

June 2010



**For more information:**

[Isabelle Reynertz](#)

*CSR Manager*

KPMG Support Services

E-mail: [ireynertz@kpmg.com](mailto:ireynertz@kpmg.com)

Tel.: +32 2 708 42 45

## In this issue:

- 2 KPMG Fiduciaire's scanning procedure proves a success
- 3 Preventing double taxation
- 4 Brand and ownership concentration in the automotive industry
- 5 Reception costs can be considered as (deductible) publicity expenses
- 6 Payments to tax havens
- 6 What is driving Continuous Auditing & Continuous Monitoring?
- 7 Formulating goals in the public sector

## 'Make A Difference Day'

### Hands-on volunteer day for KPMG in Belgium's employees

From April 26 to May 6, 2010, KPMG in Belgium has organized 12 'Make A Difference Day' volunteering projects for its employees, geographically dispersed around the six regional offices in Brussels, Antwerp, Ghent, Hasselt, Liège and Louvain-la-Neuve.

#### Corporate Social Responsibility

Luc Wygaerts, Partner at KPMG in Belgium, comments: "'Make A Difference Day' is part of the KPMG network's Corporate Social Responsibility policy. Through this initiative, we offer our people the opportunity to carry out volunteering projects within local organizations, and, in doing so, make a positive difference in our communities. The initiative has been adopted in many KPMG member firms all over the world but is new to the Belgian member firms. The decision to launch 'MADD' was made after an internal survey indicated that a large number of our people are really interested in doing volunteer work."

The 12 MADD projects focus on four domains of CSR activity: Environment, social exclusion, health and education. The projects covered three types of

activity: Renovation and painting, helping others and environmental projects. An overview of the participating local organizations:

- Monnikenheide** (Zoersel - 26/04)
- Jeugd en Stad** (Brussels - 27/04)
- Les Rênes de la Vie** (La Hulpe - 27/04)
- Le Souffle de Vie** (Brussels - 29/04)
- Okkernoot** (Halle - 29/04)
- Tevona** (Genk - 30/04)
- Vzw Begeleidingscentrum Stappen** (Ghent - 30/04)
- Parc Parmentier** (Brussels - 03/05)
- De Stobbe** (Antwerp - 04/05)
- Akindo** (Lommel - 05/05)
- Le Tabuchet** (Liège - 04/05)
- Natagora** (Rixensart - 06/05)

#### Hands-on

Isabelle Reynertz, CSR Manager at KPMG in Belgium, explains: "In total, 150 of our 850 employees had the opportunity to volunteer. After only three days all registrations were sold out – a record within KPMG Europe LLP. This enthusiasm was also reflected in the volunteering activities, which proved to be a great success. Both local organizations and the participating KPMG employees



felt great after their one day 'hands-on' volunteering activity. 'Hands on' can be taken literally as many projects consisted of physical work, requiring effective cooperation between team members. And even though weather conditions for outdoor activities were sometimes far from ideal, everyone was very happy with the results that were achieved. One of the local organizations actually told us that, thanks to the commitment of KPMG volunteers, in one day the work was done that normally would have taken two weeks, and that is just one example."

Isabelle: "The motivation and drive shown by permanent volunteers is ultimately the common thread throughout all non-profit associations. These organizations usually have few resources

and sometimes have to work in difficult circumstances. We all have the feeling that we really were able to help them out. All in all, MADD was a perfect opportunity to broaden our horizon. In short: A unique experience, one that benefits everyone and that certainly will be repeated."

#### **Corporate Social Responsibility within KPMG**

MADD is part of KPMG's worldwide commitment to Corporate Social Responsibility. This means KPMG strongly believes in behaving ethically, safeguarding the environment and building positive links with the communities around us.

More information is available at [www.kpmg.be](http://www.kpmg.be).

#### **For more information:**

**Dirk Noeninckx**  
*Partner*

KPMG Fiduciaire  
E-mail: [dnoeninckx@kpmg.com](mailto:dnoeninckx@kpmg.com)  
Tel.: +32 3 821 19 47

**Bea Binst**  
*Manager Accounting*

KPMG Fiduciaire  
E-mail: [bbinst@kpmg.com](mailto:bbinst@kpmg.com)  
Tel.: +32 2 708 48 29

Digital document management has grown rapidly into an important part of the overall business process. In the quest for a paperless office, companies are working hard to replace paper with electronic media.

