This report provides helpful information on the current business environment in Belgium. It is designed to assist companies in doing business and establishing effective banking arrangements. This is one of a series of reports on countries around the world.

Global Banking Service

Report on Belgium

Contents

RBC Royal Bank®

Important to Know

Official languages

- Dutch (Flemish)
- French
- German

Currency

- Euro (EUR)

Bank holidays

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Source: www.goodbusinessday.com.

Types of Business Structure

Under Belgian law, there are several business structures available. Some require a minimum amount of share capital to be paid up before the business can be established. A financial institution must hold the paid share capital in a restricted account until the business is legally established.

Public limited liability company

NV (*Naamloze Vennootschap*) / SA (*Societé Anonyme*). This is a company whose shares are not registered to their owners and are tradable on a public stock market. This requires a minimum paid up share capital of EUR 61,500.

Private limited liability company

BVBA (*Besloten Vennootschap met Beperkte Aansprakelijkheid*) / SPRL (*Société Privée à Responsabilité Limitée*). This is a company whose shares are registered to their owners and therefore are not publicly tradable. This requires a minimum share capital of EUR 18,600, of which EUR 6,200 must be paid up (unless there is only one shareholder, in which case EUR 12,400 must be paid up).

General partnership

VOF (*Vennootschap Onder Firma)* / SNC (*Société en Nom Collectif*). In a general partnership, all partners have full and joint liability. This requires no minimum share capital.

Limited partnership

Comm.V (*Gewone Commanditaire Vennootschap*) / SCS (*Société en Commandite Simple*). In a limited partnership, some partners enjoy limited liability (silent partners), although they are not permitted to exercise managerial control. Other partners are considered general partners and have unlimited liability. This requires no minimum share capital.

Partnership limited by shares

Comm.VA (*Commanditaire Vennootschap op Aandelen)* / SCA (*Société en Commandite par Actions*). A partnership limited by shares allows some partners to limit their liability to the amount invested in the partnership (similar to a shareholder in a limited liability company), while general partners are fully liable. The shareholders can sell their shares to third parties. This requires a minimum paid up share capital of EUR 61,500.

Cooperatives

Two types of cooperatives are recognized in Belgian law, one with limited liability – CVBA (*Coöperatieve Vennootschap met Beperkte Aansprakelijkheid*) / SCRL (*Société Coopérative à Responsabilité Limitée*) – and another with unlimited liability – CVOA (*Coöperatieve Vennootschap met Onbeperkte Aansprakelijkheid*) / SCRI (*Société Coopérative à Responsabilité Illimitée*). A limited liability cooperative requires a minimum share capital of EUR 18,600, of which EUR 6,200 must be paid up, whereas an unlimited liability cooperative requires no minimum share capital.

Other organizational types

Belgian companies are entitled to form unlimited liability European Economic Interest Groupings (EEIGs) with companies based in other European Union (EU)* member states. An EEIG performs particular activities on behalf of its member owners. It is also permitted to perform these activities with entities outside the EU.

*The EU is an economic and political union of 27 countries (including all members of its forerunner, the European Community, as well as other countries in Central and Eastern Europe), 16 of which use the euro as a common currency.

A *Societas Europaea* (SE) is a European public limited company, which can be established in any European Economic Area (EEA)* member state. It must maintain its registered office and head office in the same country, and it is subject to the company law in that country.

*EEA countries include those of the EU and three of the four European Free Trade Association (EFTA) member countries (Iceland, Liechtenstein and Norway).

Branches and representative offices

Non-Belgian companies are entitled to establish a branch or a representative office in Belgium. A branch's activities are subject to Belgian company law, although it is considered part of the company's head office and therefore not a separate legal entity. It requires no minimum share capital. To open a branch a company must file a number of documents, including head office accounts. While branches are permitted to make sales, representative offices may not sell directly in Belgium.

Opening and Operating Bank Accounts

Residency

To be considered resident, a company must have a registered office, or its principal establishment, or its centre of management in Belgium.

Domestic and foreign currency account restrictions

Residents are permitted to hold local currency (EUR) accounts outside Belgium and foreign currency accounts both within and outside Belgium.

Non-residents are permitted to hold local currency and foreign currency accounts.

All local currency accounts are fully convertible into foreign currency.

Anti-money laundering and counter-terrorist financing rules

- Account opening procedures require formal identification of the customer.
- "Know your customer" principles must be complied with for all transactions; financial institutions are required to identify the purpose and nature of the business relationship and the types of transaction that the customer wishes to undertake.

