The tax treatment of
funded private pension plans

OECD AND EU
COUNTRY PROFILES

2015
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Australia

Structure of the private pension system

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General tax treatment

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Tax treatment of contributions to private pension plans

Contributions are taxed, but usually at a lower rate than the individual’s marginal income tax rate. There are two main types of contributions with different tax treatments: “concessional” or before-tax
contributions and “non-concessional” or after-tax contributions. The state also makes tax-exempt contributions to eligible individuals.

Concessional contributions

Concessional contributions include mandatory employer contributions (“superannuation guarantee” contributions), employee “salary sacrifice” contributions and voluntary deductible contributions made by self-employed workers (and other eligible persons). The mandatory employer contribution rate is 9.5% of ordinary earnings (for financial years up to 30 June 2021, after this, the rate will increase by 0.5 percentage points each year until it reaches 12% from 1 July 2025), up to the maximum contribution base (AUD 49,430 in 2014-15 per quarter). Salary sacrifice contributions are when the employee and the employer make a valid agreement to pay some of future before-tax salary or wages into the employee’s superannuation fund. Employers have to pay the superannuation guarantee rate on ordinary time earnings (as opposed to total salary and wages). Any “salary sacrifice” contribution counts toward the employer’s superannuation guarantee obligation.

Concessional contributions are taxed at 15% on amounts up to the concessional contributions cap. In 2014-15, this cap is AUD 30,000. There is a temporary higher cap for those aged 59 or over on 30 June 2013 and those aged 49 or over on 30 June 2014 of AUD 35,000. This higher cap is not indexed and will cease when the general concessional contribution cap is indexed to AUD 35,000.

Contributions over the concessional contributions cap are taxed at the individual’s marginal income tax rate. The individual also has to pay the excess concessional contribution (ECC) charge on the increase in the tax liability to neutralise the benefit of having excess contributions in the concessional taxed environment. To reduce the tax liability, the individual receives a non-refundable tax offset equal to the 15% tax already paid by the fund on the excess amount. Any contributions over the cap count towards the individual’s non-concessional contributions. The individual may choose to withdraw up to 85% of the excess concessional contributions from the superannuation fund to help pay the income tax. Any excess concessional contributions withdrawn no longer count towards non-concessional contributions cap.

For high-income earners, with an adjusted taxable income of more than AUD 300,000, the tax rate on concessional contributions that are considered above the AUD 300,000 threshold is 30% instead of 15%. If the adjusted taxable income is less than AUD 300,000, but adding concessional contributions brings the total above that threshold, the 30% tax rate applies only to the part of the contribution above the threshold. For example, if your income is AUD 280,000 and your concessional contributions are AUD 25,000, you only pay the 30% tax rate on AUD 5,000.

Non-concessional contributions

Non-concessional contributions primarily include personal voluntary contributions (which can be made as after-tax additional contributions), spouse contributions and other contributions made by one person on behalf of another person where there is no employment relationship. Excess concessional contributions not withdrawn from the fund are also included in the calculation of non-concessional contributions.

Non-concessional contributions are not taxed upon entry into the fund because they are made from money on which the individual has already been taxed at his/her marginal rate. The non-concessional

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1. This description applies to the majority of pension funds. Some funds do not pay taxes on concessional contributions nor on returns on investment, but withdrawals from these funds are taxed.
contributions cap is the limit on the amount of non-concessional contributions an individual can make each year before paying extra tax. In 2014-15, this cap is AUD 180,000.

Any non-concessional contributions above the cap in a given year automatically bring forward the next two years’ non-concessional contributions cap for people under 65 years old. This means that the individual can contribute up to AUD 540,000 over a three-year period without paying the excess contributions tax. Any contributions above AUD 540,000 in that three-year period can remain in the superannuation fund and be taxed at 49%, or be withdrawn from superannuation to avoid that additional tax, and only pay tax at an individual’s own marginal tax rate on an earnings amount associated with the excess contributions.

State contributions

Since 1 July 2012, the government provides a low-income super contribution (LISC) of up to AUD 500 annually for eligible individuals on adjusted taxable income of up to AUD 37,000. The amount payable is calculated by applying a 15% matching rate to concessional contributions made by, or for individuals (it is effectively a refund of the tax paid on concessional contributions). This contribution is tax-exempt. The payment of LISC has been maintained in respect of concessional contributions made up to and including 30 June 2017. It will cease afterwards.

Social contributions

Social contributions are not levied on mandatory pension contributions.

Financial incentives to contribute to private pension plans

The state helps low-to-middle income earners to boost their retirement savings through the super co-contribution. This contribution is tax-exempt. The super co-contribution is a state matching contribution for eligible individuals. Individuals younger than 71 are eligible for a super co-contribution if they make a voluntary non-deducted contribution (in their own name) in the income year, have a total income lower than the higher income threshold (AUD 49,488 for 2014-15), and at least 10% of their total income is from employment or business. The match rate is 50% since 2012-13. Individuals with an income below the lower income threshold (AUD 34,488 for 2014-15) can get 50 cents for each dollar contributed, up to the full maximum entitlement (AUD 500 for 2014-15). For every dollar that the individual earns above the lower income threshold, the maximum entitlement is reduced by 3.333 cents.

A tax offset (called Spouse Super Contribution Tax Offset) may apply to after-tax contributions made on behalf of non-working or low-income-earning spouses. It is payable to the contributor (not the spouse). The tax offset is calculated as 18% of the lesser of:

- AUD 3,000, reduced by one dollar for every dollar that the sum of the spouse’s income, total reportable fringe benefits and reportable employer superannuation contributions exceeds AUD 10,800; and
- the total amount of contributions paid.
Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Investment earnings on superannuation assets in the accumulation phase are taxed at a rate of 15% while investment earnings on superannuation assets supporting retirement income streams (programmed withdrawals) are tax-free.

Funds are eligible for imputation credits for dividend income and a one-third capital gains tax reduction on assets held for at least 12 months. In 2011–12, superannuation funds received AUD 5.7 billion in imputation credits while the capital gains tax discount reduced net tax by around AUD 90 million.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Benefits withdrawn from a superannuation fund have three components: a tax-free component, a taxed element and an untaxed element. Non-concessional (after-tax) contributions are tax-free when withdrawn from the superannuation account. Concessional (before-tax) contributions are taxable when withdrawn. If the superannuation fund has paid taxes on those contributions (as described earlier), this corresponds to the taxed element. If the fund has not paid taxes, this corresponds to the untaxed element.

Individuals do not pay tax on the tax-free component when they withdraw it, regardless of their age or the type of withdrawal. The tax treatment of the taxable component (taxed element and untaxed element) depends on the age at which the individual retires and the type of withdrawal, as described in the tables below. The preservation age is the age at which individuals can access their superannuation assets if they are retired. It depends on the date of birth (55 years old for people born before 1 July 1960, increasing gradually to 60 for people born from 1 July 1964).

Table 1. Tax on withdrawals of taxable component when the individual withdraws money before his/her preservation age

<table>
<thead>
<tr>
<th>Component</th>
<th>Type of withdrawal</th>
<th>Effective tax rate (excluding Medicare levy)</th>
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</thead>
<tbody>
<tr>
<td>Taxed element</td>
<td>Income stream</td>
<td>Individual’s marginal tax rate</td>
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<tr>
<td>Taxed element</td>
<td>Lump sum</td>
<td>Individual’s marginal tax rate or 20%, whichever is lower</td>
</tr>
<tr>
<td>Untaxed element</td>
<td>Income stream</td>
<td>Individual’s marginal tax rate</td>
</tr>
<tr>
<td>Untaxed element</td>
<td>Lump sum</td>
<td>Individual’s marginal tax rate or 30%, whichever is lower, or 45% for lump sums above the untaxed plan cap amount (AUD 1,355,000 in 2014-15)</td>
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</tbody>
</table>

Table 2. Tax on withdrawals of taxable component when the individual withdraws money between his/her preservation age and 60 years old

<table>
<thead>
<tr>
<th>Component</th>
<th>Type of withdrawal</th>
<th>Effective tax rate (excluding Medicare levy), up to the low rate cap amount (AUD 185,000 in 2014-15)</th>
<th>Effective tax rate (excluding Medicare levy), above the low rate cap amount (AUD 185,000 in 2014-15)</th>
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</thead>
<tbody>
<tr>
<td>Taxed element</td>
<td>Income stream</td>
<td>Individual’s marginal tax rate less 15% tax offset</td>
<td>Individual’s marginal tax rate less 15% tax offset</td>
</tr>
<tr>
<td>Taxed element</td>
<td>Lump sum</td>
<td>0%</td>
<td>Individual’s marginal tax rate or 15%, whichever is lower</td>
</tr>
<tr>
<td>Untaxed element</td>
<td>Income stream</td>
<td>Individual’s marginal tax rate</td>
<td>Individual’s marginal tax rate</td>
</tr>
</tbody>
</table>
Table 3. Tax on withdrawals of taxable component when the individual withdraws money at age 60 or more

<table>
<thead>
<tr>
<th>Component</th>
<th>Type of withdrawal</th>
<th>Effective tax rate (excluding Medicare levy)</th>
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</thead>
<tbody>
<tr>
<td>Taxed element</td>
<td>Income stream</td>
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<td>Taxed element</td>
<td>Lump sum</td>
<td>No tax</td>
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<td>Untaxed element</td>
<td>Income stream</td>
<td>Individual’s marginal tax rate less 10% tax offset</td>
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<td>Untaxed element</td>
<td>Lump sum</td>
<td>Individual’s marginal tax rate or 15%, whichever is lower, or 45% for lump sums above the untaxed plan cap amount (AUD 1,355,000 in 2014-15)</td>
</tr>
</tbody>
</table>

**Social contributions**

Withdrawals from the taxed and untaxed elements before 60 years old are subject to Medicare Levy (2% since July 2014). After 60 years old, only withdrawals from the untaxed element are subject to Medicare Levy.

**Tax treatment of pensioners**

The public pension (Age Pension) is included in taxable income. The Age Pension is paid to people who meet age and residency requirements, subject to a means test.

In the personal income tax system, most senior Australians receive tax relief through the seniors and pensioners tax offset (SAPTO). SAPTO is available to taxpayers in receipt of a taxable Australian Government pension, as well as to Australians who are of Age Pension age and who meet all of the Age Pension eligibility criteria except the means test. In 2014-15, it is worth a maximum of AUD 2,230 for a single senior and AUD 1,602 for each member of a senior couple. It builds on the statutory tax free threshold and the low income tax offset to ensure that eligible single senior Australians with incomes up to AUD 32,279 in 2014-15 (or AUD 28,974 for each member of a couple) pay no income tax or the Medicare levy.

- For single individuals: the maximum offset is reduced by 12.5 cents for each dollar of rebate income in excess of AUD 32,279, cutting out at a rebate income of AUD 50,119.

- For couples: the maximum offset is reduced by 12.5 cents for each dollar of rebate income in excess of AUD 28,974 (AUD 57,948 of combined income), cutting out at a rebate income of AUD 41,790 (AUD 83,580 of combined income).

Rebate income is the aggregate of taxable income, adjusted fringe benefits amounts, total net investment loss and reportable superannuation contributions.

The effect of the tax-free threshold, low-income tax offset and SAPTO is that the large majority of Age Pension recipients do not pay income tax. Of those who do, most have a small income tax liability (below AUD 1,000).
Austria

Structure of the private pension system

General tax treatment

TET: TET for employee/individual contributions and EET for employer contributions.

Tax treatment of contributions to private pension plans

Pension companies and occupational group insurance

Employee contributions are taxed at the individual’s marginal income tax rate. They cannot exceed the sum of annual employer contributions (although an employee can contribute up to EUR 1,000 even when the employer contributes less than EUR 1,000 per year). These contributions are treated as special expenses.

25% of an individual’s special expenses (individual private pension contributions plus other special expenses) are tax-deductible up to the limit of EUR 2,920 per year for a single person and EUR 5,840 if the spouse’s income does not exceed EUR 6,000. If the annual salary exceeds EUR 36,400 these limits are gradually decreased and no tax-deductible special expenses can be claimed if the annual salary exceeds EUR 60,000. From 2016, special expenses are no more deductible for new pension contracts. For contracts concluded before 1 January 2016, the deductions continue to be applicable for a maximum period of 5 years.

Employer contributions are not considered as income for the employee.

An extra 2.5% insurance tax is levied on both employee and employer contributions.

Direct insurance

Employee contributions are taxed at the individual’s marginal income tax rate. They cannot exceed the sum of annual employer contributions (although an employee can contribute up to EUR 1,000 even when the employer contributes less than EUR 1,000 per year). Contributions exceeding EUR 1,000 are
treated as special expenses. From 2016, special expenses are no more deductible for new pension contracts. For contracts concluded before 1 January 2016, the deductions continue to be applicable for a maximum period of 5 years.

Employer contributions up to EUR 300 per year are tax-free for the employee. Contributions in excess of EUR 300 are considered as taxable income for the employee and can be considered as special expenses.

An extra 4% insurance tax is levied on both employee and employer contributions.

**Direct commitments and support funds**

Employees do not contribute. Employer contributions are not considered as income for the employee. The 4% insurance tax applies to support funds but not to direct commitments.

**Personal pension plans**

Contributions to personal pension plans are done from after-tax income (therefore they are taxed at the individual’s marginal rate of income tax). These contributions are treated as special expenses and attract a 25% tax relief up to a limit. From 2016, special expenses are no more deductible for new pension contracts. For contracts concluded before 1 January 2016, the deductions continue to be applicable for a maximum period of 5 years.

There is no tax relief for state-sponsored retirement provision plans.

An extra 4% insurance tax is levied on individual contributions.

**Social contributions**

Social contributions are levied on employee/individual contributions but not on employer contributions.

**Financial incentives to contribute to private pension plans**

The minimum term of a state-sponsored retirement provision plan is 10 years and only individuals not yet receiving social security pension benefits can open such plans. The plan must provide a capital guarantee. Personal contributions to a state-sponsored retirement provision plan can attract state matching contributions. The matching contribution rate corresponds to a fixed flat rate of 2.75% plus a variable rate depending on the annual general level of interest rate. For 2014, the variable rate was 1.5% (thus the total matching rate was 4.25%). As of 1 January 2014, the maximum personal contributions considered to calculate the state contribution is EUR 2,495.12 (thus the maximum state matching contribution for 2014 was EUR 106.04). No tax is levied on state contributions. If the individual takes the benefits as a lump sum payment, s/he has to pay back 50% of the state subsidy and pay an additional 25% tax on the capital gains with retro-active effect.

It is also possible to get state matching contributions for employee contributions to direct insurance plans. The match rate is 3% for contributions up to EUR 1,000 (i.e. a maximum state contribution of EUR 30).
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Investment income is tax-exempt for pension companies, occupational group insurance, direct insurance, support funds and personal pensions.

Investment income is considered as company profit and subject to profit tax for direct commitments.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

The tax treatment of pension income depends primarily on the type of plan:

- Pension companies and occupational group insurance: Pensions are taxed as earned income at the individual’s marginal rate of income tax. The portion of pension accrued by employer contributions is fully taxed. Only 25% of the portion of pension accrued by employee contributions is taxed.

- Direct insurance: Pensions are taxed as earned income at the individual’s marginal rate of income tax from the moment the total value of benefits paid exceeds the capital value of the pension at retirement. It means that pension benefits are tax-free until that point in time.

- Direct commitments and support funds: Pensions are taxed as earned income at the individual’s marginal rate of income tax.

- Personal pension insurance: Pensions are taxed as earned income at the individual’s marginal rate of income tax.

- State-sponsored retirement provision: Withdrawals are tax-exempt if the entitlements are transferred to an occupational or personal pension plan or used to buy an annuity. If they are paid-out as a lump sum, the individual has to pay back 50% of the state subsidies and a 25% tax on capital gains.

Since 1 January 2001, lump sum payments are taxed as ordinary income unless the payment does not exceed the amount of EUR 11,700. In this case, only 50% of the normal tax rate has to be paid. This applies to all lump sum payments which result from terminations of pension plans.

**Social contributions**

Pensioners do not pay most social contributions but do pay for sickness insurance (5.1%).

**Tax treatment of pensioners**

Old-age public pension is considered as an income and subject to the individuals’ marginal income tax rate.
Additional voluntary contributions are possible in the public pension system (Höherversicherung) and lead to benefits taxed differently. Everyone with a public pension scheme can make additional contributions. Contributions can be defined by the individual. The contribution limit for 2015 is EUR 9,300. The contributions are deductible as special expenses up to the individual’s personal limit. The additional amount granted in pension benefits by these additional contributions depends on the amounts contributed, gender, age at the time of the contribution and the age at retirement. 75% of these additional benefits are tax-exempt. 25% are taxed at the individual’s marginal rate of income tax. Under certain conditions, benefits resulting from these contributions can be fully tax exempt, if they result from contributions up to EUR 1,000.

Retired persons are entitled to a tax credit. This tax credit amounts to EUR 764 for sole earners with income up to EUR 19,930 and if the spouse’s income does not exceed EUR 2,200. Otherwise the tax credit is EUR 400. The tax credit is linearly reduced to 0 between EUR 17,000 (EUR 19,930 for sole earners) and EUR 25,000 of income.

13th and 14th month pensions (Sonderzahlungen) attract a particular tax treatment. They are tax free up to an amount of EUR 620 per year. If the received amount is between EUR 621 and the value of 2 times the average monthly gross pension income (max. EUR 2,100), there is no tax levied. If the value of 2 times the average monthly gross pension exceeds EUR 2,100, the amount between EUR 621 and EUR 2,100 is taxed at a flat rate of 6%. If the amount received exceeds 2 times the average monthly gross pension, the excess amount is taxed at the individual’s marginal income rate.

Belgium

Structure of the private pension system

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<th>Voluntary, personal</th>
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<td>• Individual pension savings accounts</td>
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General tax treatment

TET: TET for employee/individual contributions and EET for employer contributions.

Tax treatment of contributions to private pension plans

Individual contributions

Employee contributions to an occupational pension plan or to a pension savings account are eligible for a tax credit of 30% of the amount contributed. People not paying income taxes do not get any relief.
The amount of contributions taken into account for the tax credit cannot exceed EUR 940 per taxable period and per taxpayer for pension savings accounts. The pension savings account shall have been subscribed by an individual aged 18 or over, but less than 65, and for at least 10 years.

The tax credit is no longer granted from the year the individual reaches age 65 or when the capital is withdrawn before age 65 under circumstances that would lead to a distinct 10% tax.

**Employer contributions**

Employer contributions to an occupational pension plan are not considered as taxable income for the employee. The employer must pay an annual 4.4% tax on contributions paid to an insurance company under the group insurance agreement. This tax is not due in the case of a social pension scheme (i.e. a plan with solidarity components).

**Social contributions**

Employee/individual contributions are treated in the same way as salary and are thus subjected to the same social contributions (13.07%).

Employers must pay social contributions of 8.86% on their contributions to an occupational pension plan instead of the usual social contributions (35%). The employer must also pay a special social contribution of 1.5% on the portion of his group pension contributions exceeding EUR 31,212 (for 2014) per year. This sum includes both employer and employee contributions, but the tax is only owed on the part that exceeds the threshold and then only on the employer’s share. From 2016, the 1.5% tax will be owed if the amount of the statutory pension and the supplementary pension for a particular year exceeds the “pension target”. The tax will be due on the total amount of contributions. The pension target is calculated as the maximum civil service pension (currently EUR 6,160 per month) multiplied by the career break (number of years working as an employee divided by 45).

**Financial incentives to contribute to private pension plans**

None exist.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds.

There is an 8% anticipated tax on long-term savings for pension savings accounts. If the pension savings account has been opened when the individuals was younger than 55, the tax is due at age 60 on the capital accumulated until then. If the pension savings account has been opened when the individuals was 55 or older, the tax is due when the contract reaches 10 years on the capital accumulated until then. Contributions can be paid into the account after the tax has been paid and no further tax on long-term savings is due.
**Tax treatment of private pension income**

There is no tax on pension income from pension savings accounts.

The tax treatment of occupational pension income depends on the form of the pay-out option and the source of the contributions. In the case of a lump sum capital payment, the part of the capital that has accrued in respect of the employer’s contributions is taxed at:

- 20% in case the individual withdraws at 60 years old, without being retired;
- 16.5% in case the individual withdraws at 60 years old and is retired;
- 18% in case the individual withdraws at 61 years old, without being retired;
- 16.5% in case the individual withdraws at 61 years old and is retired;
- 16.5% in case the individual withdraws between 62 and 64 years old;
- 16.5% in case the individual withdraws at 65 years old, or 10% if the employee remained active until that age;
- 16.5% in case of withdrawal following death.

The part of the capital that has accrued in respect of the employee’s contributions is taxed at 10% if withdrawn following death, retirement and at age 60 at the earliest (16.5% for the capital that has accrued in respect of contributions made before 1993).

If the capital is not withdrawn following the conditions stated above, the following tax rates apply:

- the individual’s marginal tax rate for the capital that has accrued in respect of the employer’s contributions;
- 33% for the capital that has accrued in respect of the employee’s contributions.

Annuities are taxed at the individual’s marginal rate of income tax.

**Social contributions**

Pensioners with a pension above a minimum threshold pay a social contribution of 3.55% for health and disability insurance. The minimum threshold is EUR 1,306.12 since 1 September 2010 for a single pensioner without dependents (EUR 1,517.60 for pensioners with dependents). The effect of the contribution cannot lead to a pension payment inferior to this monthly amount.

There are also ‘solidarity’ contributions levied on all pensions (public, occupational and personal) exceeding EUR 2,222.18 per month for single pensioners and EUR 2,569.12 for pensioners with a dependent spouse. This contribution ranges from 0% to 2% of the gross pension.

**Tax treatment of pensioners**

Public pension income is taxed at the individual’s marginal rate of income tax.
Pensions are entitled to a tax credit. Its computation is based on the basic amount (EUR 2,024.12 for 2015). The tax credit is restricted by multiplying it by a fraction corresponding to the ratio between the income entitling to a tax credit and the total net income (horizontal limitation). The tax credit which subsists after the horizontal limitation is maintained in its entirety up to an aggregated taxable income (ATI) of EUR 22,430; it then diminishes gradually and is reduced to one third of its amount as from an ATI of EUR 44,860. In addition, if the taxable income is consisting of pension income only and it is less than EUR 15,518.54 then income tax is reduced to zero.

