Cadastral income: a key tax concept explained

Who wants to understand the tax treatment of immovable property, should first understand what cadastral income is all about. The CI plays a role when determining immovable income and immovable withholding tax , but also for the reduced sales tax when selling immovable property. Some more explanation regarding this concept.

The cadastral income: the average fictitious rental value

The cadastral income or CI represents the average (fictitious) rental value of the immovable property. It is the rental price which the tax payer is deemed to obtain when renting the immovable property. An immovable property should not actually be rented in order to have a CI. Not only buildings have a CI, but also land and material and equipment.

Who determines the CI?

The CI is a lump sum, determined unilaterally by the cadaster. Afterwards it is notified in writing to the taxable person. If the taxable person does not agree with the CI attributed to his immovable property, he should appeal within two months.

Modified building, modified cadastral income

In case a building is refurbished, renewed, extended, the (fictitious) rental value changes. This is logical. A house to which a porch is added, has a higher rental value than the same house without a porch. Works increasing the (rental) value of a house should therefore be reported to the tax authorities. The CI should be modified accordingly.

Problem: current CI's no longer adapted to reality

The rental prices have only increased during the last years. This means that also the fictitious rental value of immovable property has increased. In fact the CI's were to increase accordingly. In order to cover this increase it was the intention that the CI of all building would be revised and adapted every ten years. The general perequation as this is called, did not take place yet.

In order to avoid that the CI's would deviate too much, the CI is indexed annually since 1992.

Application 1: CI and immovable income

The immovable income of a house which is rented to a private individual using it as his home, equals the indexed CI increased with 40%.

Application 2: CI and immovable withholding tax

Next to the above the CI is an important factor when calculating the immovable withholding tax. In Flanders the immovable withholding tax equals 2,5% of the CI, in the Walloon Region and the Brussels Capital Region the immovable withholding tax amounts to 1,25% of the CI. In order to know the total immovable withholding tax due, county and municipal surcharges should be added. These two surcharges are the lion's share of the immovable withholding tax.

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Application 3: CI and the professional income or directors

What is less known, is that the CI can have an indirect effect on the professional income of directors. If a director rents a building to his own company, a part of the rent will not be qualified as rental income (= immovable income), but as salary (= professional income). This is the case for the part of the rent which is considered as 'excessive'. The excessive part is 5/3 of the revised CI.

This rule was introduced in order to avoid that companies would artificially remunerate their directors with rental income instead of with social and tax wise less interesting salary income.

Application 4: CI and sales tax

Finally the CI also plays an important role for stamp duties. The sales tax which is due when selling immovable property normally amounts to 10% (in Flanders) or 12,50% (in Wallonia and Brussels). For immovable property with a low CI (= less than 745€) a reduced rate of 5% (Flanders) or 6% (Wallonia, Brussels) applies. This is often referred to as 'reduced registration'.

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