Deloitte.

European salary survey 2015

General decrease in cost of living and housing in Europe

6th edition - December 2015

Content

Foreword

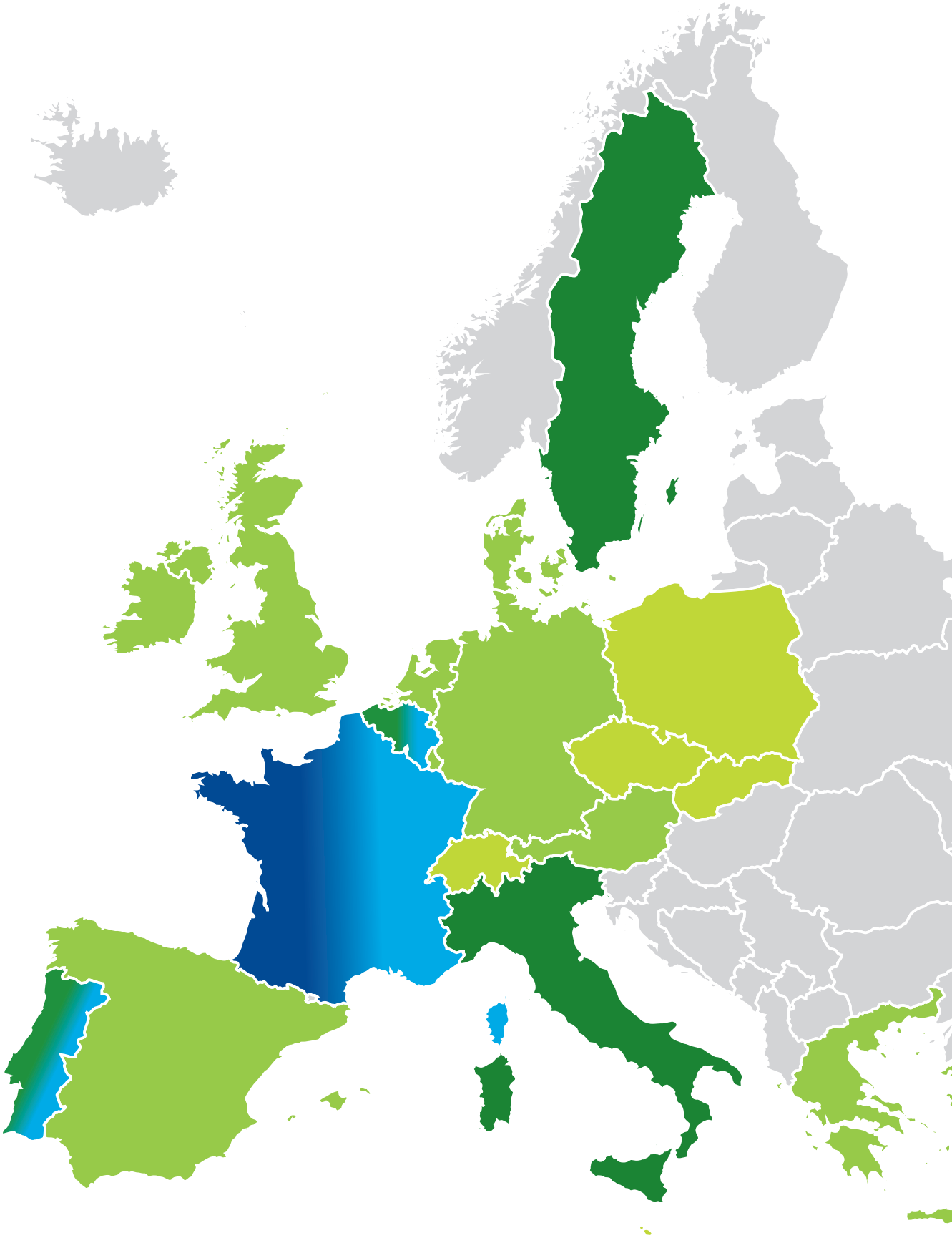
The European Salary Survey was conducted for the first time by Deloitte Belgium in 2010 and is now in its 6th edition. The 2015 survey compares **actual salary costs** and the associated **net pay levels** in 19 European countries:

Austria	France	Italy	Poland	Sweden
Belgium	Germany	Luxembourg	Portugal	Switzerland [1]
Czech Republic	Greece	Malta	Slovakia	United Kingdom
Denmark	Ireland	Netherlands	Spain	

This year, five different scenarios have been compared for each country, in three different personal situations, totalising 15 different comparative computations. 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. In this chapter, information has also been provided regarding **automatic annual salary indexation** and **legal minimum wages**.

Furthermore, the report provides a European ranking for the **tax treatment of passive income** (interest, dividends, capital gains and wealth tax), and also includes a section focusing on **headquarter companies**, including a ranking of Belgium, the Netherlands, Switzerland, Luxembourg and Ireland.
As is tradition, the most pressing findings and highlights have been summarised at the end of the report. Detailed charts and extended information on each topic is included.

[1] 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 of Geneva, which is one of the most popular, as well a one of the most expensive regions in the country.



- Countries where social charges are the highest are **France, Belgium, Italy, Sweden** and **Portugal**
- **French** employer costs are the highest regardless of level of income due to the uncapped social security contributions
- Top five countries where the net income for the employee is the highest are **Switzerland, the Czech Republic, Slovakia, Malta & Poland**
- Countries where personal situation has most impact on the level of taxes are **Belgium, France and Portugal**, with no impact however on the general ranking of net income
- **Tax shift** does not appear to improve significantly the place of Belgium in the ranking of countries where employees get the **highest net income**
- **Tax shift** improves Belgium's position in terms of **employer cost** when considering low salary levels

Chapter 1 - Salary comparison

In this first section of the 6th edition of the European Salary Survey, we have made a comparison between employer costs and net income 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.**

Five different scenarios (scenario one to four covering employees and scenario five covering self-employed) have been compared for each country, ranking from a gross annual salary of 25.000 EUR to a gross annual salary of 125.000 EUR (25.000 EUR, 50.000 EUR, 75.000 EUR and 125.000 EUR for employees and self-employed). The calculations are made each time considering **three different personal situations**: (1) a single person with no dependents, (2) a married or legally cohabiting taxpayer, with two dependent children and a partner who is not working; and (3) a married or legally cohabiting taxpayer, with two dependent children and a working partner.
The following parameters have been used:

25.000	**Scenario 1**: Employee with gross annual income of 25.000 EUR • 1.1.married or legally cohabiting taxpayer, with 2 dependent children and a partner who is not working • 1.2.single taxpayer with no dependents • 1.3.married or legally cohabiting taxpayer, with 2 dependent children and a working partner
50.000	**Scenario 2**: Employee with gross annual income of 50.000 EUR and company car type: Volkswagen Golf Variant 1.6 TDI 105 • 2.1. married or legally cohabiting taxpayer, with 2 dependent children and a partner who is not working • 2.2. single taxpayer with no dependents • 2.3.married or legally cohabiting taxpayer, with 2 dependent children and a working partner
75.000	**Scenario 3**: Employee with gross annual income of 75.000 EUR and company car type: BMW 318d business line • 3.1.married or legally cohabiting taxpayer, with 2 dependent children and a partner who is not working • 3.2.single taxpayer with no dependents • 3.3.married or legally cohabiting taxpayer, with 2 dependent children and a working partner
125.000	**Scenario 4**: Employee with gross annual income of 125.000 EUR and company car type: BMW 520d business line • 4.1.married or legally cohabiting taxpayer, with 2 dependent children and a partner who is not working • 4.2.single taxpayer with no dependents • 4.3.married or legally cohabiting taxpayer, with 2 dependent children and a working partne
125.000	**Scenario 5**: Self-employed director with gross annual income of 125.000 EUR and company car type: BMW 520d business line • 5.1. married or legally cohabiting taxpayer, with 2 dependent children and a partner who is not working • 5.2. single taxpayer with no dependents • 5.3.married or legally cohabiting taxpayer, with 2 dependent children and a working partner

All calculations take account of the currently valid statutory and fiscal rules and sliding scale rates for 2015. Reference is made to appendix 1 which includes complete salary comparison charts.

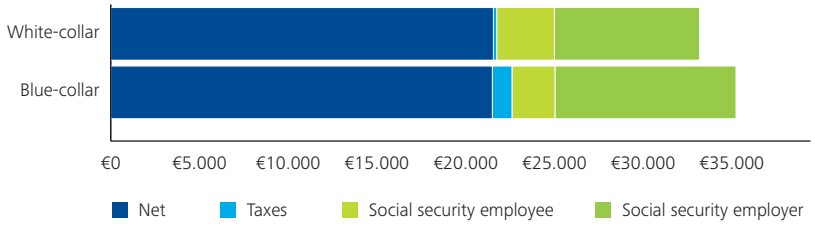
A short overview of the current situation of blue-collar workers in Belgium will also be made at the beginning of this chapter.

BLUE-COLLAR WORKERS

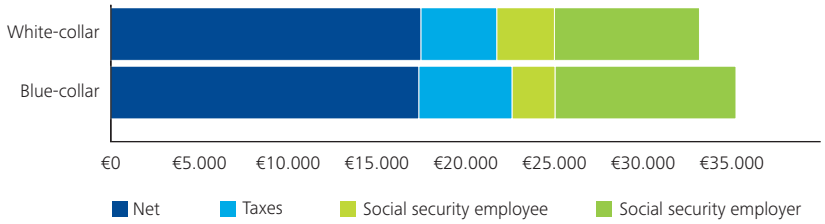
Until recently, the status of the blue-collar workers in Belgium differed from that of white-collar employees (with respect to arrangements for the first day of sickness, redundancy entitlements, etc.). The Constitutional Court ruled on 7th July 2011 that the statutory difference between blue-collar workers and white-collar employees was discriminatory and therefore had to be eliminated by the final deadline of 8th 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. Moreover, a number of CBAs still provide for the payment of additional contributions to sector-specific funds or pension schemes. Finally, the social security contributions for blue-collar workers are still calculated on the basis of 108% of their gross remuneration (whereas, for employees, these are calculated on 100% of their gross remuneration).

In below figures, we considered the situation of a white-collar employee with a gross yearly remuneration of 25.000 EUR, compared to the situation of a blue-collar worker with a gross yearly remuneration of 21.675,05 EUR, completed with a holiday payment of 3.356,32 EUR (total: 25.031,37 EUR). If net incomes are comparable, employer's social security contributions are higher for blue-collar workers (employer's contribution to the holiday pay fund, vacation and social security contributions calculated based on 108% of the gross remuneration). As a consequence, for a same gross, the cost for a blue-collar worker is slightly higher than for a white-collar employee.

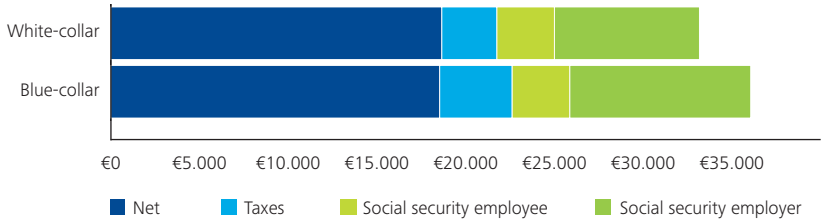
Married (non-working spouse), 2 dependent children



Single, no dependent child



Married (working spouse), 2 dependent children

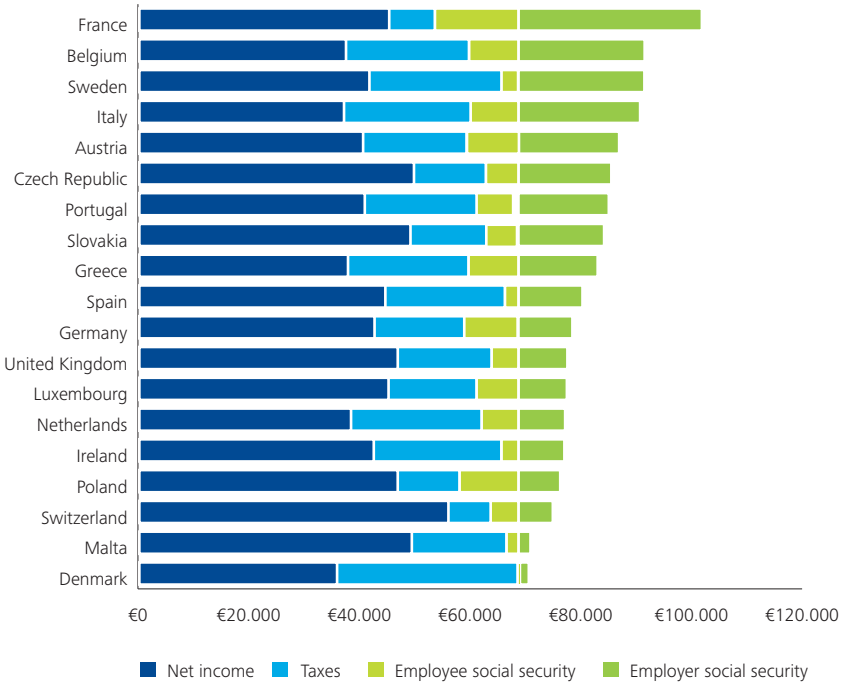


Across all scenarios and cases

WHITE-COLLAR EMPLOYEES

If we compare all scenarios and all cases together (excluding scenario 5 (self-employed)), the top five of countries where, based on the same gross income, the cost for the employer is the highest consists of:

Most expensive countries accross all scenarios (employees) and cases

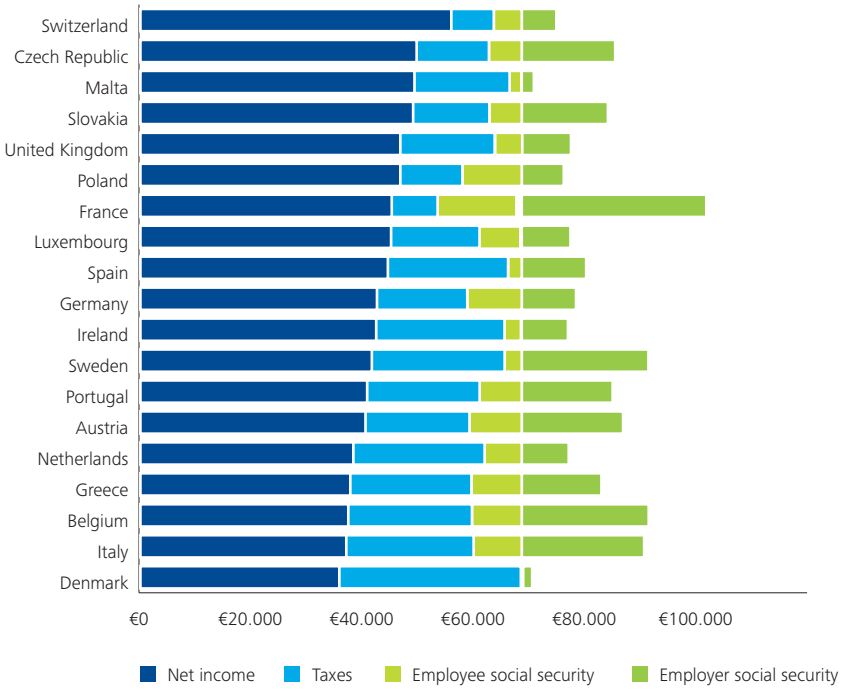


1. **France**
2. **Belgium**
3. **Sweden**
4. **Italy**
5. **Austria**

If we also include the scenario for self-employed in this comparison, Belgium goes from 2nd to 6th place thanks to the fact that self-employed social security charges are capped in Belgium. Indeed, if we consider the ranking in the different scenarios separately, Belgium appears in the top five in the four first scenarios (employees), but only comes 18th in scenario 5 (self-employed) (see below for more details).

