KPMG

cutting through complexity

Investment in Belgium

2012

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Business environment

1.1. Facts and Figures

1.1.1. Geography and Climate

Belgium is strategically located at the center of the European Union, sharing borders with Germany and the Grand Duchy of Luxembourg to the east, France to the south and the Netherlands to the north. Great Britain is across the English Channel to the west. Although its surface area of 30,528 km^2 implies a small country, it has been at the economic and political center of Europe from the Middle Ages, and is considered one of Europe's great trading nations and cultural icons.

The country's geography varies considerably, from the flat plains of Flanders and the Campine in the north, the rolling farmland of the center, to the hilly and heavily forested Ardennes region in the south. Belgium is densely settled, and its fields and countryside have the manicured appearance that comes from thousands of years of agriculture.

The climate of Belgium is temperate and heavily influenced by the country's proximity to the North Sea. There are four distinct seasons, with the weather generally mild in winter and reasonably warm in summer, but subject to frequent and sometimes abrupt changes. For the country's size, the weather can be remarkably varied on the same day across the country, but the best word to use in describing Belgian weather is "moderate" — extremes are rare. Rainfall is generous and consistent throughout the year, ranging from 53 to 79 mm per month, and the average temperature is around 13 degrees Celsius.

Belgium has a coast on the North Sea with long recreational beaches and extensive residential development. The seacoast is a crucial aspect of Belgian lifestyle; it is serviced by frequent trains from the major population centers of Brussels and Antwerp which are about one hour away by car.

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1.1.2. Transportation networks

Belgium has air links to all major capitals via the Brussels National airport. Regional airports in Antwerp, Liège and Charleroi now have significant traffic, with Liège asserting its importance as an airfreight hub to the cross-border region in the east. The conjunction of Belgium, Germany, the Netherlands, France and Luxembourg is of extraordinary commercial importance to Europe, and has a special status for cross-border commercial activity.

Belgium's extensive road network connects all major cities in the country and feeds the major highway systems in surrounding countries. It is a primary crossroad for road commerce to and from Europe's largest ports of Antwerp and Rotterdam. Most of Belgium's roads are lit at night, making the country readily visible from space under appropriate weather conditions. Rail transport is also widely available, and Brussels is a center for high-speed trains between Amsterdam, Frankfurt, Paris, and, via the Channel tunnel, London. The high-speed train network is expanding rapidly, and within a few years, Brussels will be within one to three hours of every Western European capital by rail transport. Apart from road and rail systems, freight is also transported via the extensive inland waterways system, the second densest in Europe, which connects the coastal ports with all the major inland cities.

1.1.3. History and government

The geographical position of Belgium has had a considerable influence on its economic and political development. The existence of easily navigable rivers providing access to the sea and being surrounded by the great European powers has brought about the development of wealthy trading cities such as Ghent and Bruges. These cities have had enormous commercial and cultural influence from the Middle Ages to the present day. Belgium's location and gentle, rolling terrain has, however, given the country strategic value to invaders, and it has been the scene of periodic and devastating battles between its larger neighbors in more aggressive times. Aside from being churned by two world wars in this past century, at different times it has been part of the Roman, Spanish, Austrian, French — and German — empires. This history of occupation has influenced the Belgian character: Belgians tend to be self-reliant, skeptical of authority and cautious in committing themselves. It has also contributed to one of the most varied and rich cultural and artistic traditions in Europe.

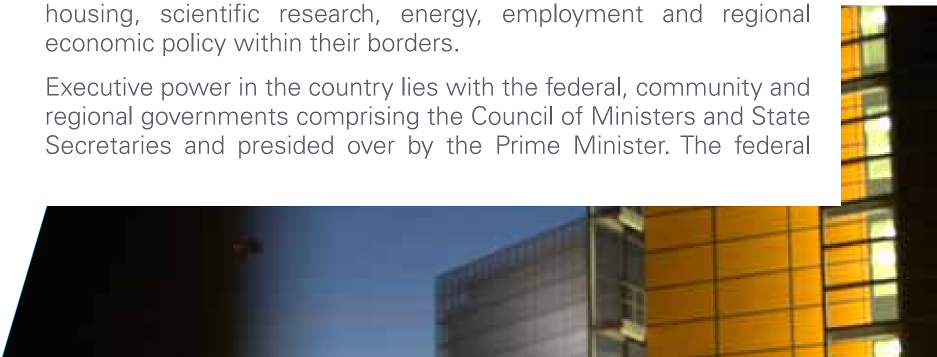
A revolt against the Dutch in 1830 resulted in the formation of Belgium as it is known today. It united the Dutch-speaking Flemish in the north with the Frenchspeaking Walloons in the south under a constitutional and hereditary monarchy.

The sovereign is currently King Albert II, who succeeded to the throne in 1993. His brother and predecessor's reign of 42 years was one of the longest in Europe.

After successive phases of constitutional reform, Belgium has evolved into a federal state where decision making power is no longer exclusively in the hands of the federal government and national parliament. Such power is now divided among the five institutions that exercise independent responsibilities: the federal government, the language and cultural communities (Flemish, French and German), the regions (Flanders, Wallonia and Brussels), ten provinces, and 589 municipalities, or communes. The federalization processus continues and reforms are still being conducted for 2012.

There are three language communities — the Dutch, French and German — each with their own assemblies (councils) which are responsible, within their own linguistic areas, for culture, education and other matters directly affecting the population. The Kingdom is divided into three specific regions as well: the Flemish, the Walloon and the Brussels-Capital regions, each responsible for the environment, regional development, town planning, conservation, housing, scientific research, energy, employment and regional economic policy within their borders.

Executive power in the country lies with the federal, community and regional governments comprising the Council of Ministers and State Secretaries and presided over by the Prime Minister. The federal



Prime Minister is appointed by the King to form a government responsible to the federal parliament.

As one can readily appreciate, the Belgians are well protected from arbitrariness in governmental policy by this abundance of representation.

1.1.4. Population and language

Two major language groups populate Belgium: the Dutch-speaking Flemish who live in Flanders (Vlaanderen) in the north of the country, and the French-speaking Walloons who live in Wallonia (Wallonie) in the south. There is a small German-speaking community in the eastern cantons of the country along the German border. The Brussels region is officially bilingual (French and Dutch). Approximately 58% of the population of nearly 11 million lives in Flanders, about 31% in the francophone region (Wallonia), less than 1% in the German region, and the remainder of 10% in the bilingual Brussels region.

The requirement that school children learn two official languages of the country in which they live (Dutch, French and German are all official languages), the geographical location of the country amidst some of the major European language groups, and the country's important trade links have resulted in most Belgian residents being multilingual.

1.1.5. Currency

The euro (EUR) is the only official currency in use within Belgium since January 1, 2002. As for now, the euro is the official currency of 17 EU member states (Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain).

1.1.6. Living in Belgium

Although physically small, Belgium provides enormous variety to its residents. It is easy to spot geographic, ethnic and linguistic differences while traveling within the country, even at a communal level.

Political, culinary and religious diversities are there as well, adding to the richness of the brew. Underlying it all is a wealth of history and culture. The country is studded with castles, churches and villages from the medieval era, offering visual delight and unlimited sightseeing opportunities. Art treasures abound, reflecting an artistic tradition that is well over a thousand years old. Educational institutions, famed since the Middle Ages, remain proud centers of scholarship and research. Food and drink prepared by some of Europe's greatest chefs continue to tempt the palate as they have done for centuries.

Belgians guard their leisure time and have a strong affinity to their quality of life. They have found a balance between their work and private lives that escapes many civilizations.

The newcomer to Belgium will be pleasantly surprised to find the country so green. Soft, rolling farmland nudges up against superhighways, and ancient forests stand protectively just outside city walls.

Picturesque Antwerp, Bruges and Ghent are havens of Old World charm, renowned for their medieval architecture. Other cities and towns are worth discovering, such as historic Liège to the east, and Bouillon on the French border, the assembly point for the first Christian Crusades. Belgium's manageable size makes it a day-tripper's delight.

Belgium has contributed greatly to western values, and the evidence is there to be enjoyed. Music, theatre, opera and dance lovers, gourmets and sport fans find many opportunities to pursue their interests. Outdoor enthusiasts enjoy the extensive woodlands and park systems, which are popular with walkers, horseback riders and cyclists. Open-air markets and folklore festivals add their own special color to life in Belgium.

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1.2. Business Climate

1.2.1. The Economy

Belgium has two primary economic features. As one of the first industrialized countries in Europe, it maintains a strong manufacturing base, but has also developed toward an economy founded on technology and services. The second important feature is the openness of the Belgian economy, reflecting its geographical position and the vital importance of foreign trade.

The economy benefits from Belgium's central geographic location, highly developed transport network and diversified industrial and commercial base. Industry is concentrated mainly in the Flemish area in the north, although the government is encouraging investment in the southern region of Wallonia. With few natural resources, Belgium must import substantial quantities of raw materials and export a large volume of manufactured goods, making its economy dependent on the state of world markets. About three quarters of its trade are with other EU countries.

1.2.2. Commerce and industry

The country has a varied and intensive commercial and industrial foundation. As it has no significant natural resources other than its forests, the country is heavily dependent on international trade, value-adding commerce, and the provision of commercial services. This fact, along with a strong respect for the environment, has made Belgium relatively free of smokestack industries in the twenty-first century.

Flanders possesses several important ports, notably Antwerp, the second largest in Europe. This ready access to bulk shipping has resulted in a high concentration of industries in petrochemicals, grain storage and processing, and commerce in similar bulk commodities. While textiles have been dominant in the past — Flanders is world-renowned for its tapestries and carpets — other industries are now in ascendance, including auto and truck manufacturing with its associated industries and services, horticulture, and diamond cutting and trading (Antwerp is the leading center in the world for cutting diamonds of above one carat in weight). In recent years, high-tech industries such as bio-technology, pharmaceuticals and computer software have flourished.

The Brussels region has proven attractive to many international companies as a location for their European offices. It is an important administrative center for many EU institutions, including the European Commission, and serves as an alternative home to the European Parliament. It hosts the European Council Meetings of Heads of State and Government, the NATO Headquarter and many other international institutions. Brussels ranks second in the world in terms of diplomatic representations. Politics and the influencing of public policy has thus become one of Brussels' main activities. Representatives and lobbyists from world governments and multinational business have helped make the city a cosmopolitan center, and while its ethnic diversity is not overt, it is an important part of the community.

The industrial strength of the Walloon region was based on heavy industries such as iron and steel melting and coal mining in the past, but they are now of declining importance to Belgium. A variety of incentives are offered by both the regional Walloon government and the European Union to attract high technology companies to the south of the country to compensate for this loss in commercial activity and jobs.

1.2.3. Attitudes toward Foreign Investment

As part of its program to combat the effects of the decline in traditional industries, the government has tried to attract new industries and has welcomed foreign investment as part of this process. Belgium adopted a series of measures, including tax measures such as the notional interest deduction and the patent income deduction (see Chapter 2, about IP for a detailed overview), to enhance the country's attraction for foreign investors.

1.2.4. The local banking system

Belgium's financial system is well developed and dominated by a few internationally active bancassurance conglomerates. As was the case in other countries, the development of the Belgian financial industry has been characterized by globalization and desegmentation. Following a series of mergers and acquisitions, the bancassurance model has become a well-developed feature of the Belgian financial landscape and a potential anchor for stability.

In addition to the local banks, many foreign banks have operations in Belgium. Their services range from representative offices and operations largely servicing the Belgian operations of their clients to full-fledged banking operations.

The Brussels financial center is part of NYSE Euronext, the first pan-European stock exchange created by the merger of the Amsterdam, Brussels, Paris and Lisbon stock exchanges, which merged with the NYSE group in 2007. The Society for Worldwide Interbank Financial Telecommunication (SWIFT) and the world's first and largest clearance and settlement system for internationally traded securities (Euroclear) all have their headquarters in Belgium.

Customers of Belgium's banks use highly automated systems for interbank transfers (highly developed networks of ATM's, POS and self bank facilities). Standardized customer account numbers for all financial intermediaries are widely used, and internet and phone banking are well developed. For many years the Belgian banking sector has been a leading force in the European payments industry.

Domestic and foreign banks in Belgium are represented by a professional organization named Febelfin and representing the whole Belgian financial sector (banks, investment funds, leasing companies, stock brokers, asset managers, companies offering credit to the household sector).

Chapter 2

* Drafted in collaboration with Klaw

Starting or acquiring a business in Belgium

2.1. Starting a business

2.1.1. Legal forms and registration/application requirements

A. Belgian company

Legal form
Companies in Belgium may take a number of legal forms, with the public limited liability company (Société Anonyme or SA, Naamloze Vennootschap or NV) the most common chosen by foreign investors investing in Belgium. Accordingly, we will discuss only the public limited liability company in this chapter.

Incorporation
The incorporation of a public limited liability company requires at least two shareholders. The founders must prepare a budget forecast justifying the amount of share capital. The founders can be held personally liable in the event of a bankruptcy if declared within three years of incorporation, and if the company's capital upon incorporation was manifestly insufficient for the normal conduct of the intended business activity over at least a two-year period from incorporation.

The incorporation deed must be enacted by a notary public and be published in the Annexes to the Belgian Official Gazette (Annexes au Moniteur belge, or Bijlagen tot het Belgisch Staatsblad). The company must also register with the Crossroads Bank for Enterprises.

Articles of association
The articles of association contain details concerning the name of the company, its registered office, corporate purpose, intended duration, capital, number and type of shares, its board of directors, statutory auditors, its General Meeting of shareholders, annual accounts, etc.

Name of the company
A special designation (which can be a made-up word or a trade name) may be used as the name of the company. The name may not lead to confusion with existing companies and regardless, may not be identical to the name of any existing company.

Registered office

The company must have its registered office in Belgium.

Capital

The share capital must be fully subscribed. The minimum subscribed capital, fully paid-up, of a public limited liability company is EUR 61,500.00. In addition to the minimum share capital, each share must be paid up to at least 25 percent either in cash or by a contribution in kind. The shares representing a contribution in kind must be entirely paid up within five years from the date of the company's incorporation, or after the decision to increase capital.

Special rules apply to a contribution in kind. A contribution in kind taking place at the incorporation of the company must be described in the deed of incorporation. The founders must justify the reasons for accepting the contributions in kind in a special report, and an auditor (réviseur d'entreprises, or bedrijfsrevisor) must certify the explanation, and declare that the value of the contribution in kind is at least equal to the par value (valeur nominale, or nominale waarde) or fractional value (pair comptable, or fractiewaarde) of the shares issued to the contributor in exchange for their contribution. The law foresees some exceptions to the specific reporting rules relating to a contribution in kind.

Similar rules are applicable to a contribution in kind made after incorporation.

Shares

The shares may be issued with or without an indication of par value. The shares may be registered or virtual shares. Until the capital is fully paid up, the shares are registered, and the company must then keep a share register, available for inspection by all shareholders. Title to registered shares is proven by registration in the share register, in which transfers are also recorded. Title to virtual shares is proven by presentation of the bank certificate. The transfer of virtual shares is realized by the transfer between two securities accounts.

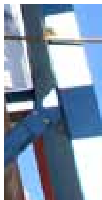
The transfer of shares can be made subject to pre-emption rights for the other shareholders, or to the pre-approval by all shareholders. Any such limitation to the free transfer of shares can be laid down in a shareholders' agreement or in the company's by-laws. Such restrictive clauses may however not have as effect that the shares cannot be transferred for more than six months after the request for exercise of the preemption right or for approval. Special regulations apply should there be a take-over bid of a public limited liability company.

It is also possible for a company to issue shares that do not represent the share capital, e.g., profit shares (parts bénéficiaires, or winstbewijzen), and non-voting shares representing the share capital (however, special conditions apply).

B. Foreign company

Should a company be subject to the laws of any other Member State of the European Union, it must publish the following information:

- → The deed of incorporation and its Articles of Association, or an updated and complete text of both documents if amendments have been made therein;
- → The name and legal type of the company;
- → The trade register and the registration number on the trade register;
- → A document issued by the trade register establishing the existence of the company;
- → The address, an indication of the activities of the branch office, and its name if it does not correspond with the name of the company;
- → The appointment and identity of the persons having the power to bind the company to third parties, and to represent the company and the legal representative of the branch;
- → The annual accounts and consolidated annual accounts of the company for the preceding financial year, prepared, audited and published according to the law of the Member State to which the company is subject.




If the foreign company is subject to the law of a non-Member State of the European Union, additional formalities must be fulfilled.

The documents and related information are published following their filing at the Clerk's Office of the competent Commercial Court. The annual accounts and consolidated annual accounts must be filed at the National Bank of Belgium.

The responsibilities of the legal representative of the branch are similar to those of the directors of Belgian companies.

2.2. Acquiring a business

2.2.1. Mergers, acquisitions and restructurings

A. Merger

A merger can, in principle, be carried out in two ways: merger by acquisition (i.e., merger by absorption), and merger by the formation of a new company. The main steps of a merger can be described as follows:

→ The boards of directors of all companies involved in the merger must in general draw up a common merger proposal. This merger proposal must contain a certain information, such as the exchange ratio of the shares, and the date from which the operations of the absorbed company will be considered to be included in the accounts of the absorbing company from an accounting point of view. An excerpt of the merger proposal or a communication containing a hyperlink to the company's website must be filed for each company involved in the merger with the Clerk's

Office of the competent Commercial Court and published in the annexes to the Belgian Official Gazette, at least six weeks before the Extraordinary General Shareholders' Meeting deciding on the merger;

- The board of directors of each entity involved in the merger must issue a detailed report in which the envisaged merger is documented, explained and justified. Such detailed written report is, however, not required if all partners and shareholders of other securities with voting rights of all merging companies agreed so;
- The statutory auditor of each company involved in the merger (or an auditor or an approved accountant) must issue a report on the envisaged merger in which he renders his opinion on the reasonableness of the shares' exchange ratio. All partners can, by unanimous vote, renounce to the obligation to have an audit report drawn up on the merger. However, in case of renunciation, the obligation for the absorbing company to draw up a special audit and management report upon the capital increase by contribution in kind will revive.
- Significant changes in the financial position of the companies should be disclosed by the board of directors, but this interim information is not required if all partners and holders of other securities with voting rights of every company participating to the merger have decided so;
- The merger proposal, the merger reports (if applicable) and the possibility for shareholders to obtain a free copy thereof should be mentioned in the agenda of the general meeting;
- Each shareholder may inspect the following documents (and receive a free copy) at the company's registered office no later than 1 month prior to the shareholder's meeting deciding on the merger: the merger proposal, the merger reports (if applicable), the last three annual accounts and the annual reports and an interim statement if the latest annual accounts relate to a financial year which ended more than six months before the date of the merger proposal;

- Such interim statement is not required if a listed company discloses a half-yearly financial report and makes it available or if all partners and holders of other securities with voting rights of every company participating to the merger unanimously decided so;
- Following recent changes, shareholders may agree to receive the aforementioned documents by electronic mail and it is no longer required to put the documents at one's disposal at the registered office of the company or to deliver excerpts thereof, provided the company has put the documents on its website at least one month prior to the date of the general meeting with the possibility to download and print them;
- The decision to merge must be taken by the Extraordinary General Shareholders' Meeting of each company before a notary public;
- The approval of the general meeting of the acquirring public limited liability company is not required in the event the latter holds at least 90 % of the shares (and of the other securities with voting rights) in the public limited liability company to be absorbed, provided the following conditions are complied with;
    - Disclosure of the merger proposal at the latest 6 weeks prior to the date of effectiveness of the merger;
    - Each shareholder may inspect the following documents at the

company's registered office no later than 1 month prior to the shareholder's meeting deciding on the merger: the merger proposal, the merger reports (if applicable), the last three annual accounts and the annual reports as well as an interim statement (if applicable);

- The shareholders of the absorbing company representing 5% of the share capital can still convoke a general meeting.

