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## Qfor quality label for KPMG Fiduciaire

### Interesting grant opportunities for SMEs

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KPMG Fiduciaire has recently been awarded with great distinction the Qfor quality label. The label was obtained after a thorough external audit of KPMG Fiduciaire's service offerings, carried out following Qfor audit methodologies. The audit encompassed all KPMG offices and included internal processes as well as client perception and client satisfaction.

#### Interesting grant opportunities

Apart from being an objective signal of the reliability and quality of KPMG Fiduciaire's service offerings, the quality label also offers interesting grant opportunities for SMEs that rely on KPMG Fiduciaire's services and that are located in the Flemish Region. Within the framework of the SME portfolio ('KMO-portefeuille'), these SMEs will be able to receive grants up to 50% for specific non-recurrent advice provided by KPMG Fiduciaire. Grants however are subject to certain limits (usually 5.000 euros per year per pillar<sup>1</sup>).

In Wallonia KPMG Fiduciaire was already awarded the interesting 'aides à la consultance' SME scheme, with general benefit amounts of 50% and an absolute maximum of 12.500 euros per application.

For more information regarding the grant schemes we refer to the contact information.

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### Calendar

**October 1, 2009**  
Transfer Pricing Update - Brussels

**November 12, 2009**  
Annual Belgium - Holland Desk Seminar - Brasschaat

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<sup>1</sup> The pillars are: training, advice, advice relating to innovation, and advice relating to internationalization.

## IT Cost Management survey

Available until September 30, 2009

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These turbulent times of global economic downturn have a major impact on IT departments. To assess to what extent IT departments in Belgian companies are being affected, KPMG IT Advisory is currently conducting an online survey. It focuses on the following topics:

- How do companies save and manage IT costs?
- What impact do cost-cutting measures have on the quality of service provisioning?
- How is the internal control environment affected?

The collected data will be assembled in a white paper which will be first made available to all participants before publication. Individual data will of course be treated confidentially.

The online measurement tool forms part of the 'Cost Optimization for IT' approach, which is one of KPMG Advisory's initiatives for helping its clients with cost reductions and optimizations.

The survey is available on [www.kpmg.be](http://www.kpmg.be) until September 30, 2009.

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## Belgian prohibition of combined offers inconsistent with European law

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Following a judgment of the European Court of Justice, the prohibition of combined offers made by a vendor to consumers cannot be maintained. As European law overrides national law, this sales technique — already allowed in our neighboring countries — can now also be applied in Belgium. This judgment provides interesting opportunities for setting up new commercial and marketing actions.

The Belgian prohibition of combined offers, contained in article 54 of the Law of July 14, 1991 on commercial practices and consumer information and protection, is considered as inconsistent with the European Unfair Commercial Practices Directive. Some examples of combined offers which should in principle be allowed:

- The delivery of mobile phones for free or at a reduced rate in combination with a subscription;
- The sale of travel tickets in combination with free transport to airport;
- The sale of magazines in combination with reduction-vouchers.

### **Possible incentive for ICE companies' revenue generation**

Specifically in these economic turbulent times where companies have already implemented various cost reduction measures, the possibility to explore new techniques for revenue generation, together with the removal of competitive disadvantages towards neighboring countries, will certainly be welcomed.



### Articles 94/4 and following remain applicable

A combined offer can however still be considered as unfair in case it is misleading, aggressive, or contrary to the requirement of professional devotion as elaborated in the provisions of the Belgian law on commercial practices regarding unfair commercial practices, being the implementation of the European Unfair Commercial Practices Directive.

### Possible new legislative initiative?

Moreover, the question also arises whether the other restrictive provisions of the Belgian law on commercial practices regarding for example price reductions and vouchers can also be maintained in light of the aforementioned judgment. In this respect, a legislative initiative is needed in order to adapt the Law on commercial practices and consumer information and protection.

## Tax regime for meal vouchers and the new eco vouchers

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The draft law governing fiscal and various provisions<sup>1</sup> could put an end to the uncertainty that arose as a result of recent case law<sup>2</sup> regarding meal vouchers, by establishing a legal basis for the tax treatment of meal vouchers, sport/culture vouchers and eco vouchers.

The 1992 Income Tax Code henceforth would provide explicitly that, where certain conditions<sup>3</sup> are met, meal vouchers, sport/culture vouchers and the new eco vouchers are tax-exempt benefits for their beneficiaries and non-deductible costs (with the exception of a maximum of 1 euro per meal voucher) for the employer or company.

One of the general conditions is that the granting of the voucher must be included in a collective labor agreement at sector or company level, or in a written individual contract.

A summary of the most important specific conditions:

### Meal vouchers

- The period of validity is limited to three months;

- The contribution of the employer must not exceed 5.91 euros per voucher;
- The contribution of the employee must be at least 1.09 euros per voucher.

