



## **R&D tax alert** Belgium

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### **Researcher withholding tax exemption extended to certain bachelor's degrees from 1 January 2018**

Article 275/3 of the Belgian Income Tax Code ("ITC") provides a partial withholding tax exemption for some employees active in R&D. The exemption currently amounts to 80% of the withholding tax deducted. In order to benefit from this exemption, several conditions need to be met, including a scientific master's degree requirement in most cases.

#### **List of eligible master's degrees**

Art 275/3 ITC provides a list of qualifying degrees that are eligible for the withholding tax exemption.

All qualifying degrees are master's degrees in a scientific field (except Human Science). A separate list of qualifying study fields has been included in regional legislation for the Flemish Community and the French speaking community. The law also foresees the possibility to apply the exemption for an employee holding an equivalent foreign master's degree.

Bachelor's degrees are currently excluded (except for collaborative projects with universities or scientific institutions, and for Young Innovative Companies).

**Certain bachelor's degrees will become eligible**

The draft legislation on the corporate tax reform also includes a special section on art. 275/3 ITC. The draft law foresees the eligibility of certain bachelor's degrees for the researcher withholding tax exemption, for remuneration paid from 1 January 2018. The draft law foresees a list of eligible study fields (or equivalent study fields).

For the Flemish Community, the following study fields have been included:

- Biotechnics
- Healthcare
- Industrial Science and Technology, and Nautical Science
- Product Development
- Commercial Science and Business Administration, but limited to subcategories mainly focused on IT

For the French speaking Community, the following study fields have been included:

- Technical study fields focussing on Architecture, Biotechnics, Industrial Science, Technology, Nautical Science, Product Development and IT

Given that this is a first draft and based on Deloitte's discussions with several government bodies, this list of degrees will likely still be adjusted to better reflect the R&D status for bachelor's degree holders.

## Same conditions but limited application

The same master's degrees conditions will also be applicable for bachelor's degrees:

- They need to perform eligible R&D activities
- These activities need to be notified to Belspo (Federal Science Department)

However, the exemption's application to bachelor's degrees is more limited:

- The exemption will be limited to 40% (with a possible increase to 80% from 1 January 2020).
- The exemption applicable to bachelor's degrees cannot exceed 25% of the total exemption of withholding tax for R&D activities claimed by the company (or 50% for small companies according to art. 15 § 1 to 6 of the Companies Code).

## Next steps

The draft law will likely be finalised and published in the Official Journal before the end of the year. As mentioned above, there may still be changes in the list of eligible bachelor's degrees.

It may however prove useful to already begin analysing the bachelor's degree holding population in an organisation, and its eligibility.

With considerable R&D withholding tax exemption experience at its disposal (including the discussion of degrees' eligibility with

the competent authorities), Deloitte's R&D tax incentives team is readily available to provide assistance.

## 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:

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