

Belgium:

TAX SYSTEM

Tax unit

Since 1989 there have been reforms towards an individualisation of the tax system_

- If both spouses earn an income they are assessed separately on this income, while other incomes (property, assets, etc.) are aggregated and assessed with the highest earned income.
- A self-employed spouse may grant a share of his/her income to the helping spouse. They are assessed separately on this income.
- The family quotient is applied if one of the spouses does not have an income or if the earned income is very low. The spouse with an income can transfer 30% with an upper bound of 297.000 BEF to the spouse with no or very low income (less than 297.000 BEF). The transferred income is to be viewed as a fictional salary for working at home.

Tax Bands

A single rate structure, which is progressive between tax brackets is applied to total net income.

N.B. There are four types of income (capital gains, prizes, subsidies, redundancy payments) which are subjected to specific tax rates. But this is of little importance for the purpose of this study.

For earned income the tax brackets for 1997 (1996 income) are as following:

Taxable income in Belgian Francs	Tax rate
- 253.000	25%
253.000 — 335.000	30%
335.000 — 478.000	40%
478.000 - 1.100.000	45%
1.100.000 - 1.650.000	50%
1.650.000 - 2.420.000	52,5%
2.420.000 -	55%

The income tax is increased by a 3% austerity surcharge. A certain sum of the net taxable income is exempted and given in the form of tax credits. The amount varies according to whether you are single or married and supplements are granted for dependants, handicapped persons, decease, divorce and marriage. The additional exemptions given for dependants is aggregated with the basis exemption (zero-bracket amount) of the spouse with the highest income.

Exoneration

Individual	Amount in Belgian Francs
Single	198.000
Married	156.000 per spouse
Dependent children	1. child 42.000, second child 108.000, third child 244.000, fourth child 394.000, for every additional child 150.000
Dependent	42.000
Single parent	42.000
Handicapped person	42.000
Wedding	42.000 if spouse did not have net income over 72.000 BEF
Decease	114.000 if widow(er) did not have net income over 72.000 BEF

Qualifying as dependants are descendants, ascendants, foster children and relatives in the line of consanguinity.

Both of the spouses are obliged to file tax returns. For practical reasons, their respective tax returns are filed on the same form.. Each has the right to contest the assessment of the tax liability relating to his own income. Losses occurred during the tax year can be transferred from one spouse to the other.

Deduction of professional expenses

Members of professions and salaried personnel may deduct their real expenses at work if these can be justified. Otherwise, the tax administration will deduct a lump-sum allowance which is computed as follows :

- a) % of the first 165.000 BEF
- b) % of income between 165.001 BEF and 330.000 BEF
- c) % of income between 330.001 BEF and 550.000 BEF
- d) of income between 550.001 BEF and 2.199.000 BEF

The lump-sum expense allowance may not exceed 110.000 BEF¹

Expenses incurred for the upkeep of the home if the mother works outside the home are not allowed as expenses at work.

Child care

80% of incurred real expenses for child care can be deducted with an upper limit of BEF 345 per child per day. If no real expenses are deducted, a lump-sum allowance of 12.000 BEF is granted. The child care allowance is only granted for children under 3 years of age. Expenses for child care can be deducted by all couple even if one of the spouse is not working.

Taxable Income

¹Company administrators and their active partners benefit from a special lump-sum allowance equal to 5 % of their income up to a maximum of 110.000 F. For the wage-earners a complementary allowance is foreseen for the travelling expenses.

There are four categories of income which are taxable: earned income, property income, capital income and sundries. For each category, the administration proceed in two stages: they determine the various portions of the income to be taken into consideration, then they determine the charges which may be deducted in order to obtain net income.

The tax base is obtained by effecting the appropriate deductions from the total net income of the four categories. There are also income categories which are subjected to specific tax rates or the average rate of a previous or the current tax year.

The Social Security System

Belgium no longer levies taxes on payroll or on salaries that vary in line with the type of employment contract² (part-time/full-time, limited-term/unlimited-term). The rate of social security contributions varies primarily depending on status (salaried/self-employed). We examine below each of these two types of status.

