



Belgium further expands its double tax treaty network



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Belgium as gateway to Middle East

In December 2008, Belgium signed a beneficial double tax treaty with Oman. This first time treaty will enter into force once it is ratified by both countries, and is perceived to be an exciting addition to the rapidly expanding double tax treaty network of Belgium in the Middle East and Northern Africa.

During the course of 2007 and 2008, Belgium signed first time double tax treaties with Bahrain and Qatar and initiated double tax treaties with Syria and Libya. Belgium also has an very favourable treaty with the United Arab Emirates in force, in addition to some of the older treaties it has in the region with Kuwait, Algeria, Egypt, Morocco and Tunisia¹. As a result, Belgium can be considered as a perfect gateway to and from the Middle East.

The most important features in the field of withholding taxes of the treaties with Oman, Qatar, and Bahrain are:

- ▶ Dividend WHT: full exemption under certain conditions²
- ▶ Interest and royalty WHT: 5%

Once these treaties enter into force, investment in or through Belgium for investors in the Middle East becomes even more interesting. Indeed, profits realised in Belgium at no tax cost (e.g. capital gains on qualifying shares no holding period requirements, or at a very low rate (e.g. dividends or interest and royalty income

after being offset against notional interest deduction) can be repatriated (almost) free of tax (see Investment Scheme 1) back to the Middle East.

Alternatively, investments by Belgian (intermediary) companies in a Middle Eastern company or branch could also be quite tax efficient (such as capital gains on shares, dividends and branch income, even derived from low taxed entities). Moreover, the re-distribution of this income by the Belgian parent or head office to its treaty parent company will in principle, not trigger any Belgian (withholding) tax either (see Investment Scheme 2).

Belgium as confirmed position in the Far East

Apart from the various treaties with countries in the Middle East, Belgium also has a very wide in-force treaty network in force with countries in the Far East.

A new double tax treaty with Singapore has been ratified in November 2008. The new treaty replaces the old one which has been in force since 1973, and applies to income derived on or after 1 January 2009.

After the success of the Belgium-Hong Kong treaty, which entered into force in 2004 and which was the first full double tax treaty ever to be signed by Hong Kong-, the new double tax treaty with Singapore will further enhance Belgium and Singapore as the investor's preferred gateway between the EU and Asia. It offers a number of tax efficient in-bound and out-bound opportunities between East and West.

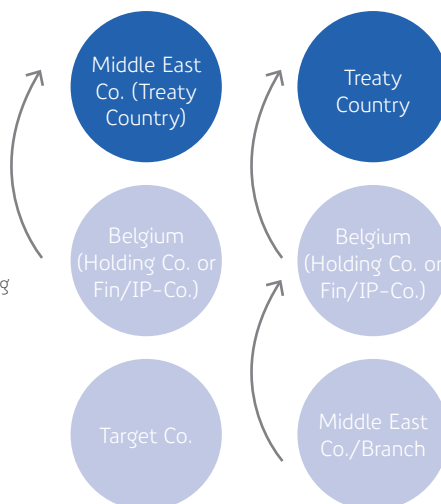
Benefits of the new treaty

- ▶ Interest withholding tax is reduced from 10% to 5%;
- ▶ Royalty withholding tax is reduced from 5% to 3%;
- ▶ Dividend withholding tax is:
 - › exempt for corporate shareholders holding at least 25% of the shares for at least 12 months³;
 - › 5% for corporate shareholders holding at least 10% of the shares; and
 - › 15% for other shareholders.

Investment Scheme 1

Belgium

- ▶ Holding Co. participation exemption on dividends/capital gains
- ▶ Fin/IP Co. Application of Notional Interest Deduction resulting in a low ETR
- ▶ DWHT to Middle East parent: 0%



Investment Scheme 2

Belgium

- ▶ Holding Co. participation exemption on dividends/capital gains
- ▶ Fin/IP Co. Application of Notional Interest Deduction resulting in a low ETR
- ▶ DWHT to Middle East parent: 0%

Middle East

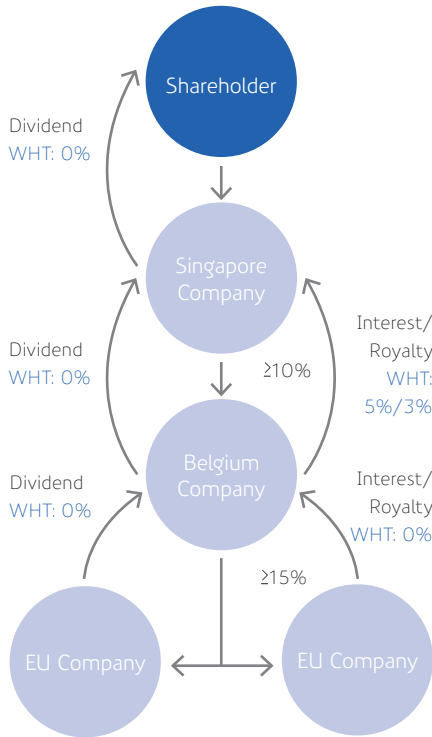
- ▶ Exempt/low tax income
- ▶ DWHT to Belgium: 0%

¹ Renegotiated double tax treaties with Morocco and Tunisia have been signed and are pending entry into force.

