TAXPATRIA
expatriate tax assistance

compliance guideline

How is my foreign pension taxed in Belgium ?

If you are **planning to retire in Belgium** and you are entitled to one or more **pensions from a foreign source**, there are some important tax considerations to keep in mind. Retiring in Belgium can have significant tax benefits, but those building up state or occupational pensions abroad need to be aware of **the impact of Belgian taxes** on their future income.

As a general rule, Belgian tax residents are taxable in Belgium **on their worldwide earnings**, including their foreign pensions. Your becoming liable for taxation in Belgium **does not mean that you will actually pay tax in Belgium** on this foreign income. In a cross-border context, one first needs to look at the **relevant double tax treaty** (DTT) to determine whether Belgium is authorized to tax the foreign pension income. Subsequently, Belgian **domestic tax law** is applied to determine the amount of tax due (if any).

Traditionally, pensions (and other similar remunerations) in consideration of **past private employment** are taxable in the beneficiary's **country of residence**. If this person resides in Belgium after retirement, the pension is taxable in Belgium. In more recently negotiated tax treaties, the right to tax is often given to **the source country**, e.g. where the pension fund is established. **Government and civil service pensions** are almost always taxed at source. This is often extended to payments made under the **social security legislation** of that state.

If the foreign pension is taxable abroad according to the DTT, it will be **exempt from taxation** in Belgium under **the so-called 'progression rule'**. That means you will not pay any Belgian tax on the foreign pension, but it will increase the average tax rate applying to your other income taxable in Belgium. In some cases, **a local (municipal) tax** additionally applies at rates varying from 0% to 9%, depending on your municipality in Belgium.

If the relevant DTT gives the right to tax to Belgium, the next step is to determine how the Belgian authorities would tax the foreign pension **according to our local pension regulations**. Our rules on pension taxation **are complex**, even more so for pensions that cannot always be classified according to our domestic pension rules.

In general, if a pension is paid out as a **monthly or periodical interest**, it qualifies as (deferred) professional income and is taxable at the **progressive tax rates** from 25% up to 50%. Any extra-legal pension that supplements the statutory pension can also be paid out as a **capital lump-sum distribution** with a tax rate as low as 10%. If you buy **a life-time annuity** instead, you will be taxed annually at a rate of 0.9% of the surrendered capital.

In exceptional cases, pension capital can even **be fully tax-exempt** if the contributions were made during the career to the 'individual and definitive benefit' of the employee.

We can assist you in determining the **tax treatment of your foreign pension(s)** and help you better understand the **tax consequences of your planned retirement** in Belgium.