



# SETTING UP YOUR BUSINESS IN FLANDERS

Guiding you step by step



**Flanders**  
State of the Art

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Dear entrepreneur,

Thank you for considering Flanders as the destination for your business. This guide is here to help you take your first steps through our economic landscape – from the initial setup to the essential practices that will support your success in the long term.

Whether you're launching a new venture or expanding, you can count on Flanders Investment & Trade (FIT) at every stage for detailed guidance and answers to any questions you may have about investing in Flanders.

Good luck – and happy to help!

**Flanders Investment & Trade (FIT)  
accelerates the international expansion  
of your business and accompanies you  
at every milestone, from providing  
knowledge and financial support to  
connecting you with the right contacts  
at the right time.**

# WELCOME TO FLANDERS, YOUR STRATEGIC GATEWAY TO EUROPE

Flanders, the Dutch-speaking northern region of Belgium, is more than just a strategic location. It's where global businesses thrive. Just ask industry leaders like Nike, who have made Flanders their European logistics hub, or Daikin Europe, which drives innovation in air technology from this dynamic region. With its population of 7 million and Brussels as its capital, Flanders offers unparalleled access to the EU, NATO and major European markets.

In addition to being the capital of Flanders, Brussels is Europe's central hub, housing the HQs of the EU, NATO and other major governance organizations. This strategic positioning provides exceptional access to international decision-makers and markets. Flanders, with its own parliament and government, makes it its mission to support and nurture your business ambitions.

## WHY FLANDERS?

Flanders provides a robust and supportive legal framework tailored to foreign investors. Business incentives and environmental regulations are managed by the government of Flanders, while tax, social security and defense policies are overseen by the Belgian federal government. All this operates within the stable environment provided by EU legislation, ensuring a conducive atmosphere for business growth.

Additionally, Flanders boasts a globally recognized competitive economy, making it an ideal launchpad for your European ventures. As an innovation hub, the region offers advanced ecosystems that propel businesses forward and foster collaboration on sustainable and cutting-edge solutions.

Flanders also offers strategic access to key European markets and partners, providing your business with the edge it needs to achieve sustainable growth. With strengths in sectors such as sustainable energy, food security, health, smart mobility, and circular economy solutions, Flanders is the place where your business can make a significant impact.

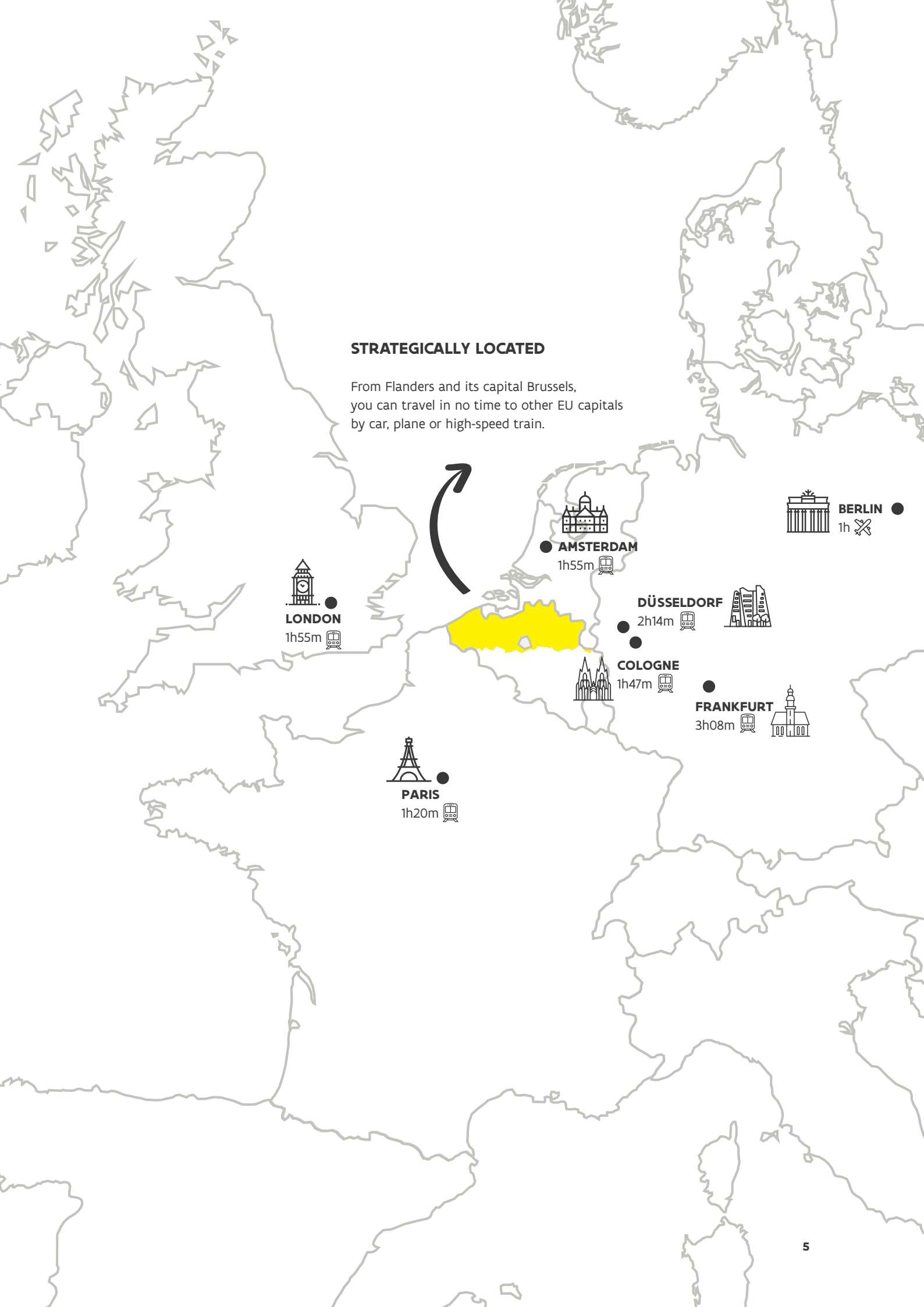
## FLANDERS' PERKS IN A NUTSHELL:

- **World-class infrastructure:** benefit from top-tier infrastructure that ensures seamless business operations.
- **Multilingual talent pool:** leverage a highly skilled, multilingual workforce that boosts your global outreach.
- **Business-friendly policies:** enjoy the support of forward-thinking regulatory authorities committed to your success.
- **Collaborative culture:** thrive in an entrepreneurial environment that values innovation and partnership.

