Tax reform for companies – Pensions 80% limit

Your challenges

- It is surprisingly frequent for organisations to not fully understand the pension plans they offer, and to end up paying more than necessary.
- Is your pension plan right for both your employees and your specific business needs? Are you aware of its financial impact over time? Diving deep into the numbers to find the answers can be complex and time-consuming. Most companies are not equipped for such an analysis.

How I can help?

- We are an independent consultant that doesn't do brokerage. Our main interest is to provide you with the solution best suited to your company. Our multidisciplinary PwC pension specialists take a holistic approach to truly understand your strategy. We analyse the financial impact of your current plans over time and work with you to define a model that is beneficial to both your organisation and your employees.
- We take care of the deep calculations for comparative purposes, then simplify and present what is relevant. We have the in-house resources to look after all aspects of pensions, including pension planning for executives and internationally mobile workers, cross-border pensions, HR management, and pensions in the context of company restructuring. Our pension teams are active in the countries where you do business, so you always have access to local expertise.
- We are your trusted partner in developing your sustainable pension plan, from complexity to execution.

Hot pension topics

1. The tax authorities have adopted a new position regarding the calculation of the '80% tax limit'.

According to the tax authorities, the pension rights already accrued with previous employers must be taken into account when calculating the 80% tax limit with the new employer. For the calculation of the number of career years, however, only the years already worked and still to be worked with the current employer may be taken into account, possibly increased by 10 years worked outside the company.

This is currently being looked into by the constitutional court, with a judgement expected early 2023.

The maximum tax-deductible pension premiums (significantly) decrease for employees and company directors who are recruited after a career with (significant) occupational pension accrual from a previous employer. In the worst-case scenario, the full pension premiums are not tax deductible according to the tax authorities' new position.

2. Increased state pension build-up results in a decrease of the fiscal margin for occupational pension accrual within the so-called '80% tax limit'.

As of 2021, the level of state pension accrual for self-employed workers has been increased to the level that applies for employees.

The wage caps that apply for the state pension calculation increase by 2.38% (excluding indexation) per year from 2021 to 2024.

The maximum tax-deductible pension premiums will decrease for employees and company directors with a gross annual remuneration exceeding €64,000. The relative impact is most significant for those with annual earnings between €64,000 and €90,000.

3. The government announced a reform of the tax treatment of pension provisions via a revision of the so-called 80% rule.