



DOING BUSINESS IN BELGIUM

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APPLICABLE LAW: Belgian law

- EU- member state
- Schengen + Euro area member
- EU-legislation implemented into Belgian law
- Four freedoms:
 - Free movement of goods
 - Free movement of capital
 - Free movement of services
 - Free movement of persons

6 STEPS TO SET UP A COMPANY

1. Select the right business type
2. Open a current business account
3. Establish a corporate entity
4. Apply for an unique business number
5. Activate a VAT number
6. Register with a social security fund and a health insurance fund

1. Select the right business type

A. BRANCH	B. SUBSIDIARY
No separate legal entity	Separate legal entity
No minimum capital requirement	Minimum capital required (certain exceptions)
A Belgian notary not required	A Belgian notary required (certain exceptions)
Few corporate law requirements to comply with	Subject to the provisions of the Belgian Companies Code according to the chosen company form
Stringent filing and legalization requirements	Less stringent filing and legalization requirements
Liability extends to headquarter	Limited liability (certain exceptions)



Option B. Subsidiary: Types of companies

1. Besloten vennootschap (BV): Private company:
 - Can be set up by one or more persons
 - Legal personality
 - Transfer shares limited
 - Limited liability
 - Articles of association required by notarial deed
 - No minimum capital

2. Naamloze vennootschap (NV): Public limited liability company:
 - Preferable if a large amount of capital is required
 - Limited liability
 - Transfer shares not limited
 - Incorporation required by notarial deed
 - Minimum capital: 61.500 EUR

3. Coöperatieve vennootschap (CV): Cooperative company:
 - At least three founders
 - Limited liability

4. Vennootschap onder firma: General partnership:
 - Partners are jointly and severally liable for the obligations of the company

5. Commanditaire vennootschap: Limited partnership with shares:
 - Working + Silent partners:
 - Working: take part in the board of directors
 - Silent: contribute capital

6. Maatschap: Partnership:
 - Without legal personality
 - 2 or more persons must agree to pool their resources
 - Liability unlimited

2. Open a current business account.

3. Establish a corporate entity

- Draw up the articles of association
- Apply for a bank certificate (if a minimum capital is required)
- Draw up a financial plan
- Draw up a memorandum of association
- Register the memorandum of association within 15 days
- Publish the memorandum of association within 15 days
- Open a company register

4. Apply for an unique business number

- At the Crossroads Bank for Enterprises (Kruispuntbank van Ondernemingen)

5. Activate a VAT number.

6. Register with a social security fund and a health insurance fund.

TAXATION

1. Corporate income tax

- Profits, including dividends, are taxed.
- 25%
- Small companies: can be reduced to 20% on the first tranche of 100.000 EUR

2. Consumption Taxes (VAT)

- 21% : standard
- 6% (goods such as food, water, hotels, copyrights, concerts, ...)
- 12% (restaurant services, phytopharmaceutical products, ...)

3. The notional interest deduction (NID)

- Allows to deduct a specific % of its 'adjusted' equity capital from taxable profits
- Based on the average 5-year increase of a company's full net equity
- Large companies: 0.726%
- Small and medium companies: 1.226%

4. Regional and local taxes

- Real estate property tax
- Registration taxes
- Inheritance and gift taxes

5. Double Taxation treaties

- Agreement 1996 between Belgium and the Czech Republic

6. Withholding tax (WHT)

- WHT exemption is foreseen for the distribution of profits made by a Belgian subsidiary to an EU parent company if both the parent and subsidiary have a legal form that is mentioned in the Annex to the EU Parent-Subsidiary Directive (taking into account the new Belgian company forms), if both are subject to CIT, and if the parent company holds, during an uninterrupted period of at least one year, a shareholding of at least 10% in the capital of the distributing company (implementation of the Parent-Subsidiary Directive).
- In 2012, the European Court of Justice ruled that the Belgian dividend WHT regime was incompatible with EU law (the 'Tate & Lyle case'). The regime stated that dividends distributed by Belgian companies to foreign corporate shareholders having a holding interest in the capital of a company of less than 10% but with an acquisition value of at least EUR 1.2 million (currently EUR 2.5 million) are, in principle, subject to full withholding at 30%. According to the Act of 18 December 2015, dividends distributed by a Belgian company to non-resident minority corporate shareholders are now subject to a reduced WHT rate of 1.6995% (instead of 30%), provided certain conditions are met.

7. Tax losses

- Losses may be carried forward indefinitely

8. Registration duties

- Capital duty rate: 0%

9. Transfer taxes

- No tax on the transfer of shares
- On the transfer of Real Estate: 10 or 12.5% (depending on the region)
- Real estate taxes: annual tax on deemed rental income

10. Transfer pricing rules

- Arm's length principle
- Supporting documentation is required: Formal TP documentation requirements and Country-by-Country Reporting have been introduced

11. Thin capitalization rules

- 5:1 debt-to-equity ratio for interest paid to tax-privileged recipients or to group companies
- 1:1 ratio for interest paid to directors or to shareholders
- Limitation on deductible interest at the highest of 3 million EUR or 30% EBITDA
- Non-deductible interest can be carried forward to the following years without limit.

12. IP / R&D Incentives

- The net income from qualifying intellectual property can be deducted at 85%. This deduction applies to income from patents, protection certificates, breeders' rights and copyrighted software.
- The unused deduction can be carried forward.

EMPLOYMENT

- Foreign personnel: important to know whether the employee needs a permit to work:
 - EEA and Switzerland: free
 - Non-EEA: work permit needed
- Belgian Labor law:
 - Employment contracts are mostly written
 - Minimum wages
 - Working hours:
 - Full time: 38-40 hours / week
 - Part-time: at least 1/3 of a full-time working schedule each week
 - Social documents: needed in order to allow the Social Inspector to verify whether it is in compliance with the law

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