



Flexible reward



HR Managers Club

29 May 2020

flanders.bio

Meet the speaker of today



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2. Possible employer funding as the starting point for the business case
3. Support the HR & cost agenda by steering costs of the benefits

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**The Flex concept
“unravelled”**

1. The Flex concept “unravelled”

1.1 Concept

A plan offering employees the opportunity to make own choices in respect to the composition and design of his/her future remuneration package



On an individual and voluntary basis according to the employees' own preferences and needs



and during a well-defined window



Within a predetermined budget & frame defined by the employer (“the Flex Plan”)

1. The Flex concept “unravelling”

1.2 Funding & Spending

Popular budget creators (examples) Funding

Salary sacrifice



Bonus



Company car



Holidays



Popular Flex benefits (examples) Spending



Company car



Bike lease



Smartphone



Education

Warrants

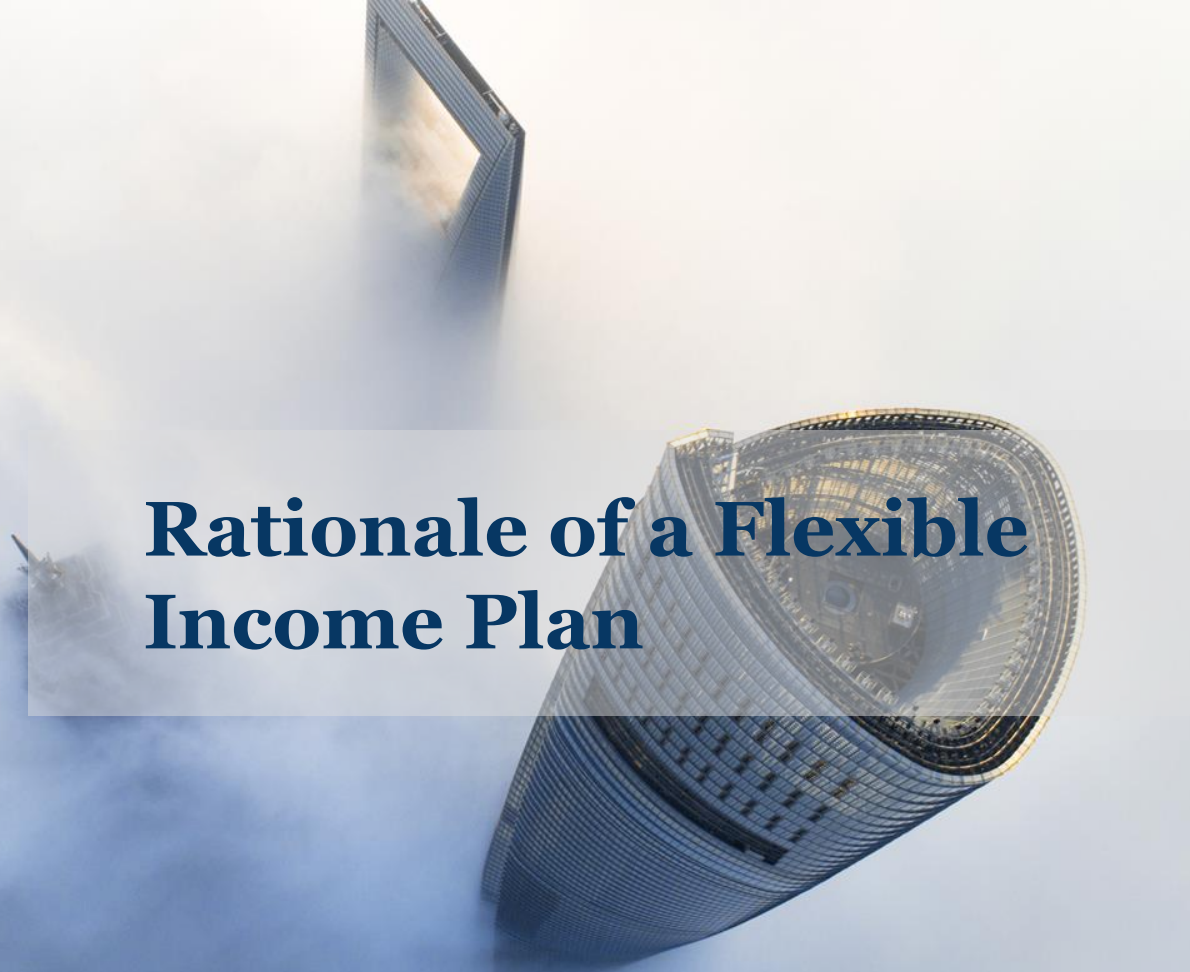
Purchase holidays

Ambulatory care



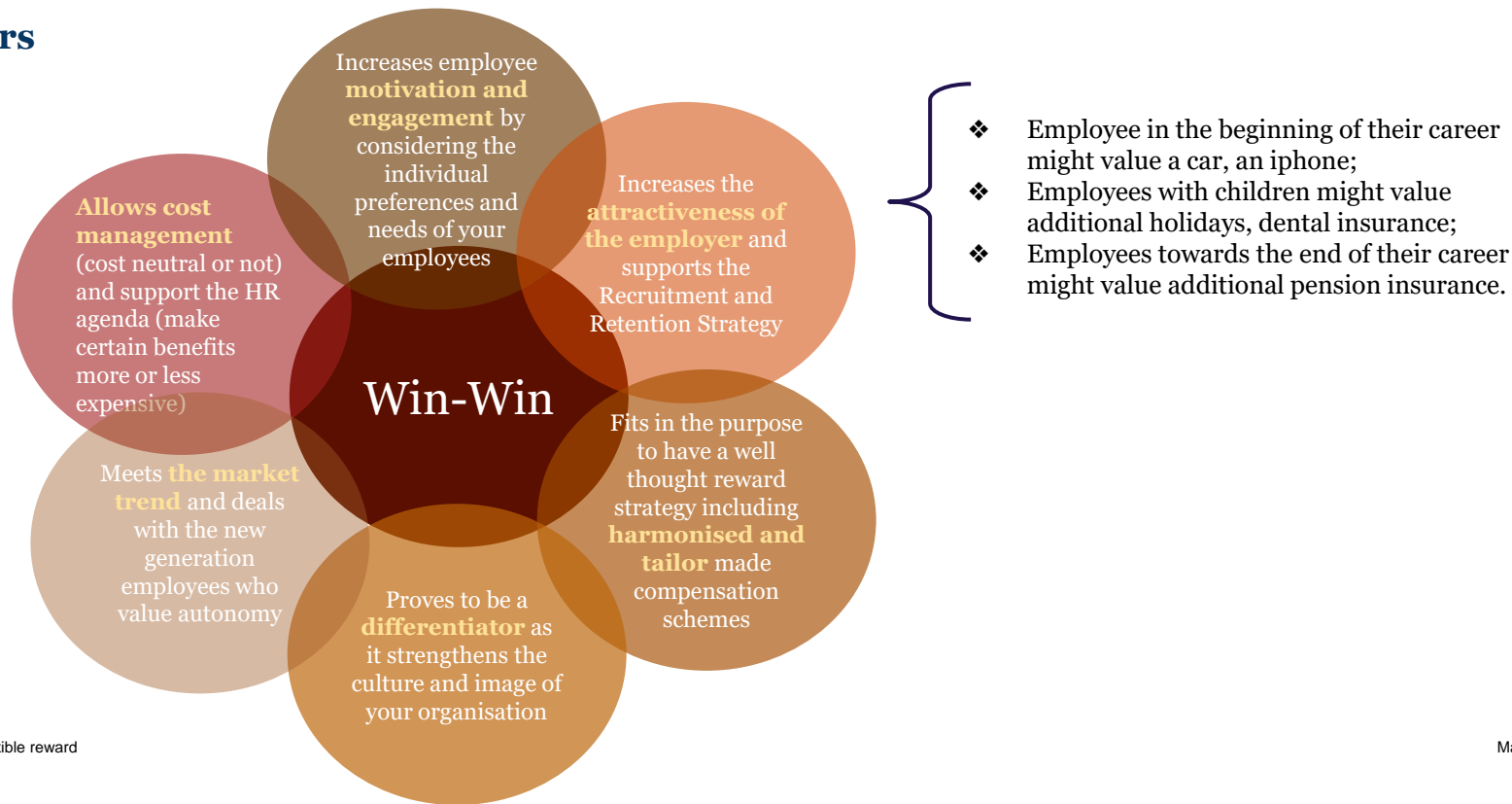
2

Rationale of a Flexible Income Plan



2. Rationale of a Flexible Income Plan

2.1 Drivers



2. Rationale of a Flexible Income Plan

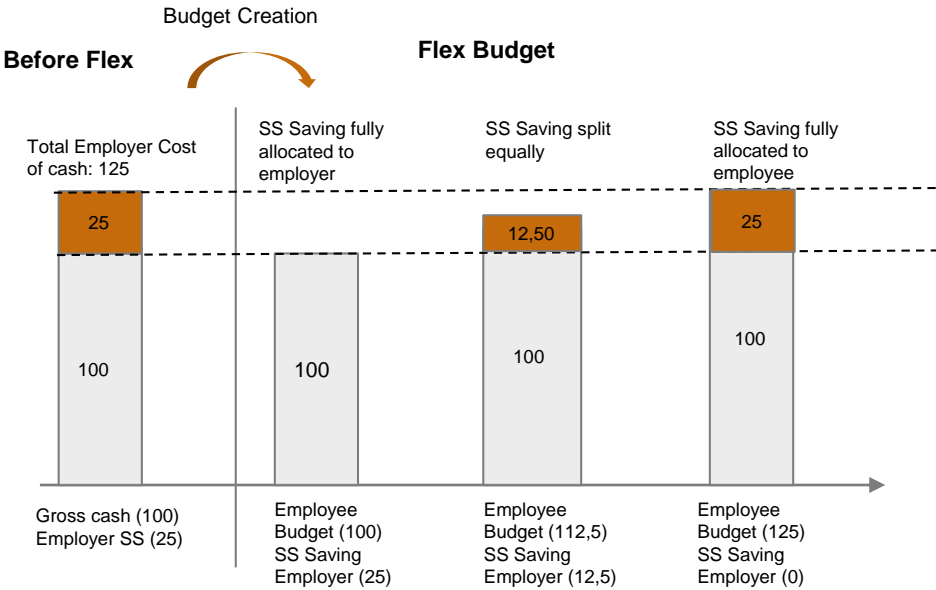
2.2 Possible employer funding as the starting point for the business case

The value of the budget creators can be **increased with an additional lift-up*** that the employer grants on top of the gross amount that the employee decides to make available for his/her personal flex budget.

