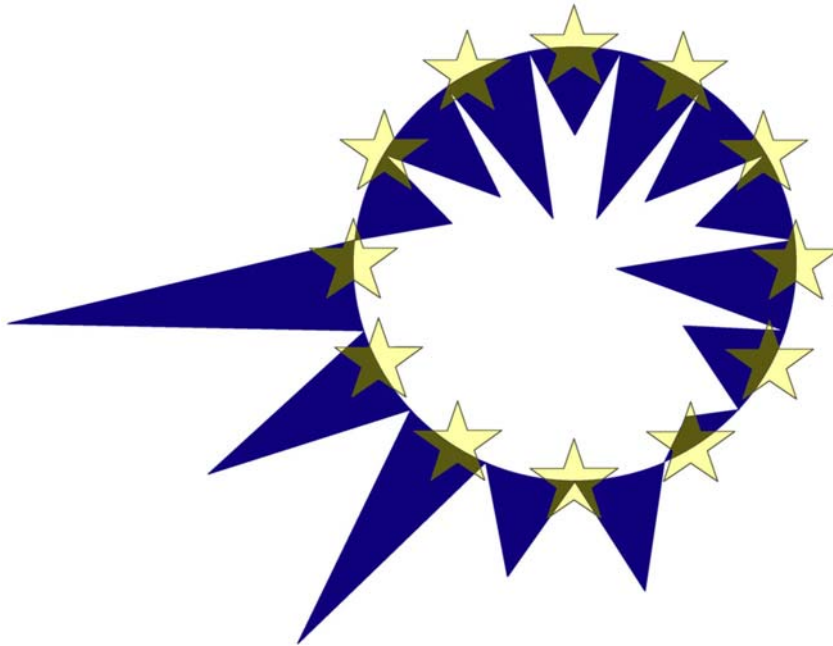


EUROMOD

COUNTRY REPORT



EUROMOD Country Report

BELGIUM
(2ND EDITION)

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TAX- BENEFIT SYSTEM: BELGIUM

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TABLE OF CONTENT

1	SOCIAL SECURITY AND FISCALITY IN BELGIUM:	4
2	BENEFITS SIMULATED BY EUROMOD	5
2.1	FAMILY BENEFITS:	5
2.1.1	Ordinary family benefit:	5
2.1.1.1	Eligibility conditions:	6
2.1.1.2	Beneficiaries:	6
2.1.1.3	Monthly amount of ordinary family benefit:	6
2.1.2	Ordinary and special supplements:	7
2.1.3	Family benefit for self-EMPLOYED:	8
2.1.3.1	Eligibility CONDITIONS:	9
2.1.3.2	Monthly amount of self-employed family benefits:	9
2.1.4	Guaranteed family allowances in the social assistance scheme	9
2.1.4.1	Eligibility conditions:	9
2.1.4.2	Monthly amount of guaranteed family benefits:	10
2.1.5	Birth allowance:	10
2.2	INCOME SUPPORT: MINIMEX:	10
2.2.1.1	Eligibility conditions:	10
2.2.1.2	Income requirements:	11
2.2.1.3	Amount of guaranteed income support (minimex):	11
2.3	MINIMUM GUARANTEED INCOME FOR THE AGED (MGIA):	12
2.3.1.1	Eligibility conditions:	12
2.3.1.2	Income requirements:	12
2.3.1.3	Amount of Belgian minimum guaranteed income for the aged (MGIA):	13
3	SOCIAL SECURITY CONTRIBUTIONS:	13
3.1	EMPLOYEES' SECURITY CONTRIBUTIONS:	13
3.1.1	Definition of employees:	13
3.1.2	Extent of the liability:	13
3.1.3	Consequences of the liability:	14
3.1.4	Rate of social security contributions for employees:	14
3.2	SELF-EMPLOYED SOCIAL SECURITY SCHEME:	14
3.2.1	Definition of self-employed:	14
3.2.2	Extent of the liability:	15
3.2.3	Consequences of the liability:	15
3.2.4	Rates of self-employed social security contributions on:	15
3.2.4.1	Self-employed as main activity:	16
3.2.4.2	Self-employed as a complementary activity:	16
3.2.4.3	Self-employed who have not reached the retirement age, but are receiving a survivor pension:	16
3.2.4.4	Self-employed who have reached the retirement age, but are not receiving a pension:	17
3.2.4.5	Self-employed who have reached the retirement age and are receiving a pension:	17
3.3	SECURITY CONTRIBUTIONS OF WORKERS OF THE PUBLIC SERVICES	18
3.3.1	Definition of workers of the public services:	18
3.3.2	Rates of civil Servants social insurance contributions	18
3.3.2.1	Civil servants appointed permanently	18
3.3.2.2	Civil servants not appointed permanently:	18
3.4	SECURITY CONTRIBUTIONS OF LOCAL GOVERNMENT STAFF:	18
3.4.1	Definition of local government staff:	18
3.4.2	Extent of the liability:	19
3.4.2.1	Local government staff appointed permanently:	19
3.4.2.2	Local government staff not appointed permanently:	19
3.4.3	Security contributions of pensioners:	20
3.4.3.1	Extent of the liability:	20
3.4.4	Consequences of the liability :	20
4	PERSONAL INCOME TAX (PIT):	21
4.1	CHARGEABLE PERSONS:	21

