

Dear Mr., Mrs.,

Subject - **Belgian income tax return;**
 - **Income year 2014 - Tax year 2015.**

As every year, you will soon receive your personal income tax return from the Belgian tax authorities in which you need to declare your 2014 income.

We would be pleased to assist you with the filing of this tax return. If you would like to receive our assistance, we kindly ask you to send us all necessary information in order to allow us to prepare your tax return in due time.

You can send us the original tax form afterwards if you did not receive it yet. In case you do not receive an income tax form before June 1st, 2015 at the latest (and you did not file your 2013 tax return via "Tax on Web" – see further), please let us know, in order to enable us to request one with the competent tax administration.

Please find in attachment a detailed list of the most important types of income and tax deductions, which appear in the 2014 income tax return. Although not all items are relevant for you, with this listing we hope to make it easier for you to collect the necessary information. It is also important to indicate any changes in your civil status (as well as your family on 1 January 2015).

Compared to the income tax declaration for the year 2013, the tax form for the year 2014 includes some new features.

A. The sixth state reform

The sixth state reform has federated the power to levy the Belgium personal income tax. The personal income tax remains a federal tax, as it is still the federal State that determines the tax base and the tax rates. The federal State is still responsible for determining the expenses, the withholding and payroll tax, the collection and recovery of the tax, as well as the dispute settlement procedure.

The Regions, however, have been given the power to levy taxes under the personal income tax, on the basis of an autonomy factor. The regions will be allowed to levy surcharges on the total income, minus 25,99%. The federal State only receives 74.01% of the total personal income tax (the "reduced tax State"). For the determination of the

"reduced tax State", some miscellaneous income, and most of the investment income, will not be reduced.

The rate of the regional surcharges, for income year 2014, is 35,117 %. This percentage results in the collection of the entire personal income tax (100%). The percentage may be increased or decreased by the Regions in later years.

The Regions have also become responsible for a number of tax deductions and credits. The Regions now have exclusive responsibility for the following deductions:

- Service-cheques ;
- Protection of the house against fire and theft ;
- Energy-saving expenditure on housing (roof insulation) ;
- Loan expenses for the personal house (residential bonus).

The federal government has retained the exclusive power to regulate the following deductions:

- Pension savings ;
- Donations ;
- Nursery expenses ;
- Loan expenses for other dwellings (not eligible for the residential bonus);
- Premiums paid to individual life insurance contracts.

The regional and federal tax credits are applied in priority to the respective personal income taxes. A surplus of a tax credit, however, can be applied to other personal income tax.

B. Other changes

The tax rate applicable to liquidation proceeds was raised on October 1, 2014 to 25%.

For a number of items, an indexation stop has been introduced, regarding the tax years 2015 to 2018. The following items are concerned:

- The reduction for pensions and replacement income;
- The exemption of income from savings deposits, dividends from recognized co-operative societies, and interest and dividends from companies with a social purpose;
- The tax credits for donations, for domestic staff, for acquiring employer shares, for pension savings, and for low energy housing.

As of 1 July 2014 the tax rate on payments from occupational pensions that are composed of contributions of the employer or the enterprise has increased. The payments at 61 years are from 1 July 2014 onwards taxed at the rate of 18%, whereas this used to be 16,5%.

The payments at 60 years are taxed at the rate of 20%. The payments from 62 years onwards, due to early retirement remain taxable at 16,5%. The payments from 65 years onwards will be taxable at 10%.

As of January 1, 2015, the withholding tax on pension savings contracts, which is levied at the age of 60 (or at the tenth anniversary of the contract,), has been decreased from 10% to 8%. The taxation on the reserves which were already built up on December 31, 2014 will be taxed earlier from 2015 to 2019. An annual rate of 1% is used. The remaining 3% of the withholding tax will only be charged at the time you have reached the age of 60 (or at the tenth anniversary of the contract). The reserves accrued as of January 1, 2015 will simply be subject to the withholding tax at the age of 60, at a rate of 8%.

C. **Obligatory mentions in your tax return**

Like last year, you will have to mention the existence of your foreign bank accounts¹ and your foreign individual life insurance contracts in your tax return for 2014.

