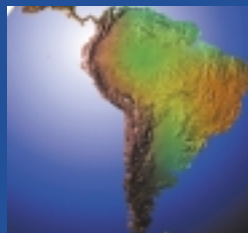
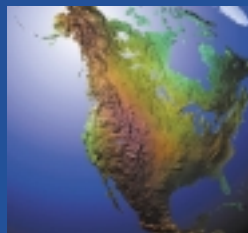
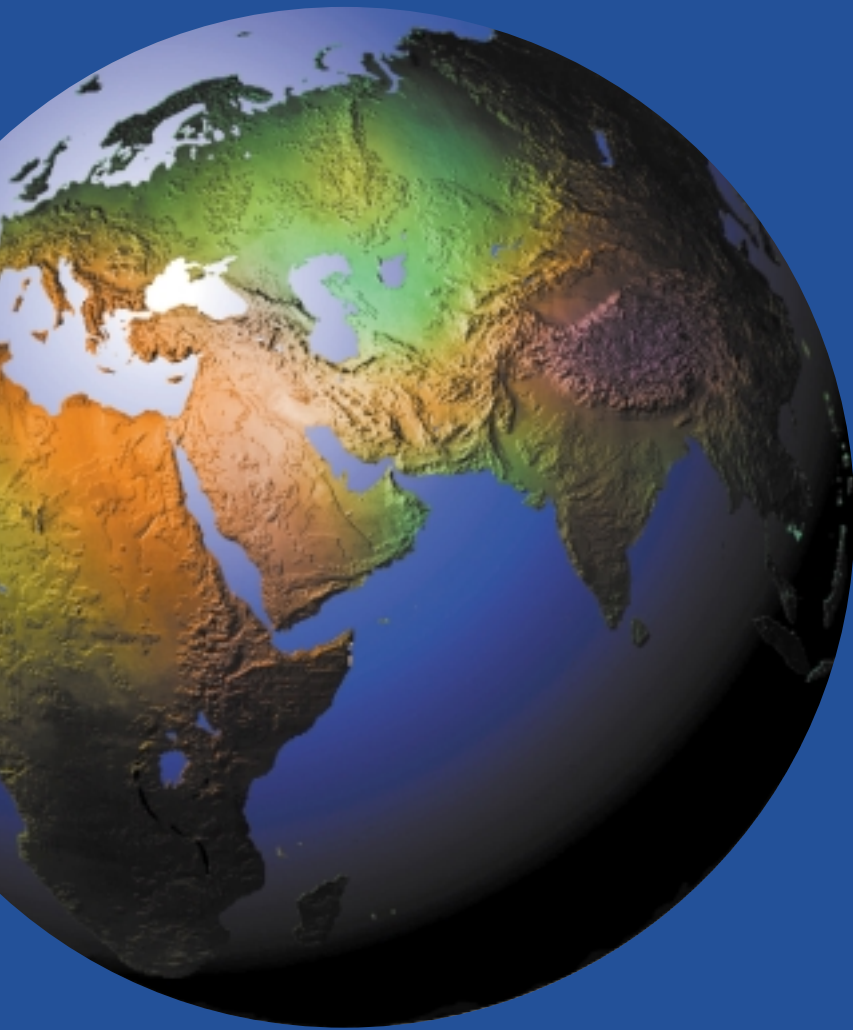




Doing Business In Belgium



*A worldwide association of independent
auditing, accounting and consulting firms*

Doing BUSINESS in Belgium

The purpose of this leaflet is to provide a general overview of doing business in Belgium. It is intended to inform investors of some issues that need to be considered when investing in Belgium.

About Belgium

Thanks to its central location, Belgium serves as a springboard to the European Union (EU). Its neighbours are France, Luxembourg, Germany, the Netherlands and the United Kingdom. Brussels is the capital of Europe, the site of the headquarters of the European Commission, the Council of Ministers and the European Parliament. Other major international organizations, such as NATO, are also located in Brussels. As a result, Brussels is the number two city in the world (after Washington) in terms of its number of accredited

journalists, and fourth in terms of the number of international meetings and seminars held there.

