Tax Outlook

Trends that need to be on your Tax Radar

home.kpmg/be/tax

Our contemporary art collection

Our headquarters at Brussels Airport boasts a permanent exhibit of contemporary artwork from both Belgian and international artists, which we selected in cooperation with Vanhaerents Art Collection. The artwork is featured throughout this brochure.

Contemporary art fits nicely with our story. The artists of these works, created them in a globally influenced, culturally diverse, and technologically advancing world. Their art demonstrates a dynamic combination of materials, methods, concepts, and subjects that challenge traditional boundaries and defy easy definitions.

In the same way, this is how we, at KPMG, try to make the difference, every day.

Artwork on the cover:
BLUEBIRD, 1988, MIXED MEDIA, ACRYLIC PAINT, 244 X 234 cm -John Baldessari
Vanhaerents Art Collection, Brussels

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Dear reader,

The world of tax is constantly changing. New tax regulations, a stronger focus on indirect tax, increased scrutiny on intercompany transactions combined with an increased focus on tax transparency and reporting requirements, all present new challenges for corporations. These changes also provide opportunities to maximize your tax benefits through business choices, like becoming more sustainable. Either way, whether you are facing challenges or leveraging opportunities, local and global companies alike, need quality advice to guide them through these new tax trends.

Furthermore, as the world becomes more interconnected, discussions about who pays tax, how and when, are likely to intensify. This is not easy terrain. It is clear that we need a sustained, inclusive and coherent discussion about the key issues that are affecting and shaping globalization and taxation. This must include all stakeholders, in an open, honest and robust debate. That's why, at KPMG we believe that the global reality of tax demands both a global and local conversation and, where appropriate, integrated action.

Building a high performing tax function is critical for tax transformation success. This can help turn your tax function into a modern business unit, with increased efficiencies. Our goal is to help you stay competitive and compliant in this ever changing world.

This KPMG Tax Outlook brochure presents the latest trends in tax, the challenges these could present to you, and how we can help you approach each issue. Supported by our global network, we are ready to help prepare your company for your tax future in Belgium and across borders; enhancing your compliance, maximizing your opportunities and minimizing your risks.

KPMG Tax Advisers are here to help you navigate these newest tax trends.

Best regards,

René Philips,
Head of Tax & Legal

Our services- KPMG Tax Advisers

Tax issues are complicated, and are often the subject of great concern for companies. KPMG Tax Advisers understand your tax needs. Our tax specialists offer you a broad range of fully integrated tax services. They take a pragmatic approach to tax and focus on what you want to achieve. At KPMG, we formulate an individualized tax model, based on your best interests.

Corporate Tax

Our Corporate Tax professionals help you by providing advice and assistance across various areas of specialization: banking, insurance, leasing, real estate, automotive, life sciences, and other sectors. We can also help you with complex transactions, when you are dealing with the tax and legal aspects of a cross-border acquisition or with your global transfer pricing strategy. Our team will assist you in achieving improved tax compliance and managing tax risks, while helping to control costs and raise accountability.

Our practice has accumulated expertise in providing advice on tax and legal issues facing Belgian companies and international groups with a Belgian branch or European headquarters. Each entity has unique tax requirements. Our team of qualified advisers is ready to work with you to conform to those requirements.

Indirect Tax

Indirect tax liabilities, such as VAT and customs & excise duties change frequently. In addition, the number of indirect tax compliance visits and investigations carried out by the VAT administration is increasing. Poor indirect tax management can squeeze cash flow, allow the over- or underpayment of tax and attract penalties for non-compliance. Our Indirect Tax team assists you by providing advice on your obligations and works with you on your administrative requirements and contacts with the relevant tax regulators.

Global Mobility Services

Our Global Mobility Services (GMS) practice provides advisory, compliance and administrative services, along with outstanding technology, to help companies manage an international workforce. Whether you are considering expansion or relocation, an acquisition or more streamlined processes to manage your existing workforce, our practice is here to support you.

Transfer Pricing

Transfer pricing is a critical issue for all companies with cross border or inter-company transactions and is one of the cornerstones of effective global tax planning. Our practice helps you to manage your company's transfer pricing issues by providing advice on planning, compliance and documentation, compliance dispute resolution, and practical implementation of your transfer pricing policy in Belgium and internationally.

Mergers & Acquisitions

Companies with global ambitions cannot afford to ignore the opportunities for profitable growth offered by mergers, acquisitions and divestments. Our Mergers & Acquisitions Tax & Legal team can help your firm create real value from your deals. Whether, merging with or acquiring a new business, or divesting a business, we can guide you through the tax and legal implications of each deal.

Reward Practice

Today's talent market is highly competitive. Attracting and keeping top talent is becoming more and more difficult. Employees want flexibility, but sometimes offering them flexible compensation plans can be time consuming and add heavy administrative, tax, and legal burdens. Our team helps you implement a cafeteria plan in Belgium, giving your employees more choices and making your administrative burdens easier to manage. Together we help you develop an individualized approach and tailor our tool to suit your needs and those of your employees.

