



# Count on us!



Transform Tomorrow

Voluntary Pension Fund

## Dear Partners,

As of January 1, 2019 the rules pertaining to the taxation of employee benefits changed significantly.

- **Employer contributions and donations from supporters** will assume the same dues as if they were paid as **salary income**.
- **Employees** may **benefit from the 20% tax reimbursement** on any membership contributions paid by their employer, **which will increase the balance of their pension fund account**.
- As of July 1, 2019 **the social contribution rate declined** from 19.5% to 17.5%. As a result, as of July 1, 2019, the tax assumed by company reduced from 21% to 19%. We used the new tax assumed by company (19%) in our calculations.

### What does it mean in terms of numbers?

	Wages or wage benefits	Company contributions / donations	Company contributions
	2019	2019	2018
<b>Voluntary pension fund membership contributions or donations/gross salary</b>	<b>100%</b>	<b>Amount serving as the basis: 100%</b>	<b>100%</b>
Tax assumed by company	19.0%	19.0%	40.71%
<b>Total cost to the company</b>	<b>119%</b>	<b>119%</b>	<b>141%</b>
Tax assumed by employee	33.5%	33.5%	0.0%
Tax reimbursement (20%)**	0%	13.3%	0%
<b>Net benefit to employee</b>	<b>66.5%</b>	<b>79.8%</b>	<b>100%</b>

(A private person's income shall be the amount determined as the basis of the company's membership contribution or donation from supporters, and employer shall pay 19% dues based on this amount as well as deduct taxes and charges (33.5%) imposed on private persons, and the amount net of deductions may be transferred to the pension fund.)

## Why is it important that your employees continue to receive the most possible wages and employee benefits?

As a result of the reconfiguration on the Hungarian labour market **it is ever more important to keep the existing workforce**, and **it is ever more valuable to attract talented employees and strengthen their loyalty**, i.e. incentivise loyalty and productivity at the same time. **Employers offering effective and attractive benefits** will have a **competitive advantage** in this respect.

Those who are already aware of the benefits of self-provision will especially count on their employers, for nearly two third of them it is a very important factor.

### If it is important for your company:

- to have satisfied employees who continue to receive the benefits they have been used to,
- to have engaged employees,
- not to lag behind your competitors in your benefits in order to improve retention,
- to take care of your employees' pension,

then voluntary pension fund savings will continue to be a good tool despite of the changing environment and conditions.

### 1. Carry on your pension plan

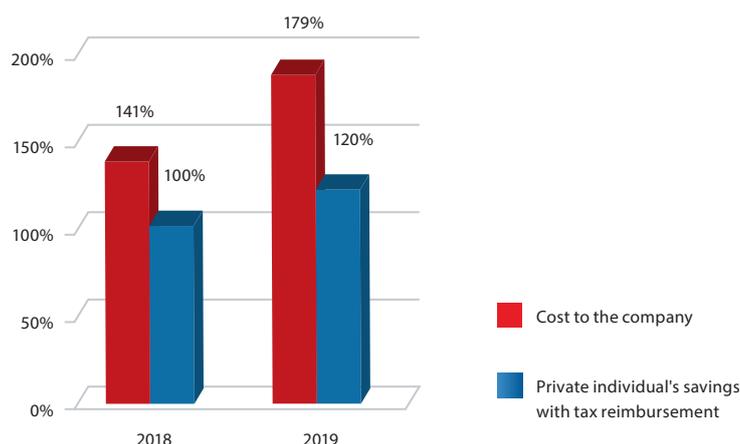
If it is important that your employees' pension fund savings continue to increase uninterruptedly with the amount they are accustomed to, then carry on paying the same benefits by paying membership contributions in the same amount.

**In 2019 the amount you used to pay will result additional savings of 20% to your employees due to tax reimbursement.**

**100%** – voluntary company contributions

**+ 79%** – taxes and contributions paid

**120%** – voluntary pension fund savings



Let's take an example for membership contributions amounting to HUF 20 000 a month:

	2018	2019
<b>Cost to employer</b>	<b>28 142 HUF</b>	<b>35 789 HUF</b>
<b>Dues paid by employer *</b>	8 142 HUF	5 714 HUF
<b>Basis of voluntary fund contribution</b>	<b>20 000 HUF</b>	<b>30 075 HUF</b>
<b>Dues paid by employee</b>	- HUF	10 075 HUF
<b>Tax reimbursement (20%) **</b>	- HUF	4 000 HUF
<b>Aggregate amount of contribution paid to employee's account and tax reimbursement ***</b>	<b>20 000 HUF</b>	<b>24 000 HUF</b>