→ The notary deeds where the approval of the merger is stated, of both companies involved in the merger, must (in principle) be filed with the Clerk's Office of the competent Commercial Court within 15 days of the last Extraordinary General Shareholders' Meeting deciding upon the merger;

In the event the absorbing company holds all shares in the absorbed company, the companies can decide to effectuate a so-called 'simplified merger' (which is less burdensome than the normal merger procedure, i.e. no merger reports, etc.). Moreover, public limited liability companies can decide to effectuate a simplified merger without the requirement to have the merger approved by the general shareholders' meeting, provided the same conditions as with respect to the merger procedure are met (see here above).

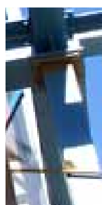
The merger, which is only effective when the decision has been taken by all companies involved, will have the following consequences:

→ The absorbed company ceases to exist;

→ The shareholders of the absorbed company become shareholders of the absorbing company;

→ All assets and liabilities of the absorbed company are transferred to the absorbing company.

An additional consideration in the form of cash is permitted to the extent that it does not exceed 10 percent of the par value (or the fractional value, should the shares not have a par value) of the newly issued shares.



The Belgian Companies' Code also provides specific protection to the creditors of each company involved in the merger, such as the possibility for them to ask for a guarantee. The rights of the other

interested parties are protected by allowing the issuance of a claim at the Commercial Court to cancel the merger because of irregularities.

The Directive 2005/56/EG of October 26, 2005 on cross-border mergers is implemented into Belgian law. Hence, a cross-border merger is legally possible.

B. De-merger

A de-merger can also be accomplished in two different ways: de-merger by acquisition, and de-merger by the formation of new companies.

As a de-merger is the counterpart of a merger, most of the provisions related to mergers are also applicable to de-mergers. The following elements of a de-merger should, however, be taken into account:

- The de-merger proposal should provide for an accurate description of the de-mergered components;
- Disclosure of significant changes in the financial position of the companies cannot be waived;
- The interim statement cannot be waived, but it remains not required in listed companies disclosing a half-yearly financial report and which make it available;
- When the allocation of an asset of the de-merged company to one of the beneficiary companies is not clearly described, it is allocated in proportion to the net asset position of each beneficiary company in the de-merger;
- When the questionable item in the allocation process relates to a liability, each of the beneficiary companies is jointly liable for all related commitments;

- The shares of the beneficiary companies may be allocated to the shareholders of the de-merged company in a different proportion than their rights to the capital of the de-merged company upon unanimous approval of its shareholders;
- Finally, the obligation of the administrative body and the statutory auditor to prepare a de-merger report in the context of a de-merger by incorporation does not apply if the shares in each of the new companies are allocated to the shareholders of the company being de-merged in proportion to their rights in the capital of that company.

C. Closing or Winding up a Company

The following is a list of events which could, among others, lead to the winding up of a company:

- Expiration of the period of existence if the company has been set up for a limited term, the impossibility to achieve, or the achievement of, the corporate purpose of the company set forth in the deed of incorporation;
- Decision of the Extraordinary General Shareholders' Meeting. In this case, the directors are required to prepare a special report which justifies the proposal to wind up the company. To this special report, a Statement of Assets and Liabilities of the company not older than three months from the date on which the decision to wind up the company will be taken, must be attached. In addition, the statutory auditor, an auditor or an external accountant must prepare a report on this information. The decision to wind up the company is taken by the Extraordinary General Shareholders Meeting, with a minimum representation of 50 percent of all shares and a special majority of 75 percent of the votes present or represented;
- Application of the so-called alarm bell procedure: in the event the ratio of net equity to share capital of the company has dropped below 50%-25%;
- Decrease of the net equity of the company below the EUR 61,500.00 limit;
- Not filing of the annual accounts of the company for 3 consecutive years;

- Insolvency procedure: if a company becomes insolvent and cannot meet its commitments, it may be declared bankrupt (faillite or failliet) by the Commercial Court, should the company be considered to be unable to improve its situation. In this case there are special rules regarding the liquidation.

Following the winding up, companies are deemed to continue to exist for the sole purpose of their liquidation.

It should be noted that, under specific circumstances, a company can be dissolved and liquidated through a decision of the Extraordinary General Shareholders' Meeting without the obligation to start up the rather burdensome and time consuming ordinary liquidation procedure.

This simplified procedure can only be applied in the event (i) no liquidator will be appointed, (ii) the company does not have any outstanding liabilities and (iii) all shareholders of the company attend (or are represented at) the Extraordinary General Shareholders' Meeting and unanimously decide upon the dissolution and liquidation following which the company will cease to exist during this Extraordinary General Shareholders' Meeting (article 184 §5 Belgian Companies' Code).

2.2.2. Exit issues (tax, liquidation,...)

According to the Belgian Income Tax Code, the transfer of a company to a foreign location is assimilated to a liquidation. Generally, exit charges apply in each of the following cases:

- Transfer of place of central management or control;
- Transfer of all assets or liabilities;
- Transfer of company registration;
- Transfer of registered office;
- Cross-border mergers or de-mergers.

Exit charges arise on unrealized capital gains, foreign exchange gains and on reserves.

As from January 1, 2011, exit tax exemption is granted for all Belgian companies which transfer their place of central management or control to another EU member state, provided a permanent establishment is left in Belgium and that the tax-free reserves remain in that establishment with the assets.

2.3. Financing

Given the range of competing banking institutions in Belgium and the fact that the Belgian economy has traditionally been dependent on international trade, it is only natural that the banking sector should have developed a range of services aimed at funding commerce and industry.

These include all of the traditional forms of finance, such as overdraft facilities, short- and long-term loans, discounting facilities for bills of exchange, documentary credits, and so forth. Other facilities include investment credits associated with the purchase of land, buildings and equipment, mortgage loans, factoring facilities for accounts receivable, export finance, etc.

A variety of institutions offer leasing services, either finance leases or operating leases.

2.4. IP

2.4.1. Patent income deduction

As from assessment year 2008, all Belgian corporate taxpayers can benefit from a deduction amounting to 80% of the (notional) license income resulting from selfdeveloped or acquired patents. See Chapter 5 for a detailed discussion of the deduction.

Chapter 3

Incentives

3.1. Subsidies

3.1.1. State assistance and grants

With the federalization of Belgium and the harmonization of investment incentives and subsidies under European Union legislation, investment subsidies now follow a regional pattern, rather than being centralized as in the past.

3.1.2. Investment incentives at European level

In the context of the European Cohesion policy, for the 2007-2013 period, Belgium benefits from European Regional aid funds. The Walloon province of Hainaut benefits from the "Convergence" objective while the remainder of Belgium is covered by the "Regional Competitiveness and Employment" objective for the 2007-2013 period.

Each Belgian Region has developed a strategy adapted to its own socio-economic characteristics:

- → Brussels-Capital Region: Strengthening territorial cohesion and maintaining territorial competitiveness;
- → Flemish Region: Promoting the knowledge economy and innovation, stimulating entrepreneurship, using regional features that attract economic interest, and promoting urban development;
- → Walloon Region: Boosting business and job creation, developing human capital, knowledge, know-how and research, and ensuring balanced and sustainable territorial development.

Contact points:

- → Ministry of Brussels-Capital Region:
  Ministère de la Région de Bruxelles-Capitale/Ministerie van het Brussels Hoofdstedelijk Gewest - Cellule de coordination et de Gestion du FEDER 2007-13 - Rue du Progrès 80 -
  B-1035 Brussels;

- Flemish Ministry of Economy, Science and Innovation:
  Vlaams Ministerie van Economie, Wetenschap en Innovatie – Agentschap Economie – Entiteit Europa Economie — Koning Albert II-laan, 35, bus 12 - B-1030 Brussels;
- Ministry of Wallonia — Directorate-General for economy and employment:
  Ministère de la Région wallonne — Direction générale de l'économie et de l'emploi - Place de la Wallonie 1 - B-5100 Jambes.

As all such subsidies and incentives are subject to regional, provincial or even local initiatives within the framework of European Union legislation, and as any investment decision must also take into account other factors such as availability of suitable qualified labor, supply of raw materials, proximity of markets, accessibility of the transport infrastructure, etc., a detailed discussion of all such initiatives is not within the scope of this publication. However, the potential investor should be aware that such initiatives exist, and that once it is decided approximately where to locate, it may be worthwhile to make enquiries of the authorities within and around that area, bearing in mind also that Belgium is a small country with a good and extensive transport infrastructure.

3.1.3. Support for R&D given by the Regions

The subsidy amounts to a percentage of the costs directly linked to the execution of the research for new prototypes, products and processes. Special measures are directed at small- and medium-sized companies, specific sectors and for environmental technology.

3.2. Tax

3.2.1. Ruling practice in tax matters

Considering the increasing importance for investors to obtain legal certainty of the tax treatment or the tax consequences of planned transactions, Belgium has adopted a general ruling practice in tax matters from January 1, 2003. With this ruling practice, all investors, as well as each taxpayer, can obtain a ruling binding on the tax authorities, as to how tax law will be applied to a situation or transaction that has yet to occur. Since January 1, 2005 the independent ruling service, has been fully operational and has been able to meet investor expectations in terms of efficiency.

A. Notion of advance ruling

The ruling practice is intended to provide taxpayers with necessary legal certainty of the tax consequences of the operations they plan to realize, taking into account economic opportunities. A ruling can be defined as a legal act by which the tax authorities state how the law is applied in a specific situation, or on a specific transaction that has not yet produced any tax consequences. A ruling cannot grant an exemption or a reduction of tax. The term "law" must be interpreted in a broad sense; it concerns national legislation but also international treaties, such as tax treaties.

B. An expanded ruling practice

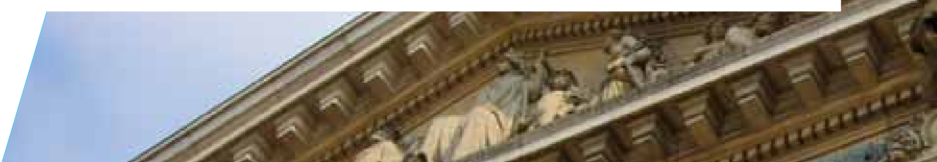
The ruling practice has a broad scope:

→ Applicants can be any taxpayer, whether individual or company, resident or non-resident, and any potential investor can introduce a ruling request;

→ The possibility to request a ruling is not limited to well-defined areas, and rulings may be obtained in both direct and indirect tax matters.

The law also foresees a number of circumstances in which no ruling can be granted, such as: When a dispute on a similar situation involving the applicant is pending;

→ When the request deals with recovery and prosecutions;



- When the essential elements of the described transaction or situation involve a tax haven on the OECD black list;
- When there is no economic substance in Belgium.

Furthermore, no ruling can be obtained for a number of matters and provisions concerning the following:Tax rates and tax calculations (including prepayment matters);

- Amounts and percentages determined by the law;
- Tax returns, investigation and verification, use of evidence, the assessment procedure, the legal means, the rights and privileges of the Treasury, the minimum tax base, the periods, prescription, professional secrecy, the entry into force, and the liability and duties of some public servants, other persons or certain institutions;
- Provisions for which a specific procedure for recognition or decision exists, including collective procedures;
- Provisions or common practices of conferring or consulting with other authorities and for which the Minister of Finance or the services of the tax administration are not authorized to take a position itself or unilaterally. (On the other hand, the double-tax treaty provisions fall within the scope of the ruling, without limitation);
- Provisions regarding sanctions, fines and tax increases;
- The lump-sum tax base.

C. Effects of a tax ruling

The decision is valid for a maximum period of five years, unless the object of the request justifies another period. The decision binds the administration, except in following circumstances:

- When the conditions are not fulfilled;
- When the situation is described incorrectly or incompletely;
- Should there be changes to the law;
- Should there be a conflict with a legal provision.

The decision can be withdrawn if the main consequences of the situation have changed due to the applicant's actions or inactions. In this latter case, the withdrawal of the ruling takes effect as of the day on which the circumstances occurred.

D. An autonomous service to manage the ruling requests

The ruling service has the legal competence and the necessary autonomy to deal with requests for rulings in an efficient manner. A management board of maximum 6 members, together with a team of approximately 100 civil servants, has been appointed to the ruling service for five years.

E. Procedure

The ruling service has adopted an open approach of dialogue with the applicants. It is possible to organize pre-filing meetings to present the situations or transactions for which a ruling would be requested. At this stage, potential applicants may be represented by their advisers while remaining anonymous.

To file an official request, the applicant must send a written, well-motivated request containing certain essential information:

- The identity of the applicant and, if necessary, of any other parties concerned;

- A description of their activities;
- A complete description of the situation or operation concerned;
- Reference to the legal provisions on which the ruling should be given.

The request may be sent by email. Language of the request should be Dutch or French, but attachments to the request may be in English.

Ruling requests concerning the same situation or transaction that were introduced with the tax authorities of EU Member States or countries with which Belgium has concluded a tax treaty must also be included. In this respect, the tax authorities (without enforcing this on the taxpayer), as well as the taxpayer, can suggest starting bilateral or multilateral negotiations with the tax authorities of the other state or states that are involved in international transactions.

A receipt must be delivered to the applicant within five days after receipt of the request. The applicant may be assisted or represented during the procedure, and may ask for a meeting with the civil servants managing the request to present his arguments and discuss remarks and questions.

The ruling should be issued within a three months period. This timeframe can be changed by mutual consent of the taxpayer and the ruling service. The ruling service will inform the taxpayer of the established timeframe no later than 15 days after the receipt of the complete ruling request.

As long as the request is pending, the applicant must inform the ruling service of all new elements concerning the situation or the transaction considered. He may also withdraw his request.

The transparency of the ruling practice is assured by the publication of the decisions on the Internet Website of the Federal Public Service Finance, by way of an individual or collective anonymous summary, respecting professional secrecy. When the applicant's business so requires, confidentiality can be assured by delaying or even withholding publication.

F. Ruling for distribution and service centers

Distribution and service centers have the possibility to obtain a ruling confirming that applied transfer prices are determined at arm's length ("Advance pricing agreements").

3.2.2. Deduction for risk capital ("notional interest deduction")

Belgium introduced the risk capital deduction (also known as the "notional interest deduction") to encourage the strengthening of companies' equity capital by narrowing the discrimination between funding with equity capital or with loan capital. As of the 2007 assessment year, all companies subject to resident or non-resident corporate tax (with exceptions) can deduct a notional amount based on their "adjusted" equity capital. See Chapter 5 "Business taxation" for a detailed overview of this regime.

3.2.3. Tax shelter for audio-visual works

In order to stimulate and encourage investments in the Belgian audio-visual sector, Belgium implemented a favorable tax incentive.

A. Principle

As from assessment year 2004 onwards, Belgian companies and Belgian permanent establishments of foreign companies — not being engaged themselves in the production of audio-visual works and not qualifying as a TV station — can exempt from their taxable retained earnings 150% of the amounts spent on a Belgian recognized audio-visual work in execution of a concept agreement concluded with a Belgian production house. The mirror side of the tax exemption is that all expenses, depreciations, write downs and provisions set up relating to a tax shelter investment, are not tax deductible, or can not be exempt in the hands of the qualifying investor. The law does not prohibit a Belgian production company from coproducing with foreign companies.

B. Limitations

This exemption however is limited to 50% of the taxable retained earnings (before compilation of the tax free reserve) but may never exceed EUR 750,000.00 per assessment year for each individual investor.

C. Carry forward mechanism

In case of insufficient taxable retained earnings, any non-used amount of the tax exemption can be carried forward up to three consecutive years and within the above limitations.

D. Conditions for obtaining and maintaining the tax shelter exemption

In order to benefit from this tax exemption, a number of conditions must be fulfilled such as the minimum spending requirement in Belgium and payment to the production company in accordance with the concept agreement. Only if all those conditions and formalities are correctly complied within 4 years of the signing of the above-mentioned concept agreement, the tax exemption will become definitive. In case of default, the exempted amount becomes taxable in the hands of the investor and late payment interest becomes due.

E. Maximum tax shelter financing

Only 50% of the overall film budget may be financed with tax shelter investment money. The remaining part should still be financed by other means such as direct government funding.

F. Investment mix

At least 60% of the tax shelter investment must represent participation rights (equity) in the audio-visual work, while the remaining maximum 40% can be financed through loans.

G. Minimum film production spending in Belgium

Furthermore, the tax exemption will only apply if the production costs, spent in Belgium equal 150% of the invested funds that represent equity, and this within a timeframe of 18 months following the signing of the concept agreement.

H. Attestations

In addition, both the production house as well as the qualifying investor must obtain a number of attestations from various competent authorities.

Non-financial benefits
In many cases, besides the attractive tax merits of the tax shelter regime, also nonfinancial related benefits are offered to the investors, such as product placement, set visits, invitation of clients to sneak previews, etc.

3.2.4. Tonnage tax regime

Upon request, Belgian companies or Belgian branches of foreign companies may elect to report taxable income for corporate income tax determined in function of the volume transported if they operate sea vessels sailing under the flag of Belgium or another EU Member State for the transport of goods or persons (a) on international sea routes or (b) on routes from and to installations at sea used for the exploration for, or the exploitation of, natural resources and certain related activities.

The regime is granted for an initial period of ten years, with an automatic renewal. After the request has been approved, taxable income is determined by applying daily coefficients with reference to the tonnage of the relevant vessel. For new ships and ships that flag back from outside the EU exceeding 40,000 net tonnes, a reduced coefficient can be applied. The lump sum profits so computed are subject to corporate income tax at the normal rates.

To qualify for the regime, a company must generally own the sea vessel or charter it under a bareboat agreement. Moreover, a company may create a separate business division which elects for the regime. Companies or branches whose sole activity is the management of vessels and who are entrusted with the technical and crewmanagement of vessels on behalf of third-party owners also qualify for the regime provided they bear full responsibility for the vessel's operation and provided at least 75% of the managed vessels are registered in the Belgian maritime register.

Capital gains on the disposal of vessels are not taxable and capital losses are not deductible. Losses from other activities may not be set off against the notional profits of the shipping division. Losses made before an election to apply the tonnage tax regime may only be carried over to years in which the regime is not applied.

Upon certain conditions, shipping companies that do not elect the tonnage tax regime can be eligible for other incentives (accelerated depreciation, exemption of capital gains, increased investment deduction).

3.2.5. Belgian pension fund vehicle ("OFP") — Belgium an attractive location for Pan-European Pension Funds

With the Act of October 27, 2006 Belgium has translated EU Directive 2003/41/CE of June 3, 2003 on the activity and supervision of institutions for occupational retirement provision into its domestic legislation.

The government has aimed to create a flexible legal and fiscal context for pension funds established in Belgium with a view to making Belgium an attractive location for pan-European pension funds.

In this respect, a unique special purpose company vehicle, the "Organization for the Financing of Pensions" (OFP) has been created. All new Belgian pension funds have to be incorporated as an OFP. All existing Belgian pension funds (which are most often structured as not-for-profit entities) had to transform into an OFP before January 1, 2012.

Besides a flexible legal and prudential framework, the appeal of the OFP lies undeniably in its very favorable tax regime. The OFP has been given the same tax status as a Belgian SICAV.

