



How is my US Individual Retirement Account taxed in Belgium ?

If you are planning to **retire in Belgium** and you have one or more **Individual Retirement Accounts** (IRAs) in the US, there are some important tax considerations to keep in mind. Those building up occupational pensions abroad need to be aware of the **impact of Belgian taxes** on their future income.

An IRA is a **personal savings plan** that allows you to save for retirement with **tax-free growth** or on a **tax-deferred basis**. Types of IRAs include *traditional IRAs*, *Roth IRAs*, *Simplified Employee Pension (SEP) IRAs*, and *Savings Incentive Match Plan for Employees (SIMPLE) IRAs*. An IRA is a **long-term savings account** that is designed primarily for self-employed people who do **not have access** to workplace retirement accounts such as the 401(k), which is available only through employers. With a **traditional IRA** you pay no taxes on its earnings until retirement, when withdrawals are taxed as income. Contributions to a **Roth IRA** have typically already been taxed, which normally results in tax-free withdrawals at retirement. You can also have the option to **roll over your contributions** from an employer-sponsored plan, such as a 401(k) or 403(b), into an IRA. Whether there will be tax consequences in that case depends on the type of **rollover**.

Generally, 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 have to pay tax in Belgium** on your US income. In a cross-border context, one first needs to look at the **Double Taxation Agreement** (DTA) with the US to determine whether Belgium is authorized to tax the US pension income. Subsequently, Belgian **domestic tax law** is applied to determine the amount of tax due (if any).

According to Article 17(1)(a) of the US-BE DTA, pensions and other similar remunerations in consideration of **past private employment** are taxable in the **beneficiary's country of residence**. This means that if an US pension is paid out to an US citizen living in Belgium, this is **taxable in Belgium** and vice versa. As a result, any distribution from a traditional IRA at retirement would be subject to **income taxation in Belgium**.

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%. Distributions from a **Roth IRA** or a **post-tax retirement account**, should normally **remain exempt from tax** in Belgium on the basis of Article 17(1)(b) US-BE DTA. Belgian tax residents are exempt from tax in Belgium to the same extent the distribution would be exempt from tax in the US when **received by a US resident**.

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