**Canada**

*Structure of the private pension system*

**General tax treatment**

EET

*Tax treatment of contributions to private pension plans*

Pension contributions made within the applicable limits are not taxed because they are deductible from income.

There is a penalty tax of 1% per month for excess over-contributions made to an RRSP or a PRPP (i.e. contributions in excess of CAD 2,000 over the applicable RRSP/PRPP limit). Over-contributions, including those made within the CAD 2,000 over-contribution allowance, are not deductible from income.

Limits apply to contributions to RRSPs, PRPPs, DPSPs and defined contribution RPPs. Limits apply to pension benefits provided under a defined benefit RPP:

- Annual contributions of 18% of earnings are permitted to be made to an RRSP and defined contribution RPP, up to a specified dollar limit (CAD 24,930 and CAD 25,370 respectively for 2015).

- Defined benefit RPPs are permitted to provide pension benefits of 2% of earnings per year of service, up to a specified dollar limit (CAD 2,819 for 2015).

- Annual contributions to a DPSP are limited to 18% of earnings up to one-half of the defined contribution RPP limit (CAD 12,685 for 2015).
• The RPP and RRSP dollar limits are indexed to average wage growth.

The RPP and RRSP limits are integrated, in order to provide comparable retirement savings opportunities whether an individual saves in an RPP, an RRSP, a PRPP, a DPSP or a combination of these plans. This is achieved through the pension adjustment (PA), which reduces an RPP member’s annual RRSP limit by the amount of annual RPP saving.

• For defined contribution RPP members and DPSP members, the PA is equal to the sum of employer and employee contributions.

• For defined benefit RPP members, the PA is an estimate of the contributions needed to fund the annual benefit accrued under the plan (based on a pension cost factor of 9 multiplied by the annual benefit accrued under the plan).

• PRPP contributions must be made within an individual’s available RRSP limit.

Unused RRSP room may be fully carried forward to future years.

In general terms, contributions to (or benefit accruals under) these plans must cease and payments/withdrawals must commence by or after the end of the year in which the plan member attains 71 years old. In particular, an RRSP must be converted to a Registered Retirement Income Fund (RRIF) for this purpose. Employers may make any necessary contributions to a defined benefit RPP that are required to ensure the plan is fully funded in respect of all members and retirees, including those over 71 years old.

An individual who is 72 years or older, may, based on the individual’s accumulated unused RRSP room, contribute to a spousal RRSP until the end of the year in which the spouse reaches 71 years of age.

Social contributions

Social program contributions (Canada Pension Plan contributions and Employment Insurance premiums) are not levied on employer contributions to an RPP, PRPP or DPSP, since employer contributions to these plans are excluded from an employee’s earnings. Employee contributions to an RPP or PRPP attract social program contributions since such contributions are made out of an employee’s earnings. Contributions to an RRSP, which are generally made out of employment or self-employment earnings, attract social program contributions.

Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.
Tax rules require that employer contributions to a defined benefit pension plan be suspended if surplus assets exceed 25% of going-concern liabilities.

**Tax treatment of private pension income**

Payments and withdrawals from pension and retirement savings plans are included in income for regular tax purposes and taxed at the applicable rate. Income tax is generally withheld on such payments and withdrawals.

Generally, pension and RRSP assets may not be withdrawn tax-free, either in a lump-sum or on a periodic basis. However, tax-free withdrawals from an RRSP may be made by first-time home buyers for the purchase of a home or by those pursuing qualifying education or training programs, under the Home Buyers’ Plan (HBP) and the Lifelong Learning Plan (LLP) respectively. Withdrawals are limited to CAD 25,000 under the HBP and CAD 20,000 under the LLP. HBP and LLP withdrawals must be repaid to an RRSP in regular repayments over a specified period, otherwise the repayment amount is included in income for tax purposes.

The Pension Income Credit (PIC) is a non-refundable tax credit provided on the first CAD 2,000 of eligible pension income (the credit rate is 15% federally). RPP income is eligible regardless of the recipient’s age and other types of pension income are eligible as of age 65 (i.e., income from an RRSP annuity, RRIF, PRPP and DPSP).

**Social contributions**

Social programme contributions are not levied on pension income.

**Tax treatment of pensioners**

Public pension benefits (Canada Pension Plan and Old Age Security (OAS) benefits) are included in income for regular tax purposes and taxed at the applicable rate, with the exception of the Guaranteed Income Supplement (GIS), which is a non-taxable supplement to OAS provided to low-income seniors.

The Age Credit is a non-refundable tax credit provided to individuals age 65 and over on an amount of CAD 7,033 for 2015. The credit amount is reduced by 15% of income over a threshold of CAD 35,466 (for 2015) and is eliminated when income exceeds CAD 82,353 (for 2015). Both the credit amount and the income threshold are indexed to inflation annually.

Seniors and pensioners are permitted to allocate up to one-half of their eligible pension income to their spouse or common-law partner for tax purposes. Eligible pension income is generally income that is eligible for the Pension Income Credit.
Chile

Structure of the private pension system

- Mandatory, personal
  - Individual capitalization accounts

- Voluntary, occupational
  - Collective voluntary pension savings

General tax treatment

EET

Tax treatment of contributions to private pension plans

Mandatory pension contributions and voluntary pension contributions (through voluntary pension savings – agreed deposits and voluntary contributions – and collective voluntary pension savings) are exempt from income tax up to certain limits. Voluntary savings over and above those limits are permitted but without tax relief.

The part of the salary and taxable income used to pay mandatory contributions is exempt from income tax. These contributions are calculated as 10% of the respective wage and taxable income, with an upper limit of 73.2 UF (Unidad de Fomento in Spanish, a price-indexed unit of account).

Agreed deposits are savings that can only be withdrawn at retirement. The amount of the contributions is agreed between the employer and the worker and, as they are not considered as income for the worker, they are not subject to taxation with a maximum of 900 UF.

Members may contribute voluntarily to their individual capitalization account up to 50 UF per month or 600 UF per year. Members may contribute using one of two options A and B described below. Once one of these options is selected, the worker still has the possibility to switch to the other option for future contributions.

- Option A: contributions are done after tax (i.e. contributions are taxed at the individual’s marginal rate of income tax). When withdrawing savings, members are only required to pay taxes on the yield obtained from the amount withdrawn.

- Option B: contributions up to the limit are deducted from taxable income. Workers may withdraw these contributions at any point by paying a surcharge fee over the corresponding marginal tax rate, or withdraw them as freely-usable surpluses, if applicable.

Collective voluntary pension savings contributions follow the same tax rules as voluntary contributions.
Social contributions

Social contributions (pension 10%; health care 7%; unemployment insurance 3%; work injuries 0.95%; disability insurance 1.15%) are levied on the gross salary, up to 73.2 UF. Pension contributions are part of the social security contributions.

Financial incentives to contribute to private pension plans

Workers between 18 and 35 years of age whose income is lower than 1.5 times the established minimum wage are entitled to a state matching contribution for the first 24 contributions made. This contribution is made up of two kinds of payments: a subsidy to hiring for employers and a direct contribution to the worker’s pension fund account of the same amount. The matching contribution is equivalent to 50% of the mandatory contribution of the worker when the wage is lower or equal to the minimum wage; and 50% of the mandatory contribution for a minimum wage when the wage is greater than the minimum wage (and is lower than 1.5 times the minimum wage).

For each live birth, the state deposits a subsidy in the woman’s individual account. The subsidy is equivalent to 18 months’ contributions based on the minimum wage.

Workers making voluntary contributions under option A (usually low-earnings workers whose wages are either not subject to income tax or have a low rate) and assigning those savings to increase or bring forward their pension are entitled to a state matching contribution, corresponding to 15% of the amount saved annually, subject to a limit. These funds are added to the individual capitalization account each year. For each calendar year, the state matching contribution is limited to 6 UTM (Unidad Tributaria Mensual in Spanish, or Monthly Tax Unit). If the member withdraws the funds instead of using them for retirement, the matching contribution is lost. It is not necessary to contribute to the mandatory system to get the matching contribution.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed in general.

Workers making voluntary contributions under option A pay taxes (at the individual’s marginal rate of income tax) on the yield obtained from the amount withdrawn upon withdrawal only.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Pension income is subject to income tax, except for voluntary contributions under option A (once the tax on returns has been paid, no more tax is due on the amount withdrawn).

If workers obtain a pension greater than 100% of the maximum pension with solidarity payment and greater than 70% of the average monthly taxable wage over the last ten years, they may have available surplus (i.e. funds remaining in the individual account after calculating the amount necessary to obtain the pension and subtracting it from the balance accumulated). The available surplus, which is established when a member decides to retire (considering mandatory and voluntary pension accounts), may be withdrawn.
tax-free up to a maximum annual amount equivalent to 200 UTM, and the total exemption may not exceed 1,200 UTM. If members choose to withdraw the entire surplus in one year, the maximum exemption is 800 UTM. This exemption applies to all savings done at least 48 months prior to retirement, but does not apply to the portion of the available surplus which corresponds to resources originated by agreed deposits.

Agreed deposits may not be withdrawn by the worker before retirement, except as a freely usable surplus when the requirements for this are met, and in that case they are not tax-exempt.

The law allows workers to partially or totally withdraw the balance accumulated through voluntary contributions at any moment of their working life, not only upon retirement. If the worker used option B, these funds are subject to a special additional tax and are considered income for the year the withdrawals were made. The special additional tax is calculated differently depending on when the withdrawal is made:

- Withdrawal before meeting conditions for retirement: The withdrawal is subject to one-off additional tax at the time of withdrawal at a rate between 3% and 7%. This rate is calculated as $0.03 + [1.1 \times (ICR - ISR)/R]$ where ICR corresponds to the amount of income tax that the individual would have to pay by adding the withdrawal to other taxable income for the fiscal year; ISR corresponds to the amount of income tax that the individual would have to pay if no withdrawals were made; R corresponds to the amount of withdrawal.

- Withdrawal for pensioners or those who meet requirements for retirement: The withdrawal is subject to one-off additional tax at the time of withdrawal at a rate calculated as $(ICR - ISR)/R$.

If the worker used option A, s/he does not have to pay the additional tax described above. In the case of withdrawal of funds before retiring, the worker loses the state matching contribution.

Social contributions

Pensioners pay 7% of pension income for health coverage. Since 2011, pensioners eligible for a solidarity pension (who must belong to the 60% poorest population, among other requirements) are exempt to pay contributions for health insurance. Further, since 2012, pensioners that belong to the 80% poorest population and are not eligible for a solidarity pension, pay a reduced contribution for health insurance (5%).

Tax treatment of pensioners

The basic solidarity pension and the pension supplement are taxed at the individual’s marginal rate of income tax. In practice however, they are tax-exempt, because the beneficiaries are in the lower part of the income scale.

Czech Republic

Structure of the private pension system

Voluntary, personal

- Second pillar pension
- Supplementary pension insurance (third pillar)
The second pillar pension system is anticipated to be closed by January 2016. Therefore, the following description does not include information about plans operating under that system (pension system introduced in January 2013). Second-pillar members will be able to choose whether to receive their funds into private bank accounts, with the option of returning the 3% portion back into the first pillar, or reinvest them into existing third-pillar funds.

**General tax treatment**

TEE: TEE for individual contributions and EEE for employer contributions.

**Tax treatment of contributions to private pension plans**

Employee contributions into supplementary pension insurance plans are paid from after-tax income. Contributions below CZK 1,000 a month are matched by the government. Contributions above CZK 12,000 a year are tax-deductible up to CZK 12,000 a year (the second limit will be CZK 24,000 as of 2017).

Employer contributions into supplementary pension insurance plans are not considered as taxable income for employee up to CZK 30,000 a year (this limit will be CZK 50,000 as of 2017). Above they are taxed at the flat income tax rate of 15%.

**Social contributions**

Employee contributions above CZK 12,000 per year are not included in income subject to social contributions.

Social contributions are not levied on employer’s contributions up to the limit of CZK 30,000 per year.

**Financial incentives to contribute to private pension plans**

Employee contributions made into supplementary pension insurance plans are matched each month by the government according to the following scale:

- CZK 230 if the individual contributes at least CZK 1,000 the same month.
- CZK 210 if the individual contributes between CZK 900 and CZK 999 the same month.
- CZK 190 if the individual contributes between CZK 800 and CZK 899 the same month.
- CZK 170 if the individual contributes between CZK 700 and CZK 799 the same month.
- CZK 150 if the individual contributes between CZK 600 and CZK 699 the same month.
- CZK 130 if the individual contributes between CZK 500 and CZK 599 the same month.
- CZK 110 if the individual contributes between CZK 400 and CZK 499 the same month.
- CZK 90 if the individual contributes between CZK 300 and CZK 399 the same month.
- CZK 0 if the individual contributes less than CZK 300 the same month.
Employer contributions cannot be matched. The government contributions are not subject to income tax and social contributions.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investment are not subject to income tax.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

It is not possible to withdraw a lump sum before the official retirement age of the state pension. Early withdrawal is possible as an annuity up to 5 years before the official retirement age.

If the individual withdraws money more than 5 years before the official retirement age, this closes the contract and any state contributions are returned to the state.

Annuities are tax-free, including when withdrawn up to 5 years before the official retirement age. Programmed withdrawals for more than 10 years will be tax-free from January 2016 (current reform of the third pillar is in the parliament). They are otherwise taxed at the flat rate of income tax (15%). Lump sums are taxed at 15% but the tax base consists only of the returns on investments and employer’s contributions (after January 2000).

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Old-age public PAYG pensions are not taxed up to a value of 36 times the minimum wage. This exemption of pensions from the first pillar does not apply if the sum of earnings from employment and business income exceeds CZK 840,000 in the period of taxation.

Public old-age pensions above 36 times the minimum wage are taxed at the flat rate of income tax (15%).
Denmark

Structure of the private pension system

<table>
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<td>• Special pension savings scheme (SP)</td>
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<td>• Public sector employee capital pension fund (LD pensions)</td>
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<th>Quasi-mandatory, occupational</th>
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<td>• Company pension funds</td>
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<td>• Pension accounts held in banks</td>
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Quasi-mandatory occupational plans and voluntary personal plans can run three different kinds of schemes: age savings (Aldersopsparing), programmed withdrawal (Ratepension/Ophørende livrente) or life annuity (Livrente). Capital pension (Kapital pension) is a lump sum scheme no longer active in the sense that it is not possible to establish such schemes since 2013.

General tax treatment

ETT: TTE for “age savings” plans and ETT for all the other plans.

Tax treatment of contributions to private pension plans

Employer contributions are not considered as taxable income to the employee.

In age savings, individual contributions are subject to labour market tax and income tax. There is a contribution limit of DKK 28,600 in 2015. Excess contributions are taxed at a flat rate of 20%.

For all the other plans, employee/individual contributions are deductible from income tax but still subject to the labour market tax (this tax is paid by the pension institutions):

- ATP: contributions are tax-exempt.
- Programmed withdrawal: contributions are tax-exempt up to DKK 51,700. Excess contributions are taxed at a flat rate of 20%.
- Life annuity: contributions are tax-exempt.
• Capital pension: since 2013, contributions no longer attract tax relief and are taxed at the individual’s marginal income tax rate.

• LD pensions: the scheme has not received contributions since 1980.

• SP: the scheme has not received contributions since 2010.

Social contributions

No such contributions.

Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns are subject to taxation, regardless of the form of the pension scheme. Returns are taxed yearly at a flat rate of 15.3%. Returns include dividends, interests and changes in the market value of the assets.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

As a general rule, assets in a pension scheme cannot be withdrawn or paid out earlier than 5 years before the official retirement age (65 today, going forward linked to life expectancy increases).

For ATP, programmed withdrawal and life annuity schemes, pension income is subject to personal income tax (but not to labour market tax). When ATP is paid out as a lump-sum (which is only the case when the yearly pay-out is smaller than DKK 2,500), the sum is taxed at a rate of 40%.

Pension income from age savings schemes is tax-exempt.

The pension income from capital pensions (lump sums) is taxed at a flat rate of 40%. People with a capital pension, who have reached the retirement age, were in 2013 and 2014 given the opportunity to withdraw their assets at a lower tax rate of 37.3%. In 2014, the government chose to extend this opportunity until the end of 2015. People who have not reached the retirement age have the opportunity to transfer their capital pension to an age savings scheme. If they do so, they will pay the tax when the assets are being transferred and get a likewise tax reduction of 2.7 percentage points. In this case, the pension income from these assets will not be taxed at the time of pay-out.

If an individual chooses to withdraw assets from capital pension, programmed withdrawal or life annuity as an early withdrawal, the sum will be taxed at a flat rate of 60%. This rule is disregarded if the withdrawal is due to invalidity or death. Many occupational plans do not offer this opportunity of early withdrawal.
Social contributions

No such contributions.

Tax treatment of pensioners

Public basic old-age pension is subject to personal income tax (but not to labour market tax).

As a part of a reform on taxation in 2009, it was agreed that if a pensioner has a total yearly pension income that exceeds DKK 369,400 (in 2015), the amount exceeding this ceiling is subject to a flat rate of 6% surtax. This tax is called “the equalisation tax” and is a response to the abolishment of the “middle tax” bracket in the same reform. The equalisation tax of 6% was collected between 2011 and 2014. Between 2015 and 2019, the equalisation tax will be reduced each year by 1 percentage point. From 2020, the equalisation tax will be abolished.

Estonia

Structure of the private pension system

People born in 1983 or later have to join the mandatory funded pension system (introduced in 2002). People born between 1942 and 1982 had the option to voluntarily subscribe to it. The deadline for subscribing was 31 October 2010.

General tax treatment

EET: EET for mandatory contributions and TEE for voluntary contributions.

Tax treatment of contributions to private pension plans

In mandatory pension plans, only employee contributions and state matching contributions are possible. Employee contributions (2% of the gross salary withheld by the employer) are fully tax-deductible. State matching contributions (4% of the gross salary) are not considered as taxable income to the employee. They are paid from the employer’s social contributions (20% for pension insurance and 13% for health insurance).

Individuals receive a tax credit on their contributions to voluntary pension plans corresponding to 20% of the contributions made during the year, up to 15% of gross income or EUR 6,000. Contributions
are otherwise taxed at the flat income tax rate (20% in 2015). The tax credit only applies to contract opened for at least 5 years when the individual reaches 55.

Social contributions

Employees pay 1.6% of their earnings in contributions for unemployment insurance. The taxable base is the total amount of the gross wage or salary.

Social contributions are also paid by employers on the same taxable base than employees’. The social tax is 33% of gross salary. There is a minimum lump sum payment for each employee of EUR 117.15 (in 2015). In addition, employers pay the unemployment insurance premium at a rate of 0.8% of gross salary monthly.

Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Pension payments from the mandatory funded pension system and the pay-as-you-go public pension system are treated together in terms of taxation. Certain tax exemptions apply and pension income exceeding the limit is taxed as income at the flat income tax rate (20% in 2015).

- General tax exemption: EUR 1,848 per year. This exemption is available for all Estonian residents who receive taxable income.
- Basic income tax exemption: EUR 2,640 per year only for mandatory pension income.
- Thus, in total, a pensioner may receive EUR 4,488 of tax-free payments from mandatory funded and pay-as-you-go pensions per year.

The taxation of pension payments from voluntary pension plans depends on when the individual withdraws money and the form of pension payments.

- Early withdrawals (before age 55) are taxed at a rate of 20% except if the person has become fully and permanently disabled. For disabled people, lump sums are taxed at a rate of 10%, while life annuities are tax-free.
- Withdrawals from the age of 55 are taxed at a rate of 10% for fixed-term annuities and tax-free for life annuities, provided that more than 5 years have passed since the conclusion of the
Withdrawals are taxed at a rate of 20% if less than 5 years have passed since the conclusion of the contract.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Pension payments from the mandatory funded pension system and the pay-as-you-go public pension system are treated together in terms of taxation. Certain tax exemptions apply and pension income exceeding the limit is taxed as income at the flat income tax rate (20% in 2015) (see above).

**Finland**

**Structure of the private pension system**

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<td>•Individual pension insurance provided by the employer</td>
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<td>•Individual pension insurance taken out by an individual</td>
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**General tax treatment**

**EET**

**Tax treatment of contributions to private pension plans**

Mandatory occupational plans: Employee contributions are fully tax-deductible from earned income. Employer contributions are not considered as taxable income to the employee.

Voluntary occupational plans: Employee contributions are deductible from the employee’s earned income up to the lesser of (i) 5% of salary or (ii) EUR 5,000 per year. If the employee contributes more than the employer, the excess amount is not deductible. For voluntary occupational plans opened before 06/05/2004, employees’ contributions are fully deductible. Employer contributions are not considered as taxable income to the employee. The retirement age cannot be lower than the maximum statutory age (currently 68) to be eligible for tax relief (age 60 for members affiliated before 2013).
Voluntary personal plans set up by the employer: Employee contributions are not tax-deductible for the employee. Employer contributions are not considered as taxable income to the employee if they do not exceed a limit of EUR 8,500 per year. Excess contributions count as employee’s salary and are taxed at his/her marginal income tax rate.

Voluntary personal plan taken by the employee: Individual contributions are deductible from capital income up to EUR 5,000 per year. If the capital income earned in the year is lower than the amount of deductible contributions, the difference is used to calculate a tax credit applicable to earned income tax. For example, if an individual contributes EUR 5,000 to a personal plan and has EUR 3,000 of capital income, the first EUR 3,000 of contributions are used to reduce capital income to zero. The tax credit is then calculated as 30% of the remaining EUR 2,000, i.e. EUR 600. If the employer provides a voluntary personal plan for its employees, the tax-deductible amount of contributions to a voluntary personal plan taken by the employee declines to EUR 2,500. If the voluntary personal plan was opened before 06/05/2004, contributions paid before 2006 were deductible from earned income.

For members of voluntary personal plans since 2013, the retirement age cannot be lower than the maximum statutory age (currently 68) to be eligible for tax relief (different ages before 2013). In addition, early withdrawal of pension assets is possible only under strict conditions (unemployment, disability, divorce and death of a spouse). Furthermore, minimum withdrawal period has to be 10 years.

**Social contributions**

Unemployment insurance contribution is levied on employer and employee contributions. Employee health insurance contribution is not levied on employee contributions.

**Financial incentives to contribute to private pension plans**

None exist.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Pension benefits received from mandatory occupational and voluntary occupational plans are taxed as earned income, as part of the taxpayer’s total earned income.

