



Business Memo from Belgium

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Starting A Company in Three Days

Begin the procedure to start a company on a Monday, and have it up and running by the end of the week? In Belgium, it's been possible since June 1st, when the government dramatically cut the red tape.

Here's how it would work. First the aspiring business owner wires the required minimum capital to a bank. On the second day, (s)he goes to a notary to have an electronic act of incorporation drafted. The act of incorporation is electronically forwarded to a registered one-stop shop for businesses, which activates the company registration number on the third day. Not every notary has the ability yet to forward the act of incorporation electronically, but Secretary of State for Administrative Reform Van Quickenborne hopes this will be the case next year.

Thanks to the latest reforms, Belgium will become the fastest country in Europe for a company set-up, according to data from the World Bank. In 2003 it still took 56 days on average to get started in Belgium, and it declined to 27 days on average in 2005. In its newly released report "Doing Business in 2007", the World Bank also noted that the cost to set up a business had also declined by 50% in 2005.

At the same time, entrepreneurship is on the rise, as the number of new start ups in Belgium increased by 30% between 2003 and 2006. In 2005, some 57,000 new companies were created in Belgium, and the number is likely to be even higher in 2006. The financial information firm Graydon announced that in the first six months of 2006 32,900 start-ups were registered. A new record and 6.37% up on the first half of 2005. On the other hand, only 708 companies had to fold in July and August, the lowest figure since 1997.

www.doingbusiness.org, www.kafka.be

Notional Interest Deduction Leads To Lowest Effective Tax Rate on Capital Among 81 Countries

Belgium now has the lowest effective tax rate on capital, according to the 2006 Tax Competitiveness Report by the C.D. Howe Institute in Toronto. Every year the institute scores 81 developed and developing countries according to their tax treatment of business investment. C.D. Howe estimates that the Belgian effective tax rate on capital declined from 23.5% in 2005 to -4.4% in 2006, resulting from the introduction of a notional deduction for equity financing. With both bond and equity financing deductions, Belgian companies are able to claim a higher tax value of deductions compared to the tax levied on income earned from investments, the study noted.

Among industrial and leading developing nations, China has the highest effective tax rate (47 percent), largely driven by its non-refundable 17 percent value-added tax applied to purchases of machinery. China is followed by Brazil, Germany, the U.S. and Russia, all with rates near 40%. Belgium's neighbors all have effective tax rates around 20% (Netherlands, Luxembourg), or around 30% (UK, France).

Meanwhile, the *Cadbury Schweppes* ruling of the European Court of Justice signifies that other European nations cannot try to recover the taxes saved in Belgium via the notional interest deduction. Cadbury subsidiaries in Dublin had to pay taxes in line with Britain's nominal corporate tax rate (30%), despite the Irish corporation tax being much lower (12.5%). The European Court of Justice ruled in favor of Cadbury. UK rules, it said, could only be justified if applied to "wholly artificial arrangements" designed to circumvent national law or avoid tax.

For Belgium, the ruling implies that foreign companies with subsidiaries in Belgium can enjoy notional interest deductions in the certainty that they will not have to compensate for these abroad.

Belgian Share of US Direct Investment in EU Increases in 2005

New data from the U.S. Department of Commerce (Bureau of Economic Analysis) show that in 2005 the cumulative value of U.S. direct investment in Belgium was \$ 36.7 billion. This makes Belgium the 8th destination for U.S. investment in Europe.

Proportionally most of the investment in Belgium (26.1%) is in finance and insurance companies (except banks), followed by chemical manufacturing (18.1%), non-bank holdings (12.7%), services (12.0%), and wholesale trade (\$ 10.6%). Belgium attracts 36.1% of all U.S. investment in chemical manufacturing in the EU, and 16% of all U.S. investment in services.

U.S. investment in professional, scientific and technical services has more than tripled since 2000. Companies in this category include law firms and accounting firms, advertising agencies, and computer and management (HR) services. Investments in finance and insurance have gained in importance as well, having more than doubled in nominal terms.

