



# Belgium

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## 1. Types of tax

According to Belgian law, the transfer of property for nil consideration is subject to either inheritance tax or gift tax, mainly depending on whether the transfer takes place before or after the death of the donor/testator.

### 1.1 Inheritance tax

Belgian inheritance tax is levied on the transfer of property upon the testator's death. It consists of two types of taxes: succession tax and transfer tax.

#### Succession tax

Succession tax (*successierechten* or *droits de succession*) is levied on an inheritance (worldwide estate) received from a Belgian resident. Whether a person is considered to be a Belgian resident is a factual matter that requires careful evaluation in every single case. The resident status of the beneficiary of the inheritance is irrelevant to determine whether the inheritance is subject to Belgian succession tax.

#### Transfer tax

Transfer tax (*recht van overgang bij overlijden* or *droit de mutation par décès*) is levied on the transfer of Belgian real estate upon death, when the deceased is not a resident of Belgium. Transfer tax is only applicable to Belgian immovable goods. The resident status of the beneficiary is irrelevant to determine whether the transfer is subject to Belgian transfer tax.

## 1.2 Gift tax

Gift tax (*schenkelasting* or *droit de donation*) is levied in the form of registration duties (*registratierecht* or *droit d'enregistrement*) on the donation of movable or immovable property during the lifetime of the donor.

Registration is only required for donations made by virtue of a Belgian notarial deed. Unlike the donation of movable property, the donation of Belgian immovable property inevitably needs to be established in a notarial deed.

Registration is not required for the donation of real estate located outside Belgium or for the donation of movable property if these donations are not made by virtue of a Belgian notarial deed. In such a case, gift tax is due only when the gift is voluntarily submitted to be registered for tax purposes.

It is important to note that donations that took place within a three-year period prior to the donor's death will be subject to the higher inheritance taxes if the donations have not been registered in Belgium and thus no gift tax has been paid, as long as the donor is a Belgian resident at the time of his or her death. For the donation of family businesses located in the Flemish region, a seven-year period is sometimes applicable.

## 1.3 Real estate transfer duty

In case of transfer of Belgian real estate by donation or upon death, no real estate transfer duty is levied above the gift or inheritance tax due.

The transfer of Belgian real estate in return for payment, as well as the transfer of most of the real estate rights in return for payment is, in principle, subject to a real estate transfer duty.

## 1.4 Endowment tax

There is no endowment tax in Belgium.

## 1.5 Net wealth tax

There is no net wealth tax in Belgium. However, in 2018 a new tax of 0.15% per year on securities accounts has been introduced by the Belgian Government. The tax applies to accounts containing securities (shares, bonds, certificates, investment funds). As soon as the balance of the accounts reaches or exceeds EUR500,000 (per holder) a tax of 0.15% becomes applicable on the total amount. Belgian tax residents who have securities accounts in Belgium as well as abroad, and nonresidents who hold securities accounts within a Belgian financial institution are subject to the tax.

# 2. Who is liable?

## Succession tax

In principle, the beneficiary of the inheritance is liable for the succession tax, whether or not he or she is a resident of Belgium.

Succession tax is due on the worldwide property of the testator, who is considered to be a Belgian resident at the time of his or her death.

Under Belgian law, the deceased person is to be considered a resident if he or she has his or her effective residence in Belgium immediately prior to his or her death. If one is registered in the civil register of a Belgian city, he or she will be deemed a Belgian resident. Proof of the contrary is still possible. The place of effective residence is the place where an individual has his or her permanent home (i.e., where the family is living) or where an individual has his or her center of economic interest (i.e., place from where an individual manages bank accounts, investments, business and properties).

### Transfer tax

Transfer tax is due on the transfer of Belgian immovable property of the testator if the deceased is considered to be a nonresident for tax purposes at the time of his or her death.

The beneficiary of the Belgian real estate is liable, in principle, for the transfer tax whether or not he or she is a resident of Belgium.

### Gift tax

Gift tax is due, in principle, by the beneficiary of the gift. However, it is accepted in certain cases that the donor pays the gift tax without it being a supplementary gift.

### Real estate transfer duty

Real estate transfer duty is, in principle, due by the purchaser.

## 3. Rates

### Succession tax

The applicable tax rates vary depending on the region, the beneficiary and the taxable amount.

#### Brussels capital region

For spouse, legal cohabitant and direct ascendant or descendant of the deceased		
Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR50,000	3%	EUR0
EUR50,000.01-EUR100,000	8%	EUR1,500
EUR100,000.01-EUR175,000	9%	EUR5,500
EUR175,000.01-EUR250,000	18%	EUR12,250
EUR250,000.01-EUR500,000	24%	EUR25,750
EUR500,000.01 and above	30%	EUR85,750

For brothers and sisters of the deceased		
Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR12,500	20%	EUR0
EUR12,500.01-EUR25,000	25%	EUR2,500
EUR25,000.01-EUR50,000	30%	EUR5,625
EUR50,000.01-EUR100,000	40%	EUR13,125
EUR100,000.01-EUR175,000	55%	EUR33,125
EUR175,000.01-EUR250,000	60%	EUR74,375
EUR250,000.01 and above	65%	EUR119,375

