Belgium	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012	
A. Structure of revenues	% of GDP													Ranking [1]	€ bn
Indirect taxes	13.6	13.2	13.2	13.2	13.4	13.5	13.6	13.3	13.1	13.0	13.3	13.1	13.4	17	50.2
VAT	7.2	6.9	6.9	6.8	6.9	7.0	7.1	7.1	7.0	6.9	7.1	7.0	7.2	19	26.9
Excise duties and consumption taxes	2.4	2.3	2.3	2.4	2.4	2.4	2.2	2.2	2.1	2.1	2.2	2.1	2.1	28	7.8
Other taxes on products (incl. import duties)	2.2	2.2	2.1	2.2	2.2	2.3	2.4	2.4	2.3	2.1	2.2	2.2	2.2	4	8.2
Other taxes on production	1.9	1.9	1.8	1.9	1.9	1.8	1.9	1.6	1.8	1.8	1.8	1.8	2.0	7	7.4
Direct taxes	17.5	17.8	17.6	17.2	17.5	17.6	17.3	17.0	17.2	15.9	16.4	16.8	17.4	3	65.4
Personal income	13.2	13.6	13.4	13.1	12.9	12.9	12.4	12.2	12.6	12.2	12.4	12.6	12.7	4	47.8
Corporate income	3.2	3.1	3.0	2.9	3.1	3.2	3.6	3.5	3.3	2.4	2.6	2.9	3.1	5	11.7
Other	1.1	1.1	1.2	1.2	1.4	1.4	1.3	1.3	1.3	1.3	1.3	1.3	1.6	5	5.9
Social contributions	13.9	14.1	14.4	14.3	13.9	13.7	13.5	13.6	13.9	14.5	14.2	14.3	14.6	7	55.0
Employers	8.3	8.4	8.6	8.6	8.4	8.2	8.2	8.2	8.4	8.7	8.5	8.7	8.9	6	33.4
Employees	4.4	4.5	4.5	4.5	4.4	4.3	4.2	4.2	4.2	4.4	4.3	4.3	4.4	10	16.5
Self- and non-employed	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.3	1.4	1.3	1.3	1.3	12	5.1
Less: amounts assessed but unlikely to be collected	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.		
Total	45.1	45.1	45.2	44.7	44.8	44.8	44.4	43.9	44.2	43.4	43.8	44.2	45.4	2	170.6
B.Structure by level of government	% of total taxation														
Central government	36.7	34.8	34.7	33.5	32.7	31.9	31.5	30.2	29.3	26.5	28.1	25.7	27.9	27	47.7
State government [2]	22.8	24.2	23.0	24.0	23.5	24.1	24.0	24.3	24.6	24.5	23.8	24.9	24.6	2	42.0
Local government	4.2	4.6	4.9	5.2	5.0	5.0	5.1	5.3	4.7	5.6	5.3	5.3	4.9	19	8.3
Social security funds	34.2	34.5	35.7	35.6	37.3	37.4	37.8	38.6	39.7	41.9	41.3	42.6	41.2	3	70.3
EU institutions	2.0	1.9	1.6	1.7	1.5	1.6	1.6	1.6	1.7	1.5	1.5	1.5	1.4	1	2.4
C. Structure by economic function [3]	% of GDP														
Consumption	11.3	10.9	10.9	10.9	11.0	11.1	11.1	10.9	10.7	10.6	10.8	10.7	10.8	24	40.5
Labour	24.2	24.7	24.8	24.5	24.0	23.7	23.0	23.0	23.6	24.0	23.9	24.2	24.5	4	91.9
Employed	22.2	22.6	22.7	22.4	22.1	21.9	21.3	21.2	21.7	22.0	21.9	22.2	22.4	2	84.3
