



BUSINESS MEMO

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www.diplobel.us



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New US-Belgian Tax Treaty

A new treaty between the United States and Belgium to avoid double taxation entered into force on December 28, 2007. The effective date for withholding taxes will be February 1, 2008.

The new treaty constitutes a "win-win" agreement for businesses in the U.S. and Belgium with transatlantic operations. It reduces double taxation of income, eliminates barriers to trade and investment, and facilitates cross-border capital movement.

Economic ties between the US and Belgium will be strengthened by the new treaty. With bilateral trade between the two countries valued at more than \$35 billion annually, Belgium is the 18th trading partner for the United States, ahead of larger countries like India, Australia, Russia, and Spain. Some 1200 U.S. companies have already invested more than \$52 billion in Belgium, whereas Belgian companies have invested more than \$12 billion in the U.S., employing about 130,000 people.

The new tax treaty is but one more step in a series of measures the Belgian government has taken recently to increase Belgium's attractiveness for foreign investors.

- Since 2006, Belgium has allowed a deemed interest deduction for equity invested in a Belgian company or branch, thereby decreasing the effective tax burden.
- A recently enacted "Patent Income Deduction" effectively reduces the effective tax rate for patent income to maximum 6.8%, a rate substantially lower than the rates available for patent income in most other European countries. It significantly improves the prospects for patent development and holding companies in Belgium that license patents to U.S. affiliates.
- A new tax regime for pension funds went into effect last year, making Belgium the first European country offering multinationals a complete and comprehensive framework for the creation of both pan-European and international pension funds.

The US-Belgian Double Taxation Treaty contains a variety of interesting new features for U.S. companies with business plans in Europe.

- It introduces a 0% withholding tax on dividend payments from a U.S. company in Belgium to its U.S. parent company, provided the U.S. entity in Belgium owns 10% or more of the Belgian company. This 10% ownership threshold is significantly lower than the threshold in other treaties recently concluded by the U.S. Combined with other general features of Belgium's domestic tax system for holding companies, this may attract holding companies for holding the shares of U.S. affiliates. The exemption from withholding tax also applies to pension funds, provided the dividends are not the result of business activities by the funds.
- It introduces a 0 % withholding tax on interest. Together with the Notional Interest Deduction, this makes direct loans between the U.S. and Belgian affiliated companies more attractive, and increases possibilities for companies in Belgium to finance U.S. affiliates.
- It is the first income tax treaty concluded by the U.S. to contain a binding arbitration procedure with a foreign country, giving taxpayers the prospect of finality to a tax dispute within a specific timeframe. The U.S. and Belgium have two years to resolve a tax dispute before arbitration starts.
- Anti-abuse provisions designed to deny inappropriate use of the treaty were strengthened, to bring them into closer conformity with current U.S. treaty policy. On the other hand, new categories of taxpayers such as qualified charities or pension trusts will now be able to claim benefits.

Contact Us!

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Flanders and Wallonia Top Regions

Flanders and Wallonia are both ranked among the top 10 of the most attractive European regions for foreign investors, according to a recent study by the Financial Times. London tops the list of most attractive locations, followed by Flanders, Paris, Leipzig and Wallonia.

The study *European Cities and Regions of the Future 2008/2009* used 75 criteria to compose the listing, including the state of the economy, business friendliness, quality of life, human resources, business costs, business infrastructure, and existing foreign investment.

Belgian cities score high in the city rankings as well. Brussels is the seventh most important city in Europe, the ninth city for attractiveness of local companies for employees and quality of life, and fifth for infrastructure. Antwerp, on the other hand, is seen as the eight most attractive smaller European city.

Top 10 Most Attractive for FDI

Rank	City/Region
1	London
2	Flanders
3	Paris
4	Leipzig
5	Wallonia
6	Tallinn
7	Cardiff
8	Bristol
9	Berlin
10	Scotland

www.fdi.net

Belgium Most Globalized Country

Thanks to its small and open economy, Belgium is the most globalized country in the world, according to the Swiss economic research institute KOF. The 'KOF Index of Globalization' compiled by the institute, measures the economic, social and political dimensions of globalization in 122 countries over a period of more than 30 years (1970-2005).

24 variables are used in the index. Economically, the variables measure international trade, investment and capital movements. Social globalization is determined by contacts with other countries and foreigners, access to international news and information, and 'cultural integration' internationally. Variables for political globalization include the number of Embassies, membership in international organizations, and participation in UN missions.

With the exception of France and the UK, the top 10 on the index was made up exclusively of small countries with open economies. Belgium was ranked 3rd for economic globalization, 4th for social globalization, and 8th for political globalization, which resulted in the top spot overall.

