



Newsletter

**New government, new (and less) taxes:
what's changing under the Belgian
Arizona government?**

**forv/s
mazars**

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Introduction

After more than seven months of intense political negotiations, the various political parties have finally reached a political agreement and formed a new federal government for Belgium, set to lead for the next four and a half years. This new political agreement sets the stage for a substantial flavour of tax measures in the upcoming legislative term, with the following key objectives:

- Raising the employment rate in Belgium;
- Increasing the purchasing power of workers, savers and entrepreneurs;
- Encouraging investments, industry productivity and research.

In this newsletter, we will delve into how these objectives will be translated into various tax fields, focusing on the most significant proposed changes on the corporate income tax, estate, individual taxes and VAT.

The agreed changes are expected to be enacted into Belgian law in the coming months. Although the exact implementation date and any transitional provisions are not yet known, the government agreement states that "all measures will be introduced in 2026".

Finally some clarity on the upcoming tax measures (although still subject to some political debate over the last days and more to be expected in the coming months). We eagerly await the technical implementation in the draft texts expected in the coming months.

We will continue to monitor the implementation closely. Feel free to contact us in case of any question, relevant for your personal and/or company situation.

Kind regards,

Forvis Mazars Belgium



Impact for companies

Dividend Received Deduction: strengthening the minimum participation condition

Dividend income is 100% exempt from corporate income tax (CIT) if the following Dividend Received Deduction (“DRD”) conditions are met:

- The receiving company has a participation of at least 10% or an acquisition value of at least EUR 2.5 million in the capital of the distributing company during an uninterrupted period of at least one year and
- The dividend has been subject to tax at the level of the distributing company.

This DRD will be converted into an exemption instead of a deduction (increase of the beginning of reserves in the CIT return). In addition, the minimum participation condition will be more stringent as result of which dividend income on shares held as an investment will no longer qualify for the exemption regime. While the 10% participation threshold remains unchanged, the 2.5 MEUR condition will be raised to 4 MEUR and the share participation should qualify as a financial fixed asset under BEGAAP rules. This restriction applies only to large companies.

More attractive, flexible and simpler tax consolidation regime

Under the tax consolidation regime, Belgian companies may compensate taxable profits with current year tax losses of group companies provided certain conditions are met a.o. direct shareholding of 90% between the group companies during at least 5 financial years.

In order to encourage investment within groups, both direct and indirect holdings will be allowed, new companies will no longer be excluded from this regime. Finally, it will be possible to also compensate C/Y DRD with the group contribution profit, on top of the C/Y tax loss.

Become more attracting for investments

Belgian companies can, under certain conditions, claim an investment deduction (in addition to the depreciation expenses) from their taxable profit when acquiring qualifying tangible or intangible fixed assets.

The investment deduction will be simplified and made more accessible, mainly for investments in energy transition:

- The regional authority certificate requirement for R&D investments will be abolished;
- The investment deduction rates relating to energy, transport and environmentally friendly investments will be harmonized at 40%;
- The investment deduction will be carried forward without limitation;

- Companies will also have the opportunity to be recognized as ‘research centers’ (increase legal certainty).

Certain R&D investments will be eligible for a faster depreciation regime which may boost the cash position. For large companies, a temporary (so-called “accelerated” depreciation) system allowing 40% of the acquisition value to be depreciated in the first year will be (re-)introduced, while for SMEs, degressive depreciation will apply again.

Company director’s remuneration to be increased to 50.000 EUR

SMEs are able to benefit from a reduced CIT rate of 20% on the first bracket of 100.000 EUR profit under certain conditions a.o. a minimum director remuneration of at least 45.000 EUR.

The existing minimum remuneration of 45.000 EUR will be raised to 50.000 EUR and will henceforth be indexed annually. To determine this threshold of 50.000 EUR, only up to 20% of this threshold may include benefits in kind. In practice, this may have an important impact on (management) companies granting free housing to their directors, company car, director social contributions paid by the company, etc. which will have to increase the salary part in order to preserve the reduced CIT rate. Additional bonuses over and above the gross remuneration remain possible.

