



# Business Memo from Belgium

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## Promotion of Notional Interest Deduction in Full Swing *Randstad Moves Treasury Center to Belgium*

Prime Minister Guy Verhofstadt and Finance Minister Didier Reynders visited East Asia in early November to present the new 'notional interest' tax law to local government and business leaders.

As reported in detail in the last issue of Business Memo, the new law allows all companies in Belgium to deduct annually from their taxable income an amount equal to the interest they would have paid on their aggregate equity amount in the case of long-term debt financing, thus reducing their taxable base.

According to the Belgian Employers Association VBO, the notional interest law lowers the effective corporate tax rate in Belgium on average to around 25%. But the rate can be substantially lower for e.g. financing or licensing companies or branches. Notional interest deduction is seen as being particularly interesting to corporate treasury centers, and a good alternative to the expiring regime of Belgian coordination centers.

The interest in the new law seems to be great. The Dutch international temporary employment agency Randstad intends to move its corporate treasury operations to Belgium next January. The company has announced that the move would save the firm several million euros a year, about two to three per cent of its tax burden. Similar companies may soon follow suit.

In Asia, Belgium's double taxation treaty with Hong Kong, the first of its kind concluded by the former British colony, may generate particular interest. The treaty provides for a 0% dividend withholding tax under certain conditions.

The 'notional interest' promotional tour will continue in the U.S. and Europe early next year.

### Belgium Remains Major Foreign Investment Player

Belgium remains a major world player on the Foreign Direct Investment (FDI) scene. According to the latest *World Investment Report* by the UN Trade and Development organization UNCTAD, Belgium was the 6th recipient of FDI (\$ 34.4 billion) in 2004 worldwide. The U.S. saw the largest influx of FDI (\$ 95.9 billion), followed by the UK, China, Luxembourg, Australia, and Belgium.

Belgium's achievement is all the more remarkable since investments in the E.U. overall were at their lowest level since 1998, whereas FDI in Belgium was up 7.1%. Belgium recorded 99 new 'greenfield' investments in 2004, a 50% increase over 2003 and 3.5% of the EU total. The total foreign investment stock in Belgium represented \$ 259 billion, about 73% of Belgian GDP.

Belgium ranked also 13th in the world as a location for foreign R&D operations.

On the other hand, Belgium companies invested \$ 26 billion abroad, which made Belgium the 9th largest outward investor in 2004.

[www.unctad.org](http://www.unctad.org)

### Global FDI Flows-top 10 economies, 2004 (UNCTAD, \$ billion)

1	U.S.	95.9
2	U.K.	78.4
3	China	60.6
4	Luxembourg	57.0
5	Australia	42.6
6	<b>Belgium</b>	34.4
7	Hong Kong	34.0
8	France	24.3
9	Spain	18.4
10	Brazil	18.2

## Business News

### Johnson & Johnson Builds European Distribution Center in Courcelles

On October 13, Jean-Claude Marcourt, Minister of Economic Affairs, Employment and Foreign Trade for the Walloon Region, officially opened the building site for Johnson & Johnson's new European distribution center for its medical devices & diagnostics division in Courcelles, near Charleroi, Belgium. Elio Di Rupo, Minister-President of the Walloon Region, underscored how this significant new project fits in with the new industrial policies outlined in Wallonia's new "Marshall Plan for Priority Action."

With this investment of €33 million, the company will bring together part of its current distribution activities in Europe in one central location. The center will open in mid-2006 and will create between 120 and 160 jobs in the coming years. The distribution center is founded on close co-operation between Johnson & Johnson and TNT Logistics. Other partners involved in the project are the Walloon Office for Foreign Investors (OFI), the Walloon Employment Exchange (FOREM) and the building contractor Galère.