Paid by employers	8.3	8.4	8.6	8.6	8.4	8.2	8.2	8.2	8.4	8.7	8.5	8.7	8.9	8	33.4
Paid by employees	13.8	14.1	14.1	13.8	13.8	13.6	13.1	13.0	13.3	13.3	13.4	13.5	13.5	3	50.9
Non-employed	2.0	2.1	2.1	2.1	1.8	1.8	1.7	1.8	1.9	1.9	2.0	2.0	2.0	8	7.6
Capital	9.5	9.4	9.3	9.2	9.7	9.9	10.1	9.9	9.9	8.7	8.9	9.2	10.0	4	37.6
Capital and business income	6.1	6.1	5.9	5.7	5.9	6.2	6.3	6.2	6.2	5.1	5.2	5.5	5.9	7	22.1
Income of corporations	3.2	3.1	3.0	2.9	3.1	3.3	3.5	3.5	3.3	2.4	2.6	2.9	3.1	5	11.7
Income of households	0.5	0.6	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.3	0.2	0.2	0.4	18	1.5
Income of self-employed (incl. SSC)	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.2	2.3	2.3	2.4	2.3	2.4	5	8.9
Stocks of capital wealth	3.4	3.3	3.4	3.5	3.7	3.7	3.8	3.7	3.7	3.6	3.7	3.7	4.1	3	15.5
D. Environmental taxes	% of GDP														
Environmental taxes	2.4	2.4	2.4	2.4	2.5	2.5	2.3	2.2	2.1	2.2	2.2	2.3	2.2	23	8.1
Energy	1.4	1.4	1.4	1.4	1.5	1.5	1.4	1.3	1.2	1.3	1.3	1.3	1.3	27	4.8
of which transport fuel taxes	1.4	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.1	1.1	1.2	1.2	1.1	26	
Transport (excl. fuel)	0.8	0.9	0.8	0.9	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.8	0.7	9	2.8
Pollution/resources	0.19	0.18	0.17	0.17	0.22	0.21	0.16	0.15	0.15	0.15	0.15	0.14	0.14	9	0.5
E. Property taxes	% of GDP														
Property taxes	2.8	2.8	2.8	2.9	3.2	3.1	3.2	3.1	3.1	3.0	3.1	3.2	3.4	3	12.8
Recurrent taxes on immovable property	1.2	1.2	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.3	6	4.9
Other property taxes	1.6	1.6	1.5	1.6	1.9	1.8	2.0	1.9	1.9	1.7	1.8	1.9	2.1	1	8.0
F. Implicit tax rates	%														
Consumption	21.8	21.0	21.4	21.4	22.0	22.3	22.4	22.1	21.2	20.8	21.2	21.0	21.1	14	
Labour employed	43.6	43.3	43.3	43.2	43.8	43.6	42.4	42.4	42.4	42.0	42.7	42.9	42.8	1	
Capital	29.5	29.4	30.5	31.4	32.5	32.6	32.9	31.2	32.0	29.4	28.8	30.4	35.5		
Capital and business income	19.0	19.1	19.4	19.4	19.9	20.5	20.6	19.7	20.0	17.2	16.8	18.1	20.9		
Corporations	24.4	24.1	23.1	22.3	21.9	21.8	22.4	20.9	21.2	15.9	15.0	16.6	20.0		
Households	12.9	13.0	13.7	14.1	14.8	15.6	15.2	14.7	14.9	14.3	14.6	15.8	16.9		
Real GDP growth (annual rate)	3.7	0.8	1.4	0.8	3.3	1.8	2.7	2.9	1.0	-2.8	2.3	1.8	-0.1		

