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## TAX OVERVIEW

Foreign-owned businesses operating in the Belgian market may be subject to one or more of three types of taxation: Value Added Tax (VAT), Corporate Income Tax and Personal Income Tax.

### Value Added Tax (VAT)

Value Added Tax is a tax on goods and services which is paid by the consumer and which is levied in successive stages, namely on each transaction throughout the process of production and distribution. At each stage of this process the tax paid on the inputs can be deducted. Hence only the added value is taxed at each stage.

#### Taxable transactions

The following transactions are subject to VAT:

- The supply of goods and services.
- The import of goods into Belgium (coming from a country outside the European Union).
- The purchase in Belgium of goods that originate from another European Union country.

#### VAT filing

Persons liable for VAT must file a monthly VAT return. Small enterprises may opt for a quarterly return. VAT returns can be filed by internet on the [INTERVAT](#) website.

#### VAT rates

The EU member states apply the VAT system according to the same basic principles, but are free within certain limits to fix the applicable rates. As a result, rates vary from one country to another.

But this is of no importance from a competitive point of view within the Single Market. For example, a product manufactured in Germany and sold in Germany will be subject to VAT at the German rate, while the same product manufactured in Belgium and sold in Germany will not be subject to VAT in Belgium but will incur the tax in Germany at the German rate.

The standard VAT rate in Belgium is 21%. A reduced VAT rate of 12% applies to supplies of goods and services such as pay television or low-income housing. A reduced VAT rate of 6% applies to goods and services considered basic necessities (food and pharmaceuticals), and to books, transport, concerts and hotels.

#### VAT exemptions

Goods imported into Belgium from a country outside the EU are subject to VAT except when they are:

- In transit.
- Imported temporarily.
- Consigned to a customs warehouse.

If goods are consigned to a private customs warehouse, neither customs duties, excise duties nor VAT are charged. Such warehouses may be set up in any Belgian locality, for any type of goods irrespective of their value, origin or final destination.

## Corporate income tax

Companies and for profit organisations which are legal entities and which have their registered office, their main business centre or their seat of management in Belgium are subject to Belgian corporate income tax on their worldwide profits.

Foreign companies may be subject to corporate income tax if they are engaged in business activities in Belgium through a permanent branch.

### Corporate income tax rates

The standard Belgian corporate income tax rate is currently 33.99%.

Small and medium-sized companies benefit from a reduced progressive tax rate, provided certain conditions are met (e.g. taxable income does not exceed €322,500 and no more than 50% of the shares in the Belgian company are held by another company).

This reduced rate amounts to:

- 24.25% on income up to €25,000.
- 31% on income between €25,000 and €90,000.
- 34.5% on income between €90,000 and €322,500.

The reduced rates only apply if the following conditions are met:

- The company's taxable profit does not exceed €322,500.
- The company is not a 'financial institution'.
- Fifty percent or more of the shares are not held by one or more other companies.
- The company does not distribute dividends for an amount exceeding 13% of the issued share capital of the income year.
- The company pays a salary of at least €36,000 to at least one of its managers.
- The company is not part of a group which owns a coordination center.

## Personal income tax

Resident individuals are subject to individual income tax on their worldwide income which, in principle, is computed by aggregating all forms of income such as business and employment income, real estate income, income from movable property, and miscellaneous income.

A resident is defined as a person who has his domicile or centre of economic interests in Belgium. Any individual registered in the national register of persons is presumed to be resident, unless the contrary is proven. For married persons, the domicile is considered to be the place where the family resides. This is an indisputable presumption. Non-resident individuals are only subject to Belgian tax on income generated in Belgium.

A specific regime is applicable to senior foreign employees who are either transferred to Belgium or who are directly hired from outside Belgium (see 'tax related incentives').

### Personal income tax rates

The progressive scale of individual income taxes for income year 2010 (tax assessment year 2009) is as follows:

Up to €7,900	25%
€7,900 to 11,240	30%
€11,240 to 18,730	40%
€18,730 to 34,330	45%
More than €34,330	50%