**For uncles, aunts, nieces and nephews of the deceased**

Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR50,000	35%	EUR0
EUR50,000.01-EUR100,000	50%	EUR17,500
EUR100,000.01-EUR175,000	60%	EUR42,500
EUR175,000.01 and above	70%	EUR87,500

**Any other persons**

Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR50,000	40%	EUR0
EUR50,000.01-EUR75,000	55%	EUR20,000
EUR75,000.01-EUR175,000	65%	EUR33,750
EUR175,000.01 and above	80%	EUR98,750

**Flemish region****For spouse, cohabitant and direct ascendant or descendant of the deceased**

Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR50,000	3%	EUR0
EUR50,000.01-EUR250,000	9%	EUR1,500
EUR250,000.01 and above	27%	EUR19,500

**For brothers and sisters of the deceased**

Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR35,000	25%	EUR0
EUR35,000.01-EUR75,000	30%	EUR8,750
EUR75,000.01 and above	55%	EUR20,750

**Any other persons**

Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR35,000	25%	EUR0
EUR35,000.01-EUR75,000	45%	EUR8,750
EUR75,000.01 and above	55%	EUR26,750

## Walloon region

For spouse, legal cohabitant and direct ascendant or descendant of the deceased		
Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR12,500	3%	EUR0
EUR12,500.01-EUR25,000	4%	EUR375
EUR25,000.01-EUR50,000	5%	EUR875
EUR50,000.01-EUR100,000	7%	EUR2,125
EUR100,000.01-EUR150,000	10%	EUR5,625
EUR150,000.01-EUR200,000	14%	EUR10,625
EUR200,000.01-EUR250,000	18%	EUR17,625
EUR250,000.01-EUR500,000	24%	EUR26,625
EUR500,000.01 and above	30%	EUR86,625

For brothers and sisters of the deceased		
Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR12,500	20%	EUR0
EUR12,500.01-EUR25,000	25%	EUR2,500
EUR25,000.01-EUR75,000	35%	EUR5,625
EUR75,000.01-EUR175,000	50%	EUR23,125
EUR175,000.01 and above	65%	EUR73,125

For uncles, aunts, nieces and nephews of the deceased		
Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR12,500	25%	EUR0
EUR12,500.01-EUR25,000	30%	EUR3,125
EUR25,000.01-EUR75,000	40%	EUR6,875
EUR75,000.01-EUR175,000	55%	EUR26,875
EUR175,000.01 and above	70%	EUR81,875

Any other persons		
Taxable amount (EUR)	Tax rate	Inheritance tax due on the previous amount(s) (EUR)
EUR0.01-EUR12,500	30%	EUR0
EUR12,500.01-EUR25,000	35%	EUR3,750
EUR25,000.01-EUR75,000	60%	EUR8,125
EUR75,000.01 and above	80%	EUR38,125

### Transfer tax

The transfer tax rates are similar to the succession tax rates that are applicable in the region at hand.

### Gift tax

The gift tax rates vary within the different regions in Belgium, depending on whether movable or immovable property is concerned.

As mentioned above, donations of movable property are subject to gift tax only when the gift deed was passed before a Belgian notary or the gift has been voluntarily submitted to registration for tax purposes.

Donations of immovable property located outside Belgium are subject only to a fixed taxation of EUR50 if the gift deed is voluntarily submitted to registration for tax purposes.

### Brussels capital region

#### Immovable property

The Brussels gift tax rates for immovable property will be applicable if the donor is a resident of the Brussels capital region or if a nonresident donates immovable property located within the Brussels capital region.

For spouse, cohabitant and direct ascendant or descendant of the donor		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR0.01-EUR150,000	3%	EUR0
EUR150,001-EUR250,000	9%	EUR4,500
EUR250,000.01-EUR450,000	18%	EUR13,500
EUR450,000.01 and above	27%	EUR49,500

Any other persons		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR0.01-EUR150,000	10%	EUR0
EUR150,001-EUR250,000	20%	EUR15,000
EUR250,000.01-EUR450,000	30%	EUR55,000
EUR450,000.01 and above	40%	EUR115,000

## Movable property

Upon registration of a gift of movable property, a fixed tax rate shall apply. This tax rate amounts to 3% for donations to a spouse, a legal cohabitant or a direct ascendant or descendant. Donations to all other people are subject to a fixed tax rate of 7%.

## Flemish region

### Immovable property

The Flemish gift tax rates for immovable property will be applicable if the donor is a resident of the Flemish region or if a nonresident donates immovable property located within the Flemish region. The applicable gift tax rate can be decreased, e.g., when ecological investments are made within a period of five years following the gift of the real estate.

The Flemish tax code provides for a different tax rate for the gift of building land.