Digital tax – no later than 2027

At European and international level, the aim of the reform is to introduce greener taxation to accelerate the transition to a low-carbon economy. In this context, Belgium will implement international agreements on digital tax.

Large digital multinationals will be taxable even without a physical presence in Belgium, resulting in a significant increase of the Belgian revenues. If no agreement can be reached at European or international level, Belgium will unilaterally introduce a digital tax from 2027 at the latest.



Compensation & benefits and international mobility

To encourage investments, increase industry productivity and raise the Belgian employment rate, the Belgian government will implement several measures to support Belgian employers and increase the purchasing power of the employees and entrepreneurs.

Supporting Belgian employers

Capped social security contributions

A cap on the employer social security contributions on salaries above a specific threshold (i.e. the Prime Minister's salary: amount to be determined) will be introduced. Until today, such cap does not exist for employees.

Return of the favorable copyrights regime for IT sector

The digital professions will again be eligible to split their total compensation package between classic remuneration and copyrights (taxable at fixed withholding tax rate of 15%). This would imply a significant extension of the application scope of the copyright system undoing previous government's restrictions.

Belgian Expat regime: increased benefits

Actual conditions	Proposed changes
Minimum annual gross salary: 75.000 EUR	Minimum annual gross salary: 70.000 EUR
30% non-taxable allowance	35 % non-taxable allowance
Annual cap of 90.000 EUR for non-taxable allowances	No annual for non-taxable allowances (only 35% threshold to respect)

By making the expat regime more appealing to expats, higher profiles could be attracted to the Belgian corporate landscape and generate new business and employment opportunities.

Simplification of single permit procedure

The single permit (applicable for Non-EU citizens who wants to come to work in Belgium) procedure will be shortened and simplified. This will allow Belgian employers to accelerate the hiring of non-EU qualified staff.

Reduction of the administrative burden for cross-border workers

Within a budget-neutral framework, measures will be taken to simplify the tax situation of cross-border workers.

The social security administration and the tax authorities will explore how tax audits on the 183-day rule could be improved by using data already available from different related social security formalities such as Limosa, A1, etc.

Flexible reward system

The government aims to simplify existing collective bonus systems (CLA 90, profit premium, ...) and harmonize them without additional tax burdens for employees and employers. The goal is to make rewarding staff through salaries (rather than benefits in kind) more advantageous again.

A legal framework will be designed for the “flexible remuneration system”. Maximum 20% of the gross annual salary could be exchanged in these flexible plans.

Reinforcement of meal vouchers / abolition of other vouchers

The value of meal vouchers, currently capped at 8 EUR per meal voucher, is set to increase by 2 EUR twice, resulting in a total value of 12 EUR per meal voucher by the end of the next legislative term. At the same time, the scope of their use will be expanded.

All other vouchers (i.e., eco vouchers, culture vouchers, etc.) would gradually be abolished.

Hybrid (company) cars and mobility budget

The new government foresees a longer transition period regarding the corporate tax deductibility of hybrid cars (until the end of 2027). Also the mobility budget will be reformed.

Hybrid vehicles	Mobility budget
75% tax deduction maintained for purchases until the end of 2027 (65% in 2028, 57,5% in 2029)	The new mobility budget will include the actual employer interventions in commuting and private travel.
50% deductibility for fuel costs until 2027. Electricity costs will have the same deductibility as full electric vehicles.	The new regime will enjoy a favourable social and tax treatment. Transition between the old and new mobility budget will be foreseen.

Increased purchasing power for employees and entrepreneurs

Higher net salary

All workers should see an increase in their net salary (exact amount not specified) via an increase of the tax-exempt amount (for income year 2025, this tax-exempt amount is equal to 10.910 EUR). This aims to widen the gap, up to more than 500 EUR net per month, between the remuneration of workers and the allocations of inactive individuals.

The special social security contribution will also be lowered.

For lower salaries, the work bonus (reduction of the employee social security contribution and wage tax) will be reinforced.

Beneficial adjustments for self-employed individuals

An exemption on the first profits and benefits (amount not specified) for the self-employed individuals (even for complementary activities). This deduction will be raised in 2029.