4.1.1	<i>Determination of the net amount of taxable income:</i>	21
4.1.1.1	Real estate income:	21
4.1.1.2	Income from movable property:	22
4.1.1.3	Miscellaneous income:	23
4.1.1.4	Earned income:	24
4.1.1.5	Expenses deductible from total net income:	25
4.1.1.6	The aggregated taxable income:	26
4.1.2	<i>Computation of taxes:</i>	26
4.1.2.1	Tax rates:	26
4.1.2.2	Exempt income and deduction for dependent:	27
4.1.2.3	Tax reductions on replacement income:	28
4.1.2.4	Tax reduction for foreign income:	29
4.1.2.5	Separate taxation:	29
4.1.2.6	Calculation of the principal:	30
4.1.2.7	Allowance for withholding taxes, tax credit, advance payments and other allowable items:	30
4.1.2.8	Increases and bonuses:	30
4.1.2.9	Additional municipal and conurbation taxes:	31
4.1.2.10	Crisis surcharge:	31
4.1.2.11	Tax increases:	31

LIST OF TABLES

<u>Table 1.</u>	<u>Policies included in the policy spine</u>	<u>4</u>
<u>Table 2.</u>	<u>Age supplements, for 1st rank children:</u>	<u>8</u>
<u>Table 3.</u>	<u>Age supplements for 2nd rank children, supplements for disabled and social aid supplements</u>	<u>8</u>
<u>Table 4.</u>	<u>Amount of Belgian income support (minimex) in BEF.....</u>	<u>11</u>
<u>Table 5.</u>	<u>Amounts of Belgian income support for old-age persons (MGIA).....</u>	<u>13</u>
<u>Table 6.</u>	<u>Rates of social insurance contributions for employees</u>	<u>14</u>
<u>Table 7.</u>	<u>Rates of self-employed social insurance contributions - main activity.....</u>	<u>16</u>
<u>Table 8.</u>	<u>Rates of self-employed social insurance contributions – complementary activity</u>	<u>16</u>
<u>Table 9.</u>	<u>Rate of self-employed social insurance contributions – not in retirement age, but receiving a survivor pension</u>	<u>16</u>
<u>Table 10.</u>	<u>Rate of self-employed social insurance contributions - retirement age reached , but not receiving a pension</u>	<u>17</u>
<u>Table 11.</u>	<u>Rate of self-employed social insurance contributions - retirement age reached and receiving a pension</u>	<u>17</u>
<u>Table 12.</u>	<u>Contribution rates of civil servants appointed permanently:</u>	<u>18</u>
<u>Table 13.</u>	<u>Contribution rates of civil servants not appointed permanently:</u>	<u>18</u>
<u>Table 14.</u>	<u>Contribution rates of local government staff appointed permanently:</u>	<u>19</u>
<u>Table 15.</u>	<u>Contribution rates of local government staff not appointed permanently:</u>	<u>19</u>
<u>Table 16.</u>	<u>Pensioners’ solidarity contribution rates (single rate):.....</u>	<u>20</u>
<u>Table 17.</u>	<u>Pensioners’ solidarity contribution rates (household rate):</u>	<u>20</u>
<u>Table 18.</u>	<u>Tax rates on income from movable capital (separate taxation)</u>	<u>22</u>
<u>Table 19.</u>	<u>Examples of miscellaneous income which might be subjected to separate assessment</u>	<u>23</u>
<u>Table 20.</u>	<u>Professional expenses.....</u>	<u>24</u>
<u>Table 21.</u>	<u>Tax rates</u>	<u>26</u>
<u>Table 22.</u>	<u>Exemption for dependent child.....</u>	<u>27</u>
<u>Table 23.</u>	<u>Additional exemptions for households in particular situations:.....</u>	<u>28</u>
<u>Table 24.</u>	<u>Basic tax reductions for replacement income.....</u>	<u>28</u>
<u>Table 25.</u>	<u>Limitations on replacement income tax reductions (general case):</u>	<u>28</u>
<u>Table 26.</u>	<u>Limitations on replacement income tax reductions (ordinary unemployment benefit):</u>	<u>29</u>
<u>Table 27.</u>	<u>Separate taxation.....</u>	<u>29</u>

1 SOCIAL SECURITY AND FISCALITY IN BELGIUM:

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, in fact, poverty begun to be seen as a social issue, demanding a stronger intervention of public authorities. The industrial basis of the Belgian welfare state is the main force behind its Bismarkian structure, which envisages a welfare state based on the compulsory insurance of employers and employees against certain risks: work accidents, sickness, unemployment, old age, maternity, etc. Nevertheless more recently, the Belgian welfare state has introduced some elements of Beveragism, namely in the health care sector 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.

