Belgium

Capital city:
Bruxelles

Superficy:
30 528 km^2

Population:
11'240 M.

Language:
French/German/ Dutch

Political system:
Federal parliamentary constitutional monarchy

GDP/capita 2015:
USD 40 324

Currency:
Euro

ISO Code:
BEL

Telephone code:
+32

National day:
July 21th

Belgium

1. Corporate taxation

1.1 Taxes on entities

Entities are taxed on their corporate profits. All of the transactions performed during the period must be put through the accounts. The exhaustive nature applies to accounting law. So far, there is no income on capital or on assets.

1.2 Residence or non-residence

For a company to be liable for company tax, it must be a resident company, i.e. have its registered office, main establishment, executive or administrative offices in Belgium and must not be excluded from the scope of application of this tax (agricultural companies, apart from exceptions; co-owners' associations; inter-municipal structures; non-profit organisations (ASBL); joint-ventures; public law companies.
Companies which are established abroad are subject to tax on non-residents based on their activities in Belgium.

In principle, companies with a social purpose are liable for company tax

1.3 Tax year and filing

The tax return of a company covers the same period as its financial year. The financial year of a company does not have to be the same as a calendar year. The legal deadline for filing is the last day of the month following the holding of the general shareholders' meeting which definitively approves the corporate accounts, without falling more than 6 months after the end of the financial year.

The administration sends an assessment notice which must, where applicable, be paid within the time limit it sets (in general, two months).

Companies can pay quarterly instalments, which give entitlement to tax allowances. In cases where payments are not made in the course of the year, the authorities will apply increases to which allowances are charged for payments made for the following dates which are applicable to a company which has its

financial year end on 31 December 2016:

For 10 April 2016 _____ Allowance of 1,5%
For 10 July 2016 _____ Allowance of 1,25%
For 10 October 2016_____Allowance of 1%
For 20 December 2016 _____ Allowance of 0,75%

An overall basic increase of 1.125 % is applied to the tax amount plus the allowances shown in the table above. Should the allowances exceed the overall increase the surplus is not applied to the credit of the company

1.4 Types of income

The taxable base is firstly made up of the company's accounting profit, with certain adjustments and the separate treatment of certain profits. The accounting profit is converted into a taxable base after the following operations:

Accounting income + Non-authorised expenses (primarily taxes and other expenses which are deducted on a limited basis) + distributed dividends:

- gifts and offerings
- exemption for extra staff
- already taxed Incomes (received dividends)
- deduction of the notional interests
- former losses still deductible
- deduction for investments
- taxable base

A flat-rate tax of 17% on the total amount of benefits in kind of all types applicable to cars has existed since 2012. This tax is calculated even if there is a tax loss. From 1 January 2017, the flat-rate taxt has been increased to 40% insofar as the company takes over all or part of the fuel costs.

The expenses recognised are deemed professional and, in this respect, are deductible from the tax base. However, there are limits on the deductibility (either the total amount of expenses concerned or for a certain percentage):

- entertainment expenses;
- restaurant expenses;
- business gifts;
- vehicle expenses;
- interest on loans;
- Company perks (meal vouchers, health insurances);
- Reduction in value of shares or stakes.

Provisions and write-downs are deductible provided that they relate to certain and liquid expenses.

Some expenses can be deducted by more than 100%, such as costs for the collective transport of staff (120%) the use of non CO2 emitting vehicles (electric cars) or, subject to compliance with certain conditions, investments in the production of audio-visual works (150%).

Some income is exempt from taxation, such as certain aids (bonuses, subsidies) received from regional authorities in the framework of the legislation on economic expansion or in respect of the European regulations on State aid.

In principle, capital gains are not subject to company tax, but treated according to a special regime described below.

Deductions are possible for notional interest and certain investments (energy, security, patents). The rate of deduction for notional interests for the 2017 tax year (income for 2016) is 1.63% for small companies and 1.131% for large companies .

1.5 Group income and grouping arragenements

N/A

1.6 Capital gains

Capital gains made on tangible capital assets can be «immunized». The condition to observe is that the sale price is reinvested within a period of 3 or 5 years in depreciable assets. The immunized capital gains are then recognised as profits (and taxed) as and when the depreciations are applied to the reinvested assets.

