ECA Global Perspectives

Tax and Social Security

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Introduction

Tax and social security have major implications for global mobility. Not only is compliance with local and international legislation a legal obligation, tax and social security issues can influence many of the decisions that need to be made to ensure mobility programmes operate successfully and cost-effectively, from the timing and length of international transfers through to the construction and delivery of remuneration packages.

Motivating employees to be internationally mobile was reported to be a major challenge by 45% of companies responding to ECA's 2013 Expatriate Salary Management Survey. In order to alleviate employee concerns about the potential for higher taxes when working in another country, the majority of companies with mobile employees operate a tax equalisation or tax protection policy to reduce the influence of taxation on an individual's decision making process. Tax protection policies ensure that the employee will effectively pay no more tax on assignment than they would have paid had they stayed at home, although they could potentially pay less tax if assigned to a lower tax jurisdiction. Tax equalisation goes a step further and ensures that the individual's tax liability on assignment is neither more nor less than at home, ensuring a completely tax-neutral posting. The result of such policies is that the variations in tax and social security liability for mobile workers often become the direct responsibility of the employer.

Careful tax planning can minimise the expenditure generated by the application of these policies and may even lead to a financial gain for the employer where tax equalisation is applied for an assignment to a lower-tax country. Given that 50% of respondents to the survey also cited cost containment as a major challenge, an understanding of relative taxation levels in different countries can be invaluable. In addition, cost projections should also take into account the employer's contribution to the relevant social security schemes, which vary widely around the world and can be very significant as the analysis following shows.

By comparing a selection of the 97 countries for which ECA produces tax and social security data, this report provides insight into relative tax and social security liabilities around the world. We look beyond the top marginal tax rates that make the headlines to uncover the effective rates of taxation that actually apply once each country's widely differing schedule of tax brackets and standard deductions are considered. We examine how the overall cost of an assignment could increase significantly once social security contributions by both the employee and employer are taken into account, and look at the effect of expatriate tax concessions in different countries. Finally, throughout the analysis we look at how tax and social security liabilities have changed in the last three years, giving a flavour of the current taxation climate globally and how it is likely to evolve in coming years.

Where applicable, currency conversions have been made using the exchange rate published by the Financial Times on 23 September 2013.

The tax environment in 2013

In recent years, the global economic downturn has led many governments to implement austerity measures, including tax increases, to begin to address budget deficits. In particular, governments have come under increasing pressure to ensure that high earners bear their fair share of the tax burden. Measures taken to tackle these issues have filled the headlines, but have they really affected tax and social security liabilities on employment-related income in 2013?

Our analysis shows that the general trend, particularly in countries with reasonably stable economies such as Germany, Hong Kong, Singapore and BRICS, has been to either freeze tax and social security rates at their existing levels or to simply index taxable income thresholds for inflation. The table opposite tracking changes in the top marginal rate of tax between the 2011 and 2013 tax years clearly demonstrates that in the majority of locations rates remain unchanged.

Of the countries analysed, few have increased personal income tax rates in 2013, although the table shows that more countries have done so in 2013 than did in the previous tax year. The greatest increase occurred in Slovenia, which added an additional income tax bracket for the 2013 and 2014 tax years, increasing the top marginal rate of tax from 41% to 50%. Similarly, Finland introduced a temporary tax bracket for the years 2013-15 which increased the top marginal rate of tax from 48.25% to 50.25%. France too has increased the top marginal rate of income tax from 41% to 45% for individuals with taxable income in excess of EUR 150 000.

After allowing the Bush-era tax cuts to expire for individuals earning in excess of USD 400 000, the top marginal rate of federal tax in the United States of America has reverted from 35% to 39.6% in 2013, which has been combined with amendments to the tax deductions and credits afforded to higher income earners. Increasing revenue by extending the tax base is an approach which has been seen in many of the other countries surveyed, and has the benefit of allowing governments to make targeted tax increases while simultaneously reducing the tax base of other specific groups, such as lower income earners or single parents.

Unsurprisingly, only five of the countries surveyed have reduced tax rates in 2013. Latvia was one, taking the first step towards reducing the flat rate tax from 25% to 20% by reducing the rate by 1% in 2013. Other small tax rate reductions have resulted from local tax rate fluctuations, as can be seen in Denmark.

The alternative to raising income taxes has been to increase the reliance on other temporary employment-related levies, which our analysis shows has been the more common approach in 2013. In previous tax years this has been a predominantly European trend, but has spread further into other regions of the world. The limited scope of such levies further reflects the desire of governments to introduce revenue-raising tax reforms that are targeted specifically at the highest earning sections of the population. In his 2013-14 budget speech, while announcing the introduction of a 10% income tax surcharge on taxable income in excess of INR 10 000 000, the Indian Minister of Finance asked “When I need to raise resources, who can I go to except those who are relatively well placed in society?”. The surcharge is expected to be implemented for a single tax year, and comes alongside tax cuts for millions of the lowest income earners. Morocco has introduced a solidarity contribution tax of 6% on individuals whose annual net income exceeds MAD 840 000, payable for a three-year period. Israel has also implemented a 2% surtax on taxable income over ILS 811 560, bringing the top marginal rate of tax to 50% in 2013.

Country	Top marginal rate of tax 2011	Top marginal rate of tax 2012	Top marginal rate of tax 2013
Argentina	35.00%	35.00%	35.00%
Australia	47.50%	46.50%	46.50%
Austria	50.00%	50.00%	50.00%
Bahamas	0.00%	0.00%	0.00%
Bangladesh	25.00%	25.00%	25.00%
Belgium	53.50%	53.50%	53.50%
Bosnia	10.00%	10.00%	10.00%
Brazil	27.50%	27.50%	27.50%
Brunei	0.00%	0.00%	0.00%
Bulgaria	10.00%	10.00%	10.00%
Cambodia	20.00%	20.00%	20.00%
Canada	40.16%	40.16%	42.16%
Cayman Islands	0.00%	0.00%	0.00%
Chile	40.00%	40.00%	40.00%
China	45.00%	45.00%	45.00%
Colombia	33.00%	33.00%	33.00%
Costa Rica	15.00%	15.00%	15.00%
Croatia	40.00%	47.20%	47.20%
Cyprus	35.00%	36.75%	36.75%
Czech Republic	15.00%	15.00%	22.00%
Denmark	54.80%	53.80%	52.80%
DR Congo	30.00%	30.00%	30.00%
Ecuador	35.00%	35.00%	35.00%
Egypt	25.00%	25.00%	25.00%
Estonia	21.00%	21.00%	21.00%
Fiji	31.00%	49.00%	49.00%
Finland	48.50%	48.25%	50.25%
France	41.00%	45.00%	49.00%
Germany	51.08%	51.08%	51.08%
Ghana	25.00%	25.00%	25.00%
Greece	49.00%	49.00%	46.00%
Guernsey	20.00%	20.00%	20.00%
Hong Kong	17.00%	17.00%	17.00%
Hungary	16.00%	16.00%	16.00%
India	30.90%	30.90%	33.99%
Indonesia	30.00%	30.00%	30.00%
Irish Republic	48.00%	48.00%	48.00%
Isle of Man	20.00%	20.00%	20.00%
Israel	45.00%	48.00%	50.00%
Italy	44.70%	47.73%	47.73%
Japan	50.00%	50.00%	50.84%
Jersey	20.00%	20.00%	20.00%
Kazakhstan	10.00%	10.00%	10.00%
Kenya	30.00%	30.00%	30.00%
Korea Republic	38.50%	41.80%	41.80%

Country	Top marginal rate of tax 2011	Top marginal rate of tax 2012	Top marginal rate of tax 2013
Latvia	25.00%	25.00%	24.00%
Luxembourg	42.14%	41.34%	43.60%
Malawi	30.00%	30.00%	30.00%
Malaysia	26.00%	26.00%	26.00%
Malta	35.00%	35.00%	35.00%
Mexico	30.00%	30.00%	30.00%
Monaco	0.00%	0.00%	0.00%
Netherlands	52.00%	52.00%	52.00%
New Zealand	33.00%	33.00%	33.00%
Nigeria	25.00%	24.00%	24.00%
Norway	40.00%	40.00%	40.00%
Oman	0.00%	0.00%	0.00%
Pakistan	20.00%	20.00%	30.00%
Panama	25.00%	25.00%	25.00%
Peru	30.00%	30.00%	30.00%
Philippines	32.00%	32.00%	32.00%
Poland	32.00%	32.00%	32.00%
Portugal	50.00%	49.00%	56.50%
Qatar	0.00%	0.00%	0.00%
Romania	16.00%	16.00%	16.00%
Russia	13.00%	13.00%	13.00%
Saudi Arabia	0.00%	0.00%	0.00%
Serbia	27.00%	27.00%	25.00%
Singapore	20.00%	20.00%	20.00%
Slovakia	19.00%	19.00%	25.00%
Slovenia	41.00%	41.00%	50.00%
South Africa	40.00%	40.00%	40.00%
Spain	45.00%	52.00%	52.00%
Sri Lanka	24.00%	24.00%	24.00%
Sweden	56.55%	56.60%	56.73%
Switzerland	41.67%	41.67%	41.67%
Taiwan	40.00%	40.00%	40.00%
Tanzania	30.00%	30.00%	30.00%
Thailand	37.00%	37.00%	37.00%
Trinidad	25.00%	25.00%	25.00%
Turkey	35.66%	35.66%	35.76%
Ukraine	17.00%	17.00%	17.00%
United Arab Emirates	0.00%	0.00%	0.00%
United Kingdom	50.00%	50.00%	45.00%
United States of America	47.85%	47.85%	52.30%
Venezuela	34.00%	34.00%	34.00%
Vietnam	35.00%	35.00%	35.00%
Zambia	35.00%	35.00%	35.00%
Zimbabwe	36.05%	46.35%	46.35%

The burden of additional levies on salaries has not been limited to employees. Billed as a "one-time" crisis levy for 2013, employers in the Netherlands are subject to a 16% tax on salaries in excess of EUR 150 000. The 2014 budget has in fact recently extended the duration of the levy for a further year.

However, even in countries which implement tax increases, a typical expatriate may remain unaffected by legislative changes if they are focused on "super rich" individuals. After the French government failed to pass into legislation the much-publicised election promise of a 75% tax rate on individuals with earnings in excess of EUR 1 million, the draft 2014 Finance Bill proposes to subject employers conducting business in France to a 50% tax on any employee's gross remuneration exceeding the same threshold.

Other ways of increasing revenue

Cuts in public spending which have accompanied tax reforms have placed further demands on social security regimes, many of which are already underfunded.

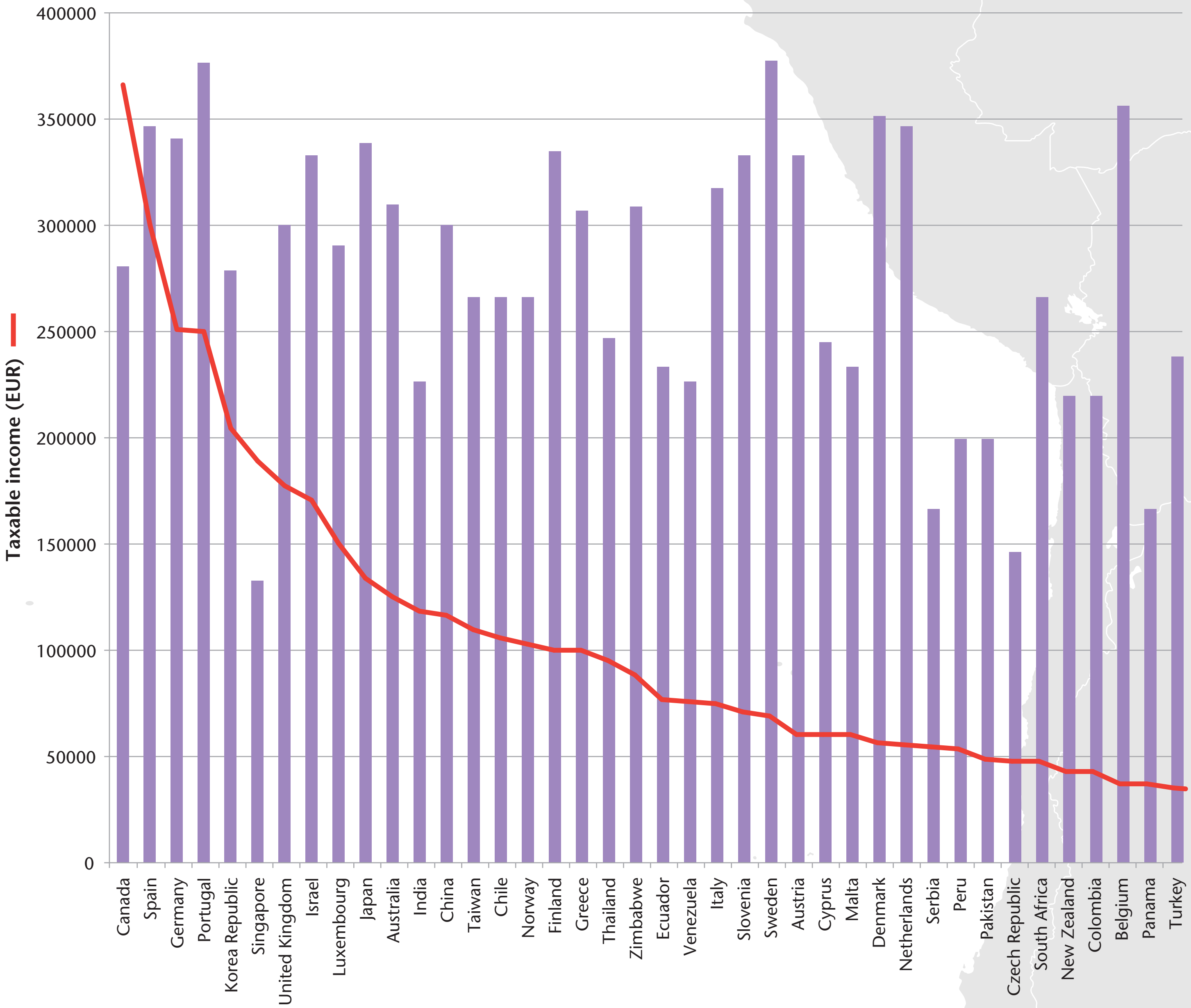
As a result, contribution liabilities continue to increase for both employees and employers whilst benefit payments (including family allowances) have been cut. For example, the earnings ceiling on which health insurance contributions are payable in the Czech Republic has been abolished in 2013. In Hong Kong, the income on which contributions to the Mandatory Provident Fund must be paid has increased by 25%, with a further increase planned from June 2014. The US began levying additional Medicare contributions on incomes over USD 200 000 from January 2013 to finance enhanced healthcare provision under the Patient Protection and Affordable Care Act 2010. Fierce political disagreements over the implementation of the scheme led to a shutdown of the US government.

Whilst the more stable economies may have been largely able to avoid tax and social security increases on employment income thus far, this does not necessarily mean that more affluent taxpayers in these locations have been immune to tax changes. Governments have also employed other tax revenue raising measures such as targeting tax avoidance, closing legislative loopholes, and raising non-employment related taxes, such as sales taxes.

Although tax policies that support the poorest members of society while increasing the burden on high income earners may be politically popular, governments are wise to apply them with caution. High earning individuals generally have more scope for mobility, and countries which offer competitive low personal income tax regimes along with corporate tax incentives, such as Hong Kong and Switzerland, look increasingly appealing to these people. Indeed, governments risk not only a drain of knowledge and talent, but potentially actually stifling economic recovery through the loss of tax revenues and disposable income. The use of specific tax concessions for qualifying international assignees remains key in preventing this.

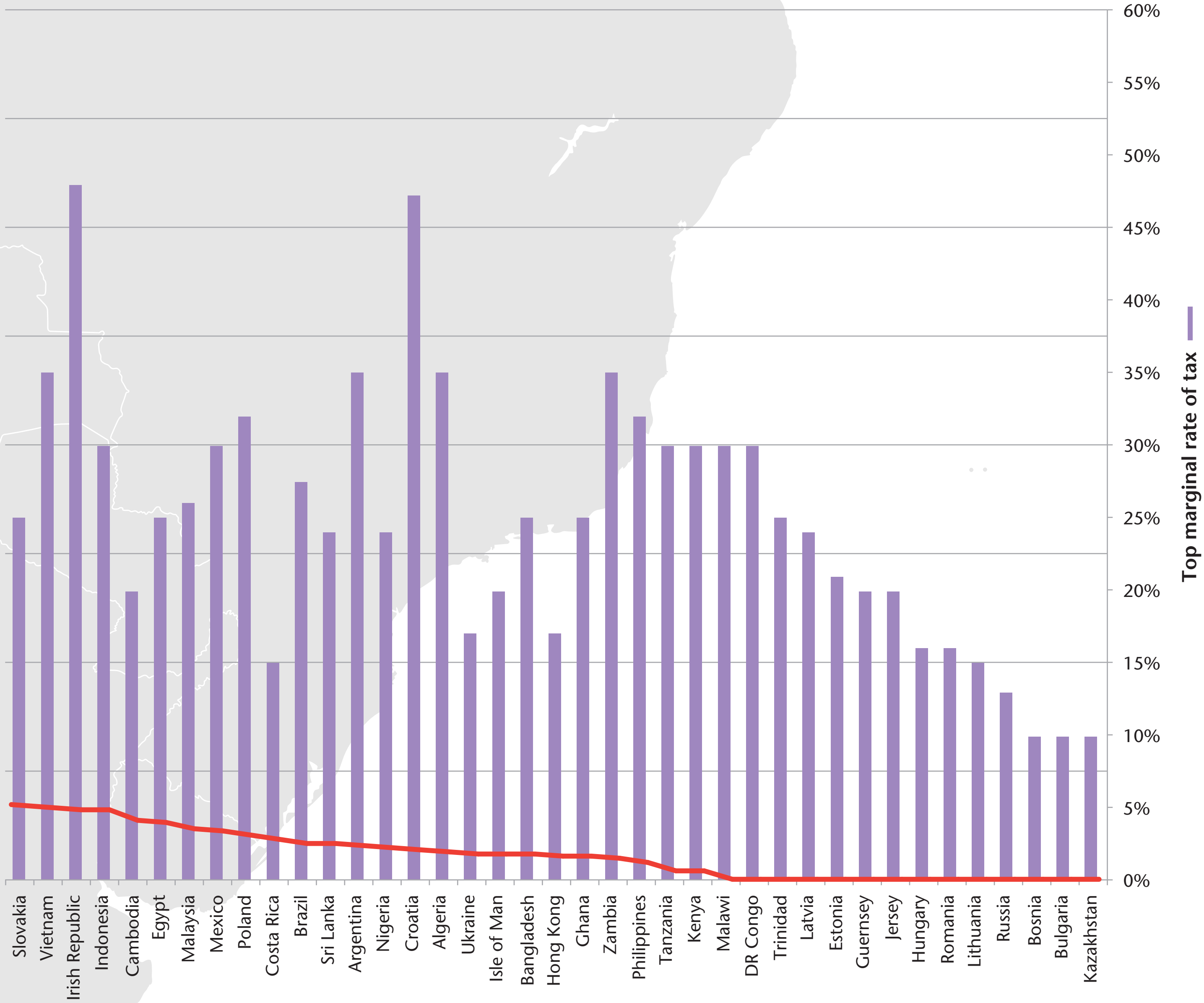
Despite these risks, recent government budget announcements and Draft Finance Bills for 2014 indicate that the next few years are likely to see a continuation of targeted high taxation and social security policies as longer term economic plans towards fiscal recovery play out. Among many other factors, taxation will continue to be a significant consideration in deciding where to locate business and how to structure international executive remuneration.

Top marginal tax rates



The top marginal rates of tax given in this analysis apply to resident taxpayers who are single with no dependent children, and take into consideration all taxes that are payable on employment income (which may include income tax, regional and/or local taxes, and surcharges on income tax, but does not include social security contributions).

New York state and city taxes are included in calculations for the United States of America; Ontario provincial tax is inlcuded in calculations for Canada; and Zurich cantonal and communal taxes are included in calculations for Switzerland.



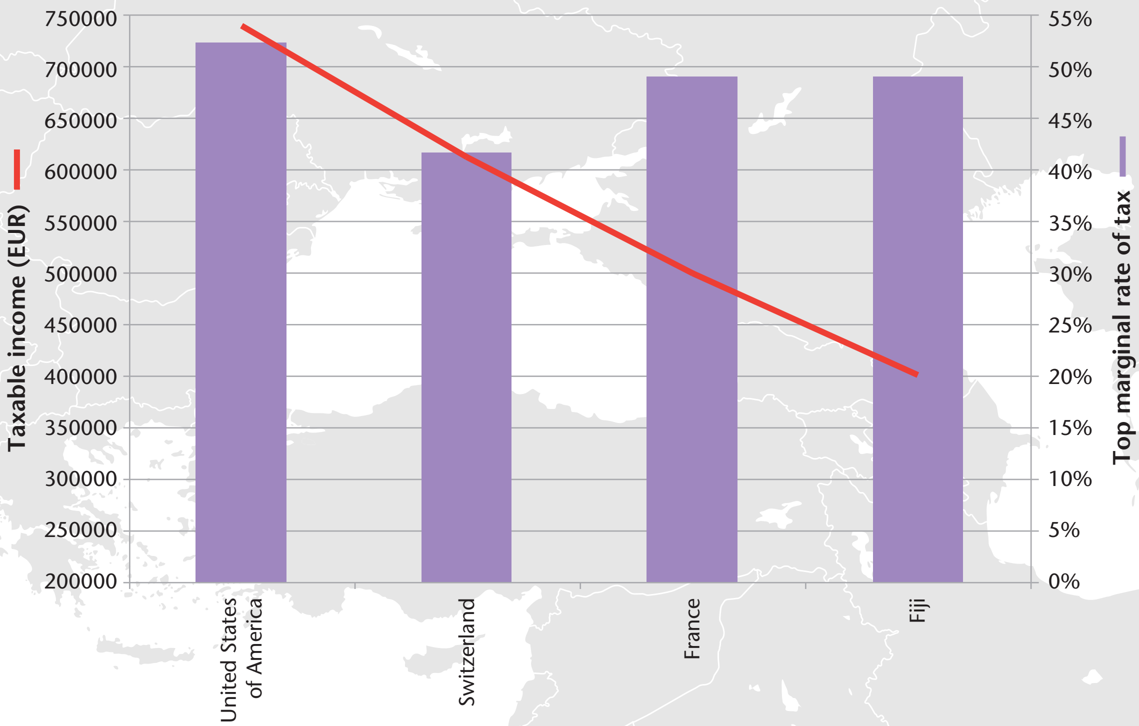
Figures for USA, Switzerland, France and Fiji are shown overleaf.

Top marginal tax rates

Our analysis shows that the highest top marginal tax rates are paid in Western Europe, specifically in Sweden, Portugal, Belgium, Denmark, Spain, Netherlands and Germany, all of which exceed 50%. Outside of Europe the highest top marginal rates of tax are paid in the United States of America, Japan and Israel.

