Tax measures in the federal coalition agreement

The federal coalition agreement has a number of tax consequences. For personal income tax the government wants a shift from taxing labour to other taxes.For corporate tax the transition scheme for liquidation boni is in fact perpetuated and also for VAT some changes are in the pipeline. We now already comment on the most important items. We will come back with more detailed information once these ideas are translated into concrete measures.

A tax shift

It is the purpose for the Michel I government to shift the tax burden from tax on labour to consumption taxation, to taxation on capital. The decrease of income taxation will be compensated by higher excise duties and changes on VAT rules.

Higher lump sum deduction of professional expenditure and limitation of the automatic indexation of tax expenditure

Both a decrease as an (indirect) increase of the income taxes are planned.

A decrease: as from 2018 the lump sum deduction of professional expenditure (this is for everyone not proving his/her actual expenditure) will be increased with 500€. As a consequence you will pay less taxes. Independent entrepreneurs can however not apply this lump sum and should always prove their actual expenditure. Unfortunately they cannot benefit from this advantage.

An increase: the automatic indexation of the thresholds will be limited. The thresholds of a number of tax reductions and allowances will not be indexed during the next four years. It concerns: the exempt amount of interest of saving accounts, dividends from recognized co-operative companies and interests or dividends from companies with a social goal, tax reductions for replacement income, passive houses and low-energy houses, long term savings, pension savings, energy saving expenditure, gifts, house staff, etc. Indirectly this leads to a higher taxation (this since the reduction you can apply no longer increases).

Pension saving

Since the government wants to encourage pension saving, this is also tinkered with from a tax perspective. The saved pension capital in the third pillar (these are the individual pension insurances) will be taxed lower, but sooner. The rate decreases from 10% to 8%, but will be partly collected now. On the saved capital on 31 December 2014 an annual tax of 1% will be levied. The remaining 3% will be collected when the tax payer is 60 years old.

Cayman-tax

The government hopes to have a weapon with the Cayman-tax against tax payers moving their estate in tax havens (such as the Cayman Islands, hence the name). The Cayman-tax is a transparent tax ensuring that income from a number of vehicles (such as a trust, a Liechtenstein Stiftung) will be taxed in the hands of the people behind them, even when the income is not distributed but kept in the vehicle. In other words the vehicles will be looked trough to the beneficial owner. These real beneficial owners will be taxed.

Liquidation boni: the transition measure is perpetuated

Since 1 October 2014 the tax rate on liquidation boni amounts in principle to 25% withholding tax. In order to mitigate the consequences a transitional measure applied: snapping the reserves at 10%. This transitional measures will now in fact become a permanent rule. SMEs will be able to reserve half of their profit per year by booking it on a separate, unavailable reserve account. At that time they will have to pay immediately 10% withholding tax. On the other hand no more tax is due when the reserves are distributed later.

If the company distributes these reserves earlier (as dividends), an additional taxation is imposed: 5% in case of distribution more than five years after creation (total withholding tax will amount to 15%) and 15% in case of distribution less than five years after creation (total withholding tax will amount to 25%).

Another adjustment to the secret commissions tax

The rules on secret commissions taxation have amended over and over during the last years. Also the new government plans further adjustments. For not or late drafting of the necessary slips, only an administrative fine will be levied, at least when the benefit can be taxed in the hands of the beneficiary.

If the identity of the beneficiary is not disclosed, the secret commissions taxation applies. The rate will be however reduced from 309% to 103% for benefits granted to private individuals and 51,50% for benefits granted to companies subject to corporate tax.

6% VAT of immovable work

Private individuals who's private dwelling has been in use for more than five years and rebuild or refurbish their home can benefit from the reduced VAT rate of 6%. The rate remains applicable, but only for houses older than ten years.

Other VAT measures

Electronic services supplied by European companies to Belgian private individuals will be subject to Belgian VAT and no longer in the country where the service provider is established.

The VAT exemption for plastic surgery and treatment is abolished: on plastic surgery 21% VAT will be due. Other medical treatments remain exempt.

Also on the planning

Finally some other minor changes are expected:

- excise duties on diesel, tobacco, coffee, some alcoholic beverages and energy will increase;
- the temporary increase of stock market tax becomes permanent and might be further increased.