



THE AGN EUROPEAN REGION

-- 2006 Salaries Tax Survey --

AGN International is an association of separate and independent accounting and consulting firms, represented in 83 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 insight into trends.

Tax survey 2006

Salary taxes, Social Security and expatriate taxation

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 objective of the 2006 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.

This year's survey

The 2006 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 survey covers 15 European countries: Austria, Cyprus, Czech Republic, Finland, Germany, Greece, Ireland, Italy, Luxembourg, Malta, The Netherlands, Portugal, Russia, Spain, and Sweden.

The 2006 results show some substantial differences in comparison with 2005. The cost to the employer of the gross salary has increased in almost every country. At best the cost to the employer stayed the same.

The net salary in comparison with 2005 became less. However here Ireland is a big exemption. In 2006 the net salary increased in Ireland with 9,35%. This is the result of a much lower income Tax in 2006.

The net salary as percentage of the gross salary varies also significantly, 44,88% in Slovenia to 87% in Russia. There are also big differences within the narrower confines of the European Union, ranging from 53.22% in Finland to 71,93% in Luxembourg



There are big differences in the amount of Employers Social Security premiums. For example in the Czech Republic the amount an employer have to pay over € 100.000,- is € 35.000,- and in Gibraltar € 1.935,-.

The most interesting object to study however is the cost to the employer as percentage of the net salary. The differences are substantial. In Slovenia the cost to the employer as percentage of the net salary is 284,96% (almost three times the net). In Russia however the cost to the employer as percentage of the net salary is 120.36%. That's a difference of 164.6%!

The survey emphasises the importance of looking at social charges as well as income tax. For example, Greece and Germany has average income tax costs, but these are dwarfed by the social charges which amount to almost 50 % of the tax.

The 2006 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 and Russia, 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 the Netherlands. When in the Netherlands a company car is used only for business reasons there is no additional charge.

Before taking or refraining from action in relation to inheritance tax and gift tax, specific professional advice should be taken in the countries of the individual's residence, domicile and, possibly, location of assets.

Full details of the AGN Salaries Tax survey, including a chart comparing the countries surveyed, can be downloaded from the internet at 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) 20 8947 4888, e-mail info@agn.org