

## Ten facts on professional expenditure

Costs you make in order to obtain or keep professional income are deductible as professional expenditure. Private costs are not deductible. But there are also doubtful situations. Some costs which have a (partial) professional goal, are not fully deductible. In order not to have surprises, it is important to know what is and isn't deductible. Below we discuss ten costs.

### Fully deductible

#### **Salary of a family member**

The salary you pay to a family member is, as is the case for other employees, fully deductible. However a few conditions should be met:

- your son, daughter or spouse should work under your management and supervision;
- he or she should receive a normal remuneration, for actually performed work and which is justified on individual salary slips.

Do not forget that a child to which you pay a salary which is deducted as professional expenditure, is no longer dependent for tax purposes.

#### **Home office**

If you have an office at home which you use for your profession (e.g. to finalize files after your day at the office, or to do your administration after a day in your shop), you can deduct the related costs. You can imagine the following costs: rent of your house or interest on your mortgage for the acquisition of the house, electricity and heating, maintenance, cleaning products. All the costs are deductible relative to the surface of your office in the total building. If the office is also used for private purposes, the deduction should be limited to the professional part.

Example: your office is 10% of the surface of your house. It is used both professionally (65%) as for private purposes by you and your family (35%). Your mortgage amounts to 1.300€ per month. This will firstly be limited to 10% = 130€ (surface of the office in relating to the complete house). From this the professional part (65%) is deductible: 84,5€.

#### **Tax advice**

Belgian taxation has become so complex that almost everyone should seek tax advice. This can be for a complex matter, a dispute with the tax authorities or to fill out the tax return. This expenditure is deductible.

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### ***Losses of your company***

Sometimes company directors take the losses of their company at their charge in order to assure the continuity of their company. These losses are a huge cost. As a director you deduct these losses from your personal income taxes. The next three conditions should therefore be fulfilled:

- you take these losses at your charge in order to keep the professional income you obtain from your company (if your company goes bankrupt, it can no longer pay you any remuneration);
- you make an irrevocable and unconditional deposit of an amount of money;
- your company uses these funds to eliminate its professional losses.

You can also finance this taking into charge by obtaining a loan, and deduct the interest.

### **Partially deductible**

#### ***Restaurant expenditure***

Restaurant expenditure is only partially deductible, even if the costs are made for a purely professional business lunch. The deductibility is limited to 69%. The notion 'restaurant' is largely interpreted: this can be a star restaurant, over a bistro to a sandwich or snack bar. Representatives in the food industry can however fully deduct their restaurant expenditure. Only for them this special regime applies. Costs for a private lunch are clearly not deductible, since they have no professional character.

### **Sometimes deductible**

#### ***Training expenditure***

Costs made for training, courses, seminars, workshops relative to your professional activity are deductible, e.g. perfection or specialization courses. If you want to reorientate professionally and you follow a new training, the costs are not deductible. A bookkeeper following a master in international taxation can deduct these costs, if he follows cooking lessons because he wants to change his job, the costs are not deductible.

Training costs do not only comprise the registration fee, but also the costs made for materials, mileage, ...

#### ***Clothing expenditure***

For clothing expenditure a difference should be made between clothes you wear always or can wear always (also during your free time) and clothes you can only wear to work (specific professional clothing). Only the costs for specific professional clothing is deductible. This specific professional clothing comprises both obligatory professional clothing (e.g. helmet, overall, safety shoes, uniforms, ..) and other types of specific clothing which is worn by certain professions (e.g. clothing of a doctor, dentist or nurse, gown of a lawyer, vest of a butcher or baker). Expenditure for 'normal' clothes is considered as private expenditure, even when certain clothes (e.g. a suit) are only worn to work. The criterion is indeed that you can also wear this suit in your free time (e.g. to go to a formal party), which is not the case for a uniform or a gown.

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**Not deductible****Traffic fines**

Traffic fines are not deductible. 'Parking fines' however are deductible because legally they are not considered as real 'fines'. A parking fine is the consideration (retribution) one pays (to the authorities) to use a parking space. As it is the case for most other professional car costs, they are deductible for personal tax purposes for 75%.

**Unreasonable expenditure**

Unreasonable expenditure, these are costs exceeding unreasonably your professional needs, are not deductible. Such expenditure does not fulfill the legal conditions as professional expenditure. They are not made in order to obtain professional income, but rather to acquire a certain status. The appreciation is a factual matter, which can lead to discussions: e.g. an expensive business trip, an exclusive artwork, a fancy sports car, ...

**Sponsoring**

The tax authorities do not intend to accept the deductibility of sponsoring. This is strange since publicity expenditure is deductible. The tax authorities believe that sponsoring cannot be sufficiently considered as publicity. Also here is room for discussion: some courts differ from the administrative point of view. Deduction of sponsoring is not fully ruled out.

**Note**

If you want to deduct your professional expenditure as described above, you should of course make sure that you have and keep all the necessary proof: invoices, ...

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