The OFP is subject to corporate income tax on an alternative taxable basis which does not consist of the actual income and capital gains. Combined with a full credit for Belgian dividend and interest withholding tax on dividends and interest received, this results in practice in a "zero" taxation of the investments.

An OFP is also eligible for treaty benefits and reduced withholding tax rates under Belgium's attractive tax treaty network. Belgium has entered into a favorable tax treaty with the US. This tax treaty offers the opportunity a.o. for Belgian OFPs, to benefit from a full exemption of US dividend withholding tax.

The OFP is not subject to the annual 'wealth tax' of 0.17 percent.

Contrary to a Belgian SICAV, an OFP is neither subject to the annual collective investment funds tax of 0.08% on the funds' assets. OFPs are also exempt from the tax "on the materialization of securities", which is normally due upon the actual delivery of the securities to the subscriber or the acquirer.

The management and administration of an OFP and of its assets is exempt of Belgian VAT.

See Chapter 5, about special regimes for more details about this regime.

3.2.6. Incentives for research and development activities

Belgium developed a series of tax incentives in order to stimulate research and development activities.

A. Patent income deduction

See Chapter 5 for a detailed discussion on the patent income deduction.

B. Wage withholding tax exemption for employers of researchers

All companies benefit from a partial exemption from the payment of wage withholding tax on the remuneration of employees with a master or doctorate degree in (applied) science, in (veterinary) medicine or in pharmaceutical sciences (PhD), and of civil engineers working on research and development projects. The exemption is fixed at 75 percent.

C. Young Innovative Companies

Young Innovative Companies benefit from a partial exemption of payment of wage withholding tax on the remuneration paid to researchers, research technicians and research projects managers. The companies that qualify for this measure are small companies (in the meaning of Article 15 Sec. 1 of the Company Code) that work on research projects, and that were incorporated less than ten years before January 1 of the year during which the exemption of payment of wage withholding tax is granted. R&D expenses of those companies must also amount to 15 percent or more of their total costs of the previous taxable period. The exemption is fixed at 75%.

D. Incentives applicable to companies collaborating with universities, colleges or approved scientific institutions on joint research projects

Companies employing research workers collaborating with universities, colleges or approved scientific institutions on joint research projects benefit from a partial exemption of payment of wage withholding tax on the remuneration paid to these researchers. The exemption is fixed at 75%.

E. Investment deduction

Companies acquiring tangible or intangible fixed assets used in Belgium for business purposes can deduct a basic percentage of the value of the investment (See Chapter 5).

F. Tax credit for investments in research & development

As of the 2007 assessment year, Belgian companies investing in fixed assets qualifying for the increased investment deduction for patents, or for research and development, are offered the possibility to apply a corporate tax credit instead.

Companies will be able to apply the tax credit "in one go", or to spread it over the depreciation period of the assets concerned. The credit, if taken at one time, will be determined by the following formula:

[(Percent increased investment deduction for patents or R&D) multiplied by the (Acquisition or investment value of the asset) multiplied by the (corporate income tax rate)]

The formula to calculate the "spread" credit is:

[(Percent increased investment deduction for R&D) multiplied by the (amount of depreciation of the asset) multiplied by the (corporate income tax rate)]

Where there is no corporate income tax liability, or should the tax due not be sufficient to deduct the credit, the credit would be carried forward for four assessment years. When the tax credit has not been fully credited within five assessment years, it becomes refundable.

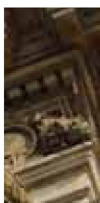
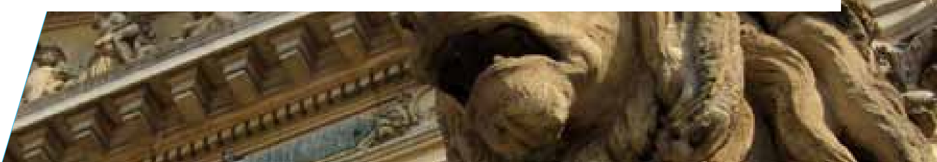
R&D: Companies may choose for investment deduction or tax credit for investment in research and development, but it is important to note that the choice for the tax credit for investment in research and development is irrevocable and that companies choosing to apply it will not be able to apply the investment deduction for patents and for investments in research and developments any more.

3.2.7. EEIG-EIG

The laws of July 12, 1989 and July 17, 1989 introduced the European Economic Interest Group (EEIG) and the Economic Interest Group (EIG).

The primary characteristic of these groups is their transparency in tax matters. It implies that profit or loss from these groups is shared among their members as if they were realized by the members themselves.

An exemption from registration duties is granted for the contribution of goods in either group, as well as for the restitution of contributed real estate to members of the group.

Chapter 4

Reporting, Audit and regulatory environment

4.1. Financial Reporting

4.1.1. Financial year

The duration of the financial year is laid down in the articles of association. The first financial year is also indicated in the incorporation deed of the company.

4.1.2. Accounting

A. Accounting standards and concepts

The Law of July 17, 1975 regarding the accounting of enterprises, coordinated by the Law of May 7, 1999 into the Belgian Companies' Code, and the Royal Decree of January 30, 2001 on the annual accounts of enterprises form the basis for accounting regulations concerning both the form and the content of the accounts.

The accounting regulations stipulated in the Belgian Companies' Code are applicable, amongst others, to all companies having a legal personality.

Companies of foreign nationality are subject to the accounting provisions in respect only of their branches established in Belgium. All branches of a foreign company in Belgium shall together be considered as one single enterprise.

Financial institutions, insurance companies, hospitals and other particular types of entities are subject to the provisions of specific accounting laws.

The accounting provisions in the Belgian Companies' Code, and the Royal Decrees implementing it, formalize the disclosures that must be made in annual accounts and establish certain fundamental accounting policies. Accounting recommendations are issued by an Accounting Standards Board (Commission des Normes Comptables or Commissie voor Boekhoudkundige Normen).

The Belgian Companies' Code provides for exemptions and simplifications regarding presentation and publication requirements for non-listed small companies. The criteria for determining whether a company is a "small" company are as follows:

B. Size criteria

- → Balance sheet total not exceeding EUR 3,650,000.00,
- → Net turnover not exceeding EUR 7,300,000.00,
- → Average number of employees does not exceed 50.

To qualify as a small company, two out of three of the above criteria must be met for two consecutive accounting periods. If, however, the average number of employees exceeds 100, or if the company is part of a group which exceeds, on a consolidated basis, more than one of the above criteria, the qualification of small company will not apply.

Small companies may use an abbreviated format of annual accounts. It should be noted however that small listed companies may not use the abbreviated format of annual accounts.

C. Group accounts

The Belgian parent company of a group of companies is required by law to prepare consolidated annual accounts when it holds, directly or indirectly, the majority of voting rights in the other company (or companies), when it may appoint or dismiss the majority of directors in such other companies, when it may use the majority of voting rights in such other companies as a result of agreements with other shareholders, when it disposes of controlling power as a result of the Articles of Association or agreements entered into with the controlled companies, or in case of joint-control.

A group of companies without apparent financial links, but which are dependent on a single management, are considered as a group in the sense of the Belgian Companies' Code.

The consolidated accounts should include the consolidating company and all the companies which are directly or indirectly under control, i.e., the subsidiaries. All investments in associated companies in which the controlling company has a significant influence (presumed if at least a 20 percent shareholding exists) should be included using the equity method.

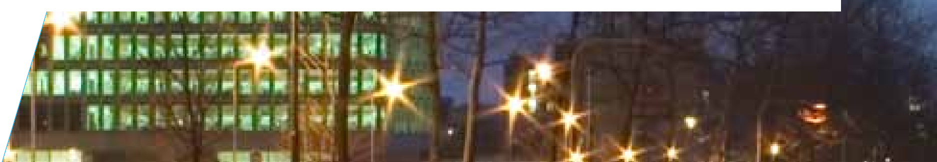
The consolidated accounts comprise of the consolidated balance sheet, consolidated income statement and related notes, all of which should be approved at the parent company's General Meeting of Shareholders, together with the consolidated board of directors' Report.

Belgian consolidation rules have been brought in line with EU Directives. Consequently, all subsidiaries and joint subsidiaries must be included under the full consolidation and proportional consolidation method respectively. Consistent valuation principles should be followed by the consolidating companies and intra-group transactions and balances must be eliminated.

Companies must prepare and publish consolidated annual accounts, which are subject to audit, if they exceed two of the following thresholds for two consecutive accounting periods:

- → Consolidated net turnover: EUR 29,200,000.00;
- → Consolidated balance sheet total: EUR 14,600,000.00;
- → Average number of employees: 250.

If the company is in turn a subsidiary of a company that prepares



and publishes consolidated annual accounts, that company may waive the obligation of consolidating if certain conditions are met (special majority of shareholders' vote, agreement of the Workers' Council, etc.).

Since 2005, listed companies must prepare their consolidated accounts according to the IFRS.

D. Form and content of accounts

The annual accounts include a balance sheet, an income statement and informative notes. The format of the annual accounts follows the minimum standard chart of accounts contained in the Belgian Companies' Code, which sets out in detail those items in the balance sheet and profit and loss account which must be separately disclosed. Some additional requirements are included in the model. Comparative figures for the preceding financial year should always be presented. Accounts must be prepared by the board of directors.

The annual accounts must be accompanied by an annual report. Non-listed small companies are exempted from drawing up an annual report. The annual report must give information on the matters that are not disclosed in the balance sheet, in the income statement, or in the informative notes, but that are of importance in the assessment of the company's assets and liabilities, its financial position, and the results of operations, irrespective of whether the relevant events have occurred during the financial year or since the end of the financial year. A summary of significant accounting policies must also be disclosed.

The annual accounts must be presented to the General Meeting of Shareholders for approval within a period of six months from the end of each financial year. The General Meeting of Shareholders will also decide upon the distribution of profits. At least 5 percent of the annual profit of a public limited liability company must be transferred to a legal reserve until it has reached 10 percent of the capital.

Not later than 30 days after the approval of the annual accounts, and within a period of 7 months after the end of each financial year, the accounts of Belgian companies must be filed with the National Bank of Belgium, where they are made available to the public.

The annual accounts of Belgian branches of foreign companies are not subject to publication. Instead, the branch will be required to publish in Belgium the annual accounts of the foreign head office.

4.1.3. Inventory, annual accounts and annual report

The directors must report on the management of the company and on the results. The directors thus have an obligation to prepare an annual inventory, the annual accounts and the annual report of the company.

The inventory should take into account the company's assets, contingent assets and rights of any kind, its debts, commitments and contingent liabilities of any kind relating to its activity and to its own resources. The accounting records of the company, after adjustment for the inventory results, should be condensed to form the company's annual accounts.

Chapter 4

The Belgian Companies' Code requires the directors to prepare an annual report, to be made available to the shareholders at least 15 days prior to the Annual General Meeting of Shareholders. The annual report, which must be published depending on the company's size, must, at the minimum, include the following items:

- → A balanced and complete analysis and overview of the development and results of the business and of the position of the company, as well as a description of the main risks and uncertainties with which it is confronted, in accordance with the size and complexity of its business. To the extent necessary to obtain a good understanding of the development, results or position of the company, the analysis should contain financial and, where deemed appropriate, non-financial key performance indicators concerning the specific business of the company, including information regarding environmental and personnel issues. In its analysis, the annual report will, where deemed appropriate, include references to the amounts mentioned in the annual accounts and offer additional explanation.
- → Information on material events which have occurred since the balance sheet date.
- → Information on circumstances likely to have an impact on the company's future development (provided that its disclosure is not detrimental to the company).
- → Information on research and development activities of the company.
- → Report on any capital increases or issuances of convertible bonds.

- Information on the acquisitions and the holding by the company of its own shares.
- Information about the use of financial instruments by the company. Where important to the appreciation of its assets, liabilities, financial position and results, the goals and policy of the company regarding the control of risk, including its policy regarding hedging of all important types of planned transactions for which hedge accounting is applied, as well as the price risk, credit risk, liquidity risk and cash flow risk experienced by the company.
- Information on the branches of the company.
- Information on intercompany transactions and off-balance sheet arrangements.

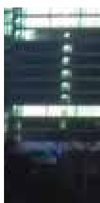
4.2. Audit

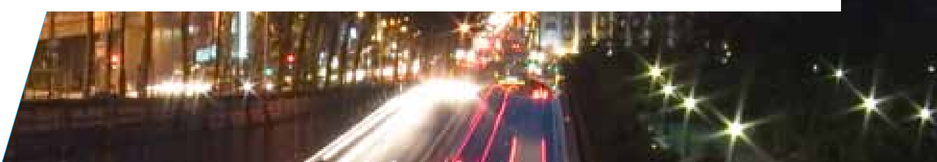
The Belgian Companies' Code requires companies meeting certain criteria to appoint a statutory auditor who is a réviseur d'entreprises, or bedrijfsrevisor, i.e., a member of the Institut des Réviseurs d'Entreprises or Instituut der Bedrijfsrevisoren. This requirement applies to companies with a Workers' Council (i.e., all enterprises with at least 100 employees) and to companies meeting at least two of the following criteria:

- Over 50 employees;
- An annual turnover exceeding EUR 7,300,000.00;
- A balance sheet total exceeding EUR 3,650,000.00.

A company which does not meet two of these criteria for two consecutive accounting years will be considered as a small company, and will not be obligated to appoint a statutory auditor.

Each company is considered separately for the determination of these criteria, with the exception that companies that are part of a group are required to prepare and publish consolidated annual accounts. Certain investment companies and companies whose securities have been listed on a securities exchange are required to prepare consolidated annual accounts.





Statutory auditors are appointed by the General Meeting of Shareholders for a renewable term of three years. Statutory auditors may be legal entities. The remuneration of the statutory auditor is (and legally must be) fixed by the shareholders upon the appointment of the statutory auditor. This amount may, however, be modified upon mutual agreement between the parties.

There is also a requirement for public companies, insurance companies, banks, financial institutions and companies controlled by government agencies to be audited by a professional auditor.

Consolidated accounts should be audited by the statutory auditor of the consolidating company or by an auditor especially appointed for that purpose.

After the completion of the audit, the auditor shall issue a report to the General Meeting of Shareholders stating that he has made an examination in accordance with the recommendation of the Institute of Authorized Public Accountants in Belgium, and stating whether the (consolidated) annual accounts and the annual report (of the board of directors) have been prepared in accordance with the provisions laid down in the Belgian Companies' Code.

A firm of auditors may also be appointed as statutory auditor. The auditors have unlimited supervisory powers to perform their duties. The audit report may be unqualified or qualified for scope restrictions, for departures from generally accepted accounting principles, material weaknesses in the system of internal control, and uncertainties.

The auditor also fulfills a special mission in case a Workers' Council exists. The role of the auditor has two purposes:

- → Certify the economic and financial information given to the Workers' Council by the management of the company;
- → Analyze and explain the economic and financial information, most particularly to the attention of the Council's members appointed by the workers.

The Statutory Auditor of a company must also intervene amongst others in the following circumstances:

- → Mergers and de-mergers;
- → Increase of share capital by contribution in kind;
- → Interim dividend;
- → Modification of the legal form of the company;
- → Modification of the purpose of the company;
- → Issue of new shares below the fractional value of existing shares without par value;
- → Restriction or withdrawal of the preferential rights of existing shareholders in case of a capital increase;
- → Winding up, or closing.

4.3. Tax reporting

Companies having their main center of activity in Belgium, registered as a legal entity, having their registered office, or seat of management in Belgium are considered as resident taxpayers. They are subject to corporate income tax and have to file an annual tax return. See Chapter 5 for a detailed discussion on the Belgian corporate tax system.

Chapter 4

The assessment year always concerns the revenues of the previous accounting year and therefore does not necessarily correspond to the civil year, i.e. assessment year 2013 considers the revenues of the accounting year closed between December 31, 2012 and December 30, 2013.

Other forms have to be filled such as VAT return, withholding tax reporting, deductions applications or payments to beneficiaries established in tax havens. Those forms are available online on the tax administration website: http://fiscus.fgov.be/interfaoiffr/Publicaties/formulieren/formulieren.htm .

The Tax Administration's website offers several e-aplications for most companies to fill in and submit their documents online:

- The annual income tax return (e-application "Biztax");
- All the necessary appendices and forms (in "Biztax")
- The withholding tax return (e-application "Prm-on-web", "RV-on-web");
- The periodical VAT returns and listings (in "Intervat").

The annual income tax return and the withholding tax return can also be filed in a paper version. The complete file and all necessary appendices must be sent to the competent tax office in the region where the company is registered or established.

4.4. Regulatory aspects

In any country in the developed world, businesses are subject to a myriad of rules and regulations (both direct and indirect), which impinge on their operations. Belgium is no exception. Businesses in Belgium are, in general, regulated by company law, fiscal and VAT regulations, social security and employment legislation and, where this encroaches on business life, the civil and criminal laws of Belgium.

Certain types of business, such as banking, insurance, investment management, etc., are subject to specific legislation regulating their operations. In this booklet, we deal with company law, fiscal and VAT regulations, and social security and employment legislation in a general manner as it relates to all businesses. Other matters relating to specific industries would be too detailed for a publication such as this. In general, however, such regulations are in line with similar legislation applicable in other countries within the EU, particularly as Belgium implements the various EU directives.

4.4.1. Exchange controls

The last foreign exchange control was abolished in 1990. Within the European Monetary Union (EMU), the National Bank of Belgium plays an active part in the determination and implementation of the monetary policy. The National Bank is responsible for balance of payments statistics and international investment position statistics. In this context, it also draws up statistics relating to international trade in services and statistics for direct foreign investment.

4.4.2. Competition

A. Price Controls

Due to the international economic situation, the Belgian government has undertaken measures to improve commercial competition. Similarly, measures have been introduced to control inflation.

Chapter 4

Belgian law provides that some prices are controlled by the Ministry of Economic Affairs. Some companies wishing to increase their prices must first obtain the Ministry's approval by application to the Price Commission. The Ministry of Economic Affairs can also impose maximum prices for goods in certain sectors.

B. Antitrust Regulations and Restrictive Practices

Belgium has introduced measures intended to prevent any practice that would restrict free competition or create a monopoly. To ensure free competition and consumer protection, the Law of April 16, 2010 provides a code of trading practices covering a wide area. It regulates commercial publicity and prohibits certain types of sale of consumer goods involving sales at a loss, liquidations, combined sales and forced sales. It also prevents any acts contrary to fair practice in commercial matters.

The Laws of August 5, 1991 (co-coordinated on July 1, 1999) introduced procedures intended to prevent the restriction of competition and the abuse of dominant positions on the Belgian market. The Ministry of Economic Affairs is responsible for monitoring the application of this law. This area has additionally been dealt with at European level, as the Treaty on the Functioning of the Europen Union itself forbids abuse of dominant positions for free competition within the European Union.

No particular measures have been taken concerning foreign investments. However, a foreign company leaving Belgium could, under specific circumstances, be required to repay any subsidies and grants previously awarded.

C. Consumer Protection and Other Controls

For a number of years, the Belgian authorities have introduced decrees and laws to improve consumer protection. This legislation covers a wide range of activities including advertising, commercial practice, credit awarding, prices, sales on credit terms, and the use of chemical additives in food products. Belgian law also provides for the prevention of discrimination in employment matters on the basis of gender, race, religion, etc.

4.4.3. Financial

A. Credit institutions

All credit institutions (banks and savings banks) operate under the same legal framework and are monitored by the two authorities entrusted with the supervision of the financial sector in Belgium: the National Bank of Belgium and the Financial Services and Markets Authority.

Belgium implemented a Twin Peaks model as from April 1, 2011 in order to bring more synergies and coordination of microprudential and macroprudential supervisions.