- Financial institutions must identify the beneficial owners and structure of legal entities, trusts, and unincorporated associations.

Supplied by BCL Burton Copeland (www.bcl.com). Data as at March 2009.

Special purpose accounts required by local regulation

None.

Value-added tax (VAT) on banking services

In Belgium, VAT (at 21%) is applied on some banking services, such as those provided to resident companies.

Payment and Collection Instruments

Electronic funds transfers are the most common payment instrument for both domestic and cross-border payments in the EEA. They can be initiated using Internet and other electronic banking facilities. Non-urgent credit transfers are the primary payment method used to make payroll payments, with a number of enterprises using third-party payroll agencies. They are also the most common method of payment for business-to-business transactions. Card payments are commonly used for consumer transactions, with debit cards much more popular than credit cards. Pre-authorized direct debits are used primarily by utility and insurance companies to collect domestic payments. Cheque use has been declining.

Payment Instrument Use (domestic)

Payment instrument	Transactions (million)		% change 2008/2007	Traffic (value) (EUR billion)		% change 2008/2007
	2007	2008		2007	2008	
Cheques	10.59	8.82	– 16.7	63.17	50.45	– 20.1
Credit transfers	897.56	929.52	3.6	4,087.05	4,447.14	8.8
Direct debits	239.98	247.94	3.3	58.29	63.60	9.1
Debit cards	764.16	828.17	8.4	38.52	41.59	8.0
Credit cards	97.33	105.92	8.8	10.24	11.08	8.2
Card-based electronic money	89.82	81.17	– 9.6	0.39	0.35	– 10.3
Other	0.27	0.22	– 18.5	2.68	2.34	– 12.7
Total	**2,099.71**	**2,201.76**	**4.9**	**4,260.34**	**4,616.55**	**8.4**

Source: ECB Payment Statistics, September 2009.

Single Euro Payment Area (SEPA)

SEPA payment instruments allow enterprises to make and receive EUR-denominated credit transfers, direct debits and debit card payments from a single bank account to and from other parties located anywhere within the EEA and Switzerland. The use of International Bank Account Numbers (IBANs) and Bank Identifier Codes (BICs) is compulsory for transfers denominated in EUR between bank accounts in the EU.

International Payments

International payments, including foreign currency payments and payments to and from parties located outside the EEA, are processed through same-bank networks, through multibank alliances or by using traditional correspondent banking techniques.

Payment Processing Times

Transactions processed (EUR-denominated)	Value dating rules	Cut-off time(s) in local Central European Time (CET)
High-value and urgent domestic and intra-EEA transfers	Real-time settlement, immediate finality	17:00 CET
Non-urgent, low-value domestic consumer payments	Payments are settled on a same-day basis at 15:15 CET	There are rolling cut-off times for different types of transactions: Direct debits/unpaid direct debits = 10:30 CET Credit transfers (with a value below EUR 125,000) = 13:30 CET Bills of exchange = 13:30 CET Cheques and unpaid cheques = 14:15 CET Higher-value (up to a maximum value of EUR 500,000) or urgent credit transfers = 15:00 CET
Non-urgent intra-EEA credit transfers – maximum value of EUR 50,000*	Settlement either same-day or next-day	13:00 CET for same-day settlement or 01:00 CET for overnight settlement

* SEPA credit transfers are not subject to a maximum value threshold.

Central Bank Reporting

The National Bank of Belgium / Banque Nationale de Belgique (NBB/BNB) collates balance of payments statistics from the responses to a number of surveys covering international trade and different forms of investment activity.

The NBB/BNB currently asks around 14,000 resident companies to complete surveys on the nature of their transactions with non-resident entities. Companies are asked to give the reason for each transaction, its value (in the currency of the transaction) and the location of the non-resident counterparty.

Only those companies contacted by the NBB/BNB are required to complete a survey.

Exchange Arrangements and Controls

Belgium applies no currency exchange controls.

Cash and Liquidity Management

Although the Belgian Coordination Centre (BCC) regime is being phased out by 2010, a number of multinational companies still consider Belgium to be an attractive location from which to manage their group cash and liquidity on a cross-border basis. This is due to a range of factors including the absence of exchange controls, the presence of a large number of international banks and Belgium's extensive network of double taxation treaties.

Physical Cash Concentration

Physical cash concentration is available from all large Belgian and international banks. Resident and non-resident companies can participate in the same domestic cash concentration structure, although, for tax reasons, each entity participating in a structure is considered a separate legal entity.

Pools can be denominated in local currency (EUR) and some foreign currencies. A number of banks offer cross-border, cross-currency physical cash concentration.

