

## MEMO EXPATRIATE SPECIAL TAX STATUS

### 1 Introduction

Foreign employees working for employers that are part of international groups can benefit from a favourable tax regime within Belgium (administrative Circular 8/8/83).

Those tax regulations apply only to senior foreign employees who have been transferred to Belgium or have been hired for their positions outside Belgium.

The regulations require the employee to have held a management position before coming to Belgium or to have the necessary academic background to assume a management position in Belgium. Non-specialists working in a specialised area can also benefit from the current expatriate tax regulations.

Generally, assignments in Belgium must be temporary, and foreign executives must prove that their primary economic interests are maintained outside Belgium.

Foreign executives with temporary assignments qualify for taxation as non-residents. Consequently, expatriates' professional income is subject to Belgian taxation only on the portion related to their activities in Belgium.

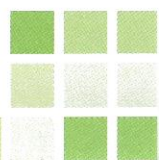
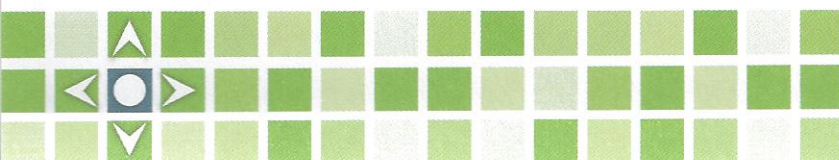
According to the tax regulations for expatriates, within certain limits, expatriate employees are not taxed on reimbursements of expenses incurred as a result of their temporary stay in Belgium.

These costs are considered expenses proper to the employer. The purpose of these tax incentives is to encourage multinationals to invest in Belgium by minimising their salary costs for foreign executives.

### 2 Non-taxable allowances

Non-taxable allowances are defined as reimbursements to employees for additional expenses that are incurred as a result of moving to Belgium.

Those allowances are divided into two categories: one-time and ongoing expenses.



## **2.1 One-time allowances**

Allowances for one-time expenses include moving expenses, costs of establishing residence in Belgium and losses incurred on the sale of a car or house as a result of moving to Belgium.

## **2.2 Allowances for ongoing expenses**

Allowances for ongoing expenses include cost-of-living and housing allowances; school fees; tax equalisation; home leave; emergency trips; travel expenses for children studying abroad; losses incurred in renting a house located abroad; and foreign-exchange losses.

## **2.3 Limits**

Allowances for one-time expenses and allowances for school fees are unlimited and are not subject to taxes in Belgium. However, the annual total allowances for all other ongoing expenses is limited to € 11.250 if the employee works for a commercial or industrial company and € 29.750 if the employee works for a co-ordination centre or a research laboratory centre.

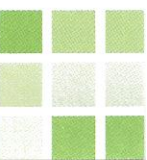
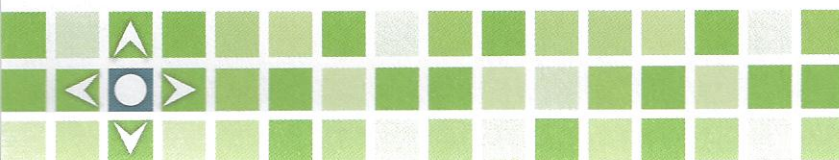
The co-ordination centre does not need to be an approved one, as stipulated in the special tax regulations that apply to co-ordination centres.

The cost-of-living allowance equals 5% of the base salary in the home country and is limited to € 2.500. The deemed cost of equivalent housing in the home country equals 12% of the base salary.

Tax equalisation is the difference between the Belgian taxes on the corrected base salary in the home country minus travel exclusion, and the foreign taxes on the base salary which the expatriate should have paid in his home country.

## **2.4 Social Security**

Concerning social security rights, there is no special legal regime. According to the NOSS, allowances for foreign executives are not subjected to any contribution when the annual total of the allowances is limited to € 11.250 if the employee works for a commercial or industrial company and € 29.750 if the employee works for a co-ordination centre or a research laboratory centre.





### **3 Determination of income taxable in Belgium**

One of the greatest benefits of the tax regulations enacted in 1983 is that as non-residents, expatriates are not subject to taxation on salary income earned outside Belgium.

Generally, the salary earned in Belgium and the salary earned outside Belgium are calculated based on a ratio of the number of an employee's working days in Belgium to the total number of working days in a year or, if less, the time period an employee has been employed in Belgium during the calendar year.

To calculate the total number of working days during a year or period, weekends, Belgian statutory holidays, vacations and sickness days are deducted from the total number of days during the year or period.

When an employee travels abroad, the day of departure is deemed to have been spent in Belgium, and the day of return is deemed to have been spent abroad. One-day trips are considered as a day of return.

### **4 Approval of the status of non-resident**

Employers should apply for non-resident status of their employees with the tax authorities within six months as of the first day of the month following the date of the arrival of the individual in Belgium. In exceptional situations, the expatriate tax concessions will nonetheless be granted starting from the income year after the year of filing.

The special tax regulations for expatriates apply in principle for an unlimited time period. However, in practice, tax inspectors recently tend to verify on a periodical basis if the conditions to benefit from the status remain fulfilled.

If you need some further information, please do not hesitate to contact us.



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