

## Newsflash

17 June 2008

### Employment, Social Security and Immigration Law

#### Seniority premiums: Belgian tax and social security administrations on the same wavelength

For some considerable time now, the Belgian social security administration (NOSS - National Office of Social Security) accepts that seniority premiums are exempt from social contributions, provided certain conditions are complied with. The Belgian tax administration, on the other hand, believed until recently that the amount of a seniority premium was usually too high to be considered as a tax-exempt benefit. In a statement dated 12 March 2008, the Belgian tax administration aligned its position with that of the NOSS.

A seniority premium is exempt from social security contributions and taxes if the following conditions are simultaneously complied with:

- the premium is to be paid only twice during the career of an employee with one employer;
- the first premium is to be paid when and at the earliest moment in the calendar year in which the employee reaches 25 years of seniority with the employer. The maximum premium equals one month's gross salary of the employee concerned.
- the second premium is to be paid when and at the earliest moment in the calendar year in which the employee reaches 35 years of seniority with the employer. The maximum premium equals two month's gross salary of the employee concerned.

Seniority premiums that are granted in accordance with these conditions are not considered as tax deductible professional expenses for the employer.

If the conditions for the exemption are not met, the entire seniority premium will be considered as a taxable benefit for the employee. In which case, the seniority premium becomes a tax deductible expense for the employer on the condition that it has been reported on the corresponding salary form.

These new rules are applicable for seniority premiums that are paid or granted as from 1 January 2006.

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