.

For the fourth year in a row, the net income of the single self-employed Belgian was the lowest of all, but in terms of net disposable income, Belgium did better than the United Kingdom and Denmark but this year also better than Switzerland.

Of course Belgium scores better here in the ranking regarding the ratio of net disposable income versus employer costs. With 53.08% (married) / 45.47% (single), Belgium takes respectively 10th and 11th place, i.e. preceded by our neighbours Germany and Luxembourg, but leaving behind Austria, Italy, the Netherlands, Ireland, Switzerland, Denmark, France, Sweden and the United Kingdom when focusing on the situation of the married taxpayer. When focusing on the situation of a single taxpayer, Belgium is again preceded by our neighbour Germany, but we leave behind Luxembourg and the rest of our remaining neighbouring countries.

General comments

- The good news is that, when comparing the net disposable incomes for Belgian blue-collar workers with that of our neighbouring countries / main competitors (i.e. Germany, France, Luxembourg, the Netherlands, Austria, the United Kingdom and Switzerland), we can conclude that Belgian blue-collar workers always have a higher net disposable income. Austria and the Netherlands are however the only exceptions when it concerns a single Austrian/Dutch taxpayer earning a gross annual income of 31,940.22 EUR, as he or she is better off by 1,246.16 EUR/325,96 EUR respectively compared to the Belgian single taxpayer.
- The bad news however is that Belgian white-collar employees are generally worse off in all salary categories than his or her neighbours. More in detail, the German and Luxembourg employees always have a higher net spendable income versus the Belgian employees, except when it concerns the Luxembourg employee (single or married) who earns 27,000 EUR, in that case the Belgian employee has 392.99 EUR or respectively 1.407,89 EUR more. The Belgian employee is also always worse off than his Dutch and Austrian counterpart when focusing on single taxpayers. On the contrary, Belgian married employees always outperform the Dutch. Moreover, Belgian employees always score worse compared to Austria with the exception of the married Austrian earning 27,000 EUR or 50,000 EUR.
- On a more positive note, Belgian employees always have a higher net disposable income in comparison with the Swiss employees. (up to an annual income 75,000 EUR) That is also the case for France. So when looking at the higher income level (i.e. gross annual salary of 125,000 EUR plus company car) we see that France performs better than Belgium (saving roughly 2,400 EUR compared to the Belgian taxpayers in this scenario). Finally we observe that Belgian individuals always outperform the British employees in terms of net disposable income, regardless the level of income.
- With respect to the scenario for self-employed married individuals, Belgium's net disposable income only exceeds that of the Dutch, Swiss and British self-employed directors whereas for the single individuals in this scenario, a Belgian still only seems to live better than its British and Swiss counterpart

Comparison ranking net disposable income 2012 - 2013

- Looking at the lower salaries (i.e. gross annual income of 21,959.13 EUR, 27,000 EUR and 31,940.68 EUR), the United Kingdom, Switzerland, France and Denmark again score the lowest net spendable incomes of all 19 countries investigated, both for married as for single taxpayers. In this respect, Greece gains 4 places (married) in the European ranking compared to last year, as can be partly explained by the decreased costs of living and housing. Luxembourg drops 2 places on the ranking of the single and married net disposable incomes compared to 2013 Belgium drops 1 place (married), but climbs 1 place when it concerns the single taxpayer.
- Looking at married employees (non-working partner and 2 children) deriving higher salaries (i.e. a gross annual income of 75,000 EUR and a company car), the same 5 countries end up with the lowest net spendable income in the top 6 of last year, namely the United Kingdom, Denmark, Italy, France and Switzerland. However, the Netherlands have been replaced by Sweden this year. The Netherlands move up 3 places in the ranking (from 16th to 13th place) due to decreased costs of living and housing. Switzerland drops 3 places due to seriously increased cost of living and housing.
- With respect to the single taxpayers, Denmark, the United Kingdom, Switzerland and France appear again at the bottom of the ranking of net disposable income as was the case in 2012 and 2013 as well. Belgium moves up 1 place and now leaves behind Ireland.

Comparison ranking net disposable income 2010-2014

- When we compare 2010 to 2014 we can conclude that Belgium has gained several places in the rankings of net disposable income as well for single as maried taxpayers when it concerns a salary level of 31,940 EUR, nowadays Belgium performs better than Italy, Germany, Sweden, France and the UK (countries part of our 2010 survey)
- Also for an income of EUR 75.000, in 2014, the Belgian married tax payer with dependant children disposes of higher net spendable income than his colleagues in Italy, France, the United Kingdom, the Netherlands and Ireland, who however all performed better than Belgium in 2010.

Company cars

In our first edition of the European salary survey, we took a closer look at a number of cost effective 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, 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 19 countries, we have retained and updated this section. 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 18 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 legislator has not (yet) set any fixed rules in this regard. In Portugal, a taxable benefit in this respect is only taken into account in exceptional circumstances. The Greek valuation method has changed compared to last year. Last year we mentioned that the Greek valuation method in practice often resulted in a taxable benefit for a company car which was lower than in Belgium because the Greek worked with an adjusted catalogue price (that takes account of the age of the car and a kilometre factor). As a consequence of this 'adjusted catalogue price', the Greek basis for the calculation of the taxable benefit frequently fell into the lowest bracket for which the percentage applied was 0% following which the taxable benefit in kind amounted to 0 EUR. Following the new calculation rule in Greece (see below), the benefit in kind in scenario's 4 to 6 now shows an amount ranging between € 1,800 to € 3,600 whereas last year's benefit in kind for the same scenario's amounted to zero.

Please find herewith an overview of the calculation rules per country:

Belgium

The benefit of a company car that a Belgian employee is allowed to use for private purposes is assessed for income tax purposes. 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 prior editions of the salary survey. For 2014 the basic valuation method has not changed, but the standard CO2 emission levels for both petrol engines as diesel engines have been decreased.

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 6/7th and multiplied by the corresponding CO_2 coefficient. This coefficient is a minimum of 4% and a maximum of 18%, depending on the car's actual CO_2 emissions. The base rate is 5.5% for CO_2 emissions of 93 g/km for a diesel engine and 112 g/km for petrol vehicles. This base rate is then increased by 0.1% for every additional gram per kilometer. For 2014, the benefit may not be less than 1,250 EUR per year.

The introduction of the catalogue value means that Belgium is now aligned on this matter with most other countries in Europe. Consequently, as from the 1st of January 2012, the (actual) distance of the journey between home and work has become irrelevant for the computation of the taxable benefit of the company car.

In addition to the lease cost, which is in Belgium often estimated on average between 6,000 EUR and 10,000 EUR on an annual basis, the employer is required to pay a CO_2 tax (as part of the employer's social security contributions due) which is calculated using the following formula. The formula contains an indexation coefficient that is yearly indexed and therefore, the tax base increases slightly each year.

CO_2 tax formula for a diesel vehicle:
[(CO_2 emission x 9) - 600] x 1.2049 with a minimum of 301.20 EUR per year. If the particular CO_2 emission of the car in question is unknown, the following formula needs to be applied: [(165 x 9) - 600] x 1.2049 = 1,066.34EUR per year.

CO_2 tax formula for a petrol vehicle:
[(CO_2 emissions x 9) - 768] x 1.2049 with a minimum of 301.20 EUR per year. If the particular CO_2 emission of the car in question is unknown, the following formula needs to be applied: [(182 x 9) - 768] x 1.2049 = 1,048.26EUR 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 CO_2 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 per assumption 31,200 EUR; CO_2 emission of the car in question is 116 g/km -> Employee's taxable benefit = 31,200 x 6/7 x 7.8% = 2,085.94 EUR per year.
- Catalogue value of a diesel car in use for 2 years and 2 months (including options and VAT) is per assumption 31,200 EUR; CO_2 emission is 116 g/km -> Employee's taxable benefit = 31,200 x 6/7 x 7.8% x 88% = 1,835,63EUR per year.

Austria

In Austria a company car used for private journeys is taxed on a monthly basis at 1.5% of the initial cost (including value-added tax), up to a maximum of 720 EUR per month. If the private use does not exceed 500 km per month (average on year base), half the value may be entered as remuneration in kind (0.75% of the initial cost) up to a maximum of 360 EUR per month.

Example of the fringe benefit calculation for company cars in Austria:
The catalogue value is per assumption 31,000 EUR -> (31,000 x 1.5%) x 12 = 5,580 EUR

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 per assumption 31,000 EUR -> 31,000x 12% = 3,720 EUR = the employee's annual taxable fringe benefit.

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 150% of 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 per assumption 50,500 EUR. In this case, an environment tax of 500 EUR is due. The taxable benefit is EUR 12,863 (i.e. [(40,268 EUR x 25%) + (50,500 EUR - 40,268 EUR) x 20% + (150% x 500 EUR)]).

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 EUR; 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 EUR = the employee's taxable benefit
Method b – lump-sum 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..

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 100 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. Special rules to calculate the benefit may be used if the car is used very seldom to travel to the office.

Example of the fringe benefit calculation for company cars in Germany:
The catalogue value of the company car is per assumption 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.

Greece

As of January 1, 2014, there is a new Greek Income tax Code that includes a different treatment of the benefits in kind including the tax treatment of company cars. Based on the provisions of the new Greek ITC, the provision of a car to an employee for any period during a tax year is considered as a taxable benefit in kind.

For leased cars, the taxable amount is calculated at the standard rate of 30% on the leasing cost of the vehicle. For company owned cars, the taxable amount is calculated at the standard rate of 30% on the cost of the vehicle claimed as an expense in the employer's books by way of depreciation, including any road taxes, repair costs, maintenance costs, in addition to the financing costs relating to the purchase of the car

According to the previous tax regime which was applicable until 31 December 2013, the provision of a company car to an employee was considered as a taxable benefit in kind, only if the factory value of the car (after depreciations) was above €15.000.

Example of the fringe benefit calculation for company cars in Greece:
Factory value of a new car is per assumption 31,000 EUR. Furthermore, it has been assumed that the car was used during all months of 2013 (as such the factory value is depreciated with 15.6%), the kilometre factor has not been taken into account -> [31,000 - (31,000 * 15,6%)] x 30% = 7,849.20 EUR = the employee's taxable benefit.

Example of the fringe benefit calculation for company cars in Greece:
1st scenario: Leasing
Assumption: Leasing cost €1.000/month (including VAT). In such a case, the formula will be as follows:
€1.000 (leasing cost) * 12 (months that the car is leased) *30%= €3.600
2nd scenario: Company purchases the car
Assumptions: Maintenance cost €1.500/per year,
Car taxes €300/per year.
€31.000 (list price) * 16%
= €4.960 (depreciated cost) * 30% = €1.488
€1.500 (maintenance cost) + €300 (car taxes)
=€1.800 *30% = €540
Total: €1.488+€540 = €2.028

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 per assumption 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 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 31,000 EUR x 18% = 5,580 EUR = the employee's taxable benefit.

Malta

The benefit of a company car for a Maltese employee is calculated using a percentage of the car's catalogue price. If the car is less than 6 years old (than it is considered to be 'new' in Malta) this percentage amounts to 17%. In case the car is older than 6 years, 10% will be applied. Additionally, 3% of the purchase price (<27,952EUR) or 5% of the purchase price (> 27,952 EUR) will be applied for maintenance costs on the one hand and fuel costs on the other hand. Finally this amount will be multiplied by a percentage ranging from 40% till 60% of the car's value for private usage. If the value of the car is less than 16,306 EUR 30% applies and if the value exceeds 46,587 EUR the percentage amounts to 60%.

Example of the fringe benefit calculation for company cars in Malta:
The purchase price for the 'new' car (less than 6 years old) is per assumption 31,000 EUR -> [(31,000 x 17%) + (31,000 x 5% maintenance value) + (31,000 x 5% fuel allowance)] x 50% private use = 4,185 EUR = the employee's taxable benefit.

Netherlands

If a company car is made available to an employee in the Netherlands for which he sets aside more than 500 km per year for private purposes, 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. 0%, 4%, 7%,14% or 20%, depending on the car's CO_2 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 in principle a taxable benefit if the employee also uses the company car for private purposes. If this is the case, Polish legislation does not provide guidelines how the taxable benefit is to be calculated. Consequently, Polish employers use a range of calculation methods and report varying values for the taxable fringe benefit. The following approaches exist 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 also applied in the comparison of scenarios 4 to 7).

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. The taxable benefit amounts to 9% of the actual acquisition cost of the car if such a document exist. In most cases however 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 45% (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% or 25% depending on the income / tax base of the individual. This benefit is taxable during eight years of usage of the car. In the first year, the monthly benefit is 1% of the purchase price. In the next seven years, the monthly benefit is 1% from the decreased purchase price. The decrease of purchase price is 12.5% every year.

