ANNUAL SURVEY OF FINANCIAL INCENTIVES FOR RETIREMENT SAVINGS

Country profiles 2025

OECD

Foreword

Most OECD countries provide financial incentives to encourage individuals to save for retirement. These incentives can take two forms. Tax incentives are indirect subsidies provided through the tax code. They arise when the tax treatment of retirement savings deviates from the tax treatment of traditional forms of savings. Non-tax incentives, mainly matching contributions and fixed nominal subsidies, are direct government payments into the pension account of eligible individuals.

This report provides an annual overview of the tax treatment of retirement savings in OECD countries and four accession countries.[1] It also covers non-tax financial incentives provided to individuals to encourage them to save for retirement in asset-backed pension plans. The information refers to the rules applicable as of July 2025.

This report has been developed by the Capital Markets and Financial Institutions Division of the OECD Directorate for Financial and Enterprise Affairs. It was prepared by Stéphanie Payet under the supervision of Pablo Antolín, Head of the Insurance and Pensions Unit, and Serdar Çelik, Head of Division. The information gathered in this report was updated by Delegates to the OECD Working Party on Insurance and Pensions during the second part of 2025.

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Asset-backed pension plans play a crucial role in multi-pillar pension systems by complementing pay-as-you-go public pensions and helping to improve overall retirement outcomes. However, financial incentives may be needed to encourage savings in these pension plans, especially when participation is voluntary. Indeed, most OECD countries provide tax advantages and other financial incentives (e.g. subsidies) to encourage savings for retirement in asset-backed pension plans, aiming to make complementary retirement savings more attractive. However, these incentives come with significant costs and have come under close scrutiny in an era of budget stringency. This raises important questions: Is it better to use tax incentives to increase contributions into asset-backed pension plans, or would it be better to withhold such incentives and instead increase public pensions? Are there other alternative approaches to encourage saving in asset-backed pension plans that may be more efficient?

In 2018, the OECD reviewed the cost effectiveness of tax and other financial incentives with the objective of assessing the most efficient way public money can be used to increase savings for retirement, retirement income and replacement rates (OECD, 2018[1]). Since then, the OECD annually collects information on financial incentives for retirement savings.

This stocktaking report provides an annual overview of the tax treatment of retirement savings in OECD countries and four accession countries. It also covers non-tax financial incentives provided to individuals to encourage them to save for retirement in asset-backed pension plans. The information refers to the rules applicable as of July 2025.

Each country is covered separately, and each country profile contains the following information:

- the structure of the asset-backed pension system
- the tax treatment of retirement savings (contributions, returns on investment, funds accumulated, pension income, and payments to heirs and beneficiaries)
- the description of non-tax financial incentives
- the social treatment of contributions and benefits
- the tax treatment of pensioners
- the perspective of the employer.

Earlier editions of the survey can be found at https://www.oecd.org/en/topics/asset-backed-pensions.html

2 Country profiles

2.1. Australia

Figure 2.1. Structure of the asset-backed pension system in Australia

Mandatory, occupational

- Corporate superannuation funds
- Industry superannuation funds
- Public sector superannuation funds

Mandatory, personal

- Retail superannuation funds
- Small Australian Prudential Regulation Authority (APRA) funds
- Self-managed superannuation funds
- Approved deposit funds
- Retirement savings accounts

Voluntary, personal

- Retirement savings accounts
- Voluntary contributions to superannuation funds

Mandatory employer contributions ("superannuation guarantee" contributions) must be paid into one of the regulated funds listed under the mandatory components of Figure 2.1. Most employees can choose which fund their employer should contribute to, provided they meet the eligibility requirements for the nominated fund. For example, corporate funds are generally limited to the employees of the company offering the fund, whereas retail funds and large industry funds are generally accessible to all employees. Personal voluntary contributions can be made to any kind of fund for which the individual meets eligibility.

2.1.1. Tax treatment of contributions

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.[2] The government also makes tax-exempt contributions on behalf of eligible individuals.

Concessional contributions

Concessional contributions include mandatory employer contributions (“superannuation guarantee” contributions),[3] employee “salary sacrifice” contributions[4] and voluntary deductible contributions.[5] The superannuation guarantee contribution is paid regardless of age, however, employees under the age of 18 need to work for at least 30 hours per week to be entitled to superannuation guarantee contributions. Individuals aged 75 and over cannot make voluntary deductible contributions.

Concessional contributions are taxed at 15% on amounts up to the concessional contributions cap. The cap on concessional contributions for a financial year is currently AUD 30 000. The cap is indexed to wages and increases in increments of AUD 2 500. From 1 July 2018, it is possible for individuals with balances of less than AUD 500 000 to carry-forward the previous 5 years’ unused concessional cap space.

Contributions over the concessional contributions cap are taxed at the individual’s marginal income tax rate. This is intended to neutralise the benefit of having excess contributions in the concessionally taxed environment and ensures that the individual is treated as having earned the excess amount as ordinary income, with tax paid at the applicable marginal tax rate.

For high-income earners, for whom the sum of a modified calculation of taxable income (income for surcharge purposes) and concessional contributions is more than AUD 250 000, a tax rate of 30% instead of 15% is imposed on the portion of concessional contributions that are above the AUD 250 000 threshold up to the concessional cap. For example, if the income for surcharge purposes is at or above the threshold, the 30% tax rate is imposed on the whole amount of the contributions up to the concessional cap. Alternatively, if the income for surcharge purposes is less than AUD 250 000, 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 income is AUD 230 000 and concessional contributions are AUD 25 000, the 30% tax rate is only paid on AUD 5 000.

Non-concessional contributions

Non-concessional contributions primarily include personal voluntary contributions (which are 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.[6] 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 their marginal rate. The non-concessional contributions cap is the limit on the amount of non-concessional contributions an individual can make each year before paying extra tax. This cap is currently AUD 120 000 for individuals with a total superannuation balance below AUD 2 million and is set at four times the concessional contributions cap. Individuals with a total superannuation balance greater than AUD 2 million are permitted to make non-concessional contributions, however, these contributions will be subject to additional tax.

Any non-concessional contributions above the cap in a given year automatically bring forward the next two years’ non-concessional contributions cap for eligible people under 75 years old. This means that an eligible individual may contribute up to AUD 360 000 over a three-year period without paying the excess contributions tax.[7] Any contributions above AUD 360 000 in that three-year period can remain in the superannuation fund and be taxed at 47%, or be withdrawn from superannuation to avoid that additional tax and only pay tax at an individual’s own marginal tax rate on a proxy earnings amount associated with the excess contributions.

A tax credit may apply to after-tax contributions made on behalf of non-working or low-income-earning spouses.[8] It is payable to the contributor, not to the spouse. The tax credit 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 37 000; and
- the total amount of contributions paid.

2.1.2. Tax treatment of returns on investments

Investment earnings on superannuation assets supporting accounts in the accumulation phase are taxed at a rate of 15%. Investment earnings on superannuation assets in the retirement phase are tax-free, subject to the transfer balance cap that limits the total amount of capital transferred into tax-free retirement phase accounts (see below).

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.

2.1.3. Tax treatment of funds accumulated

A transfer balance cap of AUD 1 600 000 was introduced on 1 July 2017. The transfer balance cap is a lifetime limit on the amount of superannuation assets that may be transferred to a retirement phase account (i.e. an account supporting retirement income streams) with tax-free investment earnings. The transfer balance cap is indexed in line with the consumer price index and increases in AUD 100 000 increments. On 1 July 2021, the transfer balance cap was uprated to AUD 1 700 000. On 1 July 2023, it was uprated to AUD 1 900 000. On 1 July 2025, it was uprated to AUD 2 million. Since 1 July 2021, all individuals have a personal transfer balance cap between AUD 1 600 000 and AUD 2 million.

Assets in excess of the transfer balance cap must be kept in an accumulation phase account (where investment earnings will be taxed at 15%) or withdrawn as a lump sum from superannuation. The transfer balance cap applies only to the amount of assets that may be transferred into a retirement phase account, not as an ongoing cap on that account. So, the value of retirement phase accounts may grow above the transfer balance cap if future earnings exceed withdrawals. It also means that additional assets may not be transferred into retirement phase accounts, even if the value of retirement phase accounts falls below the transfer balance cap. Additional cap space can only be created where assets that are in retirement phase accounts are withdrawn from superannuation as a lump sum.

Transfers in excess of the transfer balance cap are subject to excess transfer balance tax. This is a tax on notional earnings attributed to the excess. From 2018/19, the rate is 15% the first time an individual has an excess transfer balance and 30% for second and subsequent breaches.

2.1.4. Tax treatment of pension income

Benefits withdrawn from a superannuation fund have three potential 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 2.1. Australia: Tax on withdrawals of taxable component when the individual withdraws money before his/her preservation age

Component	Type of withdrawal	Effective tax rate (excluding Medicare levy)
Taxed element	Income stream	Individual's marginal tax rate
Taxed element	Lump sum	Individual's marginal tax rate or 20%, whichever is lower
Untaxed element	Income stream	Individual's marginal tax rate
Untaxed element	Lump sum	Individual's marginal tax rate or 30%, whichever is lower, or 45% for lump sums above the untaxed plan cap amount (AUD 1 865 000 for 2025/26).

Table 2.2. Australia: Tax on withdrawals of taxable component when the individual withdraws money at age 60 or more

Component	Type of withdrawal	Effective tax rate (excluding Medicare levy)
Taxed element	Income stream	No tax for defined contribution schemes (assuming the individual is under the transfer balance cap) For defined benefit schemes, there is no tax up to AUD 125 000 per year from 2025/26 while 50% of amounts over this are taxed at individual's marginal tax rate
Taxed element	Lump sum	No tax
Untaxed element	Income stream	Individual's marginal tax rate less 10% tax offset (capped at AUD 12 500 in 2025/26)
Untaxed element	Lump sum	Individual's marginal tax rate or 15%, whichever is lower, or 45% for lump sums above the untaxed plan cap amount (AUD 1 865 000 for 2025/26)

Superannuation can generally only be accessed prior to preservation age on severe financial hardship grounds or compassionate grounds such as to pay for medical treatment, palliative care or mortgage arrears where this is a risk of foreclosure. Withdrawals due to severe financial hardship are usually restricted to individuals who have received eligible government income support payments continuously for 26 weeks and are unable to meet reasonable and immediate family living expenses. The minimum amount that can be paid is AUD 1 000 and the maximum amount is AUD 10 000, and only one withdrawal can be made in any 12-month period. In comparison, there are no general restrictions on the size or frequency of a release on compassionate grounds (but some specific grounds come with their own size limits). Benefits accessed early under severe financial hardship and/or compassionate grounds are taxed as a normal superannuation lump sum.

2.1.5. Tax treatment of payments to heirs and beneficiaries upon death

A superannuation death benefit is a payment made by a superannuation fund to a beneficiary after the member has died. A dependant beneficiary can receive the benefit as a lump-sum payment or as a super income stream. Dependants who take the benefit as a lump-sum payment do not pay tax on the entire amount of the superannuation death benefit. Dependants who take the benefit as a super income stream may be subject to tax depending on their age and the age of the deceased person when they die (Table 2.3), and the benefit will count toward their transfer balance cap.

Table 2.3. Australia: Tax on superannuation death benefits when dependants take the benefit as an income stream

Component	Age of deceased	Age of beneficiary	Effective tax rate (excluding Medicare levy)
Taxed element	Below 60 years	Below 60 years	Individual's marginal tax rate less 15% offset
Untaxed element	Below 60 years	60 years or over	Individual's marginal tax rate less 10% tax offset
Untaxed element	60 years or over	Any age	Individual's marginal tax rate less 10% tax offset

A dependant under tax law may be the deceased's spouse or former spouse, a child of the deceased under 18 years old, a person in an interdependency relationship with the deceased, or any other person dependent on the deceased.[9]

Non-dependant beneficiaries can only take a super death benefit as a lump sum. They pay tax on the taxable component of the benefit. A tax rate of 15% applies to the taxed element, while a tax rate of 30% applies to the untaxed element.

2.1.6. Non-tax incentives

The government provides a contribution called the "low-income super tax offset" (LISTO) of up to AUD 500 annually for eligible individuals on adjusted taxable income of up to AUD 37 000. The amount payable to the superannuation account is calculated by applying a 15% rate to concessional contributions made by or for individuals, which is effectively a refund of the tax paid on concessional contributions. This contribution is tax exempt.

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 government 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 62 488 for 2025/26), at least 10% of their total income is from employment or business and their total superannuation balance is less than the general transfer balance cap on 30 June of the previous financial year. The match rate provided is up to 50%. Individuals with an income below the lower income threshold (AUD 47 488 for 2025/26) can get 50 cents for each dollar contributed, up to the full maximum entitlement (AUD 500 for 2025/26). For every dollar that the individual earns above the lower income threshold, the maximum entitlement is reduced by 3.333 cents.

2.1.7. Social treatment

Social contributions are not levied on concessional contributions. However, voluntary concessional contributions are subject to the Medicare Levy surcharge (they are added back to the income threshold test for the surcharge).

Non-concessional contributions are made from income that has had social contributions levied against it.

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.

2.1.8. 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.

Most senior Australians receive a tax credit called 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 Age Pension eligibility criteria except the means test. In 2025/26, it is worth a maximum of AUD 2 230 for a single senior, AUD 1 602 for each member of a senior couple and AUD 2 040 for each member of a senior couple separated by illness. It builds on the statutory tax-free threshold and the “low-income tax offset” to ensure that eligible single senior Australians with a rebate income up to AUD 34 919 in 2025/26 (AUD 30 994 for each member of a couple, or AUD 33 732 for each member of a couple separated by illness) pay no income tax. The tax credit cannot exceed the total tax paid.[10]

- For single individuals, the maximum tax credit is reduced by 12.5 cents for each dollar of rebate income in excess of AUD 34 919, cutting out at a rebate income of AUD 52 759.
- For each member of a couple, the maximum tax credit is reduced by 12.5 cents for each dollar of rebate income in excess of AUD 30 994, cutting out at a rebate income of AUD 43 810.
- For each partner of a couple separated by illness, the maximum tax credit is reduced by 12.5 cents for each dollar of rebate income in excess of AUD 33 732, cutting out at a rebate income of AUD 50 052.

Single seniors and pensioners with no dependants who are eligible for the SAPTO will not incur a Medicare levy liability if their taxable income does not exceed AUD 43 020 in 2024/25. Similarly, couples and families who are eligible for the SAPTO will not be liable to pay the Medicare levy if their combined taxable income does not exceed AUD 59 886 (plus AUD 4 216 for each dependant child or student). The Medicare levy phases in at 10 cents for each dollar in excess of the above thresholds, until it is paid in full.

2.1.9. Perspective of the employer

Employer superannuation guarantee contributions are tax deductible if they are made to a complying fund by the due date.

Employers who fail to make the required contributions must pay the superannuation guarantee charge and possible penalties. The superannuation guarantee charge is a tax payable to the taxation office. It is then paid to employees’ super funds to compensate for non-payment of compulsory superannuation. The charge is higher than the basic superannuation requirement as it includes interest and administrative components. It is not deductible.

2.2. Austria

Figure 2.2. Structure of the asset-backed pension system in Austria

Voluntary, occupational

- Pension companies (*Pensionskassen*)
- Direct commitments (*Direktzusagen*)
- Occupational group insurance (*Betriebliche Kollektivversicherung*)
- Direct insurance (*Direktversicherung*)
- Support funds (*Unterstützungskassen*)

Voluntary, personal

- Pension insurance (*Pensionsversicherung*)
- State-sponsored retirement provision (*Prämienbegüngstigte Zukunftsvorsorge*)

2.2.1. Tax treatment of contributions

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.

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.

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.

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).

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

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

2.2.2. 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.

2.2.3. Tax treatment of funds accumulated

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

2.2.4. Tax treatment of 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 and personal pension 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.
- 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 as a lump sum, the individual has to pay back 50% of the government subsidies and a 27.5% tax on capital gains.

Lump-sum payments are taxed as ordinary income unless the payment does not exceed EUR 15 600. In this case, only 50% of the normal tax rate is paid. This applies to all lump-sum payments, which result from terminations of pension plans.

2.2.5. Tax treatment of payments to heirs and beneficiaries upon death

Survivor benefits must be provided upon the death of a plan member in the case of pension companies. There are no regulatory requirements for direct insurance, occupational group insurance, direct commitments and support funds. Survivor benefits for eligible persons (e.g. spouse or minor children) are taxed as earned income at the individual's marginal rate of income tax.

2.2.6. Non-tax incentives

The minimum term of a state-sponsored retirement provision plan is ten 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 government matching contributions. The matching contribution rate corresponds to a fixed rate of 2.75% plus a variable rate depending on the annual general level of interest rate. For 2025, the variable rate is 1.5% (thus the total matching rate is 4.25%). The maximum personal contributions considered to calculate the government contribution correspond to 1.53% of 36 times the maximum contribution basis for social security contributions. As of 1 January 2025, this is equal to EUR 3 552.66, thus the maximum government matching contribution for 2025 is EUR 150.99. No tax is levied on matching contributions. If individuals take the benefits as a lump-sum payment, they have to pay back 50% of the government subsidy and pay an additional 27.5% tax on the capital gains with retro-active effect.

It is also possible to get government matching contributions for employee contributions to direct insurance plans. The match rate is 2.75% plus a variable rate depending on the annual general level of interest rate for contributions up to EUR 1 000.

2.2.7. Social treatment

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

Pensioners do not pay most social contributions but do pay for sickness insurance (5.1% from January to May 2025, 6% from June to December 2025).

2.2.8. Tax treatment of pensioners

Old-age public pension is considered as an income and subject to the individual's marginal income tax rate.

Retired persons are entitled to a tax credit. For couples, the tax credit amounts to EUR 1 476 for sole earners with income up to EUR 24 196 and if the spouse's income does not exceed EUR 2 673. Otherwise, the tax credit is EUR 1 002. The tax credit is linearly reduced to 0 between EUR 21 245 (EUR 24 196 for sole earners) and EUR 30 957 of income.

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 2025 is EUR 12 900. 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. Seventy-five per cent of these additional benefits are tax-exempt, while 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.

13th and 14th monthly 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 2 570), there is no tax levied. If the value of 2 times the average monthly gross pension exceeds EUR 2 570, the amount between EUR 621 and EUR 2 570 is taxed at a fixed 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 tax rate.

2.2.9. Perspective of the employer

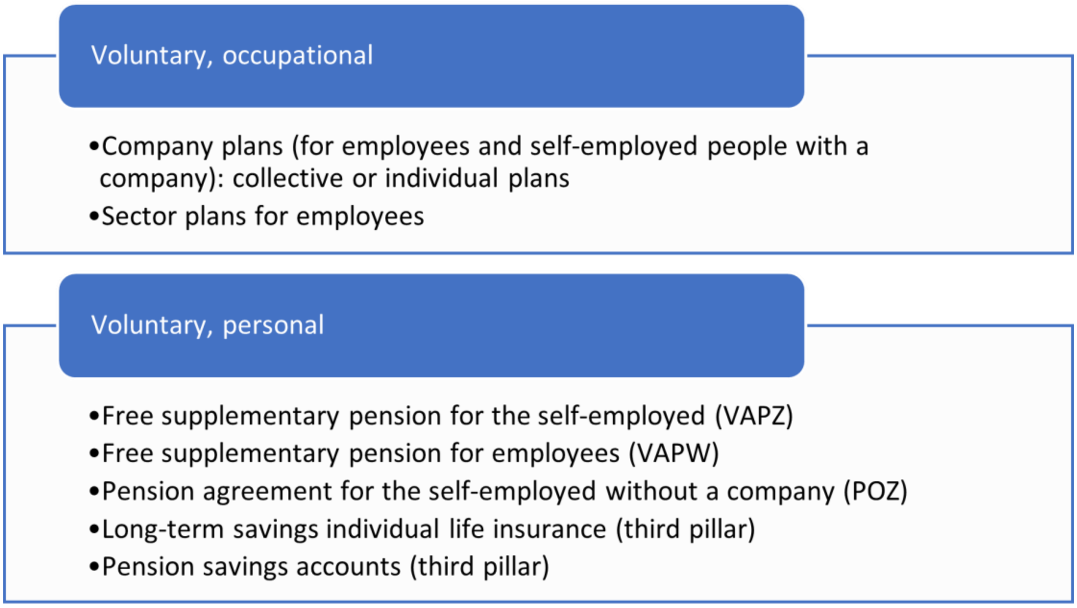
Pension companies and occupational group insurance: Employer contributions are tax-deductible company expenses, up to 10% of salary, provided that the total benefit target including social security benefits does not exceed 80% of current salary.

Direct insurance: Employer contributions up to EUR 300 per year are exempt from non-wage labour costs.

Direct commitments and support funds: Allocations to internal reserves are tax-deductible against income and corporation tax, up to 10% of salary, if the total benefit target including social security benefits does not exceed 80% of current salary.

2.3. Belgium

Figure 2.3. Structure of the asset-backed pension system in Belgium



2.3.1. Tax treatment of contributions

Occupational pension plans for employees

Employer contributions to an occupational pension plan are not considered as taxable income for the employee.

Employee contributions to an occupational pension plan are less common than employer contributions. They are eligible for a non-refundable tax credit of 30% of the amount contributed.[11]

Employee and employer contributions enjoy tax relief for the employer only to the extent that total retirement benefits, including the statutory pension, do not exceed 80% of the last gross annual salary.[12]

The pension institution must pay an annual 4.4% tax on total contributions (employer plus employee). This tax is not due in the case of a “social” pension plan (i.e. a plan with solidarity components) or a sector plan.

Occupational pension plans for self-employed people with their own company

Contributions to company plans for self-employed people with their own company (IPT plans) are deductible from taxable income only to the extent that total retirement benefits, including the statutory pension, do not exceed 80% of the last gross annual salary. The pension institution must pay an annual 4.4% tax on the total contributions paid.

Free supplementary pensions

Employees and self-employed workers have access to different free supplementary pension arrangements: self-employed persons can open VAPZ plans, while employees can open VAPW plans.

Contributions to VAPZ plans are deductible from professional income. Contributions to VAPZ plans cannot exceed 8.17% of professional income, up to EUR 4 000.44 in 2025 (respectively 9.40% of professional income for “social” VAPZ plans, up to EUR 4 602.71).

Contributions to VAPW plans are eligible for a non-refundable tax credit of 30% of the amount contributed. They cannot exceed EUR 1 970 in 2025 or 3% of gross salary received two years before, whichever is bigger. If the individual is also a member of an occupational pension plan, the cap is reduced by the increase in assets of the past two years in that plan (contributions and returns). The pension institution must pay an annual 4.4% tax on the total contributions paid.

Pension agreement for the self-employed without a company

Contributions to POZ plans are eligible for a non-refundable tax credit of 30% of the amount contributed. The self-employed individual enjoys tax relief only to the extent that total retirement benefits, including the statutory pension, do not exceed 80% of the last gross annual salary. The pension institution must pay an annual 4.4% tax on the total contributions paid.

Third pillar personal pension plans

Individual contributions to third pillar pension plans are eligible for a non-refundable tax credit of 30% of the amount contributed.

In the case of pension savings accounts, the maximum contribution is EUR 1 050 (tax credit of 30%) or EUR 1 350 (tax credit of 25%) per year in 2025. The pension savings account can be subscribed by an individual aged 18 or over, but less than 65, and for at least 10 years.

In the case of long-term savings individual life insurance, contributions are calculated according to the following formula: 15% of the professional income up until EUR 2 100 and 6% of the professional income exceeding EUR 2 100 (contributions cannot exceed EUR 2 530 in 2025). The individual must pay an annual 2% tax on the total contributions paid. The insurance contract has to be subscribed by an individual younger than 65, and for at least 10 years.

2.3.2. Tax treatment of returns on investments

In general, returns on investment are tax exempt. There is one exception. When the yearly return on investment is larger than the guaranteed return, the pension institution can award the individual with an annual profit share. This profit share is subject to a 9.25% profit share tax. At the time of pay-out, the investment income coming from the profit share is deducted before calculating the tax due on pension income.

2.3.3. Tax treatment of funds accumulated

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

2.3.4. Tax treatment of pension income

Occupational pension plans for employees

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 as a result of employer contributions is taxed at 16.5% (plus municipal tax), unless the pension is taken up at the statutory age of retirement (65 years old increasing gradually to 67), or after a 45-year career, and the pensioner has remained active until the age of take up. In that case, the pension is taxed at 10% (plus municipal tax).

The part of the lump-sum capital payment that has accrued as a result of employee contributions is taxed at 16.5% (plus municipal tax) for the part of capital that results from contributions made before 1993, and at 10% (plus municipal tax) for the part of the capital that results from contributions made from that date onwards.

Annuities are added to the statutory pension income. The total pension is then taxed at the progressive income tax rate, after an important tax reduction is granted. Annuities are rare in practice. Programmed withdrawals are not allowed in Belgium.

Occupational pension plans for self-employed people with their own company

Withdrawals from company plans for self-employed people with their own company are generally taxed at 16.5% (plus municipal tax), unless the pension is taken up at the statutory age of retirement (65 years old increasing gradually to 67), or after a 45-year career, and the pensioner remained active until the age of take up. In that case, the pension is taxed at 10% (plus municipal tax).

Free supplementary pensions

Upon withdrawal from VAPZ plans, the accumulated capital is converted into a virtual income for tax purposes. The virtual income is then taxed at the progressive income tax rate, after an important tax reduction is granted. The virtual income is determined by applying a conversion rate to the accumulated capital (between 3.5% and 5%) and has to be declared during a certain period (13 years, except when the individual withdraws from age 65, in which case, the declaration duration is only 10 years). If the pension is taken up at the normal retirement age (65 years old increasing gradually to 67) and the self-employed was professionally active until that age, then only 80% of the accumulated capital is converted into a virtual income.

Withdrawals from VAPW plans are taxed at 10% (plus municipal tax) if withdrawn at the statutory age of retirement (65 years old increasing gradually to 67) or following death. Otherwise, they are taxed at 33% (plus municipal tax).

Pension agreement for the self-employed without a company

Withdrawals from POZ plans are taxed at 10% (plus municipal tax) if withdrawn at the statutory age of retirement (65 years old increasing gradually to 67) or following death. Otherwise, they are taxed at 33% (plus municipal tax).

Third pillar personal pension plans

Third pillar pension plans are paid as a lump sum. That lump sum is taxed at the rate of 8% for pension savings accounts and 10% for long-term savings individual life insurance (no municipal tax). If the pension plan has been opened when the individual was younger than 55, the tax is calculated on the capital accumulated until age 60. In that case, individuals can continue contributing after age 60 with no further tax due on the additional capital accumulated. If the pension plan has been opened when the individual was 55 or older, the tax is calculated on the capital accumulated when the contract reaches 10 years.

2.3.5. Tax treatment of payments to heirs and beneficiaries upon death

Upon the death of the plan member before the normal age of retirement, beneficiaries receive the pension assets net of taxes. In case the deceased was an employee, the amount received is exempt from inheritance tax if the beneficiary is the spouse of the deceased or their children aged under 21. This is not applicable in case the deceased was a self-employed worker. Inheritance tax rates vary according to the region and the relationship between the deceased member and the heir.

2.3.6. Non-tax incentives

No such incentives.

2.3.7. Social treatment

Employers must pay social contributions at the rate of 8.86% on their contributions to an occupational pension plan, which is lower than the usual rate for social contributions.

For the self-employed, social security contributions are not levied on contributions to IPT plans. They are levied on contributions to POZ plans. VAPZ contributions are considered as social contributions.

There is a special social contribution of 3% on the portion of occupational pension contributions exceeding a certain limit (so-called Wyninckx contribution). The Wyninckx contribution is due if the sum of the first and second pillar pension exceeds the maximum pension for civil servants. In 2025, this yearly maximum is EUR 99 499.24. The contribution applies to all plans except third pillar plans, but it is mostly relevant for IPT plans.

Employee contributions to occupational plans and VAPW plans, as well as individual contributions to third pillar plans are treated in the same way as salary and are thus subjected to the same social contributions (generally 13.07%).

Pensioners with a (first and second pillar) pension above a minimum threshold pay a social contribution of 3.55% for health and disability insurance. The minimum threshold is EUR 2 037.72 in 2025 for a single pensioner without dependants (EUR 2 414.97 for pensioners with dependants). The effect of the contribution cannot lead to a pension payment inferior to this monthly amount.

There is also a “solidarity” contribution levied on (first and second pillar) pension income exceeding EUR 3 225.75 per month for a single pensioner (EUR 3 729.35 for pensioners with dependants). This contribution ranges from 0% to 2% of the gross pension.

Third pillar lump sums are not subject to social contributions.

2.3.8. Tax treatment of pensioners

Public pension income is taxed at the progressive income tax rate, after an important tax reduction is granted.

2.3.9. Perspective of the employer

Employer contributions to an occupational pension plan are deductible as business expenses to the extent that total retirement benefits, including the statutory pension, do not exceed 80% of the last gross annual salary.

2.4. Canada

Figure 2.4. Structure of the asset-backed pension system in Canada

Voluntary, occupational

- Registered pension plans (RPPs)
- Deferred profit-sharing plans (DPSPs)

Voluntary, personal

- Registered retirement savings plans (RRSPs)
- Pooled registered pension plans (PRPPs)

2.4.1. Tax treatment of contributions

Pension contributions made within the applicable limits 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.

Joint limits apply to individual and employer 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 32 490 and CAD 33 810 respectively for 2025). The earnings base for the limit is previous-year income for RRSPs and current-year income for RPPs.
- Defined benefit RPPs are permitted to provide pension benefits of 2% of earnings per year of service, up to 1/9th of the DC RPP limit per year of service (CAD 3 756.67 for 2025).
- Annual contributions to a DPSP are limited to 18% of earnings (current year income) up to 50% of the defined contribution RPP limit (CAD 16 905 for 2025).
- 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 or DPSP member's annual RRSP limit by the amount of annual RPP and/or DPSP 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 nine multiplied by the annual benefit accrued under the plan).
- PRPP contributions must be made within an individual's available RRSP limit.

Unused RRSP room is 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. While defined benefit RPP members may not accrue pension benefits after the year in which they attain 71 years old, 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 age 71.

An individual who is aged 72 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 old.

2.4.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.4.3. Tax treatment of funds accumulated

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

2.4.4. Tax treatment of 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.

Lump-sum payments from an RPP, where they are permitted, generally are not treated differently than periodic pension payments for tax purposes (i.e. they are included in income and taxed at the applicable rate) except for the purposes of the Pension Income Credit (PIC) and pension income splitting (lump-sum amounts are not eligible). Where a lump-sum amount is permitted to be transferred to another registered plan or used to purchase an annuity (e.g. where a member terminates their membership in, or retires under, an RPP), the transfer is tax-free (i.e. there are no immediate tax consequences). The transferred amounts would be included in income for tax purposes when withdrawn from the receiving registered plan or when received as annuity payments.

The PIC is a non-refundable tax credit provided on the first CAD 2 000 of eligible pension income. Federally, the credit rate is equal to the lowest personal income tax rate (14.5% for 2025 and 14% from 2026 onward).

A pension income splitting measure permits seniors and pensioners to allocate up to 50% of their eligible pension income to their spouse or common-law partner for tax purposes.

Eligible pension income for the PIC and pension income splitting includes periodic pension payments from an RPP, regardless of the recipient's age, and other types of pension income (i.e. income from an RRSP annuity, RRIF, PRPP and DPSP annuity) as of age 65.

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 programmes, under the Home Buyers' Plan (HBP) and the Lifelong Learning Plan (LLP), respectively. Withdrawals are limited to CAD 60 000 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. RRSP funds can also be transferred to a Tax-Free First Home Savings Account, subject to a lifetime limit of CAD 40 000, and then be withdrawn tax-free for the purpose of buying a first home.

2.4.5. Tax treatment of payments to heirs and beneficiaries upon death

The spouse or common-law partner at the time of death of an RPP member is entitled to the death benefit of the pension plan. If an RPP member dies before retirement, the value of the pension may be directly transferred on a tax-deferred basis to the deceased's spouse's RRSP, RRIF, locked-in retirement account or RPP, or may be paid in the form a pension to the spouse if the rules of the plan allow for it. If an RPP member dies while receiving a pension under the plan, the surviving spouse may be entitled to a pension for life (equivalent to a percentage of the pension) which is called a joint and survivor pension. All payments made from the RPP and withdrawals from registered funds are included in the spouse's income and are subject to personal income tax at the marginal tax rate of the spouse for the taxation year in which they are received. If an RPP member dies without a surviving spouse or if the surviving spouse renounced their right to the death benefit, the death benefit is generally payable as a lump sum to the designated beneficiary, or if none, to the estate. Payments made to a beneficiary are subject to personal income tax at the marginal tax rate of the beneficiary for the taxation year in which they are received. Payments made to the estate have to be reported as taxable income by the estate for the taxation year in which they are received.

When an RRSP/RRIF annuitant dies and there is no qualifying survivor (spouse, common-law partner and financially dependent child or grandchild), the tax authority considers that the annuitant has received, immediately before death, an amount equal to the fair market value of all the property held in the RRSP/RRIF at the time of death. In that case, the fair market value of the assets held in the RRSP/RRIF is included on the deceased member's final income tax and benefit return. In the case of the death of an annuitant who had a spouse or common-law partner, the rules permit the deceased individual's RRSP or RRIF proceeds to be rolled over on a tax-deferred basis to the RRSP, RRIF or PRPP of the spouse or common-law partner. Furthermore, for a RRIF or RRSP paying annuity payments (mature RRSP), if the spouse or common-law partner is designated as the successor annuitant, all amounts paid out of the RRIF and mature RRSP after the death of the annuitant become payable to the successor and are instead reported as taxable income of the successor for the taxation year in which they are received. In the case of a child or grandchild who was financially dependent on the deceased annuitant, the RRSP/RRIF proceeds are included in the income of the child rather than in the income of the deceased. The amount can be received in the form a lump sum or used to purchase an annuity for a period of no more than 18 years minus the child's or grandchild's age at the time the annuity was purchased. Where a child or grandchild was financially dependent on the deceased individual by reason of mental or physical infirmity, the tax rules permit the rollover of a deceased individual's RRSP or RRIF proceeds to the RRSP of the child. The tax rules also permit the rollover of a deceased individual's RRSP or RRIF proceeds to the registered disability savings plan of a financially dependent infirm child or grandchild.

When a PRPP member dies, the tax rules are substantially similar to what applies to a deceased RRSP annuitant, except that a surviving spouse or common-law partner can become a "successor member" of the PRPP, taking over ownership and future direction of the PRPP account. That successor member will subsequently be taxed on withdrawals or annuity payments in the year in which the withdrawals or payments are received.

2.4.6. Non-tax incentives

No such incentives.

2.4.7. Social treatment

Social programme 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 programme 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 programme contributions.

Social programme contributions are not levied on pension income.

