



Can directors claim a royalty from their company ?

In Belgian tax law, there is **a very favourable tax regime** for personal income resulting from the **transfer or assignment of copyrights**, provided that some specific conditions are met. While normal professional earnings are subject to the standard progressive tax rates (25% up to 50%), plus social security, this type of income is **classified as 'movable' income** up to €62,090 (tax year 2021), which is **taxed at only 15%**.

In actuality, the tax burden is even lower, because the beneficiary can benefit from **certain lump sum expense deductions** on the royalty payments. Here are the relevant deductions for **income year 2020** (tax year 2021):

Royalty income	Expense deduction	Taxable amount	Income tax due
€0 - €16,560	50% (€8,280)	€8,280	€1,242
€16,561 - €33,110	25% (€4,137.25)	€12,411.75	€1,862
€33,111 - €62,090	0%	€28,979	€4,347
> €62,091			standard progressive tax rates

If the taxpayer receives €62,090 in royalties in 2020, he will pay **a total income tax of only €7,450.88**. Any payment above that threshold is considered to be professional income, taxed at the above-mentioned progressive tax rates and subject to social security.

Initially, the intention was to limit this favourable regime to **income generated within a more 'artistic' context** (e.g. architects, graphic designers, journalists, etc.). Its scope quickly became **much wider than that** and now applies to **any type of creation that can benefit from copyright protection**. This is the case if the work is: (i) 'original' (the expression of the author's personal intellectual creation), and (ii) 'materialized' in a concrete, visible or audible form.

Keeping this in mind, **any director or manager** who **provides services through their own management company** could potentially benefit from the royalty tax scheme, as long as they are the author of some type of copyrighted work (e.g. software, PowerPoint presentation, brochure, plan, model, etc.) that is then transferred or assigned to the company on the basis of a **written licensing or intellectual property right agreement**.

While there are **no strict rules** for the maximum royalty amount a manager can claim per year, the tax authorities have come up with **some guidelines** to avoid improper use. The manager needs to earn **a minimum salary of €-45,000**, which can sometimes be lower depending on the circumstances. The royalty payable also depends on the company's **net annual turnover**.

TAXPATRIA® can assist you with implementing a **royalty payment scheme** in your company.