



VAT alert Belgium

Changes made to VAT exemption for diplomats

Beginning 1 August 2017, an electronic control system for the VAT exemption available to diplomats in Belgium will apply. New legislation abolishes [\[FR | NL\]](#) the immediate exemption for covered transactions; instead, VAT will be applied to the transaction, and the diplomat will have to claim a refund of the VAT through an accredited company. This system should ensure greater legal certainty for vendors and retailers, and should reduce challenges by the tax authorities on the application of the exemption during VAT audits. A transition period is provided for until 31 December 2017, and the forms used to claim the immediate VAT exemption (Forms 450 and 451) will be abolished as from 1 January 2018.

In Belgium, covered transactions carried out by diplomatic missions, consular posts and their personnel in Belgium, as well as certain international organizations (e.g. NATO and SHAPE) and their personnel in Belgium, generally are exempt from VAT. Under the old regime, diplomatic missions, consular posts and their personnel in Belgium have had to complete Form 450 (for official use transactions) or Form 451 (for private use transactions) and deliver the form to the supplier to benefit from the VAT exemption (as provided in article 42, section 3, 1° or 2° of the VAT code).

Forms 450 and 451 will be abolished as from 1 January 2018 for diplomatic missions, consular posts and their personnel. Other international organizations and their personnel, however, are excluded from the new e-system, as will certain operations for which an explicit validation by the relevant tax authority is

required (e.g. purchases of a car, purchases of a new official building, etc.).

The electronic control system that applies as from 1 August 2017 will involve the use of electronic certificates ("e-certificates") for specific goods and services listed by the authorities that are purchased in Belgium by diplomatic missions, consular posts and their personnel for private and official use. The e-certificates will enable the beneficiary to claim a refund of the VAT that will be charged on the initial sales transaction. A new threshold of EUR 125 (VAT exclusive) is provided for official use transactions (instead of EUR 123 in Form 450), and the threshold is EUR 50 (VAT exclusive) for private use transactions (instead of EUR 247 in Form 451).

A procedure will enable the recovery of VAT through an accredited company chosen by the beneficiary of the exemption. This company will be responsible for verifying that the conditions to obtain the exemption are fulfilled. Once verification is made, the accredited company will transfer the e-certificate to the seller and request him to transfer the VAT to their bank account. Credit notes based on the e-certificate received from the accredited company, therefore, must be issued by the seller in such cases. Finally, the accredited company will transfer to the beneficiary the amount of VAT previously paid to the seller.

In the past, the correct application of these VAT exemptions was often challenged during VAT audits. Under the new regime, the vendor should avoid potential challenges of the exemption by the tax authorities (and thus the potential obligation to pay additional VAT), since VAT will be charged on the relevant sales. In addition, the seller no longer will have to verify whether the conditions for obtaining the exemption have been fulfilled. The risks for vendors and retailers created by the former regime, therefore, will be mitigated.

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