

### Do I need to file a tax return if I own Belgian real estate ?

As house prices continue to modestly rise, **many foreigners own real estate in Belgium** as an investment property or as a second home. Although you do not need to register in Belgium to be able to own real estate, there are several **important tax consequences to consider**, if you do indeed plan to buy something here.

The tax treatment of Belgian real estate is linked to the '**cadastral income**' (*revenu cadastral/kadastraal inkomen*). This represents the **average (fictitious) annual rental value** of your property. It is the expected rental price you could receive in case you would rent it out under normal market conditions, minus a 40% flat rate expense deduction. The cadastral income is **used to determine several items** such as the annual property tax, tax on rental income, taxable benefit in kind for company provided housing and the applicable transfer tax rate when purchasing a property.

The **property tax** (*précompte immobilier/onroerende voorheffing*) is a regional tax with a local surcharge due on all types of real estate, which is levied annually. The tax is due if you are the owner or leaseholder of the property on 1 January of a given tax year, even if you were to sell the property later that year. It does not matter if you use the property yourself or rent it out. In some exceptional cases, a decrease or exemption of property tax applies.

Whether this property tax is the only tax due on your Belgian real estate depends on the factual circumstances. Even if you are not registered here, you can still be **regarded as a non-resident for tax purposes** and subject to income taxation. Any income earned in Belgium will be subject to taxation in Belgium, unless otherwise stated in the applicable tax treaty. For **real estate income** from a Belgian source, Belgium is always authorized to levy a tax.

In case you own Belgian property, but **do not rent it out**, the property tax is the only tax due. This means you are not required to file any additional tax return in Belgium.

In case **you do rent out** your Belgian real estate (either for residential or professional use), the property tax will only be the final assessment if your annual rental income **does not exceed €2,500** (this amount is never indexed). If married or living together, the amount is calculated **for each partner separately**, taking into account your matrimonial regime.

To be able to determine whether the above threshold is exceeded, you should apply the **following formula**:  $€2,500 < \text{cadastral income} \times \text{indexation (1.7863 for 2018)} \times 1.40$  (flat rate increase). Should there be **other types of Belgian source income** as well (e.g. salary, pension, etc.), you will need to file a non-resident tax return in any case, even if the real estate income is below €2,500.

We can help **determine your tax status** as a result of your Belgian real estate investment and, if necessary, handle your annual **non-resident tax filing**.