[1] The ranking is calculated in descending order. A '1' indicates this is the highest value in the EU-28. No ranking is given if more than 10% of data points are missing.

[2] This level refers to the *Länder* in AT and DE, the *gewesten en gemeenschappen / régions et communautés in BE* and *comunidades autónomas in ES*.

[3] Excludes PIT and SSC paid by EU officials living in Belgium directly to the EU Institutions and not to the Belgian government sector.

Source: DG Taxation and Customs Union and Eurostat (online data codes: gov_a_tax_ag, gov_a_tax_str and gov_a_tax_itr)

Belgium

Overall trends in taxation

Structure and development of tax revenues

Belgium has the second highest tax levels in the EU in 2012, after Denmark. Although it declined slightly over the period 2000–09 from 45.1 % to 43.4 %, the tax-to-GDP ratio rebounded to reach 45.4 % in 2012, a level significantly above the EU average (39.4 %).

The structure of the Belgian tax system, in terms of the share of revenue raised by the broad categories of taxes, has remained relatively stable since 2000, even though social contributions and 'other direct taxes' (mainly taxes on capital) have gradually gained importance in the total, notably at the expense of more classical direct taxes on personal and corporate income. The structure is however still characterised by a relatively high share of direct taxes in GDP (3rd highest in the EU at 17.4 % and increasing since 2009), reflecting a broad reliance on personal and corporate income taxes, and social contributions (7th highest in the EU at 14.6 %). By contrast, with 13.4 %, the share of indirect taxes in GDP is just below the EU average (13.6 %).

Indeed, a far-reaching tax reform of direct taxation that was gradually implemented in the first half of the last decade reduced PIT revenue, expressed as % of GDP, from 13.4 % in 2002 to 12.2 % in 2007. The subsequent introduction or increase of several tax expenditures set personal income tax revenues on a downward trend since 2003. The tax reform was complemented by successive targeted reductions in employers' social contributions. During the same period, the share of corporate tax revenue significantly increased until 2006 when it peaked at 3.6 % of GDP following the 2002 corporate tax reform and a favourable business cycle. A reduction in the tax base of corporations due to the Allowance for Corporate Equity (ACE system, 2006) and the unfavourable economic conditions since 2008 have reversed this trend. The ratio of corporate income taxes to GDP stood at 3.1 % in 2012 (2.9 % in 2011), going back to the average 2000–05 level.

Belgium is a federal state with a large fiscal autonomy for the regions. Registration duties, inheritance taxes and car taxation are the main regional taxes. While the revenue level of the federal state is on the decline since the turn of the century, the revenues from the regions have remained relatively stable over time. Up to now, regions also benefited from the buoyant real estate markets ([1]). The sixth reform of the State — which will enter into force in June 2014 and in 2015 for the reform of the special law governing the financing of the regions and communities — will provide regions with even more tax autonomy and sharing (including targeted SSC reductions and 25 % of PIT revenues). A larger share of tax revenue has also been allocated to the Social Security Funds in recent years.

Taxation of consumption, labour and capital; environmental taxation; property taxes

The taxation of consumption amounted to 10.8 % of GDP in 2012, below the EU average of 11.2 %. However, the implicit tax rate on consumption remained just above the EU average indicating a lower share of consumption in GDP. At 21.1 % in 2012, it has been relatively stable since the beginning of the economic crisis. As a percentage of GDP, VAT and excise duties represent 7.2 % and 2.1 % respectively, the latter being the lowest in the EU (7.1 % and 2.7 %).

Despite notable labour taxation reforms, Belgium still imposes relatively heavy taxes on labour with an implicit tax rate on labour employed of 42.8 % — the highest in the EU. Targeted rebates in employers' social contributions were used as the main instrument to reduce labour costs. The 2000–06 reform programme paved the way for easing the tax burden on labour and led to a decrease in the ITR of 1.4 percentage points between 2004 and 2006. The ITR increased in 2010 and 2011 but has remained stable since then, with even a slight decrease being recorded in 2012. However, the ITR on labour does not take into account wage subsidies, which have been increasingly used over the past decade and would reduce the ITR further if taken into account: by three percentage points over the 2002–09 period (see Valenduc (2011)), and by 3.2 percentage points in 2011 ([2]).