Salaried staff

In Belgium, all employers who employ staff in the framework of an employment contract are liable for the payment of compulsory social security contributions. The social security contributions take the form of percentages to be calculated on the gross remuneration payable to the staff concerned, before the deduction of tax at source. In other words, the payment of contributions depends not on the type of employment contract or the number of hours worked, but on salary. The table¹⁰ below shows the basic social security contributions, expressed as a percentage and broken down according to the different sectors of social security and according to whether they are payable by the employer or the worker.

Contributions	Manual workers (1)		Non-manual workers	
	W	E	W	E
Study leave	-	0.04	-	0.04
Unemployment	0.87	1.46	0.87	1.46
AMI (2) Benefits	1.15	2.35	1.15	2.35
AMI - Health care	3.55	3.80	3.55	3.80
Industrial accidents	-	0.30	-	0.30
Family allowances	-	7.00	-	7.00
Occupational disease	-	1.10	-	1.10
Annual holidays	-	6.00	-	-
Salary moderation	-	7.48	-	7.48
Pensions	7.50	8.86	7.50	8.86
Total in %	13.07	38.39	13.07	32.39

(1) W = Worker, E = Employer

(2) AMI = Assurance - Maladie - Invalidité (Sickness and Invalidity Insurance)

² From 1992 to 1996, there was a capitation sum payable by employers employing part-time staff.

There are also contributions on salary. They refer to all types of salaried contract and do not vary according to either the number of hours worked or the duration of the contract. We can point out : contribution to the **!Syntaxfehler, DE**, contribution to the **!Syntaxfehler, POUR**, special contribution of 8,86 % on extra-legal advantages in the field of retirement benefits, special contribution on pre-retirement and the contribution for the **!Syntaxfehler, D**

Although contributions account for the main financing of the social security system, there are complementary methods of financing. On the one hand, the State pays subsidies to guarantee financial equilibrium. In 1995, these subsidies accounted for 17.7 % of social security receipts. Some of the receipts are also financed by taxation. For example, a special social security contribution is levied, and certain types of tax will be directed towards the financing of social security:

- energy tax (on private consumption of fuel and electricity)
- complementary crisis tax: 3 additional centimes on personal and corporate income tax
- excise and VAT going towards social security
- withholding tax on income from moveable assets and immovable assets
- solidarity deduction on pension income
- supplementary deduction on early retirement pensions.

Assumptions for model calculations

Average Earnings

For the model calculations we have used the average earnings of production workers in the manufacturing industry in 1995, issued by the OECD.

For women, we have used a specific average income which corresponds to 74.835 % of the average earnings of production workers in the manufacturing industry in 1995. This percentage corresponds to the ratio female earnings/male earnings in the manufacturing industry in 1995. Marginal part-time = Taxable income = 133.227 FB (20 % of a full-time work - less than 10 hours per week).

In fact we used gross earnings minus the worker's social security contributions in order to obtain the taxable income, which was then used as a basis for calculating the net income. The logical order of the various headings of the table is therefore, for Belgium: (Gross Earnings - Social Security Contributions = Taxable Income) - income tax = Net Income.

¹⁰ This is a notional breakdown between the different branches of social security; since 1994, social security contributions have no longer been broken down *a priori* branch by branch.

Male average wages for men and women

Average Income (AI)

	Gross Earnings			Social security contributions in %					taxable net income			income tax in %		
	A	B	A+B	pensions	health	unempl.	others	total	A	B	A+B	A	B	A+B
Single AI		890138	890138	7,5	3,55	0,87	1,15	13,07	773797		773797	28,50		28,50
Sole earner (AI + 0)		890138	890138	7,5	3,55	0,87	1,15	13,07	773797		773797	18,30		18,30
Married														
full/part-time (AI + m AI)	890138	177153	1067291	7,5	3,55	0,87	1,15	13,07	773797	153999	927796	22,30	19,10	21,80
full/part-time (AI + 0,25 AI)	890138	222535	1112673	7,5	3,55	0,87	1,15	13,07	773797	193449	967246	24,00	17,40	22,70
full/part-time (AI + 0,5 AI)	890138	445069	1335207	7,5	3,55	0,87	1,15	13,07	773797	386898	1160695	30,70	15,50	25,60
both full time (AI + 0,75)	890138	667604	1557742	7,5	3,55	0,87	1,15	13,07	773797	580348	1354145	30,90	25,00	28,40
both full time (AI + AI)	890138	890138	1780276	7,5	3,55	0,87	1,15	13,07	773797	773797	1547594	31,00	31,00	31,00

