

International Tax

Belgium Highlights

In Plain English



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Investment basics:

Currency – Euro (EUR)

Foreign exchange control – There are no foreign exchange controls. However, the National Bank of Belgium (NBB, the central bank) compiles information on cross-border transactions and transactions with nonresidents (including direct investments, securities trades and commercial credits), solely for balance-of-payment reporting purposes.

Accounting principles/financial statements – Belgian GAAP for annual accounts. IFRS are mandatory for consolidated accounts of listed companies and optional for consolidated accounts of other companies but may not be used for the annual accounts. Financial statements must be submitted annually.

Large companies must publish full annual financial statements (balance sheet, income statement, and notes to the financial statements) complying with accounting rules in the EU Fourth Directive or with IAS. Small companies may publish accounts in a simplified form. In principle and with an exception for certain types of company, the financial statements must be audited by a statutory auditor. Financial statements must be submitted annually to the NBB.

Listed companies must publish financial information quarterly and consolidated statements twice a year.

Foreign companies with a branch in Belgium must provide the NBB each year with a copy of the annual financial statements of the foreign company and consolidated financial statements (together with a social balance sheet of the Belgian permanent establishment (PE), if it has employees in Belgium). The information must be submitted within one month after the general meeting of shareholders and at the latest seven months following the end of the financial year. The copies of the financial statements submitted must be drafted in one of the three languages of Belgium (Flemish, French or German) depending on the registered address of the Belgian branch.

Principal business entities – These are the limited liability company (SA/NV), the private limited liability company (SRL/BV), the cooperative limited liability company (SC/CV), general partnership (SNC/VOF), or ordinary limited partnership (SCS/Comm.V). The SA/NV, and to a lesser extent the SRL/BV, are the

entities most commonly used by foreign businesses. Businesses also may be established as a branch of a foreign company.

Corporate taxation:

Rates

Corporate income tax rate 25%

Branch tax rate 25%

Capital gains tax rate 0%/25%

Residence – A corporation is resident if its principal establishment, registered office, or place of management is in Belgium.

Basis – Residents are taxed on their worldwide income. Belgian-source income of nonresident companies is subject to the nonresident income tax. In specific cases, nonresident companies without a taxable PE may be taxed on certain Belgian-source income if Belgium is allocated taxation rights under an applicable tax treaty; or, if there is no treaty, if the nonresident cannot demonstrate that the income has been effectively taxed in its residence state. In such a case, the Belgian payer of the income must withhold professional withholding tax at a rate of 16.5% (unless the rate is reduced under a treaty). Branches are taxed in the same way as subsidiaries.

Taxable income – A resident company is liable to corporate income tax on its worldwide income, including capital gains and less allowable deductions. Companies may deduct all business expenses when calculating taxable income, subject to the general conditions that they relate to the taxable period, sufficient documentation is available, and the expenses are legitimate and at arm's length. Royalties and all fees generally are deductible without additional requirements (except if made to tax havens, see below).

Income from foreign real estate or branches located in countries with which Belgium has concluded a tax treaty is exempt (except for three countries, where, under the relevant treaty, only a proportional reduction of the Belgian tax is granted). Taxable income also includes income attributed to the Belgian company under the controlled foreign company (CFC) legislation (see under "Anti-avoidance rules," below). Although subsidies are, in principle, part of taxable income, certain job creation subsidies, capital grants, and interest rate subsidies are exempt for corporate income tax purposes.

A nonresident company is taxed only on Belgian-source income. A nonresident company without a PE in Belgium is liable to a final withholding tax on Belgian-source dividends, interest, and royalties and to the nonresidents' tax on Belgian real estate income. Certain other payments (e.g., service fees or fees for technical assistance) made to nonresident companies (or individuals) without a Belgian PE or a Belgian establishment (as defined under domestic legislation) may, under certain circumstances, be subject to a 16.5% withholding tax (unless the rate is reduced under a tax treaty).

To level the playing field between companies that borrow and those that self-finance, a notional interest deduction (NID) is available, calculated on the amount of equity (see under "Incentives," below).

Payments made directly or indirectly to tax havens (including low-tax and territorial tax jurisdictions, as well as jurisdictions determined by the OECD not to have substantially implemented the internationally agreed tax standard on the exchange of information) are not deductible in calculating taxable income unless: (i) they are properly reported on an annex to the annual corporate income tax return, and (ii) the

taxpayer can demonstrate that the payments are made within the framework of "real and genuine" transactions with persons other than artificial arrangements.

Rate – For taxable periods starting on or after 1 January 2020 and ending no earlier than 31 December 2020 (tax year 2021), the standard corporate income tax rate is 25% (reduced from 29% for taxable periods ending on or before 30 December 2020 (tax year 2020)). Small and medium-sized companies (SMEs) are subject to tax at 20% on the first EUR 100,000 of income provided certain conditions are satisfied. These include: (i) the company must qualify as an SME under company law; (ii) no more than 50% of the company's shares may be held by other companies; and (iii) the company must pay one of its executives at least EUR 45,000 annually (unless the remuneration of one or more directors is at least equal to the company's taxable profits). The corporate tax rate applies to both subsidiaries and branches.

Surtax – The corporate income tax surcharge is abolished for taxable periods starting on or after 1 January 2020 and ending no earlier than 31 December 2020 (tax year 2021). Previously, a 2% surcharge was imposed on the adjusted corporate income tax liability, giving an effective tax rate (the standard rate plus the surcharge) of 29.58% (20.4% for SMEs that benefit from the reduced corporate income tax rate).

Alternative minimum tax – There is no alternative minimum tax but the offset of the tax loss carryforward, dividends received deduction (DRD) carryforward, and some other tax attributes (such as the current year NID) is limited to EUR 1 million plus 70% of the taxable base. This limitation creates a minimum taxable base for corporate taxpayers. A minimum tax also applies where a tax return is amended, resulting in an increase in the taxable base. Where the additional tax payable is at least 10% of the original liability, no tax attributes other than the current year DRD may be offset against the tax due on the increase in the taxable base as a result of the amendment.