Looking at the net income for the employees, the top five countries are (all scenarios together):

Highest net income across all scenarios (employees) and cases

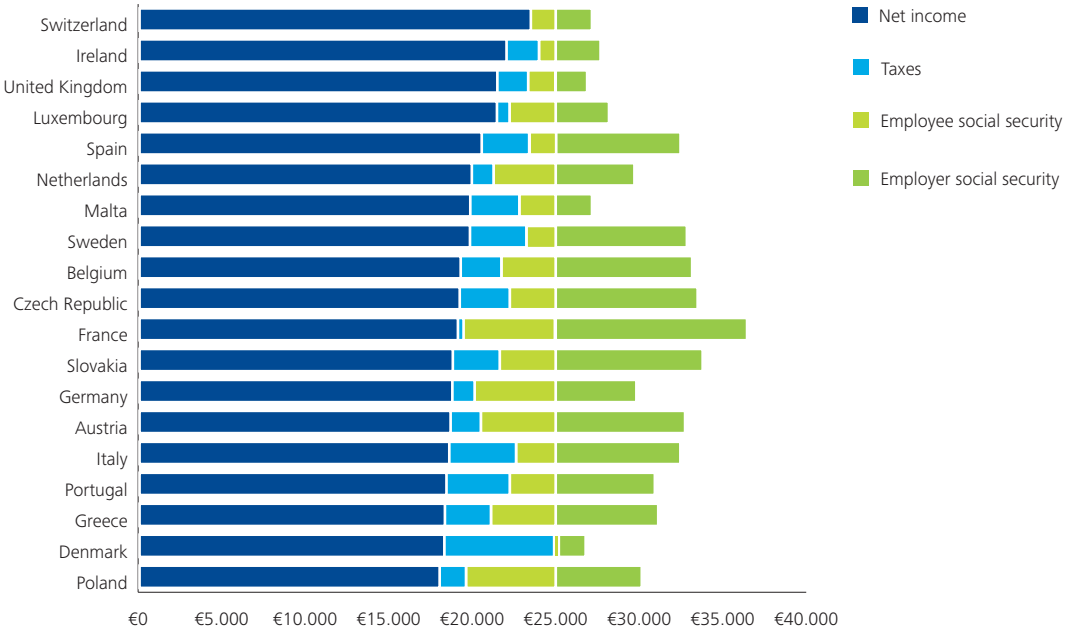


1. **Switzerland**
2. **Czech Republic**
3. **Malta**
4. **Slovakia**
5. **United Kingdom**

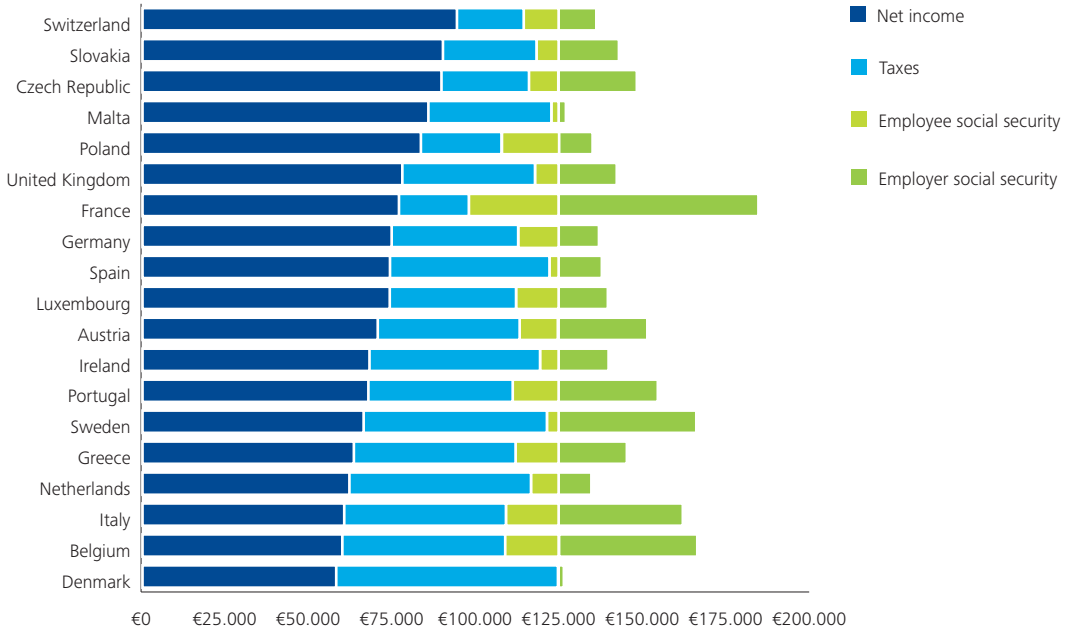
Belgium ranks 17th out of 19 in this general ranking, just before Italy and Denmark. If we consider scenario 5 (self-employed) in the ranking, Belgium ranks 18th.

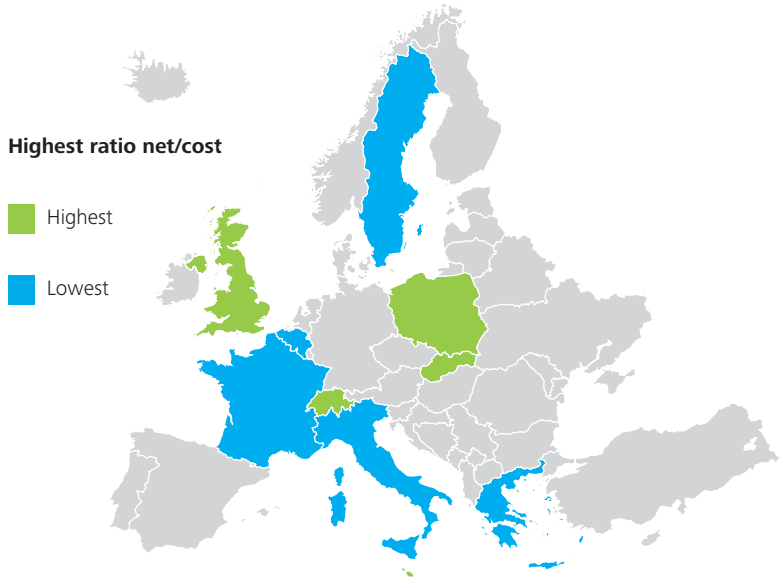
As we will further develop below, the impact of benefits granted to Belgian taxpayers decreases with the level of income. This is illustrated by below charts, where Belgium appears in 9th position in scenario 1 (gross salary of 25.000 EUR), across all personal situations, while it only appears in 18th position in scenario 5 (gross salary of 125.000 EUR), across all personal situations.

Employee with gross annual income 25.000 EUR (accross all cases) - sorted by net income

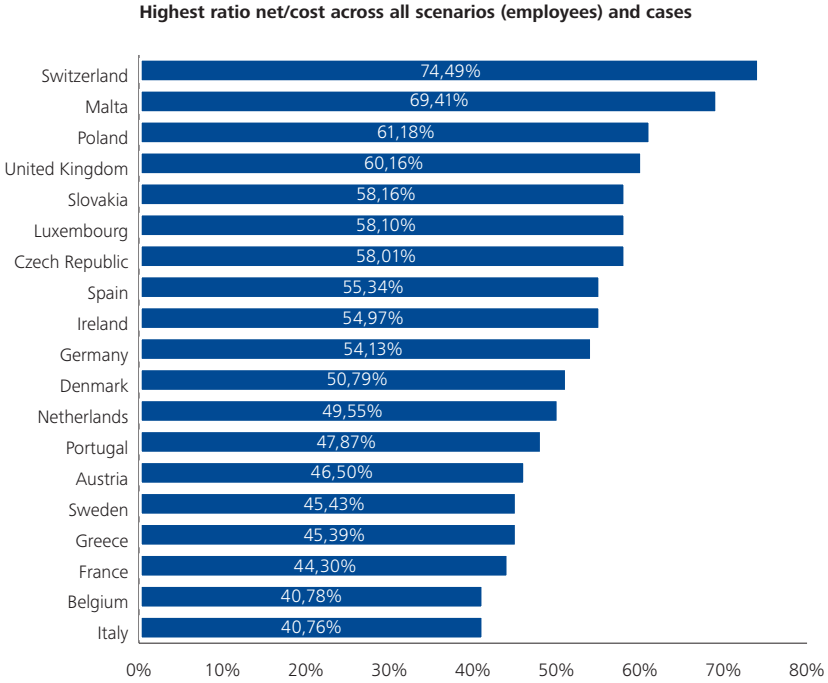


Employee with gross annual income 125.000 EUR (accross all cases) - sorted by net income





Finally, the five countries where the ratio net/cost is the highest are (when considering only the employees):

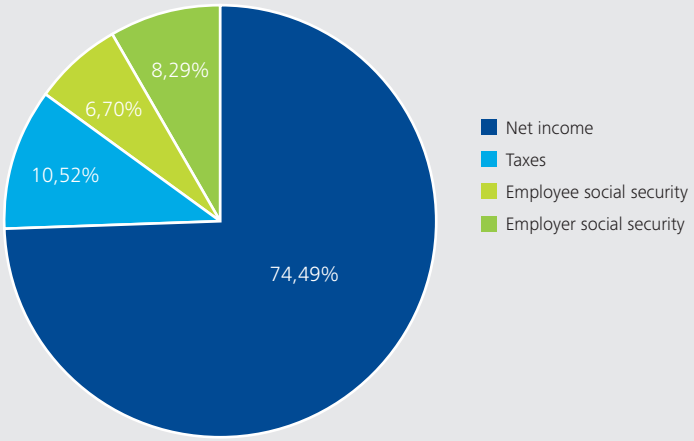


1. **Switzerland**
2. **Malta**
3. **Poland**
4. **United Kingdom**
5. **Slovakia**

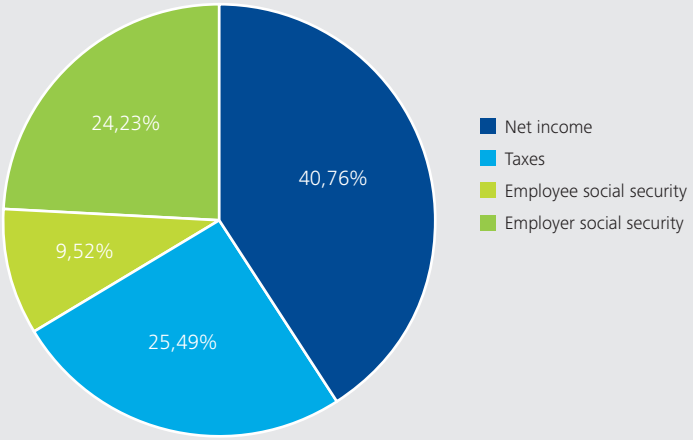
Belgium ranks 18th in this general ranking, meaning that this is the country, after Italy, where the ratio net/cost is the lowest (40,78%). The ranking of Belgium is the same when we consider also self-employed, but the ratio net/cost increases to 42,49%.

Below pie charts illustrate the proportion of net income, taxes and employer and employee social security in the country where the ratio net/cost (across all employee scenarios) is the highest: Switzerland (74,49%); and in the country where the ratio net/cost (across all employee scenarios) is the lowest: Italy (40,76%). For the purpose of the comparison, we have also added the charts for Belgium and our neighbour the Netherlands.

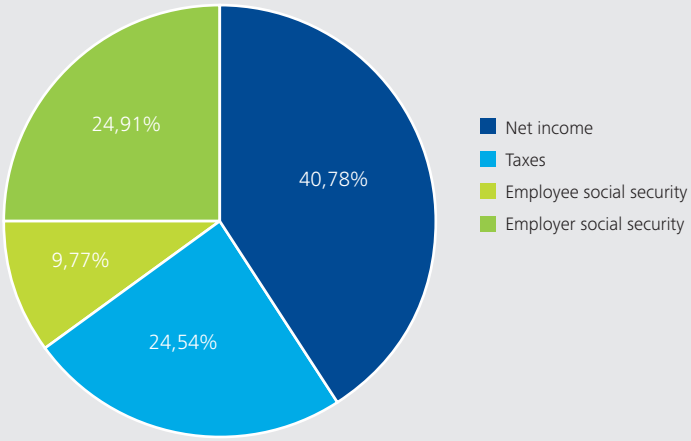
Composition employer cost: Switzerland



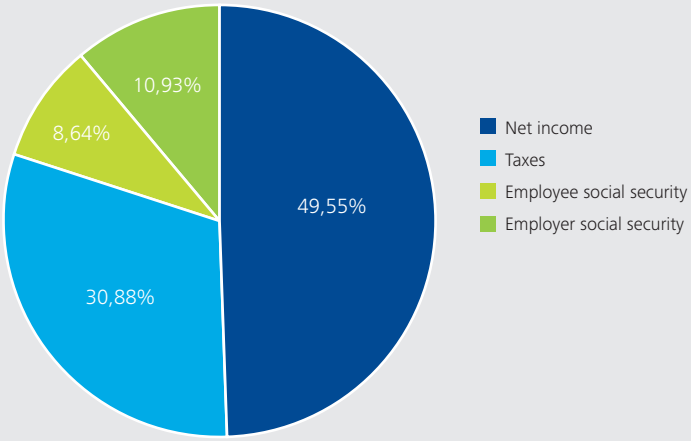
Composition employer cost: Italy



Composition employer cost: Belgium



Composition employer cost: Netherlands



The results of the charts are self-explanatory: in Switzerland, where the ratio net/cost is the highest, the proportion of the net income for the employee reaches 74,49%, while in Italy, where this ratio is the lowest, the net income for the employee only reaches 40,76% of the total cost of the salary (ratio is almost the same for Belgium (40,78%), which appears just above Italy in this ranking). The Netherlands performs better compared to Belgium and Italy, with a net/cost ratio of 49,55%.

