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Managing your finances as an Expatriate in Belgium or abroad

Understand the Domestic & International taxation

Dave Deruytter, Brussels, 17-3-2016

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3. Double taxation treaties
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1. Scope

- Income from financial products
 - Interest income
 - Dividend income
 - Capital gains
 - From direct investment in stocks and bonds
 - From mutual funds
 - Income from Life Insurance
 - Private Pension savings
 - Tax on Stock Exchange Transactions
- NOT in scope
 - Professional or social security income
 - Income from Real Estate: Often “situs” principle, but sometimes with “progression reserve”
 - Estate taxes (inheritance tax): Few double taxation treaties. Very individual. Seek expert advice.

2. Resident – Non-resident in Belgium

For income from financial products

- Fiscal resident in Belgium
 - Centre of your socio-economic interests in Belgium (if there is a “Double Taxation Treaty”)
 - Exceptions: Foreign Diplomats, Foreign International Civil servants and Beneficiaries of the Special Tax Status for Foreign Executives in Belgium
- Fiscal non-resident in Belgium
 - Centre of your socio-economic interests outside Belgium
 - Exceptions: Belgian Diplomats abroad, Belgian International Civil servants abroad and Belgian Beneficiaries of a Special Tax Status abroad
- Attention: US persons (FATCA: Nationality, Green card, Residency), British nationals (Domicile), ...

3. Double Taxation Treaties

- Belgium has “Double Taxation Treaties” with about 90 countries
 - Mostly the OECD model of convention is used
 - List of such Treaties of Belgium:
 - <http://ccff02.minfin.fgov.be/KMWeb/document.do?method=view&id=3232bda5-33df-4fdd-b3b2-c7ada30b7da1#findHighlighted>
 - This concerns Treaties for worldwide income,
 - not for inheritance tax (only 2 separate Treaties exist: with France and Sweden),
 - nor for social security other than pension (EU Directives, bilateral Totalisation Agreements)
- For the application of a Treaty you typically have to be at least a resident of either country

4. Taxation as a **resident** in Belgium - 1

Income from financial products 2016

- Interest income
 - 27% WHT (often final)
 - Major exception: Regulated savings: no WHT up to 1880 € interest income per year ***per person***, 15% above that ceiling
 - Coupons of Foreign Mutual Funds who do not ventilate revenues: 27% WHT (often final)
- Dividend income
 - 27% WHT (often final)
 - Attention: double taxation for dividends of non-Belgian companies is possible

4. Taxation as a **resident** in Belgium - 2

Income from financial products 2016

- Capital gains

- Typically not taxable (in the normal management of the finances of a household) with the exception of:

- Listed shares and listed options, warrants, and “other financial products” (turbo’s, futures, speeders, sprinters, etc.) that are exclusively equity based:
 - Typically not taxable (in the normal management of the finances of a household) if there is at least 6 month between purchase and sale, otherwise 33% speculation tax.
- Mutual Funds (Capitalisation): 27% (often final) on the interest bearing part (in the fund) of the capital gain, if more than 25% of the assets are invested in interest bearing instruments

- Income from Life Insurance

- Branch 21 (guaranteed return): 2% tax on purchase. No other taxation if kept for 8 years and 1 day
- Branch 23 (no guaranteed return): 2% tax on purchase

4. Taxation as a **resident** in Belgium - 3

Income from financial products 2016

- Pension savings - 1
 - Pension:
 - Private person (3rd pillar):
 - up to 940 € per person per year entitles you to maximum 30% tax reduction on that amount. Conditions apply
 - At the age of 60, or ten years after starting to save, you will enjoy a favourable final tax rate of 8% on the total contributions you have paid capitalised at 4.75%. You can continue investing with tax relief until the age of 64. After that you are no longer taxed.
 - Self employed (2nd pillar):
 - up to 3.027,09 € per year: 100% tax deductible and lower social security contributions since the professional income which serves as the basis to calculate your social security contributions will drop.
 - Via your company: Under certain conditions, premiums paid are fully tax deductible as business expenses for your company. They are not taxed as benefits in kind on your personal income as long as you receive regular income and your overall pension (the sum of your state and supplementary pensions) does not exceed 80% of your last gross income.
 - The above amounts can be cumulative

4. Taxation as a **resident** in Belgium - 4

Income from financial products 2016

- Pension savings - 2
 - Long Term Savings:
 - up to 2260 € per person per year. Conditions apply.
 - Insurance: 2% tax on purchase.
 - At 60 years old or on the 10th anniversary of the contract: 10% taxation on your capitalised savings reserve.
- Tax on Stock Exchange Transactions:
 - 0.09% to 1.32% with a maximum of 650 to 2000 €