U.S. investment in Belgium increased about \$ 6.5 billion in 2005, an increase by 21.5%. Investment in Europe overall declined by 4%, mainly as a result of the American Jobs Creation Act of 2004, which allowed U.S. companies to repatriate foreign earnings to the U.S. at a tax rate of 5% instead of the customary 35%. A new situation many holdings and depository institutions in other parts of Europe took advantage of. As a result, Belgium's share of U.S. investment in the EU climbed to 3.9%, up from 3.1 % a year earlier.

The data also show that the economic ties between the EU and the U.S. remain very strong. Almost 50% of all U.S. investment abroad goes to the EU, whereas the EU represents 61.2% of foreign investment in the U.S. (www.bea.gov)

AIDS Inhibitor Set for US Market

Mechelen- based Tibotec Pharmaceuticals received accelerated approval from the U.S. Food and Drug Administration for the anti-HIV medication Prezista, a new drug for adults whose infection with the HIV virus has not responded to treatment with other antiretroviral drugs. Prezista is approved to be co-administered with other active anti-HIV agents and is designed to stop the virus from spreading further.

The new AIDS inhibiting drug sets itself apart from existing HIV medicine by its ability to treat more resistant forms of the virus. Prezista is the first compound in the Mechelen-based company's pipeline to receive regulatory approval. FDA accelerated approval procedures allow for earlier approval of drugs that provide a meaningful therapeutic advantage over existing treatment for serious diseases or life-threatening diseases.

"This approval offers new hope to HIV patients who too often urgently need new therapies in order to maintain their health," said Andrew C. von Eschenbach, Acting Commissioner of Food and Drugs. "This drug is not a cure, but when combined with other standard therapies, it presents one more major step in our effort to help patients combat the effects of the disease. "

Existing AIDS inhibitors are currently used in conjunction with other anti-HIV drugs. This combination therapy has proved successful in blocking the reproduction of the HIV virus in a patient's blood. Inhibitors prevent cells that have been infected with HIV from producing new copies of the virus. Unfortunately, many patients have built up a resistance to the treatment as new strains of the virus adapt. According to Stef Heylen from Tibotec, existing AIDS inhibitors now have little or no effect. With this latest drug, even long term patients can be treated with success.

The latest breakthrough in the treatment of AIDS was developed by both Janssen Pharmaceutica and its sister company Tibotec. Tibotec continues the research tradition of Dr. Paul Janssen, founder of the medical research giant Janssen Pharmaceutica. Janssen recruited a young doctor Paul Stoffels to research medical diseases in Africa. Today Stoffels is the CEO of Tibotec and since June he is responsible for research and development of new medicines at Johnson & Johnson. www.tibotec.be

Did You Know?

- Belgium is among the top 5 export destinations in Europe in 33 of the 50 U.S. states.
- Most of Belgian trade is with Texas (\$ 2.0 billion), New York (\$ 1.8 billion), and California (\$ 1.7 billion). In West Virginia, Maine, Mississippi, and North Dakota Belgium is the first European export destination.
- Belgian-U.S. trade in 2005 was worth almost \$ 30 billion.

(The Transatlantic Economy 2005, Johns Hopkins University)

Non-Profit Organizations Introduced to Fundraising in the U.S.

Against a background of tight government budgets, non-profit institutions in Europe are increasingly seeking private donations to complement the funding they traditionally receive from public authorities. In their search for new donors, some are beginning to 'discover' the largest philanthropic market in the world: the United States. In 2004, \$ 249 billion was donated in the U.S. to philanthropy by individuals (83%), foundations (12%) and corporations (5%).

In June the King Baudouin Foundation United States (KBFUS), in cooperation with the consulting firm Dehandschutter & Associates from Boston, organized a workshop in Brussels about *Raising Funds from the United States*, the first of its kind in Belgium. The workshop was intended to help the participants assess fairly whether their own organization is a reasonable prospect for an American fundraising campaign and engage in a first discussion on whether the U.S. market can be accessed on a cost-effective basis.