Example of the fringe benefit calculation for company cars in Slovakia:
The purchase price is per assumption 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.

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 5% of the catalogue value (in the case of emissions up to approximately 75 g/km CO_2) to 35% (in the case of higher emissions – different 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 2014 is 4,935.58 EUR (versus 5,186 EUR in 2013). The second component is 75% of the statutory interest rate on November 30 the year before the income year times the list price, 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 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 4,935.58 EUR) + (0,015 x 27,000) + (9% x 27,000)] = 4,399.5 EUR = the employee's taxable benefit. Note that emission and commuting distance have no affect on benefit calculation for company cars in Sweden.

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.

Overview of the taxable basis of the benefit in kind of a company car taking into account the same assumptions in all countries surveyed (sorted from highest to lowest)

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
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
The 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
Austria	€ 31,000 x 1.5% x 12	€ 5,580
Luxembourg	€ 31,000 x 1.5% x 12	€ 5,580
Sweden	(0.317 x € 4,935.58) + (0.015 x € 31,000) + (0.09 x € 31,000)	€ 4,819.58
Malta	(€ 31,000 x 17%) + (€ 31,000 x 5% maintenance value) + (€ 31,000 x 5% fuel allowance) x 50% private use	€ 4,185
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
Greece	In case of leased car: € 1,000 x 12 x 30% = € 3,600 In case of a company owned car and if the following additional assumptions are made: € 1,500 maintenance cost per year, € 300 car taxes per year: [€ 31,000 x 16% : 4.960 (depreciated cost) x 30%] + [(€ 1,500 + € 300) x 30%] = € 2,028	€ 3,600 € 2,028
Spain	€ 31,000 x 50% x 20%	€ 3,100
Switzerland	(€ 31,000 / 1.08) x 9.6% (lowered base using the catalogue price excluding VAT)	€ 2,755,56
Belgium	€ 31,000 x 8.5% x 6/7 x 100%	€ 2,258.57
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 acquisition cost if such a document does exist (which deviates from common practice).	€ 0

Taxation of capital

It can be seen from section 2 that the average Belgian employee still has a reasonable net disposable income in comparison with our immediate neighbours (Austria, France, the Netherlands, Luxembourg, Germany, Switzerland and the United Kingdom), at least when focusing on the lower salary levels. With respect to the higher income levels, Germany, Austria, Luxembourg outperform Belgium. France only does so with respect to scenario 6 and 7 (annual gross income of 125,000 EUR and company car). The Netherlands and Germany always score better than Belgium with respect to single white collar employees but the Netherlands consistently score less than Belgium in all scenarios envisaged with respect to married white collar employees. Belgium systematically outperforms the United Kingdom and Switzerland in all scenario's (single and married).

Depending on the choice of the individual the net disposable income as derived from chapter 2 can be used to save, invest, and buy shares or purchase property – and many other things. In this 5th 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 ongoing difficult economic and financial situation in Europe, we also probed a little further and reference 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 summary table at the end of this section, which gives a concise overview of taxation of capital in a European context.

Belgium

Interest

Interest and other yields from loans, claims on debt and cash deposits are currently also taxed at the rate of 25% in Belgium which is in principal also collected via an advance levy at source.
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 1,900 EUR per person per year.

Dividends

Dividends in Belgium are subject to the default movable withholding tax rate of 25% The rate applicable on dividends was still 10% when they were allocated or rendered taxable in view of the total or partial distribution of the company's assets for distributions until September 30, 2014. As from October 1, 2014 these dividends also are taxable at the default withholding movable tax rate of 25%. The only other exemption that currently exists is a 15% tax rate on dividends from residential real estate investment companies (Act 27 December 2012).

Dividend taxation at 25% is also due by means of a release levy (meaning it is taxed at source following which it is not to be included in the annual personal income tax return).

Under certain conditions dividends originating from capital contributions made after July 1, 2013 are subject to a limited withholding tax of 15 or 20%.

Capital gains

Capital gains realised by individuals in view of managing their proper patrimony are in principle not taxable in Belgium.

Wealth tax

There is no wealth tax in Belgium.

During the budgetary negotiations over the past years, there was often talk of introducing a wealth tax or capital gains tax.
The only measure which has been adopted in the budget today is the so called "look-through- tax" or "Cayman-tax" to be introduced as of tax year 2016 for income derived from legal constructions (through the use of foreign vehicles such as trusts or foundations). Such legal constructions already have

to be reported in the personal tax return (as of tax year 2014) but the income from such constructions is often not taxable in Belgium. Such taxation would be achieved by considering these legal constructions as tax transparent, so that the income would be taxable directly in the hands of the resident individual who is the shareholder or beneficiary of the construction. The tax transparency regime would allow the tax authorities to levy tax in those cases where the interposition of a legal construction frustrates a normal taxation.

Austria

Interest - dividends - capital gains
Interests, dividends and capital gains in Austria are generally collected in the form of withholding taxes retained at source at a fixed rate of 25 % (i.e. the capital gains tax “KESt”) or taxed at a special tax rate of 25%.

Wealth tax

There is no wealth tax in Austria.

Czech Republic

Interest - dividends

Interest and dividends are subject to a Czech tax rate of 15% (advance levy).

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 on shares acquired after 1st January 2014 are tax-exempt if the shares have been owned by the taxpayer for at least 3 years.
- No tax is payable if the income (not the capital gain itself) from such sales of shares does not cumulatively exceed CZK 100,000 in a tax year.
- 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. However, it seems appropriate to repeat that, as from 2013, there is a solidarity contribution of 7% due on income that exceeds the threshold of 44,719.55 EUR (1,245,216 CZK) and that this solidarity tax of 7% is also applied on monthly income that exceeds the threshold of 103,768 CZK (or +/- 3,726. EUR).

Denmark

Interest

Income from interest is subject to a maximum tax rate of approximately 35.63% if the thresholds of40,800 DKK or 5,476 EUR (versus 40,000 DKK or 5,369.13 EUR) per year for unmarried individuals and 81,600 DKK or 10,953 EUR per year for married individuals are not exceeded. For interest income above this threshold, sliding scale rates apply up to +/- 42.00% (versus 51.70% in 2013).

Dividends

Dividends are taxed in Denmark at a rate of 27% if the threshold of 49,200 DKK or 6,604 EUR per year is not exceeded. The portion of income above 6,604 EUR per year is taxed at a fixed rate of 42%.

Capital gains

Gains on shares in Denmark are taxed at a rate of 27% if the threshold of 49,200 DKK or 6,604 EUR (versus 48,300 DKK or 6,483 EUR) per year is not exceeded. The portion of income above 6,604 EUR per year is taxed at sliding scale rates up to +/- 42.00% (versus 51.70% in 2013).

Wealth tax

There is no wealth tax in Denmark.

Germany

Interest - dividends - 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 a single 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.

Greece

Interest

The interest income in Greece is taxed at a tax rate of 15% (similar to last year).

Dividends

In Greece, dividends are taxed at a decreased rate of 10% (similar to last year).

Capital gains

As already mentioned in the 3rd edition of this survey, the proposal to tax capital gains realised from the sale of listed shares using sliding scale rates was already approved by parliament in December 2012. However only as of 2014, capital gains are effectively taxed at a rate of 15% (previously not taxed at all).

Wealth tax

There is no wealth tax in Greece.

France

Interest

Interest is subject to the progressive French personal income tax rates. However, interest is subject to a withholding tax of 24% plus 15.5% special solidarity contributions. This is an advance payment on the progressive personal income tax.

Dividends

Dividends received are subject to the progressive French personal income tax rates, after deducting 40%. However, dividends are subject to a withholding tax of 21% plus 15.5% special solidarity contributions. This is an advance payment on the progressive personal income tax.

Capital gains

Capital gains on the sale of shares made by individuals are subject to the progressive French personal income tax rates. The taxable basis 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. The capital gain could be reduced by a deduction related to the holding period.

Capital gains on the sale of real estate property are taxed at a fixed rate of 19% plus 15.5% special solidarity contributions. Certain capital gains on the sale of real estate property are fully tax exempt (example: gains realised on the sale of the person's principal place of residence).

Wealth tax

France applies a wealth tax on the value of a person's assets exceeding 1.3 million EUR on 1st January of the assessment year concerned. If the net wealth is above 1.3 million EUR, wealth tax is calculated as follows:

Net wealth	Applicable tax rate
Up to 800,000 EUR	0%
From 800,000 EUR to 1,300,000 EUR	0.50%
From 1,300,000 EUR to 2,570,000 EUR	0.70%
From 2,570,000 EUR to 5,000,000 EUR	1%
From 5,000,000 EUR to 10,000,000 EUR	1.25%
Over 10,000,000 EUR	1.50%

The actual wealth tax and income tax to be paid is limited again, in this instance to a maximum of 75% of the taxpayer's total annual income.

Ireland

Interest

In Ireland, interest is subject to a fixed tax rate of 41% from 1st January 2014 (33% in 2013, 30% in 2012, 27% in 2011 and 25% in 2010). The Universal social charge (4% - 7%) will be due on the earned interest and an additional social insurance contribution is also levied on income from interest.

Dividends

When dividends are paid out, a 20% levy is retained in Ireland. The recipient's dividend income is taxable at the marginal income tax rate (either 20% or 41%) in which regard a tax credit is granted in relation to the levy already retained. The Universal social charge (4% - 7%) will be due on the dividend and an additional social insurance contribution may also be due on this income.

Capital gains

Capital gains realised from the sale of the taxpayer's own assets are subject to a tax rate of 33% as from 6th December 2012 (previously 30% in 2012, 25% in 2011 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 as from 1 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.

Interest

From 1st July 2014, income from interest is taxed at a fixed rate of 26% (previously 20%).

Dividends

Similarly, dividends from non-qualified participations are taxed at 26% since 1st July 2014 (previously at 20%). Dividends from qualified participations are subject to the sliding scale rates of Italian income tax (up to 49.72% of the gross dividend).

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 26% since 1st July 2014 (instead of 20% in 2013 and 12.5% in 2012).

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. An Italian "wealth tax" is since 2011 also due on foreign financial assets and on real estate of Italian resident individuals.

Luxembourg

Interest

In principle, interest in Luxembourg is subject to the sliding scale rates, with a tax exemption for interest and dividends up to 1,500 EUR (3,000 EUR for couples taxed jointly). A final 10% withholding tax rate is only applicable for interest income paid by a Luxembourg paying agent to a Luxembourg individual tax resident. A 10% tax rate is also applicable if the interest income is received by a Luxembourg resident and comes from a paying agent established in the EEA or in a State with which Luxembourg concluded a tax treaty including measures equivalent to the EU Savings Directive. If one wants to opt for this scenario, a specific declaration needs to be filed at the latest by March 31 after the end of the calendar year in which the interest income was received. If not, the income is taxable upon filing at the progressive tax rates. Note that interest income and dividends are tax free up to an amount of € 1.500 (and € 3.000 for jointly taxed couples).

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 dividends.

Capital gains

In principle, the marginal tax rate of 42.80% (equal to 2013 (if income is less than 150,000 EUR for unmarried taxpayers and less than 300,000 EUR for individuals taxed jointly) or 43.60% (equal to 2013) (if the above mentioned limit is exceeded) only applies to capital gains made on the sale of moveable assets in the short term (i.e. 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.

Malta

Interest

Interest income derived in Malta is subject to a fixed tax rate of 15% which is due by means of a final withholding tax levied at source.

Dividends

Dividends are taxed at the highest tax rate of 35%.

Capital gains

In principle, capital gains arising in Malta are subject to the marginal tax rate ranging between 0 to 35%. However, capital gains realised in view of the sale of a real estate property are taxed at a final tax rate of 12% if the property was purchased more than 12 years ago.

Wealth tax

There is no wealth tax imposed by Maltese legislation.

Netherlands

Interest - dividends - capital gains - wealth tax

Savings and investments in the Netherlands are assumed to generate an annual yield of 4% of the investment. Based on this statutory assumption, this deemed yield of 4% is the taxable base which is subject to a tax rate of 30%. The actual income (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 income of 1.5% - 2.5% while inflation has been approximately 2% - 3%. 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.

Wealth tax

There is no acual wealth tax in the Netherlands, only the deemed annual yield is taxed.

Poland

Interest - dividends

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

Capital gains

Capital gains realised 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 realised 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

Interest - dividends - capital gains

In Portugal, interest income, dividends and capital gains are currently all taxed at a fixed rate of 28% (similar to last year).

Wealth tax

Portugal has no wealth tax.