This paper provides a description of the tax-benefit system in Belgium. The focus will be primarily on taxes and benefits simulated by EUROMOD, however a brief description of the other taxes and benefits will also be provided (see appendix 1 and 2).

Table 1 shows the policies that are modelled by Euromod and the reference sections of the country report in which the latter are described.

Table 1. Policies included in the policy spine

SECTION	POLICY	DESCRIPTION
2.1.1	SBEN_CBord_BE	"Ordinary" Child Benefit
2.1.2	SBEN_CBsoc_BE	"Social Supplement" Child Benefit
2.1.3	SBEN_CBsePen_BE	Ordinary Child Benefit for Self-Employed People with pension
2.1.3	SBEN_CBse_BE	Ordinary Child Benefit for Self-Employed People without pension
2.1.4	SBEN_CBguarant_BE	"Guaranteed" Child Benefit received by low income claimants who don't receive any other form of child benefit
2.1.5	SBEN_cbb_BE	Child Birth benefit
2.2	SBEN_ISnoChMarr_BE	Income Support for people without spouse or own children ("revenu minimum de moyen d'existence or in abridged: MINIMEX")
2.2	SBEN_ISChMarr_BE	Income Support for people with spouse or own children ("revenu minimum de moyen d'existence or in abridged: MINIMEX")
2.3	SBEN_ISold_BE	Income Support for the Elderly ("revenu garanti aux personnes ages")
2.3	SBEN_CBdiswrk_BE	Child Benefit for children of "invalid workers"
3.1.4	EESIChi_BE	employee contributions to healthcare and sickness insurance
3.1.4	EESICui_BE	employee contributions to unemployment insurance
3.1.4	EESICpi_BE	employee contributions to pensions insurance

3.1.4	ERSIChi_BE	<i>Employer contributions to healthcare and sickness insurance</i>
3.1.4	ERSICdi_BE	<i>Employer contributions to disability insurance (occupational disease + occupational injury)</i>
3.1.4	ERSICui_BE	<i>Employer contributions to unemployment insurance</i>
3.1.4	ERSICoth_BE	<i>Other Employer Contribution Payments (family benefits, wage moderation, annual holidays for blue collar workers, "conge-education", company closing down, employment fund)</i>
3.1.4	ERSICothBlue_BE	<i>Employer Contribution for annual holidays for Blue Collar Workers</i>
3.2.4	ERSICpi_BE	<i>Employer contributions to pension insurance</i>
3.2.4.1	SESIChmain_BE	<i>Self-employed Social Insurance Contribution – SE is Main Activity</i>
3.2.4.2	SESIChcomp_BE	<i>Self-employed Social Insurance Contribution – SE is Complementary Activity</i>
3.2.4.4	SESIChnopen_BE	<i>Self-employed Social Insurance Contribution - Retirement age and no pension</i>
3.2.4.5	SESIChpen_BE	<i>Self-employed Social Insurance Contribution – Also receiving a pension</i>
3.2.4.3		<i>Self-employed Social Insurance Contribution – SE not in retirement age, receiving a pension</i>
3.4.3	EESICHiPen_BE	<i>Pensioners contributions to health and disability insurance and solidarity contribution</i>
4.1.1.1	PT_BE	<i>Property Tax</i>
4.1.1.4	IT_EarnCostDed_BE	<i>Wage Earner's Deduction</i>
4.1.1.2	IT_Schedule1_BE	<i>Income Tax where Investment Income is taxed together with other income</i>
4.1.1.2	IT_Schedule2_BE	<i>Income Tax where Investment Income is taxed separately from other income</i>

2 BENEFITS SIMULATED BY EUROMOD

2.1 FAMILY 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.

Three different legal positions exist with respect to family benefits:

1. the entitled, i.e. the subject opening the right to the family benefit;
2. the recipient, i.e. the subject receiving the benefit;
3. the beneficiary, i.e. the child in whose favour the benefit is paid.

2.1.1 ORDINARY FAMILY BENEFIT:

Ordinary family benefits are directed to employees and civil servant.

The entitled subject is the employed worker or the person in an assimilable position ¹

When several entitled subjects can open the right to family benefits for the same child, the right to family benefits is given in priority to the entitled that brings up the child.

