

## Abstract

### **Wage tax calculation and collection**

*In its report about the wage tax calculation and collection, the Court noticed that the Tax department deals efficiently with the calculation and collection of the wage tax amounts declared by the employers themselves, but does not perform a serious check of these declarations. Besides, wage tax amounts collected from some taxpayers' categories are often higher than the tax amount finally owed, which is contrary to the principle governing the wage tax system.*

### **No check on the amounts deducted by the employers**

As a reminder, the wage tax system allows for an early collection of a large part of the personal income tax. The tax is deducted at source, generally by employers from taxpayers' wage earnings and is then deducted from the tax due.

Although this wage tax represents only a partial payment, rules applicable to its calculation have to be complied with for the sake of equity between taxpayers as well as between employers: for the taxpayer the deduction of a lower amount of wage tax implies a postponement of part of his tax for over a year and for the employer an opportunity to create treasury capacity.

As the Court noticed that the department does not perform any serious check to ensure that the amounts declared are in line with the calculation method provided for in the regulation, it issued the recommendation that the department put in place a system of flashing lights whereby a list of employers for whom a check of the wage tax calculation would be useful would be generated on a regular basis.

The Court is of the opinion that an increase of the number of declarations sent by internet and their automated processing to replace the manual encoding used so far would free more time for checking the amounts of wage tax declared.

### **Wage taxes sometimes diverge largely from the final tax due**

Although when the wage tax is collected, all information necessary for calculating the final tax is still not available, the principle of deduction at source requires that the amount withheld as wage tax be as close to reality as possible, so as to avoid the payment of an additional amount by the taxpayer or the repayment by the treasury of a significant amount.

The Court noticed that there are imbalances in the regulation for certain categories of taxpayers. The wage tax for workers seems on a nearly systematic basis higher than the tax finally due while for households with two retirement pensions or one retirement pension and one wage, the amount deducted at source is insufficient, which results in a significant additional tax amount at the time of the tax computation.

The Finance minister let it know that he would ask his department to carry out an in-depth investigation into the issues raised in this report.