



**Overview of disallowed  
expenses for corporate  
income tax and vat**

Financial year 2020  
Tax year 2021

**Now, for tomorrow**



Preliminary remarks

This document intends to provide a summary of the expenses that are (partially) disallowed for corporate income tax and VAT purposes and can therefore only be used as a guideline. For the tax treatment of expenses in specific situations, please liaise with your contact person at Baker Tilly.

| Expense type   | Corporation tax | VAT            |
|--|-----------------|----------------|
| <b>Federal taxes</b>   |                 |                |
| <ul style="list-style-type: none"> <li>- Corporate income tax (including withholding on liquidation reserve;)</li> <li>- CIT prepayments</li> <li>- Withholding taxes</li> <li>- Foreign tax credit to the extent that it has actually been offset against the corporate income tax liability (FBB/QFIE)</li> <li>- CIT increase, late payment interest on non-deductible taxes</li> </ul> | Not deductible  | Not applicable |
| <b>Regional taxes</b>  |                 |                |
| <ul style="list-style-type: none"> <li>- Regional environmental taxes on surface water, ground water and sediments</li> <li>- Regional environmental taxes on waste, fertilizers, ...</li> </ul>   | Not deductible  | Not applicable |
| <ul style="list-style-type: none"> <li>- Property taxes</li> <li>- Provincial taxes</li> <li>- Municipal taxes</li> </ul>  | Deductible      | Not applicable |

| Expense type  | Corporation tax | VAT            |
|---|-----------------|----------------|
| <b><i>Fines and penalties (miscellaneous)</i></b>   |                 |                |
| <ul style="list-style-type: none"> <li>- Fines and penalties concerning CIT</li> <li>- Traffic Fines</li> <li>- Non-proportional VAT fines</li> <li>- Proportional VAT fines</li> <li>- Administrative fines for infringements against social/labour law</li> <li>- Administrative fines on registration duties</li> <li>- Fines or fees relating to the late filing of the annual accounts</li> <li>- Increases in social security contributions in the event of late payment</li> </ul> | Not deductible  | Not applicable |
| <ul style="list-style-type: none"> <li>- Traffic fines reported as a benefit in kind for the employee</li> </ul>  | Deductible      | Not applicable |
| <b><i>Pensions and pension allowances</i></b>   |                 |                |
| <ul style="list-style-type: none"> <li>- Employers' social security contributions and premiums for group insurance (retirement and decease) exceeding the 80% limit</li> </ul>  | Not deductible  | Not applicable |
| <ul style="list-style-type: none"> <li>- Annual insurance tax</li> </ul>  | Deductible      | Not applicable |

| Expense type  | Corporation tax   | VAT  |
|---|---|--|
| <b>Company cars</b>   |   |  |
| <p>General rule:<br/>Tax deduction according to CO<sub>2</sub> emission to be calculated per vehicle based on the formula:<br/><math>120\% - (0,5\% \times \text{coefficient} \times \text{grams CO}_2 \text{ per kilometer})</math></p> <p>Coefficient:</p> <ul style="list-style-type: none"> <li>- 1 for diesel engine</li> <li>- 0,90 for natural gas engine and a taxable power rating of less than 12 hp for tax purposes</li> <li>- 0,95 for all other engine types (incl. gasoline)</li> </ul> <p>Result of formula is minimum 50% and maximum 100%.</p> <p>Vehicles with CO<sub>2</sub> emissions over 200 gr/km : tax deduction limited to 40%.</p> |   | <p>Maximum 50% deductible</p>  |
| <ul style="list-style-type: none"> <li>- Rent and lease payments</li> <li>- Service and repair</li> <li>- Depreciation</li> <li>- Fuel</li> <li>- Traffic taxes</li> <li>- Public parking/rent parking space</li> <li>- Company car insurance</li> <li>- Accessories (e.g. alarm, gps, air-conditioning, etc.)</li> <li>- Car expenses reimbursed to employees, directors and managers</li> <li>- Benefit in kind on company cars(-)</li> <li>- Benefit in kind on company cars</li> </ul>  | <p>According to formula</p> <p>According to formula</p> <p>According to formula</p> <p>According to formula</p> <p>According to formula</p> <p>According to formula</p> <p>According to formula</p> <p>According to formula</p> <p>According to formula (100% in case benefit in kind is mentioned on payslip of the employee)</p> <p>According to formula</p> <p>17% of BIK (minimum taxable basis) if fuel costs not borne by employer<br/>40% of BIK (minimum taxable basis) if fuel costs are fully borne by employer</p> | <p>Company cars entailed for private use: max 50% deductible</p> <p><b>3 methods:</b></p> <ol style="list-style-type: none"> <li>1) Actual covered kilometres on the basis of an administration of all journeys..</li> <li>2) Semi lump sum method. Based on a formula considering the distance between home and the workplace.</li> <li>3) General lump sum. Business use determined at 35% (Fixed for every car).</li> </ol> |

