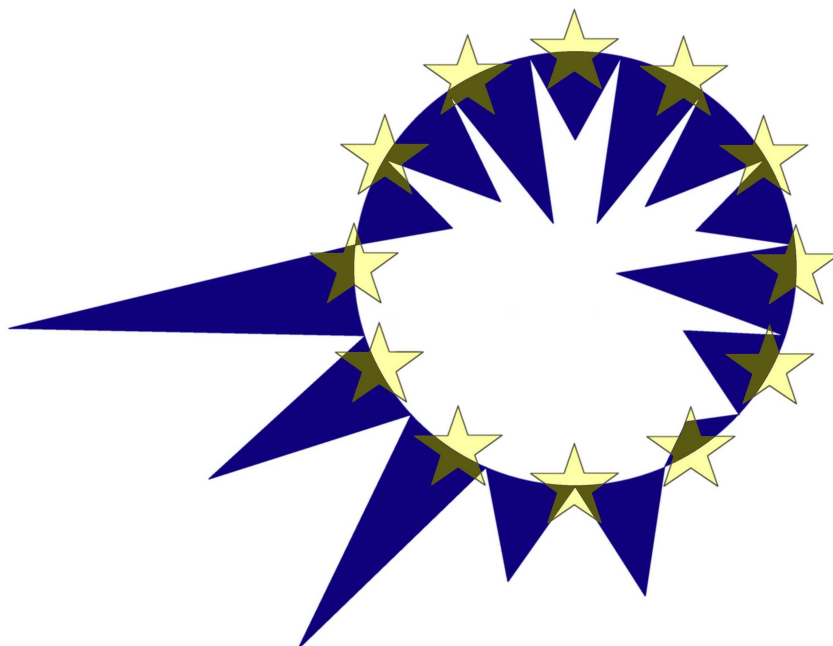


# **EUROMOD**

## **COUNTRY REPORT**



EUROMOD Country Report

**BELGIUM**

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June 2001

**COUNTRY REPORT: BELGIUM**

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# TABLE OF CONTENT

<b>TAX BENEFIT SYSTEM : DETAILED DESCRIPTION :</b>	<b>1</b>
<b>1 BENEFITS SIMULATED BY EUROMOD</b>	<b>2</b>
1.1 FAMILY BENEFITS:	2
1.1.1 Birth allowance :	2
1.1.2 ordinary family benefit:	2
1.1.3 Ordinary family benefit for children of invalid worker	3
1.1.4 Social supplement child benefit	4
1.1.5 family benefit for self-employed :	4
1.1.6 Guaranteed family allowances in the social assistance scheme	5
1.2 INCOME SUPPORT: MINIMEX	6
1.3 MINIMUM GUARANTEED INCOME FOR THE AGED (MGIA):	7
<b>2 BENEFIT NOT SIMULATED BY EUROMOD</b>	<b>9</b>
2.1 UNEMPLOYMENT BENEFIT :	9
2.2 PENSION	10
2.2.1 The retirement pension scheme	10
2.2.2 Survivor pension scheme	12
2.3 MATERNITY	12
2.4 SICKNESS AND INVALIDITY	13
<b>3 TAXES AND CONTRIBUTION SIMULATED BY EUROMOD :</b>	<b>14</b>
3.1 PERSONAL INCOME TAX (PIT):	14
3.1.1 Chargeable persons:	14
3.1.2 Determination of the net amount of taxable income:	14
3.1.2.1 Real estate income:	14
3.1.2.2 Income from movable property:	15
3.1.2.3 Miscellaneous income:	15
3.1.2.4 Earned income:	15
3.1.2.5 Expenses deductible from total net income:	17
3.1.2.6 The aggregated taxable income:	17
3.1.3 Computation of taxes:	17
3.1.3.1 Tax rate:	18
3.1.3.2 Exempt income and deduction for dependent:	18
3.1.3.3 Tax reduction for long-term savings and increased tax reduction for savings for house purchase:	19
3.1.3.4 Tax reductions on replacement income:	20
3.1.3.5 Tax reduction for foreign income:	21
3.1.3.6 Separate taxation:	21
3.1.3.7 Calculation of the principal:	21
3.1.3.8 Allowance for withholding taxes, tax credit, advance payments and other allowable items:	22
3.1.3.9 Increases and bonuses:	22
3.1.3.10 Additional municipal and conurbation taxes:	22
3.1.3.11 Crisis surcharge:	22
3.1.3.12 Tax increases:	22
<b>4 SOCIAL SECURITY CONTRIBUTIONS:</b>	<b>23</b>
4.1 EMPLOYEES' SECURITY CONTRIBUTIONS:	23
4.1.1 Who are liable to social security of employees:	23
4.1.2 Extent of the liability:	23
4.1.3 Consequences of the liability:	23
4.1.4 Rate of social security contributions for employees on 01.07.98:	23
4.2 SELF-EMPLOYED SOCIAL SECURITY SCHEME:	24
4.2.1 Who is liable to self-employed social security scheme:	24
4.2.2 Extent of the liability:	25
4.2.3 Consequences of the liability:	25

4.2.4	<i>Rates of self-employed social security contributions for 1998:</i>	25
4.3	SECURITY CONTRIBUTIONS OF WORKERS OF THE PUBLIC SERVICES	27
4.3.1	<i>Who are liable to social security scheme of workers of the public services:</i>	27
4.3.2	<i>Level of social insurance contributions</i>	27
4.4	SECURITY CONTRIBUTIONS OF LOCAL GOVERNMENT STAFF:	28
4.4.1	<i>Who are liable to social security of local government staff:</i>	28
4.4.2	<i>Extent of the liability:</i>	28
4.4.3	<i>Rate of social security contributions on 01.07.98:</i>	29
<b>5</b>	<b>VALUE ADDED TAX:</b>	<b>30</b>
5.1	DEFINITION	30
5.2	THE TAX LIABILITY:	30
5.3	TAXABLE TRANSACTIONS	30
5.3.1	<i>Supply of goods :</i>	30
5.3.2	<i>The supply of services</i>	30
5.3.3	<i>Importation :</i>	31
5.3.4	<i>Intra-Community acquisition of goods :</i>	31
5.4	EXEMPTIONS:	31
5.4.1	<i>Exportation, importation, intra-Community deliveries and acquisitions and international transport:</i>	31
5.4.2	<i>Other exemptions:</i>	31
5.5	THE TAX BASIS:	31
5.6	THE VAT RATES:	32
5.7	SUBMISSION OF RETURNS AND PAYMENT OF THE TAX:	32
	<b>DATA</b>	<b>33</b>
<b>1</b>	<b>GENERAL DESCRIPTION</b>	<b>33</b>
<b>2</b>	<b>SAMPLE SELECTION, WEIGHTING</b>	<b>33</b>
<b>3</b>	<b>VARIABLE ADJUSTMENT</b>	<b>33</b>
<b>4</b>	<b>NET-TO-GROSS' CONVERSION</b>	<b>33</b>
<b>5</b>	<b>SUMMARY STATISTICS IN DATA YEAR</b>	<b>34</b>
5.1	POPULATION	34
5.2	CIVIL STATUS	34
5.3	SOCIOECONOMIC STATUS	35
<b>6</b>	<b>UPDATING</b>	<b>36</b>
	<b>VALIDATION</b>	<b>37</b>
<b>1</b>	<b>PSBH WAVE 6 SAMPLE – HEADCOUNTS</b>	<b>37</b>
<b>2</b>	<b>PSBH WAVE 6 SAMPLE – MONETARY AGGREGATES</b>	<b>38</b>
<b>3</b>	<b>EUROMOD SIMULATION – MONETARY AGGREGATES</b>	<b>38</b>
<b>4</b>	<b>POVERTY INDICATORS</b>	<b>39</b>
4.1	GINI INDEX	39
4.2	POVERTY LINES	39
4.3	QUANTILES	40
	<b>BIBLIOGRAPHY</b>	<b>41</b>