Rinko-Chan On The Building, 2005, Fiberglass, resin, acrylic, fabric, LCD display
base: 17 x diam. 135 cm
sculpture: 200 x 105 x 110 cm - Chiho Aoshima
Vanhaerents Art Collection, Brussels

How to deal with the reputational risk associated with tax matters

The Challenge

Considering the post global financial crisis, the rise of corporate social responsibility, the increased media focus on tax matters, the internationalization of business and the increasing use of the Internet and technology, we end up with one burning question: "How to deal with reputational risk associated with tax matters?" Greater transparency is a growing demand. Tax directors need to start considering this as part of their overall tax planning strategy.

Besides reputation, for many, tax is also an issue of governance. The traditional concept of legality, as the appropriate delineation of what is acceptable and what is not, is changing. The reputational question, as vague as it may be, is coming to the forefront, as well as the debate on whether public authorities should embrace greater publication of general, corporate, and individual tax information. However, there is a clear potential for public misunderstanding and misleading comparisons when this information is provided in its raw form.

In the meantime, a large number of initiatives have taken place that will lead to international rules on transfer pricing, base erosion, profit shifting, and transparency measures. The most recent initiative is the introduction of mandatory disclosure requirements (MDR) for intermediaries and relevant taxpayers which entered into force in the European Union on June 25, 2018 with a first filing due by August 31, 2020.

Consequently, large corporates need a strategy to explain their tax information and be prepared to respond to public scrutiny based on the released information.

Tax is a global reality, and today, it demands both a global conversation and, where appropriate, global action. In speaking with our fellow tax advisors around the globe, it became clear that there is a need for a sustained, inclusive and coherent discussion about the key issues that are affecting and shaping globalization and taxation.

KPMG Approach

KPMG launched its Global Responsible Tax Project, a global initiative that invites the full range of stakeholders, including taxpayers, academia, media, government, global bodies, politicians, NGOs and tax professionals, to inform thinking on what responsible tax behavior looks like in a global context. They are being asked to debate the questions "what is responsible tax and how can we collectively help to shape the tax system of the future so it is fit for purpose for both developed and developing economies?" Our hope is that this will help us to inform thinking on what responsible tax behavior looks like in a global context. It is vital to hear as many views from as many places as possible. By driving an inclusive discussion, all stakeholders can contribute to responsible global tax behavior, action, and advice.

Some of the initiatives that we have launched already include:

- A series of high-level roundtable meetings across the globe to discuss all the relevant issues about the desirability and feasibility of a global responsible tax.
- Enhancing and facilitating an online conversation through interactive platforms.
- A refocusing on our values making sure that our employees are well aligned to them.
- Contributing to the journey from policy to implementation and practice.

Furthermore, we advise our clients on the best way to respond to this increasingly complex legal and business environment. Our approach is to monitor and keep abreast of developments, which will occur at local, country and international forum levels not only in the short term, but also in the long term.

Specifically in the field of the new mandatory disclosure rules we are working together with member firms of the KPMG network to develop an MDR technology solution for assessing, tracking and reporting potentially reportable cross-border arrangements.

We plan for public discussion. A management plan needs to be set in place to ensure that senior management is aware of the potential risks of a company's tax affairs becoming a point of public discussion. Furthermore, we advise developing the narrative behind your tax numbers and being prepared to communicate this. Make sure the story is balanced, supportable and that it deals with a proper time horizon. Be certain that decisions are made taking into account potential reputational risks, and not simply whether the tax law in various jurisdictions has been complied with. And finally, prepare for discussions with tax authorities, putting in place processes to support these discussions. The costs of early preparation tend to be significantly smaller than a path of long-term conflict and litigation.

The Benefits

Full tax disclosure will become an unconditional requirement, whether as a result of regulation or stakeholders demands. Our team of tax experts helps you successfully manage the balance between tax planning, tax transparency and corporate reputation. Think about the reputational implications of your company being perceived as not paying its "fair share" or engaging in questionable tax planning if this is highlighted on Facebook, Twitter or the front page of the newspaper.

Diane, 2013, concrete (statue), acrylic paint, Azores crocheted lace, 210 x 50 x 60 cm - Joana Vasconcelos Vanhaerents Art Collection, Brussels

Projection (Green), 2012, enamel on gouged plywood,
240 x 120 x 115 cm - Michael DeLucia
Vanhaerents Art Collection, Brussels

Flexible mobility and reward in the war for talent

The Challenge

Today's search for talent is highly competitive; making it more and more difficult to attract and keep top talent.

In the war for talent, companies are looking to offer a more attractive and flexible package, while having no impact on budgets. While employees want to shape their compensation package to their individual and shifting needs, sometimes offering flexible compensation plans can be time consuming and add heavy administrative, tax and legal burdens for the employer.

In addition, the mobility program and car policy are also high on the agenda in most companies. By offering customized mobility solutions, you can differentiate your company, stand out from the competition and attract the right people. As a starter, car policies need to be updated to include more flexibility, i.e. the option to exchange or downgrade company cars for a mobility budget or to add other mobility measures to the mobility package such as public transport, bike lease, mobility apps or car sharing. Furthermore, the switch to alternative fuel cars and electric cars results in new challenges for companies. Companies will also most likely be confronted with higher costs due to the new corporate tax measures and the new testing norms for vehicles (WLTP).

With the introduction of the legislation on "cash for cars" and "mobility budget" it is now possible to exchange company cars in a fiscally beneficial way. A challenge, however, still remains encouraging employees to effectively use the alternative mobility measures. An innovative mobility program with smart incentives can help to achieve this.