Join us in Flanders and secure a future of innovation, sustainability and prosperity. Your success story starts here.

## STRATEGICALLY LOCATED

From Flanders and its capital Brussels, you can travel in no time to other EU capitals by car, plane or high-speed train.



  
**LONDON**  
1h55m 

  
**PARIS**  
1h20m 

  
**AMSTERDAM**  
1h55m 

**DÜSSELDORF**  
2h14m 

  
**COLOGNE**  
1h47m 

**FRANKFURT**  
3h08m   


  
**BERLIN**  
1h 





### 5 DAYS

The average lead time to set up a business is among the shortest in the world<sup>1</sup>



### GLOBAL TRADE HOTSPOT

**#3** in global trade<sup>2</sup>

**#2** most globalized economy<sup>3</sup>



### GREAT PLACE TO LIVE

**#7** in Europe<sup>7</sup>

**#1** in global contribution  
to culture<sup>7</sup>

**#4** in global contribution  
to prosperity & equality<sup>7</sup>



### CONNECTED BUSINESS ENVIRONMENT

**#10** globally for company use of digital  
tools & technologies<sup>5</sup>

Frontrunner in providing digital public  
services<sup>9</sup>

Strong progress in AI adoption by  
enterprises<sup>9</sup>



### STRONG TALENT POOL

**#7** globally for education<sup>5</sup>

5 universities, 2 of which  
in top 100 globally<sup>6</sup>



### SOLID INNOVATION ECOSYSTEM

**#5** strongest innovator in Europe<sup>4</sup>

**#2** in Europe for R&D financing  
and support<sup>4</sup>



### COMPETITIVE ECONOMY

**#7** globally for overall productivity<sup>5</sup>

**#6** globally for labor productivity<sup>5</sup>

**#4** in EU for skilled entrepreneurship  
of managers<sup>5</sup>

**#2** in EU for total R&D expenditure<sup>5</sup>

(Sources: <sup>1</sup> IMD World Competitiveness 2024; <sup>2</sup> DHL Connectedness Report 2024; <sup>3</sup> KOF Globalization Index Dec. 2023; <sup>4</sup> European Innovation Scoreboard 2024; <sup>5</sup> IMD Competitiveness Yearbook 2024; <sup>6</sup> Shanghai Ranking 2024; <sup>7</sup> Good Country Index 2024; <sup>8</sup> Euro Health Consumer Index 2024; <sup>9</sup> DESI 2024)

## NEED A GUIDE?

**FLANDERS INVESTMENT & TRADE (FIT) IS HERE  
TO HELP! GET IN TOUCH: [INFO@FITAGENCY.BE](mailto:INFO@FITAGENCY.BE).**

# 1

## BEFORE GETTING STARTED: PREREQUISITES

Setting up a business in Flanders offers exciting opportunities, but understanding the prerequisites involved is crucial. Below are some important aspects to consider before getting started.

### CONDITIONS FOR ENTREPRENEURS IN FLANDERS

Nationals of the EEA (EU, Liechtenstein, Norway, Iceland) or Switzerland can set up a business in Flanders in no time. Other nationals need a residence permit and a professional card.

The professional card:

- is personal and cannot be transferred;
- is restricted to the self-employed professional activity specified on the card;
- has a validity period of up to 3 years;
- incurs a fee of 90 EUR per year, plus a one-time application fee of EUR 140.

If you already live in Belgium, apply for a professional card via a business counter (Ondernemingsloket). If abroad, apply through the Belgian consulate or diplomatic representation in your country of residence.

### PROVE YOUR EXPERTISE

For some business fields, (professional) certificates are required. This is the case for real estate agents and certain professional services, for example.

**For more information, please contact Flanders Investment & Trade at [info@fitagency.be](mailto:info@fitagency.be).**

#### Five things to keep in mind when starting a business in Flanders

1. Be aware of the costs involved in translating documents (all should be in Dutch), publishing documents and paying for notarizations.
2. Choosing a unique corporate name is a must.
3. Belgian companies must comply with Belgian accountancy law.
4. Companies have the option to lease, buy or build premises.
5. Companies must comply with all EU data protection and privacy requirements.



## 2

# SET UP YOUR BUSINESS IN 5 STEPS

### STEP 1 – SELECT THE RIGHT BUSINESS TYPE

Management, accounting, tax system and liability vary by business type. So, the first step is choosing the type of business entity: will you set up a branch office or a subsidiary in Flanders?

**A branch** is an extension of the parent company and not a separate legal entity. It does not have its own legal personality and therefore cannot act in its own name. The parent company remains responsible for the activities of the branch. Establishing a branch is often simpler and less costly than setting up a subsidiary. The management of a branch is done directly by the parent company.

**A subsidiary** is a separate legal entity with its own articles of association and share capital. A subsidiary has legal personality, which means that it can independently perform legal actions, such as entering contracts, or being liable for debts and owning property. A subsidiary has more operational independence and can develop its own policies and strategies, although it remains under the ultimate control of the parent company. Establishing a subsidiary requires more formalities, such as the creation of a separate legal entity by notarial deed and can take more time and resources.

