

In a labour environment where a war-for-talent prevails and wage indexation (typical for Belgium) reaches historically high peaks, the quest to find alternatives that benefit both employee and employer is not obvious. Add to this the pension and tax rates on wages, it is clear one should pay even more attention to wage and pension optimisation today.

Meanwhile, the salary limit for calculating the maximum legal pension was set at € 71,519.98 for a full year. The average pension in Belgium for 2020 was € 1,375.00. This implies that each person with a higher income will be responsible for building up a supplementary pension capital if he wishes to maintain his standard of income.

What if, as an employer, you could help? What if we talked about a pay cut compensated by an increased pension build-up? What can both parties gain?

### The financial data: comparison between salary cut and group insurance

Salary cut		Group insurance	Win-win	Cost of owner
Gross salary cut	€ 500.00	Premium	€ 500.00	€ 560.66
N.S.S.O-contribution employer (± 27.14%)	€ 135.70	N.S.S.O-contribution employer (8.86%)	€ 44.30	€ 49.67
<b>Total cost employer</b>	<b>€ 635.70</b>	Insurance tax (4.4%)	€ 22.00	€ 24.67
N.S.S.O-contribution employee (13.07%)	€ 65.35	<b>Total cost employer</b>	<b>€ 566.30</b>	<b>€ 635.00</b>
Personal income tax (45%)	€ 195.59	Final tax (15.55%*)	€ 77.75	€ 98.74
<b>Net salary cut</b>	<b>€ 239.06</b>	<b>Net capitalisation</b>	<b>€ 422.25</b>	<b>€ 536.26</b>

\*If the payment is made from the legal retirement age and provided the employee has remained active until then. At that time, the tax is 10%, plus NIHD1 and solidarity contribution.

For a 45-year-old, this means a pay cut of € 63,111.84 over the remaining 22 years. In the win-win situation, this person will receive a gross pension capital of € 155,000.00 at 67. In the cost-of-owner calculation, this person receives a gross pension capital of € 173,433.82.

### Points of interest

1. There should always be vigilance over pay scales.
2. At the start of the plan, each employee can make individual choices regarding joining.
3. The calculation will always be done in coordination with the social secretariat.
4. The employee can decide which guarantees should be added such as death coverage or work incapacity.
5. The paid pension contributions always benefit from a statutory minimum net return of 1.75%, which has been taken into account in the above final capitals.