

# The impact of Arizona on People & Reward

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The new government agreement of the Arizona coalition contains a number of proposed changes relevant to the HR & Reward agenda of your organisation as well as to your and your employees' personal tax situation. We have summarized the key measures for you on the basis of the information currently available to date.

## Private life

Some of the announced measures will have a direct impact on the personal income tax (return) and related tax calculation. The government agreed amongst others to increase the tax-free amount and implement other measures that will result in a net salary impact of at least 500 EUR per month for those who work compared to those who are unemployed.

Another adjustment related to the tax-free amount is the alignment of the additional amount for children at charge. Also, the additional amount for single parents will only become available for individuals who are genuinely single.

The marriage quotient currently provides a tax advantage for partners of employed individuals who choose not to perform a professional activity. By 2029, this marriage quotient will be halved for non-retirees, while a phase-out scenario is planned for retirees.

Additionally, some tax reductions and deductions will be adjusted as well, including the elimination of the federal interest deduction for second properties.

The Minister of Finance Jan Jambon already confirmed that this tax benefit will also be abolished for existing loans.

Furthermore, there will be a gradual reduction in the deduction for alimony payments from 80% to 50%, and this deduction will no longer apply to payments made to recipients outside the EEA.

The tax reduction for donations will decrease from 45% to 30%, and the government agreed to examine whether the tax reduction for childcare expenses can be increased for taxpayers with a professional activity.

## Compensation & benefits - salary package

### ▪ **Cash vs. Benefits in kind**

The new government has the intention to make monetary compensation more appealing compared to the existing non-cash benefits.

### ▪ **CLA909 bonus/profit premium**

Linked to the previous topic, the legislator would like to simplify the existing collective bonus systems (CBA90, profit-premium, etc.) in order to make the monetary compensation more appealing.

Furthermore, the scope of application will be harmonized. This harmonization should not result in any increase of the overall tax burden, not for the employer and neither for the employee.

## ■ **Equity based compensation**

The agreement does not explicitly foresee in any changes to the stock option law of 1999, and therefore the grant of warrants as variable compensation seems to remain intact.

On the other hand, a solidarity charge of 10% will be introduced on any future realized capital gains. We refer for more details on this item to our alert of February 3, 2025: [New federal government agreement - Capital gains tax & tax reforms for investors | EY - Belgium](#).

## ■ **Costs proper to the employer**

The government will be working on a new legal framework with respect to the costs proper to the employer (office@home, carwash, parking, storage,...)

## ■ **Compensation for copyright income (IP)**

With respect to the compensation for copyright income (IP) the coalition agreement intend to extend the scope by (re-)including software/digital profiles,

Based on the agreement the taxation of the copyright income will also remain at 15%.

## ■ **Vouchers**

The legislator would like to redesign the practice of vouchers as part of the remuneration package. Therefore, a phase out of existing vouchers (eco-, sport and culture vouchers) will take place. At the same time, the value of meal vouchers will be increased to a maximum of EUR 12 (two times 2 euro) with according corporate tax deductibility.

The scope of the use of the meal vouchers will also be expanded.

## ■ **Cafetaria/flex benefit plan**

Flexible Reward plans or cafeteria plans will be embedded in a legislation to provide more clarity and certainty with respect to the options (administrative simplification). At the same time, the legislator would like to put a cap on the maximum amount of annual gross salary that can be converted in flexible benefits. This cap will be determined at 20% of the annual gross salary.

Bonusses will not be included in the 20% cap but can be used for flexible benefits on top.

## ■ **Mobility budget**

The Mobility budget will be transformed into a universal budget that is accessible to all employees, and which will be based on actual value. This initiative is designed to simplify existing procedures while also ensuring that employees can benefit from a favorable tax treatment.

Furthermore, it includes a mandatory requirement for employers to implement these changes specifically in relation to company cars.

Finally, the implementation of this reform will consider the necessary transitional measures.

