

Governmental measures for housing promotion and support in Belgium

In Belgium exist many government initiatives to support the investment and financing of a house. One measure offers a reduced VAT tariff for demolishing and rebuilding a house which is good to increase the supply of new climate-friendly buildings. Another measure wants to lighten the financial burden on people to buy their own home by granting them a tax reduction. Finally, there are two measures that support investment in housing. The first targets investment in second homes by giving the investor a tax advantage. The second provides a lower VAT tariff for all investors wishing to rent out their new houses to households with a limited income. So, that the supply of social houses can increase.

Measure to increase the supply of new dwellings in cities

The age of the building stock varies greatly from region to region in Belgium. In Flanders, 31.1% of the buildings were erected after 1981, while the share in Wallonia is 20.6%. In the Brussels Region it is even only 6.5%. In Belgium there are a lot of old dwellings that do not comply to the newest energy efficiency standards. In order to increase the supply of new buildings in cities and to make more dwellings climate-friendly, the following measure can help to gain these goals.

The demolition of a building and the subsequent reconstruction of a private home enjoy the reduced VAT rate of 6% in certain Belgian cities (32 to be exact). The reduced VAT rate of 6% can be applied when an old building is demolished and replaced by a new residential one. The purpose of the measure is to combat the vacancy and the uninhabitability of old city districts but will also help to improve the building park in Belgium to more modern standards.

After completion of the works, the building must be used either exclusively or mainly as a private dwelling. Only homes that are in one of the 32 city areas are entitled to invoice a complete demolition and rebuilding operation with application of 6% VAT. In other cities and municipalities, the normal VAT rate of 21% remains applicable. Only builders who demolish and rebuild themselves are qualified. Whoever buys a reconstructed home will continue to pay 21% such as developers of housing projects. Thus, a private person who demolish a house and rebuilds it with several apartments on one lot and rent them out, can profit from the 6% VAT tariff. Unless he sells these apartments than the 21% VAT tariff is valid.

Measures for the support of the investments in housing (for own house)

The housing bonus gives a tax reduction for those who take out a loan to buy or build a home and then live in it themselves (so this is not for investment purposes). The regions have been responsible for the housing bonus, which means that the schemes in Flanders, Wallonia and Brussels are not the same and they set different accents.

Flemish region

In Flanders, loans that have been concluded since 2016 fall under the so-called integrated housing bonus. This applies to own homes, regardless of whether it is the only home or not. The integrated housing bonus provides a tax benefit of 40%. This tax benefit is granted on a basic amount of € 1,520 in capital repayments, interest and premiums for a balance insurance policy. That ceiling can be increased to the maximum amount of € 2,260 for those who borrow for the 'only' home during the first 10 years of this loan (+ € 760).

Walloon region

In the Walloon Region, the housing bonus is named the "check habitat" for loans taken out from 2016. The tax reduction depends on the net taxable income and amounts to a maximum of € 1,520 per taxpayer per year. Those who earned at most € 21,347 in 2017 (€ 21,733 in 2018), enjoy the greatest benefit, a home check or tax reduction of 1,520 euros. As income rises, the tax benefit falls. For those who earn more than +84,000 €, they will not receive a tax benefit. The amount of the "check habitat" is, however, limited to the sum of the interest and capital repayments of the mortgage loan and premiums for the outstanding balance insurance paid during the year in question. Everyone is entitled to a maximum of 20 residential vouchers for life. The amount of the home checks is also halved after 10 years.

Brussels region

In the Brussels region, there is no housing bonus, but this region increased the exemption from registration fees. Under certain conditions no registration fees have to be paid on the first bracket (€ 0 - € 175,000). The so-called 'abattement' for the registration fees provides a benefit of € 21,875. However, there is no longer an exemption for homes with a value of € 500,000 or more.

By this measure, the Brussels region wanted to make the housing market more accessible to households with lower incomes. Also, they sought out a measure that supports households but would not benefit the developers of new dwellings.

Measures for the support of the investments in housing

The following two measures support the investment in dwellings. The first is the federal tax benefit for the second home and the second measure supports the building of social housing by reducing the VAT.

- **Tax benefits for second owned dwellings**

There exists a federal measure to support the investment of a second home and alleviate the financial burden by a tax benefit for the investor.

If you borrow for the purchase of a second residence, this loan provides a tax benefit to the borrower. The capital repayments entitle you to the tax reduction for long-term savings. The federal government then grants the tax benefit. This benefit amounts to 30 percent of the capital repayments up to a maximum of 2260 euros. This means a tax reduction of maximum 678 euros per person per year.

- **12% VAT rate for private initiatives in the context of social housing**

According to the OECD Affordable Housing Database (2015), the percentage of the number of social housing in relation to the total housing market varies greatly between the EU countries. In Belgium this percentage is only 6.5% compared to the Netherlands, the leader, with 34.1%, followed by Austria with 26.2%.

Since January 1, 2017, the scope of the reduced VAT rate of 12% in social housing has been expanded, if the home is ultimately intended for renting in the context of social housing. The application of the reduced VAT rate of 12% that applies to public institutions was extended to every private person or company that buys or builds houses to rent it out under the social policy. This refers to private individuals, property developers and any other private law person. The most important condition for application is the lease for a minimum period of 15 years via institutions that are accredited for social rental.

The main objective of the measure is to compensate for the shortage of social housing as this percentage is rather low in Belgium. This measure may also offer more financial breathing room for the public or private legal entity. Through more favourable VAT rates for private investors, one hopes for a greater supply of rental properties to be used for social housing. After all, the rent of such houses is exempt from VAT.

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