Newsletter

Personal income tax reform

AUGUST 2026

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Dear reader,

Personal income tax is undergoing a thorough reform. The reform covers, among other things, restrictions on the granting of benefits in kind, the tax treatment of copyrights, the tax treatment of certain overtime hours, and a series of other measures regarding the tax-free allowance, the marital quotient, the tax treatment of remuneration received by pensioners, and so on.

Several other measures have already been explained in our previous newsletters, including those concerning the Program Law of 30 May 2026, and the new capital gains tax on financial assets. This article focuses on the measures included in the Law of 15 July 2026, on the reform of personal income tax.

Below, we provide an overview of these changes.

Enjoy reading!

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1 Remuneration for employees and company executives – new considerations starting in 2026

The legislature is intervening in two crucial pillars of remuneration policy: on the one hand, the use of gross salary exchange (“salary sacrifice”), the underlying mechanism of, among other things, cafeteria plans and the flexible structuring of the end-of-year bonus, with a view to granting certain benefits in kind; on the other hand, the minimum amount of remuneration for company directors is being increased. Both measures have a direct impact on the salary structure, tax deductibility, and, in the case of company directors, the applicable corporate income tax rate.

1.1 Excessive benefits in kind – limitation on salary sacrifices for the purpose of granting certain benefits in kind

Starting with the 2027 assessment year (2026 income year), a salary sacrifice for the purpose of granting certain benefits in kind will be limited to a maximum of 20% of the total gross payroll, for both employees and company directors.

The limit applies per category (employees/company directors/directors of associations) and per employer (legal entity).

Specifically, the cap for employees is 20% of the total amount of remuneration reported on all Form 281.10s. If the benefits in kind granted to employees, valued on a flat-rate basis, exceed this cap, the excess amount is subject to a separate 7.5% assessment payable by the employer. This separate levy is payable both by employers subject to individual income tax and by those subject to corporate income tax, legal entity tax, or non-resident tax. Furthermore, this separate levy is not deductible for corporate income tax purposes.

Similarly, for self-employed company directors, all Form 281.20s are subject to review. Unlike in the case of employees, the “penalty” does not consist in the application of a separate tax. In the case of a small company, however, it is “penalised” by losing the right to apply the reduced rate (20%) for corporate income tax. For companies that are fully subject to the standard corporate income tax rate, there is *effectively* no penalty.

With regard to the valuation of benefits for the purpose of calculating the 20% threshold, the (favourable) tax valuation rules for benefits in kind in question must be taken into account. Since the assessment is based on tax forms 281.10/281.20, the additional administrative burden will be relatively limited.

Effective date: as of the 2027 assessment year (2026 income year).

1.2 Increase in the minimum amount of executive remuneration

The minimum amount of executive remuneration that small companies must pay in order to qualify for the reduced corporate income tax rate of 20% (applicable to the first bracket of EUR 100,000 of taxable income) is being reformed.

The existing threshold of EUR 45,000 will be raised to EUR 50,000. Another new provision is that this amount will henceforth be indexed annually.

Effective date: starting with the 2027 assessment year (2026 income year).

2 Favourable tax regime for copyrights – expansion to the IT sector

Under certain conditions, income from copyrights is classified for tax purposes as movable income and taxed at a favourable rate of 15%, up to a certain ceiling, after applying a favourable flat-rate expense deduction. We previously referred to this in our newsletter on the Program Law of 30 May 2026, in which we discussed, among other things, the recent abolition of the flat-rate expense deduction under this regime, except for those who hold an “ordinary” attestation of work in the arts or a “plus” attestation of work in the arts.

The preferential tax regime for copyrights had already undergone a major reform in 2023. Among other things, that reform excluded virtually all software, and in particular computer programs and databases, from the scope of the preferential tax regime for copyrights. This effectively excluded virtually all IT profiles from the scope of the regime.

