TAXPATRIA
expatriate tax assistance

compliance guideline

How is foreign dividend income taxed in Belgium ?

If you are a **resident for tax purposes** in Belgium, that means that you are taxable here on your *worldwide* income, including any **dividend income** that you receive **from a foreign source**. Yes, even if your foreign dividends have already been taxed abroad, they are to be reported and they will be taxed all over again in Belgium.

Even if a **double tax treaty** (DTT) is in place between Belgium and the country the dividend originates from, the dividend will still be subject to both **a withholding tax (WHT) at source abroad** and an **additional income taxation in Belgium**. Although this has been challenged several times before the European Court of Justice, cross-border dividend income is indeed still subject to a *de facto* 'double' taxation.

The tax treaty itself provides **a legal basis** for this double taxation, but it also sets a **maximum WHT** that can be applied in the source country, the so-called '**preferential rate**'. If you do not inform your foreign bank or tax office abroad that you are a Belgian tax resident, the dividend income is normally subject to the standard '**domestic rate**' in the source country. By demonstrating that you are a Belgian tax resident (e.g. by submitting a tax residency certificate), you can **invoke the DTT benefit** and claim the lower 'preferential rate'. In most cases, this is a maximum rate of 15% of the gross dividend, but it can differ a bit from treaty to treaty.

If tax is withheld at source on the **gross dividend**, the **net amount** (after the foreign WHT of – for example – 15% is withheld) must then be reported in Belgium in your resident tax return. This net dividend will additionally be subject to a **flat tax rate of 30%** in Belgium.

For example, if an individual receives a **gross dividend of €100,** a (preferential) **WHT will be due abroad**, let's say it's 15% (100 - 15 = €85). For any amount withheld above this 15%, the beneficiary will need to ask for a **tax refund** in the source country (the aforementioned difference between the 'domestic rate' and the 'preferential rate'). The net dividend of €85.00 will then be reported and subject to a **30% tax in Belgium** (85 - 30% = €59.50). In other words, of every foreign gross dividend of €100, you will ultimately keep **only €59.50 in net income**.

In Belgium, a **tax exemption** applies to the first **€800.00 (income year 2021)** of dividend income earned per taxpayer. This exemption allows taxpayers to reclaim the 30% WHT previously withheld on no more than €800.00 of Belgian dividend income. For **foreign dividends**, in most cases, no Belgian WHT was deducted at source. In that case, there is no Belgian WHT to reclaim, but instead the **total dividend income to report** in the Belgian tax return **can be reduced** by an amount of €800.00 per taxpayer in order to still benefit from the exemption.

TAXPATRIA® can advise you on the **Belgian tax consequences of your foreign income** and assist you with your **personal tax filing**.