

Newsletter

Program Act

AUGUST 2025



Dear reader,

In Belgium, we don't have the habit of voting a *One Big Beautiful Bill*. Once again, the federal government is introducing several separate initiatives. In this newsletter, we describe the impact of the Program Act on the HR landscape.

In the future, we will also discuss the "law" (currently still a draft bill) containing various provisions, and later on, the impact of the summer agreement. The latter is still in its early stages, so it may take some time before we have more clarity on how it will be translated into legislative text(s).

Enjoy the read!

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1 Labour market and employment law

1.1 Working longer (in a feasible way)

1.1.1 Career reduction schemes

The Program Act currently introduces only one measure regarding career reduction, namely parental leave for foster parents.

Foster parents will have the same rights concerning parental leave as employees who are first-degree parents of the child. This measure applies to requests submitted to the employer as of 1 July 2025.

1.1.2 Unemployment with company allowance (or the former early retirement program) and end-of-career time credit

The government's plans to abolish the system of unemployment with company allowance (UCA) and to amend the conditions for end-of-career time credit have not yet been translated into legislative texts.

To avoid legal uncertainty, the National Labour Council (NLC) adopted several collective labour agreements (CLAs). These extend the medical UCA scheme, as well as the current arrangements for end-of-career time credit for employees from the age of 55. For more details, see our [newsflash](#).

1.2 Working time

The announced measures regarding working time, as outlined in our previous [newsletter](#), are still in the planning phase and will be part of a future regulatory package. The intention is for these rules to enter into force on 1 January 2026, but the necessary legislative texts still need to be drafted.

For now, the current Program Act only provides for the extension of relance overtime, which was set to expire on 30 June 2025, until 31 December 2025.

Until then, it remains possible for employees to perform up to 120 relance overtime hours. Combined with voluntary overtime, this brings the total to a maximum of 220 voluntary and relance overtime hours per employee per calendar year.

The favourable tax regime for 180 overtime hours, previously applicable until 30 June 2025, has also been extended until 31 December 2025.

1.3 Unemployment

1.3.1 Simplification

The unemployment benefit system will be reformed and simplified as of 1 March 2026. Transitional measures will apply from 1 July 2025.

Currently, the waiting period, which requires the unemployed person to have accumulated a certain number of working days (or equivalent days) within a specific timeframe, depends on the age of the unemployed person.

This requirement will be harmonised for all unemployed individuals. Regardless of age, a minimum of 312 working days (or equivalent days) must be proven within the 36 months immediately preceding the benefit application. This reference period will be extended to include periods of incapacity for work or career breaks for which the employee received benefits.

Changes will also be made to the types of days considered equivalent to working days. Periods of incapacity for work for which the employee receives benefits will no longer be considered equivalent. However, periods of incapacity for work during which the employee received guaranteed pay will still count as equivalent to working days. Periods during which an employee was exempt from performing work will be considered equivalent to working days, provided the employee received a salary at least equal to the minimum wage and social security contributions – including unemployment insurance – were withheld.

1.3.2 Particularity in the event of resignation

Currently, a worker who resigns is in principle excluded from entitlement to unemployment benefit for a period of between 4 and 52 weeks, as he is considered not to be involuntarily unemployed.

Under the new Program Act, an unemployed individual who voluntarily left their job and has a career history of at least 3,120 working days (or equivalent days) may, on a one-time basis, request that the exclusion decision be converted into a limited unemployment benefit for a maximum period of six months.

This period may be extended once if the unemployed person starts a training for a job in shortage, within the first three months, provided that the training is successfully completed.

1.3.3 Time limit on unemployment benefits

The Program Act limits the right to unemployment benefits in time, capping it at a maximum of 24 months. Two compensation periods are defined:

- An unemployed person who is admitted to unemployment benefits acquires this right for a duration of 12 months. This constitutes the first compensation period.
- This period is extended by one month for each period of professional experience consisting of 104 working days (or equivalent days) that have not previously been taken into account. The extension is limited to a maximum of 12 months and constitutes the second compensation period.

The duration of the right to unemployment benefits will be extended by periods during which the unemployed person received benefits due to incapacity for work.

Certain unemployed individuals are excluded from the time limitation on the right to unemployment benefits. These include, among others, unemployed persons receiving a company supplement under a

UCA scheme or unemployed persons aged at least 55 years old who can demonstrate sufficient professional experience.

