

## **KDIGO Investments**

Dear John,

With reference to your email, we understand that KDIGO would like to invest the cash to some type of income producing instrument as currently sufficient money is in the accounts and the cash is not immediately needed.

Please find hereafter our preliminary high level comments and please be informed that more details in relation to the nature of the investments is needed in order to provide you with the tax consequences in the hands of the Belgian non-profit organization KDIGO.

Please find hereafter more details regarding the tax consequences.

### **1. Non-profit tax return**

As you know, a non-profit organization is, in principle, not subject to corporate income tax as the organization performs no commercial business activities. However, a non-profit legal organization will be taxable on the dividend, interest and capital gain realized on assets of immovable and/or movable nature.

Note that in the current situation a yearly nihil non-profit tax return has been filed as the legal entity has no qualifying taxable income to report. However, in case the organization would invest in movable investments, the income (dividend/interest) could be subject to withholding tax (not recoverable in the hands of the non-profit organization). In Belgium, the normal 30% withholding tax rate will apply. Only in specific situations a reduced withholding tax rate could be claimed. Whether a reduced withholding tax rate could be claimed in case the organization would generate income from foreign investments should be analyzed by verifying whether or not a double tax treaty has been put in place and whether or not the double tax treaty could be invoked.

### **2. Heritage tax**

With reference to prior communication, the heritage tax could be triggered. In principle, this heritage tax is a special tax applicable to Belgium non-profit organizations with tangible and intangible assets. As soon as the total amount / value of these assets exceeds the threshold of k€ 25, the tax will come in scope. The heritage tax is a yearly tax of 0,17% calculated on the total amount of the (in) tangible assets of the non-profit organization. In principle the amount of cash on

the bank account is not in scope of this tax as the bank account should be considered as 'normal' working capital.

However, as KDIGO has an important amount of cash on the bank account, the tax authorities could re-qualify (part) of the amount to assets falling within this heritage tax in case arguments are available demonstrating that the current bank account amount exceeds the 'normal' working capital needed for the organization to perform their non-profit business activities.

Re-investing part of the cash in funds (long or short term) would provide the tax authorities strong and valid arguments to claim the yearly heritage tax. As the rate is only 0,17%, the yearly tax impact would however be immaterial.

### 3. Transaction tax

Please be informed that in Belgium, a yearly transaction tax has been initiated. Please note that further analysis is needed based upon the nature of the investments to verify whether or not the investments meets the scope of this tax.

In general, the annual tax on securities accounts is a subscription tax that applies to securities accounts when the average value of the taxable financial instruments in the account during the reference period exceeds m€1. The rate of the annual tax on securities accounts is set at 0.15% and the amount of the tax is limited to 10% of the difference between the taxable base and the threshold amount of m€1.

We hope the above meets your requirements and we would be pleased to make a detailed analysis based upon the nature of the investments.

Kind regards,  
An

**An Vranckx** | Executive Director | Business Tax Services

EY Tax Consultants BV  
Mobile : +32 497 59 73 93 | [an.vranckx@be.ey.com](mailto:an.vranckx@be.ey.com)