Some 65% of the EU's economic activity is located in an area 1,500 km long and 200 km wide running from Liverpool (UK) to Genoa (Italy). Belgium is located right in the centre of this area and therefore deserves to be called the hub of Europe.

Belgium occupies a surface area of 30,500 km² and has a population of 10.2 million.

Forms of business enterprises

Most of the companies in Belgium are Stock Corporations (NV/SA) or Limited Liability Companies (BVBA/SPRL). Stock Corporations may be anonymous and are easy to incorporate by non-residents. Partnerships are also possible in Belgium.

Belgium also has trusts (private stichting/fondation privé) and associations (VZW/ASBL and the international association).





Type of company	Stock Corporation (NV/SA)	Limited Liability Company (BVBA/SPRL)	Branch
Minimum share capital	61.500 EURO	18.550 EURO	nil
Minimum paid-up capital	61.500 EURO and 1/4 above 61.500 EURO	6.200 EURO and 1/5 above 18.550 EURO 12.400 EURO if only 1 shareholder	nil
Nature of capital	Cash or in kind	Cash or in kind	nil
Type of shares	Anonymous/nominative	Nominative	nil
Number of shareholders	Minimum 2 (resident or not resident)	Minimum 1 if individual (resident or not resident)	nil
Formal incorporation	Public Notary required	Public Notary required	Legal Consultants or law firm
Documents required	Financial plan when incorporating	Financial plan when incorporating	Memorandum of incorporating
Supervisory board	Not required	Not required	Not required
Board of directors	Minimum 2 directors (resident or not resident) (appointed for 6 years)	Minimum 1 director (resident or not resident) (unlimited period of time)	Minimum 1 legal representative (resident or not resident) (unlimited period of time)
Business license	Required for at least one director	Required for at least one director	Required for legal representative
Trade register	Required in case of commercial activities	Required in case of commercial activities	Required in case of commercial activities
Shareholders meeting	At least once a year (within 6 months after year-end closing)	At least once a year (within 6 months after year-end closing)	Not required at local level
Majority of shareholders	Ordinary meeting 50%+1 Extraordinary meetings 2/3 Special meetings 4/5	Ordinary meeting 50%+1 Extraordinary meetings 2/3 Special meetings 4/5	Not required at local level
Audit requirements	Only for large companies or in case of consolidation	Only for large companies or in case of consolidation	Only for large companies or in case of consolidation
Annual Accounts	Company accounts to be published yearly	Company accounts to be published yearly	Local accounts to be published yearly, together with consolidated accounts
Liquidation	Special Accountants report required. Closing needs to be done by Public Notary	Special Accountants report required. Closing needs to be done by Public Notary	Closing needs to be done by Legal Consultants or law firm

Taxation of companies and branches

Subsidiaries or branches are liable to Belgian corporation tax as Belgian companies according to Belgian income tax code (ITC).

	Company	Branch
Capital duty	0,5% (0% as from 01-01-2006)	none
Notional interest deduction for risk capital	Yes	Yes
Transfer tax/stamp duty	None	None
Corporate Tax rate	34% (reduced tax rate for SME)	34%
Losses	Unlimited carry-forward	To be set-off against profits in country of head office (depends on country)
Withholding tax on dividends	0% (EC parent-subsidiary directive)	impossible
Withholding tax on royalties	0% (EC royalty and interest directive)	impossible
Withholding tax on interests	0% (EC royalty and interest directive)	impossible
Deduction of interest and royalties	Yes	No (exceptions)
Thin capitalization rules	No (7/1 debt-equity ratio in relation to tax havens)	not applicable
Dividends received	95% exempt	95% exempt
Capital gain on sale of shares	100% exempt	100% exempt
Capital gain on assets (other than shares)	Deferral available	Deferral available

Belgium has one of the most extensive tax treaty networks in the world and is, for instance, the only country in the world which has concluded a tax treaty with Hong Kong.

Taxation of individuals

All Belgian residents are liable to individual income tax on their worldwide income. An individual who is “domiciled” in Belgium or whose “seat of wealth” is located in Belgium is regarded as a resident for income tax purposes. Special rules apply to foreign employees temporarily residing in Belgium.

