

SPRING 2017 REFORM BAROMETER – BELGIUM

European Semester - Overall assessment of 2016 cycle

| | To what extent do you agree with these statements: | | Detailed comments |
|----|---|-------------------|--------------------------|
| 1. | The National Reform Programme submitted by your Government (February/November 2016) is appropriate. | To a large extent | |
| 2. | The Commission's country specific recommendations for your country are appropriate. | Yes, absolutely | |
| 3. | The Commission assessment of reform implementation the year before is appropriate. | To a large extent | |
| 4. | The Commission assessment of excessive imbalances (in-depth review) is appropriate. | To a large extent | |

Assessment of Country Specific recommendations 2016 in detail

| | | Q1: The recommendation is: | Q2: implementation on effort is: | Detailed comments |
|-------|---|----------------------------|----------------------------------|---|
| CSR 1 | Achieve an annual fiscal adjustment of at least 0,6 % of GDP towards the medium-term budgetary objective in 2016 and in 2017. Use windfall gains to accelerate the reduction of the general government debt ratio. Agree on an enforceable distribution of fiscal targets among all government levels. Simplify the tax system and remove distortive tax expenditures. | Important | Mixed | <p>The annual fiscal improvement of 0,6% of GDP was not realized. Instead the structural balance deterioration with 0,2% of GDP. This can be explained partially by the budgetary impact of the increased inflow of refugees and the security measures related to the terrorism threat (0,25% of GDP), which is recognized by the Commission. But the Commission does not take into account the budgetary effect of lower tax income from lower economic activity following the March 2016 terrorist attacks in Brussels (0,25% of GDP).</p> <p>The government is also working on further simplification of the tax system. The most important project in this regard is the reform of the corporate income tax system.</p> |
| CSR 2 | Carry out the intended review of the Law of 1996 on the promotion of employment and the safeguarding of competitiveness in consultation with the social partners. Ensure that wages can evolve in line with productivity. Ensure the effectiveness of labour market activation policies. Move forward with education and vocational training reforms and provide training support for disadvantaged groups, in particular people from a migrant background. | Extremely important | Satisfactory | <p>In 2016 the federal government worked on an in-depth reform of the law of 1996. From 2017 on, the revised law should prevent a decline in wage competitiveness. In April 2016, the first step in the tax shift was implemented, this also contributed to an improvement in competitiveness.</p> |

| | | Q1: The recommendation is: | Q2: implementation on effort is: | Detailed comments |
|-------|---|----------------------------|----------------------------------|-------------------|
| CSR 3 | Boost the capacity to innovate, in particular by fostering investment in knowledge-based capital. Increase competition in the business services sector and the retail sector by removing unwarranted operational and establishment restrictions. Address shortfalls in investment in transport infrastructure and energy generation capacity. | Important | unsatisfactory | |

Reform Progress in your Member State in 2016

How would you assess reform progress in 2016, for the following broad areas:

| | |
|--|---------------------|
| Taxation and Public Finances | Mixed |
| Business environment (regulation/access to markets) | Unsatisfactory |
| Labour market | Satisfactory |
| Innovation and skills | Mixed |
| Access to finance and Financial stability | No reform necessary |

Is there any example of an economic reform, specific to your country that BUSINESSEUROPE could highlight in its 2017 Reform Barometer?

Tax shift (April 2016) & reform of the law of 1996

Reform priorities for 2017

| | I. Policy Area | II. Concrete Recommendations | III. Are the proposed recommendations already in the agenda of your Government? |
|-------------------|---------------------------------|--|---|
| Priority 1 | Tax reforms | The government has been planning a reform of the corporate income tax system during 2016. Unfortunately, the reform was not finalized. A reduction of the nominal tariff (currently 33,99%) is of the utmost importance to maintain international competitiveness and to be able to attract foreign investments, as a lot of Belgian fiscal niches are under pressure from international institutions and will most probably be terminated in the coming year. | yes |
| Priority 2 | Pension and health care reforms | There has been progress but there is still a long way to go. More needs to be done for the sustainability of our pension and health care systems. A greater sense of urgency is needed (gradual increase of retirement age to 66 and 67 years old is postponed until 2025 and 2030 respectively). There are still too many possibilities for early departure (sectorial exception regimes, early retirement in case of restructuring of companies). Periods of actual work must give way to a much better pension than non-working periods. More justice between pension systems: a further harmonization between a pension system for workers and one for civil servants is needed. | yes |

| | I. Policy Area | II. Concrete Recommendations | III. Are the proposed recommendations already in the agenda of your Government? |
|-------------------|--|---|--|
| Priority 3 | Consolidation of public expenditures | High public debt and deficit ratios make the Belgian public finances sensitive to an interest rate increase. To assure medium and long term sustainability, the debt ratio has to start decreasing urgently. Since the overall tax burden is already very high, fiscal consolidation should be realized by lowering public expenditure and increasing public sector efficiency. | yes |
| Priority 4 | Public investment | Although the importance of reducing the debt ratio, the government has to create fiscal room for investment. Net investment has on average been close to 0 for the past 20 years. There is an urgent need for infrastructure upgrades with a focus on infrastructure with a high short term return (I.e. mobility-, digital- and energy infrastructure). | yes |
| Priority 5 | Business Environment - Regulatory barriers to entrepreneurship | Belgian companies are confronted with very complex regulation and too much red tape. There is an urgent need for a comprehensive plan to lower the administrative burden. | no |