The National Bank of Belgium is responsible for the macroeconomic stability of the financial system and for the individual microprudential supervisions of most of the financial institutions. It aims to control that financial institutions have sufficient funds to face the fluctuations of the environment and comply with solvency, liquidity and profitability requirements.

The Financial Services and Markets Authority (FSMA) provides the supervision of listed companies, financial markets, financial product and financial service providers.

Chapter 4

The FSMA ensures that:

- → Complete and faithful information is available for a fair treatment of shareholders;
- → The financial markets are functioning smoothly by supervising infrastructures;
- → A complete and reliable information is given about the financial products and their compliance with the regulations;
- → The rules of conduct are implemented by all credit institutions for a professional and equitable treatment of clients;
- → All financial services providers intermediates are registered.

With the introduction of MiFID since November 2007, Belgium has managed to achieve the twofold aim of this European project, i.e. a better system for investor protection and an increased competition on the financial markets. Belgium also implemented the European project of securities dematerialization process and the Single Euro Payments Area (SEPA) aimed at the use of euro-wide payment instruments and infrastructures.

B. Special provisions applicable to public companies

Public limited liability companies are deemed to solicit or have solicited funds from the public, and are thus deemed to be a public company if they have made, or are in the process of making, in Belgium or abroad, a public offer to subscribe, sell, exchange or list on a securities exchange, its bonds or securities.

The operation of soliciting funds from the public also requires the approval of the Belgian Financial Services and Markets Authority (FSMA). The duties of the Belgian Fiancial Services and Markets Authority include, among others, a verification of the fairness of the information provided by companies in the prospectus, and the protection of new investors-shareholders rights.

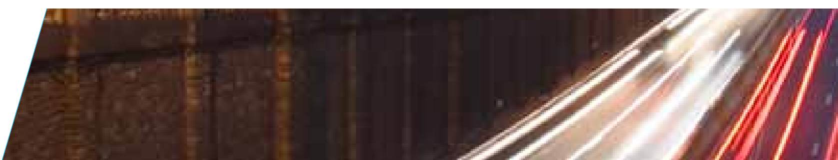
A company wanting to obtain financing from the public for the first time must mention its new status in its articles of association prior to the public call on investors. The company also must be registered as a public company with the FSMA, which annually issues a list of public companies.

4.4.4. Corporate Governance

A. Capital

The Belgian Companies' Code provides that, when net assets fall below 50 percent of the share capital of a public limited liability company, the board of directors must convene a Special General Meeting of Shareholders. The meeting is to deliberate and resolve the winding up of the company, or the measures required to provide for the company to continue, as the case stated in the agenda may be. The decision of the Special Shareholder meeting to either wind up the company or to continue its activities should be taken in the presence of at least half of the shareholders, and with 75 percent of the votes cast. The same procedure is required if, as a result of a loss sustained, the net assets drop below one-quarter of the company's capital, provided that the winding up shall take place when approved by only one-quarter of the votes cast at the meeting.

When the net assets of a public limited liability company drop below the minimum required capital of EUR 61,500.00, any interested party may request the Commercial Court to dissolve the company. The Court may, however, grant a delay to the company to regularize its situation.

Chapter 4

Through a special procedure, the shareholders can authorize the board of directors, for a (renewable) maximum period of five years, to increase the share capital in certain circumstances. The possibility of this "authorized share capital" procedure should be mentioned in the company's bylaws.

B. Shares

A company's articles of association may authorize the board of directors to acquire its own shares to avoid substantial and imminent damage or harm (dommage grave et imminent, or ernstig en dreigend nadeel) to the company. In such a case, the board of directors must inform the first General Meeting of Shareholders held thereafter of the complete details of the transaction (the reasons, purposes, costs, etc.). This authorization can be granted by the shareholders for a maximum (renewable) period of three years. If the shares are listed on a stock exchange within the European Community, the Belgian Financial Services and Markets Authority must be notified prior to the acquisition.

C. Directors

The management of a public limited liability company is the responsibility of the board of directors. The directors are entrusted with all powers relating to the general management of the company, and may proceed with any legal action on its behalf. The directors are accountable to the shareholders for the performance of their duties. The day-to-day management may be delegated to individual members of the board of directors, or to a person or legal entity that is not a member of the board. In principle, the board of directors must consist of at least three members appointed by the General Meeting of Shareholders for a maximum, renewable term of six years. However, the board of directors of a public limited liability company may consist of only two directors when the company has been incorporated by two shareholders, or when a General Meeting of Shareholders establishes that the company only has two shareholders, until the day that a new General Meeting of Shareholders establishes that there are more than two shareholders.

The members of the board of directors do not have to be Belgian residents or citizens. Legal entities may also be members of the board of directors. However, if a legal entity is appointed as director of the company, a natural person within this legal entity must be appointed to execute the mandate of director. This representative has the same liability as if he was appointed directly as director of the company.

If a director has a direct or indirect conflicting interest of a financial nature with a decision or transaction that lies within the authority of the board of directors, he must communicate his conflicting interest, and the grounds justifying this conflict of interest, to the board of directors prior to any deliberation by the board of directors on the decision or transaction in question. This statement and the justification must be recorded in the minutes of the board of directors, and incorporated in the annual report of the board of directors, the latter to be deposited together with the annual accounts. If the company has appointed one or more statutory auditors, the director concerned must also inform the statutory auditor(s) of his conflicting interests. The director concerned may participate in the discussions of the board of directors and vote as a member of the board (except in case of listed companies: see hereunder).

The conflict of interests procedure shall not apply in case of decisions or transactions between companies, where one company holds, directly or indirectly, at least 95 percent of the votes vested in the securities issued by the other company, or between companies where at least 95 percent of the votes vested in the securities issued by each of them are held by another company. Furthermore, the procedure shall not apply if the decisions of the board of directors relate to customary transactions which take place on conditions and with collateral customary for similar market transactions.

A different procedure applies for conflicts of interests in listed companies, where the director cannot participate in the discussions and does not have voting rights.

D. General Meeting of Shareholders

The General Meeting of Shareholders is the ultimate authority of a public limited liability company. It has full power to make or to ratify all actions taken, and take all decisions that concern the company. It is responsible for the appointment and dismissal of the directors and the statutory auditor(s) (subject to the fulfillment of certain conditions) and for the discharge of their acts. It must approve the annual accounts and decide upon the allocation of results, upon amendments to the articles of association, upon a winding up of the company, etc. Shareholders may be represented by proxies.

Each year, at a date fixed in the articles of association, the Annual General Meeting of Shareholders must be held. Extraordinary and Special General Meetings can be called by the board of directors or statutory auditors, either on their own initiative, or upon the request of shareholders representing at least one fifth of the total capital.

E. Environment

Environmental concerns have become crucial and can no longer be ignored by the industry. An increasing number of EU regulations as well as Belgian laws and decrees have been enacted concerning environmental protection. These have had a significant impact at all levels.

The environment is the responsibility of the Regions. This is the reason why regulations differ in the Flemish Region, the Brussels Region and the Walloon Region. For example, one of the most important regulations in the Flemish Region is the Decree regarding soil sanitation and soil protection and the Vlarebo resolution.

Establishments are subject to these regulations depending on their activities. There is a list of activities which are subject to administrative declaration or authorization according to the level of risk they represent for the environment.

Companies wishing to establish themselves in Belgium must ensure compliance with an increasing number of these regulations that, while imposing constraint, also represent new challenges for industry. Disregarding such provisions may lead to civil or criminal liability (fines, imprisonment and/or damages) and may also damage the corporate image.

Chapter 5

Business Taxation

5.1. Corporate tax

5.1.1. General system and rates

Companies and profit-making organizations organized as a legal entity and having their registered office, main business center or seat of management in Belgium are subject to Belgian corporate income tax.

Companies are subject to tax on their worldwide profits. However, profits derived from a foreign branch are exempt from tax if the branch is established in a country that has concluded a tax treaty with Belgium.

Foreign companies and profit-making organizations carrying out business activities in Belgium through permanent establishment are subject to non-resident corporate income tax on their Belgian profits.

Both resident companies and Belgian branches of non-resident companies are, in principle, subject to a 33 percent tax rate (increased by a three percent crisis surcharge up to 33.99 percent).

Under certain conditions — inter alia if more than 50 percent of the share capital of the company is held by individual shareholders, and the taxable profit does not exceed EUR 322,500.00, reduced progressive rates will apply.

5.1.2. General computation

All income received is taken into account in computing taxable profits, whether it is realized or accrued.

The taxable profit is the total of the following:

- → The increase or decrease in retained earnings (including taxable reserves and provisions);
- → Non-deductible expenses;
- → Dividends attributed to the shareholders.

This total is subsequently reduced by the following:

- Profits obtained through branches established in countries with which Belgium has concluded a tax treaty;
- Exempted donations;
- Exemption for additional personnel;
- Dividends-received deduction;
- Patent income deduction;
- Risk capital deduction;
- Previous years' losses;
- Investment deduction;
- Risk capital deduction's past stock.

A. Deductible expenses

General
In general, all expenses and charges incurred or borne during a taxable period to obtain or to retain taxable income are deductible. To qualify as deductions, the expenses must have been paid during the taxable period, or must have acquired the character of a definite liability at the end of the tax year and must have been recorded as such in the accounts. As a general rule, it can be stated that expenses are deductible if they are properly justified, and if the payee can be identified.

Disallowed expenses
According to Belgian tax law, certain expenses are entirely disallowed. Examples are:

- Expenses of which the taxpayer cannot justify that they have been incurred in order to acquire or to retain taxable income.

- Lavish expenditure (defined as expenses relating to hunting, fishing, pleasure yachts and houses of pleasure) unless it can be proven that these expenses were necessary for the business, or that they have been included in the beneficiaries' taxable salary. In addition, all expenses which exceed the normal requirements for the business are also regarded as lavish expenditure and hence not deductible for tax purposes.
- Income tax expenses (other than a real estate levy, which is assessed separately from corporate income tax, on the deemed rental value of land and buildings, and the "secret commissions tax"), including tax prepayments, payments of income tax assessments, late payment interest on income tax liability, withholding taxes, etc.
- Certain taxes imposed by the regions (mainly environmental taxes).
- Employer contributions to extra-legal pension plans, paid to a non-EEA insurance company or pension fund, or paid for the benefit of a person who does not receive "regular" remunerations from the company.
- Fines, administrative and judicial penalties. However, proportional VAT increases remain deductible.
- Non-deductible gifts.
- Social benefits granted to personnel, except for some specific social benefits identified by tax regulations.
- Abnormal or benevolent advantages granted directly or indirectly to a foreign related company, or to a foreign company or permanent establishment located in a tax haven country.
- Abnormal or benevolent advantages granted to an individual or company residing or established in Belgium, unless the benefit is taken into consideration to determine the taxable income of the beneficiary.

- Interest, royalties and fees paid directly or indirectly to a non-Belgian company or permanent establishment if, on behalf of the beneficiary, such payments are not subject to tax, or subject to a tax treatment which is, when compared to the Belgian tax treatment, substantially more favorable, unless it is demonstrated that such expenses correspond to sincere business transactions, and that they do not exceed the normal limits.

For certain other expenses, the tax-deductible amount is restricted.

For example:

- Interest payments, to the extent that the interest rate applied exceeds the market rate (as determined by taking into consideration any special characteristic pertaining to the risk assessment, the financial situation of the debtor and the term of the loan), unless the interest is paid to or by a duly recognized financial institution in the European Economic Area.
- Employer contributions to extra-legal pension plans (e.g., group insurance) which would result in the aggregate of legal and extra-legal attributions upon retirement, converted into an annual pension, being in excess of 80 percent of the last gross annual remuneration.
- Car related expenses (other than fuel expenses (deductible up to 75%), interest charges) and capital losses with respect to cars are in principle tax deductible only up to a percentage of their amount, varying between 50% up to 120% for electric cars, depending on the emission of CO2 of the car.

→ An amount corresponding to 17% of the taxable fringe benefits related to the car disposal for employees and directors is not deductible. The taxable fringe benefit is computed following the catalogue value of the vehicle multiplied by a percentage varying according to the CO2 emissions of the car. The amount of the fringe benefit can be reduced by a personal financial contribution of the beneficiary.

→ Restaurant expenses are tax deductible up to 69% of their amount. Expenses related to promotional gifts and reception costs are tax deductible up to 50% of their amount.

B. Depreciation

The following annual rates, using the straight-line method, are readily accepted.

Office buildings	3%
Industrial buildings	5%
Machinery and plant equipment	10 to 20%
Office furniture and equipment	10 to 15%
Vehicles	20 to 25%
Small tools	33 to 100%

The first depreciation annuity on intangible and tangible fixed assets is a tax deductible expense in proportion to the part of the accounting year that has not yet elapsed on the date on which the assets are acquired or constituted (deduction pro rata temporis). However, companies which are considered as small companies according to the Belgian Company Code can deduct a full depreciation annuity in the year in which the assets are acquired or constituted.

Expenses relating to the incorporation of a company can either be written off in the taxable period in which they were incurred, or should be depreciated within a maximum of five years.

Intangible assets, other than research and development expenses, are to be depreciated for tax purposes over a minimum period of five tax years; research and development expenses should be depreciated over at least three tax years. The aforementioned depreciation rules do not apply to audio-visual creations.

Accessory costs relating to the acquisition or constitution of depreciable intangible and tangible fixed assets must be depreciated at the same rate as the acquisition value of the asset, unless the company is considered as a small company according to the Belgian Company Code. In such a case, accessory costs relating to the acquisition of assets (e.g., non-deductible VAT) can be depreciated either entirely in the accounting year during which the asset has been acquired, or at the same rate as the acquisition value of the asset. For cars however, only the latter depreciation method is allowed for tax purposes.

Companies can elect to apply the declining balance method for all the above assets except cars, intangible assets (other than audio-visual creations) and assets for which the right to use is granted to a third party by a taxpayer entitled to depreciate the asset for tax purposes.

Under the declining balance method, taxpayers can apply a maximum depreciation rate of twice the rate applicable under the straight-line method. This rate is applied on the net book value. The depreciation annuity cannot, however, exceed 40 percent of the acquisition value. When the amount of depreciation calculated becomes lower than that allowed under the straight-line method, it is permissible to apply the latter method.

Depreciation on booked revaluations cannot have an impact on the taxable basis.

C. Capital losses

Capital losses are a tax-deductible item if they relate to fixed assets used for business purposes.

D. Capital losses on shares

Capital losses on shares are generally not tax deductible, except for shares held in their trading portfolio by credit institutions, investment companies and companies managing collective investments.

E. Reserves and provisions

Retained earnings and taxable reserves and provisions
The retained earnings include inappropriated undistributed profits and undistributed profits appropriated to reserve accounts. Likewise, any provisions and accruals set aside during the year will be treated as retained earnings, insofar as they have been set up in the balance sheet for future and unascertainable losses or expenses. Any depreciation on assets charged in excess of what is allowable for tax purposes is to be reported as a taxable reserve, as well as any understatements in the value of assets and overstatements of liabilities.

F. Tax-free reserves

Although in general the reserves and provisions are included in the taxable income, some tax-free reserves can be created provided certain specific conditions are met. Some of the more common tax-free reserves are discussed in the following paragraphs.

a) Provision for doubtful debtors

The provision for doubtful debtors need not be included in taxable income, provided the corresponding receivables are connected with the business, their loss can be clearly defined, and the probability of sustaining such a loss results from circumstances which occurred during the financial period and which still exist at the end thereof.

In all cases, final losses subsequently suffered in respect of the above receivables should be charged against the tax-free reserve.

b) Provision for probable business expenditure

This tax-free provision can be created for future expenditure which qualifies as allowable expenses for tax purposes, and which is deemed to relate to the financial period in which the reserve is set up. The cost must be clearly defined, and the probability of sustaining the cost must result from circumstances which occurred during the financial period and which still exist at the end thereof. The reserve can also cover major repairs to buildings, machinery and equipment, provided these repairs are carried out at least once every ten years. The ultimate expenditure in the subsequent year must be charged to the reserve. Income tax, being a disallowed expense, cannot be included in this reserve.

c) Reserve for investment

Small companies can, under certain conditions and subject to certain limits, build up a tax-exempt reserve for investment. As of the 2007 assessment year, companies that build up a tax-exempt reserve for investment will not be able to benefit from the notional interest deduction for the taxable period during which the reserve is built up and for two subsequent years.

G. Exemptions

Dividends-received deduction

Under certain conditions, dividends received by Belgian companies or Belgian branches of foreign companies are eligible for the participation exemption. The exemption is granted in the form of a deduction of the dividends received. Dividends which qualify for the exemption are first included in the taxable income, after which 95 percent of their net amount is deducted from that income.

However, dividends received from subsidiaries established outside the European Economic Area cannot be deducted from taxable profit originating from certain non-deductible expenses. The deduction cannot result in a tax loss for the company.

As a result, deduction of the dividends received is possible only if sufficient profit is available from which to deduct the dividends. Carry-forward of any excess dividend (which could not be deducted, due to insufficient profits) is possible for dividends distributed by a company based inside the European Economic Area.

No tax credit is granted in cases where the dividends-received deduction does not apply.

a) Minimum participation requirement

A minimum participation requirement applies. At the time of the dividend distribution, the parent company must own a participation of at least ten percent of the subsidiary's capital, or a participation with a value of at least EUR 2.5 million.

The shares must be held in full ownership for at least one year.

b) Exclusions

Certain dividends are excluded from the deduction:

→ Dividends from a company that is not subject to corporate income tax or a similar foreign tax, or that is resident in a country where the common tax regime is considerably more favorable than in Belgium (i.e. a country outside the EU where the nominal or effective corporate tax rate is lower than 15 percent).

→ Dividends distributed by finance, treasury, or investment companies benefiting from a favorable tax regime.

However, dividends from an investment company are eligible for the deduction if, according to its bylaws, the investment company has to redistribute at least 90 percent of its net profit, and provided the income thus distributed originates from dividends or capital gains on shares which are eligible for the deduction. Neither will the exclusion apply to finance companies resident in an EU member state, conditional upon the holding in such finance company meeting sound business reasons, and provided the finance company is not excessively capitalized.

Other dividends excluded from the deduction are:

- Dividends from a company, to the extent that the profits of that company, dividends excluded, arise in another country than its country of residence ("offshore" income), and are subject in the country of residence to a favorable tax regime. This provision aims at denying the deduction to dividends deriving from a subsidiary's offshore profits, where these profits have been subject to a special tax treatment in the subsidiary's state of residence;
- Dividends from a company, to the extent that it realizes profits as a result of the activities of one or more foreign establishments which on the whole are subject to a tax regime considerably more favorable than that of Belgium. The dividends-received deduction will nevertheless apply if the subsidiary and its foreign branch are situated in an EU member State, or if the tax effectively imposed on the profits arising in the foreign branch is at least 15 percent;
- Dividends from a company that is not an investment company which redistributes the dividends it receives, unless at least

90 percent of the dividends received by the transit company would (had they been received by the Belgian recipient company directly) themselves be eligible for the deduction under the aforementioned conditions;

This exclusion is not applicable if the transit company itself has not benefited from the dividends received deduction or any foreign provision of a similar nature. Neither does the provision apply if the transit company (i) is a Belgian resident company or a company resident in a country with which Belgium has concluded a tax treaty, (ii) is subject to a normal tax regime, and (iii) is quoted on a recognized Stock Exchange.

c) Preliminary ruling

It is possible, on a case-by-case basis, to request a ruling (see Chapter 3, about tax incentives) from the ruling service as to whether a dividend satisfies the aforementioned conditions.