*There is no legal obligation to shift potential saving from a total employer cost perspective to the employee. (e.g. the employer could consider to provide its employees with a part of the Social Security ('SS') saving).

For illustration purposes, the applicable employer social rate is assumed to amount to 25% on this page.

The example assumes that the entire budget is spent on a benefit that is **not subject to social security contributions**.



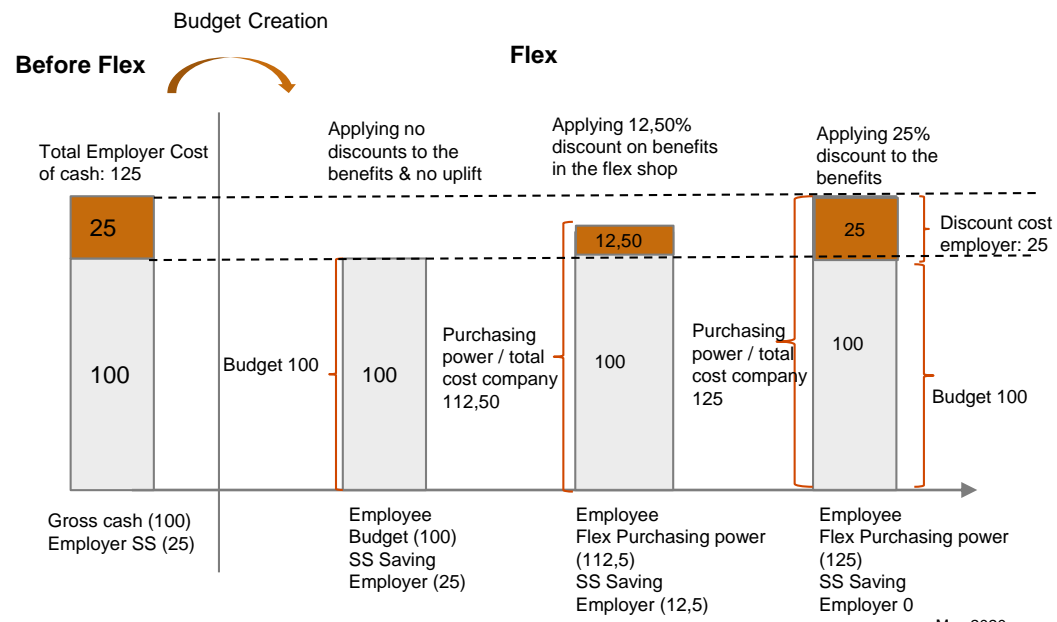
2. Rationale of a Flexible Income Plan

2.3 Support the HR & cost agenda by steering costs of the benefits

The value of the benefits in the flex shop can be **increased (malus)** or **decreased (discount)** resulting in more or less purchasing power in the flex shop starting from a budget without uplift (in casu 100).