KPMG Approach

KPMG's Reward Practice specializes in advising companies on effective remuneration strategies based on our extensive experience with compensation and benefits plans. We bring technical knowledge, and practical expertise in all aspects of flexible reward and mobility plans: from tax, and labor law to the process and IT requirements. Moreover, our state-of-the-art web-based tool is intuitive, flexible and includes all our tax, legal and practical experience.

The Benefits

With our KPMG Flex Reward & Mobility Tool offering, we help you simplify the process, reduce the burdens and extra work and provide your employees with the ease and flexibility of choosing their own rewards and mobility measures. Our Flexible Reward Plan provides you with a comprehensive and easy-to-use platform that makes offering a "cafeteria plan" or mobility plan look easy.

By working with KPMG to implement your Flexible Reward and/or Mobility Plan you will benefit from:

- A personalized strategy for your company and remuneration needs;
- Help on all technical aspects of assessment, planning, and implementation;
- An assessment of tax, legal and cost implications;
- The choice of your preferred payroll provider;
- Access to our user-friendly web-based tool, which includes the following features:
  - The key asset of our tool is flexibility: We adapt our tool based on your needs.
  - Simulation tool: To enable your employees to individually shape their compensation and mobility package and immediately see the impact of their choice on their gross and net salary;
  - Communication tool: A central portal to share information with employees. Communication about rewards is key and our tool can be used to enhance this communication. Furthermore, the tool includes an optional Total Reward Statement which is a complete overview of the current compensation & mobility package;
  - HR tool: Our tool significantly decreases the administrative burden by automating processes. We also offer the possibility to link this database to internal or external parties. Other features are also available, such as the automatic drafting of an annex to the employment contract based on the choice of the employee, and an HR access page with the possibility for HR to update and approve data and access reports;
  - The tool takes into account all tax and social security calculations (including individual income tax, VAT and corporate income tax).

www.cafeteriaplan.be

How to realize your digital ambitions

The Challenge

Whether you do business in a B2B or B2C environment, having an online presence is essential. What's more, an online presence can lead to a healthy future for your business.

While it may seem like the first logical step when starting an online store, as shown in recent studies, many web shops don't even pass the basic e-commerce security tests.

To be successful you need to build a simple, attractive, and reliable online store that takes into account a host of tax and legal regulations. In addition, it is important not to lose sight of logistical issues. After all, logistics is an extension of your service to the end customer, and an online store without a professional marketing strategy behind it doesn't stand a chance in the long term. Digital marketing should therefore also be a key priority for success online. In short, developing a good online store requires the necessary know-how.

When offering digital services other than e-commerce, it is essential to carefully consider the financial and tax consequences thereof, as many EU and non-EU countries have introduced – or at least intend to introduce – a digital service tax. Recent initiatives by the OECD (possible introduction of a significant digital presence) and the EU (possible introduction of an EU Digital Services Tax) further emphasize the need to reconsider current supply-chains.

Furthermore, the General Data Protection Regulation (GDPR) has been applicable since 25 May 2018, adding an additional layer of complexity (or opportunities) to an already complex tax and legal framework. It is paramount that the privacy of your customers be taken into account when doing business online.

KPMG Approach

Based on our integrated approach from start to finish, we can help you every step of the way on your digital journey.

We start off by looking at your offline business model, what you want to achieve online and your budget. Next, we draw up a plan for you to build your online success story. Here, we carefully consider the tax and legal considerations. And, if applicable, we then focus on logistical considerations, digital marketing, online payments, customer support and much more.

From the word "go", you can rely on personalized advice from a team of dedicated experts, who will help you every step of the way. We will closely monitor your online business (e.g. the tax and legal evolutions), even after it goes live.

To make your life easier, we work with the most competent third-party suppliers to help you navigate through the process of starting your online success story.

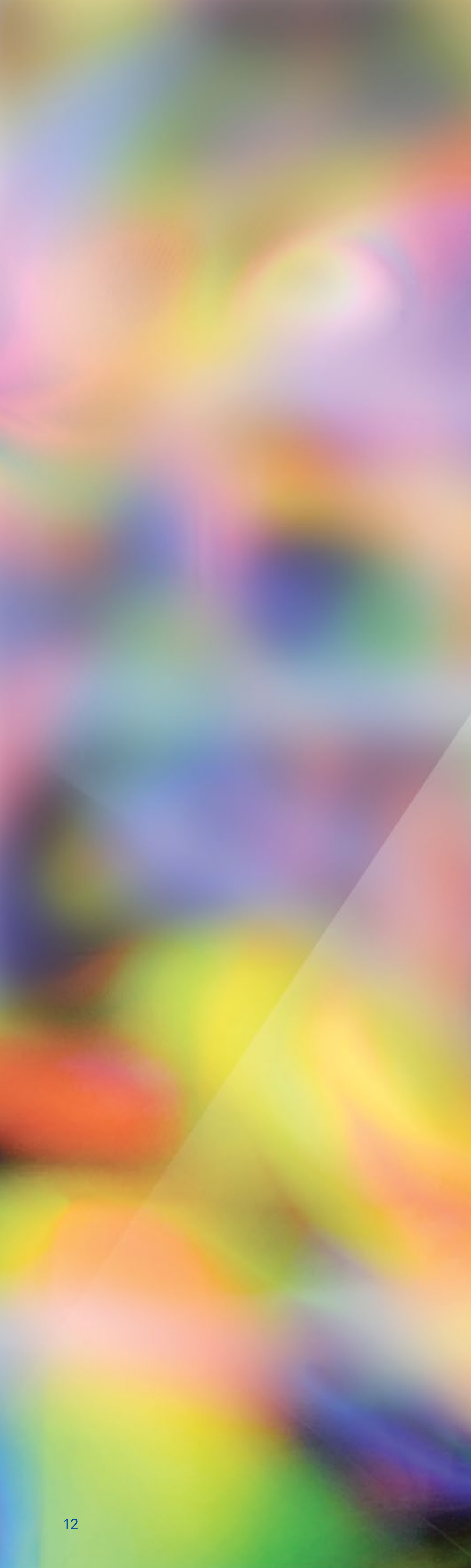
Lastly, you will work with a single contact point within KPMG; namely, one partner that will coordinate internally with our digital tax and legal experts to ensure that your needs are successfully met. At KPMG, we firmly believe that this approach leads to favorable results.

