

European Commission: Prolongation of Belgium's Tax Shelter Approved

IRIS 2007-9:1/6

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On 16 July 2007, the European Commission decided to approve the prolongation of Belgium's tax incentive scheme for audiovisual productions (known as the 'tax shelter') until 31 December 2009. The Commission's previous authorisation was due to expire on 30 June 2007.

Before this decision, the Commission had already reviewed the Belgian tax shelter twice. In 2003, it declared this scheme compatible with Article 87(3)d of the EC Treaty until 31 December 2004. On 30 June 2004, this authorisation was extended for a further three years.

Introduced in 2002, the tax shelter aims at supporting audiovisual productions in Belgium (see IRIS 2004-10: 5). The scheme allows resident firms and Belgian subsidiaries of non-resident companies to exempt part of their taxable profits through investments in approved Belgian audiovisual productions. Companies can thus deduct 150% of the amount invested, subject to the limit of EUR 750,000 (which corresponds to an investment of EUR 500,000). However, the tax-deductible amount may not exceed 50% of the company's taxable profits in a given accounting period.

The beneficiaries of such investments must be Belgian production companies. The exemption is subject to certain strict conditions set out in Article 194 *ter* of Belgium's Income Tax Code (*Code des Impôts sur les Revenus* , or "CIR"), and also to a 'framework agreement' being signed between the Belgian audiovisual production company and the investor(s).

Since its inception, the Belgian tax shelter has helped to increase the amount invested in audiovisual productions in Belgium. According to the figures provided to the Commission, investment in audiovisual productions in Belgium, which were EUR 3 million in 2003, increased to EUR 11 million in 2004 and EUR 16 million in 2005. Between 2007 and 2009, the Belgian authorities estimate that the tax shelter will result in a total investment of EUR 40 to 80 million for the audiovisual sector. This corresponds to a burden of EUR 10 to 20 million for the Belgian budget in the same period.

While approving the extension of the application of the tax shelter, the Commission reminded the Belgian authorities that they have the obligation to

present a yearly report on the implementation of the tax shelter, as well as to inform the Commission of any eventual draft modification of this scheme.

Décision de la Commission du 16 juillet 2007, publiée le 28 août 2007, JOCE C/200/2007, n° 121 / 2007 - Mesures fiscales en faveur de la production d'œuvres audiovisuelles (régime tax-shelter) BE

http://ec.europa.eu/eu_law/state_aids/comp-2007/n121-07-fr.pdf

Commission Decision of 16 July 2007, published on 28 August 2007, JOCE C/200/2007, N 121 / 2007 - Mesures fiscales en faveur de la production d'œuvres audiovisuelles (régime tax-shelter) BE