Pension benefits received from voluntary personal plans provided by the employer are taxed as earned income as part of the taxpayer’s total earned income.

Pension benefits received from voluntary personal plans taken by employees are taxed as capital income. Capital income is taxed at a flat rate of 30% up to EUR 30,000. The excess amount is taxed at 33%.
Social contributions

There are no contributions on pension income for pension or unemployment insurance.

There are separate contributions for health care insurance and earned income insurance. The health care contribution rate is 1.49% for pension income and benefits and 1.32% for work income in 2014. The contribution for earned income insurance is 0.84% and it is tax-deductible.

Tax treatment of pensioners

Public pension income is subject to taxes at the individual’s marginal income tax rate. However, small pensions are entitled to a special pension deduction. The deduction ensures that persons who only receive a national or guarantee pension get their pension tax-free.

Recipients of pension income can deduct an allowance from their income subject to municipal income tax. The maximum pension income allowance is the 2010 maximum amount of basic allowance (EUR 1,480) deducted from the full amount of national pension for single persons (in 2014 EUR 7,606.91) multiplied by 1.37 and rounded up to the nearest ten euros (e.g. $1.37 \times 7,606.91 - 1,480 = 8,941.467$, rounded up to EUR 8,950). The upper limit is the pension income. If the taxpayer’s net earned income exceeds the amount of maximum pension allowance, the allowance is reduced by 55% of the excess. If the net earned income exceeds EUR 25,223, the deduction is not granted.

There is also a pension income allowance in state income taxation. The maximum amount of the pension allowance is the lowest taxable income of the progressive tax scale (EUR 16,300) deducted from the full amount of national pension for single persons (in 2014 EUR 7,606.91) multiplied by 3.8 and rounded up to the nearest ten euros (e.g. $3.8 \times 7,606.91 - 16,300 = 12,606.258$, rounded up to EUR 12,610). The pension income is the upper limit. If the taxpayer’s net earned income exceeds the maximum pension allowance, the allowance is reduced by 44% of the excess. If the net earned income exceeds EUR 41,269, the deduction is not granted. The pension-income allowance cannot exceed the amount of pension.

Since 2013, after the deduction of the pension income allowance, a 6% surtax is levied on large pensions above EUR 45,000.
France

Structure of the private pension system

**Voluntary, occupational**
- Occupational DB plans for managers (article 39 of General Tax Code)
- Occupational DC plans (article 83 of General Tax Code)
- Company retirement savings plan (PERE)
- Collective retirement savings plan (PERCO)
- Civil servant complementary pension plan (PREFON)

**Voluntary, personal**
- Personal retirement savings plan for self-employed workers and formers (Madelin)
- Popular retirement savings plan (PERP)

General tax treatment

TET: TET for employer contributions, TTT for employee contributions in PERCO plans and TET for employee/individual contributions to other pension plans.

Tax treatment of contributions to private pension plans

Personal income tax system

Employer contributions to all occupational pension plans are not considered as taxable income for the employee.

Employee contributions to occupational (except PERCO) and personal pension plans are tax deductible from income (or from taxable profit in case for Madelin contracts) up to specific limits. Contributions above the limits are taxed at the individual’s marginal rate of income tax. The following limits apply:

- Article 39: No limit for the tax-exemption of employer contributions.
- Article 83 and PERE: Mandatory employer and employee contributions are tax-exempt up to a limit of 8% of the annual gross wage of the employee, with the annual gross wage capped at 8 times the annual social security ceiling. The contribution limit is reduced by employer contributions into PERCO.
- Article 83, PERE, PERP and PREFON: The tax deduction limit for voluntary contributions is common for these four types of plan. The ceiling for a year is 10% of gross earnings of the previous year. This ceiling cannot be lower than 10% of the annual social security ceiling (EUR 3,804 in 2015) or greater than 8 times 10% of the annual social security ceiling (EUR 30,432 in 2015). This ceiling is reduced by the following contributions made in another retirement savings plan the same year:
- Employer contributions and mandatory employee contributions into article 83 and PERE;
- Employer contributions into PERCO;
- Tax deductible contributions into Madelin contracts.
- The final cap for one year is the ceiling of that year plus unused ceilings of the three previous years.

**Madelin contracts**: The tax deduction limit for contributions depends on the taxable profit. If the taxable profit is lower than the annual social security ceiling (EUR 38,040 in 2015) then the tax deduction is capped at 10% of the annual social security ceiling. If the taxable profit is between 1 and 8 times the annual social security ceiling, the cap is equal to 10% of the taxable profit plus 15% of the taxable profit above the annual social security ceiling. If the taxable profit is greater than 8 times the annual social security ceiling, the cap is equal to 10% of 8 times the annual social security ceiling plus 15% of 7 times the annual social security ceiling.

Voluntary employee contributions into PERCO are not tax-deductible. However, profit-sharing contributions into PERCO are not considered as taxable income for the employee. Employer contribution into PERCO cannot exceed 16% of the annual social security ceiling or 3 times employee contributions (voluntary contributions and profit sharing contributions). Employee contributions into PERCO (voluntary contributions and profit sharing contributions) cannot exceed a quarter of the employee’s gross earnings of the past year. The cap for employee contributions into PERCO includes any contributions made into company savings plan (PEE) or intercompany savings plan (PEI).

**Social taxes**

So-called “social” taxes are levied on employer and employee contributions to occupational pension plans (except article 39) and on individual contributions to personal pension plans: the General Social Contribution (CSG) at the rate of 7.5% and the Social Debt Reimbursement Contribution (CRDS) at the rate of 0.5%. These social taxes are withheld from the salary. Part of the CSG is deductible from income tax (5.1%). Social taxes are not levied on contributions to article 39.

For article 83 and PERE, the social taxes due on employee contributions are calculated only on 98.25% of the amount. This 1.75% deduction only applies on the part of salary below four times the annual social security ceiling.

**Social contributions**

Contributions into article 39 plans are not subject to social contributions.

Employee and employer contributions into article 83 and PERE are subject to employee social contributions. Employer contributions within limits are subject to a flat social fee of 20% instead of usual employer social contributions. The contribution limit is the highest of 5% of the annual gross wage (with the annual gross wage capped at 5 times the annual social security ceiling) or 5% of the annual social

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2 There is a debate on how to classify the CSG. The French Law considers it as a tax because it does not entitle workers to any right or benefit (as opposed to social contributions). The Justice Court of the European Union considers it as a social contribution because the money is only used to finance the social security system and is levied on wages (although not only). Following French interpretation, both CSG and CRDS are considered as taxes in this analysis, rather than as social contributions.
security ceiling. The limit is reduced by employer contributions into PERCO. Any contributions above the limit are subject to usual employer social contributions.

Employee contributions (except profit-sharing contributions) into PERCO are subject to social contributions. Employer contributions are subject to a flat social fee of 20% instead of usual employer social contributions and an additional social contribution of 8.2% on contributions above EUR 2,300 a year.

Contributions to PERP and “Madelin” contracts are subject to social contributions.

Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

For article 39, article 83, PERE and PERP, return on investment is exempt from income tax and social taxes.

Return on investment into PERCO is not considered as taxable income during the accumulation phase. However, it is subject to social taxes at the rate of 15.5% upon withdrawal. Part of the CSG is deductible from income tax (5.1%)

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Annuities

Annuities paid by article 39, article 83, PERE, PREFON, Madelin and PERP are subject to the same social and income taxes than public pensions. These pensions are taxed at the individual’s marginal rate of income tax after a 10% deduction. This deduction cannot be lower than EUR 379 per pensioner or greater than EUR 3,707 per household. If the individual’s pension is lower than EUR 379, then the tax deduction is equal to the pension. These pensions are also subject to CSG (6.6%), CRDS (0.5%), health contributions (1%) and the solidarity contribution for autonomy - CASA - (0.3%). Part of the CSG is deductible from income tax (4.2%).

An additional tax applies to annuities paid by article 39. The tax scale depends on the date when the annuities have begun:

- If the annuities have begun before 1 January 2011, the part of the monthly pension below EUR 523 is not taxed, the part between EUR 523 and EUR 1,046 is taxed at 7% and the part above EUR 1,046 is taxed at 14%.

- If the annuities have begun after 1 January 2011, the part of the monthly pension below EUR 418 is not taxed, the part between EUR 418 and EUR 628 is taxed at 7% and the part above EUR 628 is taxed at 14%.
The part of the additional tax covering the first EUR 1,000 of pension payment is tax-deductible.

Annuities paid by PERCO are partially taxed at the individual’s marginal income tax rate and subject to social taxes (15.5%), depending on the claiming age. If the individual claims the annuities between age 50 and age 59, 50% of the pension is subject to income and social taxes. If s/he claims the annuities between age 60 and age 69, 40% of the pension is taxed. If s/he claims the annuity after age 70, 30% of the pension is taxed.

**Lump sums and programmed withdrawals**

Lump sums or programmed withdrawals are not allowed for article 39, article 83, PERE and PREFON.

Lump sums or programmed withdrawals are not allowed for Madelin contracts, except if the pensioner buys his/her permanent residence.

Lump sums paid by PERCO are divided into a capital component and a return on capital component. Only the return on capital component is subject to 15.5% social tax. The lump sum is not considered as taxable income.

Pensioners can withdraw up to 20% of their PERP as a lump sum. In this case, pensioners can choose between three fiscal options:

- The lump sum is taxed at the individual’s marginal rate of income tax after a deduction of 10%. The lump sum is also subject to CSG (6.6%) and CRDS (0.5%). CSG is partially tax deductible (4.2%).

- The income tax due for the lump sum is equal to 4 times the additional tax that would be generated by a quarter of the lump sum being taxed at the marginal rate of income tax. The lump sum is also subject to CSG (6.6%) and CRDS (0.5%). CSG is partially tax deductible (4.2%).

- The lump sum is entirely taxed at the rate of 7.5% and subject to CSG (6.6%) and CRDS (0.5%). In this option, there is not deductible CSG. This option is only available if this is not possible to withdraw another lump sum from the same contract in the future.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Public pensions are taxed at the individual’s marginal rate of income tax after some tax deductions:

- 10% tax deduction is computed on public pensions and some private pensions (article 39, article 83, PERE, PREFON, Madelin contracts and PERP). This tax deduction cannot be lower than EUR 379 per pensioner or greater than EUR 3,707 per household. If the individual’s pension is lower than EUR 379, then the tax deduction is equal to the pension.

- People who are at least 65 years old or are in some disability schemes (invalidity card, military pension or working accident at least 40%) have an additional tax deduction if they earn less than EUR 23,730 a year. This tax deduction is set at EUR 2,348 if the pensioner earns less than EUR
If the pensioner earns between EUR 14,730 and EUR 23,730, the tax deduction is set at EUR 1,174.

Pensioners with low “fiscal reference income” are partially or fully exempt from social taxes.

Table 4. Exemption from social taxes

<table>
<thead>
<tr>
<th>Fiscal reference income</th>
<th>CSG</th>
<th>CRDS</th>
<th>CASA</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; Exemption threshold</td>
<td>Exempted</td>
<td>Exempted</td>
<td>Exempted</td>
</tr>
<tr>
<td>Between Exemption threshold and Partial CSG threshold</td>
<td>3.8% (3.8% tax deductible)</td>
<td>0.5%</td>
<td>Exempted</td>
</tr>
<tr>
<td>&gt; Partial CSG threshold</td>
<td>6.6% (4.2% tax deductible)</td>
<td>0.5%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

The value of the two thresholds depends on the family composition and if the individual leaves in metropolitan France or in Overseas Departments of France.

Germany

Structure of the private pension system

General tax treatment

EET (or in transition from TEE to EET); TET for private pension insurance.

Tax treatment of contributions to private pension plans

Pension funds and direct insurance: For plans set up after 2005, employer and employee contributions are tax-exempt, up to 4% of the social security contribution ceiling (EUR 72,600 per year in 2015) plus EUR 1,800 in certain cases. If total contributions exceed the limit, they are taxed at the individual’s marginal rate of income tax. For members who joined the plan before 2005, total contributions up to EUR 1,752 could be subject to a 20% flat tax rate (plus solidarity and church tax), provided this flat rate is more beneficial than the employee’s personal income tax rate and that the 4% tax deduction rule would not be used.
Direct commitments: Employer and employee contributions are tax-free and no ceiling applies.

Riester pensions: Riester pensions are available only to individuals who are actively compulsorily insured in a pension system, where the benefits were reduced by the legislation in or after 2002 (i.e. employees, civil servants, unemployed in receipt of unemployment benefits, recipients of disability pensions). Plan members can receive a government subsidy and pay contributions net of those subsidies. Their gross contributions (including the subsidy) can be deducted from income tax up to EUR 2,100. To be tax-incentivized, contributions must be paid to an officially certified Riester pension contract. Important certification criteria are the following. The pension has to be paid in the form of a life annuity and not before the member’s age of 60. For contracts signed after 2011, the payment must occur not before age 62. Alternatively, income drawdown until age 85 with a subsequent life time annuity from age 85 onwards is permitted.

Basisrente pensions: Contributions to Basisrente pensions are partly taxed at the individual’s marginal income tax rate. From a tax perspective, Basisrente pension plans are treated like pillar one pensions (mandatory state pension plan and collective retirement schemes for selected professions). These pensions are in a transition period regarding taxation. Contributions to pillar one pensions (including Basisrente contributions) are partly taxed, the exempt part growing by 2 percentage points every year, starting from 60% in 2005. This means that in 2015, 80% of a maximum EUR 22,172 for single individuals (EUR 44,344 for married couples) of contributions can be deducted from taxable income. Contributions will be fully tax-exempt from the year 2025, up to a maximum equal to the maximum contribution to the miners’ statutory pension scheme (Knappschaft). The limit counts for the total contributions to mandatory state pension, collective retirement schemes for selected professions and Basisrente pensions. To be tax-incentivized, the benefit payment of a Basisrente scheme must be under the form of a life annuity (or maximum 30% of assets withdrawn as a lump sum at the start of the payment phase and then annuity) and if the contract was signed after 2011, the payment must not occur before age 62. The savings cannot be inherited by someone else, must be non-transferable, cannot be used as collateral, cannot be sold and cannot be subject to capitalization.

Private pension insurance: No tax relief on contributions.

Social contributions

Pension funds and direct insurance: Neither the employee nor the employer has to pay social insurance contributions (state pension, unemployment, health and long-term care insurance) on the contributions within the 4% of the social security contribution ceiling limit. On the additional EUR 1,800 of contributions which are still tax free (for contracts set up after 2005), social insurance contributions are levied.

Direct commitments: Employer contributions are exempt from social insurance contributions without any limit. Same for employee contributions (deferred compensation) within the 4% of the social security contribution ceiling limit.

Riester pension, Basisrente pensions and private pension insurance: Contributions have to be paid from income from which social contributions were levied (including occupational Riester plans).

Financial incentives to contribute to private pension plans

Members of Riester pension plans can receive government subsidies. Members pay own contributions net of the subsidy. The subsidy is paid into their account by a state authority. Members have to claim the subsidy annually within two years after contributing to the plan. They may also authorize the provider to claim the government subsidy for them. For single individuals or each partner of a married or civil
partnership couple where both qualify for the subsidy, the maximum subsidy is EUR 154 per year per person. In order to receive the maximum subsidy, the sum of the tax-deducted member’s contributions and the subsidies must be at least equal to 4% of his/her previous year’s annual income before taxes (up to a maximum of EUR 2,100). If below 4%, the state subsidies will be reduced pro-rata. Spouses and partners of civil partnership of individuals entitled to the subsidy are entitled to the government subsidy too if they contribute at least EUR 60 per year to their own contract.

An additional child subsidy can also be paid into the Riester account if one of the parents receives child allowances. The maximum subsidy amounts to EUR 185 per year and per child born before January 1st 2008; or EUR 300 per year and per child born on or after January 1st 2008. As a default the mother receives the subsidy, unless otherwise agreed.

Young individuals, who receive the state subsidy before their 25th birthday, receive an additional maximum one-time bonus of EUR 200.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

In general, pension income is taxed at the individual’s marginal rate of income tax.

Direct commitments: Direct commitments are in transition period regarding the taxation of pension income. The tax-free allowance on benefits will be gradually phased-out from 40% of pension income up to EUR 3,000 in 2005 to 0% by the year 2040. If the payment of the benefits starts in 2015, 24% of pension income is tax-free, up to EUR 1,800.

Pension funds, direct insurance and Riester pensions: If the benefits of tax-deducted contributions are paid as annuities or a maximum of 30% as a lump sum, they are taxed at the individual’s marginal rate of income tax. If the annuity is lower than EUR 28.35 per month (2015) then the whole benefits can be paid as a lump sum and are also taxed at the individual’s marginal rate of income tax. Programmed withdrawals with subsequent annuitisation from age 85 from Riester plans are also taxed at the individual’s marginal tax rate. If the benefits of non-tax-deducted contributions (e.g. contributions exceeding tax limits or paid without being entitled to Riester subsidy) are paid as annuities, then only an age-dependent percentage of the pension is liable for taxation (see description below for private pension insurance).

Basisrente pensions: Due to the transitional regime, the taxation of pension income depends on the date of retirement. If the payment of the benefits started in 2005 or earlier, 50% of the benefits are subject to taxation at the marginal income tax rate of the pensioner. The taxable portion increases annually by 2 percentage points until 2020. Between 2020 and 2040, the taxable portion increases annually by 1 percentage point until reaching 100%. Therefore, pensions withdrawn on or after 2040 will be fully taxed. The tax-exempt part of the pension is determined in the year after the retirement (based on the rate applicable in the year of retirement) and is kept constant in nominal terms for the remaining lifetime of the
retiree. If the payment starts in 2015 the taxation rate of the pension is 70%. The annual amounts are taxed at the individual’s marginal rate of income tax.

Private pension insurance: Because for these products, in general, contributions are not tax-favoured, there are some special tax rules regarding the benefits.

- For life-time annuities, only the so-called “income part” (i.e. returns on investment) will be taxed at the individual’s marginal rate of income tax. This income part is determined by the age at which the retiree receives the pension for the first time. For example, if the recipient receives his/her pension for the first time at age 65, the taxable income part is 18% of the annual pension. For age 60 (respectively age 67) it is 22% (respectively 17%). This amount will be taxed at the individual’s marginal rate of income tax.

- The taxable income in case of a lump sum payment is calculated as follows. The income part is the insurance benefit in the event of survival minus the paid-in contributions. If the lump sum is paid after holding the contract at least 12 years and the recipient is 60 years or older (if the contract was signed from 2012, the payment must not occur before age 62) half of the income part will be taxed.

Social contributions

State pensioners who contributed most of their life time to the public health insurance become entitled to pensioners’ health insurance. In this case the state pension scheme pays half of the general contributions to health insurance (7.3% in 2015). Pensioners contribute half of the general contributions plus additional contributions stipulated by their particular health insurance. They pay the full rate of contributions to long-term care insurance (2.35% in 2015).

Pensioners have to pay the full contribution rate to health (14.6% in 2015) and long-term care insurance (2.35% in 2015) from their occupational pension payments. However, these expenses are deductible from taxable income up to certain limits. For individuals who have to finance their health insurance on their own and do not get tax-free benefits for this propose, the limit is EUR 2,800 per person and per year. For all others, the limit is EUR 1,900 per person and per year. If the contributions to the basic health and basic long-term care insurance are higher than the limit, these higher contributions are deductible. Contributions to health and long-term care insurance are considered as basic if they are paid to establish a care level which corresponds to the level reached when social welfare is granted.

Payments made in retirement from a personal Riester plan, Basisrente plan and private pension insurance plan are not subject to social insurance contributions if the retiree is eligible to pensioners’ health insurance. Non-eligible pensioners have to pay the full health and long-term care insurance contributions.

Tax treatment of pensioners

Germany is currently in a transition period regarding the way income from the public pay-as-you-go system is taxed – by 2040 pensioner income will be fully taxed. Before this date, pensioners benefit from an allowance which is not taxed. The allowance is calculated based on the pension received in the first year after the retirement. For the individual pensioner, this allowance is nominally fixed at the beginning of retirement. Overall, its share is diminishing over the years leading up to 2040, meaning that each new generation of pensioners is taxed on a larger proportion of their income. Simultaneously, contributions to the state pensions will benefit over time from growing tax relief.
There is no special relief for pensioners, although there is a relief for every citizen (EUR 8,354 for single individuals, EUR 16,708 for married couples in 2014). There are additional deductions totalling at least EUR 138 (EUR 102 plus EUR 36) for pensions drawn at any age. If the income tax is less than EUR 972 (EUR 1,944 for married couples), no solidarity tax (5.5%) has to be paid.

**Greece**

*Structure of the private pension system*

- **Voluntary, occupational**
  - Occupational insurance funds
- **Voluntary, personal**
  - Simple personal pension plan
  - Personal pension plan with profit sharing
  - Personal pension plan with investment returns (unit-linked)

**General tax treatment**

EET

**Tax treatment of contributions to private pension plans**

All employee contributions into occupational insurance funds are tax exempt. Employer contributions are deductible from income tax.

**Social contributions**

This information is not available.

**Financial incentives to contribute to private pension plans**

None exist.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.
**Tax treatment of private pension income**

Pension income from occupational insurance funds is taxed at the individual’s marginal rate of income tax.

**Social contributions**

This information is not available.

**Tax treatment of pensioners**

Public pension benefits are taxable for annual amounts higher than EUR 9,000 for pensioners over the age of 65 and higher than EUR 5,000 for pensioners of age 65 or below 65.

**Hungary**

**Structure of the private pension system**

<table>
<thead>
<tr>
<th>Voluntary, occupational</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Institutions for occupational retirement provision</td>
</tr>
<tr>
<td>• Voluntary private pension funds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Voluntary, personal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Voluntary private pension funds</td>
</tr>
<tr>
<td>• Individual retirement accounts</td>
</tr>
</tbody>
</table>

**General tax treatment**

TEE: TEE for employee/individual contributions and EEE for employer contributions.

**Tax treatment of contributions to private pension plans**

Employees’ contributions are paid from net wages. They are therefore taxed at the individual’s marginal rate of income tax. Employers may contribute as well. Employer’s contributions are not considered taxable income for the employee.