## ■ **Company cars**

The government will simplify the regulations concerning the limitation of car cost deductions to alleviate administrative burdens. As an electric company car is not a viable option for everyone (e.g., in urban contexts, near apartment buildings, in remote rural areas, and for low-income individuals), the government will implement an extended transition period for hybrid vehicles.

The government will retain the maximum deduction rate for hybrids at 75% until the end of 2027. This rate will subsequently decrease to 65% in 2028 and 57.5% in 2029, in line with the decrease for electric vehicles. These deduction rates will apply for the entire duration of the vehicle's use by the same owner/lessee. The fuel costs for hybrids will remain 50% deductible until the end of 2027, while the electricity consumption costs for hybrids will have the same deductibility as those for electric vehicles.

The government will introduce an exception to this limited deductibility for hybrid models with emissions of up to 50 grams/km. If the deduction percentage calculated exceeds 75%, the higher percentage may be applied until the end of 2027.

## Compensation & benefits - company cost

### ■ Employer social security contributions

The introduction of a capped salary for the calculation of employer social security contributions represents a significant change in the framework of social security funding. This new cap is designed to limit the amount of salary subject to these contributions, thereby providing financial relief to employers while still ensuring that employees receive adequate social security benefits. By implementing this cap, the government aims to create a more balanced approach to social security contributions, promoting sustainability in the system while supporting businesses in managing their salary costs.

The reform of the reduction system for the first five hires will be altered. For the first hire, the government aims to maintain a reduction of the employer social security contributions of EUR 2.000 per quarter. For the second to fifth employer, a reduction of EUR 1.000 per quarter for the first 3 years after the start of their employment will replace the current system of reducing reductions as from the start of their employment until the end of the reduction period.

### ■ Exemption from transfer of withholding tax

### ■ R&D

The announced reform concerning the category of universities, colleges, university hospitals, and recognized scientific institutions aims to further clarify the underlying conditions to be considered as a researcher. On top, it seeks to streamline processes and provide clearer guidelines, ultimately fostering a more conducive and more fiscally certain environment for academic and scientific advancement within these institutions. More details of the exact changes in legislation are still to be expected.

The recognition of companies as research centers represents a significant change in policy which ultimately aims to lower the administrative burden regarding the application of the withholding tax exemption for research & development. Given the currently available information, it will be possible to have a company branch recognized as an R&D research center if certain criteria are met.

The advantage of the R&D research center entails (inter alia) that the various research projects that are carried out within the research center no longer must be registered with Belspo individually in advance.

The reform of Belspo, the Belgian Science Policy Office, is designed to improve the operational excellence of the office. By restructuring its operations, the legislator aims to increase efficiency in delivering binding advices on the R&D character of projects and aims to improve the relationship between Belspo and the tax authorities.

### ■ *Night & shift work*

A new system will be introduced following the conclusion of the temporary 'bis' arrangement in 2026. The 'bis' regime was temporarily introduced to uncertainty that arose due to an interpretation by the Constitutional Court regarding the 'same' size of shifts. Consequently, it was uncertain that the exemption would still be applicable for most of the employers, as small changes in size often occur in practice. The 'bis' regime aimed to take away this uncertainty by introducing a 'lighter' variant of the exemption if there is a small difference in size in consecutive shifts. As this was always a temporary measure, the new government thus aims to replace it with a new, more stable system

The guarantee of current foundations and benefits is a crucial aspect of the forthcoming changes, ensuring that existing rights and entitlements for workers engaged in night and shift work remain intact. This commitment aims to provide stability and reassurance to employees, fostering a sense of security in their working conditions as the new system is introduced.

An adjustment to the definition of night work in specific sectors will take effect, changing the starting time of 'night work' from 20:00 to 24:00. This modification reflects a more contemporary understanding of work patterns and aims to align the definition of night work with the realities of various industries. It is however important to keep in mind that this will have an impact on the withholding tax exemption as well, next to - by way of example - the impact on collective labor agreements.