2.4.8. Tax treatment of pensioners

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

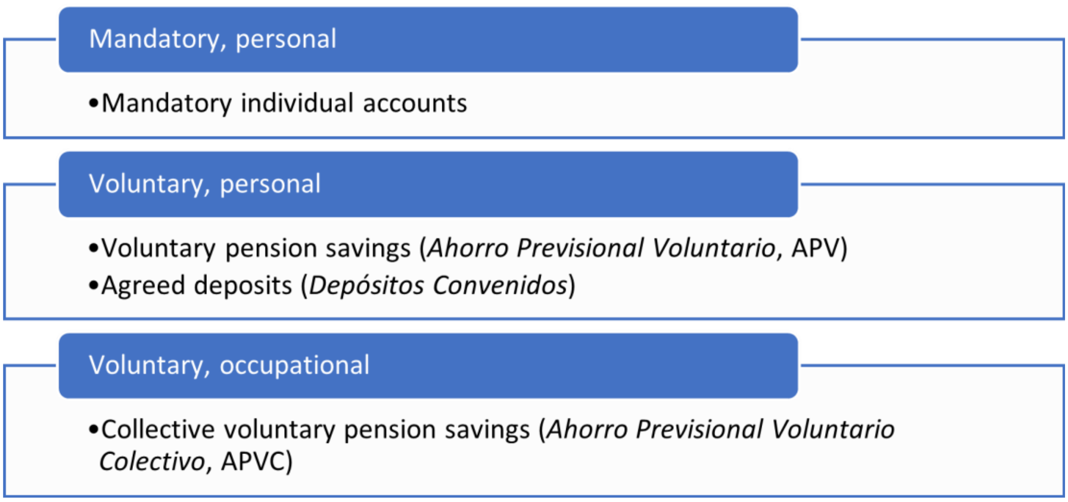
The Age Credit is a non-refundable tax credit provided to individuals aged 65 and over on an amount of CAD 9 028 for 2025. The credit amount is reduced by 15% of income over a threshold of CAD 45 522 and is eliminated when income exceeds CAD 105 709 (for 2025). Both the credit amount and the income threshold are indexed to inflation annually.

2.4.9. Perspective of the employer

Employer contributions to an RPP, a PRPP or a DPSP are deductible for the employer for income tax purposes.

2.5. Chile

Figure 2.5. Structure of the asset-backed pension system in Chile



2.5.1. Tax treatment of contributions

Members of the pension system contribute 16% of their salary to mandatory personal accounts, which is broken down between 10% paid by the employee and 6% by the employer.[13] Employee contributions are tax exempt and employer contributions are not included in the employee's salary. There is an upper limit of 87.8 UF on the salary taken into account for contributions to the system.[14]

Members may also contribute to voluntary accounts. These contributions are tax exempt up to a certain limit. Regarding contributions to APV or APVC, there are two tax regimes available for members:

- Regime B: Contributions are tax-exempt, up to a limit of 50 UF per month or 600 UF per year. Under this regime, voluntary contributions are deducted before taxation.
- Regime A: Contributions are not deducted before taxation, but individuals are entitled to a matching contribution by the government (see section “Non-tax incentives”).

Agreed deposits are contributions settled between the employer and the worker. These savings may only be withdrawn upon retirement, and they are not subject to taxation up to a maximum of 900 UF per year. Contributions above this limit are taxed at the individual’s marginal rate of income tax.

2.5.2. Tax treatment of returns on investments

Returns on investments are not taxed in general.

Workers making voluntary contributions under regime A, withdrawing the funds and not using them to complement their mandatory pension, pay taxes upon withdrawal on the return obtained from the amount withdrawn, at the individual’s marginal rate of income tax.

2.5.3. Tax treatment of funds accumulated

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

2.5.4. Tax treatment of pension income

Pension income is subject to income tax.

Upon retirement, pensioners who can finance a pension exceeding 12 UF and 70% of the average monthly taxable wage over the last 10 years are entitled to withdraw the surplus as a lump-sum payment (i.e. the remaining balance in the individual account after calculating the savings required to obtain that pension). This available surplus is tax exempt up to a maximum annual amount equivalent to 200 UTM, and the total exemption may not exceed 1 200 UTM.[15] If members choose to withdraw the entire surplus in one year, the maximum exemption is 800 UTM. This exemption applies to mandatory savings. For voluntary savings, it is additionally required that these savings have been made at least 48 months prior to retirement to receive the tax exemption.

In the case of agreed deposits, if an individual contributed more than 900 UF in a year, upon withdrawal at retirement, only the returns are taxed on the portion corresponding to the excess over 900 UF to avoid double taxation, since contributions in excess of 900 UF have already been taxed.

Workers may fully or partially withdraw the balance accumulated through voluntary contributions at any time, not only upon retirement. Contributions under regime B are subject to a special additional tax and considered income for the year the withdrawals are made. The special additional tax is calculated differently depending on the time of the withdrawal:

- Withdrawal before meeting the 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 the withdrawal.
- Withdrawal for pensioners or people at or above the legal retirement age: The withdrawal is subject to one-off additional tax at the time of withdrawal at a rate calculated as $(ICR - ISR)/R$.

Contributions under regime A are not subject to the additional tax described above. In the case of withdrawal of funds before retiring, the worker loses the government matching contribution and pays tax on investment return. If voluntary contributions under regime A are used to complement the mandatory pension, the part of the pension financed with these voluntary savings is deducted before taxation.

2.5.5. Tax treatment of payments to heirs and beneficiaries upon death

When a plan member dies, the funds accumulated in the individual account in the AFP will be delivered as a survivor pension if there are beneficiaries such as a spouse, a civil partner, sons or daughters under 18 years old (or 24 years old if they are studying), or parents if there are no other survivors and if they can demonstrate to have been living at the expense of the deceased. This is a monthly pension financed by the entire pension savings of the deceased member. Survivor pensions are subject to personal income tax for the beneficiary.

If the relatives of the deceased member do not meet the requirements to be the beneficiaries of a survivor pension, or the cause of death of the member is a work-related accident or the result of an occupational disease, the funds will be delivered in the form of an inheritance to the legal heirs, according to the inheritance law. If the deceased member had already retired at the time of death, an inheritance is only possible if the deceased member had chosen programmed withdrawals. Inheritance tax will only be paid on balances that exceed 4 000 UF, based on a progressive tax scale with tax rates ranging from 1% to 25%. A surcharge of 20% applies to 2^{nd}, 3^{rd} and 4^{th} collateral relatives (e.g. siblings, half-siblings, nephews, uncles, grandnephews, cousins and great-uncles), while a surcharge of 40% applies to distant relatives and non-relatives.

2.5.6. Non-tax incentives

Workers between 18 and 35 years old with an income lower than 1.5 times the minimum wage are entitled to a government matching contribution for the first 24 contributions to the pension system. This contribution consists in two payments: a subsidy to employers for hiring this type of workers and a direct contribution to the worker’s pension account of the same amount. The matching contribution is equivalent to 50% of the mandatory contribution of the worker if the wage is lower than or equal to the minimum wage; or 50% of the mandatory contribution over the minimum wage if the wage is greater than the minimum wage and lower than 1.5 times the minimum wage.

Women aged 65 or older are entitled to a government subsidy for each child alive at birth. The subsidy is equivalent to 18 months of contributions over the minimum wage at the moment of the birth of the child, invested in fund type C since 2009 or since the birth of the child, whichever is later.

Workers making voluntary contributions under regime A (usually low-earnings workers whose wages are either exempted from income tax or have a low-income tax rate) are entitled to a government matching contribution, corresponding to 15% of the yearly contributions, subject to a limit of 6 UTM. If the member withdraws the funds before retirement, the matching contribution is lost. It is not required to contribute to the mandatory system in the same month to get the matching contribution but only members of the pension system may contribute to voluntary accounts.

2.5.7. Social treatment

Social security contributions are levied over the gross salary. There is a maximum salary for social security contributions of 87.8 UF. Pension contributions are part of the social security contributions.

Pensioners in the 80% poorest share of the population are exempted to contribute for health coverage, while the remaining 20% are required to pay 7% of their pension income for health coverage.

2.5.8. *Tax treatment of pensioners*

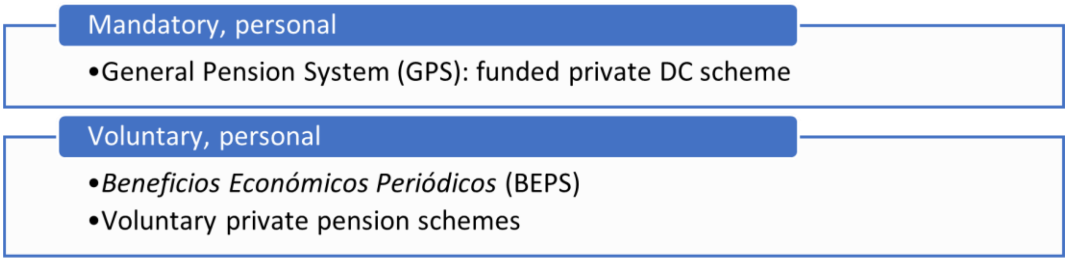
The universal guaranteed pension is taxed at the individual's marginal rate of income tax.

2.5.9. *Perspective of the employer*

Mandatory employer contributions, agreed deposits and contributions to APVC are considered as an expense for the employer and are therefore deductible for corporate income tax purposes.

2.6. Colombia

Figure 2.6. Structure of the asset-backed pension system in Colombia



With the enactment of Law 2381 of 2024,[16] the Colombian pension system will have two coexisting systems:

- A mandatory system with two competing schemes, the public pension scheme and the private pension scheme. Insured individuals must contribute to either the public or the private pension scheme and may switch membership every five years, up to the last ten years before retirement (Law 100 of 1993).
- A mandatory system with four pillars, structured as follows: i) Solidarity pillar; ii) Semi-Defined Contribution pillar, including BEPS; iii) Defined Contribution pillar; and iv) Voluntary Savings pillar (Law 2381 of 2024).

2.6.1. *Tax treatment of contributions*

Mandatory contributions to the GPS paid by the employee and the employer are considered as income that cannot be considered as taxable income.[17]

The tax treatment of voluntary pension contributions depends on the type of voluntary contributions made.

Voluntary contributions made by the individual to the private pension fund also receiving their mandatory contributions are considered as non-taxable income. They cannot exceed 25% of the annual taxable income up to 2 500 UVT annually.[18] [19] This tax benefit is not taken into account when determining the relative and absolute limitations applicable to income tax exemptions described below.

Contributions to voluntary pension funds and private pension insurance premiums have a different tax treatment. These contributions can be made by any person, regardless of the mandatory pension regime that they are member of (private or public). Voluntary contributions made by the member, the employer or the independent worker are considered as tax-exempt income. Together with the contributions to the Savings Accounts for the Promotion of Construction (AFC), they cannot exceed 30% of the annual taxable income up to 3 800 UVT annually.[20] These contributions must remain in the chosen fund for a period of at least ten years.

Withdrawals of contributions before ten years lose the benefit of the tax-exempt income and the fund or entity is required to withhold the applicable 7% rate. In this line, the amount withdrawn is deemed as taxable income. The 10-year limit does not apply when the taxpayer retires, so that once the member becomes a pensioner, they can withdraw those contributions at any time without losing the benefit initially claimed. The 10-year limit does not apply either when withdrawals are made to purchase a home, either through a mortgage, leasing or without financing.

The total or partial withdrawals of voluntary contributions made to the private pension scheme are deemed as taxable income and are subject to a 35% tax withholding rate. This tax withholding must be performed by the management company upon withdrawal.[21]

Moreover, the sum of all exempt income and deductions cannot exceed 40% of gross income less health and pension contributions up to 1 340 UVT annually. It is important to note that this limitation does not apply to the voluntary contributions made to the private pension fund also receiving mandatory contributions described earlier.

2.6.2. Tax treatment of returns on investments

The investment returns on pension fund assets are exempt from income tax.

2.6.3. Tax treatment of funds accumulated

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

2.6.4. Tax treatment of pension income

The sum of mandatory (public or private) and voluntary pension benefits is exempt from income tax unless the aggregate monthly benefits are over 1 000 UVT.[22] Only the part exceeding the threshold is subject to income tax.

2.6.5. Tax treatment of payments to heirs and beneficiaries upon death

Eligible survivors receive a survivor benefit if the deceased member of the GPS was receiving retirement or disability benefits, was an active member with the required number of weeks of contributions to receive an old-age pension or was an active member with at least 50 weeks of contributions in the 3 years prior to the date of death. Beneficiaries authorised to inherit a pension are, in order of priority, the spouse or permanent partner with at least 5 continuous years of common life; minor children or students up to 25 years old; parents of the deceased if they were economically dependent on the contributor; and disabled siblings. If the member dies without fulfilling the qualifying conditions, the individual account balance and the recognition bond, if applicable, are paid to survivors. Payments to survivors are tax exempt unless the aggregate monthly benefits are over 1 000 UVT. Only the part exceeding that threshold is taxable, at the applicable marginal rate.

Regarding the BEPS, the savings accumulated in the programme are inheritable only if the beneficiary dies during the savings stage. If the beneficiary was already receiving returns or had allocated the savings to one of the available options, they are not inheritable.

In the case of voluntary savings schemes, if the account holder passes away, the funds in the account become part of the deceased member's estate.

If the deceased had rights under the BEPS or voluntary pension savings and those rights are passed to heirs (i.e. become part of the estate), those rights are tax exempt unless the aggregate monthly benefits are over 1 000 UVT. Only the part exceeding that threshold is taxable with income tax. However, it should be noted that under the BEPS, the amounts received will most likely remain below the thresholds that give rise to an income tax filing obligation for the heirs.

2.6.6. Non-tax incentives

The *Beneficios Económicos Periódicos* (BEPS) programme allows some of the lowest income groups to voluntarily contribute to the GPS, as long as they are affiliated to either the private or the public component of the GPS. The maximum annual contribution is COP 2 200 000 in 2025. At retirement, individuals receive a 20% matching contribution from the government. The government matching contribution is only deposited in the pension account when the individual retires and therefore does not accrue interests during the accumulation phase.[23]

For the public component of the GPS, individuals eligible for the BEPS programme are those who could not complete all the weeks required to become beneficiaries of a pension income and have reached the age of retirement, or those who cannot contribute on the basis of a minimum salary.

For the private DC component of the GPS, members who cannot accumulate the minimum capital to become eligible for the minimum pension guarantee are eligible for the BEPS programme.

2.6.7. Social treatment

Contributions to private pension funds come from a base salary and are therefore subject to social contributions.

Private pension income is subject to healthcare contributions. A rate of 12% is applied to pension benefits to contribute to the healthcare system that is lower than the rate applied when the member is an employee (12.5%, of which 8.5% is paid by the employer). However, this 12% must be fully paid by the member.[24]

2.6.8. Tax treatment of pensioners

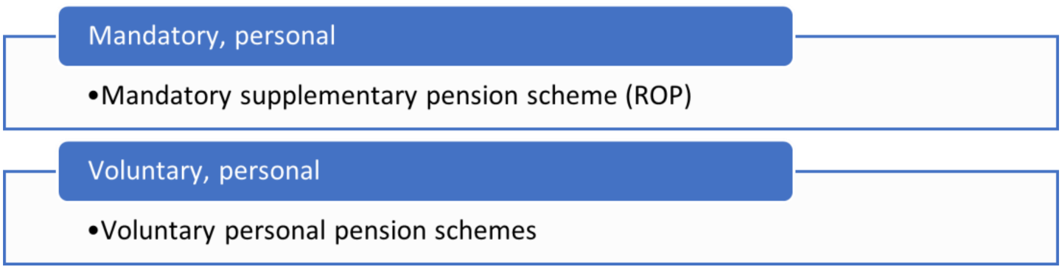
The sum of mandatory and voluntary pensions is tax exempt unless the aggregate monthly benefits are over 1 000 UVT.[25] Only the part exceeding the threshold is subject to income tax.

2.6.9. Perspective of the employer

The contributions made to institutional plans in an annual amount per employee of up to 3 800 UVT represent a deductible expense for the contributing firm.[26]

2.7. Costa Rica

Figure 2.7. Structure of the asset-backed pension system in Costa Rica



2.7.1. Tax treatment of contributions

Employee contributions to the mandatory scheme (ROP) are not tax-deductible, while employer contributions are not included in the employee's taxable income.

Individual and employer contributions to voluntary plans are exempt from income tax up to 10% of the gross monthly income of the employee, or 10% of the annual gross income for individuals with gainful activities.[27]

2.7.2. Tax treatment of returns on investments

There are no taxes levied on investment returns. According to Law No. 7983 (Worker Protection Law) and Law No. 7092 (Income Tax Law), there is an exemption from income tax for interests, dividends, capital gains and any other benefits produced by the values in national currency or in foreign currency, in which the authorised entities invest the resources of the managed funds.[28]

2.7.3. Tax treatment of funds accumulated

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

2.7.4. Tax treatment of pension income

Benefits from mandatory and voluntary pension schemes are exempt from personal income tax, except for withdrawals from voluntary pension schemes made before the age of 57.

2.7.5. Tax treatment of payments to heirs and beneficiaries upon death

If there are eligible survivors in the first pillar, they receive a proportion of the old-age pension the deceased member received or was entitled to receive. Eligible survivors are a widow(er) or cohabiting partner, orphans up to age 18 (age 25 if a student; no limit if disabled), dependent children older than 55 who were living with the deceased; and dependent parents and siblings if there are no other eligible survivors. The deceased must have had at least 12 months of contributions in the last 24 months, or a total of at least 180 months of contributions. In case there is no beneficiary in the first pillar, the beneficiaries nominated by the member are entitled to withdraw the balance in their mandatory pension scheme as a lump sum. Payments to survivors are exempt from income tax.

The decumulation phase for voluntary pension funds is not linked to first pillar benefits. Benefits are paid based on a contract between the pension fund administrator and the member that also establishes the rules for survivor benefits. Payments to survivors are exempt from income tax.

2.7.6. Non-tax incentives

No such incentives.

2.7.7. Social treatment

The state calculates individual and employer social security contributions on an employee's gross monthly remuneration. As such, contributions to the ROP are not eligible for deduction from the gross monthly remuneration basis for social security contributions.

Individual and employer contributions to voluntary plans are exempt from the payment of social charges up to 10% of gross monthly remuneration, or 10% of the annual gross income for individuals with gainful activities.

The social charges that are exempted are the following: *Caja Costarricense de Seguro Social* (CCSS); *Instituto Nacional de Aprendizaje* (INA); *Instituto Mixto de Ayuda Social* (IMAS); *Fondo de Desarrollo Social y Asignaciones Familiares* (FODESAF); and *Banco Popular y de Desarrollo Comunal*.[29]

Social security contributions are not levied on pension income from mandatory and voluntary schemes.

2.7.8. Tax treatment of pensioners

Costa Rica has a multi-pillar pension system. Benefits from the Basic Contributory Pension Regime (Seguro de Invalidez, Vejez y Muerte, "IVM"), mandatory (ROP) and voluntary pension schemes are tax exempt, except for withdrawals from voluntary pension scheme made before the age of 57.

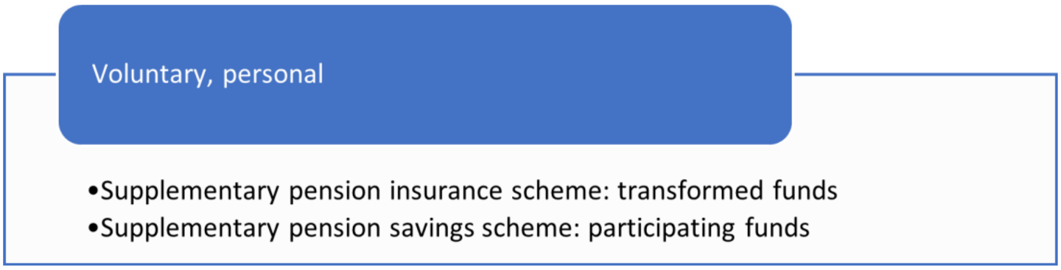
2.7.9. Perspective of the employer

To calculate the income tax and the charges on the payroll, the contributions to the ROP are considered deductible expenses to determine the taxable income of the employer.

Employers who have entered into a contribution agreement with workers for a voluntary supplementary pension scheme according to Law No. 7983 (Workers Protection Law) may consider such contributions as deductible expenses for the purpose of calculating the income tax of their company or business.[30]

2.8. Czech Republic (Czechia)

Figure 2.8. Structure of the asset-backed pension system in Czechia



Transformed funds have been closed to new entrants since January 2013.

2.8.1. Tax treatment of contributions

Individual contributions into supplementary pension schemes are paid from after-tax income. Contributions of CZK 500 up to CZK 1 700 a month are matched by government contributions. Contributions above CZK 20 400 a year are tax-deductible up to CZK 48 000 a year. This is an aggregate limit for all tax-supported retirement savings products.[31] Persons who have been granted an old-age public pension are not eligible for the government matching contributions, but they can deduct their contributions from the first crown they put in provided they still have taxable income.

Employer contributions into supplementary pension schemes are not considered as taxable income for the employee up to CZK 50 000 a year. Above they are taxed as income.

2.8.2. Tax treatment of returns on investments

Returns on investment are not subject to income tax during participation in the system but taxed according to the rules described below in out payments from the system.

2.8.3. Tax treatment of funds accumulated

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

2.8.4. Tax treatment of pension income

If the participant withdraws money without fulfilling the eligibility conditions for a lump sum or a pension, this closes the contract and any government contributions are returned to the government. If such participant made tax-deductible contributions, the amounts previously deducted must be taxed.[32] In addition, the returns on investments and employer contributions are taxed at 15%.

Annuities are tax-free, including when withdrawn up to five years before the official retirement age. Programmed withdrawals for more than ten years are tax-free. They are otherwise taxed as income. Lump sums are taxed at 15% but the tax base consists only of the returns on investments and employer contributions paid after January 2000 for contracts concluded before 1 January 2024. Lump sums for contracts concluded after 1 January 2024 are not taxed if the conditions are met (aged 60 and saving period of at least 10 years).

2.8.5. Tax treatment of payments to heirs and beneficiaries upon death

For supplementary pension savings schemes, the situation varies depending on whether the pension contract includes a designated beneficiary. If there is a designated beneficiary:

- If the member dies before becoming eligible for a pension, the designated beneficiary will receive a surrender value, which includes the accumulated funds without government contributions (they are returned to the Ministry of Finance). The returns on investments and employer contributions are taxed at 15%.
- If the member dies after becoming eligible for a pension that has not yet been paid, the designated beneficiary will receive a lump sum. The lump sum (one-off settlement) includes the accumulated funds with government contributions. The returns on investments and employer contributions are taxed at 15%.
- If the member dies while receiving programmed withdrawals, the remaining funds including government contributions will be paid to the designated beneficiary as a lump sum. The returns on investments and employer contributions are taxed at 15%.

In case the pension contract does not include any designated beneficiary, the funds will become the subject of inheritance proceedings and will be inherited tax free:

- If the member dies before becoming eligible for a pension, only the surrender value (without government contributions) will become part of inheritance proceedings.
- If the member dies after becoming eligible for a pension that has not yet been paid, the one-off settlement (including government contributions) will become part of inheritance proceedings.
- If the member dies while receiving programmed withdrawals, the remainder of the one-off settlement (including government contributions) will become part of inheritance proceedings.

In the case of supplementary pension insurance schemes, in general, a lump sum (including government contributions) is payable only to the participant, not to the designated beneficiary. The designated beneficiary is entitled to the surrender value if the participant has died and was not receiving an annuity or received programmed withdrawals, and if no entitlement to a survivor pension has arisen or if all individuals designated in the contract have formally waived their right to a survivor pension. In such cases, the pension company is obliged to return the government contributions. To retain entitlement to government contributions, it is necessary to choose the payment of benefits in the form of a survivor pension instead of opting for the surrender value. If the designated beneficiary receives the survivor pension in the form of an annuity or programmed withdrawals paid over at least ten years, then neither the returns nor employer contributions are taxed. Otherwise, the 15% tax applies to the returns and employer contributions.

2.8.6. Non-tax incentives

Individual contributions made into supplementary pension schemes are matched each month by the government as follows:

- CZK 340 if the individual contributes at least CZK 1 700
- 20% of the amount above CZK 499 up to the maximum amount of the state contribution (CZK 340) if the individual contributes at least CZK 500
- Nothing if the individual contributes less than CZK 500

Employer contributions cannot be matched. Matching contributions are not granted to persons who have been granted an old-age public pension. The government contributions are not subject to income tax and social contributions.

2.8.7. Social treatment

Individual contributions above CZK 20 400 per year and up to CZK 48 000 are not included in income subject to social contributions (aggregate limit for all tax-supported retirement savings products).

Social contributions are not levied on employer contributions up to the limit of CZK 50 000 per year.

Social contributions are not levied on pension income.

2.8.8. Tax treatment of pensioners

Old-age public pensions are not taxed up to a value of 36 times the minimum wage.

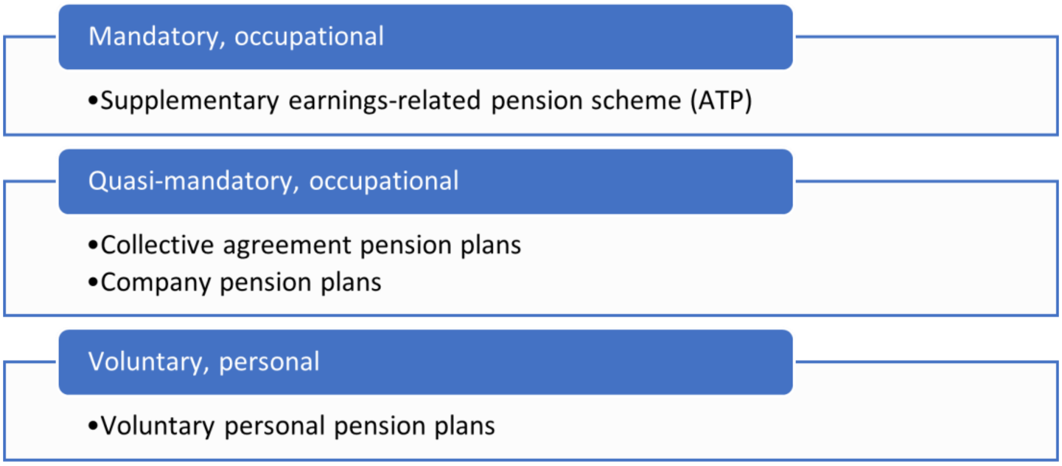
Taxpayers can claim a tax credit of CZK 30 840 per year. Since 2014, the tax credit can also be claimed by individuals receiving an old-age public pension.

2.8.9. Perspective of the employer

Employer contributions into supplementary pension schemes are deductible from corporate tax, i.e. they constitute expenses for tax purposes.

2.9. Denmark

Figure 2.9. Structure of the asset-backed pension system in Denmark



Quasi-mandatory occupational plans and voluntary personal plans can run three different kinds of schemes: age savings / lump sum (*Aldersopsparing*), programmed withdrawal (*Ratepension*/*Ophørende livrente*) or life annuity (*Livrente*).

2.9.1. Tax treatment of contributions

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 9 400 in 2025. The last 7 years before retirement age, the contribution limit is increased to DKK 61 200 per year.

For all the other plans, employee/individual contributions are deductible from income tax but still subject to the labour market tax:

- ATP: Contributions are exempt from income tax.
- Programmed withdrawal: Contributions are exempt from income tax up to DKK 65 500 (in 2025).
- Life annuity: Contributions are exempt from income tax.

To keep up the pension saving incentives and avoid the interaction problem with income-related government pensions and housing support, an extra tax exemption was introduced in 2018. For pension savings up to DKK 83 800 (in 2025) per year (employer and employee contributions, except in age savings), an extra exemption of 32% is obtained the last 15 years before retirement. For pension savers with more than 15 years to retirement the extra exemption is 12%. In other words, the tax exemption is 132% or 112% of contributions instead of 100%.

For self-employed persons, up to 30% of the profits of the company in the year of termination can be deducted.

Persons aged at least 55, who have been self-employed or a majority shareholder in a business for at least 10 of the last 15 years can choose to deposit the taxable profit from the selling of their business or shares into a so-called termination pension scheme, up to DKK 3 285 400 (in 2025). The tax payment on the profits is then postponed from year of the sale of the company to the years when the pension is received. The contribution is tax exempt in the year of contribution or sale.

2.9.2. 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 fixed rate of 15.3%. Returns include dividends, interests and changes in the market value of the assets.

2.9.3. Tax treatment of funds accumulated

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

2.9.4. Tax treatment of pension income

For ATP, programmed withdrawal and life annuity schemes, pension income is subject to personal income tax but not to labour market tax.

Pension income from age savings schemes is tax exempt and does not affect entitlements for the housing support and public pensions.

If an individual chooses to withdraw assets from programmed withdrawal (*Ratepension*) or life annuity schemes before retirement age, the sum will be normally taxed at a fixed rate of 60%. This does not apply, however, in cases of one-off payments due to death or life-threatening illness. In these cases, taxation is 40%.

Premature withdrawal of assets from lump sum savings is taxed at a fixed rate of 20%. Withdrawal of assets before retirement age related to e.g. death, life-threatening illness or disability are not premature and thus tax exempt.

2.9.5. Tax treatment of payments to heirs and beneficiaries upon death

Death benefits covered by the Danish Pension Taxation Act are taxed depending on the type of benefit and how contributions to the scheme have been treated for tax purposes. If a lump sum is paid to beneficiaries upon death and tax relief was granted on the contributions, the payment is subject to a 40% tax. If the death benefit is paid as regular instalments (e.g. instalment pension or life annuity), the payments are taxed as personal income for the recipient, i.e. according to the applicable income tax rules. If no tax relief was granted on the contributions (e.g. age savings), payments to beneficiaries are tax exempt.

2.9.6. Non-tax incentives

No such incentives.

2.9.7. Social treatment

No such contributions.

2.9.8. Tax treatment of pensioners

Public basic old-age pension is like income from pension saving, subject to personal income tax but not to labour market tax.

2.9.9. Perspective of the employer

Contributions made by employers are, like other parts of salaries, fully tax deductible as expenses.

2.10. Estonia

Figure 2.10. Structure of the asset-backed pension system in Estonia

2.10.1. Tax treatment of contributions

In mandatory pension plans, only employee contributions and government matching contributions are possible. Employee contributions are withheld by the employer and fully tax-deductible. The default contribution rate is 2% of the gross salary and employees may increase it to 4% or 6%. Government matching contributions correspond to 4% of the gross salary and 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). From 1 January 2021, members of the mandatory funded pension system can suspend their contributions at any time. They can resume contributions after ten years.

Individuals receive a non-refundable tax credit on their contributions to voluntary pension plans corresponding to 22% of the contributions made during the year, up to 15% of gross income or EUR 6 000. The EUR 6 000 limit applies to the total employee and employer contributions. Contributions are otherwise taxed at the fixed income tax rate (22%). The tax credit only applies to contracts opened for at least five years when the individual reaches the retirement age.[33]

Employer contributions to voluntary pension plans are considered as a part of the employee's salary and are not subject to personal income tax as long as they do not represent more than 15% of the individual's gross income, up to EUR 6 000. As the 15% and EUR 6 000 limits are common to employee and employer contributions, any employer contribution reduces the available room for individual contributions entitled to the tax credit.

2.10.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.10.3. Tax treatment of funds accumulated

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

2.10.4. Tax treatment of pension income

The taxation of pension payments from the mandatory funded pension system depends on the length of the payment period. If the individual selects a lifetime annuity or a fixed-period pension paid over the average remaining life expectancy, benefits are tax exempt. The tax rate for shorter fixed-term periods and for full lump sums is 10%.

Individuals who have not reached pensionable age and are more than five years away from it, can withdraw all the money from their mandatory account at any time (they can re-join the system after ten years). In this case, 22% income tax is withheld from the disbursement.

The taxation of pension payments from voluntary pension plans depends on the year when entering the contract, the age of the individual and the form of pension payments. For individuals who enter a contract from 1 January 2021:[34]

- A tax exemption applies if the individual has reached retirement age or has less than five years until reaching it, at least five years have passed since the conclusion of the contract, and the individual selects a lifetime annuity or a fixed-term annuity over the average remaining life expectancy.
- A tax rate of 10% applies if the individual has reached retirement age or has less than 5 years until reaching it, at least 5 years have passed since the conclusion of the contract, and the individual selects a fixed-term pension or a lump sum, or alternatively if the individual has no capacity for work and opts for a lump sum.
- A 22% tax rate applies if the individual is more than 5 years away from retirement age, or less than 5 years have passed since the conclusion of the contract.

2.10.5. Tax treatment of payments to heirs and beneficiaries upon death

When inheriting mandatory or voluntary pension plans, the heirs must decide whether to add them to their own pension plans or to withdraw the inherited amount as cash. In case the heirs add the inherited pension fund units to their own plans, those units become part of their pension plan and future payments from that plan will be taxed according to rules described earlier. In case the heirs withdraw the inherited pension fund units in cash, the payment is taxed at the normal rate of 22%.

If the deceased member had entered into a pension or insurance contract with a guaranteed period, the payments provided for in the contract continue to be made to the beneficiary until the end of the guaranteed period. For the beneficiary, the payments are taxed at the normal rate of 22%.

2.10.6. Non-tax incentives

For people having children born as of 1 January 2013, the government pays monthly contributions equal to 4% of the national average wage into the mandatory funded pension scheme of one of the parents for a maximum duration of 3 years per child (whether the parent has returned to work or not).

2.10.7. Social treatment

Social contributions paid by employees and employers are levied on the total amount of the gross wage or salary.

Social contributions are not levied on pension income.

2.10.8. Tax treatment of pensioners

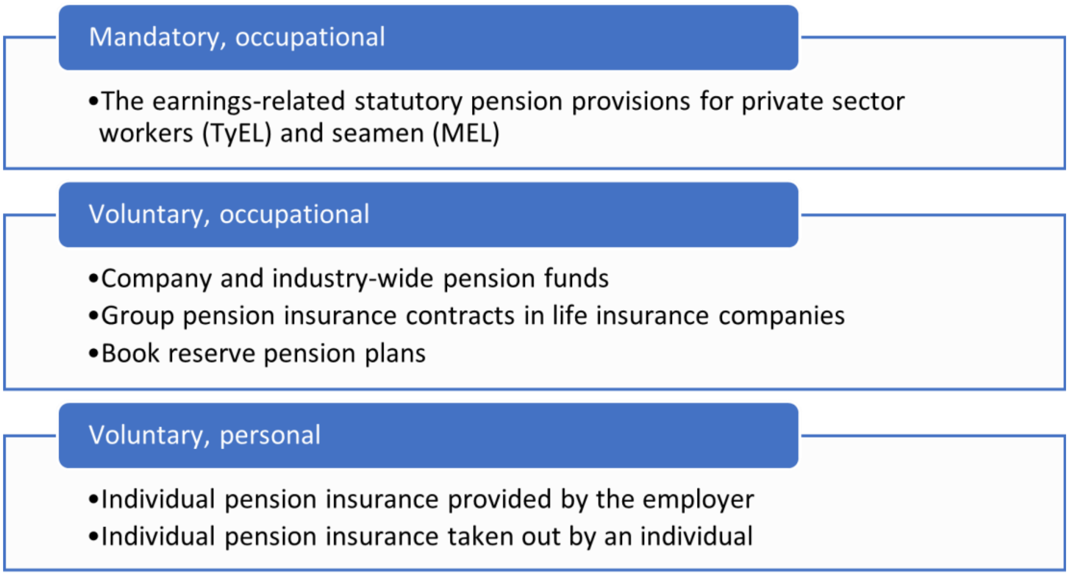
Pension income from the pay-as-you-go public pension system exceeding the annual basic exemption is taxed as income at the fixed income tax rate (22%). Since 2023, the annual basic exemption for pensioners is equal to 12 times the average monthly old-age pension (established for a period of taxation by the State Budget Act). If the basic exemption exceeds pension income, the remaining part of the basic exemption is deducted from other taxable income. This basic exemption is applicable from the period of taxation when the taxpayer attains the pensionable age.