Taxation of dividends – A 100% DRD applies for dividends received by a Belgian company from a domestic or foreign company. Dividends qualifying for the DRD may not be (fully) deductible if the recipient company is in a loss

position or has insufficient available profits. Excess DRD may be carried forward indefinitely. The offset of the DRD carryforward and some other tax attributes (such as the current-year NID and tax loss carryforwards) is limited to EUR 1 million plus 70% of the taxable base.

The following requirements must be met to qualify for the DRD:

- The shareholder must hold at least 10% of the share capital of the payer company or the participation must have an acquisition value of at least EUR 2.5 million;
- The payer company must be subject to corporate income tax on the profits out of which the distribution is made ("subject to tax" requirement); and
- The shareholder must continuously have (or have had) full ownership of the qualifying shares for an uninterrupted period of at least one year.

Detailed and complex rules exist to determine whether dividends meet the subject to tax requirement that applies to directly held subsidiaries and, under a look-through rule, to indirectly held subsidiaries. In this respect, Belgium also has implemented the anti-hybrid rule and the general anti-avoidance provision in the amended EU parent-subsidiary directive (see under "Anti-avoidance rules," below).

Capital gains – Capital gains derived by a corporation on the disposal of tangible and intangible assets are subject to tax at the ordinary corporate tax rate. However, taxation of capital gains on such assets may be deferred if the assets are held for more than five years before the disposal and the entire sale proceeds are reinvested in qualifying assets within three years (five years in certain cases). In the case of a qualifying reinvestment, the tax due is spread over the life of the asset in which the sale proceeds have been reinvested.

Capital gains from fixed income securities are taxed as profits. Net gains derived from the disposal of shareholdings are exempt if:

- The subject to tax requirement for application of the DRD is met;
- The shares have been held directly for an uninterrupted period of at least one year; and
- The same minimum holding requirement that applies for the DRD is fulfilled (i.e., a shareholding of at least 10% or an acquisition value of at least EUR 2.5 million).

For taxable periods starting on or after 1 January 2020 and ending no earlier than 31 December 2020 (tax year 2021), no separate tax rate applies to capital gains. Gains not eligible for exemption are liable to tax at the standard corporate

income tax rate of 25% (or the reduced rate for SMEs, if appropriate). For taxable periods ending on or before 30 December 2020 (tax year 2020), shares sold within the one-year holding period are taxable at a rate of 25.5%, including surcharge. Special rules apply to capital gains and losses on shares incurred by “trading companies” governed by the accounting decree of 23 September 1992. Special rules also apply to restructurings such as mergers, splits, and contributions. The hidden capital gains on a merger/split remain tax-free if the entities involved have their principal place of business in Belgium or the EU, the transaction meets the tax definition of a merger or split, and the merger/split meets a business purpose test.

Losses – Losses may be carried forward indefinitely for corporate tax purposes by the entity that incurred the losses but may not be carried back. Restrictions apply in the case of a tax-neutral reorganization (e.g., merger, demerger, or contribution) or a change in control that is not justified by legitimate financial and economic reasons. The concept of control (i.e., legal control, factual control, or joint control) is defined under Belgian company law. In the case of a tax-neutral reorganization (merger, split, etc.), losses may be transferred from one entity to another. However, when a company with tax losses is involved in a tax-neutral reorganization, its losses will be reduced according to a formula based on the net fiscal value of all companies involved. Tax losses carried forward may not be offset against profits derived from “abnormal or benevolent advantages” received directly or indirectly from related companies, nor against a limited number of other taxable items. The offset of tax losses carried forward and some other tax attributes is limited to EUR 1 million plus 70% of the taxable base. As from tax year 2020 (defined for this purpose as taxable periods starting on or after 1 January 2019 and not ending before 31 December 2019), a limited group utilization of losses is permitted, by allowing the consolidation of tax losses within a group consisting of Belgian companies and Belgian establishments of European Economic Area (EEA) companies. The regime broadly allows a transfer of profits to a loss-making group company based on a “group contribution agreement.” A tax-neutral compensation is payable to avoid a transfer of equity. The deduction is called the “deduction for group contribution” and is subject to various conditions and formalities. Capital losses generally may be deducted from ordinary income, regardless of the period for which the asset was held. Unrealized capital losses may be deducted from taxable income immediately; gains need not be recognized until realized. Capital losses on shareholdings are not deductible, except for losses realized by “trading companies” on shareholdings recorded as part of their trading portfolio and losses realized upon liquidation of a company of an amount equal to the loss of the paid-in capital represented by the shareholding.

Foreign tax relief – A tax credit is available for foreign withholding tax levied on foreign-source interest and royalties. For foreign-source interest, the foreign tax credit may be reduced based on a debt-funding ratio.

Participation exemption – See under “Taxation of dividends.”

Holding company regime – All Belgian companies and Belgian branches of foreign companies can benefit from the participation exemption without having to satisfy any additional conditions.

Incentives – Various investment deductions and R&D tax credits exist for R&D-related activities.

Under the NID, Belgian companies and Belgian branches of nonresident companies are entitled to deduct a deemed interest expense in connection with qualifying equity. The NID is granted only on the incremental increase in equity (determined by comparing the current year NID equity calculated in accordance with Belgian GAAP with the NID equity of the fifth preceding taxable period). The NID rate is set annually based on the average 10-year government bond rate of the third quarter of the penultimate year before the tax year, with a maximum deviation from year to year of one percentage point. The rate for qualifying SMEs is increased by 0.5%. The maximum NID rate has been capped at 3% for large enterprises (3.5% for SMEs). For tax year 2020 (i.e., for accounting years ending between 31 December 2019 and 30 December 2020), the NID rate is 0.726% for MNEs and 1.226% for SMEs. For tax year 2021 (i.e., for accounting years ending between 31 December 2020 and 30 December 2021), the NID rate is expected to be 0% (0.408% for SMEs). Most corporate taxpayers (both subsidiaries and branches) generally are entitled to benefit from the NID, but certain assets reduce the NID equity and anti-abuse rules exist.