When more than one entitled bring up the child, the right to family benefits is given in the following order:

- the father, the mother, the stepfather, the stepmother;
- when there isn't any father, mother, stepfather or stepmother taking care of the child, the right to family benefits is given to the oldest entitled.

The recipient of family and birth benefits is always the mother. If the mother doesn't raise her children, family benefits are paid to the person in charge. 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.

2.1.1.1 ELIGIBILITY CONDITIONS:

- the entitled must have an effective job namely working at least 18 hours per week (`le_hours_lt`) or has to be in a related situation.
- 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.

2.1.1.2 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.

2.1.1.3 MONTHLY AMOUNT OF ORDINARY FAMILY BENEFIT

- first child: `2706 BEF(es_ch_parity1)`

¹ Assimilable positions regard: (i) workers with an employment contract temporarily not working due to temporary unemployment, paid holliday, 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), (iv) 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, (x) under certain circumstances students and trainees, and other less relevant cases.

- second child: 5007 BEF(es_ch_parity2)
- third child and more: 7476 BEF(es_ch_parity3)

2.1.2 ORDINARY AND SPECIAL SUPPLEMENTS

Ordinary family benefits are increased according to three criteria:

1. particular social/disability conditions of parents;
2. disabled child;
3. age and rank of children

1. The first criteria apply to the three following special conditions:

- a. Orphans: the amount of allowances is equal to 10395 BEF in 1998. In order to benefit from these allowances, the surviving parent must not be remarried or live in a separate household;
- b. Children with parents in the following social conditions: (i) parents in retirement; (ii) parent receiving full unemployment benefits starting from the seventh month of unemployment; (iii) parent receiving survivor pension (only if entitlement conditions were present at the date of spouse's decease). 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 fulfil the same age and academic conditions. The entitled needs also prove that he/she receives pension or unemployment benefit. The augmented amounts are as following²:

- first child: 4084 BEF(es_ch_parity1)
- second child: 5861 BEF(es_ch_parity2)
- third child and more: 7626 BEF(es_ch_parity3)

- c. Children of invalid workers: 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 fulfil the same age and academics conditions. The entitled must prove that he/she is invalid (NotDisabled). The augmented amounts are as following³:

- first child: 5670 BEF (es_ch_parity1)
- second child: 5861 BEF (es_ch_parity2)
- third child and more: 7626 BEF(es_ch_parity3)

2. Disabled children (es_disch) are entitled to an augmented family benefit according to the degree of autonomy⁴ (evaluated in comparison with an able child of same age) and provided his disability status is superior to 66%. The amounts are as following:

² 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.

³ 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.

⁴ As no variable in the Belgian dataset records the degree of authonomy of disabled, the median ammount only has been simulated in EUROMOD.

- from 0 to 3 points of autonomy 12173 BEF
- from 4 to 6 points of autonomy 13325 BEF
- from 7 to 9 points of autonomy 14245 BEF

3. All benefits are also increased of the age supplement.

General age supplements apply to children benefiting from ordinary child allowance and orphans (*es_ch_parity1,2,3_age1*). 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 different supplements have been introduced for different age groups.

Table 2. Age supplements, for 1st rank children:

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

¹: 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 this amount.

Table 3. Age supplements for 2nd rank children, supplements for disabled and social aid supplements

Category of age	1 st rank (disabled, social aid)	2nd rank
6-11	940	946
12-17	1436	1436
18+	1756	1756

2.1.3 FAMILY BENEFIT FOR SELF-EMPLOYED:

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 assimilable position⁵.

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.

⁵ Again assimilable positions are: (i) invalid disabled self-employed, (ii) spouse of deceased self-employed, child of deceased self-employed. Other assimilable conditions (unemployed, in paid vacation, etc. Do not apply to the self-employed status).

2.1.3.1 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;
- the self-employed workers have right to family benefit from the self-employment scheme if 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)
- the recipient child has to fulfil some age and academic conditions (see above)

2.1.3.2 MONTHLY AMOUNT OF SELF-EMPLOYED FAMILY 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 BEF⁶;

2.1.4 **GUARANTEED FAMILY ALLOWANCES IN THE SOCIAL ASSISTANCE SCHEME**

Guaranteed family benefits (monthly benefits, age supplements, birth allowance and other lump-sum allowances) applies were 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 has to justify a family relationship with the recipient child (see above) and household income must not be above certain thresholds.

2.1.4.1 ELIGIBILITY CONDITIONS

The monthly resources of the claimant and of his/her spouse cannot exceed 28930 BEF (*ge_inc*). If it is the case, amounts of guaranteed family benefits are decreased. Family benefit 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.

Nevertheless, some resources are exempted:

- 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.

⁶ The benefit is increased to 1594 if the self-employed is retired.