### Comparing brands and subsidiaries: the differences and key considerations

#### Branch

- No separate legal entity
- No minimum capital required
- A Belgian notary is not required
- Few corporate law requirements to comply with
- Less stringent filing and legalization requirements
- Appointment of a legal representative is required
- Liability extends to HQ

#### Subsidiary

- Separate legal entity
- **Minimal** capital requirement for public limited companies (NVs) and **sufficient** initial capital for private limited companies (BVs) to cover their anticipated activities as assessed in a financial plan
- A Belgian notary is required (some exceptions)
- Subject to the provisions of the Belgian Code on Companies & Associations (BCCA) according to the chosen company form
- Stringent filing and legalization requirements
- Appointment of a legal representative is required
- Limited liability (some exceptions)





## Are you considering establishing a subsidiary?

These are the two most common types of companies in Belgium and Flanders as a region:

- public limited company, known as ‘**naamloze vennootschap**’ (NV)
- private limited company, known as ‘**besloten vennootschap**’ (BV)

	NV	BV
<b>Founders/shareholders</b>	At least one share with one vote is required	At least one share with one vote is required
<b>Minimum capital</b>	EUR 61,500	Not applicable. The company should have sufficient assets to conduct the planned activities.
<b>Paid-up capital</b>	1/4 with a minimum of EUR 61,500	Not applicable
<b>Contribution in kind</b>	Auditor's report	Auditor's report
<b>Financial plan</b>	Mandatory	Mandatory
<b>Shares</b>	The shares are nominative or dematerialized. Shares without voting rights are possible.	Shares are nominative or dematerialized. At least one share with one vote is required. Flexibility when it comes to other types of securities and attached rights (e.g. shares without voting right).
<b>Shares register</b>	Yes	Yes
<b>Deed</b>	Notarial deed, publication in the Belgian Official Gazette.	Notarial deed, publication in the Belgian Official Gazette.
<b>Shareholders' liability</b>	Limited to contribution. (Exceptions apply.)	Limited to contribution. (Exceptions apply.)
<b>Founder's specific liability</b>	Yes	Yes
<b>Transfer of shares</b>	The shares are freely transferable, but the transferability can be limited in the articles of association or in the shareholders' agreements.	The transfer mechanism is to be determined in the articles of association. If not, special majority rules apply.
<b>Administration/ management</b>	Every year, the shareholders must gather to, for example, approve the annual accounts. The articles of association determine the day, time and place of this shareholders' meeting.	Every year, the shareholders must gather to, for example, approve the annual accounts. The articles of association determine the day, time and place of this shareholders' meeting.
<b>Audit</b>	A company auditor must be appointed if the company exceeds more than one of these criteria: <ul style="list-style-type: none"> <li>• an average of 50 people employed per year;</li> <li>• annual turnover of EUR 9,000,000 (excl. VAT);</li> <li>• a balance total of EUR 4,500,000.</li> </ul>	A company auditor must be appointed if the company exceeds more than one of these criteria: <ul style="list-style-type: none"> <li>• an average of 50 people employed per year;</li> <li>• annual turnover of EUR 9,000,000 (excl. VAT);</li> <li>• a balance total of EUR 4,500,000.</li> </ul>

More information on company types can be found at [www.kpmglaw.be](http://www.kpmglaw.be).

## STEP 2 – OPEN A CURRENT ACCOUNT

After selecting the right business type for your activity in Flanders, you'll need to open a business current account in your company's name with a Belgian bank. Your company's commercial documents (such as letters and invoices) should always mention the bank account number and name of the financial institution of the account.



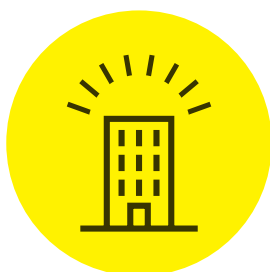
Deposit an initial contribution for the incorporation of the company into your (initially blocked) bank account and receive a bank certificate:

- A public limited company (NV) requires a fixed minimum amount of EUR 61,500.
- A private limited company (BV) does not require a minimum capital but a 'sufficient' initial capital for its activities (see below).

In both cases, the initial contribution is deposited into a blocked account, and you will receive a deposit receipt that confirms the transaction. This receipt must be delivered to the notary who is entrusted with the incorporation.

## STEP 3 – ESTABLISH YOUR COMPANY

Establishing a company entity in Belgium involves four crucial phases that must be carefully followed to ensure legal compliance and operational readiness.



### Draft a financial plan

Begin by demonstrating the financial viability and capital adequacy of your business over a period of at least two years. This involves creating a **detailed budget** and outlining your **funding sources**. The required minimum capital varies depending on the type of company you are setting up. This financial plan is not only a legal requirement but also a critical tool for your strategic planning.

This financial plan is also a crucial element that – in the event of the company's bankruptcy within a period of three years after incorporation – will be used to determine whether the founders should be held liable towards debtors due to a clear **undercapitalization** of the company at the time of incorporation.

If the company is incorporated by way of a **contribution in kind** (instead of or in addition to a contribution in cash), you will also need to include:

- a **special report by the founders** with a description and motivated valuation of the assets in question; and
- an **independent auditor's report** assessing the correctness of the founders' report.

## Draft the articles of incorporation or association

The articles of incorporation – also known as the articles of association – form the constitutional basis of your company. Among other things, they should include:

**Company objective:** clearly define the objectives and activities of the company.

**Registered office:** state the legal address of your company.

**Shares:** determine how many shares will be issued and, where applicable (e.g. NV), the amount of the capital represented by the shares.

**Transfer of shares:** define the rules and conditions regarding the transfer of shares and possible limitations in that respect.

**Governance structure:** outline how your company will be managed and who will be responsible for decision-making and representing the company.

The **notary** creates a **draft** of the articles of association that can be finetuned if and where necessary to meet the founders' specific needs.