Individual scenarios

Total employer cost

The various rankings do not change drastically when we consider the computation for each scenario individually. Indeed, if we look at the five most expensive countries in each scenario individually, we notice that France, Belgium, Sweden, Austria appear respectively five, four, five and three times as being the most expensive countries for the employer/company. Italy, Portugal, the Czech Republic and Slovakia each rank twice in this top five per scenario.

	Scenario 1 (employee)	Scenario 2 (employee)	Scenario 3 (employee)	Scenario 4 (employee)	Scenario 5 (self-employed)
Highest employer cost	France	France	France	France	France
	Slovakia	Slovakia	Italy	Belgium	Sweden
	Czech Republic	Sweden	Sweden	Sweden	Portugal
	Belgium	Austria	Belgium	Italy	Austria
	Sweden	Belgium	Austria	Portugal	Czech Republic

Conclusions are the same if we focus on the five least expensive countries of the general ranking: looking at each scenario separately, we notice that Denmark, Malta, Switzerland, Poland and Ireland appear generally as being the least expensive countries for the employer/company. The United Kingdom and the Netherlands each rank twice in this top five scenario.

As mentioned, the good position of Belgium in scenario 5 (Belgium appears to be the least expensive country in that scenario, after Poland (where there are no social charges due in that scenario)) is thanks to the fact that self-employed contributions are capped at 16.441,28 EUR (2015).

	Scenario 1 (employee)	Scenario 2 (employee)	Scenario 3 (employee)	Scenario 4 (employee)	Scenario 5 (self-employed)
Lowest employer cost	Denmark	Denmark	Denmark	Denmark	Poland
	United Kingdom	Malta	Malta	Malta	Belgium
	Switzerland	Switzerland	Switzerland	Netherlands	Malta
	Malta	United Kingdom	Poland	Poland	Denmark
	Ireland	Ireland	Ireland	Switzerland	Netherlands

Net income – Impact of progressive tax rates

If we focus on the five countries where the net income for the employee/self-employed is the highest, we notice that Switzerland, Czech Republic and Malta appear respectively five, four and four times as being the countries where the net income for the employee/self-employed is the highest. Slovakia and Poland rank each three times in this top five scenario. The United Kingdom and Luxembourg rank in the top five in scenarios 1 and 2 (gross salary of 25.000 EUR and 50.000 EUR).

	Scenario 1 (employee)	Scenario 2 (employee)	Scenario 3 (employee)	Scenario 4 (employee)	Scenario 5 (self-employed)
Highest net income	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland
	Ireland	Malta	Czech Republic	Slovakia	Slovakia
	United Kingdom	United Kingdom	Malta	Czech Republic	Czech Republic
	Luxembourg	Czech Republic	Slovakia	Malta	Poland
	Spain	Luxembourg	Poland	Poland	Malta

Looking at the five countries where the net income for the employee is the lowest, we notice that Denmark, Greece, Belgium and Italy appear respectively five, five, four and four times as being the countries where the net income for the employee/self-employed is the lowest. The Netherlands also ranks three times in this top five scenario.

	Scenario 1 (employee)	Scenario 2 (employee)	Scenario 3 (employee)	Scenario 4 (employee)	Scenario 5 (self-employed)
Lowest net income	Poland	Denmark	Denmark	Denmark	Denmark
	Denmark	Greece	Italy	Belgium	Belgium
	Greece	Austria	Greece	Italy	Netherlands
	Portugal	Italy	Belgium	Netherlands	Greece
	Italy	Belgium	Netherlands	Greece	Sweden

Net/cost ratio

Finally, the analysis of the figures relating to the ratio net/cost reaches the same conclusion: Switzerland, Malta, Poland and the United Kingdom appear respectively five, five, three and three times in the ranking of the five countries where the ratio net/cost is the highest. Slovakia reaches this top five twice.

	Scenario 1 (employee)	Scenario 2 (employee)	Scenario 3 (employee)	Scenario 4 (employee)	Scenario 5 (self-employed)
Top 5 of countries with highest ratio net/cost	Switzerland	Switzerland	Switzerland	Switzerland	Poland
	United Kingdom	Malta	Malta	Malta	Switzerland
	Ireland	United-Kingdom	Poland	Slovakia	Malta
	Luxembourg	Luxembourg	United Kingdom	Poland	Slovakia
	Malta	Ireland	Czech Republic	Czech Republic	Czech Republic

Italy, Belgium, France and Greece appear respectively four, three, five and four times. Sweden also reaches the top five twice. Austria, which ranks 6th in the general ranking of countries with lowest ratio net/cost, also appears three times in the ranking.

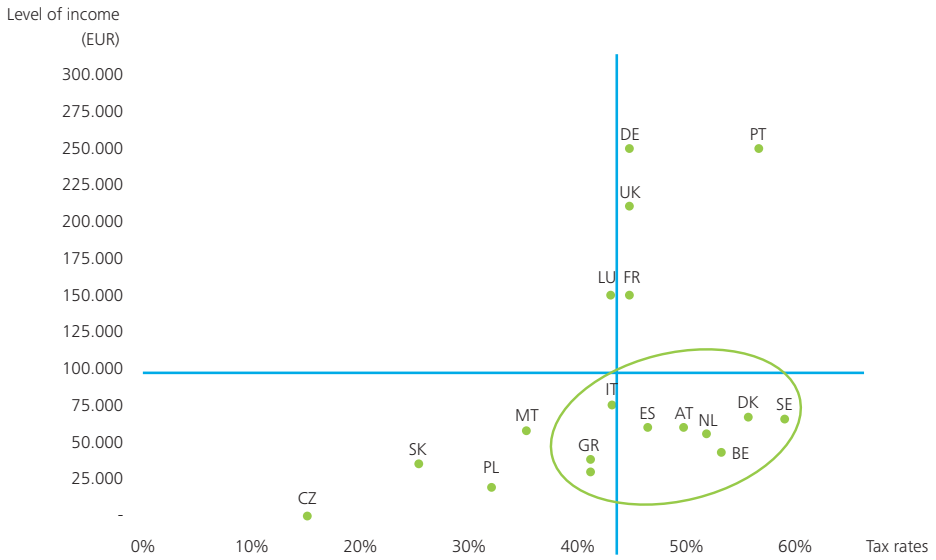
	Scenario 1 (employee)	Scenario 2 (employee)	Scenario 3 (employee)	Scenario 4 (employee)	Scenario 5 (self-employed)
Top 5 of countries with lowest ratio net/cost	France	Austria	Italy	Belgium	Sweden
	Slovakia	Belgium	Belgium	Italy	Greece
	Austria	Italy	Greece	Sweden	Portugal
	Italy	France	Austria	France	France
	Czech Republic	Greece	France	Greece	Denmark

From these various comparisons we may conclude the following:

- Countries where the ratio net/cost is the highest are mainly countries where the cost appears to be the lowest for the employer (across all scenarios, Denmark, Malta, Switzerland, Poland, Ireland and the Netherlands appear to be the countries where the cost is the lowest for the employer);
- For all scenarios, the employer cost is the highest in France, which is in line with the results of all the previous editions of this study, and which is due to the absence of ceiling for social security contributions;
- From scenario 2 onwards, we have also taken into consideration the benefit of a company car. The method for calculating the taxable benefit related to having a company car considerably changed in Belgium over the past years, but we can still conclude that the introduction of changes to the method of calculating the benefit in kind related to a company car has not led to any substantial improvements in Belgium's position in the European rankings;
- Switzerland has the highest net income in all scenarios. 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 low according to Swiss standards;
- The Czech Republic and Slovakia perform 'good to very good' in the rankings for net income and improve this ranking when we look at higher income 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, we note that Denmark scores low, particularly where the higher levels of income are concerned. However, Denmark ranks among the countries with the lowest employer cost, which allows the country to keep a reasonable global net/cost ratio (49,26%);
- Generally, Portugal performs average to poor in the European ranking regarding net income. Especially single taxpayers with no dependent children have a very low net income compared to their European counterparts. Portugal also ranks in the top five of most expensive countries for the employer, which results in a relatively low global net/cost ratio (46,57%);
- Malta almost always performs 'good to average' following which it almost always features in the top seven of the net income rankings and appears four times in the top five. 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 in terms of net income, 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);
- Belgium is ranked as 2nd most expensive country for the employer across all cases and scenarios where employees are concerned. This conclusion is not valid for the situation of the self-employed director, where Belgium becomes the least expensive country after Poland.

The statement that Belgium is placed more often at the bottom of the 'net' rankings remains applicable as gross income rises. The reason for this is that in Belgium, taxpayers quickly reach the highest tax rate, which can be seen clearly in the summary of highest tax rates below:

Summary of tax rates



Impact of personal situation

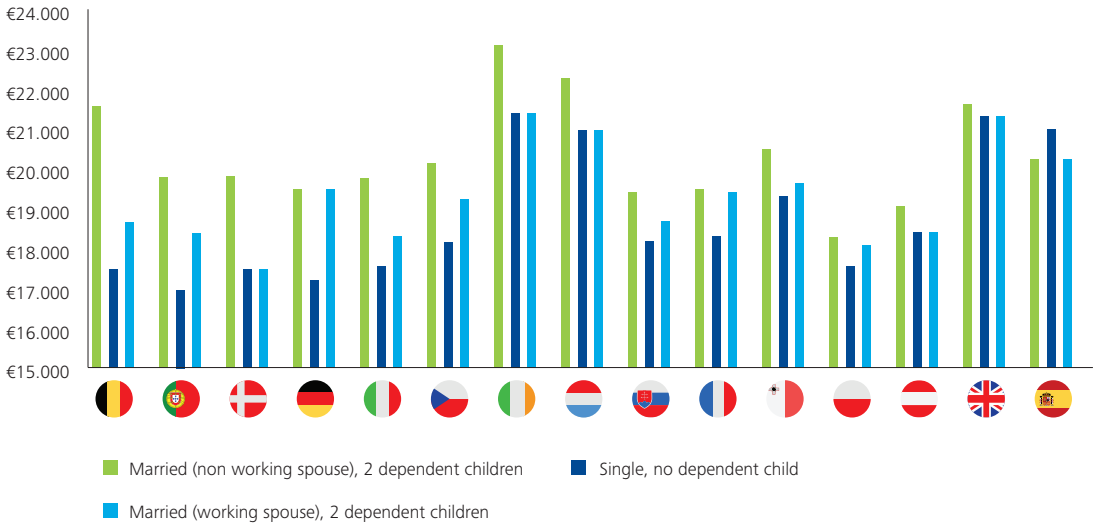
Depending on the personal situation of the taxpayers, personal tax deductions and reductions may be claimed, resulting in a decrease of the final tax liability. In Belgium, the marital quotient for non-working spouse and the tax-free amount (which depends on the number of children at charge) are the most important personal tax benefits. Based on our survey, we have tried to figure out whether the personal situation impacts the ranking of the countries with regard to the net income received by the taxpayers (see above).
Based on the analysis, we can conclude that having dependent children or living with a non-working spouse substantially decreases the tax liability in the following countries:

Main impact dependent children in:	Main impact working spouse in:
Germany	Belgium
Portugal	Luxembourg
France	France
Ireland	Switzerland
Belgium	Portugal

Indeed, if we consider Belgium, in scenario 1 (gross salary of 25.000 EUR), Belgium ranks fifth in terms of highest net income in the case of a married taxpayer with non-working spouse and two dependent children, but only in 16th position in case of a single taxpayer with no dependent child, and in 13th position for the situation of a married taxpayer with a working spouse (therefore taxed as single) and two dependent children. The impact of the marital quotient is therefore quite high at this level of income.

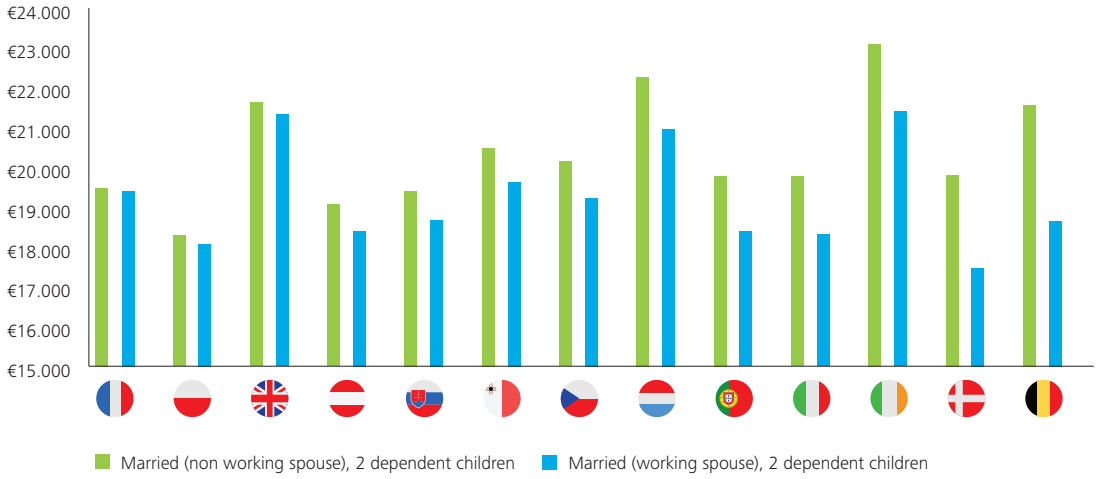
This is also demonstrated with below chart, covering scenario 1, where it appears clearly that for Belgium, there are important discrepancies in the amount of net income depending on the personal situation. In Greece, the Netherlands, Sweden and Switzerland, personal situation has no impact on the net income in this scenario, so these countries have not been included in the chart.

