



Global Employer Services COVID-19 | Individual tax

COVID-19 wage tax incentive: faster incentive cashing made possible

New practical guidelines have been published as to how employers can claim the (temporary) COVID-19 wage tax exemption, with newly simplified formalities allowing employers to cash claimed incentives faster.

Simplified formalities

The law of 15 July 2020 introduced a temporary wage tax exemption for employers that used the temporary unemployment scheme during an uninterrupted period of 30 days from 12 March to 31 May 2020. This measure aims at supporting the re-activation of workers concerned by lowering their salary cost. Eligible employers can retain 50% of the difference between the total wage tax for June, July and August 2020, and the wage tax for May (i.e. the reference period) respectively. More information is available in the [7 September 2020 tax alert](#).

The practical procedures to make use of this tax incentive have been determined in the Royal decree of 22 August 2020.

The Royal Decree of 27 September 2020, [published on 1 October 2020](#), introduces new formalities to speed up tax incentive cashing by enabling the offset of the temporary COVID-19 wage tax exemption (applicable for June, July and August 2020) against wage taxes due for:

- September or October 2020 if monthly reporting applies;

- The third quarter of 2020 if quarterly reporting applies

These new formalities were introduced to ensure an administratively straightforward process, and prevent potential delays in the reimbursement of overpaid wage tax.

For each of the three months for which the COVID-19 wage tax exemption is claimed, a separate second (i.e. negative) wage tax return must be filed. In each of those returns, one of the following codes should be used as reference to the month to which the exemption relates ("*aard van de inkomsten*" / "*nature des revenus*" section):

- Code "71" for June 2020
- Code "72" for July 2020
- Code "73" for August 2020

By allowing the exemption for all three months (June, July and August) to be offset against wage tax due for only one period (e.g. September or October 2020/third quarter 2020), it is possible that the incentive cannot be fully obtained. In such a case, any excess from the incentive can be transferred to a subsequent period.

Combination with other wage tax incentives

The temporary COVID-19 wage tax incentive can be combined with other wage tax incentives, such as the partial exemption for night and shift work, overtime, work in the construction sector and/or researchers (as mentioned in articles 275¹ until 275¹¹ BITC). Further information on these measures is available below:

- [Overtime](#)
- [Works in construction sector](#)
- [Researchers](#)

However, the COVID-19 wage tax exemption should be applied on the remaining wage tax (i.e. after application of other wage tax exemptions). An accurate calculation is needed to ensure a correct application.

In addition, if temporary unemployment was claimed between March and May 2020, other wage tax exemptions (e.g. for researchers and/or night and shift workers) might require some adjustments if those shift workers or researchers were on temporary unemployment.

Contacts

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