The ITR on capital increased from 29.5 % in 2000 to 32.9 % in 2006, after which it declined to 28.8 % in 2010, due to the lagged effect of the introduction of the ACE system and the economic slowdown, and then rose again to over 30 % in 2011 and 2012. Two main factors explain it. On the household side, there has been a gradual increase since 2000, which is explained by the increase of registration duties linked to the boom in the real estate market but also by higher withholding tax rates on interest and dividends (in 2012). On the other hand the taxable profit of companies has risen. The marked increase in the overall ITR on capital in 2012 is also linked to the cycle: decrease of the theoretical base (decrease in profits for non-financial companies and decrease in dividends received/increase in dividends paid for financial companies). The steady increase in the ITR on capital of households was accompanied by an upturn in the ITR on capital of corporations, although at a lower rate

([1]) Note that the data in the table take into account the transfers of taxes levied by the central government but withheld on behalf of other subsectors (Social Security Funds and level II entities) as foreseen in the 'loi spéciale de financement'. The sub-sector breakdown supplied in National Accounts transmissions only attributes around 6.5 % of GDP to sub central government levels (regional and local taxes only, respectively 3.8 % and 2.6 % of GDP in 2012).

([2]) A comparison of wage subsidies with neighbouring countries has recently been provided in 'Groupe d'experts compétitivité et emploi', 2013.

than previously. In 2012, taxes on stocks of capital/wealth amounted to 4.1 % of GDP, which is the highest value over the period and remains the third highest value in the EU.

Revenues from environmental taxation have declined in percentage of GDP since 2005. In 2012 environmental tax revenue amounted to 2.2 % of GDP, below the EU average (2.4 %). Revenues from energy taxation are the second lowest in the EU (1.3 % compared to an EU average of 1.8 %) which is remarkably low considering that Belgium has one of the highest tax-to-GDP ratios.

Property tax revenues in Belgium are on the rise (3.4 % of GDP) and among the highest in EU (EU-28 average of 2.3 %) after United Kingdom (4.1 %) and France (3.6 %). The property tax represented 7.5 % of the total tax revenue in 2012, which is above the EU average (5.7 %). Among property taxes, transfer taxes and other taxes are favoured over recurrent taxes on immovable property, with the former category amounting to 4.7 % of total tax revenues, which is the highest share in the EU.

Main recent reforms implemented, on-going or announced

Setting the public debt on a declining path remains a priority for the government to prepare the public finances for the budgetary impact of an ageing population. The debt to GDP ratio remains well above the EU average and has been rising again since 2008 due to the economic slowdown and massive support to the financial sector. Belgium entered the Excessive Deficit Procedure in 2009. After two budgets mainly driven by fiscal consolidation, the initial 2014 budget, the last before federal and regional elections in May 2014, was presented in October 2013 together with some recovery measures. The general government nominal deficit is foreseen at 2.15 % of GDP, broadly in line with Belgium's commitment under the SGP. It is expected that growth recovery, revenues from tax amnesty and improved tax collection and compliance will together increase tax revenues by more than 5 %. EUR 560 million would come from expenditures savings. Fiscal stimulus mainly targets SMEs with investment allowance and with existing reduction of employers' social contributions for the first three hires being increased and extended to the first five hires. An additional positive budgetary impact is expected from a further reduction in the rate applied for ACE in corporate income tax, the introduction of the so-called fairness tax, and the removal of the excise exemption for biofuel. The fiscal stimulus included in the draft budget has been complemented by the 'Pact for competitiveness and jobs' agreed on 29 November 2013, which foresees additional reductions in wage costs (social contribution rebates) in 2015, 2017 and 2019 together with the reduction of the VAT rate on electricity (from standard 21 % to 6 % rate).

The so-called 'work bonus' for the low paid introduced in 2012 is reinforced, as both the existing social security reduction and the existing tax credit for the low paid will be strengthened, resulting in an additional annual net salary increase of between EUR 68 and EUR 202 (for workers earning between the minimum wage and a gross monthly wage of EUR 1 800).

Main features of the tax system

Personal income tax

There are four categories of income: financial, real estate, professional (including labour income) and other various income. In principle, the general rates are applied to global income, but there are exceptions, e.g. in relation to financial income, income from private pension arrangements and other various income. In practice, the basis for taxation at the marginal rate consists of (deemed) property and professional income. Spouses are taxed separately, although a marital quotient exists: 30 % of the higher income is transferred to the lower income, provided it does not exceed EUR 10 200.

A major reform was implemented in 2000–06, introducing changes in brackets, rates, deductions and exemptions as well as a tax credit for low income earners. For wage earners, the income tax credit was changed into a reduction in employee's SSC starting from 1st January 2005 and a new tax credit for low income workers was introduced from income year 2011 onwards.

