



Taxation of companies and tax incentives

1. Taxation of companies

Companies and profit-making organisations with legal personality which have their registered office, their main business centre or their seat of management in Belgium are subject to Belgian corporate income tax.

Tax rates

The standard Belgian corporate income tax rate amounts to 33.99%. The decimal part (.99) corresponds to an extra crisis contribution which, according to the Minister of Finance, is due to be abolished in the near future.

A reduced rate applies in the case of companies which have a taxable profit not exceeding €322.500.

Taxable profit	Rate
€1 to €25.000	24.98 %
€25.000 to €90.000	31.93 %
€90.000 to €322.500	35.54 %

2. VAT (Value Added Tax)

The VAT rate applicable in Belgium is 21%. However, the law provides for a number of categories of goods and services which can qualify for more advantageous rates of 6% and 12%.

3. Tax-related incentives

Notional interest deduction

Both Belgian companies and foreign companies with a Belgian branch or real estate (capital investment) are granted a deduction on the yearly taxable income, equal to a percentage of the "capital at risk".

All companies subject to corporate tax and personal/corporate non-resident tax are granted a deduction on the yearly taxable income, equal to the total capital at risk, multiplied by the interest rate for long-term linear loans. The deduction increases in line with the amount of capital owned by the company.

Depreciation of assets

Depreciation can be applied on formation expenses and on intangible and tangible fixed assets with a limited economic lifetime as defined by law.

Loss carry-forward

Losses of previous taxable years can be deducted from the taxable income of each following taxable year (carry-forward principle) without limitation in time.

Additional personnel

If a company hires new qualified employees for scientific research, it can reduce its taxable profit by €12.780 (assessment year 2007) per additional employee. For highly qualified researchers, the exemption can be increased to a maximum of € 25.570 (assessment year 2007).

Capital gains on shares

Capital gains on shares realised by a Belgian company are tax exempt if these shares qualify for the dividends received deduction. No minimum holding period or minimum participation is required in order to benefit from the exemption.

Participation exemption

Participation exemption applies both to Belgian resident and non-resident companies with respect to dividends attributable to a Belgian branch. Under the exemption, 95% of the dividends are deducted from the profits (if existing).

Exemption of withholding tax on dividends

Under certain conditions, withholding tax on dividends paid to the parent is fully exempted. In order to obtain the exemption, a foreign parent company should deliver a statement to the Belgian subsidiary, in which the parent declares that all the conditions are met.

Advance ruling in tax matters

The Federal Finance Department (SPF Finances) will provide an advance ruling concerning the application of all legal provisions for which the department is competent. Taxpayers have the possibility of requesting advance ruling with the Federal Finance Department on any tax matters.

An advance ruling is the legal act by which the Federal Finance Department determines how the tax laws will apply to a given situation or operation that has not yet come into effect fiscally. Such an act legally binds the tax department to the sole applicant of the advance ruling, and no other third person, court or tribunal.

The advanced ruling gives the applicant legal certainty with regard to any operations or situations that are communicated to the tax administration at the time of the application, provided that the actual operations or situation corresponds to the description given to the authorities.

The applicant can benefit from legal certainty, provided that he performs the operations in the manner described. If these conditions are satisfied, the Federal Finance Department is bound to act in accordance with its advanced ruling. The applicant is notified of the advanced ruling decision within three months.

Foreign executives

Belgium has a special tax regime covering foreigners who are assigned to Belgium to work for a Belgian company that has an international character or forms part of an international group.

The special tax regime for expatriates offers significant advantages:

- Foreign executives with a temporary assignment will, for Belgian tax purposes, qualify as non-residents. This means that the expatriate will only be taxable on the income related to the activities in Belgium.
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- The employee is not taxable, within certain limitations, on the reimbursement of expenses incurred by him as a result of his temporary stay in Belgium. These costs are considered as expenses that are attributable to the employer, and consequently not taxable on behalf of the employee.

To benefit from this tax regime, the employer is required to submit an application for exemption. The application has to be sent within six months of the first day of the month following the appointment of the foreign executive or his detachment to Belgium. The application should be sent to the following address:

Bureau Central de Taxation Etranger
Directeur adjoint du service Etranger de la Direction II – Sociétés
Boulevard du Roi Albert II, 33 (North Galaxy – tour B7)
1030 Bruxelles
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