

Example (Will be updated soon !).

How do we get to the taxable basis ?.

We will consider an expatriate transferred from France with the following facts:

1. His gross earned income amounts to 4.000.000 Bf. We will assume it is paid in Belgium but as already mentioned and this is crucial no matter where it is paid and who pays it, it must be reported in Belgium,
2. The spouse and the children live in Belgium,
3. The expatriate does not work for a control and coordination office,
4. He is married with two children,
5. The home country is France,
6. The monthly rent exclusive of heating, electricity and outbuildings charges amounts to 60.000 Bf (paid by the expatriate),
7. The schooling expenses are paid by the employer and amount to 600.000 Bf,
8. The travel costs incurred to spend the yearly vacations in France amount to 15.000 Bf (paid by the executive),
9. He has travelled 30% of his working time abroad ,
10. When he was in France he paid 20% of his gross earned income as social security and he is now liable to belgian social security.

Computation of the non taxable indemnities following the guidelines issued by the tax people (1).

Base salary: $(4000.000 \times 95\%) \times 1/1,1 = 3.454.545$ Bf

C.O.L.A. = $5\% \times 3.454.545 = 172.727$ Bf

limited at : 100.000 Bf

Housing allowance $(60.000 \times 12) - (12/100 \times 3.454.545)$: 305.455

Tax equalization (hereafter): 521.935

Home leave: 15.000

Total: 942.390Bf

limited to 450.000 Bf.

The computation of the taxable basis

Gross earned income: 4.000.000 Bf
Social security on 4.000.000
minus 942.390(2) = - 399.630
Non taxable indemnities: - 450.000 ==> 3.150.370 Bf
Exclusion for income from
deemed foreign source (30%): - 945.111

Taxable basis before lump sum
or itemized professional charges: 2.205.259 Bf
Belgian income taxes thereon: 838.973 Bf

Computation of the tax equalization

Foreign (french income taxes)
Computed on the base salary meaning on 3.454.545 Bf
i.e. 575.758 FF (1 FF = 6 Bf).
Gross earned income: 578.758 FF
French social security (20%): -115.152
Taxable basis: 460.606 FF
French income taxes thereon: 63.489 FF = 380.934 Bf (3)

Belgian income taxes
Computed on 4.000.000 Bf x 95% = 3.800.000 Bf
Belgian social security (13,07%): - 496.660
Exclusion for deemed foreign
source income (30%): - 991.002
Taxable basis: 2.312.338 Bf
Belgian income taxes thereon: 902.870 Bf (4)

Tax equalization: 902.870 Bf - 380.934 Bf = 521.935 Bf

(1) there are other methods agreed by the tax people when the expatriate use statistical sources which is mostly the case for the expatriates paid on a net basis.

(2) my opinion is that it might be a very good idea to have statistical sources supporting that the housing and cost of living allowances so computed are in line with the reality to support the non computation of the belgian social security thereon.

(3) computed with a software for the 1994 french income taxes,

(4) computed with a software for the 1995 Belgian income taxes.