



## How can I deduct business expenses from my taxable income ?

In order to generate professional income, each taxpayer **will need to incur certain expenses**. You need to run a website, buy equipment and supplies, find potential customers, maybe invite them to lunch, go on business trips, educate yourself, employ staff, and so on. Business expenses are the **cost of carrying on a trade or business**.

These expenses are usually deductible if the business operates to make a profit. Whereas income is normally reported gross, **expenses will be subtracted from the gross income** by the tax office, before it is subject to taxation. This principle generally applies to companies as well as sole traders and self-employed freelancers.

In Belgian tax law, **there is no master list summing up all possible business expenses**; there is only the general principle that expenses can be deducted from your taxable income if: (1) they relate to a professional activity; (2) they were incurred or were borne during the taxable period in which they are deducted; (3) they were made to obtain or retain taxable income; (4) and the reality of the cost and the amount are justified.

There are exceptions to this rule, as some expenses are not deducted immediately, but **must be depreciated over time**. The purpose is to spread the initial price of an asset or investment over its useful life. A car, for example, can be depreciated over a period of five years.

Some deductions **may only cover a percentage of your spending**, such as expenses related to your car (75%), meals with clients (69%) or entertainment expenses (50%), while other costs remain fully deductible (100%). If you intend to set up expense categories, the **most important ones** would be: workplace/home office, supplies and equipment, travel, employment and staffing, vehicle and transport, meals, representation, and insurance.

As a business owner, you should have the reflex not to buy anything without **first considering the tax purposes** of that item or service. **Solid record-keeping** is vital for any business.

However, if you do not want to make the effort of keeping track of all your receipts or your actual business expenses are relatively minor, the tax office will always **let you apply a standard business expense deduction**. You do not need to prove the professional nature of these expenses, as it is a pre-set, lump-sum amount **automatically granted** in your tax return, depending on how high your taxable income is.

For income year 2021 (tax year 2022), for example, there is a 30% deduction on the first €16,399.98 in gross profit. The maximum amount allowed is **€4,920.00 for employees** and **€2.590,00 for company directors**. Since 2019, **self-employed freelancers** are also allowed the lump-sum expense deduction of max. €4,920.00, which was not the case before.

We can assist with **optimizing business expenses** and filing your income tax return, as well as **handle disputes with the tax office** about certain disallowed expenses.