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GMS Flash Alert

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Belgium - Government Announces Revamp of Expatriate Tax Concessions

The Belgian federal government has announced the framework for the 2022 budget.[1] One of the measures relates to Belgium’s long-standing rules on expatriate tax concessions.

Belgium has a favourable tax regime for expatriates who are either assigned to Belgium or recruited from abroad by a Belgian employer that is part of an international group of companies or a qualifying research centre. The regime is not embedded in the Income Tax Code, but in a Circular letter issued by the tax authorities.[2]

The government now has announced that the existing expatriate tax concessions will be withdrawn and replaced by a new regime. Currently, full details are not available and official texts still have to be drafted.

WHY THIS MATTERS

Many expatriates working in Belgium benefit from the expatriate tax concessions. The announcement from the government and the possible changes may dramatically impact the tax treatment of expatriates in Belgium and could affect international assignment policies, the costs of sending expatriate employees to Belgium, and the planning of assignments to Belgium.

Some Additional Information

While details are not yet available, a number of guiding principles are circulating, among which:

- The new concessions will be included in the Income Tax Code.

- Expatriates benefiting from the new concessions will be regarded as either resident or non-resident taxpayers based on the normal residence rules. Under the current system, expatriates are considered "deemed non-resident taxpayers." Expatriates who are considered resident taxpayers will have to report and will be taxed on non-Belgian source investment and real estate income (income from moveable and immoveable assets). Under the current concessions this income was not reportable.

- The new tax concessions will be limited in time. although it is not yet clear how long a taxpayer would be able to benefit from the concessions.

- In order to qualify for the concessions, the taxpayer should earn a minimum annual gross salary. The minimum is yet to be determined but is likely to be higher than the minimum salary required for obtaining a single permit for immigration purposes.

- Under the current concession a qualifying expatriate is entitled to an exemption of part of the remuneration and an exemption of income relating to work-days abroad (travel exclusion). This system is likely to be replaced by a system similar to the Dutch 30% concessions where part of the gross remuneration will be exempt. The total exemption could be subject to an annual cap.

KPMG NOTE

As it is the intention to make the new expatriate tax concessions an integral part of the Income Tax Code, the new rules have to go through the normal law-making processes including submitting a formal proposal and discussions in parliament. It will thus be important to follow this process to be apprised of the details as they come out, among which the date of entry into force and possible transitional measures.

FOOTNOTES:

1 See "Accord sur le budget, les réformes et les investissements" on the Belgian prime minister's website at: https://www.premier.be/fr/accord-sur-le-budget-les-r%C3%A9formes-et-les-investissements .

For more on the budget, also see (in French): https://www.premier.be/sites/default/files/articles/20211011_begroting%20FR.pdf .

2 Circulaire. Ci.RH.624/325.294 dated. 08 August.1983. For more on the expatriate tax concession rules, see KPMG's *Taxation of International Executives: Belgium*.

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Contact us

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