

Tax Newsletter

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“Nice party!” Also tax-wise?

Being a business person you sometimes organize an event where clients and prospects are invited. Can you then fully deduct all costs you thus incurred? On 28 May 2024, the Brussels Court of Appeal ruled an interesting decision providing practical and therefore useful guidelines.

BelCo owns a car brand concession and organized an event on the occasion of the opening of a showroom at a new location. BelCo had deducted all costs as ‘publicity costs’. The Belgian tax authorities disagreed and allowed a 50% tax deduction only arguing the costs are moreover ‘reception costs’. What did the judge say? .

- The Brussels Court of Appeal confirms that the corporate tax treatment of the costs is not determined by the subjective intention of the taxpayer (e.g. organize a publicity event), but by the objective nature of the underlying cost. Hence, if it concerns a ‘reception cost’ only 50% is deductible for corporate tax purposes. This Court decision is in line with the earlier Supreme Court decision dated 22 March 2019 .
- The judge had noticed that Belgian tax law does not come up with a definition of ‘reception costs’. The official commentaries on the Income Tax Code provide the following description: ‘catering costs, as well as costs of beverage, food, smoking products, flowers, depreciation or rent of premises, wallpaper, carpets and furniture, salaries of service and reception personnel relating to the welcoming of business relationships and other persons that the taxpayer is hosting in his own or other premises’ (Comm.IB 53/144).
- The Court of Appeal believes that a ‘shuttle service’ does not qualify as a ‘reception cost’. Conversely, this is moreover a ‘transportation cost’ incurred by a company with a view to selling its products and enabling potential clients to visit its premises (Comm.IB 53/146). On this point, it is good to know that the Finance Minister has confirmed before that ‘taxi expenses’, incurred in Belgium or abroad, are 75% tax-deductible (Parl. Question n° 6101, De Potter, 17 June 2008).
- ‘Decoration costs’ are considered 100% tax-deductible as they relate to the showroom itself. They are therefore deemed to be inherent to the realization of its core business by BelCo.
- Costs relating to the ‘musical accompaniment’ and ‘SABAM costs’ are also 100% tax-deductible. The Court of Appeal opines that they are part of the event’s production costs. This could be derived from the invoice issued to BelCo where explicit reference was made to ‘production and management’.
- Be careful: the vat treatment is not automatically aligned with the corporate tax treatment. Heavily summarized: input vat relating to ‘reception costs’ cannot be recovered whilst input vat relating to ‘publicity costs’ can.