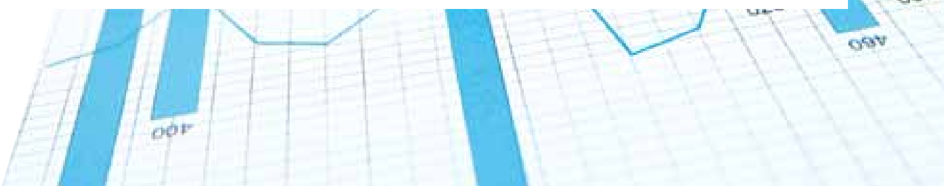
Patent income deduction

a) Amount of the deduction

The deduction is 80% of the patent income derived from patents licensed by a Belgian company or permanent establishment to a related or unrelated party, if the royalty payments meet the arm's length principle.

With respect to patents used by the Belgian company or permanent establishment to produce patented products that are manufactured by the company or permanent establishment itself or by a contract manufacturer on its behalf, the tax deduction is 80% of the license fee that would have been received if the patents would have been licensed to an unrelated party.

If the generated income not only relates to the patents, the 80% exemption only applies to the part of the income which is attributable to the patents.



The 80% deduction results in an effective tax rate of 6.8% (i.e. 1/5 x 33.99% corporate income tax rate).

Should a company be unable to deduct the allowable amount in a tax year, any excess deduction cannot be carried forward.

b) Qualifying taxpayers and patents

The deduction applies to all Belgian corporate taxpayers and applies to the following patents which have not been used before January 1, 2007:

- → Patents owned by the Belgian company or establishment resulting from own research and development activities in research centres in Belgium or abroad, which qualify as a "branch of activity"; and
- → Patents acquired by the Belgian company or establishment via purchase, contribution or under a license agreement if the patents are further developed by the Belgian company.

c) Anti-abuse provision

Under an anti-abuse provision, in the case of acquired patents, the patent income must be reduced by the following cost items:

- → Cost compensations paid to another company for the purchase of the ownership or licensee rights with respect to the patents, which are deducted from the taxable income; and
- → Depreciations concerning the acquisition or investment value of the patents, if those were deducted from taxable income.

Furthermore, the cost items must be equal to an arm's length price.

d) Application

For the application of the new regime, no advance ruling is required. The company only has to include the relevant data in its corporate income tax return.

Risk capital deduction

Belgium introduced a risk capital deduction (also known as a notional interest deduction) to encourage the strengthening of companies' equity capital by narrowing the discrimination now seen between funding with equity capital or with loan capital.

As of the 2007 assessment year, all companies subject to resident or non-resident corporate tax (with exceptions) can deduct an amount based on their "adjusted" equity capital.

The calculation starts with the company's equity capital (including retained earnings) at the end of the previous taxable period, which would then be reduced by:

- → The net fiscal value of own shares, of shares and participations that are part of the financial fixed assets, and of shares of investment companies of which the dividends qualify for the dividends received deduction.
- → The net worth of foreign permanent establishments and foreign real estate.
- → The net book value of tangible fixed assets or parts thereof to the extent that the related costs unreasonably exceed business needs.
- → The net book value of assets that are held as an investment and that do not generate taxable periodic income.
- → The net book value of real estate or of other immovable rights of which directors, their spouses or their children have the use.
- → Tax-free revaluation gains (including revaluation gains incorporated in capital), capital investment subsidies, and tax credits for research and development.

Variations during the accounting year are taken into account.

d) Rate

The rate of the notional interest deduction is 3,425% for the 2012 assessment year and is increased by a half point for SMEs. As from assessment year 2013, the rate cannot exceed 3%. For SMEs, the rate is increased up to 3.5%.

e) Carry-over of the deduction

In case the company's taxable base is not sufficient to completely utilize the notional interest deduction, the carry-over of the excess is no longer possible as of assessment year 2013.

However, for companies which own an existing stock of notional interest deduction at the end of assessment year 2012, the carry-over of that stock is still possible.

It should be noted that the excess of notional interest deduction cannot be carried over should there be a change in control of the company that does not meet legitimate financial or economic needs.

Investment deduction

Companies acquiring new tangible or intangible fixed assets used in Belgium for business purposes can, under certain conditions, claim a deduction from their taxable profit amounting to a basic percentage of the acquisition or investment value of these investments.

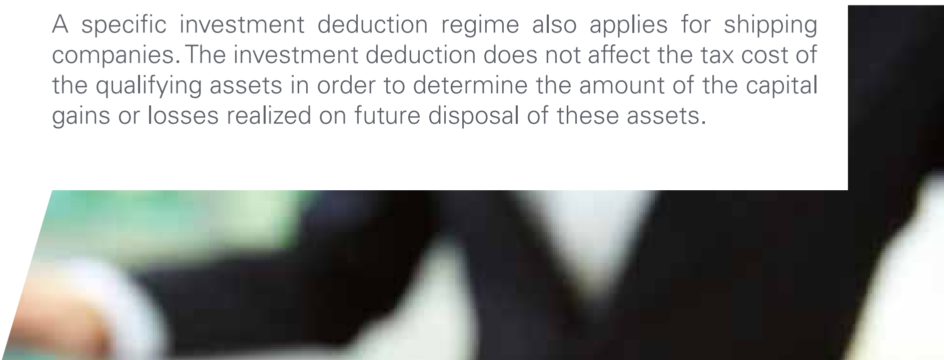
The following investments are excluded from this incentive:

- Fixed assets either non-depreciable (e.g., land) or depreciated over a period of less than three years;
- Passenger cars and cars for double use, unless used exclusively for taxi services or certain car rental, or by driving schools;
- Fixed assets leased out to third parties where the lessee has an option to buy under the terms of the contract (financial lease);
- Fixed assets placed at the disposal of third parties, unless they are placed at the disposal of an individual who uses the assets to generate profits or gains in Belgium, without placing these assets at the disposal of other parties;
- Accessory costs which are not depreciated over the same period as the assets to which they relate.

The base percentage for the investment deduction is set to zero. However, special rates apply for the following type of investments realized in 2012:

- Patents (15,5%);
- Energy saving investments (15,5%);
- Investments in smoke exhaust or aeration system in hotels, restaurants and cafés (15,5%);
- Charge stations for electrical vehicles (15,5%);
- R&D activities in respect with new product and technologies with an environmentally friendly impact (15,5%). If spread in time, the deduction is increased up to 22,5%;
- Means of production enabling the recycling of packaging (3%);
- Investment aimed at securing professional premises for Belgian SMEs (22,5%).

A specific investment deduction regime also applies for shipping companies. The investment deduction does not affect the tax cost of the qualifying assets in order to determine the amount of the capital gains or losses realized on future disposal of these assets.



H. Capital gains

Realized capital gains
Capital gains realized on shares, the dividends of which qualify for the dividends-received deduction are generally tax exempt provided the shares were held in full ownership for an uninterrupted period of at least one year. In case this last condition is not fulfilled, the capital gains will be taxable at a rate of 25%. Capital gains realized on their trading portfolio by credit institutions, investment companies and companies managing collective investments are taxable at the normal tax rate of 33,99%.

It is not necessary to book the gain in a tax-free reserve account, and the gain can be treated as a distributable profit. However, that part of the capital gain on shares corresponding to deductions made in the past, due to capital losses from those shares and accepted by the tax administration under previous regulations, is not exempt.

Capital gains realized on tangible and intangible fixed assets are generally considered taxable profits, and are taxed at the normal rate of 33.99 percent. However, involuntarily realized capital gains, as well as capital gains realized on assets which are held for purposes of business activity for more than five years prior to alienation, are eligible for a deferred taxation regime. Capital gains realized on intangible fixed assets will only be eligible for deferred taxation if amortization has been accepted on these assets for tax purposes.

The deferred taxation is subject to the condition that reinvestment is made in depreciable tangible or intangible fixed assets (not necessarily new) within the European Economic

Area, within three years of the first day of the taxable period in which the gain is realized for voluntary capital gains, and within three years following the taxable period in which the indemnification was received for involuntary capital gains. For reinvestment in buildings, ships or aircraft, the reinvestment period is increased to five years.

The capital gains are subject to taxation at the normal rate and at the same pace as the depreciation of the reinvestment.

Unrealized capital gains
Unrealized capital gains (booked revaluations) are exempt from tax if the gains are recorded as a tax-free reserve and are not used as a basis to determine profit appropriations to shareholders, directors and legal reserves. Unrealized capital gains on stocks and orders in execution, however, are not exempt, but are considered to be business profits.

Unrealized capital gains on portfolio investments are taxable when the underlying capital losses on the investment have previously reduced the taxable base.

Calculation method for capital gains
It should be noted that the capital gains realized on the alienation of an asset are calculated under deduction of the sale costs. This applies to exempt and to taxable capital gains, and is applicable for corporate income tax purposes as well as for individual income tax purposes.

5.1.3. Special regimes

A. Special tax rates

a) Taxation of certain capital gains on shares

Capital gains realized on shares, the dividends of which qualify for the dividends-received deduction, are taxable at a special rate of 25% when the shares were not held in full ownership for an uninterrupted period of one year.

b) Secret commissions tax

A "secret commission tax" amounting to 309 percent of the commissions, fees, rebates and benefits in kind for which the identity of the beneficiary has not been communicated to the tax authorities. It should be noted that such secret commissions, as well as the 309 percent tax thereon, qualify as tax deductible expenses.

B Special tax regimes for investment companies and OFP

Certain investment companies benefit from a special tax regime:

- SICAV: "Société d'Investissement à Capital Variable" / BEVEK: "Beleggingsvennootschap met veranderlijk kapitaal"; Open-end investment company
- SICAF: "Société d'Investissement à Capital Fixe"/ BEVAK: "Beleggingsvennootschap met vast kapitaal"; Closed-end investment company
- SIC: "Société d'Investissement en Créances" / VBS: "Vennootschap voor belegging in schuldvorderingen"; Loan Investment Company
- SICAFI: "Société d'investissement à Capital Fixe Immobilières" / Vastgoed BEVAK: "Vastgoedbeleggingsvennootschap met vast kapitaal voor investeringen in vastgoed"; Real Estate Investment Company
- PRICAF: société d'investissement belge investissant dans des sociétés non cotées et dans des sociétés en

croissance à capital fixe / PRIVAK: Belgische vennootschap voor belegging in niet-genoteerde vennootschappen en in groeibedrijven met vast kapitaal; Belgian company for the investment in non-quoted companies and expanding companies with fixed capital

→ OFP: "Organisme de financement de pensions"/"Organisme voor de financiering van pensioenen"; Organization for the Financing of Pensions.

a) Taxable base

The taxable base of those investment companies consists only of the following elements:

→ The amount of disallowed expenses (see sub-section "Disallowed expenses" in Business Taxation, 5.1. Corporate Tax);

→ Abnormal or benevolent advantages.

The normal CIT rate applies to the taxable base.

As regards the SICAFI, the special tax regime applies provided at least 80% of the net income is distributed.

b) Withholding tax on revenues received

Those specific investment companies will mostly be exempt of withholding tax on their revenues, with the exclusion of Belgian source dividends. If a Belgian withholding tax has been levied, the entity can ask for a tax credit.

Moreover, they are eligible for the exemption of withholding tax with respect to the application of the Parent-Subsidiary Directive and the reduced rates of withholding tax with respect to foreign dividend and interest income provided in the tax treaties concluded by Belgium.

c) Taxation of revenues distributed by investment companies

The revenues received from a capitalization SICAV are capital gains and are therefore not subject to a withholding tax.

The revenues received from a distribution SICAV and SICAFI are dividends and are subject to the reduced withholding tax rate on dividends levied at the rate of 21 percent.

The dividend received deduction does not apply to income received from an investment company, unless the articles of association of the investment company stipulate that at least 90% of the income after deduction of remuneration and commissions should be distributed.

C. EEIG

European Economic Interest Grouping (EEIG) is a grouping of members, companies as well as individuals, entitled to facilitate and develop the economic activities of its members. Profits of the EEIG are split between its members. The law does not consider the EEIG as a taxpayer. Profits of the EEIG are therefore considered as profits of its members and are taxed following the applicable tax regime of the member.

5.1.4. Transfer Pricing

Arm's length principle

According to the arm's length principle, which has been codified in the Belgian Income Tax Code, a transaction between related companies can be adjusted if companies in the trade and financial relations agree on conditions which would not be agreed on between unrelated parties.

When companies perform cross-border transactions with related companies, they can ask for an advance ruling to apply adjustments to their taxable base to compensate another country's tax increase or decrease for the related company.

In case the tax authorities start an in-depth investigation on the company's transfer pricing policy, the company must cooperate with the taxpayer authorities in analyzing the transfer pricing system. The taxpayer must:

- Have a sound transfer pricing documentation preferably available before the investigation;
- In case documentation is not available, it should be submitted within 30 days of the request;
- Justify the deductibility of business expenses.

Failure to do so may result in transfer pricing adjustments and in an increased taxable base for the company concerned. Advanced rulings are available for transfer princing issues.

5.1.5. Thin Capitalization

Deduction of interest paid on loans is disallowed in case, and to the extent of the excess, the total amount of these loans is higher than five times the sum of the taxed reserves at the beginning of the taxable period and the paid-up capital at the end of this period.

The deduction limitation is applicable if the beneficial owners of the interest:

- are established in a tax haven, or benefit, with respect to the interest received, from a tax treatment which is substantially more favorable compared to the Belgian tax treatment; or
- are part of a group whereto the debtor belongs (or when the beneficiary is a third party that lends the funds to the debtor in order to finance the loan if the aim is tax avoidance).

The rule does not apply:

- to loans granted by financial institutions established in the European Economic Area;
- to loans contracted by companies engaged in movable leasing and companies whose main activity is factoring or real estate leasing to the extent that the sums borrowed are effectively used for leasing and factoring activities, and by companies with the execution of a Public Private Partnership project as main activity (provided the beneficial owner is not established in a tax haven).

For treasury centers, the netting of interest paid and received is allowed, as regards their financing transactions in the context of a framework agreement for centralized treasury management within a group. Centralized treasury management is defined as the management of daily treasury transactions or the treasury management for the short term or exceptionally for the long term to take specific circumstances within a normal treasury management into account.

5.1.6. Loss treatment

In Belgium, tax losses can be carried forward indefinitely. Carry-back is not permitted.

5.1.7. CFC

There are no CFC rules in Belgium.

5.1.8. Anti-Avoidance

Previous and current losses, as well as the dividends-received deduction, the deduction for patent income and the notional interest deduction, cannot be offset against income from abnormal or benevolent advantages granted by enterprises which are related with the company receiving the benefit.

A take-over or change of the control over a company with tax losses, investment deduction and/or notional interest deduction carry-forwards will lead to the immediate denial of those carry-forwards, unless the take-over or change of control meets legitimate financial or economic needs.

With respect to the legitimate character of a transfer or a change of control, it is possible to obtain an advance ruling (see Chapter 2).

Belgian tax law also provides for a general anti-abuse provision according to which the qualification given by parties to a legal act or a series of legal acts establishing one single transaction cannot be opposed to the tax authorities, if the latter demonstrates by presumptions or any other means of proof that there is a fiscal abuse. It will be up to the taxpayer to prove that the legal qualification chosen is justified by reasons other than tax avoidance. When the taxpayer does not succeed in this proof, the tax authorities will be allowed to determine the taxable base and tax computation as if no fiscal abuse had taken place.

5.1.9. Double taxation

Business profits derived from a foreign branch are usually taxed in the foreign country. Profits realized by a branch established in a country with which Belgium has concluded a tax treaty are exempt from Belgian corporate income tax. However, profits realized by a branch established in a non-treaty country are taxed in Belgium at the normal corporate tax rate.

Losses of a foreign branch can be offset against the profits made either in other foreign branches or in Belgium. If the branch is established in a country with which Belgium has concluded a tax treaty and recovers its loss due to later profits, there will be a recapture in order to avoid a double recovery of the branch losses.

5.2. Withholding tax

Dividends, interest and royalties paid by a domestic corporate taxpayer are subject to a withholding tax (Roerende Voorheffing, or Précompte Mobilier).

If paid to residents of treaty countries, the withholding tax is often reduced under the tax treaty provisions. A list of the treaty countries is provided at the end of the section.

Chapter 5

5.2.1. Dividends

Dividends are subject to a withholding tax levied at a rate of 21% or 25%.

Share redemption premiums are subject to a withholding tax levied at a rate of 21%.

Liquidation premiums are subject to a withholding tax levied at a rate of 10%.

5.2.2. Interest

Interests are subject to a withholding tax generally levied at a rate of 21% and exceptionally 25%.

5.2.3. Royalties

Royalties are subject to a withholding tax levied at a rate of 15%.

5.2.4. Services

Management fees are deductible expenses provided they:

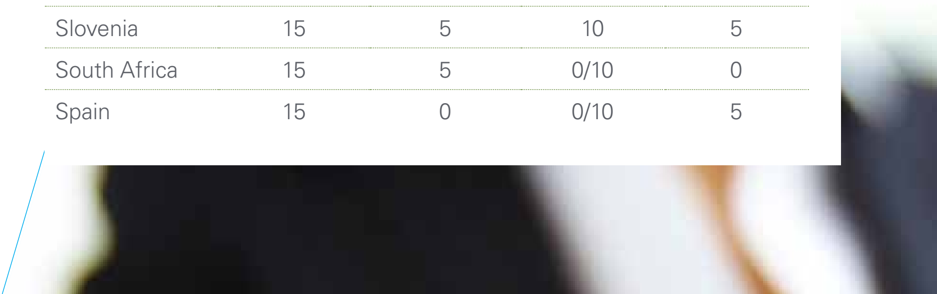
- → Comply to the arm's length principle;
- → Are supported by a detailed documentation;
- → Remunerate genuine services.

Management fees are not subject to withholding tax.