Average Income (AI)	Net income			% of a + b	
	A	B	A+B	gross earnings	
Single AI		553560	553560	62,19	37,81
Sole earner (AI + 0)		632252	632252	71,03	28,97
Married					
full/part-time (AI + m AI)	601120	124619	725739	68	32
full/part-time (AI + 0,25 AI)	588087	159856	747944	67,22	32,78
full/part-time (AI + 0,5 AI)	536162	327081	863243	64,65	35,35
both full time (AI + 0,75)	534964	435243	970206	62,28	37,72
both full time (AI + AI)	533744	533744	1067488	59,96	40,04

Male average wages for men and women

High income (2 * AI)

	Gross earnings			social security contributions					taxable net income			income tax in %			
	A	B	A+B	pensions	health	unempl.	others	total	A	B	A+B	A	B	A+B	
Single 2 AI		1780276	1780276	7,5	3,55	0,87	1,15	13,07	1547594		1547594	40,8		40,8	
Sole earner (2 AI + 0)		1780276	1780276	7,5	3,55	0,87	1,15	13,07	1547594		1547594	33,6		33,6	
Married															
full/part-time (2 AI + m AI)		1780276	177153	1957429	7,5	3,55	0,87	1,15	13,07	1547594	153999	1701593	34,9	33	34,7
full/part-time (2 AI + 0,25 AI)		1780276	222535	2002811	7,5	3,55	0,87	1,15	13,07	1547594	193449	1741043	36,1	26,4	35
full/part-time (2 AI + 0,5 AI)		1780276	445069	2225345	7,5	3,55	0,87	1,15	13,07	1547594	386898	1934492	41,2	16,7	36,3
both full time (2 AI + 0,75)		1780276	667604	2447880	7,5	3,55	0,87	1,15	13,07	1547594	580348	2127942	41,3	25,8	37,1
both full time (2 AI + AI)		1780276	890138	2670414	7,5	3,55	0,87	1,15	13,07	1547594	773797	2321391	41,3	31,7	38,1
both full time (2 AI + 1,5 AI)		1780276	1335207	3115483	7,5	3,55	0,87	1,15	13,07	1547594	1160695	2708289	41,4	37,4	39,7
both full time (2 AI + 2 AI)		1780276	1780276	3560552	7,5	3,55	0,87	1,15	13,07	1547594	1547594	3095188	41,4	41,4	41,4

High income (2 * AI)				% of a+b	
	A	B	A+B	gross earnings	
Single 2 AI	915724		915724	51,44	48,56
Sole earner (2 AI + 0)	1027335		1027335	57,71	42,29
Married					
full/part-time (2 AI + m AI)	1008174	103182	1111356	56,78	43,22
full/part-time (2 AI + 0,25 AI)	988856	142409	1131265	56,48	43,52
full/part-time (2 AI + 0,5 AI)	910341	322203	1232544	55,39	44,61
both full time (2 AI + 0,75)	909143	430364	1339507	54,72	45,28
both full time (2 AI + AI)	907923	528865	1436788	53,8	46,2
both full time (2 AI + 1,5 AI)	906212	726595	1632808	52,41	47,59
both full time (2 AI + 2 AI)	906212	906212	1812425	50,9	49,1

Male average wages for men and women:

Low income (0,75 AI)