The offset of some tax attributes, including the current-year NID, is limited to EUR 1 million plus 70% of the taxable base. The ability to carry forward excess NID for seven taxable periods is abolished for taxable periods ending after 30 December 2012. Although the “stock” of NID carryforwards remains available, use is restricted to 60% of the taxable base. This limit does not apply to the first EUR 1 million of the taxable base before the deduction of the NID stock. The NID stock that remains unused as a result of this limitation may be carried forward until the amount that would have been deductible in the absence of the 60% restriction has been fully utilized, even if the seven-year carryforward period has expired.

An innovation income deduction (IID) regime is available that reduces the effective rate of taxation on qualifying net income from patents, supplementary protection certificates, qualifying copyright protected software, and various other intellectual property (IP) rights. Qualifying income, calculated using a nexus formula, also includes capital gains derived from the sale of qualifying IP, embedded royalties, and infringement compensation. Current year IID can be offset without restriction. Unused IID may be carried forward, although the offset of IID carryforwards is limited to EUR 1 million plus 70% of the taxable base. The IID regime replaces the patent income deduction (PID) that amounted to 80% of the income, resulting in effective taxation of patent income at a rate of 6.8%.

Grandfathering of the old PID regime is possible until 30 June 2021.

An investment deduction of 13.5% for tax year 2020 is available for energy-saving investments, investment in R&D, and patents. These investments, including investments made in newly developed high-tech products that require increased expenses for R&D at the initial production stage, also can give rise to a spread investment deduction equal to 20.5% of the annual depreciation expense. If there is insufficient profit to take the deduction in full, the deduction may be carried forward indefinitely and offset without restriction. Companies can opt for a tax credit for environmentally-friendly investments in R&D as an alternative to the increased investment deduction. SMEs can claim an 8% investment deduction on certain qualifying assets; the rate is increased to 20% for fixed assets acquired or produced between 1 January 2018 and 31 December 2019.

A tonnage tax regime applies to shipping companies and has been approved by the European Commission until the end of 2022.

Compliance for corporations:

Tax year – The tax year is the accounting year, which may be the calendar year or any other 12-month period. Shorter and longer accounting years may be used in specific circumstances, such as a first extended accounting year.

Consolidated returns – Consolidated returns are not permitted. Each company must file its own return.

Filing and payment – Companies must file a tax return at least one month after the date the financial statements are approved by the annual general meeting of the shareholders, but no later than six months after the end of the financial year. The tax authorities may extend the filing date at the taxpayer's request. Electronic filing via the "Biztax" portal is mandatory for all for taxpayers subject to corporate tax and legal entities tax.

Corporate tax is prepaid on a quarterly basis. Advance payments are due 10 days (or the first business day thereafter) after the first, second, and third quarters of a company's financial year and within 20 days of the beginning of the last month of the financial year. The tax authorities will issue a final assessment notice following submission of the return. If the prepayments result in an overpayment once the final tax liability is calculated, the difference will be refunded unless a request is filed to carry forward the overpayment.

Penalties – Penalties apply for failure to comply with the tax provisions or to make advance payments based on estimated annual income. Administrative penalties for noncompliance with the tax provisions include fixed monetary penalties ranging from EUR 50 to EUR 1,250 (for every violation of the income tax code) and penalties ranging from 10% to 200% of the tax due (for failure to file or late filing of returns and other forms).

A 6.75% surcharge applies to underpayments of corporate income tax for tax year 2020. Criminal sanctions (including imprisonment and fines) may apply in cases of tax fraud.

The penalty for noncompliance with the TP documentation requirements ranges from EUR 1,250 to EUR 25,000 for a second violation.

Rulings – A taxpayer may submit a written request to the Federal Ruling Commission for an advance ruling on the tax consequences of a proposed transaction. The request must concern an actual transaction or situation, rather than a hypothetical situation and may relate to any federal tax or regional tax collected at the federal level. In principle, rulings are granted for a maximum period of five years, unless a longer period is justified. A ruling is binding on the Belgian tax authorities but not on the taxpayer and the taxpayer is not required to carry out the transaction. Rulings are not binding if: (i) the conditions for application of the ruling are not satisfied; (ii) the facts on which the ruling are based are not accurately described; or (iii) there is a change in the law or conflict with a legal provision of domestic law, tax treaty, law or EU law.

Individual taxation:

Rates		
Individual Income Tax Rate (Excluding Communal Surcharges)	Taxable Income	Rate
	EUR 13,250 or Less	25%
	EUR 13,251 - EUR 23,390	40%
	EUR 23,391 - EUR 40,480	45%
	More Than EUR 40,480	50%
Capital Gains Tax Rate		0%/16.5%/33%

Residence – For federal income tax purposes, individuals are resident in Belgium if their domicile is in Belgium during the income year. This is determined based on the relevant factual circumstances and generally coincides with the taxpayer's center of vital interests.

The domicile of a married taxpayer is irrefutably deemed to be the place where the taxpayer's family is established. Furthermore, an individual who is listed in the national register (i.e. an individual with a work permit or, for an EEA national, a residence permit) is deemed to have his/her domicile in Belgium, unless otherwise demonstrated.

If the domicile is not located in Belgium, individuals may be considered Belgian tax resident if their seat of wealth (i.e., the place where taxpayers manage their estate) is in Belgium.

If subject to the special expatriate regime, certain foreign nationals coming to Belgium and working for a Belgian company may retain nonresident status.

For regional income tax purposes, the individual's tax domicile on 1 January of the assessment year is decisive when determining to which regional system a Belgian resident is subject.

Basis – Individuals whose domicile is in Belgium are considered residents. They are subject to Belgian resident income taxation and are taxed on their worldwide income. Taxation occurs at the federal (national), regional (Brussels, Flanders, or the Walloon region), and communal level.

Nonresidents (whether or not benefiting from the special expatriate regime) pay tax only on Belgian-source income.

Taxable income – Residents are taxed on their worldwide income from movable and immovable property, as well as their worldwide professional and miscellaneous income. Foreign-source income may be exempt based on a tax treaty. Belgium applies the exemption with progression method so that the net exempted income is considered when determining the applicable tax rates on the total income. There also is a notional rental value for property held in Belgium.