Some of the highest tax rates featured in this analysis have been introduced in response to the recent economic crisis, as governments have introduced additional taxes on the highest income earners in an attempt to demonstrate that their tax regimes fairly spread the burden across the population. As a result, the top marginal rate of tax in such countries often applies above a taxable income level which is significantly higher than the previous tax bracket. This is particularly true where tax surcharges targeted at the very highest income earners have been introduced, such as in France where a single taxpayer is subject to a 4% "exceptional contribution" on taxable income in excess of EUR 500 000, or in Fiji, where a "social responsibility tax" of 29% is levied on taxable income in excess of approximately EUR 400 000. Note that it has been necessary to feature the United States of America, Switzerland, France and Fiji in their own graph because the taxable income level at which the top marginal rate of tax applies is so exceptionally high.

Increases in the top marginal tax rates have not all been about austerity measures. Unlike their European counterparts, whose tax increases have largely been aimed at reducing budget deficits, in 2013 the Japanese government raised the top marginal income tax rate by introducing a special reconstruction surtax to fund rebuilding efforts after the earthquake/tsunami disaster of March 2011. The surtax is expected to be levied until at least December 2037.



"Top marginal rates should not be considered in isolation; equally important in determining tax liability is the taxable income level above which the top marginal rate applies"

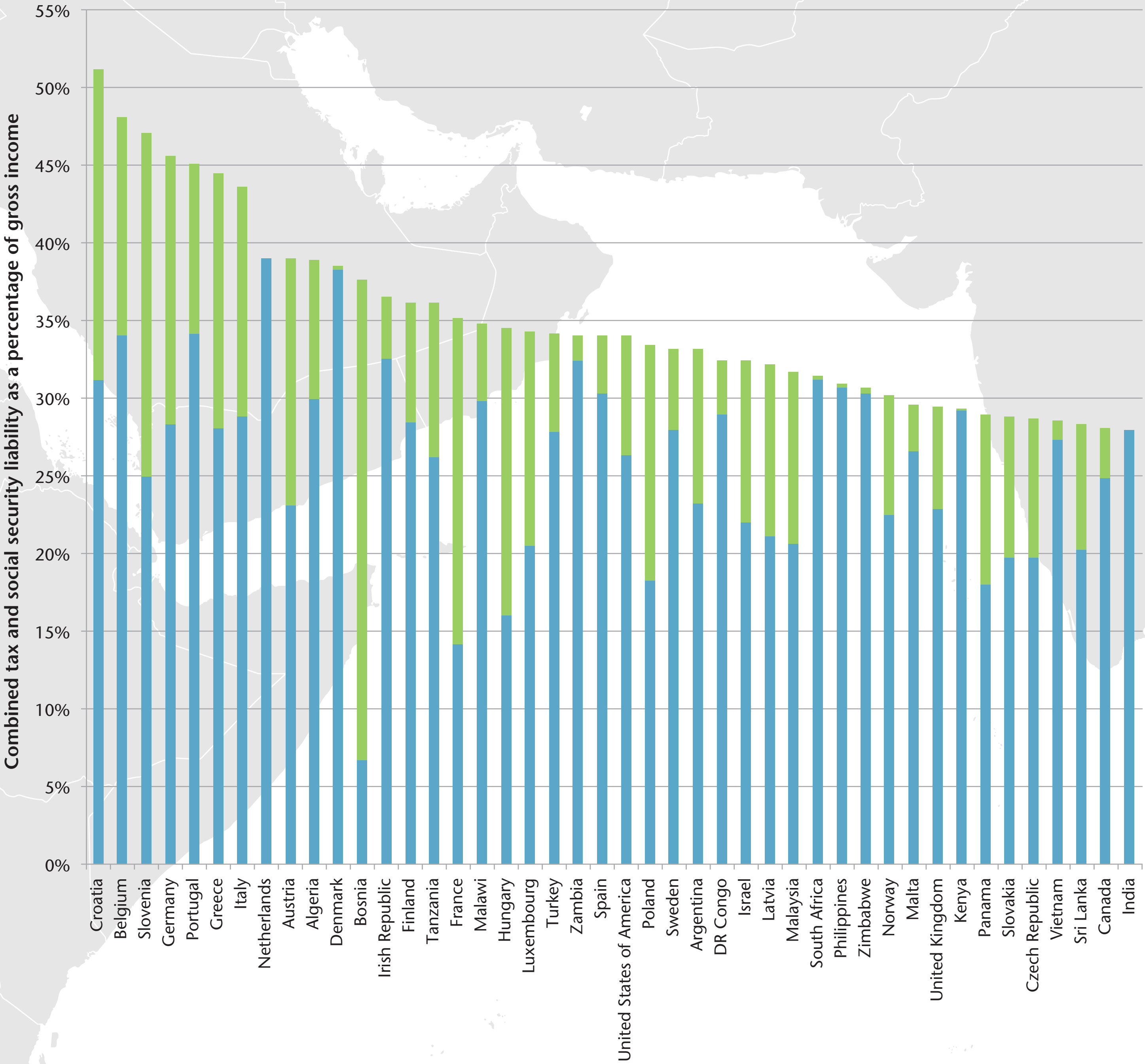
Few countries have lowered their top marginal rate of tax since ECA published its earlier Global Perspectives on Tax and Social Security in 2011; the notable exception being the United Kingdom, which lowered the top marginal rate of income tax from 50% to 45% in 2013 after the treasury concluded that the higher rate was damaging the country's economic competitiveness by deterring investment, thus doing little to actually increase tax revenues. As a result the UK has dropped from the 4th highest marginal rate of tax surveyed to the 22nd.

The lowest top marginal tax rates are still found in Eastern Europe, where despite the beginnings of a reversion to progressive tax rates in 2013, flat rate tax remains the prevailing trend.

Top marginal rates of tax should not, however, be considered in isolation; equally important in determining the tax liability is the taxable income level above which the top marginal rate applies. Take for example Germany, where the top marginal rate of tax of approximately 51% is payable on taxable income in excess of EUR 250 730. Contrast this with Belgium, where the top marginal rate of tax is similarly high at 53.5% but is levied on taxable income in excess of EUR 37 330, an income level likely to be exceeded by even a Junior Manager. The difference in tax burden would be far greater than the difference in the top marginal tax rate would initially suggest. We will also see in the following analyses that the deductions and credits which may be offered and the elements of the remuneration package which constitute taxable income greatly influence an employee's tax liability.

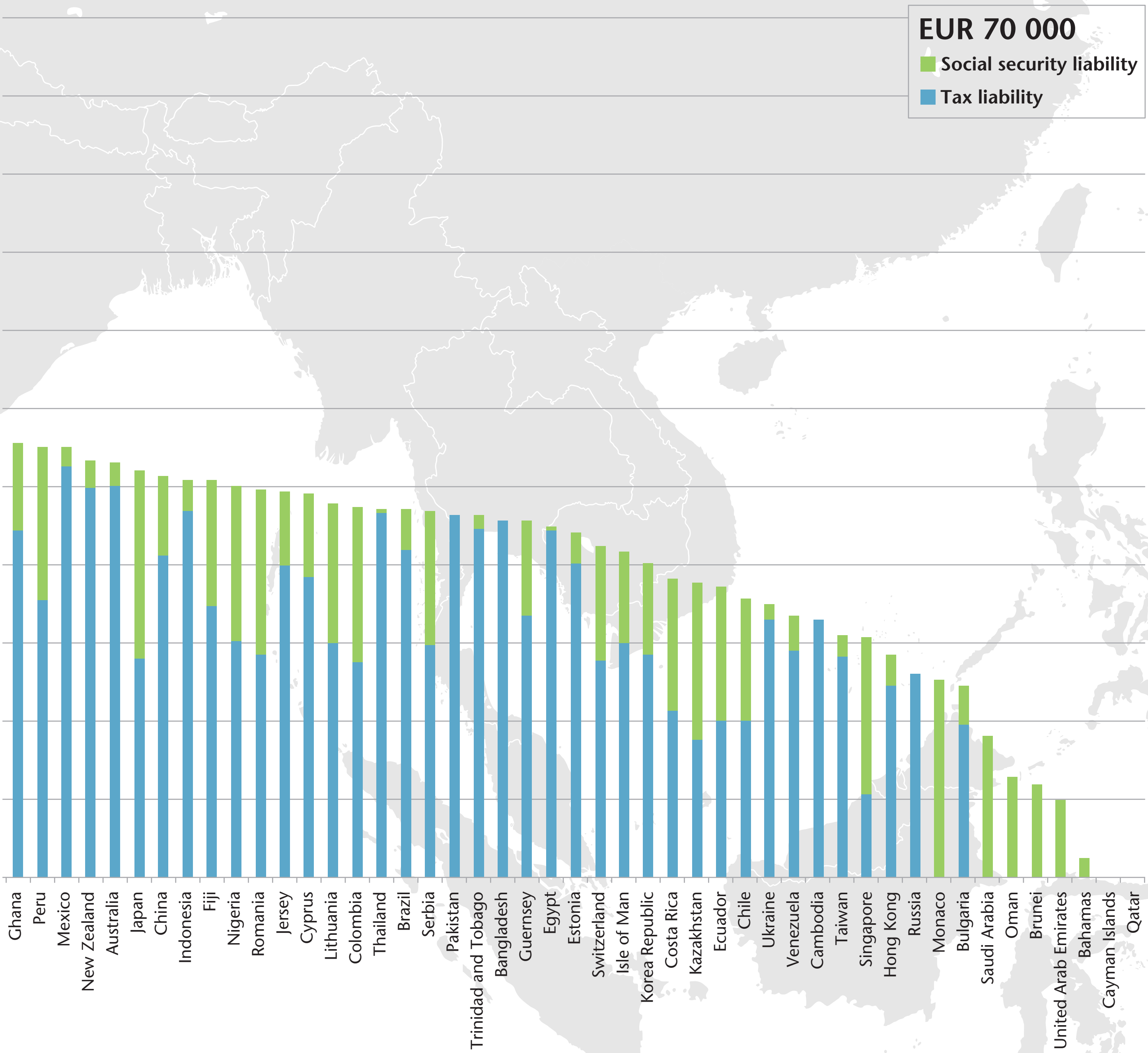
Preferable tax locations are those that have a low top marginal rate of tax which applies at a high taxable income level, such as Singapore where the top marginal rate of tax of just 20% applies on taxable income in excess of approximately EUR 189 000.

Income tax and social security liabilities at different levels of income



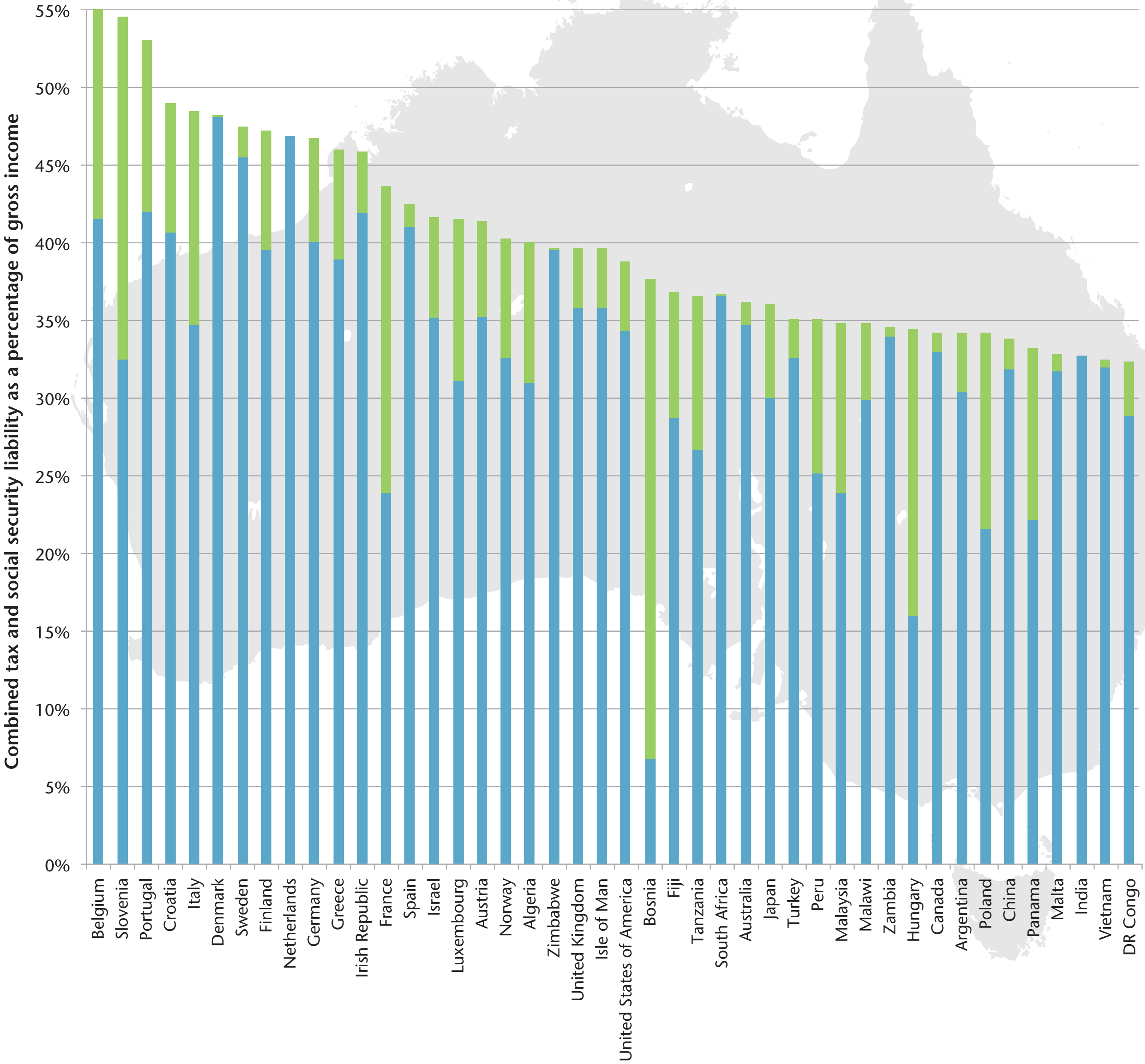
All calculations in this graph are for a single taxpayer with no dependent children and a gross income of EUR 70 000. They do not include any concessions that may be given specifically to expatriates. The tax liability is calculated according to ECA's default calculation assumptions, including relevant tax deductions and credits.

New York state and city taxes are included in calculations for the United States of America; Ontario provincial tax is included in calculations for Canada; and Zurich cantonal and communal taxes are included in calculations for Switzerland.



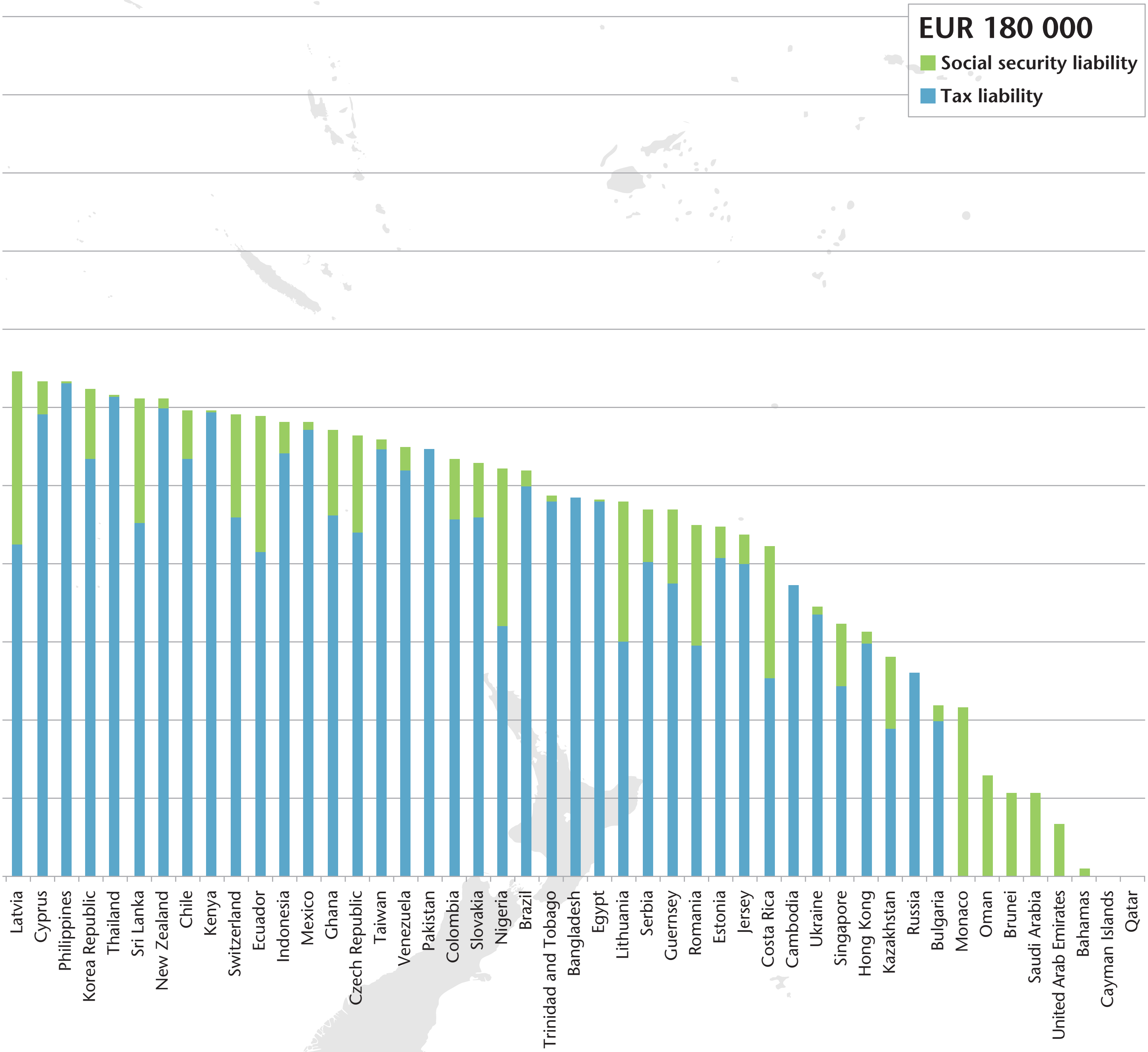
Commentary on page 16

Income tax and social security liabilities at different levels of income



All calculations in this graph are for a single taxpayer with no dependent children and a gross income of EUR 180 000. They do not include any concessions that may be given specifically to expatriates. The tax liability is calculated according to ECA's default calculation assumptions, including relevant tax deductions and credits.

New York state and city taxes are included in calculations for the United States of America; Ontario provincial tax is included in calculations for Canada; and Zurich cantonal and communal taxes are included in calculations for Switzerland.



Commentary overleaf

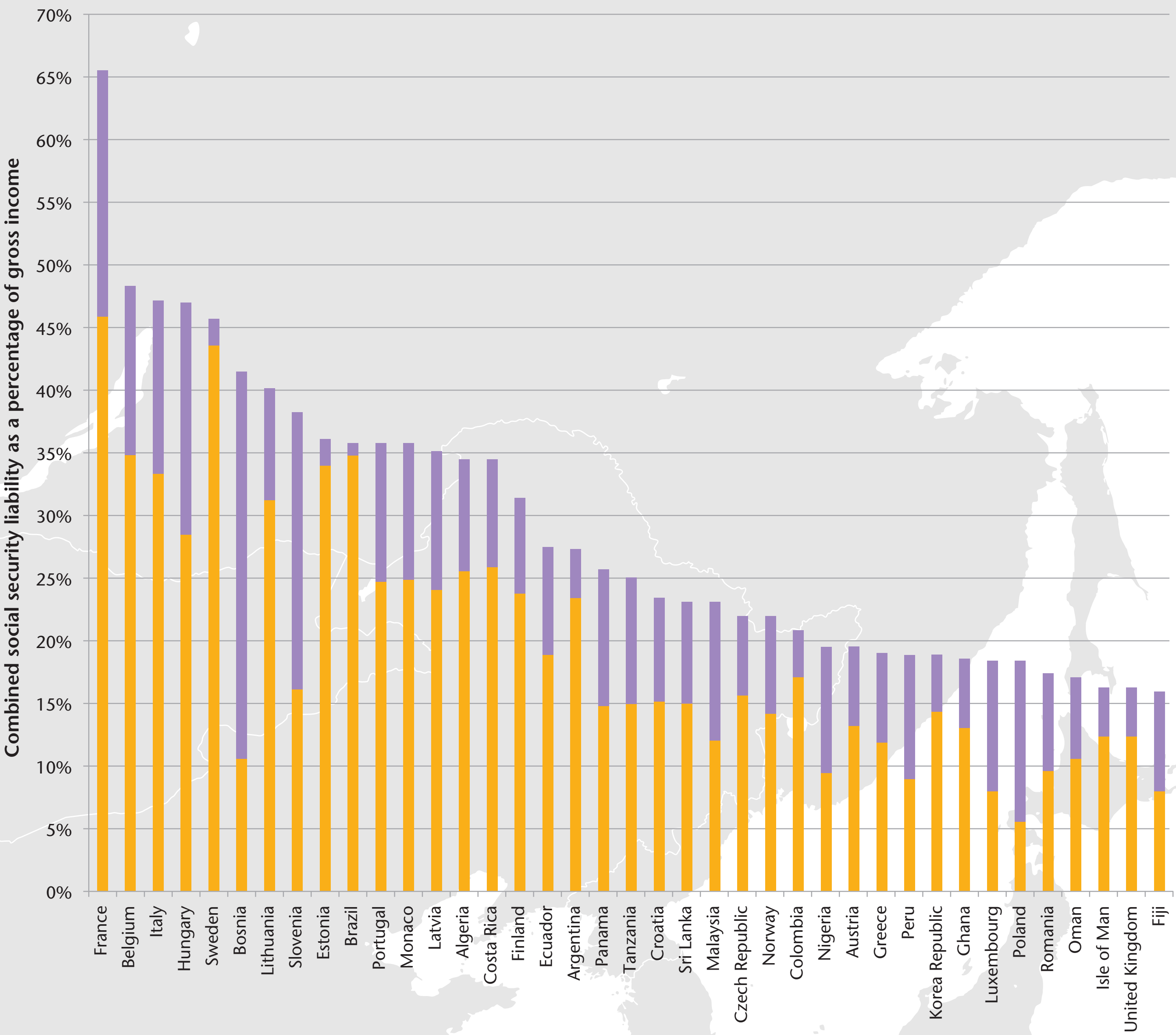
Income tax and social security liabilities at different levels of income

As may be expected, the graphs show that in numerous countries the combined tax and social security liability as a percentage of gross income increases as gross income increases. Notable examples are Chile, Fiji, Finland, Isle of Man, Korea Republic, Sweden and Switzerland, in which the increase exceeds 11%. Even in the Netherlands, which is in the top nine highest combined tax and social security liabilities at both salary levels, the combined liability increases by 8% of gross income at the higher income level.