Contributions to private pension plans enjoy tax relief in the form of a tax refund transferred and credited to the employee’s pension account. The tax refund is equivalent to 20% of contributions made, up to a limit. The contributions could come from 3 sources: employee contribution, employer contribution and employer donation. The maximum amount of tax refund is HUF 100,000 per year in case of individual retirement accounts (for those who retire before 2020, the limit is HUF 130,000), HUF 150,000 per year in case of voluntary private pension funds and HUF 130,000 per year in case of pension insurance. If the individual has more than one of the above-mentioned savings plans, the amount of tax relief cannot exceed HUF 280,000 per year altogether. Individuals get tax relief on contributions as long as they contribute to voluntary private pension funds and/or individual retirement accounts.

**Social contributions**

Social contributions are levied on employee contributions.
Health care contribution is not payable by the employee, but the employer is responsible for the payment of it. If the employer’s contribution to institutions for occupational retirement provision and/or to voluntary private pension funds is lower than 50% of the minimum monthly wage and the amount of total contributions per year and per employee is under HUF 500,000 (HUF 200,000 as of 1 January 2015), the employer’s healthcare contribution rate is reduced to 16.6% from the normal rate of 27%. If the employer’s contribution is greater than 50% of the minimum monthly wage, the employer’s healthcare contribution rate increases to 32.13%.

Financial incentives to contribute to private pension plans

The tax refund credited to the employee’s pension account can also be seen as a state matching contribution of 20% of the contributions made to private pension funds, up to the limit previously described.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments in private pension funds are tax free provided the returns are not withdrawn from the account before the pension payments started.

In case of voluntary private pension funds, after 10 years of membership, returns can be withdrawn tax-free once every 3 years. Otherwise returns withdrawn are taxed at a rate of 16% and health care contribution (27%) is also levied on returns on investment.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

After a certain waiting period, private pension income from voluntary private pension funds is tax free:

- If the account was opened before 01/01/2013 and the membership period was less than 3 years, lump sum pension payment is taxed, while a programmed withdrawal of at least 3 years of duration is tax-free upon the condition that the decrease of the yearly payments is less than 15%. Pension payments are tax-free after 3 years of membership.

- If the account was opened after 01/01/2013, pension payments are tax-free after 10 years of membership. Withdrawals before the retirement age are usually taxable at 16% personal income tax and 27% health care tax. However, in case of withdrawals from voluntary private pension funds after the 10-year compulsory period has elapsed, the taxable part of the income is reduced gradually (10% reduction per year), i.e. after 20 years of membership withdrawals become tax free.

In case of other types of private pension funds (e.g. individual retirement accounts), withdrawals before the retirement age are taxable for the individual at 16% personal income tax and 27% health care tax (the base of the tax and the contribution is 78%). In addition, when an individual wants to access to the individual retirement account before the retirement age, the 20% tax refund has to be paid back.
Social contributions

Social contributions are not levied on pension income.

Tax treatment of pensioners

Public pension income is tax-exempt.

Iceland

Structure of the private pension system

General tax treatment

EET

Tax treatment of contributions to private pension plans

Both employer and employee contributions to occupational pension funds are tax-deductible. Employees can deduct up to 4% of their salaries as contributions. There is no limit for employer contributions.

Individual contributions to personal pension funds are deductible from taxable income up to 4% of the salary. Excess contributions are taxed at the marginal income tax rate. The employer matching contribution is tax-deductible.

Social contributions

Social contributions are not levied on pension contributions.

Financial incentives to contribute to private pension plans

According to collective agreements, employers contribute minimum 2% of the salary to voluntary personal pension plans if the employee matches the amount with at least the same percentage. The most common contribution rate (employee and employer) is therefore 6% of the employee’s salary when employees contribute their maximum tax-free percentage (4%).
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Pension income is taxed as ordinary wage income and subject to the individual’s marginal income tax rate.

A new law passed in 2015 allows active members in voluntary personal pension plans to withdraw assets to pay down housing debt for the following three years, up to ISK 750,000 ISK per person. This kind of withdrawal is tax-free.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Public pension income is taxed as ordinary wage income.

**Ireland**

**Structure of the private pension system**

- **Voluntary, occupational**
  - Occupational pension plans

- **Voluntary, personal**
  - Retirement annuity contracts (RAC)
  - Personal retirement savings accounts (PRSA)

**General tax treatment**

EET
**Tax treatment of contributions to private pension plans**

Contributions made by employees to any kind of pension plans are deductible for income tax purposes. The contributions to approved pension schemes or plans by employees subject to the pay-as-you-earn (PAYE) tax system are deducted from gross pay before the application of income tax under PAYE (this is known as the Net Pay arrangement). Self-employed individuals or individuals in non-pensionable employment must claim tax relief on contributions to pension saving arrangements. Low-income people who are exempt for filing income tax get no tax relief.

Employer contributions to occupational pension plans on behalf of their employees are not treated as taxable income in the hands of the employee.

Employer contributions on behalf of the employee to a PRSA or a RAC are treated as taxable benefit-in-kind for the employee. However, for the purposes of obtaining tax relief on pension contributions, the employee rather than the employer is deemed to have made such a contribution to the pension fund. The effect of this provision is that the tax relief on the contribution negates the taxable benefit-in-kind on the benefit provided. This treatment only applies where the employer contribution does not exceed certain limits based on the age of the employee. If combined employer and employee contributions exceed the limits, an unrelieved benefit-in-kind charge applies to the excess, at the employee’s marginal tax rate.

The amount of employee contributions that can be tax-relieved is limited to an age-related percentage amount of the employee’s earnings. There is also an overall upper limit on the amount of earnings that are taken into account for the purposes of giving tax relief. Since 2011, this limit is set at EUR 115,000. These rules apply to aggregate employee contributions including additional voluntary contributions but do not apply to employer contributions into occupational pension plans.

**Table 5. Age-related percentage limits and corresponding contribution limits**

<table>
<thead>
<tr>
<th>Age</th>
<th>Percentage limit (%) of earnings</th>
<th>Contribution limit (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30</td>
<td>15%</td>
<td>17,250</td>
</tr>
<tr>
<td>30-39</td>
<td>20%</td>
<td>23,000</td>
</tr>
<tr>
<td>40-49</td>
<td>25%</td>
<td>28,750</td>
</tr>
<tr>
<td>50-54</td>
<td>30%</td>
<td>34,500</td>
</tr>
<tr>
<td>55-59</td>
<td>35%</td>
<td>40,250</td>
</tr>
<tr>
<td>≥ 60</td>
<td>40%</td>
<td>45,000</td>
</tr>
</tbody>
</table>

**Social contributions**

Employees’ pension contributions do not receive relief from Pay-Related Social Insurance (PRSI) and Universal Social Charge (USC).

Employer contributions attract full PRSI relief. Employer contributions are not liable to the USC (except when the employer makes a contribution on behalf of the employee to a PRSA or to a RAC).

**Financial incentives to contribute to private pension plans**

None exist.
Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed.

Tax treatment of accumulation of funds

A temporary pension levy of 0.6% of pension fund assets is payable for each of the 4 years from 2011 to 2014. In 2014, an extra levy of 0.15% was introduced for 2014 and 2015.

There is a lifetime limit on the total capital value of pension benefits that an individual can draw in his/her lifetime from tax relieved pension products. This limit is called the standard fund threshold (SFT) and is EUR 2 million since 1 January 2014. In certain circumstances, a higher threshold called the personal fund threshold (PFT) may apply.

On each occasion that an individual becomes entitled to receive a benefit under a pension arrangement, that individual uses up part of his/her SFT or PFT. Where the capital value of the aggregate of such benefits exceeds the SFT or PFT, a “chargeable excess” arises equal to the amount by which the threshold is exceeded which is subject to an upfront income tax charge at the higher rate of income tax (currently 40%).

Individuals with pension rights whose capital value as at 1 January 2014 exceeds EUR 2 million are able to protect higher capital value by claiming a PFT from Revenue Commissioners. The maximum PFT is EUR 2.3 million (i.e. the previous SFT limit), except where an individual holds a PFT issued on the previous occasions when the SFT was first introduced or reduced.

For DC pension arrangements, the capital value of pension rights when they are drawn down after 1 January 2014 is the value of the assets in the arrangement that represent the member’s accumulated rights on that date.

In the case of DB pension arrangements, the capital value of pension rights drawn down after 1 January 2014 is determined by multiplying the gross annual pension that would be payable to the individual (before commutation of part of the pension for a lump sum) by the appropriate valuation factor. DB pension benefits accrued to 1 January 2014 are valued using a standard valuation factor of 20 that applied up to that date. DB pension benefits accrued after 1 January 2014 are valued at the date of drawdown of those benefits by reference to a set of age-related valuation factors. The factors range from 37 for DB pension entitlements drawn down at age 50 and under, 30 where they are drawn down at age 60, to 26 at age 65 and 22 at age 70 or over.

Tax treatment of private pension income

Most benefits are taxed under the PAYE system and subject to the USC. Pension income benefits are taxable as income at the individual’s marginal rate of income tax. Individuals can take tax-free lump sums as described below.

Individuals with DC pension savings can transfer some or all of their retirement savings upon retirement to an approved retirement fund (ARF), subject to conditions. Any money withdrawn from an ARF is taxed at the individual’s marginal rate. There is an imputed or notional distribution of the value of the assets of an ARF on 31 December each year unless the imputed distribution is matched by actual distributions and the notional amount is taxed at the ARF’s owner marginal income tax rate. The imputed percentage of ARF assets is 4% for ARF owners aged under 70 years and where the value of ARF assets is
EUR 2 million or less. The percentage is 5% for ARFs of such value where the owner is aged 70 or over. The level of the imputed distribution is 6% for ARFs with asset values in excess of EUR 2 million. The notional distribution measure was introduced to encourage drawdowns from ARFs so that they are used, as intended, to fund a stream of income in retirement.

Since 1 January 2011, the maximum sum that can be taken from a pension scheme at retirement tax-free is capped at EUR 200,000. This tax-free amount is a lifetime limit and encompasses all retirement lump sums paid to an individual on or after 7 December 2005. Lump sum payments above that limit are taxed at the following rates:

Table 6. Tax rates on lump sum payments

<table>
<thead>
<tr>
<th>Lump sum payment</th>
<th>Income tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ EUR 200,000</td>
<td>0%</td>
</tr>
<tr>
<td>EUR 200,001 to EUR 500,000</td>
<td>20%</td>
</tr>
<tr>
<td>&gt; EUR 500,000</td>
<td>Taxpayer’s marginal rate and USC</td>
</tr>
</tbody>
</table>

Social contributions

Pension benefits are subject to the USC.

Tax treatment of pensioners

All income in Ireland is generally subject to taxation. Social welfare payments may or may not be deemed taxable but even if an individual’s social welfare payment is taxable (as state pensions are), s/he may not actually have to pay tax on it. Individuals getting a social welfare payment get a PAYE tax credit in addition to their normal tax credits. This means, if a social welfare payment is the only source of income, the individual may not pay tax because his/her tax liability does not exceed his/her tax credits. If an individual has a social welfare payment and another source of income, both sources are added together and the individual is taxed on the total amount.

People aged 65 and over are subject to the same general tax rules as everyone else but they do get tax exemption limits below which they pay no tax and some extra tax credits.

Table 7. Annual exemption limits for people aged 65 and over

<table>
<thead>
<tr>
<th>Status</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single or widowed or surviving civil partner</td>
<td>EUR 18,000</td>
</tr>
<tr>
<td>Married or in a civil partnership</td>
<td>EUR 36,000</td>
</tr>
<tr>
<td>First 2 children</td>
<td>EUR 575 each</td>
</tr>
<tr>
<td>Subsequent children</td>
<td>EUR 830 each</td>
</tr>
</tbody>
</table>

Everyone is entitled to a personal tax credit at either the married/in a civil partnership (EUR 3,300), single or widowed/surviving civil partner rate (EUR 1,650). People who pay tax under the PAYE (pay-as-you-earn) system also get a PAYE tax credit (EUR 1,650). People aged 65 and over also get an Age Tax Credit: EUR 245 for single or widowed/surviving civil partner and EUR 490 for married/in a civil partnership. A single person aged 65 and receiving benefits from an occupational pension plan and other income will have a total credit of EUR 3,545 (EUR 1,650 of personal credit + EUR 1,650 of PAYE credit + EUR 245 of age credit). This equates to an exempt income amount of EUR 17,725 for an individual.
However, if more beneficial, that individual can choose the EUR 18,000 exemption set out above and not avail of the tax credit system at all.

In 2014, the USC is payable if the individual’s gross income is more than EUR 10,036 per year. Once the income is over this limit, the USC is paid on all of the income. People aged 70 or over whose aggregate income for the year is EUR 60,000 or less pay a reduced rate of USC (2% for income up to EUR 10,036 and 4% for all income over EUR 10,036). State pensions or similar pensions from abroad are not subject to the USC.

Israel

**Structure of the private pension system**

<table>
<thead>
<tr>
<th>Mandatory, occupational</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Old pension funds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mandatory, personal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• New pension funds</td>
</tr>
<tr>
<td>• General pension funds</td>
</tr>
</tbody>
</table>

**General tax treatment**

TET: TET for employee/individual contributions and EET for employer contributions.

**Tax treatment of contributions to private pension plans**

Employer contributions are not included in the taxable income of the individual up to 7.5% of the individual’s salary, with a cap on gross salary of 4 times the national average salary for employees (going down to 2.5 times as of 2016) and 2 times the national average salary for self-employed people. Excess contributions are taxed at the individual’s marginal rate of income tax.

Employee contributions are subject to a 35% non-refundable tax credit up to 7% of his/her salary, with the gross salary capped at the national average salary.

**Social contributions**

Social contributions are not levied on pension contributions.

**Financial incentives to contribute to private pension plans**

None exist.
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Annuities are taxed at the individual’s marginal rate of income tax. Pensioners receive a tax credit equal to 35% of the annuity, up to a limit.

It is not possible to withdraw a lump sum from pension products. The capital accumulated in any of the pension products (pension funds, provident funds and life insurance policies) since 2008 can no longer be directly withdrawn and can only be paid as an annuity, up to a minimum NIS 4,750 (based on minimum indexed wage as of 2008). Any other long-term savings can be paid as a lump sum and receive a tax exemption, up to a maximum of “entitled annuity”.

**Social contributions**

Old age pensions are subject to health insurance contribution. This contribution is deducted at source. In 1 January 2012, this contribution was equal to NIS 189 for an individual and NIS 274 for a couple.

**Tax treatment of pensioners**

Public pension income is subject to income tax.

**Italy**

**Structure of the private pension system**

- **Voluntary, occupational**
  - Contractual pension funds
  - Open pension funds
  - Pre-existing autonomous pension funds
  - Pre-existing non-autonomous pension funds

- **Voluntary, personal**
  - Open pension funds
  - Individual pension plans provided through life insurance contracts
General tax treatment

ETT

Tax treatment of contributions to private pension plans

Employee contributions are tax-exempt up to a limit calculated by summing up employee and employer contributions. Contributions above the limit are taxed at the individual’s marginal rate of income tax. The maximum amount of contributions that an individual can get tax relief on is EUR 5,164.57 per year.

TFR (Trattamento di fine rapporto) contributions paid into a pension scheme are excluded from such limit and thus are exempt from tax, regardless of the amount.

Employees who got their first job from the 1st of January 2007 are entitled to an extra tax relief in excess to the above limit for the contributions paid in the 20 years following the 5th year of participation in a pension scheme. Such extra tax relief is equal to the difference between EUR 25,822.85 (corresponding to 5 years of contributions at the contribution limit of EUR 5,164.57) and the amount of contributions paid in the first 5 years of participation. This extra relief may not exceed EUR 2,582.29 per year.

Social contributions

Employee contributions are subject to the normal social contribution rate of 9.19% on earnings up to EUR 46,123. An additional 1% is levied for income above EUR 46,123 and up to EUR 100,324. For earnings exceeding EUR 100,324, the employee pays a fixed amount given by \((0.0919 \times 46,123) + 0.1019 \times (100,324 – 46,123)\). These ceilings are updated annually.

Employer contributions are subject to a lower rate of 10% (instead of the normal contribution rate, around 23-24%, on earnings up to EUR 100,324; for earnings exceeding EUR 100,324, the employer pays the normal contribution rate multiplied by EUR 100,324). Social contributions are not levied on TFR contributions.

Financial incentives to contribute to private pension plans

In occupational plans, collective agreements between employee and employer associations provide for employer matching contributions, under the condition that the employee contributes as well.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

As a result of the 2015 Stability Law, investment income from pension funds is taxed at a 20% standard rate, but income from government bonds held by the pension fund is taxed at a more favourable rate of 12.5% (for example, if the investment income come 50% from shares and 50% from government bonds, the tax rate applied will be 16.3%). This new rule applies retroactively since 2014.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.
**Tax treatment of private pension income**

Pension benefits (both lump sums and annuities) are taxed at a flat rate of 15%, with a reduction of 0.3% for every year of participation after 15 years. The maximum reduction is 6% (leading to a 9% tax rate after at least 35 years of participation). Taxation is applied on the pension income net of the amount that was already taxed (contributions exceeding the tax-deductible limit as well as investment income in the accumulation phase). Therefore, although the Italian system is often described as “ETT”, actually every euro paid into pension funds is taxed “one time only” (i.e. no “double” taxation occurs).

Early withdrawals (for buying a house or other reasons) are generally taxed at a rate of 23%, regardless of the type of contributions.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Public pensions are generally taxed as employment income at the individual’s marginal income tax rate.

A tax credit is granted to taxpayers deriving income from employment or pension. The amount of the credit depends upon the level of the aggregate income of the taxpayer. It is available for income up to EUR 55,000. The maximum credit is EUR 1,725 for pension income up to EUR 7,500 (for pensioners who are 75 years old or more, the tax credit is slightly higher). Therefore, no personal tax is due for pension income below EUR 7,500 a year (EUR 7,750 for pensioners over 75 years). For comparison, the maximum credit is EUR 1,880 for employment income up to EUR 8,000.

The above income tax credits are proportioned to the number of days of work or pension during the tax year. However, the tax credit applicable to employment income not exceeding EUR 8,000 and to pension income not exceeding EUR 7,500 should not be lower than EUR 690.
### Japan

**Structure of the private pension system**

<table>
<thead>
<tr>
<th>Voluntary, occupational</th>
<th>Voluntary, personam</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Employees’ Pension Fund (EPF) (<em>kosei nenkin kikin</em>)</td>
<td></td>
</tr>
<tr>
<td>• Defined benefit corporate pension funds (<em>kakutei kyufu kigyo nenkin</em>)</td>
<td></td>
</tr>
<tr>
<td>• Corporate defined contribution funds</td>
<td></td>
</tr>
<tr>
<td>• Tax-qualified pension funds</td>
<td></td>
</tr>
<tr>
<td>• Mutual aid associations (MAAs)</td>
<td></td>
</tr>
<tr>
<td>• Individual defined contribution funds (<em>kakutei kyoshutsu nenkin [kojin-gata]</em>)</td>
<td></td>
</tr>
<tr>
<td>• National pension funds (<em>kokumin nenkin kikin</em>)</td>
<td></td>
</tr>
</tbody>
</table>

**General tax treatment**

**EET**

**Tax treatment of contributions to private pension plans**

**Employee contributions**

Contributions to defined benefit corporate pension funds are deductible up to a yearly limit of JPY 40,000.

Contributions to defined contribution pension funds and EPFs are fully deductible without any limit. Employee contributions to corporate DC plans were prohibited until 2012. Since then, employee contributions cannot exceed employer contributions (employers are responsible for ensuring that contributions do not exceed the limit). The limit on combined employer and employee contributions has not changed (see below under employer contributions).

If employers do not sponsor a DB or a DC plan, employees are eligible to participate in individual-type DC plans. Then the contribution limit is JPY 23,000 per month. For self-employed workers, the monthly contribution limit is JPY 68,000, although this is a combined contribution limit for DC and National Pension Fund.

**Employer contributions**

Employer contributions to all plans are not considered as taxable income (fringe benefit) for the members/employees.

Certain restrictions apply in the case of corporate-type DC plans. If the employer sponsors only one occupational plan, the maximum tax-deductible yearly contribution is JPY 660,000 for each employee. If
the employer also sponsors a DB plan, the maximum tax-deductible yearly contribution to the DC plan is JPY 330,000 for each employee instead of JPY 660,000.

**Social contributions**

Social contributions are not levied on pension contributions.

**Financial incentives to contribute to private pension plans**

None exist.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds.

Assets in EPFs, DB and DC plans are taxed at an annual rate of 1.173%. This tax has been temporarily stopped since 1999.

**Tax treatment of private pension income**

Retirement income from occupational and personal pension plans is taxed separately without aggregation with other classes of income.

There is a pension-related deduction for annuities which commonly applies to public and private pensions, i.e. the tax treatment of public and private pensions is the same. Once the deduction has been calculated, the remaining income is taxed as general earned income (tax rates between 5% and 45%).

- For annual pension income (public and private) “A” below JPY 4,100,000, the statutory deduction is calculated as \((A-500,000)\times25%+500,000\);
- For A between JPY 4,100,000 and 7,700,000, the statutory deduction is calculated as \((A-4,100,000)\times15%+1,400,000\);
- For A above JPY 7,700,000, the statutory deduction is calculated as \((A-7,700,000)\times5%+1,940,000\);
- The statutory deduction cannot be lower than JPY 700,000 below age 65 and JPY 1,200,000 at age 65 and older.

Programmed withdrawals are not specifically stipulated in the Japanese pension legislation, but are not prohibited. They are usually classified as a kind of private pension income.

Lump sums are taxed at the individual’s marginal income tax rate.
Social contributions

Contributions to health insurance and long-term care insurance are levied on pension income.

Tax treatment of pensioners

Old-age public pensions are taxed together with private pension annuities (see above).

Korea

Structure of the private pension system

- Quasi-mandatory, occupational
  - Retirement pension plans
  - Retirement insurance plans
  - Retirement trust plans
- Voluntary, personal
  - Personal pension insurance plans
  - Personal pension trust plans

General tax treatment

TET: TET for employee/individual contributions and EET for employer contributions.

Tax treatment of contributions to private pension plans

Employee contributions to occupational defined contribution pension plans are taxed at the individual’s marginal tax rate but benefit from a tax credit up to a limit of KRW 4,000,000 a year. The tax credit is equal to 13.2% of the employee’s contributions. Overall, employee contributions cannot exceed KRW 12,000,000 a year. Employee contributions are not possible in occupational defined benefit pension plans.

Employer contributions to occupational pension plans are not considered as taxable income for the employee. The minimum rate for employer contributions in defined contribution plans is 12% of salary.