2.10.9. Perspective of the employer

Contributions to voluntary pension plans made by the employer are classified as expenses related to business, so they are exempt for corporate income tax purposes.

2.11. Finland

Figure 2.11. Structure of the asset-backed pension system in Finland



2.11.1. Tax treatment of contributions

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 group 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 does, the excess amount is not deductible. For voluntary occupational plans opened before 6 May 2004, employee contributions are fully deductible. Employer contributions are not considered as taxable income to the employee.

If the employee contributes to the occupational group plan, the retirement age cannot be lower than the maximum statutory age (currently varying between 68, 69 and 70 years old depending on the age of the insured person) to be eligible for tax relief.[35] If the employee does not contribute to the plan, in practice a minimum retirement age of 55 years has been applied.

Voluntary personal plans set up by the employer: Employee contributions are not tax deductible. 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 salary and are taxed at their marginal income tax rate.

Voluntary personal plans 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. Employer contributions are considered as taxable income to the employee. If the employer provides a voluntary personal plan for its employees, each year the employer contributes to it, the tax-deductible level of contributions to a voluntary personal plan taken by the employee declines to EUR 2 500. If the voluntary personal plan was opened before 6 May 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, 69 or 70 years old depending on the age of the insured person) to be eligible for tax relief. In addition, early withdrawal of pension assets is possible only under strict conditions (unemployment, disability, divorce and death of a spouse). Furthermore, the minimum withdrawal period has to be ten years.

2.11.2. Tax treatment of returns on investments

Returns on investments in pension plans are not taxed during the saving time until pension is actually paid out.

2.11.3. Tax treatment of funds accumulated

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

2.11.4. Tax treatment of pension income

Pension benefits received from mandatory occupational plans, voluntary occupational plans and voluntary personal plans provided by the employer are taxed as earned income, as part of the individual'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 fixed rate of 30% up to EUR 30 000. The excess amount is taxed at 34%.

2.11.5. Tax treatment of payments to heirs and beneficiaries upon death

Mandatory occupational plans: Spouses and children under the age of 20 may be entitled to a survivor pension. A surviving spouse who was married to the deceased member receives the survivor pension for the rest of their life if the surviving spouse was born before 1975 or if the member passed away before 1 January 2022. Otherwise, the survivor pension will be paid for 10 years or until the youngest child turns 18. A common-law surviving spouse will be paid the survivor pension until the youngest child turns 18. If the surviving spouse remarries before reaching the age of 50, the survivor pension ends. Survivor pensions are taxed as earned income.

Individual pension insurance: Such policies often include a life insurance component equivalent to the savings amount of the pension insurance, intended to provide financial protection for the insured person's beneficiaries. The recipient of the insurance compensation is determined in accordance with the beneficiary designation specified in the insurance contract. The beneficiary may be, for example, the deceased's estate or individuals named in the beneficiary clause, such as the insured person's children. If the insurance policy was taken out on or after 18 September 2009, the portion of the compensation corresponding to the savings amount is considered taxable capital income for the beneficiary. Any compensation exceeding the savings amount is exempt from income tax when paid to the deceased's estate or to close relatives as defined in Section 34, Subsection 3 of the Income Tax Act.

2.11.6. Non-tax incentives

No such incentives.

2.11.7. Social treatment

Employer health insurance contribution is payable by the employer on salary income, and if e.g. pension insurance contributions constitute taxable salary, the employer and employee health insurance contributions need to be collected. A so-called employee per diem contribution also needs to be collected from income taxable as salary income.

Similarly, if e.g. employer contributions to pension insurance are considered taxable salary income for the employee, mandatory unemployment and pension insurance contributions need to be collected.

Pension income does not form a basis for pension or unemployment insurance contributions.

There is a separate healthcare contribution for pension income taxable as earned income.

2.11.8. Tax treatment of pensioners

Public pension income is subject to taxes as earned income. However, pensions are entitled to a special pension deduction. The deduction ensures that persons who only receive a small, usually public, pension get their pension tax free.

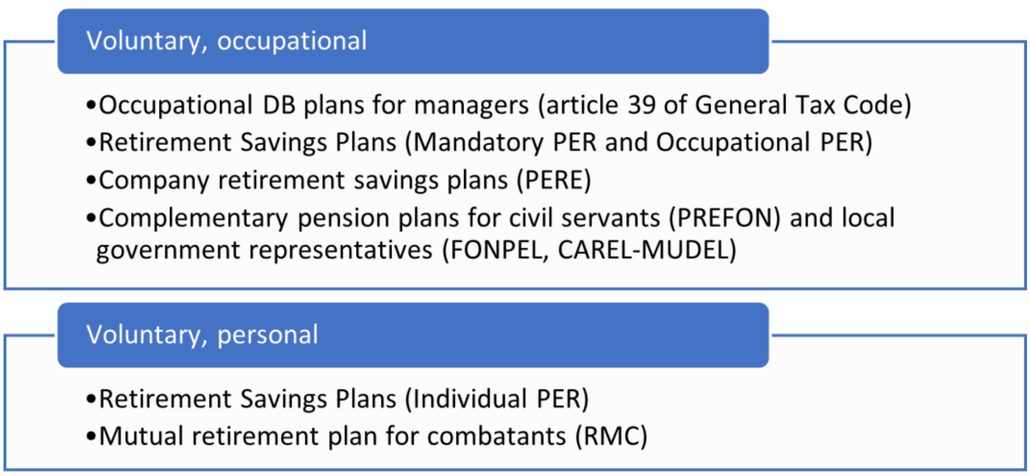
Some public pensions and add-ons are always tax free, e.g. some war-related pensions and state artist pensions.

2.11.9. Perspective of the employer

From the point of view of corporate income tax, the employer contributions to e.g. pension insurances can be deducted in the taxation of the employer, similarly to salary expenses.

2.12. France

Figure 2.12. Structure of the asset-backed pension system in France



Retirement Savings Plans (PER) are available since 1 October 2019. The Mandatory PER substitutes article 83 plans; the Occupational PER substitutes PERCO plans; and the Individual PER substitutes PERP plans and Madelin contracts. Article 39 contracts are closed to new membership.

2.12.1. Tax treatment of contributions

Personal income tax system

Employer contributions to article 39 are not considered as taxable income for the employee.

The tax treatment of contributions to other occupational and personal pension plans depends on the source. Three sources are possible: voluntary savings, company savings and mandatory savings:

- Voluntary savings: Employees can deduct 10% of their earnings net of professional costs of the previous year, with a maximum deduction of EUR 37 094 and a minimum deduction of EUR 4 637 for 2025. Self-employed workers and heads of agricultural holdings can deduct 10% of taxable profit capped at 8 times the annual social security ceiling, plus 15% of taxable profit between 1 and 8 times the annual social security ceiling, with a minimum deduction of EUR 4 637 + 15% of taxable profit between 1 and 8 times the annual social security ceiling. This limit is common to all voluntary savings in PER, PERE and PREFON, as well as mandatory savings in PER and PERE. The ceiling (EUR 37 094) is increased by the deduction ceiling (or the fraction of the ceiling) not used during the previous three years, from the oldest to the most recent years.
- Company savings: Company savings include employer contributions as well as other savings through the employer such as profit-sharing contributions. These contributions are tax exempt.
- Mandatory savings: Mandatory employer and employee contributions in Mandatory PER and PERE are deductible within the same limit as for voluntary savings.

Individuals may choose not to deduct voluntary savings from PER. In that case, they benefit from a lower taxation of pension benefits.

Social taxes

So-called “social” taxes are levied on employer and employee contributions to occupational pension plans and on individual contributions to personal pension plans: the General Social Contribution (CSG) at the rate of 9.2% and the Social Debt Reimbursement Contribution (CRDS) at the rate of 0.5%.[36] These social taxes are withheld from the salary. Part of the CSG is deductible from income tax (6.8%). Social taxes are not levied on contributions to article 39.

2.12.2. Tax treatment of returns on investments

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

Return on investment into PER and PREFON is not considered as taxable income during the accumulation phase. However, in case of a lump sum withdrawal upon retirement or for buying the principal residence, it is subject to a flat tax of 30% for the part of the return originating from voluntary savings and mandatory savings, and to social taxes (17.2%) for the part of the return originating from company savings. In case of a lump sum withdrawal before retirement, the return is subject to social taxes (17.2%), independently of the source of the contribution that generated it.

2.12.3. Tax treatment of funds accumulated

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

2.12.4. Tax treatment of pension income

Annuities

Annuities paid by article 39, PERE, PREFON and PER (voluntary savings and mandatory savings) are subject to the same income taxes as 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 450 per pensioner or greater than EUR 4 399 per household. If the individual's pension is lower than EUR 450, then the tax deduction is equal to the pension.

Annuities paid by PER from assets issued from company savings are partially taxed at the individual's marginal income tax rate, depending on the claiming age. If the individual claims the annuity before age 50, 70% of the pension is subject to income tax. The taxable share is 50% if the annuity is claimed between age 50 and age 59, 40% if the annuity is claimed between age 60 and age 69, and 30% if the annuity is claimed from age 70. This tax treatment also applies for assets issued from voluntary savings that have not been deducted from earnings at the contribution stage.

Annuities paid by article 39 are subject to social taxes (8.3%, 6.6% or 3.8% CSG depending on the fiscal reference income; 0.5% CRDS; 1% sickness contribution; 0.3% CASA) and to a special tax, the rate of which varies depending on the level of the annuity and the date when the annuity payments began:

- If the annuities began before 1 January 2011, the part of the monthly pension below EUR 500 is not taxed, the part between EUR 500 and EUR 1 000 is taxed at 7% and the part above EUR 1 000 is taxed at 14%.
- If the annuities began after 1 January 2011, the part of the monthly pension below EUR 400 is not taxed, the part between EUR 400 and EUR 600 is taxed at 7% and the part above EUR 600 is taxed at 14%.

The part of the additional tax covering the first EUR 1 000 of pension payment is tax deductible.

PER and PREFON pensions are also subject to social taxes: 10.1% when originating from mandatory savings; 6.88% between 60 and 70 years old and 5.16% thereafter when originating from voluntary savings and company savings.

Lump sums

Lump sums are not allowed for article 39 and PERE. They are not allowed either for assets issued from mandatory savings in Mandatory PER, except when annuity payments would be lower than EUR 1 320 per year.

Lump sums paid by PER and PREFON are divided into a capital component (contributions) and a return on capital component. The capital component is taxed at the individual's marginal rate of income tax only if contributions benefited from a tax deduction.

2.12.5. Tax treatment of payments to heirs and beneficiaries upon death

If the plan member passes away before receiving a retirement income from a private pension plan, the savings will be transferred to the heirs or beneficiaries designated in the contract and paid either as a lump sum or as an annuity. If the plan member passes away after the plan has been unlocked and the deceased member was receiving a lifetime annuity, the beneficiaries will receive payments from the annuity only if the annuity has a survivor or guaranteed period option. If the deceased member was receiving programmed withdrawals, the amounts not yet been disbursed will be transferred to the heirs or beneficiaries.

Annuity payments to beneficiaries are subject to personal income tax, with the taxable portion varying with the age of the claimant (30% to 70%).

The taxation of the sums transferred to heirs or beneficiaries depends on the nature of the pension plan. If the plan takes the form of a securities account (offered by banks or asset managers), the transferred amounts are included in the estate of the deceased member and subject to inheritance tax. A deduction of EUR 30 500 to be shared among all the beneficiaries is applied before calculating the tax due. Inheritance tax rates on the balance vary from 5% to 60% depending on the amounts transferred and the distance between the heir and the deceased member.

If the plan takes the form of a pension insurance contract (offered by insurance companies), the taxation varies depending on the age of the member at the time of death. If death occurs before 70 years old, a deduction of EUR 152 500 is applied to the amounts transferred to each beneficiary. The balance is subject to a 20% tax rate up to EUR 700 000 and the excess is taxed at 31.25%. If death occurs from age 70, the transferred amounts are subject to inheritance tax after a deduction of EUR 30 500 to be shared among all the beneficiaries.

There is no inheritance tax if the assets are transferred to the spouse.

2.12.6. Non-tax incentives

No such incentives.

2.12.7. Social treatment

Contributions into article 39 plans are not subject to social contributions. More precisely, three types of employer contribution are possible and depend on the employer’s choice. If the article 39 management is not delegated to an insurance company, social contributions are taxed at 48% of the insurance premium. However, in case of delegated management, the rate is 24%. Employers may choose pensions as tax base with a rate of 32%.

Employee and employer contributions into PER and PERE are subject to employee social contributions. There is a fixed social fee of 20% applicable to employer contributions for companies with 50 or more employees (for those under 50, there is no taxation). However, a reduced rate of 16% applies to PER (Mandatory or Occupational) if the plan invests at least 10% of the portfolio in securities eligible for a PEA-PME (small / mid-caps).

Social contributions are not levied on pension income.

2.12.8. Tax treatment of pensioners

Public pensions are taxed at the individual’s marginal rate of income tax after a 10% tax deduction. This deduction is computed on public pensions and some private pensions (article 39, PERE, PREFON and PER). It cannot be lower than EUR 450 per pensioner or greater than EUR 4 399 per household. If the individual’s pension is lower than EUR 450, then the tax deduction is equal to the pension.

Individuals aged over 65 can benefit from a tax deduction of EUR 2 796 if their income is below EUR 17 510 and of EUR 1 398 if their income is between EUR 17 510 and EUR 28 170.

Pensioners with low “fiscal reference income” are partially or fully exempt from social taxes. The value of the income thresholds in Table 2.4 depends on the family composition and on whether the individual leaves in metropolitan France or in Overseas Departments of France.

Table 2.4. France: Exemption from social taxes

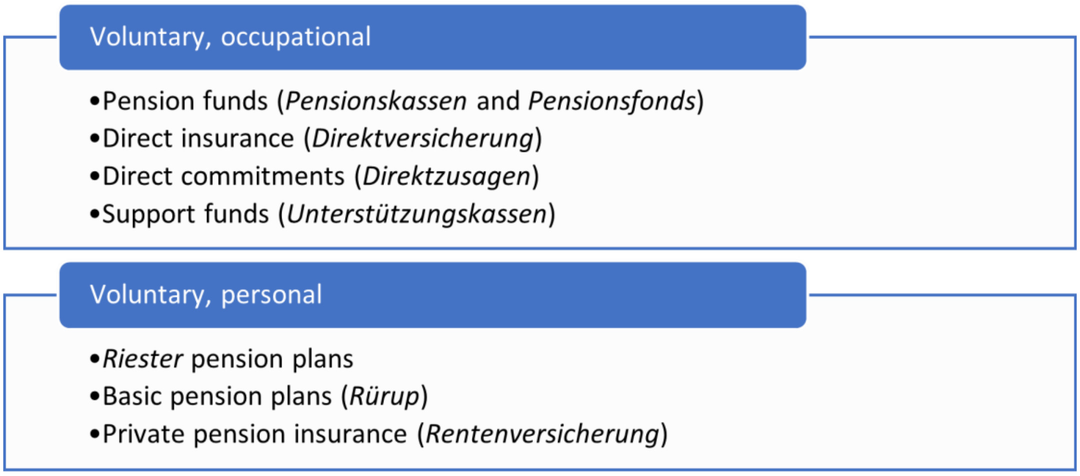
Fiscal reference income	CSG	CRDS	CASA
< Exemption threshold	Exempted	Exempted	Exempted
Between Exemption threshold and Reduced CSG threshold	3.8% (3.8% tax deductible)	0.5%	Exempted
Between the Reduced CSG threshold and the Median CSG threshold	6.6% (4.2% tax deductible)	0.5%	0.3%
> Median CSG threshold	8.3% (5.9% tax deductible)	0.5%	0.3%

2.12.9. Perspective of the employer

Employer contributions to occupational private pension plans (article 39, PERE and PER) are deductible from corporate tax (profit-sharing, matching, mandatory payments).

2.13. Germany

Figure 2.13. Structure of the asset-backed pension system in Germany



2.13.1. Tax treatment of contributions

Pension funds and direct insurance: Employer and employee contributions are tax exempt, up to 8% of the social security contribution ceiling (EUR 96 600 per year in 2025). 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, in certain cases, total contributions up to EUR 1 752 could be subject to a 20% fixed tax rate (plus solidarity and church tax), provided that the 8% 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). *Riester* pension plans and the corresponding incentives are also generally available to spouses and partners of civil partnership if both partners live in the European Union, are not separated from each other, make the minimum payment and conclude a *Riester* contract. 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 or EUR 2 160.[37] From a technical point of view, the government subsidy can be seen as an advance on the subsequent tax relief.[38] To be incentivised, 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 if the contract was signed after 2011, the payment must not occur before age 62.[39] Alternatively, income drawdown until age 85 with a subsequent lifetime annuity from age 85 onwards is permitted.

Basic pensions: Contributions to basic pensions can be partly deducted from taxable income. From a tax perspective, basic 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. In 2025, contributions to pillar one pensions (including basic pension contributions) can be partly deducted from taxable income up to a maximum equal to the maximum contribution to the miners' statutory pension scheme (*Knappschaft*). The maximum amount is EUR 29 344 in 2025. The limit counts for the total contributions to mandatory state pension, collective retirement schemes for selected professions and basic pensions. For contributions to basic pensions to be tax-incentivised, they must be paid to an officially certified basic pension contract. Important certification criteria are the following. The benefit payment of a basic pension scheme must take the form of a life 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 capitalisation.

Private pension insurance: No tax relief on contributions.

2.13.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.13.3. Tax treatment of funds accumulated

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

2.13.4. Tax treatment of 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 2058. If the payment of the benefits starts in 2025, 13.2% of pension income is tax free, up to EUR 990 plus EUR 297.

Pension funds, direct insurance and *Riester* pensions: Benefits of tax-deducted contributions are taxed at the individual's marginal rate of income tax. If the annuity from a *Riester* contract is lower than EUR 37.45 (2025) per month then the whole benefits can be paid as a lump sum. The lump sum is subject to a special tax rate and is added to taxable income, but it is treated as if the recipient received it evenly over the next five years to avoid a one-off high tax burden due to the progressivity of income tax. Programmed withdrawals with subsequent annuitisation from age 85 from *Riester* plans are 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).

Basic 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 increased annually by

2 percentage points until 2020. In 2021 and 2022, the taxable portion increased annually by 1 percentage point. Between 2023 and 2058, the taxable portion increases annually by 0.5 percentage point until reaching 100%. If the payment starts in 2025, the taxable portion of the pension is 83.5%. 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. Pensions starting in or after 2058 will be fully taxed. 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, some special tax rules regarding the benefits apply. Tax-favoured withdrawals before age 62 are not allowed for contracts signed from 2012.

- For lifetime annuities, only the so-called "income part" (i.e. returns on investment) are 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 the 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 is 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 is taxed.

2.13.5. Tax treatment of payments to heirs and beneficiaries upon death

Occupational pensions: If the insured person dies before the start of the pension, the capital built up is paid to the surviving dependants, the contributions paid are returned or a survivor pension is paid, depending on plan rules. A survivor pension may only be paid to the spouse, registered partner, named partner or children entitled to an orphan pension. If the insured person dies after the start of the pension, pensions continue to be paid within a guaranteed period, or a survivor pension is paid, depending on plan rules. The tax treatment of payments to survivors depends on the type of payment and whether contributions were deducted during the accumulation phase. If there are no dependent survivors, a death grant is paid to the heirs or to the beneficiary named in the application. Depending on the type of vehicle, this is limited to a maximum of EUR 7 669 or EUR 8 000. A death grant paid to heirs is basically taxable at their marginal tax rate.

Riester pensions: If the plan member dies during the savings phase, the pension capital can be transferred to the *Riester* plan of the beneficiary, provided that this is the spouse or registered partner of the deceased member. If the beneficiary does not have their own *Riester* contract, this can still be concluded retrospectively within 12 months for the transfer. A lump-sum payment is possible instead of a transfer to a *Riester* plan, but in that case the government subsidies must be repaid. If the beneficiary is not the spouse nor the registered civil partner, the government subsidies must be repaid. If the insured person dies while receiving a pension and a guaranteed period has been agreed, the pension is paid to the beneficiary until the end of the contractually stipulated period. The government subsidies must be repaid on a pro rata basis. If the insured person dies while receiving a lifetime pension with a survivor option, the beneficiary receives payments and retains the government subsidies. All payments to beneficiaries are taxed at the beneficiaries' marginal tax rate.

Basic pensions: The basic pension is not inheritable nor transferable. Survivor protection is only possible for the spouse or registered civil partner (as a lifelong pension payment) and for children entitled to an orphan pension (as a temporary pension payment). Survivor pensions are taxed at the beneficiary's marginal tax rate.

Private pension insurance: If the insured person dies before the start of the pension and a premium refund is insured for the savings phase, the contractually agreed insurance benefit is paid out to the beneficiary. If no beneficiary has been designated, the insurance benefit falls within the estate of the deceased member. The tax treatment of the insurance benefit depends on the contract and type of payment. If a guaranteed period has been agreed for the period after the start of the pension, the contractually agreed insurance benefit will be paid out to the beneficiary and taxed at their marginal tax rate. If no beneficiary has been designated, the sum insured falls into the estate of the deceased member. A survivor pension can also be agreed. It is paid to the beneficiary regardless of whether the insured person dies while receiving a pension or during the deferral period. It is taxed at the beneficiary's marginal tax rate.

2.13.6. Non-tax incentives

Since 1 January 2018, there is an allowance for income from voluntary additional old-age provision in the income assessment to determine eligibility for receiving social welfare payments ("basic social security").

Riester plans

Members of *Riester* pension plans can receive government subsidies. 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 authorise 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 175 per year and per person. 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 the previous year's annual income before taxes (up to a maximum of EUR 2 100 or EUR 2 160). If below 4%, the state subsidies will be reduced pro-rata. Spouses and partners of civil partnership (who are not entitled on their own) 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 1 January 2008; or EUR 300 per year and per child born on or after 1 January 2008. As a default in case of parents with different genders, the mother receives the subsidy, unless otherwise agreed. As a default in case of parents with the same gender, the person receiving the subsidy is the one against whom the child allowance is determined.

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

Occupational pensions

For employees asking their employer to deduct part of their salary and contribute it to an occupational pension plan (salary conversion), employers have to forward 15% of the deferred income to the pension plan, if they save social insurance contributions due to the deferral of income. This contribution is tax free for the employee, within the general maximum amounts.

2.13.7. Social treatment

Pension funds and direct insurance: Neither the employee nor the employer pays 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 4% of contributions that are still tax free, social insurance contributions are levied.

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

Pensioners pay the full contribution rate to health and long-term care insurance from their occupational pension payments. Since January 2020, compulsorily insured pensioners have been partially relieved from health insurance contributions that they have to pay from occupational pension benefits. Concretely, a monthly allowance was introduced on which health insurance contributions no longer have to be paid (EUR 187.25 monthly for 2025).

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 the 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 that corresponds to the level reached when social welfare is granted.

Pensioners who contributed most of their lifetime to the public health insurance are usually compulsorily insured in the pensioners' health insurance scheme. In this case, the state pension scheme pays half of the general contributions to health insurance (7.3%) and half of the health insurance related additional contribution. Pensioners pay the other half of the general contribution and of the additional contribution stipulated by their particular health insurance. They pay the full rate of contributions to long-term care insurance (3.6% or 4.2% for childless since January 2025). For members (incl. pensioners) with several children under the age of 25, the contribution rate to long-term care insurance furthermore is reduced by a discount of 0.25 contribution rate points per child from the second to the fifth child. If there are no more than 2 children under the age of 25, the normal contribution rate of 3.6% will apply again.

Riester pension, basic pension and private pension insurance: *Riester* pensions and private pensions are not included in the income subject to contributions under the statutory health insurance scheme, if the person is compulsorily insured under the pensioners' health insurance scheme. However, pensioners who are voluntarily insured in the statutory health insurance scheme must pay contributions from the private (*Riester*) pension, as their contribution payments are based on their overall economic capacity.

2.13.8. 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 – pensions starting in or after 2058 will be fully taxed. Before this date, pensioners benefit from an allowance which is not taxed. For the individual pensioner, the allowance is calculated based on the applicable taxable portion depending on the date of retirement and the pension received in the first year after the retirement (taxable portion 50% in 2005; annual increase of 2 percentage points until 2020, 1 percentage point in 2021 and 2022, 0.5 percentage point between 2023 and 2058 until reaching 100%) and is nominally fixed for the remaining lifetime. Simultaneously, contributions to the state pensions will benefit over time from growing tax relief.

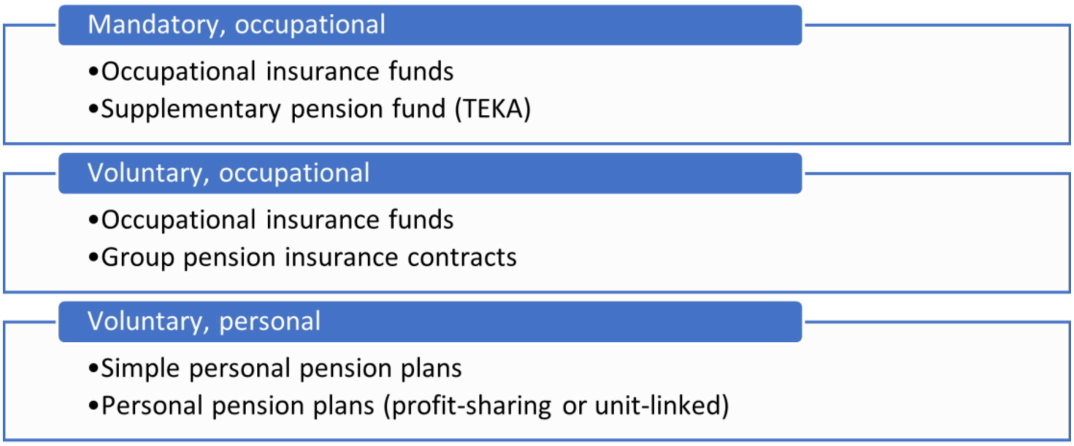
2.13.9. Perspective of the employer

From the employer's perspective, payments to a direct insurance, a pension fund or a support fund can be deducted as operational expenses. In the case of direct commitments, an accrual should be recognised as liability. Pension accruals lead to a reduction of profit for tax purposes and in this way also to a lower tax burden. In most cases, this creates a tax deferral effect that acts in a long-term manner.

If employers contribute at least EUR 240 per year to an occupational pension scheme on behalf of a low-income earner (earning less than EUR 2 575 monthly), in addition to the regular wage payment, they get a tax allowance of 30% of the contribution, up to a maximum contribution of EUR 960 (i.e. the tax allowance varies between EUR 72 and EUR 288 per year). The allowance is administered through the wage tax and reduces the employer's wage tax liability.

2.14. Greece

Figure 2.14. Structure of the asset-backed pension system in Greece



2.14.1. Tax treatment of contributions

The following are excluded from the calculation of taxable income from paid employment and pensions:

- Employee contributions to mandatory occupational insurance funds and TEKA
- Insurance contributions for pension benefits paid by the employee, including employer and employee contributions to voluntary occupational insurance funds, which do not exceed 20% of the employee's sum of gross earnings and benefits in kind which are included in the taxable income from salaried employment, unless the excess relates to amounts the payment of which is imposed by decision of the competent supervisory authority
- Insurance contributions paid by the employee or the employer on behalf of the employee under group pension insurance contracts, which do not exceed 20% of the employee's sum of gross earnings and benefits in kind which are included in the taxable income from paid employment, unless the excess relates to amounts the payment of which is imposed by decision of the competent supervisory authority

Contributions to personal pension plans are included in taxable income.

2.14.2. Tax treatment of returns on investments

Returns on investment in private pension plans are taxed at a rate of 5%.

2.14.3. Tax treatment of funds accumulated

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

2.14.4. Tax treatment of pension income

Pension benefits paid by voluntary occupational insurance funds and under group pension insurance contracts are taxed separately as follows:

- For benefits corresponding to up to 5 years of insurance, at a rate of 10% if paid periodically and at a rate of 20% if paid as a lump sum
- For benefits corresponding to more than 5 and up to 10 years of insurance, at a rate of 7.5% if paid periodically and at a rate of 15% if paid as a lump sum
- For benefits corresponding to more than 10 and up to 20 years of insurance, at a rate of 5% if paid periodically and at a rate of 10% if paid as a lump sum
- For benefits corresponding to more than 20 years of insurance, at a rate of 2.5% if paid periodically and at a rate of 5% if paid as a lump sum

The rates of the above cases are increased by 50% in case of receipt by the individual of an amount of early liquidation of the individual account or of an early redemption amount. Especially, for persons insured after 55 years old, the rates indicated earlier under the first bullet point are increased by 5% for each year that is less than 5 years of insurance.

Any payment made to an employee who has acquired a pension right or has exceeded the age of 60, or is made against the employee's will, such as in case of dismissal of the employee or bankruptcy of the employer, or is made due to the employee's participation in a voluntary exit programme, is not considered as early redemption for group pension insurance contracts.

Pension income from mandatory occupational insurance funds and TEKA is taxed based on the personal income tax scale.

Pension income from personal pension plans is not taxed.

2.14.5. Tax treatment of payments to heirs and beneficiaries upon death

Spouses and dependent children up to 24 years old (if disabled before that age, the entitlement continues) are entitled to an auxiliary pension from TEKA in the event of the death of the plan member. If the member was already receiving a pension, the survivor pension is calculated as a percentage of the auxiliary pension awarded to the pensioner. Otherwise, it is calculated based on the amount that the member had accumulated in the individual account. If this amount is less than the amount that would have been accumulated if the member had earnings equal to those of a full-time salaried person earning the minimum wage over 15 years, the difference shall be covered by the government budget.

The pension calculated at any given time that is transferred due to death to spouses or dependent children is taxable. If the spouses or dependent children to whom the pension is transferred are disabled with a disability percentage of at least 80%, then this pension is exempt from tax.

In the event of the death of an insured person or pensioner of a mandatory occupational insurance fund, the family members (spouse/children) are entitled to a pension, if they are entitled to a survivor pension from the main social security fund. In certain funds, additional granting requirements are provided for in their statutes. The pension is taxable.

For voluntary occupational insurance funds, in the event of the death of a member or pensioner, the pension is granted according to the provisions of their statutes. The pension paid as a lump sum or periodically is taxed the same way as for the plan member, with the tax rate depending on the length of insurance.

2.14.6. Non-tax incentives

No such incentives.

2.14.7. Social treatment

Social insurance contributions are not levied on pension contributions.

As regards mandatory occupational insurance funds and TEKA, a contribution of 6% is levied on pension income for healthcare treatment.

2.14.8. Tax treatment of pensioners

Public pension benefits are taxable based on the personal income tax scale.

2.14.9. Perspective of the employer

Employer contributions are deductible from gross operating income as they are considered to be operational expenses.

2.15. Hungary

Figure 2.15. Structure of the asset-backed pension system in Hungary

Voluntary, personal

- Private pension funds (*magánnyugdíjpénztár*)
- Voluntary pension funds (*önkéntes nyugdíjpénztár*)
- Individual retirement accounts (*nyugdíj elő-takarékossági számla*)
- Pension insurance products (*nyugdíjbiztosítási termékek*)

2.15.1. Tax treatment of contributions

Employee contributions are paid from net wages. They are therefore taxed at the fixed income tax rate of 15%.

Contributions to personal pension plans enjoy a tax credit transferred and credited to the employee's pension account (see non-tax incentive section).

Employer contributions to any pension funds are considered as taxable income for the employee, therefore they are subject to personal income tax (15%). The employer pays 13% social contribution tax on the gross amount of employer contributions to any pension funds.

2.15.2. Tax treatment of returns on investments

Returns on investments are tax free for all types of plans provided the returns are not withdrawn from the account before the pension payments started.

In the case of voluntary pension funds, after ten years of membership, returns can be withdrawn tax free once every three years. Otherwise, returns withdrawn are taxed as other income at a rate of 15% personal income tax plus 13% social contribution tax (as of 1 January 2022). Taking into account that the individual is responsible for the payment of the social contribution tax, the base of the personal income tax and the social contribution tax is 89% of the withdrawal (as of 1 January 2022). As a result, the effective tax rate is 24.92% (as of 1 January 2022).

2.15.3. Tax treatment of funds accumulated

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

2.15.4. Tax treatment of pension income

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

- If the account was opened before 1 January 2013, pension payments are tax free after 3 years of membership.
- If the account was opened after 31 December 2012, pension payments are tax free after 10 years of membership.

Withdrawals before the retirement age are usually taxable at 15% personal income tax and 13% social contribution tax (as of 1 January 2022). However, in case of withdrawals from pension funds after the 10-year compulsory waiting period has elapsed, the taxable part of the income from contributions paid before 2008 is reduced gradually (10% reduction per year of the contribution paid before the waiting period), i.e. after 20 years of membership withdrawals become tax free, regardless of when the contribution was paid into the account. In case of contributions paid from 2008, withdrawals before the retirement age are taxable at the same rates as contributions paid before 2008, but every payment becomes tax free after 20 years. Taking into account that the individual is responsible for the payment of the social contribution tax, the base of the personal income tax and the social contribution tax is 89% of the income (as of 1 January 2022). In case of other types of private pension plans (e.g. individual retirement accounts), withdrawals before the retirement age qualify as other income and are taxable for the individual at 15% personal income tax and 13% social contribution tax (as of 1 January 2022). Taking into account that the individual is responsible for the payment of the social contribution tax, the base of the personal income tax and the social contribution tax is 89% of the income (as of 1 January 2022). In addition, when an individual wants to access to the individual retirement account or to the pension insurance before the retirement age, the 20% tax credit has to be paid back with a 20% penalty (i.e. the individual pays back 24%).