2.1.4.2 MONTHLY AMOUNT OF GUARANTEED FAMILY BENEFITS:

Monthly amounts are the same as for the ordinary benefits granted to employees' children augmented with social supplements. The same age (and invalidity) supplements apply.

2.1.5 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 36660 BEF for first births (*es_ch_age1*) and to 27583 BEF (*es_nch_age1*) for the following births.

2.2 INCOME SUPPORT: MINIMEX

Under Belgian social security legislation two different minimum income schemes exist: a general scheme with no age limit (MINIMEX), and a 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 scheme⁷.

MINIMEX may be granted at a household, single or cohabitating rate.

The household rate is granted:

- 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.

2.2.1.1 ELIGIBILITY CONDITIONS:

- nationality condition: the minimex is granted to Belgian people, and, under certain conditions, to European citizens, statelesses and to acknowledged political refugees.
- 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, who are pregnant.
- residence condition: minimex is restricted to people who have their effective residence in Belgium. Since 1995, the homeless can receive this allocation.
- 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 (student engaged in full time studies).

⁷ 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.

2.2.1.2 INCOME REQUIREMENTS:

Minimex is a residual allocation; in order to benefit from the minimex, the entitled office (CAPS⁸) 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 account⁹. 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)¹⁰ and real estate income which varies according to the family situation. (real_estateY_disreg,real_estateY_marr_disreg,real_estateY_ch_disreg)¹¹.

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)¹²;
- social aid benefits;
- child alimony received in favour of minor dependent children.

2.2.1.3 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 4. Amount of MINIMEX income support:

⁸ CPAS: Centre Public d'Aide Sociale (Public Center for Social Aid).

⁹ 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).

¹⁰ Income from capital (whether actually invested or not) is imputed according to the following rates:

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

¹¹ Actually, 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

¹² 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.

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

2.3 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

2.3.1.1 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.
- residence conditions: the MGIA is restricted to people who have their effective residence in Belgium.

2.3.1.2 INCOME REQUIREMENTS:

MGIA is a residual allocation; in order to benefit from the minimex, the entitled office has to assert 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 above¹³. The imputation of real estate income and the disregarded fraction also follows the general rules outlined for the MINIMEX¹⁴.

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.

2.3.1.3 AMOUNTS OF MINIMUM GUARANTEED INCOME FOR THE AGED (MGIA):

Table 5. 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.

3 SOCIAL SECURITY CONTRIBUTIONS:

3.1 EMPLOYEES' SECURITY CONTRIBUTIONS:

3.1.1 DEFINITION OF EMPLOYEES:

As mentioned in the beginning of the report the Belgian welfare state presents a strong Bismarkian structure, which implies that a large part of social security is financed through employers' and employees' social contributions. Other characteristic of the Bismarkian social security system, moreover, is the occupational segmentation of the social security schemes both on the benefit and the financing scheme. A part from some minor different regimes (miners and merchant navy personnel bounded by a labour contract, benefit from special and independent schemes of social security), however, it is possible to distinguish three broad categories: employees (with a minor distinction between white and blue collars), self-employed and civil servants.

The social security scheme for employees applies to workers who are 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 headquarters 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.

3.1.2 EXTENT OF THE LIABILITY:

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

- old age pension and survivor pension

¹³ See footnote 10.

¹⁴ See footnote 11.

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

3.1.3 CONSEQUENCES OF THE LIABILITY:

The liability to social security of employees is materialised by the payment of contributions. The contributions are computed quarterly, in percentage of the 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).

3.1.4 RATE OF SOCIAL SECURITY CONTRIBUTIONS FOR EMPLOYEES:

Table 6. Rates of social insurance contributions for 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	0,00	1,10	0,00	1,10
7. Occupational injury	0,00	0,30	0,00	0,30
	<i>13,07</i>	<i>24,87</i>	<i>13,07</i>	<i>24,87</i>
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

*Note: Not included the 9, 50 % contribution calculated on the gross remuneration of the previous year.

3.2 SELF-EMPLOYED SOCIAL SECURITY SCHEME:

3.2.1 DEFINITION OF SELF-EMPLOYED:

According to Belgian 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), 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.

3.2.2 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
- occupational injury

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

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

3.2.3 CONSEQUENCES OF THE LIABILITY:

The liability to self-employed social security scheme is materialised by the payment of social contributions.

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.

A part from the later lump-sum contributions, additional contributions depend on professional income of the three previous years. Thus, contributions for 1998 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. 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 whether or not the self-employed is receiving a pension).

3.2.4 RATES OF SELF-EMPLOYED SOCIAL SECURITY CONTRIBUTIONS ON:

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

3.2.4.1 SELF-EMPLOYED AS MAIN ACTIVITY:

Table 7. Rates of self-employed social insurance contributions - main activity

Nature of the contribution	Contribution rates, floors and ceilings
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%
- reference income over 1.884.286 BEF	12,27%
- Minimum quarterly contribution	16.218 BEF
- Maximum quarterly contribution	106.016 BEF (2)

(1) No quarterly contributions are due if reference income is lower than 388.444 BEF

(2) Maximum include ¼ of lump-sum contribution; minimum only applies if reference income is over 388.444 BEF.