Slovakia

Dividends

Dividends are not taxable in Slovakia. This is a remarkable observation as Slovakia is the only one of the 19 countries surveyed where dividends are not taxed. Dividends are however subject to health insurance contributions of 14%.

Interest - capital gains

Interest and capital gains are taxed in Slovakia at 19% or 25% depending on the amount of income.

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 still being taxed at 21%, and 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. Dividends are 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 onwards, capital gains made from the sale of assets are taxed at the 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 threshold of 24,000 EUR. In principle there is no advance levy due.

Wealth tax

Up to and including 2007, a wealth tax was levied annually in Spain. As from tax year 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. Meanwhile it has been extended yearly, for 2013 and 2014. 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 to 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%.

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. Investment 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 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. Capital gains realized from the sale of a permanent residence is taxed at an effective tax rate of 22% and capital gains/dividends from the sale of unlisted non-qualified shares are taxed effectively at 25%.

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 45.5%). There are no (partial) exemptions. However, a tax credit applies to take account of the advance levy (of 35%) already deducted and paid. For individuals who are 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 Geneva and in the city of Geneva, the wealth tax rate rises to 1% on net wealth above the threshold of 3,309,000 EUR (4,000,000 CHF).

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 45%. 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 41,865 GBP (previously 41,450 GBP) will owe 10% on dividends received; someone with an annual income exceeding 41,865 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 37.5% 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 41,865 GBP, 32.5% if the income is more than 41,865 GBP but less than 150,000 GBP and 37.5% 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 10,000 GBP (previously 9,440 GBP) and 41,865 GBP, he will owe 18% on any capital gains. If the annual income exceeds the threshold of 41,865 GBP per year, he will owe 28% on any capital gains. An exemption is granted for capital gains up to an amount of 11,000 GBP (previously 10,900 GBP) per year.

Wealth tax

There is no wealth tax in the United Kingdom.

Summary of taxation of capital - Income derived in 2014				
Country	Tax rate on interest	Tax rate on dividends	Tax rate on capital gains	Wealth tax
Austria	25%	25%	25%	N/A
Belgium	15 or 25%	25%[1]	N/A	N/A
Czech Republic	15%	15%	15%	N/A
Denmark	35.63% (< threshold) - 42% (> threshold)	27% (< threshold) - 42% (> threshold)	27% (< threshold) – 42% (> threshold)	N/A
France	24%[2]	21%[2]	Progressive French personal income tax rates[2]	YES
Germany	26.375%	26.375%	26.375%	N/A
Greece	15%	10%	15%	N/A
Ireland	41%%[3]	20% or 41%[3]	33%	N/A
Italy	20% As from 01/07/2014: 26%	20% As from 01/07/2014: 26%	20% As from 01/07/2014: 26%	N/A
Luxembourg	10% (in principle progressive rates, but 10% if certain conditions are met)	15%	42.80% (< threshold) - 43.60% (> threshold)[4]	N/A
Malta	15% (final withholding)	35%	0%-35% (marginal tax rate) or 12% final tax if property is purchased more than 12 years ago	N/A
Netherlands	30%[5]	30%[5]	30%[5]	30%[5]
Poland	19%	19%	19%	N/A
Portugal	28%	28%	28%	N/A
Slovakia	19% or 25%	14%[6]	19% or 25%	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
Sweden	30%	30%	30%	N/A
Switzerland	35%	35%	N/A	YES
United Kingdom	10, 20, 40% or 45%	10%, 32.50% or 37.50%	18% or 28%	N/A

1 Belgium: 15% or 20% in case of capital contributions made after July 1, 2013.

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

3 Ireland: Additionally, this income is subject to the Universal social charge (4 - 7%) and may be subject to an additional social insurance contribution

4 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 (direct or indirect) substantial participation in capital (>10% of the capital of an entity).

5 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).

6 Dividends are not taxable in Slovakia but are however subject to health insurance contributions of 14%.

Building up pension rights versus receiving pension income

In previous editions of this European salary survey, we made a short and concise examination of the local social security systems and we briefly discussed how local governments deal with the 1st pillar 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. It could also be concluded 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. Obviously an inextricable and important link exists between the general sense of prosperity and the local systems for social security and pensions. With respect to the local social security systems, reference is made to the various rates and brackets elaborated on in chapter 1. In the current chapter, no further details have been withheld anymore regarding the coverage offered by the local social security systems or regarding the estimated cost of a private insurance.
With respect to building up pension rights and the related income people derive upon retirement, this chapter now provides an overview with respect to legal or statutory pension on the one hand and regarding extra-legal pension (i.e. through the employment) on the other hand.

Statutory pension accruals (1st pillar)

Austria

In Austria, the statutory retirement age in 2014 is 65 years for men and 60 years for women (will be assimilated to 65).

The minimum state pension income in Austria amounts to 857.73 EUR per month, payable in 14 instalments, or 12,008.22EUR on year base. The maximum state pension income amounts to 43,903.16 EUR per year or 3,135.94 EUR per month.

Belgium

The statutory retirement age in Belgium is in principle set at the age of 65. The statutory retirement age will be gradually increased to the age of 67 in 2030. Until 2024, the retirement age will remain at the age of 65. In 2025, a first increase from 65 to 66 year will take place. In 2030 the retirement age will be set at 67 year.
The minimum pension income for a single person with a full career of 45 years (including equivalent periods) is 13,480.03 EUR per year or 1,123.34 EUR per month (similar to last year). Converted into a family pension (x 1.25 if the partner has not built up a separate pension) the family pension income amounts to a minimum of 16,844.72 EUR per year or 1,403.73 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 income amounts to 26 144,41 EUR per year or 2,178,7 EUR per month for a single person and to 32,680,44 EUR per year or 2,723,37 EUR per month for a family pension.

Czech Republic

The statutory retirement age in the Czech Republic is also 65 (between 64 and 65 for women with children). The statutory retirement age is increasing steadily due to the recent small pension reform and it is based on gender (women with more children retire earlier) and year of birth (the younger the later). The difference between the statutory retirement ages for men and women will further decrease in the future).
The minimum pension income is 221.40 EUR per month or 2,656.80 EUR per year. Minimum state pension income could be lower in specific cases of substitute periods of pension contributions. The maximum Czech pension income is 836.36 EUR per month or 10,036.32 EUR per year. Maximum state pension income isn’t limited, however after the threshold of 103,768 CZK (based on previous monthly income, before applying for pension), the pension income is growing very disproportionately. Note that the maximum state pension income will probably be capped in 2015.

Denmark

The statutory retirement age in Denmark is currently still determined at 65 years, but in the future this will be raised to 67. The Danish government doesn’t stipulate a minimum Danish pension income. The maximum state pension income for single individuals amounts to 19,401 EUR per year.

France

The statutory retirement age in France is 62. The minimum French state pension income amounts to 7,547.96 EUR per year (similar to last year) whereas the maximum French state pension income amounts to 18,774 EUR per year (versus 18,516 EUR in 2013).

Germany
The statutory German retirement age is 67 as from 2012. Germany does not impose a governmental minimum or maximum legal pension income.

Greece
In Greece, the statutory retirement age is now 67 years (versus 65 years in 2012). There will be possible changes as of January 1, 2015, though these have not been announced yet.
The minimum legal pension income amounts to 486.84 EUR per month or 5,842.08 EUR per year (provided it concerns a retired employee who meets all the conditions for retirement). The maximum legal pension income amounts to 2,373.50 EUR per month or 28,482 EUR per year (though the actual amount may alter depending on the total number of working years and the type of social security contributions the employee concerned paid during the employment).

Ireland
The statutory retirement age in Ireland is currently 66, 67 or 68, depending on the date of birth. From 2021, the minimum retirement age for everyone will be increased to 67 and again up to 68 in 2028.

The Irish minimum and maximum state pension income is 230.30 EUR per week or 11,975.60 EUR per year (based on a person having reached 66 years).

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 legal pension income in Italy is 500.88 EUR per month, payable in 13 instalments, or 6,511.44 EUR per year. There is no maximum state pension income applicable in Italy.

Luxembourg
The statutory retirement age in Luxembourg is 65.
The minimum legal pension income is 1,718.86 EUR per month or 20,626.32 EUR per year (i.e. after contributing for 40 years). The maximum legal pension income in Luxembourg amounts to 7,957.69 EUR per month or 95,516.28 EUR per year.

Malta
The statutory retirement age in Malta ranges between 62 years (for persons born between 1952 and 1955) and 65 years (for persons born after 1961). Previously, women could retire at the age of 60 years and men at the age of 61 years.

The minimum state pension income in Malta amounts to 132.80 EUR per week or 6,905.60 EUR per year for a married person with a dependent spouse and 110.87 EUR per week or 5,765.24EUR per year for a single person. When the person qualifies for the increased National Minimum Pension, the amounts raise to 146.28 EUR per week or 7,606.56 EUR per year for a married person who has a dependent spouse versus 121.84 EUR or 6,335.68 EUR per year for a single person. The maximum legal pension income amounts to 228.32 EUR per week or 11,872.64 EUR per year regardless the personal situation of the retiree (maximum contributory 2/3 Retirement Pension).

Netherlands
The statutory retirement age in the Netherlands is 65 and 2 months. The parties in the Dutch government have reached an agreement to raise the retirement age to 67 in 2021.

The state pension income is a fixed amount of 1,100 EUR per month or 13,200 EUR per year for a single individual and 598 EUR per month or 7,176 EUR for a married individual, and as such the minimum and maximum amounts are the same. These totals however exclude the holiday allowance of 837 EUR and 598 EUR respectively. 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.

Poland
The statutory retirement age in Poland is 60 and 6 months for women and 65 and 6 months for men as of August 2014. The retirement age will be further increased until it finally reaches 67 years for women and men. The transition period is longer for women (increase from 60 to 67 years).
The minimum statutory pension income is approximately 201 EUR (844.45 PLN) per month or 2,412 EUR per year. No maximum legal pension income is determined in Poland.

Portugal

In Portugal, the statutory retirement age is 66 (versus 65 in 2013). The age was indexed to life expectation in Portugal.

A Portuguese person is entitled to the minimum state pension income of 197.55 EUR per month or 2,765.70 EUR on year base (14 payment instalments). Portuguese legislation does not foresee in a maximum legal pension income.

Slovakia

In Slovakia the statutory retirement age is 62 years is universally applicable as from 2014. The pension age will increase from the year 2017 onwards.

Slovakian law does not provide for a minimum or maximum statutory pension income, however, if the pension income is lower than 198.09 EUR per month or 2,377.08 EUR per year, than the Slovakian state will compensate the individual for the difference to ensure that he or she at least receives the living minimum. The maximum state pension income however is difficult to calculate due to the calculation changes and the fact it can be impacted by various aspects.

Spain

The statutory retirement age in Spain is currently still 65. This will be raised gradually to 67.

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 632.90 EUR per month payable in 14 instalments or 8,860.60 EUR on year base. The maximum state pension income is 2,554.49 EUR per month or 35,762.86 EUR per year.

Sweden

There is no official statutory retirement age in Sweden, but in general Swedish people retire around the age of 65 and it is possible to remain working until 67 years. The minimum state pension income for a married individual is 7,191 SEK per month or 86,292 SEK per year (i.e. 799.36 EUR per month or 9,592.32 EUR per year) whereas a single individual receives 8,071 SEK per month or 96,852 SEK per year (i.e. 897,19 EUR per month or 10,766.28 EUR per year). These amounts imply that the person concerned must have lived in Sweden for at least 40 years. Otherwise, it will be decreased with 1/40 for every missing year. Note that these amounts relate to individuals born in 1937 or earlier. For individuals born in 1938 or later, the minimum state pension is about 18-20 EUR/month lower. No maximum state pension income is determined in Sweden.

Switzerland

In Switzerland, the statutory retirement age is still 65 for men and 64 for women.

The state pension is minimum 11,615 EUR per year (versus 11,415 EUR per year in 2013) and maximum 23,231 EUR per year (versus 22,829 EUR per year in 2013).

United Kingdom

The statutory retirement age in the United Kingdom currently ranges between 62 and 68 depending when someone was born and if they are male or female. From November 2018 onwards, the State Pension age will be 65 both for men and women and is expected to continue to rise with everyone qualifying at 67 in 2028. The minimum and maximum state pension income in the United Kingdom amount to approximately 5,881,20 GBP or +/- 6,899.89 EUR (versus 5,727.80 GBP or +/- 6,720 EUR in 2013).