The maximum contribution for supplementary pension for self-employed persons (VAPZ – PCLI) will be increased (from 8,17% to 8,5%), as well as for the social supplementary pension. The 80% rule, which has been a point of discussion the last couple of years and is used to determine the tax deductibility of the premiums paid, will be reformed.

The bonus for anticipated tax payments will be reinforced and no more sanctions will be imposed in case of insufficient anticipated taxes payments.





Impact for individuals

Solidarity contribution (capital gains tax private individuals)

A general solidarity contribution of 10% will be applied to future, capital gains realized on financial assets, including a.o. crypto assets. Taxation will only be due upon realization of the capital gain and only on capital gains as from the introduction of this measure leaving historical capital gains in most cases tax exempt (under the current conditions a.o. normal management of private assets).

Capital losses will be deductible and may reduce the capital gain tax basis, but only if they are realized in the same year as the capital gain.

There will be 2 exemptions:

- An exemption of the first 10.000 EUR capital gains per year - to protect small investors. Presumably the taxpayer will need to claim this exemption, just like the exemption on dividend income, via the income tax return. Belgian banks will firstly withhold tax, after which tax must be reclaimed in the tax return. This will lead to additional formalities for the investor who should request a repayment (of maximum 1.000 EUR per person).
- Capital gains coming from the disposal of a significant shareholding (at least 20%) will be taxed as follows:

Amount (EUR)	Taxation
0 – 1.000.000	exempted
1.000.000,01 – 2.500.000	1,25%
2.500.000,01 – 5.000.000	2,5%
5.000.000,01 – 10.000.000	5%
> 10.000.000	10%

Abolition or reduction of various tax deductions, such as

- The tax deduction on donations will decrease from 45% to 30%;
- The federal interest deduction for non-owner-occupied homes will be abolished;
- The deduction for alimony payments will gradually decrease from 80% to 50%. Payments to countries outside the EEA will no longer be deductible;
- The deduction for house servants, adoption costs and legal assistance will be abolished.
- Etc.

VVPRbis and liquidation reserve

The Belgian government will harmonize the existing regimes that provide an option to distribute profits from small companies at a lower withholding tax rate than the standard rate of 30%; being: the VVPRbis system and the liquidation reserve.

The waiting period to distribute profits that were set aside as a liquidation reserve will be reduced to 3 years (instead of 5 years), giving companies the opportunity to distribute their profits more quickly (in line with the VVPRbis waiting period to distribute the profit to the private assets).

The 5% withholding tax imposed on the distribution of liquidation reserves (after the waiting period) will be increased to 6,5%. By doing so, the effective withholding tax rate will rise from 13,64% to 15%, the same rate as for the VVPRbis-regime.

The impact on management companies of the proposed measures may however remain limited, which is good news compared to the initial intention of certain coalition partners to abolish the beneficial VVPRbis reduced rate of 15%.

Example:

	Old liquidation reserve regime	New liquidation reserve regime
	Profit 100 EUR	Profit 100 EUR
Decision to opt for a liquidation reserve + payment of 10% (special assessment in the corporate income tax)	$100 / 1,1 =$ - 90,90 EUR -> liquidation reserve - 9,10 EUR (or 10% of 90,90) → tax upon creation of the liquidation reserve	$100 / 1,1 =$ - 90,90 EUR -> liquidation reserve - 9,10 EUR (or 10% of 90,90) → tax upon creation of the liquidation reserve
Distribution of the liquidation reserve	After 5 years: $90,90 * 5\% = 4,54 \text{ EUR}$	After 3 years: $90,90 * 6,5\% = 5,90$
Total taxation	$9,10 + 4,54 = 13,64 \text{ EUR}$ 13,64%	$9,10 + 5,90 = 15 \text{ EUR}$ 15%

Early distributions within these 3 years will become taxed at 30% withholding tax (general rate).

Does the creation of liquidation reserves remain interesting due to the harmonised rate (of 15%) or should you always opt for VVPRbis as from now on?

The agreement does not provide for an adjustment to the taxation in the event of dissolution of a company. Today there is no additional taxation on liquidation reserves upon the dissolution of a company (which means that the total assessment is equal to the anticipatory levy – 9,09%), where the VVPRbis-regime is not even be possible for the liquidation dividends (causing a taxation at a rate of 30%).

