

## THE AGN EUROPEAN REGION

### -- 2005 Salary Tax Survey --

Accountants Global Network (AGN) International is an association of separate and independent accounting and consulting firms, represented in 80 countries with 500 office locations and 10,000 partners and staff. The AGN European Region conducts annual surveys of corporate taxes, corporate structures, value added taxes (VAT), salary taxes and inheritance taxes. These surveys have been produced for a number of years and provide interesting comparisons and insights into trends.

The objective of the 2005 Salary Tax survey is to make a comparison of social charges, for both the employer and the employee, and covering the payroll tax due in the different European countries.

As Europeans become more mobile, and increasingly work in various countries, these comparisons will be of particular interest to individuals who can choose their country of work. Larger employers who send their staff to work abroad, and often operate a tax equalisation policy to adjust gross pay so that the employee's net pay remains the same, will also find the survey useful to identify those countries where additional costs may be incurred.

The survey covers 21 European countries: Austria, Belgium, Croatia, Cyprus, Czech Republic, Finland, France, Germany, Gibraltar, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Russia, Spain, Sweden, Switzerland and the UK.

### **This year's survey**

The 2005 Salary Tax survey is based on a married individual with two children. It is assumed that this person earns a gross salary of €100,000, has a company car which cost €40,000 when new, and pays mortgage interest of €7,500 per annum.

The 2005 results show some substantial differences, with the cost to the employer of the gross salary and employer's social charges expressed as a percentage of employees' net salary ranging from 120.25% in Russia to 274.60% in Croatia. There are also big differences within the narrower confines of the European Union, ranging from 152.78% in Luxembourg to 232.89% in Finland.

The percentage of gross salary that the employee keeps also varies significantly, ranging from 43.51% in Croatia to 86.94% in Russia. Within the EU the range is from Finland at 53.22%, to Luxembourg at 72.11%.

The survey emphasises the importance of looking at social charges as well as income tax. For example, France has one of the lowest income tax costs, but these are dwarfed by the social charges which amount to almost seven times the tax.

The 2005 survey also outlines the key items which can be deducted to reduce taxable income in each country – for example, personal allowances, personal loan interest, mortgage interest, medical insurance, pension contributions, as well as investment and education allowances. Only Luxembourg give tax allowances for personal (non mortgage) interest paid.

The treatment of benefits in kind, such as company cars, accommodation, mobile phones and share options, are also examined. All countries, except Greece, charge additional tax on those who have company cars, and the amount of tax is generally worked out with reference to the catalogue price of the vehicle, although in some countries the actual invoiced price is used. The private use is important in Gibraltar and in the UK the rules take account of the catalogue cost and the pollution caused by the engine, with larger, less efficient engines resulting in the tax being based upon a higher percentage of the catalogue cost.

*Before taking or refraining from action in relation to salary, taxes and benefits, specific professional advice should be obtained covering the individual's residence and domicile, and the place where the employee's work is actually done.*

Full details of the AGN 2005 Salary Tax survey, including a chart comparing the countries surveyed, can be downloaded from the internet at [www.agn-europe.org](http://www.agn-europe.org) or obtained free of charge from AGN Europe's head office at 5-6 Francis Grove, London SW19 4DT, telephone +44 (0) 8947 4888, e-mail [info@agn.org](mailto:info@agn.org).