Country (1)	Dividends to individuals/ companies	Dividends to related companies (>25%)	Interest (2)	Royalties (2)
Albania	15	5	5	5
Algeria	15	15	15	5/15
Argentina	15	10	12	3/5/10/15
Armenia	15	5	0/10	8
Australia	15	15	10	10
Azerbaijan	15	5/10	10	5/10
Bangladesh	15	15	15	10
Belarus	15	5	10	5
Bosnia and Herzegovina	15	10	15	10
Brazil	15	10	10/15	10/15/20
Bulgaria	10	10	0/10	5
Canada	15	5	10	0/10
Chile	15	0	5/15	5/10
China (People's Rep.)	10	10	10	10
Croatia	15	5	0/10	0
Cyprus	15	10	0/10	0
Czech Republic	15	5	0/10	0/5
Democratic Republic of the Congo	10	15	0/10	10
Denmark	15	0	10	0
Ecuador	15	15	0/10	10
Egypt	20	15	15	15/25
Estonia	15	5	10	5/10
Finland	15	5	0/10	0/5

Country (1)	Dividends to individuals/ companies	Dividends to related companies (>25%)	Interest (2)	Royalties (2)
France	15	10	15	0
Gabon	15	15	15	10
Georgia	15	5	0/10	5/10
Germany	15	15	0/15	0
Ghana	15	5	10	10
Greece	15	5	5/10	5
Hong Kong	15	0/5	0/10	5
Hungary	10	10	0/15	0
Iceland	15	5	0/10	0
India	15	15	10/15	10
Indonesia	15	10	10	10
Ireland	15	15	15	0
Israel	15	15	15	0/10
Italy	15	15	15	5
Ivory Coast	15	15	16	10
Japan	15	5	10	10
Kazakhstan	15	5	10	10
Korea (Rep.)	15	15	10	10
Kosovo	15	10	15	10
Kuwait	10	0	0	10
Kyrgyzstan	15	15	0/15	0
Latvia	15	5	10	5/10
Lithuania	15	5	10	5/10
Luxembourg	15	10	0/15	0
Macedonia (FYR)	15	10	15	10
Malaysia	15	15	–/10	–/10

Country (1)	Dividends to individuals/ companies	Dividends to related companies (>25%)	Interest (2)	Royalties (2)
Malta	15	15	10	0/10
Mauritius	10	5	0/10	0
Mexico	15	5	10/15	10
Moldova	15	0/15	15	0
Mongolia	15	5	0/10	5
Montenegro	15	10	15	10
Morocco	10	6.5	10	10
Netherlands	15	0/5	0/10	0
New Zealand	15	15	10	10
Nigeria	15	12.5	12.5	12.5
Norway	15	5	0/15	0
Pakistan	15	15	15	0/15/20
Philippines	15	10	10	15
Poland	15	5	0/5	5
Portugal	15	15	15	10
Romania	15	5	10	5
Russia	10	10	0/10	0
Rwanda	15	0	0/10	10
San Marino	15	0/5	0/10	5
Senegal	15	15	15	10
Serbia	15	10	15	10
Singapore	15	5	5	5
Slovak Republic	15	5	0/10	5
Slovenia	15	5	10	5
South Africa	15	5	0/10	0
Spain	15	0	0/10	5



Country (1)	Dividends to individuals/ companies	Dividends to related companies (>25%)	Interest (2)	Royalties (2)
Sri Lanka	15	15	10	10
Sweden	15	5	0/10	0
Switzerland (3)	15	10	0/10	0
Taiwan	10	10	10	10
Tajikistan	15	15	0/15	0
Thailand	20	15	10/25	5/15
Tunisia	15	5	5/10	11
Turkey	5/20	5	15	10
Turkmenistan	15	15	0/15	0
Ukraine	15	5	2/10	0/10
United Arab Emirates	10	0/5	0/5	0/5
United Kingdom	10	5	15	0
United States	15	0/5	0/15	0
Uzbekistan	15	5	10	5
Venezuela	15	5	0/10	5
Vietnam	15	5/10	10	5/10/15

(1) Withholding tax exemption is provided for dividends distributed by a Belgian subsidiary to a parent company residing in another EU Member State or in a State with which Belgium has concluded a tax treaty provided that this or any other treaty provides for the exchange of information necessary to implement the provisions of the national legislations of the Contracting States. The parent company must have a participation of at least 10 percent in the subsidiary's share capital, which was or will be held during an uninterrupted period of at least one year.

(2) As from January 1, 2004, withholding tax exemption is provided for interest and royalty payments made between associated companies established in the European Union. Companies are considered to be associated if, at the moment of attribution or payment:

- One of the companies has a direct or indirect holding of a minimum of 25 percent in the capital of the other company for an uninterrupted period of at least one year; or

- Both companies have a common shareholder which is established in the EU, and which has a direct or indirect holding of a minimum of 25 percent in the capital of both companies for an uninterrupted period of at least one year.

(3) As from July 1, 2005, withholding tax exemption is provided:

- Dividends paid to a Swiss parent company when the parent has a direct minimum holding of 25 percent in the subsidiary's capital for at least two years, both companies are subject to income tax without being exempted, and both adopt the form of a limited company.
- Interest and royalties paid to a Swiss parent company when the companies are affiliated by a minimum direct holding of 25 percent for at least two years, or both are held by a third company which has a direct holding of minimum 25 percent in the capital of both companies for an uninterrupted period of two years.

5.3. VAT

The value added tax ("Taxe sur la Valeur Ajoutée", T.V.A.-"Belasting over de Toegevoegde Waarde", B.T.W.) was introduced in Belgium by the Law of July 3, 1969, which was modified substantially by the law of December 27, 1977 incorporating the provisions of the Sixth EC Council Directive. The objective of this Directive was to further harmonise the VAT-regulations within the EU countries. The Directive of December 16, 1991, dealing with the abolition of physical controls at the fiscal frontiers between the Member States, has been implemented by the law of December 28, 1992 (applicable as from January 1, 1993). The council directive 2006/112/EC of 28/11/2006 is in application in Belgium. VAT represents approximately 25% of the overall tax receipts.

5.3.1. General system and rates

A. Place of taxable transactions

The application of Belgian VAT is limited to supplies of goods and services that take place in Belgium. To determine the place of supply of goods and services the VAT Code stipulates certain rules.

On February 12, 2008 the EU Council of Ministers adopted a new Directive regarding the place of supply of services, the so called

VAT package. The aim of the VAT package is to minimize the administrative burden for companies engaged in crossborder operations and prevent distortions of competition between Member States operating different VAT rates.

Goods
General rule: the place of supply is the place where the goods have been put at the disposal of the recipient.

Intra-community acquisition: in case the goods are transported to another Member State, the place of supply is the place where the goods arrived at the end of the transportation. If the recipient cannot prove that VAT has been paid under this regime, the place of supply is supposed to be in the country which issued the VAT identification number of the recipient.

Services
General rule: business to business supplies of services (B2B) is taxed in the country where the customer is located. For cross-border transactions between two Member States, the recipient will be liable for VAT under the reverse charge mechanism.

Exceptions on this general rule are amongst others: services relating to real estate (services are deemed to be provided where the real estate is located), transportation services (place of transportation), services provided with respect to movable goods (place where the goods are situated), certain services (such as restaurant services, services linked to cultural, sports, scientific and educational events, short term hire of means of transport, etc.) which will in all cases be taxable in the country of consumption.

For intra-Community transport of goods, the place of supply of the transport service is the place of departure of the transport.

However, if the recipient of the service provides a VAT identification number of another EU Member State than the State of departure of the transport, the service takes place in the State that has issued the VAT identification number to the recipient.

Telecom, broadcasting and electronic services will be taxable as from January 1, 2015 in the Member State where the recipient is established.

The following VAT rates are currently in force:

- → A rate of 0%, which is applicable to tobacco, newspapers, periodicals and recuperation materials;
- → A reduced rate of 6%, which is applicable mainly to goods and products considered to be necessities of life, and to construction work on old buildings (under certain conditions);
- → An intermediary rate of 12% applicable to coal (cokes), tires for agricultural machines and tractors, social housing, pharmacy, margarine and food served in restaurants;
- → A standard rate of 21%; this is the basic rate which applies to all supplies of goods and services that are not explicitly subject to the VAT rate of 0%, 6% or 12%.

D.Computation and payment of VAT

The VAT due is computed by applying the appropriate rate on the price of goods and services supplied by the taxable person during a VAT declaration period. This amount of VAT due is compensated with the input VAT paid on goods and services supplied to the taxpayer during the same period.

In principle, VAT returns have to be filed on a monthly basis.

However, if the taxpayer's annual turnover does not exceed EUR 1,000,000.00 he is allowed to file the VAT returns on a quarterly basis. In that case monthly prepayments have to be made. The filing of VAT returns and the payment of VAT due have to be made no later than the 20th of the month following the VAT return period (monthly or quarterly).

5.3.2. Taxpayer and registration

A taxable person is any person (an individual or a legal entity) whose economic activity consists of performing, in a regular and independent manner, with or without profit motive, on a principal or an accessory basis, supplies of goods or services as referred to in the law, wherever this economic activity is carried out.

A. Categories of taxable persons

For VAT purposes the following categories of taxable persons exist:

- → Ordinary taxable persons (filing monthly or quarterly VAT returns);
- → Farmers;
- → Exempted small enterprises with a turnover < EUR 5,580.00;
- → Exempted taxable persons (no right to deduct input VAT);
- → Occasional taxable persons:
- → Optional: new buildings;
- → Compulsory: intra-community supply of new means of transport.

B. VAT grouping

On April 1, 2007 the concept of VAT grouping has been introduced in the Belgian VAT practice. This means that a group of taxpayers can — under certain conditions — be treated as one single taxable person for VAT purposes. No Belgian VAT will than become due on the intra-group transactions between the members of the VAT group.

Establishing a VAT group can result in significant administrative simplifications and cost-savings.

C. Non-resident taxable persons

A non-resident taxable person who has a permanent establishment for VAT purposes in Belgium is treated, in all respects, as a resident taxable person.

Following the new Belgian legislation regarding fiscal representation, a non-resident taxable person who performs taxable activities in Belgium and who has no permanent establishment has, in principle, no longer the possibility to register for VAT purposes in Belgium, since a general reverse charge mechanism is applicable. However, VAT registration is compulsory in several cases.

If a non-EU business has to register for VAT in Belgium, the appointment of a fiscal representative is compulsory. This fiscal representative will fulfill all the administrative requirements, such as the filing of the VAT returns and the payment of the VAT due. On the contrary, an EU business can opt for a direct VAT registration or for a VAT registration with appointment of a fiscal representative in Belgium.

5.3.3. Taxable transactions

The law enumerates the following taxable transactions:

- → The supply of goods in Belgium;
- → The supply of services in Belgium;

- Importation of goods into Belgium from outside the European Community;
- Intra-Community acquisition of goods in Belgium.

Definitions:

- A supply of goods: the transfer of the power to dispose of tangible property as owner;
- A supply of services: any transaction which does not constitute a supply of goods within the meaning of the (Belgian) VAT law;
- An intra-Community acquisition of goods: the acquisition of the power to dispose as owner of tangible movable property that has been dispatched or transported by the supplier or by the buyer or on their account to another Member State than the Member State from which it has been dispatched or transported.

The law provides certain VAT exemptions:

- Exemptions whereby input VAT cannot be deducted:
- The supply of immovable property (when subject to registration duties);
- Services for social purposes such as services by hospitals, doctors, dentists, lawyers, etc. As from January 1, 2012, notaries' and bailiffs' services are no longer VAT exempt;
- Scientific, educational and cultural activities;
- Banking and financial transactions such as deposit and acceptance of funds,

credit operations, etc.;

- → Insurance transactions, etc.
- → Exempt transactions whereby input VAT can be deducted:
- → Export transactions;
- → Supply of goods in VAT or customs warehouses and certain services supplied with respect to those goods;
- → International transport and auxiliary services;
- → Supply of ships, boats and airplanes;
- → Processing or improving goods in Belgium for a foreign customer and exported outside the EU;
- → Under certain circumstances, the transfer of an entire business or a branch of activity;
- → Intra-Community supplies of goods.

5.4. Other taxes

5.4.1. Transfer taxes/stamp duties

A. Transfer taxes

Contributions in kind are subject to varying rates depending upon whether they are plain or mixed contributions. A contribution is plain if shares in the company exclusively compensate for the value of the goods contributed. A contribution is mixed if the goods contributed are compensated for by both shares and other types of consideration (e.g. cash).

Contributions of assets to companies — the registration duty has been reduced to 0% for contributions made as from January 1, 2006; only the general fixed rate (EUR 25) applies.

It should be noted that the rules for levying registration duties, as indicated above, apply in principle both when contributions are made at the time of the formation of a company and when contributions are intended to increase the statutory capital of an existing company.

The contribution of a universality of goods or a branch established in the EU, is exempted if certain conditions are met.

When real estate situated in Belgium, that has been used or destined for habitation partly or completely, is contributed by an individual, the rate levied amounts always to 12.5% (10% in the Flemish Region).

B. Stamp duties

Duties are levied on the issuing of certain bank documents and other official documents and extracts.

C. Inheritance tax & gift tax

Belgium levies two types of inheritance tax. An inheritance tax is levied on inheritances from Belgian residents, and a transfer tax at death is levied on inheritances from non-residents with immovable property in Belgium.

If the deceased had established his domicile or center of economic interests in Belgium, inheritance tax is levied on his worldwide net property. If the deceased was a non-resident, transfer tax at death is levied on the value of his immovable property situated in Belgium.

The inheritance tax rates are proportional progressive and range from 3% up to 80%. The rates vary depending upon the relationship of the beneficiary to the deceased, upon the beneficiary's share in the estate, and upon the region where the deceased had established his domicile. Depending upon the region, a tax free allowance or a tax reduction is granted to the spouse and beneficiaries in direct line of ascendance or descendance.

Furthermore, and subject to certain conditions, special regimes apply to the transfer at death of family- owned businesses.

A gift tax is imposed on the registration in Belgium of gifts of real or personal property. The applicable rates are proportional progressive and vary between 3% and 80%. However, in certain cases, a fixed rate will apply.

5.4.2. Real estate tax

Certain legal transactions related to real estate and subject to registration duties are summarised below, together with the corresponding rate:

- → Sale of real estate situated in Belgium — 12.5% (10% in the Flemish Region) on the agreed sales price or the fair market value, whichever is the highest. If certain conditions are met, one can benefit from a reduction in registration duty (e.g. small properties, resale within short period, etc.). For dealers in real estate, the duty may under certain conditions be reduced to 5% (8% in the Brussels Region);
- → Letting of real estate situated in Belgium — 0.2% on the total of the rent and the charges payable by the lessee for the entire period of the lease;
- → Funding of a mortgage on real estate in Belgium — a registration duty of 1% plus 0.3% mortgage duty on the amount of the mortgage;

5.4.3. Excise duties

Energy products and electricity, alcohol and alcoholic beverages and tobacco products are subject to Community excise duties.

Coffee and non-alcoholic beverages are subject to national excise duties.

Excisable goods are mostly subject to excise formalities.

Various goods are subject to national ecotaxes (similar to excise duties) and the like.

5.4.4. Insurance tax

An insurance tax is levied on insurance contract if the risk is situated in Belgium and fulfils the following conditions:

- → The insured is a Belgian resident;
- → If the insured is a legal entity, it is established in Belgium;
- → Fixed assets and some current assets covered by the contract are situated in Belgium;
- → Vehicles of all kinds are registered in Belgium;
- → Contract that covers a risk incurred during holidays is signed in Belgium and has a maximum duration of four months.

Several contracts are exempted from this tax, most common are listed below:

- → Credit-risk contracts against commercial risks or countries as well as reassurance contracts;
- → Pension-savings insurance;
- → Insurances for some vessels, ships and planes;
- → Compulsory insurances for vehicles;

- → Road transportation vehicles, if they have a maximum authorised mass of at least 12 tons.

The taxation basis is the amount of premiums, personal contributions, employer contributions and charges to pay during the current year. Four rates apply:

- → Normal rate: 9,25%;
- → Life, death, work accidents and pension insurance: 4,4%;
- → Road, fluvial and air transportation insurance, compulsory insurances for commercial freight vehicle with a maximum authorised mass comprised between 3 and 12 tons: 1,4%;
- → Life insurances for individuals: 1,1%.

The tax can either be paid by the insurance company, the insurance agent or the insured following the case.

5.4.5. Customs duties

Certain goods are upon importation in the EU (Belgium) subject to import duties.

Chapter 6

Logistical services and customs

Because of its central location in Europe and its logistics infrastructure, Belgium is a major player in the European logistics and distribution market. The principal aim of the Belgian authorities is the promotion of commercial activity, in particular the export of goods and services. Controls are therefore kept to a minimum and those that do exist apply mostly to imports.

Belgium forms part of the EU Customs Union. Within the EU Customs Union Community goods could move freely without facing tradebarriers and without the need to pay import duties.

6.1. Import duties

Non-Community goods entering Belgium (EU) are subject to import formalities and might be subject to import duties. Import duties are based on the tariff classification, customs value and origin of the goods.

VAT will also become due upon importation from non-EU countries when the goods are to be released into free circulation in Belgium. Import VAT is charged on a taxable basis primarily based on the customs value plus any customs duties and other associated charges (e.g., inland freight charges). As in other EU member states, Belgian VAT on imported goods is usually due at the same time as customs duties. However, Belgium offers the opportunity to postpone the payment of import VAT to the VAT return (the reverse charge mechanism).

If a company established outside the EU wants to import goods in its own name, it needs to apply for a VAT identification number using a fiscal representative in Belgium. However, for companies established within the EU but outside Belgium, the appointment of a fiscal representative is not mandatory. Carefully note that upon arrival in Belgium, goods may be placed under a suspensive arrangement, e.g., using customs warehousing or VAT warehousing procedures.

Chapter 6

6.2. Customs warehousing procedure

The customs warehousing procedure allows, inter alia, the storage of non-Community goods without such goods being subject to import duties (neither VAT nor customs duties are due) or commercial policy measures (such as quota regulations, etc.).

Goods placed under a customs warehousing procedure are allowed to undergo the usual handling, e.g., packing, testing, stocktaking, ventilation, etc.

A customs warehouse offers the following advantages:

- → Avoiding pre-financing (for goods to be supplied to an EU destination);
- → Avoiding customs duties (for goods to be re-exported outside the EU);
- → Managing commercial policy measures;
- → Avoiding VAT registration.

6.3. VAT warehousing procedure

The VAT warehousing procedure allows, inter alia, the receipt and storage of goods without such goods being subject to VAT upon importation. A VAT warehouse also offers the advantage of avoiding the payment of VAT on any subsequent sale. Transactions in goods stored in a VAT warehouse do not automatically trigger an obligation to register for VAT.

Goods placed under a VAT warehousing procedure are allowed to undergo the so-called usual handlings, e.g., packing, stocktaking, etc. All non-Community goods that are allowed to be stored in a customs warehouse can be stored in a VAT warehouse. For EC goods, the use of VAT warehousing is restricted to certain bulk commodities.

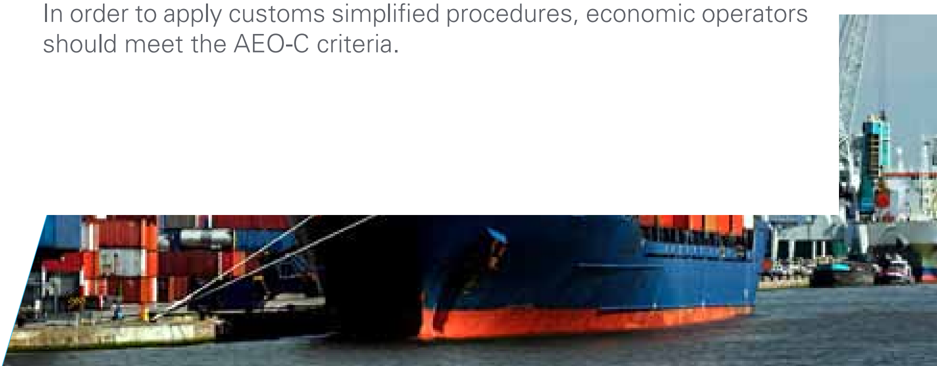
6.4. Authorized Economic Operator (AEO)

The fight against terrorism also affects the international trade of goods. To secure all inbound transactions, the European Union introduced the Authorized Economic Operator status to strive towards end-to-end supply chain security. AEO EU legislation came into effect on January 1, 2008.

Companies which are granted the AEO status will be fast-tracked through customs controls at borders and subject to fewer physical inspections. Moreover, these companies will be recognized as reputable trade partners in the international supply chain.

In the future, the lack of AEO accreditation may lead to a loss of trade as trade partners start to deal exclusively with accredited companies appearing on the EU official AEO list.

In order to apply customs simplified procedures, economic operators should meet the AEO-C criteria.



Chapter 6

6.5. Use of agents and representative offices

Agents may be appointed by non-EU and EU importers to deal with customs and VAT matters.

Appointment of a fiscal representative
A foreign (non-EU) taxable person who imports goods into Belgium in his own name must register for VAT purposes and appoint a fiscal representative. A taxable person established outside Belgium, but within the EU, can either register directly for VAT, or register with the appointment of a fiscal representative.