In addition to this exclusion of IT profiles, the 2023 reform also introduced two additional conditions for qualifying for the preferential regime: first, the copyrights must be transferred for the purpose of their effective exploitation or actual use, and second, the person concerned must henceforth either hold a specific attestation of work in the arts, or the rights to the copyright-protected work must be transferred to a third party for the purpose of its communication to the public, performance, public presentation, or reproduction.

In practice, this led to growing criticism, particularly from the IT sector, since the Code of Economic Law explicitly equates computer programs with literary works.

The current government has decided to rectify this discrepancy by once again extending the favourable tax regime to computer programs.

The extension applies to income paid or granted on or after January 1, 2026. However, it remains essential that all other conditions and restrictions of the existing tax regime for copyright be fully respected. The extension therefore relates exclusively to the material scope of the regime, without prejudice to the existing conditions, including the requirement that copyrights be transferred for either communication to the public, public performance or staging, or reproduction.

From a social security law perspective, it is worth noting that there is currently no prospect of an exemption from social security contributions for income from copyrights in computer programs, as is the case for income from literary or artistic works.

Effective date: as of the 2027 assessment year (2026 income year).

3 Overtime: establishment of the favourable tax regime for voluntary overtime

3.1 Establishment of the favourable tax regime for voluntary overtime

Effective 1 April 2026, the system for voluntary overtime will be structurally expanded to 360 hours per year. Taxpayers may work 240 of those hours tax-free, provided that the wages for such overtime are paid without an overtime premium and are listed on the tax assessment notice, by analogy with the existing recovery (relance) overtime hours.

Under labour law, the annual quota for voluntary overtime was already increased from 100 to 360 hours by the Act of 19 May 2026 (see our newsletter on this subject). Of these 360 hours, 240 hours may be worked without an overtime premium. It is precisely for these 240 "premium-free" hours that the new permanent tax exemption applies.

Specifically for the calendar year 2026, the existing "recovery" overtime regime aligns with the new favourable tax regime for voluntary overtime under a combined cap: the voluntary ("relance") overtime worked in the first quarter of 2026 (max. 120 hours) and the voluntary overtime exempted under the new permanent regime starting 1 April 2026, may not together exceed 240 hours over the entire calendar year 2026.

If the taxable period does not cover a full calendar year (for a reason other than death), this 240-hour cap is reduced proportionally, also effective as of calendar year 2026.

Effective date: this rule applies to remuneration for voluntary overtime worked on or after April 1, 2026.

3.2 Clarification regarding tax-reduced overtime and the wage withholding tax exemption

In addition to the expansion of net overtime, the system of tax-advantaged overtime for which a statutory overtime premium is due is also being structurally expanded. For employees in the private sector and in certain public sector entities, the general quota for tax-advantaged overtime is increased from 130 to 180 hours per year, both for the tax reduction for overtime and for the wage withholding tax exemption that the employer can claim for this purpose. This increase applies to overtime worked on or after 1 January 2026.

In addition, several sector-specific provisions are included. For employers who primarily carry out road or railway construction work and are required to work at night, on weekends, or on holidays, the increased quota of 280 hours will remain in effect. It is also confirmed that subcontractors may take advantage of this provision. For the hospitality sector, the existing special rules regarding the 360 hours will remain in effect.

For the construction sector as well, the existing practice is being enshrined in law: accredited temporary employment agencies that provide temporary agency workers to construction companies may apply the same wage withholding tax exemption as construction companies themselves, and this applies to the same number of overtime hours.

Effective date: as of the 2027 assessment year (2026 income year).

4 Increase in the social work bonus

The social work bonus reduces the employee contribution (13.07%) for employees with lower incomes. However, when an employee pays little or no income tax, the reduction in social security contributions has no net tax effect. To address this, the legislature has introduced a specific tax credit – the so-called "tax work bonus" – which increases the benefit of the social work bonus for employees who pay no (or insufficient) income tax.

What is changing?