² The Treaty with the UAE on the other hand provides for a 5% dividend withholding tax rate. However, under Belgian domestic law, there is an exemption available for dividends paid to qualifying parent companies located in a jurisdiction with which Belgium has a double tax treaty. This exemption, hence, also applies to qualifying dividend payments to all of the other above-mentioned countries.

³ Note that under Belgian domestic tax law, the minimum participation threshold is only 10% and that Singapore currently does not levy any dividend withholding tax at all.

Singapore Europe Tax Planning Opportunities



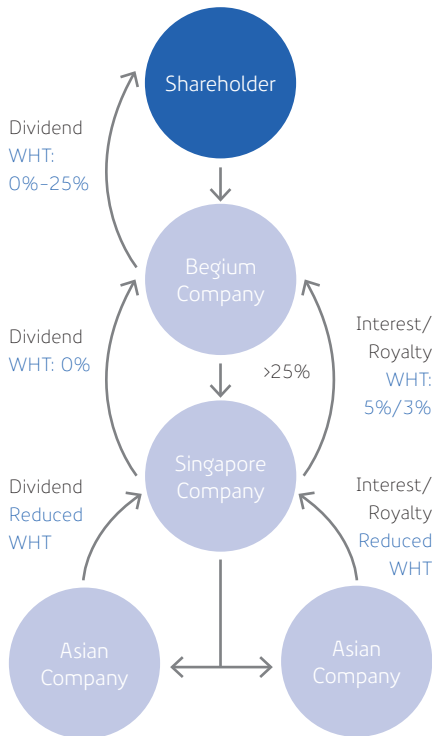
Belgian considerations:

- ▶ Worldwide tax system;
- ▶ Almost 90 in-force double tax treaties;
- ▶ 33.99% ordinary corporate income tax rate;
- ▶ 100% capital gains exemption on qualifying shares;
- ▶ 95% participation relief on qualifying dividends received;
- ▶ Notional interest deduction on qualifying equity;
- ▶ No dividend WHT to qualifying EU and Treaty parents;
- ▶ No intra-EU interest WHT (also many other domestic exemptions apply);
- ▶ No intra-EU royalty WHT;
- ▶ No CFC legislation;
- ▶ No capital duties;
- ▶ No general thin cap rules.

Singaporean considerations:

- ▶ Dividend, interest & royalty not remitted in Singapore are exempted;
- ▶ Dividend received in Singapore are exempted if subjected to tax at a headline tax rate of at least 15%;
- ▶ Interest & royalty normally are taxed (at 17%) but general and specific exemption schemes are granting concessionary tax rate of 10% or lower;
- ▶ Unilateral and bilateral agreements foreseeing tax sparing credit for royalty and interest withholding tax.

Belgium Asia Tax Planning Opportunities



Singaporean considerations:

- ▶ Territorial tax system;
- ▶ Almost 70 in-force double tax treaties;
- ▶ 17% ordinary corporate income tax rate;
- ▶ 100% capital gains exemption on shares;
- ▶ 100% participation relief on qualifying dividends (see above);
- ▶ No dividend WHT;
- ▶ More than 25 tax incentive schemes;
- ▶ More than 14 Free Trade Agreements in place;
- ▶ No CFC legislation;
- ▶ No capital duty;
- ▶ No general and specific thin cap rules;
- ▶ Partial tax exemption (first € 150 k tax at 8.85%);
- ▶ and Start up exemption (first € 150 k tax at 6%).

Belgian considerations:

- ▶ 95% participation relief for qualifying dividends received;
- ▶ Interest & royalty income normally taxed (at 33.99%) but potential reduction of tax basis due to Notional Interest Deduction and domestic tax sparing credit for foreign royalty WHT paid;
- ▶ For companies: No dividend WHT for distributions to treaty parents;
- ▶ For private shareholders: 25% or 15% dividend WHT (under certain conditions).

The above-mentioned investment opportunities resulting from the new tax treaties continue to further enhance Belgium's and Singapore's position as an excellent location for investment income restructuring (of dividends/interest/royalties/capital gains).

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