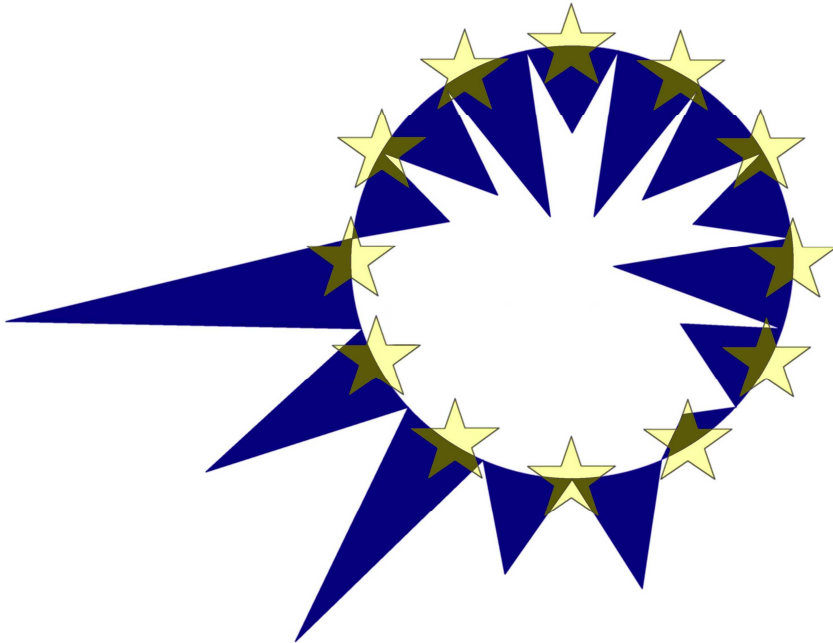


EUROMOD

COUNTRY REPORT



EUROMOD Country Report

BELGIUM
(1998 TAX-BENEFIT SYSTEM)
3rd Edition

Kristian Orsini

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TAX- BENEFIT SYSTEM: BELGIUM

1998

Kristian Orsini

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1 SOCIAL SECURITY AND FISCAL LAW IN BELGIUM

1.1 OVERVIEW

The Belgian social security system is the outcome of a building process that started over one and a half century ago, namely with the industrial revolution and the intensification of the capitalist mode of production. Starting from that period, poverty begun to be seen as a social issue, demanding a stronger public intervention. The industrial basis of the Belgian welfare state is the main force behind its Bismarkian structure, which envisages a welfare state based on compulsory insurance of employers and employees against certain risks: work accidents, sickness, unemployment, old age, maternity, etc. Nevertheless during the 70s, the Belgian welfare state has introduced several elements of universalism, namely in the family allowances area and in the field of social assistance. The hybrid structure of the Belgian social security system is a result of the two different influences. On one side, for example, there are different regimes of social insurance for different categories of workers (employees, self-employed and civil servants, as often the case in Bismarkian welfare states), mainly financed through social contributions of employees and employer. However, a special regime, financed by the state budget, also exists for not insured household; the latter also finances the minimum income schemes for young and elderly households and family benefits for inactive parents.

The following table provides a description of the structure of Belgian social expenditure, by area in 1998, by comparing it to the European average.

Table 1. Social spending in Belgium and Europe (as % of total social spending)

	Old-age + survivors	Sickness/ Health care + Disability	Family / Children	Unemployment	Housing + social exclusion	Total social spending
Belgium	42.8	33.3	8.5	12.7	2.7	100
EU-15	47.5	35.1	8.3	7.2	3.7	100

In the same year, the percentage of GDP spent on social protection was of 27.5 and 27.7 for Belgium and EU-15 respectively.

The comparison shows that the overall Belgian social budget is in line with the European average, but Belgium spends comparatively more on unemployment benefit and comparatively less on pension and survivors' benefits.

Next table, show the financing of social expenditure. Receipts of social protection are disaggregated by type and compared to the corresponding figures in Europe.

Table 2. Structure of the financing of social budget in Belgium and Europe (as % of total social receipts)

	Fiscal contribution (1)	Employers' contributions (2)	Protected persons' contributions (3)	Total social contributions (2 + 3)	Other receipts (4)	Total financing of social spending
Belgium	24.4	50.6	22.4	73.0	2.6	100
EU-15	35.4	38.2	22.7	60.9	3.7	100

In the same year the overall weight of social security contributions and income and wealth taxes (measured as % of GDP) was of 17.7 and 16.6 and 14.7 and 13.7 for Belgium and Europe respectively. The global fiscal pressure was hence around 34.4% in Belgium, i.e. some 6 points above the European average.

1.2 MAIN SOCIAL TRANSFER PROGRAMMES

In Belgium, social benefits may be classified according to three different regimes: the first regime (with some minor differences) applies to employees and civil servants and the respective household members. A second regime applies to self-employed and the respective family members. The first two regimes are essentially contributory based and give right to “earnings related” benefits. A third range of flat rate benefits applies indistinctively to employees and self-employed and may be extended to persons out of employment, conditional on means-testing.

1.2.1 EMPLOYEES AND CIVIL SERVANTS

Employees’ and civil servants’ unemployment allowance (*allocation chômage*): in principle it is an allowance payable to full time employees only. More recently, however, even civil servants may be dismissed, and even if they do not pay any contribution to unemployment insurance, they may benefit from unemployment allowances. In order to be entitled, employees (and civil servants) must have worked for a certain amount of days during a reference period which vary according to the age of the unemployed (more strict condition apply to younger workers). Other conditions are: (i) availability to take up any suitable job; (ii) being capable of work; (iii) being involuntary unemployed. The basic replacement rate is 35% of previous salary. An additional 20% is granted during the first year of unemployment, plus an additional 5% if the unemployed does not dispose of any other source of revenue. After the first year of unemployment, however, the additional 20% is guaranteed only to the unemployed with family charges. The duration of unemployment benefit is unlimited; after a period which varies according to the duration of previous employment, nonetheless, lone unemployed workers sharing a dwelling are only entitled to a base amount.

Building sector unemployment allowance (*indemnités du fonds de sécurité d’existence*): it is a short term unemployment allowance payable to blue collar workers temporarily unemployed due to weather conditions.

Career break allowance (*indemnité de pause carrière*): it is a flat rate benefit which may be granted to employees, provided the enterprise agrees with the career break. The latter must last at least three month and may not last more than a year. During the whole career a worker has right to 5 years of career break. The employer must employ an unemployed person during this period.

Early retirement allowance (*pré-pension*): it’s an unemployed benefit granted to older employees in order to provide a smooth transition to retirement. The replacement rate is of 60%. Moreover they receive a supplementary indemnity paid by their ex-employer.

Employees’ and civil servants’ pension benefit (*pension de retraite*): normal age for retirement is 60 for women and 65 for men. However, pension benefits may be demanded starting from the age of 60, provided that the minimum requirements on the duration of employment are fulfilled. Employees may continue to work after having attained the age for retirement, but civil servants are obliged to retire after having reached the age of 65. The

replacement rate is of 60 or 75% (according to whether the retired has family charges or not) of average revalued gross earnings. For civil servants the replacement rate is always 75%, but it is computed on the last five years only.

Survivors' pension (*pension de survie*): benefit granted to the spouse of the deceased worker provided that (i) the spouse has more than 45 years and that (ii) the marriage has lasted for at least one year or that a child has been born. The survivor pension is computed as the retirement pension (the earnings are revalued and averaged up till the decease). However, if the deceased was already receiving a pension benefit, the survivor pension corresponds to 80% of the deceased pension. The same conditions apply to all regimes.

Employees' and civil servants' short term sickness benefit (*incapacité de travail primaire*) : it is a replacement income payable to employees after the first month (and up to a year) of inactivity due to accident or illness. The replacement rate is between 55 and 60% (depending on whether the employee has family charges or not)¹. Civil servants benefit from a 100% during a period of sick leave which varies according to the duration of employment. After that a 60% replacement rate is guaranteed regardless of family charges (a 100% replacement rate is nevertheless maintained if the civil servant is recognized severely ill). Up to a month of sickness the employer pays full salary, but he may still claim part of the cost to the social security fund.

Employees' and civil servants' invalidity benefit (*indemnité d'invalidité*): it is payable to employees after the first year of incapacity, and thus follow the short term sickness benefit. The replacement rate is of 60 and 45% according to whether the employee has family charges or not. As far as civil servants are concerned, once their sick leave has expired, a 60% replacement rate is guaranteed regardless of family charges (a 100% replacement rate is nevertheless maintained if the civil servant is recognized severely ill). If recognized definitively inactive they have right to a retirement pension varying in function of his/her earnings, family charges and degree of invalidity.

Employees' and civil servants' maternity benefit (*allocations de maternité*): in case of childbirth female employees have right to between 15 and 17 weeks of maternity leave (of which 12 are compulsory). The replacement rate is relatively high the first month (82%) and then decreases during the period of compulsory leave to 75%. When prolonging the maternity leave after the compulsory period, the replacement rate drops to 60%. Unemployed and invalid female workers also have right to maternity benefits. Civil servants have right to a 100% replacement rate along the whole period of compulsory maternity leave.

Employees' and civil servants' temporary work incapacity benefit (*allocation d'incapacité de travail temporaire*) : work incapacity following a work accident may be full or partial, in the first case the allowance corresponds to 90% of the salary, in the second case it corresponds to 90% of the difference between the employees previous and current salary. Civil servants have right to 100% of the salary.

Employees' and civil servants' definitive work incapacity benefit (*allocation d'incapacité de travail permanente*): temporary work incapacity ends whenever the injuries caused by the work accident stabilize. This might lead either to a full reentry into labor or to a recognition of permanent loss of work capacity (computed in percentage). In the latter case, the employees has right to an annuity computed according to the base salary and the percentage of work capacity loss. The same computation rules apply to employees and civil servants.

¹ During the first month of inactivity the employees are paid 100% of their salary by their employer.

Survivors' work accident pension (*rente viagère d'accident de travail*) : whenever a work accident is the cause of death of the employees, widows and orphans have right to a monthly pension corresponding to respectively 30 and 15% of the employee's and civil servant's salary. Orphans' pension is limited to the age till they have right to child benefits.

Employees' and civil servants' professional illness allowance (*allocation pour maladie professionnelle*): professional illness may open the right to work accident benefit. Some differences nevertheless are significant: a professional illness may cause permanent damages from the beginning and the loss of work capacity due to professional illness may be reassessed as the gravity of the illness might evolve with time.

1.2.2 SELF-EMPLOYED WORKERS

Pension benefit (*pension de retraite*): normal retirement age is the same as that of employees, self-employed too, moreover, may anticipate their retirement at the age of 60. The replacement rate is of 60 or 75% (according to whether the retired has family charges or not) of a base amount up to 1984 and of real revalued earnings starting from 1984.

Self-employed sickness benefit (*incapacité de travail primaire*) : similarly to the employees, the self-employed have right to sickness allowance starting from the 2nd month of sickness. Self-employed, nevertheless, receive no benefit whatsoever during the first month. The amount of the benefit, moreover, is not contributory base, but flat rate, and varies only according to family charges.

Self-employed invalidity benefit (*indemnité d'invalidité*): it is payable to the self-employed after the first year of incapacity. The allowance is again flat rate and varies according to family charges, but two different rates apply according to whether the accident is a cause of interruption of activity or not.

Self-employed maternity benefit (*allocations de maternité*): after childbirth female self-employed have right to 3 weeks of maternity leave, during which they receive a flat rate amount. The same right is guaranteed to wives of self-employed workers contributing to the national social security system.

1.2.3 GUARANTEED ALLOWANCES

Young unemployment allowance (*allocation d'attente*): young workers having finished their studies have the right, after a waiting period, to a flat rate amount, varying according to age and family charges.

Education allowance (*allocation de formation*): it is a special unemployment allowance paid by the regional employment offices to unemployed taking up internships.

Child benefit (*allocations familiales*): the parent, or generally speaking the person in charge of raising a child benefit from child allowances. Child allowances are payable till the child has reached the age of 18. Under certain circumstances the age limit may be brought up to 25. The amount of the benefit vary according to the number of children and their age, and it is almost identical for the three regimes. Moreover child benefits are granted also to non working parents (conditional to means-test), but are financed through fiscal revenues and not through

social contributions. Nevertheless, some special supplements are granted in case of particular necessities of the child or particular economic or health conditions.

