

## Personal income tax brackets are adapted

The much debated tax shift has as objective to shift the tax burden from labour to consumption and capital. The government wants to achieve this through a number of specific measures. One of these is the increase of the withholding tax rate up to 27%. Another measure is the adaptation of the tax brackets in the progressive personal income tax.

### Personal income tax is a progressive tax

Income is progressively taxed for personal income tax purposes. This means the more you earn, the more tax you should pay.

In order to do so, the law uses 'brackets'. The lowest bracket is taxed at 25%, the next at 30% and so on until the highest bracket which is taxed at 50%. Therefore you will pay less tax on the first 10.000€ you earn than on the last 10.000€.

Attention: these brackets are not equally divided (the progressivity is not equally divided in equal brackets of 10.000€).

### Tax year 2017: brackets are differently divided

These progressive tax rates will be amended in the coming year (as from tax year 2017, for income of 2016). Or in other words: the existing rates remain in place, but the brackets are divided differently. The lowest tax bracket is enlarged. So you will obtain a (limited) immediate gain.

For income of 2016 the division looks as follows (the amounts are indexed for income year 2017):

- 25% on the first bracket up to 10.860€;
- 30% on the second bracket from 10.860€ to 12.470€;
- 40% on the third bracket from 12.470€ to 20.780€;
- 45% on the fourth bracket from 20.780€ to 38.080€;
- 50% on the fifth bracket above 38.080€.

The enlargement of the first bracket gives an immediate advantage. For tax year 2016 (income from 2015) to first bracket amounted up to 8.710€ only.

#### Example

*Rik has an income of 10.860€*

*In tax year 2016 (income of 2015) he will pay:*

- $8.710 \text{ à } 25\% = 2.177,50\text{€}$
- $(10.860 - 8.710) \text{ à } 30\% = 645\text{€}$
- *total = 2.822,50€*

*In tax year 2017 (income 2016) he pays on the same income:*

- $10.860 \text{ à } 25\% = 2.715\text{€}$
- So he pays 107,50€ less taxes.*

### Tax year 2019 and 2020: further adaptation of the brackets

The adaptation which is made this year is only a first step. In the future more changes will be made on the division of the brackets. It is striking that the 30% bracket disappears. Everything which was taxed at 30%, will be incorporated in the lower bracket of 25%. In other words: the first bracket is enlarged to such extent that it absorbs the 30% bracket.

Additionally also the 40% bracket became wider and the 45% bracket became smaller.

For tax year 2019 (income 2018) the division of the brackets looks as follows (for the amounts we stil use the index for 2017, since the index for 2019 is not yet know):

- 25% on the first bracket up to 12.470€;
- 40% on the second bracket from 12.470€ to 21.400€;
- 45% on the third bracket from 21.400€ to 38.080€;
- 50% on the fourth bracket above 38.080€.

Also this second modification will give the tax payer a small benefit.

Finally the 40% bracket will be widened and the 45% bracket will be made smaller as from tax year 2020. The second part of 40% will run from 12.470€ up to 22.000€. Which gives an additional advantage.

The highest rate of 50% is not modified.

#### COMPTAFID-Benelux NV SA Brussels

Bld. Edmond Machtensl. 180/100  
B-1080 Brussels  
Tel: +32 (0)2 410 75 75  
[www.comptafid.be](http://www.comptafid.be)

#### COMPTAFID-Benelux NV SA Antwerp

Schijnparklaan 45  
B-2900 Antwerp (Schoten)  
Tel: +32 (0)3 658 89 02  
[www.comptafid.be](http://www.comptafid.be)

#### COMPTAFID (Schweiz) AG Zürich

Seefeldstrasse 19 – Postfach  
CH-8032 Zürich  
Tel.: +41 44 250 2929  
[www.comptafid.ch](http://www.comptafid.ch)