Impact personal situation on net income in scenario 1



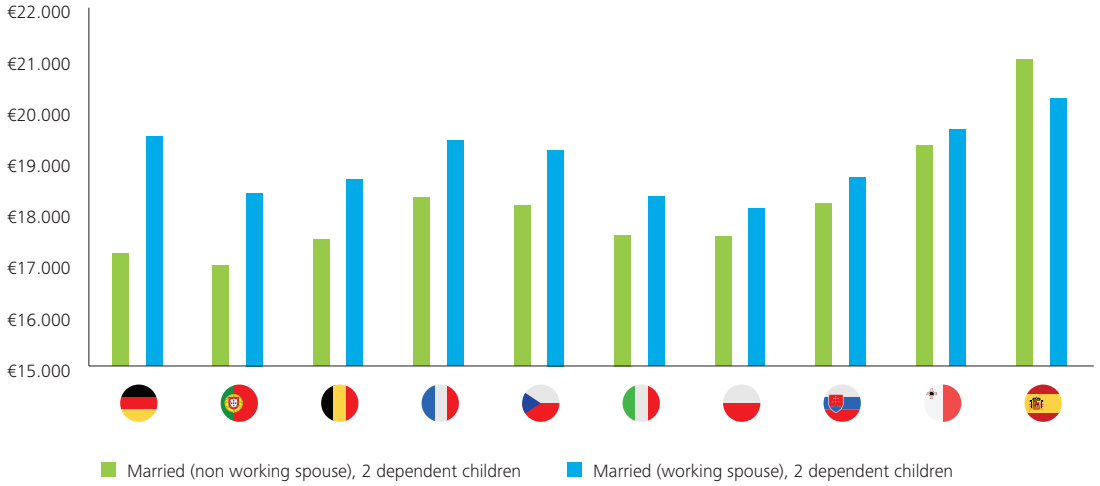
Below chart shows the countries where there is a benefit linked to the non-working spouse in scenario 1. Especially in Belgium and Denmark the benefit for a non-working spouse is substantial at this level of salary.

Impact of working spouse on net income in scenario 1



Below chart shows the countries where there is a benefit linked to the dependent children in scenario 1. Taxpayers in Portugal and Germany receive the greatest benefit for having children at this level of salary. In Spain, the net salary is lower when considering dependent children.

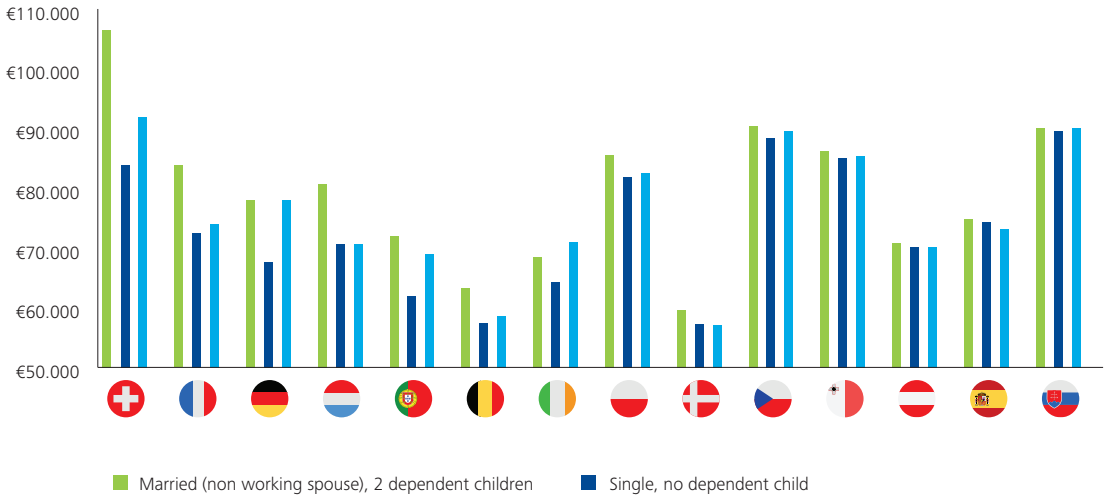
Impact of dependent on net income in scenario 1



From scenario 2 onwards, Belgium ranks 13th, 14th, and 15th in the case of a married taxpayer with non-working spouse and two dependent children, and 18th in all other cases, which tends to demonstrate that the relative impact of the marital quotient decreases with the level of taxable income, which is logical considering the progressivity of taxes.

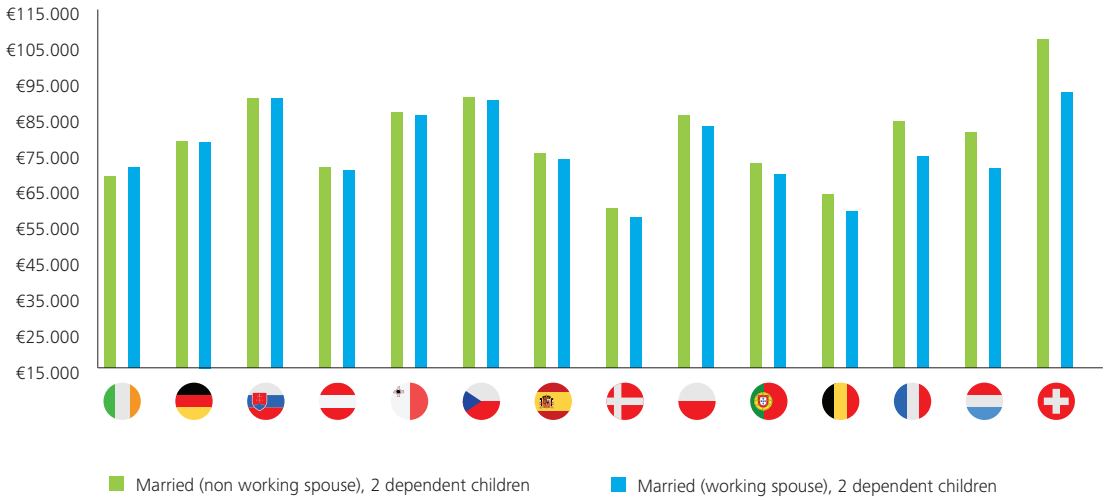
This is also demonstrated with below chart, covering scenario 4 (highest gross income), where it appears clearly that for Belgium there are limited discrepancies in the amount of net income depending on the personal situation, the impact of dependent children being almost null at that level of income. In Greece, Italy, the Netherlands, Sweden and the United Kingdom, personal situation has no impact on the net income in this scenario, so these countries have not been included in the chart.

Impact personal situation on net income in scenario 4



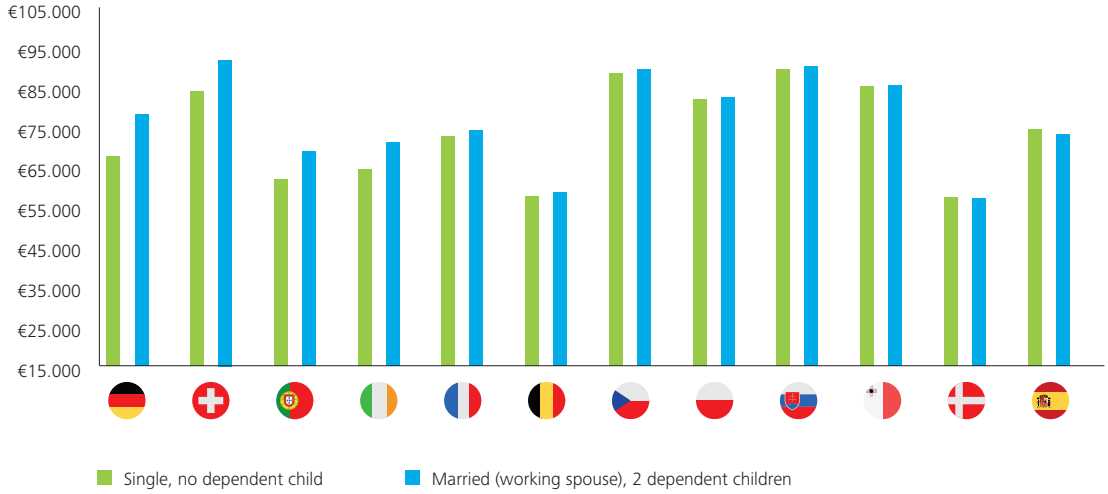
Below chart shows the countries where there is a benefit linked to the non-working spouse in scenario 4. Especially in Switzerland and Luxembourg the benefit for a non-working spouse is substantial at this level of salary. In Ireland, the net salary is lower when considering a working spouse than without.

Impact of working spouse on net income in scenario 4



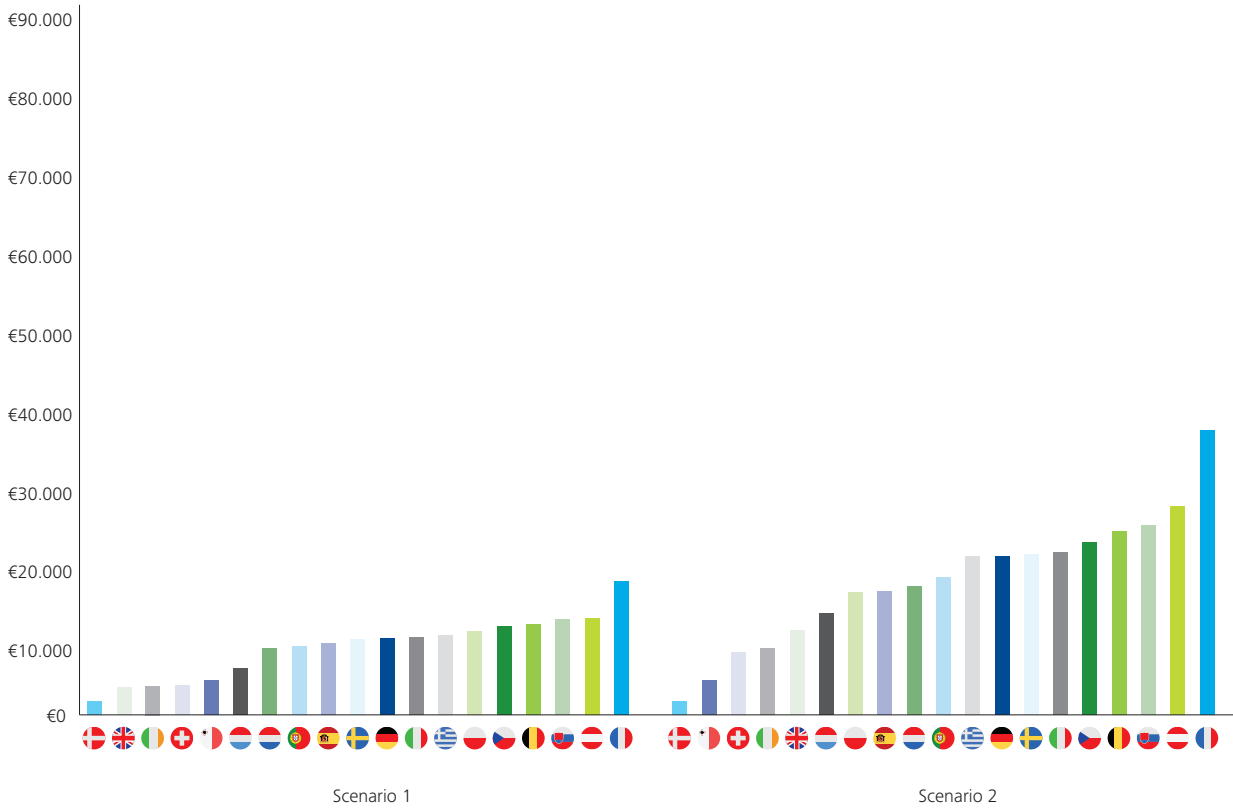
Below chart shows the countries where there is a benefit linked to the dependent children in scenario 4. Taxpayers in Switzerland and Germany receive the greatest benefit for having children at this level of salary. In Spain, the net salary is lower when considering dependent children.

Impact of dependent on net income in scenario 4



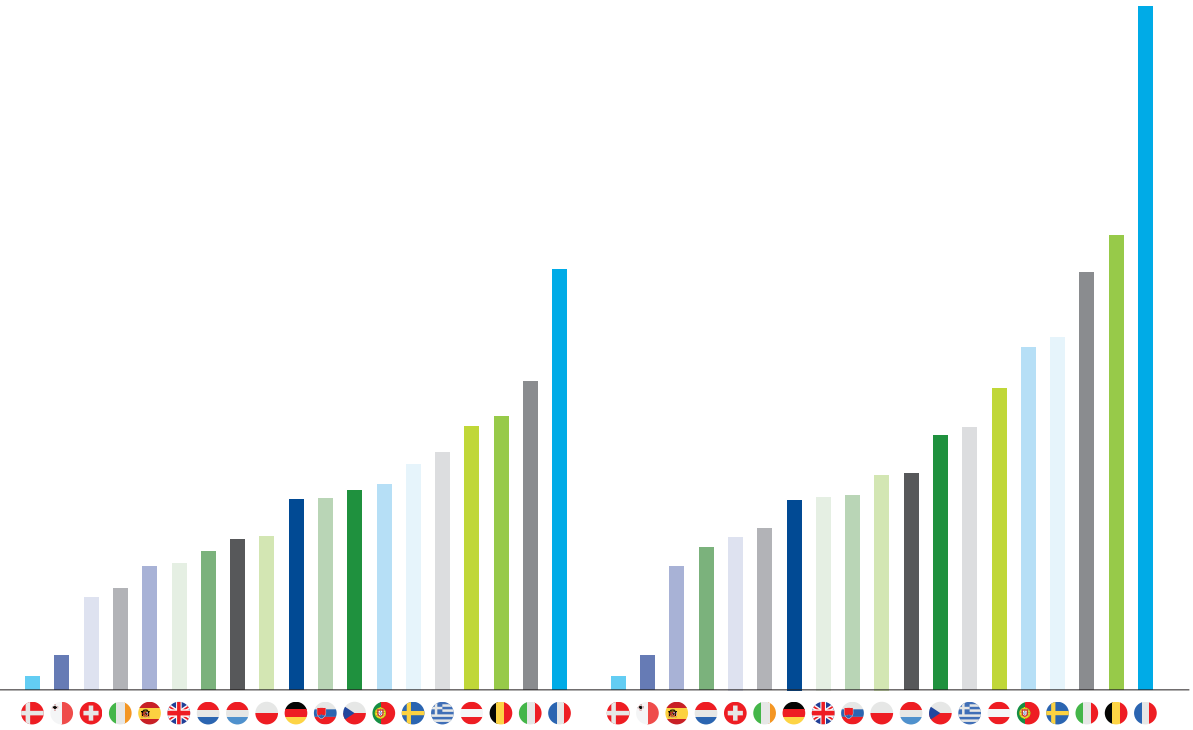
Impact of social charges and potential ceiling

