

OVERVIEW OF COMMON DEDUCTIBLE INCOME TAX AND VAT COSTS

	INCOME TAX (2019 ASSESSMENT YEAR)	VAT																											
1. CAR COSTS - COSTS OF PASSENGER CARS																													
General rule	<table border="1"> <thead> <tr> <th>CO₂ diesel emissions</th> <th>CO₂ petrol emissions</th> <th>Tax deduction limited to</th> </tr> </thead> <tbody> <tr> <td colspan="2">100% electric</td> <td>120%</td> </tr> <tr> <td>0 - 60 g</td> <td>0 - 60 g</td> <td>100%</td> </tr> <tr> <td>61 - 105 g</td> <td>61 - 105 g</td> <td>90%</td> </tr> <tr> <td>106 - 115 g</td> <td>106 - 125 g</td> <td>80%</td> </tr> <tr> <td>116 - 145 g</td> <td>126 - 155 g</td> <td>75%</td> </tr> <tr> <td>146 - 170 g</td> <td>156 - 180 g</td> <td>70%</td> </tr> <tr> <td>171 - 195 g</td> <td>181 - 205 g</td> <td>60%</td> </tr> <tr> <td>> 195 g</td> <td>> 205 g</td> <td>50%</td> </tr> </tbody> </table>	CO ₂ diesel emissions	CO ₂ petrol emissions	Tax deduction limited to	100% electric		120%	0 - 60 g	0 - 60 g	100%	61 - 105 g	61 - 105 g	90%	106 - 115 g	106 - 125 g	80%	116 - 145 g	126 - 155 g	75%	146 - 170 g	156 - 180 g	70%	171 - 195 g	181 - 205 g	60%	> 195 g	> 205 g	50%	<p>New cars as from 1/1/2013: VAT max. 50% deductible (and limited to the portion for professional use);</p> <p>For mixed use, 3 methods are possible (AAFisc Circular no. 36/2015 dated 23/11/2015):</p> <p>1) Actual professional use: $\left[\frac{\text{Total number of km} - \text{commuting (x2)} - \text{private km}}{\text{Total number of km}} \right] \times 100 = \% \text{ VAT deduction}$</p> <p>2) Semi-fixed amount % private: $1 - \left[\frac{200 \text{ days} \times \text{commuting (x2)} + \text{flat rate of 6,000 private km}}{\text{Total number of km on an annual basis}} \right] \times 100 = \% \text{ VAT deduction}$</p> <p>3) General fixed amount of 35% (for at least current year + next 3 calendar years)</p>
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	Deduction limitation according to CO ₂ emissions as from assessment year 2019 also applies to personal income tax for cars purchased (ordered) as from 1/1/2018. There is a choice for cars purchased before this date.																												
	[from the 2021 assessment year: - introduction of a formula for determining the deduction limitation: 120% - (0.5% x coefficient x CO ₂ emissions); - for plug-in hybrids ordered as from 1/1/2018 with a battery capacity of < 0.5 kWh per 100 kg of car weight or an emission exceeding 50 g/km, the deduction limitation is calculated based on the CO ₂ emissions of a corresponding model with an internal combustion engine or the CO ₂ emissions multiplied by a coefficient of 2.5; - tax deduction limitation up to 100% for electric cars; - tax deduction limitation up to 40% for cars with CO ₂ emissions as from 200 g/km]																												
Exceptions																													
Fuel costs	75% deductible [as from assessment year 2021 deduction limitation based on CO ₂ emissions]	VAT deductible for professional use (see general rule) with a max. of 50%																											
Interest charges	100% deductible (if separate on invoice and contract of at least 24 months); see general rule for rental fees	VAT deductible for professional use (see general rule) with a max. of 50%																											
Taxi costs	General rule, but tolerance: 75% deduction	VAT 100% deductible (if professionally-related)																											
Car costs passed on	Deductible to a limited extent on the part of the party issuing the invoice (100% deductible on the part of the receiver) [As from assessment year 2019, deduction limitation based on CO ₂ emissions of the end-user if passed on by third party and costs mentioned separately on invoice]	For the issuer of the invoice: VAT 50% deductible (except for limited exceptions) For the recipient: - passed-on cost as part of the main transaction: deductibility is determined by the main transaction - charging the cost per se: deductible according to professional use with a maximum of 50% - general rule																											
Reimbursement of car costs to employees/directors	30% considered as covering fuel costs; remaining 70% adheres to general rule	/																											
If fuel costs are paid either in part or in full, 40% of the BIK	100% non-deductible (not to be included in car costs)	/																											
If fuel costs are not paid, 17% of the BIK																													
Rent, leasing, etc.	Deductible to a limited extent depending on CO ₂ emissions. Exceptions: fuel (until assessment year 2020), financing charges and radiotelephone	VAT deductible according to professional use with a maximum of 50% - general rule																											
2. RECEPTION AND RECEPTION COSTS																													
General rule	50% deductible (including non-deductible VAT!)	VAT non-deductible																											
Exceptions																													
Promotional events, product launches, open house days and demonstrations (PR-related)	In principle, general rule Costs relating to premises, depreciation, staff, furniture, etc.: 100% deductible + 100% deduction for the costs of goods and promotional items.	Court of Cassation dated 8/04/2005 and 15/06/2012 and decision E.T. 124.247 dated 13/03/2015: - Costs that only create overall positive conditions: non-deductible - Costs that promote direct sales and publicity for certain products and services (= often a question of facts): VAT 100% deductible																											

