Most important tax measures proposed by the new Belgian Federal government

Please find below an overview of the most important tax measures that have been proposed by the newly formed Belgian Federal government. This overview is based on the recently released coalition agreement, as well as other press releases. No bill has been introduced with Parliament yet.

A. Personal tax

1. There will be an increase of the lump-sum deduction for business expenses.

2. The automatic indexation of the following elements will be abolished:

   - Exemptions for savings deposits, dividends from recognized cooperative companies and interest/dividends from companies with a social purpose;

   - Tax reductions for replacement income, long-term savings, pension savings, employer's shares, energy-saving expenses, passive and low-energy dwellings, electric vehicles, development funds, gifts and domestic staff.

3. The tax on extra-legal pensions belonging to the third pillar (pension savings) will be withheld preemptively : the amount of outstanding capital on December 31, 2014 will, during the next 5 years, be subject to a 1% tax. An additional tax of 3% will be levied at the age of 60. This means there will be a reduction of the global taxation of pensions savings from 10% to 8%.

4. A new round of regularization will be organized.

B. International Personal Tax aspects

A "look-through tax" will be levied on income derived from legal constructions (*e.g.* trusts or foundations). These legal constructions will be considered <u>tax transparent</u>, so that the income will be taxable directly in the hands of the resident individuals who are the shareholders or beneficiaries of said constructions.

C. Business tax

1. The <u>transitional</u> 10% withholding tax regime for liquidation bonuses will become permanent for small and medium-sized enterprises. It will be possible to transfer, each year, a maximum of 50% of their taxed reserves or taxed profits to a separate, unavailable balance sheet account. This transfer will be subject to payment of a 10%

withholding tax. No additional tax will be levied provided this unavailable reserve is maintained until liquidation.

If it is distributed during the first 5 years, an additional 15% withholding tax will be due and, in case of distribution after 5 years (but before liquidation), an additional 5% tax will be due.

2. The secret commissions' tax will be modified. In case salary forms are not filed (or not timely), the sanction will be limited to an administrative fine. The secret commissions' tax will only be due when the identity of the beneficiary was not disclosed. The rate will be reduced from 309% to 100%, or to 50% for payments made to a company subject to the corporate tax.

3. The NID (Notional Interest deduction) will be abolished for financial and insurance institutions.

4. Employer's social security contributions will be decreased from 33% to 25%.

D. Indirect Taxes

1. The reduced VAT rate of 6% for renovation, maintenance and repair works related to private housing will only be available after 10 years (contrary to the current 5-year period).

2. Revenues from the new VAT treatment applicable to e-commerce are included in the budget. This is a mandatory measure introduced under the 2010 VAT Package.

3. There will be an increase of the excise duties on tobacco and diesel (except for "professional diesel"). The tariff will be identical to the price in the Netherlands (0.0581 EUR increase per liter).

4. An automatic annual indexation of the excise duties on coffee, alcoholic beverages and energy will be introduced (with possibly an exception for beer).

5. The previous, temporary increase of the tax on stock exchange operations will become permanent. The percentages of the tax will also be increased as of January 1st, 2015 to 0.09%, 0.28% and 1.35%. The current tax caps of 650 EUR, 740 EUR and 1,500 EUR will be abolished as of January 1st, 2015.

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