Evolution of social charges by scenario through the countries



If we have a look at above chart, we can directly conclude as follows:

- Highest employee social security charges are levied in France, Belgium, Italy, Sweden and Portugal. In France, Belgium, Sweden and Portugal indeed, social security contributions are uncapped for the employers. Social security contributions for Italian employers are capped, but to a very high amount over 100.000 EUR;
- In scenario 1 (gross annual salary of 25.000 EUR), the social security contributions (employee and employer) have not reached their maximum in any of the countries. However, this excludes Denmark, where social security contributions are limited yearly to 145 EUR (employee) and 1.608 EUR (employer), regardless of personal situation or income; and Malta, where social security for both employee and employer is limited to 2.175 EUR yearly respectively in all the scenario's considered, except in scenario 5 where self-employed contributions are limited to 3.262 EUR;



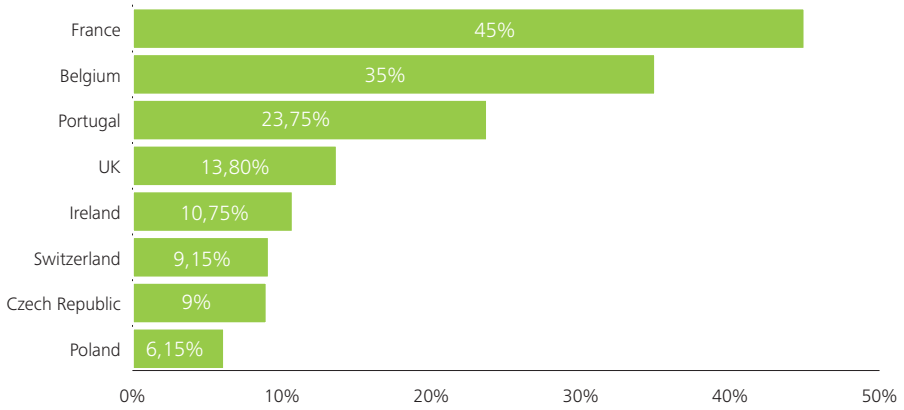
Scenario 3

Scenario 4

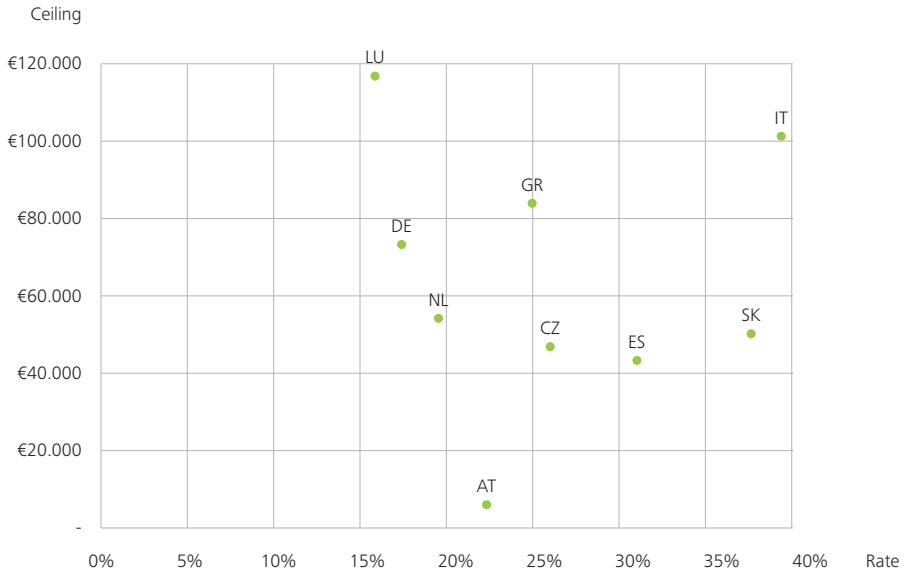
- In scenario 2 (gross annual salary of 50.000 EUR), only Spain has reached its maximum in terms of social charges (employee and employer); in scenario 3, the ceiling is reached in Austria and Germany; and in scenario 4, the social security contributions (employee and employer) reach their ceiling in Greece, Luxembourg and Italy;
- In scenario 5, when the same income is considered, but also taking into consideration the status of a self-employed director (not having his/her own company), we see remarkable differences in the Belgian and Polish employer costs, as well as in the employer cost related to Malta; This difference can be explained by the fact that a separate status for self-employed persons exists only in those three countries, following which no employer social security contributions are due. In Poland, there are no social contributions to be paid at all in that scenario.

Summary of social security rates

Countries without ceilings



Countries with ceilings



* Malta: maximum contribution of 2.715 EUR/year
* Denmark: maximum contribution of 1.610 EUR/year
* Poland: maximum contribution of 4.677,72 EUR/year

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 in annex 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.

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) do not foresee a statutory minimum wage. In Germany, a national minimum wage was introduced on 1st January, 2015. Since that date a minimum wage of 8.5 EUR per hour (or 1,360 EUR per month based on a 40-hour week) is applicable.

Country	Statutory gross minimum wage
Luxembourg	From 1,922.96 EUR to 2,307.56 EUR per month, depending on the skills of the employees
Belgium	From 1,501.82 EUR to 1,559.38 EUR per month depending on the age
Netherlands	From 452 EUR to 1,508 EUR per month depending on the age
Germany	1,360 EUR per month (based on a 40-hour week)
France	1,457.52 EUR per month (based on a statutory 35-hour week)
Ireland	1,384 EUR per month (based on a 40-hour week)
United Kingdom	Approximately 1,165.35 GBP per month (based on a 40 hour week) (+/- 1,631.40 EUR)
Malta	From 678.77 EUR per month to 720.46 EUR per month depending on the age
Spain	648.60 EUR per month
Greece	From 510.95 EUR to 586.08 EUR per month depending on the age
Portugal	485 EUR per month
Poland	1,750 PLN (+/- 423,88 EUR) per month
Slovakia	380 EUR per month
Czech Republic	9,200 CZK (+/- 339.92 EUR) per month.

Statutory indexation of annual salaries for white-collar employees

For this 6th 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. There has not yet been an indexation in 2015, but there could be an indexation in the last quarter of 2015 (not yet been confirmed). The Belgian government also decided that the index would be skipped in 2015. The bypassing of the index did not apply to the lowest income and benefits. Currently a new indexation is planned for 2016.

In a number of countries, including 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 inflation. In the United Kingdom, 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.

Tax shift - Belgium

The Belgian federal government reached a final agreement on 10th October, 2015 regarding the tax shift announced on 23rd July, 2015.

At this stage, below information is based on the "pre-draft law containing measures reinforcing the job creation and the spending power", aka the tax shift law. Please note that this is a pre-draft that still needs to be deposited with and voted by Parliament, so changes may still occur.
Without going into detail, the new measures impacting this study can be summarised as follows:

Spending power
Increasing the spending power of all salaries (with a focus on low and middle salaries) would be achieved through a combination of 4 measures:

1. Increase of the lump sum business expenses;
2. Increase of the tax-exempt minimum;
3. Increase of the employment bonus;
4. Abolition of the 30% bracket (in 2 steps: 2016 and 2018) and increase of the lower threshold of the 45% bracket (in 2018).

Competitiveness
Decrease of employer social security contributions from 33% to 25% at horizon 2019, with focus on low income.

Spending power

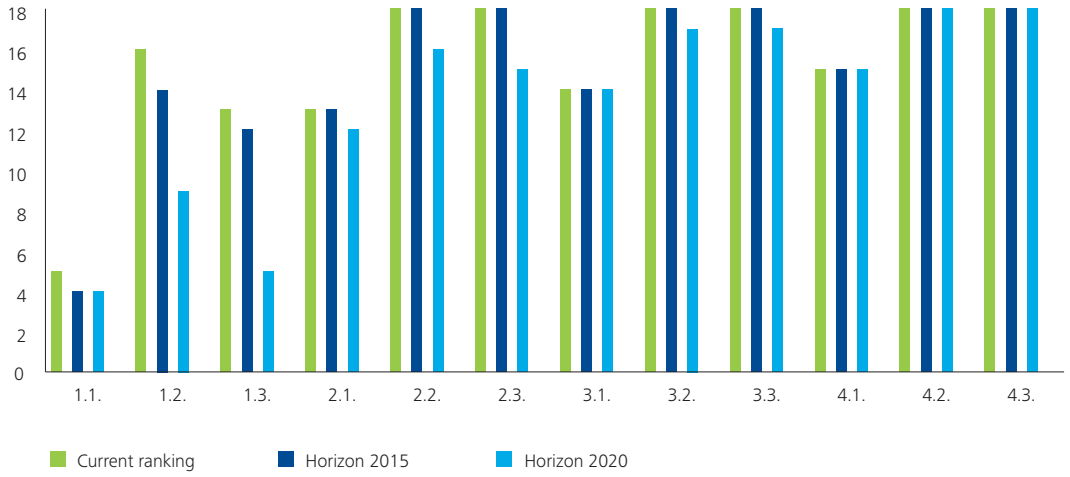
in order to compare the ranking of Belgium with application of the new measures relating to the spending power of employees, we made use of the calculator developed by the Ministry of Finance (www.mijntaxshift.be or www.montaxshift.be). As mentioned on the website, the calculations does not consider the personal situation of the taxpayer.

It appears that the new measures have **limited to no impact** on the ranking of Belgium among the countries with the higher net income for the employees **for income year 2015**.

The new measures have limited impact on scenario 1 (gross salary of 25.000 EUR). In the first case (1.1. - married (non-working spouse) and two dependent children), Belgium indeed goes from 5th in the ranking of the countries where the employee gets the higher net income to 4th, passing the United Kingdom; in the second case (1.2. - single, no dependents), Belgium goes from 16th in the ranking to 14th, passing Italy and Poland; and in third scenario (1.3. – married (two working spouses) and two dependent children), Belgium goes from 13th in the ranking to 12th, passing Slovakia. In all other scenario and cases, the new measures on spending power have no impact at all.

If we have a look however to the impact of the new measures at **horizon 2020**, then the ranking of Belgium globally substantially increases in terms of **net income** for the employee for scenario 1 (gross salary of 25.000 EUR). In scenario 2 (gross salary of 50.000 EUR), considering all personal situations, and in scenario 3.2. and 3.3. (gross salary of 75.000 EUR), Belgium also gains a few places. In scenario 3.1. and 4 (gross salary of 125.000 EUR), there is no impact on the ranking, as we may conclude from below chart (1 being the country where the net income is the highest, and 19 the country where the net income is the lowest):

Tax shift (spending power) - Evolution of ranking of Belgium amongst countries with highest net income

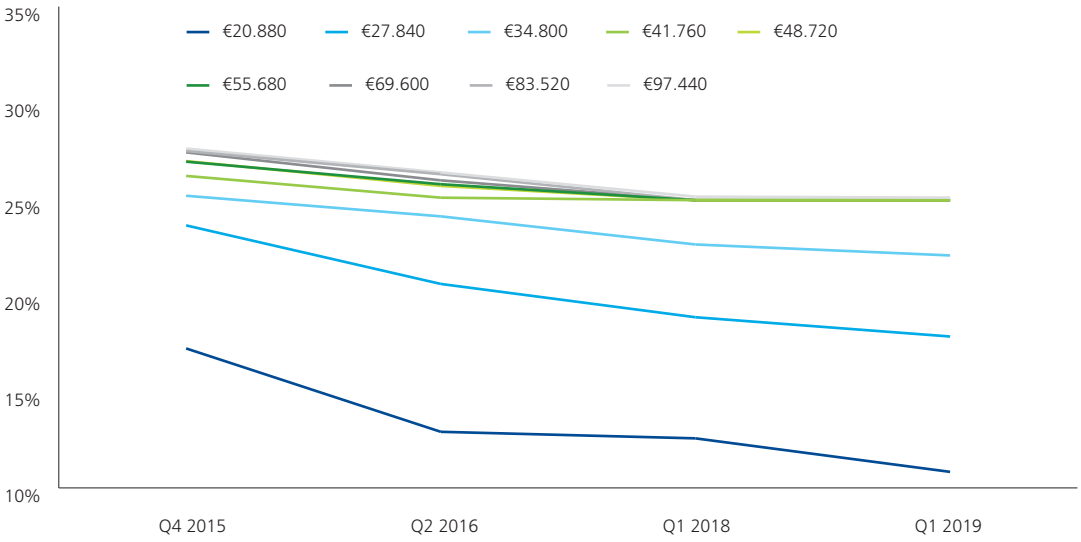


We can therefore conclude that the new measures on spending power only have an impact on the lowest salaries, which was actually the purpose of the government.