An ambition shared by KPMG Fiduciaire. Since January 1, 2010, KPMG Fiduciaire has introduced invoice scanning, which allows to read in the information contained in incoming and outgoing invoices and convert it to secure and easy-to-find data. Now, a few months after the implementation, the new approach has proven to be a success.

#### **Numerous benefits**

Bea Binst, Accounting Manager at KPMG Fiduciaire, explains: "First we process our incoming and outgoing invoices by scanning them to produce high-quality images. Software optimized by KPMG Fiduciaire then allows us to

recognize the invoice information automatically. We specify which information (e.g. name of the supplier, enterprise number, IBAN code, client name, etc.) must be gleaned from the invoice, so that the scanning software can 'read' and interpret these variables. This approach requires our original accounting software to have the appropriate parameters set up and to be correctly linked to the scanning software. This extensive preparatory work is now yielding results, however, since the recognition rate is very high."

The benefits of invoice scanning are numerous: Quicker invoice processing, less archive space needed, ready access to each invoice at all times, etc.

#### **Offer added value**

Bea Binst: "Since we no longer have to enter the data manually, we can cut processing time considerably, making

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## KPMG Fiduciaire's scanning procedure proves a success

invoice processing quicker and more efficient. By setting the parameters of the various software programs correctly, the need for manual checking is greatly reduced. The documents can be called up at a moment's notice, allowing for easy consultation when drawing up interim and/or annual closing. When preparing the annual accounts, we can import not only the balance sheets but also the ledger with the images, fully in line with our concept of 'paperless files'.

The full effect of the time saved will therefore only become apparent in the spring of 2011, when the closing of the accounts takes place."

KPMG Fiduciaire strongly believes in the commercial potential of these investments, and is convinced to be able to offer added value compared to traditional local offices.

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## Preventing double taxation

### Depending on whether income is taxable, taxed or effectively taxed in the source state

#### For more information:

[Rolf Declerck](#)

*Partner*

KPMG Tax and Legal Advisers

E-mail: [rdeclerck@kpmg.com](mailto:rdeclerck@kpmg.com)

Tel.: +32 2 708 37 26

[Ferdy Foubert](#)

*Partner*

KPMG Tax and Legal Advisers

E-mail: [ferdyfoubert@kpmg.com](mailto:ferdyfoubert@kpmg.com)

Tel.: +32 2 708 38 17

The Belgian tax administration has issued a reminder, in its Circular of April 6, 2010 (AAF/AFZ no. 4/2010), of the procedures for granting an exemption for foreign-source income other than dividends, interests and royalties based on double tax treaties.

In May 2006, a Circular had already outlined these procedures and drawn attention to the question of the burden of proof, indicating that it is up to the taxpayer who requests an exemption for foreign-source income to provide evidence that the conditions for this exemption have indeed been met.

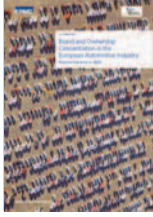
The 2010 Circular recalls these principles and clarifies, by means of several examples, the cases where the applicable double tax treaty obliges Belgium to grant an exemption for income received by a Belgian resident that is taxable in the source state. This obligation varies, however, depending on the formulation used in the article of the double tax treaty in Belgium.

- Where the treaty uses the terms 'income taxable in the source state in accordance with the Treaty', the tax

administration considers that Belgium is required to exempt the said income even if the source state does not use its power to tax.

- Where the treaty uses the terms 'income taxed in the source state in accordance with the Treaty', Belgium is not required to exempt the said income unless it has been subject to the tax treatment that applies to it in the state in question.
- Where the treaty uses the terms 'income effectively taxed in the source state in accordance with the Treaty', Belgium shall exempt the said income where it is subject to tax in the source state without being classified as non-taxable or tax exempt. Where no tax is payable because losses or professional expenses have been deducted or tax benefits have been granted, the income is considered to have been effectively taxed.