## LIST OF TABLES

<i>Table 1. Policies included in the policy spine</i>	<i>1</i>
<i>Table 2: Age supplements:</i>	<i>3</i>
<i>Table 3: Amounts of age supplements on 1998:</i>	<i>5</i>
<i>Table 4: Amount of Belgian income support (minimex)</i>	<i>6</i>
<i>Table 5: Amount of Belgian income support for old-age persons (MGIA)</i>	<i>8</i>
<i>Table 6: eligibility conditions to unemployment benefit</i>	<i>9</i>
<i>Table 7: Retirement age</i>	<i>11</i>
<i>Table 8: retirement pension and professional activity</i>	<i>11</i>
<i>Table 9: Invalidity benefit for self-employed worker</i>	<i>13</i>
<i>Table 10: Example of miscellaneous income with separate assessment</i>	<i>15</i>
<i>Table 11: Professional expenses</i>	<i>16</i>
<i>Table 12: Tax rate</i>	<i>18</i>
<i>Table 13: Exemption for dependent child</i>	<i>19</i>
<i>Table 14: Basic reduction for replacement income</i>	<i>20</i>
<i>Table 15: Separate taxation</i>	<i>21</i>
<i>Table 16: Rate of social insurance contributions for employees</i>	<i>23</i>
<i>Table 17: Rate of self-employed social insurance contributions</i>	<i>25</i>
<i>Table 18: Rate of self-employed social insurance contributions</i>	<i>26</i>
<i>Table 19: Rate of self-employed social insurance contributions</i>	<i>26</i>
<i>Table 20: Rate of self-employed social insurance contributions</i>	<i>27</i>
<i>Table 21: Level of social insurance contributions for workers appointed permanently:</i>	<i>27</i>
<i>Table 22: Level of social insurance contributions for other workers:</i>	<i>28</i>
<i>Table 23: Rate of social insurance contributions for workers appointed permanently</i>	<i>29</i>
<i>Table 24: rate of social insurance contributions for other workers occupied in the local government</i>	<i>29</i>
<i>Table 25: Population by sex and age</i>	<i>34</i>
<i>Table 26: Population by sex and civil status</i>	<i>35</i>
<i>Table 27: Population by socio-economic status</i>	<i>35</i>
<i>Table 28: Updating factors</i>	<i>36</i>
<i>Table 29:</i>	<i>37</i>
<i>Table 30 : Monetary aggregates – in millions of BeF</i>	<i>38</i>
<i>Table 31 : monetary aggregates</i>	<i>39</i>
<i>Table 32: gini index</i>	<i>39</i>

<i>Table 33:poverty rates.....</i>	<i>40</i>
<i>Table 34 : quantiles.....</i>	<i>40</i>

## **TAX BENEFIT SYSTEM : DETAILED DESCRIPTION :**

This paper provides a description of the tax-benefit system in Belgium, focusing on the way it has been modeled by Euromod. There is however a description of the benefits which are not simulated by Euromod in part 2.

Table 1 gives us the different policies that are modeled by Euromod and refers to the sections in which the various policies are described.

*Table 1. Policies included in the policy spine*

<b>SECTION</b>	<b>POLICY</b>	<b>DESCRIPTION</b>
4.1.4	<b>EESIChi_BE</b>	<i>employee contributions to healthcare and sickness insurance</i>
	<b>EESIChiPen_BE</b>	<i>pensioners contributions to health and disability insurance and solidarity contribution</i>
4.1.4	<b>EESICui_BE</b>	<i>employee contributions to unemployment insurance</i>
4.1.4	<b>EESICpi_BE</b>	<i>employee contributions to pensions insurance</i>
4.1.4	<b>ERSIChi_BE</b>	<i>Employer contributions to healthcare and sickness insurance</i>
4.1.4	<b>ERSICdi_BE</b>	<i>Employer contributions to disability insurance (occupational disease + occupational injury)</i>
4.1.4	<b>ERSICui_BE</b>	<i>Employer contributions to unemployment insurance</i>
4.1.4	<b>ERSICpi_BE</b>	<i>Employer contributions to pension insurance</i>
4.1.4	<b>ERSICoth_BE</b>	<i>Other Employer Contribution Payments (family benefits, wage moderation, annual holidays for blue collar workers, "conge-education", company closing down, employment fund)</i>
4.1.4	<b>ERSICothBlue_BE</b>	<i>Employer Contribution for annual holidays for Blue Collar Workers</i>
4.2.4	<b>SESIcmain_BE</b>	<i>Selfemployed Social Insurance Contribution - SE is Main Activity</i>
4.2.4	<b>SESIccomp_BE</b>	<i>Selfemployed Social Insurance Contribution - SE is Complementary Activity</i>
4.2.4	<b>SESIcnopen_BE</b>	<i>Selfemployed Social Insurance Contribution - Retirement age and no pension</i>
4.2.4	<b>SESIcpen_BE</b>	<i>Selfemployed Social Insurance Contribution - Also receiving a pension</i>
3.1.2.4	<b>IT_EarnCostDed_BE</b>	<i>Wage Earner's Deduction</i>
3.1.3.6	<b>IT_Schedule1_BE</b>	<i>Income Tax where Investment Income is taxed together with other income</i>
3.1.3.6	<b>IT_Schedule2_BE</b>	<i>Income Tax where Investment Income is taxed separately from other income</i>
	<b>IT_Sched1_Sched2_BE</b>	<i>Decide whether to use output of Schedule1 or Schedule2</i>
3.1.2.1	<b>PT_BE</b>	<i>Property Tax</i>
1.1.1	<b>SBEN_cbb_BE</b>	<i>Child Birth benefit</i>
1.2	<b>SBEN_ISnoChMarr_BE</b>	<i>Income Support for people without spouse or own children ("revenu minimum de moyen d'existence or in abridged: MINIMEX")</i>
1.2	<b>SBEN_ISChMarr_BE</b>	<i>Income Support for people with spouse or own children ("revenu minimum de moyen d'existence or in abridged: MINIMEX")</i>
1.3	<b>SBEN_ISold_BE</b>	<i>Income Support for the Elderly ("revenu garanti aux personnes agees")</i>
1.1.3	<b>SBEN_CBdiswrk_BE</b>	<i>Child Benefit for children of "invalid workers"</i>
1.1.4	<b>SBEN_CBsoc_BE</b>	<i>"Social Supplement" Child Benefit</i>
1.1.5	<b>SBEN_CBsePen_BE</b>	<i>Ordinary Child Benefit for Self-Employed People</i>

		<i>with pension</i>
1.1.5	<b>SBEN_CBse_BE</b>	<i>Ordinary Child Benefit for Self-Employed People without pension</i>
1.1.2	<b>SBEN_CBord_BE</b>	<i>"Ordinary" Child Benefit</i>
1.1.6	<b>SBEN_CBguarant_BE</b>	<i>"Guaranteed" Child Benefit received by low income claimants who don't receive any other form of child benefit</i>
	<b>OUTPUT_std_BE</b>	<i>Standard Output (individual level)</i>
	<b>OUTPUT_final_BE</b>	<i>Output (unit of analysis can be freely chosen)</i>

## 1 BENEFITS SIMULATED BY EUROMOD

### 1.1 FAMILY BENEFITS:

There are three schemes of family benefit, one for the employees and the civil servants, one for the self-employed and the last one for people with low income which are not include in the both preceding categories.

When several attributaires can open the right to family benefits for the same child, the right to family benefits is given in priority to the attributaire who brings up the child.

When more than one attributaire 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 aren't any father, mother, stepfather or stepmother, the right to family benefits is given to the oldest attributaire.

Family and birth benefits are paid to the mother. If the mother doesn't bring up her children, family benefits are paid to the person who do it. 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.

#### 1.1.1 BIRTH ALLOWANCE :

This benefit is granted at the birth of any child benefiting from family allowances what ever the family benefit scheme. On 1998 the amount of this benefit is equal to 36,660 BEF for a first birth (*es\_ch\_age1*) and to 27,583 BEF (*es\_nch\_age1*) for the following births.

#### 1.1.2 ORDINARY FAMILY BENEFIT:

Ordinary family benefits are directed to employees and civil servant.

##### Eligibility conditions:

- The "attributaire" 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 "attributaire" has to justify a family relationship with the recipient child (*le\_nch*). Each "attributaire" 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.
- Family benefits are granted to Children of less than 18 years without conditions<sup>1</sup>;

<sup>1</sup> Family benefits are granted to civil servant for their children who are aged less of 21 years, even if these children do not go any more at school. Beyond 21 years, children have to fulfil some academic conditions.



Apprentices until 25 years if their gross income (gross wage + social allowances) don't exceed 15,600 BEF per month (01.07.98)

Students until 25 years if they go to school at least fifteen hours per week;

Children aged less than 25 years who don't go anymore to school but who make a final year dissertation;

Disabled children until 21 years;

Job seekers during 270 days if the child is less than 18 years, or during 180 days in other cases.

Monthly amount of ordinary family benefit on 01/07/98

- first child: 2,706 BEF (es\_ch\_parity1)
- second child: 5,007 BEF (es\_ch\_parity2)
- third child and more: 7,476 BEF (es\_ch\_parity3)

Increased ordinary family benefits are granted to orphans. The amount of orphan allowances is equal to 10,395 BEF on 1998. In order to benefit from these allowances, the surviving parent can not be remarried or can not live in household.

Age supplement :

Ordinary family benefits and orphans allowances are increased of a supplement age (es\_ch\_parity1, 2, 3\_age1). The amount of the age supplement depends on the age of the child. There are four categories of age.

*Table 2: Age supplements:*

Age supplement	1 <sup>st</sup> rank	1 <sup>st</sup> rank <sup>1</sup>	1 <sup>st</sup> rank <sup>2</sup>	2 <sup>nd</sup> rank and following	Category of age
Child born after 01/01/91	471		940	940	6-12
Child born between 01/01/85 and 31/12/90	940	940	940	940	
Child born between 01/01/85 and 31/12/90	940		1436	1436	12-16
Child born between 01/01/81 and 31/12/84	1436		1436	1436	
Child born between 01/01/81 and 31/12/84	1436		1436	1436	16-18
Child born between 01/01/79 and 31/12/80	1515		1756	1756	
Child born between 01/01/81 and 31/12/84	1436		1756	1756	+18
Child born between 01/01/72 and 31/12/80	1515		1756	1756	

<sup>1</sup>: A child of second rank who becomes a child of first rank in place of a child who benefited from a age supplement, receive this amount.

