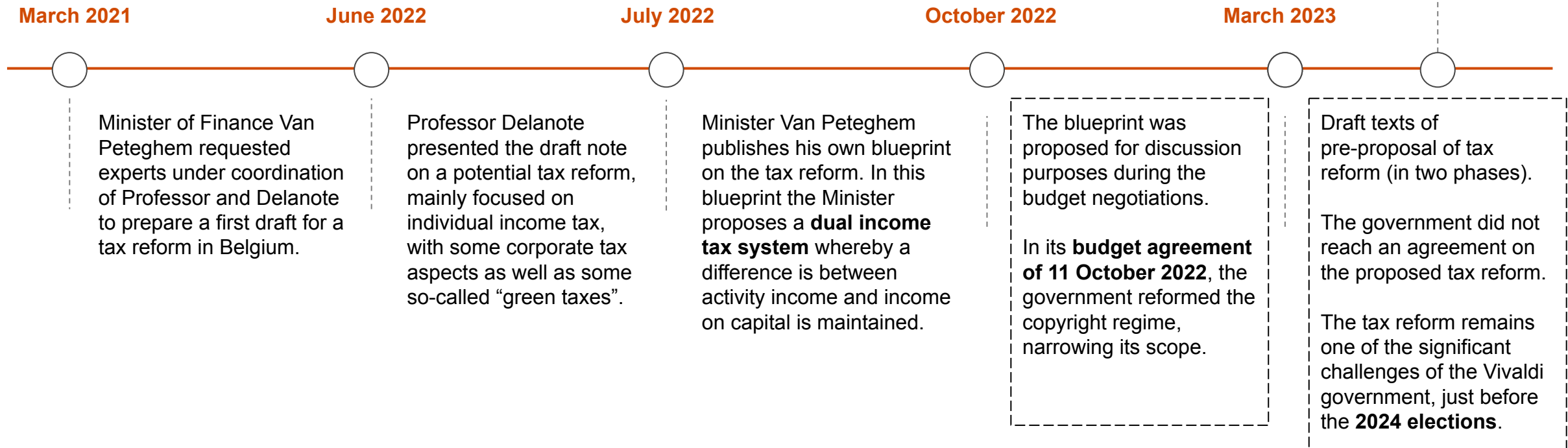


Tax reform for individuals - Latest update on the federal budget agreement

The (broad) tax reform aims to achieve the following objectives:

- ⇒ Reduction of the tax and parafiscal burden on labor income
- ⇒ Maintaining budgetary neutrality
- ⇒ Addressing climate and environmental challenges
- ⇒ Simplifying and enhancing the efficiency of the tax regime

General timeline until today:



Tax reform for individuals - Budget agreement 11 October 2022

Specific measures: Copyrights (Program-Law 26 December 2022)

The purpose of this legislative change is to go back to the initial scope that the legislator had in mind.

Reduced **field of application**:

- Income received from copyrights & neighbouring rights as mentioned under **title 5 of Book XI of the ELC**.
- These rights need to be **related to original works of literature or art** (meant in art. XI. 165 ELC) or to performances by executing artists (meant in art. XI 205 ELC).
- This income results from the **exploitation or effective use** of these rights.
- The holder of the rights must have an **'art certificate'** ('all-areas pass' to social security for workers in the arts sector). In the event that this certificate is not available, it must be demonstrated that the work is intended to be used for communication to the public, for public performance/representation or for reproduction.

Entry into force: **1 January 2023**

One-year transitional regime as of 1 January 2023

Specific proposed measures: R&D

- More legal certainty
- The new position of the Belgian tax authorities regarding the notification of R&D programs and projects to Belspo is requiring a more proactive and detailed reporting.
 - As a result, the existing Belspo procedure of annual updates is temporarily abandoned in favor of multi-year applications including relevant R&D information
 - Need to communicate prior to the start of projects!
 - Notification of every project (and more detailed)
 - R&D centre but strict conditions
- More strict process for foreign degrees
- Lowering calculation basis

Tax reform for individuals - Proposed measures of the broad tax reform

Proposed measures (Phase 1)

Broad tax reform (Phase 2)

Personal income tax system:

- A reduction of the personal income tax on employment income via an adjustment of the (progressive) personal income tax rate brackets and an increase of the tax free (lump sum) amount;
- Increasing neutrality of the tax position of families via e.g. a reform of the tax treatment of alimony payments;
- Abolishment of the marital quotient;
- Extension of work bonus;
- Abolishment of long term saving and increased pension savings.

Impact on reward:

- Harmonization of benefits in kind with social security;
- Reform of the tax system for option plans, carried interest structures and management incentives schemes;
- Reform of the tax treatment of pension provisions via a revision of the so-called 80% rule;
- Etc.

Dual income tax approach:

- Progressive tax rates on labour (and replacement) income
- Flat tax rate for income from savings, investments and capital
 - Reduction of withholding tax from 30% to 25% for recurring income from assets;
 - Tax exemption of up to EUR 6.000 per year;
 - Removal of exemption regimes (VVPR bis, liquidation reserve, etc.);
 - Taxation of capital gain (15%) and deduction of capital losses;
 - Abolishment of existing wealth and asset transaction taxes;
 - Taxation of actual rental income and gains on real estate (excl. the primary residence);
 - Incentives for real estate renovation;
- Access to complementary pensions;
- Measures to prevent the 'abusive' use of management companies;
- Measures to prevent that professional expenses and employer-related costs are used for disguised remuneration;
- Etc.

Tax reform for individuals - How can we help?

PwC is closely following up on the tax reform and we remain available for any questions you might have.

The proposed measures will affect the compensation strategy of companies. In order to determine the most appropriate way to alter the remuneration strategy of the company it is important to understand the needs of your employees.

In order to map these preferences we have the Truechoice platform which will enable you as an employer to tailor the new compensation package to the needs of the employees. We help our clients to optimize the salary package of employees while still having a strong control of the cost.

We help our clients:

- Reviewing the composition of the compensation & benefits packages and verifying which elements are potentially impacted by the expected changes.
- Performing cost projection of the compensation & benefits package (impact indexation, evolution non-deductibility company cars,...) and looking to which measures can help to mitigate, e.g. introduction of mobility budget, cost proper to the employer, CBA90 bonus, pension bonus, etc.
- The increase in salary will have an impact on pension plans (Defined Benefit and Defined Contribution), disability plans, etc. For DB pension plans, the increase in pensionable salary could result in a direct cashout for companies due to the minimum funding requirement in Belgium. Having cash roll forwards prepared for both employer (and employee premiums if applicable) is recommended to avoid unpleasant surprises.
- Specific for copyright regimes: verifying the wording of the addenda of the employment contract.

