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## What are the conditions for paying 20% corporate tax in Belgium?

Belgium is known for having some of the **highest income tax rates** in the world. As part of the 'tax shift', the government has taken several steps in recent years **to increase our country's overall competitiveness**. Sole traders and freelancers still pay the (higher) individual tax rates (25%-50%), but if you own a company in Belgium, you will pay a corporate tax. We used to have a standard corporate tax rate of 34%, but this has been **reduced to 25%** since 2020. As of 2020, the additional 3% **crisis surcharge** no longer applies either.

**Small and medium-sized enterprises** (SMEs) can even benefit from **a reduced rate of 20%** on the **first € 100k** of taxable profit (any amount above that is still taxed at 25%). This reduced rate is subject to **certain conditions**:

**1.** Before your company **qualifies as an 'SME'**, it must not exceed more than one of the following criteria in its two most recent financial years: (i) (on average) max. 50 FTE (*full-time equivalent*) employees; (ii) an annual turn-over of max. € 9m (excl. VAT); and (iii) a balance sheet total of max. € 4.5m. If your company is part of a **group of companies**, these conditions apply **on a consolidated basis**. So-called '**micro companies**' obviously qualify for the reduced rate as well (i.e. max. 10 FTE employees, € 700k turnover and € 350k balance sheet total).

**2.** The company must also pay **a salary of at least € 45k** per year to (at least one) company manager to be eligible for the lower tax rate. **Taxable benefits** such as a company car, housing, etc. are considered for this as well, but distributions made to other companies do not qualify. The **penalty tax** they initially put in place on the difference between € 45k and the remuneration actually paid out, was **abolished in 2019** and no longer applies.

The idea behind this **minimum salary requirement** is that you pay more personal income tax and social security contributions instead. The gross salary **can be less than € 45k** but should at least **be equal to** the company's taxable profits. **Start-ups are exempt** from this requirement during **the first four years**, so they will automatically be entitled to the 20% tax rate.

**3.** At least 50% of the company's shares must also be **owned by one or more private individuals**. If the shares are **held by other companies**, the company cannot benefit from the reduced corporate tax rate.

**4.** If you invested **in shares** through your company (e.g. directly or via a securities account with your bank), the total investment value **must not exceed 50% of your company's equity**. So-called **investment companies** such as '*Undertakings for Collective Investment*' and '*Regulated Real Estate Companies*' **never** qualify for the reduced rate.

TAXPATRIA® can check if you are eligible for the **reduced rate** and further assist you with the **tax filing and accounting services** for your Belgian company.