



> COMPANY TAXATION

The Wallonia Region offers both companies and expatriates taxation rates among the lowest in the Euro-zone countries.

Various measures account for this beneficial tax situation:

- The standard business-taxation rate that has been reduced in recent years and is proving very competitive compared with the major West-European countries.
- Simple tax measures that further reduce the standard rate, including the reduced-rate taxation option for SMEs with low taxable income.
- The “notional interest” deduction introduced in recent years, reducing corporate taxation to an average effective rate of some 26%.
- The Wallonia Government’s abolition of all tax disincentives: abolition of the tax on vehicle engine capacity, tax incentives on regional investment aid, exemption of equipment and tools from property taxes.
- A tax scheme for non-residents and foreign managers or researchers temporarily seconded to Belgium, etc.

Please don’t hesitate to seek our advice on these tax matters.

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→ Setting up a business

→ taxation

GOOD TO KNOW

The tax authorities can analyse a taxpayer’s circumstances or a contemplated transaction, and make a prior estimate of the tax implications. This is called a “ruling fiscal” (advance tax ruling). This advance ruling

on a tax question can apply to all areas of taxation: company taxation, tax on natural persons, VAT, customs duties and capital duty. Hence, the future impact can be determined for direct and indirect taxation matters on

the basis of advance decisions by the tax authorities. This procedure guarantees you legal certainty, in compliance with international legislation. It is well worth your while to use this procedure!

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Business taxation

- **The taxation base.** The taxable base is usually calculated from gross income, less deductible expenses. These cover a variety of goods and services (maintenance, travel, rent, etc.), wages and salaries, social-security and pension contributions (excluding luncheon vouchers and hospital-care insurance premiums), depreciation (straight-line or declining-balance). Prior-period tax losses can be deducted, and can be carried forward to future periods without limitation as to time or amount.
- **Standard and reduced rates of corporation tax.** The corporation tax rate is 33.99%. In certain circumstances, SMEs that are majority-owned by natural persons and whose income does not exceed € 322,261 are entitled to a reduced rate of 24.98%.
- **Double-taxation relief.** The Wallonia Region has many tax treaties with a large number of countries, designed to avoid double taxation. This may be advantageous when a company's activities are consolidated internationally.
- **Notional interest deduction.** The chief benefit of this measure is in removing the taxation disparity between equity financing and loan-capital financing: loan interest is currently deductible from taxable income. This measure encourages businesses to finance themselves internally. The new deduction means that companies expanding their equity base from internal funds may deduct from their taxable amount a notional charge – not reflected in the accounts – that corresponds to a certain percentage of their “adjusted” equity (this is the “notional interest”). The starting-point for calculating the deduction is the book amount of equity at the end of the tax period preceding the one for which the deduction is applied-for. A number of items should then be deducted from this amount to arrive at the “adjusted” equity base.
- **Service centres and distribution centres.** Some types of activity are eligible for particularly favourable tax schemes. These schemes allow profits to be assessed on a “cost plus” or “resale minus” basis. Service centres (shared service centres, call centres, etc.) and distribution centres may be eligible.

• Tax incentives

- In certain circumstances accelerated depreciation may be charged.
- Exemption from company investment registration duty may also apply.
- Other direct tax concessions may apply under certain conditions:
 - Tax deduction for investment: 14.5% for R&D investment;
 - Tax exemption for recruitment of qualified staff assigned to research, quality control or exports;
 - Abolition of capital duty on investment (0.5% of capital);
 - Tax exemption of certain regional grants;
 - Extension of the exemption from income tax on employment for researchers employed by universities and companies active in research and development (R&D);
 - Conversion of the R&D investment deduction into a tax credit;
 - Work placement in companies: the employer may deduct 120% of the costs borne by him.
- Tax status of expatriate foreign managers: attractive conditions are available for employers. Under certain conditions, a reduction may apply on salary costs for foreign managers.

Taxation for natural persons

- **Basic rate and foreign residents** The rate varies on a sliding scale from 25% to a maximum of 50%. There is no wealth tax. Resident taxpayers are taxed on their income from all domestic and foreign sources.
- **Tax status of expatriate foreign managers** They are taxed solely on their income arising from work carried out in Belgium, excluding any professional activity carried on abroad – and that includes any professional travel. This means that tax is not charged on expenses refunded by the company for additional expenses actually incurred, such as fixtures, fittings, removals, certain forms of travel to the country of origin, children's education costs and “tax equalisation” amounts, among others.

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