

Higher professional withholding tax rates for supplementary pensions

The supplementary pension of employees and directors which is financed through employer's contributions will in the future be taxed otherwise (meaning higher) when the pension capital is assumed early. Also the rates of the professional withholding tax on capital distribution for employees and directors are increased. The new rules are applicable for capital distributed as from 1 July 2013.

Second pension pillar

The Belgian pension system is based on three main pillars: the legal pensions (1st pillar); the supplementary pensions (2nd pillar) and voluntary supplementary pensions (3rd pillar). The supplementary pension (such as extra legal pensions, group insurances and pension funds) is a supplement to the legal pension. You can assume this upon retirement or upon reaching the age mentioned in the pension regulation.

On the supplementary pension for employees social security contributions are due. A contribution of 3,55% for the illness insurance and a solidarity contribution between 0 and 2%, depending on the amount of your supplementary pension.

On your supplementary pension, also professional withholding tax is due. The percentage depends on whether you assume a one-off amount (capital) or payments spread out in time (e.g. monthly payments). When assuming the capital the professional withholding tax rate is a percentage depending on the age on which you receive the capital and whether your supplementary pension was financed with employee's or employer's contributions.

New tax rates

The government already has some time plans to encourage people to work longer. Next year they decided the tax the supplementary pension capital financed with employer's contributions with an external extra financed collective or individual pension promise (group insurance, individual pension promise/IPT-insurance, allowance from a pension fund) higher. Since 1 July 2013 the personal income tax rate increased from 16,5% to 20% if you stop working and assume your supplementary pension capital at the age of 60 (18% at the age of 61, 16,5% at the age of 62 and 10% at the age of 65 and when your active until the age of 65, or 16,5% at the age of 65 when you stopped your professional activity earlier).

The new rates only apply for pension distributions as from 1 July 2013. For capital distributions at the occasion of retirement (at the age of 65 or older) or at the occasion of death, the current rates apply.

New professional withholding tax rates

Now also the professional withholding tax rates on capital distributions for employees and directors are increased. As from 1 July 2013 the professional withholding tax rates increases as the capital is distributed at a younger age.

For capital financed with employer's contributions the tax rates for employees and directors are as follows:

- a professional withholding tax rate of 20,19% (without reduction) for capital distributed when alive at the age of 60 or in case of retirement at the age of 61;
- a professional withholding tax rate of 18,17% (without reduction) for capital distributed when alive at the age of 61;

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- a professional withholding tax rate of 16,66% (without reduction) for capital distributed when alive at the age of 62, in case of retirement at the age of 61 or upon distribution at the occasion of death;
- a professional withholding tax rate of 10,09% (without reduction) for capital distributed at the age of 65 and on condition that the employee or director remains 'active' until his/her 65th birthday.

For capital financed through employee's contributions, the professional withholding tax rate remains unchanged:

- a professional withholding tax of 10,09% (without reduction) for capital distributed as from the age of 60;
- a professional withholding tax of 33,31% (without reduction) for capital distributed before the age of 60.

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