At the groundbreaking ceremony, Dr. Guy Lebeau, Company Group Chairman of Johnson & Johnson Medical Devices & Diagnostics, stated: *"The efforts made by the Walloon Region, in conjunction with the central location in Europe, the presence of the airport and transportation infrastructure, and the possibility of teaming up with TNT Logistics were the key factors in making this important investment decision."*

[www.investinwallonia.com](http://www.investinwallonia.com)

### Jyco establishes automotive sealing production facility in Belgium

Jyco Sealing Technologies announced it will establish a major automotive sealing production facility in Thimister-Clermont, Wallonia. Founded in 2000, Jyco pioneered process and design innovations that quickly made the Michigan-based company a leader in TPV (thermoplastic vulcanizate) automotive sealing system technology.

"We had a two-year plan in place for entering the European market," said Sam Jywook, President and CEO of Jyco. "At the request of a North American customer, we moved up the timetable in order to participate in one of their new model programs in Europe. Everything else quickly fell into place. Belgium's location and multi-cultural environment make Jyco Europe well positioned to service customers across the continent."

Full-scale production for several parts, including a glass run channel for a new family vehicle model, is scheduled to begin next summer. The facility will include three fully automated extrusion lines, injection molding capabilities, and a full service lab that the group plans to audit for certification in advance of production.

Jyco entered into a joint venture with Noël Group, LLC, to establish the facility. Noël Group, LLC, a privately owned, American industrial holding firm, manages several manufacturing companies that specialize in the transformation of engineered synthetic materials.

[www.jyco.net](http://www.jyco.net)

## News in Brief

### Leading U.S. Government Affairs Firm Opens Office in Brussels

Cassidy & Associates has announced that it is to open an office in Brussels, Belgium. The new European venture is called Cassidy & Associates Europe and covers both the E.U. institutions and the E.U. member states' capitals. The new Brussels office joins Cassidy & Associates CIS, which opened in Moscow in 2003, to give the firm extraordinary reach across Western and Eastern Europe.

### ProLogis Builds New Facility in Vilvoorde

ProLogis, the Colorado-based logistics facilities and services provider, has begun construction work on a new 20,000 square meter facility complete with office space at Vilvoorde, close to Brussels. The warehouse is divided into two compartments of 7,000 square meters and 11,000 square meters with a minimum height of 10 meters. Equipment will include 20 electric carriage rails. On a world scale, ProLogis is a leading supplier of distribution facilities and services with 29.9 million square meters in 2,079 distribution facilities across 76 markets in North America, Europe and Asia.

### Arrow Opens Logistics Center In Tongeren

Pennsylvania-based life sciences company Arrow International has opened a new logistics center at Tongeren, Flanders. The site, close to several other U.S. companies such as Black and Decker, Avnet, Evapco en Bose, will distribute Arrow International's technologies and products which are aimed at improving diagnosis and care of critically ill patients.

## Science and Technology

### Belgium is OECD Star on Biopharma Innovation

A recent study designed to assess biopharmaceutical innovation in the OECD has found that, in terms of innovation and industry development, Belgium is the best performing country. The study looked at patent applications, drugs under development related to country size (2002), venture capital invested per capita (2002), and number of companies per capita (2000).

The OECD made separate analyses for industrial achievement, scientific performance and the quality of higher education. Belgium came out on top in

scientists can get up to € 1.5 million, promising young scientists between € 300,000 and € 400,000. An international jury will determine the level of scientific achievement. The Methusalem program gives top scientists in Flanders long term structural financing. The program has a budget of € 3 million in 2006. The Hercules program, for investment in high-tech apparatus, is scheduled to start in 2007.

Mrs. Moerman also announced the signing of a declaration of intent with the U.S. National Institute of Health (NIH) concerning "Career Transition Awards." These awards will make it possible for Flemish scientists who have performed research for a period with the NIH to return to Flanders and to pursue their research within the region. Under the agreement, the NIH will fully support the first research phase of three years in the U.S. Following that Flanders will provide a postdoctoral position for the following two to three years.

### Van Hool Builds Fuel Cell Bus for U.S.

The Belgian coach and special vehicle manufacturer Van Hool has built a bus that runs entirely on hydrogen fuel cells for a US program led by AC Transit, a public transport agency in Oakland, California.