Targeted reduction of the base rate of employer's social security

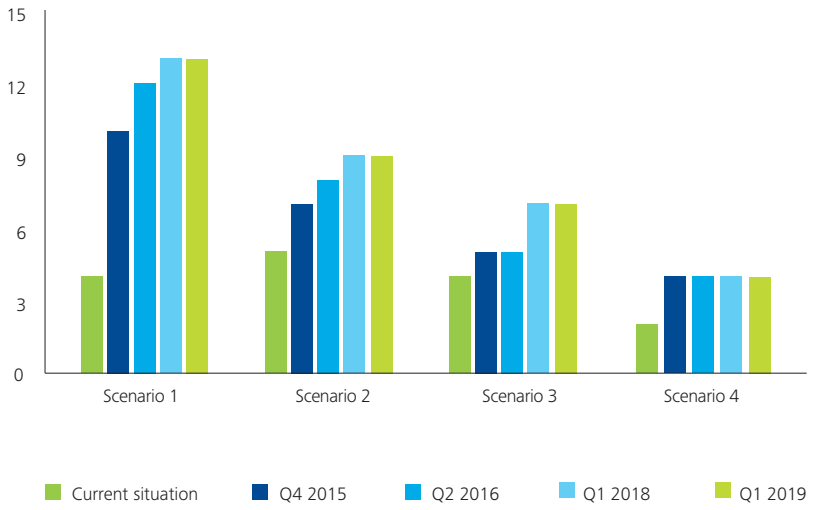
Focusing on the targeted reduction of the base rate of the employer's social security contribution to 25%, we have recalculated the employer cost of scenarios 1 to 4 taking into account the new planned social security tax rates. Below chart illustrates the planned evolution of social security rates until 2019 depending on the level of yearly gross remuneration:

Tax shift - evolution of social security rates with time



Compared to the rankings discussed earlier, Belgium climbs nine places in scenario 1 (gross salary of EUR 25,000) from being the 4th most expensive country in terms of total employer cost to the 13th most expensive country out of 19 countries in 2019. In scenario 2 (gross salary of EUR 50.000), Belgium climbs four places, from being the 5th most expensive country to the 9th. In scenario 3 (gross salary of EUR 75,000), Belgium climbs three places, from the 4th to the 7th position; and in scenario 4 (gross salary of EUR 125,000), Belgium goes from the 2nd position to the 4th in 2019, climbing only two places. This is illustrated in below chart (1 being the country where the cost for the employer is the highest, and 19 the country where the cost is the lowest):

Tax shift - Reduction of social security charges -
Evolution of the ranking of Belgium as most expensive country for the employer



Although lowering the employer social security contributions as planned in the tax shift indeed has an impact on the position of Belgium in the ranking of the most expensive countries amongst the European countries covered,the impact is only effective for lower salaries. For the higher salaries (50.000 EUR, 75.000 EUR and 125.000 EUR),Belgium remains amongst the most expensive countries. Even for lower salaries, the impact of the tax shift may be lower as illustrated above: indeed, our conclusions are based on the facial rate applicable in all countries. However, in Belgium (as in some other countries), there are a few exemptions, reductions or exceptions applicable in some specific cases, which make the effective social security rate closer to 32%. In some cases, the effective rate can be as low as 18%. The reduction of the facial rate to 25% will therefore have less impact in practice, even for lower salaries.

MAIN CONCLUSIONS

Employer charges in Belgium remain very high

This survey demonstrates that as in previous years, 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 hardly change the situation. That's because employer contribution levels in Belgium are unrestricted, whereas they are capped in many European countries. We note, however, that the impact of the tax shift is slightly more effective when low(er) salaries are considered. In scenario 1 for example, effective employer social security contributions will only amount to 17% of the total gross salary. In the scenarios with EUR 50.000 and above, this percentage increases to 25%.

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 37,870.

Major tax difference between a single taxpayer and a married taxpayer with a non-working partner and two 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.

There are no big changes to the tax or social security legislation in the 19 countries surveyed in 2015

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, 2015, like 2014, was a year of stability. This is the answer that governments in the various countries are giving in response to the call for stability from their taxpayers and businesses. There are however a few changes foreseen in Belgium pursuant to the "tax shift" the Belgian government is currently processing.

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

As in previous years, Belgium – and also France – continue 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 5th, with a minimum wage of EUR 1,457.52.

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 wage 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 15,30% and are only levied up to a maximum salary of 115.377,84 EUR.
Social security charges for employers (i.e. the cost of wages) slightly 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 (only in Luxembourg and France), or there was an (minor) increase in the level at which contributions are levied (among others in Italy, Poland, Spain, the Czech Republic and the United Kingdom). Some countries also lowered the social security rates (the Netherlands and Austria). 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 seven 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 79.324 (varying between 43,272 EUR in Spain and 115.377,84 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.

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. In 2015 none of the countries increased their marginal tax rate. On the contrary, four countries lowered their highest tax rate (Ireland, Switzerland, Spain and Sweden). It should be noted that Spain lowered the income to which the marginal rate applies from 300.000 EUR to 60.000 EUR. Today, a top tax rate of more than 50% is in effect in seven of the 19 countries surveyed. The marginal tax rate is highest in Sweden (59,7% including municipal taxes and church levies), followed by Portugal (56,5%), 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 37,870 EUR.

Non-working partner rewarded in Switzerland, Luxembourg, France, Belgium and Portugal

An unmarried taxpayer in Belgium is taxed more heavily than a married taxpayer with a dependent non-working partner and two children. 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, Luxembourg 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 14,600 EUR (in Switzerland, Genève canton) per year.

In the United Kingdom, Greece and Sweden on the other hand, almost no differential 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 job market or stay there.

Belgian employees are still worse off in all salary categories than its neighbours when considering net disposable income.

Cost of housing and living is generally decreasing in Europe. Exceptions to this conclusion are **Switzerland and the United Kingdom**

Swiss, English and Danish taxpayers always feature in the top five with the lowest net spendable income

Czech Republic, Slovakia, Malta, Poland and Spain are the countries where the net disposable income is the highest

Switzerland, United Kingdom and France are the countries where the discrepancy between net income and net disposable income is the highest

Chapter 2 - 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 can differ significantly from the "net income" discussed earlier.
Taking into account the adjusted net amounts, being the net disposable income, 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.
Reference is made to the appendix which includes the salary comparison charts.

Child allowance

As listed below, Belgium ranks 5th in the list of countries allocating child allowances for two dependent children. Luxembourg, Spain, Germany and Switzerland still allocate higher child allowances for two dependent children.

Country	Average annual family allowance for two dependent children (1st child: age 6 to 12, 2nd child: age 12 to 18)
Luxembourg	7,198.33 EUR
Spain	5,100 EUR
Germany	4,512.00 EUR
Switzerland	4,465 EUR
Belgium	3,751.68 EUR
Austria	3,629.60 EUR
Denmark	3,371.00 EUR
Ireland	3,240.00 EUR
Sweden	2,696.00 EUR
United Kingdom	2,453.38 EUR – 34.05 GBP per week
Netherlands	2,025.96 EUR
France	1,552.20 EUR (for household earning less than 67,140 EUR)
Malta	900 EUR
Slovakia	564.48 EUR
Italy	180,98 EUR
Portugal	0.00 EUR
Greece	0.00 EUR
Poland	0.00 EUR
Czech Republic	0.00 EUR

Housing costs & cost of living

Housing costs

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. Housing costs in Amsterdam, Copenhagen, Dublin, London, Luxemburg, Paris, Stockholm and Switzerland (Geneva) are more expensive in all scenarios than those in Brussels.

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.

Finally, we can conclude that generally the cost of housing decreases in Europe, except in Ireland, Switzerland and the United Kingdom.

To sum up, the cost of housing is the highest in London, followed by Geneva. It is 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, 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 shows that Germany is still slightly cheaper compared to Belgium (approximately 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. Luxembourg, London and Paris). Stockholm and Dublin again come out as more expensive than Brussels and the same applies to Denmark and Switzerland (Geneva). Amsterdam appears this year to be slightly less expensive than Belgium.

Similar to the housing cost, the cost of living decreases in Europe, except in Slovakia and the United Kingdom.

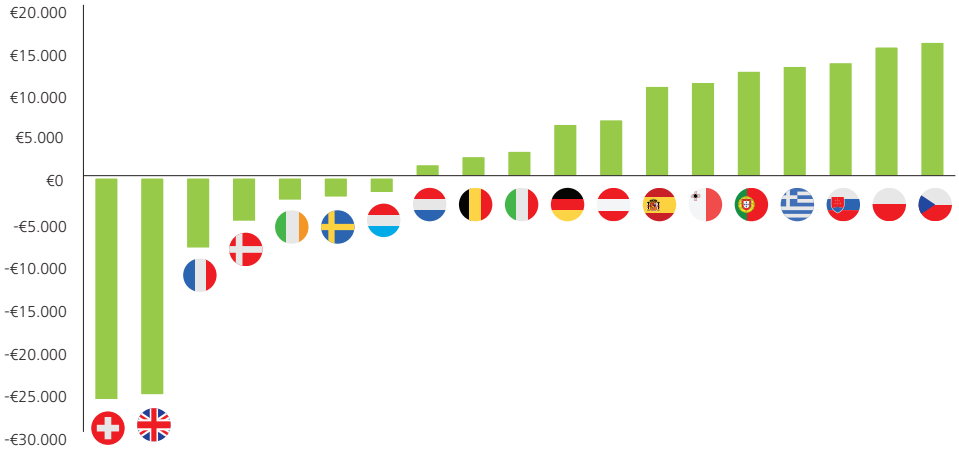
In brief, the cost of living is highest in Geneva, followed by London. Prague is the cheapest to live in, followed equally by Warsaw and Bratislava.

Net disposable income

Comparing the results across all scenarios and cases, below chart illustrates the countries where the difference between the net income and the net disposable income is the highest, in negative (the net disposable income is lower than the net disposable income) and in positive (the net disposable income is higher than the net disposable income).

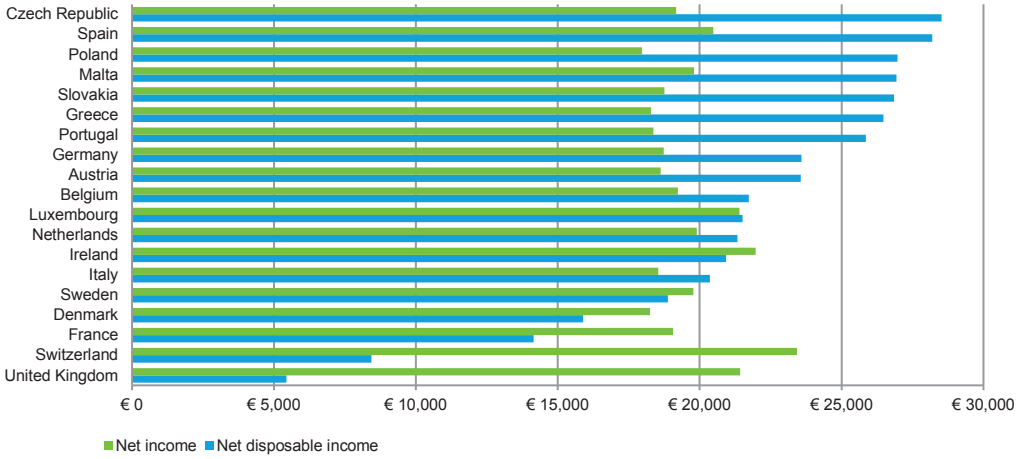
Countries where the negative difference is the highest are countries where the cost of living and housing are the highest, i.e. Switzerland, the United Kingdom and France. On the contrary, countries where the positive difference is the highest are countries where the cost of living and housing are the lowest, i.e. the Czech Republic, Poland and Slovakia.

Difference between net income and net disposable income across all scenarios and cases



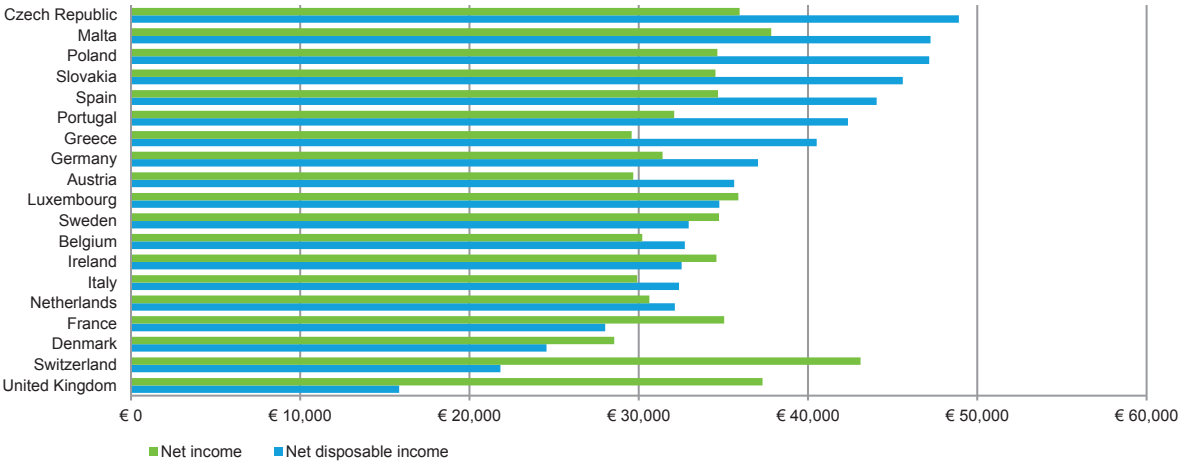
Scenario 1: gross annual salary of 25,000 EUR

Below chart shows the difference in terms of net income vs net disposable income for each country in that first scenario:



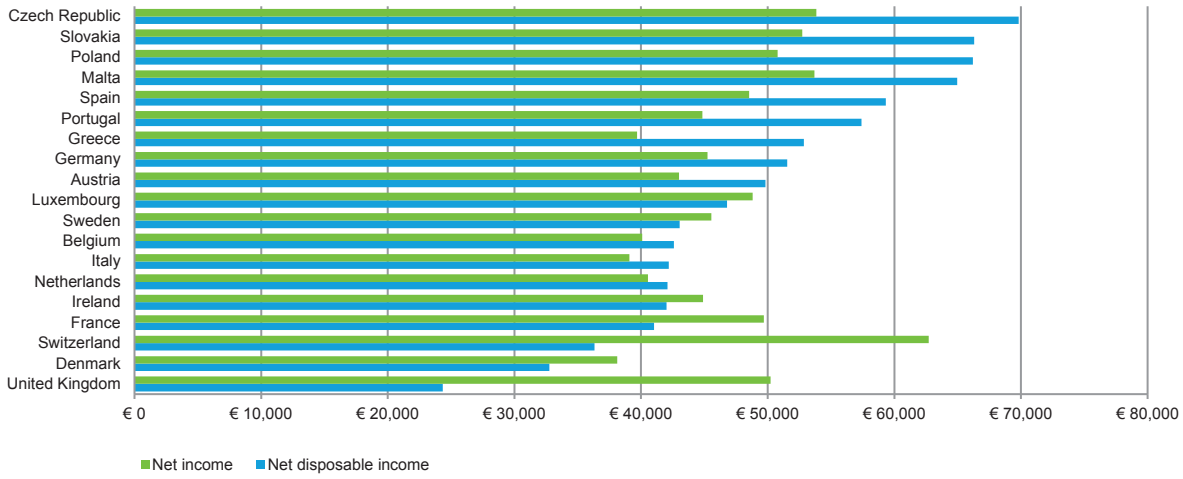
Top five countries in terms of net income for the employees in scenario 1 (across all cases) were Switzerland, Ireland, the United Kingdom, Luxembourg and Spain. If Spain is still in the top five in terms of net disposable income, Luxembourg is now ranked 11th, Ireland 13th, Switzerland 18th and the United Kingdom 19th.
In that first scenario Belgium goes from being ranked 9th in terms of net income for the employee to 10th, meaning that employees in Belgium still receive a higher net disposable income than in Luxembourg, the Netherlands, Ireland, Italy, Sweden, Denmark, France, Switzerland and the United Kingdom.
In the situation of a married employee with non-working spouse, Belgium ranks 10th in terms of net disposable income instead of 5th for the net income. In the situation of a single employee with no dependent, Belgium goes from the 16th position to the 14th; while in the situation of a married tax payer with working spouse and two dependent children, Belgium goes from 13th in the ranking (net income) to 11th (net disposable income).

