

Belgian Parliament adopts corporate tax reform

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The corporate tax reform, announced during the summer, was adopted on 22 December 2017 by the Belgian Parliament. In addition to the gradual decrease of the corporate tax rate to 25% in 2020, the introduction of tax consolidation and the implementation of the European Union Anti-Tax Avoidance Directives (ATAD), Belgium will grant 100% participation exemption as of 2018. Furthermore, the Federal Government approved an additional draft to abolish the fairness tax, as well as a number of technical amendments.

Entry into force of tax consolidation and ATAD brought forward

Apart from the entry into force of tax consolidation and the implementation of the ATAD, there are no substantial changes compared to the draft approved by the Government on 25 October 2017:¹

- ▶ The new rules on tax consolidation will apply to financial years starting on or after 1 January 2019 (instead of 2020).
- ▶ The measures provided for by the ATAD will also be implemented as of 1 January 2019 (instead of 2020). However, the entry into force of the 30% EBITDA² interest limitation rule remains the same, i.e., financial years starting on or after 1 January 2020.

Fairness tax to be abolished as of 1 January 2018

While the request for annulment is still pending before the Constitutional Court, the Federal Government decided to abolish the fairness tax for financial years starting on or after 1 January 2018. In addition, the draft law contains a number of technical amendments to measures included in the corporate tax reform law approved by Parliament, in particular with respect to the new Controlled Foreign Company-regime, the tax consolidation regime and the new

30% EBITDA interest limitation rule. An anti-abuse provision will be included in the rules on the notional interest deduction (NID) regime in order to prevent double dips (i.e., refusal of NID at the level of the subsidiary in situations where the parent financed the equity contribution with a loan).

The draft law will now be sent to the Council of State for review. The draft will then be finalized and submitted to the Belgian Parliament for enactment.

Endnotes

1. See EY Global Tax Alert, [Belgian Government approves draft law on corporate tax reform including 100% participation exemption](#), dated 7 November 2017.
2. Earnings before interest, taxes, depreciation and amortization.

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