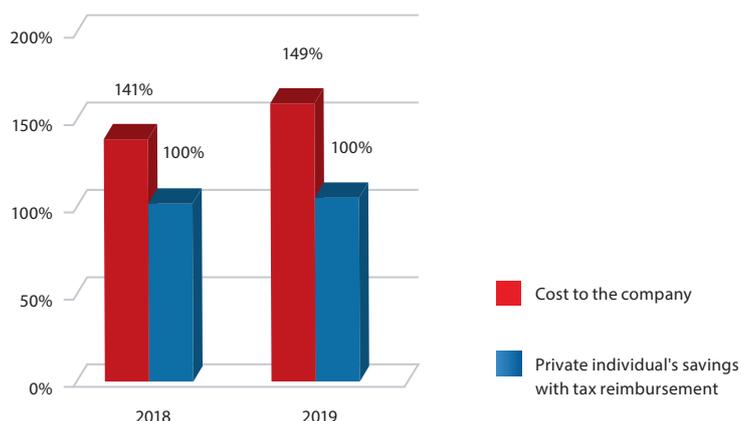
## 2. Keep the amount of your retirement savings!

The value of retirement savings granted to employees may remain unchanged with the amount of tax reimbursement as follows.

**83%** – voluntary company contributions

+ **62%** – taxes and contributions paid

**100%** – voluntary pension fund savings



Let's take an example:

	2018	2019
<b>Cost to employer</b>	<b>28 142 HUF</b>	<b>29 825 HUF</b>
<b>Dues paid by employer *</b>	8 142 HUF	4 762 HUF
<b>Basis of voluntary fund contribution</b>	<b>20 000 HUF</b>	<b>25 063 HUF</b>
<b>Dues paid by employee</b>	- HUF	8 396 HUF
<b>Tax reimbursement (20%) **</b>	- HUF	3 333 HUF
<b>Aggregate amount of contribution paid to employee's account and tax reimbursement ***</b>	<b>20 000 HUF</b>	<b>20 000 HUF</b>

The above solution will benefit both the company and the employee, because:

- cost to the company will increase to a lesser extent (6%).
- the amount credited to employee's pension fund account will remain unchanged.

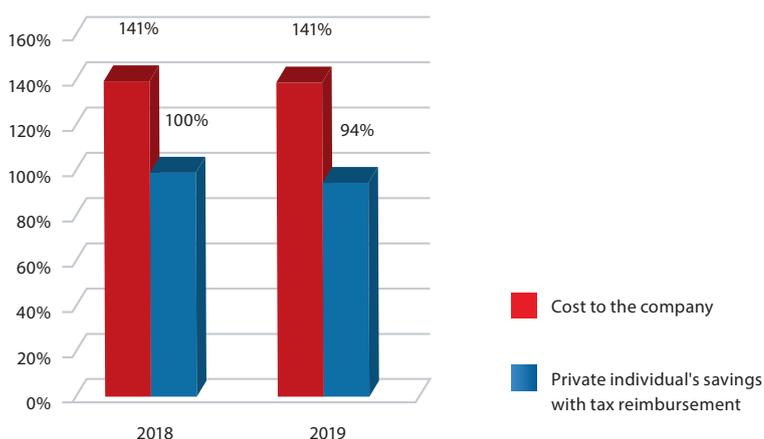
## 3. Keep your company pension scheme costs

You may want to increase your company contributions credited on your employees' pension fund accounts because of the savings due to the reduction in dues paid by the employer. Although employee savings will decrease to a lesser extent, however they may consider making up for it by means of individual deposits.

**79%** – voluntary company contributions

+ **52%** – taxes and contributions paid

**94%** – pension fund savings



Example:

	2018	2019
<b>Cost to employer</b>	<b>28 142 HUF</b>	<b>28 142 HUF</b>
<b>Dues paid by employer *</b>	8 142 HUF	4 493 HUF
<b>Basis of voluntary fund contribution</b>	<b>20 000 HUF</b>	<b>23 649 HUF</b>
<b>Dues paid by employee</b>	- HUF	7 922 HUF
<b>Tax reimbursement (20%) **</b>	- HUF	3 145 HUF
<b>Aggregate amount of contribution paid to employee's account and tax reimbursement ***</b>	<b>20 000 HUF</b>	<b>18 872 HUF</b>

## Why is it beneficial to provide voluntary pension fund donations to major stakeholders?

- It helps to retain and motivate in the long run senior experts, managers, key employees who are key in the company's future endeavours.
- It is a good tool in supporting employees approaching retirement age.
- One of its major advantages is that you may differentiate its amount among selected groups of employees and employee groups.