Child birth allowance (*allocation de naissance*): all mothers have right to a flat rate child birth allowance. The latter varies according to the number of children. A similar allowance is granted in case of adoption. Again the amount is the same whatever the employment status of the mother (non working mothers may benefit conditional on means-test), but the financing is either through the public revenues or through social security contributions.

Minimum income (MINIMEX): it is a means-tested flat rate allowance (the amounts vary according to family charges) introduced to guarantee a minimum income to the working age population which does not benefit from other instrument of income support.

Old age minimum income (*garantie de revenus aux personnes âgées*): just like the minimum income benefit, it is a minimum income means-tested benefit. Other than being in need, there is also an age requirement, provided that the old age minimum income benefits is slightly more generous than the minimex.

Handicapped people allowance (*allocation aux personnes handicapées*): this allowance is composed of two parts: the first is meant to replace the income of handicapped person and the other to integrate it in order to compensate for special difficulties that the handicapped person may encounter. The “replacement allowance” is flat rate and means-tested. The “income supplement” component of the allowance, on the other hand, is not means tested and varies according to the level of the handicapped.

Old age care allowance (*allocation pour l'aide de personnes âgées*): this allowance is granted under the same condition as the “income supplement” allowance of the handicapped allowance, but it is restricted to people aged at least 65.

The following table provides the number of benefit recipients and of total spending on instruments, disaggregated by policy measure for 1998.

Table 3. Benefit recipients and total public spending by policy instrument (1998)

Benefit	Recipients	Total spending (millions BEF)	Total spending (% GDP)
Employees and civil servants			
- Short term sickness benefit	3.103.800	22.836	0.252
- Invalidity pensions	173.214	63.504	0.700
- Maternity benefits	76.542	11.858	0.131
- Retirement pension	1.704.648	485.420	5.355
- Survivor pension	598.948	174.336	1.923
- Early retirement *	126.000	51.515	0.568
- Child benefit	1.820.734	118.566	1.308
- Child birth allowance	93.308	2.987	0.033
- Adoption allowance	712	26	0.000
- Work accidents	34.781	2.496	0.028
- Professional illness	16.479	13.788	0.152
- Unemployment*	582.675	169.120	1.866
- Temporary unemployment*	44.005	15.889	0.175
- Career break*	56.098	5.312	0.059
Self employed			
- Short term sickness benefit	490.083	494	0.005
- Invalidity pensions	16.253	4.945	0.055
- Maternity benefits	5.341	194	0.002
- Retirement pension	393.368	48.265	0.532
- Survivor pension	140.588	20.520	0.226
- Family benefits	273.450	13.687	0.151
- Child birth allowance	7.465	225	0.002
- Adoption allowance	165	6	0.000
Guaranteed benefits			
- Minimex	84.000	17.433	0.192
- Old age minimum income	100.054	9.280	0.102
- Family benefits	15.729	1.160	0.012
- Child birth allowance	1.594	51	0.000
- Handicapped allowance	202.103	36.515	0.402

* 1997 data.

1.3 SOCIAL SECURITY CONTRIBUTIONS

Employees' and self employed social security contributions (*cotisations sociales*): as far as social security contributions are concerned four main regimes may be distinguished: the general employees' regime, the civil servants' regime, the self employed regime and the regime of those workers undertaking a self-employment activity as a complementary activity. Secondly two further minor regimes may be identified, i.e. that of local authorities' civil servants and staff employees.

1.4 NATIONAL INCOME TAXES

National income tax (*Impôt sur les revenus des Personnes Physiques, IPP*): it is a progressive income tax paid by all persons having Belgium as center of their economic activity. It is a tax on labour, rental and replacement income; capital income may be taxed separately, according to the preference of the taxpayer.

1.5 LOCAL TAX ON DWELLING

Local real estate tax (*impôt locale cadastrale*) : local tax on inflation adjusted cadastral income, which is deemed to represent the net annual income from the premises concerned at the prices of the year.

The following table provides the number of tax payers and contributors to social security scheme, as well as total receipts, disaggregated by source for 1998.

Table 4. Number of tax payers and contributors to national security system and total receipts by source (1998)

Source	Contributors	Total receipts (million BEF)	Total receipts (% of GDP)
Social security cont.			
- <i>Employees</i>			
blue collar	1.267.300	402.512	4.440
white collar	1.428.900	674.644	7.440
- <i>Civil servants</i>		76.202	0.840
Federal	478.600	*	*
APL	132.600	*	*
- <i>Self-employed</i>		85.995	0.950
main activity	592.100		
comp. activity	136.100		
after retirement	64.700		
Personal income tax	*	1.229.714	13.570
Real estate tax	*	74.551	0.820

Not all benefits and not all taxes are simulated in EUROMOD. Following the above brief introduction, the next section will provide an in depth description of the simulated tax-benefit instruments. Table 5 shows the policies included in the Belgian model (i.e. the "policy spine") and provides the reference sections of the report in which the latter are described.

Table 5. Policies included in the policy spine

SECTION	POLICY	DESCRIPTION
2.1.4.1	EESIChc_BE	<i>Employee social security contribution to health care insurance</i>
2.1.4.2	EESIChi_BE	<i>Employee social security contribution to health insurance</i>
2.1.4.4	EESICui_BE	<i>Employee social security contribution to unemployment insurance</i>
2.1.4.3	EESICpi_BE	<i>Employee social security contribution to pension insurance</i>
2.1.4.5	ERSIChc_BE	<i>Employer social security contributions to health care insurance</i>
2.1.4.6	ERSIChi_BE	<i>Employer social security contributions to health insurance</i>
2.1.4.7	ERSICdi_BE	<i>Employer social security contributions to disability insurance</i>
2.1.4.8	ERSICui_BE	<i>Employer social security contributions to unemployment insurance</i>
2.1.4.9	ERSICpi_BE	<i>Employer social security contributions to pension insurance</i>
2.1.4.10	ERSICot_BE	<i>Other Employer Contribution Payments (family benefits, wage moderation, educational leave, company closing down, employment fund)</i>
2.1.4.11	ERSICwageMod_BE	<i>Employers' social security contribution to wage moderation</i>
2.2.4.1	SESIcmain_BE	<i>Self-employed social security contributions – main activity</i>
2.2.4.2	SESIccomp_BE	<i>Self-employed social security contributions – complementary activity</i>
2.2.4.3	SESIcpen_BE	<i>Self-employed social security contributions – receiving a pension</i>
2.2.4.4	SESIcnopen_BE	<i>Self-employed social security contributions – non receiving a pension</i>
2.3.3.1	EESIChi_Pen_BE	<i>Pensioners' social security contributions</i>
3.1.1.2	IT_EarnCostDed_BE	<i>Wage earner's deduction</i>
3.1.1	IT_Schedule1_BE	<i>Income tax where Investment Income is taxed together with other income</i>
3.1.1	IT_Schedule2_BE	<i>Income tax where Investment Income is taxed separately from other income</i>
3.1.1.5	IT_Sched1_Sched2_BE	<i>Output optimising module</i>
4.1.1	SBEN_CBord_BE	
4.1.2	SBEN_CBse_BE	<i>Child benefit for self- employed (not receiving a pension)</i>
4.1.2.4	SBEN_CBsePen_BE	<i>Child benefit for self- employed (receiving a pension)</i>
4.1.2.5	SBEN_CBsoc_BE	<i>Social supplement</i>
4.1.2.6	SBEN_CBdiswrk_BE	<i>Child benefit for children of invalid workers</i>
4.1.3	SBEN_CBguarant_BE	<i>Guaranteed child benefits</i>
4.2	SBEN_ISChMarr_BE	<i>Income support for people without spouse or own children ("revenu minimum de moyen d'existence or in abridged: MINIMEX")</i>
4.2	SBEN-ISnoChMarr_BE	<i>Income support for people with spouse or</i>

		<i>own children ("revenu minimum de moyen d'existence or in abridged: MINIMEX")</i>
4.3	SBEN_ISold_BE	<i>Income support for the elderly</i>

2 SOCIAL SECURITY CONTRIBUTIONS:

2.1 EMPLOYEES' AND EMPLOYERS' SECURITY CONTRIBUTIONS:

2.1.1 DEFINITION OF EMPLOYEES:

The social security scheme for employees applies to all workers active in Belgium under the terms of a labour contract. They must work for an employer who is either settled in Belgium or has at least his operational headquarter in Belgium. In general, the social security of employees applies to workers and employers bound by a labour contract. Nevertheless, people who are not bound by a labour contract but execute a job in the same conditions, or work for money under the authority of another person, are also liable to the social security scheme of employees.

2.1.2 EXTENT OF THE LIABILITY:

The liability to social security of employees covers the following areas:

- old age pension and survivor pension
- sickness and invalidity insurance
- unemployment
- family benefits for employees
- occupational injury and disease
- annual holidays for blue-collar workers.

2.1.3 CONSEQUENCES OF THE LIABILITY:

The contributions are computed quarterly, in percentage of gross income, before deduction of withholding tax. The employer pays one part of the contributions. The employee pays the other part. Prior to 1995 the different branches of the social security had separated budgets, after 1995, however, a global management has been introduced. A specific contribution rate is associated to each social security branch. This association is nevertheless fictitious from a financial point of view. Indeed, since the global management has been introduced, the yield of social contributions is not shared anymore proportionally to these rates among the different branches but according to the needs of each branch (except for the annual holiday contributions for blue-collar workers).

2.1.4 SOCIAL SECURITY CONTRIBUTIONS FOR EMPLOYEES AND CIVIL SERVANTS:

2.1.4.1 EMPLOYEES' HEALTH CARE INSURANCE

Health care insurance reimburses part of the medical expenses anticipated by the insured or by a family member. The contribution (**be_eesic_hi**) for white collar employees and civil servants is given by 3,55% of gross salary. For blue collar the same contribution rate is computed on 108% of gross salary. The eligibility conditions for this and the following employees' and employers' social security contribution policies are given by the two parameters *IsCivSrv* and *IsBlueColl*.

2.1.4.2 EMPLOYEES' SICKNESS INSURANCE

Sickness insurance reimburses part of the statutory sick pay paid by employers during the first month of sickness (which is not simulated but included directly in earnings) and pays an

earnings related sick pay benefit directly to employees starting from the second month and up to the 12th month of sickness. The contribution (**be_eesic_hi**) for white collar employees is given by 1,15% of gross earnings, whereas for blue collar employees the same rate applies to 108% of gross earnings. Civil servants do not pay any social security contribution to sickness insurance.

2.1.4.3 EMPLOYEES' PENSION INSURANCE CONTRIBUTIONS

Pension insurance contributions also cover for survivor pensions. The contribution (**be_eesic_pi**) for white collar employees and civil servants is given by 7,5% of gross earnings, whereas for blue collar employees the same rate applies to 108% of gross earnings.

2.1.4.4 EMPLOYEES' UNEMPLOYMENT INSURANCE

Employee's unemployment insurance contribution (**be_eesic_ui**) for white collar employees and civil servants is 7,5% of gross earnings, and 7,5% of 108% of gross earnings for blue collar.

2.1.4.5 EMPLOYERS' HEALTH CARE INSURANCE

Employers' social security contributions to health care insurance (**be_ersic_hi**) are given by 3,8% of gross earnings and 108% of gross earnings for civil servants and white collar employees, and blue collar employees respectively.

2.1.4.6 EMPLOYERS' SICKNESS INSURANCE

Employers' social security contributions (**be_ersic_hi**) to sickness insurance are given by 3,8% of gross earnings and 108% of gross earnings for white collar employees, and blue collar employees respectively. The public sector does not pay any sickness insurance contributions for its civil servants.

2.1.4.7 EMPLOYERS' DISABILITY INSURANCE

Employers' social security contributions (**be_ersic_di**) to work injury and professional illness insurance are given by 1,4% of gross earnings and 108% of gross earnings for white collar employees and blue collar employees respectively. Employers' contribution for civil servants is 0,17% of gross earnings.