2008 KOF Index of Globalization

Rank	Country
1	Belgium
2	Austria
3	Sweden
4	Switzerland
5	Denmark
6	Netherlands
7	U.K.
8	Czech Republic
9	France
10	Finland

Latest Economic Indicators

GDP	+ 2.7%	(2007)
Inflation	+ 3.6%	(02-2008)
Unemployment	6.9%	(02-2008)
Euro/dollar	1.5477	(03.12.08)
Trade balance (12 months)	+2.1 € bln.	(11-2007)

Source: National Bank of Belgium, *Economic Indicators*, 03.07.2008
www.nbb.be



Tax Rulings A Success

The Belgian Finance Department has announced that the 'advance ruling' by Belgian tax authorities, available to all taxpayers for a binding assessment on how the tax code shall be applied to a particular situation, is increasingly popular with foreign businesses.

The number of ruling applications rose from 200 in 2003 to over 500 in 2007.

Tibotec Gets FDA Approval for New HIV Drug

On January 18, the U.S. Food and Drug Administration approved *etravirine* tablets for the treatment of HIV infection in adults who have failed treatment with other medication.

Etravirine helps to block an enzyme which HIV needs to multiply. The drug was approved to be used in combination with other anti-HIV medications. Sold under the trade name **Intence**, etravirine received a priority review by the FDA.

"This is another significant new product for many HIV-infected patients whose infections are not responding to currently available medications," said Debra B. Birnkrant, M.D., director of the FDA's Division of Antiviral Products.

When used with other active anti-HIV medicines and when taken as prescribed, etravirine reduces the amount of HIV in the blood and increases white blood cells that help fight off other infections. In addition, etravirine may reduce the risk of death or infections that can occur with a weakened immune system.

The FDA's approval of etravirine is based primarily on data from 599 adults who received etravirine. After 24 weeks of treatment, more of the patients who received etravirine along with background therapy experienced reductions in the level of HIV in their blood than did those who received a placebo and background therapy. The most common adverse events reported were rash and nausea.

Etravirine is distributed by Tibotec Therapeutics, a division of Ortho Biotech Products L.P., based in Bridgewater, N.J.

www.tibotec.be



Belgian hydrogen vehicle (1860)

Nestlé Intends to Move Pension Funds to Belgium

After an announcement by Minister of Finance Reynders on February 13, Swiss food giant Nestlé has confirmed that it is looking into ways to concentrate its European pension funds in Belgium. Nestlé's idea is to create a vehicle which has the potential to act as an umbrella for all the other European pension schemes. The reason for the move is Belgium's favorable tax treatment of pan-European funds.

Corporate pension fund manager, Jean-Pierre Steiner, already hinted last March, during a visit by Prime Minister Guy Verhofstadt and Minister of Finance Didier Reynders to Geneva, that he considered the Belgian tax regime the most attractive. Nestlé has already submitted its file to the Belgian authorities.

Because of the economies of scale involved, concentrating all European pension funds from the different EU countries in Belgium is more economical and efficient, according to a spokesperson from the food giant. Decisions about a specific timing will be taken in the next few months.

www.nestle.com

Belgian Hydrogen Car... in 1860

How to produce more environmentally friendly cars was one of the most pressing questions among the more than 8,000 delegates who recently attended the Washington International Renewable Energy Conference (WIREC) .

Hydrogen cars are usually seen as one of the more ambitious and futuristic options, but Etienne Lenoir would probably disagree. Born in Mussy-la-Ville, Belgium, in 1822, Lenoir not only invented the first practical internal combustion engine. In 1860, he built a smog-free car that used a renewable fuel.

Lenoir's 1-cylinder, 2-stroke 'Hippomobile' used an internal combustion engine that turned water into combustible hydrogen fuel by electrolysis, as it went down the road. The Hippomobile engine ran on 'natural cycles' with an uptake of fuel mixture and a down stroke combusting the exhausted fuel.

Lesson for all inventors: if your new technology seems irrelevant at first, don't despair.



Brussels Most Punctual Airport

In its 'European Airlines 2007' analysis, the Association of European Airlines (AEA) has listed Brussels as the most punctual airport.

16.9% of flights departing Brussels were 15 minutes or more behind schedule, unchanged from 2006. Brussels was followed by Düsseldorf (17.6%), Vienna (17.9%), Oslo (19.3%) and Milan (19.7%).

London Heathrow had the highest incidence of delays, with 35.5% of flights departing late. Next in order came London Gatwick (30.2%), Rome (30.0%) and Paris CDG (27.3%).

In general, 22.7% of departures were delayed by more than 15 minutes, up from 22.3% in 2006.

www.brusselsairport.be

KLA-Tencor Acquires ICOS Vision Systems

San Jose-based KLA-Tencor and Belgian firm ICOS Vision Systems Corporation announced on February 21 that the companies are in a merger agreement, where KLA-Tencor will pay € 36.50 per ICOS share.

The deal, expected to close in the second quarter of 2008, is worth approximately \$465.8 million. KLA-Tencor supplies inspection and metrology systems for the semiconductor industry, ICOS supplies testing and packaging inspection tools for the semiconductor industry. ICOS also manufactures equipment used for inspecting photovoltaic wafers and solar cells.

ICOS was created as a spin-off of the University of Leuven in 1982 and started to specialize early on in a segment of the semiconductor industry. From 1997 to 2006, it was listed on the NASDAQ stock exchange, and acquired companies in Germany and China.

www.kla-tencor.com

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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