3.2.4.2 SELF-EMPLOYED AS A COMPLEMENTARY ACTIVITY:

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

Nature of the contribution	Contribution rates, floors and ceilings
Quarterly provisional contributions	1.737 BEF
Quarterly definitive contributions:	
- reference income under 41.601 BEF	0%
- reference income between 41.601 and 93.725 BEF	1.737 BEF
- reference income between 93.725 and 1.884.286 BEF	16,7%
- reference income between 1.884.286 and 2.756.223 BEF	12,27%
- Minimum quarterly contribution	3.913 BEF
- Maximum quarterly contribution	106.016 BEF(1)

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

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

Table 9. Rate of self-employed social insurance contributions – not in retirement age, but receiving a survivor pension

Nature of the contribution	Contribution rates, floors and ceilings
----------------------------	-----------------------------------------

	and ceilings
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 169.977 BEF	Normal or complementary gime (see above)
- reference income over 169.977 BEF	Normal regime (1)

(1) The contribution is computed on the floor of 388.444 BEF, even if the actual reference income is lower.

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

Table 10. Rate of self-employed social insurance contributions - retirement age reached , but not receiving a pension

Nature of the contribution	Contribution rates, floors and ceilings
Quarterly provisional contributions:	- 3.474 BEF
Quarterly definitive contributions:	
- reference income less than 93.725 BEF	- 0 %
- reference income between 93.725 and 1.884.287 BEF	- 16,70%
- reference income between 1.884.287 and 2.756.223 BEF	- 12,27%
- Minimum quarterly contribution	- 3.913 BEF
- Maximum quarterly contribution	- 106.016 BEF (1)

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

3.2.4.5 SELF-EMPLOYED WHO HAVE REACHED THE RETIREMENT AGE AND ARE RECEIVING A PENSION:

If reference income is less than 260.111 BEF (the income limit is brought up to 390.167 in case of dependent children), the self-employed has full entitlement to the pension. The corresponding income limits are set to 520.222 BEF and 650.278 BEF if the pension recipient is less than 65. If reference income is 15% or more higher than the previous amounts, the pension entitlement is suspended. If reference income is less than 15% higher than reference amounts, the pension is reduced proportion to the fraction of the reference income above the income limits. Other than that, the self-employed receiving a pension is liable to pay social contributions at the rates exposed ion the following table.

Table 11. Rate of self-employed social insurance contributions - retirement age reached and receiving a pension

Nature of the contribution	Contribution rates, floors and ceilings
Quarterly provisional contributions:	- 2.702 BEF

Quarterly definitive contributions:	
- reference income less than 93.725 BEF	- 0 %
- reference income between 93.725 BEF	- 12,99%
- reference income between 1.884.287 and 2.756.223 BEF	- 12,27%
- Minimum quarterly contribution	- 3.044 BEF (1)
- Maximum quarterly contribution	- 21.418 BEF (1)

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

3.3 SECURITY CONTRIBUTIONS OF WORKERS OF THE PUBLIC SERVICES

3.3.1 DEFINITION OF WORKERS OF THE PUBLIC SERVICES

The staff hired by:

- the State;
- the French Community, the Dutch Community and the German Community;
- the Walloon Region, the Dutch Region and the Region of Bruxelles-Capitale.

The above-mentioned institutions can hire either statutory staff or contractor staff. The statutory agents are permanently appointed. As a consequence of their special status, the latter employees are excluded from the unemployment risk and therefore do not contribute to such branch of social security. Other than that, there are some other minor differences with the ordinary employees' contributions scheme

3.3.2 RATES OF CIVIL SERVANTS SOCIAL INSURANCE CONTRIBUTIONS

3.3.2.1 CIVIL SERVANTS APPOINTED PERMANENTLY

Table 12. Contribution rates of civil servants appointed permanently:

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%

3.3.2.2 CIVIL SERVANTS NOT APPOINTED PERMANENTLY

Table 13. Contribution rates of civil servants not appointed permanently:

Social security branches	In percentage of the remuneration	
	Workers contributions	Employer contributions
1. Sickness and invalidity (indemnity)	1,15%	2,35%
2. Sickness and invalidity (health care)	3,55%	3,80%
3. Unemployment	0,87%	1,46%
4. Pension	7,50%	8,86%

3.4 SECURITY CONTRIBUTIONS OF LOCAL GOVERNMENT STAFF:

3.4.1 DEFINITION OF LOCAL GOVERNMENT STAFF:

Local government staff may be employed by:

- the communes;
- public establishments which depend on communes;

- the associations of communes;
- the communes' agglomerations and the communes' federations;
- public establishments which depend on communes' agglomerations and on communes' federations;
- the provinces;
- public establishments which depend on provinces.