2.15.5. Tax treatment of payments to heirs and beneficiaries upon death

In the case of voluntary pension funds, upon the death of the plan member, eligible survivors (beneficiaries, heirs) may collect their share as a lump sum, leave it in the pension fund in their own name, with or without the continuation of the payment of contributions, or have it transferred to another pension fund of the same type. Beneficiaries and heirs do not have to pay taxes or social contributions upon payment.

2.15.6. Non-tax incentives

Contributions to personal pension plans enjoy a government matching contribution in the form of a non-refundable tax credit transferred and credited to the employee's pension account. The tax credit is equivalent to 20% of contributions made, up to a limit, and cannot be more than the personal income tax liability.

The contributions taken into account for the tax credit are the following for the different types of plans:

- Voluntary pension funds: employee contributions, employer contributions, sums transferred or paid by another person to the member's benefit (e.g. donation), and sums credited to the private individual account that is treated as other income

- Individual retirement accounts: individual own contributions
- Pension insurance: individual own contributions and any premium paid by another person that is recognised as tax-exempt revenue or as taxable income that is to be included in the consolidated tax base
- Private pension funds: contributions do not qualify for the tax refund

The maximum amount of tax credit is HUF 100 000 per year in case of individual retirement accounts (for those who retired before 2020, the limit was HUF 130 000), HUF 150 000 per year in case of voluntary 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 the tax credit cannot exceed HUF 280 000 per year altogether. Individuals get the tax credit on contributions as long as they (or their employer in the case of voluntary pension funds) contribute to pension funds and/or individual retirement accounts.

2.15.7. Social treatment

Employee contributions are paid from net wages. They are therefore levied 18.5% social security contributions. The same rate is paid by the employees on the gross amount of employer contributions and donations, as these items are treated as employment-related income.

Social security contributions are not levied on pension income and payments upon death to beneficiaries and heirs.

2.15.8. Tax treatment of pensioners

Public pension income is tax exempt.

2.15.9. Perspective of the employer

Employers can deduct contributions to private pension plans as expenses. Employers can also make contributions as donations and deduct them as expenses.

To be eligible for tax relief, employers have to make a contract with the fund to make contributions. The employer's contribution has to be identical (same amount or same percentage) for each employee who is a fund member. Employees who have been in employment for at least six months cannot be excluded.

2.16. Iceland

Figure 2.16. Structure of the asset-backed pension system in Iceland

2.16.1. Tax treatment of contributions

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.

If individuals decide to start personal pension savings, the minimum contribution is 2% of total wages. This contribution is then matched by the employer with another 2% of wages. 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 exempt for the employee.

2.16.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.16.3. Tax treatment of funds accumulated

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

2.16.4. Tax treatment of pension income

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

A law passed in June 2014 allows active members in voluntary personal pension plans to withdraw assets tax free to pay down residential housing debt, up to ISK 750 000 per year for couples taxed together and ISK 500 000 per year for single persons. Individuals who do not own their residential housing can withdraw up to ISK 500 000 per year and per person to invest in residential housing. This kind of tax-free withdrawal was initially supposed to end in 2019 but has been extended until 31 December 2025.

2.16.5. Tax treatment of payments to heirs and beneficiaries upon death

Spouse and orphan pensions are paid by occupational pension funds if the deceased member had at least 24 months of contributions in the 36 months before death or received an occupational old-age or disability pension at the time of death. The spouse pension must be paid for at least 24 months, while the orphan pension must be paid until age 18. Survivor pensions are subject to personal income tax, but no inheritance tax is levied.

Any remaining balance in a personal pension plan will be paid to the heirs of the member upon death. Income tax is calculated on these personal pension savings but not inheritance tax.

2.16.6. Non-tax incentives

According to collective agreements, employers pay matching contributions into voluntary personal pension plans. The employer contributes minimum 2% of the salary if the employee decides to start personal pension savings. The most common contribution rate (employee and employer) is 6% of the employee's salary as most employees contribute their maximum tax-free percentage (4%). The coverage ratio of the personal pension plans is close to 50% of the working-age population.

2.16.7. Social treatment

Social contributions are not levied on pension contributions.

Social contributions are not levied on pension income.

2.16.8. Tax treatment of pensioners

Public pension income is taxed as ordinary wage income.

2.16.9. Perspective of the employer

Employer contributions are treated as operating expenses.

2.17. Ireland

Figure 2.17. Structure of the asset-backed pension system in Ireland

Voluntary, occupational

- Occupational pension schemes
- Auto-enrolment retirement savings system for employees

Voluntary, personal

- Retirement annuity contracts (RACs)
- Personal retirement savings accounts (PRSAs)

Employees aged between 23 and 60, earning at least EUR 20 000 per year across all employments and in respect of whom contributions are not currently paid to an approved retirement savings arrangement, will be enrolled automatically into a retirement savings system called "My Future Fund". My Future Fund will be operational with effect from 1 January 2026.

2.17.1. Tax treatment of contributions

Contributions made by employees to approved retirement savings arrangements are deductible for income tax purposes subject to certain age-related limits which are capped at 40% of earnings (Table 2.5), with the exception of contributions paid to My Future Fund.[40] Tax relief is limited to contributions up to the relevant percentage of an individual's earnings in any year based on their age, with such earnings capped at EUR 115 000 (this cap has remained at the same level since 2011). The contributions to approved arrangements by employees subject to the pay-as-you-earn (PAYE) tax system are deducted from gross pay before the application of income tax. Self-employed individuals or individuals in non-pensionable employment must claim tax relief on contributions to pension saving arrangements. Low-income employees who are exempt from paying income tax do not receive any tax relief equivalent.

Table 2.5. Ireland: Age-related percentage limits

Age	Percentage limit (% of earnings up to EUR 115 000)
< 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
= 60	40%

Employee contributions within the auto-enrolment system will start at 1.5% of gross pay in the first three years of implementation and will increase gradually over 10 years to reach 6%. The employer will fully match the employee's contribution. There is no tax relief on employee contributions. Instead, the state will top-up the employee's contribution at a rate of one euro for every three euros contributed by the employee. This equates to a rate of 0.5% of gross pay in the first 3 years and 2% by year 10. Employer and state contributions are capped at a percentage of a maximum of EUR 80 000 gross annual salary.

Employer contributions to occupational pension plans and/or personal retirement savings accounts (PRSAs) on behalf of employees are not treated as taxable income of employees, including within the auto-enrolment system. The age-related percentage limits only apply to total employee contributions. There is no limit on employer contributions to occupational pension plans for tax relief purposes provided that maximum benefits specified by Revenue are not exceeded.[41] However, employer contributions to an employee's PRSA are limited to 100% of an employee's salary from 1 January 2025. Any excess contributions are considered a benefit-in-kind for the employee and taxed accordingly.

Employer contributions to a retirement annuity contract (RAC) on behalf of the employee 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 the pension contribution. 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 the age-related limits. If combined employer and employee contributions exceed the age-related limits, an unrelieved benefit-in-kind charge applies to the excess at the employee's marginal tax rate.

2.17.2. Tax treatment of returns on investments

Returns on the investments of approved retirement savings arrangements are not taxed (i.e. approved retirement savings arrangements are exempt from capital gains and income tax).

2.17.3. Tax treatment of funds accumulated

There is a lifetime limit on the total capital value of aggregate pension benefits that an individual can draw in their lifetime from all tax-relieved pension products, including My Future Fund. This limit is called the standard fund threshold (SFT) and has been fixed at EUR 2 million since 1 January 2014. From 2026, the SFT will increase by EUR 200 000 each year up to EUR 2.8 million in 2029. From 2030, the SFT will be adjusted annually in line with wage growth based on earnings statistics published by the Central Statistics Office. 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 their 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%).

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.

For 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 any part of the pension for a lump sum) by the appropriate prescribed valuation factor. DB pension benefits accrued to 1 January 2014 are valued using a standard valuation factor of 20. DB pension benefits accrued after 1 January 2014 are valued, for SFT purposes, at the date of drawdown of those benefits by reference to a set of higher prescribed age-related valuation factors ranging from:

- factors of 37 for DB benefits drawn down at age 50 and under, and 30 where benefits are drawn down at age 60,
- to factors of 26 at age 65 and 22 at age 70 or more.

Note that the higher age-related valuation factors must not be used for PFT purposes. The factor for PFT purposes is always 20.

2.17.4. Tax treatment of pension income

Members of occupational pension schemes can usually take a tax-efficient lump sum of up to 1.5 times their salary at retirement. DC scheme members generally have a choice between taking a lump sum calculated:

- by reference to service and salary, up to the maximum of 1.5 times salary after 20 years of service or more, with compulsory annuity purchase for the balance of their fund, or
- taking 25% of the fund value as a tax-efficient lump sum and transferring the balance to an approved retirement fund (ARF).

PRSA and RAC holders are restricted to a maximum tax-efficient lump sum of 25% of their DC funds.

Currently, auto-enrolment retirement savings can only be drawn down as a lump sum. The legislation provides that, in line with PRSAs, a maximum 25% lump sum can be taken tax free, while the remainder will be subject to income tax and USC.

Since 1 January 2011, the maximum retirement lump sum that can be taken entirely tax free is EUR 200 000. This is a lifetime limit encompassing retirement lump sums paid to an individual on or after 7 December 2005 from all approved sources, including from My Future Fund. Lump-sum payments above that limit are taxed at the following rates:

Table 2.6. Ireland: Tax rates on lump sum payments

Lump sum payment	Income tax rate
≤ EUR 200 000	0%
EUR 200 001 to EUR 500 000	20%
> EUR 500 000	Taxpayer's marginal rate

Residual pension benefits, net of any tax-efficient retirement lump sum, are taxed at the individual's marginal rate of income tax at the time of payment, whether such benefits are in the form of a pension payable from a DB scheme, an annuity purchased from the proceeds of DC funds, an immediate taxable lump sum or a phased drawdown from a post-retirement vehicle such as an ARF or a vested PRSA.[42]

Note that an imputed or notional distribution regime applies for post-retirement assets held in an ARF or a vested PRSA where an individual is older than 60, unless the imputed distribution is matched by actual distributions (payments) from the funds. Any notional distributions are taxed at the retiree's marginal rate of income tax. The imputed distribution percentage is currently 4% each year for retirees under age 70 whose assets are valued at EUR 2 million or less. The percentage is 5% of the value of assets each year where the retiree is aged 70 or over. The level of the imputed distribution is 6% each year for funds greater than EUR 2 million.

2.17.5. Tax treatment of payments to heirs and beneficiaries upon death

The tax treatment of the pension fund depends on whether the plan member dies in-service or in retirement. Where the member of an occupational pension plan dies in-service, the maximum amount the pension scheme is permitted to pay out is four times the member's final salary plus a refund of the additional voluntary contributions paid by the member. These sums are paid directly into the estate of the deceased member. Where the member of a PRSA dies in-service, the total PRSA fund is paid directly into the estate. Both sums may be taxable for the beneficiaries under the Capital Acquisition Tax (CAT) regime. The rate of CAT is currently 33% above certain tax-free thresholds.[43]

Where the death of the plan member occurs in retirement, the tax treatment of the fund will depend on the options selected upon retirement. Where the member opted to purchase a lifetime annuity, the annuity will stop upon death, and no amount will be payable to the estate. Where the member opted to purchase a joint life annuity, the annuity will continue until the death of the survivor with no sum payable to the estate. The survivor pays income tax on the payments received. Where the member opted to invest the pension fund into an approved retirement fund or approved minimum retirement fund (ARF/AMRF), the remaining value in the fund forms part of the deceased's estate. The tax treatment of ARFs when the member dies depends on who inherits the ARF and in what manner:

- If the ARF transfers into an ARF in the name of the deceased member's spouse or civil partner, then no income tax or CAT is payable. The spouse will pay income tax on any withdrawals from the ARF.
- If the ARF is taken directly by the spouse or civil partner, it will be treated as a taxable distribution and subject to income tax at the member's marginal rate in the year of death.
- If the ARF monies are inherited by the member's child under the age of 21, no income tax is payable, but CAT may be payable depending on the total amount inherited.
- If the ARF monies are inherited by the member's child aged over 21, income tax at a rate of 30% applies but CAT is not payable.
- If the ARF monies are inherited by any other person, both income tax at the marginal rate (up to 40%) and CAT are payable on the withdrawals.

2.17.6. Non-tax incentives

Within the auto-enrolment system, the state will provide a matching contribution of one euro for every three euros paid by the employee. State contributions will be exempt from personal income tax.

2.17.7. Social treatment

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

Employer contributions attract full PRSI relief and are not liable to the USC.

Taxable pension benefits (i.e. net of any tax-efficient retirement lump sum) are subject to the USC, and may also be subject to PRSI, depending on the individual's age.

2.17.8. Tax treatment of pensioners

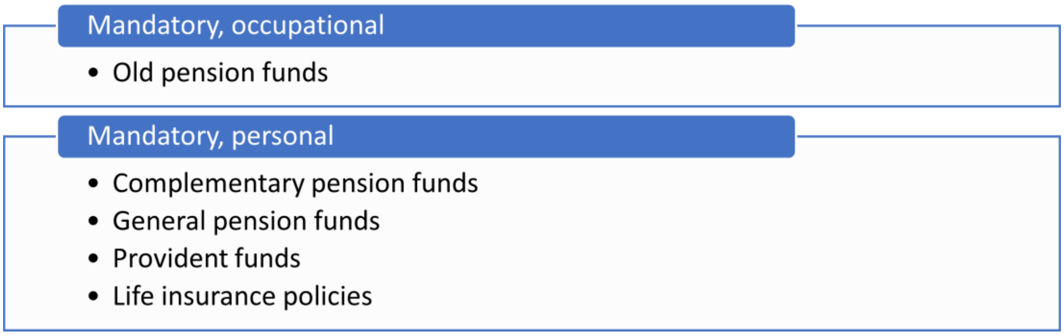
State pension payments are subject to income tax at an individual's marginal rate (currently 20% or 40% depending on the income level). However, if the State pension is a pensioner's only source of income, the individual may not pay tax because their tax liability would not exceed their personal tax 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 income.

2.17.9. Perspective of the employer

Employer contributions to occupational pension plans on behalf of their employees are deductible in computing the income for tax purposes of the employer's business. Employer contributions to an employee's PRSA up to the corresponding limit is an allowable tax deduction for employers. A similar treatment is applied to employer contributions in auto-enrolment.

2.18. Israel

Figure 2.18. Structure of the asset-backed pension system in Israel



2.18.1. Tax treatment of contributions

Employer contributions are not included in the taxable income of the employee up to 7.5% of the salary, with a cap on gross salary of 2.5 times the national average salary. For employees earning more than 2.5 times the national average salary (NIS 33 290=2.5×13 316), employer contributions above NIS 2 351 (33 290×7.5%) are included in taxable income.

For self-employed people, tax deductible contributions are limited to 16.5% of total income, with a cap on total annual income of NIS 232 800. Excess contributions are taxed at the individual's marginal rate of income tax.

Employee contributions to complementary pension funds are subject to a cap at 20.5% of twice the national average salary (NIS 5 460=20.5%×2×13 316). Any contributions above this threshold are directed to a general pension fund or to another long-term savings vehicle.[44]

Employee contributions are subject to a 35% non-refundable tax credit up to 7% of the salary that is taken into account for pension savings.[45]

2.18.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.18.3. Tax treatment of funds accumulated

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

2.18.4. Tax treatment of pension income

Annuities below a limit called “entitled annuity” are tax exempt. The tax rate for the part of the annuity above the entitled annuity is 35%. The entitled annuity amount depends on the extent to which the right to an exemption on severance pay was used. In 2025, the full exemption is NIS 9 700 monthly.

Since 2008, the capital accumulated in any of the pension products (pension funds, provident funds and life insurance policies) has to be converted into an annuity, up to a minimum of NIS 5 183 (based on CPI index as of March 2008). If the capital accumulated translates into a larger annuity, the individual can ask for the minimum annuity and take the difference as a lump sum. At retirement age, if the accumulated amount is below NIS 107 707 (in 2025), the saver may withdraw the funds as a lump sum without annuitisation. If the accumulated amount exceeds this threshold, the saver must convert the excess into an annuity.

Lump sums that remain available after taking the minimum annuity are tax free up to NIS 967 518 and anything in excess is taxed at 35%.

2.18.5. Tax treatment of payments to heirs and beneficiaries upon death

Survivor benefits shall be exempt from tax up to an amount of NIS 9 430 per month (NIS 113 160 per year). Any sum exceeding this threshold shall be subject to tax in accordance with the beneficiary’s applicable personal income tax rate.

2.18.6. Non-tax incentives

No such incentives.

2.18.7. Social treatment

Social contributions are not levied on pension contributions.

Old-age pensions are subject to social insurance contributions. These contributions are deducted at source.

2.18.8. Tax treatment of pensioners

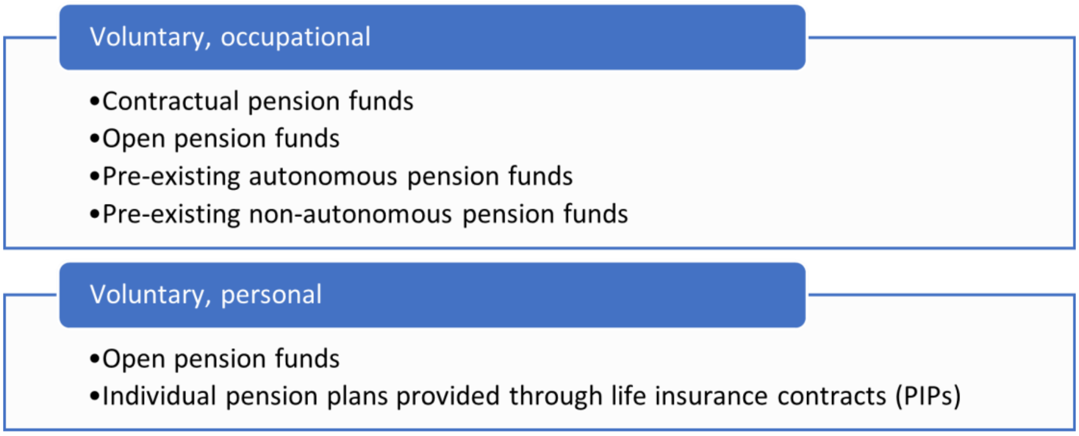
National insurance old-age pension payments are tax exempt.

2.18.9. Perspective of the employer

Employer contributions are tax-deductible company expenses.

2.19. Italy

Figure 2.19. Structure of the asset-backed pension system in Italy



2.19.1. Tax treatment of contributions

Contributions are exempt from personal income tax up to EUR 5 164.57 per year. In the case of occupational plans, this limit applies to the sum of employee and employer contributions. Contributions above the limit are taxed at the individual's marginal rate of personal income tax but are not subject to taxation at the time pension benefits will be paid.

For self-employed workers under the flat-rate regime, contributions are not deductible. However, benefits will be exempt from taxes at the time pension benefits will be paid.

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

Employees who got their first job since 1 January 2007 are entitled to recoup the unused annual tax relief of their first 5 years of participation in a pension scheme, up to the limit of 50% of the maximum annual relief per year. The recoupment may take place in the 20 years following the fifth year of participation.

Since 2017, performance bonuses granted to employees up to EUR 3 000 per year are exempted from personal income tax if they are used for several welfare-related expenses, including contributions into occupational pension plans. However, since most of these welfare-related expenses do not qualify for any dedicated tax relief, and most pension plan members contribute well below the pension-specific limit of EUR 5 164.57 per year, until now the tax relief of performance bonuses has rarely been used for pension contributions.

2.19.2. Tax treatment of returns on investments

The total investment return of pension funds (interest, dividends, capital gains) is taxed at a 20% standard rate, except for the total return of government bonds, taxed at the more favourable rate of 12.5% (for example, if the investment return comes 50% from shares and 50% from government bonds, the tax rate applied will be 16.3%). This rule applies since 2014. The tax is levied annually on the total investment income earned.

Since 2017, returns of new investments of pension funds in stocks of Italian and/or European companies are tax free if they are kept for at least 5 years and these new investments are no more than 10% of the funds' balance sheet.

2.19.3. Tax treatment of funds accumulated

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

2.19.4. Tax treatment of pension income

Pension benefits are taxed at a fixed rate of 15%, with a reduction of 0.3% for each year of participation after 15 years. The maximum reduction is 6%, leading to a minimum 9% tax rate after 35 years of participation. Taxation is applied on the pension benefit net of the part that was already taxed in the accumulation phase (either as contributions exceeding the tax-deductible limit, or as investment income). 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 are allowed upon certain conditions. Early withdrawals for medical expenses and in case of disability and long-term unemployment are taxed at a reduced rate that varies between 15% and 9% depending on the number of years of participation in the pension plan. Early withdrawals for redundancy, for buying a house and for other reasons are taxed at 23%. For the last two cases, early withdrawals are allowed after eight years of participation.

2.19.5. Tax treatment of payments to heirs and beneficiaries upon death

Pensions are not subject to inheritance tax. The sums received by beneficiaries are taxed at a rate that varies between 15% and 9% depending on the number of years the deceased member participated in the plan.

If the member dies after retirement, the destination of the pension depends on the choice made by the member when applying for retirement benefits. If the member had opted for a survivor annuity or an annuity with a guaranteed period, the annuity continues to be paid, after death, to the indicated beneficiaries.

If the member dies before claiming retirement benefits, the individual position can be redeemed by the designated beneficiaries as a lump sum; in the absence of designation by the member, the position is paid to the heirs.

2.19.6. Non-tax incentives

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

2.19.7. Social treatment

Employee contributions are subject to the standard social contribution rate.

Employer contributions are subject to a lower rate of 10% (instead of the standard contribution rate, around 24%), on earnings up to a ceiling; for earnings exceeding the ceiling, the standard contribution rate applies. Social contributions are not levied on TFR contributions.

Social contributions are not levied on pension income.

2.19.8. Tax treatment of pensioners

Public pensions are taxed as personal income at the individual's marginal income tax rate.

2.19.9. Perspective of the employer

Employer contributions are always considered as costs for the employer and hence they are deducted from business income in calculating the corporate tax.

2.20. Japan

Figure 2.20. Structure of the asset-backed pension system in Japan

Voluntary, occupational

- The Employees' Pension Fund (EPF) (*kosei nenkin kikin*)
- Defined benefit corporate pension funds (*kakutei kyufu kigyo nenkin [kikin-gata]*)
- Contract-type defined benefit plans (*kakutei kyufu kigyo nenkin* [*kiyaku-gata*])
- Defined contribution corporate pension funds (DC) (*kakutei kyoshutsu nenkin* [*kigyo-gata*])
- Retirement allowance

Voluntary, personal

- Defined contribution individual pension funds (iDeCo) (*kakutei kyoshutsu nenkin* [*kojin-gata*])
- National pension funds (*kokumin nenkin kikin*)
- Personal pension insurance

2.20.1. Tax treatment of contributions

Employee contributions

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

Contributions to defined contribution (DC) pension funds and EPFs are fully deductible without any limit. Employee contributions to DC corporate plans were legalised in 2012. Since then, employees are allowed to pay contributions, and the 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 is JPY 55 000 monthly.

Employees are also eligible to participate in individual type DC plans (iDeCo). Contributions are tax deductible, and the monthly contribution limit depends on the employer's plan sponsorship:

- Employers do not sponsor a DB or a DC plan: JPY 23 000

- Employers do sponsor a DC plan and/or a DB plan: JPY 20 000, or JPY 55 000 minus the employer contribution, whichever is less

For self-employed workers, the monthly contribution limit is JPY 68 000, although this is a combined contribution limit for DC and national pension funds.

Excess contributions are not allowed.

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 DC corporate plans. If the employer sponsors only one occupational plan, the maximum tax-deductible monthly contribution is JPY 55 000 for each employee. If the employer also sponsors a DB plan, the maximum tax-deductible monthly contribution to the DC plan is JPY 55 000 minus the contributions to other plans for each employee.

Small and medium-sized employers with up to 300 employees are allowed to pay contributions for their employees without establishing their own scheme (iDeCo+). The limit on combined employer and employee contributions is JPY 23 000 monthly.

Excess contributions are not allowed.

2.20.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.20.3. Tax treatment of funds accumulated

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.

2.20.4. Tax treatment of pension income

Pension income from occupational and individual DC pension plans is subject to aggregate taxation and is taxed as miscellaneous income together with other categories of income.

Taxable pension income (income from “public pensions, etc.”, including national pensions, employee’s pensions, occupational pensions, individual DC pensions) is calculated by subtracting the public pension deduction from the amount of public pension benefits, and is subject to aggregate taxation as miscellaneous income, together with other categories of income.

The amount of the public pension deduction is calculated as follows:

- For an annual amount “A” of pension income up to JPY 4 100 000, the deduction is calculated as (A-500 000)×25%+400 000.
- For A over JPY 4 100 000 but not above JPY 7 700 000, the deduction is calculated as (A-4 100 000)×15%+1 300 000.
- For A over JPY 7 700 000 but not above JPY 10 000 000, the deduction is calculated as (A-7 700 000)×5%+1 840 000.
- For A over JPY 10 000 000, the deduction is JPY 1 955 000.

The public pension deduction has a minimum guaranteed amount of JPY 600 000 for those aged under 65 and JPY 1 100 000 for those aged 65 and over. The highest value between the result of the above formula and the minimum guaranteed amount is used for the public pension deduction.

The public pension deduction is reduced by JPY 100 000 for pensioners with total income other than miscellaneous income from public pensions, etc. exceeding JPY 10 million, but not exceeding JPY 20 million for the year, and is reduced by JPY 200 000 for pensioners with total income other than miscellaneous income from public pensions, etc. exceeding JPY 20 million for the year.

Programmed withdrawals are not specifically stipulated in the Japanese pension legislation but are not prohibited.

If the retirement payment is received as a lump sum, the lump-sum payment becomes retirement income and the amount of income is calculated separately from public pensions, etc. Specifically, the amount of retirement income is calculated by multiplying the amount of retirement payment minus the retirement income deduction by 0.5 and is taxed separately from other income. The retirement income deduction is calculated at JPY 400 000 per year for up to 20 years of service and JPY 700 000 per year for over 20 years of service.

2.20.5. Tax treatment of payments to heirs and beneficiaries upon death

If a member of an individual-type DC pension plan (iDeCo) dies, their surviving family members can receive a death lump-sum payment. This death lump-sum payment is treated as deemed inherited property and is subject to inheritance tax if its payment is finalised within three years of death. However, a tax-exempt allowance of JPY 5 million per statutory heir may be applicable in some cases. The inheritance tax rate ranges from 10% to 55% and applies to the portion exceeding the basic deduction of JPY 30 million plus a deduction of JPY 6 million per statutory heir. If the claim is made more than three years but within five years after death, the payment is treated as temporary income and is subject to income tax.

For corporate DC pension plans, eligible surviving family members receive the insured person's accumulated funds as a lump-sum payment. The taxation of this lump-sum payment is the same as for iDeCo.

When survivor pensions under the public pension system in Japan are paid to surviving family members, they are not subject to income tax or inheritance tax.

2.20.6. Non-tax incentives

No such incentives.

2.20.7. Social treatment

Social contributions are not levied on pension contributions.

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

2.20.8. Tax treatment of pensioners

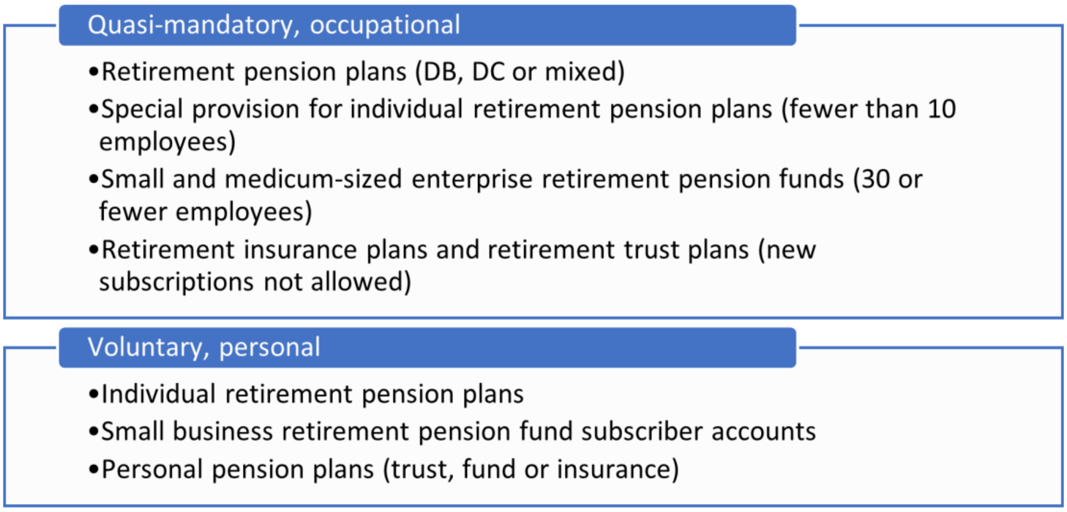
Old-age public pensions are taxed as public pensions, etc. (see above).

2.20.9. Perspective of the employer

Employer contributions are tax-deductible company expenses.

2.21. Korea

Figure 2.21. Structure of the asset-backed pension system in Korea



The retirement benefit system is mandatory and can take three forms: the severance payment system, a retirement pension plan or a small and medium-sized enterprise retirement pension fund. The obligation of the employer is to provide at least one of the retirement benefit systems by labour agreement, but if not, the severance payment system is considered to have been set up. The occupational pension system is therefore considered quasi-mandatory in Korea.

2.21.1. Tax treatment of contributions

Individual contributions to personal pension plans and to occupational defined contribution (DC) pension plans are eligible for a non-refundable tax credit. The tax credit is calculated at a rate of 13.2% for individuals whose total annual income exceeds KRW 45 million, or in the case of salary-only earners, whose gross salary exceeds KRW 55 million. A higher credit rate of 16.5% applies to individuals whose total income does not exceed KRW 45 million, or whose gross salary does not exceed KRW 55 million when salary is their sole source of income.[46] There is a limit to the amount of contributions taken into account to calculate the tax credit which varies between KRW 6 million and KRW 9 million depending on the type of plan in which the individual contributes (see Table 2.7). Individual contributions to occupational DC pension plans cannot exceed KRW 18 million a year and are not possible in occupational defined benefit pension plans.

Table 2.7. Korea: Determination of the maximum contribution taken into account for the calculation of the tax credit for different illustrative cases

	Contributions into personal pension plans (KRW)	Contributions into occupational pension plans (KRW)	Maximum contribution for the calculation of the tax credit (KRW)
Case 1	0	9 000 000	9 000 000
Case 2	1 000 000	8 000 000	9 000 000
Case 3	2 000 000	7 000 000	9 000 000
Case 4	3 000 000	6 000 000	9 000 000
Case 5	4 000 000	5 000 000	9 000 000
Case 6	5 000 000	4 000 000	9 000 000
Case 7	6 000 000	3 000 000	9 000 000

	Contributions into personal pension plans (KRW)	Contributions into occupational pension plans (KRW)	Maximum contribution for the calculation of the tax credit (KRW)
Case 8	7 000 000	2 000 000	8 000 000
Case 9	8 000 000	1 000 000	7 000 000
Case 10	9 000 000	0	6 000 000

An additional tax credit may be applied when deposits in an individual savings account (ISA) reaching maturity are transferred to a pension account. The amount of contributions taken into account to calculate the additional tax credit is the lowest between 10% of the transferred amount and KRW 3 million.

Employer contributions to occupational pension plans are not considered as taxable income for the employee. The minimum rate for employer contributions in DC plans is 1/12 of total annual salary.

2.21.2. Tax treatment of returns on investments

Returns on investments are not taxed until the time of withdrawal.

2.21.3. Tax treatment of funds accumulated

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

2.21.4. Tax treatment of pension income

Programmed withdrawals are not allowed. Individuals can withdraw both annuities and lump sums from their occupational DC plan from the age of 55. When a worker retires from a company operating an occupational DB plan, the amount is transferred from the DB plan to a personal pension plan, and the individual can then receive the amount transferred to their personal pension plan as a lump sum or an annuity. Individuals are eligible to claim annuities from their personal pension account upon reaching the age of 55 and after maintaining the account for a minimum of 5 years. Otherwise, they can withdraw a lump sum.

The taxation of pension income depends on the source of the income and whether the individual chooses a lump sum or an annuity.

Pension income originating from employer contributions

To calculate the tax due on pension income originating from employer contributions, one first needs to calculate the tax base. The tax base is calculated according to the following formula:

$$Tax\ base = (retirement\ income - deduction\ for\ continuous\ years\ of\ service) \times 12 \div number\ of\ service\ years.$$

The deduction for continuous years of service is provided in Table 2.8.

Table 2.8. Korea: Tax deduction for continuous years of service

Service years (SY)	Basic deduction	Additional deduction
Less than 5 years	KRW 1 000 000 x SY	None
5 to 10 years	KRW 5 000 000	KRW 2 000 000 x (SY minus 5 years)
10 to 20 years	KRW 15 000 000	KRW 2 500 000 x (SY minus 10 years)
More than 20 years	KRW 40 000 000	KRW 3 000 000 x (SY minus 20 years)

The total tax paid in the case of a lump sum is then determined by the following formula:

$$Tax\ paid = (tax\ base - deduction\ for\ income\ level) \times progressive\ income\ tax\ rates \times number\ of\ service\ years \div 12$$

The deduction for income level, based on the tax base, is provided in Table 2.9.

Table 2.9. Korea: Tax deduction for income level

Tax base per annum	Deduction
Less than KRW 8 million	100%
KRW 8 million to 70 million	KRW 8 million +(60% exceeding KRW 8 million)
KRW 70 million to 100 million	KRW 45.2 million +(55% exceeding KRW 70 million)
KRW 100 million to 300 million	KRW 61.7 million +(45% exceeding KRW 100 million)
Over KRW 300 million	KRW 151.7 million +(35% exceeding KRW 300 million)

The difference between the tax base and the deduction for income level is taxed according to the progressive personal income tax rates (between 6% and 45%).

The tax rules provide incentives for annuity payments over lump-sum withdrawals. When individuals deposit severance pay into a pension account and subsequently receive annuity payments, only 70% of the previously withheld amount is subject to taxation if the entitlement period is 10 years or less. This proportion decreases to 60% if the pensioner's entitlement period exceeds 10 years.

Pension income originating from employee/individual contributions and investment returns

If the individual takes a lump sum, the tax treatment depends on whether the contributions enjoyed the tax credit or not. If contributions correspond to amounts that received the tax credit (Table 2.7), the lump sum is taxed at the rate of 16.5% (including local income tax). By contrast, contributions for which no tax credit was claimed are withdrawn tax free.

If the individual takes an annuity, the tax treatment depends on the level of total retirement income (including public pensions) and the length of the payment period. If total retirement income is below KRW 15 million, the individual can choose the separate taxation of the annuity. For a fixed-term annuity of up to ten years, the tax rate varies with the age of the annuitant: 5.5% below age 70, 4.4% between 70 and 79, and 3.3% from age 80 (including local income tax). For a lifetime annuity, the tax rate is 4.4% (including local income tax). If total retirement income is above KRW 15 million, the individual can choose between a fixed 16.5% (including local income tax) separate taxation or aggregate taxation of all sources of income including annuities, according to the progressive personal income tax rates.