Summary of statutory retirement ages in Europe		
Country	Statutory retirement age in 2014	Future
Austria	65 for men and 60 for women	65 for both
Belgium	65	66 in 2025 67 in 2030
Czech Republic	65 (between 64 and 65 for women with children). The statutory retirement age is increasing steadily after small pension reform and is based on gender (women with more children retire earlier) and year of birth (the younger, the later). The difference between statutory retirement age for men and women will decrease in the future and will eventually be the same for both men and women.	-
Denmark	65	67
France	62	Currently discussed by Parliament
Germany	67	-
Greece	67	Already raised
Ireland	66 or 67 or 68 (depending on date of birth)	67 in 2021 68 in 2028
Italy	66 (recently increased, but there are many exceptions)	67 (probably by 2025)
Luxembourg	65	-
Malta	62 – for persons born between 1952 and 1955 63 – for persons born between 1956 and 1958 64 – for persons born between 1959 and 1961 65 – for persons born after 1961	
Netherlands	65 and 2 months	67 in 2021
Poland	60 and 6 months for women and 65 and 6 months for men (August 2014), the retirement age increases until it finally reaches 67 (for women and men)	67
Portugal	66	Indexed to life expectation
Slovakia	62	will rise as from 2017
Spain	65	67
Sweden	No staturorily defined retirement age; in practice +/- 65	N/A
Switzerland	65 for men and 64 for women	-
United Kingdom	Between 62 and 68 depending when someone was born and if they are male or female	65 for men and women (as of November 2018) and is expected to rise with everyone qualifying at 67 by 2028

Company pension accruals (2nd pillar)

Following the above information, it is clear that statutory pension income is usually insufficient for maintaining the same standard of living after reaching retirement age. As most people currently share this opinion, more and more employers and employees are taking action to ensure a beneficial supplementary pension income is built up through the employment. A substantial supplementary pension can be built up with contributions from the employer and/or the 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.

In general there are various systems within Europe 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 taxation as professional income of the premiums paid by the employer, 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 taxation 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.

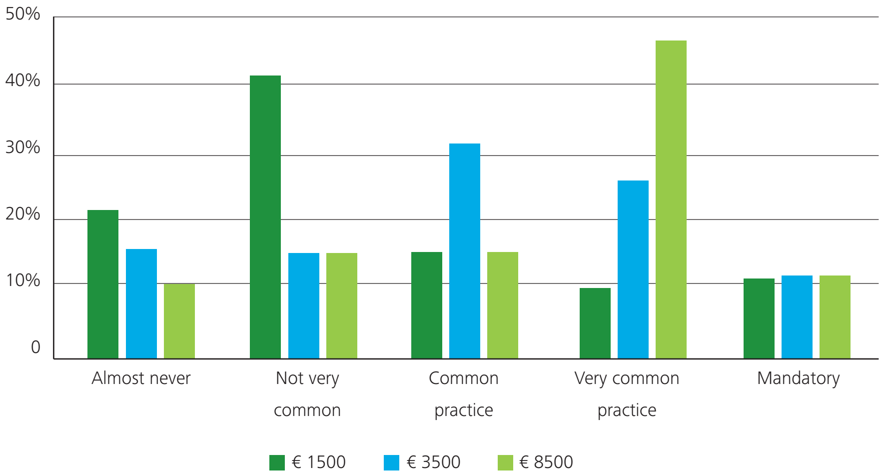
Given the complexity of the systems involved for building up pension rights through an employment, and, consequently, the lack of comparable data, This 5th edition of the survey again no longer focuses on the technical side of taxation of company pensions (for details in this respect, reference is made to the 3rd edition of the survey) but rather on practical aspects of company pension plans. In this respect, the countries surveyed were asked to provide input regarding how common it is in their local country to install a company pension plan for their employees, taking into account a number of specific salary levels. In case such a pension plan exists, countries also indicated an estimated average percentage of employer and employee contributions in practice.
In view of this investigation, we have analysed three scenario's (i.e. a monthly gross of € 1,500.00, a monthly gross of € 3,500.00 and € 8,500.00).

Analysis of the data regarding company pensions

As reflected by the below charts, there is a clear trend in Europe not to conclude a company pension plan on behalf of an employee deriving a rather modest wage. The opposite is however valid for employees earning a high(er) salary. Malta is the only country where it is not possible to build up additional pension rights through employment as no company pension plans exist in Malta.

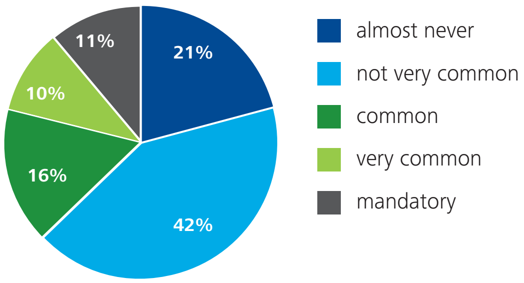
Looking more in detail in first instance at the modest wages (monthly gross income of 1,500 EUR), we see that from the 19 countries surveyed, over 60% (or 12 countries) indicate that the employee concerned will almost never (21% - group composed of Denmark, France, Malta and Poland) or seldom receive a pension

How common is a company pension plan



income built up through employer and/or employee pension contributions (42% or a group of 8 countries selected 'not very common', being Austria, Belgium, Germany, Greece, Ireland, Italy, Spain and Portugal).

How common is a company pension plan in case of a monthly gross salary of 1,500 EUR?

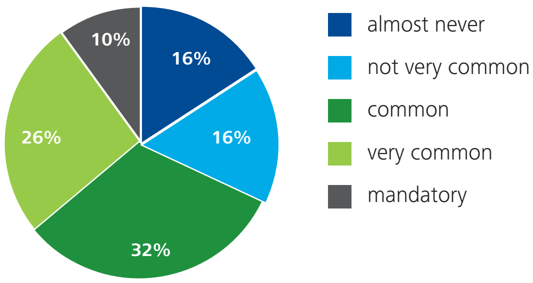


Whereas the trend in the majority of the countries surveyed is to not build up additional pension benefits through the employment, it is remarkable that company pension plans are legally mandatory in Switzerland and the United Kingdom, regardless the level of income the employee derives. These are the only 2 countries out of the 19 countries surveyed in Europe where employers and employees are legally required to conclude a company pension plan in which respect pension rights are built up on behalf of the employee, in addition to his or her state pension entitlements. In Switzerland, the average contribution made into this company pension plan, both by the employee as well as by the employer, in practice generally ranges between 2% and 5% of the gross salary. In the UK, this obligation to build up a company pension plan was introduced as of October 2012, however, it concerns a scheme which is introduced gradually over six years. Firms with fewer than 50 workers will not start enrolling their staff until June 2015 at the earliest. But even the smallest employer –such as a plumber employing a full-time assistant – will eventually be obliged by law to enrol staff. The amounts of money involved will be increased gradually to prevent contribution-shock but by October 2018, all employees should pay a contribution which will likely range around 4% of gross income whereas their employer will need to pay a contribution which will likely range around 3% (they will receive a further 1% in tax relief).

In Sweden and the Netherlands on the other hand, it is very common practice to build up an additional pension income through the employment even when it concerns modest wages, as envisaged here. Swedish employees in practice generally contribute 0 to 2% of gross income. In general, employees do not make contributions to company plans. However, some employers allow possibilities to make "salary exchange" contributions to such a plan. Swedish employers generally contribute 4,5%. The Netherlands could not provide an indication of average contributions as this depends on age, type of pension plan and level of income. In 16% of the countries surveyed, being the Czech Republic, Luxembourg and Slovakia, it is rather common for an employee earning a modest salary to build up additional pension benefits through the employment. In the Czech Republic, the average percentage of employee contributions in practice ranges between 0 and 2% whereas the employer contributions in this respect rather range between 2 and 5%. The Luxembourg pension premiums into an extra-legal pension plan are among the highest and range between 2 and 5% for employees and between 5 and 10% for employers. In Slovakia, although it is common practice to build up additional pension rights through the employment, the level of contributions solely depends on the details of the agreement concluded between the employer and employee, and therefore, no standard or average percentage could be indicated.

When focusing on a higher salary level (i.e. a monthly gross income of 3,500 EUR), a minority of 32% (versus over 60% in the situation discussed above), indicates that a company pension plan almost never occurs or that it is not very common in their local practice. In this group envisaged, building up a supplementary pension income through employment is common to very common practice.

How common is a company pension plan in case of a monthly gross salary of 3,500 EUR?



This is not the case for France and Poland where also for this salary level, a company pension plan almost never occurs, nor for Austria, Greece and Portugal where it is not very common to conclude a company pension plan when the employee derives a rather average employment income. In the remaining 13 countries it is common (32% i.e. Belgium, Germany, Ireland, Italy, Luxembourg and Slovakia) or very common practice (the Czech Republic, Denmark, the Netherlands, Spain and Sweden) or even mandatory (Switzerland and the United Kingdom), to have a company pension plan concluded on behalf of an employee deriving an monthly gross income of about 3,500 EUR

The related average employee contributions paid into such pension plan seem to be the highest in Ireland with an estimated average employee contribution ranging between 5 and 10% and between 5 and 10% for the employer. The average contributions (employee and employer) paid in Denmark have decreased from an average of 5 – 10 % to an average of 2 – 5 % (employee) and from an average of 10 – 15% to an average of 5 – 10 % (employers). Next in line is Luxembourg where the employee contributions range between 2 and 5%, and the employer contributions in practice on average range between 5 and 10%. In Switzerland and Italy, both the employee and employer contributions normally are between 2 and 5%. In the remaining countries where a company pension plan is common or very common practice, the related contributions generally range between 0 and 2% for the employee and between 2 to 5% for the employer. For a number of countries, the details regarding estimated pension contributions are lacking (as is the case for the UK, the Netherlands, Germany and Slovakia), as these can be so variable that it is impossible to provide a solid general indication.

When looking at the highest salary level investigated for the purpose of this survey, i.e. a gross monthly income of 8,500 EUR, the group of countries where a company pension plan on behalf of the employee is almost not existing or certainly not very common practice, now further decreased to just over 25%. Only in Poland a company pension plan on behalf of the employee is almost never in place. France belongs to the group of countries where such company pension plan is not very common practice, together with Greece and Portugal.

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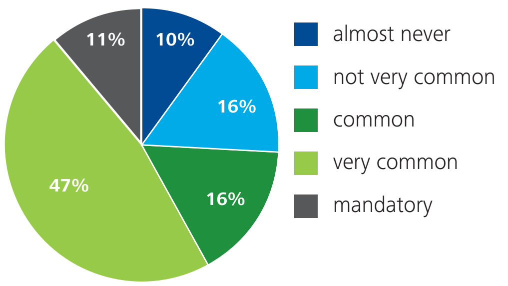
Consequently, in74% of the countries investigated, building up additional pension benefits through the employment is generally a fact for most high earners. In Austria, a company pension plan becomes rather common practice as of a certain salary level. It is also common practice in Luxembourg and Slovakia regardless the level of income. In the UK and Switzerland it is still mandatory and the remaining countries surveyed indicate that a company pension plan is very common practice for the envisaged salary level.
The related average contributions paid into such pension plan seem to be the highest in Denmark and Ireland with an estimated average contribution ranging between 5 and 10% for the employee and between 10 and 15% for the employer. In Sweden, the employee in this situation would contribute on average 0 - 2% sometimes via “salary exchange” (explained above) whereas the employer would contribute 15%. In Switzerland, both employer and employee contributions would on average range between 5 and 10% in practice for this salary level.

How common is a company pension plan in case of a monthly gross salary of 8,500 EUR?



Impact of company pension contributions on the European rankings

The survey respondents were asked 'if a company pension would be in place, what would be the average percentage of employer and/or employee contributions' and in this respect, they could select one of the following options for each of the salary levels mentioned above:

- Between 0 and 2%
- Between 2 and 5%
- Between 5 and 10%
- Between 10 and 15%
- More than 15%

In order to verify the impact on the employer costs on the one hand, and, on the net disposable income of the employee on the other, we have each time (where provided) taken into account the maximum percentage of the range indicated above and applied that percentage to the figures of chapter 2.

Looking at the net disposable income and merely focusing on the ranking of the countries where for the envisaged salary level a company pension plan is mandatory, common or very common, it can be concluded that only minor changes occur in the European ranking of the net spendable income. For instance, in the highest income level investigated (i.e. scenario 6), Belgium loses 1 place in the scenario of a married person with 2 dependent children on the ranking following its positions on net spendable income (after contributing to the company pension scheme). Most striking again this year, Ireland who was on the 8th place on the ranking of net spendable income (taking into account 1 has highest net disposable income and 14 as lowest net disposable income), dropped to 11th place (married). The average employee pension contribution in Ireland in this scenario amounts to 5-10%.This also is the case for Denmark. Denmark however already took the last but one place and therefore now takes the 14th and last place. Obviously, we see the opposite movement in countries where the average employee pension contribution is lower. In Sweden, the average employee contribution amounts to 0-2%. As a consequence, Sweden gained 3 places (married).