Finally, as was last year, you will have to mention the private equity structures abroad, the so called “offshore structures”. This means that the founders or (potential) beneficiaries of a legal construction have to mention that they are a founder or a (potential) beneficiary, at their knowledge, of such a legal construction. If you resort under this obligation we can send you a detailed memorandum on this matter.

* *

*

¹ The obligated mention of the names of the foreign banks and the numbers of the foreign bank accounts will remain non enforceable this year, as a procedure for this mention to the National Bank of Belgium has not yet been approved. It cannot be ruled out that this procedure will be approved and adopted in 2015.

VANDENDIJK & PARTNERS*advocaten - avocats*

It will be possible to introduce the data of your tax return directly on the website of the Ministry of Finance. However, we intend to send the tax form by mail to the competent tax administration. If you wish to send your tax form through electronic mail, you can still do this based on the tax return we prepare on paper. Please be aware that you will not longer receive a tax return “in paper form” in case you filed your tax return via www.taxonweb.be last year.

Recently, you may have received your tax assessment relating to income year 2013 (tax year 2014). In case the amounts mentioned in your tax bill do not correspond with the ones declared in your 2013 tax return, you will have **6 months** (as from the sending of the tax assessment) to introduce a tax claim. If requested, we can assist you with the verification of your tax assessment or with a tax claim in case this would be necessary.

Should you have any questions, please do not hesitate to contact us.

Sincerely Yours,

Marc Vandendijk
marc.vandendijk@vandendijk-taxlaw.be

An De Reymaeker
an.dereymaeker@vandendijk-taxlaw.be

Enclosure : Listing of the information needed to prepare your 2014 income tax return.

**DATA NEEDED TO COMPLETE YOUR INDIVIDUAL TAX RETURN
2014 INCOME**

1. REAL ESTATE:

A. Real estate located in Belgium

Please provide us with (for each spouse individually)

- the non-indexed “*cadastral income*” (i.e. deemed rental value);
- the gross rental income if the lessee is either a company, or an individual who uses the property in whole or in part for business purposes.
- the amount received for the establishment or the transfer of building rights, long lease or a similar immovable right on real estate situated in Belgium;
- the exact date of purchase and sale and the exact purchase and selling price if the immovable property (both land and buildings) was bought or sold in 2014;
- the exact date of its (first) occupation and the modification of the “*cadastral income*” if you rebuilt (or renovated) this immovable property in 2014;
- a list of the real estate used for professional purposes;
- if you possess more than one property in Belgium, the property where you have your primary residence.

B. Real estate located abroad

Please provide us with (for each spouse individually)

- the exact location of the immovable property (including country);
- the actual gross rental income (included rental charges) when the property is let;
- the gross rental value if the property is not let;
- real estate taxes paid abroad;
- the amount received for the establishment or the transfer of building rights, long lease or a similar immovable right on real estate situated abroad;
- the exact date of purchase and sale as well as the exact purchase and selling price if you bought or sold immovable property (both land and buildings) in 2014.

2. MOVABLE PROPERTY:

Please provide us with (for each spouse individually)

- a detailed list of your income from movable property (dividends and interest) as well as rental income from movable property in or outside Belgium, even if a withholding tax was withheld;
- a detailed list of dividends received from Belgian nominal shares emitted after 1 January, 1994 or shares publicly emitted after the same date;

- the issue date of securities which you bought (i.e. which you did not subscribe upon emission);
- date of purchase or sale, issue price and date, expiration date, nominal amount and nominal coupon of fixed-interest bearing securities (debentures or "zero-bonds") which generated interest in 2014 or were sold in 2014;
- precise duration of the disposition of debts, effects of deposit used for your professional activities;
- costs related to the above income from movable property, including the tax paid abroad;
- statements of the life annuities or temporary annuities received (indicating starting and expiration date) as well as the surrendered value;
- detailed list of the income received from copyrights;
- certificate delivered by non-Belgian banks with respect to the application of the European Savings Directive.

