

Tax shift in practice: no employer contributions for the first employee

Planning to hire your first employee? Then you will pay no employer contributions for an infinite time. The existing reductions for the first up to the fifth employee are shifted to the second up to the sixth employee. In other words, the target reduction for 'first recruitments' is extended from five to maximum six employees.

The target reduction for first recruitments holds a reduction of the employer contributions for new employers when hiring employees and a participation in the payroll office's fees. The lump sum reduction of the social security contributions on the employee's salary during the recruitment quarter and a number of subsequent quarters, applies for the first five employees.

Since January 2016 no social security employer contributions are due for the first employee which is hired between 1 January 2016 and 31 December 2020. The current reduction of employer contributions for the first up to the fifth employee become applicable for the future second up to sixth employee, hired as from 2016. The amounts of the contribution reductions for the second up to the sixth employee increase.

Conditions in the hands of the employer and the employee

The target reduction for the first recruitments applies for (new) employers of the private sector. These employers should have had no (for the recruitment of the first employee), or maximum one (for recruitment of the second employee) or maximum two, three or four (for recruitment of respectively the third, fourth or fifth employee) employees during the last four quarters.

As a new employer is considered, each employer which was during at least four subsequent quarters prior to the quarter of the recruitment of the sixth employee, not subject to the social security law for hiring more than five employees, other than learners, servants, partial compulsory learners and occasional workers.

The new employer should hire a first, second, third, fourth, fifth or sixth employee not replacing another employee in the same technical business unit for which he already obtains a reduction. Maintaining the number of jobs is not checked at the level of the legal entity.

In the hands of the employee, no special conditions have to be met. They should have a labour agreement.

Overview maximal reductions for fulltime performance

The target reduction should be used within 20 quarters starting from the first quarter for which you first had right to a reduction. You decide per quarter whether and for whom you apply for the target reduction for first recruitments. The application should be made within five years following the first recruitment.

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The numbers of quarters and the amount of the reduction differs since 1 January 2016 depending whether it concerns the first, second, third, fourth, fifth or sixth employee:

- 1st recruitment: no general employer contributions for recruitments between 1/1/2016 and 31/12/2020
- 2nd recruitment: 1.550 EUR (5 quarters), 1.050 EUR (4 quarters) and 450 EUR (4 quarters)
- 3rd recruitment: 1.050 EUR (5 quarters) and 450 EUR (8 quarters)
- 4th recruitment: 1.050 EUR (5 quarters) and 450 EUR (4 quarters)
- 5th recruitment: 1.000 EUR (5 quarters) and 400 EUR (4 quarters)
- 6th recruitment: 1.000 EUR (5 quarters) and 400 EUR (4 quarters)

The general employer contributions (including wage restraint) amount to 32,40% (24,92% + 7,48%) for a standard employee in the private sector. The general rate of the employer contribution will also decrease gradually over the coming years: in 2016-2017 to 30% (as from April 2016); and in 2018-2019 to 25%.

When you are affiliated with a payroll office, you also have right to a contribution to the affiliation fees (36,45 EUR) for the quarters for which you apply for a target reduction for hiring a first employee (no prorata).

Transitional arrangements

For employees recruited in 2015, the new reductions can be applied for the remaining quarters to which they have right. For employees hired before 1 January 2015, the reduction lump sums and the numbers of quarters do not change.

Cumulation of measures reduction social contributions

You can combine the target reductions for first recruitments with structural reductions. Target reductions for first recruitments can however not be combined with other measures reducing employer's social contributions.

To work ...

No special formalities have to be fulfilled at the time of recruitment. Filling out the quarterly return is sufficient. You choose for which quarter and for which employee you will apply the reduction.