E-zine

New Belgian Government introduces a major Tax Reform

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After more than seven months of negotiations, Belgium finally has a **new Federal Government**. The new Prime Minister, **Bart De Wever**, and his coalition partners have reached a government agreement along with an ambitious budget for the coming years.

The government agreement includes a substantial list of reforms across all levels of society, including **legal, social, economic, and tax reforms**.

The tax reform introduces an extensive set of new measures that will significantly impact the taxation of both corporate and individual taxpayers, as well as corporate restructuring, M&A transactions, and private equity operations.

No detailed texts of the specific new articles of tax law are available yet. Based on the official version of the government agreement, the most essential new tax provisions can be summarized as follows:

1. TAXATION OF DIVIDENDS FOR CORPORATE TAXPAYERS

Under the current rules, corporate taxpayers are not taxed on **dividend income** if certain conditions are met. One of these conditions is that the parent company must have a shareholding of at least 10% in the subsidiary company or an acquisition value of at least 2.5 million EUR.

The tax reform increases this threshold from 2.5 million EUR to 4 million EUR and stipulates that such a shareholding must qualify as a “fixed financial asset” (thereby excluding short-term financial investments). The minimum shareholding requirement of 10% remains unchanged.

The new rules will apply only to large companies, while SMEs will remain subject to the existing rules.

2. TAXATION OF CAPITAL GAINS ON FINANCIAL ASSETS FOR INDIVIDUAL TAXPAYERS

Under the current rules, individual taxpayers are not taxed on capital gains from financial assets if these gains are realized within the scope of the normal management of a private portfolio. However, capital gains are taxed if they are realized as part of a professional activity (subject to a progressive tax rate) or if they are classified as speculative income (taxed at a separate rate of 33%).

These rules remain unchanged, but the tax reform introduces **a new capital gains tax on financial assets**. Politically, this tax is referred to as a "*solidarity contribution*," although in practice, it is an **income tax.** The new capital gains tax will apply to all financial assets (including crypto assets), even if realized as part of the normal management of a private portfolio. It will be applicable to all capital gains realized from the introduction of the new tax law onwards. Historical capital gains, i.e., gains related to the period before the law's introduction, will not be taxed.

Capital losses on financial assets can be deducted from capital gains on financial assets in the same year. However, any negative loss balance cannot be carried forward to future tax periods.

The capital gains tax rate is set at 10%. A tax-free allowance of 10,000 EUR will be introduced for so-called small investors. In cases where an individual holds a significant stake of at least 20% in a company, the new tax law will provide a tax-free threshold of 1 million EUR. Capital gains between 1 million EUR and 2.5 million EUR will be taxed at a rate of 1.25%, capital gains between 2.5 million EUR and 5 million EUR will be taxed at a rate of 2.5%, capital gains between 5 million EUR and 10 million EUR will be taxed at a rate of 5% and capital gains as of 10 million EUR will be taxed at 10%.

3. EMIGRATION OF A COMPANY

The **emigration of a Belgian company to another country** will be considered a deemed liquidation of the company, subject to liquidation taxes.

4. CARRIED INTEREST

The Belgian Government will introduce **a "competitive" tax regime** for carried interest income, with a maximum tax rate of 30% on moveable income. Existing tax schemes will remain unaffected.

5. PRIVATE PRIVAK

The so-called **Private Privak** is an investment entity subject to a **highly favorable tax regime**, as it is only taxed on a very limited basis. The new Government intends to modify the existing regulatory framework for the Private Privak to make it even more investor-friendly. The planned modifications include changes to the required number of shareholders, the limited duration of the Private Privak, and other aspects.

6. VARIOUS RULES ON WITHHOLDING TAXES

Currently, various specific tax regimes provide for reductions or even exemptions from withholding taxes on dividends. These tax regimes (such as the "*liquidation reserve*" and the "*VVPR-bis*" rules) will not be abolished, but their conditions will be standardized.

The above summary outlines the **key tax measures introduced in the new budget**, based on the official texts released so far. We will continue to monitor developments and provide updates as the government releases further clarifications. In the meantime, we are happy to answer any questions you may have.

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