The Benefits

Whether you're working hard to build your online store or already have one and have questions (such as the legal or tax aspects of your online business), we can provide you with the following personal and customized services:

1. Developing strategies and building online success stories;
2. Content management;
3. Digital marketing;
4. Web fulfillment and distribution;
5. Legal and tax services; and
6. Other advisory solutions.

BURIAL AT SEA, 2004, DIGITAL VIDEOLOOP, WHITE 13 INCH TELEVISION, DVD, 2 minutes, 35,56 X 38,10 cm - Paul Pfeiffer
Vanhaerents Art Collection, Brussels



How to benefit from the Belgian tax opportunities for Research & Development

Substrat17 II, 2003, C-print, 278x 185 cm, ed. 2/3 - Thomas Ruff Vanhaerents Art Collection, Brussels

The Challenge

Innovation and sustainability are two key elements for companies that want to secure their success and future growth. The Belgian government recognizes this and encourages companies to invest in Research & Development and sustainability through a number of tax and financial incentives.

Due to this comprehensive set of tax incentives, Belgium has long been a prime location for companies involved in R&D activities. With the introduction of the Innovation Income Deduction (IID) and the recent Belgian Corporate Income Tax Reform, the government's tax friendly climate for corporate R&D is reconfirmed.

Bringing together the expertise of different departments (e.g. R&D, HR, Finance, etc.) may sometimes be a hurdle for companies to identify applicable tax incentives for R&D. Documentation, quantification and obtaining the required certificates may also constitute a barrier to effectively claiming the refund.

If your company is an innovator and invests in R&D and/or sustainability, make sure you do not miss out on any of the tax breaks.

KPMG Approach

To assist companies in optimizing these incentives in the most efficient way, the KPMG network in Belgium has created a multidisciplinary team of tax experts, asset management specialists and lawyers who understand the specific characteristics of each sector and can help clients make the right decisions, on a technical, as well as a financial level. Let's work together so you don't miss out on any tax or financial incentives to which your R&D work entitles you.

We can help you to:

— Correctly report investments and/or divestments to the tax authorities. Often the information gap between technical documentation and financial documentation needs to be bridged by means of data registration procedures. Our hands-on approach assists companies in closing this gap. Timely reporting of the investment/divestment of a tangible asset to the tax authorities could result in cash savings;
— Perform a quick scan: our experts will screen your company in the area of incentives and make an analysis of the current situation and the actions required to fully benefit from the optimization potential;
— Evaluate R&D projects for tax efficient outcomes, quantify potential savings and feasibility;
— Develop supporting documentation required for tax and regulatory purposes, including transfer pricing;
— Obtain an advanced tax ruling providing upfront certainty on your tax situation;
— Apply the R&D tax incentives to your tax return, reporting and accounting systems;
— Access our global network of R&D Tax Incentive specialists.

The Benefits

Reduced tax rate for innovation income

Following the conclusions of the OECD BEPS Report on Action 5 (Modified Nexus Approach) and the agreement at the European Code of Conduct Group regarding patent box regimes, Belgium replaced its major tax incentive for R&D. As from 1 July 2016, the new Innovation Income Deduction (IID) replaced the former Patent Income Deduction (PID). Under the IID, companies can deduct up to 85% of their net innovation income from the taxable base, resulting in an effective corporate taxation as low as 4.44% (for financial year 2019) and 3.75% as from 1 January 2020 (due to the lowering of the corporate income tax rate).

The IID applies to income from a broad range of qualifying intellectual property rights (IPR). Aside from the development of patents, innovative software solutions and process innovation may also unlock new tax opportunities for your company.

The qualifying income is also broadly defined and includes royalties and license fees, IPR income embedded in the sales price or attributable to, IPR-based process innovation, as well as capital gains.

In line with the Modified Nexus Approach, the deduction is calculated on the net IPR income and is subject to a specific formula to make sure that the preferential treatment is only granted to income derived from own R&D activities.

Patent Income Deduction grandfathered until 30 June 2021

A grandfathering period for qualifying patent income to benefit from the old regime exists until 30 June 2021, provided that the patent in question has been obtained or applied for before 1 July 2016. Under the PID, companies are entitled to an 80% deduction of their gross patent income from the taxable base.