2.1.4.8 EMPLOYERS' UNEMPLOYMENT INSURANCE

Employers' social security contributions (**be_ersic_ui**) to work injury and professional illness insurance are given by 1,46% of gross earnings and 108% of gross earnings for white collar and blue collar employees respectively. For employers having more than 10 employees the contribution rate is increased to 3,15%. Generally speaking, the public sector does not pay any unemployment insurance contribution for civil servants (newly employed civil servants, nevertheless, are not permanently appointed and a special unemployment insurance has been set up, even if the latter is not modelled by EUROMOD).

2.1.4.9 EMPLOYERS' PENSION INSURANCE

Employers' social security contributions (**be_ersic_pi**) to pension insurance are given by 8,86% of gross earnings and 108% of gross earnings for civil servants and white collar employees, and blue collar employees respectively.

2.1.4.10 EMPLOYERS' OTHER CONTRIBUTIONS

Other social security contributions (**be_ersic_other**) paid by employers only include family benefit and (for blue collar workers only) paid holyday. The contribution rates are of 7% and 5,25% of gross earnings for white collar employees and civil servants respectively. For blue collars employees the contribution rate is of 13% (7% for child benefit + 6% for paid holyday) of 108% of gross earnings.

2.1.4.11 EMPLOYERS' CONTRIBUTIONS TO WAGE MODERATION

The last social security contributions (**be_ersic_other**) paid by employers only is the wage moderation contribution. The contribution rates are of 7,48% of gross salary and 108% of gross salary for white and blue collar employees respectively. For civil servants the contribution rate is 5,67% of all civil servants employers' social security contributions.

The following two tables summarize the social security contributions of blue and white collar employees and their employers and civil servant and their employers. Note that some employees (both white and blue collar) and civil servants by also be employed by local authorities (ALP – Administrations Locales et Provinciales). In this case a special regime applies. The proportion of ALP employees\civil servants, nevertheless is much smaller than the proportion of employees\civil servants employed under the “general scheme”. Since it is not possible to distinguish between the two categories, the more general schemes have been applied to all civil servants and employees, although this might underestimate the amount of social security contributions, due to more generous employers' contributions under the ALP scheme.

There are some minor additional contributions for wage moderation and unemployment benefits, when firm size exceeds 20 employees.

Table 6. Contribution rates of blue collar and white collar employees

Social security branches	Blue collars % of gross salary x 108%		White collars % of gross salary	
	Employee contribution	Employer contribution	Employee contribution	Employer contribution
1. Sickness and invalidity (indemnity)	1,15	2,35	1,15	2,35
2. Sickness and invalidity (health care)	3,55	3,80	3,55	3,80
3. Unemployment	0,87	1,46	0,87	1,46
4. Pensions	7,50	8,86	7,50	8,86
5. Family benefits	0,00	7,00	0,00	7,00
6. Occupational disease and injury	0,00	1,40	0,00	1,40
	13,07	24,87	13,07	24,87
Other contributions				
8. Wage moderation	0,00	7,48	0,00	7,48
9. Annual holidays (for blue-collar workers)	0,00	6,00	-	-
10. Unemployment (supplement for company with more than 10 workers)	0,00	1,60	0,00	1,60
Total contributions				
a) till 9 workers	13,07	38,35	13,07	32,35
b) 10 workers and more	13,07	40,04	13,07	34,04

Table 7. Contribution rates for permanently appointed civil servants

Social security branches	In percentage of the remuneration	
	Workers contributions	Employer contributions
1. Sickness and invalidity (health care)	3,55%	3,80%
2. Pension	7,50%	8,86%
3. Family benefits	-	5,25%
4. Occupational disease	-	0,17%
5. Wage moderation	-	5.67%*

* This rate applies to social security contribution paid by employer and not to gross earnings.

2.2 SELF-EMPLOYED SOCIAL SECURITY CONTRIBUTIONS

2.2.1 DEFINITION OF SELF-EMPLOYED

According to the social security legislation, there are two distinguished self-employment status: self-employed as main activity and self-employed as a complementary activity. The former applies either to a self-employed person who practises a professional activity in Belgium without being bound by a labour contract or to the “aidant”, (i.e. a person who helps a self-employed worker in the practise of his/her professional activity without being bound by

a labour contract)², while the latter applies to a person performing a self-employment activity in parallel with at least a part-time salaried activity, with studies, etc.

2.2.2 EXTENT OF THE LIABILITY

The liability to social security of self-employed covers only the four following branches:

- old age pension and survivor pension
- sickness and invalidity insurance
- family benefits for employees

2.2.3 CONSEQUENCES OF THE LIABILITY

Liable self-employed must pay lump sum annual contributions corresponding to:

- 1.200 BEF if professional income is greater than 388.444 BEF and lower than 1.884.286 BEF
- 2.400 BEF if professional income exceeds the last amount.

No lump sum contribution are due if professional income is lower than 388.444 BEF. Differently from the employees and civil servants' regime, in the self-employed regime no distinction is made between the different insurance: one global rate is supposed to cover for all insured risks. A part from the later lump-sum contributions, additional contributions depend on professional income of the three previous years³, however, due to the lack of information in the dataset, revaluated past incomes are approximated by current income. Contributions are paid quarterly to a social insurance fund. Contribution rates depend on the legal status of the self-employed and other criteria (namely an age criterion and weather or not the self-employed is receiving a pension).

2.2.4 RATES OF SELF-EMPLOYED SOCIAL SECURITY CONTRIBUTIONS

Contributions due by self-employed depend on the legal status of the latter, i.e. on weather self-employment is the main or complementary activity, on the age and on weather or not the self-employed is perceiving a pension.

2.2.4.1 SELF-EMPLOYED AS MAIN ACTIVITY

The following table shows the contribution rate for self-employed as main activity (**be_sesic**). Eligibility is given by parameter *IsSelfEmployed1*.

² All self-employed are liable to pay compulsory social contributions, except in the following cases:

1. the "aidant" before the age of 20, only if he/she is not married to the self-employed with whom he/she are collaborating;
2. the "aidant" working less than 90 days per year;
3. the "aidant" still studying and benefiting from family allowance.

³ Contributions for 1998, for example, are computed on the basis of professional income of the year 1995. In the beginning, the self-employed pay during three or four year's temporary contributions. Then, these contributions are adjusted in function of real professional income. Contributions are calculated on the basis of net revalued income, augmented for social contribution due for that year. To obtain the revalued income, gross income of the reference year is multiplied by a revaluation coefficient, which represents the consumer price index.

Table 8. Rates of self-employed social insurance contributions - main activity

Quarterly provisional contributions(*)	
- until the last quarter of the first year	16.218 BEF
- for the fourth and following quarters	18.848 BEF
- for each subsequent quarter for which there is no reference income	21.350 EUR
Quarterly definitive contributions	
- reference income under 1.884.286 BEF(1)	16,70%
- ref. income between 1.884.286 BEF and 2.756.223 BEF	12,27%
- Minimum quarterly contribution	16.218 BEF
- Maximum quarterly contribution	106.016 BEF (2)

(*) Not simulated: all self-employed are assumed to have been self-employed for the last three years.

(1) If reference income is lower than 388.444 BEF, social security contributions are still computed on such floor ((16,7% * 388.444 BEF) / 4) = 16.218 BEF.

(2) Maximum contribution includes ¼ of lump-sum contribution.

2.2.4.2 SELF-EMPLOYED AS A COMPLEMENTARY ACTIVITY

The following table shows the contribution rate for self-employed as complementary activity (**be_sesic**). Eligible self-employed are all people under the retirement age (*le_age1* for men and *le_age2* for women, who are not self-employed as main activity)

Table 9. Rates of self-employed social insurance contributions – complementary activity

Quarterly provisional contributions(*)	1.737 BEF
Quarterly definitive contributions:	
- reference income under 41.601 BEF	No contributions
- reference income between 41.601 and 82.950 BEF	1.737 BEF
- reference income between 82.950 and 1.884.286 BEF	16,7%
- reference income between 1.884.286 and 2.756.223 BEF	12,27%
- Maximum quarterly contribution	106.016 BEF(1)

(*) Not simulated: all self-employed are assumed to have been self-employed for the last three years.

(1) Maximum include ¼ of lump-sum contribution.

2.2.4.3 SELF-EMPLOYED RECEIVING A RETIREMENT, EARLY RETIREMENT OR SURVIVOR PENSION

The following table shows self-employment contributions (**be_sesic**) for those self-employed who are benefiting from retirement or survivor pension (*le_inc*), unconditional to their age.

Table 10. Self-employed social insurance contributions – receiving a pension

Quarterly provisional contributions(*)	
- until the last quarter of the first year	16.218 BEF
- for the four following quarters	18.848 BEF
- for each subsequent quarter for which there is no reference income	21.350 EUR
Quarterly definitive contributions	
- reference income under 82.950 BEF	No contributions
- reference income over 82.950 BEF	12.99%
- Maximum quarterly contribution	21.418 BEF

(*) Not simulated: all self-employed are assumed to have been self-employed for the last three years.

2.2.4.4 SELF-EMPLOYED WHO HAVE REACHED THE RETIREMENT AGE, BUT ARE NOT RECEIVING A PENSION

The following table shows self-employment contributions (**be_sesic**) for self-employed having reached retirement age (*le_age1* for men and *le_age2* for women), but who are not receiving any pension income (*le_inc*).

Table 11. Rate of self-employed social insurance contributions – having reached the age of retirement, but not receiving a pension

Quarterly provisional contributions(*)	3.474 BEF
Quarterly definitive contributions:	
- reference income less than 82.950 BEF	No contributions
- reference income between 82.950 and 1.884.287 BEF	16,70%
- reference income between 1.884.287 and 2.756.223 BEF	12,27%
- Maximum quarterly contribution	106.016 BEF (1)

(*) Not simulated: all self-employed are assumed to have been self-employed for the last three years.

(1) Maximum include ¼ of lump-sum contribution.

2.3 PENSIONERS' SOCIAL SECURITY CONTRIBUTIONS

2.3.1 DEFINITION OF PENSIONER

According to Belgian social legislation, all pensioners are liable to pay social security contributions. In order to be considered pensioner, a person must have reached retirement age and must be recipient of a public pension.

2.3.2 EXTENT OF THE LIABILITY

The liability to social security of pensioners covers the following branches:

- Health and invalidity
- Funeral charges (retirement pensions only)

Since 01.01.95 a withholding solidarity contribution on pensions is also applied.

2.3.3 CONSEQUENCES OF THE LIABILITY

Liable pensioners are subjected to a withholding contribution on their pensions.

2.3.3.1 PENSIONERS' SOCIAL SECURITY CONTRIBUTIONS

The health and invalidity insurance contribution rate on old age and survivor pensions is 3,55%. Such contribution is due only on pensions greater than 45.939 BEF and 38.762 BEF for pensioners with and without dependant, respectively.

The contribution rate for funeral charges on old age pension is 0,5%.

The solidarity contribution rate varies between 0 and 2%, according to the pension level and the household structure. The level of the contribution varies according to the formulas outlined in the following two tables.

Table 12. Pensioners' solidarity contributions (single)

Income brackets	Tax rate
From 1 BEF to 42.447 BEF	0
From 42.448 BEF to 42.875 BEF	$(\text{pension} - 42.447 \text{ BEF}) * 50\%$
From 42.876 BEF to 53.059 BEF	Pension*0,5%
From 53.010 BEF to 53.600 BEF	$265 \text{ BEF} + (\text{pension} - 53.059 \text{ BEF}) * 50\%$
From 53.601 BEF to 63.671 BEF	Pension*1%
From 63.672 BEF to 64.328 BEF	$636 \text{ BEF} + (\text{pension} - 63.671 \text{ BEF}) * 50\%$
From 64.329 BEF to 74.283 BEF	Pension*1,5%
From 74.284 BEF to 75.056 BEF	$1.114 \text{ BEF} + (\text{pension} - 74.283 \text{ BEF}) * 50\%$
75.057 BEF and above	Pension*2%

Table 13. Pensioners' solidarity contribution (household)

Income brackets	Tax rate
From 1 BEF to 53.059 BEF	0
From 53.060 BEF to 55.595 BEF	$(\text{pension} - 53.059 \text{ BEF}) * 50\%$
From 55.596 BEF to 63.672 BEF	Pension*0,5%
From 63.673 BEF to 64.319 BEF	$318 \text{ BEF} + (\text{pension} - 63.672 \text{ BEF}) * 50\%$
From 64.320 BEF to 74.283 BEF	Pension*1%
From 74.284 BEF to 75.048 BEF	$743 \text{ BEF} + (\text{pension} - 74.283 \text{ BEF}) * 50\%$
From 75.049 BEF to 84.895 BEF	Pension*1,5%
From 84.896 BEF to 85.778 BEF	$1.237 \text{ BEF} + (\text{pension} - 84.895 \text{ BEF}) * 50\%$
85.779 BEF and above	Pension*2%

3 INCOME TAX

3.1 CHARGEABLE PERSONS

Personal income tax is due by inhabitants of the Kingdom, i.e. the persons whose domicile or whose seat of wealth is located in Belgium.

