

Prime Minister Verhofstadt Promotes Notional Interest Deduction in U.S.



Prime Minister Verhofstadt (left) listens as Deputy Prime Minister Reynders gives opening remarks in Washington for the seminar "Invest In Belgium. Increase Your Profits."

Prime Minister Verhofstadt arrived in Washington on January 16 for the start of an intense week of bilateral economic and political activity between the U.S. and Belgium.

On January 17, Mr. Verhofstadt met with President Bush in the Oval Office for a wide-ranging exchange of views on a series of international issues.

Mr. Verhofstadt's five-day trip was aimed primarily at promoting U.S. investment in Belgium, as part of the campaign 'Invest in Belgium. Increase Your Profits.' Deputy Prime Minister and Minister of Finance Didier Reynders, State Secretary of Administrative Reform Vincent Van Quickenborne, Belgian tax experts from the public and private sectors and representatives of the Belgian regional investment promotion agencies were part of the Belgian delegation.

The campaign highlighted a number of recent administrative and tax reforms designed to improve Belgian competitiveness, in particular the *notional interest deduction (NID)*. This innovative measure is aimed at eliminating the existing discrimination between the tax treatment of debt-financing and the tax treatment of equity-financing. It allows all companies in Belgium to claim a tax deduction for their cost of capital by allowing them to deduct a notional (deemed) interest on their net equity.

Combined with the abolishment of 0.5% capital tax, the NID is designed to encourage Belgian companies to strengthen their working capital and to reinforce the attractiveness of Belgium as a location for treasury and finance centers, capital-intensive companies (such as the Belgian Coordination Centers, whose specific tax regime will soon expire) and headquarters. Belgium is the only country in Europe with such an investment incentive.

During their meeting, the Prime Minister and President Bush agreed to start negotiations on a modernization of the *treaty on double taxation* between the U.S. and Belgium, which dates from 1970. In Washington, New York and Chicago, Mr. Verhofstadt and his delegation participated in investment seminars, breakfasts and lunches directed at the business community. The widely attended seminars were also an occasion to present other tax features, such as the ruling commission on tax matters in the Finance Department, the Belgian treaties against double-taxation, and the efforts of State Secretary Vincent Van Quickenborne to reduce red tape for businesses. For example, the time required to set up a company in Belgium has been reduced in the last couple of years to only *three* days.

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Business Meetings Generate First Results

In the wake of the *Invest in Belgium* promotion tour in the United States, the **Bank of New York** announced it wants to set up a European facility in Brussels, while pharmaceutical giant **Johnson & Johnson** will invest over a 100 million € in Belgium in 2006. Johnson & Johnson is one of the largest foreign investors in Belgium, with over 5,000 employees in 18 locations.

Meanwhile, **information storage specialist EMC**, telecom company Alcatel, information security specialist Ubizen and the Flemish Interdisciplinary Institute for BroadBand Technology IBBT started joint research on the storage, security and exchange of personal computer data. The announcement came after a meeting between the Prime Minister, Mr. Thomas Heiser, CEO of EMC, and Mr. Jan Van Riel, Director Technology of EMC Belgium.

The government will consider how it can support the initiative, for example through the NID, through a reduction in payroll taxes for researchers and engineers, or an involvement in a number of specific research applications such as e-government.

Prime Minister Verhofstadt Promotes Notional Interest Deduction in U.S. (contd.)

A series of individual contacts with existing and potential investors were held, so as to respond as much as possible to company-specific requests and concerns. In Washington, the Belgian Ministers also had a meeting with the President of the US Chamber of Commerce, Mr. Tom Donohue, and a number of its members. In a speech at the Center for Strategic and International Studies (CSIS), Prime Minister Verhofstadt outlined his views on the future of the European Union. In New York, the Prime Minister had an exchange of views with the President of the NYSE and representatives of corporations listed on the exchange. Mr Verhofstadt gave interviews in the Big Apple to *Bloomberg Media* and *The New York Times*, and discussed the concept of the NID with tax specialist Steve Forbes.

