



## 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 **incorporation and tax filing services** for your Belgian company.