

Contact

For further questions or a meeting you can contact the EY SALT team without obligation:

Sofie Van Doninck
Partner Indirect Tax
0473 45 07 70

Filip De Scheemaeker
Senior Manager Indirect Tax
0485 32 99 46

Thaïs Brems
Manager Indirect Tax
0471 20 71 38

ey.com/be

Do not pay too much
real estate tax

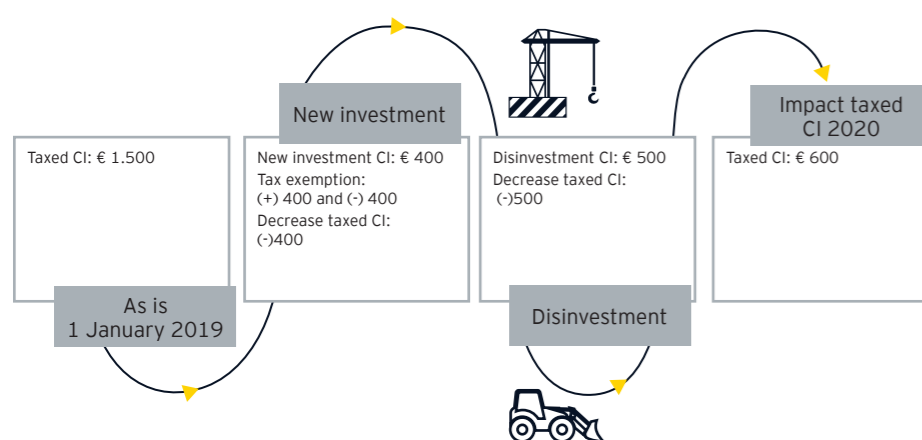
The real estate tax is an annual tax that is calculated based on the so-called cadastral income of real estate, being building land, buildings and industrial equipment. Industrial equipment relates to machinery, professional equipment and other investments that are useful in the course of business of a company. In Flanders there are several beneficial tax measures to reduce real estate tax on industrial equipment.

Accelerated fading out of the Real estate tax - RET Navigator

As from 2008 the Flemish government introduced beneficial tax measures to reduce the real estate tax on industrial equipment.

With the first measure the authorities introduced a tax exemption for all the new investments/re-investments. Additionally, companies were also allowed to reduce the taxed cadastral income with the amount of cadastral income calculated on the disinvestments. This was a major reform which led to a reduction of the real estate tax due to the replacement and/or removal of industrial equipment.

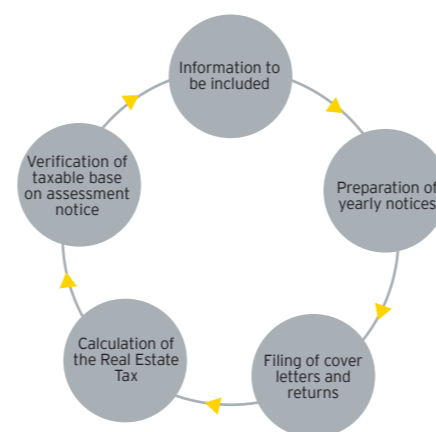
Due to the fact that the authorities noticed that despite of the above tax measure companies were still paying large amounts of real estate tax, a second measure was introduced. Next to the decrease of the taxed cadastral income by reporting disinvestments companies could also claim a deduction of the taxed cadastral income by reporting new investments/re-investments.



Based on official figures published by the authorities about 9.000 companies paid about 130 Million EUR real estate tax on industrial equipment for tax year 2017. This amount is the result of a decrease of the real estate tax on industrial equipment with 43% compared to tax year 2010.

In practice we notice that there are many companies that are not (fully) aware of the favourable tax measures and thus pay too much real estate tax on industrial equipment. We can partially explain this due to the fact that the reduction of the tax is not automatically granted by the authorities. Indeed, companies that want to benefit from the tax measures are obliged to file a correct tax return regarding the real estate tax on industrial equipment. Based on the filing of that tax return, the authorities will allow a reduction of the taxed cadastral income and thus also a reduction of the real estate tax due on the industrial equipment. A reduction is only valid if confirmed by the authorities.

In order to help companies to keep track of the real estate tax on industrial equipment and to apply the beneficial tax measures as efficient as possible, EY has developed the RET-Navigator.



- ▶ **Step 1: In a first step we identify the different establishments of the company.** Based on the location of the different establishments, the notifications and tax returns need to be sent to the competent tax office. A team member of EY is responsible for the completion of this file.
- ▶ **Step 2: Preparation of yearly notices.** Whenever a company is making changes in its industrial equipment (investments and/or disinvestments), the competent authorities need to be notified. In practice, it suffices to do a reporting on annual basis. All the necessary notifications are automatically generated by the RET Navigator.
- ▶ **Step 3: Filing of cover letter & tax returns.** The annual tax returns are automatically generated by the RET Navigator. The company only needs to add a detailed list of the reported changes so that the authorities can link this with their system and allocate the tax deductions.
- ▶ **Step 4: Calculation of the real estate tax.** The RET Navigator also automatically calculates the tax due for the current tax year and also keeps track of the calculations of the past years (up to 2014). In order to do so correctly, it is important to provide the correct data during the setup of the RET Navigator.
- ▶ **Step 5: Verification of the taxable base on the assessment notice.** The calculation of the real estate tax in step 4 can be verified with the assessment notice upon receipt from the authorities.



- ▶ EY has developed a RET Navigator whereby a company can keep track of all the compliance related to real estate tax on industrial equipment by following 5 steps. The RET Navigator has built-in features whereby the process is almost fully automated. There is thus only a small effort required from the company.
- ▶ There is a prescription date of 3 months and 3 days upon the sending out of the assessment notice. The RET Navigator provides an indication of the correct prescription date.
- ▶ The EY SALT team is happy to present the RET Navigator on site in order to demonstrate how it works and how it can help the company to be compliant with the legal requirements and how to follow up on possible optimizations.

Reduction of real estate tax on industrial equipment due to improductivity

In case an immovable good was improductive during a part of the past year a reduction can be requested with the authorities. This is a proportional reduction granted for the period that the good(s) was (were) improductive.

This reduction can be requested both for buildings and industrial equipment. However, the conditions that need to be met in order to receive the reduction are different. In both cases, the company needs to draw up a file with proof to send towards the authorities.

With respect to buildings, the reduction can only be requested in case it regards involuntary improductivity (not caused by the company itself).



- ▶ The RET Navigator clearly provides the prescription date to apply for a proportional reduction for improductivity.
- ▶ The proportional reduction for improductivity on buildings is not very common due to the fact that the improductivity must be involuntary.

Tax exemptions for industrial equipment

For the sake of completeness we would also like to point out that there are several tax exemptions on industrial equipment, not to be confused with the above beneficial tax measures. These exemptions are applicable due to the function and usage of the goods (e.g. education, religion, youth movement, non-profit sector and healthcare).

Please contact us in case of any further questions. We would also be very happy to organize a meeting to further discuss our service offerings in this respect.