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Speech Verhofstadt - American Chamber of Commerce

SPEECH GIVEN BY PRIME MINISTER GUY VERHOFSTADT TO THE AMERICAN CHAMBER OF COMMERCE

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Mr President, Ladies and gentlemen, The American presence on the Belgian market is a blessing for our country. The United States accounts for at least eight percent of our employment. For R&D, the figure rises to an impressive fourteen percent. But I don't need to tell you that. After all, I found this information on your website. I simply want to say that Belgium is well aware of the American contribution to our prosperity. In recent years, our country has worked hard to improve the competitiveness of our economy. For instance, by drastically lowering personal and corporate income tax. And by reducing the withholding tax on income for R&D activities. In fact, we recently introduced a world first for R&D. An 80% reduction on company tax for net royalties received. However, our most important achievement is the notional interest deduction. This finally eliminates the discrimination between debt and equity financing. It is a reward for financially sound companies. And nobody doubts that many American companies belong in this category. A recent Canadian study showed that Belgium's notional interest deduction makes our country one of the most fiscally attractive to multinationals. In other words, nowhere else in the world is the return on invested capital as high as it is in Belgium. Over the last eight years, we have made every effort to make the Belgian economy as attractive as possible to American companies. But the work is never done. Belgium must continue working on its competitiveness. That is why I am radically opposed to a significant rise in tax on the highest incomes (graaitax). A populist proposal made by a few political parties with election fever. I favour tax cuts, not tax hikes. Moreover, a tax increase based on envy is totally reprehensible. So you can rest assured: as long as I am in office, such a tax is absolutely out of the question. Ladies and Gentlemen, As a confirmed European, I hate to admit it. But sometimes the cliché that America is more advanced economically than Europe is true. Take, for instance, transnational pension funds. Way back in 1913, the United States introduced the Revenue Act, which recognised the tax exempt nature of pension trusts. Europe followed suit in 2003 with its directive on pan-European pension funds. Exactly 90 years later. But I can tell you - and this is an understatement - that the situation in Europe was a bit more complex. In any case, the EU directive created a legal framework for cross-border pension funds in Europe. The fiscal barriers to pension funds finally disappeared in Europe too. We must not underestimate the importance of the European directive. More and more people are working in a country that they were not born in. Multiply that by the multinational nature of companies and you get a countless number of possible situations for employees and employers. So we are pleased that many multinationals are exploring the various legal and economic options offered by pan-European pension funds. This can only promote the positive economic climate of the European Union. If today's workers are certain about their future pension, then that will lead to general confidence in the European economy. So, the European Union made it possible to eliminate fiscal barriers for pan-European pension funds. We realise that uncertainty is a major obstacle to the development of these funds. Much of this initial fear of the unknown will no doubt be eliminated with the establishment of the first funds. However, Belgium is determined to eliminate the rest of the uncertainty too. However, our most important assets as a prime location for pan-European pension funds are our outstanding financial infrastructure and appropriate types of fund management. The Belgian financial sector is very stable and extremely reliable. We are one of the leaders in Europe. Both the National Bank of Belgium and the IMF acknowledge this asset. It makes our country the ideal home base

for pan-European funds. Today I am proud to announce the implementation of the institutional SICAV (investment fund). This type of fund management was developed within the structure of the OFP. It will be implemented during this legislative session. It now offers companies all the benefits of a conventional SICAV. There is no withholding tax on the profits earned by this SICAV. With this, we have achieved a zero corporate income tax for your pension funds. Ladies and Gentlemen, As you know, last year I travelled to the United States to promote the notional interest deduction. I went to Washington, New York and Chicago. Amcham was well represented by its president. Wherever I gave a speech, I ended it with the following words. The Belgian economy has been outperforming the European average for five years now. American companies have made their contribution to this fine performance. And thanks to the health of our public finances and thanks to our reforms, the future holds great potential. So invest further in Belgium and increase your profits. Thank you.