<sup>2</sup>: Child with social supplement or supplement for disabled children.

**1.1.3 ORDINARY FAMILY BENEFIT FOR CHILDREN OF INVALID WORKER**

Ordinary family benefit are increased of a supplement for children of invalid workers. As in the case of the ordinary family benefit, the attributaire has to justify a family relationship with the recipient child and the child has to fulfil the same age and academics conditions. The attributaire must prove that he/she is invalid (NotDisabled).

Monthly amounts of family benefit for children of invalid worker (01.07.98):

- 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 benefits are also increased of the age supplement.

Nevertheless, in order to benefit from the supplement for children of invalid workers, replacement income can't exceed 59,913 BEF per month on 01.07.98 and professional income of spouse can't exceed 9,340 BEF per month on 01.07.98

**1.1.4 SOCIAL SUPPLEMENT CHILD BENEFIT**

Ordinary family benefits are increased of a supplement for the children of pension's recipient, for children of unemployed person from the seventh month of unemployment and for children of recipients of survivor pension. As in the case of the ordinary family benefit, the attributaire has to justify a family relationship with the recipient child and the child has to fulfil the same age and academic conditions. The attributaire need also prove that he/she receives pension or unemployment benefit .In addition, in order to benefit from these supplements, replacement income can't exceed 59,913 BEF per month on 01.07.98 and professional income of spouse can't exceed 9,340 BEF per month on 01.07.98 (le\_inc\_lt)

Monthly amounts of family benefit increased by social supplement (01.07.98):

- first child : 4,084 BEF
- Second child: 5,861 BEF
- Third child and more: 7,626 BEF

These benefits are also increased of the age supplement.

There is also a supplements for disabled children (es\_disch): This supplement is added to ordinary family benefits and to orphan benefits. It is granted to each disabled child under 21 years who suffers from a physical or mental incompetence of at least 66%.

**1.1.5 FAMILY BENEFIT FOR SELF-EMPLOYED :**

This kind of benefit is directed to self-employed persons.

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 attributaire has to justify a family relationship with the recipient child
- The recipient child has to fulfil some age and academic condition (see above)

Monthly amount of ordinary family benefits on 1998:

- If the "attributaire" is not retired:
  - first child: 788 BEF(es\_ch\_parity1)
  - second child: 5,007 BEF(es\_ch\_parity2)
  - third child and more: 7,476 BEF(es\_ch\_parity3)
- If the "attributaire" is retired:

- first child: 1,494 BEF(es\_ch\_parity1)
- second child: 5,861 BEF(es\_ch\_parity2)
- third child and more: 7,726 BEF(es\_ch\_parity3)

There is also some age supplements

*Table 3: Amounts of age supplements on 1998:*

Age of the child	Amount	
	Attributaire not retired	Attributaire retired
6 - 12	940	940
12 - 18	1436	1436
+ 18	1515	1756

#### 1.1.6 GUARANTEED FAMILY ALLOWANCES IN THE SOCIAL ASSISTANCE SCHEME

In order to implement family guaranteed benefit, we need to take two things into account :

- a) The recipient child has to fulfil some age and academic conditions.
- b) The attributaire has to justify a family relationship with the recipient child.
- c) Resources analysis :  
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 guaranted family benefits are decreased. Indeed, guaranted family benefit are granted at the rate of 75%, 50% and 25%, if the households resources are respectively between 28,931BEF and 31,611BEF; 31,612 BEF and 34,292 BEF; 34,293 BEF and 36,973 BEF.  
All the resources of the claimant and of his/her spouse are taken into account. Nevertheless, some resources are exempted :
  - Maintenance payment,
  - Social assistance benefits,
  - The cadastral income of the dwelling house.
- d) We must check that the claimant has no right to family benefit in virtue of another scheme (tubenelig).
  - Employees have right to ordinary family benefit if they work at least 19 hours per week.
  - If the claimant is invalid, unemployed or pensioner, he/she has right to increased ordinary family benefit.
  - The self-employed workers have right to family benefit if their self-employed activity is their main activity.

#### Monthly amounts :

- a) Family benefits: Monthly amounts on 01.07.98 are the following:
  - first child: 4,084 BEF(es\_ch\_parity1)
  - second child: 5,861BEF(es\_ch\_parity2)
  - third child and more: 7,626BEF(es\_ch\_parity3)
- b) Age supplement: Family benefits are increased of an age supplement on 01.07.98 of:
  - children who are at least 6 years: 940 BEF (es\_ch\_parity1,2,3\_age1)
  - children who are at least 12 years: 1,436 BEF (es\_ch\_parity1,2,3\_age3)

- children who are at least 18 years: 1,756 BEF (es\_ch\_parity1,2,3\_age4)

## 1.2 INCOME SUPPORT: MINIMEX

### Eligibility conditions:

- Nationality conditions: the minimex is granted to Belgian people, and under certain conditions to European citizens, stateless and to acknowledged political refugees.
- Age conditions: minimex is granted to people of voting age. It has been expanded to persons under 18 who are emancipated by wedding, who are single with dependent children, who are pregnant.
- Residence conditions: minimex is restricted to people who have their effective residence in Belgium. Since 1995, the homeless can receive this allocation.
- Conditions for resources inadequacy: In order to benefit from income support, people must have scarce resources and must be in the impossibility to find resources. 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 who continues his studies).
- To assert one's rights to other social allocations and to food: minimex is a residual allocation. So, in order to benefit from the minimex, people have to assert their rights to allocations, from which they can benefit by virtue of social legislation. In addition, the CPAS may oblige the concerned person to assert his rights regarding some "débiteurs d'aliments" (spouse and first degree ancestry).

### Amount of Belgian income support (minimex) on 1998:

Amounts of the minimex depend on the family situation of the claimant. The minimex can be granted to the household rate, to the lonely rate or to the cohabiting 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 children and that at least one of these children is dependent on him, is under age and not married. Remain, 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 under the same roof but do not necessarily share the household management and resources.

*Table 4: Amount of Belgian income support (minimex)*

	<b>Monthly amount</b>	<b>Annual amount</b>
Lonely	20,916	250,996
Household	27,889	334,657
Cohabitant	13,944	167,328

### Implementation of the minimex :

So in order to modelled the minimex we have to look at different things :

- We have to check that the claimant is at least aged of 18 years (`ge_age1`) and has not reached the aged opening the right to pension (`ge_age2` or `ge_age3`)
- We have to check that the resources of the claimant do not exceed the amount of the minimex. All resources of the plaintiff, of the plaintiff's spouse and of the cohabitant 's partner are taken into account. In addition, in case of cohabitation, if the household head cohabits with an ancestry or a descent of first degree, we take into account the resources of the cohabiting persons, which exceeds the amount of the benefit granted at the cohabiting rate. Nevertheless, the CPAS can decide on not taking into account these resources for equity reasons.  
There is an annual exemption of 12,500 BEF for couples (`Cat1_disreg`) and for the lonely with children, 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<sup>2</sup>, maintenance and grants received for his dependent children are exempted.  
There are also some exemption for investment income (`invY_disreg_lt`) and real estate income which varies according to the family situation (`real_estateY_disreg`, `real_estateY_marr_disreg`, `real_estateY_ch_disreg`). In fact, 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.  
The minimex is an auxiliary allocation. So, if the recipient has a job, the amount of the minimex is subtracted by the amount of his wage. Nevertheless, in order to promote recipient's socioprofessional integration, a part of his professional income is exempted (`profY_ded`).
- We have to take into account the family situation of the claimant as it influences the amount of the minimex.

### 1.3 MINIMUM GUARANTEED INCOME FOR THE AGED (MGIA):

This allocation was created in 1969. It is granted to old people who don't have inadequate resources. It enables the old people who have never worked, and consequently, who have never contributed to social security, to receive an income.

#### Eligibility conditions:

- Age conditions: In order to obtain the MGIA, people must at least be aged of 65 years if it is a man and of 61 years if it is a woman.
- Nationality conditions: The MGIA is granted to Belgian people, and under certain conditions to European citizens, statelesses and to acknowledged political refugees.
- Residence conditions: The MGIA is restricted to people who have their effective residence in Belgium.

#### Amount of Belgian minimum guaranteed income for the aged (MGIA) on the 01.06.99:

Amounts of the MGIA 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;

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<sup>2</sup> CPAS: Centre Public d'Aide Sociale.

- the person who is separated from his/her spouse since at most ten years and whose the 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

*Table 5: Amount of Belgian income support for old-age persons (MGIA)*

	<b>Monthly amount</b>	<b>Annual amount</b>
Lonely	20,889	250,996
Household	27,889	334.657

Implementation of the MGIA :

- 1) We have to check the age of the claimant. The claimant must at least be aged of 65 years for man (`ge_Age2`) or 61 years for woman (`ge_Age3`).
- 2) We have to look at the family situation of the claimant as the eligibility and the amount of the MGIA depend on it.
- 3) The MGIA can only be granted after a survey on the recipient's resources. Resources of both spouses are taking into account, except in the case where both spouses have the right to lonely rate. Resources of other cohabiting persons are not taken into account.