For illustration purposes, the applicable employer social rate is assumed to amount to 25% on this page.

The example assumes that the entire budget is spent on a benefits offered at he discount of respectively 12,50% & 25%.



An aerial, high-angle photograph of a modern skyscraper with a distinctive triangular top. The building's glass facade reflects the sky, and its internal structure is visible through the open top. The building is partially shrouded in soft, white clouds, creating a dreamlike atmosphere. The overall color palette is dominated by the blues of the sky and the greys of the building's structure.

3

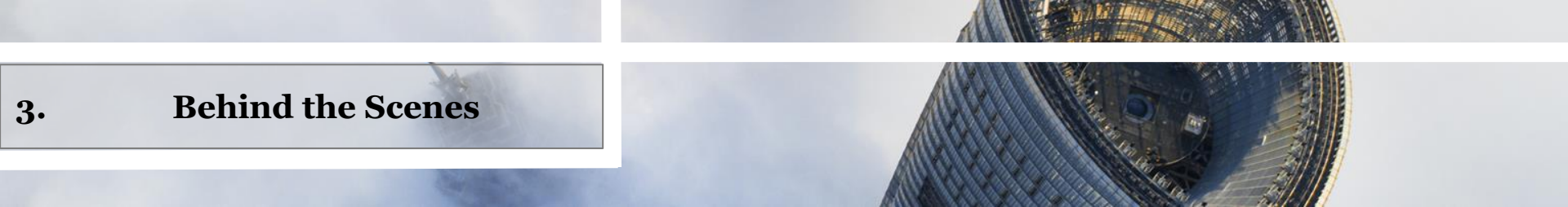
Behind the Scenes

3. Behind the Scenes

3.1 General

- ❖ Lack of specific legal framework so different expertise domains should be combined:
 - **Personal income tax**
Respect for the taxable moment and the tax regime that is applicable on the selected benefit(s). It is possible to obtain upfront certainty on the tax regime of the selected benefit(s) (taxable moment / taxable value) by means of a ruling.
 - **Social security law**
Respect for the acquired rights and the social security scheme applicable on the selected benefit(s).
 - **Labour law**
Respect for the hierarchy of the legal sources (see slide 15).

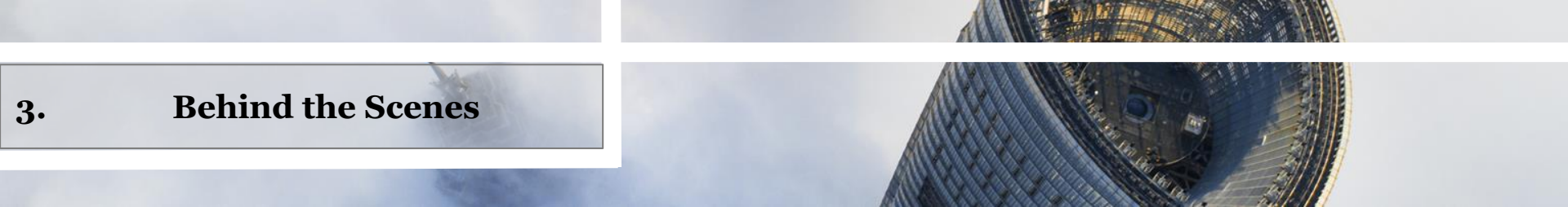
The flex plan should be in line with the rules that are applied by the social security authorities and by the National Public Department in charge of Employment, Labour and Social Dialogue (FOD WASO / SPF ETCS), without compromising the level of pay as determined by wage scale applicable in the sector.