Application for registration is made by lodging an application with the competent tax authorities. The VAT authorities may also request a bank guarantee to secure payment of the VAT where a fiscal representative is appointed. shed in Belgium. He must meet all obligations imposed on the foreign taxable person he represents, e.g., the filing of the VAT returns and the payment of VAT within due time. The fiscal representative is jointly liable together with the foreign taxable person for complying with the VAT reporting requirements and for payment of VAT.

Appointment of a customs broker

As mentioned above, a registered customs broker may be appointed to handle all customs formalities in Belgium. Note that for specific operations, the registered customs broker may also act as a fiscal representative in Belgium.

6.6. Export

No export duties or Belgian VAT are payable when exporting goods through Belgium to a final destination outside the EU. The VAT exemption for export is subject to certain conditions being met, e.g., the retention of documentary evidence proving that the goods actually left the EU.

There are some export incentives for companies:

- Aid from the Belgian Foreign Trade Agency, like organizing joint economic missions and collecting, organizing and circulating information, studies and documentation on external markets on behalf of the regional export promotion agencies;
- Financial incentives or subsidies given by the regional authorities to companies for their export-oriented activities.

Chapter 7

Immigration, Employment and Personal tax

7.1. Immigration

7.1.1. Visa and residence requirements

EEA nationals (and a limited number of nationals from other countries who are exempted from the visa requirements) can in principle enter Belgium on the basis of an international passport or national ID card only (depending on the nationality). Non-EEA nationals will generally require a visa.

In principle, for a short stay (maximum 90 days over a six month period) foreign nationals are required to register with the municipality only if they have a fixed address in Belgium. For a stay in a hotel this is not required.

For longer stays, all foreign nationals are required to register with the municipality and to obtain a Belgian residence card. Depending on the nationality of the individual the procedure for obtaining this card will differ.

7.1.2. Cost of living

- → Overall, the cost of living in Belgium, while subject to small variations and differentials, can be said to be generally in line with that of its close neighbors. In comparison with other metropolitan areas, Brussels and Antwerp may enjoy a somewhat lower cost of living, primarily in the cost of housing. In spite of a recent boom in property prices, especially in the Brussels region, prices for both rental and sale of real property remain generally below equivalent prices in other major European capital cities. Currently, the market is adequately supplied with residential and commercial rental property, with housing available both furnished and unfurnished. Prices are often lower and commuting times still acceptable outside the Brussels-Capital Region in comparison to London or major American cities.

While Belgian real estate is reasonably priced in reference to other European countries, the initial costs of purchase are relatively high because of taxes and legal charges. However, under certain conditions, a sizeable proportion of these costs can be recouped when the house is sold again. Because of these costs, and the process of purchase being somewhat complicated and lengthy, most foreigners on a normal assignment opt to rent rather than buy property.

Expatriates contemplating the purchasing of real property, or who intend to hold significant personal assets in Belgium, would be wise to investigate the effect of Belgium's inheritance laws on their estate. They are still based on the French Napoleonic Code and differ radically from their Anglo-Saxon equivalents. For people on temporary assignment, or newcomers looking for more permanent accommodation, there are also a certain number of "flat-hotels" in Brussels, providing fully furnished and serviced accommodation on a short-term basis.

7.1.3. Amenities for foreign residents

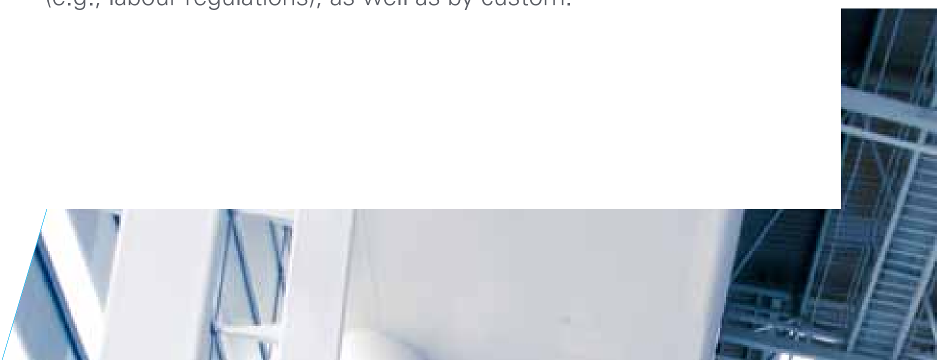
Due to the significant presence in Brussels of several major EU functions with their attendant services, the political headquarters of NATO, the European headquarters of many international companies, and the presence of SHAPE near Mons, significant facilities for foreign residents exist in and around Brussels. In addition to the Belgian schools (in Dutch and in French), there are several international academies and universities teaching in various major languages (including English, French, German and

Japanese). These can help minimize the effects of culture shock that may be experienced by the children of executives on a short-term assignment. In addition, there are a number of community groups organizing social and cultural events for their particular nationality, ethnic group, religion, etc., which help make Brussels and Belgium a viable, cosmopolitan place to live. In view of the large number of foreign residents now in Belgium, particularly in the Brussels region, companies now exist that can find suitable accommodation, help with the settling-in process for newcomers, and assist them in complying with the various bureaucratic formalities. There is also a broad choice of language schools, both public and private, that provide either group or individual instruction within any budget for those wishing to learn the local languages.

7.2. Employment regulations

7.2.1. General

Belgium has a sophisticated body of legislation and administrative rules on employment, structured on different levels. First, there are the substantive rules and regulations laid down by different laws regarding employment and employment conditions (e.g., Law of July 3, 1978 on employment contracts, Law of April 12, 1965 on the protection of remuneration, Law of March 16, 1971 and August 10, 2001 on working hours, and the law of March 5, 2002 implementing the EU Directive 96/1/ EC of March 16, 1996). Further are the conditions provided for in collectively negotiated employment agreements, either on a national level (National Labour Council), industry level (relevant Joint Labour Committee) or on company level. And, finally, there are the individual employment contracts (either verbal or written) concluded between employer and employee. Employment relations are also governed by the general provisions of contract law, general rules concluded at the level of the company (e.g., labour regulations), as well as by custom.



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7.2.2. Employment and training

A number of schemes have been introduced as an incentive to employment and training, including:

- Salary subsidies and social security reductions. Specific reductions are provided for a.o. the hiring of a first employee, for older and younger employees, for low-skilled employees, for employees involved in a restructuring, for unemployed people and for disabled people;
- Tax exemption for employment premiums (primes de remise à l'emploi/tewerkstellingspremies) and professional transition subsidies (primes de transition professionnelle/beroepsoverstappremies) granted by the competent regional institutions benefit from a corporate income tax exemption. The companies receiving such subsidies will thus benefit fully, as the subsidies are not reduced by the corporate income tax. The tax exemption applies to premiums reported as of January 1, 2006, as long as the notification date relates to a taxable period linked to the 2007 assessment year;
- Aid for the training of personnel. This is offered by the various regional authorities, and may be of an organizational or financial nature for courses on the company's premises or in a specialized training center.

7.2.3. Contracts

Different types of contracts of employment can be concluded, depending on, for example, the qualifications of the employee (white-collar or blue-collar worker), the duration of the contract (for a definite or indefinite duration), the type of work (contract for a defined work, contract for a sales representative, student contract, or a contract for a home or tele-worker). Moreover, specific clauses can be included in the employment contract, such as a trial period or a non-competition clause. These specific clauses must be in writing.

7.2.4. Work permit requirements

If you come to Belgium for work, even if this is only for a business trip, you should inquire about the work permit requirements in Belgium. In principle all EEA nationals are free to work or look for work in Belgium but non-EEA nationals, in principle, require a work permit. Depending on the circumstances and personal situation of the person concerned, there are certain exceptions which may apply but this will have to be assessed on an individual basis. As part of transitionary measures, nationals of Romania and Bulgaria also require work permits, in principle till December 31, 2013.

Note also that, if needed, the work permit will have to be obtained prior to the start of the activities in Belgium and is in principle granted for a renewable period of one year.

7.2.5. Visa Type D

After a work permit is granted, the individual can take up his or her assignment in Belgium either after obtaining a Visa Type D or without obtaining a Visa Type D.

Visa type D is a visa required for legally entering Belgium and for staying in Belgium for more than three months. This visa also facilitates and shortens the process to obtain a residence permit after his or her arrival to Belgium. In particular, if the spouse of the work permit holder comes to Belgium without obtaining a Visa Type D beforehand, his or her travelling in and out of Belgium and Schengen countries is likely to be restricted for several months.

A Visa Type D should be applied at the Belgian consulate of the area where he or she lives. The processing of the visa application takes approximately one week if the application file is complete.

For the spouse and dependent children, if they are to accompany the work permit holder to Belgium, their applications for a Visa Type D are regarded as filed at the same time as the work permit holder's visa if they are filed within six months of the work permit holder's application. In this case, their visas will be issued approximately within one week. If not applied within the six months limit, a waiting period of several months is likely to be imposed for the spouse.

7.2.6. Limosa

Foreign employers who temporarily assign personnel to Belgium are required to register these employees with the Belgian social security authorities prior to the start of their activities in Belgium. This declaration is called the "Limosa declaration" and can be done electronically.

There are certain exemptions from this registration requirement, mainly depending on the reason for coming to Belgium and on the length of the stay.

As a consequence of the declaration, foreign employers are exempted, for a period of 12 months (as from the employment of the first employee on the workplace where the employment activities are performed) from drafting and maintaining Labour Regulations and the employees' individual accounts and from the compliance with the regulations on part-time employees.

Employers which satisfy to this declaration do not have the obligation to proceed to an individual account or pay slips provided they can show similar official documents issued in the country of origin.

In case of non compliance with the registration requirement, both the foreign employer and the Belgian end-user can be sanctioned with criminal and/or administrative penalties.

7.2.7. Wage regulation

In certain industries, the collective employment agreements include minimum salary or wage scales exceeding the national minimum wage binding for that sector. Most wages are tied to the consumer price index, depending on the specific conditions of the relevant Joint Labour Committee. Following recent legislation for the protection of Belgian company competitiveness (the Law of July 26, 1996 regarding the improvement of employment and ensuring competition), all agreements relating to salary increases (except for the salary indexation) concluded at the industry or company level, or on an individual basis, are not allowed insofar as the resulting increases would exceed the margin for the increase of labor cost in Belgium. The margin for increase is currently set at 0,3 percent for 2012. This means that wage increases can, in principle, only be awarded within the strict limits of this margin.

7.2.8. Labour conditions

Paid vacation and public holidays

Employees are entitled to at least 20 days of paid vacation based on a five-day working week. The right to paid vacation is accrued during the calendar year prior to that in which the vacation days are taken. Recent Belgian legislation foresees in complementary vacation days for employees who are not entitled to full vacation (20 days per year). This complementary vacation amounts to 5 days per three months worked in the vacation year (without exceeding the legal maximum of 20 vacation days).

In addition to the normal remuneration, a so-called "double vacation allowance" must be paid.

Blue-collar workers are entitled to an allowance of 15.38 percent of 108 percent of their annual salary (paid by a vacation fund), and white-collar workers are entitled to 92 percent of the monthly salary (paid by the employer).

There are 10 public holidays in Belgium during which work is prohibited. If a public holiday coincides with a Sunday or any other usual day of inactivity, the employer should grant a replacement holiday.

Based on the Law of March 5, 2002, the major part of the Belgian labour law (including vacation payments, thirteenth-month payment, and indexation) will apply to any employment situation (including secondment) in Belgium.

Trial period

Employment contracts for blue-collar workers may provide for a trial period between minimum 7 and maximum 14 days. This trial period can be suspended due to the suspension of the execution of the employment contract (for blue-collar workers, the maximum suspension is 7 days).

White-collar employment contracts may foresee a trial period between one (minimum) and 6 months (maximum), or maximum 12 months if the annual gross remuneration is higher than EUR 37,721.00 (2012 figure).

Suspension of the execution of the employment contract

Execution of a white-collar contract or blue-collar contract will be suspended for the following reasons: illness or private accident, labour accident, parental leave.

For white-collar contracts, full wages must be paid by the employer during the first 30 days, provided that the trial period has expired (if the notice period has not yet expired, the conditions applicable to blue-collar apply).

For blue-collar contracts, supplementary specific conditions of suspension can apply such as technical failure, inclement weather, or economic unemployment. In the event of technical failure, illness or private accident, full wages must, in principle, be paid during the first seven days of suspension (except for blue-collar workers employed with the company less than one month). In the event of illness, partial wages must be paid between the 8th and the 30th day.

Working time

According to the Labour Law Act of March 16, 1971, the term “working hours” refers to the hours during which the employee remains at the disposal of the employer. As of January 1, 2003 (based on the Law of August 10, 2001), an employee may not work more than eight hours per working day (daily limit) and 38 hours a week (weekly limit). Some Joint Labour Committees provide lower weekly limits. In principle, all working hours performed beyond the above-mentioned limits are considered as overtime and should be compensated by additional rest and overtime pay.

Use of languages

Different regulations govern the use of languages in labour relations (specific conditions have been fixed for the Dutch, French and German speaking parts of Belgium and for the bilingual area of Brussels). Companies established in the Dutch and French speaking parts of Belgium must use the Dutch or French language respectively for all documents intended for the employee. All documents drawn up in another language will be considered null and void.

Companies established in Brussels Capital, or in the German-speaking part of Belgium, should observe the following rules: for Brussels Capital, the documents issued by the employer should be drawn up in French or Dutch depending on the mother tongue of the employee concerned; for the German-speaking part of Belgium, all documents should be issued in German. Any other foreign language is rejected. The sanction is the replacement of the document drafted in the wrong language.

Discrimination

All discrimination between employees on the basis of gender, race, or religion, etc., is prohibited.

Social documents

All employers who employ personnel in Belgium, regardless of whether the company is located in Belgium, are obliged to keep a number of social documents. At the end of each calendar year, an individual account (annual overview of the wages paid to the employee) must be handed over to the employee. Personnel register and individual accounts need to be kept by the employer for five years.

Each employer employing personnel in Belgium is required to draw up a set of labour regulations, determining the day to day running of the work place. These labour regulations must contain a number of mandatory provisions, such as the exact working hours per day, method and time of payment of wages, methods for measurement of performance, methods for application of penalties and fines, location of the first aid kit and the identity of the person to contact in case of accidents. Specific rules govern the drawing up or modifying of these regulations.

In addition, each start and end of an employment in Belgium must be registered immediately through an electronic system called DIMONA.

The Act of March 5, 2002 confirms that the obligation to keep the above social documents also applies to foreign employers whose employees occasionally work in Belgium (i.e. except in case of application of the exemption for preliminary Limosa declaration).

7.2.9. Termination of employment

In general, an employment contract can be unilaterally terminated by either party without the observance of any specific procedure involving consultation with, or decision of, third parties, and without the prior authorization of any social mediation, arbitration or legal body. An exception must be made for "protected" employees (see below), and in the event of a collective dismissal which is subject to very strict procedures depending on the circumstances.

The terminating party is not obliged to explain or justify their decision. However, exceptions exist, e.g., in the case of the termination of a blue-collar worker.

The only procedural requirement applicable under Belgian law is that an advance written notice of termination must be sent by registered mail or by bailiff's deed (it can also be handed over but only by the employee) to the party who is being terminated and, to be valid, such written statement must specify the beginning and the duration of the notice period.

Length of notice

→ Blue-collar workers

For employment agreements by virtue of which the employee started working before January 1, 2012, the legislation foresees general rules with respect to the length of notice for the dismissal of a blue-collar worker. An employer can terminate the employment contract of a blue-collar worker by giving a notice period of 28 days (for a length of service less than 20 years) or 56 days (for a length of service of 20 years or more).

An inter-professional agreement foresees the following lengths of notice for blue-collar workers in case of dismissal by the employer:

- → 28 days in the case of a seniority of less than six months;
- → 35 days in the case of a seniority between six months and five years;
- → 42 days in the case of a seniority between five and ten years;
- → 56 days in the case of a seniority between ten and 15 years;
- → 84 days in the case of a seniority between 15 and 20 years;
- → 112 days in the case of a seniority of 20 years or more.

If the employee terminates the employment contract, the legislation foresees that a notice period of 14 days (for a length of service less than 20 years) or 28 days (for a length of service of 20 years or more) should be observed.

These terms are only applicable to the employers which do not fall under a sector for which specific rules regarding the length of notice for blue-collar workers have been adopted. These specific rules often extend the length of notice to be given to blue-collar workers.

New regulation as from January 1, 2012

A new regulation applies to employment agreements by virtue of which the employee starts working as of January 1, 2012. The date of the signing of the agreement is thus irrelevant.

Blue-collar workers who are in service for less than 6 months are entitled to a notice period of 28 (calendar) days in case of dismissal by the employer. Once a seniority of 6 months is reached, the notice period is increased to 40 days. As of that moment, the notice period increases progressively per started 5 years of seniority to a maximum of 129 days for a blue-collar worker who is at least 20 years in service.

In the event that the blue-collar worker ends the employment agreement, he has to respect a notice period of 14 days. This initial notice period is doubled in case the blue-collar worker is at least 20 years in service.

→ White-collar workers

White-collar workers with an annual gross salary of less than EUR 31,467 gross (2012 figure) are entitled to a notice period of three months per started 5 years of seniority in case of dismissal by the employer. In case the worker himself resigns, the notice period equals half of the notice period that should have been respected by the employer, up to a maximum of 3 months. This maximum is increased to 4,5 months in case the total employee's remuneration is higher than EUR 31,467 gross (2012 figure) and 6 months in case the total remuneration of the employee is higher than EUR 62,934 (2012 figure).

New regulation as from January 1, 2012
For white-collar workers with an annual gross salary exceeding EUR 31,467 (2012 figure), the regime will be different for employees who started their employment with their employer as from January 1, 2012 depending on whether notice is given before or after January 1, 2014.

<table>
<tr><th>Seniority employee in the same company</th><th>Notice periode to be respected by the employer (notice is given between January 1, 2012 and January 1, 2014)</th><th>Notice period to be respected by the employer (notice is given as from January 1, 2014)</th><th>Notice period to be respected by the employee</th></tr>
<tr><td>Less than 3 years</td><td>91 days</td><td>91 days</td><td rowspan="3">45 days</td></tr>
<tr><td>Between 3 and 4 years</td><td>120 days</td><td>116 days</td></tr>
<tr><td>Between 4 and 5 years</td><td>150 days</td><td>145 days</td></tr>
<tr><td>Between 5 and 6 years</td><td>182 days</td><td>182 days</td><td rowspan="2">90 days</td></tr>
<tr><td>At least 6 years</td><td rowspan="3">30 days per stated year of seniority</td><td rowspan="3">29 days per stated year of seniority</td></tr>
<tr><td>Between 10 and 15 years</td><td>135 days</td></tr>
<tr><td>More than 15 years</td><td>180 days, provided that the employee's annual gross salary is at least EUR 61,071</td></tr>
</table>

The possibility to foresee a notice period in the employment agreement at the moment of hiring remains only available for employment contracts with white collar workers with an annual gross salary exceeding EUR 62,934 (2012 figure).

The employer who dismisses his employee immediately without notice must pay a fee equal to the salary that the employee would have received during the theoretical notice period.