There are currently five brackets (besides the basic allowance) whose marginal rates vary between 25 % and 50 % and a municipal surcharge up to 9 % (7.4 % on average). Within certain limits, regions have the option to levy additional surcharges or to grant tax reductions. A major feature of the sixth reform of the state is that, as of 1 January 2015, 25 % of personal income tax will become regional tax (originally strictly proportional and based on the fiscal residence of the worker). Regions can vary the rate within certain limits and can grant tax expenditures, in the form of tax credits (refundable or not) within their share of PIT. The tax base remains federal. Since 2013, the withholding tax rate is 25 % for most interest income and is final. Taxation of private capital gains is almost non-existent (except for those on some capitalisation vehicles), interest on ordinary saving accounts is exempt up to EUR 1 900 (income year 2014) and enjoy a reduced tax rate of 15 % above the exemption threshold, and pension savings enjoy a special regime resulting in negative effective rates, as in other EU countries. These last provisions have been challenged recently as being limited to savings/ products in Belgian banks.

Corporate taxation

Companies in Belgium and the subsidiaries of foreign companies are subject to a fixed tax rate of 33.99 % (3 % crisis surcharge included) with profit from foreign branches being exempted. There is no tax consolidation of companies. Under certain conditions, a special scheme applies to SMEs having an assessed income lower than EUR 322 500: a tax rate of 24.98 % is applied on the part from EUR 0 to EUR 25 000, 31.93 % on the part of EUR 25 000 to EUR 90 000 and 35.54 % on the remaining part up to EUR 322 500 (all including the 3 % crisis surcharge).

An allowance for corporate equity (ACE), referred to as 'notional interest on corporate capital', was introduced in 2006 to stimulate the self-financing capability of companies. The tax-free presumptive rate of return on equity applied under the ACE system is based on the rate of 10-year government bonds (OLO 10) with a cap of 3 % as of 2012 (3.5 % for SMEs). As from 2013, the rate is based on the average OLO 10 rate for the months of July, August and September of the previous year (rates to be applied on 2013 income: 2.742 % and 3.242 % for SMEs; on 2014 income: 2.63 % and 3.13 % for SMEs). As opposed to the Italian ACE, which is incremental, the Belgian system provides an allowance for existing stock. The so-called fairness tax has been introduced in 2013 (entry into force accounting period 2013) as a minimal tax rate (5 %) on large companies distributing dividends and enjoying either carry-forward of losses or ACE.

VAT and excise duties

There are four VAT rates. The standard rate has remained unchanged at 21 % since 1996. A reduced 6 % rate applies to social housing, refurbishment of old housing, hotel accommodation, food, water, pharmaceuticals, animals, sporting events and facilities, art and publications and some labour intensive services. As of April 2014, a 6 % reduced rate should also apply to the supply of electricity to households. A second reduced rate of 12 % applies to a limited number of transactions and, since 1 January 2010, to food in restaurants and catering services. A zero rate applies to newspapers and certain weeklies. The exemption previously applied to bailiffs' and notary's services has been removed and such services have become subject to the standard VAT rate of 21 % as of 1 January 2012. The same applies to lawyer' services as from 1 January 2014. Excise duties in a strict sense yield relatively low revenue in Belgium, but this is supplemented by above average levels of other taxes on products.

Wealth and transaction taxes

There are no wealth taxes. Transaction taxes on immovable property and inheritance taxes are levied at the regional level. Note that regions will also become in control of mortgage deduction rules with the entry into force of the latest state reform.

Social contributions

The social security system is financed by contributions from employees and employers as well as by government subsidies and various tax sharing arrangements, including a significant share of VAT revenue. The amounts are calculated based on the gross salary (including bonuses, benefits in kind, etc.). The standard rate is approximately 13 % for employees and 35 % for employers but there are rebates for low wage earners and some target groups. Following the Sixth state reform, targeted social contribution reductions will become a regional competence while structural changes in social contributions will remain at the federal level.