3. PROFESSIONAL INCOME:

Please provide us with (for each spouse individually)

- source of income (from paid employment, from self-employed activities, as a member of the board of directors of a company, pension income, unemployment income, etc.);
- a detailed list of all income and benefits (company car (with mention of the list price and CO2 emission), disposal of a residence, provided electricity and heating, PC, awarded stock options before or after 1 January 1999, reimbursement of commuting cost, etc.) received in Belgium or abroad;
- a detailed list of all state and private pension income and any such allowances, as well as annuities, capital and the surrendered value of life insurance policies or savings insurance (with copies of the pension slips and insurance policies);
- a copy of the Belgian and/or foreign salary statement and the individual annual report (281.10, 281.11, 281.14, 281.20 or 281.50, etc.);
- a detailed list of all expenditure made or incurred during 2014 with a view to acquiring or preserving taxable income (in case you do not choose for the lump-sum deduction);
- car expenses, including the distance between your home and place of work, number of working days, purchase price, fuel, financing, mobile phone;
- social security contributions paid by you as a self-employed person (copy of the statement from the payroll office - included certificate of the additional premiums paid by you in Belgium for health care insurance, occupational disability or additional pension - with attestation from the insurer or "mutualité");
- the amount of the special contribution for the social security paid by your employer if you don't have your Belgian salary statement;
- the certificate relating to the advance tax payments made as a self-employed person;
- the "cadastral income" and the gross rental value of immovable property fully or partially let to a company in which you are a director;
- detailed list of social contributions and taxes paid on your income from activities performed abroad.

4. MISCELLANEOUS INCOME:

Please provide us with (for each spouse individually)

- profits or benefits from any service, operation or speculation;
- received alimony payments;
- income from a sublease or transfer of lease of real property;
- gains realised on the transfer of land situated in Belgium or of certain real property rights relating thereto (e.g. usufruct) if the property was sold less than eight years after the acquisition;
- gains realised on the transfer of buildings if the property was sold less than 5 years after the acquisition;
- private capital gains (gains realised by an individual through selling the shares of the private company to a new holding company set up by the shareholder for this purpose only).

5. TAX DEDUCTIBLE EXPENSES:

Please provide us with (for each spouse individually)

- bank certificates relating to the interest paid on mortgage contracted to buy or build a house (please indicate whether the house was new at the time of acquisition);
- alimony payments (indicating name and address of the beneficiary);
- the amount paid for building rights or long lease;
- interest on loans contracted to subscribe or to acquire stock in a Belgian company in which you are a director and the start date of the loan.

6. TAX CREDIT:

Please provide us with (for each spouse individually)

- certificates relating to donations to recognised organisations;
- certificates relating to day nursery expenses incurred for children (childcare and activities during the vacation) and paid to recognised persons and institutions;
- remuneration paid to (registered) domestic servants;
- (1) tax certificates for the premiums paid in respect of an individual life insurance, (2) tax certificates for premiums paid to a pension savings plan, (3) the sums paid to acquire stock of the company by which you are employed, (4) bank certificates relating to the instalments of a (mortgage) loan (including proof of capital payments);
- in case of re-financing your mortgage, (1) the amount of your first loan and your new loan, (2) the balance and (3) the instalments of your first and new loan ;
- the contributions made to the spouse who helps you as a self-employed person,
- also the tax certificates relating to :
 - energy saving investments in houses (only for roof insulation made in 2014, and with regard to some transition measures provided for the contracts concluded before 28 November 2011);
 - the benefit for costs made for the renovation of houses in privileged urban zones;

- the benefit for services paid by means of service-cheques;
- the contract of a ‘winwinloan’ (Flanders only);
- the innovation of a rented house (with law rental income);
- the protection of the house against fire and theft;
- for energy friendly houses (still apply but only in exceptional cases);
- for loans contracted for financing energy saving investments in a residence;
- tax credit for contracts concluded for the renovation of a residence;
- the purchase of an electric vehicle (motorcycles, tricycles and quadricycles);...

7. DID YOU (OR A FAMILY MEMBER) HOLD A BANK ACCOUNT or A LIFE INSURANCE CONTRACT ABROAD IN 2014 ?

Please provide us with:

- the name of the holder of the account and the bank account number;
- the name of the policy holder of the life insurance contract;
- the country(-ies) where the bank account(s) is (are) held. For life insurances, the country from where the premiums were paid.

8. WERE YOU (OR A FAMILY MEMBER) THE FOUNDER OR (POTENTIAL) BENEFICIAIRY OF A PRIVATE EQUITY STRUCTURE ABROAD IN 2014 ?

Please provide us with:

- the name(s) of the founder or the (potential) beneficiaries of the private equity structure abroad;

Vandendijk & Partners
March 2015

www.vandendijk-taxlaw.be