For personal income taxation purposes, the total taxable income is the aggregate of net income or profits originating from an occupation or business (earned income), real estate, personal property (in

Income tax is charged at the following progressive rate (tax year 2006 – income year 2005):

Taxable income in EUR		Marginal rate %
0	- 7 100	25
7 100	- 10 100	30
10 100	- 16 830	40
16 830	- 30 840	45
more than	30 840	50

some cases), and miscellaneous sources, less eligible deductions.

As long as not considered a speculative transaction, capital gains on the sale of shares, real estate, etc. which are of a private nature are, in principle, fully tax exempt.

Investment income is only taxed at 25% and 15% for respectively dividend- and interest income.

Other forms of taxation

Value added tax

Value-added tax (VAT) is a sales tax charged on the supply of goods and services provided in the course of business, unless these supplies are “zero-rated”, “exempt” or outside the scope of VAT.

- 0% Newspapers and certain weeklies
- 6% Primarily: live animals, vegetable products, foodstuffs, water supply, pharmaceutical products, books and certain periodicals, original works of art, collectors’ pieces and antiques, motor cars for disabled persons, coffins, agricultural services, transport of persons, establishments for culture, sports and entertainment, copyrights, certain transactions relating to private dwellings which are at least 15 years old, and a few other services
- 12% Primarily: tubes for agricultural machines, certain solid fuels (i.e. coal, ...), pay television, social housing, and a few other services
- 21% Standard VAT rate

Inheritance and gift tax

The inheritance tax rates depends on whether the deceased’s last domicile was located in the Flanders Region, the Walloon Region or in the Region of Brussels-Capital.

The amount of the donation duty depends on the degree of kinship between the donor and the donee and on the value of the portion of the donation received by each donee.

So-called “hand gifts” can be made free of inheritance and gift tax. In the Flemish region, a donation can be effectuated at a reduced flat rate of 3% (for recipients in the first decree).

Other

For other important forms of taxation we advise you to contact our MGI partner in Belgium. We will be happy to assist you with detail on real-estate taxes, transfer duty, investment taxes, car taxes, etc...

- Chartered Accountants
- Tax Consultants
- Legal Consultants
- Business Consultants
- International Tax Advisors

Labour regulations and social security

Professional Card Working Permits

All foreigners (non-Belgian residents) intending to start a professional activity in Belgium on a self-employed basis should obtain a professional card delivered by the Ministry. However this does not apply to nationals of member states of the European Union (with exceptions for new member states).

Foreign employees have to obtain a Working Card in order to be allowed to work in Belgium.

Residence Permits

Foreigners also need to obtain a Residence Permit in order to reside on an ongoing basis in Belgium. This does not apply to nationals of member States of the EEA.

Social security contributions for self employed persons

Contributions are always calculated on the basis of the professional income the self-employed person has realized during the so-called reference year, i.e. the third year immediately preceding the year for which the contributions are due.

The contribution rate is approximately 20% of the professional income of the reference year with a maximum of 12,458 EUR per year.

Social security contributions for employed individuals

Employers are obliged to contribute to the social security system. In Belgium employees are either labour workers or white colour workers.

For the employment of employees, the employer needs to pay "employer contributions" and to withhold "employees contributions".

The employees' contributions are for both labour- and white colour workers equal to 13.07% of the gross remuneration. The employers' contributions amount to approximately 40-50% for labour workers and 35% for white colour workers.

Expatriate staff

Special regulations apply for expatriates. For more information, we refer to our special leaflet on expatriates.

Grants and incentives

Companies contemplating to set-up a factory, an office or a distribution unit in Belgium should be aware that, through the Belgian Federal Government, the different Regions and the

European Union, there are many grant schemes and incentives available which are reducing the cost peculiar to a specific investment, R&D, hiring staff, exporting, ...

For more information please contact:

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This Technical Briefing is designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this briefing may not be comprehensive and recipients should not act upon without seeking professional advice from a professional advisor.

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