Looking however at the related employer costs and given the general trend that employer contributions into a company pension plan are often double of what the employee needs to pay in this respect, the ranking regarding the employer cost is more clearly impacted. In view of modest salary incomes (scenario 3), only 7 out of the 19 countries surveyed i.e. the United Kingdom, Switzerland, Luxembourg, Sweden, the Czech Republic the Netherlands and Slovakia have a mandatory, common or very common company pension plan. It should be noted however that 3 out of the 7 could not provide accurate information because company pension plan contributions –both for employers and employees-in the Netherlands, the United Kingdom and the Czech Republic depend on individual agreements, sector agreements, type of pension plan or even the age of the employee..

In the next income level (scenario 4), it still entails only minor changes. We again took into account the countries where a company pension plan is mandatory, common or very common, In scenario 4, these countries are Denmark, the United Kingdom, Ireland, Switzerland, Luxembourg, the Netherlands, Germany, Spain, Italy, the Czech Republic, Belgium, Sweden and Slovakia. In this scenario, as can be expected France still has the highest employer costs. .

When looking at the highest income level investigated (scenario 6), Company pension plans are also common in Austria and therefore taken into account in the comparison. Most striking in this scenario is the changes in ranking of Denmark and Austria. Denmark which was the country with the lowest salary cost with this level op salary now rises 3 places up the ranking taking into account the employer pension contributions. This can be explained by the fact that Danish employers contribute 10 to 15% in the company pension plan of their employees with this salary level. Denmark now leaves behind Poland, Austria and Spain which are less expensive with regard to employer cost. Ireland, where employers also contribute 10-15% at this salary level follows the same trend as Denmark. It shifts from the 9th most expensive country to the 5th place behind France, Sweden, Belgium and Italy.

Minimum wages

The majority of governments in the European countries surveyed, provide for a statutorily defined minimum wage which 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 on the below, the statutory minimum wage in Belgium is one of the highest among the 19 countries surveyed. Only Luxembourg has a higher statutory minimum wage. Almost a third of the countries surveyed (i.e. Austria, Denmark, Germany, Italy, Sweden and Switzerland) does not foresee in a statutory minimum wage. In Germany, a national minimum wage will be introduced. As of January 1, 2015, a minimum wage of 8.5 EUR per hour (or 1,360 EUR per month based on a 40-hour week) will be applicable.

Country	Statutory gross minimum wage	
Luxembourg	1,921.03 EUR per month for unskilled employees and 2,305.23 EUR per month for skilled employees	
Belgium	From age 21: 1,501.82 EUR per month From 21 years and 6 months' service: 1,541.67 EUR per month From age 22 + 12 months' service: 1,559.38 EUR per month	
Netherlands	From age 15: 449 EUR per month From age 16: 516 EUR per month From age 17: 591 EUR per month From age 18: 680 EUR per month From age 19: 785 EUR per month	From age 20: 920 EUR per month From age 21: 1,084 EUR per month From age 22: 1,271 EUR per month From age 23 and older: 1,495 EUR per month
Germany	No statutory minimum wage. As of January 2015 a minimum wage of 8,50 EUR/hour will be imposed(i.e. 1,360 EUR per month based on a 40-hour week).	
France	1,445.38 EUR per month (based on a statutory 35-hour week)	
Ireland	1,384 EUR per month (based on a 40-hour week)	
United Kingdom	From October 1, 2014, current rate is GBP 6.50 per hour for people aged 21 and more or approximately 1,130.55 GBP per month (based on a 40 hour week) (+/- 1,326.40 EUR)	
Malta	Under 17 years old – 156.06 EUR per week or 676.26 EUR per month 17 years old – 158.90 EUR per week or 688.57 EUR per month As of 18 years old – 165.68 EUR per week or 717.95 EUR per month	
Spain	645.30 EUR per month	
Greece	Under 25 years old: 510.95 EUR per month As of 25 years old: 586.08 EUR per month	
Portugal	485 EUR per month	
Poland	1,680 PLN (+/- 400 EUR) per month	
Slovakia	352.00 EUR per month	
Czech Republic	8.500 CZK (+/- 305.26 EUR) per month.This will probably be increased in 2015 to 9,000 CZK (+/- 323.22 EUR).	
Austria	No statutory minimum wage; fixed in collective contracts for most industries	
Denmark	No statutory minimum wage; on average 2,220 EUR per month (in 2009)	
Italy	No statutory minimum wage; on average 1,057.01 EUR per month	
Sweden	No statutory minimum wage; Minimum wages are established by collective bargaining agreements between employers and unions without any involvement of the government. The collective agreements have strong positions in Sweden and may not be deviated from.	
Switzerland	No statutory minimum wage	

Statutory indexation of annual salaries for white-collar employees

For this 5th edition of the European Salary Survey, we again 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, also in Luxembourg and Slovakia salaries are automatically and annually indexed as imposed by law. As mentioned in the previous edition, the Luxembourg 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. For the year 2014, no indexation has been foreseen. The next indexation will probably take place in the first quarter of 2015 (not yet confirmed).

In a number of countries, including Sweden, Spain, 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. Similarly in Austria where, although there is no automatic indexation by law, there is some kind of an 'actual automatic' indexation due to the periodic collective bargaining negotiations. Belgium also uses similar mechanisms for adjusting salaries in certain sectors in addition to the automatic legally required indexation.

Malta and Poland however only apply an annual statutory indexation to the minimum wage. Also in Spain, the minimum wage is each year established by the government based on several indicators, one of those being the inflation. In theory, the same goes for Portugal, however, in times of economic crisis, the Portuguese do not actually increase the legal minimum wage as has been the case during the last years. In the UK, the statutory minimum wage is also yearly increased in October. In France, the legal and mandatory indexation system was abolished in 1983. However, as is the case in a.o. Poland, the statutory minimum wage in France is still linked to the consumer price index or CPI.

As can be concluded, an automatic indexation of wages is not common in the investigated European countries. In Belgium, a lot of discussions have been going on regarding the one-time suspension of the index which has been announced for 2015. Following the new Belgian government measures, it has been decided that the automatic indexation of wages will be maintained. However, the index will be skipped once. The bypassing of the index will not apply to the lowest income and benefits.

Comparison of countries aiming to attract headquarters of international companies

Companies operating in the international market prefer to have their head office located in a country that offers the best assets for further growing the company. Which country that is, depends on various elements. 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 relevant points 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 instance).

Various location surveys show that companies that are in the process of 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 top 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 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 in a successful way and to generating profit. On the other hand, distribution centres 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 logically follow that Belgium in the past consistently emerged as a very suitable country for setting up the head office of a multinational company. Figures from numerous studies and surveys (including from the OECD) showed that Belgium was often viewed as the ideal country to establish the head office of a multinational. Also being the capital of Europe, Brussels still often exerts an important attraction for companies who want to be located in the centre of trading. Diversity, knowledge of languages, high-quality education, a very strong performing harbour and good infrastructure are just some of the many benefits that Belgium has to offer.

In addition to Belgium, other countries in Europe are very attractive to headquarter companies as well and also want to develop further to become the most attractive location for corporate headquarters of multinational companies. In this area Belgium is in general mainly competing against the Netherlands, Ireland, Luxembourg and Switzerland.

To see how Belgium performs in relation to these countries in the war for headquarters, we have put together the figures from scenario 5, chapter 1, for these countries alone. In these overviews, Belgium the Netherlands and Luxembourg are mentioned twice. Under specific conditions, these countries offer a special tax status to certain employees. If a company wants to set up its headquarters here, the special tax status could be requested most probably on behalf of a large number of staff. By applying the beneficial special tax status when granted by the government, the employees concerned are in many cases able to enjoy a competitive salary as the special tax status has a lowering effect on the individual income tax due and/ or on the related employer's costs. This chapter does not provide full detail on the potential benefits of such special tax status but 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 achieve an attractive 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 expatriate tax status for foreign executives in Belgium and in Luxembourg). In addition, the related salary cost will be considerably reduced (i.e. in the situation of the special expatriate tax status for foreign executives in Belgium and Luxembourg).
In Ireland and Switzerland, there is no similar structural status with tax advantages that are commonly applied to foreign executives. Considerable clearly defined benefits can be achieved in these 2 countries however rather on an ad hoc basis and provided a whole series of conditions are met and a number of related formalities are fulfilled. As these do not entail structural advantages on a regular basis, and as conditions fall out of the scope of our example, we have opted not to include them in our comparative scenarios below.
For the sake of completeness we mention some key elements below:

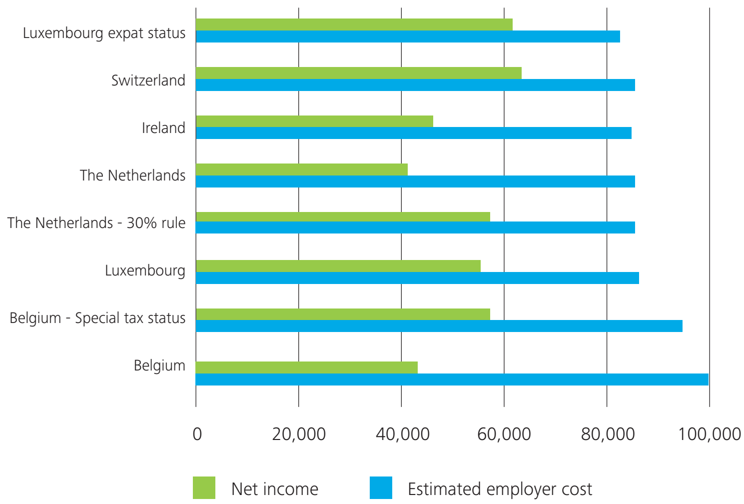
In Ireland, an income tax relief for employees assigned or transferred to work in Ireland (SARP) is in place. This entails that 30% of the remuneration between € 75.000 and € 500.000 can be granted tax free. There is also "the foreign earnings deduction" which is available for individuals sent on assignment to a "relevant" state (i.e. BRIC countries,…). Provided that all conditions are met, a reduction in taxable remuneration can be achieved up to maximum € 35,000 (depending on the number of days spent by the individual in the "relevant state"). As the conditions of both tax measures are very strict, the tax authorities in Ireland consider broadening the range of application in 2015.

The expatriate tax regime in Switzerland entitles expats to additional tax deductions amongst others: school costs (under certain conditions) and reasonable costs of housing if a permanent residency is maintained abroad.

Expatriates in Luxembourg can receive relocation costs, school fees, cost of living allowances and ongoing assignment costs related to housing, utilities, home leave and tax equalisation tax free.

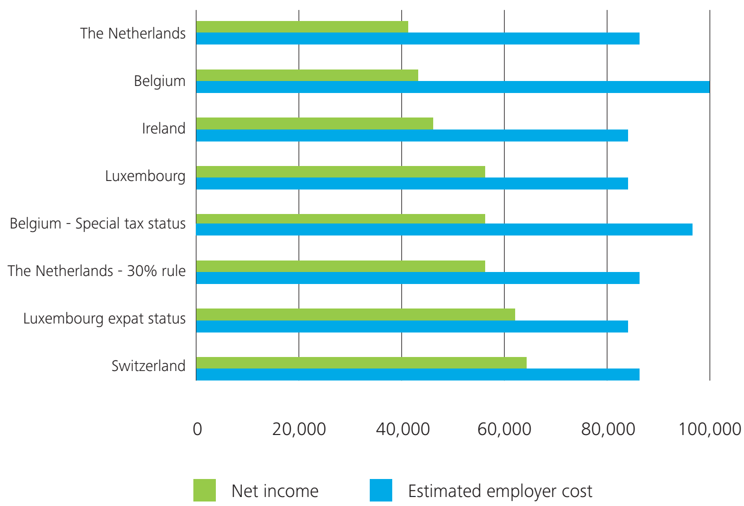
In the Netherlands, the special expatriate tax regime allow that qualifying employees can earn up to 30% of their employment income tax free.