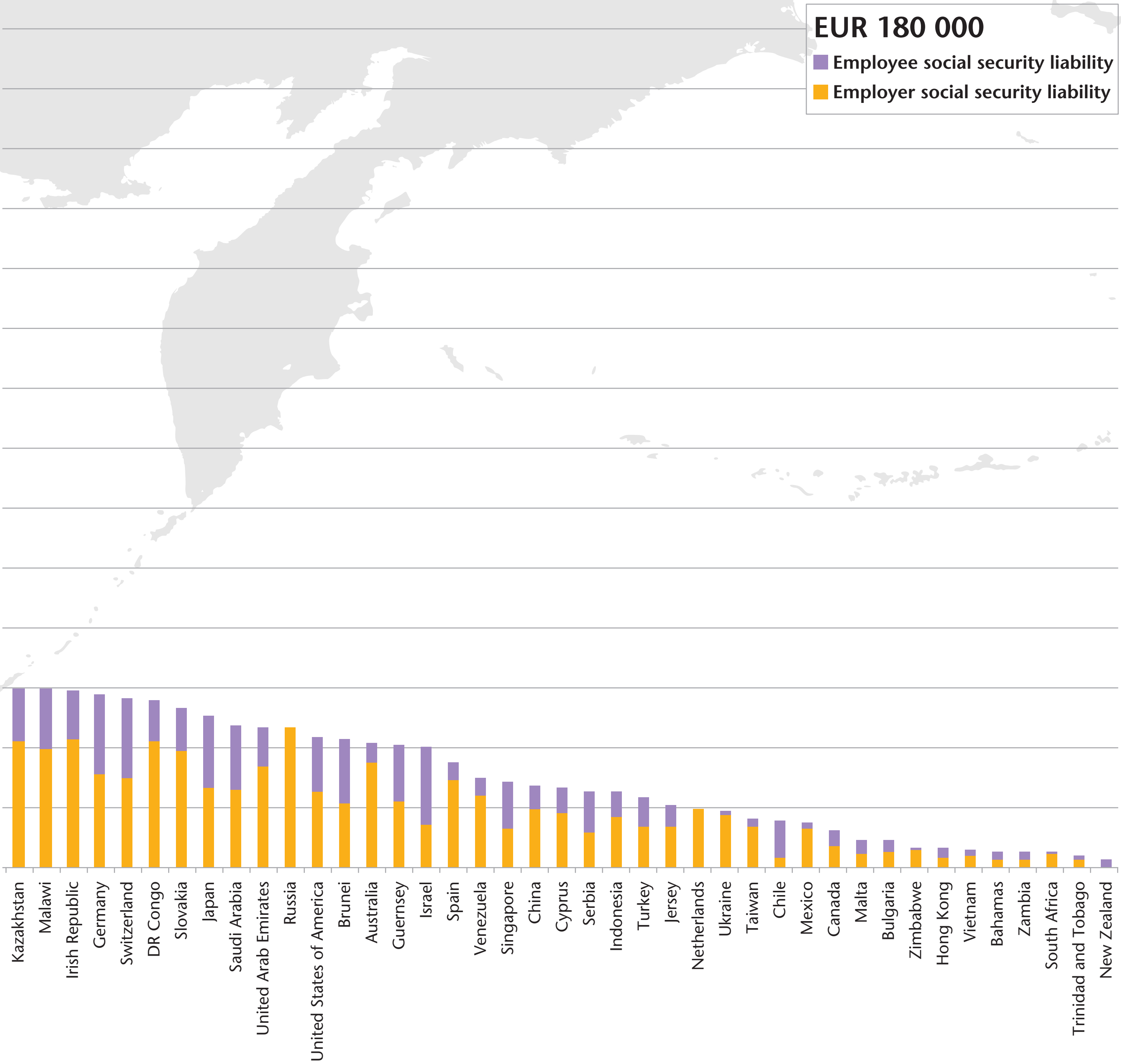
The flat tax regimes which looked so generous when analysing the top marginal rates of income tax alone no longer look so attractive, particularly at the lower income level. One of the perceived disadvantages of a flat tax regime is that the burden is unfairly high on lower income earners; progressive tax rate regimes will normally offer much lower tax rates at the lower end of the income scale. Thus we see that at a gross income of EUR 70 000, Latvia is actually the 29th most expensive country analysed; dropping to 45th at a gross income of EUR 180 000.

Although Croatia appears near the top of the scale at both income levels, the country's top marginal rate of tax is far from the highest of the countries featured in the previous analysis. We can partly account for this result because of the additional social security liability, but it is also a result of the top marginal rate of tax being applied at a particularly low income level (approximately EUR 13 800) and there being a limited number of deductions available in computing taxable income. By contrast, the top marginal rate of tax in Japan is one of the highest surveyed, yet at both gross income levels the tax liability is much less severe than this statistic would first suggest. At a gross income of EUR 70 000 Japan is only the 50th most expensive location – even at a gross income of EUR 180 000 it has only the 29th highest burden. This is as a result of generous tax deductions which reduce the taxable income on which the tax rates apply (at both income levels surveyed the tax deductions available in Japan are more than 50% higher than those in Croatia), and also because the top marginal rate of tax is applied at a much higher income level.

Employee and employer social security liability



All calculations on this graph are for a single taxpayer with a gross income of EUR 180 000.



Commentary overleaf

Employee and employer social security liability

The income on which contributions are payable is capped under many social security regimes, which is of benefit to high income earners and their employers, as the maximum contribution will represent a smaller proportion of their gross income.

We have therefore conducted this analysis on a gross income of EUR 180 000, an income level which will exceed many of these contribution limits. Calculations are applicable for a single taxpayer with no dependent children, for although in most countries the social security liability is not dependent on family size, there are several schemes which are. In Taiwan health insurance contributions for the employee increase with family size; in Germany childless employees make a higher contribution towards nursing care insurance than those who are parents.

The employer's obligation to contribute to a social security scheme on behalf of his employee can significantly increase employment costs, as under the majority of social security regimes the liability of the employer outweighs that of the employee. Such is the case in Sweden, where the employee's liability is a mere 2% of gross income compared with the employer's heavy burden of 44% of gross income.

Denmark has the fourth highest top marginal rate of tax considered in this analysis. However, this can partially be attributed to the financing of social welfare benefits through the tax system. In fact social security contributions are so insignificant in Denmark that it does not feature on this graph. In contrast, Bosnia operates one of the lowest flat tax regimes yet has one of the most expensive social security regimes, with high contribution rates for the employee in particular and no cap on the income on which they are levied. If we analyse the employee social security contributions alone, the Bosnian scheme is by far the most expensive of the countries surveyed.

The three countries with the highest combined social security liability remain unchanged from the ECA Global Perspectives – Tax & Social Security 2011 report: France, Belgium and Italy, where contribution rates have remained largely unchanged. Elsewhere there have been several noticeable movements in social security liabilities:

- Hungary has experienced an increase in combined social security liability from 38% of gross income in 2011 to 47% in 2013 as a result of the removal of the income ceiling on employee pension fund contributions. Employer contributions have actually fallen by 1% since 2011.

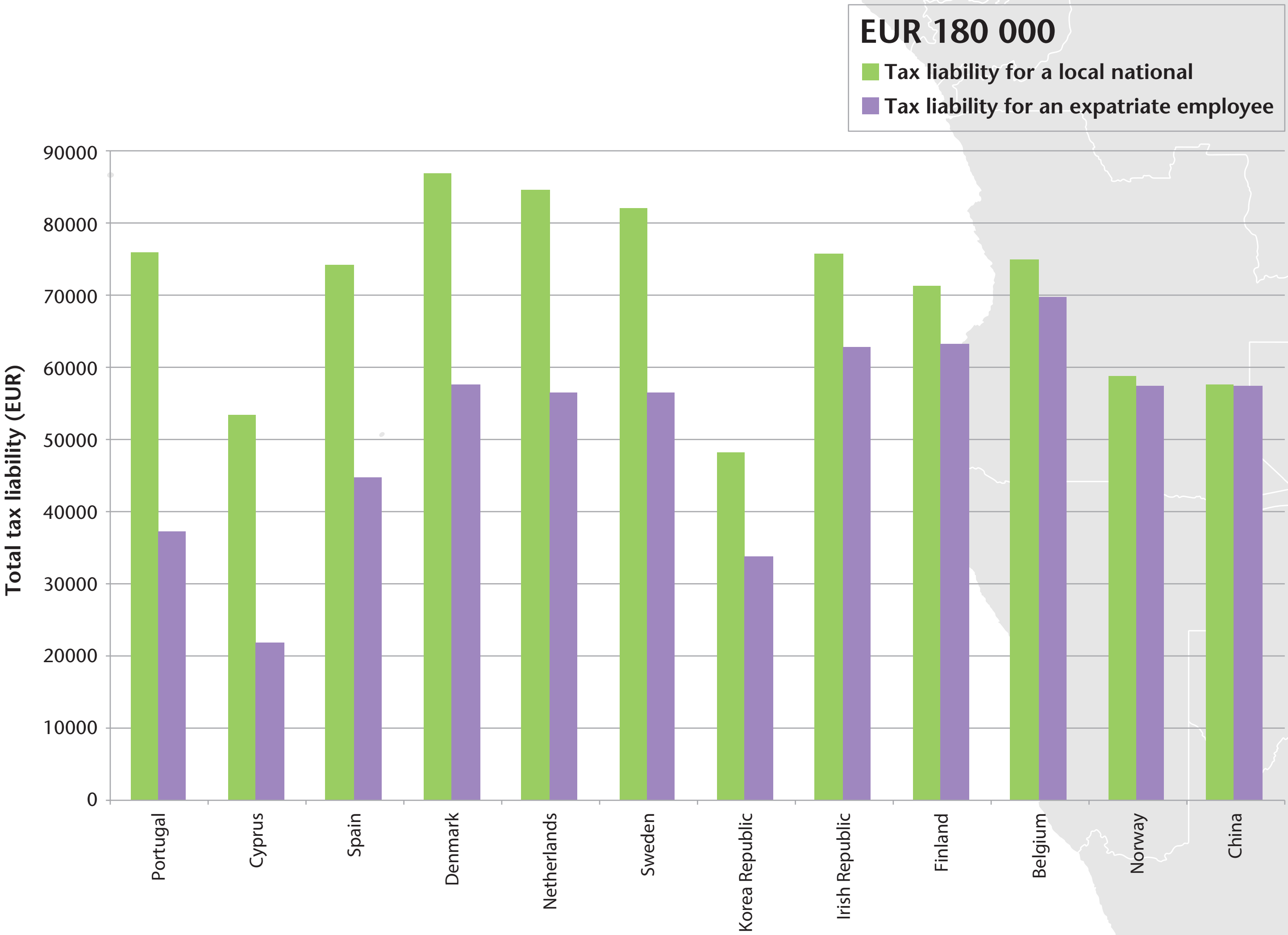
- While employees in Russia are not required to make social security contributions, employer contributions have increased significantly due to the introduction of an additional 10% pension fund contribution on income over RUB 568 000.

- A significant lowering of the social security ceiling between 2011 and 2013 (by approximately EUR 78 000) has seen the combined social security liability in Israel fall dramatically from 16% of gross income in 2011 to 10% in 2013.

It is clear from this analysis that social security contributions can be a significant component of the overall cost of an international assignment, most notably in France which tops the chart with a combined employee and employer contribution of 65% of gross income. Companies need to balance their desire to take advantage of cheaper social security regimes against assignee concerns regarding benefit entitlement and the continuity of coverage that may be required to receive them.

Expatriate and local tax liabilities

All calculations in this analysis are for a single taxpayer with no dependent children and a gross income of EUR 180 000. The tax liability is calculated according to ECA's default calculation assumptions, including relevant tax deductions and credits where applicable.



"Countries which have a well-structured low-tax regime are always attractive to talented migrants, without offering them special concessions"

Certain countries with high-tax regimes offer tax concessions to qualifying international assignees in order to attract highly skilled individuals and to encourage corporate investment.

The way such concessions are structured can vary greatly: those featured in this analysis either allow expatriates to apply significantly lower flat tax rates, as in Denmark, Finland, Korea Republic, Portugal and Spain, or offer additional tax deductions to expatriates, such as in China, Cyprus, Irish Republic, Netherlands, Norway and Sweden.

Alternatively, in countries such as France, Belgium, Luxembourg and Taiwan, the expatriate concession may enable assignment-specific allowances and benefits-in-kind to be provided or reimbursed either tax-free or at a reduced rate of tax.

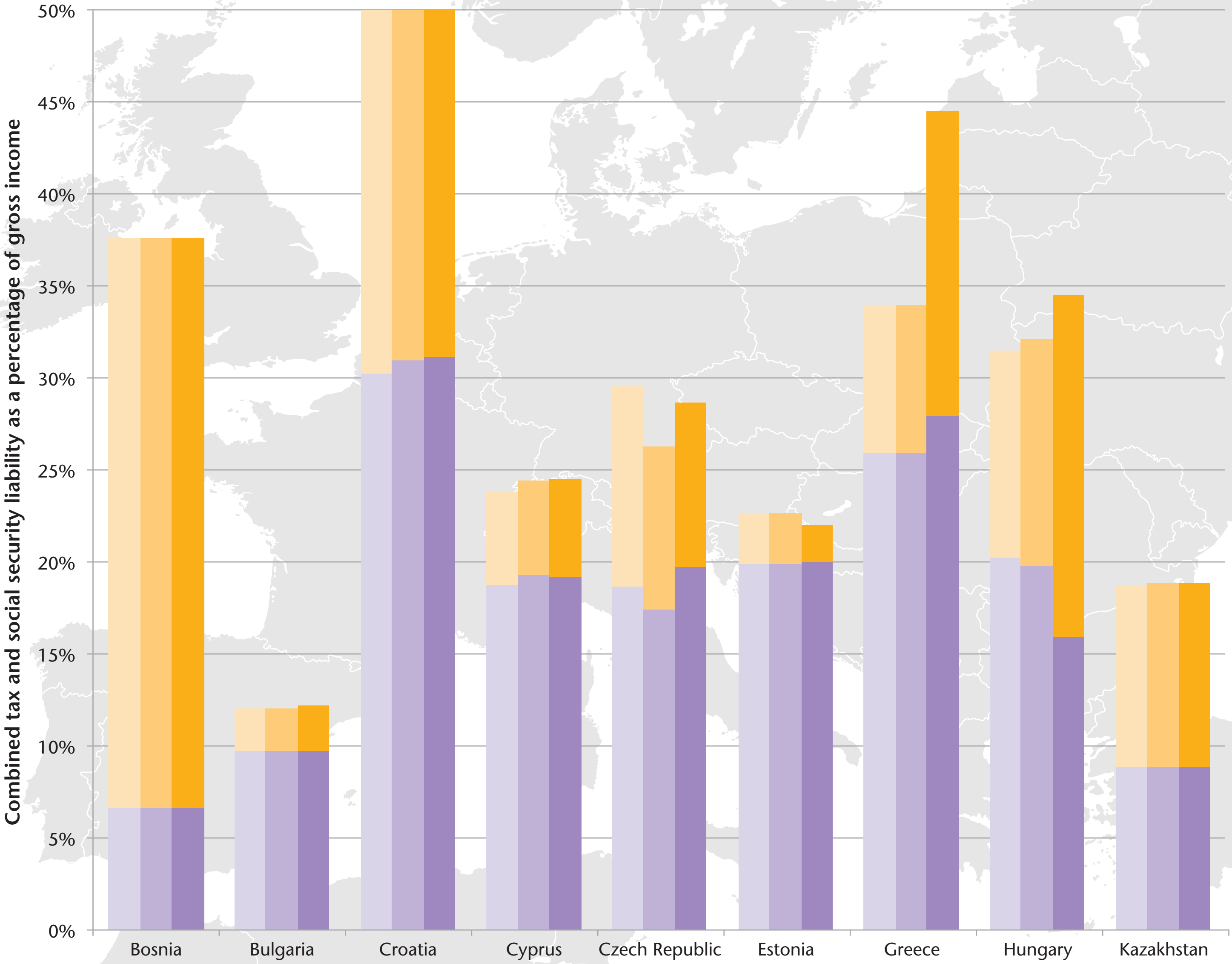
Of the countries featured in our analysis, the Portuguese 'Non-habitual resident' concession (first introduced in 2009) is the most generous, reducing the tax liability of a single taxpayer with no dependent children earning a gross income of EUR 180 000 by approximately 50% compared with the liability of a local national. By contrast the Chinese concession is very small, with the increased tax deduction given to qualifying expatriates only reducing the tax liability by less than 1%.

Obtaining these tax concessions can be very difficult, as there are normally numerous qualifying criteria imposed on both the employee and employer. These may relate to qualifications, industry sector, salary level, current and former tax residence status, activities during the assignment and the number of employees in the company, among many others.

Western European countries in particular continue to make these qualifying criteria stricter. In 2013, Luxembourg followed the Dutch lead, introducing a new qualifying criterion that requires expatriates applying for the concession after this date not to have lived within 150km of the border in the preceding five years. It is worth noting that the Dutch equivalent (which requires the expatriate not to have lived within 150km of the Dutch border for at least eight of the 24 months prior to starting the assignment) is currently the subject of a case in the Dutch Supreme Court, where it is claimed that the requirement contravenes European laws on the free movement of employees. The case awaits a ruling from the European Court of Justice. Further restrictions on the application of expatriate concessions are likely in 2014, with Korea Republic proposing to limit the period during which its tax concession may apply to five years (it is currently not time limited).

While the expatriate concessions analysed here may seem generous for those that qualify, we should remember that they are only required in locations which have a particularly high tax burden. Countries which have a well-structured low-tax regime are always attractive to talented migrants, without offering them special concessions. Even in countries which do not target concessions specifically at expatriates, some careful tax planning can ensure that all elements of the expatriate remuneration package are provided in a tax efficient manner.