A sufficient professional career is defined as having at least 31 years of work experience. This threshold will gradually increase as follows:

- 32 years for eligibility determined in 2027;
- 33 years for eligibility determined in 2028;
- 34 years for eligibility determined in 2029;
- 35 years for eligibility determined in 2030.

Once it has been established that the employee's entitlement to benefits is not limited in time, this entitlement will remain valid indefinitely.

1.3.4 Amount of the benefit

The maximum amounts applicable during the first six months of unemployment are being increased. Unemployed individuals whose previous salary exceeds the threshold amounts will receive higher unemployment benefits during this initial six-month period.

2 Pensions

In the Easter Agreement, the government finalised an initial package of pension measures. However, the original Program Act was scaled back, and the approved Program Act includes only part of the pension reforms of the Easter Agreement. This first phase of pension reform focuses on several urgent measures related to statutory pensions that impact the budget (although some changes also affect supplementary pensions in the public sector):

1. As of 1 July 2025, the indexation of the highest statutory pensions will be temporarily limited.
 - As soon as the total pension amount exceeds EUR 5,286 gross per month, indexation will be limited until the end of 2029 to 2% of the minimum pension for a single person, which in 2025 amounts to a flat-rate increase of EUR 36.
 - Pensions between EUR 5,182 and 5,250 gross per month will only be partially indexed.
 - For pensions up to EUR 5,182 gross per month, nothing changes. They will remain fully indexed.

As of 1 July 2025, the absolute pension ceiling, better known as the Wijninckx ceiling, which caps the total pension amount in the public sector, will also be temporarily frozen. The Wijninckx ceiling will be temporarily fixed at EUR 99,499.24 per year from 1 July 2025.

The temporary limitation of the indexation of statutory pensions and the temporary freeze of the Wijninckx ceiling will in principle apply from 1 July 2025 to 31 December 2029, but will end earlier in the event of a fifth breach of the index pivot during that period.

2. From now on, pensions granted under foreign legislation or by an institution of international public law will also be taken into account in the application of the absolute pension ceiling (the Wijninckx ceiling), which caps the total pension amount in the public sector.

3. A series of measures will reform the accountability contribution of local and provincial authorities.
4. Currently, self-employed persons who continue to work beyond the statutory retirement age do not accrue pension rights if their taxable income is below the minimum threshold applicable for full-time self-employed persons in 2025 of EUR 17,008.88. As of 1 October 2025, self-employed persons who continue to carry out a professional activity after the statutory retirement age will automatically be subject to the minimum contribution for full-time self-employed persons (EUR 871.70 per quarter), so that these self-employed persons can continue to accrue pension rights, even if they only have modest professional income. Self-employed persons who do not wish to fall under this new scheme automatically may opt to retain the old scheme, with lower contributions but without further accrual of pension rights.

The remaining pension reforms from the Easter Agreement (such as the abolition of the pension bonus introduced by the previous government, the increase of the solidarity contribution from 2% to 4% on the portion of supplementary pension capital above EUR 150,000, the increase of the Wijninckx contribution from 3% to 12.5% on high supplementary pensions...) will be included in the draft law containing various provisions, which is expected to be voted on after the summer recess. If all goes according to plan, the Arizona Pension Act is also expected this autumn.

This pension law would, among other things, lay down the new rules on early retirement, such as the new calculation rules for career years in the context of access to early statutory retirement (cf. replacement of the 104-day rule by the 156-day rule) and the pension penalty. During the discussions that led to the summer agreement, the government parties briefly revisited the topic of the pension penalty, which had already sparked political debate and public protest following the announcement of the government agreement, particularly because periods of illness and other non-working periods would not be counted as equivalent periods for the pension penalty. However, the government has not yet made any final decisions and will after the summer, and in consultation with the social partners, further examine how the pension penalty could potentially be mitigated for those who were temporarily unemployed (e.g., due to the COVID-19 pandemic), long-term ill, or on care leave. Certainly to be continued this autumn...

3 Compensation & Benefits

3.1 Taxation

3.1.1 Favourable regimes for overtime

In addition to the extension of the existing provisions on overtime (see point 1.2), the “classic” favourable tax regime, consisting of a tax reduction for the employee and an exemption from withholding tax for the employer for the first 180 overtime hours (“130 + 50”) subject to a statutory overtime premium, is extended until 31 December 2025.

