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The Collection of Pension Contributions – a Comparative Review of Three Central European Countries

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With regard to contribution collection, there are some broad tendencies, visible also in Central and Eastern Europe

- expansion of competencies of the tax authority;
- shrinking competencies and functions of the social insurance institutions.

However, there are specific country solutions

- in Poland, the »omnipotent« ZUS;
- in Croatia, creation of a new institution (REGOS) responsible for some functions with regard to second-pillar pension contribution collection;
- in Slovenia, an important role for the pension social insurance institution with regard to the inspection function.

Should there be any problems with the control function, i.e. controlling monthly payments and the (logical) consistency of monthly reports submitted to the relevant institution? In principle no, but control cannot discern underreporting of income (wages) – this is performed through the audit (inspection) function.

Monthly reporting for social insurance contributions: aggregate or individualized (for each insured person separately)?

A strong tendency in CEE countries to move from aggregate to individualized monthly forms; this can (in part) be explained by the introduction of the mandatory second (pension) pillar.

To whom are the monthly forms sent

- in Poland: to ZUS (individualized);
- in Croatia: to the tax authority (aggregate) and to REGOS (individualized);
- in Slovenia: to the tax authority (individualized).

If individual data are reported on a monthly basis, are annual data on contributions paid still required? Yes, if the data provided in the monthly forms are not completely compatible with the annual data (and form) required by the pension social insurance institution.

It appears that in some countries, even the tax authority might wish annual individualized data: as a »double check« or lack of confidence in IT processing of monthly data!

Annual reporting

- in Poland: to the tax authority (individualized, PIT);
- in Croatia: to the tax authority (individualized, PIT and social contributions);
- in Slovenia: to the tax authority (individualized, PIT and social contributions), to the pension social insurance institution (individualized, pension contributions).

Important developments

Monthly and annual reporting in electronic format,
though paper format is still possible
(mostly for small employers).

Contribution compliance and pension rights

In most CEE countries, the workers are fairly well protected, i.e. their pension rights are not in jeopardy if the employer fails to pay social contributions.

As Máté (2004, p.148) stated: »...the basic concept is that the employer's failure to pass on worker contributions must not disadvantage the employee...even if the deduction of the employee's contribution is, due to lack of evidence, only presumable on the basis of the existence of the insurance, the period of insurance is still counted«.

However, this does not mean that there have not been attempts to put in place tighter regulations, linking pension rights to contributions actually paid.

These attempts will certainly also continue in the future.



Thank you!