



My own boss

Who has never dreamt of it ; chucking it all in and becoming self employed. Not having to go to work anymore may be an aspiration for some who have served their time, for many it is a way of life out of necessity. Many starters on the job market often have no alternative but to work free lance.

For the employer, there seem to be only advantages: he makes a big saving on his social security contributions (35 per cent) and he is not bound by an employment contract. That is not entirely true; if the free lancer works under his authority he may be able to claim protection of the employment legislation.

Now, where do you start if you have decided to work as a self employed ?

Most self-employed have to start by registering with the Crossroad Database for Enterprises via a new sort of Business Counter (the *Guichet d'Entreprise*, see <http://www.mineco.fgov.be/>). You receive a single number to be used for most contacts with the authorities. You can then register for VAT and you have 90 days to register for social security with a social insurance fund (*caisse d'assurances sociaux*) where you will pay your contributions every quarter.

You will have to issue invoices for your work and charge VAT, unless you carry out a profession. The rate is 21 %, and 0 % on work for certain overseas customers. Every quarter, you have to file a VAT return in which you declare the VAT charged less the VAT on incoming invoices (*e.g.* the invoice paid on your car, ...). Note that you may have to fork out the VAT even if you have not been paid yet.

Social security contributions are calculated on the net freelance income shown in your tax return of four years ago. This means that during the first three years of activity, you have to estimate your income. The rates are 19.65 % on the first bracket of € 44,290 and 14.16 % between € 44,290 and 66,274. The contributions are limited to € 11,675 per year (at about € 66,274). You will see that the bill will be slightly higher because the social insurance fund charges a management fee. If you start freelancing as a second job, the contributions are much less.

During the first three years you have the option of just paying the minimum contributions: € 445.47 per quarter in the first year, € 517.35 in the second and € 586.00 in the third. These will be due anyway even if you earn less than € 9,067.99 per year. But you may be in for a nasty surprise in the fourth year, just when you are starting to make some money. In the fourth, fifth and sixth year you get a regularisation bill for the difference, on top of your contributions for that year.

It is a good idea to keep tabs of how much you are earn and adapt your contributions towards the end of the year. It is also good tax logic, because the contributions are tax deductible.

The self-employed do not have the same national insurance cover as employees : the health cover is less (an insurance for minor health risks (the so-called 'petits risques') can cover the difference), the family allowances are much less, and your state pension will be much less than that of an employee. The minimum pension for a self-employed is about € 200 less than that of an employee. Not being an employee also means that you cannot claim unemployment benefit. Also, if you are not able to work due to an accident or a long illness, you are not earning



anything. Do not forget to take out a guaranteed income insurance.

And then there is the income tax. Roughly speaking, that is the same as for an employee. You pay tax on your income less social security contributions and expenses. Expenses are tax-deductible business expenses if they are incurred to attract new business. And that is where self-employed have more flexibility than employees. They can wine and dine their clients and potential clients and deduct 62.50%, and next year 75 %. They can deduct more car expenses, because they have to drive more than just to work and back. Overseas trips may be necessary to develop more business as well. And wedding gifts and baby showers can become business gifts.

But you must keep all receipts and ask for invoices especially when you have a VAT number. And you may have to explain why the expenses were business related.

Paying your taxes during the year helps to keep good finances but may also give you a tax reduction. But after three years, you have to pay 'versements anticipés' ; if you don't, your tax bill will go up with about 9 %.

A good accountant can prove useful.

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29 January 2004

Some useful links, even if they may not be up-to-date:

http://www.mineco.fgov.be/homepull_en.htm and more specifically
http://www.mineco.fgov.be/enterprises/crossroads_bank/home_enterprises_windows_en.htm
<http://www.partena.be/fr/cas/beself/statutsoc.htm>
http://www.securex.be/portal/profile_independant_en.htm
<http://www.inasti.be/en/selfemployed/index.htm>