These rules apply to individuals receiving professional income from abroad as well as to companies with a foreign permanent establishment.



# Brand and ownership concentration in the automotive industry

## New study by KPMG Europe LLP

For more information and/or a copy of the study:

[Frank Vancamp](#)

*Partner*

KPMG Tax and Legal Advisers  
Member of KPMG Industrial Markets (Automotive)

E-mail: [fvancamp@kpmg.com](mailto:fvancamp@kpmg.com)

Tel.: +32 2 708 36 70

The automotive industry has reached a critical development threshold. As in the past, staying on top of this wave requires a consolidation process. KPMG Europe LLP's 'Brand and Ownership Concentration in the European Automotive Industry' study analyzes the dynamic of the consolidation and deconsolidation process in the European automotive industry in recent decades, and proposes an industry model enabling forecasts for future consolidations up to 2025. There are two probable trend scenarios for 2025: Green revolution and mobility revolution.

### Trend scenarios

In the green revolution scenario, rising political pressure and changes in social values compel manufacturers to accelerate the development of more environmentally friendly technologies. Motor vehicles with alternative drive technologies will dominate the market.

In the mobility revolution scenario the customers are the drivers. They will not want to own a motor vehicle in the

future – they will want to use one temporarily and situation-related.

Frank Vancamp, Partner at KPMG Tax and Legal Advisers and member of KPMG's Industrial Markets (Automotive) competence team summarizes:

"Essentially every manufacturer must find new answers to old questions: What products and services do we want to use to position ourselves on the market in the future? From what sources will we generate our revenue in the future? Are we culturally and structurally in any kind of position to develop into service provision companies? And of course, we must also ask how today's business model can be transformed into one for the future."

The current situation of many motor vehicle manufacturers, with intensive efforts to quickly return to the profitability zone, is not an ideal position for focusing on the long-term challenges.

And perhaps that is why the companies that think ahead anyway, whatever their situation, will be the ones that survive.



## Reception costs can be considered as (deductible) publicity expenses

### For more information:

[Veerle Coussée](#)

*Senior Tax Manager*

KPMG Tax and Legal Advisers

E-mail: [vcoussee@kpmg.com](mailto:vcoussee@kpmg.com)

Tel.: +32 2 708 37 15

[Karen Truyers](#)

*Supervising Senior Tax Adviser*

KPMG Tax and Legal Advisers

E-mail: [ktruyers@kpmg.com](mailto:ktruyers@kpmg.com)

Tel.: +32 2 708 44 48

Recently, the Belgian Supreme Court settled a long-standing debate on the deduction of VAT paid on meals and drinks offered during events held for publicity purposes (Belgian Supreme Court, March 11, 2010).

According to the Belgian VAT Code, VAT paid on reception costs can not be deducted. However, VAT paid on publicity expenses is deductible. In 2005 the Belgian Supreme Court had already decided that VAT paid on expenses incurred in the framework of the organization of an event for publicity purposes could be deducted (Belgian Supreme Court, April 8, 2005).

The Belgian tax administration acknowledged the Supreme Court's decision, but noted at the same time that VAT paid on food and drinks within the framework of a publicity event was not deductible.

Given that events held for publicity purposes are practically by definition accompanied by the serving food and drinks, this viewpoint gave rise to new discussions. The Belgian courts ruled repeatedly that the costs for food and drinks could also be treated as deductible publicity expenses. The Belgian tax administration, however, kept stating the contrary.

Therefore another decision from the Belgian Supreme Court, which has now adopted a clear viewpoint, had to be awaited. The fact that VAT on food and drinks is not deductible does not apply, according to the Supreme Court, when it concerns catering costs which are to be considered as publicity expenses.

There is no other option left for the tax administration than to change their viewpoint in this matter.



## Payments to tax havens

### List of States without or with a low taxation has been published

As from assessment year 2010, companies must report, on a separate form which must be joined to the (resident or non-resident) corporate tax return, direct or indirect payments made since January 1, 2010 to persons established in a tax haven<sup>1</sup>. The reporting must only be done if the total of payments during the taxable period amounts to at least EUR 100.000.