Executives posted in Belgium may apply to benefit temporarily from a special expatriate regime. The application must be made within six months following the month in which the assignment starts. To qualify for the beneficial regime, the personal and economic interests of the individual must be located outside Belgium and the employee either must be hired abroad or be transferred to a Belgian entity. The benefits of the special expatriate status are as follows:

- The taxpayer is considered a nonresident, meaning that only Belgian-source professional income, real estate income, and passive investment income (dividends, interest, etc.) is taxable in Belgium;
- The taxpayer is entitled to a tax-free allowance of up to EUR 11,250 (increased to EUR 29,750 for certain foreign executives). The taxpayer may exclude actual allowances received from taxable income (e.g., cost-of-living allowances, housing allowances, tax equalization, and home leave). School fees relating to primary or secondary education for dependent children attending an international school in Belgium and moving expenses reimbursed upon receipt may be excluded without limitation; and
- Taxpayers may exclude the proportion of salary relating to the days during which they worked outside Belgium, on a pro rata basis. Supporting documents are required for every working day spent abroad and must be retained for presentation to the tax authorities in the event of an audit. The tax authorities have three years from 1 January of the relevant tax year to audit the tax return (seven years in cases of fraud).

Income from regulated saving deposits is tax exempt up to EUR 980 (income year 2019, tax year 2020). The first EUR 800 (income year 2019, tax year 2020) of dividend income is exempt from personal income tax.

Rates – Rates are progressive up to 50% (increased by communal surcharges ranging from 0% to 9% of the tax bill), raising the average marginal tax rate to 53.5%.

Regional surcharges on the “reduced federal tax” amount to 32.591% in the Brussels region and 33.257% in the Flemish and Walloon regions. To determine the reduced federal tax, an “autonomy factor” of 24.957% is applied to the federal tax liability (after federal tax deductions, but before federal tax credits), so that the reduced federal tax is 75.043% of the federal tax liability.

Nonresidents pay local tax at 7%, irrespective of the rate applied by the commune in which they reside. Interest generally is subject to 30% withholding tax at source, although a reduced rate of 15% applies in certain limited situations.

Dividends generally are subject to 30% withholding tax at source, although the rate is reduced to 15% or 20% for dividends paid by SMEs on certain categories of shares. Dividend distributions out of the liquidation reserve (i.e. profits after tax that have been retained in the company as a liquidation reserve subject to payment of tax at the rate of 10%) generally are subject to an additional withholding tax of 5%, 17%, or 20%, depending on the circumstances. Where the distribution occurs at the time of the liquidation, the 10% tax initially paid becomes the final tax due. Dividends from certain real estate investment companies benefit from a 15% withholding tax rate.

Capital gains – Capital gains on assets derived by individuals engaged in business activities generally are taxed in a similar manner to gains derived by corporations.

Capital gains derived from fixed tangible assets that have been used for business activities for more than five years are taxed at 16.5% (increased by the relevant local surcharge) in certain circumstances. Capital gains on private movable assets (including shares) may be treated as miscellaneous income and taxed at a separate tax rate of 33% (increased by relevant local surcharges) where the activities giving rise to the gains go beyond the normal management of the individual’s private estate (i.e., they are “abnormal” or “speculative.”) The criteria to determine whether an operation should be considered as abnormal or speculative are defined by case law and include a short time frame between acquisition and disposal, a disproportionate difference between the purchase and sales price, etc. Each case must be assessed individually.

Capital gains derived from the sale of shares are tax-exempt to the extent the sale can be considered as “nonspeculative” and normal management of an

individual's private wealth. If the individual has effectively been trading, the capital gains may be deemed to constitute professional income, subject to tax at the generally applicable individual income tax rates (increased by relevant local surcharges) and social security contributions.

Capital gains derived by an individual from the transfer of shares in a Belgian company to a legal entity established outside the EEA may be taxable if, at any time in the five years preceding the transfer, the person disposing of the shares held a substantial participation in the resident company (at least 25% of the shares, either alone or together with a related person). The tax is payable at a flat rate of 16.5% (increased by relevant local surcharges).

Capital gains realized on the sale of immovable property are tax exempt, unless the gains originate from a sale of immovable property within five years (buildings, other than the principal private residence) or eight years (land) after purchase. In such cases, capital gains tax of 16.5% (buildings) or 16.5%/33% (land) is due (increased by relevant local surcharges). Capital gains realized on the sale of a private residence are tax exempt to the extent the building has been occupied by the owner for a continuous period of 12 months preceding the sale (and the notional rental value of the immovable property has been tax exempt during this period).

All other private capital gains are, in principle, tax exempt.

Deductions and allowances – Resident taxpayers and nonresident taxpayers receiving more than 75% of their income from a Belgian source may make several personal deductions from their total income (e.g. a tax-free amount, marital quotient, etc.), provided certain conditions are fulfilled. Where the taxpayer's spouse does not work, a deduction also is available for the marital quotient that allocates 30% of the main earner's income to the spouse, up to a maximum of EUR 10,940 (income year 2019, tax year 2020).

Taxpayers are granted a tax-free personal allowance based on their personal situation (single, dependent children, etc.). The basic lump sum amounts to EUR 8,860 (income year 2019, tax year 2020) and is increased in the case of dependent children or dependent relatives, and if the taxpayer is disabled.

Foreign tax relief – Belgium does not apply the system of tax relief for foreign taxes; instead, Belgium exempts the income with reserve of progression. For dividend and interest income, Belgium applies the relevant tax treaty. Foreign dividend and interest income may be subject to double taxation unless Belgian domestic legislation provides a tax exemption.

Other – Resident taxpayers and nonresident taxpayers receiving more than 75% of their income from a Belgian source also are entitled to tax credits at the federal level for various expenses, including premiums for endowment-type life insurance policies, pension contributions, charitable donations, childcare costs (for children

up to age 12), service vouchers, and reimbursement for mortgage loans to acquire/maintain a dwelling other than the taxpayer's main residence.