The calculation rates for the tax work bonus are being adjusted upward:

Wage class	Current rate	New rate	As from AY
General rate	33.14%	**35%**	2029
With low wages (Section A)	52.54%	**63%**	2027
With very low wages (Section B)	63%	**72%**	2029

In addition, the absolute maximum of the tax work bonus will be increased from EUR 765 to EUR 970 (effective as of the 2027 assessment year – 2026 income year).

These measures are part of the policy to increase the employment income of low-income workers.

5 Tax on pensioners – new separate tax starting in 2027

The government aims to make it more attractive for pensioners to remain active in the labour market even during retirement. In this context, more favourable tax treatment of employment income for pensioners is provided, provided that they are actually receiving a retirement or survivor's pension, and that they either reached the statutory retirement age before the month in question or, at the time of their retirement, met the requirement of a full career under the pension legislation applicable to them. However, this measure applies exclusively to pensioners who earn supplemental income as employees.

Specifically, a separate 33% tax rate is being introduced for this group on the income in question. This measure is intended to compensate certain pensioners who wish to earn additional income but are unable to take advantage of the flexi-job status. The introduction of a separate tax rate prevents this additional income from being automatically subject to the progressive tax rates.

However, this income is excluded from the tax reduction for overtime that entitles the recipient to statutory overtime pay.

Effective date: as of the 2028 assessment year (2027 income year).

6 Lowering the minimum age for separate taxation of young athletes

There is a favourable tax regime in the form of separate taxation of remuneration paid to young athletes. Until now, this regime was reserved for athletes who were between the ages of 16 and 23 on the date the remuneration was paid.

The appeal of Belgian professional sports for very young athletes in training justifies lowering the age of eligibility for this scheme.

What is changing?

The minimum age to qualify for the separate taxation scheme for young athletes is being lowered from 16 to 15 years. The scheme will therefore now apply to athletes between the ages of 15 and 23.
As a reminder: this separate taxation scheme prevents the progressive tax from placing an excessive burden on occasional high payments received by very young athletes, while at the same time granting them a protected social status.

Effective date: as of the 2027 assessment year (2026 income year).

7 Reform of the tax-free allowance and related supplements in personal income tax

As part of its effort to make work more rewarding and reduce the tax burden on employment income, as well as to simplify the tax system, the federal government has announced a comprehensive reform of the tax-free allowance and the related supplements. The reform includes both an increase in the tax-free allowance and a revision of the supplements for dependent children and single parents. In addition, the calculation of the tax on the tax-free allowance will be simplified.

What exactly is changing?

7.1 Systematic increase in the tax-free allowance

The tax-free allowance is the portion of each taxpayer's income on which no tax is due, regardless of the amount of their other income. In practice, this is not achieved by subtracting this amount from the taxable base, but through a tax reduction: the tax calculated on the tax-free allowance according to the progressive rates is deducted from the total tax on taxable income. In addition to a base amount, there are additional tax-free supplements, including those for dependent children.

The base amount of the tax-free allowance will be gradually increased starting in the 2027 assessment year over a period of five assessment years (2027–2031). The base amount will rise from EUR 4,945 to EUR 6,230 (amounts subject to indexation). According to the explanatory notes, the tax-free allowance is intended to amount to approximately EUR 14,450 after indexation starting with the 2030 assessment year and EUR 15,600 starting with the 2031 assessment year. As a result, a larger portion of income will be exempt from tax.

Effective date: the above measure will be implemented in phases. The first phase will take effect starting with the 2027 assessment year (2026 income year).

7.2 Reform of increases in the tax-free allowance for dependent children

In addition to the adjustments to the tax-free amount (see section 7.1), the law provides for additional supplements to the tax-free allowance for dependent children. The more dependent children there are, the higher this supplement, resulting in a greater tax benefit.

Under the current rules, however, the amount of the supplement increases significantly as the number of dependent children rises.