3. Behind the Scenes

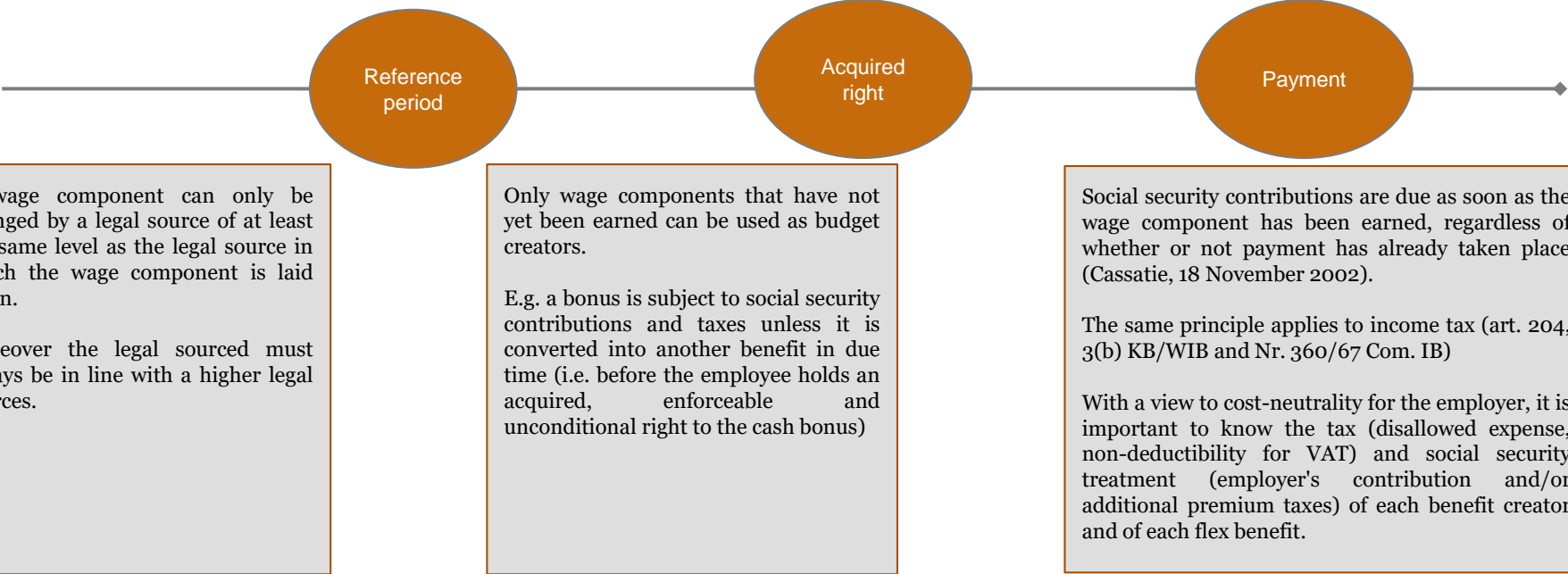
3.2 Budget can only be created with respect for the hierarchy of the legal sources

- ❖ **Article 51 of the CBA (Collective Labour Agreements) Act of 5 December 1968**
- ❖ **The flexible framework cannot be contrary to the provision of higher sources of law, such as:**
 - Belgian legislation (e.g. overtime legislation)
 - Sectoral-level CBA's (e.g. minimum salaries, 13th month, mandatory premiums)
 - Company-level CBA's (which may have to be adapted)
- ❖ **Budget creators are therefore not unlimited**
 - E.g. 13th month foreseen in sectoral level CBA not explicitly providing into a conversion cannot be budget creator
 - E.g. salary sacrifice of gross salary can only be a budget creator if minimum salaries are respected
- ❖ **Implementation strategy must take this into account**
 - If many remuneration aspects are governed by company level CBA's it is recommended to lay down a flexible framework in a company-level CBA (instead of adapting each individual company-level CBA)
In any case, the individual choice for plan participation and benefit selection should be expressed in an individual addendum to the employment contract.



3. Behind the Scenes

3.3 How and when is the budget created?





4

Budget creators - Attention points



4. Budget creators

4.1 General attention points

Monthly salary

Potential) Impact on:

- ❖ End-of-year bonus and holiday pay (taken into account in the budget creation)
- ❖ Exit pay
- ❖ Legal pension
- ❖ Contributions to the group insurance if calculated on the monthly salary
- ❖ Legally derived rights (e.g. unemployment benefits, maternity benefits, sickness benefits)
- ❖ Derived rights within the company (e.g. sickness and accident insurance, distribution of guaranteed salary, disability and invalidity premiums)
- ❖ Calculation of premiums determined on the basis of month (white-collar workers) or hourly wage (blue-collar workers e.g.: shift premium, overtime premium)
- ❖ Salary increase and index
- ❖ Exemption of withholding taxes on R&D and for N&S-premiums