	Gross earnings			social security contributions in %					taxable net income			income tax in %	
	A	B	A+B	pensions	health	unempl.	others	total	A	B	A+B	A	B
Single 0,75 AI	667604		667604	7,5	3,55	0,87	1,15	13,07	580348		580348	21,8	
Sole earner (0,75 AI + 0)	667604		667604	7,5	3,55	0,87	1,15	13,07	580348		580348	11,5	
Married													
full/part-time (0,75 AI + m AI)	667604	177153	844756	7,5	3,55	0,87	1,15	13,07	580348	153999	734347	18,1	6,6
full/part-time (0,75 AI + 0,25 AI)	667604	222535	890138	7,5	3,55	0,87	1,15	13,07	580348	193449	773797	19,9	6,7
full/part-time (0,75 AI + 0,5 AI)	667604	445069	1112673	7,5	3,55	0,87	1,15	13,07	580348	386898	967246	24,6	15,1
both full time (0,75 AI + 0,75)	667604	667604	1335207	7,5	3,55	0,87	1,15	13,07	580348	580348	1160695	24,8	24,8

Low income (0,75 AI)				% of a+b	
	A	B	A+B	gross earnings	
Single 0,75 AI	453839		453839	67,98	32,02
Sole earner (0,75 AI + 0)	513667		513667	76,94	23,06
Married					
full/part-time (0,75 AI + m AI)	475288	143831	619120	73,29	26,71
full/part-time (0,75 AI + 0,25 AI)	464595	180417	645011	72,46	27,54
full/part-time (0,75 AI + 0,5 AI)	437661	328301	765963	68,84	31,16
both full time (0,75 AI + 0,75)	436463	436463	872926	65,38	34,62

Gender specific wages

Average Income (AI)

	Gross Earnings			Social Security Contributions in %					Taxable Net Income			Income Tax in %		
	A	B	A+B	Pensions	Health	Unempl.	Others	Total	A	B	A+B	A	B	A+B
Single (AI)	890138		890138	7,5	3,55	0,87	1,15	13,07	773797		773797	28,5		28,5
Sole earner (AI + 0)	890138		890138	7,5	3,55	0,87	1,15	13,07	773797		773797	18,3		18,3
Married														
Full/part-time (AI + m AI)	890138	133227	1023365	7,5	3,55	0,87	1,15	13,07	773797	115814	889611	20.8	22.0	20.9
Full/part-time (AI +0.25 AI)	890138	166534	1056672	7,5	3,55	0,87	1,15	13,07	773797	144768	918565	21.9	19.6	21.6
Full/part-time (AI + 0.5 AI)	890138	333068	1223206	7,5	3,55	0,87	1,15	13,07	773797	289536	1063333	28.0	14.8	24.4
Both full time (AI + 0.75 AI)	890138	499601	1389739	7,5	3,55	0,87	1,15	13,07	773797	434303	1208100	30.7	18.4	26.3
Both full time (AI + AI)	890138	666135	1556273	7,5	3,55	0,87	1,15	13,07	773797	579071	1352868	30.9	25.0	28.3

Average Income (AI)

	Net Income			% of a+b gross earnings	
	A	B	A+B		
Single (AI)	553560		553560	62,19	37,81
Sole earner (AI + 0)	632252		632252	71,03	28,97
Married					
Full/part-time (AI + m AI)	613174	90352	703526	68,75	31,25
Full/part-time (AI +0.25 AI)	604033	116335	720368	68,17	31,83
Full/part-time (AI + 0.5 AI)	557287	246741	804028	65,73	34,27
Both full time (AI + 0.75 AI)	535870	354248	890118	64,05	35,95
Both full time (AI + AI)	534972	434593	969564	62,30	37,70

Gender specific wages
High Income (2*AI)

