



How are Exchange Traded Funds (ETFs) taxed in Belgium ?

An **Exchange Traded Fund (ETF)** is a type of security that tracks an underlying index (sector, commodity, or other asset). This makes them **similar to mutual funds**, but they can easily be traded on an exchange like **regular stock**. Investors can access dozens or even hundreds of **stocks or bonds** in a single ETF. Because they are a type of investment that offers the best of both worlds to investors, ETFs have become **increasingly popular**.

ETFs do **not** require a minimum investment and they are a good way to **diversify** your portfolio. You can choose from **a wide variety** of ETFs and they can be used to gain exposure to almost **any market** or **any industry sector** in the world. Another benefit is that they are considered a **low-cost investment**. They may be subject to **commission fees** from brokers, but these are sometimes waived completely. ETFs are also **more tax efficient** than traditional mutual funds, but in some cases, there may be **capital gain distributions** to consider.

If you are a **Belgian resident**, you will obviously be interested to know the **tax consequences** of investing in ETFs. There are several taxes to consider in that case.

There is the **stock exchange transaction tax (TST)** that will be due every time you **buy or sell ETFs**. In general, that tax applies to both **resident and non-resident** taxpayers that trade **Belgian or foreign** financial instruments via a **Belgian bank or broker**. The transaction tax will be deducted at source in that scenario. Resident taxpayers that invest via a **foreign broker** will need to report the transactions and pay the tax spontaneously to the Belgian authorities.

The **applicable tax rate** will depend on the **type of ETF** and where the tracker is **registered**. For (distribution) ETFs that pay out a coupon/dividend and that are registered in **Belgium**, the tax rate amounts to **0.12%** of the transaction amount. This rate also applies if the ETF is registered elsewhere in the **European Economic Area (EEA)**. For ETFs that are registered in Belgium and whose proceeds are reinvested (capitalization), the rate is **1.32%** instead. For ETFs that are **not** registered in the EEA, the tax rate amounts to **0.35%**.

Furthermore, distribution ETFs will be subject to a **30% withholding tax** at source in Belgium. For ETFs acquired through a foreign broker, the **30% dividend tax** will need to be settled afterwards via your Belgian income tax filing. For this reason, investors can opt for **capitalization funds** instead. If dividends are not paid out and reinvested, the dividend tax can be avoided. The rule in Belgium is that any **capital gains** realized upon sale afterwards, remain completely **tax-free**.

An exception to this is the so-called '**Reynders tax**', introduced back in 2006. Any type of fund that consist of at least 10% in bonds, will be subject to a **30% tax upon sale** of the fund. Both **interest and capital gains** ('Taxable Income per Share') are taxable. Specific conditions apply.

If you are currently investing in **ETFs or other financial products**, TAXPATRIA® can advise you on the **Belgian tax implications** and make sure you are **fully compliant**.