3.1.1 DETERMINATION OF THE NET AMOUNT OF TAXABLE INCOME:

Total taxable income is the result of aggregation of real estate income, income from movable property, miscellaneous income and earned income (including replacement income). The following sections explain how income from different sources is computed and aggregated to total taxable income.

3.1.1.1 EARNED INCOME

In the tax code, earned income refers to:

- employee's salary;
- company directors' remuneration;
- profits from agricultural, industrial and commercial activities;
- proceeds of a liberal profession;
- gains and profits from former professional activities;
- replacement income.

Taxable income is equal to net income. This net income is determined in six stages:

- 1) deduction of social security contributions;
- 2) deduction of expenses;
- 3) deduction of exemptions⁴;
- 4) deduction of losses⁵;
- 5) allocation of the assisting spouse quota and of the marital quotient;
- 6) compensation for losses between spouses.

3.1.1.2 DEDUCTION OF PROFESSIONAL EXPENSES

Deductible expenses (**be_it_EarnCostDed**) includes mainly professional expenses, i.e. expenses incurred by the taxpayer with a view to acquiring or preserving taxable income⁶. As such the deduction is in principle applicable to all categories of income. Two kinds of

⁴ From net profits after expenses, exemptions are granted by virtue of tax provisions in favour of investment, employment and self-employment (these are not simulated by EUROMOD).

⁵ Deductible losses might be either incurred in the current tax year (deductible from profits of another activity of the same taxpayer in the same taxable period) or losses incurred in previous tax periods (which may be set off against profits from subsequent tax period with no time limit). (these are not simulated by EUROMOD).

⁶ Examples of deductible expenses are:

- travel expenses between home and the place of work;
- expenses relating to real estate or parts thereof used for a commercial or professional activity;
- insurance premiums, commissions, brokerage expenses, advertising expenses, training costs, etc.;
- additional insurance contributions in respect of disablement resulting from sickness or depreciation of property used for a professional activity.

deduction exist in Belgian fiscal legislation: deduction of actual expenses (whereby the latter must be documented) and flat-rate deductions for standard expenses (whereby the expense is simply assumed at a universal flat rate and no documentation must be provided).

Standard expenses substitute for actual expenses unless the latter are higher. Only standard expenses deductions are modelled in EUROMOD, as information about professional expenses are not available in the dataset. Moreover, the deduction of expenses only applies to employees, as the deduction of professional expenses is implicit in the definition of self-employment income. The basis of calculation of the standard expenses is the gross taxable amount, less social security contributions. For employees, standard deduction is calculated according to the scale below and it is also limited to 110.000 BEF (*up_limit*).

Table 14. Deduction of professional expenses

Calculation base	Professional expenses	
	Lower limit	Above limit
0 to 165.000	0	20%
165.001 to 330.000	33.000	10%
330.001 to 550.000	49.500	5%
550.000 and more	60.500	3%

Allocation of the assisting spouse quota and of the marital quotient: (*be_it_Ytrnsf*). A self-employed taxpayer who effectively receives assistance from his/her spouse can allocate to the spouse a portion of his/her net income. This allocation is only allowed if the spouse who is to receive the quota has not earned more than 385.000 BEF (*assist_lt*).

The marital quotient may be awarded when the earned income of one of the spouses does not exceed 30% of the couple's total earned income. The amount then allocated is 30% of the total net income, less the own income of the spouse enjoying the quotient. It cannot exceed 297.000 (*earnedY_trnsf_lt*).

Compensation for losses between spouses: when the income of one of the spouses is negative, the loss can be deducted from the income of the other spouse after taking into account all the deductions to which the latter is entitled.

3.1.1.3 REAL ESTATE INCOME

The taxable income is determined in most cases on basis of an inflation adjusted cadastral income, which is deemed to represent the net annual income from the premises concerned at the prices of the year. Cadastral incomes are not recorded into the Belgian dataset. A recent study by the fiscal administration, however, has estimated that on average in 1996, cadastral revenues were underestimating by 40% the market value of residences. This is the reason why cadastral income comes in with a coefficient of .6. The imputed real estate income varies according to weather the property is the own dwelling, leased and to whom it is leased.

1. Own dwelling: the indexed cadastral income constitutes a taxable income, but an inflation-adjusted deduction is generally granted (*be_it_imprnt_ded*).

A fixed deduction is granted on the cadastral income of a dwelling house. In 1998, this deduction amounted to 147,400 BEF (*basic_ded*) with the following increases:

- 12.300 BEF for the spouse (*es_spouse*);
- 12.300 BEF for each dependent person (*es_depparent*);

- 12.300 BEF for each child formerly dependent on the tax payer and living in the house in question (*es_ch_parityI*).

When the total net revenue does not exceed 1.045.000 BEF, an additional deduction is awarded which is equal to half the difference between the cadastral income and the standard deduction. The total deduction cannot exceed the cadastral income on which it is granted.

Interests on loans are eligible for relief when they relate to debts incurred for the sole purpose of acquiring or maintaining a real property. The deductible amount, however, may not exceed the amount of the taxable income from real property.

2. In the case of buildings

- which are not leased;
- which are leased to natural persons who don't use them for professional purposes;
- which are leased to a legal person that is not a company, for purpose of under lease to one or more natural persons in order to be used as a dwelling;

the taxable income is equal to the cadastral income plus 40%⁷.

3. In the case of buildings leased to a legal person or to natural persons who use the premises for their professional activities: the taxable income is equal to 90% of the gross rent for undeveloped land and to 60% of the gross rent for buildings (In EUROMOD it is assumed that all property income – **copropy** – falls under category 2).

When real property is used in whole or in part by its owner for his professional activity, the corresponding cadastral income is not taxable as real estate income, but as professional income (this is not simulated by EUROMOD).

A tax credit for local real estate income on own dwelling is granted. The latter varies significantly between regions (i.e. Walloon Region, Flemish Region and Region of Bruxelles Capital) and particularly at municipality level⁸. The maximum tax credit, nevertheless, is limited to 12,5% of the adjusted cadastral income included in the taxpayer's global taxable income. In EUROMOD simulation all taxpayer benefit from the maximum amount of reduction .

3.1.1.4 INCOME FROM MOVABLE PROPERTY

Upon request of taxpayer, income from movable property may be taxed separately (in which cases only the withholding tax applies) or together with the other sources of income (in which case the withholding tax may be deducted). Nevertheless, income from movable property to which no withholding tax has been applied at the time when the income was collected is always included in the taxable income. The latter includes:

- income earned abroad and collected directly abroad;
- income from ordinary savings accounts and income from capital invested in cooperative companies;

⁷ Cadastral income is proximated

⁸ Differences regard not only the tax rate, but also reductions and rebates granted for particular personal or household's circumstances.

- other income not liable to withholding tax, such as income from life annuities or temporary annuities, etc.

On the other hand, as a general rule, dividends and income from deposits, bonds, and fixed interests securities are liable to withholding tax at their collection; for this income no obligation of return submission exists.

The following exemptions apply (*be_it_invy_ded*):

- the first bracket of 55.000 BEF of income from ordinary savings accounts, per household;
- the first bracket of 5.000 BEF of income from capital invested in cooperative companies recognised, per household;
- yields of so-called “capitalisation UCITs”.

When separate taxation is demanded, the following rates apply:

Table 15. Tax rates on income from movable capital (separate taxation)

Dividends	
From shares issued as from January 1st, 1994 by a public call for funds	15%
From shares issued as from January 1st, 1994, provided that the newly issued shares are attributed in consideration of cash contribution, that they are in registered form as from the date of their issue or that they are the object of an open deposit in Belgium	15%
From shares distributed by investment companies, except in the case of total or partial repayment of a company's capital or in the case of an acquisition of own shares	15%
From so-called AFV-shares (fiscal advantages shares), but only where such shares are quoted on a stock exchange and where the company paying the income has irrevocably waived the transfer of the benefit resulting from the exemption of corporate tax	15%
From other shares	25%
Interest and other income from capital and movable property	
Interests from securities issued as from March 1 st , 1990	15%
Other income from capital and movable property	25%

3.1.1.5 OPTIMAL TAX FILING

A special policy module in EUROMOD (**polIT_Sched1_Sched2_BE**) determines the household optimal strategy with respect to tax-filing, i.e. whether the household prefers the joint taxation of capital and other incomes, or the separate taxation.

In EUROMOD it is assumed that all assets are taxed at 15%, as it is not possible to disaggregate the information on investment income, according to composition of the assets.

3.1.1.6 MISCELLANEOUS INCOME

These incomes have as common characteristic of not being earned in the performance of a professional activity. This category of income may be divided into two different groups: (i) incomes that must be aggregated in total net taxable income and (ii) incomes that may be subjected to a separate taxation or aggregated in total taxable income. The former category mainly includes maintenance payments related to and received in the reference year, which are aggregated in total taxable income in reason of 80% of total amount.

Miscellaneous incomes which may be subjected to separate assessment are listed in the following table⁹:

Table 16. Miscellaneous income which might be subjected to separate assessment

Categories of income	Taxable amounts
Occasional profits and proceeds	Net amount minus actual expenses
Prizes or subsidies, annuities or pensions	Total amount received increased by withholding taxes
Prizes attached to debenture bonds	Net amount received increased by the withholding tax
Income from sublease or from transfer of a lease	Gross rent minus expenses minus rent
Income from permission to place advertising boards	Amount received net of expenses or flat rate 5% deduction
Income from sporting rights (fowling, fishing, shooting)	The amount received
Capital gains for (built and unbuilt) property	Total income from subleasing after deduction of actual expenses and paid rent

3.1.1.7 EXPENSES DEDUCTIBLE FROM TOTAL NET INCOME

Certain expenses entitle to a tax relief. The terms and conditions for the granting of the fiscal advantages are detailed hereafter. The deductions are grouped in two categories: first those related to long-term savings and to real estate investments¹⁰, then the other types of expenses¹¹.

⁹ Taxpayers may choose between separate taxation and full aggregation, according to which solution is most convenient. EUROMOD, however, assumes full aggregation.

¹⁰ Under certain circumstances and within some limits (not discussed in further detail), the following expenses may grant a tax relief:

- to personal premium for group insurance contracts or pension funds;
- to sums paid for the acquisition of employer's shares;
- to sums paid for pension savings schemes.
- to savings schemes for house (insofar as they do not qualify for the increased tax reduction purchase);
- to individual life insurance premiums;
- to mortgage capital repayment.

Increased tax reduction for savings for house purchase applies:

- to individual life insurance premiums assigned to the amortisation or securing of mortgage loans,
- to mortgage capital reimbursement,

provided these mortgage loans were contracted with a view to constructing, renovating or acquiring a house in Belgium, which, when the loan contract was signed, was the taxpayer's only house.

The increased tax reduction is granted at the marginal rate applying to the taxpayer.