In Chicago, the Belgian government leader spoke about Europe's Strategy in a Globalized Economy at the Chicago Council on Foreign Relations, and met with Mayor Daley before visiting the Northwestern Memorial Hospital in Chicago. The hospital uses important diagnostic instruments from Belgium.

BioMedical News

Steps to Improve Competitiveness

In the context of the *Invest in Belgium* tour in the U.S., Prime Minister Verhofstadt announced several steps to improve Belgium's ability to compete in the biomedical sciences.

Recently a *platform for dialogue with the biomedical industry* was created to discuss on a regular basis new proposals in the area of public health, and innovation and employment issues in the sector such as registration and reimbursement of medicines. As reported in the previous *Business Memo*, the requirement for certain non-EU researchers to obtain work permits has already been abolished.

In the future, applications for approval of new medicines in Belgium could be introduced locally before the European Medicines Agency (EMA) has given its European approval. This would allow medicines to become immediately available on the Belgian market after the European approval. To speed up the registration process, a new medicine registration agency will be created. In addition, the system of early rulings by the tax authorities on new investments will be fully utilized, and the current reduction of payroll taxes by 50% on researchers will be expanded to all employees with PhD's.

Medrad Launches Belgian Operation

Medrad Europe, a subsidiary of the US-based medical imaging company Medrad, has expanded its direct operation in Europe by establishing Medrad Belgium, which will provide direct sales, service and customer support in the Belgian and Luxembourgish markets. Medrad sales in Belgium and Luxembourg have grown steadily since it entered the market through a distributor in 1975. The company's base will be in the city of Hasselt. Medrad Inc. is a worldwide leading provider of medical devices and services that enable and enhance imaging procedures of the human body. (www.medrad.com)

U.S. Authorities Approve Virco's HIV-test for Medicare

Biotech company Virco from Mechelen, Belgium, was notified by the U.S. Center for Medicare & Medicaid Services that the company's HIV-test will be eligible for reimbursement under the Medicare program. The test is used by doctors to determine the optimal drug therapy for every HIV-patient. Earlier the American Medical Association gave the test a specific code. The establishment of a code and a Medicare payment rate are key steps in making the new medical technology available to patients. The U.S. approvals are a historic first for Virco (www.virco.be)

Desso DLW Sports Systems Provides Sports Turf for Superbowl Champions

What do the Pittsburgh Steelers (Superbowl XL champions), and other NFL teams like the Broncos, the Eagles and the Packers have in common?

They all play on the DD-Grassmaster field, a patented system of Desso DLW Sports Systems from Dendermonde, Belgium. The field is a combination of natural grass and synthetic grass. The annual conference of the Sports Turf Masters Association (STMA) even proclaimed the Denver Broncos' turf to be the best in the U.S. The award is highly valued because the stadium managers themselves judge each other's fields. DD Grassmaster systems are in use in over 250 installations and stadiums and training facilities worldwide.

www.dessodlw.com

AudioVisual News

Kanakna Pairs With Telepictures

The Belgian TV production company Kanakna has entered into a joint venture with Telepictures, the TV department of U.S. media giant Warner Brothers, producer of popular series such as *ER* and *The West Wing*.

The newly created Kanakna USA, based in Los Angeles, will adapt European programs to an American format for the U.S. market.

Founded in 1993, Kanakna has produced local European versions of *Temptation Island*, *Extreme Makeover*, *The Bachelor* and *Survivor*. It has also produced numerous original formats, including *Peking Express*, which was produced for the German, French, and Dutch television markets.

The first project of the new joint venture will be to create a U.S. celebrity version of *Peking Express*: a trip along the Indian holy river Ganges with a number of U.S. celebrities.

www.kanakna.com

Eyetrionics Technology In Demand With Filmmakers

Eyetrionics, the provider of high resolution scanning services and animation-ready 3D models for feature films, television, commercials and computer games, is in increasing demand by the U.S. film world.