As 'tax havens' qualify States which:

- Either, during the entire taxable period in which the payment is made, are on the 'grey' or 'black' OECD-list with countries that do not apply the standard for the exchange of information 'effectively or substantially';
- Or are on the list of States without or with a low taxation (nominal

**For more information:**

[Peter Vanlerberghe](#)

*Manager*

KPMG Tax and Legal Advisers

E-mail: [pvanlerberghe@kpmg.com](mailto:pvanlerberghe@kpmg.com)

Tel.: +32 2 708 38 65



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

[Els Hostyn](#)

*Partner*

KPMG Advisory

Internal Audit, Risk and Compliance

Services and Forensic

E-mail: [ehostyn@kpmg.com](mailto:ehostyn@kpmg.com)

Tel.: +32 2 708 43 62

corporate tax rate below 10%). The list has now been determined by Royal Decree<sup>2</sup>. It contains: Abu Dhabi, Ajman, Andorra, Anguilla, Bahamas, Bahrain, Bermuda, British Virgin Islands, Cayman Islands, Dubai, Fujairah, Guernsey, Isle of Man, Jersey, Jethou, Maldives, Micronesian Federation, Moldova, Monaco,

Montenegro, Nauru, Palau, Ras al Khaimah, Saint-Bartholomew, Sark, Sharjah, Turks and Caicos Islands, Umm al Qaiwain, Vanuatu and Wallis and Futuna.

You will find more information in the e-Tax Flash published on our internet site [www.kpmg.be](http://www.kpmg.be).

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## What is driving Continuous Auditing & Continuous Monitoring today?

### New KPMG LLP study

KPMG LLP has released a new study, 'What is Driving Continuous Auditing & Continuous Monitoring Today?', exploring the drivers and benefits of a Continuous Auditing/Continuous Monitoring (CA/CM) program.

Continuous Auditing (CA) is the collection of audit evidence and indicators by an internal auditor with regard to information technology (IT) systems, processes, transactions, and controls. This happens on a frequent or continuous basis, throughout a period. By contrast, Continuous Monitoring (CM) is a feedback mechanism used by management to ensure that controls operate as designed and transactions are processed as prescribed.

#### The drivers

In a volatile economic environment, a number of key drivers are prompting companies to employ CA/CM

techniques to do more than manage risk. This includes helping reduce cost, improve performance, and create value. The most significant of these drivers are increasing company stakeholder demands for executives to improve governance capabilities, enhance oversight and transparency, and manage risk, in addition to driving performance and profitability.

#### The benefits

The survey indicates that leading organizations are highly innovative in dealing with these demands. These companies see ways CA/CM can help them increase efficiency, reduce costs, improve performance, and increase transparency across the organization. CA/CM can also help organizations:

- Alert regulatory non-compliance, and could become a key component of an effective fraud risk management process to prevent;

<sup>1</sup> Program Law of 23 December 2009 (Belgian Official Gazette of 30/12/09).

<sup>2</sup> Royal Decree of 6 May 2010 implementing article 307, §1, section 3 to 6, of the Belgian Income Tax Code 1992 regarding the list of States without or with a low taxation (Belgian Official Gazette of 12/05/10).



**For more information:**  
[Emmanuel De Moyer](#)  
*Partner*  
 KPMG Advisory  
 Head of KPMG Public Sector  
 E-mail: [edemoyer@kpmg.com](mailto:edemoyer@kpmg.com)  
 Tel.: +32 2 708 44 86

- Detect fraud and misconduct;
- Significantly improve organizations' Enterprise Risk Management (ERM).

Furthermore, leading organizations are focused on leveraging technology and robust data analytics to improve enterprise knowledge of financial, ope-

ration, and compliance risks. As these efforts improve business processes and automated control mechanisms, organizations are strengthening their governance, risk and compliance efforts while effectively reducing operating costs and improving business performance.

## Formulating goals in the public sector

### Implementing the SMART test

Formulating goals or objectives remains a challenge, also in the public sector.

Yet in the past few years we have witnessed a shift in the public debate. Where formerly the discussion turned mainly on the input (or the demand for more resources), the debate in the public sector is today focused more on the output: What do we expect from a department or an agency? How can we know (or measure) whether a public service is performing its tasks as it should?

