Do I also need to pay communal tax on foreign income ?

Every Belgian municipality (*'commune'*) may subject its residents to an **additional surcharge** on their personal income tax. This tax is calculated by applying a percentage to the **basic personal income tax**. The **rates vary from 0% to 9%** depending on the municipality where the taxpayer is **registered on 1 January following the income year**. The amount due is typically settled every year via the **personal income tax assessment** and not via a separate tax bill.

The communal tax is a **mandatory contribution** to cover the general expenses of a city or municipality. Its purpose is to **finance local public services** like law enforcement, social assistance, housing, education and so on. In the straightforward situation where the taxpayer **lives and works in Belgium**, it is obvious that the earnings will be subject to the communal tax. For **example**, if an employee lives in the Brussels capital and earns a taxable salary of let's say € 50,000 p.a. on which they need to pay an income tax of approx. € 13,000, there will be an additional communal tax due of € 780 (or 6% of € 13,000).

However, in case of a **cross-border employment,** things can become more complex. Cross-border workers are typically **obliged to pay income tax in the country where they earn an income**, but their ultimate tax filing responsibility is with Belgium, as their country of tax residency. This is where the double taxation agreement (DTA) becomes relevant. The DTA **will prevent double taxation** by ultimately allowing **only one country to tax your salary** and allowing you a tax exemption (or a tax credit) in the other.

In the scenario that Belgium **exempts your foreign salary** from Belgian income tax, this **does not automatically mean** that you will **also be exempt** from the communal surcharge. The latter will be due but only **if the DTA explicitly provides for this**. If the tax treaty stipulates this, a communal tax will be calculated as if the foreign employment income was fully taxable in Belgium.

Traditionally, the DTAs with the **Netherlands, France, Germany,** the **United Kingdom, and Switzerland** include a clause that allows the additional communal tax to be levied. This provision has also been included in more recently (re)negotiated DTAs with countries like **Bahrain, China, Congo, Japan, Mexico, Norway, Poland, Rwanda, San Marino, Singapore, and Uruguay**. If your professional income **does not** originate from a country in this list, then **no communal taxes** can be charged by your Belgian municipality.

For **non-resident taxpayers**, it is not relevant where exactly they live in Belgium, as they are **automatically subject** to an (average) **surcharge of 7%**. This surcharge also applies if the taxpayer **does not actually live in Belgium**, but only earns income from a Belgian source.

TAXPATRIA® can assist you in analysing the tax consequences of **your employment situation** and help you to better understand the potential tax liability of **cross-border working**.