Scenario 2: gross annual salary of 50,000 EUR



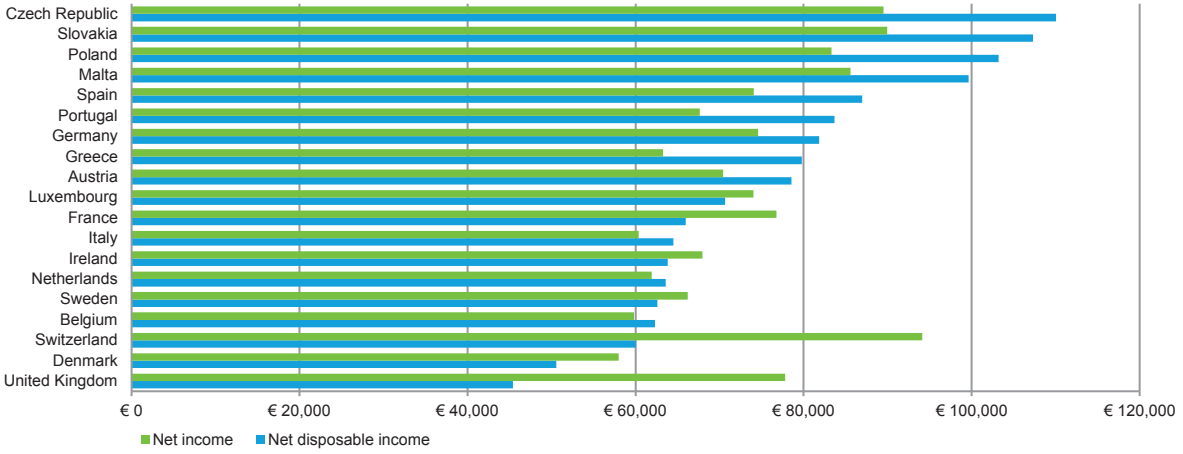
Top five countries in terms of net income for the employees in scenario 2 (across all cases) were Switzerland, Malta, the United Kingdom, the Czech Republic and Luxembourg. Only the Czech Republic and Malta are still ranked in this top five scenario in terms of net disposable income. Luxembourg now ranks 10th, Switzerland 18th and the United Kingdom 19th.
In that second scenario Belgium goes from being ranked 15th in terms of net income for the employee to 12th, meaning that employees in Belgium still receive a higher net disposable income than in Ireland, Italy, the Netherlands, France, Denmark, Switzerland and the United Kingdom.
In the situation of a married employee with non-working spouse, Belgium ranks 11th in terms of net disposable income instead of 13th for the net income. In the situation of a single employee with no dependent, Belgium goes from the 18th position to the 15th; while in the situation of a married tax payer with working spouse and two dependent children, Belgium goes from 18th in the ranking (net income) to 13th (net disposable income).

Scenario 3: gross annual salary of 75,000 EUR



Top five countries in terms of net income for the employees in scenario 3 (across all cases) were Switzerland, the Czech Republic, Malta, Slovakia and Poland. The Czech Republic, Slovakia, Poland and Malta are still ranked in this top five scenario in terms of net disposable income. Switzerland now ranks 17th.
In that third scenario Belgium goes from being ranked 16th in terms of net income for the employee to 12th, meaning that employees in Belgium still receive a higher net disposable income than in Italy, the Netherlands, Ireland, France, Switzerland, Denmark and the United Kingdom.
In the situation of a married employee with non-working spouse, Belgium ranks 11th in terms of net disposable income instead of 14th for the net income. In the situation of a single employee with no dependent, Belgium goes from the 18th position to the 15th; while in the situation of a married tax payer with working spouse and two dependent children, Belgium goes from 18th in the ranking (net income) to 14th (net disposable income).

Scenario 4: gross annual salary of 125,000 EUR



Top five countries in terms of net income for the employees in scenario 4 (across all cases) were Switzerland, Slovakia, Czech Republic, Malta, and Poland. The Czech Republic, Slovakia, Poland and Malta are still ranked in this top five scenario in terms of net disposable income. Switzerland now ranks 17th.
In that fourth scenario, Belgium goes from being ranked 18th in terms of net income for the employee to 16th, meaning that employees in Belgium only receive a higher net disposable income than in Switzerland, Denmark and the United Kingdom.
In the situation of a married employee with non-working spouse, Belgium ranks 13th in terms of net disposable income instead of 15th for the net income. In the situation of a single employee with no dependent, Belgium goes from the 18th position to the 16th; while in the situation of a married tax payer with working spouse and two dependent children, Belgium goes from 18th in the ranking (net income) to 16th (net disposable income).

General comments

When considering the net disposable income, Belgian employees are generally worse off in all salary categories than its neighbours. More in detail, the German and Luxembourg employees always have a higher net spendable income versus the Belgian employees. Belgian employees are however always better positioned than their French colleagues, except when highest income is considered (gross salary above 125.000 EUR), where French employees pass Belgium in terms of highest net disposable income. Belgian employees are better positioned than their Dutch colleagues in scenarios 2 and 3, but Dutch employees get more net income for the lowest and highest income. Belgian employees always have a higher net disposable income in comparison with the Swiss, Danish and British employees, which always appear in the top five of countries with the lowest net disposable income in all scenarios.

The five countries where the negative difference between the net income and the net disposable income is the largest are the United Kingdom, Switzerland, France, Denmark and Ireland (net disposable income is lower than the net income). The five countries where the positive difference between the net income and the net disposable income is the largest are the Czech Republic, Poland, Slovakia, Greece and Portugal (net income is lower than the net disposable income).

Overall, countries who benefited from a good ranking in terms of net income still benefit from a good ranking in terms of net disposable income. This is the case for the Czech Republic, Slovakia, Poland and Malta. However, Switzerland, the United Kingdom and Ireland, who also benefited from a good ranking in terms of net income, are now part of the countries which score the worst in terms of net disposable income. This is mainly due to the cost of housing in those countries.

London and Geneva are the cities where life is the most expensive across all countries surveyed.
Prague is the cheapest city to live in.

Cost of living and housing generally decreases in Europe. In Greece, Poland and Lisbon the cost of living decreased the most, while life in London became more expensive. When looking at the housing cost, a substantial decrease in cost was observed in Spain, Poland, Portugal, Greece, France and Denmark. On the contrary, in Switzerland, the United Kingdom and Ireland housing cost increased.

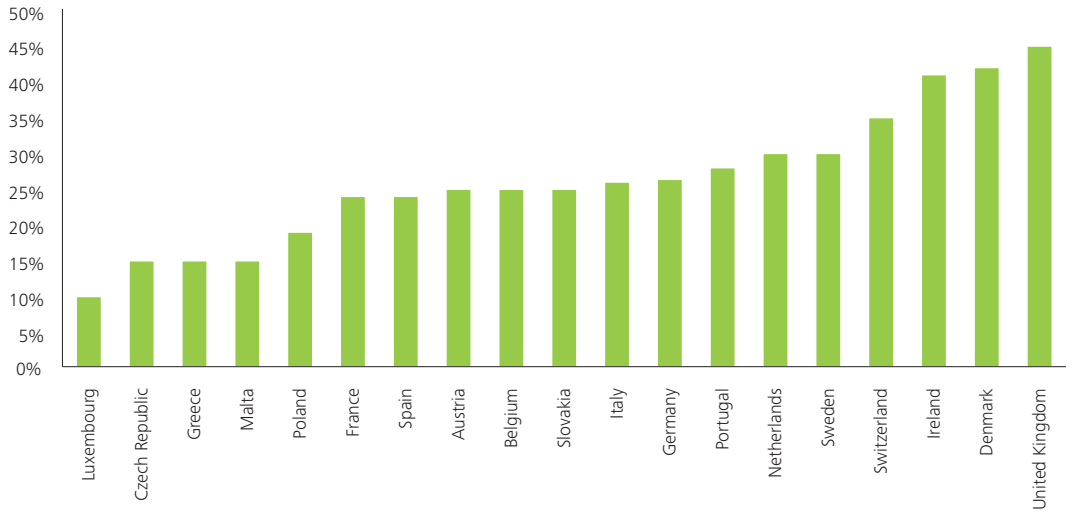
Chapter 3 - Taxation of capital

Depending on the individual's choice, the net disposable income as derived from chapter 2 can be used to save and/or invest (i.e. buy shares, purchase property, etc.).

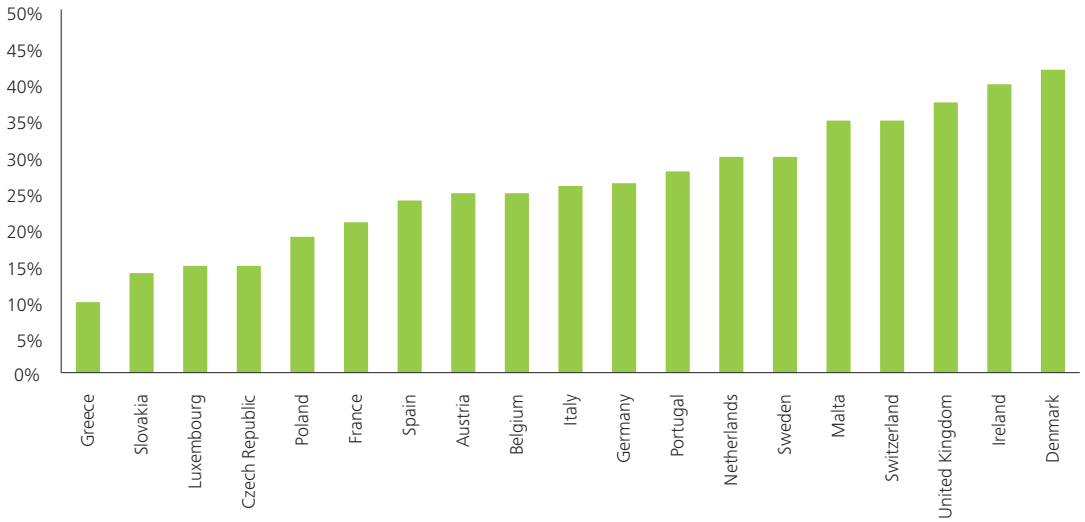
In this 6th edition we have again examined the various European tax regimes applicable to interest, dividends and capital gains. We also looked at the countries that impose a wealth tax and, if so, what the taxable base is on which this wealth tax is levied. You will find in enclosure a summary of the effect of each local tax regime on the savings and net wealth of its individuals. In addition, we have included a reference to legislative changes (or formal intentions to adjust legislation) that already or will have an impact on the net disposable income of the average family.

You will find below the chart summarising the maximum tax rates applicable to interest, dividends and in the countries surveyed. We have each time considered the highest applicable tax rate.

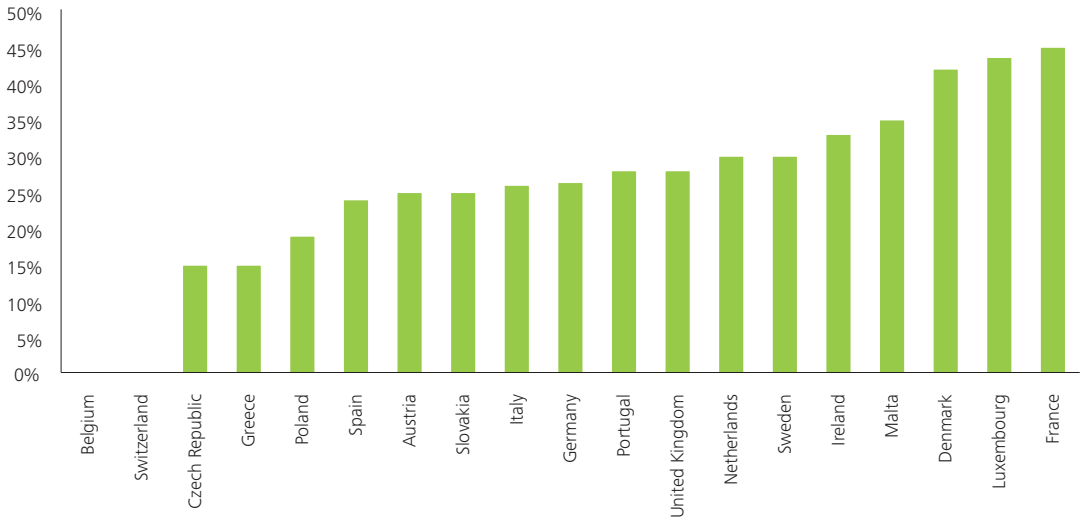
Tax rate on interest



Tax rate on dividends



Tax rate on capital gains



Switzerland and Belgium are the two only countries where there are no taxes on capital gains. This is subject to change in Belgium as the measures included in the tax shift foresee a taxation of 33% on quoted shares sold within six months of their acquisition.

Only three countries currently apply a wealth tax, being France, Spain and Switzerland.

Chapter 4 - Comparison of countries aiming to attract headquarters of international companies

Traditionally, the following European countries (besides the United Kingdom, France and Germany) are often named as suitable locations for headquarters: Belgium, the Netherlands, Luxembourg, Ireland 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 3 (gross income 75.000 EUR) for these countries alone. In these overviews, Belgium, the Netherlands and Luxembourg are mentioned twice.

Under specific conditions, these countries indeed 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 two 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. 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 (Special Assignee Relief Program or SARP) is in place. This entails that 30% of the remuneration as from € 75.000 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"). Conditions of both tax measures have been softened as from January 2015 in order to improve the attractiveness of Ireland.