In many cases, a first litmus step is a management agreement in which the client and the contractor clearly agree on a number of points. It is important in this respect that a fair number of objectives formulated in such agreements pass the so-called SMART test.

In order to be both effective and efficient and to create added value, the objectives must meet the following conditions:

- They must be **Specific (S)**: Easy to understand and accepted by both parties;

- They must be **Measurable (M)** by means of objective figures;
- They must be **Achievable (A)**: The contractor must have all the resources available in order to achieve them;
- They must be **Realistic (R)**, given the resources and staff which the contractor has available;
- They must be **Time-bound (T)**, that is, with a clear indication of when something must be completed.

Rendering a target objectively measurable remains a difficult challenge in general and also in the public sector. All too often, things do not go beyond a declaration of intent, which is rarely if ever translated into concrete SMART objectives. This could hinder the evolution towards a performant and dynamic public service.

By providing strategic client-oriented advice and practical insights, the multidisciplinary team of KPMG Public Sector can assist governments at federal, regional and local level in dealing with these matters.

## Due date corporate income tax return - Individual forms 281.50

**For more information:**

**Karen Aelbrecht**  
*Manager*

KPMG Tax and Legal Advisers  
E-mail: [kaelbrecht@kpmg.com](mailto:kaelbrecht@kpmg.com)/  
[befmccp@kpmg.com](mailto:befmccp@kpmg.com)  
Tel.: +32 2 708 43 50

We would like to have your attention with respect to two important upcoming due dates:

- The individual forms 281.50 need to be filed electronically no later than 30 June 2010;
- Regarding financial years ended 31 December 2009, the corporate income tax return needs to be

filed, in principle, no later than 15 September 2010. In this respect, we can take the necessary steps to obtain an extension of the due date till 30 October 2010 (collective extension and electronic filing).

It should be noted, that if formalities are not complied with or not in due time, this could have serious consequences. Should you wish, we can assist you in this respect. By using this link, you can obtain additional information regarding the Corporate Tax Compliance Practice of KPMG Tax and Legal Advisers and the used processes and tools.

## Our offices

Bourgetlaan - Avenue du Bourget 40  
B-1130 Brussels  
Tel.: +32 2 708 43 00  
Fax: +32 2 708 43 99

Ilgat Business Park  
Ilgatlaan 7  
B-3500 Hasselt  
Tel.: +32 11 28 66 10  
Fax: +32 11 28 66 19

Avenue Albert Einstein 2A  
B-1348 Louvain-la-Neuve  
Tel.: +32 10 68 54 11  
Fax: +32 10 68 54 39

Prins Boudewijnlaan 24d  
B-2550 Kontich  
Tel.: +32 3 821 17 00  
Fax: +32 3 825 20 25

Axxes Business Park  
Guldensporenpark 80 (H)  
B-9820 Ghent  
Tel.: +32 9 241 88 00  
Fax: +32 9 241 88 99

Clos Chanmurly 13  
B-4000 Liège  
Tel.: +32 4 225 53 11  
Fax: +32 4 225 53 99

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# Belgian Newsletter – Reply form – June 2010



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- Wishes to receive a copy of KPMG Europe LLP's study 'Brand and Ownership Concentration in the European Automotive Industry' (electronic version)
- Wishes to receive a copy of KPMG LLP's study 'What is driving Continuous Auditing & Continuous Monitoring Today?' (electronic version)
- Wishes to receive the electronic version of the Belgian Newsletter in the future
- Would like an extra copy of the Belgian Newsletter to be sent to the following person (Name - Company - Address - E-mail address):  
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- Wishes to receive the electronic publication 'e-Tax Flash' (which draws your attention on important Belgian tax topics that may affect your daily business decisions)
- Wishes to receive the electronic publication 'Euro Tax Flash' (that pays closer attention to the consequences of European Court of Justice case law)
- Wishes to receive the electronic publication 'Legal e-Flash' (which informs you on the latest, most important developments in legislation and jurisprudence in all areas of the law which concern your company)
- Wishes to receive the electronic publication 'TaxNewsFlash - Transfer Pricing' (which informs you on the most recent developments worldwide in respect of transfer pricing)

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