Reduced cost of R&D personnel

Companies that employ researchers with a scientific master or doctoral degree benefit from a partial exemption from payment of withholding tax on their wages. They must transfer only 20% of the withholding tax due on the wage of these researchers to the tax authorities, while they withhold the 100% that would normally be due. This means that the company can retain 80%, which leads to an effective reduction of the employment cost for R&D personnel. The measure has no impact on the individual income tax situation of the researchers and generates a cash subsidy for the employer.

As a result of the Belgian corporate income reform, this withholding tax exemption now also applies to scientific bachelor degrees. Employers can exempt up to 40% of the wage withholding tax for staff with a bachelor's degree engaged in R&D programs. As from 1 January 2020 the exemption will increase to 80%. Please note that the total withholding tax exemption for a bachelor's degree is capped at 25% of the total withholding tax exemption applied for masters and PhDs.

Deduction for investments in patents and R&D assets

R&D related investments in patents and new assets related to R&D can lead to an increased investment deduction of 13.5% of the invested amount or 20.5% of the annual depreciation (assessment year 2019). It is also possible to convert the deduction into a tax credit (at 29.58%), which is cash refundable if not used within the next four tax assessment years.

Tax exemption of regional subsidies

Subsidies granted by the Belgian Regional Institutions to support R&D are exempt from corporate tax.

How to lift your tax (compliance) function to the next level

The Challenge

Globalization, BEPS, ever-changing tax laws and accounting standards, increasing transparency, reporting and compliance requirements from the tax authorities, and the digitalization of the tax environment, all affirm the start of a new era for the tax departments of global companies.

Against this background direct and indirect tax supervisors are evolving from their traditional role of tax technical expert to a management role and so are being faced with new challenges.

- Meet increasing transparency requirements (e.g. BEPS disclosures);
- Avoid data from different sources piling up without any coordination;
- Assure data is qualitative and compatible with your ERP systems;
- Move from paper filings to digitized ones;
- Develop effective tax processes combining human resources and tools;
- Identify, resolve and monitor compliance risk areas;
- Develop an appropriate organizational model for the tax function;
- Cooperative Compliance with tax authorities.

All too often, tax supervisors are struggling to find time and resources to tackle these new issues in combination with their traditional roles and responsibilities.

KPMG Approach

KPMG Belgium offers a unique multidisciplinary approach to the above challenges. Our dedicated Tax Management & Compliance Services (TMCS) team includes specialists with experience in the following areas:

- Tax process efficiency: design, set up, and improvement of tax processes that meet risk and control requirements;
- Tax function effectiveness: support clients to build up and improve their tax function;
- Direct and indirect tax compliance outsourcing on a local and global scale;
- Tax / VAT Enterprise Resource Planning services;
- Tax technology: return automation, tax reporting solutions, paperless tax office;
- Tax Control Framework (TCF): set up of TCF in or outside the scope of Cooperative Compliance arrangements with authorities, etc.

Our team can help you manage your local and global requirements, avoiding any pitfalls through the use of our tax tools and multidisciplinary experience. In the digital age, having the right approach, team, and tools for the job can make the difference.

The Benefits

We can provide your company with excellent local and global Corporate Tax and VAT compliance services, or coordinate your compliance on a group level. Our extensive ERP experience even allows us to enhance the performance of your ERP system.

Our multidisciplinary team of specialists can help you to organize, manage, and evaluate your existing (compliance) processes and recommend optimization to increase productivity. KPMG also offers a large number of tax solutions, which can be tailored to automate the preparation, filing of multiple type returns, and respond to tax technology requirements imposed by the tax and VAT authorities.

We can assist your tax function to reach the next maturity level, realizing time and cost efficiencies, while greatly improving quality and risk controls.

Wisteria (Yellow), 2000, plastic, vinyl, 362 x 483 x 9,5 cm - Teresita Fernández
Vanhaerents Art Collection, Brussels

Belgian transfer pricing and the selection of transfer pricing audits

The Challenge

Since the beginning of 2018, Transfer Pricing Audits have intensified.

Audit targets continue to be identified primarily through a data-mining tool, which considers and analyzes taxpayer information and data (e.g. erratic profitability, restructuring costs, losses, etc.). While in the past, the Belgian Special Transfer Pricing Audit would send standardized questionnaires to transfer pricing audit targets, the new approach is to send customized and targeted questionnaires to companies, based on available information (e.g. information submitted to the Belgian tax authorities as part of the Action 13 documentation requirements).

Companies which have been selected for transfer pricing audits in 2018 under the new approach have found themselves faced with numerous detailed questions on intangibles and intercompany financing – which suggests that the Belgian Special Transfer Pricing Audit Department is also being supported by various specialists in areas such as valuations and financing.

Since 2018, there has also been a trend towards transfer pricing audits whereby different Belgian entities of the same group are audited together. During such audits, not only are the transfer pricing inspectors present, but also other tax inspectors who are focused on corporate income tax or VAT aspects. This evolution resulted in lengthier discussions, making it even more difficult to reach an agreement within the statute of limitations.

Furthermore, the Belgian tax authorities are expected to become increasingly involved in multilateral (joint) transfer pricing audits.

Some background

Since the financial year 2016, Belgium has introduced transfer pricing requirements for filing a Master File (Form) and a Local File Form for each Belgian subsidiary or permanent establishment (of a multinational group) that exceeds one of the following thresholds, to be assessed on the basis of the stand-alone financial statements of the Belgian entity concerned for the preceding financial year.

