

Re-introduction of standard investment deduction for sme's

Traditionally some new fiscal arrangements are introduced at the end of 2013. One of these is the return of the standard investment deduction for sme's. We evaluate these (new) rules.

Why re-introduce ?

As from fiscal year 2007 the standard investment deduction rate was set at zero to temper the budget impact of the notional interest deduction. As a consequence only the standard investment deduction of 3% for investment in re-useable packing remained in place.

The government found that it currently is important that sme's receive an incentive to make investments. That's why the standard investment deduction is re-introduced for 2014 and 2015. The applicable rate is 4%.

The (new) standard investment deduction can only be applied once. An sme cannot opt for a spread investment deduction.

This deduction cannot be combined with the notional interest deduction.

For who?

The arrangements are only introduced for sme's. In other words companies which are 'small' following the provisions of the Company Law Code. To be clear we repeat that small companies are companies which for the last accounting period and the previous accounting period did not exceed more than one of the following criteria:

- total balance sheet: 3.650.000€
- annual turnover ex VAT: 7.300.000€
- average annual number of employees: 50.

As soon as a company has more than 100 employees, it is considered as a big company. The above criteria apply on a consolidated basis: this means that it has no sense to artificially 'cut up' a 'big' company into several 'small' companies. These small affiliated companies are considered together.

For which investments?

To have right to the standard investment deduction, a company should invest in new material or immaterial fixed assets which are acquired or created during the accounting period and which are used in Belgium in order to perform the professional activity.

Additionally the investment should relate to the actual economical activity of the company: there should be a direct link with the main activity of the company. Investments which can be used for the professional activity, but are not actually destined for this activity do not fall within the scope of the deduction. Investments e.g. in immovable property destined for living in by the company director do not qualify.

Transferable to the next taxable period

When the sme has insufficient profit to apply this newly introduced investment deduction, the remaining amount can be transferred. This transfer is however limited: only transfer to the next taxable period is possible. If the transferred deduction cannot be used, it is lost.

Nota bene: the increased investment deduction

Next to the 'standard investment deduction' which was set to zero, the increased investment deduction remained applicable for certain specific investments (ecological and energy saving investments, sea going vessels, de-fuming installations and additionally, but only for sme's: safeguarding professional buildings and company cars).

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