Notice period versus indemnity

The termination may be with immediate effect, or with a notice period to be performed by the employee (in which case strict formalities for the notification must be complied with). In the case of a termination with immediate effect, the terminating party will have to pay a severance indemnity equal to the remuneration that corresponds to the length of the notice period that should have been observed. For white-collar workers, the new regulation provides a formula to calculate the daily salary, necessary to establish the indemnity in lieu of notice, since the salary of a white collar worker is usually fixed per month:

Daily gross salary of a white-collar worker =
current gross monthly salary x 3/91

Some employees enjoy special protection against termination, e.g., pregnant employees, effective and substitute employee representatives, union delegates, candidates to social elections, employees benefiting from career interruption, etc. Dismissals of protected employees should be handled with extreme caution, as these may entail severe financial consequences for the employer.

Arbitrary dismissal of blue-collar workers

The Law of July 3, 1978 provides for additional compensation for blue-collar workers equal to six months salary if the dismissal is considered as an arbitrary dismissal (i.e., if the dismissal cannot be justified on objective grounds, such as economic or technical reasons, or reasons linked to the behavior or capabilities of the employee).

Dismissal for serious cause

In the event of a dismissal for serious cause without notice or indemnity, a strict procedure should be complied with.

The notion of "cause" is understood as any major violation of a contractual undertaking or of the principle of good faith, rendering a continuation of the professional relationship between employer and employee immediately and permanently impossible, justifying a termination on the spot without notice or indemnity (Article 35 of the Law of July 3, 1978).

The termination must occur within three working days from the moment the facts are known to the terminating party, and the facts must be notified to the dismissed party by registered mail or by bailiff's deed within three (working) days from the date of dismissal.

The day on which the cause of termination arises is not counted, and the three-day period is extended by one day if the third day coincides with a Sunday (not a Saturday) or public holiday.

If a labour court rejects the claim of a serious cause, the termination will not automatically be deemed abusive and a "normal" severance allowance will be awarded.

7.2.10. Collective labour law

Employers who employ more than 50 employees (however, 100 employees during the transitory period until the next social elections) must establish a Workers Council, in which representatives of both the employer and employees participate. The Workers Council has an advisory, consultative and informative function within the company. Employers who employ more than 50 employees must establish a Committee for Prevention and Protection at work.

Most sectors of industry have concluded collective bargaining agreements, negotiated within the joint committees comprising representatives of employers' federations and the major trade unions. These agreements generally determine an important number of labour and wage conditions applicable to the sector, including the specific maximum working time, overtime pay, mechanisms of the automatic cost-of-living adaptation of wages (the "index mechanism"), year-end bonuses (13th month pay) per sector, job protection, obligations with respect to training, etc. These agreements are binding for all employers and employees in that specific industry.

7.2.11. Disputes

All legal conflicts arising from social security or labour law involving employees are the sole responsibility of the labour courts. In these courts, the bench is composed of a professional judge, assisted by a representative of the employers' federation and a representative of the trade unions. The statute of limitation for claims filed in the course of the employment runs for five years. The statute of limitation for claims filed after the termination of the employment contract runs for one year. However, as most of the Belgian employment legislation is also criminally sanctioned, the statute of limitation of five years for criminal matters may often apply.

7.3. Personal income tax

7.3.1. Persons subject to income tax

Resident individuals are subject to individual income tax on their worldwide income, which in principle is computed by aggregating all items of income such as business and employment income, real property income, personal property income, and miscellaneous income. However, some items of income are taxed separately.

A resident is defined as a person who has his domicile or center of economic interests in Belgium. These criteria should be evaluated on the basis of actual facts and circumstances. Furthermore, any individual registered in the Civil Register is presumed to be resident, unless the contrary is proved (refutable presumption).

For married people, the domicile is determined as the place where the family resides (irrefutable presumption). Tax treaties concluded by Belgium alleviate the tax burden in Belgium on certain types of foreign income received by a resident taxpayer. If no treaty relief is available, foreign-source income from real property, from an occupation or business, and from certain miscellaneous sources will be taxed at half of the normal resident income tax rate.

Non-resident individuals are subject to tax only on their Belgian-source income.

7.3.2. Computation of taxable income

A. Resident taxpayers

Taxable income includes all the various items of income which have been received by the taxpayer. However, the net taxable amount depends upon the nature of the income received.

a) Income from real property

Individuals owning real property situated in Belgium are subject to income tax based on the indexed “cadastral income” of the property, which is the deemed annual net rental income of the property.

However, this taxable base is increased by 40 percent for properties other than the taxpayer’s personal residence, without regard to whether the property is used by a tenant for non-business purposes. If the owner rents the property to a tenant who uses it for business purposes, the taxable income of the owner is increased by the portion of the net rental income exceeding the cadastral income. For build real estate, net rental income equals, in principle, 60 percent of the total rental income received.

For properties acquired using a mortgage loan after January 1, 2005 and properties for which there is no mortgage loan, an exemption of cadastral income is provided for the taxpayer’s personal residence. For owner-occupied residences acquired using a mortgage loan before January 1, 2005, the cadastral income is taxed only to the extent that the indexed cadastral income exceeds EUR 4,905.00 for the 2012 income year. An additional allowance of EUR 409.00 for the 2012 income year is granted for each dependent. If the net income is below EUR 34,400.00, an additional allowance is granted. An amount equal to 12.5 percent of the indexed cadastral income of the taxpayer's personal residence is normally creditable against the final individual income tax due by the property owner (limited to the interest paid on loans used to acquire real property).

b) Income from personal property

This type of income includes dividends, interest from debts and loans, certain bonds, bank deposits and government securities, as well as rents and fees from tangible personal property.

Movable property income is subject to a withholding tax. However, as from assessment year 2013, it must be reported in the annual tax return, except for dividends and interest on which the special contribution of 4% has been withheld at source in addition to the withholding tax of 21%. The withholding tax rate is 25 percent for dividends. In certain specific cases, this rate is reduced to 21 percent (10% for liquidation proceeds). For interest, the withholding tax amounts to 21 percent. Foreign-source income, from which no Belgian withholding tax has been deducted, has to be declared in the annual tax return and is taxable at flat rates equal to the above-mentioned withholding tax. For such revenues with their source outside the EEA, a municipal tax applies.

As from 1st January 2012, taxpayers subject to withholding tax have the obligation to declare and identify the recipients of interest and dividends. Should such income exceed EUR 20,020.00, a special contribution applies on the amount above that limit:

→ Dividends and interests that normally qualify for the 21% withholding tax rate are subject to a 4% special contribution on the part above the limit;

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- Dividends and interests which are normally subject to the 10% or 25% withholding tax rate are not subject to the 4% special contribution.

c) *Income from an occupation or business*

- Profits derived from industrial, commercial or agricultural enterprises by sole proprietors and profits derived by partners in associations and partnerships;
- Salaries, wages, pensions and other compensation;
- Fees derived from self-employment activities exercised by individuals;
- Income of workers;
- Income of company managers;
- Benefits from previous professional activity;
- Intellectual property rights.

Belgian tax law provides that individuals may deduct from their gross income actual expenses that can be substantiated as having been incurred during the taxable period for the purpose of acquiring or preserving income derived from an occupation or business.

Standard deductions are also permitted in lieu of the actual expenses for wage and salary earners and liberal professions. The standard deduction is equal to a percentage of the gross income after deducting the social security contributions. The deduction is currently limited to EUR 3,790.00 per annum (for income year 2012).

Loss from an occupation or business can be carried forward indefinitely.

Under certain conditions, the individual taxpayer is also entitled to a tax deduction for items such as life insurance and group insurance premiums, capital reimbursements on mortgage loans, contributions to certain pension saving schemes, and amounts spent to acquire shares in the company in which he is employed. Tax deductions are also allowed for expenses paid to unemployed people in accordance with local employment agencies, for certain expenses paid for work related to dwellings, etc.

d) Other income

Individuals who receive income from unusual or occasional sources must include their net receipts in their gross income. For most types of income the tax rate varies from 15 percent to 33 percent. Included under this heading would be awards, subsidies, government annuities, prizes, subleasing or the transfer of personal property, alimony, proceeds from the granting of certain rights, e.g. hunting or fishing rights, and profits derived from occasional operations (not including those related to the normal management of one's own private property).

Capital gains arising from the transfer of property are normally not taxable. However, capital gains realized on the transfer of undeveloped real property (i.e. land) are taxable when the property is held by the owner for less than eight years. In this case, the taxable gain normally equals the difference between the selling price and the purchase price increased by a certain percentage. This rule is also applicable to capital gains arising from the transfer of developed real property when it is held by the owner for less than five years. Developed real property used as "owner-occupied residence" is exempt from this taxation.

Capital gains realized on the transfer of shares are generally exempt from taxation, unless the transfer relates to shares in Belgian companies and the transferor, alone or together with close relatives, has held at any time during the five preceding years more than 25 percent of the shares in that company and the transferee is a foreign corporation or person established outside the Europen Economic Area.

Stock options granted as from January 1, 1999 are taxable in Belgium at grant time if the offer is made in writing and accepted in writing within 60 days following the offer. The taxable income is then calculated on a lump sum basis. If the options are not offered in writing or accepted in writing within 60 days following the offer, stock options are generally taxable at exercise.

e) Total taxable income

The total amount of the above four types of income will constitute the total taxable income of a resident individual. Certain expenses (such as alimony and support payments) may be deducted from the taxable income.

B. Non-resident taxpayers

Non-residents are subject to Belgian non-resident income tax on their income earned in Belgium or derived from Belgian sources. Certain specific provisions apply to non-residents. In some instances their total Belgian income is subject to tax, in other instances various withholding taxes constitute their sole tax liability in Belgium.

a) Non-residents taxed on total Belgian income

Two categories of non-resident taxpayers are taxed by way of assessment:

- → Non-resident individuals who receive taxable income exceeding EUR 2,500.00 from Belgian immovable property;

- → Non-resident individuals who obtain Belgian earned income, which includes income from business, professions, employment or pensions. If the taxpayer also receives immovable property income, it is aggregated with earned income.

For these individuals, their total taxable income will be computed essentially as for resident individuals, but the municipal tax is fixed at seven percent.

b) Non-residents for whom Belgian income is not totalized

Non-residents who do not receive rental or earned income are taxed on Belgian source income by way of a final withholding tax.

7.3.3. Computation of income tax

Separate taxation of the spouses' income has become the rule. Partners with a registered legal declaration of cohabitation are considered spouses.

With respect to employment income and liberal professions, business-related expenses are determined on a lump sum basis and are, as follows for the 2012 income year:

- → 28.7 percent on the portion of compensation income not exceeding EUR 5,490.00;
- → 10 percent on the portion from EUR 5,490.00 to EUR 10,910.00;
- → 5 percent on the portion between EUR 10,910.00 and EUR 18,150.00;
- → 3 percent on the portion exceeding EUR 18,150.00.

The total lump sum deduction may not exceed EUR 3,790.00. For directors, this deduction is determined at a flat 3 percent of income,

with a maximum deduction of EUR 2,280.00. In all cases, the taxpayer can elect the deduction of actual business expenses if this results in a larger total deduction.

Standard tax credits are available depending on family size. All taxpayers are entitled to a basic allowance (zero-bracket amount) of EUR 6,800.00 from their taxable income. The tax credit is given at the lowest marginal tax rate.

The earned income of each spouse is taxed separately, although special rules do exist to ease the tax burden if one spouse has low earned income. If one of the spouses does not earn professional income at all, for example, that spouse is attributed 30 percent of the employment income of the other spouse up to a maximum of EUR 9,810.00.

These credits apply to non-residents only if they have a home in Belgium during the entire taxable period to which the income relates.

7.3.4. Filing of returns and payment of income tax

All individuals resident in Belgium (as well as non-resident individuals taxed on total Belgian income) are required to file an annual tax return by the date indicated on the relevant form. It is also possible for taxpayers to file a web-based tax return. Married couples and individuals who are registered cohabitants must file jointly. Taxpayers should request the necessary forms from the Ministry of Finance as soon as they can if they do not receive them by mail. Failure to comply with these requirements may give rise to a penalty and could also result in taxation on an estimated basis.

The tax authorities should issue their assessment before June 30 of the following year. The tax due should be paid within two months from the date of the assessment to avoid late payment interest.

A claim against an assessment can be filed with the office of the regional director of the tax authorities who will decide on the case. Decisions of the regional director can be contested before the Court of First Instance.

As to the payment of income tax, a distinction should be made between an employee and a self-employed individual.

With regard to employees and directors, Belgian law provides that the employer must deduct professional withholding tax from salaries ("Précompte professionnel" — "Bedrijfsvoorheffing"), which is determined by tax tables. The difference between the final tax liability and the withholding tax is payable (or recoverable) within two months after the tax assessment is issued.

Self-employed individuals (i.e., individual entrepreneurs and individuals exercising a liberal profession) should prepay the estimated income tax on their income. Also, self-employed directors of companies should prepay the withholding tax in case this does not cover the estimated income tax liability. The system consists of four prepayments to be made in April, July, October and December. Failure to comply with this requirement gives rise to an increase in tax up to a maximum of 2.25 percent of the national income tax due (applicable for the 2012 income year).

It is also possible to make voluntary tax prepayments in order to obtain a tax reduction. (The maximum reduction is 1.5 percent for the 2012 income year.)

7.3.5. Special rules applicable to certain foreign executives and researchers

Special rules have been issued concerning the tax treatment of foreign executives and researchers working temporarily in Belgium. These regulations apply to foreign executives, researchers and specialists who have been transferred to Belgium to work temporarily for an enterprise or for the coordinating office of an international group of companies. In addition to the standard deduction for professional expenses, available to resident individuals, these regulations also provide a deduction for expatriate allowances and exclusion for workdays abroad.

These regulations also provide that the remuneration covering activities exercised abroad is excluded in determining Belgian taxable income.

These measures are intended to benefit the employer rather than the individual foreign employee.

Companies wishing to benefit from the above rules should provide the tax authorities with the necessary information and evidence to prove that they qualify. A separate request must also be filed by each employee seeking expatriate status.

See point 7.6 of this chapter about expatriates for a detailed discussion of the general regime.

7.3.6. Chart of tax rates

The progressive scale of individual income taxes for income year 2012 is as follows:

Progressive scale	For income between EUR X and EUR X
25%	0 and 8,350.00
30%	8.350.01 and 11,890.00
40%	11,890.01 and 19,810
45%	19,810.01 and 36,300.00
50%	> 36,300.01

The income taxes calculated based on the progressive scale should be increased by the municipal tax (which is determined by each municipality). In many instances, this surcharge is presently between 6 percent and 8 percent of the national income tax. It should be noted that for non-resident taxpayers, the surcharge tax is fixed at 7 percent.

7.4. Social security and payroll taxes

The Belgian social security legislation applies to all established employers who have an operational seat and employ workers in Belgium, and to all employees working within the Belgian territory engaged by such an employer. For nationals of the EU, EEA, Switzerland, and third countries the EU Regulation 883/2004 applies and overrules the Belgian legislation (according to the transition rules, the previous EU Regulation 1408/71 still applies in certain circumstances).

In addition, bilateral treaties regarding the application of the social security legislation should also be taken into account.

In applying provisions of EU Regulations and the bilateral social security treaties, some employees may remain subject to the social security system of their home country, in case of multiple employment or temporary secondment, depending on the circumstances of the case.

7.4.1. Social security contributions

Belgian social security legislation provides for a different system for employees, for self-employed and for civil servants.

The employee system offers a broad coverage of risks. The main benefits under this system are: old age and survivor pension, unemployment benefits, labor accident insurance, professional sickness insurance, family allowances, and sickness and disability benefits (including partial or total reimbursement of most medical and dental costs).

The contributions due by the employer and the employee are based on the total gross remuneration, increased by the value of fringe benefits. The employee's part must be withheld from the gross salary. At present, the employer's contributions average approximately 41 percent for blue-collar workers and 35 percent for white-collar employees. The employee contributions amount to 13.07 percent of the gross salary.

The social security contribution for blue-collar workers is based on 108 percent of gross remuneration (due to the different payment method of holiday pay). The employer is responsible for calculating and withholding the social security contributions, and the payment thereof to the social security authorities. Most companies outsource these tasks to specialized payroll offices.

An additional social security contribution (the "special social contribution") must be paid by employees subject to Belgian social security on their "total net taxable family income". The employer must withhold an advance on this contribution from the net monthly salary of the employee. This contribution is limited to EUR 731.28 per family.

In order to receive sickness and disability benefits, each employee must join a particular health insurance agency ("mutuelle" or "ziekenfonds"). These private organizations will ensure payment of these benefits.

For some industries, the employer must pay additional contributions to specific industry funds.

Contributions into the system for self-employed persons are limited (the maximum contribution amounts to EUR 15,616.24 in 2012) and therefore, the system for self-employed persons is less generous and it provides for fewer benefits. Selfemployed persons are required to join specified social security funds to ensure payment of their contributions and to receive benefits. Directors of companies are considered as self-employed persons and are therefore obliged to pay contributions on the basis of their director remuneration. An exemption can be obtained in certain cases, taking into account the fulfillment of certain conditions.

Furthermore, each company subject to Belgian corporate income tax or Belgian corporate non-resident income tax is required to affiliate with a social security fund for self-employed persons and to pay a fixed yearly contribution (EUR 347.50 in 2012) to ensure the financial balance of the self-employed social security system. For companies with a total balance exceeding EUR 627,377.34, the contribution is equal to EUR 868.00 in 2012.

Chapter 7

7.5. Pensions and insurance

A Belgian pension is granted to all employees who work in Belgium, regardless its nationality and provided the employee pays his social security contributions in Belgium.

Workers coming to Belgium from within the EEA are in principle subject to the Belgian social security system.

For non-EEA workers, Belgium has concluded a number of bilateral agreements with other countries concerning social securities. A non-resident worker in Belgium can continue to contribute to the social security system of its country of origin while working in Belgium. This can be a considerable cost saving for the employer. The employee is free to contract supplementary insurances such as complementary health or pension insurance. Home and civil responsibility insurances remain compulsory for the non-resident worker.

If the worker comes from a country that has no bilateral agreement with Belgium, he must contribute to the Belgian social security system in order to be covered.

7.6. Expatriates

In Belgium, special rules have been issued by the Belgian tax authorities concerning the tax treatment of foreign executives, researchers and specialists working temporarily in Belgium. In principle, individuals working and residing with their family in Belgium are considered as tax residents of Belgium and are therefore subject to Belgian individual income tax on their worldwide income. However, the Belgian tax administration offers special tax concessions to non-Belgian executives "temporarily" exercising a professional activity in Belgium. Those who are entitled to benefit from these concessions are treated as non-residents for Belgian income tax purposes.

Certain expatriate allowances or expense reimbursements are excluded from the taxable income in Belgium (i.e. the so-called tax-free allowances). The reimbursement of expenses proper to the employer is excluded from the income and consequently is not taxable in the hands of the employee. The exclusion is limited up to EUR 11,250 or EUR 29,750 for repetitive expenses and there is a full exclusion for non-repetitive expenses (such as moving expenses, first installation costs, etc).

Belgian non-residents are taxable on their Belgian-source income only. Employment income related to the professional activities performed in Belgium is considered as Belgian source income (regardless whether this employment income is paid out in Belgium or elsewhere). For instance, a salary paid in the home country of the worker which relates to the professional activities in Belgium will be taxable in Belgium.

The tax rates and personal deductions for non-resident taxpayers in Belgium are identical to the tax rates for Belgian tax residents. Compulsory foreign employee social security contributions may be deducted from the gross employment income in order to determine the taxable basis in Belgium.

The expatriate tax concessions can only be obtained by filing an application with the Belgian tax authorities within a period of six months as from the month following the month of arrival in Belgium. The special tax regime should be applied for in the hands of the employer, as well as in the hands of the employee.

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