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Belgium – Social Security Authorities Take Position on Expatriate Allowances

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The Belgian social security authorities recently confirmed that they agree with an extension of the social security exemption of expatriate allowances for certain expatriates assigned to Belgium.[1]

In practice, expatriate tax and social security concessions are available for foreign executives who:

- perform activities that require a special knowledge and/or responsibility, thus executive functions;
- temporarily work in Belgium; and
- keep the center of their personal and economic interests outside of Belgium.

The new position could result in additional social security savings.

The Belgian social security authorities will indeed allow that the expatriate allowance is "grossed up" with the foreign travel exclusion percentage. The grossed-up amount will be exempted from Belgian social security contributions (both employer and employee contributions). This position will be accepted retroactively, as from January 1, 2012.

The Belgian social security authorities informed KPMG that the following principles apply:

- the gross-up is only applicable for foreign employees who benefit from the expatriate allowance limit of EUR 11,250. As a result, a maximum allowance of EUR 11,250 can be grossed up;

- the exempted (grossed up) amount may never exceed EUR 29,750 after the gross-up.

Example

An expatriate who works 45 percent of his time outside Belgium (pursuant to the foreign travel exclusion) benefits from a total amount of expatriate allowances of EUR 11,000.

According to the new position the amount of EUR 11,000 should be grossed up with the 45-percent foreign travel exclusion (11,000/0.55). This results in an amount of EUR 20,000 that will be exempted from Belgian social security contributions (the EUR 29,750 threshold is respected).

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KPMG Note: Required Actions?

An evaluation of the compensation and benefits policies of employers with expatriates working in Belgium that are subject to the Belgian social security regime will be required in order to integrate this new position of the Belgian social security administration. In addition, the new approach should be incorporated into the year-end payroll processes in order to fully benefit from the additional social security savings during 2012.

Footnote:

1 KPMG in Belgium learnt of this confirmation during a telephone conversation between KPMG and an official with the Belgian social security authorities on 29 November 2012. It was understood that this information could be publicly communicated, although the Belgian authorities do not intend to formally publish the position.

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EUR 1 = USD 1.31
EUR 1 = GBP 0.813

The information contained in this newsletter was submitted by the KPMG International member firm in Belgium. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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