- A sum of operational and financial income of EUR 50 million (excluding non-recurring income);
- A balance sheet total of EUR 1 billion; or
- An annual average of FTEs of 100.

All related documents (including the Law, Royal Decree and individual Forms to be filed), as well as additional guidance, have been posted by the Belgian tax authorities on the following websites:

Dutch link: http://financien.belgium.be/nl/ondernemingen/internationaal/ verrekenprijzen-beps-13

French link: http://finances.belgium.be/fr/entreprises/international/prix-de- transfert-beps-13

KPMG Approach

The transfer pricing documentation structure proposed by the OECD has been adopted by Belgium, i.e. three layers of documentation, each with its own specific purpose:

— Country by Country Reporting
— Master File
— Local File

Taken together, these three documents require taxpayers to articulate consistent transfer pricing positions.

The three reports (to be compiled in Belgium in specific Form formats) will, where applicable, have to be filed annually and will need to be filed electronically. An electronic platform has been foreseen for the filing.

KPMG can help Tax Directors fulfill these new requirements and manage the process flows associated with them.

Moreover, in the event that the Belgian tax authorities initiate a transfer pricing audit based on the information included in the files submitted, KPMG has an experienced team to assist you during this entire process.

The Architect, 2007, wood, mirror, glue,
442 x 121,9 x 76,2 cm - David Altmejd
Vanhaerents Art Collection, Brussels

How to successfully manage your Merger and Acquisition activities

The Challenge

Successful growth can be created by internal development, but a corporate development strategy may also require a merger or acquisition, a partnership or joint-venture, or even a divestment. In all these scenarios, tax can play an important role and create or destroy value. It is therefore necessary to address the tax aspects of any M&A transaction in a timely and appropriate manner.

KPMG Approach

Typical buy-side M&A tax support includes:

— Tax due diligence;
— Modeling of the target business' future tax position;
— Assistance with tax matters in the share/asset purchase agreement;
— The structuring of the transaction and post-acquisition integration; and
— Our focus in each of these areas is on value protection and value creation

During our tax due diligence exercise we identify historical exposures and help you understand the tax profile of the target group. We consider what drives the future tax position of the business and explore opportunities to improve the tax position, so that you can adequately reflect this in your valuation. Next, we assist you in finding adequate (financial) protection in the share or asset purchase agreement to avoid unpleasant surprises after completion. We suggest approaches and ideas to avoid the common and hidden pitfalls in these agreements and help you find the right commercial balance. Furthermore, we consider the options for optimizing the funding of the transaction, assist you with enhancing the capacity for servicing external debt, and consider the options to match interest expenses with operational cash-flows. We can also support you in managing withholding taxes on payments such as dividends and interest in order to mitigate any unnecessary leakages.

For buy-out transactions, we help you consider the options for aligning the interests of management and the financial sponsor in a sustainable and tax-efficient manner, and we address the key tax considerations for an exit.

Integrating the acquired business in view of maximizing synergies may present fiscal challenges as well as opportunities. We will assist you with integrating the acquired business with minimal fiscal obstacles and help you find opportunities to increase the tax-efficiency of your integrated group.

When assisting you as a vendor in an M&A transaction, we focus on giving potential investors and their advisers insight into the tax position of the business to be divested in view of maximizing the value for the vendor. We bring our technical and deal experience to the table, and we help you to manage and mitigate any historical tax exposures where needed.

Finally, business optimizations may also impose internal reorganization transactions such as a merger or demerger. The technical tax rules are often complex and require careful attention. We can help you to manage both the pitfalls and opportunities of such internal reorganizations.

The Benefits

Our broad experience with deals and focus on value can help you secure the maximum benefits from your M&A transaction. Having worked on many M&A transactions, we understand the mechanics of acquisitions and disposals in a competitive environment so that we can help you maximize the efficiency of your M&A process. Closely integrated in KPMG's global M&A network, we are not restricted to local knowledge or national borders, and we can help you to address both local as well as cross-border fiscal challenges and opportunities in the area of M&A.

Saturn V Moon Rocket 1:18 Scale, 1999, foamcore, hot glue, ink, 107 x 980 cm - Tom Sachs
Vanhaerents Art Collection, Brussels

How to help family businesses grow and succeed

The Challenge

Family businesses are unique. The family dynamics can play a significant role in decision making and offer both opportunities and challenges. The growth and sustainability of a family business lies in the fine balance between the needs of the business and the expectations of the family members, both active and non-active.

A family business has specific needs; running the day-to-day activities, planning for the sustainability and the future of the company, and keeping the family's presence in mind raises many crucial questions for the owners. Does everyone in your family share the same vision? Do you have similar or other interests? The task of realizing the full potential of the business while satisfying the current and future expectations of family members can sometimes be challenging, but certainly achievable with the right approach.

KPMG Approach

To support the unique needs of family businesses, KPMG has a dedicated team of specialists who offer relevant information and advice to family-owned companies, their management, and shareholders. We understand that the nature of a family business is inherently different from a non-family business and requires an approach that considers "the family component".

Our advisers work with family businesses in the areas of Succession & Next Generation, (Corporate) Governance, Growth (mergers, acquisitions, etc.), Expansion or Exit Strategies, and Wealth Preservation.

