

Smart taxation in Belgium

All companies in Belgium are subject to corporate income tax. The nominal corporate tax rate is 33.99%. For small and medium-sized enterprises (SMEs) with a taxable profit not exceeding €322,500, the tax rate drops to 24.98%.

Legal mechanisms make it possible to lower the nominal rate. Various tax incentives for individuals and companies make Belgium one of the most attractive places to locate and do business.

Within the Federal Public Service Finance, the **Fiscal Department for Foreign Investments** provides free, confidential advice and assistance on tax matters to potential foreign investors and those already established in Belgium.

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Belgian tax incentives

Notional interest deduction

One of the most innovative measures is the 'notional interest deduction'. This is a tax deduction for venture capital which alleviates the differences in tax treatment between finance raised through borrowed capital and finance raised through equity capital.

The system allows companies to deduct from their tax base a notional interest charge (not stated in the accounts) corresponding to a specific percentage of their 'adjusted' equity capital.

R&D

There are various tax incentives for research & development:

- Partial exemption from payment of wage tax for researchers
- Tax exemption on allowances and capital and interest subsidies awarded by regional institutions to support corporate R&D
- Tax deduction on patent income
- Increased investment deduction
- Tax credit for R&D

Extensive tax treaty network

Belgium has concluded more than 90 tax treaties

Ruling

Belgium's tax legislators are aware of the importance of upfront legal certainty for existing and potential investors. Accordingly, Belgian tax legislation provides economic players with a generally applicable advance 'ruling' practice.

The procedure is simple, rapid, efficient and free of charge. The ruling is an advance decision that is issued within three months and is legally binding for up to five years.

Tax Shelter

Tax Shelter is a tax incentive designed to encourage the production of audiovisual works and films. The system allows companies wishing to invest in the production of an audiovisual work to benefit from a tax exemption on retained profits worth up to 150% of the capital actually invested.

Dividend withholding tax exemption

The withholding tax exemption on some dividends is also very popular with investors. This new exemption extends the European Parent-Subsidiary Directive between the EU Member States and Switzerland to all countries that have a double tax treaty with Belgium, such as Hong Kong and the United States.

Using Belgium as their holding location for investments in Europe allows corporate investors from treaty countries to repatriate European profits without paying dividend withholding tax and without a limitation on profits.

Reduced wage costs

The Belgian tax system also offers attractive conditions for employers, including lower wage costs for foreign executives and researchers.

Foreign executives assigned temporarily to Belgium within an international group of companies may qualify for a special expat taxation regime. The expatriate will be treated for tax purposes as a non-resident, liable to Belgian non-resident income tax only on income related to the activities in Belgium. Days spent outside Belgium will not be taxed in Belgium ('travel exclusion'). Non-taxable allowances apply, i.e. allowances or reimbursements made to cover the extra expenses caused by the assignment in Belgium.

There is also a substantial exemption from payment of wage tax for researchers.

Holding regime

Almost all net capital gains on shares are 100% exempt from tax. 95% of qualifying dividend income is deductible from taxable base.