### Sport/culture vouchers

- The period of validity is limited to 15 months, from July 1 of the year of issue until September 30 of the following year;
- The total amount granted by the employer or company must not exceed 100 euros per employee or business manager per year.

### Eco vouchers

- The voucher can only be used for the purchase of products and services of an ecological nature;
- The period of validity is limited to 24 months from the date of issue;
- The nominal value must not exceed 10 euros per voucher;
- The total amount granted by the employer or company must not exceed 125 euros (250 euros as from the 2011 assessment year) per employee or business manager.



<sup>1</sup> Preliminary draft law adopted in second reading on July 17, 2009 by the Council of Ministers.

<sup>2</sup> Brussels, November 6, 2008.

<sup>3</sup> Conditions similar to those provided by social security legislation.

These new provisions would apply to the benefits received by the beneficiary as from January 1, 2009. The non-deductibility of the vouchers in respect of the employer will apply as from the

2010 assessment year. A circular of June 2, 2009 suggests that the tax administration will apply the regime for sport/culture vouchers retroactively as from July 1, 2006.



**For more information  
and/or a copy of the survey:**

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## Infrastructure: Private sector and governments

Despite that many national governments worldwide have made major efforts in the field of infrastructure, serious doubts persist amongst the private sector about those governments' ability to tackle the infrastructure challenge, according to 'The Changing Face of Infrastructure', a survey undertaken by KPMG International in cooperation with the Economist Intelligence Unit.

Bearing in mind the key role that private sector infrastructure providers will likely have to play in delivering the infrastructure improvements demanded by society, the survey suggests that some governments may have something of a battle on their hands to get the private sector providers fully behind them.

According to the survey, infrastructure providers especially have concerns over government effectiveness (stated by 69% of respondents) the politicization of the infrastructure debate (42%), bureaucracy (28%), transparency (28%)

and even the lack of a sense of urgency (28%). All of these are seen as factors which could inhibit the providers' own ability to contribute towards tackling the infrastructure challenge — or which may impede further investment being made in infrastructure.

### **Wish list**

The survey does also provide something of a wish list in terms of what private sector providers believe might produce the greatest improvements in governmental effectiveness. Top of that list — supported by 45% of respondents — is the wish to depoliticize the infrastructure process. Transparency also features heavily with providers keen to see greater transparency around infrastructure planning and project selection (44%). 40% of respondents also advocated greater use of public-private partnerships; an encouraging response which suggests that — despite all the perceived problems — the appetite to partner with governments still remains.



## Preliminary draft law governing fiscal and various provisions

### Uncertainties removed?

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The preliminary draft law governing fiscal and various provisions<sup>1</sup> was adopted by the Council of Ministers on July 17, 2009.

The majority of the proposed provisions would remove uncertainties or modify existing regimes. A summary.

#### A uniform 'tax' definition of an SME

The preliminary draft law would provide for the insertion of a uniform definition of an SME into all provisions of the 1992 Income Tax Code that apply to such companies. This definition would consist of a reference to the concept of a 'small company' within the meaning of Article 15 of the Belgian Companies Code. It would be introduced into the articles of the 1992 Income Tax Code relating to the deduction of 120% of certain business expenses, the investment reserve, depreciation, the investment deduction, the higher rate of the risk capital deduction (notional interest deduction) and the exemption from a tax increase where there have been no — or insufficient — prepayments in the first three fiscal years after the compa-

ny's establishment. The new definition will enter into force with the 2010 assessment year; the preliminary draft law would also provide that any change to the closing date of the annual accounts made after January 1, 2009 will have no effect on the implementation of this measure.

#### Other provisions

Among the other provisions of this preliminary draft law relating to direct taxation that are worth noting are amendments to the provisions governing the deduction of donations made to institutions in the European Economic Area, the tax status of sportsmen, the calculation of the tax relief on unemployment benefits, the tax system applicable to seafarers who are not subject to Belgian social security, as well as the application to credit institutions, insurance companies and stock-broking firms of a minimum shareholding threshold in order to be eligible for the dividends-received deduction.

## What (de)motivates employees of local authorities?

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During the 5th quality congress for local authorities held at the Antwerp Provinciehuis, the People & Change department of KPMG Advisory conducted a quick scan among 130 participants. The aim was to identify those aspects of an organization that can have either a motivating or a demotivating effect.

#### Motivating factors

'Collaboration' was cited by 54% of the respondents as a 'top motivator'. This includes working together with colleagues and clients, receiving feedback from line management and enthusiasm on the part of colleagues for new ideas. 'Professional challenges'

<sup>1</sup> Preliminary draft law adopted in second reading by the Council of Ministers on July 17, 2009. See also the article on the tax regime of meal vouchers and eco-vouchers on page 3.



ranked second (39%), and includes launching new projects, seeking out new opportunities and being given responsibility for a particular aspect within the organization. Lesser motivating factors were the achievement of results, the completion of a given project, setting up quick wins, and job security.