Notional Cash Pooling

Notional cash pooling is available from most large Belgian and international banks. Resident and non-resident companies can participate in the same domestic notional cash pooling structure, although, for tax reasons, each entity participating in a structure is considered a separate legal entity. A number of leading banks offer cross-border notional cash pooling.

Short-term Investment

Bank instruments

Interest-bearing current accounts are generally available. Banks offer time deposits in a range of currencies for terms from overnight to over a year, although these are often subject to minimum investment requirements. Banks also issue fixed-rate certificates of deposit (CDs), usually for terms ranging from one week to a year.

Non-bank instruments

Some Belgian companies issue commercial paper, although investors have access to the wider euro commercial paper (ECP) market as well. In both cases, the maximum maturity of the paper is one year, although ECP is usually issued for shorter periods.

The Belgian government issues Treasury bills for periods of up to three months. These can be denominated in any major currency. It also issues EUR-denominated Treasury certificates for periods of three, six and 12 months.

Belgian companies have access to European-based money market funds. *Sociétés d'investissement à capital variable* (SICAVs) are open-ended investment companies, popular with Belgian investors.

Short-term Borrowing

Bank

Overdrafts, bank lines of credit and bank loans are usually all available in Belgium to both resident and non-resident companies. Banks will usually charge a margin over Euribor (the Euro Interbank Offered Rate) for EUR-denominated facilities. Other commitment and arrangement fees will also be charged.

Non-bank

Larger companies issue commercial paper both into the domestic and the ECP market. Issues into the ECP market require a rating, whereas it is possible to issue commercial paper into the Belgian domestic market unrated. ECP can be issued for periods from a week to one year, depending on borrowing requirements and investor appetite.

Trade bills are commonly discounted, and factoring (disclosed and undisclosed) is available.

Taxation

Corporate Taxation

- The basic rate of corporate taxation for residents and non-residents is 33.99% (a basic rate of 33% with an additional 3% austerity surcharge calculated on the rate of income tax on taxable income). A staggered series of reduced rates applies for companies which have a taxable income not exceeding EUR 322,500 and which are not excluded from the reduced tax rates. (Companies excluded from the reduced tax rates include holding companies and companies owned 50% or more by other legal entities.)
- Companies resident in Belgium are subject to corporate tax on their worldwide income. (Taxation of foreign-sourced income could, however, be exempted based on tax treaty

provisions.) Non-resident companies pay tax only on Belgian-sourced income, generated through a permanent establishment or Belgian real estate.

- All Belgian resident companies and Belgian branches of foreign companies benefit from a notional interest deduction. The deduction is computed on the basis of the Belgian taxpayer's adjusted net equity.
- A patent deduction of 80% is applicable to qualifying patent income. This deduction, designed to stimulate technical innovations by Belgian companies through R&D activities in connection with patents, will reduce the effective tax rate to 6.8% on patent income.

Advance Tax Ruling Availability

Taxpayers can obtain advance confirmation from the tax authorities regarding how the law shall be applied to a particular situation or operation that has not yet had any effect from a taxation point of view. Since January 1, 2005, the Advance Ruling Commission has operated as an autonomous public office within the Federal Ministry of Finance.

The advance tax ruling procedure applies to all federal taxes. It may also relate to the regional taxes collected by the federal state, such as the withholding tax on immovable property income.

Withholding Tax (subject to tax treaties and other exemptions)