### Real estate

For spouse, cohabitant and direct ascendant or descendant of the donor		
Taxable amount (EUR)	Tax rate (normal/ecological investments)	Gift tax due on the previous amount(s) (normal/ecological investments) (EUR)
EUR0.01-EUR150,000	3%/3%	EUR0
EUR150,000.01-EUR250,000	9%/6%	EUR4,500/EUR4,500
EUR250,000.01-EUR450,000	18%/12%	EUR13,500/EUR10,500
EUR450,000.01 and above	27%/18%	EUR49,500/EUR34,500

Any other persons		
Taxable amount (EUR)	Tax rate (normal/ecological investments)	Gift tax due on the previous amount(s) (normal/ecological investments) (EUR)
EUR0.01-EUR150,000	10%/9%	EUR0
EUR150,000.01-EUR250,000	20%/17%	EUR15,000/EUR13,500
EUR250,000.01-EUR450,000	30%/24%	EUR35,500/EUR30,500
EUR450,000.01 and above	40%/31%	EUR95,000/EUR78,500

### Building land

For spouse, cohabitant and direct ascendant or descendant of the donor		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR0.01-EUR12,500	1%	EUR0
EUR12,500.01-EUR25,000	2%	EUR125
EUR25,000.01-EUR50,000	3%	EUR375
EUR50,000.01-EUR100,000	5%	EUR1,125
EUR100,000.01-EUR150,000	8%	EUR3,625



For spouse, cohabitant and direct ascendant or descendant of the donor		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR150,000.01-EUR200,000	14%	EUR7,625
EUR200,000.01-EUR250,000	18%	EUR14,625
EUR250,000.01-EUR500,000	24%	EUR23,625
EUR500,000.01 and above	30%	EUR83,625

For brothers and sisters of the donor		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR0.01-EUR150,000	10%	EUR0
EUR150,000.01-EUR175,000	50%	EUR15,000
EUR175,000.01 and above	65%	EUR27,500

For uncles, aunts, nieces and nephews of the donor		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR0.01-EUR150,000	10%	EUR0
EUR150,000.01-EUR175,000	55%	EUR15,000
EUR175,000.01 and above	70%	EUR28,750

Any other persons		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR0.01-EUR150,000	10%	EUR0
EUR150,000.01-EUR175,000	65%	EUR15,000
EUR175,000.01 and above	80%	EUR31,250

### Movable property

Movable property is subject to a fixed tax rate. This tax rate amounts to 3% for donations to a spouse, a cohabitant or ascendant or descendant. Donations to all other people are subject to a fixed tax rate of 7%.

### Walloon region

#### Immovable property

The Walloon gift tax rates for immovable property will be applicable if the donor is a resident of the Walloon region or if a nonresident donates immovable property located within the Walloon region.

For spouse, cohabitant and direct ascendant or descendant of the donor		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR0.01-EUR150,000	3%	EUR0
EUR150,000.01- EUR250,000	9%	EUR4,500
EUR250,000.01-EUR450,000	18%	EUR13,500
EUR450,000.01 and above	27%	EUR49,500

Any other persons		
Taxable amount (EUR)	Tax rate	Gift tax due on the previous amount(s) (EUR)
EUR0.01-EUR150,000	10%	EUR0
EUR150,000.01-EUR250,000	20%	EUR15,000
EUR250,000.01-EUR450,000	30%	EUR35,000
EUR450,000.01 and above	40%	EUR95,000

The donation of (a part) of the family dwelling to a spouse, a legal cohabitant or direct descendant or ascendant is no longer subject to the more favorable progressive tax rates.

### Movable property

Most donations of movable property are subject to a flat tax rate. This flat rate amounts to 3.3% for donations to a spouse, a legal cohabitant or a direct ascendant or descendant, and 5.5% for donations to any other person.

### Real estate transfer duty

The transfer of Belgian real estate in return for payment, as well as the transfer of most of the real estate rights in return for payment is, in principle, subject to a real estate transfer duty at a rate of 12.5% in the Walloon and Brussels capital regions and 10% in the Flemish region.

Note that under specific conditions, a reduced rate of 1% in the Walloon and Brussels capital regions or 2.5% in the Flemish region can apply to the transfer of Belgian real estate rights between joint owners.

## 4. Exemptions and reliefs

### Inheritance tax

#### Brussels capital region

For the Brussels capital region, the first EUR15,000 that a direct descendant or ascendant, a spouse or a legal cohabitant receives is exempted. For the deceased's child, this exemption is increased by EUR2,500 for each full year remaining before the child reaches the age of 21. A surviving spouse with children who are younger than 21 is allowed an additional exemption, equal to half the exemption that is granted to the children who are younger than 21. In computing the taxable amount, these exemptions are deducted from the first bracket, at the lowest tax rates.

For beneficiaries other than those mentioned above, a full exemption is granted if the net amount of the inheritance does not exceed EUR1,250.

The Brussels capital region also foresees an inheritance-tax exemption for the inheritance by a spouse or legal cohabitant of the family dwelling and lower inheritance tax rates for the inheritance of the family dwelling in direct line (ascendants and descendants).

### **Flemish region**

For the Flemish region, the part of the estate passing on in direct line is split up into movable property and real estate (both are taxed separately). Several small general reliefs exist in the Flemish region, depending on the relationship between the beneficiary and the testator. The Flemish region also foresees inheritance-tax exemptions for unbuilt immovable property situated within the Flemish Ecological Network and woodland. The inheritance by a spouse or cohabitant of the family dwelling is tax exempt. The first EUR50,000 of movable property a spouse or cohabitant receives is exempted. The family dwelling received by an orphan under the age of 21 is also tax exempted. An orphan under the age of 21 is also granted a tax exemption on the first EUR75,000 of movable property he or she receives. The lower rate of inheritance tax on the transfer of family-owned businesses is discussed below.

### **Walloon region**

The Walloon region foresees an inheritance-tax exemption for the inheritance by a spouse or legal cohabitant of the family dwelling and lower inheritance tax rates for the inheritance of the family dwelling in direct line (ascendants and descendants).