Flat tax – focus on Central and Eastern Europe



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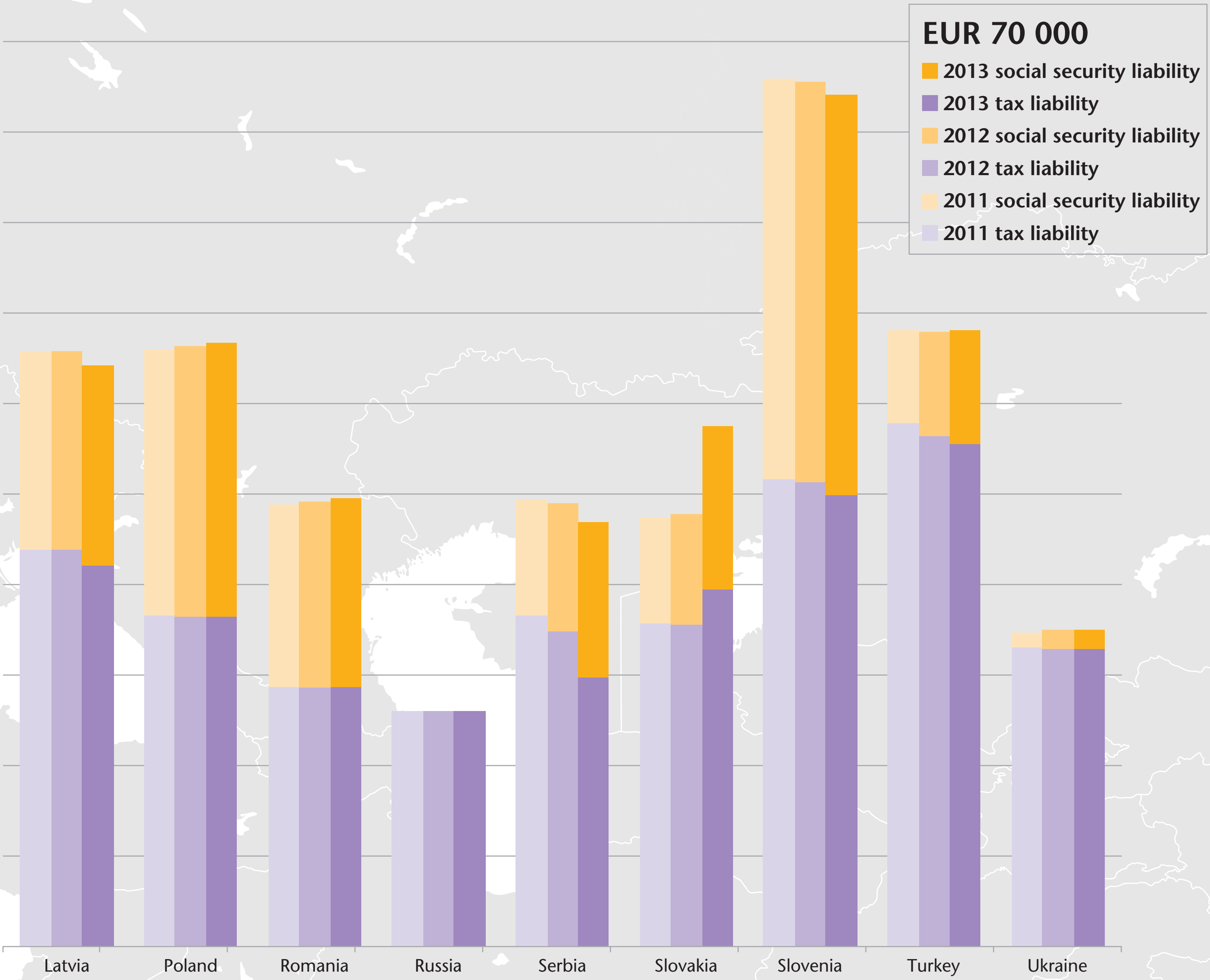
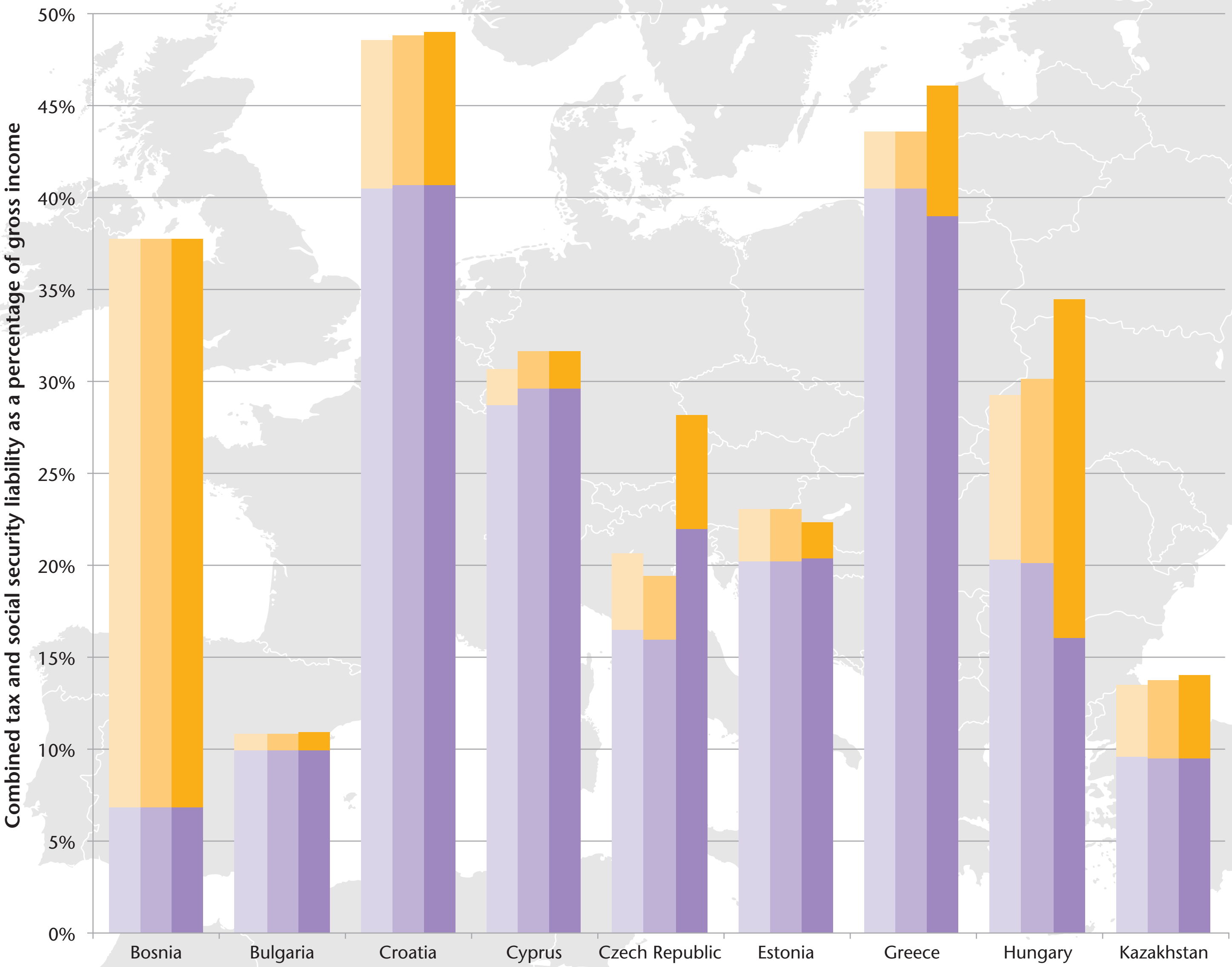
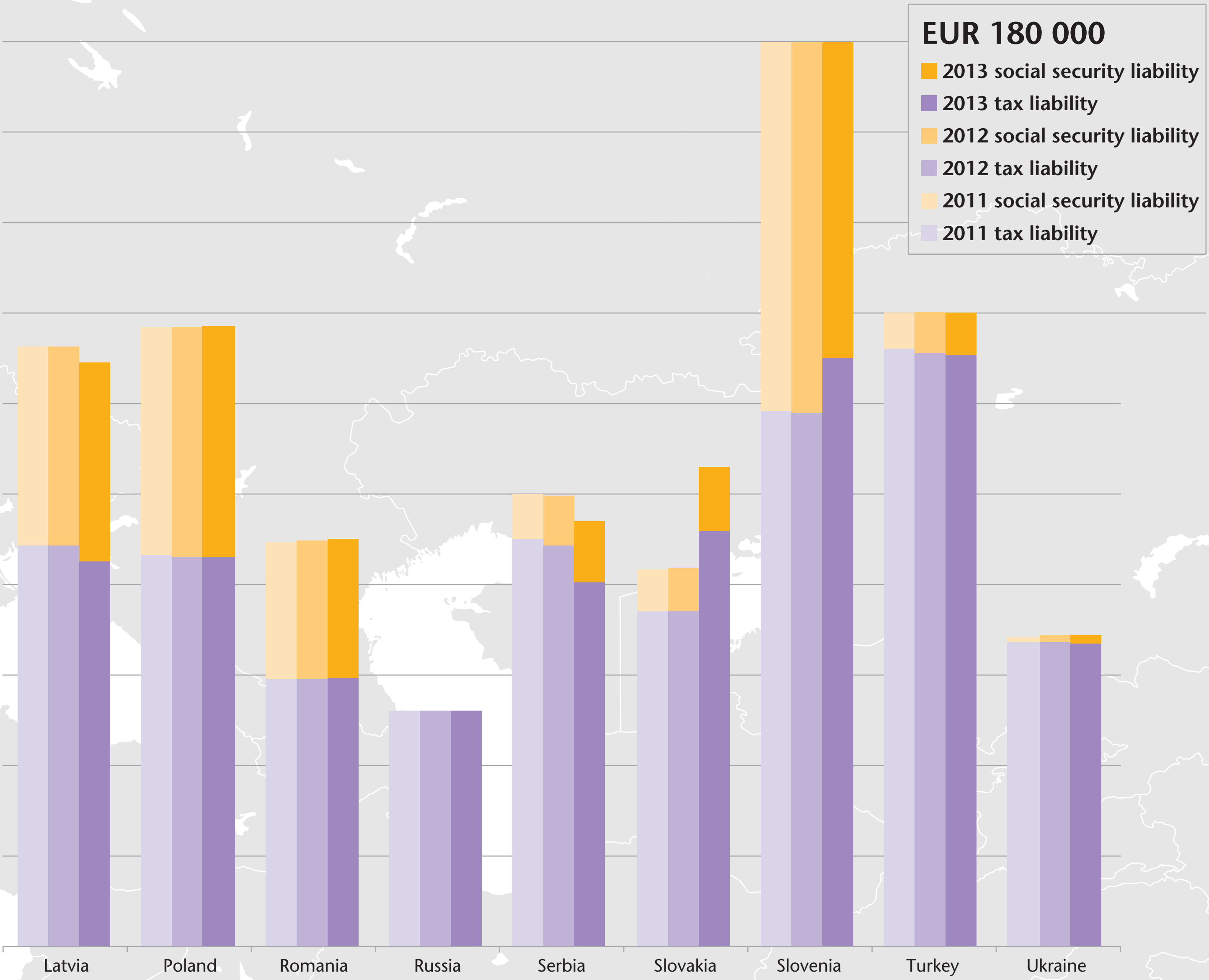


Commentary on page 28

Flat tax – focus on Central and Eastern Europe



All calculations in this graph are for a single taxpayer with no dependent children and a gross income of EUR 180 000. They do not include any concessions that may be given specifically to expatriates. The tax liability is calculated according to ECA's default calculation assumptions, including relevant tax deductions and credits.



Commentary overleaf

Flat tax – focus on Central and Eastern Europe

During the last decade Central and Eastern European nations have increasingly turned to a system of flat taxation. Estonia led the way in 1994, most recently joined by Hungary in 2011.

Simplifying a tax regime by introducing a single rate of tax and eliminating deductions has proved popular as it can reduce administration costs for the government and eliminate possibilities for tax evasion, leading to an increase in tax revenues. A flat rate of tax can also boost the economy by encouraging foreign investment, providing an incentive to generate more income without being penalised by high taxes, and making compliance easier and less costly for employers.

The map, which plots top marginal rates of income tax in 2013, clearly demonstrates how divided Europe has become in its approach to personal income taxation, with Western Europe uniformly adopting progressive taxation with high top marginal rates, whereas Central and Eastern Europe, with a few notable exceptions, has kept rates low through flat taxation.

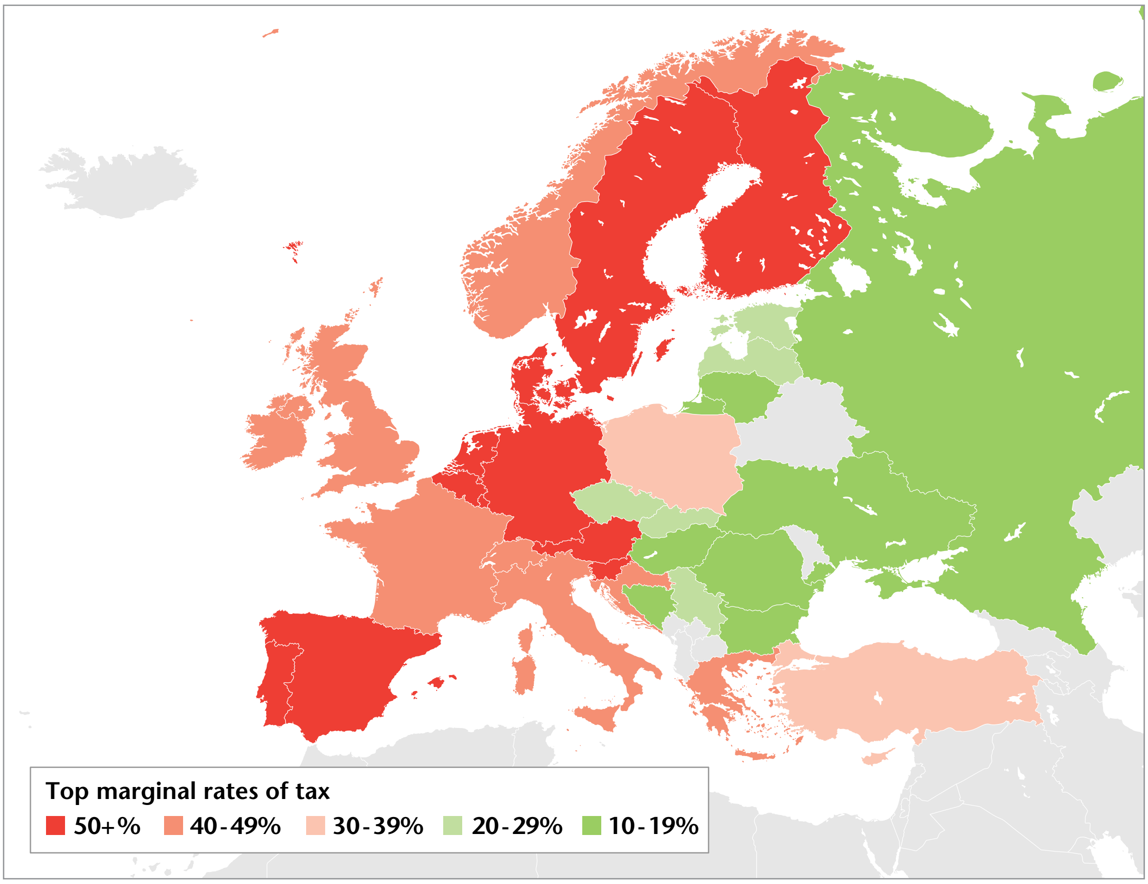
However, in 2013 we have finally seen the trend towards flat tax begin to reverse somewhat as several countries have either abandoned the system in favour of progressive tax rates, or introduced additional levies on individuals with higher incomes, thus undermining the principle of flat taxation.

Flat tax rates in Central and Eastern Europe in 2013

Latvia	24%
Estonia	21%
Hungary	16%
Romania	16%
Russia	13%
Kazakhstan	10%
Bosnia	10%
Bulgaria	10%

After nine years of a flat 19% tax rate, Slovakia has returned to progressive taxation in 2013, with a top marginal tax rate of 25% on taxable income in excess of EUR 34 402. This, accompanied by increased restrictions on eligibility for tax deductions and an increase in the income subject to social security contributions, has resulted in a 5% rise in the combined tax and social security liability as a percentage of gross income at both EUR 70 000 and EUR 180 000.

In the Czech Republic a flat tax of 15% on employment income continues to be levied. However, from 2013 a temporary solidarity tax of 7% has been introduced on taxable employment income in excess of CZK 1 242 432. In addition, the removal of the earnings ceiling for health insurance contributions has increased the employee's social security liability, particularly at the higher income level where liability has almost doubled since 2012. Overall the combined tax and social security liability has increased by 3% in 2013 at the lower income level and by 9% at the EUR 180 000 income level (from 19% of gross income in 2012 to 28% in 2013), demonstrating how progressive taxation allows tax increases to be targeted more specifically at higher income earners.



So why the change? Flat tax works well when an economy is growing, but struggles in a recession. Across the region countries are needing to increase government revenues to address budget deficits. The perceived problem with flat taxation is that high earners can't be made to pay a higher share of their income in tax than lower income earners, and a tax regime that provides significant tax cuts for high earners but little benefit for lower earners is not always popular with the public. Our analysis clearly shows that, as would be expected, in countries employing a system of flat taxation, individuals pay a similar proportion of their income as tax regardless of income level. In fact, tax deductions and credits at higher levels may actually result in lower payments.

Is progressive taxation likely to be more widely adopted in the region? Bulgaria at least has discussed it extensively, but at present the Finance Minister has concluded that the flat rate should be maintained for at least ten years in order to achieve competitiveness with other EU member states. It is worth remembering that despite the latest legislative changes the tax liabilities in Slovakia and Czech Republic remain low, even compared with other Central and East European countries.

Flat tax – focus on Central and Eastern Europe

Elsewhere in the region...

Greece

Greece has, since 2011, been forced to adopt successive rounds of austerity measures and tax increases in order to secure rescue funds from the IMF and Eurozone. New tax legislation introduced at the beginning of 2013 reduced the number of income tax brackets from eight to three, and saw the top marginal rate of income tax drop by 3%, from 45% to 42%. Although this seems somewhat incredible given the continued economic pressures, it belies the fact that the top marginal rate of income tax now applies at a much lower level of taxable income (EUR 42 000 compared with EUR 100 000 in 2012). The tax base has broadened due to the abolition of tax-free allowances for dependent children, and the availability of tax credits for various expenses such as mortgage interest, insurances and medical care have been severely limited.

Naturally then it would be expected that our analysis shows an increase in the tax burden on individuals at both the EUR 70 000 and EUR 180 000 income levels. At the lower income level this is certainly the case. However, our analysis shows that despite measures to increase the overall tax burden, at an income of EUR 180 000 income tax liability as a percentage of gross income has actually fallen in 2013. This is as a result of a significant increase in the social security liability after the abolition of the lower social security contribution ceiling that applied to individuals who entered the Greek scheme prior to January 1993. As a tax deductible expense, the higher social security liability has reduced taxable income to such an extent that it outweighs the measures to increase tax liability.

Hungary

Unlike the Czech Republic and Slovakia, Hungary has become a truly flat tax nation in 2013. The 16% rate was first introduced in 2011, but the country also applied a system of “super grossing” whereby the tax base was increased by a factor of 1.27 for higher income earners, effectively creating a progressive system of taxation. Our analysis shows that the gradual abolition of “super grossing” has led to a consistent drop in income tax liability at gross income of both EUR 70 000 and EUR 180 000. However, the removal of the employee pension fund contribution ceiling has led to a 7% and 9% increase in social security contributions at each income level respectively, thus the combined tax and social security liability has actually increased significantly at both income levels in 2013.

Cyprus

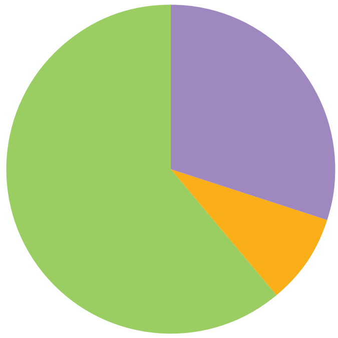
Despite the economy being in dire straits Cyprus has far from the highest personal income tax rates in the region, which our analysis shows have changed little at either income level during the past three tax years. Rather than steep increases to personal income taxation, the country has instead opted to implement a 47.5% “haircut” on savings over EUR 100 000 as part of a draconian Eurozone bail-out agreement in March 2013.

Country summaries

The breakdowns of income into tax, social security and net income illustrated in this section have been calculated based on the assumption of a single taxpayer with no dependent children earning a gross salary of EUR 70 000.

Algeria

Tax	30%
Employee social security	9%
Net	61%



Tax

The tax year is 1 January to 31 December.

An individual is resident in Algeria if they have their centre of vital interests, principal place of abode, or perform professional activity in Algeria. Residents are taxed on worldwide income; non-residents are taxed on their Algerian-source income.

The top marginal rate of income tax is 35%, which applies on taxable income in excess of DZD 1 440 000.

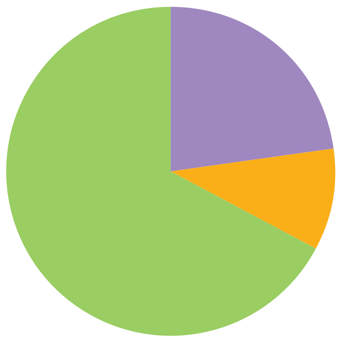
Social security

The maximum annual social security liability for an employee is 9% of gross salary. The maximum for an employer is 25.5% of gross salary.

In general, expatriate employees are required to contribute to the Algerian scheme.

Argentina

Tax	23%
Employee social security	10%
Net	67%



Tax

The tax year is 1 January to 31 December.

Foreign nationals who hold a permanent residence visa or who have stayed in Argentina for at least 12 months as a holder of a temporary residence visa are usually considered resident for tax purposes. However, individuals who stay in Argentina for up to five years for the purposes of work are considered non-resident.

Residents are taxed on their worldwide income; non-residents are taxed on their Argentine source income.

The top marginal rate of income tax is 35%, which applies to taxable income in excess of ARS 120 000.

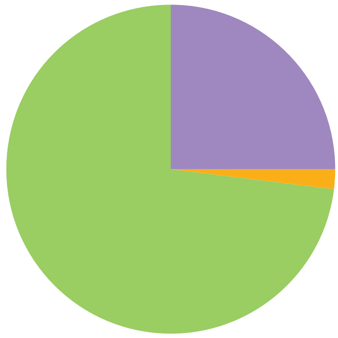
Social security

The maximum annual social security liability for an employee is ARS 54 087 and for an employer is 27% of total salary, provided annual turnover exceeds ARS 48 000 000. Employers are also required to contribute to the industrial injury scheme.

Expatriates are generally required to contribute to the Argentine scheme.

Australia

Tax	25%
Employee social security	2%
Net	73%



Tax

The tax year is 1 July to 30 June.

Tax residents include individuals whose usual place of abode is in Australia and those who have been present in Australia during more than one half of the year of income.

Residents are taxed on their worldwide income; non-residents are taxed on their Australian source income.

The top marginal rate of income tax is 45%, which applies to taxable income in excess of AUD 180 000. Individuals also pay a 1.5% Medicare levy.

Fringe Benefits Tax is payable by the employer on the deemed values of most benefits.

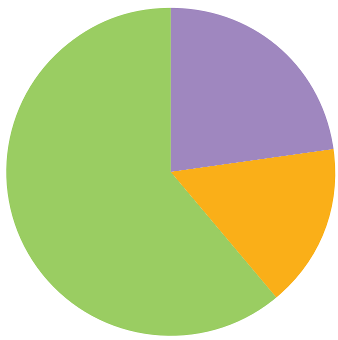
Social security

Australia does not levy social security contributions as such, as social security is financed largely from government revenues. However, employers are required to pay insurance premiums to cover the provision of industrial injury benefits and must provide a minimum level of superannuation support for all employees.

Employers of expatriates are generally subject to the Superannuation Guarantee Charge regulations.

Austria

Tax	23%
Employee social security	16%
Net	61%



Tax

The tax year is 1 January to 31 December.

An individual is considered tax resident after presence in Austria for six months or more. Residents are taxed on worldwide income; non-residents are taxed on their Austrian-source income.

The top marginal rate of income tax is 50%, which applies on taxable income in excess of EUR 60 000.

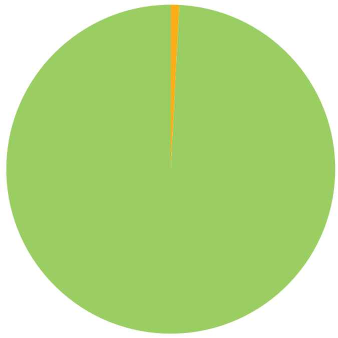
Social security

The maximum annual social security liability is EUR 11 144 for a single salaried employee and EUR 12 955 for salaried employees with a dependent spouse and no children. The maximum annual social security liability is EUR 13 525 for the employer, who is also liable to pay a contribution of 4.9% of total payroll. For employment contracts commencing after 31 December 2002, an additional severance fund contribution is payable by the employer.

In general, expatriate employees are required to contribute to the Austrian scheme. Special arrangements exist for employees from countries with a reciprocal agreement with Austria.

Bahamas

Tax	0%
Employee social security	1%
Net	99%



Tax

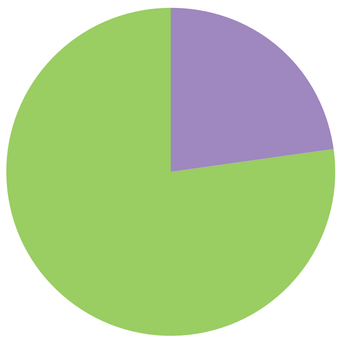
There is no individual income tax in the Bahamas.

Social security

The maximum annual social security liability is BSD 1 217 for the employee and BSD 1 841 for the employer. All employees, including expatriates, are required to contribute to the National Insurance scheme.

Bangladesh

Tax	23%
Employee social security	0%
Net	77%



Tax

The tax year is 1 July to 30 June.

Individuals are considered resident for tax purposes if they are present in Bangladesh for 182 days or more in any one income year.

Residents are taxed on worldwide income; non-residents are taxed on income received, accrued or arising in Bangladesh.

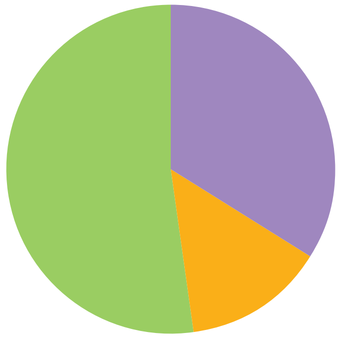
The top marginal rate of income tax is 25%, which applies to taxable income in excess of BDT 1 220 000.

Social security

No social security contributions are levied in Bangladesh.

Belgium

Tax	34%
Employee social security	14%
Net	52%



Tax

The tax year is 1 January to 31 December.

Residents of Belgium are defined as individuals who have either their domicile or centre of economic affairs there. Residents are taxed on worldwide income; non-residents are taxed on Belgian source income only.

The top marginal rate of income tax is 50%, applicable on taxable income in excess of EUR 37 330. A municipal tax is also levied as a percentage of income tax due.

Qualifying expatriates may receive various expenses and allowances related to the increased costs of a temporary stay in Belgium tax free.

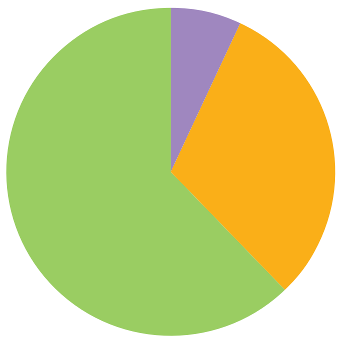
Social security

The maximum annual social security liability is 13.07% of total earnings for the employee, plus a special contribution of EUR 731. The maximum liability for the employer is 34.70% of total earnings.

In general, expatriate employees are required to contribute to the Belgian scheme.

Bosnia

Tax	7%
Employee social security	31%
Net	62%



Tax

The tax year is 1 January to 31 December.

