

Newsflash

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Employment, Social Security and Immigration Law

Result-tied Bonuses

During their 2007-2008 Interprofessional Agreement discussions, the representatives of trade unions and of the employers that make up the "Group of 10" agreed on enforcing result-tied bonuses.

By means of the new bonus system (Law of 21 December 2007), the employer can grant a yearly net bonus to all or to a group of their employees. The bonus is exempt from income tax and is not considered as "salary" (therefore, not taken into consideration for pension entitlements). However, the bonus is still subject to a social security contribution of 33% by the employer.

The bonus may be granted in accordance with the following conditions:

- The maximum bonus per employee per year is set at € 2,200.00 net and can be indexed every year. Any surplus is subject to progressive tax rates and social security contributions
- The bonus cannot replace existing salary entitlements. It can however replace an existing bonus system
- The bonus is intended for all employees within the company and cannot be granted individually (e.g. It is impossible to link the bonus to a yearly evaluation of the employee)
- The bonus is established objectively according to clearly defined results (which can vary per department or business unit). The objectives can also be of a non-financial nature, for instance a decrease in days taken off work due to illness or accidents in the workplace

A collective labour agreement needs to be agreed upon by companies with a trade union delegation. For companies without a trade union delegation, an accession contract needs to be added to the labour regulations.

This system gives a company greater autonomy in granting the result-tied bonuses, provided "clearly defined, transparent and measurable" goals exist.

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