Computation of the claimant resources :

- Professional income:

When the recipient and/or his spouse works but is not self-employed, we take into account  $\frac{3}{4}$  of the gross salary (`empY_rt`).

The professional income of the self-employed which is taken into account is the gross income decreased by the professional expenses and possibly the professional losses (`selfempY_rt`).

- Income from movable property:

Capitals are exempted if their global amount doesn't exceed 100.000 BEF (`disreg_amt`).

If claimants has a global capital amount, which exceeds 100.000 BEF, we consider that he/she receives some capital income. We estimate these incomes to :

- 4% of the first section of 200.000 BEF (`invY_disreg_lt`)
- 6% of the section between 200.001 BEF and 500.000 BEF
- 10% of the section exceeding 500.000 BEF

- Real estate income:

-Buildings : We take into account the non exempted part of the cadastral income (of all the buildings whose the claimant and/or his/her spouse are/is owner), multiplied by 3 (`rentY_disreg_amt`). The exempted part is equal to 30.000 BEF (`rentY_disreg_amt`). It is applied to the global cadastral income of all the buildings. This amount is increased of 5.000 BEF if the claimant is married (`rentY_marr_disreg_amt`). In addition, this amount is increased of 5.000 BEF for each dependent child (`rentY_ch_disreg_amt`).

-Undeveloped land : We take into account the cadastral income (of all undeveloped land whose the claimant and/or his/her spouse are/is owner ) multiplied by 9.

- Pension : We take into account 90% of the pension's amount ( *pension\_rt* )
- Some resources are exempted :
  - There is a total immunisation for family benefits, allocations of public or private assistance, for maintenance between ancestry and decent, for war income ,etc
  - There is also an annual exemption of 10.000 BEF ( *disreg\_amt* ). This exemption is equal to 12.500BEF if the recipient is a household head ( *htu\_disreg\_amt* ).

## 2 BENEFIT NOT SIMULATED BY EUROMOD

### 2.1 UNEMPLOYMENT BENEFIT :

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

#### Recipients:

In order to grant unemployment allowances

- people have to be liable to social security;
- The employee now unemployed has to justify a certain number of working days (stage's period) during a certain period (reference period) preceding the request.

*Table 6: eligibility conditions to unemployment benefit*

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

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.

#### Entitlement:

To be entitled to unemployment benefit people:

- 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 60 years for women and less than 65 years for men.

#### Amount of unemployment benefits:

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.

- 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 nor 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.

- 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.
- 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.

NB: The spouse is the person with whom the worker makes a household and who is dependent on him/her. This person can neither be a relative nor a child for who the worker or another member of the family can claim family benefits.

## 2.2 PENSION

### 2.2.1 THE RETIREMENT PENSION SCHEME

#### Eligibility conditions:

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

#### 1. Age conditions:

##### - Scheme for 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.

##### - Scheme for self-employed:

For self-employed workers, the 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%.

##### - Scheme for civil servant :

The normal retirement age is equal for men and women to 65 years old.



*Table 7: Retirement age*

	Employees		Self-employed		Civil servant	
	Normal	Anticipated	Normal	Anticipated	Normal	Anticipated
Men	65 years	60	65	60	65	Variable
Women	61	60	61	60	65	Variable

2. No professional activity:

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. The following table gives us the limits for 1998.

*Table 8: retirement pension and professional activity*

Status	Without depending children	With at least one dependent child
Employees	287.760 BEF	431.640 BEF
Self-employed	230.207 BEF	345.311 BEF

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.

Computation of the retirement pension :

1. Scheme for 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 receive 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 are inferior to this amount, the remunerations are replaced by a minimal guaranteed remuneration equal to the minimum ceiling<sup>3</sup>.

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

## 2. Scheme for civil servants:

Rather than sum up all the gross remuneration's earned during the professional career, we only take into account the gross remuneration's of the last five years. The final pension can never exceed 75% of the latest remuneration.

## 3. Scheme for self-employed workers:

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.

### 2.2.2 SURVIVOR PENSION SCHEME

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

#### Eligibility conditions:

- the recipient must be aged of 45 years old unless he/she has a dependent child or is in incapacity of work of at least 66%.
- The recipient must be married with the deceased person.
- There is a limit to the professional activity which can be practise.

#### Computation of the survivor pension:

Survivor pension = 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 benefit 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.

## 2.3 MATERNITY

### 1. Scheme for 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

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<sup>3</sup> Under some conditions

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.

2. Scheme for self-employed workers:

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.

3. Scheme for civil servants:

Maternity allowance are also payable during 15 weeks. During this period, she receive 100% of their wage.

**2.4 SICKNESS AND INVALIDITY**

1. Scheme for employees:

- Employees must have work during 120 days in a period of six months.
- Employees must have paid enough contributions.
- Employees must be in the incapacity of 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 at most one year. During the first thirty days, the recipient receives 60% of his/her wage with ceiling. From the 31th 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 depending 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.

2. Scheme for self-employed:

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 9: 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

### 3. Scheme for 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 receive 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.

## 3 TAXES AND CONTRIBUTION SIMULATED BY EUROMOD :

### 3.1 PERSONAL INCOME TAX (PIT):

#### 3.1.1 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.

#### 3.1.2 DETERMINATION OF THE NET AMOUNT OF TAXABLE INCOME:

##### 3.1.2.1 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.

- 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 amounts 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. The total deduction cannot exceed the cadastral income on which it is granted.
- 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 underlease 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%.
- Buildings leased to 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.(Charges déductibles)
- 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.

### 3.1.2.2 INCOME FROM MOVABLE PROPERTY:

Taxable income is composed of income from movable property in respect of which a tax return is obligatory because no withholding tax on movable property has been withheld at the collection of this income.

#### Income referred to:

- 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.

#### Non-taxable income from movable property: (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”.

### 3.1.2.3 MISCELLANEOUS INCOME:

These incomes have as common characteristic of not being earned in the performance of a professional activity.

- Miscellaneous income with joint assessment:  
maintenance payments related to and receive in the year in question.
- Miscellaneous income with separate assessment:  
for example:

*Table 10: Example of miscellaneous income with separate assessment*

<b>Categories of income</b>	<b>Taxable amounts</b>
Occasional profits and proceeds	Net amount minus actual expenses
Income from sporting rights	The amount received
Income from the subleasing or transfer of a lease	Total income from subleasing after deduction of actual expenses and paid rent

### 3.1.2.4 EARNED INCOME:

In the tax code, earned income refers to:

- employee’s salary;
- company directors’ remunerations;
- 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:

- Actual expenses: May be deducted, expenses the taxpayer has incurred during the assessment period with a view to acquiring or preserving taxable income, provided he can establish the reality of such expenditures.  
The deductibility of professional expenses is a general principle applied to all categories of income, including replacement income.

Example of deductible expenses:

- travel expenses from home to the place of work;
- expenses relating to real estate or parts thereof used for a commercial or professional activity;
- etc

Example of non deductible expenses:

- personal expenses;
- fines and penalties;
- expenses relating to clothing, excepted specific professional garments;
- etc.

- Standard expenses: (see `polIT_EarnCostDed_BE`)

For certain categories of earned income, the tax code provides standard expenses which substitute for actual expenses unless the latter are higher. 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 11: 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%
550,001 and more	60,500	3%

3) Exemption: from profits after expenses, we deduct exemptions granted by virtue of tax provisions in favour of investment, employment and self-employment.

4) Deduction of losses:

- Losses incurred in the current tax year: losses incurred in the course of the taxable period by a taxpayer in the context of a professional activity are deducted from profits of another activity of the same taxpayer in the same taxable period.
- Losses incurred in previous tax periods: losses incurred by the same taxpayer in the course of previous tax periods can 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`)

- Assisting spouse quota: A self-employed taxpayer who effectively receives assistance from his/her spouse can allocate to the spouse a portion of hi/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`).

- Marital quotient: The marital quotient is then calculated. It can 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 BEF (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.

*3.1.2.5 EXPENSES DEDUCTIBLE FROM TOTAL NET INCOME:*

- 1) Maintenance allowance: deduction is limited to 80% of the sums paid.
- 2) Gifts: donations made to recognised institutions are deductible, provided they amount to 1000 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.
- 3) 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.
- 4) 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.
- 5) 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. 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.
- 6) 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.

*3.1.2.6 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 and of taxable earned income, minus the expenses deductible from the total net income.