Individuals are considered tax resident if they are present in Bosnia for 183 days or more during the tax year. Residents are taxable on worldwide income; non-residents are taxable on Bosnian source income.

The rate of income tax is 10%.

The information given relates to the Federation of Bosnia and Herzegovina. The Republic Srpska and the District of Brčko operate separate tax systems.

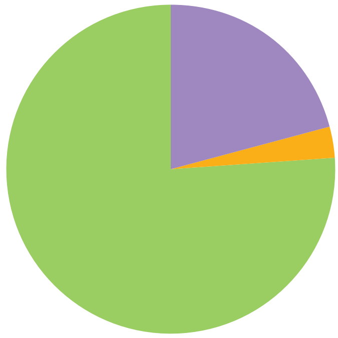
Social security

The maximum annual social security is 31% of gross income for the employee and 10.5% of gross income for the employer.

Expatriates are generally required to contribute to the Bosnian social security scheme.

Brazil

Tax	21%
Employee social security	3%
Net	76%



Tax

The tax year is 1 January to 31 December.

Foreign nationals who hold a permanent visa or a temporary visa to work under an employment contract with a Brazilian company are considered resident for tax purposes from the date of arrival.

Residents are taxed on their worldwide income; non-residents are taxed on their Brazilian source income only.

The top marginal rate of income tax is 27.5%, which applies on taxable income in excess of BRL 51 259.

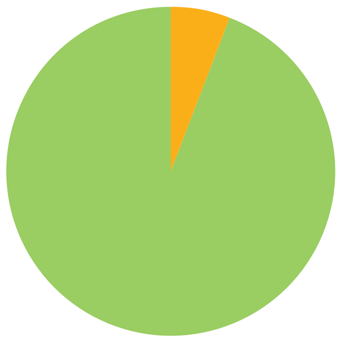
Social security

The maximum monthly social security liability is BRL 457 for the employee and up to 36.3% of total payroll for the employer, depending on company size and industry sector. The employer must also pay a variable industrial injury contribution.

Expatriates are generally required to contribute to the Brazilian scheme.

Brunei

Tax	0%
Employee social security	6%
Net	94%



Tax

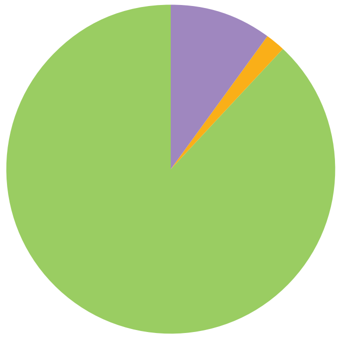
There is no individual income tax due on employment income in Brunei.

Social security

Employees and employers each contribute a maximum of BND 1 176 plus 5% of gross salary to the social security pension schemes.

Bulgaria

Tax	10%
Employee social security	2%
Net	88%



Tax

The tax year is 1 January to 31 December.

Individuals are considered resident for tax purposes if they reside permanently in Bulgaria, if their centre of vital interests is in Bulgaria, or if they stay in Bulgaria for more than 183 days in any 12 month period.

Residents are taxed on worldwide income; non-residents are taxed on Bulgarian source income only.

The rate of income tax is 10%.

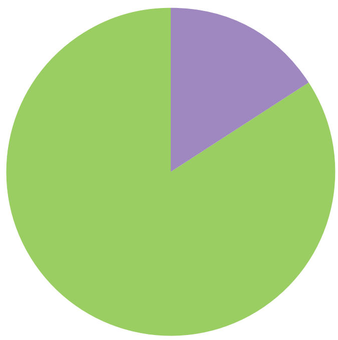
Social security

The maximum annual social security liability is BGN 3 406 for the employee and BGN 4 594 for the employer, who must also pay a variable contribution for occupational accident coverage.

In general, expatriates working in Bulgaria are required to contribute to the Bulgarian social security scheme.

Cambodia

Tax	16%
Employee social security	0%
Net	84%



Tax

Individuals are considered resident in Cambodia for tax purposes if they are domiciled or are present for 183 days or more in a 12 month period.

Residents are taxed on worldwide income; non-residents are taxed on Cambodian source income only.

Fringe Benefits Tax is payable on the deemed value of the benefit.

The top marginal rate of income tax is 20%, applicable on taxable income in excess of KHR 150 000 000.

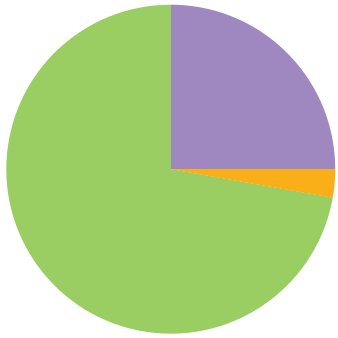
Social security

Employers with eight or more employees are required to contribute to the National Social Security Fund (NSSF) at a rate of 0.8% of average monthly earnings up to a maximum of KHR 1 000 000. Employees are not required to contribute to the NSSF.

Employers are required to contribute on behalf of expatriate employees.

Canada

Tax	25%
Employee social security	3%
Net	72%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Canada for 183 days or more in one tax year.

Residents are taxed on worldwide income; non-residents are taxed on Canadian-source income only.

The top marginal rate of federal tax is 29%, applicable on taxable income in excess of CAD 135 054. Provincial taxes are also payable on employment income; for example the top marginal rate of provincial tax in Ontario is 13.16%, payable on taxable income in excess of CAD 509 000.

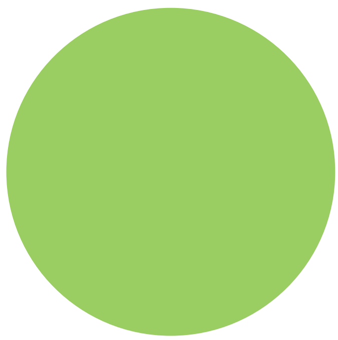
Social security

Social security contributions vary by province. The maximum annual social security liability in Ontario is CAD 4 147 for an employee and CAD 5 683 for an employer, who must also pay a health services contribution of 1.95% of payroll.

Expatriates are generally required to contribute to the Canadian scheme.

Cayman Islands

Tax	0%
Employee social security	0%
Net	100%

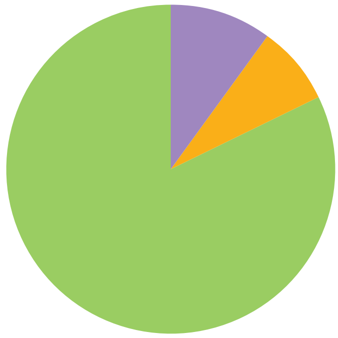


Tax

There are no individual income taxes or social security contributions in the Cayman Islands.

Chile

Tax	10%
Employee social security	8%
Net	82%



Tax

The tax year is 1 January to 31 December.

Tax residence is determined by presence in Chile for more than six months.

Residents are taxed on worldwide income; non-residents and foreign nationals are taxed on Chilean source income only during the first three years in Chile.

The top marginal rate of income tax is 40%, which applies on taxable income in excess of CLP 72 153 000.

The income tax rates and certain allowable deductions are calculated as multiples of a tax unit, which is CLP 40 085 for June 2013. Social security contribution ceilings are calculated as multiples of a Unidad de Fomento (UF), which is CLP 22 882.25 for June 2013.

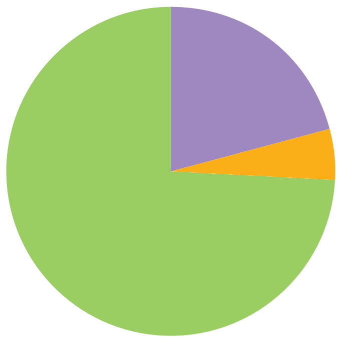
Social security

The maximum annual social security liability is CLP 1 121 202 for the employer and CLP 3 455 238 for the employee, who is also required to pay a variable contribution to the AFP fund.

Technical or professional expatriate employees who can show that they are covered by schemes in their home country which provide similar benefits may be exempted from contributing to the AFP and FONASA schemes.

China

Tax	21%
Employee social security	5%
Net	74%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in China for more than one year. Assessable income is dependent on the length of stay in China.

The top marginal rate of income tax is 45%.

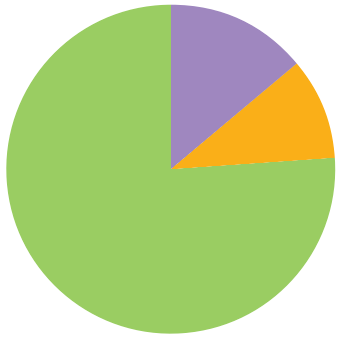
Social security

The social security liability varies by region. The maximum annual social security liability in Shanghai is CNY 29 500 for the employee and CNY 73 417 for the employer.

In most cities expatriates are required to contribute to the Chinese social security scheme, excluding the housing fund.

Colombia

Tax	14%
Employee social security	10%
Net	76%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Colombia for more than 183 days in any 365 day period, with some exceptions for Colombian nationals.

Residents are taxed on worldwide income. Non-residents are taxed on Colombian source income.

The top marginal rate of income tax is 33%, which applies on taxable income in excess of COP 110 048 100.

The income tax rates and some allowable deductions are calculated as multiples of a tax unit, which is COP 26 841 for 2013.

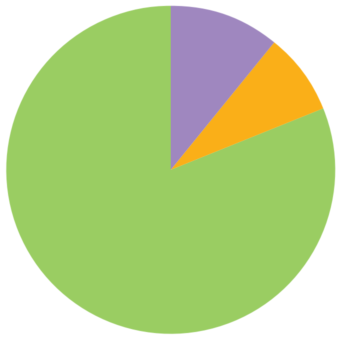
Social security

The maximum annual social security liability is COP 17 685 000 for the employee. The employer contributes a maximum of COP 36 254 250, plus 9% of payroll and a variable contribution for industrial injury coverage.

In general, expatriates working in Colombia are required to contribute to the Colombian social security scheme.

Costa Rica

Tax	11%
Employee social security	8%
Net	81%



Tax

The tax year is 1 October to 30 September.

Tax residence is indicated by presence in Costa Rica for at least six months during the tax year. Residents and non-residents are subject to tax on their Costa Rican source income only.

The top marginal rate of tax is 15%, which applies on taxable income in excess of CRC 12 852 000.

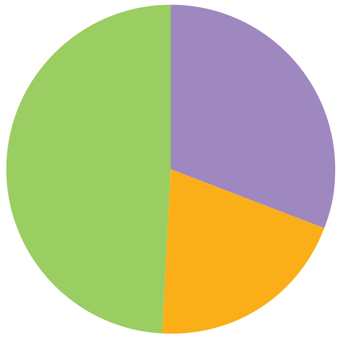
Social security

The social security liability is 9.17% of income for the employee and 26.17% of income for the employer, who must also pay for industrial injury insurance.

Expatriates are generally required to contribute to the Costa Rican social security scheme.

Croatia

Tax	31%
Employee social security	20%
Net	49%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by continuous presence or possession of an abode in Croatia for 183 days or more.

Residents are taxed on worldwide income; non-residents are taxed on Croatian source income only.

The top marginal rate of income tax is 40%, which applies on taxable income in excess of HRK 105 600. A municipal surcharge is payable on income tax; the rate in Zagreb is 18%.

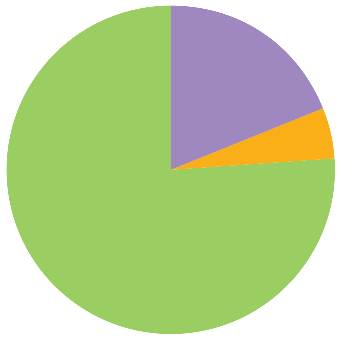
Social security

The maximum annual social security liability is HRK 113 285 for the employee and 15.2% of total earnings for the employer.

Expatriates are generally required to contribute to the Croatian social security scheme.

Cyprus

Tax	19%
Employee social security	5%
Net	76%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Cyprus for more than 183 days in the tax year.

Residents are taxed on worldwide income; non-residents are taxed on income arising from sources in Cyprus.

The top marginal rate of income tax is 35%, which applies to taxable income in excess of EUR 60 000. In addition, individuals with taxable income in excess of EUR 30 000 are required to pay a special contribution of up to 1.75%.

Tax concessions are available for a limited period to employees who were resident outside Cyprus prior to taking up employment there.

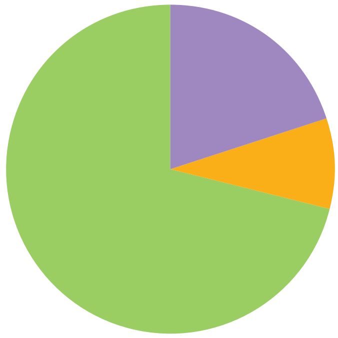
Social security

The maximum annual social security liability is EUR 3 699 for the employee and EUR 4 624 for the employer, who is also required to contribute 2% of total earnings to the social cohesion fund.

In general, expatriates are required to contribute to the Cypriot scheme. Special arrangements exist for expatriates from countries with a reciprocal agreement with Cyprus.

Czech Republic

Tax	20%
Employee social security	9%
Net	71%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Czech Republic for more than 183 days in a calendar year.

Residents are taxed on worldwide income; non-residents are taxed on Czech-source income only.

The rate of income tax is 15%. There is a 7% solidarity tax on gross employment income exceeding CZK 1 242 432.

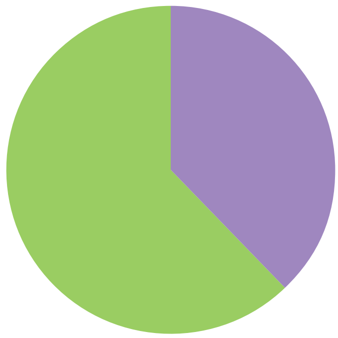
Social security

The maximum annual social security liability for retirement is CZK 80 758 for the employee and for retirement, sickness and unemployment the maximum annual liability is CZK 310 608 for the employer. For employees contributing to the second pillar pension scheme, the maximum annual liability for retirement is CZK 105 607. There is an additional uncapped health insurance liability for both employees and employers.

Expatriates employed by a Czech company are required to contribute to the Czech social security scheme. Expatriates whose employer is based in a foreign country may be exempt from making social security contributions under certain conditions.

Denmark

Tax	38%
Employee social security	0%
Net	62%



Tax

The tax year is 1 January to 31 December.

An individual who is present in Denmark for six months or is domiciled there is considered to be tax resident.

Residents are taxed on worldwide income; non-residents are taxed on Danish source income.

The combined marginal rate of national and local income taxes (excluding church tax and the labour market contribution) must not exceed 51.7% of taxable income. An additional church tax is payable by members of the Established Church of Denmark.

Qualifying expatriates may opt to be taxed at a flat rate of 26% on their gross income for up to 60 months.

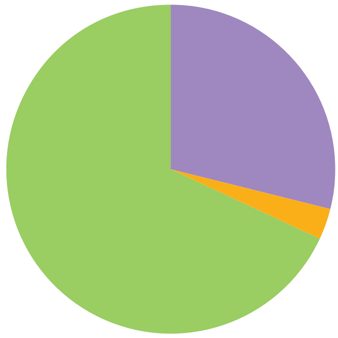
Social security

Retirement and medical benefits are largely funded through income tax. Additional contributions are payable up to an annual maximum of DKK 1 080 for the employee and DKK 5 958 for the employer. Further contributions may be payable for unemployment and industrial injury insurance.

In general, expatriates are required to contribute to the Danish social security scheme.

DR Congo

Tax	29%
Employee social security	3%
Net	68%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by a permanent home in Congo, centre of vital interests there or presence for more than 183 during the tax year.

Residents and non-residents are taxed on income accruing in or derived from Democratic Republic of the Congo.

Income tax is levied at progressive rates, however the maximum tax payable is limited to 30% of total taxable income.

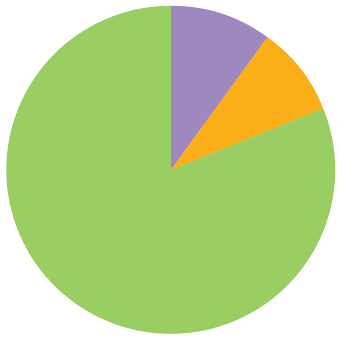
Social security

The maximum annual social security liability is 3.5% of total earnings for the employee and 9% of payroll plus a variable contribution to the professional training fund for the employer.

Expatriate employees are required to contribute to the local scheme. An additional payroll tax of 25% of salary is payable by the employer for each expatriate.

Ecuador

Tax	10%
Employee social security	9%
Net	81%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Ecuador for more than six months in a calendar year.

Residents are taxed on worldwide income; non-residents are taxed on Ecuadorian source income only.

The top marginal rate of income tax is 35%, which applies on taxable income in excess of USD 103 810.

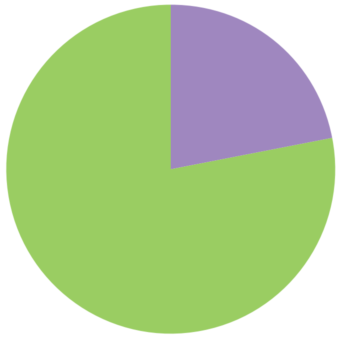
Social security

The annual social security liability is 9.35% of earnings for the employee and 12.15% of earnings for the employer (rising to 20.48% from the second year of employment).

In general, expatriates are required to contribute to the Ecuadorian social security scheme.

Egypt

Tax	22%
Employee social security	0%
Net	78%



Tax

The tax year is 1 January to 31 December.

In general, all individuals are taxed on income from an Egyptian source and income from a foreign source for work performed in Egypt.

The top marginal rate of income tax is 25%, which applies on taxable income in excess of EGP 250 000.

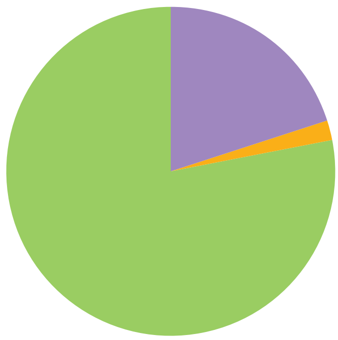
Social security

The maximum annual social security liability is EGP 3 355 for the employee and EGP 6 821 for the employer on basic and variable salary.

Non-Egyptian nationals employed by foreign companies in Egypt are not normally eligible for membership of the state social security scheme.

Estonia

Tax	20%
Employee social security	2%
Net	78%



Tax

The tax year is 1 January to 31 December.

Individuals are considered tax resident if they have a permanent residence in Estonia or are present for more than 183 days in a 12 month period.

Residents are taxed on worldwide income; non-residents are taxed on Estonian source income only.

The rate of income tax is 21%.

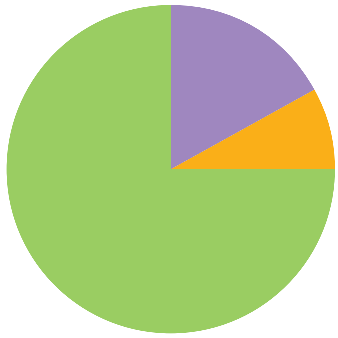
Social security

The maximum annual social security liability is 34% of total earnings for the employer and 2% of total earnings for the employee. Members of the second pillar pension plan must also contribute 2% of total earnings.

In general, expatriates working in Estonia are required to contribute to the Estonian social security scheme.

Fiji

Tax	17%
Employee social security	8%
Net	75%



Tax

The tax year is 1 January to 31 December.

Tax residents are individuals who are domiciled in Fiji, or who are present in Fiji for more than one half of the tax year.

Residents are taxed on worldwide income; non-residents are taxed on Fiji-source income.

The top marginal rate of income tax is 20%, which applies on taxable income in excess of FJD 50 000. A Social Responsibility Tax is payable by residents and non-residents on taxable income. The top marginal rate is 29%, which applies on taxable income in excess of FJD 1 000 000.

A Fringe Benefits Tax is payable by the employer on the deemed values of non-cash benefits.

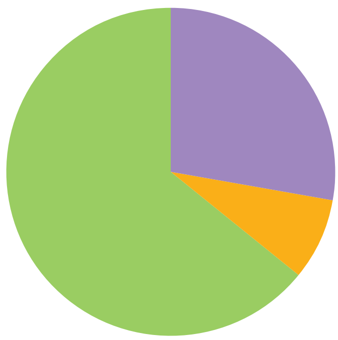
Social security

The maximum annual social security liability for both the employee and employer is 8% of total earnings.

Expatriates are not obliged to contribute to the National Provident Fund.

Finland

Tax	28%
Employee social security	8%
Net	64%



Tax

The tax year is 1 January to 31 December.

Individuals who have a permanent or habitual abode in Finland, or who are present in Finland for a continuous period of more than six months, are deemed resident for tax purposes.

Residents are taxed on worldwide income; non-residents are taxed on Finnish source income only.

The top marginal rate of national income tax is 31.75%, which applies on taxable income in excess of EUR 100 000. Individuals are also subject to a flat rate municipal tax of between 16.25% and 22%. Members of the Evangelic Lutheran and Orthodox Churches are also subject to church tax.

Qualifying expatriates may opt to be taxed at a flat rate of 35% on their gross salary.

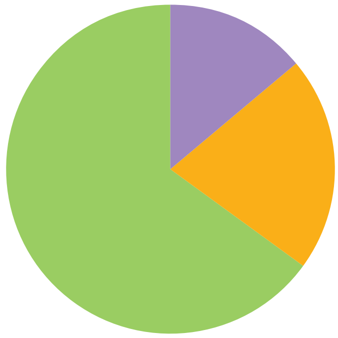
Social security

The maximum annual social security liability is (on average) 23.66% of payroll for the employer and 7.79% of total earnings for the employee (increased to 9.14% for an employee aged 53 or over).

In general, expatriates are required to contribute to the Finnish scheme.

France

Tax	14%
Employee social security	21%
Net	65%



Tax

The tax year is 1 January to 31 December.

Individuals who have their domicile in France are considered to be tax resident.

Residents are taxed on worldwide income; non-residents are taxed on French source income.

The top marginal rate of income tax is 45%, applicable on taxable income in excess of EUR 150 000. An exceptional contribution of up to 4% is payable on reference income in excess of EUR 500 000 (EUR 1 000 000 for married taxpayers).

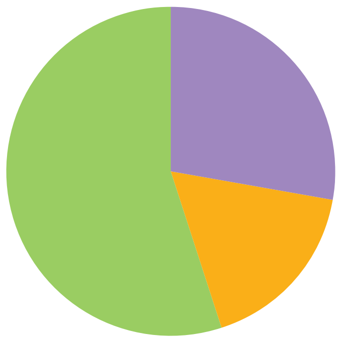
Tax exemptions are available for temporary expatriate assignees.

Social security

In general, expatriates are required to contribute to the French system.

Germany

Tax	28%
Employee social security	17%
Net	55%



Tax

The tax year is 1 January to 31 December.

An individual is considered tax resident if present in Germany for more than six months.

Residents are taxed on worldwide income; non-residents are taxed on German source income.

