

To the **POINT**

Q1 | 2018 - BDO MAGAZINE

ACCOUNTANCY

Cost control as part
of the corporate culture

TAX & LEGAL

Summer agreement:
specific measures for 2018

ADVISORY

Thanks to Organisation & Performance
Management, high-performing
companies are at the top

BDO

ENTREPRENEURSHIP IS DIGITISATION

As a company and as an entrepreneur, you can no longer ignore it. The Internet is making the world smaller, and tomorrow is always different from yesterday. Moreover, the change is accelerating day by day. So, anyone who wants to join us tomorrow has to embrace the digital transformation today.

In 2018, entrepreneurship means digitisation. New methods and technologies such as Blockchain, the Internet of Things, API management and Process & Data Mining are making their entrance. The pressure on companies and business leaders to embrace the digital revolution is growing every day – and no sector is escaping the impact of digital.

The new economy is destabilising the old and pushing Business 4.0 higher up the agenda for ever more Belgian CEOs.

This is not surprising when you know that the transformation is accompanied by significant investments. The question on the mind of every company manager or entrepreneur in this regard is: "How do you make a 'sensible' choice today while technology is evolving at such a rapid pace?" Today, 50% of all companies are carrying out a digital transformation. Alas, 70% are failing in their implementation.

Business 4.0 is a reality; but, at the same time, it's a dilemma. This is no different at BDO. It's a quest for the right balance between opportunities and risks. With one goal in mind: to serve clients better by putting them at the centre of all the ins and outs.

Following reports in the press and on our website, this edition of To the Point presents how BDO is expressing its high regard for innovation and digital technology by joining forces with Crossroad.

For over 10 years now, Crossroad has supported its clients in their digital transformation, providing them with advice on conceptual development, the implementation of new technologies, and employee support. BDO sees great added value in this, and, moreover, this partnership reinforces our own expertise in digitisation and innovation.

Finally, 'Business 4.0' comprises the core of the theme of the new 'Keynotes', BDO's publication in partnership with the Federation of Enterprises in Belgium and ING Belgium.



Werner Lapage
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"Digitisation is not an obligation, but an exponent of the corporate objectives."

Hans Wilmots,
CEO BDO België

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ADVISORY

ORGANISATION & PERFORMANCE MANAGEMENT READY TO WIN?

It's no coincidence that high-performing companies are at the top. They leave their competitors far behind and know how to create the best value for their shareholders, customers and employees. But how does a company achieve such high performance? We examine 4 factors that help strengthen your organisation's performance.

Author: Peter Sarasyn, Partner Organisation & Performance Management

Let's not jump to conclusions. When a company is successful, we often assume that it has a brilliant strategy, a visionary leader and an appropriate organisation and culture. When performance starts to dwindle, we quickly assume that the company has become complacent and the culture has failed.

"The difference between success and failure depends not only on the crucial steps and decisions that a company takes, but also on the why and how," explains Peter Sarasyn, Advisory, Organisation & Performance Management Partner at BDO. In other

words, strategy planning is important for looking ahead and deciding where you want to be in 3 to 5 years, in which markets you want to be active, and how you want to distinguish yourself from the competition. But, as the American organisation consultant Jim Collins writes in his book *Built to Last*: "A visionary company consists of 1% vision and 99% coordination." A strategy that you cannot apply successfully has no point. A company can do its best to perform, but it leads nowhere if its competitors are able to gain benefits at a faster pace, take more risks and change their way of working sustainably.

Many organisations are only concerned with their income statement and focus on short-term performance. But they forget to balance those goals with their long-term health. However, organisations that improve their health will also see their results grow. Reason enough to explore 4 factors that can help you improve your organisation's performance.

BRING YOUR ORGANISATION INTO LINE WITH YOUR STRATEGY

Companies that bring their organisation into line with their strategy achieve more. Every strategy planning takes into account organisational obstacles and constraints when implementing the strategy and makes these things very clear to everyone in the company.

Our consultants assist clients in the strategy planning process, defining the strategy and translating it into a roadmap and concrete actions, such as defining the project portfolio in line with strategic KPIs, setting up a project management organisation or managing transformation programmes.

In addition, effective leaders know how important it is to communicate the strategy and to deliver the right message at the right time, succinctly and clearly. However, many organisations still struggle with change (or opposition to change) because they do not succeed in explaining why the change is necessary or are insufficiently committed to making it meaningful for all concerned.

TIME FOR A THOROUGH DEBATE ON GOVERNMENT PERFORMANCE

Author: Frank De Smet, Partner BDO Public Sector

Unlike private market players, public administrations are not expected to make a profit. They are, however, expected to be 'administratively competent' – in other words, to work efficiently and effectively, with quality and integrity, and with a demonstrable impact on the public domain.

By definition, a government can be administratively competent when it has sufficient financial resources and employees with the right competences. In addition, administrative competence requires governments to set clear objectives, have a decisive organisation, and be able to implement a policy that legitimises government action and makes the *raison d'être* of public market players relevant.

Conditions fulfilled?

This immediately raises the question: can governments still be administratively competent today? Do the continual savings not throw a spanner into the works? In short, are the conditions still in place for an effective government policy?

Let's put some things into historical perspective. In the past, organisations within the government were mainly focused on coping with peak periods. In practice, for example, this meant maintaining a somewhat larger staff presence throughout the year in order not to fall behind during busy periods. However, in the meantime, savings have been made, and the peak periods staff buffer has disappeared. Therefore, in order to manage the situation, governments are opting more and more often for outsourcing and returning to core tasks in their service provision. This is a practice that demonstrates good government management.

Another area in which governments are clearly falling short is self-assessment. Although few governmental authorities can evaluate their capacity accurately, a number of things can be calculated in advance, such as investments in infrastructure, welfare or education. However, much fewer data are available on the output or the results. Measuring stakeholder satisfaction sometimes leaves something to be desired as well. In these areas, the debate on administrative competence is still in its infancy.

4 challenges

In strengthening their administrative capacity, the authorities are faced with 4 challenges.

They must:

1. Demonstrate the return on their resources.
2. Measure the effects of their policy decisions objectively.
3. Demonstrate the return on the resources made available.
4. Invest further in digital services, communication and participation.

WOULD YOU LIKE MORE INFORMATION ON THE 4 CHALLENGES AND HOW BDO CAN HELP?