#### **Demotivating factors**

'Culture' was cited by 43% of the respondents as the greatest source of demotivation, which includes resistance to change, a bureaucratic approach to challenges, blocking of new initiatives, and the cultural differences between various departments. Moreover, nearly a third (29%) found that 'too many rules

and procedures' has a paralyzing effect on the organization and sometimes prevents appropriate solutions from being found. Among the other demotivating factors cited were 'lack of time, people and resources' and 'the lack of a (political) long-term strategy' (mentioned by 16% and 12% of the respondents respectively).

#### **People & Change**

By conducting such quick scans, the People & Change department at KPMG Advisory aims to help (local) authorities strengthen employee motivation and eliminate demotivating factors. The ultimate goal is to contribute to creating a climate of innovation and creativity in which change is no longer an 'issue'.

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## EORI

As from July 1, 2009, the use of the so-called EORI number is mandatory to identify companies involved in customs activities in the European Union such as the import, export and conveyance of goods in transit.

#### **What is EORI?**

EORI stands for 'Economic Operator Registration and Identification'. This unique number is used within the European Union to identify economic operators, including legal entities that perform customs activities.

#### **Assignment of an EORI number**

The EORI number is assigned by the Member State in which an economic operator is established. Belgian economic operators that already have a registration number and whose registered office is in Belgium have automatically been assigned an EORI number. Belgian economic operators who are not yet known to the customs authorities,

however, and who wish to perform customs activities, will in future be required to register first.

Economic operators established in another European Member State must be registered in that State if they do not yet have an EORI number.

Companies established outside the EU that do not yet have an EORI number must register in the Member State in which they first lodge a customs declaration.

#### **Phased introduction of the EORI number in Belgium**

Since July 1, 2009, the EORI number has replaced the Trader Identification Number (TIN) in the light of the transit procedure. As from September 1, 2009, use of the EORI number is also mandatory for all import and export activities.

# Fiscal measures in favor of artistic activities

## New proposal of law

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A proposal of law (K 52-1998) was recently introduced in the Belgian parliament proposing various fiscal measures in favor of artistic activities. A brief overview of the most important measures:

### Tax shelter for audiovisual works

The first measure proposed concerns the tax shelter for audiovisual works; it suggests increasing the maximum tax exemption from 750.000 euros per tax period to 1.500.000 euros. The previous limit of 50% of taxable retained profit has been kept unchanged in the proposal of law. The entry into force of this measure will be determined in a Royal Decree (after the European Commission has ruled that this increase does not constitute a prohibited state aid).

### Corporate patronage of the arts

A second measure is intended to provide a fiscal incentive for forms of artistic expression other than film, that is, for the visual arts and performing

arts, by developing corporate patronage of the arts. Expenditures performed to the patronage (whether in money or in kind) will be regarded as deductible business expenses. Moreover, the maximum threshold for deductions will be raised from 250.000 euros (Art.109 of the Belgian Income Tax Code 1992) to 500.000 euros, and any portion exceeding 10% of total net income may be carried over for up to five years.

### Tax credit

A third measure is intended to introduce a tax credit benefiting the phonographic industry. The proposal of law allows music production companies to claim a tax credit of 40% of their production costs. Furthermore, it proposes that the balance of the tax credit not used in an assessment year could be reimbursed. It should be noted, however, that the tax credit would be granted only to albums featuring 'new talent' and composers who have sold no more than 20.000 copies of two successive albums.

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## Internal Controls study of technology companies

KPMG's Electronics, Software & Services (ESS) industry practice recently published 'Internal Controls Study of Technology Companies', a study that provides process-level information on the nature and effectiveness of managing internal controls programs by technology companies. The study's aim is to help organizations assess their internal control programs relative to the rest of the industry. Key findings include the following:

- Internal control compliance costs are decreasing;
- Internal control implementation has led to a number of benefits, including improved issues visibility, elimination of unnecessary controls, and consolidation and standardization of processes;
- The average number of key controls was 4% lower in 2008;



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and/or a copy of the study:

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- Almost one quarter of respondents say they have implemented or are in the process of implementing an integrated GRC<sup>1</sup> application suite, but not one vendor and/or tool stands out;
- Over half of the respondents have upgraded or implemented their ERP system within the last year or plan to within the next year.

#### Conclusion

KPMG believes the results of the survey suggest that many companies still have potential efficiencies that can be achieved by better leveraging the capabilities of their recent or planned ERP upgrades and/or implementations. It also seems that those companies that

have not yet implemented integrated GRC systems may have an opportunity to gain additional benefits by automating some of the GRC functions in the organization, as well as establishing a foundation for unified compliance programs. Going forward, KPMG is of the opinion that technology companies can further benefit from controls automation through further decreased costs and greater efficiency.

For more information about how KPMG’s ESS industry practice can assist organizations, please refer to the contact information.

<sup>1</sup> Governance, Risk and Compliance.

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