The law provides for an increase in the supplements to the tax-free allowance for a first and a second dependent child. This change aims to achieve greater tax equity between families with one dependent child and families with two dependent children. Starting with the 2030 assessment year, the tax benefit for the first and second child will therefore be largely equalised.

Effective date: the above measure will be implemented in phases. The first phase will take effect starting with the 2027 assessment year (2026 income year).

7.3 Allowances now limited to “true” single parents

Taxpayers who are considered single parents receive a supplement on the tax-free portion. Currently, a parent who is de facto cohabiting may also claim this single-parent allowance under certain conditions.

Starting with the 2030 assessment year, this supplement will be granted only to taxpayers who are actually considered single parents. This applies to taxpayers whose household, as of 1 January of the assessment year, consists of no one other than their children and certain close relatives.

The additional supplement for single parents with low employment income will remain in effect. The option to convert the associated benefit into a tax credit will also remain in place.

Effective date: as of the 2030 assessment year (2029 income year).

7.4 Simplification of the calculation of the tax on the tax-free amount

As explained in section 7.1, the tax-free allowance is translated for tax purposes into a tax reduction: tax is calculated on the amount of the tax-free allowance (and the supplements), which is then deducted from the total tax on taxable income. Currently, this calculation is performed according to a separate tax rate system, which is distinct from the standard progressive rates used to tax the remaining income. Starting with the 2030 assessment year, the tax on the tax-free allowance will be recalculated using the progressive rates in the personal income tax. The separate tax scale will therefore be abolished with a view to creating a simpler and more transparent tax system.

Effective date: starting with the 2030 assessment year (2029 income year).

7.5 Changes to the amount of the tax reduction for pensions and replacement income

In addition to adjustments to the tax-free allowance, an adjustment is provided for the specific tax reduction for pensions and replacement income (including unemployment benefits and other replacement income). This reduction is calculated on the portion of the tax that relates to such income and generally decreases on a sliding scale as the taxpayer’s taxable income rises.

To offset the impact of the increase in the tax-free allowance, the amounts of the standard tax reductions for pensions and replacement income are being phased out gradually.

Unemployment benefits
The legislative amendment systematically phases out the tax reduction for unemployment benefits from the 2027 assessment year and up until 2029 (including both the basic credit and the supplemental credits). Starting in 2030, the tax reduction for unemployment benefits is scheduled to be eliminated.

In addition, the phasing out of the reduction based on taxable income will be accelerated starting with the 2027 assessment year, in part by eliminating the existing exception for unemployed individuals aged 58 or older who receive a seniority supplement. Subsequently, the regulation regarding the reduction for unemployment benefits will be phased out entirely starting with the 2030 assessment year.

The foregoing does not apply to unemployment benefits with a company supplement (SWT/RCC), for which the tax reduction for other replacement income remains in effect.

Pensions
The tax reduction for pensions for taxpayers with high taxable income will also be systematically phased out. New rules will take effect starting with the 2027 assessment year, with a gradual phase-out by the 2030 assessment year.

Local employment agency
The foregoing does not apply to income from a local employment agency employment contract. The existing reduction will continue to apply *de facto*, but on a different legal basis, effective as of the 2027 assessment year (2026 income year).

8 Phased elimination of the marital quotient

The marital quotient fictitiously allocates 30% of the professional income of the higher-earning spouse to the lower-earning spouse, within a set upper limit. This mechanism makes it possible to mitigate the progressivity of the tax for single-income households and/or those with a highly uneven income distribution by reducing the total tax owed by the household.

According to the FPS Finance, approximately 500,000 taxpayers still make use of the marital quotient.

What is changing?

The reform retains the mechanism (30% transfer) but gradually lowers the transfer cap under two different schemes:

- **For pensioned married couples** (both spouses have reached the statutory retirement age as of 1 January of the assessment year):
  - The cap starts at EUR 6,365 (assessment year 2027) and is gradually reduced in annual increments until it is completely abolished in the assessment year 2046 (effective 31 December 2045).