Contact our Public Sector specialists: public.sector@bdo.be, or read the brochure 'New government. New challenges'



Christophe de Ville, Partner Organisation & Performance Management

“Talent is the fuel of our ecosystem.”

“Everyone wants to win, but not everyone is willing to prepare for victory,” said Bobby Knight, the basketball coach at Indiana University. “Every time I achieved success it was because I had prepared better,” confirms Peter Sarasyn. “Good preparation promotes happiness, right? Anyone who leads a company must always fight against mediocrity and only be content with what is really necessary for strong performance and a healthy organisation.”

Our change experts can support you in every aspect of your change process. In this way, we can help establish and roll out your action plan, jointly identify and tackle the obstacles (organisational, human, etc.), make the change of culture possible, and so on.

DON'T GIVE UP QUICKLY – BATTLE AGAINST MEDIOCRITY

Healthy organisations have a winning mentality and work purposefully. They approach setbacks or problems as opportunities. According to the American entrepreneur and author Ryan Holiday (The Obstacle is the Way: The Timeless Art of Turning Adversity), this approach forms the recipe for an organisation's success as well as for a happy life for the people within that organisation. Such an attitude also creates a sense of responsibility and shapes leadership values like accountability, self-control, responsibility and innovation.

NEW PERSPECTIVES MAKE THE IMPOSSIBLE POSSIBLE

But how do you develop new perspectives? That's the question. Strong companies often have leaders and an environment that cultivate new perspectives. However, some organisations hope that their familiar old methods will offer the right solution for each challenge. Not so. In that case, an external point of view can do wonders and provide new oxygen based on experience, best practices, etc. Organisations can also create a culture of innovation themselves. Anyone who asks their employees to share their knowledge and strive for innovation and continuous improvement will soon see the results grow.

Well-thought-out and well-designed business processes make operations more efficient and effective.

Anyone who wants to create a strong environment realises that he or she has to attract talented employees, pay proper wages, and know when it is time to let someone go. Christophe De Ville, BDO Advisory, Organisation & Performance Management Partner, explains: “We have made such great technical progress that today, more than ever, we need people power in the form of capacities, competences and resources to develop new methods and integrate innovative, data-driven elements into our decision-making process. Talent is the fuel of our ecosystem.”

DO NOT INVEST IN NON-STRATEGIC, NON-PERFORMING PROJECTS

No company can afford to invest in the wrong projects or resources. Nevertheless, international research shows that 50% - 70% of new large-scale strategic initiatives do not achieve their goals.

SMEs, in particular, but large companies too, find it hard to learn how to manage multiple projects at the same time more efficiently. The current world in which competition is intensifying, complexity is increasing, customers are becoming more demand-

ing, and innovation is accelerating puts companies that are organised and managed in the traditional way under extreme pressure. Strong project management is an important indicator of business performance. Unlike large organisations, SMEs often do not have the resources and access to experienced employees to raise their project management to a higher level. They can partially compensate for this

deficit by sharing services or by engaging in project sourcing. ■

Our experts can optimise your project management (for example, by helping set up and coordinate a project or project management method). Boost your efficiency so that customers maximise their investments.

RESTRUCTURING IS LEARNING TO THINK DIFFERENTLY

Restructuring is not a question of improving, but of thinking differently¹. Over the past 20 years, Peter Sarasyn has helped transform hundreds of companies, listed or family-owned. He distinguishes 2 business profiles:

1. Most organisations already have the necessary capabilities, but they are under-utilised in many areas. This potential must be optimised.
2. In addition, there are companies that do not have specific capacities. They must be helped to develop and apply the right know-how (for example, by learning to share services, developing a process to forecast cash flow, preparing a scenario for post-merger integration, etc.).

Peter Sarasyn arrives at the same conclusion for both profiles: “Companies that want to get to the top need to know what they need to have in order to

be able to perform and continue doing so. And how they can organise themselves optimally to compete successfully at the highest level.”

Do you want to strengthen your company's performance? Need performance reporting? Our experts help develop a data strategy and translate it into KPI dashboards. We share our experience and know-how regarding strategic mapping and data analysis and we use tools – such as Power BI software – so that you can make better decisions with more insight.

¹ Harvard Business Review, 'How to drive organizational transformation at scale', 2017

QUESTIONS?
Contact our experts in Advisory, Organisation & Performance Management:
advisory@bdo.be



Peter Sarasyn, Partner Organisation & Performance Management

TAX

SUMMER AGREEMENT CORPORATE TAX REFORM IN THE MIDDLE OF WINTER

At last! After parliament's last changes and amendments at the end of 2017, the Michel government's Summer Agreement reached its final stage. However, only the corporate tax reform was voted on in 2017. The Law of 25 December 2017 (Belgian Official Gazette 29 December 2017) will introduce this reform. What will come into force in 2018?

Author: Werner Lapage, Partner Tax

“A reduced tax rate but also compensatory measures.”

The reform will be introduced in several phases between 2018 and 2020. The first phase starts from the 2019 assessment year, in most cases for the financial years starting on 1 January 2018 at the earliest. Here is an overview of the measures that will take effect from 2018 (2019 assessment year).

CORPORATE TAX RATE

From 2018, the basic corporate tax rate will fall from 33% to 29%, and will become 25% from 2020. For companies that qualify as SMEs in the sense of Article 15 of the

Companies Code, the government is planning a rate of 20% on the first tranche of EUR 100,000. From 2018, the crisis contribution that is owed on top of the basic rate will be reduced to 2% (instead of 3%) and will eventually be abolished starting in 2020.

MINIMUM TAX

A minimum tax of 7.5% will be imposed on companies with a profit in excess of EUR 1 million. Companies that generate more than EUR 1 million in profit must take into account that the basket of tax deductions above this amount is only 70% deductible. The deduction of previous losses is an example of such a limitation, with an exception for start-ups: the losses they carry forward are not subject to a deduction limitation for the first 4 financial years.

TOWARDS 100% DEFINITELY TAXED INCOME DEDUCTION

The definitively taxed income deduction can now be applied 100%. In the past, this was 95%.

REVISION OF THE NOTIONAL INTEREST DEDUCTION

The notional interest deduction regime is no longer calculated on the equity of the previous year. The deduction still only applies to the average growth of the last 5 years' capital.