Social contributions

This information is not available.

Financial incentives to contribute to private pension plans

None exist.
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Individuals can withdraw both annuities and lump sums from their occupational DC plan from the age of 55 years old. Individuals can claim annuities from their occupational DB plan if they are at least 55 years old and if they have completed at least 10 years of contributions. If the individual cannot withdraw annuities from his/her occupational DB plan, he/she can withdraw a lump sum.

Both annuities and lump sums are taxed at the individual’s marginal rate of income tax, but they benefit from tax deductions. Annuities from occupational pension plans benefit from a common tax deduction with other pension income sources (such as public pensions). The tax deduction is capped at KRW 9,000,000 and is computed according to the following rule.

**Table 8.** Tax deduction for annuities

<table>
<thead>
<tr>
<th>Total pension income (annuities, public pension, etc.)</th>
<th>Tax deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than KRW 3,500,000</td>
<td>Fully tax deductible</td>
</tr>
<tr>
<td>KRW 3,500,000 to KRW 7,000,000</td>
<td>KRW 3,500,000 + 40% of pension income above KRW 3,500,000</td>
</tr>
<tr>
<td>KRW 7,000,000 to KRW 14,000,000</td>
<td>KRW 4,900,000 + 20% of pension income above KRW 7,000,000</td>
</tr>
<tr>
<td>More than KRW 14,000,000</td>
<td>KRW 6,300,000 + 10% of pension income above KRW 14,000,000</td>
</tr>
</tbody>
</table>

Lump sums from occupational pension plans benefit from two tax deductions. The first tax deduction is equal to 45% of the retirement income. The second tax deduction varies according to the number of years the individual has held his/her occupational pension plan. The second tax deduction is computed according to the following rule.

**Table 9.** Tax deductions for lump sums

<table>
<thead>
<tr>
<th>Years of contribution</th>
<th>Tax deduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 5 years</td>
<td>KRW 300,000 per year of contribution</td>
</tr>
<tr>
<td>5 to 10 years</td>
<td>KRW 1,500,000 + KRW 500,000 per year of contribution above the fifth one</td>
</tr>
<tr>
<td>10 to 20 years</td>
<td>KRW 4,000,000 + KRW 800,000 per year of contribution above the tenth one</td>
</tr>
<tr>
<td>More than 20 years</td>
<td>KRW 12,000,000 + KRW 1,200,000 per year of contribution above the twentieth one</td>
</tr>
</tbody>
</table>
Social contributions

Pensioners pay health insurance contribution on 20% of their pension income. The contribution rate varies with income levels.

Tax treatment of pensioners

Pension income from public pension schemes is taxed at the marginal rate of income tax. See above for the tax deduction applicable to total pension income (annuities from occupational pension plans, public pensions, etc.).

Pensioners who are at least 70 years old receive an additional tax deduction of KRW 1,000,000 on top of the standard tax deduction (KRW 1.5 million for each taxpayer or dependant).

Latvia

Structure of the private pension system

The Mandatory State Funded Pension Scheme is mandatory for people born after July 1, 1971 and voluntary for people born from July 2, 1951 to July 1, 1971.

General tax treatment

EET: EET for the Mandatory State Funded Pension Scheme and ETT for the Private Voluntary Pension Scheme.

Tax treatment of contributions to private pension plans

Contributions to the Mandatory State Funded Pension Scheme are fully tax exempt.

Voluntary contributions to open and closed pension funds are tax deductible up to 10% of the individual’s annual taxable income. The total of donations and gifts, payments into private pension funds, insurance premium payments and purchase costs of investment certificates of investment funds may not exceed 20% of the amount of the payer’s taxable income. Employer contributions are counted as income to the employee and are therefore deductible within the limit mentioned above. Excess contributions are subject to the individual’s flat income tax rate of 23%.
Social contributions

Social contributions are levied on voluntary contributions to open and closed pension funds.

Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed for the Mandatory State Funded Pension Scheme.

Income from investment in open and closed pension funds is considered as income from capital other than capital gains and taxed at a flat rate of 10%.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Pension income from the Mandatory State Funded Pension Scheme is treated as ordinary income and taxed at a flat rate of 23%.

Pension income formed from contributions made by an individual into private pension funds is not taxable. Pension income formed from contributions made by an employer (on behalf of an employee) into private pension funds is taxed at a flat rate of 23%.

Social contributions

Social contributions are not levied on pension income.

Tax treatment of pensioners

Old-age pension above the annual non-taxable minimum is taxed at a flat rate of 23%.

A personal allowance apply, called non-taxable minimum. In 2014, the monthly amount of the non-taxable minimum was EUR 75 (EUR 900 per year) for most taxpayers. The non-taxable minimum for persons who have been granted a pension in conformity with the Law on State Pensions or a service pension, or a special State pension in conformity with regulatory enactments of the Republic of Latvia, or a pension in conformity with regulatory enactments of a foreign state is EUR 2,820 per year (EUR 235 per month). For persons to whom a pension has been granted until 1 January 1996 in conformity with the Law on State Pensions and the amount of pension exceeds EUR 2,820, the non-taxable minimum is equal to the amount of this pension.
Luxembourg

Structure of the private pension system

Voluntary, occupational

• Association d’Epargne-Pension (ASSEP) and Sociétés d’Epargne-Pension à Capital Variable (SEPCAV)
• Pension funds
• Group insurance contracts (traditional and unit-linked)
• Book reserve schemes

Voluntary, personal

• Individual pension savings contracts

General tax treatment

TEE: TEE for occupational pension plans and EET for personal pension plans.

Tax treatment of contributions to private pension plans

Employer contributions into occupational pension plans are not considered as taxable income for the employee up to 20% of the employee’s ordinary earnings. However, employer contributions are taxed at the rate of 20%. This tax is due by the employer.

Employee contributions into occupational pension plans are tax deductible up to EUR 1,200 a year. Excess contributions are taxed at the marginal rate of income tax.

Employee contributions into occupational or personal pension plans are made from money which has already been subject to a temporary tax for budget rebalancing. For employees and pensioners, the rate of this tax is 0.5% and the tax applies to income above one monthly minimum wage of unqualified worker aged at least 18 years old. For independent workers and liberal professions, the 0.5% tax applies to income above three quarters of the monthly minimum wage of unqualified worker aged at least 18 years old.

Contributions into individual pension savings contracts are tax deductible up to a limit if some conditions are fulfilled. Excess contributions are taxed at the marginal rate of income tax. Tax deduction is capped at:

• EUR 1,500 a year for individuals who are younger than 40 years old on the 1st January of the fiscal year;
• EUR 1,750 a year for individuals who are between 40 and 44 years old on the 1st January of the fiscal year;
• EUR 2,100 a year for individuals who are between 45 and 49 years old on the 1st January of the fiscal year;
• EUR 2,600 a year for individuals who are between 50 and 54 years old on the 1st January of the fiscal year;

• EUR 3,200 a year for individuals who are between 55 and 74 years old on the 1st January of the fiscal year;

Individuals can claim a tax deduction for contributions into individual pension savings contracts if he/she fulfils the following conditions:

• Contributions are made into an insurance company accredited by Luxembourg or the insurance company has its head office in another European Union member.

• The contract is held at least 10 years.

• Withdrawal is only possible when the insured person is between 60 and 74 years.

• The contract excludes early withdrawal.

• The contract enables the insured person to withdraw a maximum of 50% of accumulated assets as lump sums and the remaining as annuities.

Social contributions

Social contributions are levied on private pension contributions.

When people have to file an income tax declaration, excess contributions to occupational pension plans or individual pension savings contracts are also subject to employment fund tax at the rate of 7% or 9% depending on their taxable income. For example, an individual having a global effective tax rate at 20.44% and a taxable income below EUR 150,000 will be taxed at a rate of 20.44%×(1+7%) = 21.87%.

Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Pension income (annuities and/or lump sums) from occupational pension plans is divided into the part from the insured period after the 1st January of 2000 and the part from the insured period before the 1st January of 2000. The part from the insured period after the 1st January of 2000 is tax exempt, while the part from the insured period before the 1st January of 2000 is taxed at the marginal rate of income tax.
Pension income from individual pension savings contracts receives a favourable tax treatment if the conditions described above are fulfilled:

- Lump sums are taxed as “extraordinary income”. Extraordinary income is taxed at the rate of half the global effective tax rate. The global effective tax rate is the ratio between the tax due assuming that all taxable income is ordinary income and the taxable income (ordinary plus extraordinary incomes). Ordinary incomes are taxed at this rate and extraordinary incomes at 50% of this rate.

- 50% of annuities are tax exempt and 50% are taxed at the marginal rate of income tax.

**Social contributions**

Social contributions are levied on pension income.

When people have to file an income tax declaration, pension income is also subject to employment fund tax at the rate of 7% or 9% depending on the taxable income.

The 0.5% temporary tax for budget rebalancing is levied on pension income above one monthly minimum wage of unqualified worker aged at least 18 years old.

**Tax treatment of pensioners**

Public pensions are taxed at the marginal rate of income tax after tax deductions. Pensioners receive a tax credit of EUR 300.

**Mexico**

**Structure of the private pension system**

- **Mandatory, personal**
  - Individual retirement accounts for private-sector employees (IMSS)
  - Individual retirement accounts for civil servants (ISSSTE)

- **Voluntary, occupational**
  - Occupational pension plans

- **Voluntary, personal**
  - Voluntary contributions to individual retirement accounts
  - Complementary retirement contributions
  - Voluntary contributions with a long-term investment perspective
  - Long-term savings contributions
  - Solidarity savings (ISSSTE)
  - Personal pension plans
General tax treatment

TEE: TET for employee/individual mandatory contributions and EET for employer mandatory contributions; EET for long-term voluntary contributions and TTE for short-term voluntary contributions.

Tax treatment of contributions to private pension plans

Mandatory employer contributions to individual retirement accounts, as well as state contributions and social quotas are not considered as taxable income for the employee. However, mandatory employee contributions to individual retirement accounts are not tax exempt as they are made from after-tax income.

The tax treatment of voluntary personal contributions depends essentially on whether these savings have a long-term perspective or not. Short-term voluntary contributions, which can be withdrawn at any time after a period from two to six months depending on the pension fund, are not tax-exempt. They are made from after-tax income and therefore taxed at the individual’s marginal rate of income tax. The same applies to solidarity savings. All other types of voluntary personal contributions have a long-term perspective and are tax-deductible up to different limits, as described in Table 10.

Voluntary employer contributions to individual retirement accounts or to occupational pension plans are never considered as taxable income for the worker. However, the maximum deductible amount of contributions to occupational plans (12.5% of the employee’s salary) includes both employee and employer contributions.

There is a general limit in the income tax system for personal deductions. This limit is equal to the minimum between four times the annual minimum wage and 10% of the taxpayer’s total gross income. The general deduction limit applies to the sum of complementary contributions to individual retirement accounts, long-term voluntary contributions to individual retirement accounts, contributions to special savings for retirement accounts, and contributions to personal pension plans.3

<table>
<thead>
<tr>
<th>Type of contribution</th>
<th>Tax treatment</th>
<th>General deduction limit applies (lowest of 4 AMW or 10% of taxable income)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory contributions to individual retirement accounts (IRAs)</td>
<td>Not deductible</td>
<td></td>
</tr>
<tr>
<td>Short-term voluntary contributions</td>
<td>Not deductible</td>
<td></td>
</tr>
<tr>
<td>Complementary contributions to IRAs</td>
<td>Deductible up to the lowest of 5 AMW or 10% of taxable income</td>
<td>Yes</td>
</tr>
<tr>
<td>Long-term voluntary contributions to IRAs</td>
<td>Deductible up to the lowest of 5 AMW or 10% of taxable income</td>
<td>Yes</td>
</tr>
<tr>
<td>Contributions to special savings for retirement accounts</td>
<td>Deductible up to MXN 152 000 per year</td>
<td>Yes</td>
</tr>
<tr>
<td>Solidarity savings IRAs (ISSSTE)</td>
<td>Not deductible</td>
<td></td>
</tr>
<tr>
<td>Contributions to private</td>
<td>Deductible up to 12.5% of salary</td>
<td>Yes</td>
</tr>
</tbody>
</table>

3. The general deduction limit also applies to other expenses such as hospital and medical expenses, funeral expenses and mortgage real interests.
<table>
<thead>
<tr>
<th>occupational pension plans</th>
<th>(includes both employee and employer contributions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions to personal pension plans</td>
<td>Deductible up to the lowest of 5 AMW or 10% of taxable income</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Note: AMW = annual minimum wage (daily value: MXN 7010 in 2015).

**Social contributions**

Social contributions are levied on the gross salary, and therefore on pension contributions.

**Financial incentives to contribute to private pension plans**

Solidarity savings are a federal government matching mechanism to motivate public-sector workers affiliated to the pension system to make voluntary contributions. For each peso that the worker contributes voluntarily for retirement purposes, the federal government in its capacity as employer contributes 3.25 pesos. Workers can contribute either 1% or 2% of their salary.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Investment income is always tax-exempt as long as it stays invested. Upon withdrawal, investment income remains tax-exempt when generated by mandatory contributions to individual retirement accounts, long-term voluntary contributions to individual retirement accounts, contribution to special savings for retirement accounts, and contributions to occupational and personal pension plans.

The real interests earned from investing short-term voluntary contributions, complementary contributions to individual retirement accounts and solidarity savings is considered as taxable income upon withdrawal and taxed at the individual's marginal rate. A provisional withholding tax of 0.6% of the amounts contributed applies.4

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

The tax treatment of pension income depends primarily on two factors: the form of payment and whether the individual is entitled to a pension when money is withdrawn (see Table 11). When workers reach retirement age and get benefits in the form of an annuity or programmed withdrawals, these benefits are tax-exempt up to a limit equivalent to 15 times the annual minimum wage. Benefits above this limit are taxed at the marginal rate. This limit applies to the sum of all pension payments or benefits paid by the federal government (pay-as-you-go defined benefit pensions), by pension funds (individual retirement accounts), by occupational pension plans and by personal pension plans.

Workers entitled to a pension may also take their benefits in the form of a lump sum (for example, when they have accumulated enough assets to buy a life annuity equivalent to 1.3 times the minimum guaranteed pension, they have the right to buy such an annuity and withdraw the rest of the assets as a

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4. Individuals whose only taxable income is composed of interest income can consider the withholding tax as their final tax payment as long as these interests do not exceed MXN 100,000 per year.
lump sum). In that case, the amounts withdrawn enjoy a tax exemption of 90 times the daily minimum wage. The excess amount is considered as taxable income and is taxed at the average annual rate applicable to ordinary income. However, lump sum payments originated from short-term voluntary contributions are tax-free, once the tax levied on real interests has been deducted.

When the worker gets a lump sum payment because he/she does not fulfil the requirements for obtaining a pension from his/her individual retirement account (negativa de pensión), this payment is tax-exempt up to 90 times the daily minimum wage for each year of contribution. The excess amount is considered as sporadic taxable income and is subject to a temporary 20% withholding tax. The 20% withholding tax becomes final when the taxable income is less than MXN 123,580.20.

Amounts withdrawn before retirement from personal pension plans and retirement accounts constituted by complementary contributions and long-term voluntary contributions are considered as taxable income. A withholding tax of 20% is applied on the capital and the updated interest income generated by that capital.

Finally, amounts withdrawn from the special savings for retirement accounts are considered as taxable income. However, the tax rate applied cannot be higher than the one in force at the time of the deposit.

Table 11. Tax treatment of pension withdrawals, by type of contribution and form of payment

<table>
<thead>
<tr>
<th>Type of contribution</th>
<th>Annuity / programmed withdrawal</th>
<th>Lump sum</th>
<th>Withdrawal while not entitled to a pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory contributions to individual retirement accounts (IRAs)</td>
<td>Exempt up to 15 AMW; Excess taxed at marginal tax rate</td>
<td>Exempt up to 90 DMW annually; Excess taxed at average tax rate</td>
<td>Exempt up to 90 DMW for each year of contribution; Excess taxed at marginal tax rate with a provisional withholding tax of 20%</td>
</tr>
<tr>
<td>Short-term voluntary contributions</td>
<td>Not applicable</td>
<td>Exempt</td>
<td>Exempt</td>
</tr>
<tr>
<td>Complementary contributions to IRAs</td>
<td>Exempt up to 15 AMW; Excess taxed at marginal tax rate</td>
<td>Exempt up to 90 DMW annually; Excess taxed at marginal tax rate</td>
<td>Taxed at average tax rate with a provisional withholding tax of 20%</td>
</tr>
<tr>
<td>Long-term voluntary contributions to IRAs</td>
<td>Exempt up to 15 AMW; Excess taxed at marginal tax rate</td>
<td>Exempt up to 90 DMW annually; Excess taxed at average tax rate</td>
<td>Taxed at average tax rate with a provisional withholding tax of 20%</td>
</tr>
<tr>
<td>Contributions to special savings for retirement accounts</td>
<td>Not applicable</td>
<td>Taxed at marginal tax rate</td>
<td>Taxed at marginal tax rate</td>
</tr>
<tr>
<td>Solidarity savings IRAs (ISSSTE)</td>
<td>Exempt up to 15 AMW; Excess taxed at marginal tax rate</td>
<td>Exempt up to 90 DMW annually; Excess taxed at average tax rate</td>
<td>Exempt up to 90 DMW for each year of contribution; Excess taxed at marginal tax rate</td>
</tr>
<tr>
<td>Contributions to occupational private pension plans</td>
<td>Exempt up to 15 AMW; Excess taxed at marginal tax rate</td>
<td>Exempt up to 90 DMW annually; Excess taxed at average tax rate</td>
<td>Taxed at 30% with a provisional withholding tax of 20%</td>
</tr>
<tr>
<td>Contributions to personal pension plans</td>
<td>Exempt up to 15 AMW; Excess taxed at marginal tax rate</td>
<td>Exempt up to 90 DMW annually; Excess taxed at average tax rate</td>
<td>Taxed at marginal tax rate with a provisional withholding tax of 20%</td>
</tr>
</tbody>
</table>

Notes: AMW = annual minimum wage; DMW = daily minimum wage.

**Social contributions**

This information is not available.

**Tax treatment of pensioners**

Public pensions are tax-exempt up to an amount equivalent to 15 times the annual minimum wage. Benefits above this limit are taxed at marginal tax rate. This limit applies to the sum of all pension payments or benefits paid by the federal government (pay-as-you-go defined benefit pensions), by pension funds (individual retirement accounts), by occupational pension plans and by personal pension plans.

**Netherlands**

**Structure of the private pension system**

- **Quasi-mandatory, occupational**
  - Sector- or industry-wide pension plans
  - Company pension funds
  - Pension funds for professions
  - Other pension funds
  - Pension funds not under supervision

- **Voluntary, personal**
  - Annuities

**General tax treatment**

EET: The maximum income for the EET system is set at EUR 100,000 in 2015. For the income that exceeds EUR 100,000 a TEE system can apply. This means that an individual with an income above EUR 100,000 contributes a certain percentage of his income to a mandatory occupational pension plan, but the income taken into account to calculate the contribution is capped at EUR 100,000. If s/he wants to make extra contributions, s/he has to open a voluntary pension plan and the contributions in that plan are not tax-
deductible (investment income and capital gains are tax exempt, as well as the benefits of this voluntary pension plan). This new two-tiered system was introduced on 1 January 2015.

**Tax treatment of contributions to private pension plans**

**EET-system**

Contributions to an occupational plan are not considered as taxable income to the employee. Second pillar contributions are normally set in collective pension agreements, and are typically shared between employers and employees. Employers usually pay a higher share (roughly two-thirds).

With reference to contributions to an occupational plan, the tax relief is limited in the EET system. For DB plans, the pension that can be granted in a year is limited (the benefit is defined). For DC plans, the contribution is limited. As of 2015 new limitations apply.

- Occupational DB plans: The pension that can be granted in any working year (the received entitlement concerning a working year) cannot exceed 1.875% of the career-average salary minus a threshold for the first pillar (general state pension) if the retirement age is 67 years old. After 40 working years, this can lead to a pension of 70% of the average salary. In terms of final salary, the pension that can be granted in any working year cannot exceed 1.657%.

- Occupational DC plans: Tax rules define the maximum total contributions. Those maximum contributions differ and depend on the age of the participant and the participant’s personal situation (e.g., is a pension for a partner included, and if so, in what form?). These contributions vary from 3.4% to 4.8% (for employees aged 15 to 19 years old) up to 23% to 28.1% (for employees aged 65 to 66 years old) of the salary minus the threshold for the first pillar.

Contributions to private personal old-age provisions are tax-deductible up to a limit. Contributions are limited to 13.8% of the annual income (with a ceiling of EUR 100,000) minus a threshold for the first pillar (general state pension) and taking into account the accrued pensions rights in the occupational pension plan (to prevent accumulation and tax relief for early retirement).

**TEE-system**

Contributions made under the TEE system are taxed at the individual’s marginal income tax rate.

Contributions to occupational defined contribution pension plans are limited as well. The maximum contributions depend on the age and range from 2.3% (age category 15 – 19 years old) up to 13.5% (age category 65 – 66 years old).

**Social contributions**

EET system: Social contributions are not levied on pension contributions.

TEE system: The contributions for occupational pensions or private personal old-age provisions are not exempt or deductible from the taxable income. The individual has to pay tax and social contributions on the taxable income (there is no difference with other taxable income; in case of wages, the tax and social contributions are normally withheld by the employer).

**Financial incentives to contribute to private pension plans**

None exist.
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Income from occupational and personal pension plans under the EET system is taxed at the individual’s marginal income tax rate.

Income from occupational and personal pension plans under the TEE system is not taxed.

Lump sum payments are generally not permitted, unless the annuity payment is very small (EUR 462.88 in 2015 for occupational plans), and these payments are taxed as income. The occupational pension capital cannot be paid out as a lump sum to the employee. For personal pension plans, the total lump sum payment cannot exceed EUR 4,281 (in 2015).

**Social contributions**

Pensioners pay 10.25% of their taxable income for the general insurance of certain health costs and survivors’ pensions (WLZ, ANW, up to an income of EUR 33,589). Depending on their income, they pay for their own health insurance. The social contributions are less than the contributions for those below the age from which the general state pension payments are received (65 years and three months in 2015).

**Tax treatment of pensioners**

Pension income is taxed if the EET system applies. Tax is calculated by applying the marginal income tax rate (box 1 income).

