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Reduced VAT rate for renovation works to private dwellings: transitional measures



As from January 1, 2016, a building should at least be 10 years old in order to allow that its renovation can, under certain conditions, benefit from the reduced VAT rate of 6%. The current age requirement of 5 years will be raised to at least 10 years. As a consequence, private dwellings that currently are already 5 years old but less than 10 years, to which renovation works are carried out, will in principle be subject to the VAT rate of 21% as from 2016. However, specific transitional measures are recently foreseen by the VAT authorities and offer the possibility to continue to benefit from the reduced VAT rate of 6% under the terms of the current regime even after December 31, 2015. In order to benefit from the transitional measures, it is important to note that actions are to be taken before the end of December 2015.

Transitional measures

Opposed to past transitional measures relating to VAT rate changes that merely took into account the strict VAT exigibility rules, the recently announced transitional measures are linked to the existence of an agreement with a fixed date in 2015 or the submission of the application for a building permit or of a mere notification before the end of this year. The transitional measures will, briefly summarized, imply that renovation works subject of an agreement with fixed date in 2015 or subject to a building permit (in Dutch: "stedenbouwkundige vergunningsplicht") or a notification (in Dutch: "meldingsplicht") for which the application or notification has been filed ultimately on December 31, 2015 can keep benefitting the application of the 6% VAT rate based upon the current regulation to the extent that the respective invoices are issued ultimately on December 31, 2017.

To benefit from the transitional measures, all conditions of the currently (in 2015) applicable VAT regime of 6% for renovation works must be fulfilled. Note that the building permit, building notification or the contractual agreement to which a fixed date is given, should be sufficiently detailed and include the coordinates of the parties, the location of the building, a detailed description of the works and the agreed upon price. A "general" agreement or a fee proposal is not insufficient. The transitional measures can only be invoked for private dwellings which are **occupied for the first time in 2007, 2008, 2009 or 2010**.

If all conditions of the transitional measures mentioned above are fulfilled, the renovation works to private dwellings between 5 and 10 years old could still be performed at the reduced VAT rate of 6% in 2016, and even further in 2017.

Actions to be taken

The transitional measures are important for:

- ▶ renovation works which are not yet finalized on December 31, 2015 and which are not yet invoiced or paid before that date;
- ▶ renovation works which start after December 31, 2015.

If you would like to enjoy the 6% VAT rate in 2016 and even in 2017 instead of the new 21% VAT rate, you should:

- ▶ ensure that a fixed date is given to the agreement between the contractor and his client in 2015, or;
- ▶ timely submit the application for a building permit (in Dutch: "stedenbouwkundige vergunningsplicht") or notification (in Dutch: "meldingsplicht") to the competent authority in 2015.

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Contact

KPMG Tax Advisers

 Bourgetlaan - Av. du Bourget 40 B-
 1130 Brussels
 Tel.: +32 2 708 38 24

 ▶ [Send us an e-mail](#)

In addition to the legally provided cases where a contract would have a fixed date, the agreement will also be regarded as having a fixed date if a copy of the agreement is provided to the competent VAT administration by no later than December 31, 2015 (by hand delivery, email or registered mail). The competent VAT administration is the VAT office competent for the contractor in case the contractor is the debtor of the VAT or to the VAT office competent for the VAT taxable customer in case the so-called "reverse charge" applies. In this way, the right to the reduced VAT rate of 6% is secured.

If you are confronted with ongoing renovation projects or if you have renovation projects in the pipeline related to private dwellings occupied for the first time in 2007, 2008, 2009 or 2010, it is of the utmost importance that you take the necessary steps to have a fixed date given to the respective agreement or to apply for a building permit or to file the necessary notification before the end of this year. These actions ask for a relatively low effort compared to the VAT advantage, i.e. a difference of 15% VAT for renovation works performed and invoiced in 2016 and 2017.

We would be pleased to analyze with you whether all necessary conditions of the transitional measures are or can be fulfilled. Feel free to contact us for more information.

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