¹¹ Amongst the category of other deductible expenses are :

- Maintenance allowance: deduction is limited to 80% of the sums paid.
- Gifts: donations made to recognised institutions are deductible, provided they amount to 1.000 BEF at least per beneficiary institution. The total amount thus deductible cannot exceed 10% of the net income nor 10.998.000 BEF. This deduction is made proportionally to the income of each spouse.
- Payment of domestic servants: the deduction is limited to one member of domestic personnel and to 50% of the

3.1.1.8 AGGREGATED TAXABLE INCOME

The aggregated taxable income is thus made up of the taxable income of real estate, of taxable income from movable property, taxable miscellaneous income and of taxable earned income, minus the expenses deductible from the total net income.

3.1.2 COMPUTATION OF TAXES:

The following table shows the general procedure for tax computation in Belgium. Not all phases of the computations have been simulated and some simplifying hypothesis had to be made.

Table 17. General procedure for computing personal income tax

Calculation of tax according to scale (basic tax)
- Deduction for dependent family member
- Tax reduction for long-term savings and increased tax reduction for savings for house purchase (*)
- Tax deduction for expenses paid for work or services performed in the framework of local employment agencies (*)
= Tax to be allocated
- Tax reduction for replacement income
= Reduced basis tax
- Tax reduction for foreign income (*)
= Principal of aggregated taxable income
+ Tax on separately taxed income
= Principal
- Withholding taxes, tax credit, advance payments and allowable items (*)
+ Increases for no or insufficient advance payment (*)
- Bonus for advance payment
= National tax
+ Additional municipal taxes (*)

salary, with an absolute maximum of 220.000 BEF. This deduction is made proportionally to the income of each spouse.

- Deduction of expenses relating to the maintenance and restoration classified monuments: this deduction is limited to 50% of the expenses not covered by subsidies with a maximum of 1.100.000 BEF.
- Additional deduction of mortgage interest: interests on loans entered into for the purpose of acquiring or maintaining real estate can be deducted from taxable real estate income up to the amount of the latter (see above). A complementary deduction can be awarded if the loan is a mortgage loan contracted after 30.04.1986 for at least ten years and if it has been concluded with a view to constructing a house or to renovating a house that is to serve as taxpayer's only dwelling house.
- Expenses for child care: the deduction of child care expenses is awarded if the following conditions are fulfilled:
 - the tax payer must have received earned income;
 - the child must be dependent on the taxpayer and must be less than three years old;
 - the child care expenses must have been paid to recognised institutions;
 - the amount of these expenses must be established.

The amount deductible is set at 80% of the day's rate actually paid and is limited to 345 BEF per day of care and per child. The deduction is made proportionally to the income of each spouse.

+ Additional crisis tax (*)

+ Tax increases (*)

= **Amount payable by or to the taxpayer**

(*) Not simulated by EUROMOD

3.1.2.1 TAX RATES:

We apply on the tax amount the tax rates. In doing this, we obtain the basic tax. The rates applicable to 1998 income are as follow:

Table 18. Tax rates

	Taxable income			Marginal rate
	From	to		
Tax_band1	0	253.000	Tax_rate1	25%
Tax_band2	253.001	335.000	Tax_rate2	30%
Tax_band3	335.001	478.000	Tax_rate3	40%
Tax_band4	478.001	1.100.000	Tax_rate4	45%
Tax_band5	1.100.001	1.650.000	Tax_rate5	50%
Tax_band6	1.650.001	2.420.000	Tax_rate6	52,50%
	2.420.001 and more		Tax_rate7	55%

3.1.2.2 EXEMPT INCOME AND DEDUCTION FOR DEPENDENT

A portion of the net global taxable income, varying according to the composition of the household, is exempt from tax (*be_it_FamAllwnc1 + be_it_FamAllwnc2*). When the tax-exempt slice of one of the spouses exceeds his/her income, the remainder of the exempted slice can be transferred on to the income of the other spouse. Note that the progressivism of the tax rates is maintained, in fact taxes on the deducted slices are not considered, but the remaining fraction is taxed on the basis of the rates which would have applied if no deduction were granted¹².

A basic exemption of 203.000 BEF (*basic_tfa + es_htu_single*) is recognized in case for single taxpayer. The exemption is increased to 160.000 BEF (*basic_tfa*) for each of the spouses in case of married taxpayers. Further exemptions, computed on the basis of the following table, are granted for dependant children

Table 19. Exemption for dependent child

	Exemption for that child	Total exemption
1 st child	43.000 (<i>es_own_depch_parity1</i>)	43.000
2 nd child	67.000 (<i>es_own_depch_parity2</i>)	110.000
3 rd child	139.000 (<i>es_own_depch_parity3</i>)	249.000

¹² An example may clarify the latter statement: suppose a household composed of a couple and 3 children has a total amount of 900.000 BEF, broken down as follows: 600.000 BEF for the taxpayer and 300.00 BEF for the spouse. The taxpayer has right to a reduction of 415.000 BEF (253.000 BEF for the children and 162.000 BEF for the spouse). The remaining income, 185.00 BEF are taxed at 40% for the first 63.000 BEF (i.e. up to a total of 478.000 BEF) and at 45% for the following 122.000 BEF. The spouse, on the other hand, has also right to a tax deduction of 162.000 BEF; the remaining income, 138.000 BEF, will be taxed at 25% for the first 91.000 BEF and at 35% for the following 41.000 BEF. Alternatively in order to compute net taxes due by taxpayer and spouse, (i) taxes may be computed on the full amount and (ii) an amount corresponding to the application of the tax rates on the corresponding deduction can be subtracted, that is 25% on the first 253.000 BEF, 30% on the following 82.000 BEF and 40% on the last 80.000 BEF for the taxpayer and 25% of 162.000 BEF for the spouse.

4 th and each following child	153.000 (es_own_depch_parity4)	402.000
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A disabled child counts for two (it will be awarded the deduction corresponding to its rank and the following one).

An additional exemption of 12.000 BEF (*es_agech1*) is awarded for each dependent child who is less than three years old and for whom the deduction of child care expenses have not been requested (see footnote 11).

Additional exemptions are granted for other dependants or households in particular situations. The following table summarises the possible deductions which might be granted under Belgian fiscal legislation.

Table 20. Additional exemptions for households in particular situations

Special family situation	Deductible amount
other dependent persons	43.000 BEF (<i>es_depParent</i>)
disabled spouse	43.000 BEF (<i>es_disabled</i>)
disabled dependent persons	43.000 BEF (<i>es_disabled</i>)
widow(er) with dependent children	43.000 BEF (<i>es_htu_lp</i>)
single parent family	43.000 BEF (<i>es_htu_lp</i>)
Spouse income lower than 74.000 BEF (*)	- year of marriage 43.000 BEF - year of decease of spouse 117.000 BEF

(*) Not simulated in EUROMOD

3.1.2.3 TAX REDUCTIONS ON REPLACEMENT INCOME

Pensions, early retirement pensions, unemployment benefits, sickness or disablement benefits and all other benefits allocated as a partial or total compensation for temporary losses of gains, profits or remunerations are entitled to a tax reduction (*be_it_repY_tcred*).

The basic reductions for tax year 1998 are summarised in the following table:

Table 21. Basic tax reductions for replacement income

Categories of incomes	Reduction	
	Single person	Spouse
Sickness/invalidity	76.575 BEF (<i>sic_tc_amt_nonmarr</i>)	86.575 BEF (<i>sic_tc_amt_marr</i>)
Early retirement	108.016 BEF	118.016 BEF
Other	59.653 BEF (<i>pen_tc_amt_nonmarr</i> ; <i>ue_tc_amt_nonmarr</i>)	69.653 BEF (<i>pen_tc_amt_marr</i> ; <i>ue_tc_amt_marr</i>)

The recognition of each reduction is restricted by multiplying the amount by the fraction corresponding to relation between replacement income and total net income. The total reduction is maintained only up to 660.000 BEF of ATI but it is then progressively reduced to 1/3 of the deduction according to the following formula.

Table 22. Limitations on replacement income tax reductions (general case)

Income brackets	Recognised reduction
From 0 BEF to 660.000 BEF	Entirely allowed

From 660.001 to 1.320.000 BEF	$1/3 \text{ deduction} + (2/3 \text{ deduction} * (1.320.000 \text{ BEF} - \text{taxable income}) / 660.000 \text{ BEF})$
More than 1.320.001 BEF	1/3 deduction

A different special formula applies in the case of ordinary unemployment benefits:

Table 23. Limitations on tax reductions (ordinary unemployment benefit)

Income brackets	Recognised reduction
From 0 BEF to 660.000 BEF	Entirely allowed
From 660.001 BEF to 825.000 BEF	$(825.000 \text{ BEF} - \text{taxable income}) / 165.000 \text{ BEF}$
More than 825.001 BEF	No deduction allowed

The total deduction recognised on replacement income cannot be greater than the amount of the tax due in case the latter was not allowed, i.e. the deduction cannot be used to reduce taxes due on sources of income different from replacement income.

In some cases tax is reduced to nil (*be_it_ZeroTax*): after the awarding of tax reductions for replacement income, the remaining tax is reduced to nil when the taxable income is made up exclusively of replacement income which does not exceed:

- for benefits paid to elderly unemployed persons: 456.846 BEF (*elderly_unemp_lt*)
- for others forms of unemployment benefits: 413.728 BEF (*replacement_lt*)
- for sickness and invalidity insurance benefits: 459.698 BEF (*sick_lt*)
- For early retirement payments under the old system: 532.029 BEF.

3.1.2.4 CALCULATION OF THE PRINCIPAL

The principal serves as a basis for the computation of the additional taxes and crisis surcharge. It is calculated by adding the tax payable on the ATI (after reduction for foreign income) and the tax payable on the separately taxable income. It serves as the basis for the computation of additional taxes and additional crises surcharges.

3.1.2.5 ALLOWANCE FOR WITHHOLDING TAXES, TAX CREDIT, ADVANCE PAYMENTS AND OTHER ALLOWABLE ITEMS

The following items are credited against the “principal”, but not repayable to the taxpayer in case the quota is exceeded:

- the fixed foreign tax credit, when it is related to securities invested in a professional activity
- the withholding tax actually due on the cadastral income of the personal dwelling house. This withholding tax is equal to 12.5% of the portion of the cadastral income that is actually included in the tax base.

The following withholding taxes, on the other hand, are refundable:

- the withholding tax on income from movable property, in case the taxpayer chooses the global assessment (see above);
- the withholding tax on earned income.
- advance payments¹³.

¹³ Traders, company managers, members of liberal professions and companies are obliged to make advance payment of taxes in four instalments. By paying these instalments, they prevent tax increases.

3.1.2.6 ADDITIONAL MUNICIPAL AND CONURBATION TAXES

These are calculated at a rate specific by each municipality, on the basis of the “principal”, i.e. the tax payable income before the allowing of withholding taxes and tax credits, and before the application of any tax increases or bonuses (not simulated by EUROMOD).

3.1.2.7 CRISIS SURCHARGE

A 3% crisis surcharge is levied on the principal less the amount of taxes paid on movable income, which have actually been taxed separately.

4 BENEFITS SIMULATED BY EUROMOD

4.1 CHILD BENEFITS

There are three different schemes of family benefits, one for the employees and civil servants, one for the self-employed and one for low income households, not participating in one of the two previous schemes.

4.1.1 EMPLOYEES' AND CIVIL SERVANTS' CHILD BENEFIT REGIME

The right to ordinary family benefits is guaranteed to employees and civil servant. The entitled subject is the employed worker or the person in an “equivalent” position¹⁴. The right to child allowances is in priority opened up by the father (if he is entitled and lives in the household)¹⁵. (in EUROMOD it is assumed that it is the father). Whenever a child may be subjected to the ordinary employees’ and to the self-employed regime, it is the employees’ scheme, which is most advantageous, which applies. The recipient of family and birth benefits is the father, provided he lives in the household¹⁶.

4.1.1.1 ELIGIBILITY CONDITIONS:

- the entitled must have be an effective employee (i.e. not self employed *IsSelfEmployed1*) and must be working at least 18 hours per week (*le_hours_lt*) or has to be in an equivalent situation¹⁷.
- the entitled has to justify a family relationship with the recipient child (*le_nch*).

Each entitled has the right to family benefits for: his children, his children’s spouse, and their common children; children who are adopted by him or by his spouse, children for whom he or his spouse is guardian; his grandchildren, his great-grandchildren, his nephews or his nieces or for those of his spouse, on the condition that they are part of his household; his brothers or sisters who are part of his household.