	INCOME TAX (2019 ASSESSMENT YEAR)	VAT
3. CORPORATE GIFTS		
General rule	50% deductible (including non-deductible VAT!)	New rules as from 29/05/2017: VAT deductible for a single trade gift per business relation per calendar year of which purchase or cost price < EUR 50 (excl. VAT) Purchase or cost price > EUR 50 (excl. VAT) per gift or multiple low value trade gifts during a calendar year to one single business relation: VAT is non-deductible
Exceptions		
Sponsoring	Compensation is effectively 'advertising': 100% deductible	- Sponsoring via payment: if advertisement "received" as a consideration: VAT deductible, provided that there is receipt of compliant invoice (unless the sponsored party is not subject to VAT); if no advertisement "received", no VAT repercussions - Sponsoring via exchange of benefits (sponsoring in exchange for advertisement): VAT deductible, provided that there is mutual invoicing with VAT of every transaction (unless the sponsored party is not subject to VAT) - Sponsoring without consideration: VAT on the sponsored good must be corrected
Gifts	Gift > EUR 125 100% deductible on condition that it is reported on the 281.50 form, namely represents BIK for acquirer	Commercial gifts are VAT deductible provided that: - the gifts are granted to a business relation - the gifts are not tobacco or spirits - the purchase value is < EUR 50, VAT excl. - the gifts are not a promotional item
Promotional items	100% deductible on condition that the name of the benefactor remains permanently and noticeably on the object that is furthermore also widely distributed	New rules as from 29/05/2017: VAT 100% deductible (except for reception costs) if: - the articles are intended for a large-scale distribution (i.e. not only for a limited category of customers or business relations); - the articles have a low value for those who receive them; - the articles obviously and permanently bear the name of the gifting company (i.e. no consumables)
Foreign business travel and gifts	100% deductible if given during business travel abroad	General rule
Commercial samples	Products that the company itself sells: 100% deductible	VAT 100% deductible on condition that the costs are deductible in the income tax
4. SOCIAL BENEFITS		
General rule	100% non-deductible	Benefit granted of personal nature: non-deductible Benefit granted of group-nature: VAT deductible
Exceptions		
Free distribution of soup, coffee, soft drinks and/or fruit to staff during working hours	100% deductible	VAT 100% deductible
Vocational training for staff for specific vocational training sessions	100% deductible	VAT 100% deductible
Meal Vouchers	Employer contribution deductible for EUR 2/ voucher distributed on condition that a maximum employer contribution amounts to a voucher amount of EUR 6.91, the employee contribution comprising a minimum of EUR 1.09	VAT on transactions of the company issuing the meal vouchers: 100% deductible
Eco-vouchers	Under certain conditions, they are treated as an exempt benefit on the part of the beneficiary. However, cost is 100% non-deductible for issuing company	VAT on transactions of the company issuing the eco-vouchers: 100% deductible
Gifts to staff	100% non-deductible for the employer unless gifts are for ALL employees and: - max. EUR 35/year/employee on the occasion of an annual event (e.g. Christmas, birthday) - max. EUR 105/year/employee on the occasion of a commendation for good service - minimum EUR 105 and maximum EUR 35 per full service year upon retirement of employee (however, for social security a maximum of EUR 875 applies!)	New rules as from 29/05/2017: VAT non-deductible, unless the following conditions are met: - the gifts are distributed to ALL staff members (or children of staff members who meet a predetermined age category) - the purchase price (or normal value) is < than EUR 50 excl. VAT - the gifts are not tobacco products or spirits Please note: VAT deduction only permitted on one single occasion-related gift per beneficiary per calendar year
5. RESTAURANT COSTS		
General rule	69% deductible (including on the non-deductible VAT)	VAT is non-deductible
Exceptions		
Restaurant costs for staff tasked with providing goods or services outside the company	100% deductible, however, if the performance of the staff exceeds 5 hours	VAT 100% deductible if a correct invoice has been issued in the name of the purchaser (a simple VAT receipt is not sufficient)
Passing on of restaurant costs	For the issuer of the invoice: 69% deductible Exception: costs passed on separately on the invoice: 69% deductible for the recipient and 100% deductible for the issuer of the invoice	Passing on of the cost as part of the main transaction: follows the VAT scheme of the main transaction Passing on of the cost per se: non-deductible for recipient; deductible however for the issuer of the invoice
Restaurant costs related to seminars on training day		VAT on meal cost non-deductible
Restaurant costs included in hotel bill	69% deductible if broken down by invoice, if not there is a risk that full invoice will be subject to deduction limitation	VAT on the costs of seminar/training deductible, however, if appended separately VAT non-deductible unless: - restaurant costs for staff tasked with providing goods or services outside the company - passing on of restaurant costs per se
6. FINES		
General rule	Non-deductible	/
Exceptions		
Proportional VAT fine	100% deductible [as from assessment year 2021 no longer deductible]	/
Fines included as benefit in kind on the part of the beneficiary	100% deductible	/
Parking fines, traffic fines, amicable settlement	Non-deductible	/
Parking fee: opt for daily rate	To be included as a car expense	/
7. UNREASONABLE (PROFESSIONAL) EXPENSES		
General rule	Non-deductible (always to be assessed on a case-by-case basis as this is a question of facts)	VAT non-deductible (always to be assessed on a case-by-case basis as this is a question of facts)
8. TAXES		
General rule	Non-deductible (if they have negatively influenced the taxable income)	/
Exceptions (i.e. deductible)		
Immovable withholding tax	100% deductible	/
Municipal and provincial taxes	100% deductible (most regional taxes are non-deductible!)	/

Although this overview was compiled with the greatest care, only the generally valid principles have been included here. Individual situations must therefore be assessed on a case-by-case basis.