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DOUBLE TAXATION AGREEMENTS — *Belgium*

Most people are generally familiar with the concept of double taxation. Corporate lawyers and accountants regularly raise th issue when asked by entrepreneurs about choosing the right business entity for a new company (or for an existing company lookir to grow and insulate its owners from personal liability). Tax treaties/double taxation agreements prevent double taxation and fisc evasion, whilst fostering cooperation between the home nation and international tax authorities by enforcing their respective tax law

Double taxation remains a hot button political issue and new and existing business owners need to be informed as they make critic business decisions regarding incorporation or the creation of some other formal entity. The number of countries which have entere into treaties with each other in order to mitigate the effects of double taxation is on the rise and such treaties may cover anything fro inheritance taxes to royalties. The stated goals for entering into a treaty often include reduction of double taxation, eliminating ta evasion, and encouraging cross-border trade efficiency. It is also generally accepted that tax treaties improve certainty for taxpaye and tax authorities in their international dealings.

Howard Liebman, a partner at Jones Day, gives Acquisition International a detailed look at Belgium's double tax treaty network.

Belgium is currently going through a "sea change" with regard to its double tax treaty network and negotiating position. On the one hand, Belgium has proven to be a true path-breaker in negotiating treaties with a 0-percent withholding tax on dividends, the most notable case being with Hong Kong. It was basically able to do so because domestic law already provides for this possibility as long as there are adequate information exchange provisions in place with the other jurisdiction. By being the first off the blocks with Hong Kong, Belgium established a leading reputation as a turntable for investments into China via Hong Kong and out of China into Europe. In addition, after many years, Belgium finally signed a new, modern and favourable tax treaty with the United States and is now in the process of drafting detailed guidance that will be particularly helpful for bilateral investments between those two countries.

Unfortunately, on the flipside is the fact that with the growing regionalisation of Belgium, there is a concomitant regionalisation of tax matters as well. More specifically, there is a concern in Belgian federal circles that it cannot ratify new income tax treaties because the regional legislatures must also ratify them, leading to significant delays. Indeed, the double taxation agreement between Belgium and China has been held up for over three years for that very reason (thereby making the Hong Kong treaty even more important). As this concern has been heard at the highest levels of government and by all political parties, it is hoped that a solution to speed up the negotiation, signing and ratification of ne treaties will be put in place.

In the meantime, Belgium continues to be a ve attractive jurisdiction in which to locate a variet of businesses, both for tax reasons and, mo importantly, for non-tax reasons (the large port in Europe, a highly educated and mult lingual workforce, an excellent transportatio and communications infrastructure, and a centr location in Northwest Europe).

Jones Day is also particularly well-suited to assis companies in their investments in Belgium. We hav a full-service practice which not only focuses on E law, but also handles transactional (corporate, ta labour, contract/commercial) matters, litigation an regulatory issues. Jones Day has been in Brussel since 1990 and now numbers 33 lawyers able to dra upon the Firm's full-service network of over 2,40 lawyers in 35 offices worldwide to provide a seamles global service.

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