The Income Tax modifications agreed upon by the Belgian federal government in July 2017

Please find below an overview of the most important tax measures that have been recently proposed by the Belgian federal government, in its efforts to reform the corporate income Tax. The modifications to employment and social security law are not discussed here. This overview is based solely on the statements made by the federal government itself, as well as other press releases. No bill has been introduced in the Belgian parliament yet.

A. Corporate Income Tax

- The tax rate in the corporate income tax will decrease from 33% to 29 % in 2018. As from 2020, the rate will further decrease to 25%.
- For small and medium-sized businesses, the tax rate on the first 100.000 EUR of taxable income will be lowered to 20% as from 2018.
- The crisis contribution on top of the tax rate will be reduced from 3% to 1.5% as from 2018. By 2020, the crisis contribution will be reduced to 0%.
- As from 2020, it will be possible to apply intra-group profit and loss consolidation for taxation purposes.
- Enterprises with a profit of more than 1.000.000, EUR will have to pay a minimal tax, eliminating certain tax deductions. This minimum taxation will be the normal corporate income tax rate applied to 30% of the profit (7,5%).
- As from 2020, small and medium-sized businesses will mandatory have to apply the *pro rata temporis* depreciation. The regime of degressive depreciation will be abolished.
- For income year 2018 only, the one-time investment deduction is increased from 8% to 20% for small and medium-sized businesses, as well as for self-employed entrepreneurs.
- The regime of the notional interest deduction will be revised. The deduction will only apply to future increases of capital.

B. Personal Income Tax (as from income year 2018)

- There will be a tax on investment portfolio's held in a bank account at a rate of 0.15% of the invested capital. There will be an exemption for the first 500,000 EUR invested.
- An exemption of taxation will be introduced for the first tranche of 627,00 EUR of dividends received. The general tax rate on investment income remains at 30%
- The exemption of taxation of interests obtained via a savings account is reduced. The exemption will only apply to interest on savings of 940,00 EUR (instead of the current 1,880,00 EUR).
- The tax deduction for pension saving will have two versions: either the current 30% tax reduction for the first 940,00 EUR saved, or a new formula of 25% tax reduction for the first 1.200,00 EUR saved.
- The amounts of the assumed professional expenses in the personal tax will be harmonized. There will be an increase for self-employed persons.
- Individuals can work tax free for up to 500 EUR per month, if this constitutes an additional, secondary employment. This is subject to strict conditions.

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