

**taxanalysts**  
Respectfully disagreeable since 1970.

**tax notes  
international**

## Government Expands Special Regime for Employers of Researchers

*by Marc Quaghebeur*

Belgium has extended its special tax regime for employers of researchers to include partnerships between private-sector enterprises and universities and scientific institutions.

The special regime was first introduced in 2002 to encourage the employment of assistant researchers by Belgian colleges and universities, and for post-doctoral researchers paid by the National Fund for Scientific Research or the Fund for Scientific Research — Flanders. The employer withholds the full tax at source on the remuneration it pays to its researchers, but pays only about 35 percent of that withholding tax to the tax authorities. The law does not prescribe how the employer must use the rest (for example, for additional research equipment or to pay higher salaries). The special regime applied to the employers of approximately 6,864 researchers.

In 2004 the program was expanded to include assistant and postdoctoral researchers paid by a limited list of scientific institutions in the public sector, and by collective research centers and international research institutions. Those employers were required to pay 50 percent of the withholding tax on their employee remuneration to tax authorities. (For prior coverage, see *Tax Notes Int'l*, June 21, 2004, p. 1210.) That was the first attempt to include partnerships between private-sector enterprises and universities and scientific institutions in the special

withholding tax exemption, and it applied to the employers of approximately 2,071 additional researchers.

Although the benefit for this second category of employers is limited to 50 percent of the withholding tax, it still equates to a savings of €8,000 to €10,000 per employee per year, which makes the cost of research comparable to that of neighboring countries.

On October 1 the regime was further extended to enterprises in the private sector that are in a partnership with a college or a university within the European Economic Area, or with a recognized scientific institution. The partial withholding tax exemption also is available for researchers engaged in certain, specific projects, in which case it is limited to the duration of the project. Belgian authorities estimate that the extension of the regime will apply to approximately 3,500 additional researchers, and it is allowing for a loss in budgetary tax revenue of approximately €30 million per year for the program.

In his October 11 State of the Union address, Prime Minister Guy Verhofstadt announced that a budgetary revenue loss of approximately €10 million has been allocated for a similar measure to provide tax relief for young, innovative companies. ♦

♦ *Marc Quaghebeur, Vandendijk & Partners, Brussels*