| Expense type   | Corporation tax  | VAT   |
|--|--|---|
| <b>Reception costs</b>   |  |   |
| General rule   | 50% deductible   | Not deductible  |
| - Expenses related to product demo's, whether or not accompanied by handing out commercial samples for produced or sold products | 100% deductible  | 100% deductible if disallowed expenses for CIT (except for spirituous beverages)  |
| - Flowers for the decoration of professional infrastructure  | Office space: 100% deductible<br>Reception area: 50% deductible                          | 100% deductible   |
| - Promotional events and client events (e.g. product demonstrations, product launches, etc.)                                     | 50% deductible<br>Showroom expense: 100% deductible                                      | 100% deductible (if for marketing/publicity purposes for a new product/service shown to existing and/or potential clients)                        |
| - Contributions and membership fees for professional organizations   | 100% deductible  | 100% deductible   |
| <b>Business gifts</b>  |  |   |
| General rule   | 50% deductible   | <50,00 EUR (exclusive VAT) per gift : 100% deductible (maximum one per client or potential client per year)<br>50,00 EUR or more : not deductible |
| - Marketing material, except for non-durable goods   | 100% deductible (condition: with permanent publicity/branding; otherwise 50% deductible) | 100% deductible   |
| - Samples  | 100% deductible  | 100% deductible   |
| <b>Restaurant costs</b>  |  |   |
| - Restaurant expenses made by sales agents in the food industry  | 100% deductible  | Not deductible  |
| - Restaurant expenses recharged on invoice   | Subcontractor making recharge: 100% deductible;<br>End client: 69% deductible            | 100% deductible (0% for the client)   |
| - Restaurant expenses recharged on invoice   | 100% deductible (0% for the client)  | 100% deductible   |
| <b>Clothing</b>  |  |   |
| - Professional uniforms, safety helmets, safety shoes, etc...  | Deductible   | 100% deductible if specific professional clothing   |

| Expense type  | Corporation tax   | VAT   |
|---|---|---|
| <b>Interests on loans</b>   |   |   |
| General rule  | Deductible  | Not applicable  |
| <ul style="list-style-type: none"> <li>- Interest exceeding market rate</li> <li>- Interest limitation: interest exceeding highest threshold:               <ul style="list-style-type: none"> <li>- 3.000.000 EUR; or</li> <li>- 30% fiscal EBITDA</li> </ul> </li> </ul>  | Not deductible<br>Surplus not deductible (exceptions apply)   | Not applicable  |
| <b>Social Benefits</b>  |   |   |
| General rule  | Not deductible  | Only deductible if collective character   |
| <ul style="list-style-type: none"> <li>- Free distribution of fruit, soup, coffee, tea, beer or soft drinks during working hours</li> <li>- Job related training of staff members</li> <li>- Gifts / payment vouchers to staff</li> <li>- Premium hospitalization insurance</li> <li>- Staff restaurant</li> <li>- Provision of bicycles for commuting from home to work</li> <li>- Meal, sports, culture and eco vouchers</li> </ul> | Deductible<br>Deductible<br>Deductible up to a certain threshold for specific occasions:<br><ul style="list-style-type: none"> <li>- Annual event (Christmas, New year, ...): €50/year/employee</li> <li>- Honorable distinction employee: €120/employee</li> <li>- Retirement employee: €120 to max €1000 (€40/year seniority)</li> <li>- Marriage: €245</li> </ul> Not deductible<br>Deductible in case employee pays at least €1,09 per meal<br>120% deductible<br>Not deductible (except for €2 per meal voucher) | 100% Deductible (collective)<br>Deductible<br>100% deductible when collective (or e.g. for childs of employees of a certain age), less than 50 EUR (exclusive VAT)<br>Not applicable<br>Only deductible for staff at the workplace, not for business relations<br>Deductible for professional use<br>Not applicable |

| Expense type   | Corporation tax   | VAT                                   |
|--|---|---------------------------------------|
| <b>Donations</b>   |   |                                       |
| General rule   | Not deductible  | Not applicable                        |
| <ul style="list-style-type: none"> <li>- Sponsorship with publicity</li> <li>- Gifts to certain recognized institutions (with fiscal certificate)</li> </ul> | 100% deductible<br><br>Deductible in case min 40 EUR per institution, per year. And max 5% of the profit of the company (with an absolute max of 500.000 EUR) | 100% deductible<br><br>Not applicable |
| <b>Various</b>   |   |                                       |
| <ul style="list-style-type: none"> <li>- Depreciations and write-off on shares</li> </ul>  | Not deductible  | Not applicable                        |
| <ul style="list-style-type: none"> <li>- Unreasonable expenses</li> </ul>  | Not deductible  | Not deductible                        |
| <ul style="list-style-type: none"> <li>- Payments to havens tax beneficiaries exceeding 100.000 EUR</li> </ul>   | Deductible if professional nature and form 275F filed   | Not applicable                        |