2.21.5. Tax treatment of payments to heirs and beneficiaries upon death

Information not validated by the country.

2.21.6. Non-tax incentives

No such incentives.

2.21.7. Social treatment

Contributions to private pension plans are not included in the social insurance contribution basis.

Social insurance premiums are not levied on private pension income, except for self-employed workers for whom social insurance premiums are levied on the basis of their comprehensive income.

2.21.8. Tax treatment of pensioners

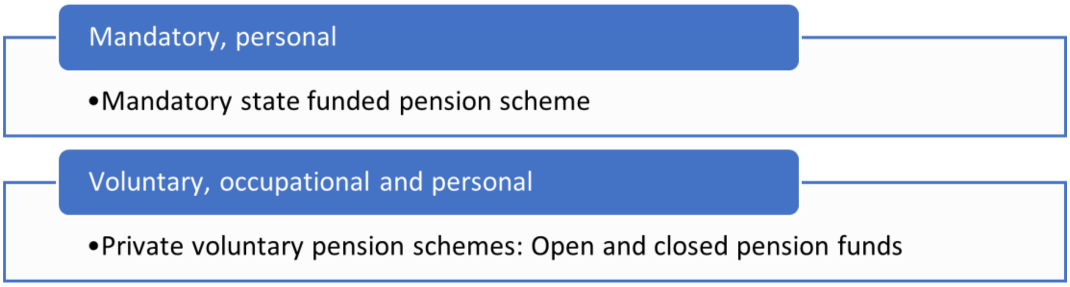
Pension income from public pension schemes is included in the individual's total taxable income and taxed at their marginal personal income tax rate.

2.21.9. Perspective of the employer

Employer contributions into occupational pension plans are deductible from corporate tax. Moreover, Charges for the Wage Claim Guarantee Fund are reduced by up to 50% if employers set up corporate pension plans rather than severance payment schemes.[47]

2.22. Latvia

Figure 2.22. Structure of the asset-backed pension system in Latvia



2.22.1. Tax treatment of contributions

Contributions to the mandatory state funded pension scheme (5% between 1 January 2025 and 31 December 2028) 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. In addition, the joint limit for contributions to voluntary pension funds and insurance premiums may not exceed 10% of the individual's annual taxable income, up to EUR 4 000. 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 marginal income tax rate.

2.22.2. Tax treatment of returns on investments

Returns on investments are not taxed for the mandatory state funded pension scheme.

Upon the disbursement of income (profit) generated from contributions invested in private pension funds, the private pension fund shall withhold tax at the rate of 25.5% and remit it to the Single Tax Account.

2.22.3. Tax treatment of funds accumulated

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

2.22.4. Tax treatment of pension income

Pension income from the mandatory state funded pension scheme is treated as ordinary income and taxed at the individual's marginal income tax rate.

Upon the disbursement of supplementary pension capital accumulated from contributions made by the individual to a private pension fund, such payments shall not be subject to personal income tax.

Upon the disbursement of supplementary pension capital accumulated from contributions made by the employer to private pension funds and paid to the individual, the private pension fund shall withhold tax at the standard rate and remit it to the Single Tax Account.

2.22.5. Tax treatment of payments to heirs and beneficiaries upon death

Members of the mandatory state funded pension scheme can choose among three actions to be taken by the State Social Insurance Agency for their accumulated capital in the case of death before reaching the retirement age: to transfer the capital for inheritance, to add the capital to another person's mandatory pension account, or to transfer the capital to the state pension special budget. The third action is done by default. Subject to inheritance is the entire pension capital accumulated as of 2020, as well as 80% of the savings accumulated up to 2019.

Starting from 1 January 2021, personal income tax shall be withheld from the capital accumulated in the mandatory state funded pension scheme, which is inherited in the event of the death of a member and calculated for the heir before offsetting any overpayments of State Social Insurance Agency services, if the heir has chosen to receive it via transfer to a payment account with a credit institution. Personal income tax shall be withheld at the rate of 25.5% from the amount calculated for the heir.

Members choosing to buy a life annuity at retirement can opt for a guaranteed disbursement period. In that case, the beneficiary specified in the insurance contract receives the annuity payments from the day the member passes away until the end of the guaranteed period, which cannot exceed 20 years. Annuity payments to an heir shall be subject to personal income tax according to the applicable rate.

2.22.6. Non-tax incentives

No such incentives.

2.22.7. Social treatment

State Social Insurance Mandatory Contributions are tax-deductible expenses for personal income tax purposes.

Social contributions are not levied on pension income.

2.22.8. Tax treatment of pensioners

Old-age pension above the annual non-taxable minimum is taxed at the individual's marginal income tax rate. An individual receiving an old-age pension shall be entitled to the pensioner's non-taxable minimum. For 2025, the pensioner's non-taxable minimum is EUR 12 000 per year.

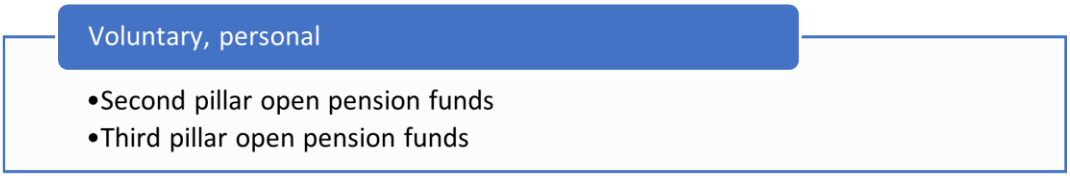
2.22.9. Perspective of the employer

Employer contributions are tax-deductible company expenses.

If an employer sets up or contributes to a funded private pension plan, these contributions are not subject to income tax and social insurance contributions, as long as the total does not exceed 10% of the gross remuneration calculated for the employee in the taxation year.

2.23. Lithuania

Figure 2.23. Structure of the asset-backed pension system in Lithuania



Second and third pillar pension plans are voluntary. Between 2019 and 2025, all workers younger than 40 and insured by social insurance were automatically enrolled in the second pillar system with a possibility to opt out. The procedure of automatic enrolment was repeated every 3 years until the person reached the age of 40. Besides, once the decision to join the second pillar had been made, it was irreversible. From 2026, automatic enrolment will be discontinued, and members will be given the opportunity to withdraw from the scheme until 31 December 2027.

2.23.1. Tax treatment of contributions

Individual contributions to second pillar pension funds must at least equal 3% of gross salary or income.[48] Only contributions above the 3% minimum are deductible from taxable income, up to the limit described below.

Individual contributions to third pillar pension funds are considered as expenses and can be deducted within the annual deduction room for expenses.[49] The total amount of deducted expenses (pension contributions, life insurance premiums and educational expenses) shall not exceed 25% of the taxable income, up to EUR 1 500 per year (this ceiling relates jointly to voluntary pension contributions to third pillar pension funds, voluntary pension contributions to second pillar pension funds above the minimum 3% contribution and life insurance premiums). Excess contributions are subject to the individual's marginal income tax rate.

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.

2.23.2. Tax treatment of returns on investments

Returns on investments are tax exempt.

2.23.3. Tax treatment of funds accumulated

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

2.23.4. Tax treatment of pension income

Pension income from second pillar pension funds is tax exempt. From 2026, the tax treatment of withdrawals before retirement age will vary depending on the situation:[50]

- Members will be given the possibility to cease membership between January 2026 and December 2027. Those with account balances between EUR 5 400 and EUR 10 800 will be allowed to withdraw the full amount tax free. Otherwise, the individual will be able to withdraw their own contributions (taxed at 3%) and all investment gains (tax free).[51]

- It will be possible to withdraw 25% of the accumulated funds, up to a maximum of the amount contributed by the member, once in a lifetime. This will be subject to a fixed tax rate of 3% of the amount withdrawn if the withdrawal happens before retirement age.
- It will be allowed to cease membership and withdraw all accumulated funds in case of severe disability, serious illness (included in the list of diseases as defined by the Minister of Health and the Minister of Social Security and Labour), or need for palliative care. These withdrawals will not incur any tax.
- Members within five years of retirement and who have saved up to half the amount required for a mandatory annuity, will be allowed to withdraw their entire balance. This will be subject to a fixed tax rate of 3%.

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:

- Pension benefits are tax free if:
    - The contract duration is at least five years and the individual is no more than five years before the statutory age of retirement at the time of payment
    - The contract duration is at least five years and the individual has a working capacity level of 0-25% or 30-40% at the time of payment
    - The individual withdraws not earlier than five years after the date of agreement and is no more than five years before the statutory age of retirement
- Otherwise, pension benefits are taxed at the fixed income tax rate of 15%, excluding the part of contributions that have not been deducted from taxable income.

2.23.5. Tax treatment of payments to heirs and beneficiaries upon death

Assets built up in a pension fund are inheritable. Savings in a second pillar pension fund are transferred in cash, while savings in a third pillar pension fund are transferred either in cash or units of the pension fund. The transfer of pension fund units is only possible if the heir already is or becomes a member of the same pension fund.

Inherited assets are taxable under the Law on Inheritance Tax. There are no special provisions for inherited pension savings. The taxation of heirs depends on their relationship to the deceased. If the inherited property is received by the deceased's spouse, children, parents, grandparents, grandchildren, brothers or sisters, no inheritance tax is applied. In addition, any taxable value of inherited property received by any person is exempt from tax if it does not exceed EUR 3 000.

2.23.6. Non-tax incentives

For individuals contributing at least 3% of gross income to the second pillar, the government contributes 1.5% of the pre-last year's average gross salary in Lithuania.

The government pays a monthly contribution equal to 1.5% of the country's average wage of the year before last to the second pillar pension accounts of people who have children up to three years old and who receive maternity benefits. For persons with more than one child under the age of three, the government pays contributions for all children to one of the parents.

2.23.7. Social treatment

Social contributions are levied on private pension contributions.

Social contributions are not levied on pension income.

2.23.8. Tax treatment of pensioners

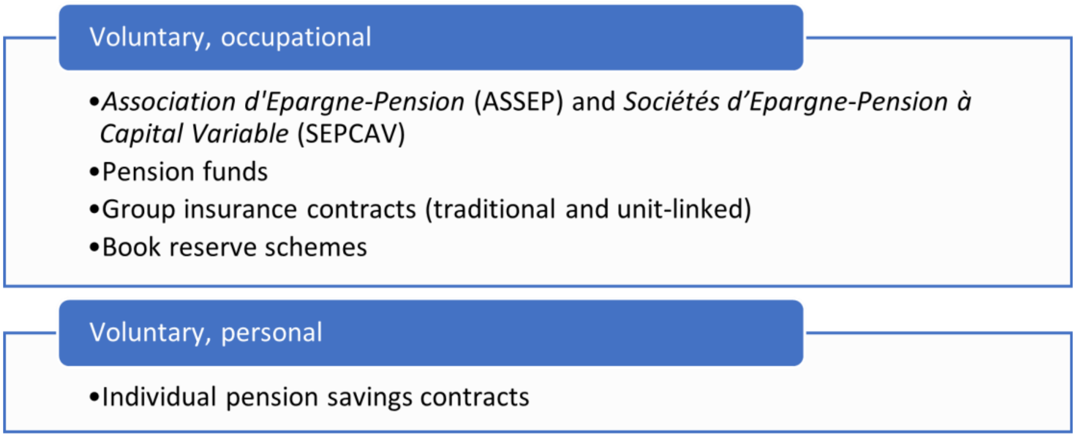
Payments from the public pension scheme (SoDra) are tax exempt.

2.23.9. Perspective of the employer

To calculate corporate income tax, all contributions to pension funds made by the employer are considered as tax deductible.

2.24. Luxembourg

Figure 2.24. Structure of the asset-backed pension system in Luxembourg



2.24.1. Tax treatment of contributions

Employer contributions into occupational pension schemes are subject to a 20% flat-rate income tax that is paid by the employer.

Self-employed workers' contributions to an occupational pension scheme are subject to a flat-rate income tax of 20% that is reported and remitted by the scheme manager to the tax authority. The contributions are considered as special expenses up to 20% of the self-employed workers' net professional income per year.

Employee contributions into occupational pension schemes are tax deductible as special expenses up to EUR 1 200 a year. Excess contributions do not benefit from a favourable tax treatment.

Contributions into individual pension savings contracts are tax deductible up to a limit of EUR 3 200 a year if some conditions are fulfilled.[52] Excess contributions do not benefit from a favourable tax treatment. Taxpayers can claim the tax deduction under the following main conditions:

- Contributions are made into an insurance company or a credit institution accredited or authorised (for companies or institutions already accredited within the European Economic Area) by Luxembourg competent authorities or under a pan-European Personal Pension Product (PEPP) based on the EU regulation 2019/1238 and the respective Luxembourg tax law.
- The contract is held at least ten years.

- Lump-sum payments or the start of monthly annuity payments, annual withdrawals or a combination are only possible when the insured person is between 60 and 75 years old.
- The contract excludes early withdrawals unless some exceptions foreseen by the law apply.

2.24.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.24.3. Tax treatment of funds accumulated

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

2.24.4. Tax treatment of pension income

Pension income arising from approved occupational pension schemes is generally tax-exempt. Some exceptions arise when pension benefits were financed through a book reserve scheme before the year 2000.

Pension income from individual pension savings contracts receives a favourable tax treatment if the conditions described above are fulfilled.

- Lump sums are taxed as an “extraordinary income”. In such a case, the extraordinary income is taxed at half of the global effective tax rate (employment fund surcharge to be calculated on top).
- Annuities benefit from a 50% tax exemption, and the remaining taxable income is taxed at the marginal tax rate (including employment fund surcharge).

2.24.5. Tax treatment of payments to heirs and beneficiaries upon death

The approved occupational pension benefits to beneficiaries in case of death of the plan member are generally exempt from income tax. These benefits may however be subject to inheritance tax. Heirs in direct descending (e.g. from parents or grandparents to children, grandchildren) or ascending (e.g. from grandchildren or children to parents or grandparents) line, as well as spouses or partners bound by a partnership declaration registered at least three years before the commencement of the inheritance procedure, are exempt from inheritance tax. Estates whose values, excluding debts, do not exceed EUR 1 250 are also exempt. Inheritance tax rates vary from 0% to 15% and may be increased if heirs get more than their legal part (i.e. when the share collected by the heir is the result of a will, donation, etc).

Benefits paid from individual pension savings contracts to beneficiaries in case of death of the plan member qualify as an “extraordinary income”. In such a case, the extraordinary income is taxed at half of the global effective tax rate (employment fund surcharge to be calculated on top).

2.24.6. Non-tax incentives

No such incentives.

2.24.7. Social treatment

Employer contributions to an occupational pension scheme are not subject to a social security contribution.

Pension income from both occupational pension schemes and individual pension savings contracts are subject to a contribution of 1.4% for long-term care insurance.

2.24.8. Tax treatment of pensioners

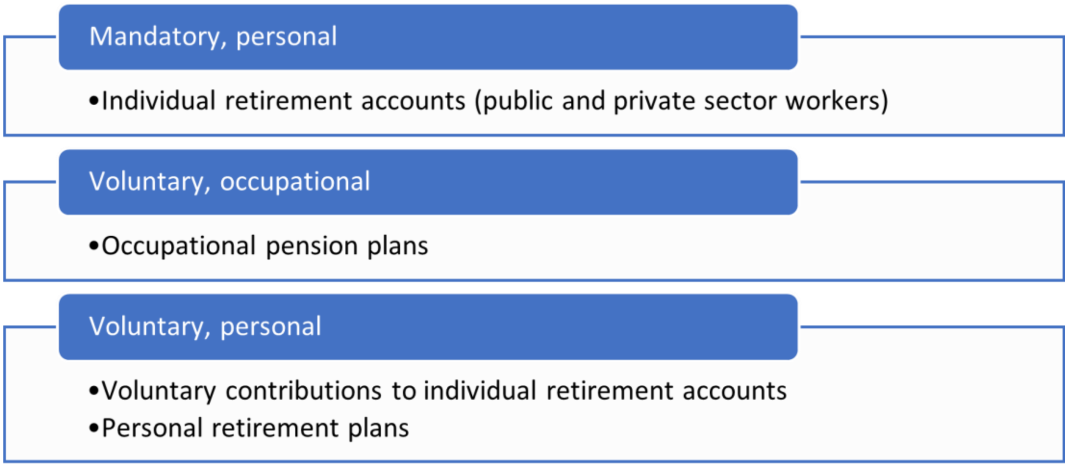
Public pensions are taxed at the marginal rate of income tax (including employment fund surcharge) after tax deductions. Furthermore, wage earners and pensioners receive a maximum refundable tax credit of EUR 600 per year among other tax credits.

2.24.9. Perspective of the employer

Employer contributions to an occupational pension scheme as well as the related income tax paid by the employer are generally considered as deductible operating expenses up to a limit of 20% of the employee's ordinary earnings.

2.25. Mexico

Figure 2.25. Structure of the asset-backed pension system in Mexico



2.25.1. Tax treatment of contributions

Mandatory employer contributions to individual retirement accounts, as well as government contributions and social quotas are not considered as taxable income for the employee. Mandatory employee contributions to individual retirement accounts are not tax exempt as they are made from gross salary, which is the same base as for personal income tax.

The tax treatment of voluntary personal contributions depends essentially on whether these savings have a long-term perspective. Short-term voluntary contributions, which can be withdrawn at any time after a certain period, are not tax deductible. All the other types of voluntary personal contributions have a long-term perspective and are tax deductible up to different limits, as described in Table 2.10.

Voluntary employer contributions to individual retirement accounts or to occupational pension plans are not taxable income for the worker. However, the maximum deductible amount of contributions to occupational plans (12.5% of the employee's gross salary) includes both employee and employer contributions.

There is a limit for personal tax deductions, which is equal to the minimum between 5 times the annual UMA and 10% of the taxpayer's annual gross income.[53] The 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.

Table 2.10. Mexico: Tax treatment of pension contributions by workers and employers, by type of contribution

Type of contribution	Tax treatment
Mandatory employee contributions to individual retirement accounts (IRAs)	Not deductible
Mandatory employer contributions to IRAs	Exempt (1)
Short-term voluntary contributions	Not deductible
Complementary contributions to IRAs	Deductible up to the minimum between 5 UMA and 10% of taxable income (2)
Long-term voluntary contributions to IRAs	Deductible up to the minimum between 5 UMA and 10% of taxable income (2)
Contributions to special savings for retirement accounts	Deductible up to MXN 152 000 per year (3)
Contributions to private occupational pension plans	Deductible up to 12.5% of integrated salary (includes both employee and employer contributions) (4)
Contributions to personal pension plans	Deductible up to the minimum between 5 UMA and 10% of taxable income (2)

Note*:* UMA = annual UMA.
1) Mexican Tax Law (*Ley del Impuesto Sobre la Renta*, LISR), art. 93, frac. XII. https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.
2) LISR art. 151, frac. V. https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.
3) LISR art. 185, frac. I. https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.
4) Guidelines of the Mexican Tax Law (*Reglamento de la Ley del Impuesto Sobre la Renta*, RLISR), art. 35, frac. II. http://www.diputados.gob.mx/LeyesBiblio/regley/Reg_LISR_060516.pdf.

2.25.2. Tax treatment of returns on investments

Investment returns are always tax exempt as long as they remain invested until retirement, and upon retirement they are exempt only if they are used to obtain an annuity or a programmed withdrawal, not as a lump-sum withdrawal. Upon retirement, 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 earned return (net of inflation) from investing short-term voluntary contributions and complementary contributions to individual retirement accounts is considered as taxable income upon withdrawal and taxed at the individual's marginal rate.[54] A provisional withholding tax, which rate varies every year as defined by the authority (0.50% for 2025[55]), applies to returns from short-term contributions.[56]

2.25.3. Tax treatment of funds accumulated

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

2.25.4. Tax treatment of 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 2.11). 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 UMA.[57] 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 (except for the non-contributory pension granted to women aged 60 to 64[58] and that given to all adults aged 65 or older[59]), by pension funds (individual retirement accounts), by occupational pension plans and by personal pension plans.

Workers entitled to a pension may also get their benefits as a lump-sum payment. For example, when they have accumulated enough assets to buy a life annuity equivalent to 1.3 times the guaranteed pension plus the premium of an insurance for the beneficiaries (spouse and children younger than 25 years, or above in case of disability), they have the right to buy such an annuity and withdraw the remaining balance as a lump sum.[60] In that case, the amounts withdrawn enjoy a tax exemption of 90 times the daily UMA per year of service. The excess amount is considered as taxable income and is taxed at the average annual rate applicable to ordinary income. Moreover, lump-sum payments originated from short-term voluntary contributions are tax free once the tax levied on interests has been deducted.

Table 2.11. Mexico: Tax treatment of pension withdrawals, by type of contribution and form of payment

Type of contribution	Annuity / programmed withdrawal	Lump sum	Withdrawal while not entitled to a pension
Mandatory contributions to individual retirement accounts (IRAs)	Exempt up to 15 annual UMA; Excess taxed at marginal tax rate (1)	Exempt up to 90 daily UMA per year of service; Excess taxed at average tax rate (2) (3)	Exempt up to 90 daily UMA for each year of contribution; Excess taxed at marginal tax rate (2)
Short-term voluntary contributions	Not applicable	Exempt	Exempt, except for the tax retained on interest (5)
Complementary contributions to IRAs	Exempt up to 15 annual UMA; Excess taxed at marginal tax rate (1)	Exempt up to 90 daily UMA per year of service; Excess taxed at marginal tax rate (2)	Taxed at average tax rate with a provisional withholding tax of 20% (6)
Long-term voluntary contributions to IRAs	Exempt up to 15 annual UMA; Excess taxed at marginal tax rate (1)	Exempt up to 90 daily UMA per year of service; Excess taxed at average tax rate (2) (3)	Taxed at average tax rate with a provisional withholding tax of the marginal tax rate (5)
Contributions to special savings for retirement accounts	Not applicable	Taxed at marginal tax rate (4)	Taxed at marginal tax rate (4)
Contributions to occupational private pension plans	Exempt up to 15 annual UMA; Excess taxed at marginal tax rate (1)	Exempt up to 15 annual UMA when transformed into an annuity; Excess taxed at marginal tax rate (1)	Taxed at marginal tax rate (4)
Contributions to personal pension plans	Exempt up to 15 annual UMA; Excess taxed at marginal tax rate (1)	Exempt up to 15 annual UMA when transformed into an annuity; Excess taxed at marginal tax rate	Taxed at marginal tax rate (4)

Notes: 1. Mexican Tax Law (*Ley del Impuesto Sobre la Renta*, LISR), art. 93, frac. IV, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf; 2. LISR, art. 93, frac. XIII; 3. LISR, art. 96 bis; 4. LISR, art. 142, frac. XVIII; 5. LISR art. 133; 6. LISR art. 145.

When the worker gets a lump-sum payment because they do not fulfil the requirements for a pension payment from their individual retirement account (*negativa de pensión*), this payment is tax exempt up to 90 times the daily UMA per year of contribution. The excess amount is considered as sporadic taxable income and is subject to a temporary withholding tax defined in the law,[61] and which is adjusted upon the annual tax review.

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.[62] However, the tax rate applied cannot be higher than the one in force at the time of the deposit.

2.25.5. Tax treatment of payments to heirs and beneficiaries upon death

Survivor benefits may be paid if the deceased member was a disability pensioner or was a contributor who had paid at least 150 weeks of contributions at the time of death in the case of private-sector employees, and 3 years in the case of public-sector employees. Eligible survivors include a widow(er) or cohabiting partner with children; a widow(er) without children who was married to the deceased member for at least 6 months, provided the deceased member was younger than age 55 at the date of marriage; and; if the deceased member was age 55 or older at the date of marriage or was already a pensioner, a widow(er) whose marriage to the deceased lasted at least 12 months. Other eligible survivors include a cohabiting partner without children who lived with the deceased member for at least 5 years; children up to age 16 (age 25 if a student or older if they have a disability); and parents, in the absence of other eligible survivors. All eligible survivors must have been dependants of the deceased member.

At the time of retirement, members choosing an annuity must purchase survival insurance with their account balance. In the event of death, the widow and children up to age 16 (age 25 if is a student or older if they have a disability) will receive the benefit.

When the pensioner chooses programmed withdrawals, the beneficiaries will get the balance in case of death.

Payments to beneficiaries up to 15 times the UMA are tax exempt, while payments in excess of this threshold are taxed at the beneficiary's marginal tax rate.[63]

2.25.6. Non-tax incentives

Employees in the government sector have access to a scheme of solidarity savings (*Ahorro Solidario*), which is a federal government matching mechanism to encourage 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, with a contribution capped at 6.5 times the worker's basic salary. Workers can contribute either 1% or 2% of their basic salary.[64] Solidarity savings have the same tax treatment as mandatory contributions (contributions are not tax deductible, return on investment is tax exempt, and withdrawals are treated as mandatory pensions). It is only for retirement purposes because the funds cannot be withdrawn before retirement age.

Some occupational pension plans also have a matching scheme, and after a certain number of years of service the employee attains vesting rights from the employer's contributions. If employees leave the company before the retirement requirements, they can either transfer the vesting rights of their individual account from the occupational pension plan to the AFORE, to the pension plan of the new employer to whom they are moving to, or to a personal pension plan, to avoid generating tax payment. If they decide to receive the amount in cash, a provisional withholding marginal rate tax is retained, and in the annual tax review it is adjusted together with all the other income and deductions of the year.

2.25.7. Social treatment

All social security contributions, including contributions for pension, are calculated on a gross salary basis. The mandatory contributions are determined on the gross salary, capped at the corresponding amount in each social security institution (IMSS's cap = 25 UMA, ISSSTE's cap (government workers) = 10 UMA).

Employer contributions to occupational private pension plans are not considered into the salary used to determine social security contributions if the pension plan is registered in the authority's database of the pension system, *Registro Electrónico de Planes de Pensiones* (SIREPP).[65]

Retirement pension income is not subject to social security contributions.[66]

2.25.8. Tax treatment of pensioners

Monthly pension income is tax exempt up to an amount equivalent to 15 times the monthly UMA.[67] 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, the pension funds (individual retirement accounts), occupational pension plans, and personal pension plans, except non-contributory pensions for all people aged 65 years and above.

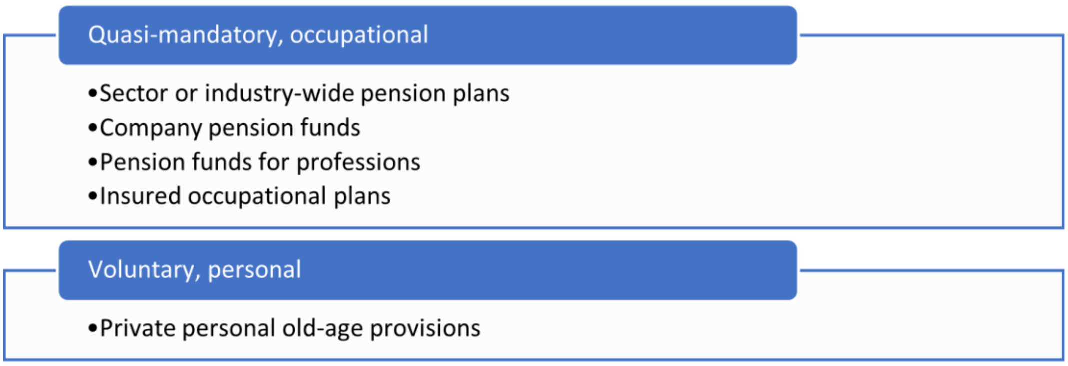
2.25.9. Perspective of the employer

Mandatory employer contributions, including the ones to the retirement sub-account and to the housing sub-account, are tax deductible.

Complementary retirement contributions done by the employer and employer contributions to occupational private pension plans are partially deductible. The amount deductible cannot exceed 47% of the contributions to the fund. However, 53% of the contributions can be deducted when the benefits provided by the employer to its employees are tax exempt and do not decrease compared to the ones provided in the previous year.[68]

2.26. Netherlands

Figure 2.26. Structure of the asset-backed pension system in the Netherlands



Most occupational pension plans are currently DB-contracts. New pension legislation went into effect on 1 July 2023. As a consequence, all pension funds must decide whether to convert their current DB- and DC-contracts into new DC-contracts before 1 January 2028.

2.26.1. Tax treatment of contributions

The maximum income for the EET system is set at EUR 137 800 in 2025. For the income that exceeds EUR 137 800 a TEE system can apply. This means that an individual with an income above EUR 137 800 contributes a certain percentage of income to a mandatory occupational pension plan, but the income taken into account to calculate the contribution is capped at EUR 137 800. If they want to make extra contributions, they must 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 two-tiered system was introduced on 1 January 2015. The maximum income is indexed annually to the minimum wage.

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.

- 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 salary minus a threshold for the first pillar (general state pension) if the retirement age is 68 years old. After 40 working years, this can lead to a pension of 75% of the career-average salary. In terms of final salary, the pension that can be granted for every 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 3.9% to 4.6% (for employees aged from 15 up to and including 19 years old) up to 27.0% to 27.5% (for employees aged from 65 up to and including 67 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. Under the new DC-contracts, contributions are limited to 30% of the annual income (with a ceiling of EUR 137 800) 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 DC 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 13.9% (age category 65-67 years old).

2.26.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.26.3. Tax treatment of funds accumulated

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

2.26.4. Tax treatment of 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 613.52 in 2025 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 5 429 (in 2025).

2.26.5. Tax treatment of payments to heirs and beneficiaries upon death

Survivor pensions are usually provided and are equal to a percentage of the deceased member's actual or projected retirement pension. Survivor pensions are taxed at the individual's marginal income tax rate.

2.26.6. Non-tax incentives

No such incentives.

2.26.7. Social treatment

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).

Pensioners pay 9.75% of their taxable income for the general insurance of certain health costs and survivor pensions (WLZ, ANW, up to an income of EUR 38 441 in 2025). Depending on their income, they pay for their own health insurance. The social contributions are the same as the contributions for those below the age from which the general state pension payments are received (67 years in 2025), however, they no longer need to pay the contribution for the AOW (state pension).

2.26.8. 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 is available to all taxpayers. The amount of the general tax credit depends on the age of the individual and the level of the individual's income.

- For individuals below state pension age: If the individual's income is below EUR 28 406 (in 2025), the tax credit is EUR 3 068. Between EUR 28 406 and EUR 76 817, the tax credit is calculated according to this formula: [3 068 - 6.337% × (income – 28 406)]. If the income is above EUR 76 817 the tax credit is EUR 0.
- For individuals at or above state pension age: If the individual's income is below EUR 28 406, the tax credit is EUR 1 536. Between EUR 28 406 and EUR 76 817, the tax credit is calculated according to this formula: [1 536 - 3.170% × (income - 28 406)]. Above EUR 76 817, the tax credit is EUR 0.

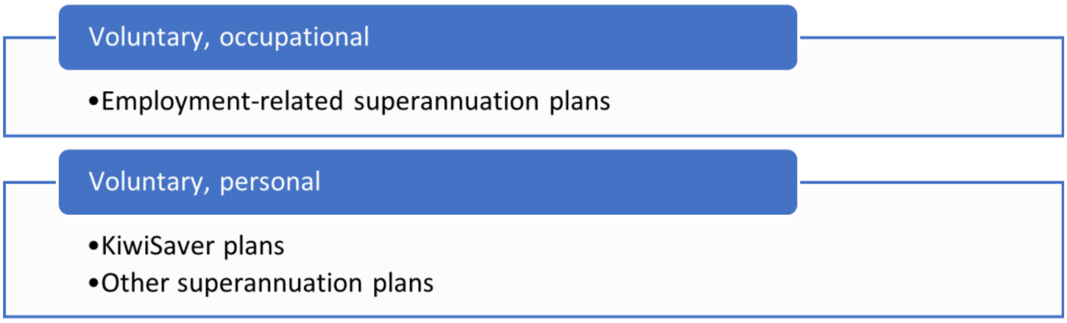
In addition, individuals at or above state pension age are entitled to a special tax credit called the "elderly allowance". This tax credit is EUR 2 035, reduced (but not further than nil) by 15% of the aggregate income to the extent that it exceeds EUR 45 308. If these individuals are single, this tax credit is increased with a fixed amount of EUR 531.

2.26.9. Perspective of the employer

Employer contributions are tax-deductible company expenses.

2.27. New Zealand

Figure 2.27. Structure of the asset-backed pension system in New Zealand



2.27.1. Tax treatment of contributions

Employee contributions are taxed at the marginal rate of income tax.

Employer 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 (including estimated gross superannuation employer contributions) that the employee will earn in the year ahead.

- If salary ≤ NZD 18 720 then ESCT rate=10.5%
- If salary from NZD 18 721 to NZD 64 200 then ESCT rate=17.5%
- If salary from NZD 64 201 to NZD 93 720 then ESCT rate=30%
- If salary ≥ NZD 93 721 to NZD 216 000 then ESCT rate=33%
- If salary ≥ NZD 216 001 then ESCT rate=39%

There are two alternative ways to calculate ESCT rates:

- 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, or
- for employer contributions made on behalf of a past employee, a fixed tax rate of 33% applies.

2.27.2. Tax treatment of returns on investments

Investment earnings are taxed. The pension provider directly deducts this tax 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 the KiwiSaver default schemes are multi-rate PIEs. The PIR for an investor in a multi-rate PIE 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 15 600 and (taxable income + PIE income) ≤ NZD 53 500 then PIR=10.5%.
- If, in either of the previous two income years, taxable income was ≤ NZD 15 600 and (taxable income + PIE income) from NZD 53 500 to NZD 78 100 then PIR=17.5%.
- If, in either of the previous two income years, taxable income was from NZD 15 601 to NZD 53 500 and (taxable income + PIE income) ≤ NZD 78 100 then PIR=17.5%.

- In all other cases, PIR=28%.

2.27.3. Tax treatment of funds accumulated

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

2.27.4. Tax treatment of pension income

Payments from 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.

2.27.5. Tax treatment of payments to heirs and beneficiaries upon death

KiwiSaver funds become part of the estate of the deceased member. Beneficiaries can be designated in a will. There is no tax on inheritance.

Registered superannuation schemes may pay survivor benefits. Generally, survivor benefits would be tax exempt to the recipient.

2.27.6. Non-tax incentives

The government makes an annual contribution towards KiwiSaver accounts as long as members contribute and are aged 16 and over (and satisfy some additional criteria). The government pays 25 cents for every dollar of member contribution annually up to a maximum payment of NZD 260.72. The government contribution does not count as taxable income for the member. Members no longer qualify for the government contribution once they become eligible to withdraw their savings (generally upon reaching the age of 65), as well as when their have more than NZD 180 000 of taxable income a year.

Employee contributions to a KiwiSaver account (minimum 3% of the salary) are matched by a minimum employer contribution of 3% of the employee's salary.[69]

2.27.7. Social treatment

Social contributions are not levied on pension contributions.