5. Taxation as a **non-resident** in Belgium - 1

Income from financial products 2016

- Please make sure that your financial institution has all the necessary documents to consider you as a (fiscal) non-resident in Belgium
- If and when there is taxation for a non-resident in Belgium, it typically concerns Belgian source income
- You are typically obliged to make a fiscal declaration in the country where you are a (fiscal) resident
- Interest income
 - No Belgian taxation on foreign bonds
 - 27% WHT on Belgian bonds, unless they are in the X/N System operated by the National Bank of Belgium (OLOs, ...)
- Dividend income
 - Typically no Belgian taxation, unless Belgian shares
 - “Double Taxation Treaties”: there maybe taxation by the source country but typically at a lower rate

5. Taxation as a non-resident in Belgium - 2

Income from financial products 2016

- Capital Gains
 - Typically no Belgian taxation.
 - For the products in the scope of the Belgian speculation tax (33%) “no Belgian taxation” is only the case if there is a double taxation treaty between Belgium and the country of residence **and** the client is in a position to claim double taxation benefits from that treaty
- Life insurance
 - Does the (Belgian) Life insurance comply with the definition of a Life Insurance in the country where you have to declare your worldwide income?
- Pension
 - Check double taxation treaties if present
 - Example: 940 € private pension savings per year: ok in EEA. Worthwhile if enough taxable income in Belgium
 - Can be complex: study ‘case by case’ with an expert
- No Belgian tax on Stock Exchange Transactions

6. International Legislation

- **EU Savings Directive**
 - Until income 2015: Automatic “interest” information exchange: also for fiscal non-residents!
 - Will be replaced by the “Common Reporting Standard” (CRS: Please refer to below) as from income 2016
- **FATCA (See also 6.1.)**
 - US Persons: US nationals, US residents, US Green Card Holders
 - Reporting 2016 (income year 2015): report on identity of US persons, assets, financial income
 - Reporting 2017 (income year 2016) and following: report on identity, assets, financial income, gross proceeds
- **Common Reporting Standard (CRS: OECD. See also 6.2.)**
 - Worldwide automatic information exchange: standard model: Similar to FATCA
 - Timing: Record tax residence as from 1-1-2016 on new accounts. Existing accounts by 31-12-2016. First reporting in 2017 (income year 2016)
- **Financial Transaction Tax (FTT)**
 - Already in place on French and Italian values
 - As from 2016: 11 EU States?: France, Germany, Belgium, Austria, Slovenia, Portugal, Greece, Slovakia, Italy, Spain, Estonia”
 - Belgium seems not to be in favor (anymore)
 - Under the FTT proposal, certain financial transactions may become subject to a tax of 0.01% on the notional amount mentioned in the derivative contract for derivatives and 0.1% on the market price of other financial instruments.

6.1. FATCA

- FATCA: **Foreign Account Tax Compliant Act**
- Foreign banks have to inform the IRS (US Tax Authorities) of the foreign accounts of their “US Person” clients (US Nationals, US Residents, Green Card holders)
 - Means: IGA: Inter Government Agreement (with the US)
- As such, foreign banks need a W9 or W8BEN form from their “US Person” clients
- More information: for example: www.ing.be/uscorner
- On top of the FATCA regulation, **foreign banks will typically not accept to do “Investment Services” for US persons (too complex reporting):**
 - They will limit their offer to current and savings accounts and risk insurance

6.2. Common Reporting Standard (CRS)

- Worldwide automatic information exchange system (tax) organised by the OECD using a standard model: Similar to FATCA
- Timing
 - Record tax residence as from 1-1-2016 on new accounts
 - Existing accounts by 31-12-2016
 - First reporting in 2017 (income year 2016)
- Clients are in scope when they have (at least one) tax residence (worldwide income) outside of Belgium. Thus fiscal non-residents in Belgium are also in scope: International Civil Servants (EU, NATO, ...), Foreign Diplomats and the beneficiaries of the Special Tax Status (Circular 1983)
- Banks need the Tax Identification Number (TIN) of the clients in scope
 - It concerns your personal tax number and can be found on your latest tax return
 - More info on the TIN numbers (in the EU):
https://ec.europa.eu/taxation_customs/tin/tinByCountry.html?locale=en
- CRS replaces the EU Savings Directive for the countries in scope
- More info on the countries in scope: <http://www.oecd.org/ctp/exchange-of-tax-information/MCAA-Signatories.pdf>
- More info: for example: www.ing.be/crs

7. Conclusion

- The basic tax principles and the tax principles for the basic financial products in Belgium are fairly easy, but there are quite a few of them.
- The exceptions to the principles and the international legislation can be complex, particularly in practice
- When more than 2 countries are involved the complexity increases even more
- Pension build-up, taxation and distribution for a career expat (company), who lived in many countries, maybe complicated

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Q&A

Thank you for your attention

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