The top marginal rate of income tax is 45%, payable on taxable income in excess of EUR 250 730 (EUR 501 460 for married taxpayers filing jointly). An additional solidarity surcharge is payable at a rate of 5.5% of income tax due. Members of an established religious community may also be subject to church tax.

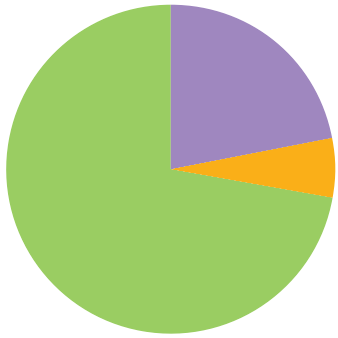
Social security

The maximum annual social security liability for an employee is EUR 12 098 (including the additional nursing care insurance contribution paid by childless employees). The maximum annual social security liability for an employer is EUR 11 555, plus an industrial injury fund contribution which varies according to job category and risk.

In general, expatriate employees are required to contribute to the German scheme.

Ghana

Tax	22%
Employee social security	6%
Net	72%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Ghana for 183 days in a 12 month period.

Residents are taxed on income accruing in, derived from, brought into or received in Ghana. Non-residents are taxed on income accruing in or derived from Ghana.

The top marginal rate of income tax is 25%, which applies to taxable income in excess of GHS 31 680.

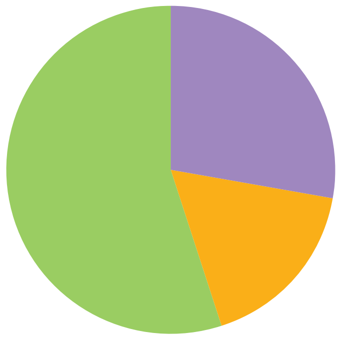
Social security

The maximum annual social security liability is 5.5% of earnings for an employee and 13% of payroll for an employer.

Expatriate employees are generally required to contribute to the Ghanaian scheme.

Greece

Tax	28%
Employee social security	17%
Net	55%



Tax

The tax year is 1 January to 31 December.

Residence is indicated by evidence that Greece is an individual's domicile or habitual abode.

Residents are taxed on worldwide income; non-residents are subject to tax on income from work performed in Greece only.

The top marginal rate of income tax is 42%, payable on taxable income in excess of EUR 42 000. A solidarity surcharge of up to 4% is also payable.

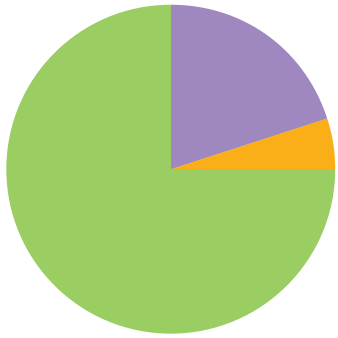
Social security

The maximum annual social security ceiling contribution is EUR 12 806 for the employee and EUR 21 312 for the employer, who must also pay a variable contribution for industrial injury insurance.

In general, expatriates are required to contribute to the Greek social security scheme.

Guernsey

Tax	20%
Employee social security	5%
Net	75%



Tax

The tax year is 1 January to 31 December.

Individuals who are resident and principally resident in Guernsey are taxed on worldwide income. Individuals who are resident but not solely or principally resident are taxed on their Guernsey source income, with any non-Guernsey income taxed on a remittance basis. Non-residents are liable to tax on Guernsey source income only.

Individuals are considered to be resident for tax purposes if they are present in Guernsey for 91 days or more in the tax year, or have spent 365 days or more in Guernsey in the previous four years and are present in Guernsey at least 35 days during the tax year.

An individual is deemed to be principally resident in Guernsey if they are present in Guernsey for 182 days or more in the tax year; or are present in Guernsey for 91 days or more in the tax year, and are present for an aggregate of 730 days during the preceding four tax years; or take up permanent residence in Guernsey during the tax year.

The rate of income tax is 20%.

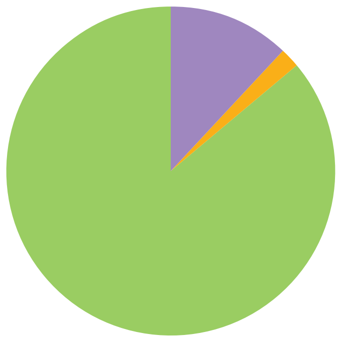
Social security

The maximum annual social security liability is GBP 7 160 for the employee and GBP 8 436 for the employer.

Expatriates are required to contribute to the social security scheme.

Hong Kong

Tax	12%
Employee social security	2%
Net	86%



Tax

The tax year is 1 April to 31 March.

Individuals, whether tax resident or non-resident, are only taxed on income arising in or deriving from Hong Kong.

The top marginal rate of income tax is 17%, which applies on taxable income in excess of HKD 120 000. However, the maximum tax payable is 15% of gross income.

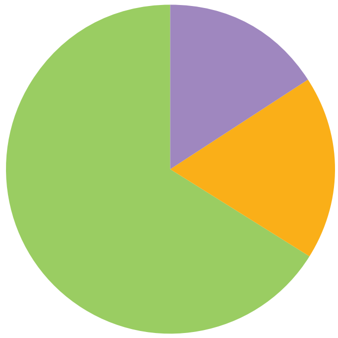
Social security

The maximum annual contribution to the Mandatory Provident Fund is HKD 15 000 for both the employee and the employer.

Foreign employees covered by schemes operating in their home country are exempt from contributing to the Mandatory Provident Fund.

Hungary

Tax	16%
Employee social security	18%
Net	66%



Tax

The tax year is 1 January to 31 December.

Hungarian citizens and individuals whose usual place of abode is in Hungary are considered to be tax resident.

Residents are taxed on worldwide income; non-residents are taxed on Hungarian source income only.

The rate of income tax is 16%.

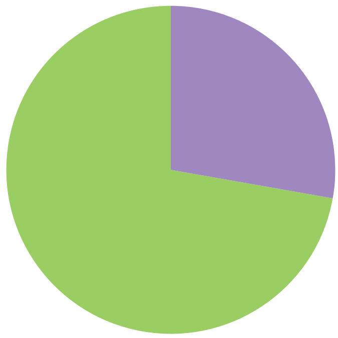
Social security

The maximum annual social security liability is 28.5% of total earnings for the employer and 18.5% of total earnings for the employee.

Expatriates employed in Hungary by a foreign company, or a company with some foreign participation, are not required to join the Hungarian social security scheme provided their assignment is not for more than two years.

India

Tax	28%
Employee social security	0%
Net	72%



Tax

The tax year is 1 April to 31 March.

An individual is considered to be tax resident if present in India for more than 182 days in one tax year.

Individuals who are resident and ordinarily resident are taxed on worldwide income. Individuals who are either resident but not ordinarily resident or non-resident are taxed on income received, accrued or arising in India.

The top marginal rate of income tax is 30%, which applies to taxable income in excess of INR 1 000 000. A surcharge of 10% of total income tax is payable if taxable income exceeds INR 10 000 000. An Education Cess of 3% of total income tax and surcharge due is also payable.

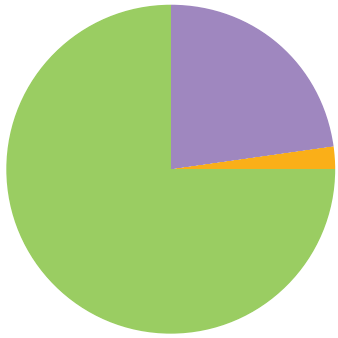
Social security

Indian nationals earning over INR 15 000 per month are not required to contribute to the Indian social security scheme.

Expatriates working for an establishment in India are generally required to contribute to the Employees' Provident Fund. The maximum social security liability for an expatriate who earns more than INR 15 000 per month is 12% of total earnings for both the employee and employer.

Indonesia

Tax	23%
Employee social security	2%
Net	75%



Tax

The tax year is 1 January to 31 December.

Tax residence is generally indicated by a physical presence in Indonesia for more than 183 days in any 12 month period.

Residents are taxed on worldwide income; non-residents are taxed on Indonesian source income.

The top marginal rate of income tax, which is 30%, applies on taxable income in excess of IDR 500 000 000.

Benefits-in-kind do not generally constitute taxable income for the employee.

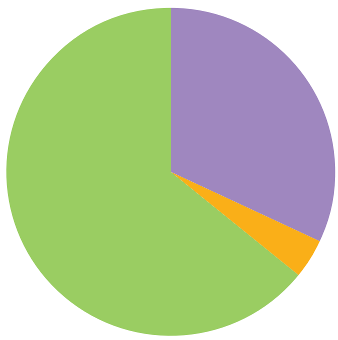
Social security

The maximum annual social security liability is 2% of total earnings for the employee, and IDR 3 402 000 plus 5.74% of total earnings for the employer.

Expatriates are not required to join the Indonesian social security programme, provided they are covered by a scheme in their home country that provides similar benefits.

Irish Republic

Tax	32%
Employee social security	4%
Net	64%



Tax

The tax year is 1 January to 31 December.

An individual is considered to be tax resident if present in the Irish Republic for more than 183 days in the tax year, or for more than 280 days in two consecutive years.

Those who are resident and domiciled, or ordinarily resident are taxed on worldwide income. Those who are resident but not domiciled are taxed on income derived from or arising in the Irish Republic and any foreign income remitted to the Irish Republic. Non-residents are taxed on Irish source income only.

The top marginal rate of income tax is 41%, which applies on taxable income in excess of EUR 32 800 for a single taxpayer and EUR 41 800 for a married couple filing jointly. Employees are also subject to the Universal Social Charge (USC), payable at a top rate of 7% on gross income exceeding EUR 16 016.

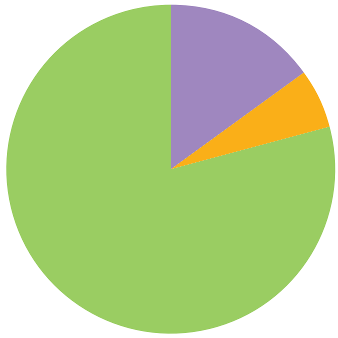
Social security

The maximum social security liability is 4% of total earnings for the employee and 10.75% of total earnings for the employer.

In general, expatriate employees are required to contribute to the Irish scheme.

Isle of Man

Tax	15%
Employee social security	6%
Net	79%



Tax

The tax year is 6 April to 5 April.

Individuals resident in the Isle of Man are liable to tax on their worldwide income. Non-residents are taxed on income from sources in the Isle of Man.

A person is considered resident for tax purposes if they are present for more than six months in a tax year or an average of three months per year over four consecutive years. An individual who maintains an abode in the Isle of Man and spends an average of four months per year there over two consecutive years will also be considered resident.

The top marginal rate of income tax is 20%, which applies on taxable income in excess of GBP 10 500 for a single taxpayer (GBP 21 000 for a married taxpayer).

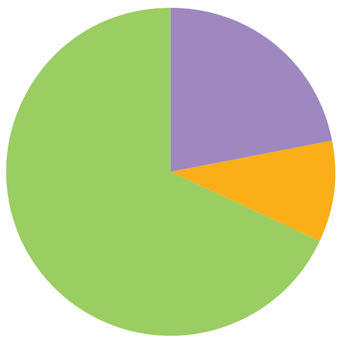
Social security

The maximum annual social security liability is GBP 3 798 plus 1% of earnings in excess of GBP 40 768 for the employee, and 12.8% of earnings in excess of GBP 6 084 for the employer. Contributions may be reduced where the individual contracts out of that state second pension scheme.

Expatriates are required to contribute to the social security scheme.

Israel

Tax	22%
Employee social security	10%
Net	68%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Israel for 183 days during the tax year, or Israel being the individual's centre of vital interests.

Residents are taxed on worldwide income; non-residents are taxed on Israeli source income.

The top marginal rate of income tax is 50%, payable in taxable income in excess of ILS 811 560.

Income tax concessions are available to certain foreign experts and approved specialists.

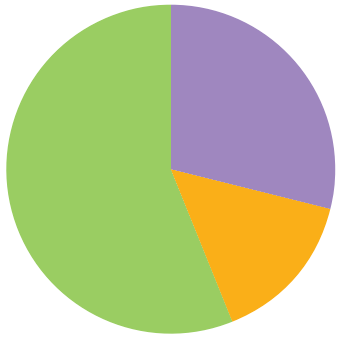
Social security

The maximum annual social security liability is ILS 55 703 for the employee and ILS 31 161 for the employer.

In general, expatriate employees are required to contribute to the Israeli scheme.

Italy

Tax	29%
Employee social security	15%
Net	56%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Italy for more than six months in a year, or if Italy is their centre of affairs.

Residents are taxed on worldwide income; non-residents are taxed on Italian-source income.

The top marginal rate of national tax is 43%, which applies on taxable income in excess of EUR 75 000. Additional regional income tax rates vary by region from 1.23% to 2.03%. A 3% solidarity surcharge may also be payable.

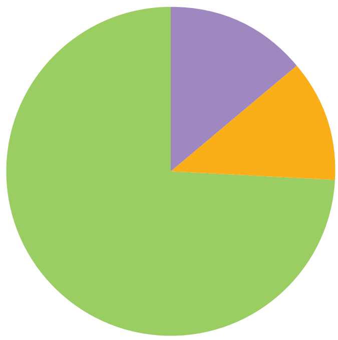
Social security

Social security contributions for the employee and employer vary according to job status and industry sector.

In general, expatriates are required to contribute to the Italian scheme. Special arrangements exist for employees from countries with a reciprocal agreement with Italy.

Japan

Tax	14%
Employee social security	12%
Net	74%



Tax

The tax year is 1 January to 31 December.

An individual's exact tax residence status depends on length of stay in Japan. Permanent residents are taxed on worldwide income; non-permanent residents are taxed on Japanese source and Japan remitted income only; non-residents are taxed on Japanese source income only.

The top marginal rate of national income tax is 40%, which applies on taxable income in excess of JPY 18 000 000. Local income tax is levied at a flat rate of 10%. A special reconstruction tax of 2.1% on national tax due is also applied.

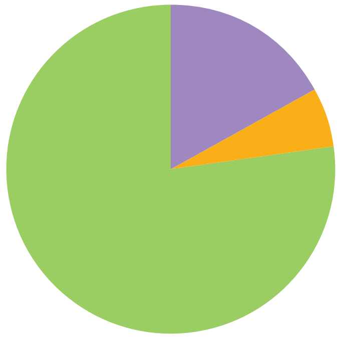
Social security

The maximum annual social security liability is JPY 1 460 047 plus 0.5% of total earnings for the employee, and JPY 1 471 207 plus 1.10% to 9.75% of earnings dependent upon industrial injury contribution for the employer.

Generally, expatriates who are paid through a Japanese payroll must comply with Japanese social security legislation. However, they may receive a refund of some contributions upon departure from Japan.

Jersey

Tax	17%
Employee social security	6%
Net	77%



Tax

The tax year is 1 January to 31 December.

Individuals who are resident and ordinarily resident in Jersey are subject to tax on worldwide income. Individuals who are considered resident but not ordinarily resident are taxed on their Jersey source income, with any non-Jersey income taxed on a remittance basis. Non-residents are subject to tax on Jersey source income only.

An individual is generally considered resident if he/she resides in Jersey for more than six months in any given tax year; or resides in Jersey, on average, for three months per year over a four year period; or maintains an abode in Jersey which he/she visits at some time during the tax year.

Ordinary residence implies a more continual presence in Jersey.

The rate of income tax is 20%.

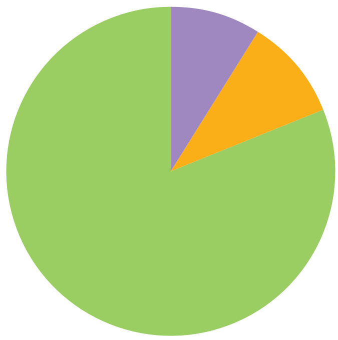
Social security

The maximum annual social security liability is GBP 2 760 for the employee and GBP 5 115 for the employer.

Expatriates are required to contribute to the social security scheme.

Kazakhstan

Tax	9%
Employee social security	10%
Net	81%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Kazakhstan for 183 days or more in any 12-month period.

Residents are taxed on worldwide income; non-residents are taxed on Kazakhstan source income only.

The rate of personal income tax is 10%.

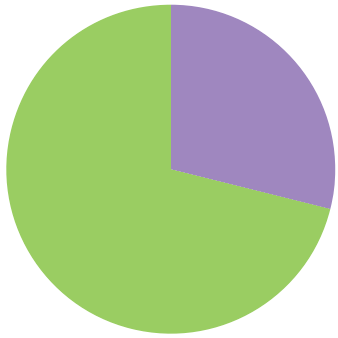
Social security

The maximum annual social security liability is KZT 1 679 400 for the employee and KZT 111 960 for the employer, who may also be required to pay a social tax.

Expatriate employees who do not hold a permanent residence permit are not required to contribute to the Kazakhstan pension scheme.

Kenya

Tax	29%
Employee social security	0%
Net	71%



Tax

The tax year is 1 January to 31 December.

An individual is generally considered tax resident if present for more than 183 days in a year, or an average of 122 days per year for three successive years.

Residents are taxed on worldwide income; non-residents are taxed on income accruing in or derived from Kenya.

The top marginal rate of income tax is 30%, which applies to taxable income in excess of KES 466 704.

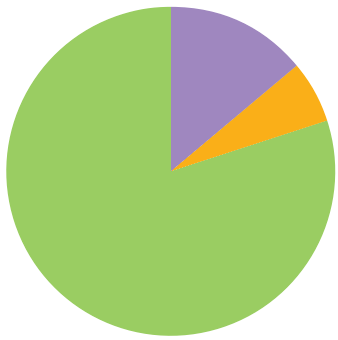
Social security

The maximum annual social security liability of an employee is KES 6 240, whilst the maximum liability for an employer is KES 2 400 plus a variable contribution for work injury insurance.

Certain expatriates may be exempted from joining the Kenyan social security scheme.

Korea Republic

Tax	14%
Employee social security	6%
Net	80%



Tax

The tax year is 1 January to 31 December.

An individual is generally considered tax resident if they have a domicile or presence in Korea for a year or more.

Residents are taxed on worldwide income; non-residents are taxed on Korean source income only.

The top marginal rate of income tax is 38%, applicable on taxable income in excess of KRW 300 000 000. A 10% surcharge on income tax is also payable.

Expatriates may choose to be taxed at a flat rate of 17% on gross salary with no deductions (18.7% including the 10% resident's surcharge).

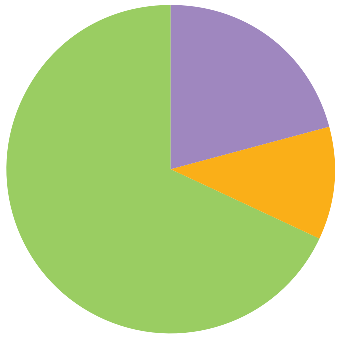
Social security

The maximum annual social security liability is KRW 31 577 280, plus an unemployment insurance contribution of 0.55% of salary for the employee. The maximum annual social security liability for the employer is the same as that for the employee, with the addition of variable contributions to the employment security and industrial injury schemes, and a contribution of 8.33% to the severance payment scheme.

In general, expatriates are required to join the Korean social security scheme.

Latvia

Tax	21%
Employee social security	11%
Net	68%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by a permanent place of abode or presence in Latvia for 183 days or more in a 12 month period.

Residents are taxed on worldwide income; non-residents are taxed on Latvian-source income.

Income tax is levied at a flat rate of 24%.

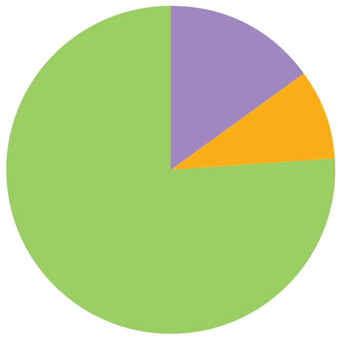
Social security

For individuals employed by a Latvian resident or EEA Member State resident employer, the maximum social security liability is 11% of total earnings for the employee and 24.09% of total earnings for the employer.

In general, expatriate employees are required to contribute to the Latvian scheme.

Lithuania

Tax	15%
Employee social security	9%
Net	76%



Tax

The tax year is 1 January to 31 December.

Individuals are considered resident if they are present in Lithuania for 183 days or more in a tax year, or 280 days or more over two consecutive tax years, including a stay of 90 days or more during one of these years. A person whose place of permanent residence or centre of vital interests is located in Lithuania is also deemed resident for tax purposes.

Residents are taxed on worldwide income; non-residents are taxed on Lithuanian source income and earnings attributable to Lithuania only.

The rate of income tax is 15%.

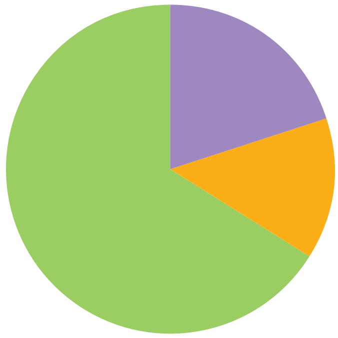
Social security

The social security liability varies between 30.98% and 32.6% of gross income for the employer, plus an additional 0.2% contribution to the guarantee fund. A contribution of 9% of gross income is payable by the employee.

Expatriates are generally required to contribute to the Lithuanian social security scheme.

Luxembourg

Tax	20%
Employee social security	14%
Net	66%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if their fiscal domicile or normal place of residence is in Luxembourg.

Residents are taxed on income from all sources; non-residents are taxed on income arising in Luxembourg.

The top marginal rate of income tax is 40%, applicable on taxable income in excess of EUR 100 000 (EUR 200 000 if married and taxed jointly). An unemployment fund surcharge is also payable.

Tax concessions are available for qualifying expatriates.

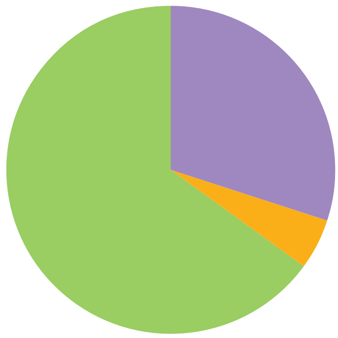
Social security

The maximum annual social security liability for salaried employees is EUR 12 426 plus 1.4% of earnings over EUR 5 623 for the employee, and EUR 13 663 per annum plus a variable mutual insurance contribution for the employer. However the employer may also be subject to family allowance or health at work contributions.

In general, expatriate employees are required to contribute to the Luxembourg scheme.

Malawi

Tax	30%
Employee social security	5%
Net	65%



Tax

The tax year is 1 July to 30 June.

Tax residence is indicated by presence in Malawi for 183 days or more during a 12 month period.

Residents and non-residents are taxed on all income arising or deemed to arise in Malawi.

The top marginal rate of income tax is 30%, which applies on taxable income in excess of MWK 300 000.

Benefits-in-kind are generally taxable to the employer.