SPECIAL TAX OF 10%

From now on, every company that pays no, or insufficient remuneration to at least one company manager is subject to a special tax of 10% on the amount not paid. This minimum remuneration amounts to EUR 45,000. If the salary is below this amount, it must be at least equal to the company's taxable result. Starting companies (established within 4 years of 1 January of the assessment year) are excluded from this special tax.

DO THE GREAT SUMMER AGREEMENT TEST

The test takes your personal circumstances into account in order to show you – in numbers and figures – the consequences of the summer agreement for your company.

It gives you a customized answer to the following questions:

- Is it recommended to increase your salary?
- When is it interesting to invest?
- Do I have to invest in shares of my own company or in another company?
- What is the financial impact of the agreement for my car fleet?
- ...

With this test, BDO helps you take the right decisions which you can benefit from. Feel free to consult our website and to fill in our contact form or to contact your regular BDO contact person. www.bdo.be: click on 'Do the test'

“Minimum taxable base after audit.”

CAPITAL GAINS ON SHARES

To simplify, the tax rate of 0.412% on capital gains on shares for large companies will be abolished as from 2018. Capital gains on shares will once again be fully exempt from corporate tax. However, similar to the conditions for the definitively taxed income deduction, this applies only if the shareholding amounts to at least 10% for more than one year or the acquisition value is at least EUR 2,500,000.

INSERTION COMPANIES

In the past, insertion companies enjoyed double tax exemption. Companies that receive employment and professional transfer premiums were not taxed on this. If they were also recognised as insertion companies, their profits were also exempt. This double exemption, and the general profit exemption, are now limited.

PREPAID COSTS: TAX MATCHING PRINCIPLE

From now on, the accountancy matching principle will also apply to tax matters. This puts an end to the traditional (end-of-year) planning technique, whereby costs that must be linked in the accounts to the next financial year are deducted as business expenses in the current financial year. A well-known example is the advance payment of rent. By introducing a tax matching principle to corporate tax, costs related to activities or income for the next financial year are also only deductible in that next financial year.

LIMITATION OF PROVISIONS AND COSTS

From now on, the exemption for a provision established for risks or costs can only be retained on condition that it arises from a contractual, legal or regulatory obligation existing on the balance sheet date. For example, provisions for ‘contractual obligations regarding guarantee’ or ‘severance benefits after serving notice of dismissal’ or ‘unemployment with company supplement’ can be permanently exempted.

However, provisions established for repairs and major maintenance are no longer exempt.

VALUATION OF REINVESTMENT GAINS AND PROVISIONS

For reinvestment gains, as with provisions, the government is discouraging expectations of a tariff reduction under the deferred taxation system. From now on, reinvestment gains that are taxed because they are not reinvested within the legally stipulated conditions and period, or capital gains that are spontaneously taxable before the expiry of the reinvestment period, are taxed at the rate applicable at the time the capital gains were realised. Moreover, from now on, in the event of spontaneous taxation, late payment interest will be charged.

WITHHOLDING TAX ON CAPITAL REDUCTIONS

Capital reductions could previously be fully attributed to the paid-up capital. Provided a few conditions were met, this was completely free of tax. From now on, capital reductions are subject to withholding tax in proportion to the share of the remaining taxed reserves in the paid-up capital, plus the taxed reserves. This amounts to a pro rata division.

ONE-OFF INVESTMENT DEDUCTION TEMPORARILY 20%

The one-off investment deduction will be increased from 8% to 20% for SMEs and sole proprietors for 2018 and 2019. This temporary measure applies to fixed assets acquired or created in the period between 1 January 2018 and 31 December 2019.

EXEMPTION FROM PAYMENT OF WITHHOLDING TAX

From now on, the exemption from payment of withholding tax that applies to employees with a Master’s degree who are involved in scientific research will also apply to holders of certain Bachelor’s degrees. The exemption is 40% for 2018 and 2019; from 2020, it will be 80%.

PREPAYMENTS

To encourage companies making advance payments, the base rate increases to at least 3%. Since the calculation of the increase is maintained (2.25 x base rate), in practical terms this amounts to a minimum rate of 6.75%.

REPORTING OBLIGATIONS

Failure to submit the corporate tax return or the non-resident tax return for companies is being penalised more heavily. The fixed minimum profit of EUR 19,000 is being increased in phases to EUR 34,000 (from 2018) and EUR 40,000 (from 2020). The amount will also be indexed.

MINIMUM TAXABLE BASE AFTER AUDIT

No tax deductions (with the exception of the definitively taxed income deduction of the year itself) will be granted on increases in the taxable base established pursuant to a tax audit. This arrangement will apply only if the tax authorities effectively apply a tax increase of at least 10%.

MORATORIUM AND LATE PAYMENT INTEREST

Late payment interest will henceforth be increased to an annual interest rate of 4% (which also applies as a minimum percentage) and will always be 2% higher than the moratorium interest. ■

QUESTIONS ON THE MEASURES RELATING TO CORPORATE TAX IN THE SUMMER AGREEMENT? Contact our experts in Tax: tax@bdo.be



LEGAL

SUMMER AGREEMENT SPECIFIC SOCIAL MEASURES FOR 2018

The Federal Government’s Summer Agreement announced reforms to promote employment. These have meanwhile been translated into specific measures: first, into a Programme Law published in the Belgian Official Gazette on 29 December 2017; and second, into a draft law that is under discussion in the Chamber of Representatives on the moment of the editing of this magazine. A brief overview.

Authors: Saskia Lombaerts, Senior Advisor Legal and Sita Vanbinst, Senior Legal

‘TRIAL PERIOD’ RE-INTRODUCED

In 2014, the single status applied fixed periods of notice for all employees, according to seniority. At the same time, the trial period was abolished. As a result of this abolition, the periods of notice have generally become longer

during the first 6 months of employment. The government is now lessening the impact by providing shorter periods of notice when an employee is dismissed by the employer during the first 6 months of employment:

Seniority	< 1 month	< 2 m	< 3 m	< 4 m	< 5 m	< 6 m
Current	2 weeks	2 w	2 w	4 w	4 w	4 w
New	1 week	1 w	1 w	3 w	4 w	5 w



“From 2018, temporary work is allowed in all private sectors.”

The new rules are intended to come into force on the first day of the second month following the publication in the Belgian Official Gazette. Therefore, if the change in the law is published in March 2018, the shorter periods of notice will apply to employees from 1 May 2018.