	Gross Earnings			Social Security Contributions in %					Taxable Net Income			Income Tax in %		
	A	B	A+B	Pensions	Health	Unempl.	Others	Total	A	B	A+B	A	B	A+B
Single (2 AI)	1780276		1780276	7,5	3,55	0,87	1,15	13,07	1547594		1547594	40,8		40,8
Sole earner (2 AI + 0)	1780276		1780276	7,5	3,55	0,87	1,15	13,07	1547594		1547594	33,6		33,6
Married														
Full/part-time (2 AI + m AI)	1780276	133227	1913503	7,5	3,55	0,87	1,15	13,07	1547594	115814	1663408	33,7	43,7	34,4
Full/part-time (2 AI +0.25 AI)	1780276	166534	1946810	7,5	3,55	0,87	1,15	13,07	1547594	144768	1692362	34,6	35,1	34,6
Full/part-time (2 AI + 0.5 AI)	1780276	333068	2113344	7,5	3,55	0,87	1,15	13,07	1547594	289536	1837130	39,2	17,8	35,9
Both full time (2 AI + 0.75 AI)	1780276	499601	2279877	7,5	3,55	0,87	1,15	13,07	1547594	434303	1981897	41,2	19,6	36,5
Both full time (2 AI + AI)	1780276	666135	2446411	7,5	3,55	0,87	1,15	13,07	1547594	579071	2126665	41,3	25,8	37,0
Both full time (2 AI + 1.5 AI)	1780276	999203	2779479	7,5	3,55	0,87	1,15	13,07	1547594	868607	2416201	41,4	33,6	38,6
Both full time (2 AI + 2 AI)	1780276	1332270	3112546	7,5	3,55	0,87	1,15	13,07	1547594	1158142	2705736	41,4	37,4	39,7

High Income (2*AI)	Net Income			% of a+b gross earnings	
	A	B	A+B		
Single (2 AI)	915724		915724	51,44	48,56
Sole earner (2 AI + 0)	1027335		1027335	57,71	42,29
Married					
Full/part-time (2 AI + m AI)	1025326	65196	1090522	56,99	43,01
Full/part-time (2 AI +0.25 AI)	1012321	93999	1106320	56,83	43,17
Full/part-time (2 AI + 0.5 AI)	940299	237933	1178232	55,75	44,25
Both full time (2 AI + 0.75 AI)	910048	349369	1259417	55,24	44,76
Both full time (2 AI + AI)	909151	429714	1338865	54,73	45,27
Both full time (2 AI + 1.5 AI)	907325	577140	1484465	53,41	46,59
Both full time (2 AI + 2 AI)	906212	725279	1631491	52,42	47,58

Gender specific wages

Low Income (0.75*AI)

	Gross Earnings			Social Security Contributions in %					Taxable Net Income			Income Tax in %		
	A	B	A+B	Pensions	Health	Unempl.	Others	Total	A	B	A+B	A	B	A+B
Single (0.75 AI)	667604		667604	7,5	3,55	0,87	1,15	13,07	580348		580348	21,8		21,8
Sole earner (0.75 AI + 0)	667604		667604	7,5	3,55	0,87	1,15	13,07	580348		580348	11,5		11,5
Married														
Full/part-time (0.75 AI + m AI)	667604	133227	800831	7,5	3,55	0,87	1,15	13,07	580348	115814	696162	16,5	6,6	14,8
Full/part-time (0.75 AI + 0.25 AI)	667604	166534	834137	7,5	3,55	0,87	1,15	13,07	580348	144768	725116	17,7	6,6	15,5
Full/part-time (0.75 AI + 0.5 AI)	667604	333068	1000671	7,5	3,55	0,87	1,15	13,07	580348	289536	869883	23,9	8,6	18,8
Both full time (0.75 AI + 0.75 AI)	667604	499601	1167205	7,5	3,55	0,87	1,15	13,07	580348	434303	1014651	24,6	18,2	21,9

Low Income (0.75*AI)	Net Income			% of a+b	
	A	B	A+B	gross earnings	
Single (0.75 AI)	453839		453839	67,98	32,02
Sole earner (0.75 AI + 0)	513667		513667	76,94	23,06
Married					
Full/part-time (0.75 AI + m AI)	484782	108190	592972	74,04	25,96
Full/part-time (0.75 AI + 0.25 AI)	477584	135214	612798	73,46	26,54
Full/part-time (0.75 AI + 0.5 AI)	441598	264506	706104	70,56	29,44
Both full time (0.75 AI + 0.75 AI)	437368	355468	792836	67,93	32,07