¹⁴ Equivalent positions regard: (i) workers with an employment contract temporarily not working due to temporary unemployment, paid holiday, recognized strikes or lock-outs, (ii) workers unable to work due to sickness, work accident or maternity (the former two applies only for the first six months of inability, provided the invalidity is not superior to 66%), (iii) the abandoned spouse (until the child reaches the age of 3 and a half year), (vi) the beneficiaries of a survivor pension, (v) unemployed workers, (vi) retired workers, (vii) orphans whose parents were entitled, (viii) workers on career break, (ix) non working handicapped person, (i) under certain circumstances students and trainees, and other less relevant cases.

¹⁵ If the father is not entitled, the following order of priority applies: the orphan, the mother, the step-father, the step-mother.

¹⁶ Actually, according to the law, in the employees’ regime the mother is always the recipient subject, provided she lives in the household. In the civil servants’ regime it is the civil servant, while in self-employed regime it is the father. Adoption allowances are paid to the adoptive parent. Family benefits are granted to the recipient child himself, if he/she is married, if he/she is 16 years old and doesn’t live anymore with his/her parents, if he/she is beneficiary for his/her own children.

¹⁷ See footnote 14.

4.1.1.2 BENEFICIARIES

- children under 18 years (or under 21 in case entitled person is civil servant) without conditions, after 18 (or 21) only in the following conditions;
- trainees under 25 years if their gross income (gross wage + social allowances) doesn't exceed 15.600 per month (01.07.1998);
- students under 25 years if they go to school at least fifteen hours per week;
- students under 25 years who don't go to school anymore but are preparing a dissertation;
- disabled children until 21 years;
- ex students seeking a job during 270 days if the child is less than 18 years, or during 180 days in other cases.

4.1.1.3 MONTHLY AMOUNTS OF ORDINARY FAMILY BENEFIT

- first child: 2706 BEF (*es_ch_parity1*)
- second child: 5007 BEF (*es_ch_parity2*)
- third child and more: 7476 BEF (*es_ch_parity3*)

4.1.1.4 AGE SUPPLEMENTS

Ordinary family benefits are increased according to the age and rank of the child. The amount of the age supplement depends on the age of the child. There are generally three age categories: from 6 to 11, from 12 to 17 and for over 18. A transitory system applies as age supplements are gradually being decreased. When the new benefits will be fully operational age supplements will be as follows:

- from 6 to 11 471 BEF
- from 12 to 17 718 BEF
- 18 and above 758 BEF

As the reform is being gradually implemented, in 1998, different supplements have been introduced for different age groups.

Table 24. Age supplements, for 1st rank children

Category of age	1 st rank ¹⁸
6-7	471
8-13	940
14-17	1436
18+	1515

Table 25. Age supplements for 2nd rank children, and children receiving special supplements

Category of age	2nd rank
6-11	946
12-17	1436
18+	1756

¹⁸ A child of second rank or following who becomes a child of first rank in place of a child who benefited from an age supplement, receives 940 BEF instead of , but this may not be simulated by EUROMOD.

4.1.1.5 SUPPLEMENT FOR HANDICAPPED CHILDREN

Handicapped children (*es_disch*) are entitled to an augmented family benefit according to the degree of autonomy¹⁹ (evaluated in comparison with an able child of same age) and provided his disability status is superior to 66%. The amounts are as following:

- from 0 to 3 points of autonomy 12.173 BEF
- from 4 to 6 points of autonomy 13.325 BEF
- from 7 to 9 points of autonomy 14.245 BEF

As no information is contained in the database over the level of disability, the average disability status is assumed.

4.1.2 SELF-EMPLOYED CHILD BENEFIT REGIME

Family benefits for self-employed parents are basically structured in the same way as the ordinary family benefit, nevertheless some important differences in the amounts. The scheme is directed to self-employed parents or to parents in an equivalent position²⁰. As family benefits under the ordinary scheme are higher than those in the self-employed regime, the ordinary family benefit applies in the case when the father is self-employed and the mother an employee, provided that the latter does not work less than half-time.

4.1.2.1 ELIGIBILITY CONDITIONS:

- the self-employed workers have right to family benefit from the self-employment scheme if their self-employed activity is their main activity (*IsSelfEmployed1*);
- the self-employed workers have right to family benefit from the self-employment scheme and their self-employed activity is a complementary activity, only if their social contributions are at least equal to those exerting a self-employment activity as main activity, i.e. if their reference revenue is at least equal to 388.444 BEF;
- the entitled has to justify a family relationship with the recipient child (see above)

4.1.2.2 BENEFICIARIES

Benefiting child has to fulfil some age and academic conditions (see above)

4.1.2.3 MONTHLY AMOUNT OF SELF-EMPLOYED CHILD BENEFITS

The amounts of benefits are, in principle, the same as for the employees.
A few differences nevertheless must be noticed:

- age supplements are the same for all children whatever their rank (excluded the single or youngest child for whom no age supplement applies);
- the base amount for the first child is 788 BEF;
- the supplement for disabled children also applies to the self-employed regime.

¹⁹ As no variable in the Belgian dataset records the degree of autonomy of disabled, the median amount only has been simulated in EUROMOD.

²⁰ Equivalent positions are just: (i) invalid disabled self-employed, (ii) spouse of deceased self-employed, child of deceased self-employed. Other equivalent conditions (unemployed, in paid vacation, etc. Do not apply to the self-employed status).

4.1.2.4 RETIRED SELF-EMPLOYED WORKER

If the entitled person is a retired self-employed, the base amount for the first child is 1.594 BEF. All other parameters are unchanged.

4.1.2.5 SOCIAL SUPPLEMENTS

Children with parents in the following social conditions: (i) parents in retirement receiving a state pension; (ii) parent receiving full unemployment benefits²¹; (iii) parent receiving survivor pension²². As in the case of the ordinary family benefit, the entitled has to justify a family relationship with the recipient child and the child has to fulfill the same age and academic conditions. The entitled needs also prove that he/she receives pension or unemployment benefit. The augmented amounts are the following²³:

- first child: 4.084 BEF (*es_ch_parity1*)
- second child: 5.861 BEF (*es_ch_parity2*)
- third child and more: 7.626 BEF (*es_ch_parity3*)

These supplements are granted conditional upon means test: replacement income (unemployment benefit or pensions) must not be higher than 59.913 BEF, and the spouse or cohabitating partner of the eligible subject must not earn more than 9.340 BEF. Children benefiting from social supplements benefit from 2nd rank age supplement, whatever their rank.

4.1.2.6 INVALID WORKERS' SUPPLEMENT

Children of invalid workers may benefit from augmented child benefit, provided that the additional invalid condition is respected (*NotDisabled*). The augmented amounts are the following²⁴:

- first child: 5.670 BEF (*es_ch_parity1*)
- second child: 5.861 BEF (*es_ch_parity2*)
- third child and more: 7.626 BEF (*es_ch_parity3*)

These supplements are granted conditional upon means test: replacement income (invalidity pension) must not be higher than 59.913 BEF, and the spouse or cohabitating partner of the eligible subject must not earn more than 9.340 BEF. Children benefiting from invalid workers' supplement, benefit from 2nd rank age supplement, whatever their rank.

4.1.2.7 ORPHAN SUPPLEMENT

Orphan children may benefit to a special supplement, provided that the surviving parent is not remarried nor cohabitating with another partner. The orphan supplement in 1998 was 10.395

²¹ Actually it is assumed that unemployed parents may ask a social supplement to ordinary child allowance, only starting from the 6th month of unemployed. In EUROMOD it is assumed that all unemployed persons are unemployed by at least 6 month, so that all unemployed parents are entitled to social supplement.

²² EUROMOD assumes that entitlement conditions were present at the date of spouse's decease (additional requirement in order to be entitled).

²³ Nevertheless, in order to benefit from the supplement for children of invalid workers, replacement income can't exceed 59913 BEF per month on 01.07.1998 and professional income of spouse can't exceed 9340 BEF per month.

²⁴ The same replacement and professional income limits applies, i.e. replacement income can't exceed 59913 BEF per month on 01.07.1998 and professional income of spouse can't exceed 9340 BEF per month.

BEF. Children benefiting from social supplements, invalid workers' supplement and orphan supplements benefit from 2nd rank age supplement, whatever their rank.

4.1.3 GUARANTEED FAMILY ALLOWANCES UNDER SOCIAL ASSISTANCE SCHEME

Guaranteed family benefits (monthly benefits, age supplements, birth allowance and other lump-sum allowances) applies where the parents of beneficiary child are not engaged in paid work and do not dispose of sufficient income.

In order to implement family guaranteed benefit, the recipient child has to fulfil some age and academic conditions, the entitled subject has to justify a family relationship with the recipient child (see above) and moreover household income must not be above certain thresholds.

4.1.3.1 ELIGIBILITY CONDITIONS

The monthly resources of the claimant and of his/her spouse cannot exceed 28.930 BEF (*ge_inc*). If it is the case, amounts of guaranteed family benefits are decreased. Family benefits are granted at the rate of 75%, 50% and 25%, if the household's resources are respectively between 28931 and 31611 BEF; 31612 and 34292 BEF; 34293 and 36973 BEF.

All resources of claimant and of his/her spouse are taken into account.

Resources are increased by 20% for each child starting from the second one.

Some resources are nevertheless exempted from the means test:

- maintenance payment,
- social assistance benefits,
- the cadastral income of the dwelling house.

Claimant has no right to guaranteed family benefit if he/she may have access to another scheme (*tubenelig*). In particular employees have right to ordinary family benefit if they work at least 19 hours per week. If the claimant is invalid, unemployed or pensioner, on the other hand, he/she has right to increased ordinary family benefit, while self-employed workers have right to family benefit if their self-employed activity is their main activity.

4.1.3.2 MONTHLY AMOUNT OF GUARANTEED FAMILY BENEFITS:

Monthly amounts are the same as ordinary allowance augmented by social supplements. The same age and handicapped child supplements apply.

4.1.4 BIRTH ALLOWANCE

A birth allowance is granted at the birth of any child benefiting from family allowances whatever the family benefit scheme. In 1998 the amount of this benefit was equal to 36.660 BEF for first births (*es_ch_age1*) and to 27.583 BEF (*es_nch_age1*) for the following births. Also adoption allowances exist, but these are not simulated by EUROMOD.

4.2 INCOME SUPPORT: MINIMEX

Under Belgian social security legislation two different minimum income schemes exist: a general scheme with no age limit (MINIMEX), and a slightly more generous scheme (MGIA) especially targeting the elderly (see under). While elderly people in need may access the general MINIMEX scheme, it is more convenient to apply for the special old age minimum income scheme²⁵. MINIMEX may be granted at a household, single or cohabitating rate.

The household rate is granted:

²⁵ Given this situation, we will assume that elderly people may apply for the MGIA, while youngsters may apply for the MINIMEX. Concretely this means posing an upper limit to the MINIMEX eligibility criteria, although the latter is not actually present in the Belgian legislation.

- to couples married or unmarried living together;
- to people who cohabit with a child, who is under age and not married and to people who cohabit with more than one child and that at least one of these children is dependent on him, is under age and not married. A child is dependent on the claimant if the claimant can receive some family benefits for this child.

The lonely rate is granted to persons living alone.

The cohabiting rate is granted to people who cohabit with one or more persons.

We speak about cohabitation when a person lives with one or more persons in the same dwelling but do not necessarily share the household management and resources.

4.2.1.1 ELIGIBILITY CONDITIONS

- nationality condition: the minimex is granted to Belgian people, and, under certain conditions, to European citizens, haploids and to acknowledged political refugees (not modelled by EUROMOD);
- age condition: minimex is granted to people of voting age (*ge_age1*) who have not yet reached the pension age (*ge_age2* or *ge_age3*). It has been expanded to persons under 18 who are emancipated by wedding, who are single with dependent children or pregnant;
- residence condition: minimex is restricted to people who have their effective residence in Belgium. Since 1995, the homeless can receive this allocation (not modelled by EUROMOD);
- arrangement to work disposition: in order to benefit from the minimex, you have to prove that you are ready to work unless for health or for equity reasons (not modelled by EUROMOD).

