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## BUSINESS ENVIRONMENT

### THE CONSUMER

#### Consumer Profile

The median age in Belgium is 42.3 years. The population grew at a rate of 0.3% in 2021 (Data Reportal). Some 14.6% of the population is under 13 years old, 52.3% is between 14 and 64 years old, and 19.9% is 65 years old or older. On average, households are made up of 2.3 people with 32.2% of households are made up of one person and 47.1% are couples with or without children (Eurostat, 2020). The gender ratio is 99.2 men for every 100 women with 98.2% of the population living in urban areas, which makes the country one of the densest in the world (Data Reportal, 2022). Most of the population is concentrated in the northern two-thirds of the country, the south being less populated. The main cities are Brussels and Antwerp. The level of education is among the highest in OECD countries with 80% of adults have a secondary education and 42.4% have higher education (OECD, 2020). Some 27.1% of the active population are working as professionals, 14.4% are technicians, 12.9% are service and sales workers, 12.6% are clerical support workers, 8.9% are craft workers, 8.1% are managers, 8.7% have elementary occupations, 5.9% are plant and machine operators and 0.9% are agricultural workers (Eurostat, 2020).

#### Purchasing Power

GDP per capita (PPP) was estimated at USD 45,205 per year in 2020 (World Bank). The average yearly salary of full-time workers is USD 54,327 (OECD). The adjusted annual disposable income is about USD 34,884 according to the OECD. Private consumption is estimated to account for 50% of GDP in 2020 (World Bank). The Gini index on income inequality is among the lowest in Europe and falling. The pay gap between men and women is 5.3%, with Belgium having one of the lowest gaps in the European Union (Statbel, 2020). The directors of large companies have the highest salaries while servers and barmen have the lowest. People over 60 still in office earn more than 110% more than the working population under 20. The highest salaries are in Brussels and the surrounding area, and holders of a master's degree have a salary more than 50% higher than the national average.

#### Consumer Behaviour

Belgium is a consumer society. Since the economic crisis and the Covid-19 pandemic, consumers have given increasing importance to product prices. With the return of growth and stability quality products are increasingly in demand. Purchases are more often made in city centres than in shopping centres. In addition, many Belgians go to border countries to do their shopping. Consumers are moving away from supermarkets but their average basket is growing. On average per year a consumer spends EUR 2,268 of food shopping (Statbel, 2020). Consumer confidence is falling because of unemployment and inflation. About 3/4 of consumers buy on the internet with sales amounting to around EUR 11.7 billion in 2021 (Safeshops). Belgian consumers are generally open to international brands but may prefer national or European companies.

Brand loyalty depends mainly on positive experiences, quality and price. Also, consumers are more loyal to car and cosmetics brands than to food brands. About 65% of Belgium's population is active on social networks and

the number of social media users increased by 7.8% in 2021 (Data Reportal). The Belgian consumers tend to seek product information on the social media. However, 36.6% of internet users use advertising blockers (this figure rises to more than 50% among young people) (Blacklinko, 2022). Data protection is important but less than in the rest of the European Union, with three quarters of internet users accepting default cookie settings at least half of the time (Deloitte, 2021).

Environmental awareness is very present in Belgium. Organic products, sustainable, local, traceable, fresh, vegan, etc. are growing. The food scandals that have taken place in Europe and the growing interest in health are one of the reasons for the success of organic products. The second-hand market is developed, and more than 60% of exchanges are made between individuals. Collaborative platforms are widely developed in Belgium, especially in large cities, with companies such as Uber, Airbnb, Blablacar, Deliveroo, etc.

### **Consumer Recourse to Credit**

Credit and debit cards are widely accepted in Belgium. Visa and Mastercard are common, but American Express cards may not be accepted in some stores. It is possible that the stores / restaurants / hotels where you want to pay ask you for a piece of identification or a passport. Household debt is rising, although it has been slowing from the end of 2018. The level of household debt to GDP exceeds 60%. The National Bank of Belgium estimates that in 2019, 6,268,110 people have at least one credit (mortgage or consumer). Household loans are roughly divided between 80% mortgages and 20% consumer loans. Consumer loans in Belgium mainly serve to finance vehicles, furniture, weddings or to finance private needs. As the National Bank of Belgium is vigilant in the face of rising household debt, it is possible that measures will be put in place to limit expansion.

### **Growing Sectors**

Accommodation and food services, education, motor vehicles and transportation services, recreation and cultural services, tobacco, food, non-alcoholic beverages, recreation and garden equipment, pets, goods and services for home upkeep.