Regional tax credits also are available and vary from region to region.

The tax benefits are pro-rated where the taxable period for an individual (resident or nonresident) does not correspond to an entire calendar year (e.g., where there is a change in residential status).

Compliance for individuals:

Tax year – Calendar year

Filing status – A married couple (or legally cohabiting partners) living together must file a joint return,

but their incomes are not aggregated, and the tax liability is computed on an individual basis.

Filing and payment – Resident individuals must file an annual tax return by the end of June after the end of the tax year (an extended deadline generally is fixed around mid-July for taxpayers filing their income tax return electronically, via "Tax-on-Web"). The tax authorities will issue an assessment notice after submission of the return. Employees and directors are subject to payroll tax withholding at source, although individuals on a split payroll may need to pay additional taxes. Self-employed individuals are required to prepay estimated tax under principles similar to those applied to businesses.

Different requirements apply to nonresidents.

Penalties – Administrative penalties for noncompliance with the tax provisions range from 10% to 200% of the tax due. The penalty for noncompliance with the reporting requirements regarding "tainted legal

arrangements" amounts to EUR 6,250. Criminal sanctions (including imprisonment and fines) may apply in cases of tax fraud.

Rulings – A taxpayer may submit a written request to the Federal Ruling Commission for an advance ruling on the tax consequences of a proposed transaction (see under "Compliance for corporations," above). A taxpayer also may submit a written request to the Flemish Taxation Service for an advance ruling on regional tax matters governed by the Flemish Taxation Code (e.g. inheritance taxes). The legislation governing these regional rulings is very similar to that governing the federal tax rulings. No regional ruling framework exists in the Brussels region or Wallonia.

Withholding tax:

Rates				
Type Of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	30%	30%(default)/ 5%/10%/15%/ 17%/20%	30%(default)/ 0%/15%/20%	30%(default)/ 5%/10%/15%/ 17%/20%
Interest	0%/15%/30%	0%/15%/30%	0%/15%/30%	0%/15%/30%
Royalties	15%/30%/Various	15%/30%/Various	15%/30%/Various	15%/30%/Various
Fees for Technical Services	0%	0%	33%	33%

Dividends – The default withholding tax rate on dividends paid to both residents and nonresidents is 30%. Under Belgium’s implementation of the EU parent-subsidiary directive and provided certain formalities are fulfilled, no tax is withheld on dividends paid to a company established in Belgium or another EU member state that holds directly at least 10% of the company paying the dividends, provided the participation is held for an uninterrupted period of at least one year. The exemption applies also to qualifying shareholders established in an EEA member state or a country with which Belgium has concluded a tax treaty containing a qualifying information exchange clause, if the shareholder owns directly a shareholding in the Belgian payer company of less than 10% but with an acquisition value of at least EUR 2.5 million for an uninterrupted period of at least one year, to the extent that the Belgian withholding tax (if due) would not be creditable or refundable abroad. If no exemption applies, a reduced withholding tax rate can apply under an available tax treaty.

The withholding tax on liquidation dividends also is 30%. An exemption may apply if the parent company is headquartered in the EU (because the distribution is classified as a dividend and is covered by the EU parent-subsidiary directive as implemented in Belgium) or in a non-EU country that has a qualifying applicable tax treaty with Belgium.

A specific liquidation reserve regime applies for SMEs, under which, subject to certain conditions, no additional withholding tax is due upon the payment of liquidation dividends to corporate shareholders if a separate 10% tax is prepaid upon the creation of the reserve. Dividend distributions to individual shareholders out of the liquidation reserve generally are subject to an additional withholding tax of 5%, 17% or 20%, depending on the circumstances.

A reduced withholding tax rate applies to certain dividends relating to shares issued in exchange for cash contributions into SMEs as from 1 July 2013. The rate is 30% for dividends distributed before the second accounting year after the cash contribution, 20% for dividends distributed during the second accounting year after the contribution, and 15% for dividends distributed in the third accounting year after the contribution and subsequent years.

Capital decreases and reimbursements of assimilated issue premiums and profit shares are partially treated as dividend distributions for income tax purposes, thus triggering the levy of withholding tax. The capital decrease is allocated to fiscal capital and to reserves according to a pro rata coefficient. The portion allocated to fiscal capital is excluded from the "taxable dividend" definition and exempt from tax. To the extent the capital decrease is allocated to reserves, a taxable dividend is distributed, triggering withholding tax. Corporate tax may be due to the extent that the capital decrease is allocated to tax-free reserves incorporated into capital.

Interest – Interest paid to a resident or nonresident generally is subject to a 30% withholding tax (15% for interest on certain specific government bonds and regulated savings deposits exceeding certain thresholds), unless the rate is reduced under a tax treaty or an exemption applies under the EU interest and royalties directive (IRD) or domestic law.

Under Belgium's implementation of the IRD and provided certain formalities are fulfilled, interest paid is exempt from withholding tax if the recipient is an associated company of the payer company and is resident in another EU member state or is a PE of such a company situated in another member state. Two companies are associated for these purposes if one company holds directly or indirectly at least 25% of the capital of the other company, or a third EU company holds directly or indirectly at least 25% of the capital of each of the two companies. The companies must have a legal form listed in the annex to the IRD and be subject to corporate income tax. The participation in the associated company must be held for a continuous period of at least one year.

The exemptions under domestic law for interest paid to nonresidents include interest paid by certain listed holding companies or holding companies owned by a listed company, interest paid by a Belgian bank or other financial institution and interest paid to financial institutions in treaty countries. Specific conditions must be met.

Royalties – The withholding tax rate on royalties paid to both residents and nonresidents generally is 30%, reduced by a standard expense deduction of 15%. The rate is 15% for certain income from literary and associated rights and from legal and compulsory licenses not exceeding EUR 61,200 (for tax year 2020). Above this threshold, the tax rate depends on the nature of the activity generating the income. Where the income is derived from professional activities,

progressive tax rates apply; otherwise, the rate is 15%. Expenses can be deducted but are limited as follows: 50% of the first bracket of EUR 16,320 and 25% of the bracket between EUR 16,320 and EUR 32,640, subject to an overall cap of EUR 12,240 (for tax year 2020). The rate may be reduced under a tax treaty or where the IRD applies.

