Overview: who is competent for which tax deduction?

The Sixth State reform did not simplify Belgian taxation. The Regions are partly competent for personal income tax. They can not only levy surcharges on the Federal Taxes, but they are also competent for tax reductions related to their other non-taxation powers. For other tax reductions the Federal Government remains competent. We herewith provide an overview of who is competent for which tax reduction.

The Federal Government is competent

The Federal Government remains competent for:

- the tax reduction for long term savings (if the expenditure is not linked to the 'own house', for which the Regions are competent);
- tax reduction for pension savings;
- tax reduction for employer shares;
- tax reductions for pensions, replacement income, early retirement, unemployment payments, income from health and disability insurance;
- tax reduction for income from overtime for which an overtime allowance was received;
- tax reductions for foreign income;
- tax redactions for energy saving expenditure carried forward from earlier tax years (only for the 'carried forward' tax reduction, since the scheme was almost completely abolished);
- tax reduction for shares in development funds;
- tax reduction for gifts (this was in the past a deductible expenditure, but was changed into a tax reduction);
- tax reduction for kindergarden (this was in the past a deductible expenditure, but was changed into a tax reduction).

The Regions are competent

The Regions are competent for the following reductions. For the first two mentioned below the Regions were already competent, for the rest of the list the Regions are competent as from tax year 2015. In case only one of the Regions has implemented the tax reduction, it is specifically mentioned in the list, the other tax reductions are (for the time being) applicable in all Regions. It is always possible that the Regions make modifications (e.g. add conditions, increase or decrease the amount or percentage of a reduction, abolish the reduction).

- Flemish Region: tax reduction for the win-win loan;
- Walloon Region: tax reduction for shares and obligations of the 'Caisse d'Investissement de Wallonie';
- tax reductions related to the 'own house', both for the paid interest as for capital redemptions (for other houses the Federal Government remains competent) - this reduction has the form of the known 'living bonus' of the reduction for building savings;
- tax reduction for investments in fire and burglary protection;
- tax reduction for roof isolation;
- tax reduction for renovation of houses in a positive metropolitan policy zone;
- tax reduction for renovation of houses which are rented out by a social renting office for a reasonable price;
- tax reductions for local employment agency and service vouchers expenditure.

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