**3.1.3 COMPUTATION OF TAXES:**

General principles:

- Calculation of tax according to scale ( basic tax) (3.1.3.1)
- Deduction for dependent family member (3.1.3.2)
- Tax reduction for long-term savings and increased tax reduction for savings for house purchase (3.1.3.3)

- 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 (3.1.3.4)
- = Reduced basis tax
- Tax reduction for foreign income (3.1.3.5)
- = Principal of aggregated taxable income (ATI)
- + Tax on separately taxed income (3.1.3.6)
- = **Principal (1.3.7)**
- Withholding taxes, tax credit, advance payments and allowable items (3.1.3.8)
- + Increases for no or insufficient advance payment (3.1.3.9)
- Bonus for advance payment (3.1.3.9)
- = **National tax**
- + Additional municipal taxes (3.1.3.10)
- + Additional crisis tax (3.1.3.11)
- + Tax increases (3.1.3.12)
- = **Amount payable by or to the taxpayer**

### 3.1.3.1 TAX RATE:

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 12: Tax rate*

	Taxable income			Marginal rate
	from	to		
Tax_band1	0	253000	Tax_rate1	25%
Tax_band2	253000	335000	Tax_rate2	30%
Tax_band3	335000	478000	Tax_rate3	40%
Tax_band4	478000	1100000	Tax_rate4	45%
Tax_band5	1100000	1650000	Tax_rate5	50%
Tax_band6	1650000	2420000	Tax_rate6	52,50%
	2420000 and more		Tax_rate7	55%

### 3.1.3.2 EXEMPT INCOME AND DEDUCTION FOR DEPENDENT:

(be\_it\_FamAllwnc1+ be\_it\_FamAllwnc2)

A portion of the net global taxable income, varying according to the composition of the household, is exempt from tax. 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.

- Exempted income of the taxpayer and his/her spouse:  
Exemption for a single person: 206,000 BEF (basic\_tfa + es\_htu\_single)  
Exemption for each spouse: 162,000 BEF (basic\_tfa).
- Exemption for dependent children:  
Exemptions for dependent child are allocated by priority to the spouse with the higher tax base.



*Table 13: Exemption for dependent child*

	<b>Exemption for that child</b>	<b>Total exemption</b>
1 <sup>st</sup> child	44,000 (es_own_depch_parity1)	44,000
2 <sup>nd</sup> child	68,000 (es_own_depch_parity2)	112,000
3 <sup>rd</sup> child	141,000 (es_own_depch_parity3)	253,000
4 <sup>th</sup> child	155,000 (es_own_depch_parity4)	408,000

A disabled child counts for two.

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 has not been requested.

- Others exemptions:
  - other dependent persons: 44,000 BEF (es\_depParent)
  - disabled spouse: 44,000 BEF (es\_disabled)
  - disabled dependent persons: 44,000 BEF (es\_disabled)
  - widow(er) with dependent children: 44,000 BEF (es\_htu\_lp)
  - single parent family: 44,000 BEF (es\_htu\_lp)

Example:

A couple with three dependent children has a taxable net income of 900,000 BEF, which after all deductions (see point 1.e)), break down as follows:

- Taxpayer: 600,000 BEF
- Spouse: 300,000 BEF

The taxpayer is awarded an exemption of 418,000 BEF, which is calculated as follows:

- Exemption for the spouse: 162,000 BEF
- Exemption for the 3 dependent children: 253,000 BEF

So, the taxpayer has to pay tax on 182,000 BEF: from 418,000 BEF to 478,000 BEF, the tax rate applied is 40% and from 478,000 BEF to 600,000 BEF, the tax rate applied is 45%.

The other spouse is entitled to an exemption of 162,000 BEF. So, the other spouse has to pay tax on 138,000 BEF: from 162,000 BEF to 253,000 BEF, the tax rate applied is 25% and from 253,000 BEF to 300,000 BEF, the tax rate applied is 30%.

In order to know the amount of tax reduction, we apply the tax rates on the total amount of the exemption. In the example, the taxpayer is awarded an exemption of 418,000 BEF. So the amount of the tax reduction is equal to  $253,000 \times 0.25 + (335,000 - 253,000) \times 0.3 + (418,000 - 335,000) \times 0.4$ . This amount is deducted from basic tax.

*3.1.3.3 TAX REDUCTION FOR LONG-TERM SAVINGS AND INCREASED TAX REDUCTION FOR SAVINGS FOR HOUSE PURCHASE:*

- Tax reduction for long-term savings:

The latter applies:

- 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.

And, insofar as they do not qualify for the increased tax reduction, to savings schemes for house purchase,

- to individual life insurance premiums;
- to mortgage capital repayment.

The rate of that reduction is the adjusted average rate, which is calculated, for each spouse separately,

1. by subtracting from the basic tax, the tax relating to the exempt portion granted to that spouse,
2. by dividing the results of (1) by the aggregated taxable income of that spouse.

The rate cannot be less than 30% nor can it exceed 40%.

- Increased tax reduction for savings for house purchase:

The latter 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.

These tax reductions are subtracting from basic tax. Conditions and limits are not described here.

#### 3.1.3.4 TAX REDUCTIONS ON REPLACEMENT INCOME:

(be\_it\_repY\_tcred)

Are concerned here: pensions, payments of interests and assimilated allocations, 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.

- Basic reductions: For tax year 1999 (1998 income), the amounts of the basic reduction are:

*Table 14: Basic reduction for replacement income*

Categories of incomes	Reduction	
	Single person	Spouse
Sickness/invalidity	76,575 (sic_tc_amt_nonmarr)	86,575 (sic_tc_amt_marr)
Early retirement	108,016	118,016
Other	59,653 (pen_tc_amt_nonmarr; ue_tc_amt_nonmarr)	69,653 (pen_tc_amt_marr; ue_tc_amt_marr)

- Limitations on the reductions: The basic reduction is limited according to the amount of the net aggregate taxable income (ATI), The total reduction is maintained up to 660,000 BEF of ATI but it is progressively reduced after.
- Cases where 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: 463,866 BEF (elderly\_unemp\_lt)
  - for others forms of unemployment benefits: 420,046 BEF (replacement\_lt)
  - for sickness and invalidity insurance benefits: 466,718 BEF (sick\_lt)
  - for early retirement payments under the old system: 540,543 BEF.

### 3.1.3.5 TAX REDUCTION FOR FOREIGN INCOME:

- In the case of income exempted by international agreements, the tax relating to this income is totally deducted.
- In the case of other foreign income, the tax relating to this income is halved.

### 3.1.3.6 SEPARATE TAXATION:

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

*Table 15: Separate taxation*

<b>Separately taxable income</b>	<b>Rate</b>
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 nos 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 20% or 25%

### 3.1.3.7 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.

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

The following items are credited against the “principal”:

- 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.

These withholding taxes are not repayable.

The following withholding taxes are allowable and refundable:

- The withholding tax on income from movable property:  
In general rule dividends are subject to a withholding tax of 25% and the rate of withholding tax on interest is 15%. There are several exceptions to this general rule, based either on the nature of the financial product or on the nature of the investor.
- The withholding tax on earned income.
- The advance payments:  
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.

3.1.3.9 INCREASES AND BONUSES:

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. 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 tax year 1999, this rate is 4%.

3.1.3.10 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.

3.1.3.11 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.

3.1.3.12 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.

## 4 SOCIAL SECURITY CONTRIBUTIONS:

### 4.1 EMPLOYEES' SECURITY CONTRIBUTIONS:

#### 4.1.1 WHO ARE LIABLE TO SOCIAL SECURITY OF EMPLOYEES:

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.

Miners and merchant navy personnel bounded by a labour contract, benefit from special and independent schemes of social security.

#### 4.1.2 EXTENT OF THE LIABILITY:

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

- 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.

#### 4.1.3 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.

#### 4.1.4 RATE OF SOCIAL SECURITY CONTRIBUTIONS FOR EMPLOYEES ON 01.07.98:

*Table 16: Rate of social insurance contributions for employees*

Social security branches	In percentage of the remuneration	
	Employee contribution	Employer contribution
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. Pensions	7,50	8,86
5. Family benefits	0,00	7,00
6. Occupational disease	0,00	1,10
7. Occupational injury	0,00	0,30
8. Wage moderation	0,00	7,48
9. Annual holidays (for blue-collar workers)	0,00	15,50
10. Unemployment (supplement for company with more than 10	0,00	1,69

workers)		
11. Congé-éducation	0,00	0,04
12. Company closing		
- less than 20 workers	0,00	0,24
- more than 20 workers	0,00	0,35
13. employment fund	0,00	0,25
<b>Total employee contribution</b>	<b>13,07</b>	<b>-</b>
<b>Total employer contribution</b>		
<b>a) white collar</b>		
- less than 20 workers	-	<b>34,57</b>
- more than 20 workers	-	<b>34,68</b>
<b>b) blue collar</b>		
- less than 20 workers	-	<b>50,07</b>
- more than 20 workers	-	<b>50,18</b>

As we have seen, 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 holidays contributions for blue-collar workers).

Example of social contribution computation :

For a gross monthly salary of 60,000 BEF, an employee who is working in a company with less than 10 workers has to pay social contributions of 13,07%, (i.e. 7,842 BEF) and his/her employer has to pay social contributions of 34,57%, (i.e. 20,742 BEF). The employer will pay, every month 52,158 BEF less withholding tax on earned income, into employee's account. He will pay every quarter 85,752 BEF (i.e. 3\*(7.842+20,742)) to ONSS<sup>4</sup>. For the employer, the monthly wage cost is 80,742 BEF (i.e.60,000+20,742).