PROFIT BONUS

With the profit bonus, the employer can allocate a specific individual profit sharing with favourable tax and social security contributions. In this way, up to 30% of the total wages can be allocated without such a bonus being charged when assessing whether or not the legal wage standard is being exceeded. The profit bonus can be paid for the first time from 1 January 2018, based on the profit for the financial year with closure date, at the earliest, on 30 September 2017.

GENERALISATION OF TEMPORARY EMPLOYMENT

In 2018, the government aims to allow temporary work in all private sectors, as well as in certain cases in the public sector.

FLEXI-JOBS

From 1 January 2018, the execution of flexi-jobs (initially introduced only in the hospitality sector) is also possible in the following sectors: JC 118 (industrial bread bakeries), JC 119 (food), JC 201 (independent retail trade), JC 202 (food), JC 202.01 (medium-sized food companies), JC 302 (hotel), JC 311 (large retail

stores), JC 312 (department stores), and JC 314 (hairdressers and beauty care). In addition, it will be possible to employ pensioners and temporary workers in these sectors in the flexi-job status.

ENCOURAGING STARTER JOBS

From 1 July 2018, it should be cheaper for the employer to employ young employees (between the ages of 18 and 21) without work experience. The employer can pay these employees a gross wage that is up to 18% lower than the minimum wage. The employer pays these young people a fixed allowance free of social security and withholding tax, as a result of which the net wage for the employee remains equal. The employer pays the supplement, but can deduct it from the withholding tax to be paid. In this way, the government is striving to encourage employers to employ young employees so that this target group can integrate more easily into the labour market.

KEEPING (OLDER) EMPLOYEES ACTIVE

The legislator is implementing new measures to keep older employees working until the statutory retirement age. For example, from 1 January 2018, the employer will have to pay an additional social contribution if it fully exempts an employee from having to work. ■

DO YOU HAVE ANY QUESTIONS CONCERNING MEASURES IN THE SUMMER AGREEMENT? Contact our experts in Legal: legal@bdo.be

BUSINESS 4.0

KEYNOTES

DOING BUSINESS IN THE FOURTH DIMENSION

Author: Ann Celis, Communications Director

Over the past 200 years, industry has made several major strides. Today, the super-efficient 'smart factories' of Industry 4.0 – in which, thanks to the Internet of Things, all processes are wirelessly networked with everything and everyone – are a hot new reality.

The speed of the digital revolution is putting companies under ever-increasing pressure to reinvent themselves in other links of the business chain: HR, legal, customer service, R&D, and so on. In other words, Industry 4.0 is becoming Business 4.0, or 'doing business in the fourth dimension'. "This is no different for BDO," says CEO Hans Wilmots. "It's a search for the relevant balance between opportunities and risks. With one single goal in mind: to serve clients better by putting them at the centre of all the ins and outs." (Read the article about our digital transformation on p. 26).

Business 4.0 (that's right, not 'Industry 4.0') makes up the core of the theme of the new 'Keynotes', BDO's publication in partnership with the Federation of Enterprises in Belgium and ING Belgium. We are broadening the field and seeing how the Internet of Things is spreading optimisation and digital transformation from the factory floor to the other links in the business chain – from corporate planning, design and development, to production and supply chain, to sales and services.

We have sought and found Belgian companies that are playing a pioneering role in a link within their value chain: companies that are daring to reinvent themselves fundamentally. Or, when it's no longer possible to turn the ship back around, companies that leave a Zodiac behind and offer talented people a means of doing business in a truly innovative manner. ■

WE ARE LAUNCHING THE NEW KEYNOTES AT THE START OF MARCH 2018. The publication is being followed by a series of television reports on Kanaal Z/Canal Z. We'll keep you informed!

PARTNERSHIP NEWS

TAX KNOWLEDGE PAYS OFF BDO AND CONNECTOR LAUNCH IFRS SERVICE FOR THE FLEET MARKET

Fleet managers are not tax experts. As a result, they often subconsciously incur more costs than necessary, do not anticipate the new rules adequately, or are not compliant. To be able to offer better advice, Connector (a centre of expertise for the fleet sector) is deploying the tax know-how and experience of BDO worldwide.

Author: Erwin Boumans, Partner Tax



A fleet professional must keep his or her fleet operational while also taking complex financial, tax and legal matters into account.

Erwin Boumans

“The fleet manager seeks too little specialised tax advice, with all the risks that this entails.”

FLEET MANAGEMENT IS BECOMING MORE COMPLEX

BDO is no stranger to the automotive industry. For many years, it has been contributing to global automotive tax guides. In addition, we make our knowledge available to fleet managers. After all, in addition to keeping his or her fleet operational, a fleet professional must also deal with increasingly complex financial, tax and legal matters, whose regulations vary from country to country. How often do changes that fleet managers implement lead to unexpected side effects, such as an increasing tax burden in the Total Cost of Ownership (TCO)?

Moreover, the fleet manager is being confronted by new rules concerning mobility. The emergence of the mobility budget as an alternative to the traditional company car is raising questions about direct and indirect taxes for company and employee

alike. The wider distribution of fuel-efficient and environmentally-friendly engines may have a positive effect on emissions-related taxes. On the other hand, the chance is very real that the government will compensate this loss of income with new types of taxation. It's the fleet manager's job to anticipate all these changes and, for example, integrate the new taxes as soon as possible into the Total Cost of Use (TCU) in order to make the right recommendations for his or her fleet management.

FLEET MANAGER GETS TAX ADVICE

As a community of fleet experts offering the sector global and cross-functional expertise via local representation, Connector is a central point of contact for comprehensive fleet advice. “Fleet managers are not tax experts,” says Yves Helven, Director of Connector. “These days, they need to

look for specialised advice, but often they don't take that step. Which is a shame, because it generates value and offers a higher return on investment. To achieve their savings objectives, fleet managers focus on the supply chain, the traditional TCO of the fleet and model selection. It's up to us to show them the potential of tax consulting. After all, on a company level, it increases compliance and saves costs.”

BDO AND CONNECTOR LAUNCH IFRS SERVICE

This is why Connector is joining forces with BDO. The integration of a major global tax player into the Connector network puts tax know-how within reach of fleet managers, allowing projects to be approached from multiple angles: tax, project management, tech and insurance. For BDO, the partnership with Connector dovetails with its organic evolution and growth. “Connector ticks a number of boxes,”

says Erwin Boumans, Tax Partner at BDO Belgium. “The community has a global reach, but uses local expertise. And that's BDO's strength.”

