

The Flemish living bonus in 2016

Since the personal income tax is partly regionalized, the regions are competent for granting tax reductions for loans for the private dwelling of the tax payer. Flanders already used this possibility to modify the rules for loans entered into as from 1 January 2016. This system is referred to as the integrated Flemish living bonus.

Situation

This contribution only deals with the integrated Flemish living bonus for loans entered into as from 1 January 2016 for the own house of the tax payer, who on 1 January of the tax year is an inhabitant of the Flemish region. If one of these elements does not fit, another scheme applies:

- only the 'living bonus' remains: Flanders does not grant any tax advantage for long term savings for loans as from 2016 any more;
- the loans should be entered into as from 1 January 2016: for earlier loans other schemes applies;
- it should concern the own house: for non-own houses the tax payer might have right to the Federal living bonus;
- the tax payer should be an inhabitant of the Flemish region on 1 January of the tax year: in case he is an inhabitant of the Walloon Region or the Brussels Capital Region, these regions are competent for the living bonus (even if the own house lies in Flanders).

Biggest change: the house should no longer be the only house

The most important change of the integrated Flemish living bonus is that the house for which the loan is taken should no longer be the only house of the tax payer on 31 December of the year in which the loan is entered into. Since a regional bonus is concerned, it is clearly that it should be the own house of the tax payer.

Amount of the reduction remains the same

The other essential elements have not changed that much compared to the applicable scheme for loans entered into as from 1 January 2015. This means that the tax reduction is calculated at a fixed rate of 40%. This percentage is applied on a maximum amount of 1.520€. Also the increase of the standard amount with 760€ during the first ten years remains. Condition to have right to the increase, is that the house is the only house of the tax payer on 31 December of the year in which the loan was entered into.

Also the increase of 80€ for who has three or more dependent children, still exists.

The interest payments and capital reductions only qualify for the integrated living bonus to the extent they are linked with a mortgage.

Life insurance

Also the premiums paid for individual life insurances which are linked to the loan still give right to a tax reduction, but only for the part which is used to reconstitute the mortgage part of the loan.

New for life insurances is that the tax payer is no longer completely free to choose the beneficiary of the insurance. The choice is limited to: (1) the person who in case of decease will obtain full ownership or long rights of the house or (ii) the spouse or relatives up to the second grade of the deceased to the extent that the insured capital is not used to reconstitute the mortgage.

Combine integrated living bonus with older living bonuses?

If you have entered into a new loan for a house for which you still have an old loan, you should choose for one of them.

Or you keep the benefits of the old bonus for your current loan, but then you cannot benefit of the integrated living bonus for the new loan. You should not choose immediately: you can for the time being apply the old living bonus and later shift to the integrated living bonus.

You can also choose to apply the integrated living bonus for the new loan, but then you give up the old bonus for the existing loan.

Watch out once you have chosen for the new integrated living bonus, you cannot return to the old living bonus later on.

Spouses and people legally living together (for whom a common taxation is sent), should make the same choice.

A special case: a care home

A care home is a 'secondary living unit' which is foreseen in an existing house for an elderly person or someone who needs assistance (mostly the parents or grand parents of the tax payer). In this way the persons who needs assistance have privacy in their own part of the house, but the helpers are near. In principle this part of the house is to be considered as non-own house, for which the tax payer does not have right to the Flemish living bonus. Following the strict rules the tax payer should split his tax advantage in a Flemish living bonus (part of the house in which he lives himself) and the federal living bonus (the zorgwoning part).

In Flanders however the legislator wants to promote 'care homes'. Therefore the Flemish authorities consider the whole house, including the care unit, as the own house, since the care home is limited in volume and physically forms a whole with the rest of the house. The Flemish living bonus can therefore be applied for the whole house.

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