- **For all other couples**:
  - The cap will be reduced in annual increments between the 2027 assessment year and the 2030 assessment year, from EUR 5,860 (2027 assessment year) to EUR 3,350 (2030 assessment year). Starting with the 2030 assessment year, the maximum will remain fixed at EUR 3,350 without indexation.

Assessment year	Maximum (non-retirees)	Maximum (retirees)
AY 2027	EUR 5,860	EUR 6,365
AY 2028	EUR 5,030	EUR 6,030
AY 2029	EUR 4,190	EUR 5,695
AY 2030	EUR 3,350	EUR 5,360
AY 2031	EUR 3,350 (stable)	EUR 5,025
…	…	…
AY 2046	EUR 3,350 (stable)	EUR 0 (abolished)

Please note: the rules governing the transfer of the tax-free allowance between spouses remain unchanged for joint tax returns, thereby limiting the impact of the reduction of the marital quotient.

For the households concerned, it is advisable to begin taking the budgetary consequences of this gradual reduction into account now, in particular by considering, if applicable, the valuation of the professional activity of the spouse with the lower income.

Effective date: as of the 2027 assessment year (2026 income year) for the initial parameters. Successive annual reductions through the 2030 assessment year (2029 income year) (non-pensioners) and 2046 (2045 income year) (pensioners).

9 Minimum tax credit for dependent children

The tax credit for dependent children allows taxpayers whose tax liability is insufficient to fully offset the supplements to the tax-free allowance for dependent children to receive a partial refund of the balance. This tax credit therefore primarily benefits low-income families.

Despite this mechanism, individuals with dependent children who receive a social integration income from the OCMW/CPAS often found themselves at a disadvantage. Since their income was not taxable or barely taxable, the tax credit calculated according to the standard rules was either zero or very limited.

What is changing?

For the assessment years 2027, 2028, and 2029, a minimum tax credit is guaranteed if the following two cumulative conditions are met:

– the taxpayer’s income includes at least EUR 7,104 in social integration income (indexed amount);
– the supplement on the exempt portion for dependent children, after application of Article 132bis of the ITC92, does not exceed EUR 5,130 (increased to EUR 5,150 for the 2028 assessment year and EUR 5,180 for the 2029 assessment year).

The amount of the tax credit is then increased to a minimum, according to the following table:

Assessment year	Without Art. 132bis	With Art. 132bis
AY 2027	EUR 425 per child	EUR 212.50 per child
AY 2028	EUR 320 per child	EUR 160 per child

AY 2029	EUR 240 per child	EUR 120 per child

Children with a recognised disability count as two. For joint tax returns, the conditions and amounts are assessed jointly for both spouses.

Effective date: assessment years 2027 through 2029 (income years 2026 through 2028).

10 Introduction of an entrepreneur's deduction

An entrepreneur's deduction is granted to self-employed individuals (natural persons) who receive profits or gains.

This amounts to 10% of the total profits and gains (after deduction of professional expenses and professional losses), with the exception of, in particular:

- compensation intended to fully or partially compensate for a temporary loss of profits or gains;
- attendance fees;
- profits or gains from activities as an assisting spouse ("helper");
- income subject to a separate tax regime.

The deduction is limited to EUR 311 (annually indexed base amount), increased to EUR 415 (annually indexed base amount) starting with the 2030 assessment year (2029 income year). In the case of joint assessment, the amount per taxpayer is calculated before applying the mechanisms for transfer between spouses.

The entrepreneur's deduction does not apply to corporate income tax.

In practice: a self-employed individual with a net profit (after deduction of professional expenses and losses) of EUR 80,000 receives a deduction of EUR 311 (maximum amount), which amounts to a savings of approximately EUR 156 at a marginal tax rate of 50% (excluding municipal surcharges).

Effective date: the entrepreneur's deduction (10% rate, maximum of EUR 311) applies starting with the 2028 assessment year (2027 income year). The increased maximum of EUR 415 applies starting with the 2030 assessment year (2029 income year).