Under Belgium's implementation of the IRD and provided certain formalities are fulfilled, royalty payments are exempt from withholding tax provided the recipient is an associated company of the payer company and is resident in another EU member state or is a PE of such a company situated in another member state. Two companies are associated for these purposes if one company holds directly or indirectly at least 25% of the capital of the other company, or a third EU company holds directly or indirectly at least 25% of the capital of each of the two companies. The companies must have a legal form listed in the annex to the IRD and be subject to corporate income tax. The participation in the associated company must be held for a continuous period of at least one year.

Fees for technical services – Withholding tax also must be withheld on certain other payments to nonresidents (both companies and individuals) at a rate of 33%. The effective withholding tax rate is reduced to 16.5% as the result of a 50% lump-sum cost deduction. Further reductions may be available under an applicable tax treaty.

Branch remittance tax – Belgium does not impose a branch remittance tax.

Anti-avoidance rules:

Transfer pricing – Transactions between a Belgian parent company and its subsidiaries, or between a parent company or other subsidiaries and a Belgian subsidiary, or between the head office or other branches of a foreign company and a Belgian branch, must be carried out at arm's length. The Belgian tax authorities can impute a deemed profit for non-arm's length transactions. If advances or loans are granted to companies within a group, the tax authorities require that the lending company charge the borrowing company an appropriate interest rate. Loans received from related persons or enterprises established abroad also must be concluded at arm's length.

Charges relating to management services or technical fees should be substantiated by evidence of actual services obtained by the Belgian enterprise. Payments of interest, royalties, and other fees (whether directly or indirectly) to a non-EEA beneficiary located in a tax haven or to a company benefiting from a special tax regime are not tax deductible unless the payment is at arm's length and relates to a genuine transaction (see under "Taxable income," above).

Bilateral and multilateral advance pricing agreements (APAs) may be obtained under tax treaties.

Country-by-country (CbC) reporting requirements apply to Belgian-resident ultimate parent companies or other Belgian-resident reporting entities of groups whose consolidated group revenues exceed EUR 750 million. The CbC report must be filed within 12 months after the last day of the reporting period. In principle, the Belgian tax authorities should be notified of which group entity will file the CbC report before the last day of the financial year.

A Belgian company that is part of a multinational group is equally required to file master and local files if it exceeds any of the following thresholds based on its standalone statutory accounts: (i) combined operating and financial income of EUR 50 million; (ii) a total balance sheet of EUR 1 billion; or (iii) an annual average number of 100 full time equivalent employees.

The master file provides an overview of the multinational group including the organizational structure, activities, intangibles, intercompany financial transactions, consolidated financial and tax position of the group, transfer pricing policy, and worldwide allocation of income and economic activities. It must be submitted within 12 months after the last day of the reporting period.

The local file consists of two forms. Part 1 provides information on the types of activity performed by the Belgian group entity and an overview of the relevant intercompany transactions. Part 2 provides information per business unit of the Belgian group entity, including a detailed transfer pricing analysis for intragroup transactions of that business unit exceeding EUR 1 million. The local file must be filed with the corporate income tax return of the Belgian entity.

Interest deduction limitations – Belgium has two debt-to-equity requirements, including a thin capitalization rule for intragroup loans:

- A 1:1 debt-to-equity ratio applies for financing obtained from certain direct shareholders/individuals or from directors, executive managers, and liquidators (individuals or legal entities) of the company (including loans from spouses and children), unless the director is a company resident in an EEA member state. Where total debt exceeds the company's equity, the interest paid is recharacterized as a dividend.
- A 5:1 debt-to-equity ratio applies for financing where the beneficial owner of the interest is: (i) not subject to tax or is subject to tax on the income under a tax regime that is significantly more advantageous than the Belgian tax regime ("tax haven loans"); or (ii) part of the same group of affiliated companies and the interest is payable in under a loan agreement that it has been demonstrated was concluded before 17 June 2016 and not "substantially" modified since that date. Exceptions apply to, among others, bonds and other debt issued by public offering, loans granted by certain banks and other financial institutions, loans contracted by certain leasing companies, and to certain forms of centralized treasury management.

Belgium also applies the interest deduction limitation rule in the EU Anti-Tax Avoidance Directive (ATAD), according to which any arm's length "exceeding borrowing costs" generally will be deductible only up to the higher of 30% of the taxpayer's EBITDA or EUR 3 million. The rule does not apply to financial and nongroup companies. Unused excess interest deduction may be carried forward and any excess interest deduction capacity may be transferred to another qualifying group member. The EBITDA rule does not apply to: (i) loans concluded before 17 June 2016 and not substantially modified after that date, and (ii) "tainted" loans with tax haven entities that remain subject to the 5:1 thin capitalization rule as described above.

Controlled foreign companies – A Belgian company is taxed on the "nondistributed profits" of a foreign company that is considered a CFC where such profits arise from "nongenuine arrangements" that have been put in place for the essential purpose of obtaining a tax advantage. A foreign company must meet a "control" and "low taxation" test to qualify as a CFC. A foreign establishment of a Belgian company also can be regarded as a CFC where it meets the low taxation test, in which case the foreign establishment's profits are not exempt under an applicable tax treaty but added to the Belgian head office's taxable base.

To examine whether the CFC rule applies, taxpayers must report in the tax return the existence of a foreign company or a foreign establishment that has been treated as a CFC and, hence, whose profits are taxed in Belgium (in the case of a foreign company) or not allocated to the foreign establishment.

Hybrids – The treatment of "hybrid mismatches," "hybrid entities" and "hybrid transfers" is aligned with the ATAD, either by creating a taxable event, by disallowing an expense or refusing a foreign tax credit.

Economic substance requirements – There are no specific economic substance requirements in Belgian legislation. However, lack of sufficient (economic) substance may be challenged by the tax authorities based on the general anti-abuse rule (GAAR) embedded in Belgian tax law.

