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**Belgium – Proposed Changes Affecting Net Pay of Those Enjoying Expatriate Concessions**

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The Belgian government issued draft legislation amending the rules for calculating nonresident personal income tax during the Christmas holidays.[1] The important consequences of these measures, if passed, are:

- the category of nonresident taxpayers with an abode in Belgium will be abolished;
- expatriates benefiting from the expatriate tax concessions who have a foreign travel exclusion in excess of 25 percent will no longer be entitled to personal exemptions;
- in certain circumstances, potentially additional tax will be due.

We briefly explain this development below.

## Background

In Belgium, nonresident taxpayers are normally not entitled to personal exemptions, except for the following categories of taxpayers:

- Nonresident taxpayers who have an abode in Belgium for the whole taxable period (i.e., nonresident taxpayers who are living in Belgium with their family);
- Nonresident taxpayers who receive at least 75 percent of their earned income from a Belgian source;
- Nonresident taxpayers who can invoke an extended non-discrimination clause included in a tax treaty signed by Belgium (tax treaties with the Netherlands, France, and Luxembourg).

Expatriates benefitting from the expatriate tax concessions are considered as deemed nonresident taxpayers and are entitled to personal exemptions if they belong to one of the above categories. Expatriates living in Belgium with their families for the whole calendar year are considered as nonresident taxpayers with an abode in Belgium.

## Impact of Draft Legislation Measures for Expatriates, Nonresident Taxpayers

If the draft legislation is adopted, the category of nonresident taxpayers with an abode in Belgium will be abolished as of 1 January 2014.

Expatriates benefitting from the expatriate tax concessions are taxable on Belgian source income only and income with respect to working days outside of Belgium is to be excluded from the taxable basis.

Adoption of the proposed legislation will mean that expatriates benefiting from the expatriates tax concessions having a foreign travel exclusion in excess of 25 percent will no longer be entitled to personal exemptions.

The annual additional income tax due (if the proposed legislation is adopted) for an individual with the following family situations will be (2013 income tax rates (indexed 2014 rates are not available yet)) as follows:

| | EUR |
|---|---|
| Single | 1,869.83 |
| Married, spouse has no earned income | 6,433.38 |
| Married, spouse has no earned income, 2 dependent children | 7,574.00 |

*Footnote*:

1 As this still is draft legislation, there is no reference available to any formally published / publicly available legal documents. Preliminary iterations of the draft legislation, however, have been shared by the Belgian authorities with a number tax practitioners – including KPMG – and other concerned trade and industry bodies.

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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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