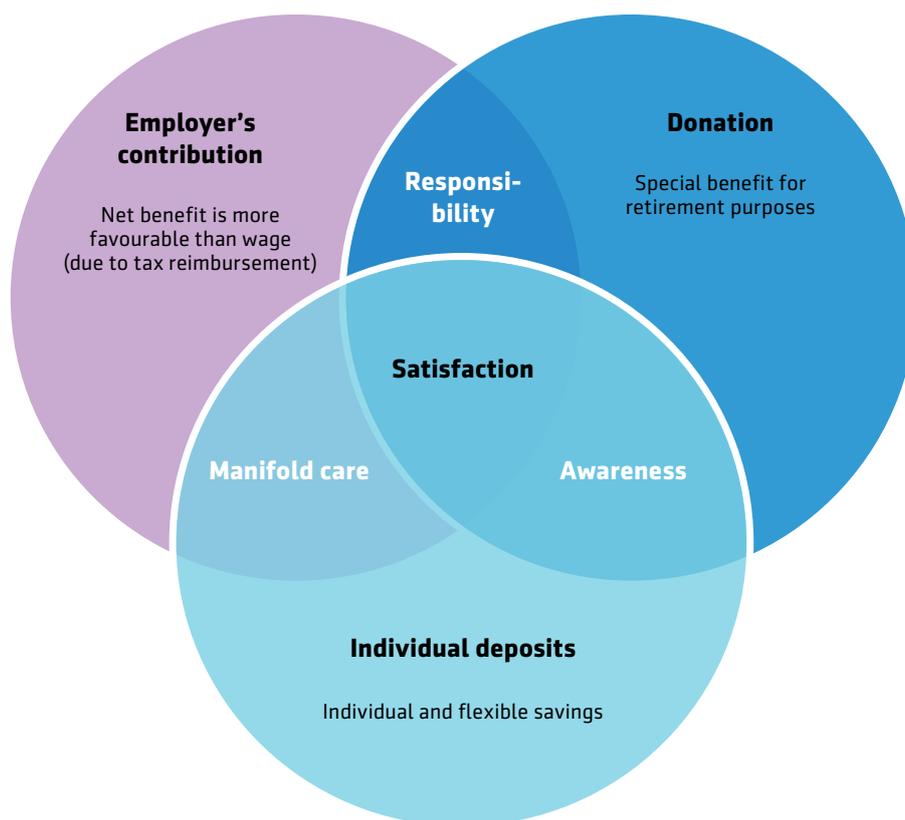
## Why is it worth supporting pension fund savings?

- it ignites and supports employees' long-term retirement savings needs
- it reflects employer's responsibility to motivate employees in preparing for retirement
- it helps to build a stable, forward-looking corporate image
- employees may adjust their savings to their current life situation
- deposits are costs to the company
- 20% tax reimbursement on deposits (max. HUF 150,000<sup>1</sup>)
- interest on savings is exempt of tax

## Members of Aegon Voluntary Pension Fund will enjoy the following benefits:

- Key client relationship management
- Stability due to Aegon's international background
- Aegon Hungary Fund Manager was awarded the Fund Manager of the Year in 2015 and 2017<sup>2</sup>

## What are your options as an employer to support your employees?



\* The above calculation uses 17.5% as social contribution (effective from 1 July 2019) and 1.5% as vocational training contribution

\*\* 20% of individual deposits, donations and as of 2019 company contributions, maximum HUF 150,000 is the amount of tax reimbursement, provided that the member is entitled to tax reimbursement and does not dispose over tax reimbursement in relation to other deposits.

\*\*\* When determining the balance of the employee's voluntary pension fund account we did not take into consideration the expenses deducted by the Fund from deposits

<sup>1</sup> You may redeem 20% tax reimbursement on your individual deposits, company donations and as of 2019 on company contributions, but only up to the amount of the personal income tax paid on the aggregate tax base in any given year, and up to an amount of HUF 150.000. You may redeem tax reimbursement on other savings, and you may want to consider the following rules in this respect:

- The amount of tax reimbursement on your voluntary pension fund, health fund and severance fund deposits may be maximum HUF 150.000 p.a.
- The amount of tax reimbursement on your voluntary fund, pension savings and pension insurance deposits may be maximum HUF 280.000 p.a.

<sup>2</sup> Privátbankár.hu Klasszis: The winner of the Fund Manager of the Year Award in 2015 and 2017 is Aegon Magyarország Befektetési Alapkezelő.