
Belgian Court of Audit

Report to the federal Parliament

Collection and verification of advance levy on income derived from securities

In its report to the federal Parliament the Court examined what procedures governing the collection and verification of the advance levy on income derived from securities were used within the general tax and collection authorities (AFER). The Court issued recommendations aimed at improving this tax verification through a better transfer of information among services, more particularly following the European « Savings directive ».

Levy on income derived from securities is generally deducted at source and accounts for the major part of the tax on income derived from securities, mainly in the form of dividend and interest payments.

As far as the revenue departments responsible for processing returns for income tax derived from securities is concerned the Court noticed a lack of due care and consistency in the follow-up of payment of levies on securities and in the taxation procedure if a levy due has not been paid. Moreover the booking software presently in use in these departments shows deficiencies and does not allow for an adequate processing of certain booking operations or for generating certain statistical data of use for monitoring. In addition, the revenue departments do not always transfer the information necessary to the taxation divisions in due time.

The launching of a new specific computer application in the medium term should, according to the tax authorities, remedy the deficiencies noticed by the Court both in terms of processing of returns as well as booking of entitlements and availability of information to the taxing agents. Besides, this application will generate statistical data of use for monitoring and for processing the backlog, and will allow certain basic checks by comparing tax data.

As far as the verification of income derived from securities is concerned the Court noted that the taxation divisions did not have any specific and concrete standards. Verifications carried out were not documented in the files and the risk analysis performed within the tax authorities had not yet led to instructions regarding the verification of income tax derived from securities.

The Court also found that the information collected from other EU Member States as part of the directive on taxation of savings income in the form of interests paid abroad (the so-called "Savings directive") remained long almost untapped. As the tax authorities could not use it automatically, they waited till September 2008 to transmit to the taxation divisions the information relating to income derived from securities that was received in 2005.

Finally, the Court established that the processing of the levy on income derived from securities was not sufficiently integrated, which was evidenced by a relative lack of monitoring instruments, the lack of a real audit strategy and a dispersion of acting agents within the central department.

The Finance minister replied that he would see to it that his department would take account of the Court's recommendations.