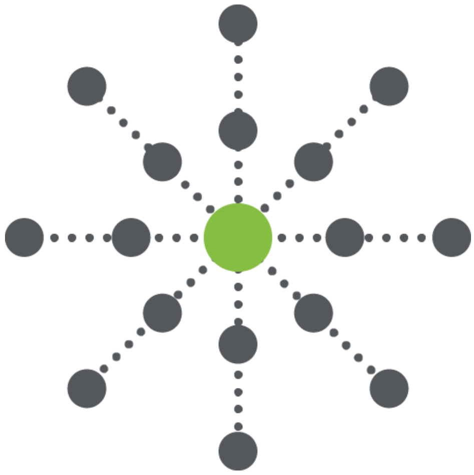
Belgium | Deloitte Tax | 04 August 2017



Global Employer Services
Individual tax

Summer Agreement – Tax measures relevant to individuals and employers

On 26 July 2017, the Belgian federal government reached an agreement on a plethora of measures, the so-called "Summer Agreement". The Summer Agreement includes a series of tax measures aimed at (i) stimulating economic growth and job creation, (ii) reinforcing Belgium's attractiveness for foreign investments, and (iii) achieving more "fairness" in taxation policy.

In this alert, the focus is on the tax measures which are relevant to individuals and employers. For an overview of the corporate tax measures put forward by the agreement, reference is made to Deloitte's Tax Reforms Hub.

These measures still need to be translated into a draft law and may be subject to amendments throughout the legislative process. Expectations are that the bill enacting the changes will be submitted to Parliament in autumn.

Employee profit participation

The government aims at making profit participant plans (as regulated by the law of 22 May 2001) more attractive. The new regime would make it possible to grant profit participation to employees without obligation for the employer and without participation of the employees in the company's capital.

At employee level, the profit participation premium would be subject to the normal 13.07% employee social security contributions, whereas the individual tax rate would amount to only 7%. At employer level, no employer social security contributions (currently around 32%) would be due. Company directors and executives would not be able to benefit from this profit participation regime.

This measure would become applicable as from 1 January 2018.

Tax deductibility of company cars

As from financial year 2020, the following changes would be made to the tax deductibility of company car related expenses:

- The deductibility would depend on the actual CO² emission per car and be between 50% and 100%. However, if the CO² emission exceeds 200 grams/kilometer, the tax deductibility would be limited to 40%;
- Fuel costs would also be deductible based on the CO² emission of the car (the lump sum disallowance of 25% of fuel costs would no longer apply);
- Car costs related to certain hybrid cars would become non-deductible in the same manner as their non-hybrid counterparts;
- Costs related to electric cars would be deductible at 100% instead of 120%.

Employment of R&D personnel

As from 2018, the wage tax exemption for qualifying R&D personnel would be extended to holders of a professional bachelor degree.

Employment of low-skilled an unemployed workers

Companies employing certain categories of "low-skilled" and unemployed workers can apply for the status of "integration enterprise" ("inschakelingsbedrijf" / "entreprise d'insertion"), which allows them to benefit from a full corporate tax exemption. As from 2018, the corporate tax exemption would be limited to EUR 7,440 (subject to indexation) per effective employment of a qualifying worker.

Management companies

The corporate tax reform agreement includes a number of tax measures relevant for management companies. The most relevant ones are the following:

- The reduced corporate tax rate applicable to Small & Medium Sized Enterprises (SME's) would be lowered in 2018 to 20.4% (incl. 2% surtax) on the first EUR 100,000 of taxable profits. Higher profits would be taxed at the new standard rate of 29.58% (incl. 2% surtax). In 2020 these rates would further decrease to 20% (abolition of surtax) and 25% respectively.