Capital gains on shares are only subject to a tax of 0.4%, provided they concern securities held for more than a year.

1.7 Losses

Tax losses can be deducted from the taxable profits of later financial years, without any time limits.

However, in the event of a merger or change of shareholders, tax losses can be partially or totally lost. The determination is based on the net tax assets of the companies involved in the transaction.

1.8 Exemptions

The financial income (dividends and assimilated) from related companies (holding of 10% or EUR 2.5 M at least) are excluded from the taxable base, for 95% of their amount, when these interests have been held for at least a year.

1.9 Rates

The nominal tax rate is set at 33%, to which is added a solidarity contribution (tax on tax) of 3% (i.e. a rate of 33.99%).

Small companies (within the meaning of the Companies Code) are, however, subject to a progressive tax rate. This benefit is really only advantageous in cases of profits of less than EUR 25,000.

A 2013 law introduced a “fairness tax” in the form of a contribution of 5.15% on a complex basis (supposed to represent the difference between the taxable profit and the profits distributed). The European Commission has criticized this tax as contrary to the Mother-Subsidiary ‘s Directive.

1.10 Double tax relief

Belgium has signed double tax treaties with most countries

2. Personal income taxation

2.1 Taxes on income

Individuals are taxed on their overall income, regardless of the place in which it is collected. However, there are rules intended to limit double taxation: tax reductions for some income made abroad or treaties concluded between States in order to avoid this double taxation. There is not yet a tax on wealth or assets.

2.2 Residence and non-residence

The persons liable for personal income tax are the inhabitants of the kingdom, i.e. those who have their domicile or seat of wealth there.

2.3 Tax year and filing

The tax return for individuals covers the income for the previous calendar year.

In principle, this declaration is filed by the end of June at the latest.

The administration sends an assessment notice which must, as appropriate, be paid within the time limit it sets (in general, two months).

The remuneration of employed individuals is subject to the withholding of professional tax, according to scales defined by the law. Any taxpayer can also make advance payments, which give entitlement to tax bonuses.

2.4 Types of income

Income is divided into different categories: real estate income, investment income, professional income, miscellaneous income.

Real estate income is generally determined on a flat-rate basis from the cadastral income (fixed by the administration) of the property concerned. However, real estate property leased to third parties who use it for professional purposes are taxed on the basis of the net rent collected.

Investment income (dividends, interest, royalties, annuities, copyrights) is subject to a final withholding tax of 27%. There are exemptions (first tranche of EUR 1,880 of interest on savings accounts, for example) and exceptions (rate of 15% or 20%).

Professional income is itself divided into 5 sub-categories: profits (from commercial, industrial or agricultural operations), profits (from self-employed activities), income from a previous professional activity, wages and pensions, annuities and allowances in lieu; professional expenses and previous losses are deductible from this income.

In the case of remunerations, in the absence of declarations of professional expenses, the income tax code provides for a flat-rate calculation of these expenses.

From the total amount of income, certain deductions are made to determine the taxable amount: maintenance allowances paid, contributions paid within the framework of pension savings, the housing bonus, etc.

2.5 Capital gains

The capital gains made on disposals of private assets are not taxable, apart from exceptions such as those on land and buildings acquired less than 5 years ago.

The capital gains made on sales of property assigned to the professional activity are considered as miscellaneous income and taxed.

2.6 Losses

N/A

2.7 Exemptions

N/A

2.8 Allowances and rates

The nominal tax rate is progressive:

- 25% on the first tranche of EUR 10,860;
- 30% on the second tranche of EUR 12,470;
- 40% on the third tranche of EUR 20,780;
- 45% on the fourth tranche of EUR 38,080;
- 50% on the fifth tranche, as of EUR 38,080.

Tax reductions are granted on the basis of any disability the taxpayer may have, his family situation, or certain expenditure (local employment agencies, energy saving, renovations in certain urban areas, acquisition of bonds issued by specific funds, purchase of an electric vehicle, child care, etc.).

Specific tax rates are applied to certain income, such as:

- 33% on speculation income, on capital gains made on buildings not built in Belgium within 5 years of their acquisition, on the redemption values of life insurance contracts which have not been liquidated in the "proper" tax conditions;
- 10% on the liquidation surpluses allocated until 30 September 2014;
- 15% on the income resulting from the assignment or licence of copyrights;
- 16.5% on certain capital gains on the discontinuation of activities.

