THE RETIREMENT SYSTEM. FISCAL AND METHODOLOGICAL ASPECTS

MARINEL NEDELUȚ, DRAGOŞ MIHAI UNGUREANU *

ABSTRACT: *Currently, in most countries, but particularly in European and in the more developed world, heated discussions about reforming the current pension system. To address adequately the taxation of pension incomes in our country is very important to know and how this issue is regulated in different countries, but especially the European ones in the developed world. In terms of taxation of pensions, European countries are divided into three groups: 1. European countries where pension income is not taxed: Bulgaria, Slovakia and Lithuania. 2. European countries where pension income is subject to progressive taxation: Belgium, Cyprus, Greece, Finland, France, Ireland, Luxembourg, Malta, United Kingdom, Norway (not EU member), the Netherlands and Spain. 3. European countries where pension income is taxed based flat: Austria, Estonia, Germany, Latvia, Portugal, Romania, Sweden, Slovenia and Hungary.*

KEY WORDS: *pensions, pension contributions, share, progressive taxation, the flat tax, the tax base, taxable matter, the basic salary, gross income.*

JEL CLASIFICATION: *F36, G23.*

1. PRELIMINARY SPECIFICATION

Currently, in most countries, but especially in the European discussions are heated, with the rank of priority zero on the current system of pension reform. The problem is the pension system and the European Commission's agenda for a public debate on this issue was launched on 7 July 2012. To address adequately the taxation of pension incomes in our country is very important to know and how this issue is regulated in different countries, but especially the European ones, which is the recital for which I prepared this material. Bulgaria, Lithuania and Slovakia do not tax pensions. Austria, Cyprus, Estonia, Finland, Germany, Latvia, Malta, Norway,

* *Prof., Ph.D., Financial Bank University, Bucharest, Romania*
Lecturer, Ph.D., "Spiru Haret" University, Bucharest, Romania

Portugal, Romania, Slovenia and Sweden only taxing pension income taxable above a certain limit set by law. France, Ireland, Netherlands and Spain does not grant any exemption from taxation on small pensions, retirement income from being taxed from the first euro, some countries with particularly high rates, and 33.5% in the Netherlands.

About half of European countries fall into the category pensions taxable income and taxing work, combined with or separate them, mostly with progressive rates. The highest tax rates are between 40% and 52%, as in the Netherlands. Each State practice and some specific tax rules that change frequently, sometimes from one year to another.

In terms of taxation of pensions, European countries are divided into three groups: European countries where pension income is not taxed, Bulgaria, Slovakia and Lithuania; European countries where pension income is subject to progressive taxation: Belgium, Cyprus, Greece, Finland, France, Ireland, Luxembourg, Malta, United Kingdom, Norway (not EU member), the Netherlands and Spain; European countries where pension income is taxed based flat: Austria, Estonia, Germany, Latvia, Portugal, Romania, Sweden, Slovenia and Hungary.

In the taxation of pensions will be presented in each of these groups of countries and within countries of the Organization for Economic Cooperation and Development (OECD).

2. EUROPEAN COUNTRIES WHERE PENSION INCOME NOT TAXED

European countries that do not tax pension income are: Bulgaria, Slovakia and Lithuania.

3. EUROPEAN COUNTRIES WHERE PENSION INCOME ARE SUBJECT TO PROGRESSIVE TAXATION

European countries where pension income is subject to progressive taxation are: Belgium, Cyprus, Greece, Finland, France, Ireland, Luxembourg, Malta, United Kingdom, Norway (not EU member), the Netherlands and Spain. In these countries, pensions are considered income and taxed, in general, the same allowances and income that are taxed.

BELGIUM. In Belgium apply progressive taxation based on rates between 25% - 50%.

CYPRUS. Progressive taxation is applied in Cyprus on the following scale:

Table 1.

Tranche	Annual taxable income in retirement, Lei	Tax rate
a	0 – 19500	free
b	19501 – 28000	20%
c	28001 – 36300	25%
d	Over 36300	30%

FINLAND. Finland exempts from tax the pensions of less than 15,200 per year and for pensions of more than 15,200 per year use progressive rates ranging from 6.5% - 30.5%.

FRANCE. France applies progressive taxation based on the following scale:

Table 2.

Tranche	Annual taxable income in retirement, Lei	Tax rate
a	0 – 11720	5.5%
b	11721 – 26030	14%
c	26031 – 69783	30%
d	Over 69783	40%

GERMANY. Progressive taxation is applied in Germany. Pensions are exempt from taxation below 16,460 per year (the amount is doubled for married persons), granted the previous year

GREECE. In Greece, general rules apply progressive taxation, except for disabled veterans and their families, that the blind. Since September 2012 were introduced tax increments, the highest being 45% for income over 100,000 per year.

IRELAND. Ireland applies progressive taxation on the following scale:

Table 3.

Tranche	Annual taxable income in retirement, Lei	Tax rate
a	0 – 36400	20%
b	Over 36400	41%

LUXEMBOURG. Luxembourg applies progressive taxation based on a scale not more than 17 levels of taxation.

MALTA. Malta progressive taxation practice of taxation based on the following scale:

Table 4.

Tranche	Annual taxable income in retirement, Lei	Tax rate
a	0 – 8500	free
b	8501 – 19500	15% – 25%
c	Over 19501	35%

GREAT BRITAIN. In the United Kingdom apply progressive tax.