Several reliefs exist in the Walloon region, depending on the relationship between the beneficiary and the testator and/or the value of the assets transferred.

Among other reliefs, this region foresees an exemption of the first EUR12,500 that a direct descendant or ascendant, a spouse or a legal cohabitant receives. This exemption increases by EUR12,500 when the net value of the beneficiary's share in the estate does not exceed EUR125,000. Furthermore, for the deceased's child, the exemption is increased by EUR2,500 for each full year remaining before the child reaches age 21. A surviving spouse with children who are younger than 21 is entitled to an additional exemption equal to half the exemption that is granted to the children who are younger than 21. In computing the taxable amount, these exemptions are deducted from the first bracket rather than the last.

For beneficiaries other than those mentioned above, a full exemption is granted when the net amount of the inheritance does not exceed EUR620.

### **Hereditary transfer of businesses and companies**

In the Walloon region, a hereditary transfer of family businesses and companies is exempted from succession tax when certain conditions are met. The Flemish region foresees an applicable inheritance tax rate of 3% or 7% and a gift-tax exemption if certain conditions are met. The Brussels capital region also foresees an applicable inheritance tax rate of 3% or 7% and a gift-tax exemption if certain conditions are met.

The conditions that need to be fulfilled vary depending on the region (Flanders, Brussels, Wallonia).

## Flemish region

For the transfer of family-owned businesses, the Flemish Tax Code provides a reduced inheritance tax rate of 3% (for the spouse, legal cohabitant and direct ascendant or descendant of the deceased) or 7% (in all other cases) instead of the normal progressive inheritance tax rates up to 27% (for the spouse, cohabitant and direct ascendant or descendant) or 65% (in all other cases). The registration of a transfer of family-owned businesses via a gift is tax-exempt (0%). For both the aforementioned beneficial regimes for transferring family-owned businesses, the following conditions apply:

- ▶ A family-owned company is a company that has its actual management inside the European Economic Area (EEA) and whose purpose is to exercise an industrial, commercial, craft or agricultural activity or a liberal profession. In order to determine the presence of the required activity, the statutory objective of the company will be taken into account.
- ▶ A company qualifies as a family-owned company if the donor/testator (and his or her family) holds at least the full ownership of 50% of the shares in the company. An exception to the participation condition is made for companies held by two or three families. In those cases, the donor/testator (together with his or her family) needs to hold the full ownership of at least 30% of the shares. This exception is only applicable if 70% of the shares (if two entrepreneurial families hold the majority of the shares) or 90% of the shares (if three entrepreneurial families hold the majority of the shares) is owned by the entrepreneurial families together.
- ▶ The Flemish Government explicitly wanted to limit the application of this favorable regime to companies that provide an added value to the economy. Therefore, companies that are not engaged in a “genuine economic activity” are explicitly excluded from this regime. A company is deemed not to have a “genuine economic activity” if the annual accounts of the last three years reveal that:
  - ▶ The total amount paid on wages, social charges and pensions is lower or equal to 1.5% of the total assets of the company.
  - ▶ And the value of the buildings and land owned by the company exceeds 50% of the total assets of the company.

However, even if both criteria are met, the taxpayer can still deliver a counterproof.

Given that holding companies may often not meet the activity condition as set out above, a specific exception for holding companies is foreseen. A holding company may qualify as a family-owned company if the company directly holds at least 30% of the shares of at least one subsidiary that is situated within the EEA and that performs a “genuine economic activity.”

When it concerns a passive holding company that meets the exception and thus qualifies via its subsidiary, the value on which the favorable tax regime is applicable is limited to the value of the shares of all the active subsidiary companies situated within the EEA. It is, however, possible to prove that the holding company itself performs a “genuine economic activity” (e.g., intragroup activities such as bookkeeping, information technology or intellectual property). If so, the total value of the holding company will be taken into account, irrespective of the activities of the underlying companies.

Only the shares that represent a part of the capital and that have voting rights will qualify for the favorable tax regime.

This tax regime does not apply to debt claims on family-owned businesses.

Following the acquisition of the shares of the family-owned company by gift or upon death, an activity must be maintained during a period of three years. This does not mean that the company cannot be sold during this three-year period. As long as an activity is continued (even by a third person), no harm is done. Note that a capital decrease performed during the period of three years will trigger normal gift tax (3% or 7%) or inheritance tax (up to 27% or up to 65%).

Please note that no gift tax on the donation of shares in a company is due when performing the donation in front of a foreign (e.g., Dutch) notary. The risk that has to be taken into account is the fact that the donation would still be subject to inheritance tax if the donor were to die within a “suspicious” period of seven years following the date of the gift.

### Walloon region

In the Walloon region, the net value of a family business can also be exempted from inheritance tax. However, note that different rules apply from the Flemish region.

The following conditions must be met for family-owned businesses having their registered office in the EEA:

- ▶ **Economic activity condition:** The company and its subsidiaries must conduct their main business in an industrial, commercial or agricultural activity, a craft industry, forestry or a liberal profession, on a consolidated basis for the current financial year of the company at the time of death, as well as for each of the last two financial years of the company prior to the financial year of the person's death.
- ▶ **Participation condition:** The deceased and his or her spouse should own at least 10% of the voting rights of the company's shares. If their voting rights do not reach 50% of the totality of all voting rights, in addition to the 10% condition, there will have to be a shareholders' agreement in which at least 50% of the totality of all voting rights participates, which ensures the continuation of the business for at least five years after the person's death.
- ▶ **Employment condition:** The company must have employees in the EEA on its payroll; however, one employee is sufficient, regardless of the amount of salary that has been paid out.