4.2.1.2 INCOME REQUIREMENTS

Minimex is a residual allocation; in order to benefit from the minimex, the entitled office (CAPS²⁶) has to assert the demanders' rights to allocations (income requirement). Resources of the claimant must not exceed the amount of the Minimex. All resources of the claimant, of the claimant's spouse or partner are taken into account. In addition, if the claimant cohabits with an ancestry or a descent of first degree, the latter's' resources are also taken into account²⁷. The resources of the cohabiting persons may only be considered with respect to the fraction exceeding the amount of the benefit granted in the corresponding situation (i.e. cohabitating or household rate).

There is an annual exemption of 12.500 BEF for household rate (*Cat1_disreg*), of 10.000 BEF for the lonely (*Cat2_disreg*) and of 6.250 BEF for cohabitants (*Cat3_disreg*).

In addition, resources coming from family benefits, social assistance granted by CPAS, maintenance and grants received for his dependent children are exempted.

There is also some exemption for investment income (*invY_disreg_lt*)²⁸ and real estate income which varies according to the family situation. (*real_estateY_disreg*, *real_estateY_marr_disreg*, *real_estateY_ch_disreg*)²⁹.

²⁶ CPAS: Centre Public d'Aide Sociale (Public Center for Social Aid).

²⁷ The general obligation to consider the financial resources of cohabitating major children and parents may be disregarded under particular circumstances (mainly circumstances related to difficult financial situation of ascendants or descendants).

²⁸ Income from capital (whether actually invested or not) is imputed according to the following rates:

If the recipient has a job, the amount of the minima is subtracted by the amount of his wage. In order to promote recipient's socio-professional integration, however, a part of his professional income, corresponding to 7.030 BEF is exempted (*profY_ded*).

Some resources, nevertheless, are not taken in consideration, namely:

- family benefits (birth and monthly allowances)³⁰;
- social aid benefits;
- child alimony received in favour of minor dependent children.

4.2.1.3 AMOUNTS OF GUARANTEED INCOME SUPPORT (MINIMEX)

Amounts of the minimex depend on the family situation of the claimant. The minimex may be granted at household rate, lonely rate or cohabiting rate (see above).

Table 26. Amount of MINIMEX income support

	Monthly amount	Annual amount
Lonely	20.916 BEF	250.992 BEF
Household	27.888 BEF	334.656 BEF
Cohabitant	13.944 BEF	167.328 BEF

4.3 MINIMUM GUARANTEED INCOME FOR THE AGED (MGIA)

MGIA is granted only to old people who don't have adequate resources to sustain themselves. It is mainly designed for people who don't have entitlement to ordinary old age pension due to insufficient pension scheme contributions.

Just like the MINIMEX, MGIA benefits depend on the family situation of the claimant. The MGIA is either granted to the household rate or to the lonely rate.

The household rate is granted to:

- the married person, who is not separated and who lives with his/her spouse;
- the person who is separated from his/her spouse since at most ten years and whose ex-spouse claims his part of the MGIA.

The lonely rate is granted to:

- the person who is separated from his/her spouse since at most ten years and whose the spouse doesn't claim his part of the MGIA;
- spouses who are separated since at least ten years;
- single, widow, widower and to spouses separated and divorced

-
- from 0 to 200.000 BEF 4%
 - from 200.001 to 500.000 BEF 6%
 - 500.000 BEF and over 10%

²⁹ In order to compute the real estate income we take into account the non exempted part of the cadastral income multiplied by 3. The exempted part is equal to 30.000 BEF, augmented by 5.000 BEF for the spouse or cohabitating partner and for each dependent child

³⁰ The latter are considered only in the case when: (i) the claimant himself is the beneficiary of the family benefits and (ii) does not longer live with his parents.

4.3.1.1 ELIGIBILITY CONDITIONS

- age condition: in order to obtain the MGIA, people must at least be aged of 65 years if it is a man (*ge_Age2*) and of 61 years if it is a woman (*ge_Age3*).
- nationality conditions: the MGIA is granted to Belgian people and under certain conditions to European citizens, stateless and to acknowledged political refugees (not simulated by EUROMOD).
- residence conditions: the MGIA is restricted to people who have their effective residence in Belgium (not simulated by EUROMOD).

4.3.1.2 INCOME REQUIREMENTS

MGIA is a residual allocation; the CPAS is the entitled office in charge of assessing the demanders' rights to allocations (income requirements).

Resources of the claimant must not exceed the amount of the MGIA. All resources of the claimant, of the claimant's spouse or partner are taken into account. The pooled resources of claimant and partner (or claimant in case the latter is single) are deduced from the amount of the MGIA granted at household (or single) rate. The latter implies that if the resources are greater than the amounts granted, there is no entitlement to MGIA.

As in the case of MINIMEX, part of household income is disregarded. A general reduction of respectively 10.000 (*disreg_amt*) or 12.500 BEF (*htu_disreg_amt*) is deducted from claimant's or claimant's and partner's pooled resources.

When the recipient and/or his partner are employed, only $\frac{3}{4}$ of the gross salary (*empY_rt*) are considered. The professional income of the self-employed, on the other hand, is considered for an amount equal to gross income decreased by the professional expenses and professional losses (*selfempY_rt*). Capitals are exempted if their global amount doesn't exceed 100.000 BEF (*disreg_amt*). However, if the claimant has a global capital exceeding 100.000 BEF, investment income is imputed according to the same rules outlined above³¹. The imputation of real estate income and the disregarded fraction also follows the general rules outlined for the Minimex³².

Moreover pension income (old age, survivor, war) is considered only up to 90% of total amount (*pension_rt*), while other resources are totally exempted: there is a total immunisation for family benefits, allocations of public or private assistance, for ascendants-descendants alimony.

4.3.1.3 AMOUNTS OF MINIMUM GUARANTEED INCOME FOR THE AGED (MGIA)

Table 27. Amounts of MGIA income support for old-age persons

	Monthly amount*	Annual amount
Household	27.888	334.657
Lonely	20.916	250.996

*Note: The monthly amounts were simply calculated by dividing the annual amount by 12.

To update monetary variables not simulated by EUROMOD to the common base line 2001, the following updating factors have been used:

³¹ See footnote 28.

³² See footnote 29.

5 VALIDATION

5.1 THE BELGIAN DATASET

The Belgian dataset comes from the seventh wave (1998) of the Panel Study on Belgian Households (PSBH), collected by the « Service de Sociologie de la Famille de l'Université de Liège » and the « Universitaire Instelling Antwerpen » for the « Services Fédéraux des Affaires Scientifiques, Techniques et Culturelles ».

The PSBH started in 1989 and collects information on the demographic, social and economic situation of the respondents, including income, assets, labour market status etc. The PSBH is based on four questionnaires (household, adult, child and contact). The PSBH also serves as the Belgian part of the European Community Household Panel Survey³³.

5.1.1 SAMPLE SELECTION, WEIGHTING

The PSBH has several missing answers, but many values could be imputed exploiting the panel nature of the survey. Cases with missing answers that couldn't be imputed have been deleted from the original dataset. As a result, the dataset used contains 9.032 persons and 3.645 households

The sample was weighted using total population, age dummies, occupations and marital status as controls. Section 5.2 compares the database structure to information derived from other statistical sources.

5.1.2 NET-TO-GROSS' CONVERSION

In the PSBH survey, people have the choice to declare their net or gross professional income so we have a mix of net and gross income in the sample. For all the households where at least one member has declared a net income, we the national tax income model (MODETE) was used to compute gross earnings of all household members.

5.2 VALIDATION: REPRESENTATIVITY OF DATASET

5.2.1 POPULATION

Table 28. Population by sex and age

Population	Age	LFS	LFS	PSBH	PSBH
Men	0-17	1115916	10.95	1264051	12.40
	18-64	3187117	31.27	2992673	29.36
	65+	679639	6.67	725948	7.12
	<i>Total men</i>	<i>4982672</i>	<i>48.89</i>	<i>4936364</i>	<i>48.88</i>
Women	0-17	1064900	10.45	1043886	10.24
	18-64	3145740	30.87	3213063	31.52
	65+	998592	9.80	952642.5	9.35
	<i>Total women</i>	<i>5209592</i>	<i>51.12</i>	<i>5209591</i>	<i>51.12</i>
Total population		10 192 264		10192264	

The weighted sample matches closely the structure of the LFS, although the share of males in working age seems a bit underrepresented to the advantage of the share of male youngsters.

³³ More on PSBH can be found on their site (<http://www.ulg.ac.be/psbh/>)

The structure of the female population, on the other hand, is very close to that reported by the LFS.

5.2.2 CIVIL STATUS

Table 29. Population by sex and civil status

Civil status		National Register	National Register	PSBH	PSBH
Men	Single	2 162 359	21.22	2 205 686	21.65
	Married			2 406 638	23.62
	Separated			56 602	0.55
	Married and separated	2 433 789	23.88		
	Divorced	250 671	2.46	158 659	1.56
	Widowed	135 853	1.33	152 844	1.50
Women	Single	1 876 186	18.41	1 832 141	17.98
	Married			2 463 207	24.18
	Separated			77 852	0.76
	Married and separated	2 439 500	23.93		
	Divorced	293 522	2.88	250 862	2.46
	Widowed	600 384	5.89	583 146	5.72

5.2.3 SOCIOECONOMIC STATUS

Table 30. Population by socio-economic status

Socio-economic status	LFS	LFS	PSBH	PSBH
Farmer + employer + self employed	670 284	6,6%	669,783	6.58
Employee	2 421 442	23,8%	2 142 993	21.03
Civil Servant	765 899	7,5%	1 042 320	10.23
Employee + Civil Servant	3 187 341	31,3%	3 185 313	31.27
Pensioner	2 013 349	19,8%	1 792 454	17.59
Unemployed	469 451	4,6%	399 815	3.90
Student	2 625 871	25,8%	2 907 012	28.53
Inactive	744 254	7,3%	671 165	6.59
Sick or Disabled	225 662	2,2%	527 024	5.17
Other	253 606	2,5%	38 071	0.37

As we can see, there are more civil servants in our sample than in the national statistics even if the total of employees and civil servants is correct. This is due to the fact that all employees working in the public sector were coded as civil servant, although this is not always the case. This will have an influence in the simulated amount of social contribution as civil servants pay more contributions than employees (mainly pension contributions). The other proportions seem correct, although sick and disabled persons are overestimated in our sample. This is due to the fact that sick or disabled is not an option in the PSBH survey. Such status has hence been imputed in presence of a sick and invalidity benefit.

5.3 VALIDATION: SIMULATION BY EUROMOD

In what follows we proceed with the validation procedure of the monetary aggregates and distributional statistics of simulated and registered data.

5.3.1 MONETARY AGGREGATES

The following table shows monetary aggregates (some of which simulated by EUROMOD) and the corresponding amounts from the national statistics. *Employees' and employer's contributions* are in line with national statistics. Much of the overestimation is probably due to the fact that some minor labour incomes are in black, and no taxes or contributions are paid on them. The amount of *self employed contributions* is overestimated, but only slightly, as is the case for *income tax*. Again this is probably due to some degree of tax evasion, not modelled by EUROMOD. As expected *MGIA* and *MINIMEX* are significantly higher than national statistics: this corresponds to a combination of social stigma in taking up the benefits and de facto tighter eligibility conditions than those modelled by EUROMOD. The means testing appears to be more discretionary in practice as the municipalities administrating the benefit only have a very limited budget. *Family benefit* seems correct, given that they are almost universal.

Looking at non simulated aggregate incomes, the main source of discrepancy is represented by anticipated pensions and unemployment benefit. To some extent this is not surprising, since unemployed workers are often entitled to a combination of the two benefits,.