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.

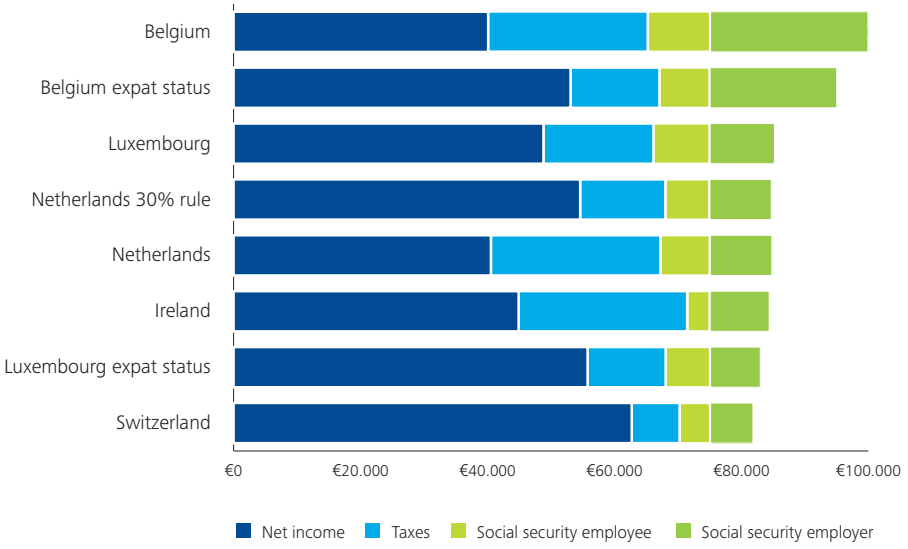
Expatriates in Luxembourg can receive relocation costs, school fees, cost of living allowances and ongoing assignment costs related to housing, utilities, home leave and tax equalisation tax free.

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

In Belgium, the special tax regime for expatriates entails an exemption from tax of all remuneration arising from workdays outside Belgium. Also, a certain amount (up to 29.750 EUR) may be considered as cost proper to the employer, and is therefore tax free.

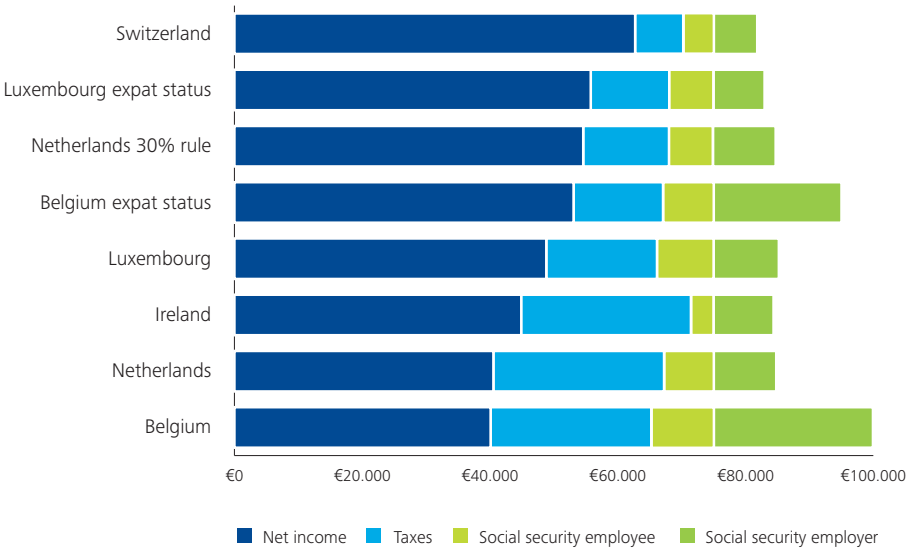
From the countries examined, Switzerland typically scores the best on the employer's side. This remains the case taking into account the special tax regimes, Switzerland remaining the country where the cost for the employer is the lowest. Belgium remains the country where the cost for the employer is the highest, even considering the application of the special tax status.

Special tax status - Gross salary of 75.000 EUR
Sorting by employer cost



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.

Special tax status - Gross salary of 75.000 EUR
Sorting by net income



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.

Belgium scores 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, with the exception of the Netherlands which scores slightly better when applying the 30% rule.

Special tax status - Gross salary of 75.000 EUR
Sorting by net disposable income

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 in all three personal situations considered, Belgium, the Netherlands and Luxembourg are always gathered in top three in terms of net disposable income when considering family allowances, the cost of housing and the cost of living.

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.


Shetland Is.
Bergen
Rockall
Kirkwall
Orkney
Hebrides
Wicklow Is.
Stavanger
NORTHERN IRELAND
Glasgow
SCOTLAND
UNITED
Göteb
Belfast
Edinburgh
NORTH SEA
DENMAR
Dublin
IRELAND
Man
KINGDOM
Copenhag
Leeds
Liverpool
ENGLAND
Kiel Canal
WALES
Cardiff
Birmingham
NETHER-LANDS
Ham
Cork
Thames
London
Amsterdam
Ber
Southampton
Plymouth
Rhine
Albert Canal
BELGIUM
GERM
English Channel
Cherbourg
Brussels
Cologne
Brest
Bonn
Frankfurt
Seine
Paris
Luxembourg
LUX.
Main
Nantes
Loire
Strasbourg
Stuttgart
Danube
La Coruña
BAY OF BISCAY
Bordeaux
FRANCE
Munich
LIECHTSTN
Geneva
Bern
SWITZ.
AUST
Oporto
Garonne
Lyon
Mt. Blanc 15,771
Milan
Ljubljana
PORTUGAL
Bilbao
Ebro
CANTABRIAN MTS.
PYRENEES
Marseille
Turin
Venice
Zaragoza
Genoa
Tagus
Madrid
Toulon
Florence
MONACO
ANDORRA
Valencia
SPAIN
Barcelona
Corsica
Rome
SAN MARINO
Sevilla
Córdoba
Balearic Is. (Sp.)
VATICAN
Sardinia
Naples
Tangier
Granada
Murcia
Palma
Mt. Vesuvius (Vol.) 4,203
Rabat
Málaga
Gibraltar (U.K.)
Cagliari
TYRRHENIAN SEA
Tétouan
M—E—D
CURRENT
WEST EUROPEAN BASIN
RISE
252
4921
15419


Mardals-fossen
Oslo
Lake Vänern
Gävle
Stockholm
Göta Canal
Gotland
GULF OF BOTHNIA
Vaasa
Tampere
Helsinki
Gulf of Finland
Tallinn
ESTONIA
Lake Onega
Petrozavodsk
Lake Ladoga
St. Petersburg
(Leningrad)
Velikiy Novgorod
Yaroslavl'
Tver
Rzhev
Moscow
Lake Rybinsk
BALTIC SEA
LATVIA
Riga
LITHUANIA
Vilnius
(Russia)
Kaliningrad
Vitsyebsk
Minsk
Smolensk
Orel
Kursk
Gdansk
POLAND
BELARUS
Homyel
Warsaw
Łódz
Oder
Wrocław
Kraków
Chernobyl
Kiev
L'viv
UKRAINE
Dnieper
Kharkiv
CZECH REP.
SLOVAKIA
Bratislava
CARPATHIANS
Dnipropetrovsk
Vienna
Budapest
Chernivtsi
Chisinau
Zaporizhzh
HUNGARY
Cluj
MOLDOVA
Odesa
Zagreb
CROATIA
ROMANIA
Novi Sad
Galati
Crimea
BOSNIA & HERZEG.
Belgrade
Yalta
Sevastópol
Sarajevo
SERBIA
Bucharest
Danube
MONTENEGRO
KOSOVO
Sofia
BULGARIA
BLACK SEA
Podgorica
ALBANIA
Skopje
MACEDONIA
Bosporus
Samsun
Tirana
Thessaloniki
Istanbul
Taranto
Mt. Olympus
Dardanelles
Ankara

Conclusion

There are no big changes to the tax or social security legislation in the 19 countries surveyed in 2015, with the exception of the tax shift measures in Belgium

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 and social security in previous years. As a result, 2015, as 2014, was a year of stability. This is the answer that governments in the various countries are giving in response to the call for stability from their taxpayers and businesses. The main exception to this statement is Belgium, where the government just communicated the measures included in the tax shift, aiming to increase the spending power of taxpayers and to improve the competitiveness of companies, by, amongst others, decreasing the rate of social charges and increasing the taxation on passive income.

In Belgium, the harmonisation between blue- and white-collar workers is still not fully realised

Even if 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. resulting in a higher cost for the employer for blue-collar workers.

Belgium, with high and uncapped social security contributions, remains amongst most expensive countries for employers

As in previous years, Belgium – and also France – continue 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 (also applicable in Portugal, United Kingdom, Switzerland, Ireland and Sweden), while more than 60% of the countries surveyed have managed to impose a partial or total maximum social security charge. In seven countries, there is an absolute maximum social security contribution for employers: Netherlands, Spain, Germany, Austria, Luxembourg, Greece and Italy. However, although lowering the employer social security contributions as planned in the tax shift has an impact on the position of Belgium in the ranking of the most expensive countries amongst the European countries covered, the impact is only real for lower salaries. For the higher salaries, Belgium remains amongst the most expensive countries for employers.

Also, a remarkable exception to the high social security rates in Belgium is the specific regime applicable to self-employed workers. Indeed, while Belgium appears in the top five of most expensive countries for employers, notwithstanding the level of income, Belgium is the least expensive country after Poland when considering the situation of a self-employed worker. Only Malta also applies a specific social security regime for self-employed.

Belgian employees suffer high marginal tax rate as from a relatively low income, resulting in quite low net income

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 37,870 EUR, while in Switzerland, for instance, the highest tax rate is applicable only as from a taxable income of approximately 715.000 EUR.

As a result, Belgian employees benefit from substantially lower net income than their European neighbours. Again, the application of the measures included in the tax shift should allow an increase of the net income for the employee. However, if indeed the ranking of Belgium substantially increases at horizon 2020 in terms of net income for the employee with lowest income, as from a gross salary of 50.000 EUR, the ranking of Belgium is only slightly, or even not at all, impacted by the new measures.

Belgium scores extremely poor in terms of ratio net/cost

As a result of the high social charges and tax rates, Belgium still scores very poor in terms of net/cost ratio. Belgium ranks 18th in the general ranking, meaning that this is the country, after Italy, where the ratio net/cost is the lowest. The ranking of Belgium remains the same when we consider also self-employed, but the ratio net/cost then slightly increases.

Non-working partner is rewarded in Belgium, but also Switzerland, Luxembourg, France and Portugal

The marital quotient continues to offer a major advantage to married couples with a partner who is not working. In France, Luxembourg 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 14,600 EUR (in Switzerland, Genève canton) per year (for very high income). In the Netherlands, Greece and Sweden on the other hand, almost no differential 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.

Also when considering the net disposable income, Belgian employees are generally worse off in all salary categories than its neighbours

When considering the net disposable income, Belgian employees are generally worse off in all salary categories than its neighbours. More in detail, the German and Luxembourg employees always have a higher net spendable income versus the Belgian employees. Belgian employees are, however, always better positioned than their French colleagues, except when highest income is considered (gross salary above 125.000 EUR). Belgian employees always have a higher net disposable income in comparison with the Swiss, Danish and British employees, which always appear in the top five of countries with the lowest net disposable income in all scenarios.

If we compare cost of living and cost of housing with the data available in 2014, we observe a general decrease in costs. Major exceptions to this conclusion are Switzerland and the United Kingdom. London and Geneva are the cities where life is the most expensive across all countries surveyed, while Prague is the cheapest city to live in.

Taxation of passive income remains stable in Europa, with the exception of Belgium, Italy and Ireland

Highest tax rates on interest and dividends are applicable in United Kingdom, Denmark and Ireland, while highest tax rates on capital gains are applicable in Denmark, Luxembourg and France. Switzerland and Belgium are the only two countries where there are no taxes on capital gains. This is subject to change in Belgium as the measures included in the tax shift foresee a taxation of 33% on quoted shares sold within six months of their acquisition. Only three countries currently apply a wealth tax, being France, Spain and Switzerland.

Belgium, the Netherlands and Luxembourg are still benefiting from interesting specific regimes for expatriates. However, when considering the net income, Swiss employees are still better positioned than Belgian, Luxembourg and Dutch employees, even when considering the application of the specific regime. This is not the case anymore when we consider the net disposable income instead.

.

To prepare this sixth edition of the European Salary Survey, we have again been able to call on the knowledge of our colleagues from the Deloitte network.
Our special thanks go to the following individuals:

Deloitte Austria – Andrea Kopecek and Arnold Binder

Deloitte Denmark – Birgitte Nedergaard Hammerum and Anders Jensen

Deloitte France – Hélène Delechapt

Deloitte Germany – Nina Erdell and Stephanie Martina Schneider

Deloitte Greece – Achilleas Miltsanidis and Nikos Stamou

Deloitte Italy – Andrea Paoletti and Tiziana Creta

Deloitte Ireland – Jackie Coughlan, Ellen O'Leary and Justine Murphy

Deloitte Luxembourg – Marleen Vandenput and Claudine Soisson

Deloitte Malta – James Bonavia and Michael Mercieca

Deloitte Netherlands – Leander Van Ophem and Stéphanie de Bont

Deloitte Poland – Adam Mariuk and Marcin Grzesiak

Deloitte Portugal – Luis Miguel Leon and Catarina Isabel Gomes

Deloitte Spain – Maria Eugenia Rodriguez Sanchez-Pascuala and Maria Benito Bella

Deloitte Slovakia – Lubica Dumitrescu, Katarina Kalafut and Simona Svecova

Deloitte Czech Republic – Robert Bezecny, Jan Stary and Lucie Slejskova

Deloitte UK – Theresa Dendy

Deloitte Sweden – Alexandra Lundkvist, Lina Sundstrom and Helena Nyqvist

Deloitte Switzerland – Roberto Orsi and José-Antonio Ruiz

[1] 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 of Geneva, which is one of the most popular, as well a one of the most expensive regions in the country.

Contact

For more information, please contact:

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

Laurence Debart
Senior Manager
+ 32 2 600 61 26
ldebart@deloitte.com

Evy Tempelaere
Senior
+32 9 393 74 96
etempelaere@deloitte.com

Charlyne Geldhof
C & M Coordinator
+32 3 800 86 45
cgeldhof@deloitte.com