11 Normal management of private assets: introduction of a *de-minimis* threshold

Miscellaneous income from transactions that go beyond the normal management of private assets is subject to a 33% tax. In practice, the tax authorities have broad discretion to classify certain activities (regular sales on second-hand platforms, disposal of personal property, etc.) as taxable speculative transactions.

This legal uncertainty primarily affects taxpayers who engage in a limited number of transactions that clearly fall within the private sphere.

What is changing?

An irrebuttable presumption (that is, a presumption against which the tax administration cannot provide evidence to the contrary) is being introduced in Article 90, paragraph 1, 1°, ITC 92. Transactions carried out as part of the management of private assets relating to:

- immovable property;
- portfolio securities (with the exception of financial assets subject to the specific rules governing capital gains tax on financial assets, which have been in effect since 1 January 2026); and
- movable property,

are conclusively presumed to be transactions carried out as part of the normal management of private assets, and are therefore not taxable as miscellaneous income when the resulting gross gains do not exceed EUR 972 per year per taxpayer (base amount, which, after indexation, amounts to approximately EUR 2,000 for the 2027 assessment year, income year 2026).

Three important clarifications deserve special attention:

- The threshold is assessed based on gross gains, without deducting expenses.

- The presumption applies according to an all-or-nothing approach: as soon as gross gains exceed EUR 2,000, all transactions are reassessed according to the standard factual assessment rules, and not just the portion above that threshold.

- Financial assets (stocks, bonds, cryptocurrencies, etc.) are expressly excluded from the scope of this presumption, as they are now subject to a separate tax regime, namely from the capital gains tax on financial assets and cryptocurrencies.

In practice, a taxpayer who sells goods via platforms such as Vinted, eBay, or 2dehands/2ememain for less than EUR 2,000 gross per year and has no other miscellaneous income subject to this presumption, such as from the sale of other movable or immovable property, enjoys significantly greater legal certainty: no tax is due, and the tax authorities cannot challenge the application of the presumption.

Effective date: applicable as of the 2027 assessment year (2026 income year).

12 Abolition of the obligation to make advance tax payments for self-employed individuals and introduction of a fifth advance payment period

Self-employed individuals (natural persons) who receive profits or income were required to make advance tax payments to avoid a tax increase. In practice, these payments were made in four instalments (AP 1 through AP 4) over the course of the income year.

This requirement placed significant pressure on the liquidity of self-employed individuals, particularly those whose income fluctuates or is difficult to estimate at the beginning of the year.

What is changing?

1 Abolition of the obligation for profits and gains

The obligation to make advance payments is being abolished for profits and gains, as well as for remuneration paid to assisting spouses. However, this obligation remains in effect for remuneration paid to company directors.

Self-employed individuals may still make voluntary advance payments if they wish, in order to benefit from the associated tax credits.

Effective date: the measure takes effect on 1 January 2026, and applies to advance payments made for the 2027 assessment year (2026 income year) and subsequent years.

2 Introduction of a fifth advance payment period

A fifth advance payment period is being introduced for taxpayers with profits or income and for their assisting spouses. Advance payments made from 21 December of the income year until 20 February of the following year entitle the taxpayer to a bonification equal to 0.5 times the base interest rate. Specifically, the first fifth advance payment period runs from 21 December 2026 until 20 February 2027. An advance payment made on 1 February 2027, will therefore still affect the tax due on 2026 income.

For company directors, the obligation to make advance payments remains in effect, but the advance payment periods have been changed. The first advance payment may be made starting 21 February and no later than April 10. Advance payments made between 21 December of income year X and 20 February of the following year are allocated to the taxable period of income year X. This change applies starting with the 2028 assessment year, corresponding to income year 2027.

