



Annuity

It has long been recognised that the receivables held by a natural person in a company (the so-called current account on the liabilities side), are included in the taxable total when inheritance tax is calculated. A possible alternative is to convert this current account into an annuity with the natural person's own company.

The claim against the company is then ceded to the company in exchange for a lifetime payout (annuity).

Benefits?

An annuity doesn't only offer an alternative in terms of family inheritance planning. Relative to a 'normal' loan to the company, the annuity generally provides the company with a higher remuneration, without the risk of this being reclassified as a dividend. In addition, the structure of the annuity generates more deductible expenses for the company in comparison to a current account situation.

The annuity is furthermore subject to low taxation for the beneficiary, which is 30% withholding tax on 3% of the capital transferred. The interest element constitutes a tax-deductible expense for the company.

What about at the end of the annuity?

In the event of the premature death of the beneficiary of the annuity, the company will be taxed in one go on the remaining amount of the provision made by the company for the annuity. However, the transfer of the tax (from inheritance tax to corporation tax) can be absorbed by also stipulating a deferred annuity that enters into force after death.

Contact your accountmanager or one of our specialists at contact@vdl.be.