In order to fully maintain the exemption, the following conditions should be met during a period of five years following the person's death:

- ▶ **Economic activity condition:** The company must continue one of the accepted businesses.
- ▶ **Employment condition:** The number of employees should never be less than 75% of the number of employees at the time of death.
- ▶ The equity of the business or the capital of the company should be maintained.

### Brussels capital region

As of 1 January 2017, the Brussels Tax Code has adopted a regime similar to the Flemish Tax Code. In cases involving the transfer of family-owned businesses, a reduced inheritance tax rate of 3% (for the spouse, legal cohabitant and direct ascendant or descendant of the deceased) or 7% (in all other cases) applies instead of the normal progressive inheritance tax rates of up to 30% (for the spouse, cohabitant and direct ascendant or descendant) or 65%, 70% and 80% (in all other cases). The registration of a transfer of family-owned businesses via a gift is tax exempt (0%). For both the aforementioned beneficial regimes for transferring family-owned businesses, the following conditions apply:

- ▶ The owner/shareholder of the family business has been domiciled in the Brussels capital region for at least 2.5 years during the 5 years preceding the death/gift.
- ▶ The family-owned company has its actual management inside the EEA and exercises an industrial, commercial, craft or agricultural activity or a liberal profession.
- ▶ The donor/testator (and his family) holds at least the full ownership of 50% of the shares in the company. An exception to the participation condition is made for companies held by two or three families. In those cases, the donor/testator (himself or herself, together with his or her family) needs to hold the full ownership of at least 30% of the shares. This exception is only applicable if 70% of the shares (if two entrepreneurial families hold the majority of the shares) or 90% of the shares (if three entrepreneurial families hold the majority of the shares) is owned by the entrepreneurial families together.

- ▶ A passive holding company may qualify as a family-owned company if the company directly holds at least 30% of the shares of at least one active subsidiary that is situated within the EEA.
- ▶ Similar to the Flemish region, the application of the favorable regime is limited to companies that are engaged in a “genuine economic activity.” A company is deemed not to have a “genuine economic activity” if at least one of the annual accounts of the last three years reveals that:
  - ▶ The total amount paid on wages, social charges and pensions is lower or equal to 1.5% of the total assets of the company.
  - ▶ The value of the buildings and land owned by the company exceeds 50% of the total assets of the company.
- ▶ The application of this favorable regime necessarily requires a certificate delivered by the Brussels tax authorities.

In order to fully maintain the exemption, the following conditions should be met during a period of three years following the person's death or gift:

- ▶ The company must maintain a genuine economic activity.
- ▶ The company stays within the EEA.
- ▶ The equity of the business or the capital of the company should be maintained.

Please note that no gift tax on the donation of shares in a company is due when performing the donation in front of a foreign notary. The only risk that has to be taken into account is the fact that the donation would still be subject to inheritance tax if the donor were to die within a “suspicious” period of three years following the date of the gift.

## 5. Filing procedures

### Income tax obligations

Income is subject to Belgian income tax on a calendar-year basis. The beneficiaries of the inheritance or the personal representative will be responsible for filing the tax return of the deceased in the following terms:

- ▶ Prior-year income tax return: If an individual passes away between 1 January and the usual filing date for the preceding year (normally 30 June), an income tax return should be filed for him or her within the five months following his or her death.
- ▶ Income tax return for year of death: This tax return is called an “income tax return special” and should be filed within five months following the death.

### Inheritance tax

The filing procedures as described hereafter are applicable for the three regions.

In Belgium, the heirs or beneficiaries of the inheritance have to file an inheritance tax return. The region where this tax return has to be filed depends on the following:

- ▶ For a Belgian resident: His or her last place of residency. If the deceased moved his or her place of residency within Belgium in the period of five years before his or her death, the competent region for filing the tax return, as well as the applicable tax rules (e.g., rates, exemptions), is the region where the deceased resided the longest within this five-year period.
- ▶ For a Belgian nonresident: The inheritance tax will be calculated based on where his or her real estate is situated in Belgium. The inheritance tax return should be filed in the region where the real estate is situated, and the inheritance tax rules of that region will be applicable.

The deadline for filing the inheritance tax return is four months if the deceased passed away in Belgium. If the deceased passed away in another European country, the period is extended to five months, and if he or she passed away outside of Europe, it is six months.

### Gift tax

Registration is only required for donations made by virtue of a Belgian notarial deed. The registration of a notarial deed should be done within 15 days following the date of the notarial deed.

## 6. Assessments and valuations

### Gift tax – taxable base and progression method

The gift tax is levied on the fair market value (FMV) of the assets. Specific valuation methods of the FMV are required for certain assets (shares listed on the stock exchange, usufruct or bare ownership of movable or immovable property).

In determining the tax rate applicable to the donation of immovable property, all donations of immovable property from the same donor to the same beneficiary during the three years preceding the gift in question are taken into account. For the Walloon region, the same rule also applies to donations of movable property to which the progressive rates are applicable.