## 4.2 SELF-EMPLOYED SOCIAL SECURITY SCHEME:

### 4.2.1 WHO IS LIABLE TO SELF-EMPLOYED SOCIAL SECURITY SCHEME:

#### 1) Self-employed as main activity:

- Self-employed: a self-employed is a person who practises a professional activity in Belgium without being bound by a labour contract
- The "aidant": an "aidant" is a person who helps a self-employed worker in the practise of his/her professional activity. Nevertheless, he/she is not bound by a labour contract.

#### 2) Self employed for a complementary activity:

A person is considered as a self-employed for a complementary activity if his/her self-employed activity is practised in parallel with at least a part-time salaried activity, with studies, etc.

These two categories of workers have to be members of a mutual insurance and to a social insurance fund.

<sup>4</sup> ONSS: Office National de Sécurité Sociale.

#### 4.2.2 EXTENT OF THE LIABILITY:

A self-employed worker liable to social security scheme is entitled to receive family benefits, to sickness and invalidity insurance, to pension, and to insurance in case of collapse.

#### 4.2.3 CONSEQUENCES OF THE LIABILITY:

The liability to self-employed social security scheme is materialised by the payment of social contributions. The amounts of these contributions are not fixed. They 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 worker paid 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 gross revalued income. To obtain the gross income for 1995, professional income of the self-employed worker is increased by the amount of contributions due for this year. To obtain the gross revalued income, the gross income is multiplied by the revaluation coefficient, which represents the consumer price index.

Contributions are paid quarterly to a social insurance fund.

#### 4.2.4 RATES OF SELF-EMPLOYED SOCIAL SECURITY CONTRIBUTIONS FOR 1998:

##### 1. For self-employed as main activity:

*Table 17: Rate of self-employed social insurance contributions*

<b>A. Quarterly provisional contributions</b>	
- 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 BEF
<b>B. Definitive contributions</b>	
- From 388,444 BEF to 1,884,286 BEF	- Annual contribution: 16,70% of gross revalued income
- From 1,887,287 BEF to 2,756,223 BEF	- Annual contribution: 12,27% of gross revalued income
- If gross revalued income is between 388,445 BEF and 1,884,286 BEF	- There is an additional annual contribution of 1,200 BEF
- If gross revalued income exceeds 1,884,286 BEF	- There is an additional annual contribution of 2,400 BEF
- Minimum quarterly contribution <sup>1</sup>	- 16,218 BEF
- Maximum quarterly contribution <sup>1</sup>	- 106,016 BEF

1: These minimum and maximum amounts apply to gross revalued income which exceeds 388,445 BEF.

3. Self-employed for a complementary activity:

*Table 18: Rate of self-employed social insurance contributions*

<b>A. Quarterly provisional contributions</b>	- 1,737 BEF
<b>B. Definitive contributions:</b>	
- Gross revalued income less than 41,601 BEF	- 0 BEF
- From 41,601 BEF to 82,950 BEF	- Quarterly contribution: 1,737 BEF
- From 83,203 BEF to 1,884,286 BEF	- Annual contribution: 16,70% of gross revalued income
- From 1,884,287 BEF to 2,756,223 BEF	- Annual contribution: 12,27% of gross revalued income
- If gross revalued income is between 388,445 BEF and 1,884,286 BEF	- There is an additional annual contribution of 1,200 BEF
- If gross revalued income exceeds 1,884,286 BEF	- There is an additional annual contribution of 2,400 BEF
- Minimum quarterly contribution <sup>1</sup>	- 3,913 BEF
- Maximum quarterly contribution <sup>1</sup>	- 106,016 BEF

1: These minimum and maximum amounts apply to gross revalued income which exceeds 83,203 BEF.

3. Self-employed who have reached the retirement age:

a) Self-employed without a pension:

*Table 19: Rate of self-employed social insurance contributions*

<b>A. Quarterly provisional contributions:</b>	- 3,474 BEF
<b>B. Definitive contributions:</b>	
- Gross revalued income less than 82,950 BEF	- 0 BEF
- From 83,203 BEF to 1,884,286 BEF	- Annual contribution: 16,70% of gross revalued income
- From 1,884,287 BEF to 2,756,223 BEF	- Annual contribution: 12,27% of gross revalued income
- If gross revalued income is between 388,445 BEF and 1,884,286 BEF	- There is an additional annual contribution of 1,200 BEF
- If gross revalued income exceeds 1,884,286 BEF	- There is an additional annual contribution of 2,400 BEF
- Minimum quarterly contribution <sup>1</sup>	- 3,913 BEF
- Maximum quarterly contribution <sup>1</sup>	- 106,016 BEF

1: These minimum and maximum amounts apply to gross revalued income which exceeds 83,203 BEF.



b) Self-employed with a pension:

*Table 20: Rate of self-employed social insurance contributions*

A. <u>Quarterly provisional contributions:</u>	- 2,702 BEF
B. <u>Definitive contributions:</u>	
- Gross revalued income less important than 82,950 BEF	- 0 BEF
- From 83,203 BEF	- Annual contribution: 12,99% of gross revalued income
- If gross revalued income exceeds 388,444 BEF	- There is an additional annual contribution of 1,200 BEF
- Minimum quarterly contribution <sup>1</sup>	- 3,044 BEF
- Maximum quarterly contribution <sup>1</sup>	- 21,418 BEF
NB: The payment of pension is suspended if the professional income of self-employed who benefit from a pension allowance exceeds:	
- 520,222 BEF for survivor pension recipient aged less than 65 years.	
- 260,111 BEF for retirement recipient aged more than 65 years.	

1: These minimum and maximum amounts apply to gross revaluated income which exceeds 83,203 BEF.

### 4.3 SECURITY CONTRIBUTIONS OF WORKERS OF THE PUBLIC SERVICES

#### 4.3.1 WHO ARE LIABLE TO SOCIAL SECURITY SCHEME 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.

#### 4.3.2 LEVEL OF SOCIAL INSURANCE CONTRIBUTIONS

##### 1. Workers appointed permanently

*Table 21: Level of social insurance contributions for workers 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%

## 2. Other workers:

*Table 22: Level of social insurance contributions for other workers:*

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%

### **4.4 SECURITY CONTRIBUTIONS OF LOCAL GOVERNMENT STAFF:**

#### **4.4.1 WHO ARE LIABLE TO SOCIAL SECURITY OF LOCAL GOVERNMENT STAFF:**

- 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;
- Etc.

The administrations above-mentioned can hire statutory staff or contractor staff. As regards social security, the distinction used contrast the workers appointed permanently with all the other workers occupied in the local government.

#### **4.4.2 EXTENT OF THE LIABILITY:**

##### Workers 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.

##### Other workers occupied in the local government:

- 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 have a particular social security scheme as regards family benefits and occupational diseases.

#### 4.4.3 RATE OF SOCIAL SECURITY CONTRIBUTIONS ON 01.07.98:

Workers appointed permanently:

*Table 23: Rate of social insurance contributions for workers 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% <sup>1</sup>

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

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

Other workers occupied in the local government:

*Table 24: rate of social insurance contributions for other workers occupied in the local government*

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	8,86%	7,50%
5. Family benefits	-	5,25%
6. Occupational disease	-	0,17%
7. Wage moderation	-	6,83% <sup>1</sup>

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

The contribution basis is made up of anything which is given in return for the work.

## **5 VALUE ADDED TAX:**

This third part is based on the following document: <http://minfin.fgov.be/>

### **5.1 DEFINITION**

VAT is a tax on goods and services which is borne 'eventually' by the final consumer and which is levied in successive stages, namely at each transaction in the process of production and distribution. In view of the fact that at each stage of this process the tax paid on the inputs can be deducted, only the added value is taxed at that stage. VAT is therefore a non-cascading tax on consumption, which is paid off in instalments.

### **5.2 THE TAX LIABILITY:**

The persons liable to VAT have to charge VAT on the sales to their customers and can deduct from the VAT levied on their sales the VAT that is levied on their own purchases. They therefore only pay the tax on the value which they have added themselves.

A taxable person is anyone who, in the performance of an economic activity, carries out, in a regular and independent manner, whether on a principal or accessory basis, with or without profit motive, the supply of goods or services referred to in the VAT Code, irrespective of the place where that activity is carried on.

Public authorities and public bodies are not taxable persons for the activities which they carry on as public authorities. They are, however, liable to tax for the activities where treatment as non-taxable persons would lead to significant distortions of competition

The following persons shall also be liable to tax :

- those who, without performing an economic activity, carry on, within a given period and under certain conditions, certain transactions in respect of buildings (for example, the construction or acquisition of a building, the establishment or transfer of rights);
- those who occasionally supply a new means of transport, for a consideration and under certain conditions.

### **5.3 TAXABLE TRANSACTIONS**

#### **5.3.1 SUPPLY OF GOODS :**

A supply of goods is the transfer or assignment of the power to dispose of the goods as the owner thereof.

