

COVID-19 CORPORATE TAX MEASURES: CARRY-BACK OF LOSSES

Covid-19 has had, and still has, a heavy impact on all aspects of society and the economy worldwide. Governments cannot fully accommodate the effects of the crisis, but they are making efforts to take some measures to counterbalance its effects.

In order to support companies during the Covid-19 crisis, the Belgian Government introduced a number of tax relief measures, both on Federal and Regional level.

In this article, the Federal tax relief measure concerning a carry-back system of losses will be shortly addressed.

Carry-back of losses

This measure can perhaps qualify as the most efficient one in this list: the carry-back of losses on a tax-free basis.

Briefly explained, the carry-back system means that companies and Belgian establishments of foreign companies can deduct their estimated 2020 or 2021 losses from their 2019 or 2020 (financial year ending between 13 March 2019 and 31 July 2020). As a result, companies will be able to reclaim their excessive prepayments and the tax charge for the years 2019, 2020 and 2021 will be tempered.

This measure can only be applied once, which implicates that it can be used in one taxable period that is closed between 13 March 2019 and 31 July 2020.

However, not all companies can benefit from this measure. The application is subject to certain criteria. Following companies are not eligible to benefit from the measure:

- Companies which can be classified as a company in difficulties on March 18th 2020 will be excluded;
- Companies reducing or distributing equity between the 12th of March and the date on which the tax return related to tax year 2021 is filed;
- Companies linked to tax havens. Companies that hold a direct interest in a company resident in a State that qualifies as a tax haven are qualified as linked, but also if companies make payments to a company resident in a State that qualifies as a tax haven;
- Companies benefiting from a special tax regime (f.e. regulated real estate companies).

The Belgian government is still in process of finalizing a tax-exempt reconstruction reserve. More information will follow soon once the legislation is adopted.

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