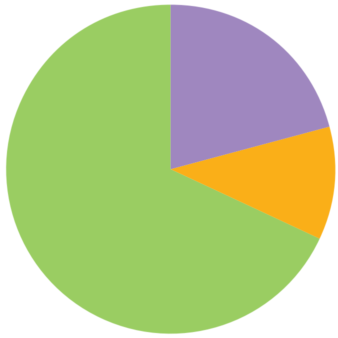
Social security

The annual social security liability is a minimum of 5% of gross income for the employee and a minimum of 10% for the employer.

Expatriates working in Malawi under a Temporary Employment Permit are not required to contribute to social security.

Malaysia

Tax	21%
Employee social security	11%
Net	68%



Tax

The tax year is 1 January to 31 December.

An individual is generally tax resident if present in Malaysia for 182 days in a calendar year.

Residents and non-residents are taxed on Malaysian source income.

The top marginal rate of income tax is 26%, which applies on taxable earnings in excess of MYR 100 000.

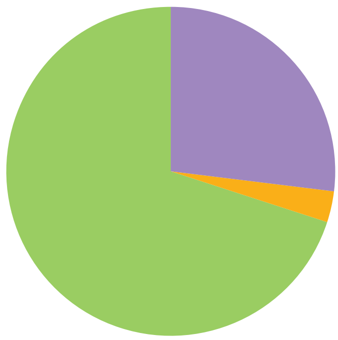
Social security

For those earning above MYR 5 000 per month, the maximum social security liability is 11% of total earnings for the employee and 12% of total earnings plus 1% of payroll for the employer.

Expatriates are not required to contribute to the Employees' Provident Fund.

Malta

Tax	27%
Employee social security	3%
Net	70%



Tax

The tax year is 1 January to 31 December.

Individuals who are ordinarily resident and domiciled are taxed on worldwide income. Residents are taxed on Malta source income and foreign income remitted to Malta. Non-residents are taxed on Malta source income only.

The top marginal rate of income tax is 35%, which applies on taxable income in excess of EUR 60 000.

Certain expatriates that meet the criteria established by the Inland Revenue may receive tax concessions.

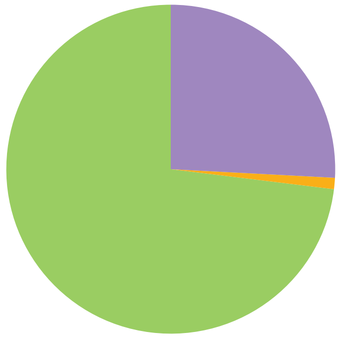
Social security

The maximum annual social security liability is EUR 2 096 each for the employee and employer.

In general, expatriates are required to contribute to the Maltese scheme.

Mexico

Tax	26%
Employee social security	1%
Net	73%



Tax

The tax year is 1 January to 31 December.

A foreign individual will be classed as tax resident if he/she establishes a home in Mexico.

Residents are taxed on worldwide income; non-residents are taxed on Mexican source income.

The top marginal rate of income tax is 30%, which applies on taxable income in excess of MXN 392 842.

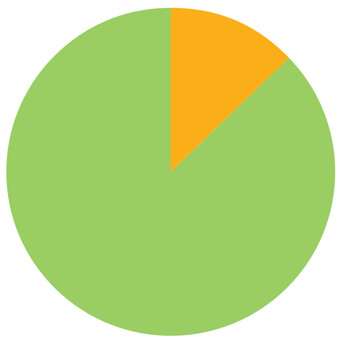
Social security

The maximum annual social security contribution is MXN 16 115 per annum for the employee and MXN 97 114 per annum plus a variable industrial injury contribution for the employer.

Expatriate employees are required to contribute to the Mexican scheme.

Monaco

Tax	0%
Employee social security	13%
Net	87%



Tax

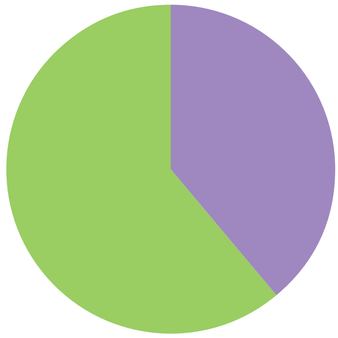
There is no individual income tax in Monaco.

Social security

Contributions are required by all employees, including expatriates, to the Monaco social security scheme for retirement pensions, sickness benefits and family allowances and to the French social security scheme for unemployment benefits and supplementary retirement benefits.

Netherlands

Tax	39%
Employee social security	0%
Net	61%



Tax

The tax year is 1 January to 31 December.

Tax residence is determined by the particular circumstances of each individual.

Residents are taxed on worldwide income; non-residents are taxed on Netherlands source income only.

The top marginal rate of income tax is 52%, applicable on taxable income in excess of EUR 55 991.

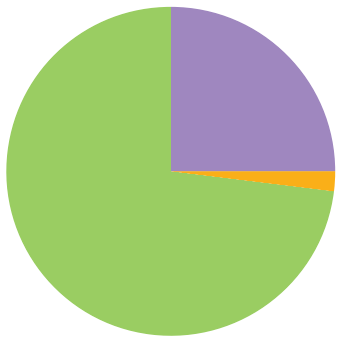
A tax concession is available for employees coming from outside the Netherlands to work for an employer established in the Netherlands, that meet minimum salary requirements and relocate from a distance of at least 150 km from the Dutch border.

Social security

In general, expatriate employees are required to contribute to the Netherlands scheme.

New Zealand

Tax	25%
Employee social security	2%
Net	73%



Tax

The tax year is 1 April to 31 March.

Individuals who are present in New Zealand for more than 183 days in any 12 month period or who have an "enduring relationship" with New Zealand are considered to be tax resident.

Residents are generally taxed on their worldwide income; non-residents are generally taxed on their New Zealand source income only.

The top marginal rate of income tax is 33%, which applies to taxable income in excess of NZD 70 000.

Most benefits, with the exception of free or subsidised accommodation, are tax exempt in the hands of the employee, but subject to Fringe Benefits Tax (FBT) in the hands of the employer.

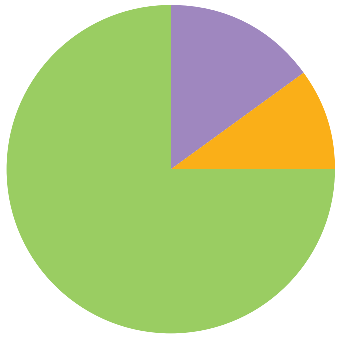
Social security

The maximum annual contribution to the Accident Compensation Corporation is NZD 1 974 for the employee; employers are not required to contribute.

Expatriates who are liable to pay New Zealand income tax are required to pay the Accident Compensation Corporation earners' premium.

Nigeria

Tax	15%
Employee social security	10%
Net	75%



Tax

The tax year is 1 January to 31 December.

Individuals are resident in Nigeria if they are present in Nigeria for more than 183 days in a 12 month period, including temporary absences.

Tax resident individuals are taxed on all income accruing in, derived from, brought into or received in Nigeria.

The top marginal rate of income tax is 24%, which applies on taxable income in excess of NGN 3 200 000.

Social security

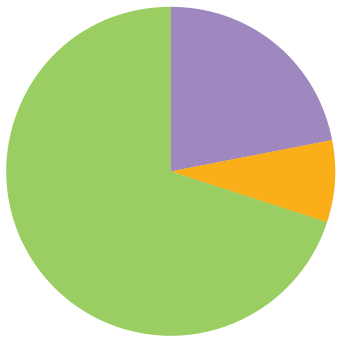
The maximum social security liability is 10% of earnings for the employee and 8.5% of payroll plus life insurance premiums and a variable industrial injury contribution for the employer.

Expatriates are not required to contribute to a Retirement Savings Account but have the option to do so.

Expatriates are not required to contribute to the National Housing Fund.

Norway

Tax	22%
Employee social security	8%
Net	70%



Tax

The tax year is 1 January to 31 December.

An individual who is present in Norway for more than 183 days in any 12-month period, or more than 270 days in any 36-month period, is tax resident.

Residents are taxed on worldwide income; non-residents are taxed on Norwegian source income.

The top marginal rate of Top tax is 12%, which applies to taxable income in excess of NOK 828 300. Municipal and State taxes are also levied at a combined rate of 28%. Lower tax rates apply in Finnmark and Nord-Troms.

Foreign nationals and expatriates residing temporarily in Norway may claim a special deduction of 10% of gross earned income, up to a maximum deduction of NOK 40 000.

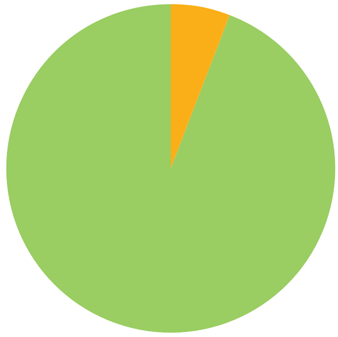
Social security

The maximum annual social security liability is 7.8% of gross earnings for the employee and 14.1% of payroll for the employer.

In general, expatriates are required to contribute to the Norwegian scheme.

Oman

Tax	0%
Employee social security	6%
Net	94%



Tax

There is no individual income tax in Oman.

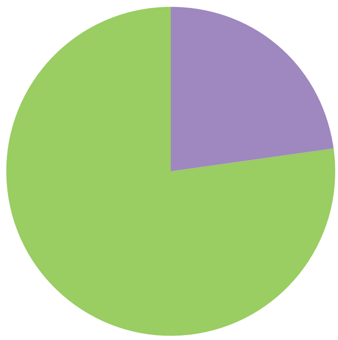
Social security

The maximum social security liability is 6.5% of monthly wages for the employee and 9.5% for the employer. Employers must also make a 1% contribution of payroll towards occupational safety and health insurance.

Foreign employees are excluded from the Omani scheme.

Pakistan

Tax	23%
Employee social security	0%
Net	77%



Tax

The tax year is 1 July to 30 June.

An individual is tax resident if present in Pakistan for 183 days or more in an income year.

Residents are taxed on worldwide income; non-residents are taxed on income which accrues, arises or is received in Pakistan.

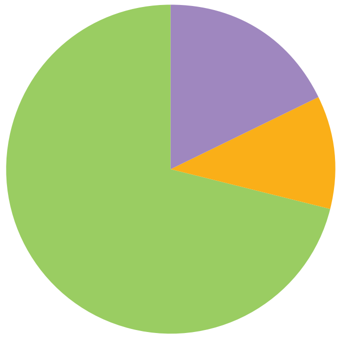
The top rate of income tax is 30%, which applies to income in excess of PKR 7 000 000.

Social security

Expatriates may be covered by the Old Age Benefits Scheme, but are unlikely to be covered by the Employees' Social Security Scheme.

Panama

	Tax	18%
	Employee social security	11%
	Net	71%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Panama for more than 183 days in a calendar year. Residents and non-residents are taxed on Panama source income only.

The top marginal rate of income tax is 25%, which applies to taxable income in excess of PAB 50 000.

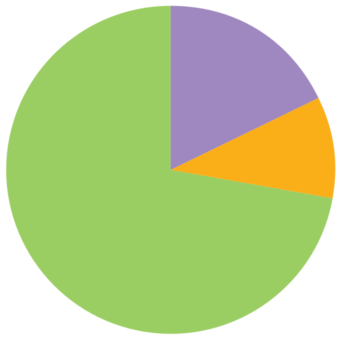
Social security

The maximum social security contribution is 11% of total salary for the employee and 13.75% of total salary plus a variable contribution for industrial injury for the employer.

In general, expatriates are required to contribute to the Panama social security scheme.

Peru

	Tax	18%
	Employee social security	10%
	Net	72%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Peru for 183 days or more in any 12 month period.

Individuals domiciled in Peru are taxed on worldwide income; non-domiciled individuals are taxed on Peruvian-source income only.

The top marginal rate of income tax is 30%, which applies to taxable income in excess of PEN 199 800.

The income tax rates and certain allowable deductions are calculated as multiples of a tax unit, which is PEN 3 700 for 2013.

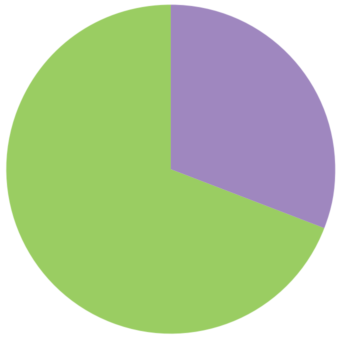
Social security

The maximum social security liability is 13% of basic earnings for the employee and 9% of basic earnings for the employer. A variable industrial injury contribution is also payable by the employer in certain high risk industries.

All expatriates must join the Peruvian scheme.

Philippines

Tax	31%
Employee social security	0%
Net	69%



Tax

The tax year is 1 January to 31 December.

Whether an individual is tax resident is dependent upon the length and nature of the stay in the Philippines.

Resident citizens are taxed on worldwide income; non-resident citizens and all aliens are taxed on Philippine-source income only.

The top marginal rate of income tax is 32%, which applies on taxable income in excess of PHP 500 000.

Fringe Benefit Tax is payable by the employer on the grossed up monetary value of the benefit.

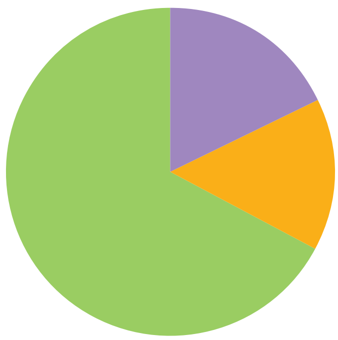
Social security

The maximum annual social security liability is PHP 12 444 for the employee and PHP 19 536 for the employer.

In general, expatriate employees are required to contribute to the scheme.

Poland

Tax	18%
Employee social security	15%
Net	67%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Poland for more than 183 days in a calendar year, or if their centre of vital interests is in Poland.

Residents are taxed on worldwide income; non-residents are taxed on Polish source income.

The top marginal rate of income tax is 32%, which applies to taxable income in excess of PLN 85 528.

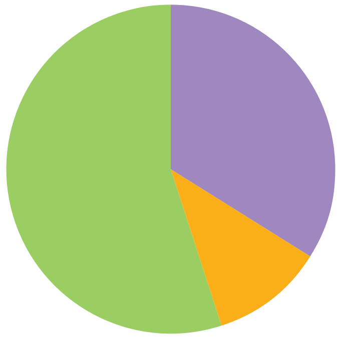
Social security

The maximum annual social security liability is PLN 12 543 plus 2.45% on total earnings plus 9% health insurance contribution for the employee and PLN 18 112 plus 2.55% of total earnings plus a variable industrial injury contribution for the employer.

Generally, individuals are required to contribute to the scheme if they have an employment contract with a Polish employer. Expatriates who have employment contracts with a foreign employer will generally not be required to participate in the Polish social security scheme.

Portugal

Tax	34%
Employee social security	11%
Net	55%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Portugal for more than 183 days in a tax year.

Residents are taxed on worldwide income; non-residents are taxed on Portuguese source income.

The top marginal rate of income tax is 48%, which applies on taxable income in excess of EUR 80 000. There is also a solidarity surcharge which applies to taxable income over EUR 80 000 and an extraordinary surcharge of 3.5% which applies to taxable income over EUR 6 790.

Qualifying expatriates can opt to be taxed at a flat rate of 20% on Portuguese sourced income and may receive an exemption on foreign source income.

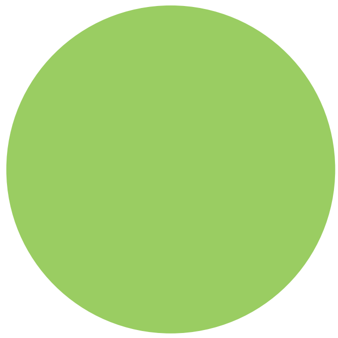
Social security

The maximum annual social security liability for the employee is 11% of total earnings, and for the employer is 23.75% of total earnings plus a variable industrial injury contribution.

Employees working temporarily in Portugal (for up to two years) may be exempt from contributing to the Portuguese scheme if contributions continue to be made to the home country scheme.

Qatar

Tax	0%
Employee social security	0%
Net	100%



Tax

There are no individual income taxes levied in Qatar.

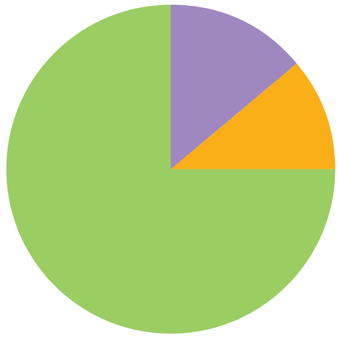
Social security

Social security contributions are payable by both employee and employer for Qatari nationals working in the public sector. Qatari nationals employed by certain private companies, which the Council of Ministers has decreed should fall under the pension regulations, are also required to contribute.

Non-Qatari nationals are not eligible for membership of the scheme.

Romania

Tax	14%
Employee social security	11%
Net	75%



Tax

The tax year is 1 January to 31 December.

Individuals present in Romania for longer than 183 days in any 12 month period, or having their centre of vital interests in Romania, are deemed tax resident.

Domiciled residents are taxed on worldwide income; non-domiciled residents are taxed on Romanian source income for the first year, and on worldwide income thereafter; non-residents are taxed on Romanian source income only.

There is a flat rate of income tax of 16%.

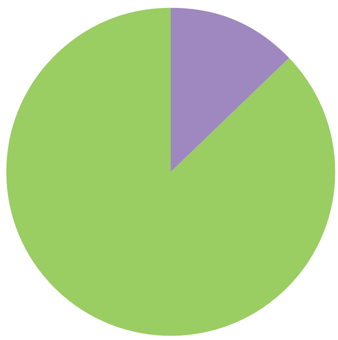
Social security

The maximum annual social security liability is RON 14 005 plus 6% of total income for the employee, and RON 28 722 plus 5.95% of total earnings plus a variable contribution for work related accident insurance for the employer.

Social security coverage generally includes all Romanian citizens and citizens of other countries for the period that they reside, or are domiciled, in Romania.

Russia

Tax	13%
Employee social security	0%
Net	87%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Russia for over 183 days in a 12 month period.

Residents are taxed on worldwide income; non-residents are taxed on Russian source income.

The rate of income tax is 13%.

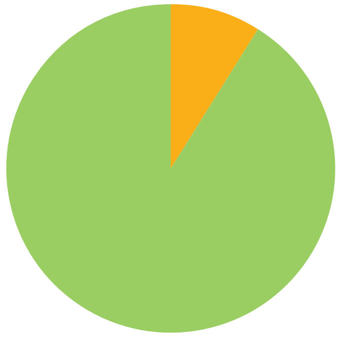
Social security

The maximum annual social security liability for an employer is RUB 170 400 plus an additional pension contribution of 10% of salary in excess of RUB 568 000. A variable work-related accidents and professional diseases contribution is also payable. Employees are not required to make social security contributions.

Employer contributions to the state pension fund are also payable for foreign employees, although may be subject to full or partial exemption depending on the length of the employee's work permit, the type of permit and the residency status of the employer.

Saudi Arabia

Tax	0%
Employee social security	9%
Net	91%



Tax

There is no individual income tax due on employment income in Saudi Arabia.

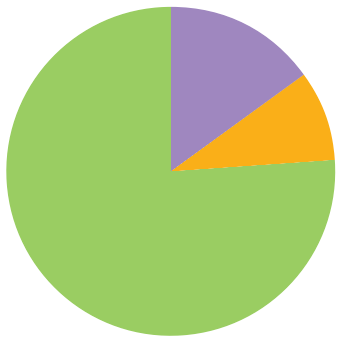
Social security

The maximum social security liability is SAR 48 600 for the employee and SAR 59 400 for the employer.

Expatriates are not required to contribute to the Saudi scheme; however, their employers are required to make contributions on their behalf in respect of industrial injury. Employers are also required to provide health insurance cover for expatriates.

Serbia

Tax	15%
Employee social security	9%
Net	76%



Tax

The tax year is 1 January to 31 December.

Individuals are considered tax resident if they are domiciled in Serbia or are present in Serbia for at least 183 days in a 12 month period.

Residents are taxed on worldwide income; non-residents are taxed on Serbian source income only.

Personal income tax is levied at a flat rate of 10%. The top marginal rate of annual income tax is 15%, which applies on taxable income in excess of RSD 6 202 440.

The income tax rates, some allowable deductions and the social security ceilings are calculated as multiples of the average annual salary as announced by the Statistical Office of the Republic of Serbia in January 2013, which is RSD 689 160.

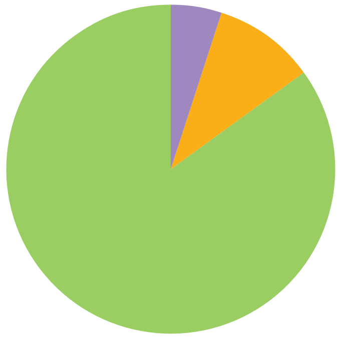
Social security

The maximum annual social security liability is RSD 685 714 for the employee and RSD 616 798 for the employer.

In general, expatriate employees are required to contribute to the Serbian scheme.

Singapore

Tax	5%
Employee social security	10%
Net	85%



Tax

The tax year is 1 January to 31 December.

Tax residence is determined by presence in Singapore for 183 days or more during the tax year.

Residents and non-residents are taxed on income accrued in or derived from Singapore.

The top marginal rate of income tax is 20%, which applies to taxable income in excess of SGD 320 000.

Tax concessions may be available to Not Ordinarily Resident employees.

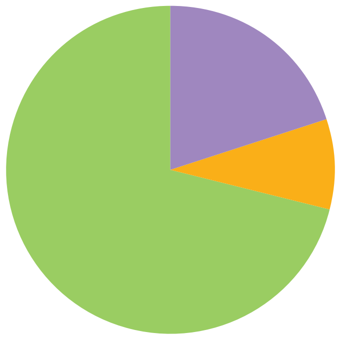
Social security

For those earning in excess of SGD 60 000 per annum, the maximum annual social security liability on basic pay is SGD 12 000 for the employee and SGD 9 600 for the employer.

Expatriates who are not permanently resident in Singapore are not permitted to contribute to the Central Provident Fund.

Slovakia

Tax	20%
Employee social security	9%
Net	71%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by a permanent place of abode in Slovakia or presence for more than 183 days in a calendar year.

Residents are generally taxed on their worldwide income; non-residents are generally taxed on their Slovak source income.

The top marginal rate of income tax is 25%, applicable on taxable income in excess of EUR 34 402.

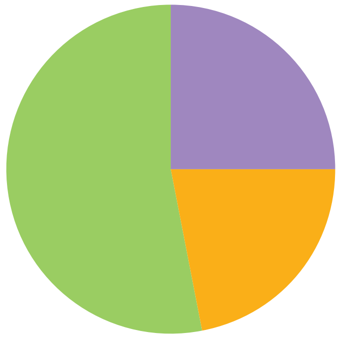
Social security

The maximum annual social security liability is EUR 6 319 for an employee and EUR 16 223 plus 0.8% of total earnings for an employer.

In general, expatriates employed in Slovakia are required to contribute to the Slovak scheme.

Slovenia

Tax	25%
Employee social security	22%
Net	53%



Tax

The tax year is 1 January to 31 December.

Tax residence is determined by possession of an abode or continuous presence in Slovenia for 183 days or more.

