



## That house at home

“Minister, you are sitting on a mine of information. France is telling us who owns what property in France, but you do nothing about it.” “Here we go again”, Finance Minister Reynders thought. The M.P. was giving him stick: “Some 300,000 Belgians own property in France. In the Netherlands the tax authorities go with a fine comb through the property deeds of all the Dutch who bought property in France. Why don’t you?”

“Whatever for” the Minister thought, “It’s not as if we are going to get much tax out of it...”. He replied: “I am sorry, we do not receive that information from France. And 300,000 is an exaggeration; let’s say 30,000 at the most. We know for sure that Belgians hold some 12.000 properties on which they have received some 114 million euro in rental income.”

Such parliamentary questions make headlines. They have a hidden agenda. The M.P. cannot stand that many Belgians are spending their undeclared earnings on villas under the sun. If he can get the taxman on their backs, he can tighten the net. And scaring helps.

It is true that Belgium gets information about taxable income from countries if there is a double tax treaty. And Belgium has signed some 90 treaties. How much and how regular that information is depends on the other state. But with France, Italy, the Netherlands and Ukraine Belgium has signed cooperation agreements to exchange more specific and more regular information. And the taxman likes to keep leaving us in the dark about what information he actually receives. It keeps the taxpayer on his toes.

Not all of us have undeclared earnings. But some expatriates living in Belgium have kept a house abroad, or they may have inherited property. It is not because it is abroad that one can forget about it.

If you live in Belgium, you have to declare all your income, wherever it comes from. But that income is not necessarily taxed in Belgium. If it is in a country that has signed a double tax treaty with Belgium, that treaty will – almost invariably – say that the tax must be paid in the other country. If you own a holiday home in France, it is in France that you will pay tax on the income. And the double tax treaty obliges Belgium to give you an exemption.

What does this mean for your tax return?

If you have a tenant, you must declare the rent you received and any costs that are paid by the tenant that you should have paid for. That is not the heating and electricity but e.g. the cost of double-glazing the windows. You can deduct the overseas income tax if the tax is calculated on the actual rent. And then you can deduct another 40 percent from the rest.

If it’s a holiday home that you don’t rent out, the situation is slightly different. You have to declare the rental value of the property. That is the rent you would normally receive over a year. And that is not just twelve times the rent for July or August. If needed, ask some local realtors to give an estimate. You also get a 40 percent deduction.

If the property is not let out, there normally is no income tax abroad. But some countries charge tax even if there is no income. Spain taxes a fictitious rental income. And the Netherlands levy 25 percent tax on 4 percent of the value of your assets in the Netherlands. That means that every year you pay 1 percent tax. And that tax you cannot deduct.



Belgium will not tax the overseas rental income, but the taxman will add it to your other income and calculate the tax on that total. He will then apply the average tax rate to your Belgian income. If you forgot to declare the property, the news is not that bad. Declaring your overseas property will just raise the average tax rate on your Belgian income a bit.

There is also some good news. When you sell the property, Belgium charges no capital gains tax, but that probably does not make up for the capital gains tax you pay abroad.

There are two categories of taxpayers who do not have to declare their overseas property. The first are the officials of the European Institutions; they are usually deemed to have maintained their domicile abroad. And that is where they have to include the property in their tax return.

Another category is the taxpayers who enjoy the special expatriate tax regime. That means that they are deemed not to be resident in Belgium. As non-residents they only pay tax on their earnings from Belgium. Any income from outside Belgium remains tax exempt in Belgium.

Did I just make that little cottage in the Algarve more attractive?

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