

Withholding tax increases to 27%

The last years several changes were made on the rate of the withholding tax. This year the rate increases again. The standard rate of the withholding tax will as from 1 January 2016 amount to 27%. An overview on the different kinds on income which will be taxed at 27% and the exception escaping it (for the time being).

The increase applies in first instance to the (normal) dividends and interest which were up to now tax at 25%. Also some special cases which were until recently subject to 15% withholding tax, now fall within the 27% rate. The tax on this income almost doubles. For other income which were until now taxed at 15%, the withholding tax increases up to 17%.

The rate increases from 15% to 27% for the thematic people's loan and the residential investment trust

Two years ago the government came up with the thematic people's loan, an investment to motivate citizens to invest in projects with a social-economic goal or social benefit (e.g. participation in the financing of smes). This loan yields interest which in 2014 and 2015 could benefit from a reduced withholding tax of 15% instead of 25%. The preferential scheme is abolished. The interests fall within the normal rate of 27%.

The same rate increase applies for dividends from residential investments trusts. This concerns trusts of which at least 60% of the assets (in)directly are invested in immovable property in Belgium and which are destined for habitation. Initially there was an exemption of withholding tax for these dividends, since 2013 they are subject to 15% and now the withholding tax increased up to 27%.

The rate increases from 15% to 17% for premature payment after clicking or making a liquidation reserve

The withholding tax on liquidation boni was increased on 1 October 2014 to 25%. In order to soften the impact of the rate increase, a transitional measure, and later a permanent measure, was introduced, whereby smes could pay tax free upon liquidation. The transitional measures made it possible to click reserves, the permanent measures allows making liquidation reserves. Both rules has as a consequence that when clicking or making the reserves 10% tax is due, but no tax should be paid at the time of liquidation.

In both cases a premature payment (before liquidation) of the reserve remains possible, but is punished from a tax perspective. A complementary taxation occurs.

When clicked reserves are distributed within a four (big companies) or two (smes) years period after clicking, an additional withholding tax of 15% is due. At premature distribution of the liquidation reserve through a dividend 15% withholding tax is due when this distribution is made within five years after reservation. As from 2016 in both cases the 15% rate is increased up to 17%.

When waiting five years after making the liquidation reserve, should pay an additional 5% withholding tax. This rate is not increased.

No increase of the withholding tax: rate remains at 15%

Some income remain subject to the reduced rate (15%) from which they currently benefit.

Since 1 July 2013 it became more interesting to invest in smes. Who makes a contribution in cash against shares, pays less withholding tax when receiving dividends: 20% if the dividend is distributed in the second financial year after the contribution and 15% if the dividend is distributed as from the third financial year after the contribution. These reduced rates of 20% and 15% are not increased.

Also for savings and Leterme-bonds nothing changes. These are taxed at 15%. For saving accounts the exemption threshold of 1.880€ remains unchanged.

Finally royalties for authors (up to the threshold of 57.270,00€ for tax year 2016) remain subject to 15% withholding tax.

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