## Registration of the articles of incorporation

Once your articles are prepared and final, the notary will officiate the incorporation of the company by signing the notarial deed of incorporation. The articles of association then **need to be registered within 15 days of the company's incorporation**. This task is **typically handled by the notary** who was tasked with the incorporation. The registration takes place through the competent Commercial Court, which ensures that all legal requirements are met for your company to operate.



### TIP: save time with e-depot

To streamline the registration process, the notary can make use of e-depot, a digital tool that allows notaries to sign and file documents electronically. This tool significantly **speeds up the filing process** by storing documents in digital databases, making the process simpler and quicker.

## Publication of the articles of incorporation

Finally, an extract of the articles of incorporation will automatically be published in the Annexes to the Belgian Official Gazette. Upon this publication, your company **officially acquires legal personality**, marking the completion of the registration process.

## STEP 4 – REGISTER YOUR COMPANY THROUGH A BUSINESS ONE-STOP-SHOP

Belgian business counters are designed as a one-stop-shop for entrepreneurs looking to start a business. They offer a streamlined approach to handle all your administrative needs. From business registration and obtaining licenses to VAT and social security registration, these business counters provide comprehensive support in one convenient location. Typically, you'll go through three stages in this step.

### Apply for your unique business number

Register your business at the Crossroads Bank for Enterprises (Kruispuntbank van Ondernemingen, KBO). This can be facilitated by a business counter (Ondernemingsloket). Upon successful registration, you will receive a unique ten-digit business number, which also serves as your VAT number.

#### Required documents for registration:

Identity card

Special licenses, if applicable

Bank account number

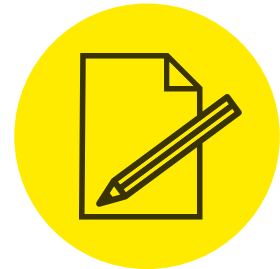
For partnerships: an extract from the articles of association and a certificate regarding the management mandate.

### Activate your VAT number

Register your business number with the VAT administration office of your region. This can be done either in person or electronically (upon payment through the business counter). Any entity that regularly and independently supplies goods or services listed in the VAT Code must pay and/or charge VAT.

### Register with a social security and health insurance fund

Upon establishing a company, you must register yourself and your company with a social security fund for self-employed workers.



#### Tip: check the complete list of accredited business counters

<https://economie.fgov.be/en/themes/enterprises/starting-business/steps-starting-business/steps-take-business-counter/accredited-business-counters>

## STEP 5 – OPEN FOR BUSINESS!

Congratulations - you're now ready to kick-start your business success in Flanders!

# 3

## AN INTRODUCTION TO FLANDERS' TAX SYSTEM

Understanding the tax landscape is crucial when setting up a business abroad, as it impacts everything from budgeting to compliance. This chapter provides an overview of Flanders' current tax system, based on 2024 legislation. Please note that a tax reform is underway following the federal elections of 9 June 2024, which may lead to changes. Here, you'll find essential insights into the tax landscape, helping you navigate the fiscal requirements and opportunities relevant to your business in Flanders.

### 3.1. INDIVIDUAL INCOME TAX IN FLANDERS

Flanders offers favorable tax regimes for incoming employees and researchers, providing significant cost reductions for employers. Employees fall under the Special Tax regime for Incoming Taxpayers (STIT), researchers under the Special Tax regime for Incoming Researchers (STIR).

Note: non-resident taxpayers must submit a residence certificate from their home country's tax administration; otherwise, they will be taxed as Belgian residents.

#### Benefits

- **Tax-free reimbursements:** Employers can reimburse recurring assignment-related expenses tax-free up to 30% of the employee's gross annual salary, capped at EUR 90,000 annually.
- **Extraordinary expenses:** Moving, housing, and school costs can also be reimbursed tax-free.

#### Conditions

- **Recruitment and posting:** Employees must be recruited outside Belgium by a Belgian entity or must be posted to a Belgian entity by a foreign company within a multinational group.
- **Salary requirement:** For incoming employees a minimum gross annual salary of EUR 75,000, including bonuses and benefits, for services rendered in Belgium is required. For incoming researchers there is no minimum wage requirement.
- **Tax history:** In the past 5 years, employees may not have been considered a tax resident of Belgium, and not have been subject to Belgian individual income tax for non-residents on employment income, nor have lived within a distance of 150 km from the Belgian borders.
- **Additional conditions for incoming researchers:**
  - Researchers must have at least ten years of work experience or a master's/doctorate degree in specified fields (exact or applied sciences, engineering, veterinary medicine, etc.).
  - The researcher must work within a company conducting research and development programs.

#### Application process

- Employers must apply within three months of the employee starting work in Belgium. The application should include a certificate of approval signed by the employee.
- The Federal Public Services (FPS) administration will respond within three months.
- The regime is valid for up to five years, with a possible extension of three years under certain conditions.

## Personal taxation in Belgium

- Residents: a Belgian resident has his or her domicile or center of economic interests in Belgium. Residents are taxed on worldwide income from all sources.
- Non-residents: anyone who is not considered a resident or who benefits from the Special Tax regimes for Incoming Taxpayers/Researchers. Non-residents are taxed on Belgian source income, include professional, property and investment income earned in Belgium.

## Tax rates

Check out the progressive scale of individual income taxes on [finance.belgium.be/en/private-individuals/tax-return/tax-rates-income/tax-rates](https://finance.belgium.be/en/private-individuals/tax-return/tax-rates-income/tax-rates)

- Income taxes are subject to an additional municipal tax, averaging around 7%.
- Compulsory social security contributions can be deducted from taxes.
- Professional expenses can be claimed either on an actual basis or as a lump sum, with set maximum deductible amounts for employees and directors.

## Tax deductions

Tax reductions are available for marital status, dependents, and particular expenses like mortgage, donations, and alimony payments.