NORWAY (not an EU member). Pensions are subject to progressive income tax, except the minimum pension. From 2012 to apply a 15% tax on income from pensions of those who do not reside in Norway.

NETHERLANDS. Apply progressive taxation based on the following scale of taxation:

Table 5.

Tranche	Annual taxable income in retirement, Lei	Tax rate
a	0 – 17500	33.5%
b	17501 – 54776	41% – 42%
c	Over 54776	52%

SPAIN. Since 2009 was the shift from 5-4 steps depending on the progressive tax annual pension:

Table 6.

Tranche	Annual taxable income in retirement, Euro	Tax rate
a	0 – 17706	24%
b	17707 – 33006	28%
c	33007 – 53407	37%
d	Over 53007	43%

4. EUROPEAN COUNTRIES WHERE PENSION INCOME IS TAXED BASED ON FLAT

European countries where pension income is taxed based on the flat are: Austria, Estonia, Germany, Latvia, Portugal, Romania, Sweden, Slovenia and Hungary.

AUSTRIA. No withholding tax in 2008, pensions of less than 13,500 per year and in 2009, pensions of less than 15,000 Euros.

ESTONIA. For retired people, who continue to pursue his professional activities, income from pensions of less than 192 Euros a month are exempt from taxation. Retired Persons, which continues to pursue his professional activities, are exempt from income tax pensions of less than 336 Euros a month. For income exceeding these limits taxable pensions, taxation is based on a single rate.

LATVIA. Pensions granted before 1 January 1998 are not taxable. But tax is recalculated pensions granted after January 1, 1998 or greater than 2819 per year.

PORTUGAL. Pensions are not taxed under 6,000 per year, but are taxed more than 6,000 Euros.

ROMANIA. Retirement incomes of up to 1,000 lei, including, not subject to any income tax or to any social contributions. The pensions of more than 1,000 lei: a) only what exceeds 1,000 lei is subject to both the health contribution, the rate of 5.5% in 2012, and tax revenue, 16% b) income remaining after deduction calculation and contribution to health and income tax can not be less than 1,000 lei. For example, if a pension of 1,500 lei, shall be subject to tax contribution for health and only 500 lei (i.e. only what exceeds 1,000 million), not all pension of 1,500 lei.

SLOVENIA. Since 2011 pensions are not taxed less than 3051.35 per year (254.27 euro per month), but tax pensions above this limit.

SWEDEN. For people aged over 65 are not tax pensions of less than 2953 Euros a month. Otherwise income tax is applied, except for maintenance support for the elderly.

HUNGARY. Pensions are aggregated (globalizing) salary and total income is taxed.

5. TAXES AND CONTRIBUTIONS PAID BY PENSIONERS

Table 7. Average percentage of the pension

No.	Country	Taxes and contributions paid by pensioners (average percentage of the pension)		
1	Australia	0.0	2.8	10.7
2	Austria	11.1	24.7	29.7
3	Belgium	0.0	12.0	16.5
4	Canada	0.0	1.0	1.0
5	Czech Republic	0.0	0.0	0.0
6	Denmark	31.5	33.2	36.3
7	Finland	13.6	24.9	30.0
8	France	5.9	12.6	15.7
9	Germany	8.4	19.6	25.2
10	Greece	0.3	13.9	22.3
11	Hungary	0.2	11.2	23.8
12	Iceland	18.2	25.6	29.1
13	Ireland	0.0	0.0	0.0
14	Italy	24.1	24.1	24.1
15	Japan	9.7	8.0	10.7
16	Korea	0.8	1.6	2.2
17	Luxemburg	11.3	21.1	27.5
18	Mexic	0.0	0.0	0.0
19	Netherlands	17.4	25.6	31.4
20	New Zealand	17.6	17.6	17.6
21	Norway	9.8	17.3	20.1
22	Poland	14.1	17.0	18.0
23	Portugal	0.0	0.0	2.2
24	Slovak Republic	0.0	0.0	0.0
25	Spain	10.1	17.1	20.6
26	Sweden	23.8	27.9	33.3
27	Switzerland	2.6	19.6	19.2
28	Turkey	0.0	0.0	0.0
29	United Kingdom of Great Britain and Northern Ireland	0.9	2.8	3.6
30	United States of America	0.0	0.0	0.0
31	**OECD**	**7.7**	**12.7**	**15.7**

Source: models of retirement in the member countries of the Organisation for Economic Cooperation and Development (OECD). Note: The middle column shows the actual effective tax rate (%) for the average pension in each country

Average percentages of the pension in the member countries of the Organisation for Economic Cooperation and Development (OECD) are presented in table 7.

REFERENCES:

[1]. Danciu, A.R.; Niculescu Aron, I.G.; Gruiescu, M. (2009) *Statistică Economică*, Editura Enciclopedică, Bucureşti
[2]. Lăcrița, G.N. (2003) *Impozitarea progresivă sau pe bază de cotă unică,* Revista Impozite şi taxe, nr.12, pp. 14-23
[3]. Minea, M.Ş.; Costaş, C.F. (2006) *Fiscalitatea în Europa la începutul mileniului III*, Editura Rosetti, Bucureşti
[4]. Ristea, M. (coord.) (2009) *Contabilitatea societatilor comerciale*, vol II, Editura Universitara
[5]. Samuelson, A.P.; Nordhaus, D.W. (2000) *Economie politică*, Editura Teora, Bucureşti
[6]. www.ier.ro (Institutul European din România)