



FSI tax alert

Belgium

Program Law introduces a new contribution for banks and insurance companies

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The new financial contribution for banks and insurance companies, which is expected to contribute EUR 100M to the Treasury for tax year 2016 (and EUR 150M for tax year 2017), has been introduced in the Program Law of 10 August 2015, which was published in the Belgian Official Journal on 18 August 2015 ([Dutch](#) | [French](#)).

The contribution consists of creating a (supplementary) taxable basis for banks and insurance companies by reducing the tax attributes that would normally have been applied (pending the new measure). The amount which will be used to reduce the tax attributes is determined in a first phase, with the tax attributes' reduction by this amount occurring in a second phase and within a specific order.

The amount's calculation (which will be used to reduce the tax attributes) differs between banks and insurance companies. For banks, it will be based on the amount of debt towards customers (line 229 (solo) of table 00.20 of Annex A of the reporting to the Belgian National Bank). For insurance companies, the calculation will be based on the amount of technical provisions under Code 14 and 15 (of the financial statements conforming to the Royal Decree of 17 November 1994). These amounts will be multiplied by a percentage (determined by law) of 2.37% for banks and 1.88% for insurance companies and then by the notional interest deduction (NID) rate (1.63% as regards tax year 2016).

The amount calculated will, in a second step, reduce the tax attributes that would have normally been applied by concerned entities (pending the new measure). A specific order has been determined by the Belgian legislator in order to respect the IFRS environment and more particularly the institution's deferred tax assets. The deduction will at first be applied to the tax losses carried forward and in a second instance applied to the dividends received deduction ("DRD"). As regards the DRD, the deduction will be applied first to DRD that may be carried forward in accordance with art 205 § 3, CIR 92. Finally, the deduction (if any remaining) will be applied to the current year NID. The tax attributes that could not be used due to the new measure may be carried forward to the subsequent year(s). This however is not the case for the current year NID or for DRD which may not be carried forward.

The new contribution will be applicable as of tax year 2016 (financial years ending on or after 31 December 2015).

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