Deloitte.

Corporate tax alert
Belgium

Belgian corporate income tax reform in the works

The previous corporate tax alerts of 25 August and 6 September 2016 highlighted the Finance Minister's plans to substantially reform the Belgian corporate income tax (CIT) regime.

For the sake of clarity and convenience, and as some new details on the minister's plans have surfaced, the currently available information has been consolidated into one text.

Tax rate reduction

The crux of the minister's plan is a phased in but significant reduction of the nominal CIT rate from 33.99% to 27% in 2017, to 24% in 2018 and to 20% in 2019. The 3% crisis surcharge would be phased out on a linear basis over the same 3-year period.

These rates would apply to all CIT taxpayers. Hence, the reduced rate regime for SMEs would be abolished (subject to a transitional regime for SMEs during the 3-year phase-out period). However, a special regime would be available to start-ups (qualifying as SMEs) during the first 5 taxable periods.

Furthermore, a new conditional (35%) tax reduction for hiring additional personnel would be introduced, and it would be made possible to convert tax-free into taxed reserves at a reduced rate.

Simplification

In light of the tax simplification objective underlying the CIT reform, the minister's plan aims at eliminating a number of tax obstacles, such as:

- An abolition of the 0.412% tax on capital gains on shares realised by MNEs; and
- An increase of the dividend received deduction (DRD) from 95% to 100%.

Budget neutrality

To ensure that the contemplated CIT reform occurs in a budget-neutral framework, the minister's plan proposes a range of compensatory measures. These measures consist of (1) broadening the CIT base and (2) some miscellaneous measures.

Broadening the CIT base

According to the minister's plan, the CIT base would be broadened in three phases, in line with the rate's decrease. The following measures, among others, are being considered:

- An abolition of the notional interest deduction (NID) regime;
- A limitation of the deduction of tax losses carried forward, the DRD carried forward and the old stock of NID carried forward to EUR 750,000 plus 40% of the excess per taxable period;
- A limitation of the deduction of interest expenses in line with the Anti-Tax Avoidance Directive (subject to grandfathering loans contracted before a certain date);
- The introduction of a minimum shareholding requirement for the (full) exemption of capital gains on shares to apply;
- A phase-out of the investment deduction (ID) regime, with a potential grandfathering of ID carried forward (the R&D tax credit would, conversely, continue to exist);
- The introduction of a "diverted profits tax" (inspired by UK legislation);
- An amendment of the tax depreciation rules with the effect of, amongst others, abolishing the double declining balance depreciation method;
- A revision of the general rule for tax deductibility of business expenses as well as amendments to certain disallowed expenses (for instance, the deductibility of car costs would in almost all circumstances be lower than today, with 50% serving as a minimum); and
- Some limitations to the exemption of certain provisions for risks and charges.

Other compensatory measures

The minister's plan also contains a number of other measures, specifically to discourage individuals from exercising their business activities in the legal form of a company.

Next steps

The measures included in the Finance Minister's plan must now be discussed in-depth within the government. At this stage, it is therefore still uncertain as to whether and how the final CIT reform will take shape.

Updates on the CIT reform plans will be provided as additional details become available.

Contacts

If you have any questions concerning the items in this alert, please contact your usual tax consultant at our Deloitte office in Belgium.

For general inquiries, please contact:
bedeloittetax@deloitte.com, + 32 2 600 60 00

Be sure to visit us at our website:
http://www.deloitte.com/be/tax

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax and legal, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 225,000 professionals, all committed to becoming the standard of excellence.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

© 2016. For information, contact Deloitte Belgium.

Subscribe | Unsubscribe