Currently, we are especially concerned about the lack of understanding of the impact of the IFRS (International Financial Reporting Standards). In January, Connector and BDO launched a fleet-specific service around IFRS, with content and calculations that meet the specific market needs. ■

CAN WE HELP YOU WITH THE TAX MANAGEMENT OF YOUR FLEET?
Contact Erwin Boumans:
erwin.boumans@bdo.be

FAQ

TAX REGIME FOR RESEARCH & DEVELOPMENT INVESTMENTS

WHAT AND HOW?

Investments in innovation are also being encouraged after the tax reform. Too often, however, these favourable tax measures are insufficiently utilised or they cannot be applied because the formalities were not observed (in due time). Is your company eligible? If so, what formalities do you have to fulfil?

Authors: Dirk Vandendaele, Partner Accountancy and Liesbeth Debusschere, Supervisor Tax

WHAT ARE THE TAX INCENTIVES FOR INVESTMENTS IN INNOVATION?

What are the conditions for benefiting from the innovation deduction?

You can apply the innovation deduction from the moment of application for the intellectual property right. It is sufficient to complete form 275 INNO and include it with the declaration. Beside patents, copyrighted software also qualifies for the innovation deduction. You can also request a decision from the ruling committee in advance if there is a lack of clarity about the application of the deduction.

What is the impact of the summer agreement on the professional withholding tax exemption?

From 1 January 2018, there is an extension of the exemption to certain bachelor diplomas, such as industrial engineer. The professional withholding tax exemption is currently 40%, but will be increased to 80% from 1 January 2020 (as already applying to master's degrees). The total of the professional withholding tax exemption for bachelors may not exceed 25% of the exemption requested for researchers with a master's degree. This limit is increased to 50% for small companies.

How are R&D costs accounted for in the books?

Pursuant to the reform of accounting legislation, you can no longer post research costs as assets from 1 January 2016. The Commission of Accounting Standards describes the costs of research as "the original, systematically executed work, in the hope of gaining insight and acquiring new scientific or technical knowledge." However, research costs posted as assets as at the end of 2015 may be further amortised.

You can post the costs as assets once in the development phase. The amortisation period runs over the useful life unless it cannot be estimated with certainty. In the latter case, you amortise the development costs over a period of not more than 10 years (and at least five years).

"The corporate tax reform only has influence on the transferred innovation deduction."

What is the impact of the summer agreement on the innovation deduction?

The corporate income tax reform only affects the transferred deduction. Through the introduction of a minimum profit tax as from the 2019 assessment year, the deduction of certain tax deductions (including the transferred innovation deduction) will be limited to EUR 1 million increased by 70% on the taxable balance after the investment deduction.

What formalities must you comply with to be able to apply the increased investment deduction or the tax credit?

The increased investment deduction amounts to 13.5% for patents, energy-saving investments and environmentally friendly investments in R&D. The tax credit has the same tax impact, but is refundable after five assessment years. You must fill in annex 275U and keep a record. For energy-saving investments and investments in R&D, you must request a certificate (within three months after the end of the financial year) with the competent regional authority.

What are the conditions for professional withholding tax exemption?

All research projects and programmes must be registered with BELSPO. Researchers (other than those employed at universities, certified scientific establishments, 'young innovative companies', etc.) must have at least a recognised master's degree. You must also keep a time registration.

When can you apply the normal investment deduction?

The standard investment deduction will be increased to 20% in 2018 and 2019. This deduction is for small companies, sole traders and liberal professions, but it cannot be combined with the notional interest deduction. Also, a surplus can only be used in the following financial year. You must submit annex 276U (natural persons) or 275U (companies) in support of the declaration. In addition, you must keep a record of the purchase date and price and the expected useful life per asset.

No investment deduction for R&D costs any more... or is there?

Companies would in principle no longer be able to benefit from an investment deduction/tax credit due to the mandatory booking of research costs as costs. In order to be able to use these favourable tax measures, the tax code prescribes that these are assets that must be depreciable. To cope with these adverse tax consequences, the Royal Decree of 18 December 2015 stipulates that "(...) enterprises may continue to post these costs as assets provided they are immediately amortised in full in a single financial year. Where appropriate, enterprises may process the costs in question via an amortisation surplus in the tax return."

What is the impact of the summer agreement on the investment deduction?

You can use the investment deduction more quickly because after the reform it is deducted before the losses carried forward are used.

LIST THE RELEVANT TAX INCENTIVES:

- 1 **INNOVATION DEDUCTION: 85% OF THE NET REVENUE FROM CERTAIN INTELLECTUAL PROPERTY RIGHTS CAN BE EXEMPTED**
- 2 **INVESTMENT DEDUCTION**
- 3 **TAX CREDIT FOR PATENTS AND INVESTMENTS IN RESEARCH AND DEVELOPMENT (R&D)**
- 4 **REGIONAL PREMIUMS RECEIVED AS SUPPORT FOR R&D ARE EXEMPT**
- 5 **EXEMPTION OF 80% ON PAYMENTS OF PROFESSIONAL WITHHOLDING TAX CONTRIBUTIONS ON RESEARCHERS' SALARIES**
- 6 **SPECIAL TAX STATUS FOR FOREIGN RESEARCHERS AND EXECUTIVES**

QUESTIONS ABOUT THE INNOVATION DEDUCTION? Contact our specialists in Tax and Accountancy: tax@bdo.be or accountancy@bdo.be



AUDIT

HOW DOES YOUR LOCAL GOVERNMENT SCORE ON INTERNAL CONTROL?

These are challenging times for the public sector. Municipalities are merging, citizens want 'instant' efficient services, and public opinion demands maximum transparency. This cannot all be done without reliable public accounting that is audited independently. This is also an obligation that Europe imposes. The 'Quick-Scan' measures how well (or not so well) your local administration scores in terms of internal control principles and corporate governance. Then, it's up to you!

Authors: Gert Maris, Partner Audit and Bert Gijssels, Partner Public Sector

The public sector is professionalising and evolving towards being a contemporary player in an increasingly complex and digital society. Which is not always easy. In addition, Europe is making its demands. So, all administrations – right down to the local level – must have a reliable government accounting system that is controlled both internally and by an independent body.