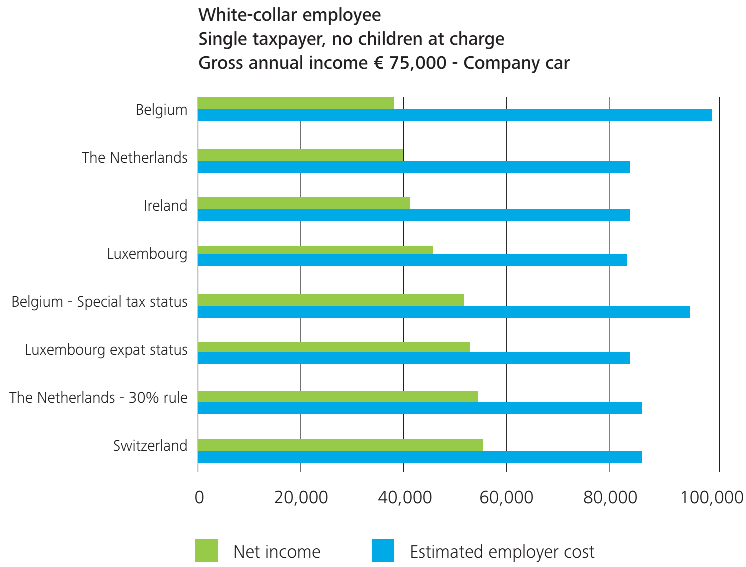
White-collar employee
Gross annual income €75,000
Company car



From the envisaged countries, Switzerland typically scores the best on the employer's side. Taking into account the special tax regimes, the employer cost in the Luxembourg's special tax regime overtakes the Suisse employer cost in being the lowest.

White-collar employee
Married tax payer (non-working spousse & 2 dependent children
Gross annual income €75,000 Company car)





When comparing the net incomes for Belgium with those of our main competitors in view of attracting headquarters of multinationals, Belgium does not stand out from the crowd in terms of offering attractive net packages, even despite the application of the Belgian special tax status for foreign executives. In the situation of both unmarried and married employees, Switzerland wears the crown in terms of the highest net annual income. Moreover, when taking into account the special tax regimes available in the Netherlands and in Luxembourg, the net income received in Belgium, is still lower than the net incomes in the Netherlands and Luxembourg.

It should however be noted that a gross annual income of 75,000 EUR is rather low to even very low for a headquarter function according to Swiss standards. For the position we are considering, a person can easily expect to receive a salary package which is significantly higher in Switzerland.

Taking into account the Belgian special tax status for foreign executives (based on the assumption mentioned above), the Belgian taxpayer is only better off in terms of net pay than his or her Irish counterpart.

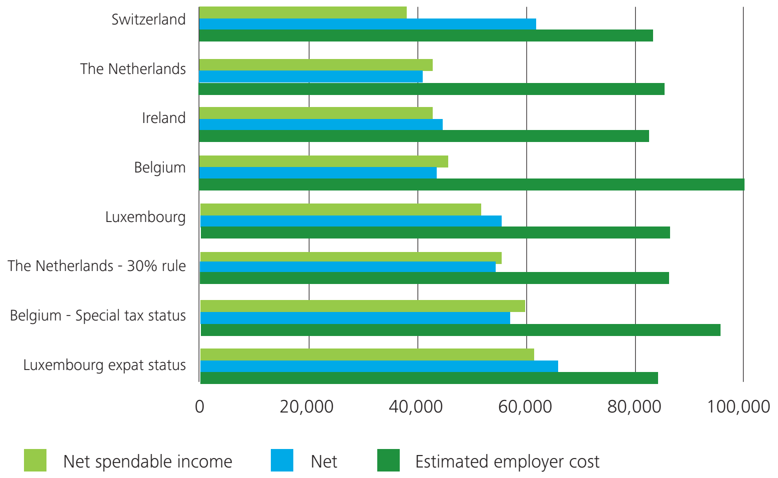
On a more positive note, Belgium scores much better if we look at its net disposable income and take into account the benefits of the Belgian special tax status. If we add adjustments for family allowances, the cost of housing and the cost of living in the graphs above, the net disposable income in Belgium is significantly higher than in the other countries involved in the equation, again provided that the Belgian special tax status for foreign executives is applied not taking into account the special tax regimes of Luxembourg (for a married taxpayer with 2 dependent children) and the Netherlands (for a single taxpayer).

So whereas Belgium remains the most expensive for the employers, even when applying the benefit of the Belgian special tax status, it is important to note that both the married and unmarried Belgian employees who have been granted the Belgian special tax status-in general-outperform their closest neighbours / main competitors in terms of net spendable income.

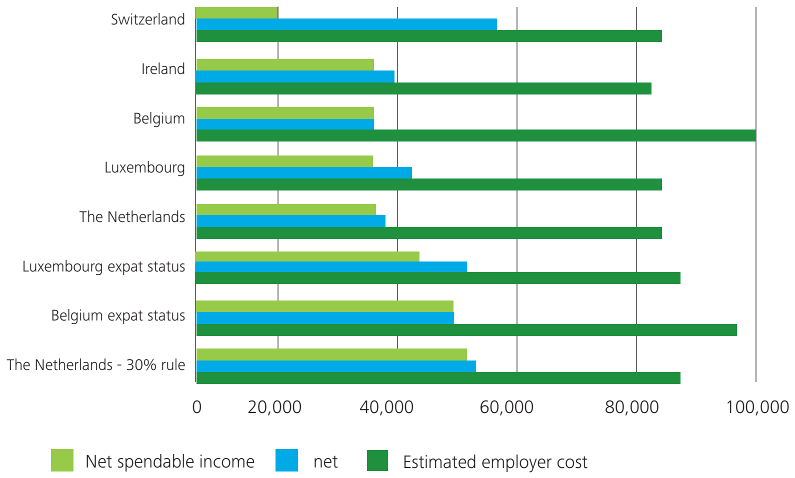
Salary costs are not the only or the most important factor to persuade companies to set up their headquarters in a particular country. Another important factor in relation to choosing a location is for example the political environment and related (tax) certainty of a particular country.

As long as Belgium scores poorly in terms of pure salary costs as well as rather weak in view of tax stability, it is likely to expect that always fewer companies will take a further look at Belgium's total assets (among which an attractive level of net disposable income), when deciding to set up a business in Europe. This may explain why in recent years Belgium is considerably less successful in the challenge to secure corporate headquarters.

White-collar employee
Married tax payer (non-working spouse & 2 dependent children)
Gross annual income €75,000 - Company car



White-collar employee
Married tax payer (non-working spouse & 2 dependent children)
Gross annual income €75,000 - Company car



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 remain key 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.

As of 2006, **Belgium** put in place a very important tax measure, which to a large extent mitigates the salary handicap in view 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 19 countries surveyed, virtually only 2 countries (i.e. Belgium and the Netherlands) have an important measure in place which significantly reduces salary costs in the area of research and development. Through the Belgian 'Research & Development incentive', higher income-earners in Belgium are again enabled to receive a 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 have an attractive salary cost measure, although the aim of this measure is broader as it aims at promoting research and shipping. 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, and shipping. For example, in 2014, the reduction applied in the Netherlands for research and shipping can be as much as 35% of the withholding tax, up to a maximum of 250,000 EUR per company and 14% above this threshold to a maximum reduction of 14 million EUR. For start-up companies some higher percentages may apply. The system is very similar to the Belgian R&D measures.

Also **Denmark** developed a special tax 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 in very exceptional situations generates savings for the employer and mainly provides benefits for foreign workers employed as researchers in Denmark (they receive a higher net income through application of the special tax status), this potential cost saving measure has not been further detailed in this report.

In **Sweden** a similar possibility exists to be taxed taking into account a special tax status for foreign experts. When this special tax status for foreign experts can be applied, it produces a higher net salary for foreign researchers in certain cases. Consequently, further details of this special tax status have not been included in this report. Swedish business has been lobbying for an exemption of Swedish social security for all employees working in Sweden in the area of R&D for quite some time. As of 1st January 2014 an exemption of social security is applicable which amounts to 10% of the social security contributions due, however limited to 230,000 SEK or +/- 26,806 EUR per month per company group. Depending on the factual situation, this Swedish R&D employer incentive is not very significant, especially compared to the Belgian R&D incentive. Consequently, it has not been included in the below figures which focus on the situation in our neighbouring countries / main competitors.

Portugal also has a special tax regime for foreigners working in Portugal. Most R&D activities are eligible for a (very beneficial) special 23.5% tax rate provided the conditions are fulfilled. Similarly in Ireland, a special tax system exists since 2012 which results in lower income tax due by all researchers. As these special tax systems provide benefits for the researchers instead of the employer, it is not considered as a salary cost measure and therefore not further considered in this report.

In 2014, also the **Italian** government has introduced some particular measures in order to grant a tax saving for the employees. The employee with an employment income under a specific threshold and with a gross tax higher than the employment income deduction granted, is entitled to receive a "bonus" that is tax exempt. The government is still discussing possible actions to take in view of the employer side. No relief for R&D investments through a salary cost reduction however is expected.

Other countries also have a special tax status for foreign (and/or for local) employees based on which significant employer and/or employee savings are created (e.g. in Belgium, France, Luxembourg, the Netherlands) but these are not further considered in this chapter as the related benefits are not comparable with the Belgian R&D salary cost measure.

Most of the countries surveyed (e.g. Austria, the Czech Republic, Denmark, Luxembourg, Greece, Portugal, Spain, the Netherlands, Ireland, the United Kingdom and especially France) obviously also try to stimulate research and development activities and related investments in their country. They however mainly focus on corporate tax measures as does Belgium in addition to its very important and significant R&D incentive. The below excludes the range of European corporate tax measures aimed at stimulating innovation, research and development.

The figures below provide an overview of the effect the salary cost measures in Belgium and the Netherlands have (applicable to employees working in the area of research and development) on the figures of chapter 1, scenario's 3 to 5. When we compare the related Belgian and Dutch salary costs in the context of R&D activities with the salary costs of our main neighbours / competitors, it is clear that the higher the salary level, the better Belgium's competitive position becomes. Note that in the Dutch example below the rates applicable to large R&D companies were used.

1) Belgian salary cost measure – Exemption from withholding tax

In 2006, the Belgian government introduced a salary cost measure which provided an enormous stimulus for the Belgian R&D sector. Provided the strict conditions of this legislation are met, the employer currently only actually pays 20% of the total amount of withholding taxes that he in ordinary situations would have to pay to the Belgian treasury on the researcher's salary. This means that 80% of the withholding tax owed on the researcher's salary, reverts directly to the employer, because the employer retains the correct amount of withholding tax on the gross salaries of qualified employees. As such, the employer saves a large proportion of the initial salary cost. This measure is totally tax-neutral for the employee in question.

2) Belgian Innovation Premiums – Additional measure affecting salary costs

Belgian employers can also grant 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 offers employers an attractive, tax-friendly and relatively inexpensive opportunity to pay their employees something extra as a reward for coming up with innovative solutions. This measure i.p. comes to an end on December 31, 2014

Example illustrated with figures

The figures below demonstrate that the Belgian R&D salary cost measure creates 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 be eligible without prior accreditation as research centres. In comparison with our main neighbouring countries / competitors only, it is clear that with the application of the Dutch R&D measures, the Dutch employer costs are the lowest, in all scenario's. Belgium however is second best when it comes to total employer costs both for a gross annual income of 50,000 EUR for unmarried employees and for 75,000 EUR (for married and single employees). By applying this incentive, this sector is able to make enormous savings to their wage costs, following which the companies involved are enabled to have considerably more resources to continue investing in this sector and to further develop it. It is clear that our competitive position in Europe is significantly stimulated by this measure and that, with the exception of the Netherlands, none of the other European countries surveyed have a similar R&D salary cost saving measure in place.

Scenario 3 – White-collar employee, annual gross salary of 27,000 EUR, married (non-working partner) and 2 dependent children

Country	Old estimated employer costs	Social security employer	Gross salary	Income tax	Exemption withholding tax	New estimated employer costs
The Netherlands	32 289,00	5 289,00	27 000,00	959,00	-3 780,00	28 509,00
The United Kingdom	29 437,93	2 437,93	27 000,00	3 053,87		29 437,93
Switzerland	30 400,00	3 400,00	27 000,00	0,00		30 400,00
Luxembourg	30 437,10	3 437,10	27 000,00	35,32		30 437,10
Germany	32 204,25	5 204,25	27 000,00	894,00		32 204,25
Belgium	35 825,43	8 825,43	27 000,00	1 226,13	-980,90	34 844,53
France	39 343,00	12 343,00	27 000,00	0,00		39 343,00

The Belgian employer costs remain in 6th place, but already performing better thanks to a reduction of 980.90 EUR. The Netherlands jump from the 5th place to the first place and as such become the country with the lowest employer cost. With its most expensive employer costs, France comes in 7th and last place.

