

Dear,

As every year you will soon receive your personal income tax return from the Belgian tax authorities for your income earned in 2008. You may have been informed through the press that the tax form has been substantially changed. It will be even more complex to complete the form because you need to copy the codes and figures yourself.

If requested, we can assist you with the filing of your tax return.

Hereafter we send you already a summary of some changes in the income tax law which could give you an extra tax saving in this tax return.

- Prolongation of the **conservation duty** of books and records, computer programs and - systems

The books and records, as well as the computer systems, on which basis the taxable income can be determined, must be available for the tax administration during **7 years**. The period has been extended with 2 years.

- Prolongation of the **additional assessment period**

In case of late, invalid or lack of tax return with the intention of fraud, the additional assessment period of 2 years is increased to 4 years. Taking into account the normal assessment period of 3 years (which remains the same), the total assessment period in case of fraud is as of now **7 years**, to count as from the first day of the assessment year.

- Prolongation of the **additional audit period**

In case of late or invalid tax return, the additional audit period of 2 years is also increased to 4 years, so that the administration can conduct their investigations during **7 years** to count as from the first day of the assessment year. The obligation to notify the taxpayer of the indications of the tax evasion continues to exist.

- Prolongation of the period open for **discharge (ex officio)**

As of now discharge can officially be granted for over-taxation or double taxation (which has been determined by the administration or by the taxpayer), within **5 years** as from the first day of the assessment year. This period is thus extended with 2 years.

- The non-recurrent result-tied advantages (= so-called **salary bonus**)

As of 2008 a new favorable bonus scheme has become effective. The **tax exemption** of these non-recurrent result-tied advantages applies for the year 2008 to the maximum amount of **€ 2.200**. The employee does not need to pay social security nor income tax on this amount. If this bonus has been paid to the employees concerned, the amount is mentioned on the salary sheet 281,10 under the code 242 (after withholding of the 33% employer's contributions). The amount mentioned in code 242 must be copied also into the tax return (next to the same code) but will not be subject to income tax.

- Income of **copyrights** and related rights

Belgium has introduced an entirely new **lump sum tax regime** for copyrights. These are rights which are linked to the exploitation of a copyright protected work. It is enough that the work results from the intellectual or artistic effort of its maker, has its personal stamp and has a concrete form (for instance books, paintings, film, photograph, etc.).

For tax aims this professional income is categorized as “**movable income**” up to € 49,680 (and taxed separately at **15%**). Higher income is considered as profession income and taxed at the progressive tax rates. For the calculation of the taxable amount, the first 13.250 € can be reduced with 50% lump sum costs. Between € 13.250 and € 26.500, the costs are fixed at 25%. As from 2009 this movable income must be subject to withholding tax at source by the payer. However, for the income year 2008 this income – because of the lack of withholding at source - must be still entirely declared in the tax return.

- Capital loss on cars

If an employee wants to claim its actual work-related expenses, € 0,15 can be deducted per kilometer commuted without the need to effectively prove the costs made. As from 1 January 2008 the capital losses on the cars are considered to be included in the € 0,15 per kilometer.

- Increase of deductible **gifts**

As of 2008 also the gifts to cultural establishments in another Member State of the European Economic Area are tax deductible. Condition is that the influence area of the institution covers at least one state or a district of the Member State concerned or the whole country, and that the institution has been incorporated in the official list of by the king recognized institutions.

- Increase of the cost for **child care**

Also the deductibility of the cost for child care has been broadened. The official recognition of one of the Member States of the European Economic Area is enough for the deductibility of the costs (and is therefore no longer restricted to Belgium). In addition, all costs within the EER are allowed. Moreover, the certificates proving these costs must no longer be annexed to the tax return but must be available for the tax administration.

- Deduction of mortgage loan

As from 2008 spouses and partners living together legally can divide the calculation for the bonus for the own and only house **under each other**, so that the deduction can be optimally explored (to a maximum amount of € 2.720 per taxpayer during the first 10 years, afterwards up to € 1.990), within each personal limits.

The administration has also specified that if the mortgage loan was also used for the financing of the registration rights and/or notary fees (which according to the administration are **not directly linked** to the purchase, the construction or renewal of the house), these payments will be **rejected** for this calculation. The financing of these additional costs cannot be mentioned on the payment certificates of the mortgage loan issued by financial institutions.

- Increase **tax-free sum** for low income

As from 2008 the tax-free allowance for taxpayers with a taxable income up to 22.870 € has been increased from € 6.150 to **€ 6.400**

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