The high-tech spin-off from Leuven University, with offices in Los Angeles, announced 2005 was its most successful year since its creation in 1998. Eyetrionics' 2005 list of credits include *Charlie and the Chocolate Factory*, *Batman*, *Racing Stripes*, *Blade Trinity*, *The Brothers Grimm*, *The Land of Zorro* and others. Previous films featuring its technology include the James Bond film *Die Another Day*.

The company's volume of scanning projects doubled in 2005 from the previous year and projections for 2006 see even further growth for 3D scanning in all areas of entertainment production. Several high-profile films slated for release in 2006 have awarded their scanning projects to Eyetrionics, including *Poseidon*, *The Guardian*, *The Reaping*, *Dr. Doolittle 3* and *Garfield II*.

www.eyetrionics.com

Business In Brief

Financial

Clear2Pay, the international technology provider of new electronic payment solutions for financial institutions and corporations, announced the opening of Clear2Pay Americas. Based in Boston, MA, Clear2Pay Americas will be responsible for sales, professional Services and support in the U.S., Canada, Mexico, Latin America and the Caribbean.

Headquartered in Brussels, Belgium, Clear2Pay facilitates banks and financial organizations in their provision of payment services. Clients include global financial institutions such as ING, VISA, MasterCard, and ABN AMRO. (www.clear2pay.com)

Fortis, the Belgian global financial services provider, acquired Chicago-based O'Connor & Company, substantially increasing its clearing services on U.S. equity, futures and options markets. Fortis will combine its existing Chicago clearing operations with O'Connor & Company over the next several months, more than tripling its size and presence in the market. The combined firm will operate under the name Fortis Clearing US at the earliest possible time. (www.fortis.be)

Imaging

Imaging company **Barco** has responded to the growing demand for Barco resources in classified programs for US government and military customers by establishing a wholly US owned company named Barco Federal Systems Corporation (BFS).

BFS will be headquartered in Duluth, GA, where Barco has a major research and development, manufacturing and service facility. BFS will have a US-based board of directors and management team, with autonomous control and influence over BFS. (www.barco.com)

Advanced Materials

Bekaert, one of the world's leading manufacturers of steel wire products, steel cord, and advanced materials, acquired Delta Wire Corporation for US\$ 10 million (€ 8.3 million). Delta Wire Corporation, located in Clarksdale, Mississippi, is a major supplier of bead wire for tire reinforcement, and a wide range of specialized wire products for the North American market. The acquisition of Delta Wire brings to eight the number of production plants for advanced wire products operated by Bekaert in the United States. Delta Wire will continue to operate in its current capacity.

Bekaert is present in 120 countries. Headquartered in Belgium, the company employs 16,400 people, with sales of € 2.7 billion. (www.bekaert.be)

International Views

Belgium On Top in Logistics

Belgium tops the list of the 10 most desirable locations for semi-industrial and logistical buildings, the newest European Distribution Report of real estate company Cushman & Wakefield/ Healey & Baker concluded. Belgium's assets are low rental costs, strategic location and optimal access to the most important European markets. (www.cushmanwakefield.com)

Brussels 35th Most Expensive City

Brussels occupies only the 35th spot in the world ranking of most expensive office locations, according to a study by real estate advisor DTZ. DTZ's ninth annual Global Office Occupancy Costs survey is a guide to accommodation costs in major prime office locations covering 117 business districts in 46 countries worldwide. Ranking for the 2006 survey is focused on a per workstation basis to better reflect the costs of accommodation. London (West End) occupies the first place (18.74\$ cost per work unit) for the sixth year in a row, followed by Washington DC (15.37\$), and Hong Kong (15\$). In Western Europe, London, Paris, Frankfurt, Dublin and Luxembourg are all in the global top 10. (www.dtz.com)

Belgium Fifth Most Productive

Belgium is the fifth most productive country in the world, according to *The Conference Board's* figures for 2005. The Conference Board is a global business research and membership organization. Its productivity ranking, calculated on hours worked, is a leading indicator of economic activity as it provides an income per person in each country. According to the Board, Belgium created 40,000 new jobs last year, mainly in the service industry. (www.conference-board.org)

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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

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