



## Individual tax alert Belgium

### New social security contributions calculation for the self-employed



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As of 1 January 2015, specific changes will enter into force for the calculation of self-employed persons' social security contributions.

Compared to the currently applicable calculation system, the reform will affect the calculation of the social security contributions payable as from the 4th year of self-employed activity: the final contributions will no longer be calculated on the income of the 3rd preceding year but on the income of the current year. However, as the actual net taxable income from the current income year is not yet known at the beginning of a new year, the social insurance funds will propose payment of provisional contributions, of which the amount will be based on the net taxable income of the 3rd year preceding the current income year (similar to the current system).

Example: for an individual performing self-employed activities for more than 3 years:

- Current calculation system: final contributions for 2014 are calculated on 2011 income;
- New calculation system: provisional contributions of 2015 are calculated on 2012 income, whereas final contributions for 2015 are calculated/regularised based on 2015 income;

In view of this proposal, the self-employed person has three options:

- If business is running as usual and it is expected that the self-employed income will not significantly decrease or increase, it is recommended to accept the proposal and pay the provisional contributions accordingly. A regularisation based on the net taxable income of the current year will follow once the actual net taxable income of that year is known.
- If the self-employed person is expecting a significant income decrease (e.g. business is slow), he/she can request to pay lower contributions; i.e. either pay the minimum contributions or pay double the minimum contributions. To that purpose, it should be noted that certain thresholds must be taken into account and that objective elements are required to justify that the net taxable income of that year will be lower than the 3rd year preceding the current income year. It is important to estimate the income appropriately because if a provisional contributions decrease has been requested, penalty increases will be imposed if, once regularised, it appears that the self-employed person has not paid sufficient social security contributions.
- If the self-employed person is expecting an income increase compared to the 3rd year preceding the current income year, an increase of the provisional contributions can be requested by informing the social insurance fund of the expected higher income or by simply paying higher contributions than proposed. This will avoid large regularisations.

With all above options, regularisations will take place based on current income year revenue. Since the regularisation is based on figures which will be provided to the social insurance fund by the tax authorities, a delay of approximately 2 to 3 years is expected for each income year for a regularisation to take place. In the current system, such regularisations are not needed on a yearly basis since the net taxable income from the 3rd year preceding the current income year is in most cases already known at the moment the contributions were due.

The new system also entails that regularisations will still take place 2 or 3 years after having stopped the self-employed activities.

Deloitte Belgium's immigration and social security services team will provide updates and is readily available to provide more detailed information.

## Contacts

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