



# Assessment of Belgium under the tax component of the IRI framework

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# Main topics to be assessed

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- Fiscal position and planning
- Taxation of investment
- Taxation of employment
- Taxation of SMEs
- Taxation of MNEs



# Fiscal position and planning

Topic	Score
Indicators for forecasting aggregate tax revenues	5
Assessment of fiscal balance and policy feedback	5
<b>Average score for this item</b>	<b>5</b>



# Fiscal position and planning

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- Comments

- Revenue forecasting: macro-economic modelling approach for the unchanged tax policy forecasting
- Discretionary measures: MSM for PIT and CIT – In some (many) cases, estimates are made directly at the political level
- Monthly examination of developments in tax revenue (Treasury Committee)
- Budget revised and updated at least once a year (legal requirement, to be done before 1st April)



# Taxation of investment

Topic	Score
Sectoral analysis of CIT	4.5
Indicators for tax impediments to domestic investment	4.0
Cross country comparative analysis of tax depreciation systems	4.0
Tax expenditures accounting	3.5
Tax holiday incentives for investment	n.a
Cost benefit assessment of tax incentives	5.0
<b>Average score for this item</b>	<b>4.2</b>



# Taxation of investment

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- MSM model for CIT (MiSIS) – limited use to the lack of detailed information in tax returns and profit and losses accounts
- METR and AETR models developed at the studies department – limited used at the political level
- Depreciation system: not a priority in the tax policy debate, more emphasis on nominal tax rates and tax incentives
- Tax expenditures
  - annual reporting, ex-post
  - not considered alongside direct expenditures, but this might be explained *partly* by the attribution of policy instruments to fed & regions.



# Taxation of employment

Topic	Score
Household-Level Analysis – MSM	5
Indicators for the tax wedge	5
<b>Average score for this item</b>	<b>5</b>



# Taxation of employment

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- MSM for Personal Income Tax (SIRe)
  - Widely used at the political level
- Tax wedge model developed alongside the OECD “taxing wages” model, more emphasis on benefit modelling
  - Widely used for the “Conseil central de l’Economie” (social partners)





# Taxation of SMEs

Topic	Score
Indicators for analysis of tax burden	3.5
Indicators for analysis of tax impediments to SME Investment	3.5
Indicators for analysis of tax impediments to SME Equity Finance	3.5
Indicators for Analysis of Tax arbitrage by SME Owners	3.5
Treatment of risky investment in SMEs	3.0
Assessment of tax compliance costs of SMEs	4.5
VAT exemption, presumptive regimes	n.a
Taxpayer assistance and education services	3.0
<b>Average for this item</b>	<b>3.5</b>



# Taxation of SMEs

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- Indicators are available, most of the analysis has been made, but not a regular basis
- Unclear what an SME is...!



# Taxation of MNEs

Topic	Score
CIT model resident/non resident controlled corporations	1.0
Tax distortions to cross-border investment	3.5
Analysis of non-resident WT	1.0
Thin capitalisation rules	1.0
<b>Average score for this item</b>	<b>1.6</b>



# Taxation of MNEs

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- The results may look strange for a small open economy
- But
  - EU rules prevents any discrimination rule against controlled foreign corporations
  - Withholding taxes abolished by EU Directives
  - So, limited interest for such models



# Summary Table

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Item	Score
Fiscal position and planning	5.0
Taxation of investment	4.2
Taxation of employment	5.0
Taxation of SMEs	3.5
Taxation of MMEs	1.6



# General comments

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- Being at the top of the ranking requires significant human resources
- Priorities differ across countries