

Prepayments 2018

Companies making insufficient prepayments are punished. They have to pay a tax increase. As from this year, the Government wants to even more encourage prepayments. The tax increase percentage in the corporate income tax as from now amounts to 6,75%.

Do you have to make prepayments?

You have to prepay when you obtain profits or benefits. This means that entrepreneurs, liberal professions and all forms of companies must make prepayments.

When do you have to prepay in 2018?

When your accounting year closes on 31 December 2018, you will have to make prepayments at the latest on:

- Prepayment 1: 10 April 2018
- Prepayment 2: 10 July 2018
- Prepayment 3: 10 October 2018
- Prepayment 4: 20 December 2018

Higher tax increase percentage

The tax increase percentage equals 2,25 times the base interest rate. The base interest rate is the interest rate of the European Central Bank on 1 January of the taxable period. The minimal base as from this year is 3%. This means that the increase percentage now amounts at least to 6,75% in the corporate income tax. The tax increase percentage in the personal income tax equals 2,25%.

How does this work in practice?

Imagine that your company has 100.000 euro tax due for the profits made in 2018 (this is tax year 2019). When no prepayments are made, the maximal increase is due => 100.000 euro x 6,75% = 6.750 euro.

By making prepayments, you can avoid this potential increase. Every prepayment reduces the amount of the tax increase. The first prepayment has the biggest effect.

Example

PP 1: 27.000 x 9,00% = 2.430 euro
 PP 2: 43.000 x 7,50% = 3.225 euro
 PP 3: 30.000 x 6,00% = 1.800 euro
 PP 4: 0 x 4,50% = 0 euro
 Total: 7.455 euro

In this way the increase of 6.750 euro is eliminated and more prepayments than necessary are made.

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