

## Prepayments 2015: lower increasing percentage

Companies making no or insufficient prepayments have to pay a tax increase. The increasing percentage calculating this increase is determined for each year. For the prepayments of this year (tax year 2016) again a lower increasing percentage than the previous years applies. This percentage amounts to 1,125%.

### Who should prepay?

All tax payers receiving profits should make prepayments. These are a.o. entrepreneurs and liberal professions (for personal income tax purposes) and all forms of companies (for corporate income tax purposes).

Starting companies (individuals and small companies) are exempt from making prepayments during the first three years.

### When to prepay in 2015?

The prepayments have to be made at the latest on four predefined dates:

- prepayment 1: ultimately on 10 April 2015;
- prepayment 2: ultimately on 10 July 2015;
- prepayment 3: ultimately on 12 October 2015;
- prepayment 4: ultimately on 21 December 2015.

These dates apply for companies closing their financial year on 31 December. For companies with another financial year (e.g. from 1 April until 31 March) other dates apply.

### The increasing percentage for 2015 (tax year 2016)

The increasing percentage is calculated by multiplying the base interest rate with 2,25. This base interest rate is the interest rate which is applied by the European Central Bank on 1 January of the year before the tax year. For tax year 2016 the interest rate of 1 January 2015 is taken into consideration. This rate amounts to 0,30%.

The interest rate should be rounded to the lower unity. So it amounts to 0,00%. This is a problem, since  $2,25\% \times 0,00\% = 0\%$ . Hence, no increase can be imposed.

The government has therefore used the possibility to define the base interest rate by Royal decree at 0,50%.

So the increasing percentage amounts to:  $2,25 \times 0,50\% = 1,125\%$ .

This percentage is again lower than that for tax year 2015 (which was 1,69%).

### Increase in case of no or insufficient prepayments (company)

The increase which is imposed for insufficient prepayments is calculated as a percentage of the tax due.

#### Example

Company X owes 55.000€ of taxes for tax year 2016. However the company makes no prepayments. X owes the following increase:  $55.000 \times 1,125\% = 618,75\text{€}$ .

### Eliminating the increase by making sufficient prepayments

By making prepayments, the potential increase is neutralised. Every prepayment decreases the tax increase. This is calculated based on a percentage of the prepayment (PP). Also these prepayments are changed:

- PP 1 (10 April) at 1,50%;
- PP 2 (10 July) at 1,25%;
- PP 3 (12 October) at 1,00%;
- PP 4 (21 December) at 0,75%;

on average the result is 1,125%  $((1,50 + 1,25 + 1,00 + 0,75) / 4)$ .

A prepayment made in the first quarter brings more than one in the second, third or fourth. A prepayment of 35.000€ on 10 April decreases the possible increase with 525€ (1,50% of 35.000€), while the same prepayment on 12 October diminishes the increase only with 350€ (1,00% of 35.000€).

### How does it work in practice: an example for 2015 (tax year 2016)

BVBA Y should pay 125.000€ taxes for accounting year 2015. If no prepayments are made, an increase of 1.406,25€ (1,125% of 125.000€) would be due. The company tries to neutralise the hypothetical increase by making the following prepayments during the year:

- on 10 April: 30.000€;
- on 10 July: 55.000€;
- for the third quarter Y does not make a prepayment;
- on 21 December: 25.000€.

These prepayments will neutralise the possible increase as follows:

- PP 1:  $30.000\text{€} \times 1,50\% = 450\text{€}$ ;
- PP 2:  $55.000\text{€} \times 1,25\% = 687,50\text{€}$ ;
- PP 3:  $0\text{€} \times 1,00\% = 0\text{€}$ ;
- PP 4:  $25.000 \times 0,75\% = 187,50\text{€}$ ;
- Total = 1.325€

The possible increase of 1.412,50€ is not fully neutralised. Y owes 87,50€ as tax increase.

When the tax increase is however less than 1% of the tax, it is not due. This is the case here.