The above-mentioned administrations can hire statutory staff or contractor staff. As regards social security, the distinction between staff appointed permanently and other employees occupied in the local government imply slightly different liability to social insurance.

3.4.2 EXTENT OF THE LIABILITY:

3.4.2.1 LOCAL GOVERNMENT STAFF APPOINTED PERMANENTLY:

Workers appointed permanently are bound by general social security scheme for employees for sickness and invalidity insurance (health care sector). Local governments have a particular social security scheme as regards family benefits and occupational diseases.

Table 14. Contribution rates of local government staff appointed permanently:

Social security branches	In percentage of the remuneration	
	Workers contributions	Employer contributions
1. Sickness and invalidity (health care)	3,55%	3,80%
2. Family benefits	-	5,25%
3. Occupational disease	-	0,17%
4. Pension	7,50%	8,86%
5. Wage moderation	-	7,75% ¹

¹: $5,67 + (5,67 * \text{employer contributions}) / 100$.

3.4.2.2 LOCAL GOVERNMENT STAFF NOT APPOINTED PERMANENTLY:

These workers are bound by general social security scheme for employees for the following branches: sickness and invalidity insurance (health care and indemnity sectors), pension, unemployment benefit. Local governments also have a particular social security scheme as regards family benefits and occupational diseases.

The contributions basis is made up of the entirety of benefits in money or assessable in money of the worker.

Table 15. Contribution rates of local government staff not appointed permanently:

Social security branches	In percentage of the remuneration	
	Workers contributions	Employer contributions
1. Sickness and invalidity (indemnity)	1,15%	2,35%
2. Sickness and invalidity (health care)	3,55%	3,80%

3. Unemployment	0,87%	1,46%
4. Pension	7,50%	8,86%
5. Family benefits	-	5,25%
6. Occupational disease	-	0,17%
7. Wage moderation	-	6,83% ¹

¹: $5,67 + (5,67 * \text{employer contributions}) / 100$.

3.4.3 SECURITY CONTRIBUTIONS OF PENSIONEERS

3.4.3.1 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.

3.4.4 CONSEQUENCES OF THE LIABILITY :

The liability of pensioners is materialised through withholding contributions on their pensions. 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 16. Pensioners' solidarity contribution rates (single rate):

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	$\text{Pension} * 0,5\%$
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	$\text{Pension} * 1\%$
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	$\text{Pension} * 1,5\%$
From 74.284 BEF to 75.056 BEF	$1.114 \text{ BEF} + (\text{pension} - 74.283 \text{ BEF}) * 50\%$
75.057 BEF and above	$\text{Pension} * 2\%$

Table 17. Pensioners' solidarity contribution rates (household rate):

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	$\text{Pension} * 0,5\%$
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	$\text{Pension} * 1\%$

From 74.284 BEF to 75.048 BEF	743 BEF + (pension - 74.283 BEF)*50%
From 75.049 BEF to 84.895 BEF	Pension*1,5%
From 84.896 BEF to 85.778 BEF	1.237 BEF + (pension - 84.895 BEF)*50%
85.779 BEF and above	Pension*2%

4 PERSONAL INCOME TAX (PIT):

4.1 CHARGEABLE PERSONS:

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

4.1.1 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.

4.1.1.1 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. The imputed real estate income varies according to whether the property is the own dwelling, leased and to whom it is leased.

1. Dwelling: the indexed cadastral income constitutes a taxable income, but an inflation-adjusted deduction is generally granted (*be_it_imptrnt_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_parity1*).

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%.

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.

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.

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 level¹⁵. The maximum tax credit, nevertheless, is limited to 12,5% of the adjusted cadastral income included in the taxpayer's global taxable income.

4.1.1.2 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;
- 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 18. 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	15%

¹⁵ Differences regard not only the tax rate, but also reductions and rebates granted for particular personal or household's circumstances.

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	
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 1st, 1990	15%
Other income from capital and movable property	25%

4.1.1.3 *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 table¹⁶:

Table 19. Examples of 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

¹⁶ Tax rates applying in case of separate taxation are listed in section Separate taxation:.

4.1.1.4 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. The latter includes mainly professional expenses, i.e. expenses incurred by the taxpayer with a view to acquiring or preserving taxable income¹⁷. As such the deduction is in principle applicable to all categories of income. Two kinds of 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).