## Special taxation regimes

Several special taxation regimes are applicable. Here are some of the main examples:

Stock options	Company cars	Benefits
Stock options are taxable on the 60th day after the offer notification, if accepted in writing by then. The taxable value is a lump sum, calculated at 18% of the shares' market value for options with a five-year term.	Company cars are taxed on a lump sum basis, based on the catalog value and CO <sub>2</sub> emissions of the car.	Benefits like employer-provided internet access, laptops, and mobile phone costs are taxed on a lump sum basis. However, some benefits, such as meal vouchers, may be tax-free under certain conditions.



## Other personal taxation

Belgium does not impose a wealth tax and in Flanders, there are advantageous rates for inheritance and gift duties. Investment income, including interest and dividends, is generally taxed at 30%, with – among other things – an exemption for up to EUR 833 for income year 2024 of dividend income. Other exemptions apply, subject to conditions.

The following capital gains are taxable:

- undeveloped real property – taxable if held for less than 8 years.
- developed real property – taxable if held for less than 5 years.
- shares – capital gains on the transfer of shares are generally exempt from taxation\*.

\*However, if the shares are in Belgian companies and the transferor (alone or with close relatives) has held more than 25% of the shares in the past 5 years, and the transferee is a foreign entity outside the European Economic Area, the gains are taxable.

Both Belgian residents and non-residents – if the accounts are held with a Belgian intermediary or financial institution – are subject to an annual tax of 0.15% on securities accounts with an average value exceeding EUR 1 million.

Residents pay a tax on stock exchange transactions, ranging from 0.12% to 1.32%, depending on the product type.



## 3.2. TAXATION FOR BUSINESSES IN FLANDERS

### Which corporate income tax rate is applied?

In Belgium and Flanders as a region, corporate income tax applies to profit-making entities with a registered office, main establishment or place of effective management in Belgium – including foreign entities with taxable permanent establishments in Belgium.

The standard rate for Belgium corporate income tax is 25%, while Belgian SMEs enjoy a reduced rate of 20% on the first EUR 100,000 of income. Multinationals and large groups with a turnover above EUR 750 million have a minimum tax rate of 15%.

Business type	Tax Rate	Conditions
Standard companies	25%	Registered office, main establishment or place of effective management in Belgium
Small and medium-size enterprises (SMEs)	20% on the first EUR 100,000	Annual income up to EUR 100,000
Large multinationals	Minimum 15%	Annual turnover of at least EUR 750 million

### How is the taxable base determined?

The tax base for corporate income tax is determined on an accrual basis and consists of the following:

**Tax base** = worldwide income + disallowed expenses – allowed expenses

Resident companies are subject to tax on their worldwide income. All income arising to companies is characterized as business profits. Tax computation is based on the company's audited profit and loss accounts; adjustments are made as stipulated in the applicable Belgian tax legislation.

All income is treated as business income, and documented business expenses incurred or borne by the taxpayer to obtain or retain taxable business income are in general tax deductible.

## Which fiscal corrections lower the tax base?

### Exempt foreign income

Belgian companies are exempt from Belgian tax on income from foreign branches in countries with a double taxation treaty.

Business income derived through a permanent establishment in another contracting state under a double taxation treaty is normally exempt in Belgium under the application of these tax treaties.

### Dividends received deduction

Dividends received by Belgian tax-resident companies or permanent establishments of non-resident companies are 100% exempt from corporate income tax if certain conditions are met.

### Innovation income deduction

The innovation income deduction allows Belgium-based companies to deduct up to 85% of the net qualifying IP income from e.g. patents, breeders' rights and copyrighted software.

This can reduce the effective tax rate to 3.75%. (See chapter on tax incentives, p. 19.)

### Tax losses carried forward

Belgian companies can carry forward prior and current year tax losses indefinitely to offset future taxable income. However, restrictions apply in cases of tax-driven changes in company control, tax-exempt reorganizations, disallowed transfer pricing, etc.

There is a minimum tax base for companies with a taxable profit over EUR 1 million, via the limitation of certain deductions (such as tax losses carried forward).

From the amount of the annual taxable profit exceeding EUR 1 million, only 70% is deductible.

### Investment deduction

Belgian companies can claim a deduction from their taxable profit for new tangible or intangible fixed assets used for business purposes when certain conditions are fulfilled. The applicable rates vary, depending on specific criteria and the nature of these investments.

According to a new regime applicable for investments (launch: 1 January 2025), taxpayers can choose between different categories of deduction for each qualifying asset, depending on the nature of the asset and the stipulated conditions.

### Depreciation

Depreciation applies to expenses and both intangible and tangible fixed assets with limited economic lifetimes. It must be recorded annually, starting from the financial year of acquisition, production, or contribution. For assets acquired during the year, depreciation in that year is applied on a 'pro rata temporis' basis.

### Capital gains on shares

Realized capital gains on shares are currently tax-exempt if the following conditions are met:

- Shares have been held for at least one year.
- Participation is at least 10% or EUR 2,500,000.
- The taxation condition has been fulfilled.

If one or more of those conditions (e.g. shares are not held for at least one year) are not met, capital gains are considered taxable income. Capital losses on shares are not tax-deductible unless they result from liquidation and reflect a permanent loss of paid-up share capital.

## **Withholding taxes on dividends, interest and royalties**

A general 30% withholding tax applies to dividends, liquidation distributions, interest, and royalties paid by domestic corporate taxpayers. However, Belgium's extensive tax treaties and EU directives can substantially reduce this rate for payments to companies both within and outside the EU.

Dividends	Interest and royalties	Interest payments
Exempt if the parent company is in an EU state or a state with a tax treaty with Belgium and holds at least 10% of the subsidiary's share capital during an uninterrupted period of at least one year.	Exempt between associated companies established in the EU, subject to certain conditions.	Other exemptions on interest payments are available for Belgian entities funded with foreign loans.

