

Low activity income: tax credit extended

The tax credit for low activity income is meant for tax payers having a limited income from their professional activity. If they pay less tax than 670,00 EUR, they even obtain refund of the amount. This scheme is now extended to new categories of independents.

Low activity income

A tax payer has a low activity income if he has an independent activity or works as employee and generates an income lower than 21.170,00 EUR (amounts for tax year 2017, income 2016).

In order to determine the income we should look at the net professional income, less:

- pensions, interest and allowances;
- income of employees and company proxies which operate under an employment contract;
- fees obtained as full or partial compensation for loss of income;
- professional income which is taxed separately under art. 171 Income Tax Code 92;
- profit or gains from an independent ancillary activity.

Tax credit

Tax payers which have such a low activity income have right to a tax credit of maximum 680,00 EUR. As the income increases, the tax credit increases or decreases (the following amounts are for tax year 2017):

- income of 0,00 EUR up to 5.010,00 EUR: no tax credit;
- income between 5.010,00 EUR and 6.080,00 EUR: gradual increase up to 440,00 EUR;
- income between 6.080,00 EUR and 16.710,00 EUR: tax credit of 440,00 EUR;
- income between 16.710,00 EUR and 21.710,00 EUR: gradual decrease to 0,00 EUR;
- income above 21.710,00 EUR: no tax credit.

The tax credit is deductible (from the tax due) and repayable (in case the tax payer should pay less than 680,00 EUR tax, the difference will be repaid).

Independents: extension

Until now independents for whom the profits or gains were determined following the forfait schemes could not benefit from the tax credit. This is often the case for small independents such as bakers, butchers, hairdressers, pub owners and farmers.

The exclusion of tax payers for whom their profits and gains are determined following the forfait schemes, leads to the fact that this group of small independents which often have limited income has no right to tax credit. This is not logical.

As from 2017 they are no longer excluded. The Income Tax Code was modified accordingly.

Tax payers which are taxed on a forfait minimum profits or gains since they have not filed their tax return on time remain excluded. They still do not have right to a tax credit.