



Indirect Tax VAT alert

New EU rules on reduced VAT rates lead to changes in Belgium

On 5 April 2022, the European Council formally adopted Council Directive (EU) 2022/542 introducing reforms to VAT rates. Under the new rules, that were agreed in December 2021 and endorsed without changes by the European Parliament, EU member states are able to apply reduced VAT rates and even a super-reduced or zero VAT rate to an updated and extended list of supplies (see Deloitte Belgium's [VAT alert dated 9 December 2021](#)). The new directive amends Directive 2006/112/EC on the common system of VAT (the European VAT directive) and Council Directive (EU) 2020/285 concerning the special scheme for small enterprises and applies as from 6 April 2022, its date of publication in the [Official Journal of the European Union](#).

Belgian VAT rate developments

In Belgium, the broadened scope of reduced VAT rates combined with significant increases in energy prices has triggered new activity around VAT rate reductions. Several different measures have been approved, including an energy package with VAT rate reductions that was published on 31 March 2022. The new rates have been implemented via royal decree and related guidance has been issued by the minister of finance. An overview of the new measures is provided below.

Demolition and reconstruction of residential property in Belgium

The 6% VAT rate for demolition and reconstruction of residential property is extended for one year until 31 December 2023. No substantive changes are made to the eligibility requirements for the regime.

Installation of solar panels, boilers, and heat pumps

A royal decree of 29 March 2022 introduces a reduced rate of 6% for the supply with installation of photovoltaic and thermal solar panels, solar boilers, and heat pumps in residential buildings. The 6% rate applies as from 1 April 2022 until 31 December 2023.

The reduced rate applies not only to the installation costs, but also to all ancillary parts and accessories specific to the relevant system (e.g., earthworks, cables, pipes, etc.). The reduced rate cannot be applied to a specific part of the heating or electricity system necessary to distribute the energy generated within the home (e.g., installation of underfloor heating).

In practice, this new measure will only affect installations for new builds and recently constructed properties (particularly those built within the last 10 years). Older houses can already benefit from a permanently reduced VAT rate of 6% on the supply and installation of solar panels, boilers, and heat pumps in connection with conversion, renovation, or improvement works. The minister of finance has clarified ([Dutch](#) | [French](#)) that the reduced VAT rate does not apply where the installations are included in an “off-plan” sale (aankoop op plan/achats sur plan) of a new building to private individuals, meaning that houses built and sold by property developers would not qualify for the reduced VAT rate on these components.

The eligibility conditions for the newly introduced reduced rate are in line with those applicable for work on immovable property carried out on dwellings that are at least 10 years old (e.g., end consumer, specified details must be provided on the invoice, and swimming pools, saunas etc. are excluded).

Bicycles and e-bikes

Belgium had anticipated the extension of the European list of products that could benefit from reduced VAT rates by foreseeing in 2019 that bicycles and e-bikes would become subject to the 6% rate as from the date of entry into force of the necessary changes to the European VAT directive.

While this VAT rate reduction was eagerly awaited, it was cancelled at a late stage in the framework of the reconsideration of the budget priorities against the geopolitical background that forced the Belgian government to take more extensive support measures in the energy sphere. A royal decree annulling the 6% rate for bicycles and e-bikes was published on 6 April 2022 to enter into force at the same time as the European VAT directive changes. The text of the draft decree (which is the same as the final version) is available on the Finance Ministry's website ([Dutch](#) | [French](#)).

Bicycles and e-bikes will therefore continue to be subject to the standard VAT rate of 21%. The budget allocated to fund the VAT rate reduction is to be reallocated to non-fiscal measures to promote commuting by bike.

Electricity and natural gas

In an attempt to reduce the effect of the current high prices for electricity and gas, the government has extended the temporary VAT rate reductions for the supply of gas and electricity to residential customers as follows:

- The 6% VAT rate for the supply of electricity initially intended to apply as from 1 March 2022 until 30 June 2022 is extended until 30 September 2022; and
- The 6% VAT rate will also apply to the supply of natural gas as from 1 April 2022 until 30 September 2022.

Comments

The overview of Belgian measures above demonstrates that the entry into force of the extended European list of products and services that can be subject to reduced or super-reduced VAT rates brings a new dynamic that is likely to prompt many EU member states to review their VAT rate structure. Businesses operating in Belgium and elsewhere in the EU should ensure that they keep informed of relevant developments.

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