

January 22, 2016  
2016-012

# flash Alert

A Publication for Global Mobility and Tax Professionals by KPMG's Global Mobility Services Practice

## **Belgium – Guidance Issued Could Affect Expatriates' Tax-Free Allowances**

by Ferdy Foubert and Gisele van Dinter, KPMG Tax and Legal Advisers, Brussels (KPMG Tax and Legal Advisers in Belgium is a KPMG International member firm)

Belgian tax authorities have issued new guidelines<sup>1</sup> on calculating tax-free allowances for expatriates benefiting from the expatriate tax concessions. The guidelines, in part, entail changes to the computation of the tax equalization allowance for some expatriates depending on their home countries.

### **Why This Matters?**

The new guidelines affect the amount of tax-free allowances that a qualifying expatriate can claim. In many cases, this will end up increasing the taxable basis of the taxpayer. Employers will need to reflect this in the monthly payroll and adapt monthly withholding tax.

### **Background**

Taxpayers benefiting from the expatriate tax concession (Circular letter of 8 August 1983) may exclude expatriate allowances such as cost of living allowances, housing allowances, and tax equalization from their taxable basis. Recurring allowances are exempt to a maximum of EUR 11,250 per annum or EUR 29,750 per annum for select categories of expatriates, depending on their work situations. These allowances may also be exempt from Belgian social security contributions.

For expatriates who are not remunerated on a tax equalization or tax protection basis, these allowances are calculated based on a formula issued by the Belgian tax authorities. This formula is commonly referred to as the "technical note" (the technical note is not formally published, but a copy can be obtained from the tax authorities by request).

### **New Guidelines on Calculation of Tax Equalization Allowance**

The tax authorities recently issued the technical note for income 2016 and there are substantial changes to the computation of the tax equalization allowance for some foreign countries. The tax equalization allowance is calculated by comparing a hypothetical Belgian tax computation to a hypothetical home country tax computation. If the Belgian hypothetical tax is higher than the home country hypothetical tax, the difference is considered as a tax-free allowance within the above-mentioned maximum limits.

In the past, the hypothetical home country tax computation only considered federal income tax. This meant, by way of example, that for expatriates having the U.S. as their home country, only federal income tax was considered and no state or municipal income tax was taken into account.

The technical note now provides that as of 1 January 2016, sub-federal/national level income taxes (i.e., state, provincial, cantonal, county, and/or municipal income taxes computed on the taxable employment income) have to be included in the hypothetical home country tax computation. The technical note refers collectively to these taxes

as "regional tax." The taxpayers that are affected by this change are those having a home country that has regional income tax. This includes amongst others, expatriates from the U.S, Canada, Italy, Spain, Switzerland, and the Nordic countries. For the calculation of the hypothetical regional income tax, taxpayers are deemed to be resident in the capital of their home country and regional income taxes applicable in the capital have to be considered.

**KPMG Note**

For taxpayers benefiting from the expatriate tax concessions and who have a country that has regional personal income taxes, the amount of tax-free allowances that can be claimed could decrease. This could result in increased income tax; therefore, wage withholding may need to be adapted accordingly. For such taxpayers subject to Belgian social security, the social security burden could increase as well.

*Footnote:*

- 1 The guidelines appear in the form of a technical note, which is not formally published; but a copy can be obtained from the tax authorities by request.

\* \* \* \*

**KPMG Law (Canada) Webinar: Canadian Permanent Residence – 2016 Forecast**

*Key Employer Strategies for 2016*

You are invited to a 45-minute webinar which will highlight the key developments in various Canadian Permanent Residence programs in 2016 as well as present key strategies for employers to take advantage of the new programs. This seminar will benefit Global Mobility, HR, Relocation and Legal Advisors, who are involved in the movement of foreign workers to Canada.

**Date: January 26, 2016 | Time: 9:30a.m. – 10:15a.m. EST (GMT -5)**

**Register/RSPV:** Click [here](#) to Register for Webinar/Conference details.

The information contained in this newsletter was submitted by the KPMG International member firm in the Belgium.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint ventures. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

*Flash Alert* is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.