Double tax treaties concluded by Belgium also may include specific substance requirements.

Disclosure requirements – Payments related to transactions with entities resident in tax haven countries to establishments located in tax haven countries or to bank accounts managed by residents or establishments located or domiciled in such countries must be disclosed in an annex to the corporate tax return (see under "Taxable income," above).

Payments by employers in relation to non-statutory pension schemes, pensions, and allowances must be disclosed.

Companies reporting CFC income also must disclose this in an annex to the tax return.

Exit tax – Further to the implementation of the ATAD, exit tax is due upon the transfer of assets out of Belgium to treaty-exempt foreign PEs. In that case, hidden gains (i.e., the positive difference between the

fair market value of an asset and its acquisition or investment value reduced by the accepted write-offs and depreciation) are taxed at the time of transfer of the assets.

In respect of inbound transfers and where there is no evidence to the contrary, the value established by the exit state is presumed to be the fair market value at the time of transfer (a “step-up”), where: (i) the gain has been effectively included in the taxable base in the exit state, and (ii) Belgium has concluded a tax treaty or other agreement with the exit state that allows for an exchange of information. Where the exit state’s fair market value rule does not apply, the fair market value is deemed equal to the acquisition or investment value less any write-offs and depreciation according to Belgian income tax legislation.

The exit tax rate is 12.5% as from tax year 2019 and will increase to 15% from tax year 2021, i.e., taxable periods starting on or after 1 January 2020 and not ending before 31 December 2020.

General anti-avoidance rule – Under the GAAR, the tax authorities are required to show that tax abuse exists based on objective circumstances. Tax abuse arises where a taxpayer carries out a transaction that allows it to avoid tax or claim a tax benefit that is contrary to the legislative intent of the law. A taxpayer can avoid the application of the GAAR by demonstrating that the transaction can be justified by motives other than tax avoidance, i.e. that the taxpayer’s choice “essentially” is motivated by nontax reasons. If the taxpayer fails to demonstrate one or more sufficient nontax-based motives, the tax authorities can “restore” the taxable base and tax computation in such a way that taxation in accordance with the legislative objectives is possible, as if there was no abuse.

Other – In limited circumstances, certain purely tax-driven transactions may be recharacterized under specific anti-abuse provisions, e.g., where there is a change of control, the DRD applies or the tax-neutral treatment for reorganizations is claimed.

Value added tax:

Rates	
Standard Rate	21%
Reduced Rate	0%/6%/12%

Taxable transactions – VAT is imposed on the provision of most goods and services, including digital services. VAT is not imposed on exports.

A taxpayer is required to issue invoices for all supplies to taxable persons or nontaxable legal persons. E- invoicing is permitted in certain circumstances but is not mandatory.

Input VAT is deductible provided it relates to the provision of taxable supplies.

Rates – The standard VAT rate is 21%; reduced rates of 0%, 6%, and 12% apply in certain cases. The zero rate applies to daily and weekly publications and certain recycled goods; the 6% rate applies to most basic goods, such as food, water, and pharmaceuticals; the 12% rate applies to items, including social housing and restaurant services. Imports for consumption in Belgium are subject to the same VAT rates as domestic products.

Registration – There is no de minimis threshold other than for distance sales by a foreign mail order company to Belgian individuals, in which case a threshold of EUR 35,000 applies. A specific threshold has been introduced for persons active in the sharing economy. Companies must register for VAT purposes with the competent VAT office, before commencing their VATable activities. Upon confirmation of the

registration, the enterprise number assigned to the company on registration with the Crossroad Bank for Enterprises is activated as the VAT ID.

Filing and payment – The VAT return must be filed monthly or quarterly, and any tax due must be paid at that time. A penalty of EUR 100 per return/per month delay (max EUR 1,000) is imposed for late filing of the VAT return. Interest is charged for late payment of VAT at a rate of 0.8% per month (9.6% per annum) of the VAT due. An additional penalty of 15% of the VAT due is imposed from the time a special account is opened by the tax authorities due to late payment or late filing.

Other taxes on corporations and individuals:

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the federal level.

Social security contributions – Both employers and employees are liable for

social security contributions. Under the 2015 “tax shift agreement,” the base employer contribution is 30.57% of 1.08 times the gross salary for blue-collar employees and 25% of gross salary for white-collar employees. For blue-collar workers, an additional annual contribution of 10.27% is due on 1.08 times the gross salary. However, the level of employer contributions varies depending on the size and industry of the company, as well as the wages of the employee. For example, the average employer contribution for white-collar employees is approximately 28% owing in part to increases incorporated in collective labor agreements. These increases also exist for blue-collar employees. Special regimes may apply, e.g. SMEs benefit from exemption for the first hire and temporary reductions for the next five hires and companies with fewer than 20 employees pay slightly less.

Certain elements of the salary package are subject to a special social security contribution (e.g., a CO₂ solidarity contribution for the private use of a company car, a contribution of 8.86% due on the employer’s contribution for group insurance, and a 3% contribution, referred to as the “*Wijninckx* contribution,” on extra-legal pension premiums exceeding certain thresholds). Social security contributions are deductible business expenses for corporate income tax purposes.

The general employee contribution rate is 13.07% of gross salary for white-collar employees (1.08 times the gross salary for blue-collar employees).

Social security contributions for self-employed individuals are capped at approximately EUR 4,067.20 (excluding administrative fees) per quarter on an annual income of EUR 88,119.80 (income year 2019). The contribution rate is 20.5% on the first income bracket (up to EUR 59,795.61) and 14.16% on the second income bracket (from EUR 59,795.61 to EUR 88,119.80).

Payroll tax – A payroll tax is withheld by employers on remuneration and pensions paid to resident or nonresident employees and directors for whom such payments constitute taxable professional income. Partial professional withholding tax exemptions are available for certain types of employee (e.g. researchers) or employment (e.g., overtime work, night work, shift work, and work in aid zones).

Belgian employers are not only obliged to report and withhold wage taxes on all remuneration paid by a Belgian legal entity, but also on remuneration paid or granted by a foreign related company to an individual working for the benefit of a Belgian entity or Belgian establishment. The Belgian entity must comply with reporting and withholding rules regardless of whether it intervenes in the payment process or whether the related cost is recharged to the Belgian entity.