## **Deductibility of royalties and interest**

Royalties and interest payments must adhere to expense deductibility rules. Net interest deduction is capped at EUR 3 million or 30% of EBITDA. Interest on grandfathered loans from related entities or on loans from entities with favorable tax regimes is non-deductible if the loan amounts exceed five times the company's equity (capital + taxable reserves), with some exceptions.

## **Tax treaties: avoidance of double taxation**

Belgium has agreements with various countries to avoid and eliminate double taxation. These treaties allocate taxing rights on international income and offer tax relief to prevent double taxation. Most follow the OECD Model Double Taxation Convention on Income and Capital.

For an updated overview of all double taxation treaties, visit: <https://finance.belgium.be/en/private-individuals/international/international-agreements>.

## **Transfer pricing**

The concept of transfer pricing is based on the 'at arm's length' principle, requiring companies to conduct transactions with affiliated companies at market rates similar to those used with unrelated parties.

### **What are the tax implications of not adhering to the 'at arm's length' principle?**

If a Belgian tax-resident company or branch fails to comply, the tax authorities can:

- add the advantage granted to an affiliated company to its tax base;
- challenge the deductibility of tax losses or other deductions up to the amount of abnormal or gratuitous benefits received from an affiliated company.

Improper transfer pricing is determined by the specific facts and circumstances of each transaction.

### **How to ensure your company's transfer pricing practices are acceptable?**

The Belgian tax authorities recommend maintaining relevant, detailed, comprehensive and reliable documentation to support your transfer pricing policy. Additionally, you can request a unilateral, bilateral, or multilateral advance transfer pricing agreement or ruling from the federal tax authorities regarding the 'arm's length' nature of your transactions.

## **3.3. TAX INCENTIVES**

### **Expatriate tax incentive**

Belgium offers a special tax regime to reduce expatriate employment costs, providing beneficial tax rules if conditions are met.

- Qualifying expatriates are considered Belgian non-residents and are taxed only on income earned in Belgium.
- Expatriates are not taxed on significant allowances and reimbursed expenses related to their posting to Belgium.

### **Tax credit for R&D**

Companies investing in qualifying fixed assets for patents or R&D can opt for a tax credit instead of an investment deduction. The R&D tax credit can be carried forward for three subsequent assessment years. Any unused credit is fully refundable after 4 assessment years, including the investment year.

### **Wage withholding tax exemption for research projects or programs**

Companies employing researchers for qualifying projects or programs pay only 20% of their wage withholding taxes, resulting in an 80% cash saving.

### **Tax deduction for innovation income**

To stimulate innovation, Belgian companies can benefit from a tax deduction on intellectual property (IP) income related to R&D activities, excluding marketing-related intangibles like trademarks. This deduction can reduce the effective tax rate on innovation income to under 3.75% and is available as soon as the IP is requested, provided the IP is subsequently granted.

The deduction amount equals 85% of the 'arm's length' net innovation income received. Companies can deduct 85% of the net income they would have received if they had licensed the IP to unrelated parties. The deduction also applies to income from process innovation and capital gains on IP if reinvested.

The calculation of the deduction considers the proportion of in-house and unrelated party R&D costs to total R&D costs.

### **Overtime, night and shift work**

Belgian employers are exempt from paying a portion of withholding tax on certain wages: between 32.19% and 41.25% for overtime wages (first 130 hours per year) and 22.8% for night and shift workers' wages, increasing to 25% for continuous work.

## The Belgian ruling system

Belgium offers a unique ruling system providing upfront legal certainty for taxpayers by offering 'advance rulings' from the Advance Ruling Commission ([www.ruling.be](http://www.ruling.be)). These rulings:

- determine tax application for future situations;
- are valid for five years;
- are renewable.

The Belgian Ruling Commission operates constructively, allowing pre-filing and no-name meetings in English. Rulings are delivered within three months and cover all federal and centrally collected regional taxes. This system helps businesses develop new strategies with legal certainty, adhering to EU legislation.

## Incentive for investments that create employment in support zones

The Belgian government offers a temporary withholding tax exemption for employers investing in economically distressed zones. This applies to wages paid to new employees hired due to such investments, resulting in substantial cash savings.

## 3.4. TAXATION OF BRANCHES VS. SUBSIDIARIES

### Taxation of branches

Having a branch as your European HQ comes with both tax advantages and disadvantages. Here's a short overview of the pros and cons to consider.

#### The main tax advantages

- There is no dividend withholding tax or another type of 'branch level' tax on transferring profits to the foreign (parent) company.
- In general, Belgian branches benefit from the same tax incentives as Belgian companies.



#### The main tax disadvantages

- Limited applicability of the Belgian tax treaty network: the tax treaties of the foreign company's state apply.
- The EU Parent-Subsidiary Directive or EU Interest and Royalty Directive are not applicable to non-EU tax resident company.



### Taxation of subsidiaries

Having a subsidiary as your European HQ comes with the following tax advantages:

- additional leverage through interest, royalties or management fees paid to the parent company;
- application of the extensive Belgian tax treaty network.



The most common types of Belgian companies qualify as a parent company or subsidiary under the EU Parent-Subsidiary Directive and the EU Interest and Royalty Directive, providing additional benefits.





### 3.5. VALUE-ADDED TAX (VAT) IN FLANDERS

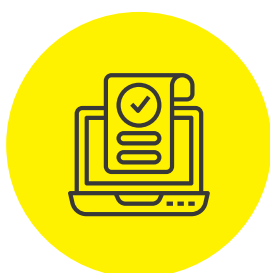
VAT is an indirect tax on the supply of goods and services, borne by the final consumer. It is charged as a percentage of the sales price and collected through the different stages of the production, sales or distribution process up until the product or service reaches the end consumer. The standard VAT rate in Belgium is 21%, but reduced rates of 0%, 6%, or 12% may apply to certain goods and services.

