

## Should I pay year-end bonuses?

Many employees start looking forward to their year-end bonus or 13th month pay. But the payment of these bonuses is no legal obligation for the employer. Everything depends on the applicable rules for the sector or at company level.

### 13th month pay

Each Belgian private company belongs to a certain joint committee (JC). The activity of the company determines to which JC it belongs. All employees working in the building sector, consultant, wholesale, printing, call centers, IT, .. belong to the additional national joint committee for employees (JC 200).

When nothing is foreseen at sectoral level, the 13th month pay can be arranged in a collective labour agreement at company level, in the labour agreement, in the labour regulations or by usage. This usage should be stable (sufficient long time), permanent (always the same calculation) and general (same rules for all employees in the same situation).

### Financial consequences

The amount of the year-end bonus usually equals the amount of a 13th month pay based on the average salary of the last year. It can also be a fixed amount multiplied with the number of hours actually worked during the last year or a lump sum.

Part time employees only have right to a year-end bonus compared to their labour time.

Since granting year-end bonuses is mostly determined on sectoral level, the payment can also depend on a seniority condition. The conditions, but also the amount and/or calculation method are not necessarily the same for all sectors.

The year-end bonus is in principle only calculated based on the number of days worked during the last calendar year. Some absence days (such as holidays, compensation days, leave for compelling reasons, paternity leave, adoption leave, legal holidays) count as days worked. When ending the labour agreement before the end of the year, the year-end bonus is calculated pro rata based on the days worked during that year.

In principle the year-end bonus is paid at the end of the year. If your employee leaves during the year, the amount due will often be paid immediately. If your employee terminates the labour agreement, often it is foreseen that the employees lose their right to obtain a year-end bonus.

### Legal consequences

The year-end bonus is a part of the salary.

As is the case for the normal wages, three withholdings are made on the year-end bonus: income tax (professional withholding tax), social security contributions and the special social security contribution (solidarity contribution).

The amount of the year-end contribution is also taken into consideration in case of a termination fee. The year-end bonus can also be the subject of confiscation and transfer.

### Accounting consequences

Companies with an accounting year "à cheval" (accounting year closing on another date than 31 December) should at the end of the accounting year make a provision for the year-end bonuses which will be paid at the end of the calendar year.

The amounts which are accounted at the closing of the balance sheet for the later payment of year-end bonuses are deductible professional expenditure, in case the bonuses are contractually granted and the amount is determined for each beneficiary.