

Higher professional withholding tax exemption for sme's

As employer you must withhold professional withholding tax on the salaries you pay to your employees. This withholding tax should subsequently be paid to the Treasury. For companies 1% of this withholding tax should not be paid/transferred. As from 1 January 2014 this exemption percentage is increased for small companies to 1,12%.

Exception to the payment obligation

As a general rule, every employer should pay the professional withholding tax to the Treasury. A few exceptions apply, e.g. scientific institutions should not pay the withheld professional withholding tax for up to 80%. Also for companies an exemption applies. Although it is a much smaller one.

The professional withholding tax payment exemption has already been introduced in 2007 as a 'structural reduction of charges for companies'. Initially the exemption was for 0,25% but it was increased up to 1% as from 1 January 2010.

The exemption applies to...

This exemption applies to:

- employers falling within the scope of the collective labour agreements law;
- companies recognized for temporary labour and placing employees with these employers;
- some independent public companies: Belgacom, NMBS-Holding, NMBS, Infrabel and bpost.

Exemption is increased to 1,12%

As from 1 January 2014 the exemption of the professional withholding tax payment has increased from 1% up to 1,12% for sme-employers. This is part of the relance strategy of the government to stimulate the economy and the competitive position of our companies.

This means that sme's as from 1 January 2014 should only pay 98,88% of the professional withholding tax they withhold on the wages of their employees to the Treasury. Note: the professional withholding tax should be withheld completely. The exemption only applies for the payment obligation, not for the withholding obligation of the professional withholding tax.

The calculation base for this exemption is the gross amount of the wages before withholding the personal social security contribution.

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Only for sme's

The increase only applies to sme's, in other words: companies which are considered 'small' based on article 15 of the Company Law Code. Also entrepreneurs-individuals which have not established a company, and comply with the criteria of article 15, can benefit.

Small companies are companies which during the last and last but one accounting year did not exceed more than one of the following criteria:

- balance sheet amount: 3.650.000€
- turnover (ex VAT): 7.300.000€
- number of employees: 50.

If the annual average of the number of employees is more than 100, the company is considered 'big'.

A big company cannot be split up artificially into 'small' companies. For affiliated companies the criteria apply for the complete group.

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