The limit on the number of overtime hours eligible for this tax reduction was, until 2019, restricted to 130 hours per year per employee. This limit was then temporarily increased to 180 hours and has since been extended annually. Although this 180-hour limit was originally set to expire in June 2025, it is now maintained and extended until 31 December 2025.

3.1.2 Management companies

Interposing a management company between a business ordering a service and the natural person actually delivering the service allows for the application of the corporate tax regime. This regime provides for a 20% tax rate on the first EUR 100,000 of annual profit (provided that the company director pays themselves an annual salary of at least EUR 45,000, subject to social security contributions under the NISSE and progressive personal income tax), and a 25% rate on the portion exceeding that amount.

Thanks to the VVPRbis regime, this profit can subsequently be distributed to the natural person behind the management company, subject to a reduced withholding tax of 15%, provided that the distribution takes place from the profit allocation of the third financial year following the year of incorporation of the company.

The liquidation reserve, which in turn allows for a distribution at an effectively reduced rate of 13.64% after a waiting period of 5 years from its creation, will now be harmonised with the VVPRbis regime.

As a result, the waiting period for the liquidation reserve is shortened from 5 to 3 years. In exchange, the withholding tax is increased from 5% to 6.5% for reserves created as from 1 January 2026. This raises the effective rate from 13.64% to 15%, taking into account the separate corporate tax charge of 10%. For reserves created up to and including 31 December 2025, there remains a choice: either a 3-year waiting period (with 6.5% withholding tax), or 5 years (with 5% withholding tax).

3.1.3 Functioning of the tax administration and its relationship with the taxpayer

The Program Act also introduces a right to make a mistake in favour of the taxpayer. From now on, a taxpayer who commits an infraction in their tax return for the first time is presumed to be acting in good faith, unless the tax authorities can prove otherwise. In such cases, no tax increase will be applied (except in the case of an *ex officio* taxation).

In addition, the Program Act reintroduces a system of tax regularisation (the previous system expired in 2023), subject to the payment of a 30% penalty. For amounts that are fiscally time-barred, this penalty is increased to 45%.

3.1.4 Other tax measures

In addition to the tax measures impacting HR policy, the Program Act also introduces the following tax provisions:

- Introduction of a tax regime for investment fund managers: (exclusively) for natural persons, a tax of 25% is introduced on carried interests.
- Introduction of an exit tax in the event of the emigration of a company to outside Belgium.
- Extension and strengthening of the 6% VAT regime for the demolition and reconstruction of residential buildings.
- Introduction of measures to combat the avoidance of the tax on securities accounts.

3.2 Social security

3.2.1 Ceiling on employers' social security contributions

As of 1 July 2025, no employer social security contributions are due on the portion of an employee's gross base salary that exceeds the amount of EUR 85,000 (to be confirmed) per quarter (a threshold that must be established by Royal Decree). This quarterly ceiling is indexable.

3.2.2 Permanent regularisation

The Program Act also introduces a system of social regularisation for self-employed persons who have failed to comply with their social security obligations (NISSE), subject to the payment of a 20% penalty (in addition to the social security contributions due).

4 Public sector

4.1 Consolidation of a high level of social protection

In the Act of 18 July 2025, nothing is mentioned about this, but on 17 July 2025, an agreement was reached within the core cabinet regarding the budget to be allocated to the Public Centres for Social Welfare (PCSWs). These centres will have to assist part of the individuals who are excluded from unemployment benefits. This budget will amount to a maximum of EUR 300 million in 2026 (instead of the originally planned EUR 234 million), also EUR 300 million in 2027, EUR 302.3 million in 2028, and EUR 342.6 million in 2029.

4.2 Indexation of wages in the public sector

The Program Act adjusts the mechanism for the indexation of social benefits and civil servants' salaries. From now on, the indexation of these benefits and salaries will take place in the third month following the breach of the index pivot. In the past, this indexation occurred in the first month after the breach of the index pivot.

The previous adjustment does not affect collective labour agreements concluded before 1 July 2025, as long as these collective agreements do not explicitly deviate from it. The measure is also not applicable to the Federal Public Service for Health.

4.3 Pension reform

The main measures of the civil service pension reform are explained under point 2.

5 Measures concerning international employment

As of 29 July 2025, the nationality application will become significantly more expensive. The registration duties to be paid for this will henceforth amount to EUR 1,000. This amount will be adjusted annually on 1 January, taking into account the evolution of the consumer price index.

The other announced measures regarding international employment are still pending.

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