Scenario 3 – White-collar employee, annual gross salary of 27,000 EUR, single

Country	Old estimated employer costs	Social security employer	Gross salary	Income tax	Exemption withholding tax	New estimated employer costs
The Netherlands	32 289,00	5 289,00	27 000,00	1 228,00	-3 780,00	28 509,00
The United Kingdom	29 437,93	2 437,93	27 000,00	3 053,87		29 437,93
Switzerland	30 400,00	3 400,00	27 000,00	600,00		30 400,00
Luxembourg	30 437,10	3 437,10	27 000,00	1 645,32		30 437,10
Belgium	35 825,43	8 825,43	27 000,00	5 342,68	-4 274,14	31 551,29
Germany	32 204,25	5 204,25	27 000,00	3 376,00		32 204,25
France	39 343,00	12 343,00	27 000,00	1 398,00		39 343,00

this case, Belgian employer costs decrease with 4,274.14 EUR, lifting Belgium from 6th and second-to-last place to the 5th place. We would like to draw you attention to the fact that Belgium now also leaves Germany behind. Again the Netherlands overtake all countries in this scenario.

Scenario 4 – White-collar employee, annual gross salary of 50,000 EUR, married (non-working partner) and 2 dependent children

Country	Old estimated employer costs	Social security employer	Gross salary	Income tax	Exemption withholding tax	New estimated employer costs
The Netherlands	**59 795,00**	9 795,00	50 000,00	11 725,00	-7 000,00	**52 795,00**
The United Kingdom	**56 168,75**	6 168,75	50 000,00	9 322,34		**56 168,75**
Switzerland	**56 573,00**	6 573,00	50 000,00	0,00		**56 573,00**
Luxembourg	**56 846,43**	6 846,43	50 000,00	3 902,44		**56 846,43**
Belgium	**66 693,99**	16 693,99	50 000,00	10 231,82	-8 185,46	**58 508,53**
Germany	**59 898,73**	9 898,73	50 000,00	6 870,23		**59 898,73**
France	**74 458,00**	24 458,00	50 000,00	1 302,00		**74 458,00**

Through the application of the R&D measure, the Belgian employer costs fall by 8,185.46 EUR, lifting Belgium from 6th to 5th place in the rankings of salary costs. Once again the Netherlands the United Kingdom, Switzerland and Luxembourg still do better.

Scenario 4 – White-collar employee, annual gross salary of 50,000 EUR, single

Country	Old estimated employer costs	Social security employer	Gross salary	Income tax	Exemption withholding tax	New estimated employer costs
The Netherlands	**59 795,00**	9 795,00	50 000,00	12 026,00	-7 000,00	**52 795,00**
Belgium	**66 693,99**	16 693,99	50 000,00	15 630,74	-12 504,59	**54 189,40**
The United Kingdom	**56 168,75**	6 168,75	50 000,00	9 322,34		**56 168,75**
Switzerland	**56 573,00**	6 573,00	50 000,00	5 632,00		**56 573,00**
Luxembourg	**56 846,43**	6 846,43	50 000,00	10 072,44		**56 846,43**
Germany	**59 898,73**	9 898,73	50 000,00	11 453,08		**59 898,73**
France	**74 458,00**	24 458,00	50 000,00	5 858,00		**74 458,00**

Belgium in this scenario rises from 6th and second-to-last up to the 2nd place with an impressive cost-saving of 12,504.59 EUR. In this case, Belgium passes Switzerland and even the United Kingdom.

Scenario 5 – White-collar employee, annual gross salary of 75,000 EUR, married (non-working partner) 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
The Netherlands	**85 072,00**	10 072,00	75 000,00	25 794,00	-10 500,00	**74 572,00**
Belgium	**100 050,02**	25 050,02	75 000,00	21 868,47	-17 494,78	**82 555,24**
Switzerland	**84 903,00**	9 903,00	75 000,00	1 549,00		**84 903,00**
The United Kingdom	**84 955,87**	9 955,87	75 000,00	20 297,73		**84 955,87**
Luxembourg	**85 183,07**	10 183,07	75 000,00	10 757,40		**85 183,07**
Germany	**86 864,25**	11 864,25	75 000,00	15 263,51		**86 864,25**
France	**111 438,00**	36 438,00	75 000,00	4 051,00		**111 438,00**

The higher the withholding tax, the greater the savings for the Belgian employer. In this case a saving of 17,494.78 EUR is realized following which Belgium rises to the 2nd place. In this scenario again, only the Netherlands do better. Although the R&D percentage is lower in the Netherlands, the Dutch total employer cost is less expensive than Belgium since the Dutch employer social security contributions are capped contrary to the Belgian employer social security contributions.

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

Country	Old estimated employer costs	Social security for employer	Gross salary	Income tax	Exemption from withholding tax	New estimated employer costs
The Netherlands	**85 072,00**	10 072,00	75 000,00	26 095,00	-10 500,00	**74 572,00**
Belgium	**100 050,02**	25 050,02	75 000,00	27 637,91	-22 110,33	**77 939,69**
Switzerland	**84 903,00**	9 903,00	75 000,00	12 325,00		**84 903,00**
The United Kingdom	**84 955,87**	9 955,87	75 000,00	20 297,73		**84 955,87**
Luxembourg	**85 183,07**	10 183,07	75 000,00	20 184,40		**85 183,07**
Germany	**86 864,25**	11 864,25	75 000,00	22 882,95		**86 864,25**
France	**111 438,00**	36 438,00	75 000,00	11 747,00		**111 438,00**

In this scenario Belgium again rises from 6th to 2nd place through a reduction in the employer cost of 22,110.33 EUR. Compared to the Belgian scenario for married individuals with a gross annual salary of € 75.000, the Belgian employer cost is even lower. This can be explained by the fact that there is a big difference in wage tax between the married and single scenario (i.e. € 5.769,44)

Conclusion

Belgium keeps on struggling with high and unlimited employer social security

Even reducing employer social security charges to 25% does not improve Belgium's competitive position compared with its main competitors

1.General

Employer charges in Belgium remain very high

This survey demonstrates that as in 2013, Belgium scores very poorly in terms of employer charges compared with other European countries. Even a possible lowering of employer social security charges to 25% would make almost no change to the situation. That's because employer contribution levels in Belgium are unrestricted, whereas they are capped in many European countries.

High marginal tax rate as from a relatively low income.

In Belgium, the highest tax rate of 53.5% (taking account of the average municipal tax of 7%) is levied already on a taxable income of EUR 37,750.

Major tax difference between a single tax payer and a married taxpayer with a non-working partner and 2 children

The marital quotient continues to offer a major advantage to married couples with a partner who is not working. The question rises whether this benefit can be used by government to provide as much encouragement as possible for people to enter or remain in the workforce.

Investment income

Belgium levies an 'average' tax on passive income. In fact, capital gains are not taxable (except where they are speculative). This makes Belgium one of the few countries in Europe not to do so.

R&D measure

The R&D measure brings employer charges down and enables Belgium to remain competitive in the area of research and development compared with its neighbouring countries and competitors.

Automatic wages indexation

Wages are only indexed automatically in 3 of the countries surveyed. This represents an additional wage handicap for Belgium in comparison with neighbouring countries.

2. Specific conclusions

There were no major changes to the tax or social security legislation in the 19 countries surveyed in 2014

As a result of the financial crisis in 2008 and 2009, most of the European countries in this survey already implemented changes to their tax, social security and pension legislation in 2012 in 2013. As a result, 2014 was a year of stability. There are currently no significant changes in sight for 2015 either. This is the answer that governments in the various countries are giving in response to the call for stability from their taxpayers and businesses.

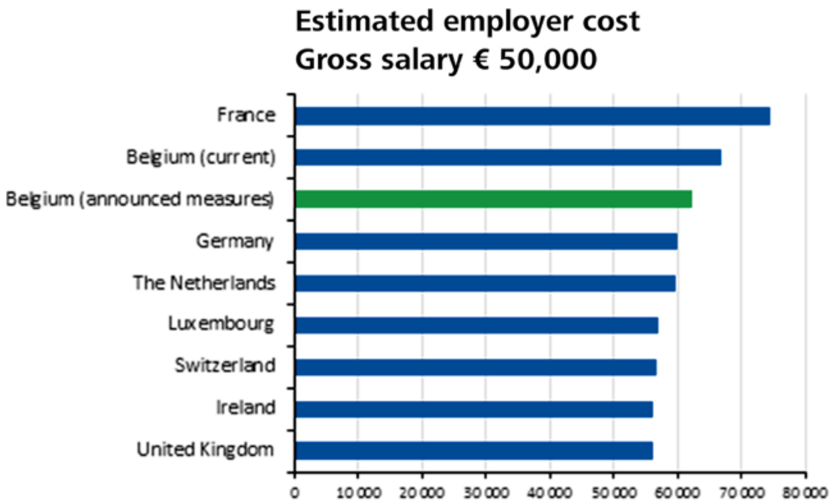
However, according to the OECD, tax rates in Belgium are too high. For this reason, the new federal government has announced that it will examine the possibility of introducing a 'tax shift' to other forms of direct taxes, indirect taxes and/or environmental taxes. The measures announced that are relevant to this survey are as follows:

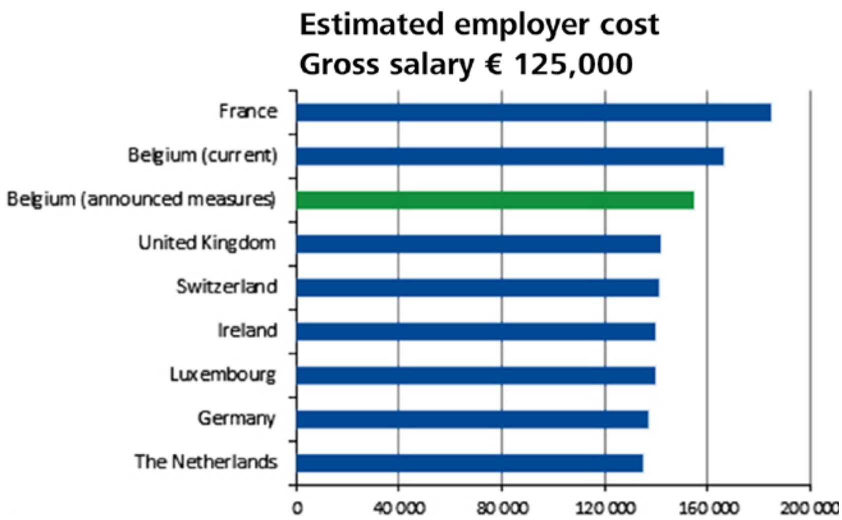
1. An increase in the lump-sum deduction of business expenses for employees, beginning in fiscal year 2016;
2. A reduction in employer contributions to social security before the end of the current term of parliament, with 25% as the target.

European employers still seeing labour costs rise as the result of a general increase in social security

- As in previous years, Belgium – and especially France – continued to be the frontrunners in the area of social security charges on wages. This can be explained by the high and uncapped social security contributions. Employer charges are also under pressure as a result of the high mandatory minimum wages. In Belgium, the minimum wage is 1,502 EUR per month for a 21-year-old, which is the second-highest statutory minimum wage in Europe. Only Luxembourg is higher. France is ranked fifth, with a minimum wage of EUR 1,445.38. Employer charges in Belgium are also impacted negatively by automatic wages indexation. Within Europe, Luxembourg and Slovakia are the only other countries still to have a system of automatic indexation. (Having said that, wages in Luxembourg were not indexed in 2014). Despite automatic wages indexation and the fact that Luxembourg has the highest minimum wage, it does not have to contend with the same issues as Belgium. The reason for this is that employer contributions in Luxembourg are a maximum of 14.30% and are only levied up to a maximum salary of 115,261.56 EUR.

- Social security charges for employers (i.e. the cost of wages) rose in the majority of the countries surveyed. In 11 of the 19 countries, it is either the rate of social security that went up (e.g. in the Netherlands), or there was an increase in the level at which contributions are levied (e.g. in Germany, Italy, the Netherlands, Greece, Malta, Austria, Poland, Slovakia, Spain, the Czech Republic and the United Kingdom). Greece is the odd one out here, because it was the only country in Europe to drop the rate by 2.9%, to an employer contribution level of 24.56%. However, the upper limit increased slightly.
- More than 60% of the countries surveyed have managed to impose a partial or total maximum social security charge. In any event, Danish and Maltese employers have to pay an extremely low charge. In Poland, Slovakia and the Czech Republic, there are no limits on social security charges, although these countries have kept their employer contributions within very reasonable limits, particularly where higher wages are concerned (the unlimited social security charge is only 7% in Poland, 9% in the Czech Republic and 0.8% in Slovakia). In 7 other countries, there is an absolute maximum social security contribution for employers: the Netherlands, Spain, Germany, Austria, Luxembourg, Greece and Italy. In these countries, the average upper limit amounts on average to EUR 74,125 (varying between 43,164 EUR in Spain and 115,261.56 EUR in Luxembourg). Above this threshold, there is no social security contribution for employers, in contrast with the other group of countries where social security contributions are not capped for employers: Belgium, France, Portugal, the United Kingdom, Switzerland, Ireland and Sweden.
- The government agreement reached in Belgium in October 2014 provides for a reduction in employer contributions before the end of this parliamentary term, with a target of 25%. This measure is designed to give more oxygen to Belgian employers. Yet when we look at the graphic below, we can see – when we compare Belgium with its immediate neighbours and competitors (i.e. the Netherlands, Germany, Luxembourg, the United Kingdom, Ireland and Switzerland) – that Belgium does not move up the rankings and continues to be more expensive. The higher the salary, the further our neighbours forge ahead of Belgium. However, we should point out that under all circumstances, France remains more expensive than Belgium.