In view of the dissolution, the creation of liquidation reserves would therefore remain relevant.

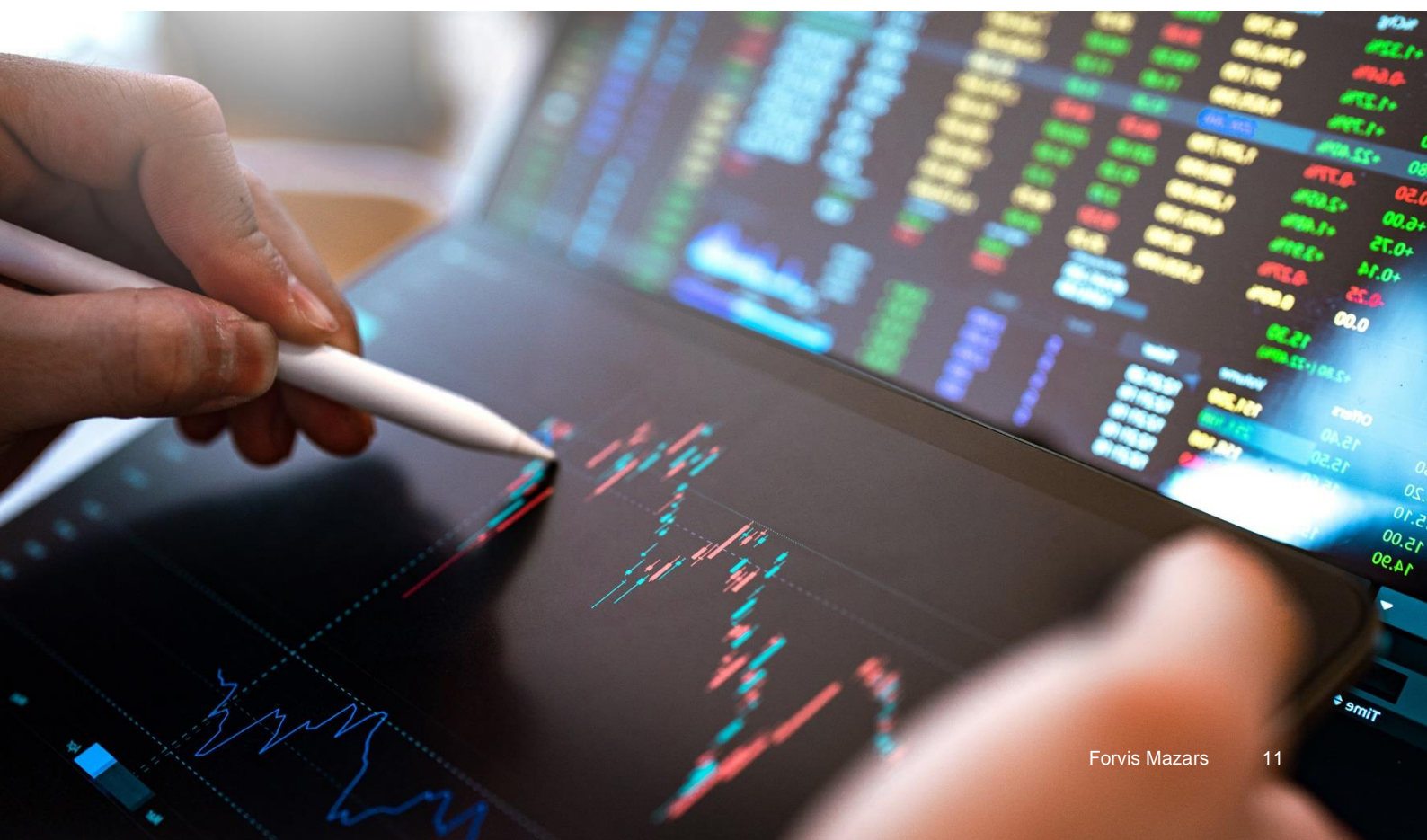
New and specific regime for “carried interest”

To stimulate funds activity in Belgium, a new and specific regime will be designed to incentivize general partners of private equity, venture capital and hedge funds, with a maximum withholding tax rate of 30% on movable income and no impact on existing plans.