### Transfer tax – taxable base

For the Walloon region, transfer tax is chargeable on the value of the Belgian immovable property of the deceased after deduction of all debt specifically contracted by the deceased for his or her Belgian immovable property.

For the Brussels capital and Flemish regions, the same rule applies, as long as the deceased was a resident of the EEA. If not, the transfer tax will be due on the gross value of the Belgian immovable property of the deceased.

The value that needs to be taken into account for this calculation is the FMV at the time of death.

### Succession tax – taxable base

The estate consists of all of the assets and liabilities inside and outside of Belgium at the time of a person's death. The taxable base in respect of succession tax is the difference between the assets and the liabilities, also known as the net value of the estate. For purposes of taxation, the value of an asset is its FMV or sale value (*verkoopwaarde* or *valeur vénale*) at the time of death.

In the Flemish region, succession tax is levied separately on the net value of the movable property received by each beneficiary and separately on the net value of the immovable property received by each beneficiary, not on the estate as a whole, for the category of the direct line ascendants or descendants and partners. That distinction between movable and immovable property is not made if the Brussels or Walloon inheritance tax is due. In both regions, succession tax due by direct line heirs and partners is levied on the net value of the movable and immovable property inherited by each beneficiary.

For the category of brothers and sisters, the succession tax is levied on the net value of the property (movable and immovable) received by each beneficiary, in all three regions.

Succession tax on legacies between uncles and aunts, nieces and nephews or between people who are not related is levied on the whole that's been inherited in that category if the deceased was a resident of the Flemish region or the Brussels capital region at the time of his or her death. If the deceased was a resident of the Walloon region at the time of his or her death, succession tax on legacies between uncles and aunts, nieces and nephews or between strangers is levied on the net value of the property (movable and immovable) going to each beneficiary. This is an important aspect given the fact that the inheritance tax rates in Belgium are progressive.

#### **Real estate tax – taxable base**

The tax is, in principle, computed at the FMV of the real estate rights transferred. If the transfer is limited to the bare ownership and the owner keeps the usufruct, the real estate transfer tax due will be computed at the FMV of the full ownership.

Note that other rules can apply in cases of a transfer of Belgian real estate rights between joint owners.

## **7. Trusts, foundations and private purpose funds**

Belgian law does not acknowledge the concept of trust. Foreign trusts are recognized in the Belgian international private law code under strict conditions.

The Belgian tax implications of a distribution by a trust are uncertain. In different decisions, the Belgian tax authorities confirmed that they are of the opinion that inheritance taxes are due – for discretionary trusts at the time of distribution, or for fixed interest trusts at the moment of the decease of the settlor-Belgian resident.

Belgian law does acknowledge the concept of foundation. Gifts, as well as legacies, to certain kinds of foundations are subject to favorable inheritance tax and gift tax regimes.

## **8. Grants**

There are no specific estate tax rules in Belgium.

## **9. Life insurance**

Distributions by an insurance company relating to a life insurance policy held by a deceased are subject to inheritance tax if the deceased is still a Belgian resident at the time of death and the benefit is paid to the beneficiary at the time of death. The benefit after death or within the three-year period prior to death.

Note, however, that some exemptions or reductions can apply among others for group insurance entered into by the deceased's employer if some specific conditions are met.



## 10. Civil law on succession

### 10.1 Succession and forced heirship

#### Belgian civil law on succession

Note that the reform of the Belgian civil law on succession entered into force on 1 September 2018. Some transitional measures are still applicable.

Certain heirs (the surviving spouse and descendants) are automatically entitled to a statutory share of the estate, even if the provisions of a will are to the contrary.

This statutory share of the estate is called the reserved portion (*het voorbehouden erfdeel* or *la réserve héréditaire*). As of 1 September 2018, ascendants are no longer entitled to a reserved portion of the estate. Their reserved portion was replaced by a maintenance obligation from the estate. The reserved portion for the children amounts to 1/2 of the estate. This means that the disposable share of the estate (the counterpart of the reserved part) also amounts to 1/2 of the estate. Therefore, the deceased has a certain amount of freedom to make gifts to third persons or to one of his children in particular.

Family situation at the time of death	Reserved portion of the children	Reserved portion of the ascendants	Disposable portion
No children, ascendants on father's and mother's sides	None	None	1/1
No children, ascendants on either father's or mother's side	None	None	1/1
Children	1/2	None	1/2

The statutory share of the surviving spouse is limited to the usufruct of half of the estate. However, the surviving spouse is entitled to at least the usufruct over the entire family dwelling and the furniture in it, even if the value of the family dwelling and the furniture exceeds the value of half of the estate. If a spouse has donated certain goods during his or her life in bare property (with reservation of usufruct), the surviving spouse is automatically entitled to continue the right of usufruct during his or her life. The sole conditions are that the surviving spouse was already the spouse of the donor at the time of the donation and that the right of usufruct is still present at the time of death. The surviving spouse can also renounce the usufruct.

Family situation at the time of death	Reserved portion of the children	Reserved portion of the ascendants	Reserved portion of the spouse	Disposable portion
No children, descendants on father's and mother's sides	None	None	1/2 usufruct	1/2 bare ownership and 1/2 full ownership
No children, descendants on either father's or mother's side	None	None	1/2 usufruct	1/2 bare ownership and 1/2 full ownership
Children	1/2 in full ownership	None	1/2 usufruct	1/2 bare ownership

The surviving spouse can be disinherited if the spouses were separated. In such a case, specific conditions need to be fulfilled.