A general personal tax credit of up to EUR 2,203 is available for all taxpayers. The amount of the general tax credit depends on the age of the individual and the level of the individual’s income.

- **Below state pension age:** If the individual’s box 1 income is below EUR 19,822, the tax credit is EUR 2,203. Between EUR 19,822 and EUR 56,935, the tax credit is counted according to this formula: [EUR 2,203 - 2.32% × (box 1 income - EUR 19,822)]. Above EUR 56,935, the tax credit is EUR 1,342.

- **At or above state pension age:** If the individual’s box 1 income is below EUR 19,822, the tax credit is EUR 1,123. Between EUR 19,822 to EUR 56,935, the tax credit is counted according to this formula: [EUR 1,123 - 1.182% × (box 1 income - EUR 19,822)]. Above EUR 56,935, the tax credit is EUR 685.
New Zealand

Structure of the private pension system

General tax treatment

TTE

Tax treatment of contributions to private pension plans

Employees’ contributions are taxed at the marginal rate of income tax.

Employers’ contributions are also liable for tax (called employer superannuation contribution tax, ESCT). The ESCT rate is calculated based on the employee’s salary or wages in the previous tax year (including gross superannuation employer contributions). When the employee was not employed for all the previous tax year, the tax rate is calculated based on an estimate of the total amount of salary or wages that the employee will earn in the year ahead.

- If salary ≤ NZD 16,800 then ESCT rate=10.5%
- If salary from NZD 16,801 to NZD 57,600 then ESCT rate=17.5%
- If salary from NZD 57,601 to NZD 84,000 then ESCT rate=30%
- If salary ≥ NZD 84,001 then ESCT rate=33%

There are two alternative ways to calculate ESCT rates:

- a flat tax rate of 33%, or
- the employee’s marginal rate of income tax, by treating employer contributions as part of the employee’s salary or wages, with the agreement of both employer and employee.

Social contributions

Social contributions are not levied on pension contributions.
Financial incentives to contribute to private pension plans

The government used to kick-start every KiwiSaver accounts with a tax-free contribution of NZD 1,000. New members who joined on or after 21 May 2015 are not eligible for this payment.

The government makes an annual contribution towards KiwiSaver accounts as long as members contribute and are aged 18 and over (and satisfy some additional criteria). The government pays 50 cents for every dollar of member contribution annually up to a maximum payment of NZD 521.43. The member tax credit does not count as taxable income for the member. Members no longer qualify for member tax credit once they become eligible to withdraw their savings.

Employees’ contributions to a KiwiSaver account (minimum 3% of the salary once enrolled) are matched by a minimum employer contribution of 3% of the employee’s salary.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Investment earnings are taxed. This tax is deducted by the pension provider from the pension account.

If the scheme is a widely-held superannuation fund, investment earnings are taxed at 28%.

The tax rate for investment earnings from a Portfolio Investment Entity (PIE) is referred to as the prescribed investor rate (PIR). All of the KiwiSaver default schemes are PIEs. Dividends from a listed PIE are not liable for resident withholding tax. The PIR is calculated based on taxable income in each of the previous two income years.

- If, in either of the previous two income years, taxable income was ≤ NZD 14,000 and (taxable income + PIE income) ≤ NZD 48,000 then PIR=10.5%;
- If, in either of the previous two income years, taxable income was ≤ NZD 14,000 and (taxable income + PIE income) from NZD 48,000 to NZD 70,00 then PIR=17.5%;
- If taxable income ≤ NZD 14,000 and (taxable income + PIE income) ≥ NZD 70,000 for both of the previous two income years, then PIR=28%;
- If taxable income from NZD 14,001 to NZD 48,000 and (taxable income + PIE income) ≤ NZD 70,000 then PIR=17.5%;
- If taxable income from NZD 14,001 to NZD 48,000 and (taxable income + PIE income) ≥ NZD 70,001 for both of the previous two income years, then PIR=28%;
- If taxable income > NZD 48,000 then PIR=28%.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.
**Tax treatment of private pension income**

Payments from New Zealand superannuation funds and from KiwiSaver plans, whether in the form of an annuity, lump sum or pension, are not taxable in the hands of recipients.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

New Zealand Superannuation (public pension) is taxed at marginal rates.

**Norway**

**Structure of the private pension system**

- **Mandatory, occupational**
  - Pension funds (*pensjonkasser*)
  - Pension contracts held in life insurance companies

- **Voluntary, personal**
  - Individual Pension Agreement (IPA)
  - Individual Pension Saving (IPS)

**General tax treatment**

EET

**Tax treatment of contributions to private pension plans**

Employer contributions to mandatory occupational pension plans are not considered as taxable income to the employees.

Employees usually do not contribute to mandatory occupational pension plans, but they may be required to do so. In case employees are required to contribute, the contribution rate must not exceed 2% of salary in municipal and public sector DB plans and 4% of salary in private sector plans. Contributions are deductible from ordinary income. They are not deductible from personal income.

Individual contributions to voluntary personal schemes are deductible from ordinary income, up to NOK 15,000. They are not deductible from personal income.

Personal income is defined as income from labour and pensions. It is the basis for the central government income tax (so-called surtax). Ordinary income includes all types of taxable income from...
labour, pensions, business and capital. It is the basis for the calculation of local government income tax (flat rate of 27% in 2014).

**Social contributions**

Employers pay social contributions on their occupational pension contributions at a maximum rate of 14.1%.

**Financial incentives to contribute to private pension plans**

None exist.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Pension income is taxed as both personal and ordinary income.

**Social contributions**

Pension income is subject to 5.1% of social contribution, which is lower than contribution rates on other types of income (employees pay 8.2%).

**Tax treatment of pensioners**

Public pension income is taxed as both personal and ordinary income.

Old-age and early-retirement pensioners are entitled to a special tax credit depending on pension income. In 2014, the maximum tax credit was NOK 30,000. Pension income (old-age and early-retirement pension) below NOK 175,900 in 2014 is not subject to income tax at all.

Tax on ordinary income is levied after taking into account a standard allowance and the minimum deduction. The standard allowance in 2014 is NOK 48,800 for class 1 tax payers (applies to unmarried residents and to married residents if separate assessment is beneficiary) and NOK 72,000 for class 2 taxpayers (applies to married residents if joint assessment is beneficiary). Each individual receives a minimum deduction equal to 43% of personal income (respectively 29% of pension income for retirees), with a minimum of NOK 4,000 and a maximum of NOK 84,150 in 2014 (respectively NOK 72,200 for retirees).
Poland

Structure of the private pension system

<table>
<thead>
<tr>
<th>Voluntary, occupational</th>
<th>Voluntary, personal</th>
</tr>
</thead>
</table>
| • Employee pension funds (PPE) | • Open pension funds (OFE)  
• Individual retirement accounts (IKE)  
• Individual pension insurance accounts (IKZE) |

General tax treatment

EET: EET for OFE and IKZE and TEE for PPE and IKE.

Tax treatment of contributions to private pension plans

Contributions into OFE are tax deductible.

Contributions into IKZE are tax deductible up to a limit. Annual contributions into IKZE are capped at 1.2 times the national projected average monthly salary (PLN 4,750.8 in 2015). If the individual exceeds this limit, the financial institution has to return the excess contributions or to forward them to another account.

Employer contributions into PPE are included in the taxable income of the employee and consequently taxed at the marginal rate of income tax. Employee contributions (so-called additional contributions) are paid from earnings that have been already taxed. Employee contributions into PPE cannot exceed 450% of the national projected average monthly salary (PLN 17,815.5 in 2015).

Contributions into IKE are taxed at the marginal rate of income tax in the sense that contributions are made from after tax earnings and do not benefit from tax reliefs. Annual contributions into IKE cannot exceed 300% of the national projected average monthly salary (PLN 11,877 in 2015). If the individual exceeds this limit, the financial institution has to return the excess contributions or to forward them to another account.

Social contributions

Employer contributions into PPE are not included into income subject to social contributions.

Financial incentives to contribute to private pension plans

None exist.
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

It is not possible to withdraw lump sums from OFE. Annuities can be claimed at 65 and are taxed at the marginal rate of income tax. Early withdrawal is not possible.

IKZE benefits can be paid after 65 as lump sums or regular payments and are taxed at 10%. Early withdrawal is possible, but all accrued tax benefits must be surrendered.

Any withdrawal after 60 from PPE or IKE is tax-free. There are no specific rules regarding payment options. Early withdrawal from PPE is not possible. Early withdrawal from IKE is possible but in this case, returns on investments are taxed at 19%.

**Social contributions**

Pension income is not subject to contributions for pensions, unemployment insurance etc. However, there is a tax-deductible health-insurance contribution. The contribution is deducted from an amount of due personal income tax (7.75%) and from incomes after taxation (1.25%).

**Tax treatment of pensioners**

Public pensions are subject to income tax.
Portugal

Structure of the private pension system

- Voluntary, occupational
  - Closed and open pension funds
  - Pension insurance contract: collective insurance

- Voluntary, personal
  - Open pension funds
  - Personal Retirement Saving Funds: financed through insurance contracts, pension funds or investment funds

General tax treatment

TET: TET for employee/individual contributions and EET for employer contributions.

Tax treatment of contributions to private pension plans

Contributions to occupational pension plans are mostly employer contributions (employee contributions to these plans are not impossible, but not common). Employer contributions are not taxed as long as the following criteria are met:

- All permanent workers of the company are enrolled in the pension plan and the benefits are established in accordance with an objective criteria that applies to all workers;

- The annual contributions made by the employer do not exceed 15% of the annual total costs with wages and salaries (the limit is 25% if employees are not covered by social security such as pension plans under a collective agreement in the banking sector). If the contributions exceed the limit, the exceeding part is not considered as a cost for the company for tax purposes, unless the amounts are included in the employee’s taxable income;

- At the time of retirement, at least two thirds of the benefits are paid in the form of annuities;

- The pension plan covers exclusively benefits in case of retirement, health (post-work), disability or survivorship.

20% of overall employee contributions to private pension plans (both occupational and personal) are tax deductible, up to a limit which varies according to the individuals’ age: EUR 400 per taxpayer under 35 years old, EUR 350 per taxpayer between 35 and 50 years old, and EUR 300 per taxpayer above 50 years old. In addition, an overall limit applies for deductions related to certain expenses, namely health, health insurance, residence for the elderly and tax benefits (including tax benefits related to the above-mentioned
contributions to private pension plans) when the annual income exceeds EUR 7,000. Between EUR 7,001 and EUR 80,000 the limit for tax deductions varies between EUR 2,500 and EUR 1,000 (according to a certain formula). For an annual income above EUR 80,000, the maximum deduction available is EUR 1,000.

Social contributions

Social contributions are not levied on employer pension contributions.

Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Generally, the income generated by private pension assets is tax exempt. The only income subject to corporate income tax (23% tax rate) is dividends received from the shares of Portuguese companies, held less than 12 months.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

If the contributions were exempt (employer contributions to occupational pension plans), the following tax treatment applies:

- Annuities: Taxed at the individual’s marginal rate of income tax. A maximum deduction of EUR 4,104 applies to total pension income. However, if the compulsory contributions to social protection schemes and to legal health subsystems exceed that limit (EUR 4,104), the deduction will be equal to the total amount of contributions.

- Lump sums: One-third of the “contribution part” (capital component) is tax-exempt up to a maximum of EUR 11,704.70. The remainder is taxed at the individual’s marginal rate of income tax. The “gains and other returns on investment part” is taxed at a rate of 4% or 8% depending on whether the contributions that originated such income were made before or after the 1st of January 2006 respectively.

If the contributions were taxed (employee contributions to occupational and personal pension plans, as well as employer contributions when legal criteria are not met for receiving a favourable tax treatment), the following tax treatment applies:

- Annuities: The “contributions part” is exempt and only the “gains and other returns on investment part” is subject to taxation at the marginal rate of income tax. If it is not possible to distinguish between contributions and returns, then only 15% of the annuity is subject to taxation at the marginal rate of income tax.
• Lump sum: The “contributions part” is exempt. The “gains and other returns on investment part” is taxed at a rate of 4% or 8% depending on whether the contributions that originated such income were made before or after the 1st of January 2006 respectively.

The interest income subject to taxation can be reduced if more than 35% of the contributions are paid in the first half of the contract, and the benefits are received more than 5 years after the beginning of the contract (5 to 8 years: 80% of the interest is taxed; more than 8 years: 40% of the interest is taxed).

Social contributions

Social contributions are not levied on pension income.

An extraordinary solidarity contribution introduced in 2011, so-called CES, is paid on pensions above a certain amount. Since January 2015, the application of the extraordinary solidarity contribution is calculated as follows:

• 15% on the portion of the amount paid (monthly) that exceeds 11 times the indexing of the amount of social support (EUR 4,611.42) and not more than 17 times that amount (EUR 7,126.74); and

• 40% on the portion of the amount paid in excess of 17 times the indexing of the social benefits cited above.

The application of this contribution shall not, however, result in a monthly pension of less than EUR 4,611.42.

Tax treatment of pensioners

Public pensions are considered as income and taxed at the individual’s marginal income tax rate. The extraordinary solidarity contribution (CES) is paid on pensions above EUR 1,000. It applies to public pensions and annuities paid by occupational pension plans (see above).

The first EUR 4,104 of pension income is tax exempt regardless of its source.

An extraordinary surtax of 3.5% is levied on income subject to personal income tax that exceeds the annual minimum salary (EUR 6,790). Pension and employment income is subject to an additional monthly withholding tax. This withholding tax will be considered as a payment on account of the final surtax.

An additional surcharge is levied on income exceeding EUR 80,000. A rate of 2.5% is levied for income between EUR 80,000 and EUR 250,000. Above this limit 5% is applicable.
Slovak Republic

**Structure of the private pension system**

- **Mandatory, personal**
  - Individual retirement accounts (pillar 2)

- **Voluntary, personal**
  - Supplementary pension plans (pillar 3)

Participation into individual retirement accounts is mandatory once the individual has decided voluntarily to join the system. In order to be able to join the pillar 2, one needs to be younger than 35 years old. Supplementary pension plans are voluntary, except for employees in certain categories of jobs classified as risky (participation is mandatory for these employees).

**General tax treatment**

EEE: EEE for individual retirement accounts and TTE for supplementary pension plans.

**Tax treatment of contributions to private pension plans**

Employers have to pay mandatory contributions (4% of the salary) on behalf of employees enrolled in an individual retirement account. Mandatory contributions are fully tax deductible.

Employees can make additional voluntary contributions in their individual retirement account. There is no cap on the amount an employee can contribute voluntarily. However, only voluntary contributions up to 2% of the salary are tax-deductible, up to a limit. This cannot exceed 2% of 60 times the average monthly salary; the average monthly salary for this purpose is the average monthly salary in the Slovak Republic in the calendar year two years preceding the calendar year for which the tax base is determined.

Employer contributions into supplementary pension plans are treated as employee’s income and taxed at the employee’s marginal rate. They are tax deductible for the employer (corporate tax) up to 6% of the member’s salary.

Employee contributions into supplementary pension plans are tax deductible up to EUR 180 only if the participant opts for new pay-out conditions. Excess contributions are taxed at the marginal rate of income tax. New pay-out conditions are in place since 1 January 2014 for all new entrants. Participants who joined the scheme prior to 1 January 2014 can decide to conclude with their supplementary pension company a contract amendment with new pay-out conditions. However, if they opt not to choose to sign this contract amendment, they will not become eligible for the EUR 180 tax relief.

**Social contributions**

Mandatory pension contributions are part of the social contributions. Health insurance contributions (10% of the salary paid by the employer and 4% of the salary paid by the employee) and social insurance contributions (21.2% of the salary paid by the employer) are calculated based on the gross salary.
Voluntary contributions to individual retirement accounts are subject to social contributions, as they are paid from net income.

Individual contributions to supplementary pension plans are paid from net, after-tax income. Health insurance and social insurance contributions (including pillar 2 mandatory contributions) are therefore levied on these contributions.

Employer contributions to supplementary pension plans are considered as income and are subject to health insurance contributions (but not to social insurance contributions).

Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investment into individual retirement accounts are tax exempt. Returns on investment are taxed upon withdrawal for supplementary pension plans (both those gained during the accumulation phase and the pay-out phase). A flat tax rate of 19% applies.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Withdrawals from individual retirement accounts are tax exempt. Individuals can get a lump sum if they spend part of their savings in a lifetime annuity. The exact amount to be spent on the lifetime annuity is determined by law but the basic principle is that the sum of the lifetime annuity paid from the 2nd pillar and the old-age pension paid from the 1st pillar must provide the participant with an appropriately high pension (both replacement rate and absolute value criteria are in place). If an individual is able to obtain a sufficiently high total pension and still has some savings left, these can be withdrawn via fixed term annuity, programmed withdrawal or lump sum payment. None of these types of pensions paid from the 2nd pillar is taxed.

Upon withdrawals from supplementary pension plans, only the part of the assets originated from returns on investment is taxed at 19%. The other part (originated from contributions) is tax-free.

For supplementary pension plans, individuals can get up to 25% of their savings as a lump sum if they choose a combination of lump sum and programmed withdrawals. Returns on investment during the retirement phase from the programmed withdrawal are taxed at 19%.

For supplementary pension plans, individuals can get up to 50% of their savings as a lump sum if they choose a combination of lump sum and life annuity.

Social contributions

Social contributions are not levied on pension income.
Tax treatment of pensioners

Public pensions are not taxed.

Slovenia

Structure of the private pension system

General tax treatment

EET

Tax treatment of contributions to private pension plans

Employer contributions are not included in employee’s taxable income up to 5.844% of the employee’s gross wage (this percentage is obtained by applying 24% on the employer and employee contributions into public pension scheme: 0.24*0.2435=5.844%). This cap cannot exceed EUR 2,819.09 per year.

Employee contributions attracting tax deduction are capped by the unused cap of employer contributions attracting tax relief. If contributions are paid by both the employer and the employee, and the total amount of contributions exceeds the maximum contribution entitled to tax relief, the employee may only receive tax relief on the difference between the contribution paid by the employer and the maximum contribution. Excess contributions are taxed at the marginal rate of income tax.

Employer contributions benefit from tax relief if the pension plan covers at least 51% of all employees. The sum of employer and employee contributions into pension plans cannot be lower than EUR 240 a year.

Social contributions

Employer contributions above 5.844% of the employee’s gross wage or above EUR 2,819.09 are subject to social contributions. Contributions within the limit are not subject to social contributions.

Employee contributions are made from income that has already been subject to social contributions.
Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Annuities and lump sums are taxed at the marginal rate of income tax.

An individual can withdraw from his/her supplementary pension insurance when he/she is eligible to receive from the public scheme an early retirement pension or a disability pension or a widow/widower's pension.

Individuals not eligible to withdraw from their supplementary pension insurance can make early withdrawal from the age of 53 if they are not covered by the compulsory pension insurance.

Social contributions

This information is not available.

Tax treatment of pensioners

Pensions from the public scheme are taxed at the marginal rate of income tax and benefit from a tax credit.

Pensioners benefit from the general tax deduction according to their income. Pensioners who earn less than EUR 10,866.37 can deduct EUR 6,519.82. Pensioners who earn between EUR 10,866.37 and EUR 12,570.89 can deduct EUR 4,418.64. Pensioners who earn more than EUR 12,570.89 can deduct EUR 3,302.70.

Since 2014, there is no longer an additional tax deduction for pensioners aged 65 and over.

Resident pensioners receive a tax credit equal to 13.5% of their pensions received from compulsory pension and disability insurance.
Spain

Structure of the private pension system

Voluntary, occupational
- Occupational pension funds (Fondos de pensiones: planes de empleo)
- Mutual pension provident entities (entidades de prevision social or mutualidades de prevision social)
- Collective pension insurance plan (seguro colectivo)
- Non-autonomous funds (fondos de pensiones internos)

Voluntary, personal
- Associated plans (planes asociados)
- Personal plans (planes individuales)
- Mutual pension provident entities

General tax treatment

EET

Tax treatment of contributions to private pension plans

Employer contributions count as income to the employee.

Total contributions made to personal and occupational (both employer and employee contributions) pension plans are limited to EUR 8,000 per year. Additional contributions are not permitted by the new Law approved in 2014. In addition, a tax-deductibility limit applies to total contributions. The limit for 2015 is the lesser of (i) 30% of the aggregate amount of labour income and economical activities income, and (ii) EUR 8,000.

The individual can additionally deduct up to EUR 2,500 per year for contributions paid to his/her spouse’s pension plan when the spouse’s net earned and business activities income is less than EUR 8,000. The additional deduction can be carried forward for five years.

Social contributions

Social contributions are levied on pension schemes contributions since 2014. The rates are 6.35% for the employee and 30% for the employer.

Financial incentives to contribute to private pension plans

None exist.
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Pension income is taxed as labour income at the individual’s marginal rate of income tax. The same tax treatment applies to lump sums and annuities (except lump sums arising from contributions made before 2007) and to early withdrawals.

Until 2007, 40% of pension income received as a lump sum was tax-free. A transitional regime applies, with lump sums arising from contributions made before 2007 taxed in this way under specific conditions and others fully taxed. The new regulation has introduced new conditions to benefit from tax-free lump sums:

- People who retired before 2011 can only benefit from tax-free lump sums if they withdraw money before 2018;
- People who retired between 2011 and 2014 can only benefit from tax-free lump sums if they withdraw money at most 8 years after retirement;
- People retiring as of 2015 can only benefit from tax-free lump sums if they withdraw money at most 2 years after retirement.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Public pension income is taxed as labour income at the individual’s marginal rate of income tax.

There is no special tax treatment for pension income, but taxpayers aged over 65 have larger exempt income. The base amount is EUR 5,550 per taxpayer. Taxpayers aged over 65 may add EUR 1,150 to that amount. Those aged over 75 may claim additionally EUR 1,400.
Sweden

Structure of the private pension system

- **Mandatory, personal**
  - Premium Pension System (PPM)

- **Quasi-mandatory, occupational**
  - Benevolent societies (understödfsforeningar) and pension foundations (pensionsstiftelser)
  - Life insurance companies
  - Book reserves

- **Voluntary, personal**
  - Individual pension savings (IPS)

General tax treatment

ETT: EET for PPM and ETT for all other plans.

Tax treatment of contributions to private pension plans

Employee’s contributions to PPM are offset with a tax credit.

Contributions to occupational plans are only financed by employers. These contributions are not considered as taxable income to the employee.