### **Consumers Associations**

Test Achats  
CEC Belgique  
Consumer Mediation Service

## **IMPORTING & DISTRIBUTING**

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### **Import Procedures**

Customs procedures include, apart from importing with payment of duties, the following tax exemption procedures: release for consumption, transit or temporary admission, customs warehousing, inward processing, processing under customs control.

As part of the "SAFE" standards set out by the World Customs Organisation (WCO), the European Union has set up a system of import controls (Import Control System- ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system is part of the Community Programme eCustoms, which requires operators to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union. The EU recently introduced a new import control system called ICS2 to implement the EU customs pre-arrival security and safety programme.

The [Single Administrative Document \(SAD\)](#) is the official model for written declarations to customs. The SAD

describes goods and their movement around the world and is essential for trade outside the EU, or of non-EU goods. Goods brought into the EU customs territory are, from the time of their entry, subject to customs supervision until customs formalities are completed.

Since 1 July 2009, all companies established outside of the EU are required to have an Economic Operator Registration and Identification ([EORI](#)) number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration.

The TARIC (Tarif Intégré de la Communauté) is available to help determine if a licence is required for a specific product. Furthermore, the European Commission maintains a [trade helpdesk for exporters and importers](#) with information regarding import restrictions of various products.

For more information please visit the European Commission's portal dedicated to [Taxation and Customs Union](#).

### **Specific Import Procedures**

In the framework of intra-European trade, some goods are still prohibited or subject to particular formalities (medicines for human use, waste, plants or live animals). For further information, please visit the [Trade Helpdesk](#) of the European Commission.

### **Distribution channels**

The Belgian economy was severely hit by COVID-19 pandemic, with a fall in GDP of -5.7% in 2020 (IMF). In this context, total retail spending decreased in 2020 compared to 2019 with a direct impact on the turnovers of retailers, especially in the fashion industry. Traditional grocery retailers and shopping centers were negatively impacted but globally, the value of the Belgian food and groceries market grew by 7.2% in 2020, as a result of increased demand driven by precautionary buying (MarketLine). In 2021, sales declined slightly after the pandemic-induced spike of 2020 (Euromonitor). Among the new trends due to the health crisis, we can cite in particular the growth of small stores closer to home. Indeed, out-of-town retail is in a more favorable financial situation than on high streets and shopping centers. The fashion sector is facing difficulties while sports and leisure products are booming. Finally, among the notable trends, one must also highlight the increase in takeaway sales and home deliveries for operators in the food and beverage sector as well as the increase in e-commerce overall.

Largely open to foreign trade and home to sophisticated distribution systems and well-developed infrastructure, Belgium has attracted many foreign companies and, in return, developed a highly competitive market. Premiumisation has become more common in Belgian consumers' shopping habits. As a consequence, discounters like Aldi and Lidl have started to enlarge their offers with branded products. And, in order to compete with larger supermarket channels, Lidl has also opened a web shop.

New types of outlets such as Bio C'bon (organic range of products) are being developed, especially in Brussels area. Within supermarkets' traditional channels, stores have been upgrading because of price competition affecting their benefit margin on top-of-the-line products and because of the bad effect on brand image. Upgrading and proximity are the key factors behind the success of supermarkets and convenience stores, with convenience stores in urban areas are gaining ground at the expense of supermarkets. Overall, retailing floor space per inhabitant is relatively low in Belgium in comparison to other European countries.

The divide between the northern and southern regions of Belgium is very relevant when it comes to retailing. The Belgian Label Law states that the label on each product should be written in the language corresponding to the area where it was packaged. In northern Belgium inhabitants speak Flemish (Dutch), in the south they speak French and they speak German in the eastern part of the country. Therefore, most producers prefer to make their labels bi-lingual or even tri-lingual, especially if they also intend to export their goods. Because of these cultural differences marketing and advertising should be developed that reflect the populations of each region. Belgians still prefer to shop in a physical shop. However, online retail has been growing exponentially for many years (mainly due to more choice and better prices) and saw a strong boost during the Covid-19 pandemic. In 2021, the sector grew by 33%, and was worth EUR 11.7 billion (Safeshops). Food retailers also benefit from this growth in online retail. Consumers favour brands that have developed an omni-channel strategy, combining

online sales with a physical shop as they are considered trusted brands.

### Distribution market players

Foodstuffs distribution is organised by a few chains, as the market is highly concentrated. Distribution of other consumer goods is organised by smaller and more numerous outlets.

The group Etn Franz Colruyt NV continued to lead supermarkets in 2021, thanks to its three brands, Colruyt, Bio-Planet and Cru. Colruyt was the leading brand and remained significantly ahead of its nearest competitor, Delhaize's "Le Lion". Some of the other major market players are: Carrefour, Lidl, SPAR, Aldi, Intermarché and Albert Heijn (Euromonitor). In 2022, German discounter ALDI and French retailer Carrefour were the largest food retailers in the country in terms of the number of stores, with respectively 442 and 417 stores each (Statista).