Capital duty – No, except for a fixed fee of EUR 50. An exception may apply for companies in the case of “mixed” contributions.

Real property tax – An annual tax is imposed at the regional level on the notional rental income of immovable property (land, buildings, and industrial equipment) located in Belgium. The rate varies depending on the region in which the property is located: in Flanders the rate is 3.97% of the notional rental value; in the Brussels region and Wallonia the rate is 1.25%. Both provinces and municipalities are entitled to impose surcharges. The tax and surcharge are deductible for corporate income tax purposes but nondeductible for personal income tax purposes, unless the building is used for business purposes.

Individuals also are subject to a capital acquisition tax on the acquisition of real estate at a rate of 12.5% in the Brussels region and Wallonia, and 10% in Flanders. Reduced rates of 6% (Wallonia) and 5% (Flanders) may apply if certain conditions are satisfied.

Transfer tax – Transfer (or registration) taxes apply to the transfer and leasing of real estate located in Belgium, at rates ranging from 0.2% to 12.5% (depending on the type of transaction and the region in which the property is located).

Stamp duty – Stamp duty is imposed only in a limited number of cases, e.g., stock exchange tax on transactions in public securities and other financial instruments (at rates ranging from 0.12% to 1.32%) and the duty on insurance premiums (at rates ranging from 1.1% to 9.25%).

Net wealth/worth tax – Belgium does not impose a net wealth/worth tax.

Inheritance/estate tax – Inheritance tax in Belgium applies at the regional level and varies between regions. The tax applies to the worldwide assets of a deceased individual who was resident in Belgium at the time of death. If the deceased is resident outside Belgium at the time of death, transfer tax is levied on the transfer of Belgian real estate. The applicable rules and rates are determined by the region where the deceased was resident for most of the last five years before death. For spouses, legal cohabiting partners, and direct-line descendants, the inheritance tax rate ranges from 3% to 30% in the Brussels region and Wallonia, and from 3% to 27% in Flanders. In Flanders, inheritance tax is calculated separately for movable and immovable property, and this results in an overall lower inheritance tax burden. Lower rates may apply and/or deductions may be available in some cases. In all three regions, the family home is exempt from inheritance tax if inherited by the spouse or the legal cohabiting partner. Higher inheritance tax rates (up to 80% in the Brussels region and Wallonia, and 55% in Flanders) apply to more distant relations and unrelated beneficiaries. In the three regions, a beneficial regime exists for the inheritance of family businesses, subject to conditions (exemption in Wallonia; in Flanders and Brussels region, 3% for transfers to direct-line descendants, and between spouses and legal partners, and 7% for transfers between unrelated parties).

Other

Gift tax

The gift of Belgian immovable property involves drawing up and registering a deed of gift and paying gift tax to the relevant local authority. Immovable property gift tax rates for spouses, legal partners, and direct-line descendants range from 3% to 27%; the maximum rate for distant relations and beneficiaries in all three regions is limited to 40%.

Movable property can be gifted in various ways. If the gift is made through a Belgian notary-public, gift tax is due and inheritance tax does not apply if the donor dies. For spouses, legal cohabiting partners, and direct-line descendants, the gift tax rate is 3% in the Brussels region and Flanders, and 3.3% in Wallonia. Gifts of movable property between unrelated parties are subject to tax at 7% in the Brussels region and Flanders, and at 5.5% in Wallonia but there is no general obligation to register gifts of movable property. Gifts of movable property also may take place via a simple physical transfer or via a bank transfer without

paying gift tax. However, the gift is exempt from inheritance tax only if the donor survives for at least three years after the date of the gift. If the donor dies within three years of the donation, inheritance tax is due at rates higher than the gift tax rate. If the gift of movable property is registered voluntarily and gift taxes paid, no further tax is payable even if the donor dies within three-year period. In all three regions, gifts of family businesses are exempt from gift tax, provided certain conditions are fulfilled.

Secret commissions tax

A "secret commissions" tax applies to companies at a rate of 50% for payments to legal entities or 100% in all other cases (increased by a surcharge, see below) of certain remuneration, fees, commissions, rebates, and other benefits that: (i) constitute professional income in the hands of the beneficiary; (ii) are not properly documented or reported on a timely basis; and (iii) have not been taxed in the hands of the beneficiary, unless a legal exception or administrative tolerance applies. No surcharge applies as of tax year 2021 (taxable period starting on or after 1 January 2020 and ending on or after 31 December 2020). For tax year 2020, the surcharge is 2%, bringing the rate to 51% or 102%, respectively.

The secret commissions tax also applies to "hidden gains," i.e., turnover not reported as such. The tax rate amounts to 100%, unless the hidden gains are reincorporated in the company's accounts, in which case the rate is 50% (102% and 51%, respectively, including the 2% surtax until tax year 2020). The 50% rate is abolished as from the taxable period starting on or after 1 January 2020 and ending no earlier than 31 December 2020 (tax year 2021).

The secret commissions tax does not apply if: (i) it can be demonstrated that the amount subject to the reporting obligation is included in the tax return filed on a timely basis by the beneficiary in Belgium or a foreign jurisdiction, or (ii) the beneficiary is unambiguously identified and the tax authorities are still able under the statute of limitations to subject the beneficiary to tax.

For taxable periods starting on 1 January 2020 and ending no earlier than 31 December 2020 (i.e., tax year 2021), the corporate income tax deduction for the secret commissions tax is abolished.

Banks are subject to a bank levy and a subscription tax on savings deposits.

Tax treaties: Belgium has a broad tax treaty network with more than 90 tax treaties in force. Most treaties follow the OECD model treaty. The OECD multilateral instrument (MLI) entered into force for Belgium on 1 October 2019.

Tax authorities: *FOD Financiën/SPF Finances* (federal tax administration). The federal, regional, and local governments have their own tax authorities. In principle, the tax authorities are competent only for the taxation and collection of the taxes of their own government level.

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