



RSM InterTax Tax Insights February 2021

End of the unequal tax treatment of foreign real estate

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On February 11, 2021, the plenary session of the House of Representatives approved a draft law that will put an end to the unequal treatment of rental income from foreign real estate. Belgium has already been condemned for this by the European Court of Justice. The European Court of Justice stated that there was a disparity between the taxation of income from real estate located in Belgium and income from real estate located abroad. Belgian residents who rent out real estate in Belgium, not used for professional purposes, are taxed on the basis of cadastral income and Belgians who rent out real estate abroad are taxed on the basis of real rental income, which is largely much higher than the cadastral income in Belgium.

With this draft law, all foreign real estate will be assigned a cadastral income. In practice, this will be done by the Administration of Measurements and Assessments (hereafter: AMA). They will determine the cadastral income based on the 1975 sales value of your foreign real estate and multiply this value with a rate of 5.3%. The 1975 sales value is calculated by applying a correction factor to the current sales value. The correction factor will be determined annually.

Example: Suppose you have purchased a home abroad on December 1, 2020 for an amount of 500,000.00 Euro. On this amount the correction factor of income year 2020 will be applied (i.e. 15,036). The result of this will be multiplied by a rate of 5,3%, which results in a cadastral income of 1.762 Euros.

WHAT SHOULD YOU DO AS A FOREIGN PROPERTY OWNER?

In first instance, you will have to declare your foreign property to the AMA and provide the necessary data to determine the cadastral income.

If you already own a foreign property on 31 December 2020, you have until 31 December 2021 to declare your foreign property to the AMA. The AOW will also prepare a list based on the foreign real estate declared in assessment year 2020 and/or 2021. Based on this list, they will contact the taxpayer to provide the necessary information. However, we recommend that you also keep an eye on this yourself.

If you acquire a foreign property from 1 January 2021, you have four months to make a spontaneous declaration to the AMA.

As of assessment year 2022, you will have to fill in a cadastral income in your declaration for your foreign real estate.

If you would like to receive additional information on this matter or assistance, the tax team of RSM Belgium is at your disposal (intertax@rsmbelgium.be).

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