Year end premium

(Potential) Impact on:

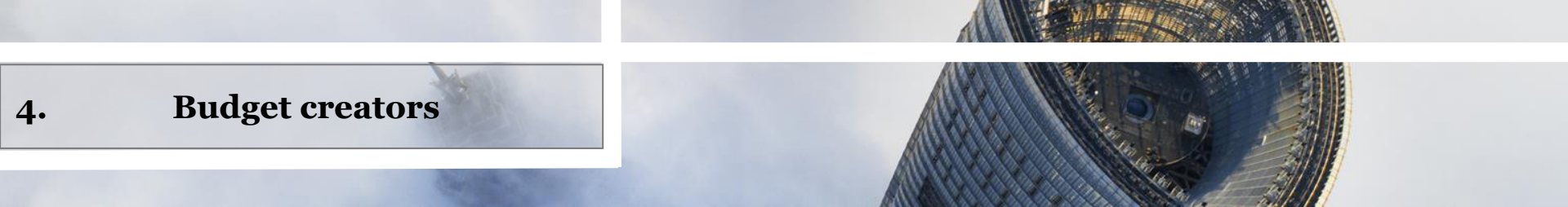
- ❖ Impact on holiday pay for blue-collar workers
- ❖ Exit pay
- ❖ Legal pension
- ❖ Contributions to the group insurance if calculated on annual salary
- ❖ Derived rights within the company (e.g. sickness and accident insurance, distribution of guaranteed salary, disability and invalidity premiums) if calculated on annual salary
- ❖ Exemption from withholding tax on R&D

Variable remuneration*

(Potential) Impact on:

- ❖ Exit pay
- ❖ Legal pension
- ❖ Contributions to the group insurance if calculated on annual salary
- ❖ Bonus group insurance
- ❖ Exemption from withholding tax on R&D

*** As mentioned, only possible if not yet acquired + Preferably only for short-term benefits.**



4. Budget creators

4.2 Impact on salary increase & salary index: use of a reference salary?

Pro

Full cost neutrality for the employer and the employee when exchanging the budget for alternative benefits

Full equality between employees within the Flex Plan and those who do not participate in the Flex Plan (creation of goodwill with the unions)

Contra

The basis is higher than legally required

Practical administration of the reference salary



4. Budget creators

4.3 Impact on withholding tax exemption for R&D and N&S*

*Note that the company should comply with all necessary formalities e.g. notification with the Public Federal Department of Scientific Policy (BELSPO) is obliged.

Exemption withholding tax R&D employees	Exemption N&S employees
<p>Tax incentive (for the employer):</p> <p>→ 80% of the withholding taxes can be exempt from transfer to the tax authorities - only for qualifying R&D activities sector and employees with a qualification degree (master's degree)</p> <p>→ also 80% of the withholding tax for bachelor's degrees BUT limitation to 50% of the total amount of the exemption as applied to employees with a specific master and/or doctor's degree</p>	<p>Tax incentive (for the employer)</p> <p>→ 22.80% of the taxable salary of the employees (amount increased by 2.20% in the case of a continuous work system)</p> <p>Taxable salary excluding:</p> <ul style="list-style-type: none">• premiums (other than shift premium);• holiday pay;• end-of-year bonus;• arrears
Impact of the Flex Plan by exchanging all elements that are subject to withholding tax:	Impact of the Flex Plan by exchanging:
<ul style="list-style-type: none">❖ Monthly gross pay❖ Year end premium❖ Variable remuneration etc...	<ul style="list-style-type: none">❖ Monthly gross pay



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Benefit selection - Some examples

5. Benefit selection

5.3 Example: Public transportation & (E)Bike

Option A: Cash

Bonus paid in cash	
Gross bonus	2.500 €
Employee soc. Security (13,07%)	- 326,75 €
Taxes (53,50%)	- 1.162,69 €
Bonus paid in cash	1.010,56 €

Summary	
Option A: Cash	Option B: SmartReward
1.010,56 €	1.656,18 €

Increase of 64%

Option B: Flexplan

Budget creation	
Bonus	2.500 €
+ Lift up	654 €
Total budget to spend	3.154 €
Total cost of benefits	950 €
Left over in MyFlex	2.204 €

