

January, 2024

What is the benefit of registering a branch office in Belgium ?

Are you planning to expand your business to Belgium? Or have you received an interesting job offer to work as an independent contractor for a Belgian end client? In both cases, you may want to consider **registering a branch office** instead of a Belgian subsidiary.

Belgian individual tax rates range from 25% to a top rate of 50% (excl. local taxes and social security). That means it often makes sense **to provide your services through a company** rather than to pay tax on your total earnings as a private individual. The corporate tax rate in Belgium was brought to 29% in 2018 and is further reduced to 25% since 2020. In some conditions, **SMEs can even benefit from a tax rate of 20%** on the first €100,000 taxable profit.

If you are convinced of the benefits and have decided to move forward with a **corporate structure**, the most logical step would be **to incorporate a Belgian subsidiary**. Depending on the type of entity you choose, setting up a company in Belgium does involve **quite a few administrative steps before you are fully operational** (e.g. public notary, share capital, financial plan, etc.). Also, at closing, there are **several hurdles to overcome** (e.g. audit report, etc.).

Therefore, registering a Belgian branch office **can be a viable alternative**. Branching is particularly widespread in banking and other financial institutions but is basically open to any foreign business looking to establish itself in Belgium. Setting up a branch will **significantly reduce the level of administrative 'red tape'** and minimize your start-up costs. The head office abroad would only need to issue a **formal decision** to open a Belgian branch and appoint a legal representative to manage it. An extract of that decision needs to be **filed with the company court in Belgium** and shortly after you will be up and running. Although physically separate from the company's main office abroad, a branch **does not constitute a separate legal entity**. Consequently, the head office **will remain fully liable** for the branch office's operations.

If the foreign company operates in Belgium through a branch, this would usually qualify as **a permanent establishment (PE) for tax purposes**. This implies that any income that is 'attributable' to the branch will also be taxable in Belgium. Any expenses incurred in the operations of the branch are in general also tax-deductible. The branch will need to comply with **Belgian accounting standards** and must normally **register for VAT purposes in Belgium**.

From a **profit repatriation perspective** there are also several important considerations. While dividends are generally subject to a withholding tax in Belgium, any **profit repatriated** by a Belgian branch to its main office abroad will – as a rule – **be exempt from withholding tax**. On the other hand, a branch office might **not always have access to treaty benefits**, so you would **need to check the tax treatment abroad** of any branch profits remitted to the head office.

TAXPATRIA® assist you with the **registration of your Belgian branch**, as well as any relevant **accounting, VAT filing** and **corporate tax filing** requirements.