The Benefits

From the boardroom to the kitchen table, KPMG's family business specialists bring decades of knowledge and experience to each engagement.

Jason (Briefs), 2009
Laserchromecolor print mounted on 4 mm aluminium
with 8 mm plexiglas, 200 x 150 cm - Elmgreen & Dragset
Vanhaerents Art Collection, Brussels

Projection (Green), 2012, enamel on gouged plywood,
240 x 120 x 115 cm - Michael DeLucia
Vanhaerents Art Collection, Brussels

Brexit – the time is now!

The clock was ticking as a business leader of 29 March 2019 fast approached. How can you as a business leader prepare for Brexit while so much uncertainty hangs in the air? From navigating regulatory change to rethinking supply chains and reviewing strategies to minimize disruption, corporations trading in goods and/or services with the United Kingdom (UK) face a challenging journey ahead.

Where do we stand today?

EU withdrawal agreement: dead or still alive?

On 14 November 2018, negotiators from the European Commission and the UK reached an agreement on the entirety of the Withdrawal Agreement of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, as provided for under Article 50 of the Treaty on European Union. This Agreement establishes the terms of the UK's withdrawal from the EU, and covers, inter alia, the following areas:

- **Citizens' rights**;
- **A transition period** up until 31 December 2020, during which the EU will treat the UK as if it were a Member State, with the exception of participation in the EU institutions and governance structures. This also includes the possibility of extending this transition once, for a limited period, by joint agreement;
- The **financial settlement**, ensuring that the UK and the EU will honor all financial obligations undertaken while the UK was a member of the Union;

- The overall **governance structure** of the Withdrawal Agreement, ensuring the effective management, implementation and enforcement of the agreement, including appropriate dispute settlement mechanisms;
- The terms of a **legally operational backstop** to ensure that there will be no hard border between Ireland and Northern Ireland.

Future partnership

On the same date an outline of the Political Declaration was issued by the negotiators, setting out the envisaged partnership in the future: a free trade area based on deeper regulatory and customs cooperation with a view to supporting a level playing field. The aim is that all goods should be free from customs duties and quotas, building on the proposals in the Withdrawal Agreement for a single customs territory. In addition, it deals with sectoral cooperation (for example on transport or energy), cooperation on internal security, police and judicial cooperation and finally on foreign policy, external security and defense.

The Meaningful vote

In line with procedures, the UK Government must attain Parliamentary approval on the Withdrawal Agreement and Political Declaration; the so-called "meaningful vote." On 15 January, this vote resulted in the UK House of Commons rejecting the Withdrawal Agreement by 432 votes to 202. After having survived a first no-confidence vote, the UK government presented a so-called Plan B on 22 January 2019, which would also be put to vote to the House of Commons. The amendments put forward in the Plan B, however, didn't get sufficient support in a vote on 29 January.

At this stage it is extremely difficult to predict the outcome of this political process in the UK, as in the end, the government or the parliament will have to come up with a plan that commands a majority in the House of Commons. And it is still doubtful as to whether a compromise can be found between supporters of a second referendum, a Common Market 2.0 option (Norway+) or any other proposal.

The EU's position remains firm that the negotiations on the EU withdrawal agreement remain locked, and that any further discussion will only move forward if the EU stakeholders have confidence that any movement will secure a majority in Westminster.

Meanwhile, the BREXIT clock keeps ticking. Contingency plans should now immediately be put into place by the EU, Member State's governments and businesses.

The KPMG Approach

While we acknowledge that there is still quite some uncertainty on what the final Brexit solution will look like, one thing is already certain: Brexit will have a significant impact on your UK footprint and future trade flows. Based on the assumption of a "managed no-deal" scenario, KPMG can help you to map your UK footprint, identify and quantify your potential Brexit exposure. Working closely with our UK colleagues, we can help you assess the impact Brexit can have on your organization from our "six lenses principle" (i.e. trade & customs, integrated supply chain, regulatory, people & workforce, legal and pricing & exchange rate exposure). As Brexit will not only affect your business, but will of course also impact your UK suppliers and customers, both the direct and indirect impact should be within the scope of such an exercise.

Based on the outcome of our analysis, together with the relevant stakeholders in your business, the potential impact and mitigating actions are discussed in a collaborative workshop. During this session we will also help you to "triage" your mitigations to allow you to take the right business decisions at the right time. In our experience, these workshops are often an eye-opener for businesses and our "no-regret" decisions will allow you to take action amidst the ongoing uncertainty.

KPMG has developed a series of automated tools to help facilitate your Brexit exercise. Whether you are looking for a customs & supply chain analysis, a scanning of your commercial contracts or a follow-up on your workforce related issues, we are confident that our cutting-edge tools will bring you the added-value you need.

As the effective date of Brexit rapidly approaches, and as some of the potential solutions to mitigate the impact and disruption to your business take time to implement, we strongly advise you not to wait any longer and to start identifying your Brexit exposure today!

How to increase tax benefits by making your company more sustainable

The Challenge

There is a growing call for sustainability. Industrial companies nowadays are encouraged to invest in ecological and energy-saving technologies through a number of tax and financial incentives such as the increased investment deduction or the fading out of immovable withholding tax on industrial equipment.

In light of these incentives, it is essential for industrial companies to take the right approach and follow up their investments and disinvestments.

