

Appendix 9

International pension taxes

Introduction

This appendix presents a comparison of the international taxation of pensions. It is based on the written submission to the inquiry by the AMP.¹

International taxation arrangements for retirement savings

The taxation arrangements for retirement savings in most OECD countries are based on consumption tax principles. That is, retirement savings are only taxed when taken out of the retirement saving scheme to be used for consumption purposes. Essentially, the contributions and earnings are not taxed, while the benefits are taxed at the individual's personal income tax rate.

Returns on the retirement saving investment (usually referred to as fund earnings) are untaxed under such arrangements because otherwise, income would effectively be taxed twice, and the costs of future consumption increased.

However, it is possible to tax pensions at three points: on contributions, on fund earnings, and on benefits. Some countries tax contributions, but only a few tax earnings. Table 9A below reports current practice for a number of countries.

1 *Submission 64, AMP, Appendix B.*

Table 8: Taxation of Private Pensions in Selected Countries

Country	Income tax treatment of contributions	Fund Income		Benefits	
		Contributions	Earnings	Pensions	Lump sums
Australia	Employer conts tax deductible	taxed at 15% to 30%	taxed at 15%; tax credits available on Australian equities	Taxed, with 15% rebate	Taxed at 15% above threshold
Belgium	Tax deductible		Taxed	Taxed (with tax credit)	Taxed at 16.5%
Canada	Tax deductible		Exempt	Taxed	Taxed
Chile	Tax deductible		Exempt	Taxed	Lump sum tax
Denmark	Tax deductible		Taxed	Taxed	Taxed at 40%
France	Tax deductible		Exempt	Taxed (some deductions).	No lump sums
Germany	Employer conts tax deductible		Exempt	Taxed	Taxed
Ireland	Tax deductible		Exempt	Taxed	Taxed with some exemptions
Italy	Tax deductible		Taxed	Taxed	Taxed at 12.5%
Japan	Employer conts tax deductible		Taxed	Taxed	Taxed
Luxembourg	Employer conts tax deductible			Exempt	Taxed
Netherlands	Tax deductible		Exempt	Taxed	Taxed

Country	Income tax treatment of contributions	Fund Income		Benefits	
		Contributions	Earnings	Pensions	Lump sums
New Zealand	No tax deduction		Taxed	Exempt	Exempt
Portugal	Employer conts tax deductible		Exempt	Taxed (subject to specific rules)	Taxed at income tax rates on 20% of benefit
Spain	Tax deductible		Exempt	Taxed	Taxed
Sweden	Tax deductible		Taxed	Taxed	Taxed
Switzerland	Tax deductible		Exempt	Taxed	Taxed
UK	Tax deductible		Exempt	Taxed	Taxed with some exceptions
USA	Tax deductible		Exempt	Taxed	Taxed but eligible for concessions
Singapore	Exempt		Exempt	Taxed	Taxed