## ■ **Construction work (WIOS/PPTI)**

The new governmental agreement foresees in the introduction of a mandatory registration when leaving the construction site. Purpose of this new rule would be to avoid social dumping and to increase safety on the construction sites. The new federal government will further investigate if they can use the already existing *Construbadge* system, which is an identifier for the employees working on the site, to register their presence on the construction sites.

This measure will most likely bring some additional administration to the companies involved, but it will also be a welcoming addition to further contribute to the burden of proof surrounding the formation of shifts on site, one of the crucial conditions to apply this withholding tax exemptions.

## ■ **Support Zones**

The withholding tax exemption for support zones provides companies who are in such a zone with a significant saving, which ultimately stimulates employment in these areas where the unemployment rate is considered high. Given the recent collective dismissals that took place in several big companies that were considered as important employers in Belgium, the Arizona government expressed its continued support to maintain this withholding tax exemption or expand the current scope if deemed necessary.

## ■ **Overtime**

The regime for the withholding tax exemption for overtime will be further sustained, reflecting the ongoing emphasis on flexible work arrangements. This commitment aims to support both employers and employees by promoting a work environment that accommodates varying schedules and enhances productivity. By maintaining this exemption, the government recognizes the importance of flexibility in the modern workforce and seeks to incentivize businesses to adopt practices that align with these evolving work dynamics.

## ■ **All exemptions**

A comprehensive spending review will be conducted to closely monitor the effectiveness of all exemptions from the transfer of withholding tax. This review aims to assess the impact and outcomes of these exemptions, ensuring that they are achieving their intended objectives. By evaluating the effectiveness of these measures, the government seeks to make informed decisions about future policies and adjustments, ultimately enhancing the efficiency and efficacy of the tax exemption framework.

## International mobility

### ■ **Expat regime**

The new expat regime, as introduced in 2022, will become more beneficial to attract international talent. The tax-free reimbursement of costs proper to the employer will increase from 30% to 35% and the existing cap of 90.000 EUR will be eliminated. Additionally, the minimum salary requirement of 75.000 EUR to qualify for the regime will be lowered to 70.000 EUR.

### ■ **Simplification**

Also, in the context of international employment, several measures are foreseen to be implemented, primarily aimed at enhancing collaboration between domestic government agencies but also with foreign authorities.

The tax authorities and the NSSO will explore ways to improve the fiscal audits on the 183-day rule through the exchange of available data. Additionally, measures will be taken to reduce the administrative tax burdens for cross-border workers, in consultation with neighboring countries. Furthermore, efforts will be made to improve cooperation amongst various levels of government administrations to shorten the processing times for issuing a single permit.

## Self-employed status & Management companies

### • Self-employed status

The government aims to make entrepreneurship more rewarding. An additional tax deduction for self-employed individuals will be introduced, and the regulations that allow self-employed individuals to build their own pension will be relaxed. The various systems in the second pillar will be harmonized and simplified, and the so-called 80% rule will be reformed.

Additionally, the goal is to eliminate the tax increase due to insufficient advance payments starting in 2026. The status of individuals with auxiliary self-employed activities will also be reformed, with a focus on combating fictitious self-employment.

### • Management Companies

The minimum salaries for directors of management companies will increase from EUR 45,000 to EUR 50,000, and the benefits in kind for company directors will be limited to 20%.

The liquidation bonus and the VVPRbis will be harmonized by respecting a minimum period of 3 years and an overall taxation of the dividend payment at 15%.

## Private wealth

Where capital gains are currently exempted in Belgium to the extent that they are realized within the normal management of the individual's assets, a solidarity charge of 10% will be introduced for future realized gains. Note that there is annual exemption of EUR 10,000 as well as some other corrections.

We refer for all details on this item to our alert: [New federal government agreement - Capital gains tax & tax reforms for investors | EY - Belgium](#).

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