- As a rule, SME's would need to grant a minimum salary of EUR 45,000 (currently EUR 36,000) to at least one (individual) company director in order to benefit from the reduced corporate tax rate. In addition, a (deductible) separate tax at the rate of 10% would be due on the difference between the actual salary and the required minimum.
- The conditions to benefit from the exemption for capital gains on shares would be aligned with the conditions for applying the dividends received deduction. As a result, the underlying shares would, as of 2018, also need to satisfy the minimum participation threshold (10% of the share capital of the distributing company or an acquisition value of at least EUR 2.5 million).
- Capital reductions would, as of 2018, become subject to withholding tax (at the default rate of 30%) in proportion to the share of the taxed reserves in the paid-up capital increased by the taxed reserves. The portion of the capital reduction deemed as resulting from paid-up capital would remain untaxed. This measure would lead to withholding taxes becoming due on certain capital reductions. This new measure would not alter the rules governing so-called Article 537 ITC-capital (i.e. taxed reserves distributed and subsequently incorporated into paid-in capital before 1 October 2014).

Taxation of savings

Subscription tax on securities accounts

A new (annual) subscription tax ("*abonnementstaks / taxe d'abonnement*") would be introduced on securities accounts. The securities hit by the tax would be limited to "shares, bonds and funds". Pension savings and life insurances would remain
exempt. The tax would be due at the rate of 0.15% provided the average amount on the securities account amounts to EUR 500,000 or more. The new tax would apply to all (Belgian and foreign) securities accounts held by resident individuals. The tax would not be due on securities accounts held by legal entities.

Dividends

Dividends received by individuals would be exempt for up to EUR 627 per year as of 2018. This would amount to a tax saving of maximum EUR 188.10 per year at the current withholding tax rate of 30%.

Saving deposits

On the other hand, the individual income tax exemption applicable for interest from regulated saving accounts (currently EUR 1,880) would be halved to EUR 940 as from 2018.

Collective investment funds

Currently, Belgian individuals are subject to a 30% withholding tax on capital gains realised on shares in collective investment vehicles investing at least 25% in debt bonds.

The budget agreement provides for the abolishment of the 25% threshold as of 2018.

Stock exchange tax

In 2018, the stock exchange tax applicable when purchasing or selling stock or shares would increase from 0.27% to 0.35%. For bonds, the stock exchange rate would increase from 0.09% to 0.12%. The maximum amount of the tax relating to bonds or similar financial instruments would remain EUR 1,300 per single transaction. The maximum amount of the tax relating to stock or shares would remain EUR 1,600 per single transaction.

Pension measures

Pension savings

Under the current pension savings regime, a 30% tax relief applies to payments of up to EUR 940 (per year) under a qualifying individual pension savings plan.

As from 2018, individual taxpayers would be able to opt for an alternative system under which they would be able to claim a 25% tax relief of an amount up to EUR 1,200 (per year).

Supplementary pension for self-employed persons

The government has agreed on the implementation of a supplementary pension scheme (second pillar pension) for self-employed persons. The tax frame still needs to be determined but it is expected to be identical to the one applicable to self-employed directors (pension entitlement provided through their own company).

Possibility for employees to contribute to the company's group insurance

The Government aims to grant employees the possibility to personally contribute to a group insurance as of 2018. Upon the employee's request, the employer would have the obligation to withhold the personal contributions from the employee's net salary. The employee would decide on the level of contribution. The tax regime applicable to these contributions would be the same as for employer funded plans.

Other changes

- Harmonisation of lump-sum deductions for professional expenses in favour of self-employed workers
- Decrease of social security threshold for starting self-employed persons (introduction of progressive rates)
- Broader scope of the flexi-job regime
- Anti-abuse measure for non-recurring tied bonus (CCT/CAO 90)
- From 2020 onwards, the secret commissions' tax would no longer be tax deductible

Updates will be provided as soon as more information becomes 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 or:

- Sofie Van Breedam, svanbreedam@deloitte.com, + 32 2 600 67 93
- Frédéricq Jacquet, frjacquet@deloitte.com, + 32 2 600 65 29
- Meghann Luypaert, mluypaert@deloitte.com, + 32 2 600 65 38

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.

© 2017. For information, contact Deloitte Belgium.

Subscribe | Unsubscribe