Chosen Benefits	
Public transport	500 €
(E)Bike	+ 450 €
Total cost of benefits	950 €

Gross residual Cash (without lift up)	1.746,99 €
Employee soc. Security (13,07%)	- 228,33 €
Taxes (53,50%)	- 812,48 €
Residual cash net	706,18 €
Value of (E)Bike	450 €
Value of Public transport	500 €

5. Benefit selection

5.5 Example: Reimbursement of 3th pillar pension

Option A: Cash

Bonus paid in cash	
Gross bonus	2.500 €
Employee soc. Security (13,07%)	- 326,75 €
Taxes (53,50%)	- 1.162,69 €
Bonus paid in cash	1.010,56€

Summary

Option A: Cash	Option B: SmartReward
1.010,56 €	1.153,50 €

Increase of 14%

Option B: Flexplan

Budget creation	
Bonus	2.500 €
+ Lift up	654 €
Total budget to spend	3.154 €
Total cost of benefits	1.338,98 €
Left over in MyFlex	1.815,02 €

Gross residual Cash (without lift up)	1.438,67 €
Employee soc. Security (13,07%)	- 188,03 €
Taxes (53,50%)	- 669,09 €
Residual cash net	581,55 €
Net Value of the premium	571,95 €

Chosen benefit	
Reimbursement of premium	1.230 €
Employer soc. Sec. (8,86%)	+ 108,98 €
Total cost of benefit	1.338,98 €
Net value of premium	
Reimbursement of premium	1.230 €
Minus: taxes	- 658,05 €
Total net value	571,95 €