### Retail Sector Organisations

Federation of Belgian Chambers of Commerce

## OPERATING A BUSINESS

### Type of companies

#### **Société à Responsabilité Limitée (SRL) / Besloten Vennootschap (BV): Limited Liability Company**

**Number of partners:** Minimum one shareholder.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** Partners' liability is limited to the amount contributed.

#### **Société Anonyme (SA) / Naamloze Vennootschap (SA/NV): Public Limited Company**

**Number of partners:** Minimum two shareholders.

**Capital (max/min):** EUR 61,500 totally subscribed and released.

**Shareholders and liability:** Partners' liability is limited to the amount contributed.

#### **Société Simple / Maatschap: Partnership**

**Number of partners:** Minimum two shareholders.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** A partnership may acquire legal personality and become a general partnership (Société en nom collectif / Vennootschap onder firma) or a limited partnership (Société en commandite / Commanditaire vennootschap), depending on whether all or only certain partners will be jointly and severally liable.

#### **Société Coopérative (SC) / Coöperatieve Vennootschap (CV): Cooperative Company**

**Number of partners:** Minimum 3 partners.

**Capital (max/min):** No minimum capital required.

**Shareholders and liability:** Partners' liability is limited to the amount contributed.

Setting Up a Company	Belgium	OECD
Procedures (number)	5.0	5.2

Setting Up a Company	Belgium	OECD
Time (days)	5.0	9.5

Source: *Doing Business* - Latest available data.

## Cost of Labour

### Minimum Wage

Minimum wages are not determined by law. The minimum wages in force are normally set by collective labor agreements (CCT). Since April 2022, the national minimum wage in Belgium is 1,806.16 € per month.

### Average Wage

According to the OECD, the average yearly wage was USD 54,327 in 2020 (latest data available).

### Social Contributions

**Social Security Contributions Paid By Employers:** The employers' standard social security contributions are equal to 25% of gross salaries (including the base rate of 19.88% and the wage moderation of 5.12%). However, additional general contributions should be calculated (Asbestos Fund, Closure Fund, sector-specific fund for subsistence, etc.), thus the average employers' contribution for white collar workers generally goes up to 27.5%. **Social Security Contributions Paid By Employees:** Withholding tax is estimated at 13.07% of gross salary.

## Intellectual Property

### National Organisations

Belgian Office for Intellectual Property (OPRI)

### Regional Organisations

For the protection of patents: the [European Patent Office \(EPO\)](#). To control trademarks, designs and models: the European Union Intellectual Property Office (EUIPO).

### International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

[Membership to the TRIPS agreement](#) - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

## TAX RATES

### Consumption Taxes

#### Nature of the Tax

VAT (value added tax) - Taxe sur la valeur ajoutée (TVA)/ Belasting over de toegevoegde waarde (Btw)

## **Tax Rate**

21%

## **Reduced Tax Rate**

A reduced rate of 6% applies on goods such as food, pharmaceuticals, water, hotels and campings, transport services of persons, copyrights, concerts and exhibitions, certain medical equipment, works on immovable properties (subject to strict conditions), original works of art, contract farming, repair of bicycles, shoes and leather goods, clothing, and household linen, solar panels and heat pumps (temporarily from 1 April 2022 until 31 December 2023), certain pro, ducts intended for intimate hygienic protection, etc.

A 12% reduced rate applies on items including public housing and restaurant services (excluding drinks), phytopharmaceutical products, certain combustible materials, margarine, and inner tubes.

## **Other Consumption Taxes**

Excise duties applied in Belgium are divided into two categories: "community excise products" which are subject to EU procedures (such as alcohol, tobacco, petrol, gas, etc.); and "national excise products" which can be defined at the member state level on a voluntary basis (for Belgium, they consist of drinks like soda, water, and coffee).

Stamp duties are due on transactions relating to public funds if a professional intermediary intervenes in these transactions.

## **Corporate Taxes**

### **Company Tax**

25%

## **Tax Rate For Foreign Companies**

A company is considered to be a resident of Belgium for tax purposes if it has its registered office, its principal place of business, or its seat of management in Belgium (i.e. the place where the corporate decision-making process actually takes place).

## **Capital Gains Taxation**

Capital gains derived by companies from the sale of tangible and intangible fixed assets generally are fully taxable at the normal corporate tax rate (or the reduced rate for SMEs, if appropriate). Nevertheless, taxation of gains on such assets can be deferred if the assets were held for more than five years before the disposal and the entire sale proceeds are reinvested in qualifying assets within three years. In the case of a qualifying reinvestment, the tax due will be spread over the life of the asset in which the sale proceeds have been reinvested.