The term goods shall be understood to mean any tangible property including gas, electric current, heat, refrigeration and any rights in rem giving the holder thereof a right of user over immovable property.

As a rule, the tax becomes due ("taxable event") at the time of delivery of the goods.

#### **5.3.2 THE SUPPLY OF SERVICES**

A service is defined as any operation other than the supply of goods within the meaning of the VAT Code. As a rule, the taxable event occurs at the time the service is completed. The tax is then also due.

### **5.3.3 IMPORTATION :**

The term importation is used for goods that are introduced into a Member State of the EU from outside the EU. The importation takes place in the Member State of the EU within the territory of which the goods are located at the time of entry into the Community. The taxable event takes place, as a rule, in Belgium and the tax is due in this country upon importation of the goods into Belgium.

### **5.3.4 INTRA-COMMUNITY ACQUISITION OF GOODS :**

An intra-Community acquisitions of goods is the acquisition of the right to enjoy the power of ownership with respect to tangible movable property which is dispatched or transported, by or on account of the seller or the purchaser, to the purchaser in another Member State of the EU than the one from which the goods are dispatched or transported.

The taxable event takes place at the time of the intra-Community acquisition of goods and the tax is due on the 15<sup>th</sup> of the following month, unless the invoice for the delivery/acquisition was issued to the purchaser before that date.

## **5.4 EXEMPTIONS:**

### **5.4.1 EXPORTATION, IMPORTATION, INTRA-COMMUNITY DELIVERIES AND ACQUISITIONS AND INTERNATIONAL TRANSPORT:**

The following activities are exempted from VAT but do not take away from those who carry on these activities the right to deduct the VAT levied on the goods and services supplied to them:

- exportation;
- deliveries and intra-Community acquisitions of goods bound to be placed under certain customs legislation;
- intra-Community deliveries of new means of transport;
- the deliveries of gold to central bank;
- etc.

### **5.4.2 OTHER EXEMPTIONS:**

There are exempt activities for which the exemption is based mainly on cultural and social considerations and which do take away from those who carry on these activities the right to deduct VAT levied on the goods and services supplied to them.

These are mainly:

- services by notaries, public attorneys and bailiffs;
- services provided by the medical and certain paramedical professions;
- services provided by hospital and similar establishments;
- services provided by recognised educational institutions;
- etc.

## **5.5 THE TAX BASIS:**

As a rule, the tax basis of the VAT is the amount that the contracting partner of the supplier of goods or of the provider of services must pay to his supplier or provider. This amount includes also the commission, insurance and transportation costs as well as the taxes (except the VAT itself), duties and levies. The tax basis does not include, however, certain price reductions and similar discounts, deposits on packages, etc.

Special arrangements apply notably to imports, to transactions for which the price is not expressed in cash only and to the services of travel agencies (Art. 29), etc.

## **5.6 THE VAT RATES:**

The VAT is calculated on the tax basis at rates, which depend on the nature of the transaction. The VAT rates are as follows:

- 0% newspapers and certain weeklies;
- 1% gold for investment purposes;
- 6% are mainly concerned: live animals, vegetal produces, water supply, pharmaceutical products, books and certain periodicals, transport of persons, hotels, camping, etc;
- 12% plant-protection products, margarine, tyres and tubes for wheels of agricultural machines and tractors, certain solid fuels, pay television and social housing;
- 21% all goods and services subjected to VAT and not listed elsewhere.

## **5.7 SUBMISSION OF RETURNS AND PAYMENT OF THE TAX:**

The correct operation of the VAT system requires that taxable persons fulfil a number of obligations. A VAT identification number, which includes the letters BE, is assigned by the VAT Administration to taxable persons.

In addition to the application for identification and the notification of modification or cessation of an activity, most taxable persons, must in principle file a VAT return and pay every month the amount due. These periodical VAT returns mention the VAT to pay and the VAT to deduct. Only the difference is paid to the Treasury. If the VAT to be deducted is greater than the VAT due, the difference is carried over the next return.

## DATA

### **1 GENERAL DESCRIPTION**

The data used are from the sixth wave (1997) 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 samples, started in 1989, collects information on the demographic, social and economic situation of the respondents, including income, assets, labour market status etc. The PSBH follows about 7.500 individuals with four questionnaires (household, adult, child and contact). The PSBH also serves as the Belgian part of the European Community Household Panel Survey, of which the questionnaire is partly based on the one used by PSBH. More on PSBH can be found on their site (<http://www.ulg.ac.be/psbh/>).

### **2 SAMPLE SELECTION, WEIGHTING**

The variables from the PSBH sample included in the Euromod-database are described in the Data Requirements Document (DRD). The data were collected in spring 1997.

As has been documented in the DRD, from the original data households with unit missing answers that couldn't be imputed have been deleted. As a result, the dataset used contains 7.058 persons in 2.835 households, compared to 7.530 persons in 3.073 households in the original data.

The weights provided by the « Universitaire Instelling Antwerpen » are household weights, aiming to correct for selective non-response and panel attrition. These household weights have been multiplied by a grossing-up factor (1312) to obtain the total number of households. As yet, no reweighting has been applied to take into account that the deletion of households with missing information may be selective. In fact, the grossed-up number of households (4 millions) is correct, but the grossed-up number of persons (9.7 millions) is about 500,000 lower than the actual number of persons living in households in Belgium in 1998.

### **3 VARIABLE ADJUSTMENT**

The four following variables come in two sets: the employment status (*coempst* and *co0empst*), the fact of being a civil servant or not (*cocivsrv* and *co0civsrv*), the size of firm (*cofirmesz* and *co0firmesz*) and the number of hours worked (*cohours* and *co0hours*). The *coempst*, *coindust*, *cocivsrv* and *cohours* variables refer to the situation at the time of interview (spring 97) while the *co0empst*, *co0indust*, *co0civsrv* and *co0hours* variables refer to the dominant status of the past year (1996).

### **4 NET-TO-GROSS' CONVERSION**

In the PSBH questionnaire, 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 have used our national tax income model (MODETE) to compute the gross earnings of all the members of the household.

## 5 SUMMARY STATISTICS IN DATA YEAR

In tables 25 to 27 below, we compare summary statistics on employment status/activity in the data year with statistics from external data sources.

### 5.1 POPULATION

In the table A below are the numbers and proportions of the population by sex and age for the PSBH sample and as they appear in the national statistics of the National Statistics Institute (Institut National de Statistiques - INS).

*Table 25: Population by sex and age*

Population	Age	INS	INS	PSBH	PSBH
<b>Men</b>	0-19	1 243 294	12,2%	1 278 052	13,2%
	20-64	3 059 739	30,0%	2 645 029	27,2%
	65+	679 639	6,7%	728 043	7,5%
	<i>Total men</i>	<i>4 982 672</i>	<i>48,9%</i>	<i>4 651 125</i>	<i>47,9%</i>
<b>Women</b>	0-19	1 187 412	11,7%	1 203 716	12,4%
	20-64	3 023 228	29,7%	2 892 627	29,8%
	65+	998 952	9,8%	965 640	9,9%
	<i>Total women</i>	<i>5 209 592</i>	<i>51,1%</i>	<i>5 061 982</i>	<i>52,1%</i>
	<b>Total population</b>	<b>10 192 264</b>		<b>9 713 108</b>	

INS : statistiques démographiques 1997 – Institut National de Statistiques

The first remark is that the total population of the sample is lower than the population in the statistics. There is a difference of 479.156 people, 4,7 % of the total population. The proportions are rather good even if men between 20 and 64 are less represented in the sample than in the national statistics (27,2 % instead of 30,0 %). This can be important given that this class contains the largest amount of active workers.

### 5.2 CIVIL STATUS

Once more, a comparison of the population by civil status is made between the sample and the national statistics in table B. The proportions are acceptable even if single men are less represented in the sample than in the national statistics while married and separated men and women are more present.



*Table 26: Population by sex and civil status*

Civil status		INS	INS	PSBH	PSBH
<b>Men</b>	Single	2 162 359	21,2%	1 900 995	19,6%
	Married			2 299 926	23,7%
	Separated			92 075	0,9%
	Married and separated	2 433 789	23,9%	2 392 001	24,6%
	Divorced	250 671	2,5%	151 168	1,6%
	Widowed	135 853	1,3%	206 975	2,1%
<b>Women</b>	Single	1 876 186	18,4%	1 794 122	18,5%
	Married			2 296 084	23,6%
	Separated			150 914	1,6%
	Married and separated	2 439 500	23,9%	2 446 999	25,2%
	Divorced	293 522	2,9%	256 083	2,6%
	Widowed	600 384	5,9%	564 794	5,8%

INS : statistiques démographiques 1997 – Institut National de Statistiques

### 5.3 SOCIOECONOMIC STATUS

The socio-economic status of the population takes on importance as shown in table 27.