If one of the spouses has children from a previous relationship and if specific conditions are met, the spouses may agree to disinherit each other or only one of them.

The surviving legal cohabitant is entitled to the usufruct over the entire family dwelling and the furniture in it or is entitled to continue to rent the family dwelling. However, the surviving legal cohabitant is not a statutory heir of the estate, so they can be deprived of those rights by last will.

## 10.2 Matrimonial regimes

### Marriage settlement

The situation of the surviving spouse will notably depend on the matrimonial regime chosen by the couple. The main marital regimes available in Belgium are the legal regime of communal estate, the regime of universal communal estate and the regime of separation of goods:

- ▶ The default regime laid down by law is the regime of legal communal estate (*gemeenschap van aanwinsten* or *communauté réduite aux acquêts*). The communal estate, in principle, comprises only property acquired after marriage. Assets that are acquired before the marriage and assets that are acquired during the marriage through inheritance and donations remain, in principle, separately owned.
- ▶ The regime of universal communal estate (*algehele gemeenschap van goederen* or *communauté universelle*) stipulates that all assets are, in principle, owned in common by both spouses, regardless of whether the assets were acquired before or during the marriage.
- ▶ In the regime of separation of goods (*scheiding van goederen* or *séparation de biens*) each spouse retains the sole title to the assets and wealth he or she acquired before and during the marriage.
- ▶ A variant of the regime of separation of goods is the regime of separation of goods with a settlement of acquisitions (*scheiding van goederen met verrekening van aanwinsten* or *séparation de biens avec une clause de participation aux acquêts*). The spouses are married under the regime of separation of goods, but a clause within their nuptial agreement determines a certain settlement of income (mostly the professional income) in the case of liquidation of the matrimonial regime following a predetermined allocation key.

The regimes of universal communal estate and separation of goods can only be opted for by the spouses if they agree on it by means of a marriage agreement. The notary is obligated to point out the pros and cons of the regime of separation of goods and the possible solidarity-based solutions to the spouses (to-be).

The regime of legal communal estate is applicable to the spouses in default of a marriage agreement, as far as Belgian law is applicable to their matrimonial settlement. The spouses can freely opt for the regime of legal communal estate and still foresee some exemptions in a marriage agreement.

In every regime of communal estate (legal or universal), the spouses can agree, by virtue of their marriage agreement, how the communal estate will be divided in case of separation. They can also define the rights of the surviving spouse regarding the communal estate after the death of one of them.

The transfer of the communal estate (or a part of it) to the surviving spouse in accordance with a marriage agreement is, in principle, not regarded as a donation or a legacy and, therefore, is not subject to the forced heirship rules of the (common) descendants. However, such a transfer of more than half of the communal estate to the surviving spouse is subject to inheritance tax.

In the regime of separation of goods, spouses can opt for a *judicial fairness adjustment* in their marriage agreement, by reason of which a part of the income of one spouse could be assigned to the other spouse by a judge in the case of manifest iniquity due to unforeseeable circumstances. This kind of adjustment can only be enforced if the matrimonial regime was dissolved because of a divorce due to irreconcilable differences.

An attribution clause needs to be tailor made in order to fully reflect the wishes and desires of the spouses.

### 10.3 Intestacy

A will is a written unilateral legal document that regulates the attribution of the different elements of an individual's estate after his or her death. Since the European Succession Regulation entered into force on 17 August 2015, one can opt in his will that the law applicable to his succession should be that of his last habitual residence or that of his nationality. Since Belgium agreed on the Regulation, it will accept the choice that has been made. Note that there is some uncertainty concerning the consequences of the Belgian reserved portion (see Section 10.1) if one has opted for a foreign law whereby the Belgian reserved portion is not respected. However, recently, the majority of the doctrine agrees that the Belgian reserved portion can be disabled.

Belgian civil law recognizes three different forms of a will:

- A holographic will (handwritten)
- An authentic will (before a notary public)
- An international will (before a notary public)

Each type of will has its own legal form of wordings, advantages and disadvantages.

If there is no valid will at the time of death, the deceased's estate shall pass on according to predetermined rules known as the intestate succession. The intestate succession should not be confused with the forced heirship rules; the intestate succession governs the division and the settlement of the estate between legal heirs in the absence of a will, while the forced heirship rules aim at the protection of some of these legal heirs (see above). In other words, not all legal heirs are forced heirs.

The intestate succession is governed by a system that divides the possible intestate heirs into different orders depending on how they relate to the deceased. The closest applicable order excludes the more distant orders.

<b>First order</b>	Children and other descendants
<b>Second order</b>	Parents together with (half) brothers and (half) sisters and their descendants
<b>Third order</b>	Ascendants (parents, grandparents, great-grandparents)
<b>Fourth order</b>	All other collateral heirs (uncles, aunts and their descendants, until 4 <sup>th</sup> grade)
<b>Further heirs</b>	More remote relatives and descendants
<b>No heirs</b>	The Belgian state

Within the same order, the closest heir, in principle, excludes the rest of the heirs (for example, the children exclude the grandchildren). However, the civil code contains several exceptions to this rule.

