

Update on Personal tax reform

The tax reform proposed by
Finance Minister Van
Peteghem



Speakers



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Agenda

1. Timeline
2. General measures
3. Warrant plans
4. Pensions
5. Company cars
6. Q&A



1. Timeline

April 2021

Minister of Finance Van Peteghem requested experts under coordination of Professor and Delanote to prepare a first draft for a tax reform in Belgium

June 2022

Professor Delanote presented the draft note on a potential tax reform, mainly focused on individual income tax, with some corporate tax aspects as well as some so-called “green taxes”.

July 2022

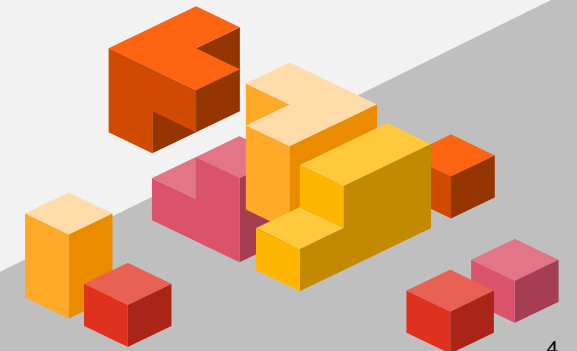
Minister Van Peteghem publishes his own blueprint on the tax reform. In this blueprint the Minister proposes a dual income tax system whereby a difference is between activity income and income on capital is maintained.

October 2022

The blueprint was proposed for discussion purposes during the budget negotiations.

March 2023

Draft texts of pre-proposal of tax reform



2. General measures

Topic	Proposal
Tax free amount	The tax-free allowance is the part of the income that is not taxed. The proposal is to increase it from EUR 10,160 to EUR 13,500 . The mechanism of transferring the tax-free allowance would stay. Each child increases the tax free amount for the same amount (i.e. no longer a differentiation between the children).
Modification of tax rates	The existing rate of 45% would apply until an income of €60.000 instead of €46.440 (starting at an income of €26.830).
Work bonus	The work bonus encourages work, but today it is reduced too quickly as income rises. This results in a promotion trap. Extending the work bonus to the median wage would partially solve this problem. This part is still pending.
Abolishment marital quotient	Severely limited in income year 2024 and fully abolished for active individuals as from income year 2025 .
Childcare allowance	Increased from €15,7 per day (2023) to €24,7 (2025)
Benefits in kind	Assimilation of the taxable benefit for income tax and social tax (disposal of house/apartment, reimbursement of energy, etc). No modification for company cars.
Abolishment of long term saving and increased pension savings	Long term saving no longer possible for contracts concluded after first of January 2024. Also the increased pension saving (i.e. above €990 until €1.270) for which a reduction of 25% exists would be abolished .

3. Warrant plans

Introduction

- Common practise to pay out bonuses in warrants instead of cash.
- No social security contributions (25% employer and 13.07% employee) - only income tax (53.5%)
- No vacation pay / not taken into account for pensionable salary for legal pension (1st pillar)

Proposal

- options/warrants need to be on company shares: you can organise a bonus warrant plan on company shares instead of on a financial product (not an issue)
- options/warrants cannot be sold/transferred: not the intention to actually exercise the warrants so this blocks these plans (issue)

Points of discussion

- Are there alternatives available (limited possibilities) and does the company wish to offer these?
- Will the company increase the bonuses (and cost) to ensure employees do not lose purchasing power or not?
- What is the impact of other proposed tax decreases (increase of the 45% tax bracket and the tax free lump sum) on the actual net amount?



3. Warrant plans (example with a tax rate of 50% and 7% of communal tax)

Warrants	
Bonus	1.426,68
Income tax	-763,27
Net	663,41
Net ratio 46,5%	

Cash	
Employer soc. sec.	270,00
Bonus	1.000,00
Employee soc. sec.	-130,70
Taxable	869,30
Income tax	-465,08
Net	404,22
Single HP	80,01
Double HP	70,83
Additional HP	5,83
Subtotal	156,68
Employee soc. sec.	-19,72
Taxable	136,96
Income tax	-73,28
Net	63,69
Total employer cost	1.426,68
Total net	467,91
Net ratio 32,8%	

4. Pensions

Topic	Proposal
80% limit	80%-limit fully abolished. Currently you are able to tax efficiently accrue a pension equal to 80% of your last regular salary (expressed in an annuity). The premiums which lead to a higher accrual are disallowed expenses for the company.
Maximum premium	<p>The minimum of:</p> <ul style="list-style-type: none"> • 12% x S1 + 32% x S2 (S1 = €72k) • 25% x S (relevant as from €200k) <p>S is the gross salary prior to deduction of social security contributions. If the maximum premium is exceeded the excess is taxed in the hands of the employee. WAP/LPC premiums would be exempt from the above mentioned limit.</p>
Back service	Maximum 10 years and only taking into account the years worked in the company .
Bonus pension plans	Amounts will be limited to the maximum premium taking into account other plans within the company.
Defined benefit pension plans	Transitional regime allowing for higher premiums to be paid. However the transitional regime is insufficient in duration due to the way defined benefit plans are funded in Belgium.
Tax rate	Intention of the Minister of Pensions to tax the “higher pensions” at a higher rate.