Social contributions are not levied on pension income.

2.27.8. Tax treatment of pensioners

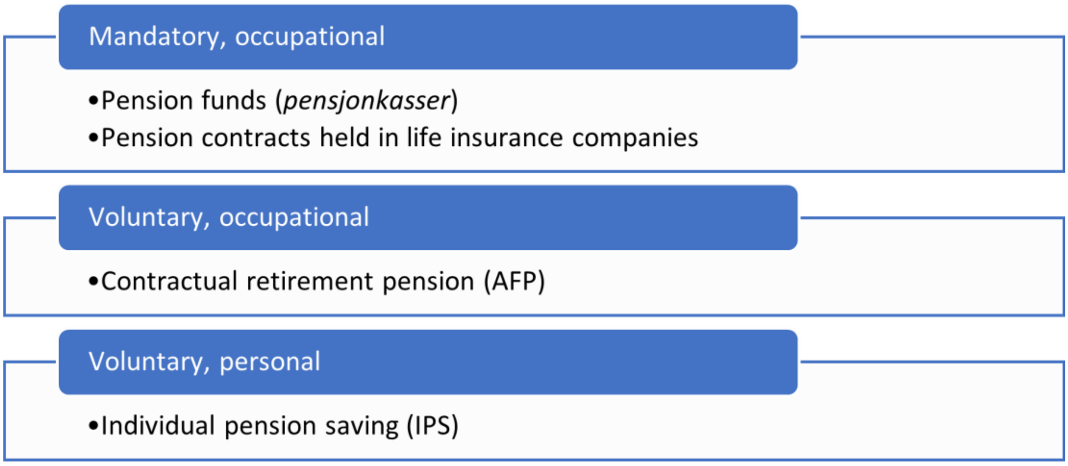
New Zealand Superannuation (public pension) is taxed at marginal rates.

2.27.9. Perspective of the employer

Employer contributions are tax-deductible company expenses.

2.28. Norway

Figure 2.28. Structure of the asset-backed pension system in Norway



2.28.1. Tax treatment of contributions

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

Employees contribute 2% of salary in municipal and public sector occupational plans. Employees usually do not contribute to private occupational pension plans, but it can be established in the pension plan that they are required to do so. In case employees are required to contribute, the contribution rate must not exceed 4% of salary or the contribution made by the employer. Contributions are deductible from ordinary income. They are not deductible from personal income.

Contributions by self-employed workers into voluntary defined contribution occupational plans are deductible from both ordinary income and personal income, up to 7% of imputed personal income from self-employment up to 12 G.[70]

Individual contributions to individual pension saving (IPS) schemes are deductible from ordinary income, up to NOK 15 000. They are not deductible from personal income.

2.28.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.28.3. Tax treatment of funds accumulated

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

2.28.4. Tax treatment of pension income

Pension income from occupational pension plans is taxed as pension income, which means both as personal income and ordinary income.

Ordinary income is taxed at a flat rate of 22% on a net basis. The ordinary income tax base includes all categories of taxable income (i.e. income from employment, business, capital and pension). A general personal allowance of NOK 108 550 is given on total ordinary income. Pension income is given a minimum standard deduction according to the rules for pensions (40%, with an upper limit of NOK 73 150), which is lower than the minimum standard deduction for salary and benefits replacing salary (46%, with an upper limit of NOK 92 000).

Personal income is taxed progressively on a gross basis. Personal income includes salary income and other types of income replacing salary income, and pension income. The bracket tax consists of the following steps:

- Income up to NOK 217 400: no tax
- Income between NOK 217,401 and NOK 306 050: 1.7%
- Income between NOK 306 051 and NOK 697 400: 4.0%
- Income between NOK 697 151 and NOK 942 400: 13.7%
- Income between NOK 942 401 and NOK 1 410 750: 16.7%
- Income from and including NOK 1 410 751:17.7%

The pension supplement to the contractual retirement pension (AFP) paid by the government to the cohorts 1944 to 1962 is not taxed.

Old-age pension income from the IPS scheme is taxed as capital income. This means that income from the scheme will not be taxed as personal income (no bracket tax nor national insurance contributions), but only as ordinary income with a flat tax rate of 22 %. Lump-sum payments from IPS are not allowed.

2.28.5. Tax treatment of payments to heirs and beneficiaries upon death

Provision of survivor benefits is a voluntary additional coverage for all private mandatory occupational schemes. However, for defined contribution savings schemes, accumulated retirement pension capital is used for survivor benefits as follows. If a member or holder of a pension capital certificate dies, the accumulated capital is paid to eligible survivors. It must be used first to buy an insured annuity guaranteeing yearly payments for each orphan up to the age of 21. If there are no eligible orphans, or if there is excess capital available, a fixed-term annuity must be bought for the spouse, cohabitant or registered partner. If there are no survivors or if there is excess capital available after providing said benefits, the capital is transferred as a lump-sum payment to the deceased’s estate. These rules also apply for the IPS scheme.

Orphan pensions are taxed only as ordinary income, with a flat tax rate of 22%. Orphan pensions are subject to a special deduction of NOK 31 350 per year.

Survivor pensions are taxed as pension income, which means both as personal income and ordinary income. It is subject to social security contributions at a low rate, and a minimum deduction is given according to the rules for pensions. Survivor pensions do not qualify under the special tax credit for pension income. However, if the survivor qualifies on the basis of their own pensions, the survivor pension is included in the basis for calculating the tax credit.

Lump-sum payments from the deceased person's estate are taxed at a fixed rate of 45%.

Payments to beneficiaries under the IPS scheme are taxed the same way as payments to the member, only as ordinary income with a flat tax rate of 22%.

2.28.6. Non-tax incentives

The government pays one third of the pensions from the contractual retirement pension (AFP), in addition to a pension supplement to the cohorts 1944 to 1962.

2.28.7. Social treatment

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

Pension income is subject to 5.1% social contribution (tax), which is lower than contribution rates on other types of income (employees pay 7.7%).

2.28.8. Tax treatment of pensioners

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

Old-age pensioners are entitled to a special tax credit. In 2025, the maximum tax reduction is NOK 36 000. The tax credit is tapered by 16.7% of pension income above NOK 276 400 and 6% of pension income above NOK 422 950. There is no tax credit for pension income above NOK 615 000.

2.28.9. Perspective of the employer

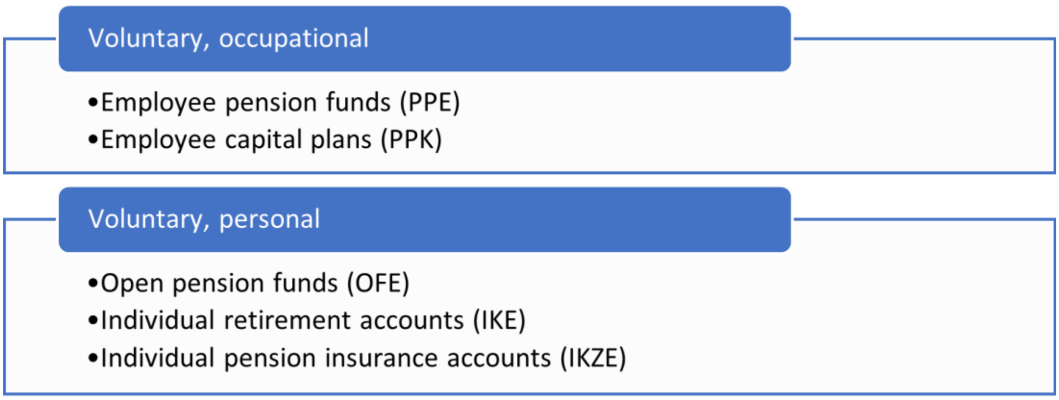
Employer contributions to mandatory occupational pension plans are tax deductible within certain limits as business expenses according to the Norwegian Taxation Act. The mandatory minimum contribution is set at 2% of wages up to 12 G (G is the National Insurance scheme basic amount). Tax-deductible contributions/premiums are capped as follows:

- Contributions of 7% of wages up to 12 G, with an additional contribution of 18.1% of wages between 7.1 and 12 G in DC and mixed/hybrid schemes
- Premiums financing a life-long retirement benefit of 100% of wages up to 6 G and 70% of wages between 6 and 12 G (benefit levels including estimated pillar 1 pensions)

Employer contributions to contractual retirement pensions have also become tax deductible as business expenses through administrative practice at the taxation authorities.

2.29. Poland

Figure 2.29. Structure of the asset-backed pension system in Poland



2.29.1. Tax treatment of contributions

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 (in 2025, PLN 15 611.40 for self-employed persons conducting non-agriculture activity; PLN 10 407.60 in all other cases). 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 (so-called basic contributions) 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 39 028 in 2025).

Employer contributions into PPK are included in the taxable income of the employee and consequently taxed at the marginal rate of income tax. Employee contributions are paid from earnings that have been already taxed. There is no quantitative limit on the level of contributions.

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 26 019 in 2025). If the individual exceeds this limit, the financial institution has to return the excess contributions or to forward them to another account.

2.29.2. Tax treatment of returns on investments

Returns on investments are not taxed. Early withdrawal from IKE, IKZE and PPK is possible, but in this case returns on investments are taxed at 19%.

2.29.3. Tax treatment of funds accumulated

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

2.29.4. Tax treatment of pension income

Ten years before the official age of retirement, assets in OFE are subject to a gradual transfer to the Social Insurance Institution's (ZUS) sub-account (at a pace of 10% per year), due to the so-called security slide mechanism. At the age of retirement, all assets are completely transferred to the first pillar, from which the individual receives a total pension which is taxed at the marginal rate of income tax.

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

Any withdrawal after 60 from PPE, PPK or IKE is tax free. At least 75% of PPK savings should be paid in at least 120 monthly instalments. Early withdrawal from PPE is not possible. Early withdrawal from IKE is possible but, in this case, returns on investments are taxed at 19%.

Early, unconditional withdrawals from PPK are possible but, in that case, returns on investments are taxed at 19%, 30% of the funds paid by the employer are transferred to ZUS, and state contributions (see below) are transferred back to the state budget.

2.29.5. Tax treatment of payments to heirs and beneficiaries upon death

Assets accumulated in open pension funds are subject to inheritance. In the event of the participant's death, half of the assets are transferred to the spouse's individual account in OFE or to ZUS. The remaining funds are inherited by the persons designated by the participant. If no one was designated, the funds are subject to inheritance in accordance with general inheritance law. Funds inherited from the OFE are not subject to inheritance or gift tax but are subject to a 19% flat-rate personal income tax.

Funds in PPK are also subject to inheritance. Participants can designate beneficiaries to receive their savings in case of death. In the absence of designated beneficiaries, the funds are inherited according to general inheritance law. If a PPK participant was married at the time of death, the financial institution transfers half of the funds from their PPK account to the PPK, IKE or PPE account of the spouse. These funds may also be returned in cash. All funds accumulated in the PPK account are transferred to the spouse of the deceased PPK participant or to eligible persons. Persons entitled to the funds of a deceased PPK participant, to whom the PPK funds will be transferred after the death of the PPK participant, will not pay income tax. Funds from the PPK acquired through inheritance are not subject to inheritance or gift tax, nor will they be reduced by capital gains tax or any other public liability. They are paid to the heirs in full.

Funds accumulated in PPE are inherited in case of the participant's death. Individuals designated by the participant receive the funds directly, free from inheritance and gift tax and from personal income tax. If no one is designated, the funds go to the heirs in accordance with general inheritance law. The eligible individual can receive the funds in cash or through a transfer to their PPE or IKE account. If the PPE is managed in the form of an insurance-linked fund, upon the participant's death, the designated persons receive death benefits that are not subject to inheritance or gift tax, nor to personal income tax.

In the event of inheritance, the accumulated capital in IKZE accounts can be transferred to the beneficiary’s IKZE account or withdrawn. This involves the payment with a 10% income tax.

In the case of IKE accounts, the capital paid out to the beneficiary after the death of the participant is not subject to income tax. The money can be transferred to the beneficiary’s IKE or PPE account.

IKE and IKZE accounts are not subject to inheritance or gift tax.

2.29.6. Non-tax incentives

The government pays a PLN 250 contribution in the PPK account when the member joins the plan. It also contributes PLN 240 annually in the PPK account.

These incentive payments will be returned in case of early withdrawal.

2.29.7. Social treatment

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

Individual contributions are always subject to social contributions.

Pension income is not subject to contributions for pension and unemployment insurance but is subject to health-insurance contributions.

2.29.8. Tax treatment of pensioners

Public pensions are subject to income tax.

2.29.9. Perspective of the employer

Employer contributions into PPE are deductible from corporate tax, up to 7% of the employee’s salary. Employer contributions into PPK are deductible from corporate tax.

2.30. Portugal

Figure 2.30. Structure of the asset-backed pension system in Portugal

Voluntary, occupational

- Closed pension funds
- Open pension funds: collective membership
- Collective pension insurance contracts

Voluntary, personal

- Open pension funds: individual membership
- Retirement savings schemes (PPR)
- Public regime of capitalisation (RPC)
- Pan-European personal pension products (PEPP)

2.30.1. Tax treatment of contributions

Contributions to occupational pension plans are, in terms of amount, mostly employer contributions. Employer contributions are not considered as taxable income for the employee and are tax deductible from the employer's taxable profits as long as the legal required criteria are met, namely:

- Permanent workers of the company are, in general, enrolled in the pension plan and the benefits are established in accordance with an objective criterion that applies to workers in general.
- 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). 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 employees' 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, early retirement, supplementary retirement, health (post-work), disability or survivorship and follows, in what concerns age and holders/beneficiaries, the general social security framework.
- The management and disposal of these employer contributions do not belong to the company itself.
- Contributions are not considered income from employment.

Employer contributions to retirement savings schemes (PPR) are considered as taxable income for the employee. The legal requirements above do not apply as this type of contribution is always considered as income from employment and deductible from the employer's taxable profits.

Twenty per cent of overall employee contributions to private pension plans (both occupational and personal, including Pan-European Personal Pension Products (PEPP)[71]) are tax deductible, up to a yearly deduction limit which varies according to the individual's 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 the case of contributions to the public regime of capitalisation (RPC), only two age limits apply: EUR 400 per taxpayer under 35 years old and EUR 350 per taxpayer older than 35. 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 8 059 (in 2025). Between EUR 8 059 and

EUR 80 000, the limit for tax deductions varies between EUR 2 500 and EUR 1 000. For an annual income above EUR 80 000, the maximum deduction available is EUR 1 000.

2.30.2. Tax treatment of returns on investments

Generally, the income generated by private pension assets is tax exempt.

2.30.3. Tax treatment of funds accumulated

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

2.30.4. Tax treatment of pension income

If the contributions were exempt (employer contributions), the following tax treatment applies:

- Annuities: These are taxed at the individual's marginal rate of income tax (up to 53%). A maximum deduction of EUR 4 462.15 applies to total pension income. However, if the compulsory contributions to social protection schemes and to legal health subsystems exceed that limit (EUR 4 462.15), 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 1 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 or to retirement savings schemes), 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 1 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).

Withdrawals from retirement savings plans (PPR) under the following conditions are not subject to penalties: (i) old-age retirement; (ii) long-term unemployment of the participant or any member of the household; (iii) permanent disability of the participant or any member of the household; (iv) severe illness of the participant or any member of the household; (v) at the age of 60; (vi) for payment of instalments of mortgage-backed credit on the participant's own permanent residence.

Withdrawals outside the above conditions are subject to penalties. The year of withdrawal, the individual has to add to their taxable income the full amount of tax deductions received on contributions over the years, plus an annual penalty rate of 10% applied to the tax deductions for each year since the contribution has been made. This is then taxed at the individual's marginal rate. For example, if the individual has contributed EUR 300 8 years ago, the penalty for that contribution will be calculated as the tax deduction received on that contribution (20%×300) multiplied by 8×10%.

2.30.5. Tax treatment of payments to heirs and beneficiaries upon death

There are no mandatory rules with respect to death benefits within the scope of occupational pension plans. It is, however, common for occupational pension plans to include the payment of pensions or benefits in the event of the death of an employee before retirement. Death benefits usually include the payment of a pension corresponding to a given percentage of the employee's salary, as well as a death allowance and payment of funeral expenses. Death benefits are subject to 10% stamp duty for beneficiaries who are not the spouse or de facto partner, descendants and ascendants.

The 10% stamp duty is not due in case the amounts invested in retirement savings schemes (PPRs) are reimbursed on account of death.

2.30.6. Non-tax incentives

No such incentives.

2.30.7. Social treatment

Social contributions are not levied on employer pension contributions.

Social contributions are not levied on pension income.

2.30.8. Tax treatment of pensioners

Public pensions are considered as income and taxed at the individual's marginal income tax rate.

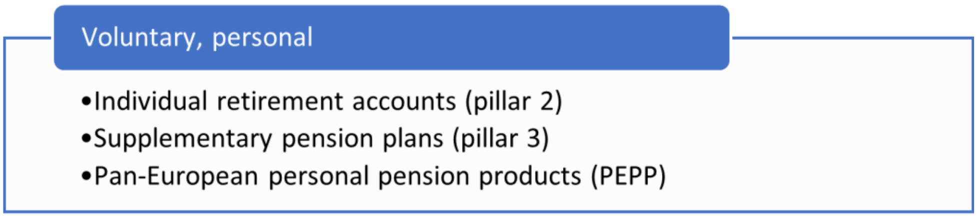
There is a general deduction for pensions of EUR 4 462.15 or, when higher, of the total amount of the mandatory social security contributions.

2.30.9. Perspective of the employer

Employer contributions to occupational pension plans are tax-deductible expenses as long as some requirements are fulfilled (see above).

2.31. Slovak Republic

Figure 2.31. Structure of the asset-backed pension system in the Slovak Republic



2.31.1. Tax treatment of contributions

Contributions on behalf of employees enrolled in an individual retirement account (4% of the salary) come from the total pension insurance contributions (18% of the salary, of which 14% paid by the employer and 4% paid by the employee). These contributions are fully tax deductible.

Employees can make additional voluntary contributions to their individual retirement account. There is no cap on the amount an employee can contribute voluntarily, and these contributions are not tax deductible.

Employer contributions into supplementary pension plans are treated as employee income and taxed at the employee's marginal rate.

Employee contributions into supplementary pension plans are tax deductible up to EUR 180 per year, 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.

Individual contributions into a PEPP are tax deductible up to the EUR 180 annual limit above. The limit is joint for PEPPs and existing supplementary pension plans.

2.31.2. 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 and PEPPs, both those gained during the accumulation phase and the pay-out phase. A fixed tax rate of 19% applies.

2.31.3. Tax treatment of funds accumulated

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

2.31.4. Tax treatment of pension income

Pension income from individual retirement accounts is tax exempt.

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

2.31.5. Tax treatment of payments to heirs and beneficiaries upon death

In the case of individual retirement accounts, in the event of the member's death during the saving period, the accumulated assets will be paid out. The saver has the right to designate in the contract one or several beneficiaries to whom the savings will be paid. In the absence of designated beneficiaries, the amount saved is subject to inheritance under the Civil Code. In addition, if the beneficiary or heir has an individual retirement account, they may have the said assets transferred to their personal pension account. Inherited funds are not subject to income tax.

In the event of the member's death during the payout phase, in the case of payment of a lifetime pension, a 7-year guarantee is provided. This means that if the member dies within seven years, the insurance company will pay to the beneficiary the balance of the amount that should have been paid, tax free. In the absence of a designated beneficiary, or if such a person has died, the unpaid amount for this period is subject to inheritance.

If the recipient of a temporary pension dies before the last agreed pension payment has been paid, the unpaid amount is not subject to inheritance.

With programmed withdrawals, it is possible to inherit unpaid funds tax free. They will be paid to the designated beneficiary. In the absence of a designated beneficiary, or if such a person has died, the funds will be subject to inheritance.

In the case of supplementary pension plans, the value of the personal account of a member is subject to inheritance if the deceased member has not designated another natural person or legal entity as the beneficiary for the payment of the current value of the personal account. This applies whether the member dies during the saving period or while in receipt of a temporary pension. Inherited funds are not subject to income tax.

There are no inheritance, estate, or gift taxes in the Slovak Republic.

2.31.6. Non-tax incentives

No such incentives.

2.31.7. Social treatment

Mandatory pension contributions are part of the social insurance contributions, which are calculated based on the gross salary.

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

Social contributions are not levied on pension income.

2.31.8. Tax treatment of pensioners

Public pensions are not taxed.

2.31.9. Perspective of the employer

Employer contributions into supplementary pension plans are tax deductible for the employer (corporate tax) up to 6% of the member's salary.

2.32. Slovenia

Figure 2.32. Structure of the asset-backed pension system in Slovenia

Voluntary, occupational and personal

- Mutual pension fund
- Umbrella pension fund
- Guarantee fund

2.32.1. Tax treatment of contributions

Employer contributions are not included in an employee's taxable income up to 5.844% of the employee's gross wage.[72] This cap cannot exceed EUR 3.054.65 per year (in 2025).

Individual contributions to occupational and personal pension plans 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. However, there is an exemption that applies to civil servants, for whom employer contributions to supplementary pension insurance are not included in the cap.

Employer and employee contributions benefit from tax relief if the pension plan is approved by the ministry of labour and entered into a special register kept by the competent tax authority. The sum of employer contributions per member into pension plans cannot be lower than EUR 404.63 a year (in 2025).

2.32.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.32.3. Tax treatment of funds accumulated

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

2.32.4. Tax treatment of pension income

Only half of the amount of the calculated annuity is taxed at the marginal rate of income tax. The other half is exempt from taxation. Lump sums are taxed at the marginal rate of income tax.

To avoid a double taxation of amounts saved in excess of the annual tax-deductible contribution cap of EUR 3.054.65, from 1 January 2020 taxpayers taking a lump-sum withdrawal from their retirement savings may request that the portion corresponding to contributions in excess of the annual cap is excluded from the annual taxable base upon withdrawal.

Voluntary supplementary pension contributions withdrawn during the first 10 years of a pension contract attract an 8.5% insurance premium tax. This provision ensures that voluntary pension contributions withdrawn early are treated similarly to other insurance savings instruments. The insurance premium tax does not apply to withdrawals from voluntary retirement savings plans caused by the death of the contributing member in the first ten years of the plan. It does not apply either to mandatory contributions, i.e. to employer contributions made to the plan for workers in harmful and arduous occupations or to the supplementary scheme for civil servants, if the plan was set up less than ten years before the retirement date of the member, and assets accumulated in the plan are eligible for a lump-sum withdrawal (i.e. below a threshold of EUR 6 290.17 in total from 1 March 2025).

2.32.5. Tax treatment of payments to heirs and beneficiaries upon death

In case of a member’s death, the accumulated capital is paid to the member’s nominated beneficiaries. If a member had not nominated a beneficiary, the capital is paid to the heirs of the deceased member.

For redemption due to death where a beneficiary was stipulated in the policy, the person inheriting the amount is subject to personal income tax. Where the beneficiary is not stipulated, the funds fall into the deceased’s estate and become subject to general Inheritance and Gift Tax. Heirs of the first order of succession (such as children, spouse or cohabiting partner) are exempt from inheritance tax. For the other classes of heirs, inheritance tax rates vary from 5% to 39%.

The 8.5% insurance premium tax does not apply to early withdrawals from voluntary retirement savings plans caused by the death of the contributing member in the first 10 years of the plan.

2.32.6. Non-tax incentives

No such incentives.

2.32.7. Social treatment

Employer contributions above 5.844% of the employee's gross wage or above EUR 3.054.65 (in 2025) 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.

Income from private pension schemes is not subject to social contributions.

2.32.8. Tax treatment of pensioners

Pensions from the public scheme are taxed at the marginal rate of income tax and benefit from a tax credit. The tax credit is equal to 13.5% of resident pensioners' pensions received from compulsory pension and disability insurance.

2.32.9. Perspective of the employer

Employer contributions are deductible from corporate tax up to 5.844% of the employee's gross wage. This cap cannot exceed EUR 3.054.65 per year (in 2025).

Employer and employee contributions benefit from tax relief if the pension plan is approved by the ministry of labour and entered into a special register kept by the competent tax authority. The sum of employer contributions per member into pension plans cannot be lower than EUR 404.63 a year (in 2025).

2.33. Spain

Figure 2.33. Structure of the asset-backed pension system in Spain

Voluntary, occupational

- Occupational pension plans (*planes de empleo*)
- Simplified occupational pension plans (*planes de empleo simplificados*)
- Mutual pension provident entities (*entidades / mutualidades de prevision social*)
- Collective pension insurance plans (*seguro colectivo*)
- Non-autonomous funds (*fondos de pensiones internos*)
- Employer social prevision plans

Voluntary, personal

- Associated plans (*planes asociados*)
- Personal plans (*planes individuales*)
- Insured prevision plans (*planes de prevision asegurados*)

2.33.1. Tax treatment of contributions

Employer contributions are tax exempt for the employee.

Individual contributions are deductible from taxable income within certain limits.

The general limit on individual and employer contributions to personal and occupational plans is the lowest of (i) 30% of total net income, and (ii) EUR 1 500 per year. The nominal contribution limit can be increased in the following situations:

- by EUR 8 500 if the contribution is done by the employer or by the employee into the same occupational plan, provided the employee's contribution is lower than or equal to a certain amount that varies with the employer's contribution
  - if the employer contributes up to EUR 500, the employee can contribute up to 2.5 times as much as the employer
  - if the employer contributes between EUR 500.01 and EUR 1 500, the employee can contribute up to EUR 1 250 plus one-fourth of the employer contribution in excess of EUR 500
  - if the employer contributes more than EUR 1 500 or if the individual earns more than EUR 60 000 from the company making the contribution, the employee cannot contribute more than the employer
- by EUR 4 250 if the contribution is done by a self-employed worker into a simplified pension plan or if the individual employer or the professional makes contributions to occupational pension plans of which they are both a plan promoter and a member

The individual can additionally deduct up to EUR 1 000 per year for contributions paid to their 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.

There is also a special regime for disabled individuals, which allows a EUR 10 000 per year limit for contributions made in favour of disabled members with physical disabilities of over 65% or mental disabilities of over 33%, or in favour of persons who have a judicially declared incapacity irrespective of the degree of incapacity. The limit for contributions made by disabled members amounts to EUR 24 250 per year. Contributions made by and on behalf of disabled individuals within the above-mentioned limits are tax deductible.[73]

2.33.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.33.3. Tax treatment of funds accumulated

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

2.33.4. Tax treatment of 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.

There is a tax exemption for the contributions made before 2007. According to this, lump-sum benefits are tax exempt up to 40% of the cash value of accrued benefits or accumulated capital (only in respect of benefits and contributions made before 2007). The 40% reduction may be applied in a single financial year, regardless of the number of plans an individual has subscribed to. A transitional regime applies, with lump sums arising from contributions made before 2007 enjoying the tax exemption under the following conditions:

- People who retired before 2010 could only benefit from tax-free lump sums if they withdrew the lump sum before 2018.

- People who retired between 2011 and 2014 could only benefit from tax-free lump sums if they withdrew the lump sum at most 8 years after retirement.
- People retiring as of 2015 can only benefit from tax-free lump sums if they withdraw the lump sum at most 2 years after retirement.

2.33.5. Tax treatment of payments to heirs and beneficiaries upon death

If the plan member dies, the consolidated rights of the plan will go to the person(s) previously designated as beneficiaries. In case the deceased member had not named any beneficiary, the rights would go to persons designated in the will, if any. If there is no express designation in the will either, the beneficiaries of the pension plan would become those indicated in the specifications or regulations of the plan that usually coincide with the legal heirs. The beneficiaries may receive all the funds of the pension plan as a single lump sum, as regular payments, as a combination thereof or as non-regular payments. Unless otherwise specified in the plan specifications, in general, the dates and methods of receiving benefits shall be freely set and modified by the plan member or beneficiary, subject to the requirements and limitations established in the specifications or in the conditions guaranteeing the benefits. The pension plan inheritance is considered as a work income and is therefore subject to personal income tax for the beneficiaries.

2.33.6. Non-tax incentives

No such incentives.

2.33.7. Social treatment

Employee contributions to occupational and personal pension plans are included for the calculation of social security contributions.

Employer contributions to occupational pension plans are not subject to social security contributions up to a contribution limit per employee of EUR 141.25 per month or EUR 1 695.01 per year, whereby the amount of the maximum reduction in social security contributions per employee is EUR 33.34 per month or EUR 400.02 per year.

Social contributions are not levied on pension income.

2.33.8. Tax treatment of pensioners

Public pension income is taxed as labour income at the individual’s marginal rate of income tax. Beneficiaries of contributory pensions for permanent total disability and severe disability, and beneficiaries of other pensions specifically established in the legislation, are exempt from taxation.

Pensioners, like all other taxpayers, can exempt from tax EUR 5 550 of income. Those aged over 65 may add EUR 1 150 to the former amount, while those aged over 75 may claim additionally EUR 1 400.

2.33.9. Perspective of the employer

Employer contributions are tax-deductible company expenses.

Employers can also deduct from corporate income tax 10% of their contributions into an occupational pension plan in favour of employees with an annual gross remuneration of less than EUR 27 000. When the worker earns more than EUR 27 000, the deduction will apply to the proportional part of the employer contribution that corresponds to a remuneration at that threshold.

2.34. Sweden

Figure 2.34. Structure of the asset-backed pension system in Sweden

Mandatory, personal

- Premium pension system

Quasi-mandatory, occupational

- Occupational pensions undertakings (*tjänstepensionsföretag*)
- Occupational pensions associations (*tjänstepensionsföreningar*)
- Pension foundations (*pensionsstiftelser*)
- Life insurance companies
- Book reserves

Voluntary, personal

- Individual pension savings (IPS)
- Individual pension insurance

2.34.1. Tax treatment of contributions

Contributions to the national public pension are shared among the insured individual, the employer (including the self-employed) and the government. The contribution paid by the individual is called the general pension contribution. The general pension contribution is 7% and is paid on incomes up to 8.07 income base amounts. The general pension contribution is paid in conjunction with the payment of preliminary tax, usually at the source of income. However, the final tax of those in gainful employment is reduced by an amount corresponding to the general pension contribution paid. Employers pay 10.21% of current salaries in the form of old-age pension contribution. That makes a total contribution of 17.21% of salaries or other remuneration to the national public pension. This includes the contribution to the premium pension (about 2.3%).

Contributions to occupational plans are only financed by employers. These contributions are not considered as taxable income to the employee, provided that they are secured in any of the ways set out in the Income Tax Act and comply with certain conditions to ensure the purpose of pension.

From 1 January 2016, only the self-employed and employees who completely lack pension rights in employment can deduct private contributions to pension insurance contracts or IPS schemes. For these persons, the cap for individual contributions is 35% of eligible income or at most 10 price base amounts (SEK 588 000 in 2025) per year. Eligible income for the self-employed is essentially defined as surplus from active business activities. To be eligible for tax relief, several conditions must be met to secure the purpose of pension.

2.34.2. Tax treatment of returns on investments

Returns on investment are not taxed in the premium pension system.

For occupational and personal pension schemes, returns are taxed at a fixed rate of 15% on an imputed return on investment. The imputed return corresponds to the previous year's average government borrowing rate, but it cannot be negative.

2.34.3. Tax treatment of funds accumulated

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

2.34.4. Tax treatment of pension income

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

2.34.5. Tax treatment of payments to heirs and beneficiaries upon death

The surviving spouse or partner receives a survivor pension if the member selected coverage for this benefit under the premium pension system. Survivor pensions are voluntary for most occupational pension plans. Income from survivor pensions is taxed in the same way as other pension income.

2.34.6. Non-tax incentives

No such incentives.

2.34.7. Social treatment

Social contributions (31.42%) are not levied on pension contributions. However, a special payroll tax of 24.26% is applied on contributions for occupational pensions paid by the employer.

Social contributions are not levied on pension income.

2.34.8. Tax treatment of pensioners

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

Individuals aged over 66 get an additional basic tax-free allowance, and the amount varies with income.

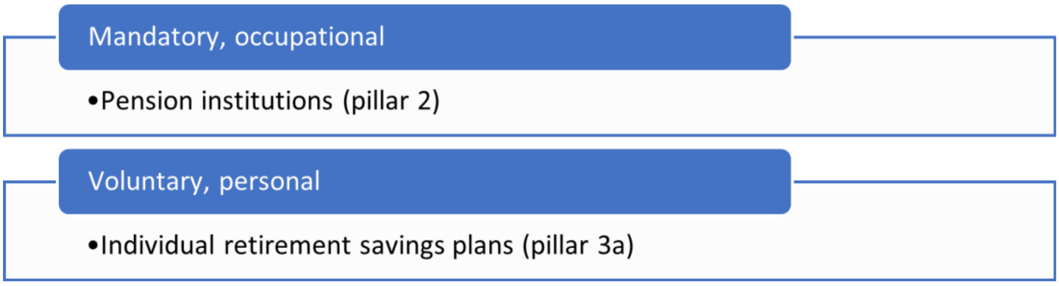
2.34.9. Perspective of the employer

Contributions to occupational pension plans are deductible up to an amount equal to 35% of an employee's salary, but maximum 10 price base amounts. To be eligible for tax relief, several conditions must be met to secure the savings and ensure the purpose of pension.

There is also a possibility for the employer to use a supplementary provision in cases when a pension agreement is changed, or a new agreement is met on early retirement from an employment. Furthermore, the supplementary provision can be used if the pension commitments are insufficiently secured. The supplementary provision states that the whole cost for securing a pension commitment can be deducted, provided it does not contravene the conditions stipulated by law.

2.35. Switzerland

Figure 2.35. Structure of the asset-backed pension system in Switzerland



2.35.1. Tax treatment of contributions

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 7 258 per year. 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 36 288. Excess contributions are not permitted.

From 2026, individuals gainfully employed in Switzerland will be able to make retroactive payments into their individual retirement savings plan if they have not paid the maximum annual amount into that plan in 2025 or subsequent years.[74] Individuals will be able to pay contributions retroactively for a period of up to ten years and deduct them from taxable income. Several conditions need to be fulfilled. Contribution gaps in previous years can only be closed if the individual has already paid in the maximum annual amount for the current year. It is only possible to close a gap through a one-time payment, and payments cannot be spread across several years. The maximum amount of retroactive payments is limited within one year to the “small” maximum amount applicable to gainfully employed persons, i.e. CHF 7 258 in 2025.

2.35.2. Tax treatment of returns on investments

Returns on investments are not taxed.

Financial transactions are subject to stamp duty, including those done by pension funds. The rate of 0.15% (half paid by each contractor) applies on all securities bought and sold.

2.35.3. Tax treatment of funds accumulated

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

2.35.4. Tax treatment of pension income

The same tax treatment applies to pension benefits paid by occupational and personal pension plans. Annuities and programmed withdrawals 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 one-fifth of the income tax that would be generated if lump sums were taxed separately as income.
- The fiscal treatment of lump sums differs between cantons.