The tax code provides that standard expenses substitute for actual expenses unless the latter are higher (see `polit_EarnCostDed_BE`)

The basis of calculation of the standard expenses is the gross taxable amount, less social security contributions. For company directors, the standard deduction is set at 5% of the basis of calculation, with a maximum of 110.000 BEF. For employees and members of a liberal profession, standard deduction is calculated according to the scale below and it is also limited to 110.000 BEF (`up_limit`).

Table 20. 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%

- 3) Exemption: from net profits after expenses, we deduct exemptions granted by virtue of tax provisions in favour of investment, employment and self-employment.
- 4) Deduction of losses: these might be either losses incurred in the current tax year (deductible from profits of another activity of the same taxpayer in the same taxable

¹⁷ 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.

period) or losses incurred in previous tax periods (which may be set off against profits from subsequent tax period with no time limit).

- 5) 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).

- 6) 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.

4.1.1.5 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 investments¹⁸, then the other types of expenses¹⁹.

¹⁸ 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.

¹⁹ 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 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.

4.1.1.6 THE 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.

4.1.2 COMPUTATION OF TAXES:

General principles:

- 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
- + Additional crisis tax
- + Tax increases
- = **Amount payable by or to the taxpayer**

4.1.2.1 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 21. Tax rates

Taxable income		Marginal rate
From	to	

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.

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%

4.1.2.2 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 granted²⁰.

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 22. Exemption for dependent child

	Exemption for that child	Total exemption
1 st child	43.000 (<code>es_own_depch_parity1</code>)	43.000
2 nd child	67.000 (<code>es_own_depch_parity2</code>)	110.000
3 rd child	139.000 (<code>es_own_depch_parity3</code>)	249.000
4 th and each following child	153.000 (<code>es_own_depch_parity4</code>)	402.000

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 19).

²⁰ 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.

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 23. Additional exemptions for households in particular situations:

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

4.1.2.3 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 24. Basic tax reductions for replacement income

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

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 25. 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 deduction+(2/3 deduction * (1.320.000 BEF - taxable income) / 660.000 BEF)
More than 1.320.001 BEF	1/3 deduction

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

Table 26. Limitations on replacement income 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.

4.1.2.4 TAX REDUCTION FOR FOREIGN INCOME:

In the case of income exempted by international agreements, the tax relating to this income is totally deducted. When no such international agreements exist, however, taxes relating to this income are halved.

4.1.2.5 SEPARATE TAXATION:

Income from movable property and non-periodical income (capital gains, arrears, etc) can be separately taxed; total aggregation is applied where it is to the advantage of the taxpayer.

Table 27. Separate taxation

Separately taxable income	Rate
salary arrears, replacement income arrears	the previous year's average rate
dismissal compensation > 27.000 BEF	the previous year's average rate
profits and gains obtained from a previous professional activity after it has been terminated, except for compensations for the full recovery of a temporary loss of profits or benefits.	the previous year's average rate
prepaid holiday pay, fee arrears, arrears of maintenance allowances paid in pursuance of a retroactive judgement	the current year's average rate
occasional profits and gains	33%
Prizes	16,5%
capital gains from disposal of undeveloped land	33% or 16,5%
capital gains from disposal of built real estate	16,5%

income from the sub-lease of real property, from the granting of the right to place advertisement signs and from the proceeds of the granting of hunting, fishing and bird-catching rights.	25% or 15%
capital gains from the transfer of shares in a Belgian company of which the transferer owns more than 25%, to a foreign company or to a legal person liable tot N.R.I.T.	16,5%
premiums paid to farmers pursuant to EEC Regulations 1765/92, 2066/92, 2069/92 and 2070/92	16,5 %
capital gains from professional activities	33 % or 16,5%
deposits on pension savings accounts; capital and surrender value from life insurance contracts and from pension savings schemes, not submitted to the tax on long-term savings.	33% or 16,5% or 10%
income from movable assets and capital which are not dividends	15% or 25%
Dividends	15% or 25%

4.1.2.6 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.

4.1.2.7 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 payments²¹.

4.1.2.8 INCREASES AND BONUSSES:

Taxpayer declaring income from a self-employed activity must make advance payments, and a tax increase is applied when these payments are not made or when they are insufficient.

²¹ 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.

Moreover any taxpayer can make advance payments to discharge the tax which is not covered by a withholding tax: these payments entitle the taxpayer to a tax bonus. Increases and bonuses are calculated on the basis of a reference rate. For 2001 income, increase rate is 11.25%. Bonus rate is 7.5, 6.5, 5 or 3.75% according to the quarter of payment (respectively first, second, third or fourth).

4.1.2.9 ADDITIONAL MUNICIPAL AND CONURBATION TAXES:

These are calculated at the appropriate rate, which is specific to 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.

4.1.2.10 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.

4.1.2.11 TAX INCREASES:

Tax increases may be applied in the event of overdue return, failure to make return, incomplete or incorrect return, either on the total of the taxes payable or on a part of these taxes.