Residents are taxed on worldwide income; non-residents are taxed on Slovenian source income only.

The top marginal rate of income tax is 50%, which applies on taxable income in excess of EUR 70 907.

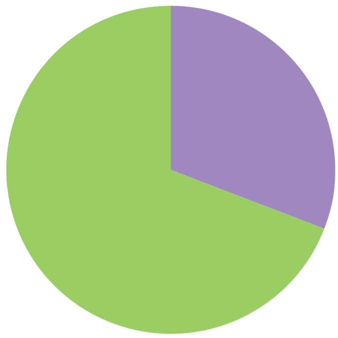
Social security

The maximum social security liability is 22.1% of total earnings for the employee and 16.1% of total earnings for the employer.

In general, expatriate employees are required to contribute to the Slovenian scheme.

South Africa

Tax	31%
Employee social security	0%
Net	69%



Tax

The tax year is 1 March to 28 February.

An individual is tax resident if they have a permanent home in South Africa, or if they meet the requirements relating to presence in South Africa.

Residents are taxed on worldwide income; non-residents are taxed on South African source income only.

The top marginal rate of income tax is 40%, applicable on taxable income in excess of ZAR 638 600.

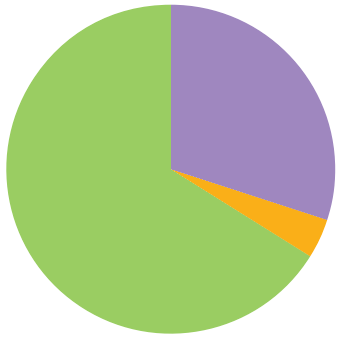
Social security

The maximum annual social security liability is ZAR 1 785 for the employee and ZAR 1 785 plus a variable industrial injury contribution and 1% skills development levy on total income for the employer.

Expatriates are generally not required to contribute to the South African social security scheme.

Spain

Tax	30%
Employee social security	4%
Net	66%



Tax

The tax year is 1 January to 31 December.

Residence is indicated by presence in Spain for more than six months in a calendar year, centre of vital interests in Spain, or a Spanish resident spouse and/or child.

Residents are generally taxed on their worldwide income; non-residents are generally taxed on their Spanish source income.

The top marginal rate of national income tax is 30.5%, which applies on taxable income in excess of EUR 300 000. The top marginal rate of regional tax is 21.5%, which applies on taxable income in excess of EUR 53 407.

Qualifying expatriates may opt to be taxed at a flat rate of 24.75% on their Spanish-source income.

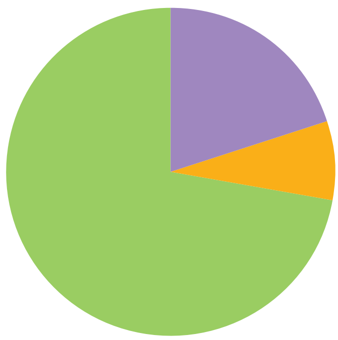
Social security

The maximum annual social security liability is EUR 2 610 for the employee, and EUR 13 113 for the employer (including an average workmen's compensation contribution).

In general, expatriates are required to contribute to the Spanish scheme.

Sri Lanka

Tax	20%
Employee social security	8%
Net	72%



Tax

The tax year is 1 April to 31 March.

An individual is tax resident if present for 183 days or more during a tax year.

Residents are taxed on worldwide income; non-residents and foreigners who began employment in Sri Lanka after 1 April 2008 are taxed on Sri Lankan source income only.

The top marginal rate of income tax is 24%, which applies to taxable income in excess of LKR 3 000 000.

Social security

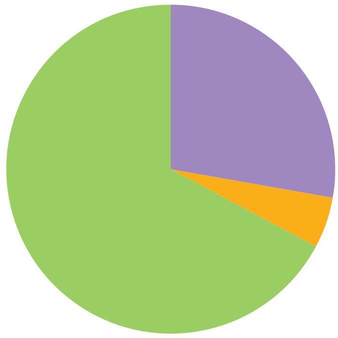
The maximum social security liability is 8% of total earnings for the employee and 15% of total earnings for the employer.

Expatriates are not required to contribute to the Employees' Provident Fund if they are insured under a foreign social security scheme.

Sweden

Tax	28%
Employee social security	5%
Net	67%

Tax



The tax year is 1 January to 31 December.

Individuals who are present in Sweden for six consecutive months or more are classified as resident for tax purposes.

Residents are taxed on worldwide income; non-residents are taxed on income from sources in Sweden. Under certain conditions employment income is tax exempt.

The top marginal rate of national income tax is 25%, applicable on taxable income in excess of SEK 591 600. Local income tax is also payable; the average rate is 31.73%.

Qualifying expatriates may receive a tax deduction of 25% of income.

Social security

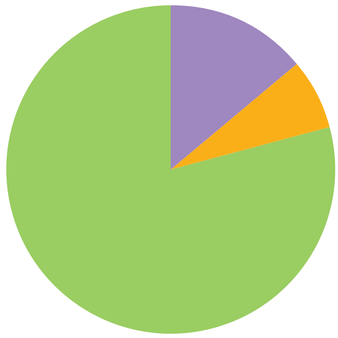
The maximum annual social security liability for an employee is SEK 31 973, and for an employer is 31.42% of payroll plus additional contributions paid to supplementary schemes according to the age of the employee and applicable collective agreements.

Expatriates are required to contribute to the Swedish scheme.

Switzerland

Tax	14%
Employee social security	7%
Net	79%

Tax



The tax year is 1 January to 31 December.

Personal taxation in Switzerland is more complex than in most countries, having three bases:

- Federal income tax.
- Cantonal income tax, charged by the canton in which the taxpayer resides (or works, if not resident in Switzerland).
- Communal income tax levied by the communes within each of the 26 cantons, normally as a multiple of the appropriate cantonal tax.

If income is earned in more than one canton or commune, tax liability is governed by residence.

An individual is tax resident if they are present in Switzerland with the intention of settling permanently or performing a gainful activity in Switzerland.

Residents are taxed on worldwide income; non-residents are taxed on certain Swiss-source income.

The top marginal rate of federal income tax is 13.2% (13% for married couples and single parents), which applies on taxable income in excess of CHF 176 000 (CHF 145 000 for married couples and single parents). However, if taxable income is in excess of CHF 755 200 (CHF 895 800 for married couples and single parents) then the entirety of taxable income is subject to a flat rate of 11.5%.

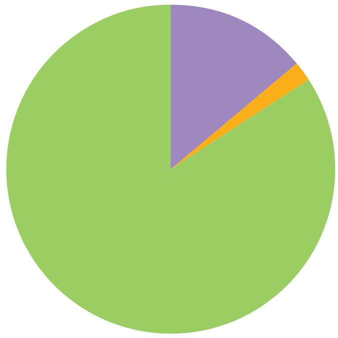
Social security

The maximum annual social security liability is CHF 2 331 plus 5.15% of total earnings plus a variable contribution for accident insurance for the employee, and CHF 2 331 plus 5.15% of total earnings plus variable contributions for family allowances and accident insurance for the employer.

In general, expatriates are required to contribute to the Swiss scheme.

Taiwan

Tax	14%
Employee social security	2%
Net	84%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if domiciled or present in Taiwan for an aggregate of 183 days or more in a tax year.

Residents and non-residents whose period of stay in Taiwan is more than 90 days are taxed on Taiwanese source income, wherever paid. Non-residents who are present in Taiwan for up to 90 days are taxed on remuneration from a Taiwan registered entity only.

The top marginal rate of income tax is 40%, which applies on taxable income in excess of TWD 4 400 000.

Certain tax concessions are available to qualifying expatriates.

Many benefits-in-kind are tax exempt if provided directly by the employer.

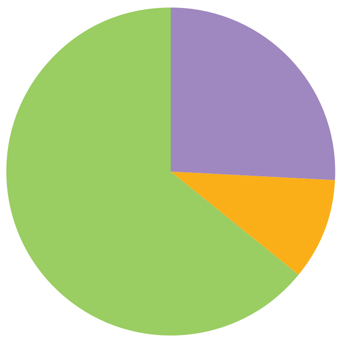
Social security

Social security liability varies according to family size. For a married couple with two children, the maximum annual social security liability is TWD 138 164 for the employee and TWD 250 567 plus a variable contribution for Workmen's Compensation for the employer. Both the employee and employer may be liable to pay an uncapped supplementary health insurance premium of 2% on certain types of income.

In general, expatriate employees are required to contribute to the Taiwanese scheme.

Tanzania

Tax	26%
Employee social security	10%
Net	64%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Tanzania for over 183 days in a tax year (or an average of 122 days per year for three years), or if they have a permanent home in Tanzania.

Residents are taxed on worldwide income; non-residents are taxed on income accruing or derived in Tanzania.

The top marginal rate of income tax is 30%, which applies to taxable income in excess of TZS 8 640 000.

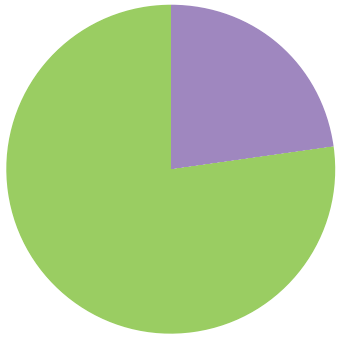
Social security

The maximum social security liability is 10% of earnings for employees and 15% for employers.

Expatriate employees are required to contribute to the National Social Security Fund (NSSF).

Thailand

Tax	23%
Employee social security	0%
Net	77%



Tax

The tax year is 1 January to 31 December.

Tax residence is determined by presence in Thailand for an aggregate period of at least 180 days in a tax year.

Residents are taxed on Thailand source income, wherever paid, plus foreign source income remitted or brought to Thailand; non-residents are taxed on Thailand source income, wherever paid.

The top marginal rate of income tax is 37%, applicable on taxable income in excess of THB 4 000 000.

Tax concessions are available to qualifying expatriate employees of a Regional Operating Headquarters.

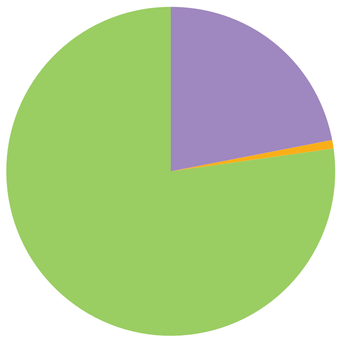
Social security

The maximum annual social security liability is THB 7 200 for both the employer and employee, though the employer may also be subject to a worker's compensation fund contribution.

Expatriates are generally required to contribute to the Thai scheme.

Trinidad and Tobago

Tax	22%
Employee social security	1%
Net	77%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Trinidad and Tobago for more than 183 days in a calendar year.

Residents who are domiciled are taxed on worldwide income; residents who are non-domiciled are taxed on income deriving from or remitted to Trinidad and Tobago; non-residents are taxed on income derived from Trinidad and Tobago only.

The rate of income tax is 25%.

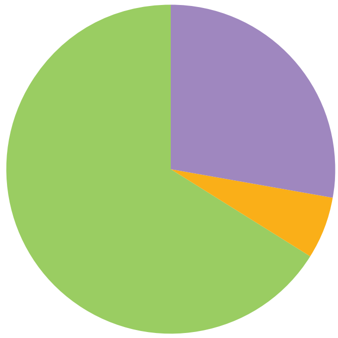
Social security

The total maximum annual social security liability is TTD 5 109 for the employee and TTD 9 360 for the employer.

In general expatriates are required to contribute to the National Insurance Scheme.

Turkey

Tax	28%
Employee social security	6%
Net	66%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Turkey for at least six months a year. Under certain circumstances, foreign individuals may be considered as limited liability taxpayers even if their stay in Turkey exceeds six months.

Residents are taxed on worldwide income (full tax liability); non-residents are taxed on income earned in Turkey (limited tax liability).

The top marginal rate of income tax, which is 35%, applies on taxable income in excess of TRY 94 000. A stamp tax of 0.759% of gross employment income is also payable.

Social security

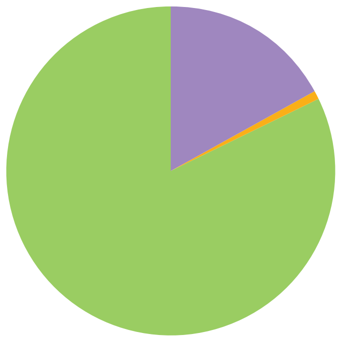
The maximum annual social security liability is TRY 11 701 for the employee and TRY 15 991 plus a variable industrial injury contribution for the employer.

Foreign employees are generally required to make contributions to retirement, disability and survivor insurance and to the sickness insurance programme, unless they are covered by a similar scheme in their home country.

Contributions to the unemployment insurance programme are generally not required unless there is a reciprocal agreement between Turkey and the home country and the employee is contributing to the Turkish scheme.

Ukraine

Tax	17%
Employee social security	1%
Net	82%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if they have a permanent residence in Ukraine or are present in Ukraine for more than 183 days in a tax year.

Residents are taxed on worldwide income; non-residents are taxed on Ukrainian source income only.

The top marginal rate of income tax is 17%, which applies to taxable income in excess of UAH 137 640.

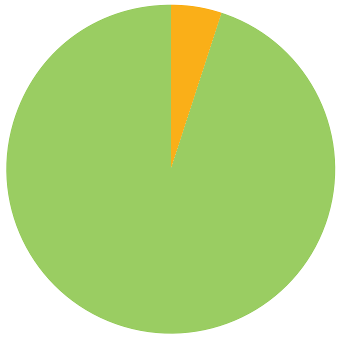
Social security

The maximum annual social security liability is UAH 8 467 for the employee and UAH 116 892 or the employer.

Foreign nationals who are paid through a foreign payroll do not contribute to the Ukrainian scheme.

United Arab Emirates

Tax		0%
Employee social security		5%
Net		95%



Tax

There is no individual income tax in the United Arab Emirates.

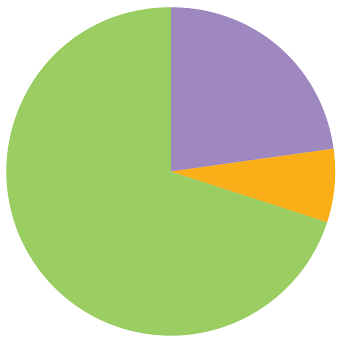
Social security

The maximum annual social security liability in Abu Dhabi is AED 36 000 for the employee and AED 108 000 for the employer. In all other Emirates, the maximum annual social security liability is AED 30 000 for the employee and AED 75 000 for the employer.

Expatriates are not permitted to contribute to the UAE social security scheme.

United Kingdom

Tax		23%
Employee social security		7%
Net		70%



Tax

The tax year is 6 April to 5 April.

From 6 April 2013 the statutory residence test determines whether an individual is resident or non-resident for UK tax purposes.

Residents are generally taxed on their worldwide income; non-residents are generally taxed on UK source and UK remitted income only.

The top marginal rate of income tax is 45%, which applies on taxable income in excess of GBP 150 000.

Social security

The social security liability depends on whether the individual has contracted-out of the earnings-related part of the state pension scheme. The maximum annual social security liability for an employee with income in excess of GBP 41 450 is:

GBP 4 043 per annum plus 2% of the excess (not contracted-out); or

GBP 3 591 per annum plus 2% of the excess (contracted-out).

The maximum annual social security liability for an employer is:

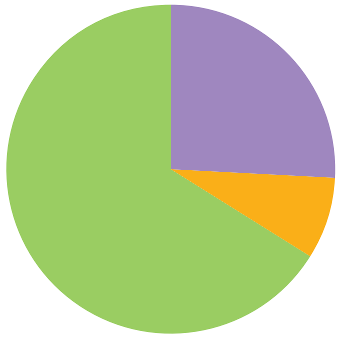
GBP 4 658 plus 13.8% of the excess (not contracted-out); or

GBP 3 358 plus 13.8% of the excess (contracted-out salary related schemes).

In general, expatriate employees are required to contribute to the UK scheme.

United States of America

Tax	26%
Employee social security	8%
Net	66%



Tax

The tax year is 1 January to 31 December.

Tax residence is usually determined by length of stay. An alien can stay for approximately 121 days in a year before becoming a resident.

US citizens and resident aliens are subject to tax on worldwide income. Non-resident aliens are subject to tax on income from services performed in the US.

The top marginal rate of federal income tax is 39.6%, which is applicable to taxable income in excess of USD 400 000 (USD 450 000 if married filing jointly; USD 225 000 if married filing separately). Rates of state tax vary, depending on the state.

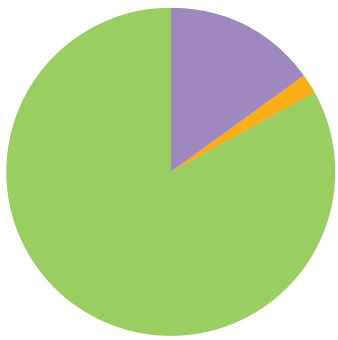
Social security

The maximum annual social security liability for the employee is USD 7 049 plus 1.45% of total earnings and an additional 0.9% for earnings over USD 200 000 (USD 250 000 if married filing jointly; USD 125 000 if married filing separately). The maximum liability for the employer is USD 7 469 plus 1.45% of total earnings. They may also be subject to employer state unemployment tax, state unemployment tax credit or industrial injury tax.

In general, expatriates are required to contribute to the US scheme.

Venezuela

Tax	15%
Employee social security	2%
Net	83%



Tax

The tax year is 1 January to 31 December.

An individual is tax resident if present in Venezuela for 183 days or more in the current or preceding tax year.

Residents are taxed on worldwide income; non-residents are taxed on Venezuelan-source income only.

The top marginal rate of income tax is 34%, which applies on taxable income in excess of VEF 642 000.

The income tax rates and some allowable deductions and tax credits are calculated as multiples of a tax unit, which is VEF 107 for 2013.

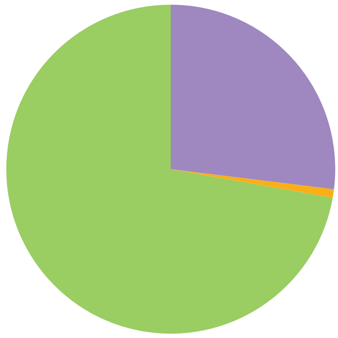
Social security

The maximum annual social security liability is VEF 7 371 plus 1% of total earnings and 0.5% of profit-sharing income for the employee, and VEF 22 113 plus 4% of total earnings and a variable contribution to the work security and health scheme for the employer.

Expatriate employees are required to contribute to the Venezuelan scheme.

Vietnam

Tax	27%
Employee social security	1%
Net	72%



Tax

The tax year is 1 January to 31 December.

Tax residence is indicated by presence in Vietnam for 183 days or more in a calendar year or having a permanent residence in Vietnam.

Residents are taxed on worldwide income; non-residents are taxed on Vietnamese source income.

The top marginal rate of income tax is 35%, which applies on taxable income in excess of VND 960 000 000.

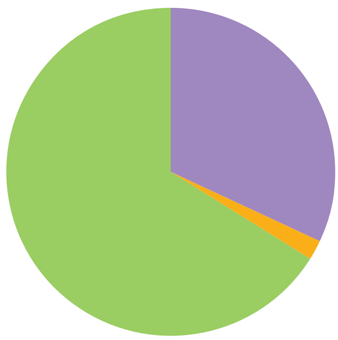
Social security

The maximum annual social security liability is VND 25 080 000 for the employee and VND 55 440 000 for the employer.

Expatriates on a home country contract are not required to contribute to the Vietnamese social security scheme. However, expatriates employed under Vietnamese labour contracts to work in Vietnam for more than three months are required to contribute to the Health Insurance fund.

Zambia

Tax	32%
Employee social security	2%
Net	66%



Tax

Effective 1 January 2013, the tax year is 1 January to 31 December.

An individual is considered to be tax resident if they intend to establish a residence in Zambia or if they are present for 183 days or more during the tax year.

Residents and non-residents are taxed on all remuneration relating to employment in Zambia, wherever paid.

The top marginal rate of income tax is 35%, which applies to taxable income in excess of ZMW 70 800.

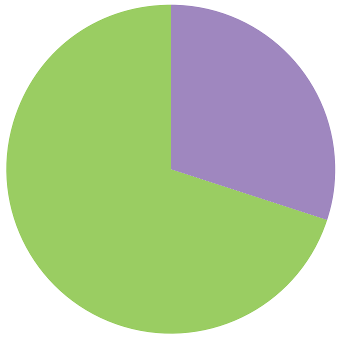
Social security

The maximum annual social security liability is ZMW 8 036 for the employee and ZMW 8 036 plus a variable contribution for work injury for the employer.

Expatriates are generally required to contribute to the Zambian scheme.

Zimbabwe

	Tax	30%
	Employee social security	0%
	Net	70%



Tax

The tax year is 1 January to 31 December.

Tax residence is determined on the basis of individual circumstances. Both residents and non-residents are generally liable to taxation on Zimbabwean source income only.

The top marginal rate of income tax is 45%, applicable on taxable income in excess of USD 120 000. An AIDS levy of 3% of tax due is also payable.

Social security

The maximum annual social security liability is USD 294 for the employee and employer (excluding a variable contribution for Workers' Compensation payable by the employer).

The National Social Security Scheme covers all citizens of Zimbabwe and those deemed ordinarily resident in Zimbabwe.

About the author

Helen Boggis
Manager, Tax Services

Helen is responsible for all of ECA's data, reports and software tools for tax and social security. Manager of Tax Services since 2006, she oversees the production and publication of data in addition to developing new software features and research into new locations.

Before taking this role, Helen worked as a Research Analyst in both Remuneration and Tax Services, developing her understanding of research methodology and client needs.

Additionally, Helen manages ECA's graduate recruitment and development scheme and is a regular contributor to ECA's newsletters. She holds a professional qualification at the Association of Tax Technicians for personal taxation.

About this report

ECA International provides reports, calculators, software and advice to companies to enable them to manage their international workers.

This document provides an overview of some of the headline figures researched by ECA as part of its Tax Services. More detailed tax reports and tax calculations are available from ECA. Please contact us for more information about how we can help you with tax and any other data, policy, benchmarking or software services. More information about our services follows.

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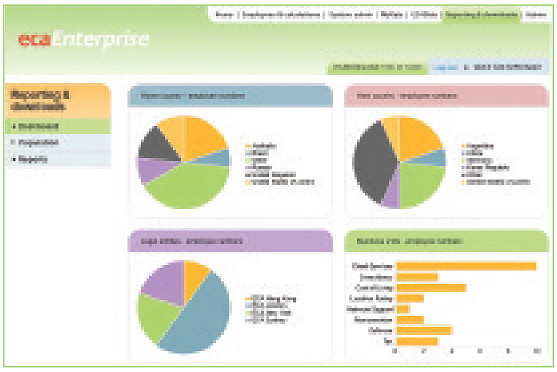
ECAEnterprise – global mobility management software and database



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Symbiosis
/ˌsɪmbɪˈəʊsɪs,-bʌɪ-/
noun
Interaction between two different organisms living in close physical association, typically to the advantage of both.

- a mutually beneficial relationship between different people or groups