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Belgium – Taxpayers with Foreign Employment Income Could Be Audited

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Belgium's tax authorities have announced that a key area of focus for tax audits in 2014 will be individual taxpayers claiming an exemption for foreign source employment income in their Belgian resident income tax returns.¹ This typically relates to employees and directors who receive salary and/or director fees that, in accordance with a tax treaty signed by Belgium, is taxable in the other country (and exempt in Belgium).

Why This Matters

Individual taxpayers who have foreign source employment income that is exempt from Belgian tax pursuant to a treaty may face increased scrutiny by the authorities in 2014. Individual taxpayers and/or their employers should be prepared with appropriate documentation and verifiable proof of taxation in the other state, in the event that the taxpayer becomes the subject of an audit.

In recent years, the Belgian tax authorities have rationalized their tax audits by focusing them on specific issues and using data mining for selecting taxpayers subject to audit.

KPMG Note

The experiences of the KPMG International member firm in Belgium with similar audits suggest that the authorities tend to focus on:

- evidence supporting the physical presence of the taxpayer in the other contracting state for salary income;
- documentation with respect to the appointment as a director in the other contracting state;
- proof of taxation in the other contracting state if the tax treaty with this state provides that income should be subject to tax or taxed in the other contracting state as a condition for exemption in Belgium.

Footnote:

1 See (in Flemish and French):

http://financien.belgium.be/nl/Actueel/140205_de_algemene_administratie_fiscaliteit_kondigt_controleacties_aan_met_het_oog_op_een_verhoogde_spontane_naleving_van_de_fiscale_verplichtingen_.jsp?referer=tcn:306-241990-64 .

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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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