Are the annual accounts not being audited today? Yes, they are, but not by external auditors, such as courts of auditors and registered auditors. At the request of the ICCI (Information Centre of Corporate Audit) BDO developed a tool – called the Quick-Scan – with which your local government can quickly, easily and accurately screen and evaluate the maturity of its internal control environment, and also that of its OCMW/CPAS, autonomous companies, etc.

WHAT DOES THE QUICK-SCAN MEASURE?

For the sake of clarity, the Quick-Scan does not express an opinion, but is a snapshot of the level of maturity of the internal control environment. The tool is built on internationally recognised methodologies, supplemented with best practices. And equally important, it is adapted to the culture and context of a government agency (not a private company). In other words, we speak the same language and know and understand your environment. (By the way, not every registered auditor may carry out a Quick-Scan just like that – he or she must first follow a training course with the ICCI.)

4 themes are central to the diagnosis:

- 1. Compliance with the legal framework
- 2. The internal control measures aimed at the production of financial statements
- 3. The measures to prevent fraud;
- 4. The quality of the financial reporting

The starting point for the evaluation is risk: so we will examine the extent to which your management takes measures to limit risk to an acceptable level.

An example of each theme

- 1. **Compliance risk:** the legislation on public procurement was not followed when purchasing.
- 2. **Internal control risk:** the substantive, accounting and treasury dossiers are all handled by the same person.
- 3. **Fraud prevention risk:** everyone within the organisation can make offers and place orders.
- 4. **Financial reporting risk:** commitments with financial implications, debts, provisions, etc. are not recorded systematically.

QUICK-SCAN IN 4 STEPS

We designed the Quick-Scan in close consultation with a number of local authorities, the supervisory authorities of the local authorities of the 3 Regions, and other relevant stakeholders. It comprises 4 steps:

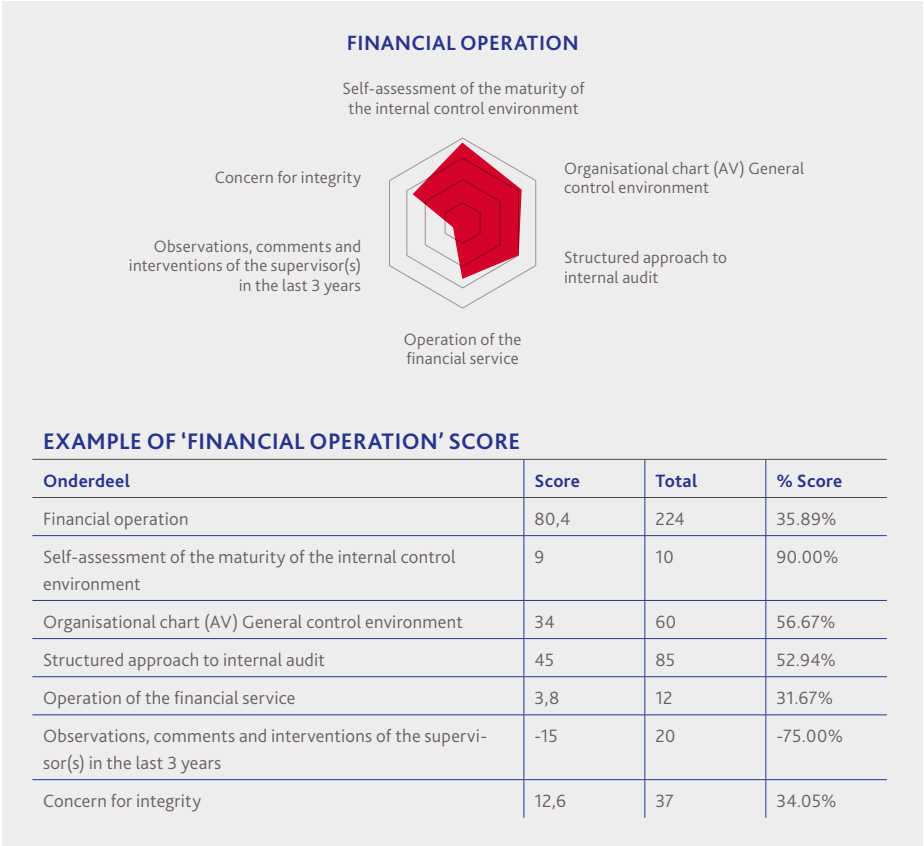
WHAT HAPPENS AFTER THE QUICK-SCAN?

The Quick-Scan score makes the concrete risk tangible for every theme. Thus, our auditor has a number of tools with which he or she can advise you to better manage the risks and strengthen

“The Quick-Scan is tailored to the culture and context of a government agency.”

- 1. **Self-assessment**
The management performs a self-assessment based on closed questions
- 2. **Analysis**
The external auditor analyses the answers and scores (from strong to critical)
- 3. **Feedback**
Local government and the auditor discuss the scores together
- 4. **Evaluation**
The auditor draws up an evaluation report and provides advice for improvement

the quality of your internal control environment. Our auditor is supported by a multidisciplinary team of Public Sector experts. It's up to you to call on that expertise in accordance with your priorities and needs. Quick-Scan is not (yet) an obligation – but good governance also means proactive administration, right? ■



ADVANTAGES OF THE QUICK-SCAN

- 1. INDEPENDENT AND NEUTRAL
- 2. CLOSED QUESTIONS
- 3. TAILORED TO THE SCALE OF LOCAL GOVERNMENT AND SPECIFIC REGULATIONS
- 4. NOT MANDATORY, BUT ADDED VALUE NONETHELESS
- 5. FAST (5-10 MAN-DAYS)
- 6. 1 POINT OF CONTACT (VIA MUNICIPAL SECRETARY)
- 7. FOLLOW-UP TAILORED TO PRIORITIES AND NEEDS

QUESTIONS?
Contact our experts in Audit:
audit@bdo.be

ACCOUNTANCY

COST CONTROL AS PART OF THE CORPORATE CULTURE

Maintaining a standard of low overhead costs forms a solid basis for a company's competitiveness. Nevertheless, many cost reduction plans only have a temporary effect, and after a while the cost carousel merrily starts turning again. Do you wonder why? But above all, how can you avoid that yo-yo effect?

Author: Dirk Vandendaele, Partner Accountancy

CONTINUITY VS PERIODICITY

According to the Japanese 'Kaizen' philosophy, a company makes progress by making successive small improvements. It is no different for cost management. Systematically improving ongoing processes and reducing costs is much more effective than ad hoc savings.