From 1 January 2015, individuals can deduct contributions to IPS schemes up to SEK 1,800 per year. The government has announced that the deduction will be abolished in 2016, except for self-employed workers and those without employer contributions to their pensions. For these workers, the cap for individual contributions is 35% of eligible income or at most 10 basic amounts (SEK 445,000 in 2015) per year. To be eligible for tax relief, benefits cannot be withdrawn before the age of 55, and payments must last at least for 5 years in a form of annuity.

Social contributions

A reduced social contribution of 24.26% (instead of 31.42%) is applied on contributions for occupational pensions paid by the employer.

Financial incentives to contribute to private pension plans

None exist.
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investment are not taxed in PPM schemes. For occupational and personal pension schemes, returns are taxed at a flat rate of 15% on an imputed return on investment. The imputed return corresponds to the previous year’s average government borrowing rate.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Pension income is taxed as earned income at the individual’s marginal income tax rate.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Public pension income is taxed as earned income.

Individuals who are 65 years or older at the beginning of the year receive an additional basic allowance. The additional allowance was introduced in 2009 and has been increased in 2010, 2011, 2013 and 2014. The basic allowance varies with assessed income. The following tables describe the basic allowance in terms of assessed income and basic price amount for persons younger than 65 years and for persons who are 65 years or older. The additional basic amount is given independent of the source of income.

**Table 12. Basic allowance for persons younger than 65 years**

<table>
<thead>
<tr>
<th>Assessed income (AI)</th>
<th>Basic allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 0.99 PBA</td>
<td>0.423 PBA</td>
</tr>
<tr>
<td>0.99 PBA to 2.72 PBA</td>
<td>0.225 PBA + 0.2 AI</td>
</tr>
<tr>
<td>2.72 PBA to 3.11 PBA</td>
<td>0.770 PBA</td>
</tr>
<tr>
<td>3.11 PBA to 7.88 PBA</td>
<td>1.081 PBA - 0.1 AI</td>
</tr>
<tr>
<td>7.88 PBA and above</td>
<td>0.293 PBA</td>
</tr>
</tbody>
</table>

Note: PBA = Price Base Amount. PBA was SEK 42,800 in 2011, SEK 44,000 in 2012, SEK 44,500 in 2013, SEK 44,000 in 2014 and SEK 44,500 in 2015. AI=Assessed income.

**Table 13. 2014 Basic allowance for persons that are 65 years or older**

<table>
<thead>
<tr>
<th>Assessed income (AI)</th>
<th>Basic allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 0.99 PBA</td>
<td>0.99 PBA</td>
</tr>
<tr>
<td>0.99 PBA to 1.105 PBA</td>
<td>1.105 PBA</td>
</tr>
<tr>
<td>1.105 PBA to 3.69 PBA</td>
<td>0.978 PBA + 0.115 AI</td>
</tr>
<tr>
<td>3.69 PBA to 4.785 PBA</td>
<td>1.403 PBA</td>
</tr>
<tr>
<td>4.785 PBA to 14.43 PBA</td>
<td>1.834 PBA - 0.09 AI</td>
</tr>
<tr>
<td>14.43 PBA and above</td>
<td>0.715 PBA</td>
</tr>
</tbody>
</table>

Note: PBA = Price Base Amount. PBA was SEK 42,800 in 2011, SEK 44,000 in 2012, SEK 44,500 in 2013, SEK 44,000 in 2014 and SEK 44,500 in 2015. AI=Assessed income.
For work-income, the in-work tax credit is larger for individuals who are 65 years or older. For a person aged under 65, an annual Earned Income Tax Credit (EITC) worth up to SEK 26,486 in 2015 (SEK 26,310 in 2014) at the average local tax rate is granted on labour income. For those aged 65 or more, a higher credit worth up to SEK 30,000 is granted.

**Switzerland**

**Structure of the private pension system**

<table>
<thead>
<tr>
<th>Mandatory, occupational</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Pension institutions (pillar 2)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Voluntary, personal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Individual retirement savings plans (pillar 3a or restricted 3rd pillar)</td>
</tr>
</tbody>
</table>

**General tax treatment**

EET

**Tax treatment of contributions to private pension plans**

Employee and employer contributions to occupational pension plans are tax deductible.

Contributions to individual retirement savings plans are tax deductible up to a limit. If the individual has an occupational pension plan, tax-deductible contributions to personal plans are capped at CHF 6,768 (in 2015). If the individual does not have an occupational pension plan, tax-deductible contributions are capped at 20% of annual earnings. In this case, the tax deduction cannot exceed CHF 33,840 (in 2015). Excess contributions are not permitted.

**Social contributions**

Contributions to occupational pension plans are part of the social contributions, paid from the gross salary.

Contributions to individual retirement savings plans are paid from disposable income. This income has already been subject to social contributions.

**Financial incentives to contribute to private pension plans**

During the accumulation phase, assets into occupational and personal pension plans are not subject to wealth tax.
**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

The same tax treatment applies to pension benefits paid by occupational and personal pension plans. Annuities are taxed at the marginal rate of income tax.

The federal government and the regions (cantons) tax lump sums separately from other incomes at preferential rates:

- The federal government taxes lump sums as capital income. This tax is progressive and is equal to 1/5 of the income tax which could be generated if lump sums were separately taxed as income.
- The fiscal treatment of lump sums differs between cantons.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Income from public pension schemes is taxed at the individual’s marginal rate of income tax.

Swiss cantons often grant pensioners an additional tax allowance but there is no extra allowance in the Federal income tax.
Turkey

Structure of the private pension system

Mandatory, occupational

• Occupational DB plans for employees exempted from the mandatory social insurance system (first pillar substitute)
• Occupational plans for employees of OYAK and Amele Birliği

Voluntary, personal

• Individual savings accounts
• Employer-sponsored group contracts
• Group personal pension contracts

General tax treatment

TTE

Tax treatment of contributions to private pension plans

Employee contributions into personal pension plans come from income that has already been taxed at the marginal rate of income tax and that has already been subject to stamp tax at the rate of 0.759%. Employee contributions are matched by the government up to a limit.

Employer contributions into personal pension plans (allowed in employer-sponsored group contracts only) are included in employee’s taxable income. Such contributions do not receive the government match. Employees cannot contribute to employer-sponsored group contracts.

Tax reliefs are available only if the pension plan is offered by a pension company established in Turkey.

Social contributions

Employer contributions up to 30% of the minimum wage are not included in income subject to social contributions. No relief is available for private pension contributions.

Financial incentives to contribute to private pension plans

The government matches 25% of pension contributions into individual savings accounts or group personal pension contracts up to 25% of the annual minimum wage.

Individuals receive 100% of government contributions if they withdraw their assets after reaching 56 years old and if they have contributed at least 10 years.
If an individual makes an early withdrawal (i.e. if s/he does not fulfil at least one of the two previous conditions), s/he cannot keep all the matching contributions:

- If the individual stays less than 3 years in the scheme, s/he does not receive the government contribution;
- If the individual stays between 3 and 6 years in the scheme, s/he receives 15% of the government contribution and investment returns generated by these contributions;
- If the individual stays between 6 and 10 years in the scheme, s/he receives 35% of the government contribution and investment returns generated by these contributions;
- If the individual stays more than 10 years in the scheme, s/he receives 60% of the government contributions and investment returns generated by these contributions.

The government matching contribution is paid every month into the individual pension account. If an individual makes an early withdrawal, he/she is not entitled to 100% of the government contribution and so the relevant percentage of government contributions and the investment returns generated by these contributions are withdrawn from the account.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investment into personal pension plans are taxed upon withdrawal.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Individuals can withdraw a lump sum from personal pension plans. Only the return on capital component of the lump sum is taxed at a flat rate. The part of the lump sum originated from contributions (including state matching contributions) is tax-exempt. The tax rate depends on when the withdrawal takes place:

- If the individual reaches 56 years old and has been in the scheme during 10 years at least, the tax rate is 5%;
- If the individual has been in the scheme during 10 years at least without reaching 56 years old, the tax rate is 10%;
- If the individual has been in the scheme during less than 10 years, the tax rate is 15%.

All pension funds offer the possibility to convert a part of the lump sum into annuities or programmed withdrawals if the individual reaches the age of 56 and has been in the scheme for at least 10 years. Programmed withdrawals are taxed upon each payment made to the member, while the annuities are taxed just before conversion.
Social contributions

No social contributions are levied on pension income received from the private pension system.

Tax treatment of pensioners

Public pension income is not subject to income tax and social contributions.

United Kingdom

Structure of the private pension system

Workplace pensions include occupational pensions schemes, group personal pensions and group stakeholder pensions.

General tax treatment

EET

Tax treatment of contributions to private pension plans

Contributions to registered pension schemes are exempt from tax up to an annual limit (annual allowance). Individuals pay tax on any pension savings they have that are above the annual allowance at the marginal rate of income tax.

- Workplace pensions: Usually, the employer takes the pension contributions from the individual’s pay, before deducting tax. The individual only pays income tax on what is left.

- Personal pensions: Individuals pay income tax on their earnings before any pension contribution, but the pension provider claims tax back from the government at the basic rate of 20%. Individuals paying tax at higher rate (40%) can claim the difference through their tax return.

The maximum amount of pension contributions that an individual can get tax relief on in each tax year is the lowest of 100% of the individual's income and GBP 40,000 (annual allowance for the tax year 2014 to 2015). Individuals are allowed to make use of unused allowance from the previous three years.
From 6 April 2015, a reduced money purchase annual allowance (MPAA) of GBP 10,000, in respect of money purchase pension contributions, applies to individuals who have flexibly accessed pension benefits from this date. If the MPAA has been triggered (by taking income from a flexi-access drawdown plan or using an uncrystallised funds pension lump sum), only GBP 10,000 can be paid to all DC plans in any pension input period before the annual allowance tax charge is applied. If it is triggered part-way through a pension input period, only the contributions made after the trigger are tested against the MPAA. However the total contributions/accrual in that tax year are also tested against the GBP 40,000 annual allowance. The contributions paid before or on the trigger date are measured against an alternative annual allowance of GBP 30,000 (GBP 40,000 – GBP 10,000). Those paid after the trigger date are measured against the GBP 10,000 MPAA. It is not possible to carry forward unused tax relief against the MPAA.

Pensions tax relief will be restricted from 6 April 2016 by introducing a tapered reduction in the amount of the annual allowance for individuals with income (including the value of any pension contributions) of over GBP 150,000 and who have an income (excluding pension contributions) in excess of GBP 110,000. The rate of reduction in the annual allowance is by GBP 1 for every GBP 2 that the adjusted income exceeds GBP 150,000, up to a maximum reduction of GBP 30,000. Where an individual is subject to the money purchase annual allowance, the alternative annual allowance will be reduced by GBP 1 for every GBP 2 by which their income exceeds GBP 150,000, subject to a maximum reduction of GBP 30,000.

Individuals not paying taxes can benefit from basic rate tax relief (20%) on the first GBP 2,880 a year of contributions. The tax relief is added to their pension fund.

Individuals earning less than GBP 3,600 can still get tax relief on contributions up to that amount.

Although contributions can be paid after a member has reached the age of 75, they are not relievable pension contributions and do not qualify for tax relief.

Social contributions

There is no National Insurance Contributions’ (NICs) relief on employee contributions. Employer contributions are excluded from earnings for both employer and employee NICs.

Financial incentives to contribute to private pension plans

Matching contributions from the employer (minimum 1% of qualifying earnings as of October 2012, 2% as of October 2017 and 3% as of October 2018) and from the state in the form of a tax relief (0.2% of qualifying earnings as of October 2012, 0.6% as of October 2017 and 1% as of October 2018) are available for all employees automatically enrolled into a workplace pension. These contributions count towards the annual allowance.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

The income and gains from most pension scheme investments are not taxable. However, there is no tax relief on dividend payments received by pension funds.

Tax treatment of accumulation of funds

There is a cap on the total amount that can be accumulated in a private pension plan (lifetime allowance). This is currently set at GBP 1.25 million (GBP 1 million in 2016 and then uprated by the
consumer price index from April 2018). Individuals building up pension savings worth more than the lifetime allowance will pay a tax charge on the excess.

Pension savings are tested against the lifetime allowance when individuals take their pension benefits and on certain other key events:

- **Defined benefit schemes**: pension benefits are tested against the lifetime allowance. This level of pension saving is broadly equivalent to an annual pension of GBP 62,500 if the individual does not take a lump sum, or GBP 46,875 if the individual takes the 25% maximum tax free lump sum.

- **Defined contribution schemes**: the value of the pension pot that is used to pay pension benefits is tested against the lifetime allowance.

The charge is paid on any excess over the lifetime allowance limit. The rate depends on how this excess is paid to the individual. If the amount over the lifetime allowance is paid as a lump sum, the rate is 55%. If it is paid as a pension, the rate is 25% (the pension income is then taxed at the individual’s marginal tax rate). The scheme administrator should deduct the lifetime allowance charge due from the pension pot before paying the pension.

No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Annuities, programmed withdrawals and lump sums are all taxed as income at the marginal rate of income tax. Income from workplace and personal pension schemes is paid to the individual by the pension or annuity provider with tax already taken off via the PAYE (Pay As You Earn) System.

People withdrawing the whole pot from a DC plan are charged a 55% rate (unauthorised payments charge and unauthorised payments surcharge). From April 2015, people aged 55 and over will only pay their marginal rate of income tax on anything they withdraw from their DC pension.

The maximum tax-free lump sum an individual can normally have is 25% of the total value of the pension pot(s). DB schemes are deemed to have a pot size 20 times the annual pension to calculate the tax-free lump sum.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

State Pension is taxed as income.
Structure of the private pension system

**Voluntary, occupational**
- Private pension funds
- State and local government employee retirement funds
- Federal government retirement funds

**Voluntary, personal**
- Traditional individual retirement accounts (IRAs)
- Roth individual retirement accounts (Roth IRAs)

General tax treatment

EET: TEE for Roth contributions, EET for all other types of contributions.

Tax treatment of contributions to private pension plans

There are different types of employee and employer contributions with different tax treatments. Employee contributions can be salary reduction/elective deferral contributions, catch-up contributions, designated Roth contributions and after-tax contributions. This document describes the federal rules.

Salary reduction/elective deferral contributions

Salary reduction/elective deferral contributions are pre-tax employee contributions to occupational pension plans that are a generally a percentage of the employee’s compensation. There is a limit on elective deferrals made to all plans in which the individual participates. If the employee’s total contributions exceed the deferral limit, the difference is included in the employee’s gross income (i.e. the excess contribution is taxed at the individual’s marginal rate of income tax). In addition, the excess amount (and the income earned on that amount) has to be withdrawn from the plan.

- If the excess contributions are withdrawn by April 15 of the following year, any income earned on the contribution is reported as gross income for the tax year in which it is withdrawn. The withdrawal is not subject to the additional 10% tax on early withdrawal.

- If the excess contributions are not withdrawn by April 15, they are subject to double taxation, i.e. they are taxed both in the year contributed and in the year withdrawn from the plan (at the individual’s marginal rate of income tax). These withdrawals could also be subject to the 10% early withdrawal tax.

Limit on elective deferral contributions depend on the type of plan:

- Traditional 401(k), safe harbour 401(k), 403(b) and 457(b) plans: USD 18,000 in 2015 (USD 17,500 in 2013 and 2014).
• Savings Incentive Match Plan for Employees (SIMPLE) 401(k) and SIMPLE IRA plans: USD 12,500 in 2015 (USD 12,000 in 2013 and 2014).

• Salary Reduction Simplified Employee Pension (SARSEP): USD 18,000 in 2015 (USD 17,500 in 2013 and 2014) or 25% of compensation whichever is less.

The total amount the individual can contribute (elective deferral contributions and designated Roth contributions) to all his/her plans (not including 457(b) plans) is USD 18,000 in 2015 (USD 17,500 in 2013 and 2014).

*Catch-up contributions*

Certain plans allow participants 50 years old and over to make catch-up contributions tax-free beyond the basic limit on elective deferrals. Different limits apply to these additional elective deferral contributions:

• Traditional 401(k), safe harbour 401(k), 403(b), SARSEP and 457(b) plans: USD 6,000 in 2015 (USD 5,500 in 2013 and 2014).

• SIMPLE 401(k) and SIMPLE IRA plans: USD 3,000 in 2015 (USD 2,500 in 2013 and 2014).

• IRA plans: USD 1,000 in 2015 (same as in 2013 and 2014).

• 403(b) plans: If permitted by the 403(b) plan, an employee who has at least 15 years of service with a public school system, hospital, home health service agency, health and welfare service agency, church, or convention or association of churches (or associated organization), has a 403(b) elective deferral limit that is increased by the lesser of USD 3,000; USD 15,000 reduced by the amount of additional elective deferrals made in prior years because of this rule; or USD 5,000 times the number of the employee’s years of service for the organisation, minus the total elective deferrals made for earlier years. When both the 50 catch-up and the 15-year catch-up are available, the 15-year catch-up contributions applies first and count towards the overall limit on contributions, while the 50 catch-up contributions extend this overall limit.

• 457(b) plans: special 457(b) catch-up contributions, if permitted by the plan, allow a participant for 3 years prior to the normal retirement age (as specified in the plan) to contribute the lesser of twice the annual limit (USD 36,000 in 2015; USD 35,000 in 2013 and 2014); or the basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions).

If an individual aged 50 or over participates in only one 401(k) plan which does not permit catch-up contributions, the USD 18,000 limit applies. However, if that individual participates in two 401(k) plans, s/he can contribute up to USD 24,000 (18,000 + 6,000) on aggregate even though neither plan has catch-up provisions. The USD 18,000 limit still applies to each plan.

*Designated Roth contributions and after-tax contributions*

Designated Roth contributions are included in gross income (but tax-free when withdrawn) and are therefore taxed at the individual’s marginal rate of income tax. These include contributions to a Roth Individual Retirement Account (IRA). 401(k), 403(b) and governmental 457(b) plans can also allow Roth contributions.
After-tax contributions are contributions from compensation that an employee must include in income on his or her tax return. These include contributions to a traditional IRA. In addition, limits apply to contributions to Roth and traditional IRAs. Excess contributions are taxed at 6% per year, as long as the excess amounts remain in the IRA. The excess contribution can be avoided by withdrawing the excess contribution and any income earned on it by the due date of the individual income tax return.

The maximum an individual can contribute to all of his/her IRA plans is the smaller of USD 5,500 (USD 6,500 including catch-up contributions); or the individual’s taxable compensation for the year. Although the same overall limit applies to both Roth and traditional IRAs, Roth IRA contributions may be limited based on the participant’s filing status and income.

Table 14. Amount of Roth contributions allowed for 2015

<table>
<thead>
<tr>
<th>Filing status</th>
<th>Modified adjusted gross income</th>
<th>Contribution limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married filing jointly/ Qualifying widow(er)</td>
<td>&lt; USD 183,000</td>
<td>Up to the limit</td>
</tr>
<tr>
<td></td>
<td>≥ USD 183,000 and &lt; USD 193,000</td>
<td>A reduced amount</td>
</tr>
<tr>
<td></td>
<td>≥ USD 193,000</td>
<td>zero</td>
</tr>
<tr>
<td>Married filing separately and the participant lived with his/her spouse at any time during the year</td>
<td>&lt; USD 10,000</td>
<td>A reduced amount</td>
</tr>
<tr>
<td></td>
<td>≥ USD 10,000</td>
<td>zero</td>
</tr>
<tr>
<td>Single/Head of household/Married filing separately and the participant did not live with his/her spouse at any time during the year</td>
<td>&lt; USD 116,000</td>
<td>Up to the limit</td>
</tr>
<tr>
<td></td>
<td>≥ USD 116,000 and &lt; USD 131,000</td>
<td>A reduced amount</td>
</tr>
<tr>
<td></td>
<td>≥ USD 131,000</td>
<td>zero</td>
</tr>
</tbody>
</table>


Regular contributions to a traditional IRA are not allowed in the year an individual reaches 70½ and older. However, it is still possible to contribute to a Roth IRA and make rollover contributions to a Roth or traditional IRA regardless of age.

Contributions to a traditional IRA are made after-tax but may be deductible. The deduction may not be full if the participant or his/her spouse is covered by an occupational pension plan and his/her income is above certain limits, as described below.

Table 15. Deduction limits for traditional IRA contributions if the participant is covered by an occupational pension plan (2015)

<table>
<thead>
<tr>
<th>Filing status</th>
<th>Modified adjusted gross income</th>
<th>Deduction limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single/Head of Household</td>
<td>≤ USD 61,000</td>
<td>Full deduction up to the amount of the member’s contribution limit.</td>
</tr>
<tr>
<td></td>
<td>&gt; USD 61,000 and &lt; USD 71,000</td>
<td>Partial deduction.</td>
</tr>
<tr>
<td></td>
<td>≥ USD 71,000</td>
<td>No deduction.</td>
</tr>
<tr>
<td>Married filing jointly/Qualifying widow(er)</td>
<td>≤ USD 98,000</td>
<td>Full deduction up to the amount of the member’s contribution limit.</td>
</tr>
<tr>
<td></td>
<td>&gt; USD 98,000 and &lt; USD 118,000</td>
<td>Partial deduction.</td>
</tr>
<tr>
<td></td>
<td>≥ USD 118,000</td>
<td>No deduction.</td>
</tr>
<tr>
<td>Married filing separately</td>
<td>&lt; USD 10,000</td>
<td>Partial deduction.</td>
</tr>
<tr>
<td></td>
<td>≥ USD 10,000</td>
<td>No deduction.</td>
</tr>
</tbody>
</table>
Table 16. Deduction limits for traditional IRA contributions if the participant is not covered by an occupational pension plan (2015)

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Modified adjusted gross income</th>
<th>Deduction limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single/Head of Household/qualifying widow(er)</td>
<td>Any amount</td>
<td>Full deduction up to the amount of the member’s contribution limit.</td>
</tr>
<tr>
<td>Married filing jointly or separately with a spouse who is not covered by an occupational pension plan</td>
<td>Any amount</td>
<td>Full deduction up to the amount of the member’s contribution limit.</td>
</tr>
<tr>
<td>Married filing jointly with a spouse who is covered by an occupational pension plan</td>
<td>≤ USD 183,000</td>
<td>Full deduction up to the amount of the member’s contribution limit.</td>
</tr>
<tr>
<td></td>
<td>&gt; USD 183,000 and &lt; USD 193,000</td>
<td>Partial deduction.</td>
</tr>
<tr>
<td></td>
<td>$193,000 or more</td>
<td>No deduction.</td>
</tr>
<tr>
<td>Married filing separately with a spouse who is covered by an occupational pension plan</td>
<td>&lt; USD 10,000</td>
<td>Partial deduction.</td>
</tr>
<tr>
<td></td>
<td>≥ USD 10,000</td>
<td>No deduction.</td>
</tr>
</tbody>
</table>

Employer contributions

Employers can do matching contributions or discretionary/non-elective contributions. In both cases, employer contributions are not included in the individual’s gross income. There are limits to how much employers and employees can contribute on aggregate to each plan each year. The limits differ depending on the type of plan.