- For Belgian residents, domestic dividends are subject to a 25% withholding tax deducted at source (which is credited against corporate income tax and refundable on behalf of the beneficiary). However, the following categories of dividends are eligible for a reduced withholding tax rate of 15%:
  - dividends from shares or securities issued on or after January 1, 1994 by public offer;
  - dividends from shares or securities that are part of a nominative subscription with the issuer or placed in public custody with a bank, a public credit institution or a savings institution supervised by the Banking, Finance and Insurance Commission (CBFA) when these shares are issued on or after January 1, 1994 in exchange for a cash contribution; or
  - dividends distributed by an investment company (such as a BEVEK/SICAV, BEVAK/SICAF, or VBS/SIC).
- Distributions (excluding returns of paid-up capital) made by a Belgian company in case of liquidation are considered as dividends subject to a withholding tax of 10%.
- In the case of dividend distributions by a Belgian company to a European or Belgian company, a withholding tax exemption can in principle be claimed based on the EU Parent–Subsidiary Directive as implemented in Belgian internal legislation. Such dividend payments are exempt from Belgian withholding tax if they satisfy particular conditions, which include the parent company holding at least 10% of the capital of the Belgian subsidiary (15% for dividend distributions from January 1, 2007 until December 31, 2008) and that the relevant holding was or will be held without interruption for a continuous period of at least one year.
- Belgium recently extended the application of the withholding tax provisions of the EU Parent–Subsidiary Directive to countries which have a tax treaty with Belgium. This measure applies to dividends paid or attributed as of January 1, 2007.
- The exemption is subject to the following conditions:
  - the parent company has a legal form similar to one of the forms listed in the Annex to the EU Parent–Subsidiary Directive;
  - the parent company has its fiscal residence in a country with which Belgium has concluded a tax treaty providing for an exchange of information clause;
  - the parent company is subject to corporate tax or a similar tax, and does not benefit from a preferential tax regime;
  - the parent company has a minimum shareholding of 10% (15% for the period between January 1, 2007 and December 31, 2008) in its Belgian subsidiary; and
  - the parent company meets the minimum holding period requirement of one year.
- A withholding tax of 15% is, in principle, levied on interest and royalties, subject to specific exemptions. Royalties payable to Belgian residents are not subject to withholding tax.
- A withholding tax exemption is available for interest paid to credit institutions established in the EU or in a country having concluded a double tax treaty with Belgium.
- For interest payments by a Belgian company to a European or Belgian company, a withholding tax exemption can, in

principle, be claimed based on the EU Interest and Royalties Directive. Such interest payments are exempt from Belgian withholding tax if they satisfy particular conditions, which include that – without interruption for a continuous period of at least one year – one of the companies held, or will hold, a direct or indirect holding of at least 25% of the capital of the other (or that a third company also located within the EU held or will hold directly or indirectly a holding of at least 25% in the capital of both companies).

- A withholding tax exemption is available for interest paid by qualifying Belgian intra-group financial companies and qualifying Belgian holding companies.

Capital Gains Tax

- Generally, capital gains arising on the disposal of tangible and intangible assets are taxable at the normal corporate tax rate. The gain is calculated by deducting the cost and any tax depreciation from the proceeds.
- If business assets have been held for more than five years, and the sale proceeds are reinvested in tangible or intangible assets used in Belgium for the conduct of a business activity within three years (five in certain circumstances), the tax can be spread across the period over which the replacement assets are depreciated.
- Capital losses on business assets can be deducted from other income in the accounting year that they are incurred.
- Capital gains on shares are not taxable provided that the dividends from the shares qualify for the dividends-received deduction regime. Capital losses on shares are in principle not tax-deductible. However, capital losses on shares incurred on the liquidation of a company remain deductible to the extent that the paid-up capital that is represented by the shares is lost.

Stamp Duty

- No stamp duty is levied on loan agreements.

Thin Capitalization

- Interest paid to a non-resident company that is not subject to corporate tax – or which benefits from a considerably more advantageous tax regime than the Belgian one (as far as interest income is concerned) – is not tax-deductible if the related loans exceed a debt-to-equity ratio of 7:1. The excess interest is not re-characterized as a dividend payment, but is not tax-deductible for the Belgian company.
- Interest paid or attributed by a Belgian company on advances/loans granted by an individual shareholder – or by directors, acting managers or persons (including legal entities) with a similar function to the Belgian interest-paying company – will be deemed to be dividends if:
  - the interest rate exceeds the market interest rate; or
  - the total amount of the interest-generating advances exceeds the paid-up capital (at the end of the taxable period) plus taxed reserves (as at the beginning of the taxable period).
- To the extent that one of these limits is exceeded, the excess portion of the interest is treated as a dividend payment. The re-characterization into a dividend means that the excess is added to the taxable income of the company and, as distributed profits, is in principle subject to a withholding tax.

Transfer Pricing

- Belgium has transfer pricing rules modelled on the Organisation for Economic Co-Operation and Development (OECD) rules that operate with reference to arm's length principles under which profits can be adjusted.

Sales Taxes / VAT

- VAT is imposed on all companies with an annual turnover above EUR 5,580. A general rate of 21% is payable on the purchase of goods and performance of services. Intermediate reduced rates of 12% and 6% apply to certain commodities.

Payroll and Social Security Taxes

- Employers are liable for social security contributions varying between 33% and 35%, according to the employee's function. The contributions are deductible for corporate income tax purposes.
- Employers are also obliged to withhold a payroll withholding tax at progressive rates (up to approximately 50%) on remuneration paid to their employees.

All tax information supplied by Deloitte LLP (www.deloitte.com). Data as at March 1, 2009.

Report prepared July 2009.

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