The bus was developed and built by Van Hool just two years after since the original order was placed. Fuel-cell buses are clean, quiet, electrically propelled vehicles that emit only water vapor from the tailpipe. Within the next two years, AC Transit will be acquiring three new, state-of-the-art, zero-emission fuel-cell buses, a new energy station and an additional fleet of zero-emission cars to demonstrate the viability of an emission-free transit system. An average of 600 Van Hool coaches a year are exported every year to the US. ([www.vanhool.be](http://www.vanhool.be))

### Going Bananas

The UN Food and Agriculture Organization (FAO) estimates that bananas are the fourth most important crop in the world, after wheat, rice and maize. For many in the tropics, export and consumption of bananas are a matter of survival.

Because bananas are threatened by new kinds of pests and diseases, creating disease-resistant banana hybrids is a matter of some urgency. It is also a challenge: because bananas have no seeds, they are difficult to improve.

Leuven in Belgium has long been the unlikely banana capital of the world. Its local university hosts some 1,750 types of bananas, the world's largest diversity, as tiny plants in test tubes. Researchers at the KU Leuven have now developed ways to deep-freeze the samples. They have demonstrated that, after five years of being plunged into liquid nitrogen, banana cell suspensions can be recovered and turned into growing plants.

Under an agreement signed with the International Plant Genetic Resources Institute, the university will train scientists from developing countries in in-vitro and cryogenic techniques.

### Flemish R&D policy debated in New York

About 70 Flemish researchers in the U.S. recently attended a seminar in New York on transatlantic R&D mobility and cooperation between Flanders and the United States, attended by Flemish Minister for Science & Innovation Fientje Moerman.

The initiative was one of the steps the Flemish Government has recently taken to ensure that the Flemish science community in the U.S. remains aware of its initiatives to improve the career and funding opportunities for scientists in Flanders.

Minister Moerman outlined the Odysseus, Methusalem and Hercules programs, all aimed at attracting top researchers to Flanders.

The 'Odysseus' program is aimed at providing leading Flemish and foreign researchers with specific support of up to € 1.5 million over a five year period. Some € 12 million has been allocated for 2006. Top

## Fewer Formalities for Foreign Employees, Professionals

In a further effort to stimulate innovation and economic growth, the Belgian government announced on November 21 that it intends to abolish work permits for foreign scientists and foreign managers of international companies in Belgium. As of the beginning of 2006, the new regulations will apply to scientists from outside the EU who earn a gross salary of more than € 32,000 and work at a scientific institution or recognized private research facility. They are expected to speed up the entry of scientists by one to two months. It is widely accepted that the recruitment of senior scientists often generates dozens of new jobs.

The government plans similar exemptions to executives of multinational companies from the middle of 2006. The managers have to earn more than € 42,000 gross a year. At the same time, foreign business travelers and employees who come to work in Belgium for a short time, e.g. for a congress, training, or maintenance work, will for the duration of their stay also be exempt from the work permit requirement.

Significantly, the procedure for foreign independent professionals to obtain a professional card in Belgium, for example to set up a business, will be initiated in the future through one of the 'One Stop Shops' for businesses, created in 2003. Previously businessmen had to start the procedure to obtain a professional card at the local town hall, whereas the 'One Stop Shops' would see if the foreign business person had the required skills and experience to start the envisioned business in Belgium. The procedure for entrepreneurs residing abroad will remain unchanged.

[www.kafka.be](http://www.kafka.be)

Can't get enough of Business Memo? Earlier editions are available online, at [www.diplobel.us](http://www.diplobel.us).

The Embassy's website also lists other Investment Office publications, such as

- \*Fact Sheets about various aspects of the Belgian economy
- \*Setting Up in Belgium: a pocket guide for the business executive.
- \*Corporate Directory: an overview of the Belgian corporate presence in the US
- \*CD-ROM: Belgium: Gateway to Europe, with testimonials by US business executives

Hard copies of all publications are available from Bart Deelen, Business Development Manager, at [bart.deelen@diplobel.org](mailto:bart.deelen@diplobel.org)

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