*Table 27: Population by socio-economic status*

Socio-economic status	INS	INS	PSBH	PSBH
Farmer + employer + self employed	670 284	6,6%	585 770	6,0%
Employee	2 421 442	23,8%	1 961 038	20,2%
Civil Servant	765 899	7,5%	1 097 740	11,3%
Employee + Civil Servant	3 187 341	31,3%	3 038 964	31,3%
Pensioner	2 013 349	19,8%	1 924 427	19,8%
Unemployed	469 451	4,6%	490 823	5,1%
Student	2 625 871	25,8%	2 440 074	25,1%
Inactive	744 254	7,3%	736 566	7,6%
Sick or Disabled	225 662	2,2%	150 217	1,5%
Other	253 606	2,5%	274 623	2,8%

INS : statistiques démographiques 1997 – Institut National de Statistiques

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 will have an influence in the simulated amount of social contribution as civil servants pay less contributions than employees. The other proportion seems correct.

## 6 UPDATING

To update the data to the common base year 1998, the following updating factors have been used:

*Table 28: Updating factors*

<b>Updating factors</b>		<b>Sources</b>
P_IND	1,00962078	Price index (2)
E_IND - men - blue collars	1,02095229	Hourly wages evolution – blue collars – men (1)
E_IND - women - blue collars	1,01468234	Hourly wages evolution – blue collars – women (1)
E_IND - men - white collars	1,0242497	Hourly wages evolution – white collars – men (1)
E_IND - women - white collars	1,03510104	Hourly wages evolution – white collars – women (1)
E_IND - self-employed	1,03258804	Self employed earnings evolution (2)
I_IND	1,02453271	Property income evolution (2)
R_IND	1,00962078	Price index (2)
M_IND	0,9122807	Long term interest rate (3)
Updating factor - benefit	1,01298829	Price index – « indice santé » (2)

(1) : Ministère fédéral de l'emploi et du travail

(2) : Comptes Nationaux 1998

(3) : Perspectives économiques OCDE

## VALIDATION

Below is explained the validation procedure of the monetary aggregates of the EUROMOD output. First, a review of some important data is made. Then, the results of the simulation is compared to the national statistics.

### 1 PSBH WAVE 6 SAMPLE – HEADCOUNTS

We have to remember that

- the total weighted population of the sample is lower than the population in the statistics (9.713.108 people instead of 10.192.264). This should lower all the outputs.
- the age and sex proportions are rather good even if men between 20 and 64 are less represented in the sample than in the national statistics (27,2 % instead of 30,0 %). This can be important given that this class contains the largest amount of active workers.
- concerning the civil status, the proportions are acceptable even if single men are less represented in the sample than in the national statistics while married and separated men and women are more present.
- 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 will have an influence in the simulated amount of social contribution as civil servants pay less contributions than employees.

Below is the comparison between headcounts in the EUROMOD output and in the national statistics.

*Table 29:*

	<b>EUROMOD</b>	<b>NAT.STAT.</b>
Employee Contributions to Healthcare and Sickness Insurance	4 029 681	4 291 108
Employee Contributions to Unemployment Insurance	2 363 887	2 972 218
Employee Contributions to Pensions Insurance	3 435 566	3 726 466
Self-Employed' Social Insurance Contribution	76 138	N.A.
National Income Tax	4 885 829	N.A
Property Tax	915 777	N.A
Child Birth Benefit	44 761	N.A
Child Benefit	1 278 702	1 827 227
Income Support	305 260	83 741
Income Support for the Elderly	201 205	71 893
Employer contributions to healthcare and sickness insurance	3 435 566	3 726 466
Employer contributions to unemployment insurance	2 363 887	2 972 218
Employer Contributions to Pensions Insurance	3 435 566	3 726 466
Employer contributions to disability insurance	2 363 887	2 972 218
Other Employer Contribution Payments	2 363 887	2 972 218

NAT.STAT : Comptes Nationaux 1997 – Institut des Comptes Nationaux & annuaire statistique de la Sécurité Sociale 1997 – Ministère fédéral des Affaires Sociales

As we can see, the employee and employer contributions are paid by too few people in the model while the Income Support are given to too many people.

## 2 PSBH WAVE 6 SAMPLE – MONETARY AGGREGATES

In the table 30, we compare some monetary aggregates of the sample with those who appears in the national statistics of the National Accounts Institute (Institut des Comptes Nationaux – ICN). These results are even worse than those we saw in the headcount section. One explanation is that the grossing up weights of the sample have been computed by taking into account only headcount and not monetary aggregates.

*Table 30 : Monetary aggregates – in millions of BeF*

Wages and benefits	PSBH	ICN
Employee	2 875 960	3 409 011
Self-employed	119 835	959 071
Unemployment	145 830	180 576
Anticipated pension	53 371	50 642
Pension	752 714	789 154
Sickness and invalidity	84 380	106 230
Family benefit	176 272	172 572
Minimex	1 534	17 151
Old age minimex	4 796	9 310

ICN : Comptes Nationaux 1997 – Institut des Comptes Nationaux

The aggregate wage of the employee is lower in the sample than in the statistics. The proportion of individuals who declare an employee wage (different from the proportion of people who declare to be an employee) is 35,4 % in the sample (instead of 31,3 % in the statistics) but the average wage is lower in the PSBH (837.113 BeF / year) than in the statistics (1.069.547 BeF / year). The self-employed problem is the same but even worse. It was evident from the beginning that the answers of the self-employed to the questions about their professional earnings were underestimated. It is a typical problem in the earnings sample in Belgium. The unemployment benefit is more important in the sample than in the statistics because 7,4 % declare an unemployment benefit in the PSBH while 4,6 % of the population has such a benefit in the statistics. The average benefit is quite the same in the sample and in the statistics. The other benefit aggregates (anticipated pension, pension, sickness and invalidity, family) are more or less correct. The minimex and old age minimex aggregate are less in the sample than in the statistics. This is also a common problem as people who have those benefits are reluctant to declare them.

## 3 EUROMOD SIMULATION – MONETARY AGGREGATES

The table 31 shows the simulated monetary aggregates by EUROMOD and the corresponding amounts from the national statistics. Reminding the lower wage aggregate of the sample and the overestimation of civil servant, it is not surprising that the simulated *employee contributions* are lower than in the statistics but it is really strange that the *employer contributions* are higher. The amount of *self-employed contributions* is lower and it is probably explained by the underestimation of the self-employed earnings in the sample. The *income tax* is also lower and this is probably because the earnings are lower in the sample.

than in the national statistics. *Old age minimex* is higher but there is a reason about that. In Belgium, many people have the right to ask about this benefit but doesn't ask it (mainly because they think it is a shame to ask it). *Minimex* is also higher and the reason above is also applied to this benefit but it seems here that the difference is far to high to be explained by this reason. Finally, *family benefit* seems correct.

*Table 31 : monetary aggregates*

	<b>EUROMOD</b>	<b>ICN</b>
Employer contributions	1 111 757	799 989
Employee contributions	360 822	402 793
Self-employed contributions	7 088	115 046
Income Tax	868 274	1 025 648
Property Tax	7 803	64 465
Old age minimex	27 520	9 310
Minimex	57 920	17 151
Family benefit	158 973	172 572

ICN : Comptes Nationaux 1997 – Institut des Comptes Nationaux

We have explanations for the differences for the employee contributions, the self-employed contributions, the income tax, the old age minimex and the family benefits. For the employer contributions, we do not have statistics about the different contribution (pension, disability, ...) anymore because, since 1995, the law has changed and the contributions are paid as a whole and not by type of benefit. The simulated employer contribution are always higher than those in the national statistics. This is strange because as the professional earnings are lower in the sample and the civil servant (whose employers are paying less contributions) are more represented, we should have the contrary. We don't have any explanations about this.

## 4 POVERTY INDICATORS

### 4.1 GINI INDEX

The Gini index as it appears from the EUROMOD output and from the CPS studies are :

*Table 32: gini index*

<b>EUROMOD</b>	<b>CPS</b>
0,244	0,241

CPS : Indicateurs sociaux 1976 – 1997 – Centre de Politique Sociale

The two index are quite the same.

### 4.2 POVERTY LINES

The poverty lines below are defined as 50 % of the mean equivalised household income with a OCDE equivalent scale (0,5 / 0,3).

*Table 33:poverty rates*

	<b>EUROMOD</b>	<b>CPS</b>
Households	0,096	0,071
Individuals	0,09	0,08

CPS : Indicateurs sociaux 1976 – 1997 – Centre de Politique Sociale

The poverty rates are again quite similar in the both cases.

### **4.3 QUANTILES**

The quantiles of the distribution of the equivalized disposable income are as follow :

*Table 34 : quantiles*

	<b>EUROMOD</b>	<b>CPS</b>
Quantile Point 1 (equivalised):	22 895	20 800
Quantile Point 2 (equivalised):	27 752	27 900
Quantile Point 3 (equivalised):	32 513	32 300
Quantile Point 4 (equivalised):	36 754	36 400
Quantile Point 5 (equivalised):	41 265	40 500
Quantile Point 6 (equivalised):	45 847	45 100
Quantile Point 7 (equivalised):	51 201	50 000
Quantile Point 8 (equivalised):	56 717	56 700
Quantile Point 9 (equivalised):	67 144	66 600

CPS : Indicateurs sociaux 1976 – 1997 – Centre de Politique Sociale

Again, the two distributions are similar.

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