Table 31. Monetary aggregates simulated by EUROMOD and National Accounts

	EUROMOD	ICN (1998) – Millions BEF
Employer contributions	927360	802 885
Employee contributions	502 680	429,983
Self-employed contributions	86 724	83 528
Income Tax	1 384 800	1 232 223
Property Tax	7 339	4 078
Old age MINIMEX	36 528	9 310
MINIMEX	51 420	16 099
Family benefit	166 920	171 106
Unemployment	155 676	182 724
Anticipated pension	78 420	50 614
Pension	808 080	795 858
Sickness and invalidity	126 240	142 630
Earnings	3 331 200	3 538 616
Self-employment income	800 760	871 342

5.3.2 INCOME DISTRIBUTION INDICATORS

5.3.2.1 GINI INDEX

The Gini index resulting from the EUROMOD simulation is compared to the Gini index derived from the ECHP database and the CPS survey³⁴. Incomes are equivalized using the squared root of the household size.

³⁴ The CPS survey conducted by the UFSIA or Antwerp is the second Household survey or Belgian. The sample is slightly larger than the PSBH, but it is not conducted on a regular basis. The indexes derived from the CPS in this section refer to the 1997 CPS survey.

Table 32. Gini index

EUROMOD	ECHP	CPS
0.2730	0.2992	0.2514

The EUROMOD simulation falls in between the ECHP and the CPS statistics.

5.3.2.2 POVERTY LINES

The poverty lines below are defined as 50 and 60% of median equivalised household disposable income.

Table 33. Poverty rates

	EUROMOD	ECHP	CPS
Head count ratio – 50%	7.72%	7.8%	8.1%
Head count ratio – 60%	13.40%	14.6%	14.6%

5.3.2.3 QUANTILES

Finally average household disposable income per income deciles are as follows:

Table 34. Quantiles

	EUROMOD	ECHP	CPS
Quantile Point 1 (equivalised):	20942.6	20070.58	19553.42
Quantile Point 2 (equivalised):	32637.1	32360.05	30107.00
Quantile Point 3 (equivalised):	38484.0	38263.73	36279.83
Quantile Point 4 (equivalised):	43816.0	44806.87	41342.92
Quantile Point 5 (equivalised):	49436.4	50653.73	46751.08
Quantile Point 6 (equivalised):	55452.6	56915.7	53032.75
Quantile Point 7 (equivalised):	61812.0	63335.48	59573.33
Quantile Point 8 (equivalised):	69712.9	71609.34	66741.83
Quantile Point 9 (equivalised):	81262.5	84025.17	77525.67

The structure of income appear to be very similar. The main difference appeared to be in the 10th decile point. The latter discrepancy may explain the somewhat diverging Gini coefficients. Overall, however, distributional statistics correspond to those derived from registered data (ECHP) and other datasets (CPS).

6 APPENDIX: BENEFIT NOT SIMULATED BY EUROMOD

6.1 UNEMPLOYMENT BENEFIT

The objective of unemployment regulations is to grant some unemployment benefits to the unemployed in place of lost wages.

6.1.1 ELIGIBILITY

In order to be eligible to unemployment compensation, the claimant must have been liable to unemployment social security contributions in previous employment and must demonstrate a certain number of working days during a certain reference period preceding the request.

Table 35. Eligibility conditions to unemployment benefit

Worker's age	Working days	Reference period
Less than 36 years	312 days	Last 18 months
From 36 to 49 years	468 days	Last 27 months
50 years and more	624 days	Last 36 months

In addition to the two previous requirements, in order to benefit from unemployment allowances the demander:

- must be involuntarily without job;
- must have lost a full time job;
- must be job seeker;
- must be fit and available for work;
- must have their usual residence in Belgium and reside effectively in Belgium;
- must meet the age conditions: people must have reached the end of compulsory school attendance and have less than 62 years for women and less than 65 years for men.

Young workers aged less than 30 years who have never worked, or who have not worked enough can nevertheless receive some unemployment benefit (waiting allowances) on the basis of their studies.

6.1.2 AMOUNTS

Amounts of unemployment benefits depend on the family situation of the unemployed. We identify 3 categories of workers: worker with dependent family, lonely worker and cohabiting worker.

1. Worker with dependent family is a person who:
 - cohabits with a spouse who doesn't have any professional income or any replacement income. In this case, we don't take into account the income of the other persons cohabiting with the worker.
 - doesn't cohabit with a spouse but who cohabits exclusively with:
 - a) one or more children, at the condition that he/she can receive family benefits for one of these children or that any of these children have an income.
 - b) one or more relatives who don't benefit from professional income or replacement income.
 - lives alone and who is indebted for maintenance.

Workers with dependent family receive during all the unemployment period 60% of lost wage with a minimum of 31,252 BEF and a maximum of 35,594 BEF per month.

2. Lonely worker is a person who lives alone.

Lonely workers receive 60% of lost wage during the first year of unemployment with a minimum of 22,360 BEF and a maximum of 25,480 per month.

3. Cohabiting worker is the worker who is not related to the two previous points.

The cohabiting workers receive 55% of lost wage during the first year (minimum 17,810 BEF, maximum 32,630). This percentage is fixed at 33% in the next 6 months. The minimum doesn't move but the maximum is at this moment equal to 20,774 BEF per month. After this period, cohabiting workers receive a contractual benefit of 13,312 BEF per month.

Unemployed people aged more than 50 years who worked during at least 20 years can receive after one year of unemployment a seniority supplement.

6.2 PENSION

6.2.1 THE RETIREMENT PENSION SCHEME

6.2.1.1 ELIGIBILITY CONDITIONS

In order to benefit from a retirement pension scheme the recipient has to fulfil some conditions:

1. Age conditions:
 - Employees: the normal retirement age is fixed to 61 years for women and to 65 years for men. After a long period of transition, the normal retirement will be equal to 65 years for both sexes. It is nevertheless possible to take earlier his/her retirement pension. In 1998, people aged of at least 60 years can benefit from a pre-retirement pension if they have worked at least 22 years. The minimum period of work required in order to benefit from a pre-retirement pension increases each year to finally reach 35 years in 2005.
 - Self-employed: retirement age is fixed at 61 years for women and to 65 years for men. Self-employed workers can take in an anticipatory way their pension at the age of 60 years. For each anticipated year, the amount of pension is diminished of 5%.
 - Civil Servant: normal retirement age is equal for men and women to 65 years old.
2. Activity condition: in addition to the age condition, it is forbidden to combine retirement pension and professional activity. However, it does not mean that it is forbidden to practise any professional activity. In fact, there is a financial limit, which cannot be exceeded. This limit depends on the status, the family situation, the age as well as the nature of the granted pension. If the earned income exceeds of at least 15% those limits, the amount of the retirement pension is reduced to zero. If the earned income exceeds those limits of less than 15%, the amount of the retirement pension is reduced in function of the exceeding.

6.2.2 AMOUNTS

Employees: for each year taking into consideration, a pension share is granted according the following formulas:

- Single or married without dependent person
Men: Gross, real or fictitious remuneration corresponding to this year x 60% x 1/45
Women: Gross, real or fictitious remuneration corresponding to this year x 60% x 1/41
- Married with dependent person
Men: Gross, real or fictitious remuneration corresponding to this year x 75% x 1/45
Women: Gross, real or fictitious remuneration corresponding to this year x 75% x 1/41

According to his/her family situation the claimant receives 75% or 60% of the computation result. If the claimant is household head he/she receives 75%, otherwise 60%.

The years taken into account in the computation of the retirement pension is made up of the effective worked years plus the assimilated periods namely period of unemployment, period of incapacity for work, contractual early retirement, maternity rest, annual holidays period, etc.

In order to avoid that the remuneration's related to the beginning of the professional career are underestimated, the remuneration's are re-evaluated.

There is a maximal ceiling for the gross annual remuneration taking into account. The maximum ceiling is fixed at 1.386.533 BEF for the pension beginning in 1997. Thus, the pension is limited to a certain amount. There is also a minimum ceiling equals to 520.113 BEF for the retirement pension beginning in 1997. When the remuneration taken into account is inferior to this amount, the remunerations are replaced by a minimal guaranteed remuneration equal to the minimum ceiling³⁵.

There is also a guaranteed minimum pension for a complete career, as well as for the equivalent of 2/3 of a complete career (following stated amounts prorata):

- Household rate: 424,828 BEF
- Single rate: 339,960 BEF

Civil servants: rather than summing up all the gross remuneration's earned during the professional career, only gross remunerations of the last five years are taken in account. The final pension can never exceed 75% of the latest remuneration.

Self-employed: the computation of the pension for self-employed workers is based on flat rate amount and real remuneration. For the years before 1984, a fictitious remuneration (flat rate amount) is taken into account. For the years after 1984, the real earned income limited to the ceiling of 1.857.631 BEF is taken into account. As in the case of employees, the amount of pension depends on the family situation.

6.3 SURVIVOR PENSION SCHEME

A survivor pension is granted to widows in function of the professional career of their deceased spouse.

6.3.1 ELIGIBILITY

In order to be eligible to survivor pension the surviving spouse must be at least 45 years old unless he/she has a dependent child or is incapable of working (at least 66% invalidity).

³⁵ Under some conditions

As in the case of retirement pension, there is a limit to the professional activity which can be practise.

6.3.2 AMOUNTS

The survivor pension is set at 80% of the actual or hypothetical retirement pension of the insured person calculated at the rate for a married couple where the spouse is dependent.

The guaranteed minimum pension for persons fully ensured amounts to 339,960 BEF per year, calculated prorata if the career is at least equivalent to 2/3 of a complete career.

If the surviving spouse benefits from a retirement pension, he/she can combine the retirement pension with the survivor pension until the sum of the both pensions does not exceed 110% of the survivor pension.

6.4 MATERNITY

Employees: maternity allowance for employees is payable during 15 weeks. The prenatal leave is about 7 weeks, 6 being optional. The postnatal leave is of minimum 8 weeks. In addition, the part of the optional prenatal leave that has not been used up before delivery can be taken after the postnatal leave. Fathers can take a maternity leave if the mother is deceased or if she must stay to the hospital. Maternity benefits amount to 82% of wages in the first 30 days, after 75% of wages with ceiling. When the mother extends the maternity leave after 15 weeks, the maternity benefit is equal to 60% of wages with ceiling.

Self-employed: maternity benefit is payable during 3 weeks. The payment begins the day after the birth. The amount of the maternity benefit is equal 35.853 BEF. Spouses of self-employed worker who help their husband can also benefit from this maternity leave.

Civil servants: maternity allowance is also payable during 15 weeks. During this period, she receives 100% of their wage.

6.5 SICKNESS AND INVALIDITY

Employees: employees must have worked during 120 days in a period of six months, have a sufficient contribution record and be in a situation of incapability to work. The incapacity of work is made up of two periods the primary incapacity of work and the invalidity.

The period of the primary incapacity of work length lasts at most one year. During the first thirty days, the recipient receives 60% of his/her wage with ceiling. From the 31st days, the indemnity is still fixed at 60% of the wage with ceiling for employees with dependent persons or who have lost their unique source of income. For the recipient without dependant person and without lost of the unique source of income, the indemnity is fixed after 30 days at 55% of the wage with ceiling.

The invalidity period begins after one year of primary incapacity of work. The amount of the invalidity benefit is equal to 60% of the wage with ceiling for recipient with dependent persons and to 40% of the wage with ceiling for recipient without dependent persons. The daily ceiling is equal to 3.698BEF.

Self-employed: workers must be affiliated and must do a stage period of six months.

There are three different periods of incapacity in the self-employed scheme:

- a non-compensated period of three months;

- a compensated period for primary incapacity of nine months;
- after one year of primary incapacity the period of invalidity is beginning.

Self-employed workers receive flat-rate benefits which vary according the family situation and the period of incapacity. The following table gives us the daily amount for 1998.

Table 36. Invalidity benefit for self-employed worker

	With dependent person	Without dependent person
Compensated period for primary incapacity	708 BEF	507 BEF
General invalidity	804 BEF	1.073 BEF
Invalidity and end of activity	855 BEF	1.139 BEF

Civil servants: each year civil servants accumulate 21 days of sickness leave with a minimum of 63 days for the three first years of work. During the sickness leave, the civil servant receives 100% of his/her wage. When all the days of sickness leave accumulated by the civil servant are used up, the civil servant enters in the period of invalidity. In this case, the civil servant receives 60% of his/her wage what ever his/her family situation. If the sickness is considered as seriously, the civil servant receives 100% of his/her wage.