2.35.5. Tax treatment of payments to heirs and beneficiaries upon death

In the case of occupational pension plans, survivor benefits are paid upon death before or after retirement or if the deceased member had been in receipt of an invalidity pension.

A surviving spouse pension must be paid if the surviving spouse, upon the death of the member, supports one or more children, or if the surviving spouse is aged 45 or more and the marriage lasted for at least 5 years. The payment of the surviving spouse pension ceases on remarriage. A divorced person is eligible for a surviving spouse pension if the marriage lasted for at least ten years and if the divorced person has been granted a pension paid by the member upon divorce. Orphans receive an orphan pension if they are under age 18 (25 if in education or if at least 70% disabled and unable to engage in paid employment).

Beneficiaries may receive benefits as a lump sum or as a pension. In the case of a lump sum, the tax rate depends on the canton of the deceased member, the amount of the lump sum and the kinship link. In the case of a pension, the payments are subject to personal income tax.

In the case of individual retirement savings plans, the accumulated savings are paid to beneficiaries as a lump sum. The order of beneficiaries is defined in legislation, starting with the spouse or partner. The lump sum is taxed separately from other incomes at preferential rates as described in the section "Tax treatment of pension income".

2.35.6. Non-tax incentives

No such incentives.

2.35.7. Social treatment

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.

Social contributions are not levied on pension income.

2.35.8. Tax treatment of pensioners

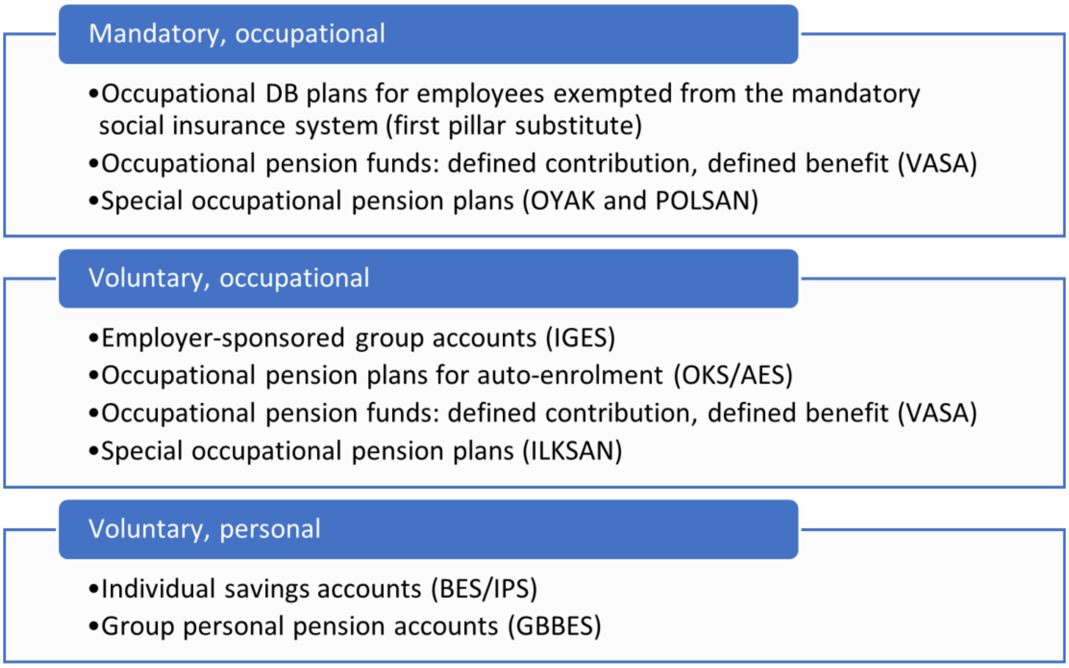
Income from public pension schemes is taxed at the individual's marginal rate of income tax.

2.35.9. Perspective of the employer

Employer contributions into pillar 2 are deductible from corporate tax.

2.36. Republic of Türkiye (Türkiye)

Figure 2.36. Structure of the asset-backed pension system in Türkiye



2.36.1. Tax treatment of contributions

In occupational DB plans, employee contributions are deducted from salaries that have already been taxed at the marginal rate of income tax and that have already been subject to stamp tax at the rate of 0.759%.

Employer contributions into employer-sponsored group accounts are included in an employee's taxable income. Such contributions do not receive the government match.

In voluntary personal pension plans, individual contributions are not deducted from the participant's income tax base. Individual contributions are matched by the government up to a limit.

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

2.36.2. Tax treatment of returns on investments

Returns on investment into voluntary personal pension plans, occupational pension plans for auto-enrolment and employer-sponsored group accounts are taxed upon withdrawal. The tax rate depends on when the withdrawal takes place:

- If the individual reaches 56 years old and has been in the scheme for at least 10 years or leaves the scheme due to compulsory reasons like death, disability or winding up, the tax rate is 5%.
- If the individual has been in the scheme for at least 10 years 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%.

Individuals can withdraw a lump sum from voluntary personal pension plans. Only the return on capital component of the lump sum is taxed at a fixed rate, as described above. Part or all of the savings can be converted into an annuity or programmed withdrawal 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.

Returns on investment of special occupational pension plans and occupational pension funds are taxed upon withdrawal. The tax rate depends on when the withdrawal takes place:

- If the individual has been contributing for less than 10 years, the tax rate is 15%.
- If the individual has been contributing for 10 years at least, or leaves the scheme due to death, disability or compulsory winding up, the tax rate is 10%.

2.36.3. Tax treatment of funds accumulated

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

2.36.4. Tax treatment of pension income

Pension income is tax exempt owing to the fact that tax on returns is deducted at the time the total savings amount is converted into an annuity or programmed withdrawal.

2.36.5. Tax treatment of payments to heirs and beneficiaries upon death

In the event of the death of a member of a personal pension plan (IPS, GBBES, IGES or AES), the savings and the amounts in the state contribution account, if any, are paid to the beneficiaries specified in the pension contract, or if not specified in the pension contract to the legal heirs. Income tax is withheld at the rate of 5% on the investment returns earned on contributions. The remaining part (i.e. total savings minus tax withheld) is subject to inheritance tax. If the savings are transferred to legal heirs, inheritance tax rates vary from 1% to 10% depending on amount, while they vary from 10% to 30% if the savings are transferred to nominated beneficiaries.

For amounts transferred to beneficiaries from VASAs, OYAK, POLSAN, and ILKSAN plans upon death, some income tax exemptions may apply. The subsequent inheritance and gift tax follows the same practice as in the above-mentioned personal plans. Depending on the circumstances, a full exemption may also apply where the beneficiary is the deceased person’s spouse or child.

2.36.6. Non-tax incentives

The state contribution amount a participant can receive within a calendar year shall not exceed 30% of the total annual gross minimum wage calculated based on the gross minimum wage determined for the relevant year. The government matches 30% of pension contributions into individual savings accounts (IPS) or group personal pension accounts up to 30% of the annual gross minimum wage. The government contribution applies for the automatic enrolment system (AES) too, with a separated limit from the one in the individual pension system (i.e. an individual can get the government match twice, within the limit of 30% of the annual gross minimum wage for each scheme). The upper limit for contributions to benefit from the government contribution is TRY 312 066 in 2025. The state contribution is paid in the following calendar years for the contributions exceeding the upper limit as long as the contributor remains in the plan.

Individuals receive 100% of government contributions if they withdraw their assets after reaching 56 years old and if they stayed in the system for at least 10 years, or in case of death or disability.

If individuals make an early withdrawal (i.e. if they do not fulfil at least one of the two previous conditions), they cannot keep all the matching contributions:

- If individuals stay less than three years in the scheme, they do not receive the government contribution.

- If individuals stay between 3 and 6 years in the scheme, they receive 15% of the government contribution and investment returns generated by these contributions.
- If individuals stay between 6 and 10 years in the scheme, they receive 35% of the government contribution and investment returns generated by these contributions.
- If individuals stay more than 10 years in the scheme, they receive 60% of the government contributions and investment returns generated by these contributions.

The government matching contribution is paid every month into the pension account. If individual make an early withdrawal, they are not entitled to 100% of the government contribution and so the relevant percentage of government contributions and the investment returns generated by these contributions return to the treasury of the government.

In the automatic enrolment system (AES), the government pays a one-time TRY 1 000 contribution for individuals who do not opt out within the first 2 months. The initial government contribution is vested once the employee is entitled to the pension. There is also an incentive to annuitize pension assets in the form of a subsidy equal to 5% of participants' savings at retirement for those who choose a minimum 10-year annuity.

2.36.7. Social treatment

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

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

2.36.8. Tax treatment of pensioners

Public pension income is not subject to income tax.

2.36.9. Perspective of the employer

Employer contributions are deductible from corporate income tax provided that the sum of contributions paid by employers to the individual pension system and personal insurance premiums paid by employees does not exceed 15% of the employee's monthly wage in the month of payment and the annual minimum wage per annum. If the sum of the two exceeds the limit, the employer and the employee decide upon the priority of the deduction, i.e. deducting first the insurance premiums from the employee's personal income tax or the employer contributions to the individual pension system. If, for example, the priority is to deduct insurance premiums from the employee's personal income tax, the employer can only deduct from corporate income tax the difference between the insurance premiums and the overall limit.

2.37. United Kingdom

Figure 2.37. Structure of the asset-backed pension system in the United Kingdom

Mandatory, occupational

- Occupational pension schemes (automatic enrolment)

Voluntary, personal

- Personal pension schemes (individual or group basis)
- Stakeholder pensions (individual or group basis)

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

2.37.1. Tax treatment of contributions

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

- Occupational pension schemes: 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. This system of giving tax relief is known as "net pay arrangement".
- Other workplace pensions: The employer takes the pension contributions from the individual's pay after deducting tax. The pension provider claims tax back from the government at the basic rate of 20% and the tax relief is paid in the pension account. Individuals paying tax at higher rate (40%) or additional rate (45%) can claim the difference through their tax return or by calling or writing to His Majesty's Revenue and Customs. The extra tax refund is not paid in the pension account. This system of giving tax relief is known as "relief at source".[75]
- Personal pensions: The relief at source method applies. Individuals pay income tax on their income before any pension contribution, but the pension provider claims tax back from the government at the basic rate (the tax refund is paid in the pension account). Individuals paying tax at higher rate or additional rate can claim the difference through their tax return (the extra tax refund is not paid in the pension account).

The maximum amount of pension contributions that an individual can get tax relief on in each tax year is the highest of GBP 3 600, and 100% of the individual's taxable UK earnings. Where individuals' UK taxable earnings are less than the personal allowance (the amount of earnings which are free from income tax), they can get relief on their contributions if the pension scheme uses the relief at source method. If the pension scheme uses the net pay arrangement, individuals are entitled to a government top-up payment in their bank account at the basic rate of 20%. The first top-up payments are expected to be made in 2026 for contributions made during the 2024/25 fiscal year.

If an individual has pension contributions (from both member and employer) in a year of more than GBP 60 000 (annual allowance for the tax year 2025-2026) the excess is subject to a tax charge (the annual allowance charge) that effectively limits tax relief given for the year. Individuals are allowed to make use of unused annual allowance from the previous three years (carried forward annual allowance). The annual allowance charge corresponds to the individual's marginal rate of income tax.

The money purchase annual allowance (MPAA) applies to individuals who have flexibly accessed pension benefits and who make money purchase pension contributions. If the MPAA has been triggered (by taking income from a flexi-access drawdown plan or an uncrystallised funds pension lump sum), only GBP 10 000 (the MPAA for tax year 2025-2026) can be paid to all DC plans for an individual in any tax year before the annual allowance tax charge is applied. If the MPAA is triggered part-way through a tax year, only the contributions made after the trigger are tested against the MPAA. However, the total contributions and accruals in that tax year are also tested against the GBP 60 000 annual allowance. The contributions paid before or on the trigger date are measured against an alternative annual allowance of GBP 50 000 (GBP 60 000 - 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. Contributions and accruals in relation to a defined benefit plan made after the trigger date are tested against the alternative annual allowance.

Pensions tax relief is restricted by a tapered reduction in the amount of the annual allowance for individuals with income (including the value of any pension contributions) over GBP 260 000 and who have an income (excluding pension contributions) in excess of GBP 200 000. The rate of reduction in the annual allowance is by GBP 1 for every GBP 2 that the adjusted income exceeds GBP 260 000, up to a maximum reduction of GBP 50 000. Where an individual is subject to the money purchase annual allowance, the alternative annual allowance is equal to the tapered annual allowance minus GBP 10 000.

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.

2.37.2. Tax treatment of returns on investments

The income and gains from most investments held in registered pension schemes are not taxable. However, pension schemes do not receive a dividend tax allowance and income from certain investments, such as residential property, is taxable if the scheme is an investment-regulated pension scheme (i.e. a pension scheme where the investments can be directed by a member of the scheme).

2.37.3. Tax treatment of funds accumulated

From 6 April 2024, there is no cap on the total amount that can be accumulated in a private pension plan that an individual can get tax relief on. Prior to 2024, there was a cap (the “lifetime allowance”) set at GBP 1 073 100.

2.37.4. Tax treatment of pension income

Annuities, programmed withdrawals and certain lump sums are 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 pay-as-you-earn (PAYE) system.

An individual can have a tax-free lump sum up to 25% of the total value of the pension pot(s) when they take a pension or annuity, or designate funds into a drawdown fund.

The tax-free lump sum is subject to a cap (the “lump sum allowance”) of GBP 268 275 for 2025-2026 but may be higher if the individual has protections in place. DB schemes are deemed to have a pot size 20 times the annual pension to calculate the tax-free lump sum. Where DC schemes pay an uncrystallised funds pension lump sum, 75% of the value of the lump sum is taxable at the individual’s marginal tax rate, providing the equivalent taxation of an individual having a tax-free lump sum. Any lump sum payable over the lump sum allowance will be taxed at the individual’s marginal rate.

Tax-free lump sums paid on death are limited to the "lump sum and death benefit allowance", which limits the total tax-free lump sum paid during an individual's lifetime and on their death. The limit is GBP 1 073 100 for 2025-2026 but may be higher if the individual has protections in place. Where an individual has taken a tax-free lump sum in their lifetime, this will reduce the available tax-free lump sum payable on death. If death occurs before age 75, any death-benefit lump sum will be taxed at the individual's marginal rate.

Pension savings accessed before the normal minimum pension age (currently age 55) are charged a rate of up to 55% (unauthorised payments charge and unauthorised payments surcharge).

2.37.5. Tax treatment of payments to heirs and beneficiaries upon death

If a DB plan member dies while receiving a pension, a surviving spouse, partner, or children under 23 (older if disabled) receive a percentage of the deceased member's pension until they die. If the plan member dies before reaching pension age, the pension scheme may pay a lump-sum benefit to a nominated recipient. Payments received by beneficiaries are subject to personal income tax at their marginal tax rate.

If a DC plan member dies while receiving an annuity, a nominated recipient may receive payments in the case of a joint life annuity or an annuity with a guaranteed period. Those payments are subject to personal income tax at the marginal tax rate of the beneficiary.

If a DC plan member dies while still having money in the account (e.g. during the savings phase or under a drawdown arrangement), this money can be passed onto to family, friends, a charity or a trust. The taxation of DC pots depends on the age of the member at the time of death. If the member dies before the age of 75, beneficiaries do not have to pay income tax on the money they receive unless the "lump sum and death benefit allowance" has been exceeded. This limits the amount of tax-free lump sum that can be paid both in lifetime and on death. It is set at GBP 1 073 100 for 2025-2026. Anything paid as a lump sum above the available lump sum and death benefit allowance is taxed at the beneficiary's marginal rate of income tax. If the member dies at age 75 or over, beneficiaries must pay tax at their marginal income tax rate on any money they withdraw.

On top of income tax, Inheritance Tax may also apply. It currently depends on whether the DB or DC pension scheme is discretionary or non-discretionary. Scheme members are often able to nominate who they would like to receive any death benefits, but the scheme trustees are generally not obliged to follow the member's wishes. These are referred to as "discretionary" schemes. In other schemes, the rules provide that the scheme member can choose who will receive the death benefits and the scheme trustees must follow the scheme member's directions. These are referred to as "non-discretionary" schemes.

Most UK registered pension schemes are discretionary and are therefore currently outside the scope of Inheritance Tax. Existing rules provide that unused pension funds and death benefits from discretionary schemes do not form part of an individual's estate and are therefore not chargeable to Inheritance Tax. Some pension schemes are non-discretionary. These schemes are treated as part of an individual's estate for Inheritance Tax purposes and tax is paid on them accordingly. Amounts above GBP 325 000 are taxed at a rate of 40%.

From 6 April 2027, when a pension scheme member dies with unused funds or without having accessed all of their pension entitlements, those unused funds and death benefits will be treated as being part of that person's estate and may be liable to Inheritance Tax. The current distinction in treatment between discretionary and non-discretionary schemes will be removed. Death in service benefits payable from both discretionary and non-discretionary registered pensions schemes will remain out of scope of Inheritance Tax. The existing Inheritance Tax principles providing exemption for death benefits passing to a surviving spouse or civil partner, and registered charities will also be maintained.

2.37.6. Non-tax incentives

Automatic enrolment legislation sets the total minimum percentage contribution rate which is currently 8% of qualifying earning bands (earnings between GBP 6 240 and GBP 50 270 a year before tax). Individuals may choose to opt out of pension saving, however, for those who wish to save, the legislation requires employers to enrol all eligible employees into a pension scheme and make a minimum of 3% contribution towards it. The employee will also make a minimum contribution of 5%.

2.37.7. Social treatment

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

NICs are not levied on pension income.

2.37.8. Tax treatment of pensioners

The State Pension is taxed as income at the marginal rate of income tax.

2.37.9. Perspective of the employer

Employer contributions to a registered pension scheme can be deducted as an expense in computing the profits of a trade, profession or investment business, and so reducing the amount of an employer's taxable profit. There is no set limit on the amount that an employer can pay into a registered pension scheme, subject to any limits placed on individuals.

2.38. United States

Figure 2.38. Structure of the asset-backed pension system in the United States

State-facilitated auto-IRA programmes: As of July 2025, 17 states have enacted laws requiring employers that do not provide a retirement plan to automatically enrol their workers in a state-facilitated individual retirement arrangement (IRA) programme. Of these, 12 programmes are currently open to all eligible employers and workers. The details of these programmes, including coverage and deadlines, vary by state, but most apply to employers with at least 5 employees and feature a default contribution rate of 3% to 5%.

SECURE 2.0 Act (2022): Beginning January 2025, most U.S. firms that had not already offered workers a retirement plan are now required to automatically enrol employees in a new employer-sponsored plan.

2.38.1. Tax treatment of contributions

There are different types of employee and employer contributions to tax-qualified plans with different and generally beneficial tax treatments. Employee contributions may include:

- Salary reduction/elective deferral contributions
- Catch-up contributions, for those 50 and older at the end of the calendar year
- Designated Roth contributions, or post-tax contributions

Retirement contributions are generally accorded beneficial treatment under state income tax rules; federal and state income taxes are similar in that they apply a percentage rate to taxable incomes, but they can differ considerably with respect to those rates, how they are applied, the types of income subject to tax, and the deductions and credits allowed.

Salary reduction/elective deferral contributions

Salary reduction/elective deferral contributions are generally pre-tax employee contributions to occupational pension plans. There is an annual 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) must be withdrawn from the plan.

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

In 2025, the limit on elective deferral contributions depends on the type of plan:

- Traditional 401(k), safe harbour 401(k), 403(b) and 457(b) plans: USD 23 500
- Savings Incentive Match Plan for Employees (SIMPLE) 401(k) plans and IRAs: USD 16 500
- Salary Reduction Simplified Employee Pension (SARSEP) IRAs: USD 23 500 or 25% of compensation, whichever is less

The total amount an individual may contribute (elective deferral contributions and designated Roth contributions) to all plans (not including 457(b) plans) is USD 23 500, but "catch-up contributions", discussed below, may increase this amount.

Catch-up contributions

Certain plans allow participants aged 50 and over to make pre-tax, catch-up contributions beyond the standard elective deferral limit. Beginning in 2025, those aged 60 to 63 may contribute even higher amounts. The following limits apply to these additional elective deferrals in 2025:

- Traditional 401(k), safe harbour 401(k), 403(b) and 457(b) plans: USD 7 500. For ages 60-63, the limit increases to USD 11 250.
- SIMPLE 401(k) plans and IRAs: USD 3 500. For 60-63, the limit increases to USD 5 250.
- SARSEP IRAs: USD 7 500. No enhanced limit for ages 60-63.

- Traditional and Roth IRAs: USD 1 000. This catch-up contribution limit is not subject to an automatic annual cost-of-living adjustment and there is no enhanced limit for ages 60-63.
- 403(b) plans (with 15 years of service): If permitted by the 403(b) plan, an employee with 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 organisation), has a 403(b) elective deferral limit that is increased by the lesser of:
  - USD 3 000 (with a lifetime maximum of USD 15 000), or
  - USD 5 000 times the number of the employee's years of service, minus the total elective deferrals made for earlier years. When both the age-50+ catch up and the 15-year catch up are available, the 15-year catch-up contributions apply first and then the age-50+ catch-up contributions apply.
- Special 457(b) plan catch-up contributions: If permitted by the plan, a participant within 3 years of "normal retirement age" (as specified in the plan) may contribute the lesser of:
  - twice the annual limit (USD 47 000), or
  - the sum of the basic annual deferral limit plus any unused contribution limit from prior years (if not already used for catch-up contributions).

If an individual aged 50 or over participates in only one 401(k) plan that does not permit catch-up contributions, the standard USD 23 500 limit applies. However, if they participate in two 401(k) plans maintained by unrelated employers, they may apply the catch-up limits in the aggregate amongst the plans:

- Up to USD 31 000 (23 500 + 7 500 for age 50+ catch ups)
- Up to USD 34 750 (23 500 + 11 250 for enhanced 60-63 catch ups)

The standard USD 23 500 limit still applies to each plan separately.

Designated Roth contributions and after-tax contributions

Designated Roth contributions are included in gross income and taxed at the individual's marginal tax rate, but qualified withdrawals are tax-free. Roth contributions can be made to Roth IRAs as well as designated Roth accounts in 401(k), 403(b), and governmental 457(b) plans.

After-tax contributions may be made to employer-sponsored plans that allow them or to traditional IRAs. Earnings grow tax-deferred, but withdrawals are taxable unless rolled into a Roth IRA (i.e. backdoor Roth).

IRA contribution limits

Contributions to Roth and traditional IRAs are subject to annual limits. Contributions that exceed these limits are subject to a 6% excise tax for each year the excess remains in the IRA.

For 2025, the maximum an individual can contribute to all of their IRA plans is the lesser of:

- USD 7 000 (plus an additional USD 1 000 if age 50 or older), or
- 100% of taxable compensation.

Although the same overall limit applies to both Roth and traditional IRAs, Roth IRA contributions may be limited based on tax-filing status and modified adjusted gross income (see Table 2.12).

Contributions to a traditional IRA are made after-tax but may be deductible. The deduction may be full, partial, or unavailable based on occupational pension plan coverage, tax-filing status, and modified adjusted gross income (see Table 2.13 and Table 2.14).

Regular contributions to a traditional IRA or Roth IRA are not precluded by age as of 2021.

Table 2.12. United States: Contribution limits for Roth IRAs (2025)

Filing status	Modified adjusted gross income	Contribution limit
Married filing jointly/ Qualifying widow(er)	< USD 236 000 USD 236 000 – USD 246 000 ≥ USD 246 000	Up to the limit A reduced amount Zero
Married filing separately and the participant lived with his/her spouse at any time during the year	< USD 10 000 ≥ USD 10 000	A reduced amount Zero
Single/Head of household/Married filing separately and the participant did not live with his/her spouse at any time during the year	< USD 150 000 USD 150 000 – USD 165 000 ≥ USD 165 000	Up to the limit A reduced amount Zero

Note: Calculation method to calculate the reduced amount: https://www.irs.gov/retirement-plans/amount-of-roth-ira-contributions-that-you-can-make-for-2023.

Table 2.13. United States: Deduction limits for traditional IRA contributions if the participant is covered by an occupational pension plan (2025)

Filing status	Modified adjusted gross income	Deduction limit
Single/Head of household	≤ USD 79 000 USD 79 000 – USD 89 000 ≥ USD 89 000	Full deduction up to the amount of the member's contribution limit Partial deduction No deduction
Married filing jointly/Qualifying widow(er)	≤ USD 126 000 USD 126 000 – USD 146 000 ≥ USD 146 000	Full deduction up to the amount of the member's contribution limit Partial deduction No deduction
Married filing separately	< USD 10 000 ≥ USD 10 000	Partial deduction No deduction

Source: https://www.irs.gov/retirement-plans/plan-participant-employee/2024-ira-contribution-and-deduction-limits-effect-of-modified-agi-on-deductible-contributions-if-you-are-covered-by-a-retirement-plan-at-work

Table 2.14. United States: Deduction limits for traditional IRA contributions if the participant is not covered by an occupational pension plan (2025)

Filing Status	Modified adjusted gross income	Deduction limit
Single/Head of household/Qualifying widow(er)	Any amount	Full deduction up to the amount of the member's contribution limit
Married filing jointly or separately with a spouse who is not covered by an occupational pension plan	Any amount	Full deduction up to the amount of the member's contribution limit
Married filing jointly with a spouse who is covered by an occupational pension plan	≤ USD 236 000 USD 236 000 – USD 246 000 ≥ USD 246 000	Full deduction up to the amount of the members contribution limit Partial deduction No deduction
Married filing separately with a spouse who is covered by an occupational pension plan	< USD 10 000 ≥ USD 10 000	Partial deduction No deduction

Source: https://www.irs.gov/retirement-plans/plan-participant-employee/2024-ira-contribution-and-deduction-limits-effect-of-modified-agi-on-deductible-contributions-if-you-are-not-covered-by-a-retirement-plan-at-work

Employer contributions

Employers can make matching contributions or discretionary/non-elective contributions. In both cases, employer contributions are not included in the employee's gross income. There are annual limits to the total amount employers and employees can contribute to a plan.

Overall limit on contributions

- Defined contribution plans (including 401(k)s): the lesser of
  - 100% of compensation, or
  - USD 70 000 (USD 77 500 with age-50+ catch-up contributions and USD 81 250 with enhanced 60-63 catch-up contributions).
- SIMPLE 401(k) plans: USD 16 500 (USD 20 000 with age-50+ catch-up contributions and USD 21 750 with enhanced 60-63 catch-up contributions). The employer is permitted to contribute i) a dollar-for-dollar match of up to 3% of pay, or ii) a 2% non-elective contribution.
- 403(b) plans: the lesser of
  - 100% of taxable wages and benefits received in the most recent full year of service, or
  - USD 70 000 (USD 77 500 with age-50+ catch-up contributions and USD 81 250 with enhanced 60-63 catch-up contributions).
- 457(b): the lesser of
  - 100% of the participant's compensation, or
  - the elective deferral limit of USD 23 500 (USD 31 000 with age 50+ catch-up contributions and USD 34 750 with enhanced 60-63 catch-up contributions). This deferral limit is not combined with deferrals made to a 403(b) or other plans.
- Simplified Employee Pension (SEP) IRAs: the lesser of
  - 25% of compensation, or
  - USD 70 000.
- SIMPLE IRA plans: USD 16 500 (USD 20 000 with age-50+ catch-up contributions and USD 21 750 with enhanced 60-63 catch-up contributions). Employer contributions are limited to either i) a dollar-for-dollar match of employee contributions, up to 3% of pay; or ii) a 2% non-elective contribution.

Saver's Credit

The Saver's Credit is a non-refundable tax credit for eligible contributions to an IRA (traditional or Roth) or occupational pension plan (401(k), 403(b), 457(b), SIMPLE IRA, or SARSEP). The credit is 50%, 20%, or 10% of contributions, based on adjusted gross income, up to a maximum credit of USD 1 000 for single filers or USD 2 000 for married joint filers.

Table 2.15. United States: Saver's Credit (2025)

Credit rate	Married filing jointly	Head of household	All other filers
50% of contribution	AGI ≤ USD 47 500	AGI ≤ USD 35 625	AGI ≤ USD 23 750
20% of contribution	USD 47 500 – USD 51 000	USD 35 625 – USD 38 250	USD 23 750 – USD 25 500
10% of contribution	USD 51 000 – USD 79 000	USD 38 250 – USD 59 250	USD 25 500 – USD 39 500
0% of contribution	> USD 79 000	> USD 59 250	> USD 39 500

Note: All other filers include: single, married filing separately or qualifying widow(er) https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit

Saver's Match

Starting in 2027, the SECURE 2.0 Act of 2022 repeals and replaces the Saver's Credit with a federal matching contribution deposited directly into a taxpayer's retirement account. The match will be 50% of contributions, up to USD 2 000 per individual. The matching contribution phases out based on adjusted gross income:

- Married filing jointly: USD 41 000 – USD 71 000
- Single/married filing separately: USD 20 500 – USD 35 500
- Head of household: USD 30 750 – USD 53 250

The above phase-out figures will be adjusted for inflation beginning in 2028.

2.38.2. Tax treatment of returns on investments

Returns on investments in tax-deferred accounts (e.g. 401(k), 457(b), SEP, SIMPLE, traditional IRA) are not taxed until withdrawn. Investment returns earned in Roth accounts are tax-free, provided the withdrawals are qualified.

2.38.3. Tax treatment of funds accumulated

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

2.38.4. Tax treatment of pension income

Withdrawals from traditional retirement accounts (both contributions and returns) are included in taxable income and therefore taxed at the individual's marginal tax rate. Withdrawals from Roth accounts are tax-free, provided the account has been held at least 5 years and the individuals is at least 59.5 years old, or another qualified exception applies.[76]

Early withdrawal penalty

Withdrawals before age 59.5 are generally subject to an additional 10% tax (on top of regular income tax). Exceptions may apply (e.g. certain medical expenses, disability, qualified education expenses, first-time home purchase).[77]

Rollovers

Distributions from a retirement plan can be "rolled over" into another qualified plan or IRA by depositing the payment into the new plan within 60 days. Rolling over distributions allows the individual to avoid tax on the amounts until they are withdrawn from the new plan.

Required minimum distributions

Once reaching age 73, the individual generally must take a required minimum distribution (RMD) from the plan each year. If the account holder fails to take the full RMD, the shortfall is subject to a 25% excise tax (reduced to 10% if timely corrected).

For Roth IRAs, they are no RMDs for the original account holder. Beneficiaries, however, must follow the inherited IRA tax rules, which generally requires withdrawing all funds from the account within ten years.

2.38.5. Tax treatment of payments to heirs and beneficiaries upon death

General rules

Retirement plans and IRA accounts inherited after the member's death are subject to required minimum distribution (RMD) rules. A beneficiary is generally any person or entity designated by the member under procedures established by the plan. Some plans require specific default beneficiaries (such as a spouse or child).

Beneficiaries have the option of taking a lump-sum distribution of the inherited account at any time but must fully withdraw the account within ten years. Exceptions apply for eligible designated beneficiaries (EDBs). In addition to a surviving spouse, EDBs include minor children of the member, disabled or chronically ill individuals, and beneficiaries not more than ten years younger than the deceased member.

EDBs may generally stretch RMDs across their life expectancy. If the EDB is a minor child of the member, they may take RMDs based on their life expectancy until they reach the age of majority (generally 18 or 21, but up to 26 if still a student, depending on applicable law). Once they reach the age of majority, the 10-year rule kicks in. Where the 10-year rule applies, any assets remaining in the account after 10 years will be subject to a 25% excise tax (10% if timely corrected).

All taxable distributions from inherited accounts are included in the beneficiary's gross income and taxed at their ordinary income tax rate. Distributions from Roth IRAs are generally tax free if the account met the 5-year rule before the owner's death.

Additional estate and transfer tax considerations

Inherited retirement accounts may be subject to federal estate tax if the deceased member's estate exceeds the applicable exclusion amount (USD 13 990 000 per individual in 2025). The full value of the retirement account is generally included in the deceased member's gross estate for estate tax purposes. Further, if the account passes to a "skip person" (e.g. a grandchild), it may trigger the generation-skipping transfer (GST) tax, subject to separate exemption thresholds. While beneficiaries are responsible for paying income tax on distributions they receive, the estate may be responsible for estate or GST taxes at the time of transfer.

2.38.6. Non-tax incentives

Employers may automatically enrol employees in a retirement plan and include an automatic escalation feature in the plan. However, employees must be able to opt out of the plan or contribution escalation. In Qualified Automatic Contribution Arrangements, the following three conditions must be fulfilled:

- The initial default employee contribution rate must be at least 3%.
- The plan must have an auto-escalation feature that increases contributions by 1 percentage point each year until reaching at least 6% (but no more than 15%).
- Employer contributions (match or non-elective) are required, and contributions may be fully vested within two years of service.

Employees covered by the Federal Employees Retirement System (FERS) and members of the uniformed services covered by the Blended Retirement System (BRS) may participate in the Thrift Savings Plan (TSP) and receive matching contributions from their agency/service on the first 5% of pay they contribute every pay period. The first 3% is fully matched, while the next 2% is matched at 50%.[78]

2.38.7. Social treatment

Salary reduction/elective deferral contributions to 401(k), 403(b), or similar plans are exempt from Social Security and Medicare taxes. Employer contributions (matching or non-elective) are also not subject to payroll tax.

Pension income itself is not subject to Social Security or Medicare tax when received in retirement.

2.38.8. Tax treatment of pensioners

Social Security benefits include retirement, survivor and disability benefits. They do not include Supplemental Security Income (SSI) payments, which are taxable. To determine whether Social Security benefits are taxable, the individual must sum up their adjusted gross income plus 50% of Social Security benefits plus tax-exempt interest, and compare that figure with the base amount for their filing status. The base amounts for 2025 follow:

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

If the calculated figure is below the base amount, benefits are not taxed. That applies to spousal, survivor, and disability benefits as well as retirement benefits. If the figure exceeds the base amount:

- Up to 50% of benefits may be taxable if the calculated figure is more than the base amount but less than the following heightened thresholds
  - USD 34 000 for single, head of household, or qualifying widow(er)
  - USD 44 000 for married filing jointly
- Up to 85% of benefits may be taxable if the calculated figure exceeds the heighted thresholds.

