KWPS

Employee Benefits & Risk Management

# Consultancy Cases

# Saving taxes in a major reorganization

A multinational organization in the Plastics Industry

Issue: As part of a reorganization plan one of our clients included an arrangement for older employees. The initial tax impact of this plan was around EUR 3 million. The arrangement allowed for older employees to leave voluntarily with a severance payment to make place for younger employees. However, this kind an early retirement scheme is taxed at 52% for the account of the employer (in addition to the regular income tax levy for employees at up to 52%). This is to discourage employers from providing for such early retirement schemes. Since the arrangement was part of the reorganization plan, it 'infected' the entire plan.

## Our approach & solution

In consultation with the Tax authorities and our client, we developed a tailormade solution for the reorganization plan so that the arrangement for older employees was taken out of the plan and laid down in a separate plan.

## Result

In this way the original plan could be conserved and the 52% tax 'fine' was only applicable to the early retirement scheme. As a result, the organization saved over EUR 2 million and gained several weeks in their reorganization process.

# Highly complex, multiple buyers carve-out

A listed multinational in the Technical Industry

**Issue: As a result of a carve-out of various company divisions, the pension schemes involved had to be unbundled from the employer's company pension fund. Certain pension rights which had been granted but not yet financed, formed a complicating factor. In addition, there was a compulsory industry-wide pension fund in which the carved-out divisions were obliged to participate after the unbundling at different costs than in the company pension fund.**

## Our approach & solution

We assessed the tax, legal and financial risks which could arise in connection with the pension situation for the French buyer. The transfer of the unfunded pension rights could lead to additional costs for the acquiring party amounting to some EUR 20K per employee. In consultation with the vendor, the social partners and the other purchasers, arrangements were made with the company pension fund. Furthermore, we made a projection of the development of the pension costs for the compulsory pension fund.

## Result

A scheme was developed for the unfunded pensions, reducing the costs for the buyer to EUR 7K per employee, on the basis of financial agreements with the vendor and the company pension fund. From that moment, the purchaser knew what the future financial commitments would amount to in respect of the acquired part.

# Uniformizing complex, expensive pension schemes

A top 5 company in the Energy Industry

Issue: The company has a social plan comprising various, sometimes complex, retirement schemes. The computations were made manually for each individual by several Business Units.

Therefore the issues were:

- different interpretations of assumptions
- consequently high costs and inaccurate outcomes
- a relatively high number of errors in more than 70% of the Business Units
- inefficiency

## Our approach & solution

After a careful assessment of the social plan and interviews with the parties involved on the interpretation of the assumptions, we developed a tailor-made computation tool based on the social plan in which all implications of the retirement schemes can be assessed by the client.

## Result

With a highly skilled multidisciplinary team for legal, tax and actuarial matters, we developed a uniform computation method, so that all Business Units across the organization are able to make the computations easily with a very small margin of error, resulting in a significant increase in efficiency. This has resulted in time and cost savings in different areas. With hindsight, it has appeared that the employer paid out a few million euros unnecessarily in the past, but will avoid doing so for the future.

# Cost saving via top-class compensation scheme

**Various multinational and listed companies across industries**

**Issue: Due to changes in tax law, Dutch companies were faced with the challenge of setting up tailor made compensation schemes for about 110,000 employees who earned more than EUR 100,000. The reason for this was the cancellation of pension accrual on a salary exceeding EUR 100,000. Due to the high profile ature of this specific group this resulted in many discussions with remuneration committees and labor unions, as well as individual discussions about the redistribution of the employee benefit package.**

## Our approach & solution

For various multinationals and listed companies, with a multidisciplinary team we developed tailor made ompensation schemes, underpinned by computations to determine the pension accrual shortcoming in the future. Furthermore, in consultation with the employer, the framework for the scheme was determined on the basis of the following questions: Is the compensation scheme temporary? For which groups of employees does the scheme apply? Are the amounts increased for indexation? Does the scheme comply with the Equal Treatment in Employment (Age Discrimination) Act ('Wet Gelijke Behandeling bij Leeftijd').

## Result

With a highly skilled multidisciplinary team for legal, tax and actuarial matters, we developed a uniform computation method, so that all Business Units across the organization are able to make the computations easily with a very small margin of error, resulting in a significant increase in efficiency. This has resulted in time and cost savings in different areas. With hindsight, it has appeared that the employer paid out a few million euros unnecessarily in the past, but will avoid doing so for the future.

# About KWPS

## Clients

KWPS has been able to make a contribution to a large number of organisations, varying from intensive consulting and change process to workshops or sounding board sessions. The following companies and organisations are examples and have given us permission to list their name here.

Essent, KLM, Koninklijk Theater Carré, Schiphol Group, USG People, GrandVision, SBM Offshore, Transavia, Martinair, Driscoll's of Europe, Newomij, Randstad, Cobra Museum, Sanoma, VSNU, DVB Bank, DS Smith Packaging, De Stiho Groep, TomTom, Fresenius Kabi, Sun Chemical, Tate & Lyle, IBFD, Exter Aroma.

## Team

Our team consists of lawyers, tax specialists, economists and econometricians and all consultants have had a university education. Our office is member of the Dutch Association of Tax Consultants and has all relevant licenses for the Financial Supervision Act.

## Contact


KWPS B.V.
T: + 31 20 589 1818
E: info@kwps.nl

WTC Amsterdam
Strawinskylaan 1115
1077XX Amsterdam
The Netherlands


Chamber of Commerce: 34248760
AFM license number: 12040173