In Belgium, the surviving spouse is a legally recognized heir, notwithstanding that the surviving spouse is not included in one of the above orders; special rules govern his or her position.

The succession rights of the surviving spouse will depend on the other heirs of the deceased.

	The surviving spouse receives	The other heirs receive
If there are descendants	The usufruct of the total estate	The bare ownership of the total estate
If there are heirs from the 2 <sup>nd</sup> or 3 <sup>rd</sup> order	The usufruct of the deceased's individual estate and the full ownership of the communal estate and/or all the goods that are held in joint ownership between the spouses	The bare ownership of the deceased's individual estate.
If there are only heirs from the 4 <sup>th</sup> order or if there are no heirs	The full ownership of the total estate	

Also, the legal cohabitant has the usufruct over the entire family dwelling and the furniture in it.

## 10.4 Estate planning

Belgium has several interesting estate planning opportunities:

### Donations

In the three regions of the country, it is possible to donate movable property without any gift tax by means of:

- Gifts by hand or informal donations (only advisable if the full ownership is donated, not in cases where the donation is limited to the bare ownership or the usufruct)
- Donations before a foreign notary (e.g., a Dutch or Swiss notary)

An important disadvantage of informal gifts or gifts before a foreign notary is that the transferred ownership will be subject to succession tax if (1) the donor dies within a period of three years (in some cases, seven years or more) following the date of the gift and (2) the gift has not been registered in Belgium for tax purposes (see above).

However, it is sometimes possible to limit this risk by means of insurance or a specific "in extremis" backup plan allowing for these donations to be registered in time, should the donor's life come to an end within the three/seven-year period following the donation.

Note that it is possible to make a donation subject to different conditions and burdens.

### The civil partnership

The civil partnership is a planning instrument that is frequently used for the transfer of movable property to the next generation while maintaining control over the proceeds of the assets.

The civil partnership agreement is entered into by the *paterfamilias* and his spouse or his children with whom they will pool the property or cash that they want to transfer. The civil partnership can easily be used for the transfer of shares of companies but also portfolios.

In exchange for pooling the property, the parties receive shares in the partnership in proportion to the value of their contributions.

The control will arise from the fact that the *paterfamilias* (and potentially the spouse upon his death) will be appointed in the articles of association as the manager of the partnership. Given the fact that unanimity is required to make any changes to the articles of association, it will be impossible to discharge the *paterfamilias* without his consent. The agreement will be effective, in principle, until the death of the *paterfamilias* and his spouse.

The bare ownership of the shares of the civil partnership can be donated to the children before the office of a notary. The parents will keep the usufruct.

If the deed recording the donation is passed before a Belgian notary, Belgian gift tax will be due (see Section 1.2).

However, should the gift be passed before a foreign (e.g., Dutch or Swiss) notary, no gift tax will be due in Belgium or abroad (depending on the country, but in principle, not for the Netherlands or Switzerland). One must also take into account that the donor must stay alive for a period of three years following the date of the gift (in some cases, seven years); if not, there will still be inheritance tax due on the amount donated. If the gift was passed before a foreign (Dutch or Swiss) notary, it is still possible to voluntarily pay gift taxes in Belgium via registration of the notarial deed with the tax authorities in order to avoid succession tax in the event of changing circumstances (e.g., serious illness). However, this is not possible in the event of a sudden death. It is useful to note that it is possible to ensure the succession tax due as a result of a death within a three-year period.

The consequences of succession planning by means of a civil partnership are as follows:

- ▶ The *paterfamilias* would retain the income generated by the donated assets.
- ▶ In the event of sale of any of the pooled assets, the value of the sale will be reinvested in other assets, which will still be subject to the civil partnership regime.
- ▶ The *paterfamilias* and his spouse will be in charge of the management of the assets.

## 11. Estate tax treaties

Belgium has entered into a treaty regarding succession tax with France and Sweden. Negotiations have started with the United States regarding an estate tax treaty.

Belgium has not entered into any international agreements regarding gift tax.

## 12. Abuse of tax law

The tax authorities published an administrative circular on the anti-abuse provision for registration duties and inheritance tax purposes.

The circular lists examples of transactions, indicating whether or not they constitute abuse of tax law.

### Non-exhaustive lists

It should be noted that the assessment of the existence of abuse of tax law must be done on a case-by-case basis. As a result, it is not possible for the tax authorities to provide an exhaustive list of safe, e.g., non-suspicious, transactions.

However, the administrative circular lists some transactions that, in principle, do or do not constitute abuse of tax law according to the tax authorities.

**Abuse of tax law**

For example, the following transactions are considered to constitute abuse of tax law (unless the taxpayer is able to prove the existence of nontax motives):

- Distribution clause of a matrimonial community property to one specific spouse
- Long-term lease constructions between affiliated companies

**No abuse of tax law**

The following transactions (among others) are considered not to constitute abuse of tax law (unless they are part of a broader abusive construction):

- Gift by hand/donation made by a bank transfer between accounts
- Donation executed before a foreign notary (Please note that as of 1 June 2016, the Flemish tax authorities will levy inheritance tax on donations of cash/portfolio and shares with retention of usufruct executed before a foreign notary, even after the three- or seven-year suspicious period; see above.)
- Successive partial donations of immovable property
- Donations with retention of usufruct or any other lifetime right