#### Who is required to register for VAT?

In principle, a business has to register for VAT in Belgium when goods or services within the scope of VAT are supplied on a regular basis in the context of an economic activity (the business becomes debtor of Belgian VAT, performs transactions that generate input VAT deduction right, etc.). Every VAT taxable person must electronically notify the start of its activities in Belgium to the VAT Authorities.

Under specific circumstances and conditions, the reverse charge mechanism allows foreign companies to do business in Belgium without registering for VAT, as VAT taxable business customers account for VAT instead of the non-established supplier.

Different registration procedures apply for entities established in Belgium (including branch offices of a foreign head office) and those established abroad.



•**VAT registration procedure for established taxable persons:**

application for VAT number by submitting an E-604A form (to be filed online).

•**VAT registration procedure for non-established taxable persons from outside the EU (except for the UK and Norway:** you'll need to register for VAT through the appointment of a fiscal representative in Belgium.

•**VAT registration procedure for non-established taxable persons from the EU, the UK or Norway:** you can choose between the following two options for VAT registration.

#### **Option 1: VAT registration through the appointment of a fiscal representative**

- Possible advantage: reverse charge mechanism applicable on certain incoming transactions, more specifically on construction work as well as on goods/ services supplied locally in Belgium that are invoiced by foreign companies not established in Belgium.
- Belgian VAT authorities will send their correspondence directly and only to the fiscal representative.
- A guarantee of minimum EUR 7,500 and maximum EUR 1,000,000.

#### **Option 2: direct VAT registration**

- Advantage: no bank guarantee or cash deposit is required.
- Belgian VAT authorities will send their correspondence directly to the company abroad.

## Which VAT is deductible?

VAT can be deducted on goods and services purchased for the purpose of the economic activity (provided that the outgoing transactions generate input VAT deduction right). However, specific input VAT deduction limitations exist for VAT incurred with respect to the following costs:

- tobacco products;
- alcoholic beverages;
- hotel and restaurant costs;
- reception costs.

Additionally, only up to maximum 50% of the input VAT on vehicles used for passenger transport and related goods or services is deductible, with some exceptions.

## VAT refund

VAT refunds to foreign taxable persons not registered for VAT purposes in Belgium	VAT refunds to taxable persons established in the EU (other than Belgium)	Taxable persons established outside the EU
<p>Non-established taxable persons who are not required to register for VAT in Belgium can file a VAT refund claim for the Belgian VAT incurred during their economic activity (taking into account legal input VAT deduction limitations).</p> <p>Refund procedures differ for those established inside or outside the EU.</p>	<p>Taxable persons established in the EU can obtain a refund of Belgian VAT incurred by sending an electronic refund claim to the tax authorities of the member state where they are established.</p> <p>The request will then be forwarded to the Belgian tax authorities. In principle, the refund period (the period that is covered by the refund application) should cover at least three months but not more than one calendar year.</p> <p>The application must be submitted at the latest on 30 September of the calendar year following the refund period. In principle, the Belgian authorities will handle the application within 4 months. Once a positive decision has been made, the VAT will be reimbursed within 10 working days.</p>	<p>Taxable persons established outside the EU may submit up to five applications for expenses in one calendar year. Each application can cover either several months (between 3 and 11) or an entire calendar year. If applying for a shorter period, refund periods cannot overlap.</p> <p>However, an application can cover less than three months if it completes the calendar year (e.g., November and December). For full-year applications, you may apply after year-end, including only VAT amounts not previously claimed.</p> <p>Applications for 3 to 11 months require a minimum claim of EUR 400, while calendar year or year-end applications require a minimum of EUR 50. Refunds under EUR 50 are not processed.</p>

## **VAT returns**

A taxable person is required to file monthly VAT returns either if their annual Belgian turnover exceeds the threshold of EUR 2,500,000 or if the amount of intracommunity sales they achieved during a calendar quarter exceeds EUR 50,000. In case these thresholds are not exceeded, quarterly filing is allowed (although not mandatory).

In principle, taxable persons can request a refund of the VAT they incurred on a quarterly basis, though it is possible to obtain a monthly refund license, which allows a taxable person to request a monthly refund. As of 1 January 2025, every taxable person will be able to request refunds on a monthly basis (a license will no longer be required).



# 4

## FINDING YOUR WAY IN FLANDERS' LEGAL SYSTEM





You've launched your business and mastered the basics of the taxation system? Check! Now, let's explore how the legal system in Flanders can support your growth and success. The local legal framework is designed to facilitate your business operations, ensuring compliance and providing protection. This chapter will guide you through the key legal aspects to help your business thrive within the legal framework of Flanders.

### GETTING THE NECESSARY PERMITS

Will you carry out construction works in Flanders, or will your activities have an impact on the surrounding environment? Then you need an integrated permit (also called 'omgevingsvergunning'). Urban planning, environmental, and retail permits are combined into one online application.

Will you produce, import or commercialize food products in Flanders? Then you must obtain a permit from the Federal Agency for the Safety of the Food Chain (FASFC).

These are but a few of the most common permits. Always check if other licenses are required. Don't hesitate to contact us at [info@fitagency.be](mailto:info@fitagency.be) if you need any assistance with these formalities. We will be happy to help.

IP Type	Registration level	Validity	Key benefits	Application process
 <b>Trademark</b> ™	Belgium, Benelux or EU	10 years, renewable	Protects brand identity	File through: <ul style="list-style-type: none"> <li>• Belgian administration or the Benelux Office for Intellectual Property</li> <li>• Office for Harmonization in the Internal Market (OHIM)</li> </ul>
 <b>Copyright</b> ©	Automatic (no registration)	70 years after the author's death	Protects original works of authorship	Belgian administration or the Benelux Office for Intellectual Property
 <b>Patent</b>	Belgium, EU or International (via PCT)	20 years	Protects inventions and technical solutions	Office for Harmonization in the Internal Market (OHIM)
 <b>Design/Model</b>	Benelux or EU	5 years, renewable up to 25 years	Protects the visual appearance of products	Automatic protection upon creation

More info: <https://invest.flandersinvestmentandtrade.com/en/business-environment/setting-business>.