Overall limit on contributions

- 401(k) plans (traditional and safe harbour): total annual contributions to all the accounts of an individual in plans maintained by one employer (or any related employer) are limited. The limit applies to the total of elective deferrals, employer matching contributions, employer non-elective contributions and allocations of forfeitures. Total annual contributions cannot exceed the lesser of 100% of the participant’s compensation; or USD 53,000 (USD 59,000 including catch-up contributions) in 2015.

- SIMPLE 401(k) plans: smaller limits apply.

- 403(b) plans: the limit on the combination of all employer contributions and employee elective deferrals to all 403(b) accounts is the lesser of USD 53,000 (USD 59,000 including catch-up contributions) or 100% of the amount of taxable wages and benefits the employee received in his/her most recent full year of service.

- 457(b): annual contributions cannot exceed the lesser of 100% of the participant’s compensation; or the elective deferral limit (USD 18,000 in 2015). Catch-up contributions can extend that limit.

- Simplified Employee Pension Plans (SEP): contributions an employer can make to an employee’s SEP-IRA cannot exceed the lesser of 25% of the employee’s compensation; or USD 53,000 in 2015. Elective deferrals and catch-up contributions are not allowed in SEP plans.
• SIMPLE IRA plans: there is no overall limit on top of the limit on elective deferrals. However, employers only have two options to make contributions: match each employee’s contributions on dollar-for-dollar basis up to 3% of the employee’s compensation; or make a non-elective contribution of 2% of each eligible employee’s compensation.

Social contributions

There is no social contributions relief on employee and employer pension contributions. Social contributions include social security tax (6.2% of taxable earnings for the employer and 6.2% for the employee), Medicare tax (1.45% for the employer and 1.45% for the employee) and Additional Medicare tax (0.9% of wages in excess of USD 200,000 for the employee). Employer contributions are not subject to social security and Medicare tax.

Financial incentives to contribute to private pension plans

Individuals may be able to take credit for making eligible contributions to an IRA (traditional or Roth) or occupational pension plan (401(k), SIMPLE IRA, SARSEP, 403(b) or 457(b)). The amount of the credit (so-called Saver’s Credit) is 50%, 20% or 10% of the contribution up to USD 2,000 (USD 4,000 if married filing jointly), depending on the individual’s adjusted gross income (AGI).

Table 17. Saver’s Credit (2015)

<table>
<thead>
<tr>
<th>Credit rate</th>
<th>Married filing jointly</th>
<th>Head of household</th>
<th>All other filers</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% of contribution</td>
<td>AGI ≤ USD 36,500</td>
<td>AGI ≤ USD 27,375</td>
<td>AGI ≤ USD 18,250</td>
</tr>
<tr>
<td>20% of contribution</td>
<td>USD 36,501 – USD 39,500</td>
<td>USD 27,376 – USD 29,625</td>
<td>USD 18,251 – USD 19,750</td>
</tr>
<tr>
<td>10% of contribution</td>
<td>USD 39,501 – USD 61,000</td>
<td>USD 29,626 – USD 45,750</td>
<td>USD 19,751 – USD 30,500</td>
</tr>
<tr>
<td>0% of contribution</td>
<td>&gt; USD 61,000</td>
<td>&gt; USD 45,750</td>
<td>&gt; USD 30,500</td>
</tr>
</tbody>
</table>

Note: All other filers include: single, married filing separately or qualifying widow(er).

Automatic enrolment into a 401(k) plan can be accompanied by an automatic escalation of worker’s contributions with employer matching contributions. For a Qualified Automatic Contribution Arrangement, the initial automatic employee contribution must be at least 3% of wages, increasing by 1 percentage point annually, so that by the fourth year, the automatic employee contribution is at least 6% of wages. The employer must match 100% of the first 1% of wages contributed by the worker, plus 50% of the next 5% of wages, for a maximum match of 3.5% of wages to each employee. Alternatively, employers can make a non-elective contribution of at least 3% of wages to all eligible non-highly compensated employees.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.
Tax treatment of private pension income

Withdrawals from pension plans must be included in income (and therefore taxed at the individual’s marginal rate of income tax), except for designated Roth accounts.

Individuals must pay an additional 10% early withdrawal tax if the withdrawal occurs before the individual reaches 59½ years old. Exceptions are listed here: [http://www.irs.gov/Retirement-Plans/Plan-Participant,-Employee/Retirement-Topics---Tax-on-Early-Distributions](http://www.irs.gov/Retirement-Plans/Plan-Participant,-Employee/Retirement-Topics---Tax-on-Early-Distributions).

Most pre-retirement payments an individual receives from a pension plan can be “rolled over” by depositing the payment in another pension plan within 60 days. By rolling over a pension plan benefit, the individual does not pay tax until s/he withdraws it from the new plan.

Once the individual has reached age 70½ (for retirees of 401(k), 403(b) or other DC plans), s/he must withdraw a minimum amount (so-called Required Minimum Distribution, RMD) from his/her account each year. It is possible to withdraw more than the RMD. If the individual fails to take any withdrawal, or the withdrawal is not large enough, s/he may have to pay a 50% excise tax on the amount not withdrawn as required. Under the RMD strategy, the percentage of financial assets that retirees can withdraw each year increases as they age, from 3.13% at 65 to 4.37% at 75, 6.76% at 85, and 15.78% at 100.

Roth IRAs do not require withdrawals until after the death of the owner. In a Roth IRA, a retiree can withdraw money, including the investment income, totally tax-free if s/he has had the Roth IRA for more than five years.

Social contributions

Social contributions are not levied on pension income.

Tax treatment of pensioners

Social security benefits include monthly retirement, survivor and disability benefits. They do not include supplemental security income (SSI) payments, which are not taxable. To find out whether social security benefits may be taxable, the individual has to compare the base amount for his/her filing status with the total of one-half of his/her benefits, plus all his/her other income, including tax-exempt interest. If the total is more than the base amount, part of the benefits is taxable. The base amounts for 2015 are the following:

- USD 25,000 for single, head of household or qualifying widow(er);
- USD 25,000 for married individuals filing separately and lived apart for all of the year;
- USD 32,000 for married couples filing jointly;
- USD 0 for married filing separately and lived together at any time during the year.

Generally, up to 50% of the social security benefits are taxable. However, up to 85% of the benefits can be taxable if either of the following situations applies to the individual:

- The total one-half of benefits and all other income is more than USD 34,000 (USD 44,000 if married filing jointly);
- S/he is married filing separately and lived with his/her spouse at any time during the year.

The standard deduction is a dollar amount that reduces the amount of income subject to tax. The amount of standard deduction is based on a taxpayer’s filing status (single, married filing jointly, married filing separately, etc.). There is an additional deduction amount for taxpayers aged 65 or older. The additional amount for age will be allowed if the individual or his/her spouse are age 65 or older on the last day of the tax year.

**Table 18. Standard deduction (2013)**

<table>
<thead>
<tr>
<th>Filing status</th>
<th>Standard deduction</th>
<th>Standard deduction if one of the spouses is 65 or older</th>
<th>Standard deduction if both spouses are 65 or older</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>USD 6,100</td>
<td>USD 7,600</td>
<td>-</td>
</tr>
<tr>
<td>Married filing jointly/Qualifying widow(er) with dependent child</td>
<td>USD 12,200</td>
<td>USD 13,400</td>
<td>USD 14,600</td>
</tr>
<tr>
<td>Married filing separately</td>
<td>USD 6,100</td>
<td>USD 7,300</td>
<td>USD 8,500</td>
</tr>
<tr>
<td>Head of household</td>
<td>USD 8,950</td>
<td>USD 10,450</td>
<td>-</td>
</tr>
</tbody>
</table>

Individuals may take the credit for the elderly or the disabled if they qualify (i.e. they are age 65 years or older; or retired on permanent and total disability and have taxable disability income) and their income is below certain limits. To determine if an individual can claim the credit, s/he must consider two income limits: the amount of adjusted gross income (AGI) and the amount of non-taxable social security and other non-taxable pensions, annuities, or disability income s/he receives. The amount of credit an individual can claim is generally limited to the amount of his/her tax, and cannot be more than USD 750 for an individual.

**Table 19. Income limits for the elderly or the disabled credit (2013)**

<table>
<thead>
<tr>
<th>If filing status is</th>
<th>Then, even if the individual qualifies, s/he cannot take the credit if AGI is equal to or more than…</th>
<th>Or the total non-taxable social security and other non-taxable pensions, annuities, or disability income is equal to or more than…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single/Head of household/Qualifying widow(er) with dependent child</td>
<td>USD 17,500</td>
<td>USD 5,000</td>
</tr>
<tr>
<td>Married filing jointly and only one spouse qualifies</td>
<td>USD 20,000</td>
<td>USD 5,000</td>
</tr>
<tr>
<td>Married filing jointly and both spouses qualify</td>
<td>USD 25,000</td>
<td>USD 7,500</td>
</tr>
<tr>
<td>Married filing separately and lived apart for all the year</td>
<td>USD 12,500</td>
<td>USD 3,750</td>
</tr>
</tbody>
</table>
Bulgaria

Structure of the private pension system

Since the 1st of January 2015, UPF became voluntary. New entrants have one year to enrol into UPF. If an individual chooses to not enrol into UPF, contributions which would be paid into UPF will be diverted into the first pillar. Current members have one year to decide if they stay enrolled into UPF. If an individual chooses to switch to the first pillar, his/her future contributions will be paid into the first pillar and his/her assets accumulated in UPF will be transferred to the first pillar. Other legislative changes are ahead in this area.

General tax treatment

EEE

Tax treatment of contributions to private pension plans

Employee contributions into UPF and PPF are tax deductible. Employer contributions into UPF and PPF are not included in the employee’s taxable income. The contribution rates and the income base for contributions are set by law. Employers and employees cannot make additional contributions.

Employee contributions into VPF and VPFOS are tax deductible, up to 10% of individual’s taxable income. Excess contributions are taxed for the individual (flat income tax rate of 10%). Employer contributions are not included in the employee’s taxable income up to BGN 60 per month (excess contributions are taxed for the employee).

Social contributions

Both employee and employer contributions are not subject to obligatory social contributions.
Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Pension income from UPF, PPF, VPF and VPFOs is tax-exempt. Benefits from UPF and PPF are tax-free in all cases. Benefits from VPF and VPFOs are tax-free only after the person becomes eligible for pension. Payment options are described below.

Withdrawing from UPF depends on the age of the member:

- An individual can withdraw annuities from UPF when s/he reaches his/her legal retirement age.
- Early withdrawal, as annuities, is possible up to five years before the member’s legal retirement age, if the assets accumulated in the pension account can provide a pension at least equal to the public minimum old-age pension.
- It is not possible to make early withdrawal more than five years before the legal retirement age.
- If the annuity payment is less than 20% of the public social retirement pension (BGN 113 per month since 1 July 2014), pension income is withdrawn as a lump sum.

The aim of PPF is to provide an early retirement pension (fix-term annuity) until the legal retirement age. Individuals can withdraw early retirement pension if they fulfill the following conditions:

- An individual of labour category I has to contribute at least 10 years and reach an age lower than his/her legal retirement age by 11 years (13 years for women).
- An individual of labour category II has to contribute at least 15 years and reach an age lower than his/her legal retirement age by 6 years (8 years for women).
- If the individual does not complete those conditions or does not retire early, when s/he retires, s/he can withdraw the accumulated assets as a lump sum or transfer the assets to his/her UPF.

Individuals can withdraw annuities, programmed withdrawals, lump sums or a combination of them from VPF in case of retirement or disability. If the individual is not in retirement or in a disability scheme, s/he can also withdraw assets but the part of withdrawal corresponding to contributions, enjoying tax deduction, is taxed at the rate of 10%.
Individuals can withdraw fixed term annuities, programmed withdrawals, lump sums or a combination of them from VPFOS in case of retirement.

Social contributions

Pension income is exempt from social security contributions.

Tax treatment of pensioners

Pensions from the first pillar (public pay-as-you-go) are tax exempt.

Croatia

Structure of the private pension system

- Mandatory, personal
  - Open mandatory pension funds

- Voluntary, occupational
  - Closed voluntary pension funds

- Voluntary, personal
  - Open voluntary pension funds

General tax treatment

EET: EET for mandatory open pension funds and TET for voluntary (open and closed) pension funds.

Tax treatment of contributions to private pension plans

Contributions into open mandatory pension funds are tax-exempt.

Employee contributions into open and closed voluntary pension funds are taxed at the marginal rate of income tax and matched by the government.

Employer contributions into closed voluntary pension funds are not considered as employee’s taxable income up to HRK 6,000 a year. The same limit applies to self-employed individuals saving for themselves. Excess contributions are considered as employee’s taxable income.

Social contributions

Contributions into open mandatory pension funds are part of the social contributions levied on employee’s earnings.
As of 1 January 2015, employers who conclude an employment contract for an indefinite period with a person younger than 30 years of age will be exempt from employer’s social contributions (that is, health insurance contribution, unemployment contribution and contribution for work related injuries – currently cumulatively 17.2%) for the period of 5 years from employing such a person. Therefore, only employees contributions will be payable (i.e. pension insurance contributions pillar I and pillar II).

Financial incentives to contribute to private pension plans

Member’s contributions into open and closed voluntary pension funds are matched by the state. The state matches 15% of the member’s first HRK 5,000 of contributions (for a maximum matching contribution of HRK 750 per year). Contributions above HRK 5,000 a year are not matched.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not taxed.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Pension income is taxed at the marginal rate of income tax.

Individuals can claim annuities from open mandatory pension funds if they are eligible to get a retirement pension from the public pension scheme. It is not possible to withdraw lump sums or programmed withdrawals from open mandatory pension funds. Early withdrawal is not possible.

Individuals can withdraw lump sums, programmed withdrawals, annuities or combinations of them from their open and closed voluntary pension funds if they are 50 years old or more.

Social contributions

This information is not available.

Tax treatment of pensioners

Public pension income is taxed at the marginal rate of income tax.

The personal allowance is HRK 3,400 per month for pensioners instead of HRK 2,200 per month for others taxpayers.
Cyprus

Structure of the private pension system

General tax treatment

ETE for provident funds.

Tax treatment of contributions to private pension plans

Employee contributions into occupational defined benefit pension funds for public servants and into provident funds are tax-deductible up to one sixth of the employee’s annual income. This cap applies to the sum of tax-deductible contributions paid for defined benefit pension funds for public servants, provident funds, medical funds (up to 1% of employee’s income), social insurance, and life insurance (up to 7% of the insured amount). Excess contributions are taxed at the marginal rate of income tax.

The special tax contribution is levied on gross monthly emoluments from employment or pension (rates in 2014-2016: 0% for gross monthly emoluments from employment or pension below EUR 1,500; 2.5% for income between EUR 1,501 and EUR 2,500; 3% for income between EUR 2,501 and EUR 3,500; 3.5% for income over EUR 3,500). It is shared equally between the employer and the employee and is deductible from the taxable income.

Social contributions

This information is not available.

5. Note by Turkey: The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people in the Island. Turkey recognizes the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of United Nations, Turkey shall preserve its position concerning the “Cyprus” issue”.

6. Note by all the European Union Member States of the OECD and the European Union: The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.
Financial incentives to contribute to private pension plans

None exist.

Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments are not subject to income tax.

Interest income earned by provident funds is taxed at the flat rate of 3% (special contribution for defence).

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Pension benefits paid by provident funds only take the form of tax-free lump sums. Payments from provident funds are exempt from the special tax contribution.

Social contributions

Social contributions are not levied on pension income.

Tax treatment of pensioners

Pension income from public pension schemes is taxed at the marginal rate of income tax and subject to the special tax contribution.

Lithuania

Structure of the private pension system

- Pillar 2 pension funds
- Pillar 3 pension funds

Voluntary, personal

Second and third pillar pension plans are voluntary. However, once the decision to join the second pillar has been made, it is irreversible.

General tax treatment

TEE: TEE for second pillar pension funds and EEE for third pillar pension funds.
**Tax treatment of contributions to private pension plans**

Pension contributions to second pillar pension funds are a portion of the state social pension insurance contributions paid by employees and employers (2% in 2015; increasing to 3.5% from 2020). Social pension insurance contributions are not deducted from taxable income, thus are taxable at the flat income tax rate of 15%. If the individual contributes voluntarily an additional 1% of income, the state contributes an additional 1% of the average salary in Lithuania of the year before the last. These contributions are tax-exempt and will increase to 2% from 2016. For new participants who entered the second pillar after 1 January 2013, the additional contribution and the state matching are mandatory.

Employee contributions to third pillar pension funds are considered as expenses and can be deducted within the annual deduction room for expenses. The total amount of deducted expenses (pension contributions, life insurance premiums, interests on mortgage, educational expenses, etc.) shall not exceed 25% of the taxable income. Excess contributions are subject to a flat rate income tax of 15%. Employer contributions are not considered as taxable income to the employee if the amount of contributions does not exceed 25% of the employee’s income related to employment.

**Social contributions**

Social contributions are levied on private pension contributions.

**Financial incentives to contribute to private pension plans**

State matching contributions are available in the second pillar. Since 2014, the state contributes an additional 1% of the average gross salary in Lithuania of the year before the last if the individual agrees to contribute an additional 1% of his/her gross salary. From 2016, the state matching contribution increases to 2% of the average gross salary if the individual agrees to contribute an additional 2% of his/her gross salary. This arrangement is mandatory for new participants who entered the second pillar after 1 January 2013.

Since 2014, the state contributes 2% of the average gross salary in Lithuania in the second pillar pension plan for every child under three years old.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are tax-exempt.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

Pension income from second pillar pension funds is tax-exempt.

The tax treatment of pension income from third pillar pension funds depends on the withdrawal age, the length of the contract and whether the individual has deducted third pillar contributions. For contracts opened since 1 January 2003, the following rules apply:
- If the contract duration is at least five years and the individual withdraws no more than five years before the statutory age of retirement, pension benefits are tax-free.

- Otherwise, pension benefits are taxed at the flat income tax rate of 15%, excluding the part of contributions that have not been deducted from taxable income.

**Social contributions**

Social contributions are not levied on pension income.

**Tax treatment of pensioners**

Payments from the public pension scheme (SoDra) are tax-exempt.

**Malta**

**Structure of the private pension system**

- **Voluntary, occupational**
  - Occupational retirement schemes

- **Voluntary, personal**
  - Personal retirement schemes

**General tax treatment**

TET: TET for employee/individual contributions and EET for employer contributions.

**Tax treatment of contributions to private pension plans**

Employee contributions into occupational and personal retirement schemes are taxed at the marginal rate of income tax. Contributions into personal retirement schemes receive a non-refundable tax credit equal to 15% of the member’s contribution up to EUR 1,000 a year. The tax credit is consequently capped at EUR 150 a year.

Employer contributions into occupational retirement schemes are considered as employee’s taxable income but are fully tax-deductible. Employers cannot contribute into personal retirement schemes.

**Social contributions**

This information is not available.

**Financial incentives to contribute to private pension plans**

None exist.
Tax treatment of returns on investments and accumulation of funds

Tax treatment of returns on investments

Returns on investments (i.e. interests, dividends and capital gains) are not taxed, except for income derived from immovable property in Malta.

Tax treatment of accumulation of funds

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

Tax treatment of private pension income

Individuals can withdraw lump sums, programmed withdrawals, annuities or combinations thereof from occupational and personal retirement schemes.

Lump sums are tax-free up to 30% of the accumulated assets. Above they are taxed at the marginal rate of income tax.

Other payment options are taxed at the marginal rate of income tax.

Social contributions

This information is not available.

Tax treatment of pensioners

Pension income from public pension schemes is taxed at the marginal rate of income tax.

Social contributions are not levied on pension income from public pension schemes.

Romania

Structure of the private pension system

<table>
<thead>
<tr>
<th>Mandatory, personal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Pillar 2 private pension funds</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Voluntary, personal</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Pillar 3 private pension funds</td>
</tr>
</tbody>
</table>

Second pillar private pension funds are mandatory for employees and self-employed persons up to 35 years old and voluntary between 35 and 45 years old.

General tax treatment

EET
**Tax treatment of contributions to private pension plans**

Contributions into mandatory private pension plans are tax deductible.

Employee and employer contributions into voluntary private pension plans are commonly capped at 15% of the employee’s gross earnings. Employer contributions are not considered as employee’s taxable income. Employee contributions are tax deductible up to EUR 400. Excess contributions are taxed at the flat income tax rate of 16%.

**Social contributions**

Contributions into mandatory private pension plans are part of the social contributions levied on employee’s earnings.

Employee contributions into voluntary private pension plans are subject to social contributions, while employer contributions are not (these are fully deductible).

**Financial incentives to contribute to private pension plans**

None exist.

**Tax treatment of returns on investments and accumulation of funds**

**Tax treatment of returns on investments**

Returns on investments are not taxed.

**Tax treatment of accumulation of funds**

There is no ceiling on the lifetime value of private pension funds. No tax applies on accumulation of funds.

**Tax treatment of private pension income**

There is no pay-out product legislation yet, so the only way members can receive pension income is through lump sums.

Pension income below RON 1,000 is tax-free. Pension income above this threshold is taxed at the flat income tax rate of 16%.

**Social contributions**

Social contributions are levied on pension income, but not on pension income which is less than RON 740.

**Tax treatment of pensioners**

Pension income is tax exempt up to RON 1,000 per month, above it is taxed at the flat income tax rate of 16%. The tax deduction applies to all pension income (including private pension income from pillars 2 and 3).
According to the Fiscal Code, for a gross pension income lower than RON 2,200 per month, there is a tax credit equivalent to the monthly instalment, but no more than 900 RON.
The tax treatment of funded private pension plans: OECD and EU country profiles