

**Employers' and employees' organisations complain that the levy under the early retirement scheme (hereinafter "RVU levy") of 52% makes it impossible to allow employees to retire early. However, there are countless options for individual and group severance schemes, without the RVU levy being payable. A tailored approach and personal attention for the employee are not objectionable if the advantages to the employer and employee are taken into account. KWPS has built a track record around RVU-averse tailor-made solutions. We are pleased to share our knowledge with you in this annual notice.**



### 1 Schemes in case of illness and physically demanding occupations

If an employee's physical condition is the objective reason for the departure, there is no RVU. In that case, it is irrelevant what the details of the scheme are. If it concerns a physically demanding occupation, application of a retirement age does not automatically result in an RVU. In this context, it is not the age that is decisive for applying the retirement age but the wear and tear injuries. Documentation and a proper analysis of the sickness absence (and the types thereof) and its costs are essential.

### 2 Other non-age related reasons or low amount of severance payment

If there is a different objective reason for the departure, there is also no RVU. Examples include performance, or the failure to perform properly, problems with supervisor or ruining the atmosphere. Documentation is important to comply with the obligation to investigate and not having to pay the RVU levy. If the age is decisive, actuarial calculations may demonstrate that the payment is

too low to be considered an RVU (the so-called 70% test).

### 3 Implementation of nett pension/nett pre-pension

Pension within the meaning of the Pensions Act is not an RVU. Within the scope of the Pensions Act, it is possible to purchase a pension/pre-pension *outside the regular tax boundaries*. Wage tax and social security contributions are withheld from the single premium once. The pension administrator subsequently pays nett pension amounts on a monthly basis. The (nett) pre-pension is not exempt from investment yield tax. A (nett) pre-pension is suitable for allowing larger groups of older employees retire early.

### 4 Pension: optimisation, indexation, and high/low

Pension within the meaning of Wages and Salaries Tax Act 1964 is not an RVU. The pension can be increased *within the tax boundaries* or a fixed indexation can be purchased by an additional single premium by the employer. The pension date may be advanced and the pension amount may vary, thus bridging the period up to State Pension. Ill health may also be a reason for advancing the pension as far as possible.

### 5 Partial early retirement

Under an older employees leave scheme, employees are permitted to work up to 50% fewer hours (partial early retirement). They are still paid 50% to 100% and the pension accrual continues to be 50% to 100%. In that case, the RVU levy does not apply. For an older employees leave scheme to be valid, it is decisive that the employee actually continues to work the remaining part-time percentage. Taking days as holidays, taking leave hours or staying at home while being paid is not permitted. If this is done all the same, the continued payment of wages or salary is considered an RVU after all.



## 6 Partial pension

An employee may make a pension become payable for the number of hours he stops working. Financially, a partial pension is often feasible. After all, older employees have often experienced the ‘fat years’ of final pay, indexation, and higher accrual rates. During a partial pension, the pension is accrued on the part the employee continues to work. In respect of the part the employee continues to work, he is not permitted to stay at home while being paid. If this is done all the same, the continued payment of wages or salary is considered an RVU .

## 7 Taking accrued leave

From a tax point of view, an employee is permitted to have an accrued leave entitlement of no more than 250 days on a full-time basis. This may be used as a possibility to stop working earlier. The active employment is terminated and no RVU levy is payable on the ‘consumption’ of the accrued leave. If the leave has been accrued with a view to allowing the employee to stop working early, an RVU levy is, in principle, applicable.



## 8 Vitality savings account

The Vitality savings account is a solution developed by KWPS. The (nett) amounts paid into this account by the employer and employee can be used for various vitality purposes, including early retirement. Under certain conditions, no RVU levy is applicable. Contrary to the above-mentioned solutions, the Vitality savings account is meant as a scheme for sustainable deployment. If sustainable deployment is no longer possible, the accrued balance may be used for early retirement. Due to the tightening of the pensions framework, the Vitality savings account is much needed for every, or at least, nearly every employee.

## 9. Sustainable employability budget

The purpose of a sustainable employability budget (hereinafter “DIB”) is to contribute to sustainable employability. As with the Vitality savings account, various spending purposes are linked to the DIB. The big difference with the Vitality savings account is that payments by the employer under the DIB are made only if the employee uses the balance for a permitted spending purpose. Depending on the spending purpose chosen, wage tax and social security contributions are withheld from withdrawals from the DIB. Due to the DIB, the employer is obliged to maintain in principle a reserve for accounting purposes.

## 10 Voluntary severance scheme

If a restructuring is implemented, a voluntary severance scheme may be developed. If this scheme is age-independent and the employees leaving the organisation are mainly older employees, no RVU levy is applicable.

## Finally: personal attention really works

Personal attention increases the chance of an employee accepting a specific scheme (severance scheme or otherwise). As a specialist, KWPS is pre-eminently capable of giving the employees an independent *and* simple view of the financial consequences of the severance scheme proposed. With the guarantee of confidentiality, a picture is given of the impact of the possible scheme on the personal financial situation. We know from experience that neutral information, knowledge, and empathy have added value and increase the chance of acceptance.

*This annual notice has been drafted with the greatest care, but is not exhaustive and is for*

## Early retirement without RVU levy

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*information purposes only. We recommend consulting with a tax consultant specialising in severance schemes. Please do not hesitate to contact us if you are interested in our solutions and you wish to exchange ideas on this subject.*