

### What are the tax consequences of working from home ?

The number of people working from home continues to grow, yet many taxpayers are not aware of the different tax consequences. If you are a company manager, a freelancer, or an employee who works from home full-time or maybe even part-time, **you can claim tax back on certain related expenses**. On the other hand, a foreign company that has a Belgian 'home office' at its disposal through one of their employees, can also have **adverse tax consequences**.

There are **several expenses you can deduct** when you work from home, such as the extra cost of heating and lighting your work area at home or the cost of buying a printer, desk, and office chair. The key thing you need to figure out is **what proportion of the floorspace** of your house or apartment **you typically use for your business**. You can then figure out what according percentage of your household costs you can claim tax relief on (e.g. repairs & renovation, insurance, real estate tax, mortgage loan interest, etc.).

If you wish to claim these expenses, it is in any case recommended that you **keep proof of the incurred costs** related to home working. Should you be audited, the tax office will not automatically accept a business expense if there are no supporting documents available. You must also be able to **show that you actually use your home as a place of business**, which might not always be that easy if you also work at your employer's office building.

On another note, when a company is making its first tentative steps abroad and decides to do so in Belgium, it often recruits one or more employees **who will mostly operate from home** and potentially visit clients or attend trade shows in Belgium or in neighboring countries. The employer **prefers to avoid the cost of opening an actual office** until they can be reasonably confident of success in the new marketplace.

However, foreign employers might not always be aware that a 'home office' can also **create a permanent establishment (PE) for tax purposes**. The foreign company could be subject to taxation in Belgium **on their unincorporated business profits**. Hence, foreign enterprises should know the tax consequences when initiating business activities in Belgium using a home office.

The key question in assessing if there is a PE is whether the home office **represents a 'fixed place of business, through which the industrial or commercial business is wholly or partly carried out'**. A determining factor is whether the home office is **at the disposal of the foreign company**. Also relevant are the type of work that is performed there, the degree of permanency, and what the employment contract allows the employee in this respect.

The **facts and circumstances** need to be considered on a case by case basis. We can assist with **optimizing your business expenses** and help foreign companies to determine and better understand the **tax consequences of allowing their employees to work from home**.