

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.

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. € 11.25m (excl. VAT); and (iii) a balance sheet total of max. € 6m. 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 € 50 000** per year (2026) to (at least one) company manager to be eligible for the lower tax rate. **Taxable benefits in kind**, such as a company car or housing, may also be considered for this threshold. However, they are **disregarded** if their **value exceeds 20%** of the total remuneration granted. **Distributions or payments** made to other companies do not qualify as eligible remuneration.

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 € 50 000** but should at least **be equal to** the company's taxable profits. **Start-ups are exempt** from this requirement during **the first 4 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.