Date	DB premium limit
< 1/1/2028	None
> 1/1/2028	50%
> 1/1/2031	40%
> 1/1/2034	32.5%
> 1/1/2037	25%
> 1/1/2043	New limit

5. Company cars

Upcoming changes - Corporate income tax



Tax deductibility - Carbon emission cars

Check date of purchase, lease or rent



Before 1 July 2023 current rules apply

$120\% - (0,5\% \times \text{coefficient} \times \text{gr CO}_2/\text{km})$



Between 1 July 2023 and 31 December 2025 (transition regime)

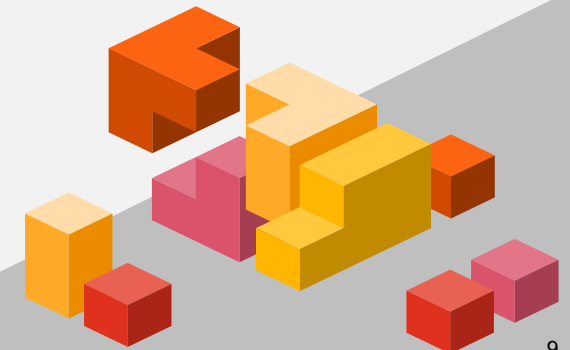
Tax deductibility decreases over time by introducing different maximum and minimum

	2023	2024	2025	2026	2027	2028
Maximum	100%	100%	75%	50%	25%	0%
Minimum	50%	50%	0%	0%	0%	0%



As from 1 January 2026

Costs carbon emission cars no longer tax deductible



5. Company cars

Upcoming changes - Corporate income tax



Tax deductibility - Zero emission cars

- Currently zero emission cars are 100% tax deductible
- As from 2026 **only zero emission cars** will be tax deductible
- As from 2027, the deduction rate will **decrease** and will be capped

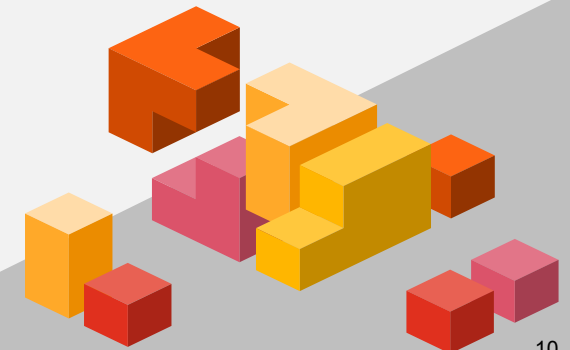
Tax deductibility rates	
In 2026	100%
In 2027	95%
In 2028	90%
In 2029	82,5%
In 2030	75%
In 2031	67,5%



Tax deductibility - Deduction of fuel cost

Hybrid company cars purchased as from 1 January 2023:

- Tax deductibility of gasoline or diesel fuel costs will be **limited** to 50%
- To encourage the driving in **electric mode**
- Also applicable for the so called **fake hybrid** cars
- As from 1 January 2026: tax deductibility **abolished**



5. Company cars

Upcoming changes - Legal framework



Tax incentives to expand the charging infrastructure in Belgium

- Investment for charging station at home: tax reduction in the personal income tax return
- Company costs for **public charging station**: increased tax deduction



Companies

Increased tax deduction

- Investment between 1 September 2021 and 31 December 2022*: **200%**
- Investment between 1 January 2023* and 31 August 2024: **150%**
- As from September 2024: **100%**

*already announced by the Minister that the 200% deduction will be prolonged until 31 March 2023. However still waiting for legislation.



Individuals (Property owners or tenants)

Tax reduction rate

Monthly lease cost including TVA and fuel cost

- Investment between 1 September 2021 and 31 December 2022: **45%**
- Investment between 1 January 2023 and 31 December 2023: **30%**
- Investment between 1 January 2024 and 31 August 2024: **15%**
- Absolute maximum: **EUR 1.500**

Q&A



Thank

you!



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