

Minimum remuneration of company directors

A company should pay at least 45.000€ to one of its company directors in order to benefit from the reduced corporate tax rate of 20%. If not, the standard corporate tax rate is applicable. Additionally, the company will have to pay a separate taxation. These rules apply to financial years starting as from 1 January 2018.

Which reduced tax rate?

Small companies pay 20% tax on the first 100.000€ profit.

Why pay minimum remuneration?

The government is fighting 'companionization'. In other words, the government wants to avoid that entrepreneurs establish companies only for tax reasons. While economically it is more logical to work as an independent.

How much is the minimum?

At least one of the company directors receives a remuneration of 45.000€. In case the taxable income is lower than 45.000€, the company should pay a remuneration which equals the taxable income. Taxable income here means the result after payment of the remuneration.

Examples

A company has, after deduction of the director's remuneration of 15.000€, a taxable result of 40.000€. The taxable result, increased with the remuneration, equals 55.000€. The minimal needed remuneration therefore is $55.000/2 = 27.500€$. Consequently, the company has paid an insufficient remuneration.

A company has, after deduction of the director's remuneration of 25.000€, a taxable result of 25.000€. The taxable result, increased with the remuneration, equals 50.000€. The minimal needed remuneration therefore is $50.000/2 = 25.000€$. Consequently, the company has paid a sufficient remuneration.

What is considered as remuneration?

All taxable remunerations qualify:

- The remuneration itself
- Benefits in kind
- Requalified rental allowances (rental payment made by the company to the director, which under certain circumstances is requalified as remuneration)

For all directors?

The director receiving the said remuneration should be an individual.

Separate taxation

A condition to be able to benefit from the reduced increased tax rate already existed (in the past the threshold amounted to 36.000€). The separate taxation is new. Companies not paying the minimum remuneration will have to pay an extra tax.

The separate taxation is based on the positive difference between the legal minimum remuneration and the highest actual remuneration. The tax rate of the separate taxation amounts to 5%. The supplementary crises tax applies, meaning that the actual tax rate amounts to 5,1%. As from tax year 2021 this will be 10%.

Example

A company pays a remuneration of 35.000€ instead of 45.000€. On the spread of 10.000€ the company should pay 5,1% tax. Consequently, the separate taxation amounts to 510€.

This separate taxation qualifies as **deductible professional expenditure**. Small companies should not pay any separate tax during the first four taxable periods after their incorporation (starters).

Another threshold for linked companies

For linked companies, another threshold applies. At least half of the directors should be the same persons. For these companies, the remunerations received by the director from the different companies are added up. The (total) minimum remuneration then becomes 75.000€.