KPMG Approach

In order to assist companies in optimizing these industrial incentives in the most efficient way, the KPMG network in Belgium has composed a multidisciplinary team of tax experts, asset management specialists, and engineers who understand the specific characteristics of each industrial sector and help clients make the right boardroom decisions, on a technical, as well as a financial level.

Timely reporting of the investment/divestment of a tangible asset (with the qualifying tax status) to the tax authorities could result in cash savings. In order to correctly report investments and/or divestments, the information gap between technical documentation and financial documentation needs to be bridged by means of data registration procedures. Our hands-on approach assists industrial companies in closing this gap.

Quick scan: Our experts will screen your company in the area of industrial incentives and make an analysis of the current situation and the actions required to fully benefit from the optimization potential.

Optimization: In addition to globally mapping the situation regarding industrial taxes, KPMG also assists with the:

— Optimization of technical inventory and/or list of tangible fixed assets.
— Regularization, negotiations with the tax administrations, preparation of protest letters, etc.
— Application for the increased investment deduction and other sector-specific subsidizations.

Internal training: To prepare these companies for our hands-on approach, KPMG provides effective internal training and development. Using real life examples, problems, and challenges, we will make sure that every participant thoroughly understands a topic and enable them to train others.

The Benefits

Our team of tax experts helps you with the right methodology to maximize your tax and financial incentives.

In Fluïdum, 1996, plasterandmetal, 137 x 165 x 35 cm - Johan Tahon Vanhaerents Art Collection, Brussels

How to ensure compliance before your employees check in for business travel

The Challenge

In an increasingly global marketplace, opportunities for your business can emerge anywhere. As a company you need to be in the right place at the right time and so do your employees. Business travel is vital to your success.

As your global workforce becomes more diverse and mobile you need to keep on top of a complex and demanding regulatory environment. Now, more than ever, you need to know where your employees are, what activities they are performing, and what the implications are for the individual and the organization.

A lack of formal policies, procedures, and systems can cause companies to overlook payroll, tax, and social security obligations, leading to the creation of permanent establishments, and resulting in immigration non-compliance. Overlooking such compliance issues can have a detrimental domino effect on your organization's ability to operate effectively on a global basis and lead to financial and reputational risks and exposures. Projects and future business may be put at risk.

KPMG Approach

KPMG's Global Mobility Services (GMS) practice brings together a wealth of tax, social security, technology, immigration, and mobile administration services to help manage your global workforce more easily, safely and efficiently. To this end, we offer you:

— Technical and practical expertise in all aspects of global mobility, including tax and social security compliance.
— A global immigration network offering a broad range of immigration services required to deal with challenges relating to short term business travelers.
— Our web-based KPMG LINK Business Traveler tool for tracking business travel and providing greater visibility and control in dealing with the compliance and risk aspects associated with business travel, with minimal interruption to employees and the business.

The Benefits

KPMG offers an integrated, centrally managed global compliance process. Our experienced network of professionals work alongside you for your global mobility needs such as travel policies, payroll requirements, tax returns, certificates of coverage, audits, visas, and work permits.

Our Business Traveler tool helps transform the way your business manages global business travel. Employees can conveniently record travel and receive instant pre-travel instructions, either online or via their mobiles, enabling your business to address compliance issues on a timely basis or better, avert an issue before it even arises.

Telephone personality, 2001, acrylic,
enamel on canvas, 198 x 152,4 cm - Greg Bogin
Vanhaerents Art Collection, Brussels

Projection (Green), 2012, enamel on gouged plywood,
240 x 120 x 115 cm - Michael DeLucia
Vanhaerents Art Collection, Brussels

How to manage the consequences of the corporate tax reform

The Challenge

The Belgian corporate tax reform entered its second phase in 2019.

Belgium was one of the last of the Member States to introduce a system of tax consolidation, whereby one group company can shift profits to another group company through a group contribution. As Belgium has now joined the rest of Europe, this will increase its attractiveness as an investment location.

The implementation of the EU anti-tax avoidance directives fit into the international trend towards more transparency, against non-or unfair taxation. It introduces:

- earnings stripping rules, whereby interest deduction is limited to 30% of EBITDA;
- CFC rules whereby non-distributed profits of a "controlled foreign company" resulting from an artificial construction are taxable in Belgium;
- stricter exit tax rules, now also applicable to the outbranching of assets; and
- anti-hybrid mismatch rules.

Together, these new developments have reshaped the Belgian tax landscape.

KPMG Approach

We can help you maximize the outcome of the new rules while managing their impact. With our in-depth knowledge and understanding of the trends in the tax landscape, our specialists can help you recognize the opportunities and identify the risks for your company and your business. As needed, we can also help you redesign your group structure and financial flows to align with the new rules.

The Benefits

The new rules open up a variety of opportunities. For example, on the one hand, the new tax consolidation regime may enable group companies to pay taxes on their combined result, turning losses into a cash flow benefit. The earnings stripping rules, on the other hand, allow the transfer of excess interest deduction capacity (excess EBITDA) between Belgian group companies. Furthermore, some new risks will need to be managed. For example, appropriate transfer pricing policies and documentation would help you manage the impact of the new CFC rules.

To summarize, with the right preparation and precise implementation, you can adapt your group structure and financial flows to the new tax landscape, while taking full advantage of the benefits.

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