In practice, however, cost reduction programmes in companies have a limited life span, meaning new cost reduction plans are constantly launched. This is very disruptive, requires much effort and can sap the morale of employees. Often, cost savings are implemented because turnover or margins are under pressure, or synergy benefits can be

realised quickly in a merger and acquisition situation. In this way, cost management becomes a quick solution to a purely short-term problem.

However, those who want to systematically reduce and control their costs could do no better than to opt for a structural cost savings policy and make cost control part of the corporate culture.

A MATTER OF ATTITUDE

Continuity is essential for a structural approach, but so is a broader view of all the processes that determine or even simply affect costs. Look beyond the strict management of purchasing costs, and approach the policy broadly and procedurally. The scope exceeds the direct costs and also covers (i) strategic indirect expenditure (e.g. labour costs), (ii) operational indirect expenses (e.g. business travel) and investment expenditure (e.g. machinery and installations). The structural approach is based on clear objectives, identifies all parties involved in purchasing costs, assigns responsibilities and continuously seeks process improvements. To ensure that the cost structure also provides a competitive advantage, measuring

and benchmarking with other companies is necessary. Not a matter of course, but a number of service companies - including BDO - have relevant comparisons based on their own research or specific assignments.

ROADMAP TO SUSTAINABLE COST MANAGEMENT MODEL

How can you build a structure to achieve sustainable and structural cost savings? Some guidelines.

Know your cost structure - ABC and OVA

Good knowledge and understanding of the factors driving costs are fundamental to a focused analysis of the cost structure.

The 'Activity Based Costing' method (ABC) is ideally suited to indicate the actual cost of a process as it links the costs to the company's products/services. In other words, you are looking for the cause-and-effect relationships between the (indirect) costs and the cost unit. More information about ABC can be found in the article 'Cost accounting as management tool', TothePoint no. 1, 2017 (www.bdo.be > search for 'publications' > 2thepoint 2017/1).

COST REDUCTION PROGRAMMES

There are three common cost reduction programmes:

1. **Tactical savings** are short-term savings that have little or no impact on the business organisation (e.g. traditional redundancies)
2. **Operational savings** are the result of the streamlining of processes and business structures
3. **Strategic savings** result from a renewed business model in which cost reduction is embedded in the corporate culture

As with all major projects, the success of a cost reduction programme depends on the support of the management. Moreover, the success ratio depends strongly on communication to employees and third parties (e.g. shareholders).

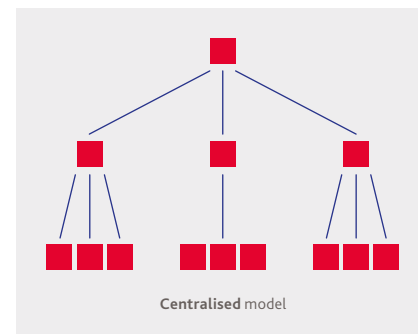
End product or service	Cost-reduction options					
	Eliminate	Postpone	Reduce quality	Reduce volume	Decrease frequency	Replace
Report	✓		✓		✓	
Form			✓	✓	✓	
Analysis	✓		✓			✓
Advice		✓	✓	✓		
Decision	✓	✓				✓

In addition to ABC, there is the 'Overhead Value Analysis' (OVA). This forces a company to look critically at all overhead activities and to determine their added value in relation to the cost price for the (internal) customer. This gives you an overview of the activities with the corresponding options.

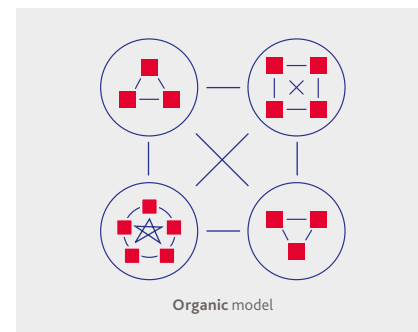
The results of the OVA analysis can be further used to optimise the cost allocation in accordance with the ABC methodology. Those who regularly carry out an OVA analysis can create sustainable strategic cost benefits. Practice shows that sometimes up to 40% of costs can be saved on the indirect overhead.

Choose the right organisational model

The organisational model of a company helps determine how the overhead functions are organised. Four organisational models are usually used.



In the **centralised model**, central management makes all the decisions and the operational units are mainly implementers. Almost all overhead services are centrally organised here.



The **organic model** does not have a central management structure. Rather, it is a family of fairly autonomously operating business units. Each business entity determines its own overhead services.

"Does your cost structure offer a (sufficiently) competitive edge?"

There are two other models between these two extremes. These are the most common in practice:

- In the **coordinated model**, the central management structure does not make all decisions, but mainly checks compliance with the overall strategy. Overhead services are mainly arranged centrally here.
- In contrast to the coordinated model, no one in the **holistic model** watches over the whole. The company places the responsibility with the broad management to realise the mission according to the company's values. In this model, the overhead is usually set up decentrally, unless decentralised units request central organisation.

Particularly the centralised model offers the best chance of the most substantial economies of scale. However, the central decision-making and the strong formalism slows down and numbs the decision-making process, which is why many companies opt for the coordinated model. The sound combination of autonomy and effectiveness stimulates innovation and entrepreneurship and leads to synergy effects because most overhead services are centrally arranged.

Eliminate unnecessary work - process optimisation

Certain routine tasks that have little or no value often still remain part of the process. However, those who continue to question all process steps critically can generate surprising savings. The fresh look of an external consultant, such as BDO, can break the risk of routine and offer a different view.

Routine tasks that continue to be indispensable can possibly be performed more efficiently with the help of technology. In particular, repetitive and labour-intensive steps are amenable to automation. Such process optimisation not only saves costs and time, but can also contribute to improving the quality of the product or service.

Focus on controllable costs

In cost-saving projects, companies sometimes pay (too) little attention to the controllable costs, even though these manageable costs sometimes represent a significant proportion of the non-production costs. Controllable costs are those costs that management can influence in the short term (e.g. office supplies, external maintenance or reception services).

Suppose that a department within your company uses a central IT department: these costs are controllable if they are charged on the basis of the measured use. The manager of that department thus has control over the allocated costs. It then seems odd that such quick-win opportunities for rationalisation are sometimes overlooked.

Change management

Sustainable cost management also means that departments must cooperate in those processes that exceed departmental boundaries. Such a radical transformation can only be successful if the new attitude is introduced step by step (change management). Here it is essential that the improvement plan is approved and supported at the highest possible level in the company. Moreover, strong project management plays a key role.

