

Corporate tax: compensating measures for reduced tax rate

In a previous contribution, we provided you with some very good news: the corporate tax rate will decrease in the coming years, to 25% in 2020 and for SME's to 20% on the first 100.000€ profit. And there is also some bad news: the government wants this decrease to be budget neutral. Therefore, the decrease is compensated with new measures such as the abolishment or reduction of some existing deductions.

'Minimum taxation' on the profit above one million €

Profits above 1.000.000€ can no longer be fully neutralized through a number of tax deductions. The profit exceeding the threshold of 1.000.000€ can only be deducted for 70% through the following deductions:

- Previous losses
- Carried-forward definitive taxed income (DBI)
- Carried-forward deduction for innovation income
- Carried-forward notional interest deduction

Modified notional interest deduction

This means that 30% of the profit exceeding 1.000.000€ will always be taxed. In fact this 30% becomes a minimum taxable base.

Example

The nv CONSTRUCT has a profit of one and a half million €. The threshold is consequently exceeded with 500.000€. This 500.000€ can be decreased with 70% through tax deductions. The other 30% (=150.000€) cannot be deducted through deductions. As a consequence, tax will anyway be due on 150.000€. For 2018, this will amount to 29,58% (29% + 2% crisis contribution) = 44.370€.

The amount of deductions which are limited through this rule, will be transferable to the next years.

Notional interest deduction remains, but will be tackled

It is whispered that the notional interest deduction would disappear. In the summer agreement, the government announced that this is not the case. However, the notional interest deduction will be revised. The deduction will be calculated on a new base: the weighted average of the increase of risk capital during the last five years.

Exemption capital gains on shares: complying with participation condition

Companies can only benefit from the exemption for capital gains on shares provided that the participation condition is fulfilled. This condition contains that the company should hold a participation of at least 10% in the capital of the company or with a purchase value of at least 2,5 million €. The same condition is found in the definitive taxed income scheme.

The tax rate of 0,4% (0,412 including additional crisis contribution) on capital gains due by large companies is in anyway abolished.

Capital reduction: withholding tax is due

Capital reductions will be subject to withholding tax relative to the share of the remaining tax reserves in the placed capital, increased with the taxed reserves. At the same time the possibility to account for the capital reduction in priority to the placed capital is deleted. As a consequence, the company needs to withhold 30% withholding tax on the capital repaid in case of a capital reduction.

Filing the tax return

Companies not filing a tax return will as from 2018 be taxed anyway on a lump sum profit of 40k€.

Lack of prepayments becomes more expensive

The base interest rate for prepayments is increased up to 3%. It will therefore become more expensive for companies in case they make no or insufficient prepayments.

All these new measures were announced by the government in the summer agreement. Now they still have to be translated in concrete legislation. We will keep you informed when the next steps should be taken and which actions you should then take.

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