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Flextool: SmartReward

6. SmartReward

6.1 Collaboration Aon / PwC



6. SmartReward

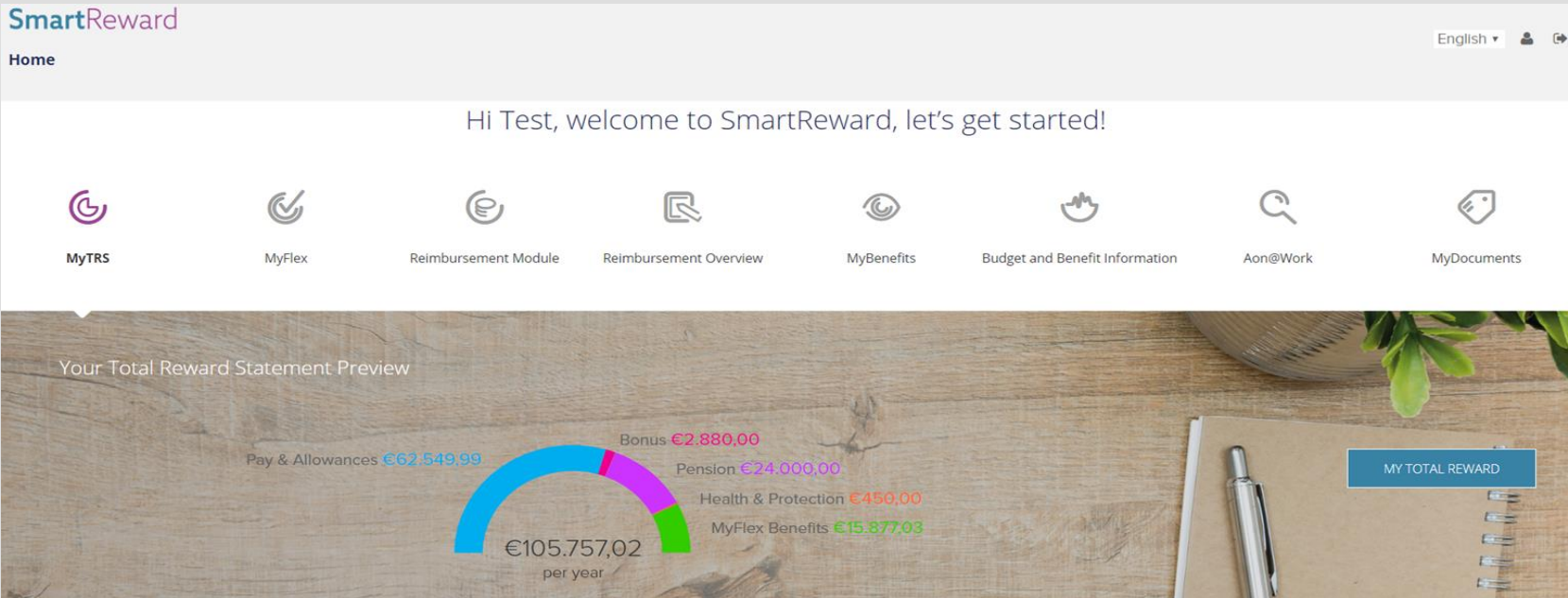


6.2 Our strengths



6. SmartReward

6.3 Screenshot Tool: Employee portal (modular setup)BE



6. SmartReward

6.3 Screenshot Tool: MyFlex Module BE

MY PACKAGEMANAGE DEPENDANTS FLEX FUND

RESET TO DEFAULTSCONFIRM CHOICES

Total Cost

Flex Fund €6,112.40


Benefit Spend €15,802.95

Residual Cash €-9,690.55

Note: You are not obliged to spend the entire Flex Fund on benefits.


Unlocked Benefits & Budget Creators

BUDGET CREATION



Sacrifice Additional premium to Budget
► Additional premium excluded from Budget


SELECT



Extra Legal Holiday Sell
► Not Selected
€0.00


SELECT

MOBILITY




Salary Car - Order
► BMW 2 (gasoline) - Fuel Card Belgium Use Only
Your Cost
€13,984.45

SELECT



Salary Car - Model and choice budget calculation
► Salary Car - Order Not Selected, No Car
Your Cost
€0.00

SELECT



Public Transport
► Not Selected

Flex Fund

Your salary and expenditure details are summarised below.

Holiday Pay	€3,404.00
Total Annual Gross Pay	€47,804.00
Flex Fund Creation	
Salary sacrifice	€4,780.40
- Employer Funding	€1,392.00
Total Flex Fund	€6,112.40

CLOSE

My Package

To understand how your annual gross pay and Flex Fund are calculated, look at the flex fund tool. Below is a calculation (based on the information we hold for you) of the value of your benefit package before and after myFlex.

Monthly Gross (Before Choices)	€3,700.00
Annual Gross Salary (Before Choices)	€47,804.00
Gross Remaining Cash (After Choices)	€46,381.78

Benefits Package Summary	Before Choices	After Choices
Gross Monthly Pay	€3,700.00	€3,589.92
Gross Residual Cash Premium		€0.00
Gross Holiday Pay	€3,404.00	€3,302.73
Net in hand income	€29,145.19	€29,472.05
Value of benefits		€1,512.50
Estimated Net Annual (including benefits)	€29,145.19	€30,984.55

CLOSE

PwC

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6. SmartReward

6.3 Screenshot Tool: Employee portal (modular setup)NL

SmartReward

Home

Hallo Hans, wat ga jij doen vandaag?

Haal jij alles uit je arbeidsvoorwaarden?

Bekijk en lees relevante informatie over de arbeidsvoorwaarden die voor jou beschikbaar zijn

LEES MEER

Mijn Flex

Het is tijd om jouw flexibele arbeidsvoorwaarden teselecteren!

30 dagen om jouw keuzes te maken

MIJN KEUZES

Mijn documenten

LEES MEER

Mijn Total Reward Statement (TRS)

BEKIJK MIJN TRS

Mijn arbeidsvoorwaarden

Overzicht van jouw huidige arbeidsvoorwaarden (voor de opening van de keuzes in flexibele arbeidsvoorwaarden).

Klik op 'bekijk mijn keuzes' en op 'uitstaande verzoeken'.

Uitgaven €5.779,16

Flex budget €26.520,00

Resteert €20.740,82

DEKKINGSOVERZICHT

Vergoedingen

Je kan hier declaraties en bonnen indienen die door jouw werkgever vergoed worden.

April 2019 - Maart 2020 openbaar vervoer € 0,00

April 2019 - Maart 2020 uitgave van jouw geselecteerde keuzes € 0,00

MAKE A CLAIM

Vergoedingen overzicht

DECLARATIEOVERZICHT

Informatie over budget en arbeidsvoorwaarden

Lees meer over de beschikbare arbeidsvoorwaarden

OVERZICHT VAN ALLE BESCHIKBARE ARBEIDSVORWAARDEN

Gebruikersvoorwaarden | Contact | Privacybeleid | Online beveiliging

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May 2020
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Let's Talk!

The PwC SmartReward team and myself are happy to connect with you and listen to your needs & questions!

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Thank you

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