2.38.9. Perspective of the employer

Deductibility

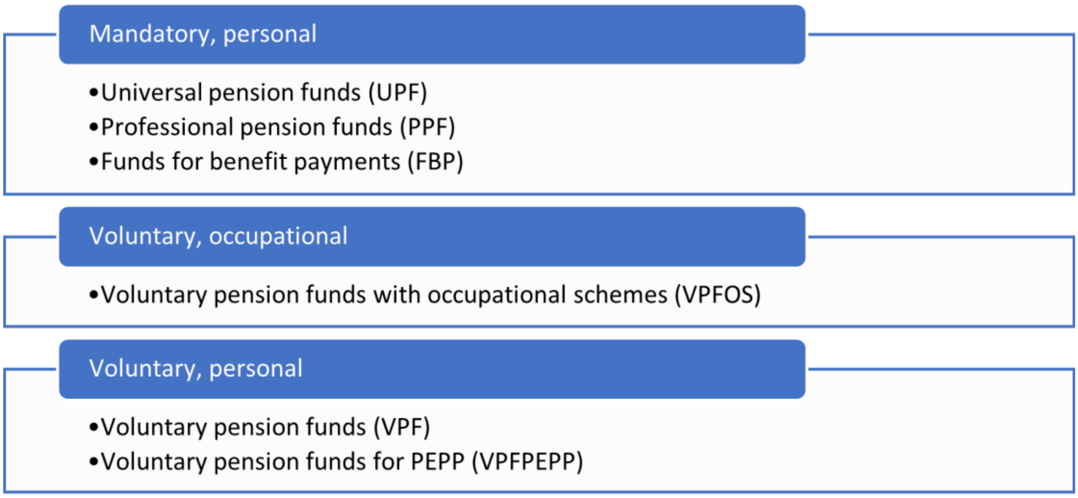
Employers generally cannot deduct amounts provided to an employee until the year they are included in the employee's income. However, contributions to qualified pension plans (including elective deferrals treated as employer contributions) are deductible in the year that they are contributed.

Non-discrimination rules

The income tax deferral provided by pension plans is a particularly desirable benefit for highly-compensated employees, including the working owners of smaller businesses and the executives of larger companies. Pension plans must satisfy non-discrimination rules, which prohibit employers from providing significantly greater benefits to highly-compensated employees (HCEs) than they provide to non-HCEs. By limiting access for HCEs unless comparable benefits are provided to non-HCEs, the law encourages employers to extend tax-advantaged retirement benefits broadly across the workforce.

2.39. Bulgaria

Figure 2.39. Structure of the asset-backed pension system in Bulgaria



Funds for benefit payments (FBP) were introduced in 2021 for the payment of UPF benefits. There are two types of FBPs, for the payment of lifelong pensions and for the payment of programmed withdrawals.

In October 2023, the Bulgarian legislation was amended in order to implement the EU PEPP Regulation[79] and a new type of voluntary pension funds – voluntary pensions funds for PEPP was introduced. No PEPPs are currently offered in Bulgaria.

2.39.1. Tax treatment of contributions

Employee contributions into UPF and PPF are tax deductible. Employer contributions into UPF and PPF are not included in the employee's taxable income.

Employee contributions into VPF, VPFPEPP and VPFOS are tax deductible up to 10% of the individual's taxable income. Excess contributions are taxed for the individual at the fixed income tax rate of 10%. Employer contributions are not included in the employee's taxable income up to BGN 60 per month, while any excess is included.

2.39.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.39.3. Tax treatment of funds accumulated

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

2.39.4. Tax treatment of pension income

Pension income from UPF, FBP, PPF, VPF, VPFPEPP and VPFOS is tax exempt. Benefits from UPF and PPF are tax free in all cases. Benefits from VPF, VPFPEPP and VPFOS are tax free only after the person becomes eligible for a pension.

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, they can also withdraw assets but the part of withdrawal corresponding to contributions, which enjoyed tax deduction, is taxed at the rate of 10%.

2.39.5. Tax treatment of payments to heirs and beneficiaries upon death

Payments to beneficiaries upon death from the private pension funds and FBPs are tax exempt.

2.39.6. Non-tax incentives

No such incentives.

2.39.7. Social treatment

Both employee and employer contributions are not subject to obligatory social contributions.

Pension income is exempt from social security contributions.

2.39.8. Tax treatment of pensioners

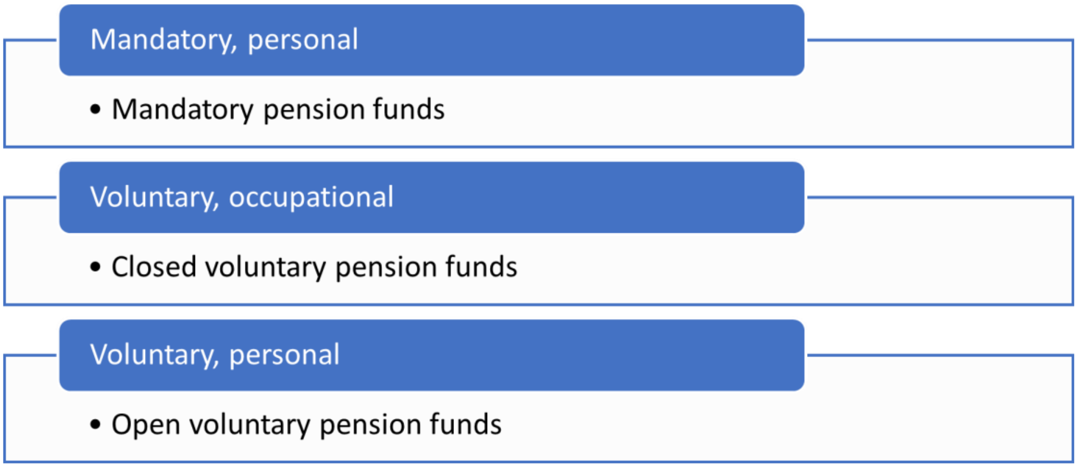
Pensions from the first pillar (public pay-as-you-go) are tax exempt.

2.39.9. Perspective of the employer

Employer contributions into UPF, PPF, VPF, VPFPEPP and VPFOS are deductible from corporate income tax. For VPF, VPFPEPP and VPFOS, the tax relief is valid: i) for contributions not exceeding the amount of BGN 60 per month and per employee, and ii) if the employer does not incur any coercively enforceable public obligations.

2.40. Croatia

Figure 2.40. Structure of the asset-backed pension system in Croatia



2.40.1. Tax treatment of contributions

Contributions into mandatory pension funds (5% of wages) are tax exempt. The maximum monthly earnings considered to compute contributions are EUR 10 788 (in 2025).

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 taxable income up to EUR 804 a year. The same limit applies to self-employed individuals saving for themselves. Excess contributions are considered as employee taxable income.

2.40.2. Tax treatment of returns on investments

Returns on investments are not taxed.

2.40.3. Tax treatment of funds accumulated

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

2.40.4. Tax treatment of pension income

Individuals can claim annuities from mandatory pension funds if they are eligible to get a retirement pension from the public pension scheme. Partial one-off payment may be agreed if the basic old-age or basic early retirement pension from the public pension scheme is more than 15% higher than the minimum pension. The partial one-off payment corresponds to 15% of the assets transferred to the pension insurance company. Early withdrawal is not possible.

Income from mandatory pension funds is taxable. The tax rates are determined by the representative bodies of the units of local self-government by virtue of their own decision depending on the number of inhabitants within the limits prescribed by the Income Tax Act. Advance tax on pension income is calculated at a rate between 15% and 23% of the monthly tax base (after the personal allowance deduction) up to EUR 5 000, and at a rate between 25% and 33% of the monthly tax base (after the personal allowance deduction) above EUR 5 000. If the representative body of the unit of local self-government fails to adopt a decision prescribing the tax rates within the prescribed deadline, the rate of 20% is established for the monthly tax base (after the personal allowance deduction) up to EUR 5 000, and 30% for the part of the monthly tax base (after the personal allowance deduction) above EUR 5 000. The resulting advance tax on pension income is then reduced by 50%. Therefore, irrespective of the type of pension payment, pensioners pay 50% of the tax that would be due if that income was taxed as income from employment at the marginal rate of income tax.

Income from open and closed voluntary pension funds is tax exempt. Individuals can withdraw lump sums, programmed withdrawals, annuities or combinations of them if they are 55 years old or more.

2.40.5. Tax treatment of payments to heirs and beneficiaries upon death

Eligible survivors may get a survivor pension if the deceased individual had been a member of a mandatory pension fund for at least ten years and, at the time of death, was either a pensioner, a beneficiary of occupational rehabilitation, or met the qualifying period conditions for a disability pension under the first pillar pension insurance programme. Survivor pensions granted to children following the death of a parent are not considered taxable income and are therefore exempt from taxation. On the other hand, survivor pensions received by other eligible family members of the deceased member are subject to taxation and treated in the same manner as public pensions.

If a member of a mandatory pension fund dies before obtaining the right to pension, and family members do not have the right to survivor pension under the Pension Insurance Act, the total accumulated funds on the account of the deceased member are subject to inheritance under the Inheritance Act.

The assets of members who had already reached retirement age and did not choose an annuity product remain with the pension insurance company indefinitely, and the assets are inherited upon death.

Inherited funds of mandatory pension funds are not taxable if the heirs are related to the member in the vertical line. Inheritance between parents and children, grandparents, grandchildren and great-grandchildren is the vertical line of kinship and is exempt from taxation. Inheritance in the lateral line (e.g. brothers, sisters, uncles) is taxed at the rate of 4%.

All accumulated funds in voluntary pension funds belong to the member and can be inherited in full. Inheritance tax is paid at the rate of 4% in the case of lateral line of kinship.

2.40.6. Non-tax incentives

Individual contributions into open and closed voluntary pension funds are matched by the government. The government matches 15% of the member's contributions up to EUR 663.61 per year.

2.40.7. Social treatment

Contributions into mandatory pension funds are part of the social contributions levied on employee's earnings.

Employers who conclude an employment contract with a person employed for the first time under an employment contract for an indefinite period are exempt from health insurance contribution (16.5%) for a period of one year from employing such a person. Only employee contributions are payable (i.e. pension insurance contributions to the first and second pillars).

No social contributions are levied on private pension income.

2.40.8. Tax treatment of pensioners

Public pension income is taxable. The tax rates are determined by the representative bodies of the units of local self-government by virtue of their own decision depending on the number of inhabitants within the limits prescribed by the Income Tax Act. Advance tax on pension income is calculated at a rate between 15% and 23% of the monthly tax base (after the personal allowance deduction) up to EUR 5 000, and at a rate between 25% and 33% of the monthly tax base (after the personal allowance deduction) above EUR 5 000. If the representative body of the unit of local self-government fails to adopt a decision prescribing the tax rates within the prescribed deadline, the rate of 20% is established for the monthly tax base (after the personal allowance deduction) up to EUR 5 000, and 30% for the part of the monthly tax base (after the personal allowance deduction) above EUR 5 000. The resulting advance tax on pension income is then reduced by 50%.

2.40.9. Perspective of the employer

Employer contributions up to EUR 804 per year into closed voluntary pension funds represent a tax-deductible expenditure for employers.

2.41. Peru

Figure 2.41. Structure of the asset-backed pension system in Peru

Mandatory, personal

- Mandatory personal pension funds
- Risk labour regime

Voluntary, personal

- Voluntary personal pension funds

2.41.1. Tax treatment of contributions

Members of the private pension system (SPP) contribute 10% of their salary to mandatory personal accounts. Contributions are not deductible from taxable income and therefore taxed at the marginal tax rate of the individual. Moreover, there is no upper limit for the salary considered for contributing to the system. Self-employed and independent workers have the same tax treatment.

There are two types of voluntary savings accounts: i) a savings account for pension purposes and ii) a savings account for non-pension purposes. Voluntary contributions are not deductible from taxable income. Pursuant to Law 32123 (Law for the Modernisation of the Peruvian Pension System), individuals affiliated both with the SPP and the National Pension System (SNP) are authorised to maintain voluntary savings accounts for pension purposes. Conversely, only those contributors enrolled in the SPP are permitted to hold savings accounts for non-pension purposes.

2.41.2. Tax treatment of returns on investments

Returns on investment are tax exempt in mandatory pension funds if the assets remain invested within the pension system. The payment of taxes generated abroad as a result of the holding of foreign instruments and investment operations shall be borne by the managed portfolios. In cases where tax refunds are received, such amounts shall be considered part of the investment return and, therefore, incorporated into the assets of the managed portfolios.[80]

In the case of voluntary savings, both for pension and non-pension purposes, investment returns are tax-exempt.[81]

The investment income and capital appreciation realised on the assets that collateralise the technical reserves of life insurance undertakings constituted or established domestically, specifically those supporting retirement, disability and survivorship annuity benefits arising from the SPP are tax exempt. Furthermore, the income and appreciation generated by assets backing the legally constituted technical reserves for life annuities, as well as the technical reserves for any other products marketed by the domestic life insurance undertakings – even those incorporating a savings and/or investment component – shall be exempt from taxation. This tax-exempt status will be maintained provided the realised income and appreciation continue to cover the aforementioned actuarial liabilities. For this exemption to apply, the asset allocation underlying the technical reserves of the products generating the exempted income and appreciation must be reported monthly to the Superintendency of Banking, Insurance and Pension Fund Administrators. This submission must be made within the deadline established by the Superintendency, providing itemised data with a disclosure level equivalent to that required of Pension Fund Administrators regarding the investments executed with the resources of the mandated provident funds they administer.

2.41.3. Tax treatment of funds accumulated

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

2.41.4. Tax treatment of pension income

Withdrawals and pension benefits are tax exempt (life annuities and pensions derived from personal labour, such as retirement, survivor benefits and disability).

2.41.5. Tax treatment of payments to heirs and beneficiaries upon death

Survivor benefits in the SPP are paid if the deceased person was an active member or a retiree. The survivor pension is equal to a percentage of the average monthly salary in the 48 months before death if the deceased person was an active member, or a percentage of the last benefit if the deceased person was a retiree in receipt of old-age or disability benefits. Eligible survivors are the spouse or cohabitee, orphans under age 18 or older as long as they pursue basic or higher levels of education in a continuous and satisfactory manner (no age limit if disabled), and parents who are unable to work due to disability or who are older than age 60 for fathers and 55 for mothers.

Deceased active members are covered by the survivor insurance within the first two months of membership after the first contribution to the SPP or if they had four months of contributions within the last eight months before the date of death. If they are not covered by the survivor insurance, benefits are financed only with the accumulated capital in the individual account. The capital required to finance the prescribed survivor benefits is calculated and the insurance company provides the difference between this required capital and the accumulated capital in the deceased member's individual account. If the individual account balance exceeds the capital required to finance the survivorship pensions, the remaining balance is paid to the member's heirs.

Payments made to beneficiaries upon death are not subject to taxation, as the tax has already been applied previously on the total remuneration of the member.

Survivor benefits upon death of a retiree member are financed by the pension fund administrator in case of programmed withdrawals and temporary withdrawals or by the insurance company in case of joint-survivor life annuities.

In the event of the affiliate's death, if eligible survivors exist, survivor pensions shall be granted. If no beneficiaries exist, the funds shall constitute an inheritance for the legal heirs. In the absence of both beneficiaries and heirs, the remaining balance shall be transferred to the FCR-Decree Law N 19990 after a period of ten years without being claimed.[82]

The balance accumulated from the consumption contribution of an affiliate who dies before accessing a pension does not constitute inheritance. In such cases, if there are no survivor beneficiaries entitled to a survivor's pension, the resources shall be transferred to the FCR-Decree Law N 19990 or the FCR-SPP, depending on the scheme to witch the affiliate belonged.[83]

The balance accumulated from the complementary contribution made by the government does not constitute inheritance if an affiliate dies before accessing a pension benefit. If there are no beneficiaries entitled to a survivor's pension, the resources shall also be transferred to the FCR-Decree Law N 19990 or to the FCR-SPP, depending on the affiliate's scheme.[84]

2.41.6. Non-tax incentives

Law 32123 introduced specific benefits for certain groups.

The Ministry of Economy and Finance (MEF), on an annual basis and in accordance with budgetary provisions, may allocate public treasury resources for the financing of a complementary contribution equivalent to the voluntary contribution for pension purposes made directly by individuals affiliated with the system. These complementary contributions are intended for affiliates with monthly income up to 0.25 tax unit (UIT), and the amount may not exceed one contribution unit (UdA) based on the minimum wage.[85] [86]

The consumption contribution is financed with resources from the public treasury, based on the consumption expenditures made by affiliates of the system. The contribution is equivalent to 1% of the total sales, leases or services acquired, with an annual limit of 8 UIT.

Voluntary contributions made with state resources are intangible and non-attachable and may be used exclusively for the financing of pensions. If a member opts to withdraw 95.5% of their pension fund upon the entry into force of the Law, the voluntary contributions made by the government for pension purposes shall be transferred to the FCR-SPP.[87]

2.41.7. Social treatment

Employee contributions (mandatory and voluntary) are exempt from the payment of social charges.

Individuals receiving a retirement pension (programmed withdrawals and annuities), a disability pension or a survivor pension are required to pay 4% of their monthly pension income for health coverage. Moreover, for members who withdraw up to 95.5% of their assets as a lump sum at retirement, the remaining 4.5% is transferred to the social security to finance their health coverage.

2.41.8. Tax treatment of pensioners

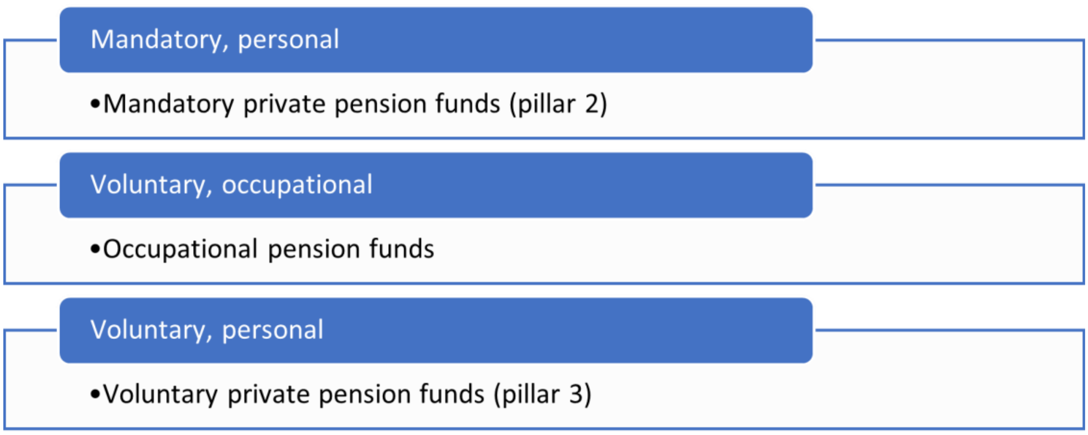
Pensions are tax-exempt.

2.41.9. Perspective of the employer

Voluntary contributions made by an employer are deductible from corporate tax. Such contributions are not subject to a ceiling.

2.42. Romania

Figure 2.42. Structure of the asset-backed pension system in Romania



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.

Occupational pension funds were introduced in 2020, but no occupational pension plans have been set up yet.

2.42.1. Tax treatment of contributions

Contributions into mandatory private pension funds are redirected from the social contribution. Starting from January 2024, the contribution rate is set at 4.75% of gross earnings. The contributions are deducted from gross income before calculating personal income tax.

Contributions into voluntary private pension funds are tax deductible. Employee and employer contributions into voluntary private pension funds are commonly capped at 15% of the employee's gross earnings. Employer contributions are not considered as taxable income for the employee up to the RON equivalent of EUR 400 per year. Employee contributions are tax deductible up to the RON equivalent of EUR 400 per year. Excess contributions are taxed at the fixed income tax rate of 10%.

Contributions to occupational pension plans are not tax deductible.

2.42.2. Tax treatment of returns on investments

Returns on investments are not taxed. Starting from January 2023, pension funds are no longer exempt from taxation on dividends; the tax rate is the general tax rate for dividends of 10% in 2025, increasing to 16% from 1 January 2026.

2.42.3. Tax treatment of funds accumulated

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

2.42.4. Tax treatment of pension income

Pay-out legislation has been introduced in the parliamentary process and is yet to be approved. However, the secondary legislation has allowed members to receive their accumulated savings in monthly instalments up to 5 years since April 2018.

The non-taxable value threshold for pension income is equal to RON 3 000. The part of pension income subject to taxation beyond that threshold is any amount in excess of the sum of contributions (net of fees) paid by individuals and employers. This excess is taxed at the fixed income tax rate of 10%.

2.42.5. Tax treatment of payments to heirs and beneficiaries upon death

If the member of a mandatory private pension fund dies before becoming eligible for the payment of a private pension, their beneficiaries will receive the inheritance as a lump sum or a programmed withdrawal if they are not participating in any private pension fund. If the beneficiaries are participating in a private pension fund, they have the right to choose between receiving the inheritance in the private pension account (without penalties) or receiving inheritance as a lump sum or a programmed withdrawal. When receiving the inheritance as a lump sum or programmed withdrawal, the tax rules for pension income apply. When receiving the inheritance in an already opened private pension account, no tax applies until funds are withdrawn from that account.

If a member of a voluntary private pension fund dies before applying for benefits, the accumulated assets in the account shall be distributed to beneficiaries according to the inheritance act. Accumulated accounts inherited by beneficiaries are treated as pension income for tax purposes when they are paid in cash (either lump sum or programmed withdrawals).

2.42.6. Non-tax incentives

No such incentives.

2.42.7. Social treatment

Contributions into mandatory private pension plans are part of the social contributions levied on employees' earnings.

Employee and employer contributions into voluntary private pension plans are not subject to social contributions.

Starting 1 August 2025, a 10% health insurance contribution rate is levied on pension income above RON 3 000.

2.42.8. Tax treatment of pensioners

Public pension income is tax exempt up to RON 3 000 per month, above it is taxed at the fixed income tax rate of 10%.

2.42.9. Perspective of the employer

Employer contributions into voluntary private pension plans are deductible from corporate tax up to the RON equivalent of EUR 400 per year.

References

OECD (2018), *Financial Incentives and Retirement Savings*, OECD Publishing, Paris, https://doi.org/10.1787/9789264306929-en. [1]

Notes

[1] This edition covers Bulgaria, Croatia, Romania and Peru. These countries have started the process to become OECD Member countries.

[2] 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 at a higher rate to the extent that the amounts withdrawn are from an untaxed source.

[3] Mandatory employer contributions are set at 12% of an employee's earnings from 1 July 2025, although some employment contracts specify that an employer will pay a higher amount.

[4] 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.

[5] Individuals can claim a tax deduction for any personal, after-tax contributions they make to superannuation up to the amount of their concessional contributions cap. Individuals between 67 and 74 years old can only claim a tax deduction if they satisfy a "work test" (i.e. they work at least 40 hours within a consecutive 30-day period each income year).

[6] Family and friend contributions will be concessional contributions unless the person is under 18 as these are included in the assessable income of a fund. Also, an employer can make non-concessional contributions on behalf of a person from their after-tax income.

[7] Restrictions on the amount that can be brought forward apply for people whose total superannuation balance is between AUD 1.76 million and AUD 2 million. If an individual aged under 75 has a total superannuation balance of AUD 1.88 million or more (but less than AUD 2 million), the non-concessional cap is limited to AUD 120 000. If the total superannuation balance is equal to AUD 1.76 million or more (but less than AUD 1.88 million), the non-concessional cap is AUD 240 000. Only individuals with a total superannuation balance below AUD 1.76 million can bring forward up to AUD 360 000 in non-concessional contributions cap.

[8] People can only make non-concessional contributions to their spouse's account if the spouse is younger than 75. No tax credit is available when the spouse receiving the contribution has exceeded their non-concessional contributions cap or their balance is above the transfer balance cap.

[9] An interdependency relationship exists between two people if all of the following conditions are met: they have a close personal relationship; they live together; one or both provides the other with financial support;

one or both provides the other with domestic support and personal care. Children over 18 years old must be financially dependent on the deceased to be considered a dependant.

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

[11] As municipal tax is levied on total income tax, the tax credit also reduces the taxable base for municipal tax. This applies to all contributions attracting a tax credit.

[12] Apart from the 80%-limit, an absolute contribution limit also exists for individual company plans for employees. Employers can offer individual company plans to specific employees, if they already offer a collective plan to all their employees. In that case, employer contributions only enjoy tax relief if these contributions do not exceed EUR 3 060 in 2025. These arrangements are rare.

[13] The contribution rate is currently 10.1% and will gradually increase up to 16% by 2033.

[14] The UF (*Unidad de Fomento*) is a price-indexed unit of account. 1 UF = CLP 39 179.01 (July 2025).

[15] The UTM is a unit for taxation purposes. 1 UTM = CLP 68 923 (July 2025).

[16] Article 3, Law 2381 of 2024. However, Law 2381 of 2024 could not enter into force on 1 July 2025 as it is currently under review by the Constitutional Court.

[17] Article 56, Colombian Tax Statute.

[18] The value of each tax unit (*Unidad de Valor Tributario* or UVT) is equivalent to COP 49 799 for fiscal year 2025.

[19] Article 55, Colombian Tax Statute.

[20] Articles 126-1 and 126-4, Colombian Tax Statute.

[21] Article 55, Colombian Tax Statute.

[22] Article 206-5, Colombian Tax Statute.

[23] Article 87, Law 1328 of 2009.

[24] Article 17, Law 100/1993.

[25] Article 206-5, Colombian Tax Statute.

[26] Article 56, Colombian Tax Statute.

[27] Law No. 7983, Worker Protection Law, Article 71.

[28] Law No. 7092, Income Tax Law, Article 28 bis, subsection 1). Regarding this regulation, income and capital gains obtained by pension funds and benefit plans, as well as the Labour Capitalization Fund (FCL) - referred to in article 2 of Law No. 7983, Worker Protection Law – are exempt. Likewise, the income and

capital gains obtained by the special pension regimes, referred to in Article 75 of Law No. 7983, Worker Protection Law, are exempt.

[29] Regarding the aforementioned contributions to INA, IMAS, FODESAF and Banco Popular, these contributions are called "para-fiscal charges", depending on the specific destination that must be given to these resources, since they do not enter the single State Treasury fund; rather, they provide income directly to the beneficiary public institutions, in order to contribute to the fulfilment of the objectives and goals of each institution.

[30] Law No. 7983, Worker Protection Law, Article 70.

[31] Tax-supported financial products include supplementary pension insurance, supplementary pension savings, long-term investment products, life insurance and long-term care insurance.

[32] It is not possible to withdraw a lump sum before the age of 60. Early withdrawal is possible as an annuity or programmed withdrawal up to five years before the official retirement age.

[33] The retirement age for members of a voluntary pension plan is the national retirement age minus 5 years, or 55 for those who joined a plan before 1 January 2021.

[34] For those who were members of a voluntary pension plan before 2021, the tax treatment is the same, but their retirement age is 55 (instead of the retirement age or less than five years until reaching it).

[35] The retirement age is 60 for members affiliated between 6 May 2004 and 31 December 2012, and 55 for members affiliated before 6 May 2004.

[36] 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 Court of Justice 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.

[37] Spouses and partners of civil partnership (who are not entitled on their own) 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. However, as they cannot deduct their contributions from income tax themselves, the maximum amount that their spouse or partner of civil partnership (who is eligible by own rights) can deduct is raised from EUR 2 100 to EUR 2 160.

[38] The tax authority checks whether individuals are entitled to the tax deduction. The tax authority first deducts the capped gross contributions (i.e. own contributions plus the subsidy, up to EUR 2 100 or EUR 2 160) from the personal income tax base and calculates an adjusted tax liability. It then adds the amount of the subsidy to the adjusted tax liability and compares it with the regular tax liability (i.e. without deducting contributions). The tax relief corresponds to the difference between the two tax liabilities. If the difference is negative, the tax authority does not deduct contributions.

[39] For contracts signed before 2011, the minimum age to receive payments is 60.

[40] Taxation rules are set out in the Taxes Consolidation Act 1997, as amended, the monitoring of which is the responsibility of the Irish Revenue. See www.revenue.ie.

[41] Further details are available at https://www.revenue.ie/en/tax-professionals/tdm/pensions/index.aspx.

[42] A vested PRSA is a PRSA in which assets have been made available to the PRSA owner or any other person. In general this will be in the form of benefits taken from age 60 (for example a retirement lump sum or taxed distribution); or if it is a PRSA that was used as an additional voluntary contribution vehicle, at the time benefits are taken from the main occupational pension scheme (i.e. at the point of retirement); or in respect of which the owner reaches the age of 75, where, up to and including the date of the 75th birthday, the PRSA assets have not been made available to or paid to the owner or any other person, other than in circumstances where part of the assets were transferred to another PRSA in the owner's name.

[43] Treatment of funds upon death of a participant in the auto-enrolment system is expected to be aligned with the treatment of PRSAs.

[44] There are two main differences between complementary pension funds and general pension funds. In complementary pension funds, 30% of the total assets benefit from a guaranteed return of 5.15% guaranteed by the government. The fee cap in complementary pension funds is lower than in general pension funds.

[45] Not all the components of the salary are necessarily taken into account for pensions – for example car and phone usage expenses.

[46] The tax credit rates include local income tax.

[47] The Wage Claim Guarantee Act of Korea (WCGAK) guarantees payment of employees' wage claims covered as preferential claims in the insolvency process.

[48] From 2026, members will have the possibility to opt for the standard 3% contribution, increase it or suspend payments if their financial situation worsens. Contributions may be paused for up to one year, with the option to extend this period. There will be no limit on the number of times contributions may be suspended.

[49] The tax deduction for contributions paid to third pillar pension funds will no longer be available for agreements concluded as of 1 January 2025. However, the current rules will apply for the next 10 years - until 1 January 2035 - if the agreement has been concluded before 1 January 2025.

[50] The 3% amount withheld in certain circumstances is not treated as a tax under the Law on Personal Income Tax.

[51] The share of funds that represent state contributions or pre-2019 SoDra transfers, will be transferred to the State Social Insurance Fund Board (SoDra) in the form of pension points in the first pillar. The individual may also decide to transform the share of funds that represent their own contributions plus all the investment gains into SoDra retirement points instead of withdrawing the money. In that case, not tax will be due.

[52] This limit is joint for PEPPs and Luxembourg local individual pension savings contracts.

[53] The UMA is the Unit of Measurement and Update. It is the economic reference in pesos to determine the amount of payment from obligations and alleged assumptions provided for in the federal law, for the

states and Mexico City, as well as in legal provisions emanating from all of the above. https://en.www.inegi.org.mx/temas/uma/

[54] LISR art. 133, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.

[55] Mexican Law of Federal Income year 2025 (*Ley de Ingresos de la Federación 2025*), art. 21, https://www.diputados.gob.mx/LeyesBiblio/pdf/LIF_2025.pdf.

[56] 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. LISR art. 135, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.

[57] LISR, art. 93, frac. IV, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.

[58] As of 2 January 2025, the non-contributory Pension for women (*Pensión Mujeres Bienestar*) has been implemented.

[59] As of 1 July 2021, the age to receive the non-contributory and non-means tested pension moved from 68 to 65 years old.

[60] Social Security Law (*Ley del Seguro Social*), art. 158, https://www.diputados.gob.mx/LeyesBiblio/pdf/LSS.pdf.

[61] LISR, art. 96 bis, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.

[62] LISR, art. 142, frac. XVIII, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.

[63] LISR, art. 93, frac. IV and art.152, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.

[64] ISSSTE Law (*Ley del ISSSTE*), art. 100, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISSSTE.pdf

[65] *Reporte 2024. Estadísticas del Registro Electrónico de Planes de Pensiones* https://www.gob.mx/consar/articulos/reporte-2024-estadisticas-del-registro-electronico-de-planes-de-pensiones. Data for 2025 will published in October 2025 on CONSAR's website at https://www.gob.mx/consar/archivo/documentos?idiom=es&filter_origin=archive.

[66] Disability pensions before retirement are still subject to retirement contributions, and when the disability pensioners reach the retirement requirements, they can change their disability pension into a retirement pension.

[67] LISR, art. 93, frac. IV, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf, and the communication from the Tax Authority, SAT, https://www.gob.mx/sat/prensa/el-sat-informa-que-los-ingresos-por-jubilaciones-o-pensiones-se-encuentran-exentos-de-isr-siempre-ycuandonoexcedande43milpesosalmes-07-2022?idiom=es

[68] LISR, art. 25 frac. X, https://www.diputados.gob.mx/LeyesBiblio/pdf/LISR.pdf.

[69] The default KiwiSaver contribution rate will rise from 3% to 3.5% for both the employee and the employer on 1 April 2026 and from 3.5% to 4% on 1 April 2028.

70 G is the basic amount and is set to NOK 128 116 in 2025.

71 Law 1/2025 of 6 January supplements, within Portugal's domestic law, Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP).

72 This percentage is obtained by applying 24% on the employer and employee contributions into the public pension scheme: 0.24×0.2435=5.844%.

73 Contributions may be made either by the disabled individuals themselves or by persons who are directly or collaterally related to them up to and including the third degree, as well as their spouse or those who are responsible for them under guardianship or foster care arrangements.

74 Gaps arising prior to 2025 cannot be closed and paying in retroactively is only possible from 2026.

75 Scottish taxpayers paying tax at the intermediate rate (21%), higher rate (41%) or the top rate (46%) can claim the difference in a similar way (the extra 1% of relief is not clawed back for starter rate (19%) taxpayers).

76 The 5-year rule for Roth IRA distributions stipulates that 5 years must have passed since the tax year of the first Roth IRA contribution, before the individual can withdraw the earnings in the account tax free.

77 Exceptions are listed here: https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-tax-on-early-distributions.

78 The agency or service also pays automatic contributions equal to 1% of basic pay for FERS and BRS participants. Participants do not have to contribute any money to their TSP account to receive these contributions.

79 Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP).

80 Compendium of Regulatory Norms of the SPP, Tittle VI: Investments, Chapter XII, Article125.

81 Nineteenth Final Complementary Provision of the Law N°32123 (Law for the Modernisation of the Peruvian Pension System), published on 24 September 2024, stipulates that dividends, interests, commissions and any other returns derived from the contributions are exempt from income tax. Prior to the enactment of Law 32123, voluntary savings designated for non-pension purposes had their investment returns or gains subjected to a 5% tax each time the affiliate executed a withdrawal or reallocated funds between different fund types.

82 Executive Decree N° 189-2025-EF, of the Law N° 32123, Tittle VI, Chapter III, Article 113. Published on 5 September 2025.

83 Executive Decree N° 189-2025-EF, of the Law N 32123, (Supreme Decree Law N° 32123, Title III, Chapter III, Article 72).

84 Executive Decree N° 189-2025-EF, of the Law N° 32123, Title IV, Chapter IV, Article 82.

[85] The Tax Unit (*Unidad Impositiva Tributaria* - UIT) constitutes a reference value within the Peruvian tax system. For the year 2025, the Ministry of Economy and Finance has set its value at PEN 5 350.

[86] The contribution unit is equivalent to one month's contribution in the system. This will be defined by a supreme decree endorsed by the MEF.

[87] Funds Transferred from the SPP for the Payment of Semi-Contributory Pensions (FCR-SPP): These resources are transferred by the Pension Fund Administrator to the Consolidated Reserve Fund (FCR) for the financing of the pension payroll for SPP affiliates who access benefits under the semi-contributory pillar. These resources are intangible and shall be employed exclusively for the payment of state-guaranteed benefits to SPP affiliates. The assets of this fund are integrated into a common, pay-as-you-go fund.

OECD