Belgium does not have the highest tax rate in Europe, but the level at which this marginal rate is applied is substantially lower than in other countries with a high marginal rate

In 2013, tax rates and scales for personal income tax were increased substantially in many countries. In 2014, though, only Sweden increased its marginal tax rate, from 61.24% to 61.59%. Today, a top tax rate of more than 50% is in effect in 8 of the 19 countries surveyed. The marginal tax rate is highest in Sweden (61.59% including municipal taxes and church levies), followed by Portugal (56.5%), Spain (56%), Denmark (55.56%), Belgium (53.5%), the Netherlands (52%), Germany (45% + 5.5%) and Austria (50%). In Belgium, the marginal rate has been etched in stone for years at 50%, plus municipal taxes averaging 7%. This equates to an effective top rate of 53.5%. The gap with other European countries is steadily closing in terms of the top rate. However, on average, the threshold from which the top rate applies is much higher in most other countries than it is in Belgium. In Belgium, we reach the top rate from a taxable income of 37,750 EUR. In Sweden, the treshold is almost twice as high (+/- 69,000 EUR), while in Spain, the threshold of 300,000 EUR is nearly 8 times higher than in Belgium.

Non-working partner with 2 children rewarded in Belgium

- An unmarried taxpayer in Belgium is taxed more heavily than a married taxpayer with a dependent non-working partner and 2 children. The difference in tax in Belgium varies roughly between 4,200 EUR and 5,700 EUR per year. Previous closer examination has already shown that a majority of countries treat this type of family situation more favourably from a tax point of view. In France, Germany, Luxembourg, Portugal and Switzerland, the difference in taxation compared with an unmarried worker is even more emphatic than it is in Belgium. In these countries, the tax bonus for families with just one working partner can be as high as 14,300 EUR (in Switzerland, Genève canton) per year.
- In the United Kingdom, Greece and Sweden on the other hand, no differential at all is made when calculating personal income tax based on the taxpayer's family situation. Finally, the difference in taxation also disappears in Italy, although only with higher incomes.
- As a result, the vast majority of the countries surveyed provide a tax bonus for the dependent non-working partner and/or children. In Belgium, the marital quotient is often under discussion, because it boils down to giving a bonus to legally cohabiting or married couples in which only one of the two partners goes out to work. This particular family situation occurs less frequently in Europe these days and hence the question might be asked as to whether the European countries in question couldn't mitigate this tax benefit to encourage people to enter the jobs market or stay there.

European savings only taxed more heavily in a few cases

- The legislators in the various European countries have also not taken any new initiatives in relation to taxing investment income. The only exceptions to this are Ireland, where the tax rate on interest rose by 8% (from 33% to 41%) and in Italy, where the tax rate on interest, dividends and capital gains went up by 6% (from 20% to 26%).
  In Denmark on the other hand, where the highest rate applies on interest and capital gains, the rate fell to 42% (instead of 51.7%).
- There is no doubt about the fact that active income or income from working is very heavily taxed in Belgium. However, passive income or income derived from capital is only taxed moderately in Belgium. The Belgian rates applied in 2014 were again close to the average European rate applied to interest and dividends (i.e. 24%).
- In the 19 countries surveyed, the average tax rate levied on interest was 24% (the United Kingdom, Spain and Denmark are not included here because the applicable rates vary sharply in these countries, plus no separate rate applies for withholding tax). The general trend in Europe is towards a slight rise in tax on interest. Over the years, Ireland has stood out for the highest tax rises levied on interest: in 2010 interest was taxed at 25%, whereas a rate of 33% applied in 2013. This rose to 41% on 1st January 2014.
- The average tax rate applied to dividends in Europe is also approximately 24% (the United Kingdom, Spain and Denmark have again been left out).
- For capital gains, the overall trend in Europe continues to be that they are taxable if such gains are realised in the short term (e.g. < 6 months). In principle, short-term capital gains only remain untaxed in Belgium and Switzerland, as well as under certain conditions in Luxembourg. However, it should be noted that speculative capital gains in Belgium remain taxable at

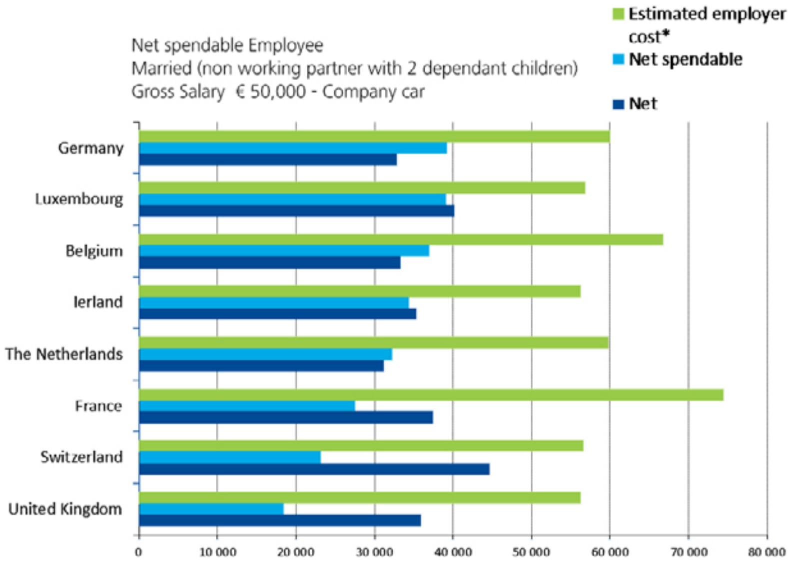
33% (plus communal tax).
- Finally, wealth taxes remain the exception in Europe. We note that Switzerland, plus France and Spain, are the only 3 countries that levy a wealth tax if the taxpayer's net worth exceeds a certain threshold.
- For the sake of completeness, we should state that for the stock exchange tax rates and ceilings in Belgium will rise in line with the draft programme law.

Belgians still living well, but drop a few places in the European rankings

- Belgian blue-collar workers with a gross income of EUR 21,958.90 or EUR 31,940.22 still enjoy a higher disposable net income compared with our direct neighbours, plus the United Kingdom and Switzerland (except for unmarried taxpayers with an income of EUR 31,940.22, who take home EUR 325.96 less than their Dutch counterparts). By contrast, Belgian white-collar employees are worse off in all pay categories than their German equivalents. However, married Belgians are always better off than their married counterparts in Holland. Belgian white-collar employees are still doing better than their equivalents in France and Switzerland, except in the highest pay category of 125,000 EUR. Finally, we note that Belgians (blue-collar workers and white-collar employees) for all income levels still have higher net earnings than the British.

Housing costs rising again in Northern Europe (except in the Netherlands) and continuing to fall in Southern and Eastern Europe, except in Poland.

- Housing costs fell generally in Europe in 2013. That is no longer the case in 2014 for the North of Europe, except for the Netherlands. All Southern and Eastern European countries (i.e. Portugal, Spain, Italy, Greece, the Czech Republic, Slovakia and also Austria) are still trending downwards. The cost of living is also still falling. The only countries recording a rise in this area are Denmark, Ireland, the United Kingdom, Switzerland and Poland.
- In contrast to the European trend, both the cost of housing and the cost of living in Belgium are virtually stable. An initial observation is that Germany, which was previously more expensive than Belgium on both counts, was cheaper for the second year in a row than Belgium for both the cost of housing and the cost of living.
- A second observation is that in Poland, both the cost of housing and the cost of living continue to rise, in contrast with other countries in the region. In fact, it is the only East European country on the list of countries with rising costs for both living and housing.
- Observation number three is that the Netherlands, in contrast to Poland, is becoming cheaper for all of the scenarios surveyed in terms of cost of living and housing.
- However, Belgium is still considerably less expensive than other wealthy European countries, making it midway between North and South Europe. For example, life and living in Brussels are still cheaper than in Luxembourg, Geneva, London, Paris, Dublin, Copenhagen, Stockholm and Amsterdam. Yet the gap is closing. Vienna turns out to be more expensive than Brussels in terms of housing, although the cost of living is lower.



R&D measure makes Belgian employers the cheapest – after the Netherlands

- Belgium continues to battle with very high wages costs and this often makes it difficult to attract or retain labour-intensive investments. A few years ago, Belgium took a number of far-reaching measures aimed at attracting or retaining companies here that invest heavily in R&D.
  As a result of these measures, Belgian employers who hire employees to work in research and development are able to make substantial reductions to their wages costs. In the higher echelons of the pay scale, Belgium again is one step ahead of its competitors. Apart from the Netherlands, none of the other countries

surveyed has a similar beneficial and structural system that provides a real incentive for research and development.

Belgium still competitive for company headquarters, but the Netherlands and Luxembourg are ahead of us.

- Belgium has traditionally been on the shortlist of locations for company headquarters. Figures show that our high salary costs do not, at first glance, appear to be competitive with our immediate competitors, such as Luxembourg, Switzerland, Ireland and the Netherlands. When it comes to attracting headquarters, Switzerland has a structural advantage, simply on account of its relatively low tax rates and social security contributions. Even if for Belgium we take account of the benefits that may be generated from applying the special tax status for foreign executives, it only scores better than Ireland. However, if we compare ourselves with the Netherlands and Luxembourg, we have to conclude that, on average, our neighbours to the North and South have a more favourable system for attracting foreign executives.
- Despite the fact that, at first glance, Belgium does not appear to be the most advantageous location for establishing a headquarters operation, two fundamental adjustments need to be made to this ranking.
  The first of these is needed because basic wages in Luxembourg – and especially in Switzerland – are substantially higher than in the other locations. However, our survey does not focus on this.
  Second, the adjustments made to net disposable income lift Belgium to 2nd position in the rankings. Headquarters are largely populated by international managers who are eligible for expat status. This system often involves a net package, including cost-of-living and housing expenses. These costs are considerably lower in Belgium than they are in the countries competing with us. For this reason, from the perspective of net disposable income, Switzerland tumbles from top spot to last place in the rankings.

High social security contributions do not necessarily guarantee a high statutory pension

- The majority of the countries surveyed guarantee retirees a minimum statutory pension. In 12 countries, there is also a maximum.
- Belgium has the second-highest minimum statutory pension (only Luxembourg does significantly better).
- As discussed in the previous edition of the salary survey, the statutory pension (or 1st pillar pension) is generally built up through contributions to social security. However, when we look to see whether the pensions paid out are also in proportion to the social security contributions paid by employees and employers, it seems that this is often not the case.
- Frequently, the statutory pension is not sufficient to cater for the living requirements of a retired person. For this reason, we also examine the extent to which company pension schemes are common local practice (2nd pillar pensions). Building up pension benefits through employment is only a common practice when higher salary levels are involved. In 70% of the countries surveyed, company pension schemes are virtually the rule with annual incomes of 75,000 EUR or more, while the same is true in only 37% of the countries surveyed where the annual income is 27,000 EUR. Of particular note is the fact that company pension schemes are a legal obligation in Switzerland and, since 2012, the United Kingdom.
  Finally, France, Greece, Portugal and Poland still have relatively low minimum statutory pensions and a poor ratio of benefits in terms of social security contributions. Supplementary pensions (2nd pillar) are also rare in these countries.
- In general, it can be stated that the statutory retirement age in most European countries has gone up to 67, which will come into effect by 2028.

Automatic wages indexation

- Systems involving the automatic indexation of wages are the absolute exception in Europe. In addition to Belgium, this is only the case in Slovakia and Luxembourg. However, Luxembourg did not apply automatic indexation in 2014.
- A one-time skipping of the index is also scheduled for Belgium in 2015. However, the government agreement proposes that the mechanism of automatic index adjustments should not be reviewed, although it could be reformed. The lowest income levels will also be spared.

Epilogue

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