Jean-Paul Warmoes, Executive Director of the King Baudouin Foundation United States, welcomed about 100 executives from a wide variety of institutions: museums, non-profits (in the fields of health, environment, international development and historic preservation) and universities in Belgium, The Netherlands and France.

The King Baudouin Foundation United States (KBFUS) is a 501(c)(3) public charity, that helps U.S. donors achieve philanthropic goals in Europe and sub-Saharan Africa. KBFUS is affiliated with the Brussels-based King Baudouin Foundation (KBF), named after Belgium's late head of state, a leading foundation in Europe and a founding member of the European Foundation Center.

U.S.-based consultants Griet Dehandschutter, Johanna Gurland and Kenneth Hoffman explained the step-by-step process of entering the US market. Opportunities for Belgian non-profits are real as many have already received U.S. funding. Many participants were surprised to learn that US foundations give *more than \$ 2.5 billion each year* to non-profits, universities and museums outside the United States. 2002 data from the Foundation Center indicate that almost half the donations went to either health and family planning efforts (over 30%) or international development and relief efforts (12.6%), although international affairs, environmental issues, social sciences, education, arts and culture attracted a fair share as well.

Donations by foundations are only the top of the giving pyramid as additional millions are given abroad by US corporations as well as individuals. A lively discussion took place on why American donors give to European causes and how to identify and connect with these different donors. Lively testimonies on these topics were presented by Frans Baneke, the Director of the World Population Foundation, and Gerard Salole, current director of the European Foundation Centre.

The Conference Chair, Ann McLaughlin Korologos, Chair of the RAND Corporation, Honorary Chair of the Aspen Institute and former US Secretary of Labor, closed the discussion by encouraging the participants to enter the competitive US market with confidence, enthusiasm and professionalism.

www.kbfus.org

Unisys Opens Brussels Biometrics Center

Unisys Corporation, the worldwide technology services and solutions company, recently opened its European Biometrics Centre of Excellence in Brussels.

Potential customers will be able to visit the center to test new identification technologies such as 3D facial recognition, fingerprint identification, iris scanning and voice recognition. For example, the centre will showcase such applications as fingerprint identification tools that could be used to limit access to buildings and areas within an office or a combination of technologies such as voice and iris recognition to control access to data storage facilities.

Unisys now has biometric showcase centers in the two leading markets that serve as key focal points for many worldwide security issues: The Brussels Centre of Excellence represents the European Union and the Reston, Virginia, Centre of Excellence, located in suburban Washington, D.C., represents North America. New technologies, solutions and functional features, developed in both centers, will be shared continuously between the two sites.

www.unisys.com

Liège Attracts CooperVision Distribution Center

California-based CooperVision has decided to invest € 3 million in a new European distribution center in Herstal, near Liège. CooperVision is the third producer of contact lenses worldwide, and the third distributor in Europe.

The new center will be operational in the fall of 2006 and is expected to employ about 80 to 120 people by 2008. CooperVision has a turnover of over \$ 870 million a year and employs more than 6000 people in 17 countries. It is part of the US group Cooper Companies, a health sector company which manufactures mainly diagnostic and surgical instruments.

Main factors in the choice for Herstal were the central location from a distribution point of view, the modern infrastructure available at a competitive price, the quality of the local workforce, stable industrial relations, and the support of the local and regional authorities for the project.

ARINSO To Enhance Bank of America HR Services Capability

ARINSO International, the Belgian leading provider of HR technology consulting & outsourcing services, has been selected by Bank of America to provide HR administration, timekeeping, and payroll processing for managed HR and payroll services in the UK, Ireland, Spain, and Canada.

The agreement with Bank of America spans a period of six years, and covers HR administration and servicing for approximately 10,000 associates. Bank of America is the second largest commercial bank in the U.S.

The agreement will be implemented on the basis of Arinso's euHReka platform, a platform for streamlining HR operations for multi-country workforces. Founded in 1994, Arinso now employs over 2,400 staff in 25 countries.

www.arinso.be

Can't get enough of Business Memo? Earlier editions are available online, at 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.fed.be

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