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## When is Rental Income taxed as Business Income ?

If you own one or more **Belgian real properties**, the income you generate from renting it out is generally taxed as **personal real estate income**. This is the case for long-term lease, as well as short-term, for example, via Airbnb. However, there are also situations in which it can be taxed as **business income** instead.

If you rent out a building and the tenant is a **private individual** who does **not** use the building for **business purposes**, the taxable income is equal to the **indexed cadastral income (CI) multiplied by 1.4**. If the tenant uses the building **professionally**, the taxable amount is the total gross rent received minus 40% for expenses, up to a maximum of  $2/3^{\text{rd}}$  of the so-called 'Revalorized CI'. This Revalorized CI is the **non-indexed CI multiplied by 5.46** (tax year 2025). A building is considered to be used professionally when the tenant is a **company** or a private individual who deducts (part of) the rent as a **business expense**.

The real estate income is taxed at the **standard progressive tax rates** (25% up to 50%), similar to salary or other business income. **No social contributions** are due on rental income. In general, property income in Belgium is **taxed less** compared to other categories of professional income. This is because the taxable amount in case of **residential use** of the building is fixed on a **flat-rate basis** (the CI), **irrespective** of the total rent amount you collect every year.

Rental income can only be taxed as **business income** if renting out property is indeed your profession. In this case, the total rent received minus the related expenses to acquire or maintain the property, is **taxable as profit** and subject to **social contributions**.

Every business activity involves a set of operations **beyond** the *normal management of your privately held assets* that are sufficiently **numerous and interconnected** to create a **regular and ongoing** activity. Whether this applies is a matter of fact that must be assessed **case by case**. It would have been easier if the law would stipulate **precise criteria**, like the number of properties rented out. This is currently not the case, which may give rise to disputes.

Facts that typically indicate a **business activity** include (i) a **connection** between the rental activity and your **regular profession** or the **use of a company** held by you that owns the properties; (ii) financing the property purchase and renovations **with a bank loan**; (iii) the **time and organization** you devote to renting; and (iv) renting out **multiple properties**. If only **one or two** of these criteria apply, there is a good chance that tax court will rule there is **no** business activity. However, if **at least three** of the above facts are present, it is very likely that they will consider the rental a business activity.

TAXPATRIA® can advise you on the **tax and social security implications** of renting out real estate and make sure you are **fully compliant** when doing so.