## NAVIGATING FLANDERS' TRADE-FRIENDLY CUSTOMS SYSTEM

Owing to its central location and state-of-the-art transport and logistics infrastructure, Flanders is a major entry point for goods destined for the EU market. As part of the EU, Flanders benefits from the free movement of goods between EU member states, which means there are no customs duties and trade barriers. Additionally, a common external tariff and unified commercial policy rules apply to goods from non-EU countries.

There are 6 customs procedures for importing goods into the EU through Flanders:

<b>1. Release for free Circulation</b>	<b>2. Transit</b>	<b>3. Temporary admission</b>
EU and non-EU goods may incur import duties and require completion of customs formalities.	Non-EU goods move within the EU without import duties.	Non-EU goods are imported duty-free if re-exported unaltered within a timeframe.
<b>4. Customs warehousing</b>	<b>5. Inward processing</b>	<b>6. End use</b>
Non-EU goods are stored with suspended import duties until their final destination.	Non-EU goods are processed under duty suspension.	Non-EU goods are released duty-free or at reduced rates for specific uses.

When goods are exported from Flanders, the sale of the goods may be exempt from VAT and excise duties. There are two export procedures: exportation and outward processing relief.

## LEVERAGING FLANDERS' WORKFORCE

According to the IMD World Competitiveness report, Flanders is home to the 4th most productive and talented employment pools around the globe. If you want to make the most of the region's labor market while complying with legislation, you'll need to take the following into account:

<b>Recruitment</b>	<b>Joint committees</b>
VDAB, Flanders' official employment agency, can help you find and recruit the right talent for your business in Flanders. More info: <a href="https://www.vdab.be/english">https://www.vdab.be/english</a> .	Companies are required to follow the decisions and agreements set by the competent joint committee for their sector. These guidelines cover working conditions, minimum wages, insurance, etc.
<b>Employee representation</b>	<b>Social security</b>
Based on your employee count, you'll need to organize social elections, allowing employees to elect their representatives to the Works Council and appoint trade union representatives.	Belgian social security applies to all employees in Belgium and Flanders as a region. It is funded partly by the employer (25% of employee's gross salary) and the employee (13.07% of salary).

## EMPLOYING NON-RESIDENT EMPLOYEES IN FLANDERS

When hiring non-resident employees in Flanders, employers should be aware of specific requirements and obligations. The employment structure you choose – expatriation or temporary posting – will determine the applicable regulations and necessary formalities.

Via expatriation	Via temporary posting
Foreign employees join the Belgian company's payroll, are managed locally, and contribute to Belgian social security.	Foreign employees remain employed by their foreign company, staying on its payroll, and are covered by the home country's social security.

Once you've decided on the employment structure, there are **key immigration requirements** to ensure compliance with Belgian regulations:

- Limosa declaration: notify the Belgian government of your employee's activities by filing a Limosa declaration ([www.limosa.be](http://www.limosa.be)).
- Proof of social security: provide proof of social security affiliation from the social security institution in the headquarters' country.

For employees hired from **outside the European Economic Area (EEA)** or Switzerland, additional obligations apply based on how they'll be employed in Belgium.

Under 90 days:	Over 90 days:
Apply separately for a work permit, visa and residence card.	<ul style="list-style-type: none"><li>• Apply for a single permit, which includes residence authorization, through Flanders' immigration authorities.</li><li>• Upon approval, obtain a long-stay visa D from your Belgian consulate.</li><li>• Once in Belgium, employees must register within 8 working days to receive their single permit.</li><li>• Family members can apply for authorization to stay in Belgium via the Federal Ministry of Internal Affairs' Aliens Office.</li></ul>





## **FURTHER READING ON FLANDERS AS AN EXPAT DESTINATION**

- Compare various aspects of living in Flanders, such as cost of living, property prices, and quality of life, with other cities and countries via [www.numbeo.com](https://www.numbeo.com).
- Discover what expats and their families are saying about living and working in Flanders at [www.internations.org/belgium-expats](https://www.internations.org/belgium-expats).
- Reach out to Flanders Investment & Trade (FIT) via [info@fitagency.be](mailto:info@fitagency.be) if you need any assistance with work or single permits.

# LET'S GET YOUR BUSINESS OFF THE GROUND IN FLANDERS!

From setting up in Flanders to expanding your professional activities in the region, **Flanders Investment & Trade (FIT)** accelerates the expansion of your business and accompanies you at every milestone. As a dedicated government agency, FIT is your gateway to prosperous investment opportunities in Flanders.

With our 70+ regional offices worldwide, you will find our advice and guidance just around the corner. Wherever you are, we're always nearby to help you thrive in Flanders.

To help you achieve your ambitions, FIT works closely with a vast network of private partners, universities, federal and regional agencies, federations and clusters which can provide you with their domain-specific expertise and professional support.

## WHAT CAN FIT DO FOR YOU?

In a nutshell, we can help you with:

- selecting the ideal site for your business in Flanders;
- providing a comprehensive overview of tax benefits, financial grants and incentives;
- connecting you with key decision-makers in the country;
- navigating all legal aspects of establishing a business in Flanders;
- identifying promising business opportunities;
- introducing you in the local community.

## GET IN TOUCH

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### About this publication

International law firm KPMG Law & KPMG Belgium, a leading global network offering audit, tax, legal, and advisory services, contributed to this guide. For more info, visit KPMG at [kpmg.com/be](https://www.kpmg.com/be) and KPMG Law at [kpmglaw.be](https://www.kpmglaw.be). For inquiries, contact Frank Cleeren at [fcleeren@kpmglaw.be](mailto:fcleeren@kpmglaw.be) or +32 478 60 25 34.

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