However, the retention of the obligation to make advance payments must be qualified. For company directors, the tax increase due to insufficient advance payments is calculated on the tax still owed after deducting the wage withholding tax. If that withholding tax has been calculated correctly and is sufficient to cover the final tax liability, the theoretical tax increase remains zero. In practice, therefore, the obligation to make advance payments has no real consequences for these company directors, except in cases of irregular remuneration or incorrectly calculated withholding tax.

Practical note: the elimination of the obligation to make advance payments does not mean that no tax is due during the year. Voluntary advance payments can still be financially advantageous to spread the tax burden over the year and avoid a large payment upon receipt of the tax assessment notice.

Effective date: the fifth advance payment period and the new rules regarding bonification will take effect starting with the 2027 assessment year (2026 income year) for profits, gains, and remuneration of assisting spouses. The change to the deadlines applicable to company directors takes effect as of the 2028 assessment year (2027 income year).

13 Individualisation of the special social security contribution

The special social security contribution (SSSC) is payable annually by households in which at least one member receives professional income covered by the social security system for employees. The amount depends on the household income and the applicable tax system, specifically whether the tax return is separate or joint. The contribution is collected through a payroll deduction and currently amounts to a maximum of EUR 731.28 per household. Since it is calculated based on household income, a single overall cap applied to the entire household for dual-income families.

This household-level calculation led to a distortion: a couple in which both partners each earn a high income reached the same maximum contribution as a couple in which only one partner earns the entire household income.

What is changing?

Starting with the 2028 income year (2029 assessment year), the SSSC will be calculated individually per person and no longer per household. The maximum contribution is set at EUR 365.64 per person, which is half of the current maximum amount of EUR 731.28 per household.

For dual-income couples where both partners reach the upper limit, the reform is neutral: the sum of their individual contributions amounts to 2 × EUR 365.64, or EUR 731.28, and thus corresponds to the former upper limit per family. For couples in which only one partner reached the upper limit, however, the reform is advantageous: the partner with the lower income no longer contributes to reaching a joint upper limit.

The method for calculating the monthly deduction is also being adjusted to account for this individualisation.

Effective date: the individualisation of the SSSC applies to contributions earned starting with the 2029 assessment year (income years 2028 and subsequent). The new rules for the monthly withholding take effect on 1 January 2028.

14 Miscellaneous

14.1 Doctoral fellowship recipients

Certain categories of doctoral students currently benefit from a favourable tax and social security regime. Their scholarship income is exempt from tax and is subject only to limited social security contributions.

As part of tax simplification, these taxpayers will also lose their entitlement to the tax credit for dependent children.

In addition, the spouse of a doctoral fellow will be taxed as a single person and will also be excluded from the tax credit for dependent children.

Effective date: as of the 2027 assessment year (2026 income year).

14.2 The general taxability of the (equivalent) living wage

Currently, a living wage or equivalent living wage is, in principle, not taxable if it constitutes the taxpayer's sole source of income.

This is set to change. The government has decided to treat the (equivalent) living wage as a separate income category and, going forward, to treat it as taxable income, by analogy with replacement income.

In addition, a specific tax reduction regime for pensions and replacement income will apply to the (equivalent) minimum income. However, these tax reductions and the supplementary reduction will be phased out systematically between the 2027 and 2030 assessment years.

An exception to the above is maintained for genuine single parents with low earned income. For them, the (equivalent) living wage will be treated in the same way as unemployment benefits.

The principle that the (equivalent) living wage is taxable also has implications for the application of the tax credit for dependent children. Taxpayers with one or two dependent children are particularly affected by this. To offset this disadvantage, the government is providing a transitional measure for the assessment years 2027 until 2029. Under this measure, a minimum tax credit per dependent child is guaranteed for taxpayers whose combined taxable net income includes at least EUR 7,104 in (equivalent) living wage. The amount of this tax credit corresponds to four times the current monthly benefit amount for a living wage recipient with family dependents and is indexed annually.

Effective date: the above measure will be implemented in phases. The first phase applies to income paid or awarded starting with the 2027 assessment year (2026 income year).

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