Net capital gains on shares are fully exempt provided that the shares have been held for at least one uninterrupted year; the acquisition value is of at least EUR 2.5 million or 10% of shareholding; the payer company must be subject to corporate income tax on the profits out of which the distribution is made.

## **Main Allowable Deductions and Tax Credits**

Companies may deduct all business expenses when calculating taxable income, on the general condition that

they are legitimate, at arm's length and that they are incurred in order to maintain or to increase taxable income. Royalties and all fees generally are deductible without additional requirements. Various deductions and incentives are provided for R&D-related activities. Under the notional interest deduction, Belgian companies and branches are also entitled to an interest expense for qualifying equity (within a thin capitalisation/30% EBITDA limit). Belgium offers an innovation income deduction regime that reduces the effective rate of taxation on qualifying net IP income (raising the tax deduction rate that applies to gross patent revenue from 80% to 85%, resulting in an effective rate of 3.75%).

Goodwill arising on the occasion of an asset deal can be amortised in a period of minimum five years by applying a straight-line method (client lists can be amortised over a period of 10-12 years). Start-up expenses may be deducted fully in the year of incorporation or can be depreciated over a period of up to five years. Provisions and bad debts can be deducted (conditions apply). Charitable contributions (above EUR 40 and within 5% of the total net income of the taxable period, with a maximum of EUR 500,000) can be eligible for deduction. Belgian companies can claim a deduction for royalties, management service fees, and interest charges paid to foreign affiliates (the arm's length principle must be respected). The cost of company cars can be deducted between 40% and 100% depending on the CO2 emission, with fuel costs deduction also being linked to the level of CO2 emission (from 2026 onwards, only zero-emission company cars will be able to benefit from a tax deduction). With some limitations, tax losses can be carried forward without any limitation in time; however, a minimum tax base should be taken into account: some deductions, like DRD, innovation income deduction, and investment deduction, have no restrictions, whereas for other deductions only 70% (or 40% in 2023) of the taxable amount that exceeds EUR 1 million can be offset. This category of deductions includes carried-forward losses, among others. The remaining 30% will be taxed at the CIT rate without any deduction.. Losses carry-back is generally not allowed.

The following expenses are not deductible: taxes (with some exemptions, like the real estate tax and foreign taxes), capital losses on shares, half of the representation expenses and business gifts, 31% of restaurant expenses, 17% of the benefit in kind of company cars or 40% if the fuel costs are fully borne by the company, hospitalisation insurance premiums and small gifts for employees.

## **Other Corporate Taxes**

Indirect taxes include a real estate tax on annual rental income calculated in function of the cadastral income of the property, stamp duties, a fixed fee on increase in capital of EUR 50, a transfer or registration tax on the transfer and leasing of real estate (at rates varying between 0.2% and 12.5%). A tax is imposed on the notional rental income of immovable property located in the country, with rates varying according to the region.

Belgium also applies a secret commissions' tax at a rate of 50% for payments to legal entities or 100% in all other cases, which is due if taxpayers fail to report on a timely basis, wages, fees, commissions, rebates and other benefits or gratifications that constitute professional income in the hands of the beneficiary unless a legal exception or administrative tolerance applies. The secret commissions' tax assessment is applied to the amount of the costs or the fringe benefits. The secret commissions' tax also applies to turnover not reported as such ("hidden gains"), at a rate of 100%.

Banks are subject to a bank levy and a subscription tax on savings deposits.

Social security contributions - generally fixed at 30.57% of 1.08 times the gross salary for blue-collar employees and 25% of the gross salary for white-collar employees - in practice vary according to the size and industry of the company and the salary of the employee. For blue-collar employees, an additional annual contribution of 10.27% is due on 1.08 times the gross salary.

In accordance with the program law of 26 December 2022, employers are entitled to a 7.07% reduction of the "total employer's net basis contribution" to the social security scheme (for the first and second quarters of 2023) and partial deferral of payment (for the third and fourth quarters of 2023).

## **Other Domestic Resources**

Service Public Fédéral Finances (FPS)

**Double Taxation Treaties**

**Countries With Whom a Double Taxation Treaty Have Been Signed**

Federal Public Service Finance (FPS)

**Withholding Taxes**

Dividends: 30% (standard rate); Interest: 30%/15% on specific government bonds and regulated savings deposits; Royalties: 30% (standard rate)/15% on certain income from literary and associated rights and from legal and compulsory licenses not exceeding EUR 64,070.  
Lower rates are available under double taxation treaties.