Regularisation

In collaboration with the different Belgian Regions, a new, stricter permanent (para) fiscal regularization will be developed. This will include an increase of the rates to (?) 30% for capital that is not yet time-barred from a tax point of view and to 45% for capital that is time-barred, with an exception for taxpayers who can demonstrate good faith (*like heirs?*).

The agreement mentions an increase to 30% for capital that is not time-barred, but presumably an increase of 30% is meant here.





Procedural tax reform and access to data

Administrative penalty changes

The automatic application of a 10% penalty and non-compensation with available tax deductions for corporate income tax in the event of a correction upon a tax audit as currently applicable by BTA will only apply to repeated infractions, and no longer to good faith mistakes or administrative omission. Offsetting the additional tax base with the available tax deduction can only be applied with current-year losses, and not to those of previous years. This new measure will have a positive impact on cash for companies.

Investigation and assessment periods changes

Following the government agreement, tax investigation and assessment periods will be reduced from 4 years to 3 years (from 6 years to 4 years for complex and semi complex returns) and be limited to 7 years (8 years for complex and semi-complex returns) in case of fraud cases instead of 10 years.

Access to data

Tax authorities will receive broader access to information about bank accounts, insurance contracts, and other data included in the CAP (“*Centraal Aanspreekpunt*”). They will be able to access the register (after an internal authorization) in case of clear and sufficient evidence of fraud or shortfalls (“*indiciair tekort*” in Dutch). Taxpayers will be informed within a period of one month.

Anonymous data mining will also be allowed on information from this register, which then helps the tax authorities with their file selection.

The coalition agreement also clarified that:

- Online gambling accounts with balances over 10.000 EUR and cryptocurrency accounts should be included in this register; and
- The government will complete this register themselves with the financial data of foreign source, received automatically by the administration (through existing data exchange mechanisms).



Value Added Tax (VAT)

Reintroduction of the 6% VAT rate demolition and reconstruction

As from January 1, 2024, a new measure was implemented across Belgium designed to reduce the cost of energy-efficient new constructions. The VAT reduction from 21% to 6% is exclusively applicable to the demolition and reconstruction works under certain social conditions. If these conditions are not met the general rate for reconstruction of 21% is applicable.

The reduced VAT rate of 6% for the sale of reconstructed houses is set to be abolished by the end of June 2025. From that moment onwards, property and project developers would no longer be able to apply this reduced 6% VAT rate.

The new federal government intends to reinstate this 6% VAT rate on the demolition and reconstruction for property and project developers. This 6% VAT rate will be extended to the supplies, subject to social conditions and where the surface area threshold will be reduced from 200 m² to 175 m². Although rumors mentioned an increased rate of 9% (instead of 6%), there is currently no mention of this.

Clear definition for renovation (6%) and reconstruction (21%)

To date, numerous legal cases persist where it is unclear whether certain works on real estate fall under the term 'renovation' (6%) or 'new construction' (21%). This unclarity has resulted in significant uncertainties.

To address these issues and to create legal certainty, the federal government aims to establish uniform definitions to avoid disputes regarding the applicable VAT rate for construction and renovation works. At the same time the government will also explore how sustainability conditions could be introduced in the long term within the upcoming EU regulations without additional administrative burden.

Changes to VAT rate for heat pumps - energy

Today, a VAT rate of 21% is applied to the supply and installation of heat pumps. To expedite the energy transition, the federal government would like to decide to temporarily reduce the VAT rate on the supply and installation of heat pumps to 6% for the next five years.

As previously indicated, the new government intends to accelerate the energy transition and fully promote sustainable alternatives. For these reasons, it will make climate unfriendly energy products less attractive by increasing the existing VAT rates. Consequently, the VAT for the supply and

installation of fossil fuel boilers (gas, oil, etc.) during the renovation of homes older than 10 years will rise from 6% to 21%. Also, the VAT rate on coal will be elevated from 12% to 21%.

Reforming the penalty policy

The federal government is working on modernizing the VAT penalty policy. When determining the proportional financial penalty, mitigating circumstances will be considered, such as the absence of financial harm to the Belgian Treasury as the result of the infringement. This is not always the case at present.



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