

## THE AGN EUROPEAN REGION

### -- 2010 Salary Taxes, Social Security and Expatriate Taxation Survey--

The AGN European Region conducts annual surveys of corporate taxes, parent companies, self employed, 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. A migrant worker should therefore be able to accept a job in another Member State or to move to another Member State to seek work without thereby suffering any discrimination with regard to social security benefits. That is the basic rule. It sounds simple, but reality is much more complicated. Taxes in Member States are not harmonized at Community level. They are governed by national legislation and by the numerous bilateral and/or multilateral agreements, conventions and arrangements concerning taxation and social security. 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 for him/her to take home after income tax and social security charges. In addition we have asked the AGN member firms in the various countries covered by the European region to calculate the employer's additional social charges thereby allowing us to compare the cost of employment to an employer. The salary tax and social security cost 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.

**Countries Covered:** The 2010 survey covers 31 countries, 23 members of the EU (including Isle of Man) as well as Gibraltar, Russia, Serbia, Liechtenstein, Norway, Ukraine and Switzerland. From the EU we miss the countries Lithuania, Latvia, Slovenia and Slovakia.

### *Results of the 2010 Survey*

The differences compared to 2009 are not really spectacular. Lots of countries made just slight changes with the countries that were the most expensive for an employer remaining so. The same is visible looking at the net salaries. An employee is still much better off in Liechtenstein than an employee in Belgium. (Almost twice as well off.)

**Income Tax and Social Security:** The survey shows that to make a good comparison, it is necessary to take into account both tax and social charges. Our calculations show, for example, that the income tax in France is €2.377. and the employer's social security €42.302. In Cyprus the employer's social security is €6.300. and the income tax €22.271. Employee's social security in Cyprus amounts to €3.440. and in France €21.148. The net salary an individual retains in these two countries is almost the same, but the cost to the employer as % of the Net Salary is in Cyprus 143.09% and in France 186.08%. A big difference!

The treatment of benefits in kind, such as company cars, accommodation, mobile phones and share options, is also examined.

**Company Cars:** All countries, except Greece, Hungary, Poland 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. In the Isle of Man the tax is based on the engine size so, for the purpose of the survey, an engine size of 1999cc was used.

The environment becomes more and more an issue. In the Netherlands, for example, the charge will be 14% or 22% instead of 25% when a so called environmentally friendly car is used. Even no tax at all will be charged on electric cars!! The tax is based on the percentage of CO2 emissions. Also in the United Kingdom the percentage of tax is based on CO2 emissions. Whereas in Belgium the benefit is calculated on the horsepower and CO2 emissions of the car.

**Company Accommodation:** All countries except Czech Republic, Hungary, Isle of man and Romania tax the cost of providing employees with accommodation.

**Company Pension Schemes:** Premiums paid by employers for a company pension scheme are only taxed as a benefit in kind in: Cyprus, Estonia (68.3%), Liechtenstein, Ukraine (33.2%), Luxembourg and Portugal. In Luxembourg a 20% tax at source is paid to the tax authorities and the final pension paid to the employee is then tax free.

**Other Insurance Premiums:** Premiums paid by employers for life, sickness and invalidity and surviving spouse benefits are not taxed as a benefit in kind in: Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Gibraltar, Greece, Hungary, Isle of Man, Netherlands, Norway, Poland, Romania, Russia, Serbia, Spain and Sweden.

**Share Options:** These are taxed in most countries except Austria, Greece, Hungary, Romania and Isle of Man.

**Mobile Phones:** The provision of a mobile phone to an employee has a great diversity of treatment. In lots of countries it is a taxable benefit like in Cyprus (the private use), Czech Republic, Denmark, Estonia, Hungary, Ireland (% private use) Italy, Norway, Romania and Ukraine.

**Lap-Top Computers and Internet costs:** The provision of lap-top computers is generally not treated as a benefit in kind.

**Expatriate Taxation:** The survey also looks at the treatment of expatriates working in each country and what is a taxable benefit in kind. For example, Belgium, Finland, France (two return tickets per year), Malta, Hungary, Poland, Spain and United Kingdom do not tax travel paid for by the employer so that the expatriate can go home and visit his family nor do they tax the payment by the employer of relocation costs. Only Cyprus (20%) and the Netherlands (30%) exempt from tax a certain percentage of the expatriate's income.

Only Poland 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%) closely followed by Bulgaria (88.89%) and Russia (87,98%). Belgium leaves the least amount of money in the pocket of the employee (48,63%). However, the cost of employment is highest in France adding almost another 43% on the salary cost of an employee in the form of employer's social security charges but France leaves 76,48% of the gross salary in the hands of the employee. In Sweden the additional cost is 32% and they only leave 55% of the gross salary in the hands of the employee. In Sweden the total cost of employing someone is almost 2,5 times the net salary, in The Netherlands almost 2 times and in Belgium even more than 2,5 times.

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



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