

Government Submits Bill to Update Merger Definitions, Expand Reporting Obligations for Payments to Tax Havens, Make Compensatory Inheritance Tax Progressive

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Report from Dr René Offermanns, Principal Associate, IBFD

The government has submitted a bill to the Chamber of Representatives (*Kamer van Volksvertegenwoordigers/Chambre de Représentants*). The bill updates the merger definitions for income tax purposes, expands the reporting obligations to tax havens and makes the compensatory inheritance tax progressive. Key points are summarized below.

Mergers

The bill updates the definitions of cross-border conversions, mergers and divisions to reflect EU Directive 2019/2121.

A "sister merger" provision will be introduced, exempting the introduction of new shares from tax in cases where one person or several individuals own all shares and voting securities of all the companies involved in the same proportion.

The bill permits the issuance of shares from the demerged company, not just the acquiring company, in the event of a partial demerger. For cross-border demergers, the bill enables the issuance of shares to the demerged company rather than solely to its partners or shareholders. These changes will apply retroactively from 16 July 2023 in line with implementing the Amending Directive on Cross-border Conversions, Mergers and Divisions (2019/2121).

Reporting Obligations for Payments to Tax Havens

Taxpayers must report such payments to residents and permanent establishments if the payments exceed EUR 100,000. To avoid abuse, short-term debts will also be considered.

Tax Credit for Bicycle Kilometre Compensation

The authorities will grant a compensation of EUR 0.27/km for a maximum of 20 km for the period between 1 May 2023 and 31 December 2024. Employers will be entitled to a full compensatory tax credit. This credit is offset against the individual and corporate income tax, the tax for non-residents and the local surcharges. Any excess credit exceeding EUR 2.50 will be refunded.

Expats

As a control measure, it will be mandatory to file an electronic record detailing salaries paid and the corresponding amounts of employee costs.

Annual Insurance Tax

The bill clarifies that the tax applies to VAT-exempt insurance-related services. Brokers and insurance intermediaries must pay the tax. However, re-insurance contracts are exempt from tax. Brokers and insurance intermediaries have the option to pay the tax to the insurance companies which, in turn, are responsible for filing the tax return and paying the tax to the tax administration.

Annual Securities Account Tax

Taxpayers must file the tax declaration for the reference period ended on 30 September 2023 by 15 July 2024.

Annual Compensatory Inheritance Tax on Non-Profit Organizations

The annual tax on non-profit organizations, also known as the patrimony tax, compensates for the absence of inheritance taxes that cannot be imposed on a legal entity. In addition to non-profit organizations, the tax also applies to private foundations and international non-profit organizations.

The bill proposes introducing a progressive rate and replacing the current exemption (for taxable assets below EUR 25,000) with a new exemption of EUR 50,000 at the lowest tax rates. The bill also introduces compensation for the rate increase for institutions in the healthcare sector.

The tax will apply to foreign real estate and will be reduced by the amount of foreign tax imposed on that real estate.

The progressive rate will be as follows:

Value assets (EUR)			Tax rate (%)
Up to 50,000			0
50,001	-	250,000	0.15
250,001	-	500,000	0.30
Over 500,000			0.45

The tax will be filed electronically.

Regional Taxes on Gaming and Betting, and Automatic Entertainment Devices

These taxes will no longer be deductible for individual and corporate income tax purposes.

Exemption to Transfer Wage Withholding Tax in Case of Natural Disasters

This new exemption, amounting to 30% of the tax due, will be applicable for 40 months following the month in which the natural disaster takes place.

Tax Filing

The bill extends the electronic filing date for individual income tax from, currently, 15 July for foreign salary, profits or freelance income to a date mentioned in the electronic file, which may not be earlier than 1 month after the file is put at the disposal of the taxpayer on the electronic platform.

Filing Obligation for Renters

Renters will be obliged to report the amount of annual rent paid in an annex to their individual income tax return.

The full text of Bill No. 55 3607 and the explanatory memorandum is available [here](#) (as a PDF and in Dutch and French).

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