

THE AGN EUROPEAN REGION

-- 2008 Salary Taxes, Social Security and Expatriate Taxation Survey--

AGN International is an association of separate and independent accounting and consulting firms, represented in 86 countries with 480 office locations and 9,900 partners and staff. The AGN European Region conducts annual surveys of corporate, parent companies, value added (VAT), salary and social security and inheritance taxes. These surveys have been produced for a number of years and provide interesting comparisons from year to year and from country to country and give an insight into trends.

Introduction: Europe is becoming smaller and smaller. The expansion of the EU brings new possibilities and threats. The basic rule in the EU is freedom of movement for workers by the abolition of all artificial barriers to entry into the labour market of another Member State. The reality is much more complicated as taxes in Member States are not harmonized but are governed by national legislation and numerous bilateral and/or multilateral agreements, and conventions concerning taxation. But even in the absence of harmonization, such legislation or agreements must comply with basic principles of Community law, in particular free movement and equality of treatment of workers within the Union.

The objective of the survey is to establish how much of an employee's gross salary is left after income tax and social security deductions. In addition it calculates the employer's social security payments allowing comparison of the cost of employment for employers. The survey is based on a married individual with two children, a gross annual salary of €100,000, a company car costing €40,000 when new, and paying mortgage interest of €7,500 per annum.

Countries Covered: The 2008 survey covers 25 jurisdictions (20 EU members plus Russia, Liechtenstein, Norway, Ukraine and Switzerland).

Results of the 2008 Survey

Income Tax and Social Security: The survey shows that to make a good comparison it is necessary to take into account the position of both the employee and the employer.

For example in France an employee pays income tax of €2,292 and social security of €21,120 and the employer pays social security of €42,134. In Cyprus the employee pays income tax of €22,433 and social security of €2,900 and the employer pays social security of €5,683.

The net salary kept by the individual is similar but the cost to the employer as a percentage of net salary is 141.54% in Cyprus and 185.58% in France – a big difference!

Company Cars are a taxable benefit in most countries, usually based on catalogue price, but some countries use actual invoice price.

The impact on the environment is also becoming recognised. In the Netherlands, for example, the charge will be 14% instead of 25% when a so called hybrid car is used.

Other benefits that are often taxed include: domestic accommodation, employer contributions to employee pension schemes, insurance, share options and mobile phones.

Personal Tax Deductible Allowances are available in most countries (including mortgage interest deduction) which for a family with two children range from €687 in Italy to €55,664 in France. Only Austria, Cyprus, Hungary, Malta and Ukraine do not have such allowances. The UK allows employees to invest up to 100% of their annual salary in a pension scheme subject to a maximum of €323,070. Only Luxembourg gives an allowance for interest paid on personal non-mortgage related loans.



Expatriate Taxation also differs from country to country. For example, France, Malta, Hungary, Spain and United Kingdom do not tax payments by the employer in respect of relocation and travel costs for home country visits. Austria and Cyprus also do not tax relocation costs. Only Cyprus (20%) and the Netherlands (30%) exempt from tax a certain percentage of the expatriate's income. Romania, Hungary and Liechtenstein do not allow expatriates to buy houses there.

CONCLUSION:

The survey shows that Liechtenstein leaves the most money in the pocket of the employee (89.7%) and the United Kingdom the least (54.31%). However, cost of employment is highest in France at 42% of employee salary cost but France leaves 76.59% of the gross salary in the hands of the employee. In Sweden the additional cost is 35% and they only leave 56.2% of the gross salary in the hands of the employee. This means the total cost of employing someone in Sweden is almost 2.5 times the net salary, as compared to almost 2 times in The Netherlands and almost 1.2 times in Russia.

Before taking or refraining from action in relation to the above, specific professional advice should be taken.

Full details of the AGN surveys, including a chart comparing the countries surveyed, can be downloaded from the internet at www.agn-europe.org Our Organisation Latest-Tax Surveys