2.9 Social security

Workers have a personal contribution of 13.07% withheld from the remuneration paid by their employers, intended for the social security (ONSS).

Employers also pay employer contributions to this body (ONSS), the average rate of which can be estimated at approximately 33%.

Employers are also required to take out insurance against accidents in the workplace or on the way to work.

Self-employed workers pay contributions to another agency (INASTI) calculated on the basis of their professional income. For many years, the basis of calcula-

tion was the income from the 3rd previous year. Contributions are now calculated on the basis of the income of the current year.

2.10 Expatriates

N/A

2.11 Options

Stock options are considered as elements of remuneration (benefits of any kind) and are taxed directly in the hands of the beneficiary when they are accepted by the latter. Unless the options are quoted or traded, the taxable value is fixed on a flat-rate basis (18 to 23% of the value of the underlying share); if the option is granted for a period of more than 5 years, the taxable benefit is increased by 1% per year (or portion of a year) beyond the 5th year.

The above percentages are reduced by half for options granted with a view to promoting profit sharing in the company for which the professional activity is carried out.

2.12 Patnerships

De facto associations are not regarded as taxpayers in themselves, but as transparent entities. They are therefore taxed directly in the hands of their members, in proportion to their interest in the association.

2.13 Pensions

N/A

3. Inheritance and gift tax

3.1 Residents and non-residents

The inheritance fees are payable on the value of movable and property assets (both in Belgium and abroad), after deduction of the debts at the time of death and of the funeral costs.

3.2 Rates

The Regions are now responsible for inheritance tax, which varies according to the degree of kinship and the amount of the assets concerned.

4. Wealth tax

There is no wealth tax in Belgium.

5. Value Added Tax

5.1 Rates

The general VAT rate applicable in Belgium is 21%. It is reduced to 6% for food and pharmaceutical products, works of art, agricultural services, real estate services of a social nature and certain works to rehabilitate housing. It is reduced to 12% for some products and services.

Since 2012, the services of notaries and bailiffs are subject to VAT.

Since 2014, lawyers' fees are also subject to VAT. Some ancillary obligations (provision of a list of taxpayer clients) are subject to ongoing legal remedies, related to the breach of professional secrecy.

5.2 Declaration and payment

In general, VAT declarations are made monthly, and must be paid on the 20th of each month.

Depending on the turnover, it is possible:

- either to file quarterly declarations. In this case, advance payments (corresponding to 1/3 of the VAT due for the previous quarter) must be paid each month;
- or to opt for the flat-rate scheme (to be agreed with the administration).

6. Other taxes

Belgium is a real champion when it comes to taxation, whether direct or indirect.

To give a few examples, we can mention:

- the supplementary municipal taxes: integrated in the assessment notice sent to taxpayers liable for personal income tax, this is a supplementary borrowing levied by the municipalities (in general, between 6 to 8% in addition to the IPP),

- the withholding tax on property: this is a provincial tax, calculated on the basis of the cadastral income on real estate property,
- the tax on the conversion of bearer securities: following international recommendations, Belgium has abolished bearer securities and, initially, had provided for a transition period for the conversion of existing securities. In 2012, the authorities reconsidered this period, and introduced a tax on securities which had not been converted "quickly enough". Said tax has just been ruled against and withdrawn;
- the tax for putting a new vehicle on the road;
- the annual circulation tax;
- the tax on stock exchange operations;
- the annual tax on profit shares allocated by insurance companies;
- the tax on long-term savings;
- the tax on insurance policies;
- the annual tax on credit institutions;
- the (local) tax on office space;
- the (local) tax on potentially dangerous establishments;
- the (provincial and municipal) taxes on waste;
- the (local) taxes on wind turbines;
- the (local) taxes on engine power;
- the (local) taxes on commercial signs.

7. Foreign income

The general principle is that all income (Belgian and foreign) is combined to determine the tax base, and therefore the overall amount of the tax due.

The taxes paid abroad are deducted from the tax due in respect of the double taxation treaties concluded by Belgium with the third countries concerned.

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