DECISION: FEWER YO-YO EFFECTS IN THE COST PATTERN

'Best in class' companies do not opt for savings surges, but instead succeed in achieving lasting cost savings thanks to sustainable cost management. Success depends on the extent to which the procurement department shares the cost responsibilities with other departments, with the business processes that drive costs being continuously monitored and adjusted.

This strategy leads to a value-driven organisation where you can optimise the 'consumption' required for the output. In doing so, you take into account all cost items, ensure regular benchmarking, continually monitor where unnecessary activities can be eliminated, and ensure a visible commitment from management and a 'change management' culture. ■

QUESTIONS ABOUT AN EFFICIENT COST MANAGEMENT POLICY?
Contact our Accountancy specialists:
accountancy@bdo.be

Dirk Vandendaele

Good knowledge and understanding of the factors driving costs are fundamental to a focused analysis of the cost structure.

INTERNATIONAL CORPORATE TAX

TOWARDS A FISCALLY ETHICAL ERA
WORLDWIDE

Left to right Olivier Michiels, Liesbeth Broeckx, Hubert Hellraeth,
Werner Lapage, Patrick Mathieu, Luc Vanwalleghem, Paul Ampe

Doing business internationally offers a company fantastic opportunities. But it also entails being compliant with various different tax rules. Today, these rules are in a state of profound change. Aggressive tax optimisation is no longer tolerated. Acting transparently and in a manner that is fiscally ethical is of key importance. What does this revolution mean for your organisation – and how are you preparing for the tax challenges of tomorrow?

Author: Oliver Michiels, Senior Manager Tax

FROM CORPORATE SOCIAL
RESPONSIBILITY TO ETHICAL
TAXATION

According to ISO Standard 26000, Corporate Social Responsibility (CSR) is an organisation's responsibility for the impact of its decisions and activities on society and the environment. CSR requires transparent and ethical behaviour, and this pertains to the area of taxation, including international taxation, as well. Acting transparently and taxing in an ethical manner are becoming the new standard. Although, legally speaking, there is little that can be done against most companies' tax structures, society no longer accepts that entrepreneurs look for the margins of (aggressive) tax optimisation – the so-called harmful tax practices – and make maximum use of the tax competition between various countries.

You can agree or disagree with that outlook; but in 2018, proper, transparent fiscal conduct, and making a fair financial contribution (read: paying taxes) to the economies of the countries where value and profits are generated, have become the minimum standard. Anyone who does not adhere to this standard may see his or her name show up in the next 'Paradise Papers'.

NEW TAX RULES

Under pressure from supranational institutions – such as the OECD, UN, G20 and EU – this new outlook on international (corporate) taxation is also finding its way into the national and international tax rules. For example, the European Member States must transpose the so-called Anti-tax Avoidance Directive I & II (ATAD) into their national legislation by 1 January 2019 and 1 January 2020, respectively (postponement possible). The ATAD

directives address not only harmful tax practices between the Member States themselves (ATAD I) but also their relations with third countries (ATAD II). During the transposition, the Member States may make a number of choices themselves, which obviously does not benefit the EU's tax coherence and harmonisation.

The pursuit of fiscal transparency takes shape in the various changes and initiatives in the context of tax reporting, the exchange of tax information and the cooperation between tax authorities. Examples include:

- ▶ the automatic exchange of preliminary cross-border rulings and advance transfer pricing arrangements within the EU (since 1 January 2017);
- ▶ the 'Country by Country reporting' with its 'master file', 'local file' and country reports;

- ▶ the accession of various countries to the multilateral agreement for automatic exchange of (tax) information

COMPLEX TAX CONCEPTS

The change also affects local tax legislation. Think, for example, of the international tax measures that will be introduced in 2019/2020 as part of the announced reform of Belgian corporate tax. The majority of these provisions concern the implementation of the OECD Base Erosion & Profit Shifting (BEPS) reports and the ATAD guidelines. Rules on 'controlled foreign corporations' and concepts such as 'hybrid mismatches' and 'hybrid entity' are becoming part of our tax system. Although they were written with large multinationals in mind, every Belgian taxpayer who is active internationally will feel the impact of these new provisions on their organisation, company structure and foreign activities.

THE INTERNATIONAL (TAX)
LANDSCAPE IS CHANGING

The challenges for large and small businesses alike are numerous. Moreover, they are being amplified by a number of international trends, such as:

- ▶ tax reform in the United States, which the US Secretary of the Treasury, Steve Mnuchin, calls the "biggest tax reduction and reform in the history of the United States". This reform will be tangible (in both a positive and a negative sense) not only for US companies and subsidiaries, but also for Belgian subsidiaries of American companies.
- ▶ the tax consequences of Brexit and how the United Kingdom will use its new-found fiscal autonomy to attract foreign investors, while making efforts to retain its claim to specific EU benefits (including tax benefits).

- ▶ our neighbouring countries considering further reducing the corporate tax rate. For example, the Netherlands and France are looking at a decrease to 21% and 25%, respectively. The UK is aiming for 17% from 2020, and wants to go down to 15% (and maybe even less) according to the unmistakable message from British Prime Minister May to attract potential investors post-Brexit.

IMPACT ON YOUR
ORGANISATION

It's not easy to cope with all these challenges and to manage their risks, costs and administration. And, on the other hand, to make maximum use of the opportunities offered, so that the tax burden on your operating result remains manageable – nobody likes paying too much tax. In this regard, a sustainable tax strategy that is based on economic substance and fits in seamlessly with the proposed business strategy is indispensable. ■

ARE YOU READY?

- ▶ Do you know the impact of the tax revolution on your company or organisation?
- ▶ Do you need to adjust your tax planning and strategy to avoid arguments with the Belgian or foreign tax authorities?
- ▶ Do you still have tax planning opportunities to temper the tax burden?
- ▶ Do you manage your tax administrative processes efficiently (including in terms of costs) so that you are compliant with the tax obligations in the countries in which you are active?
- ▶ Do you know the impact of the changes on your tax reporting?

Let us inform you – correctly and in good time – about relevant changes and the complex tangle of national rules, bilateral treaties (including double tax treaties), European directives and international provisions. Thanks to our worldwide network (1,500 offices) and our local presence in 162 countries – a network and local presence that are larger than that of the average Big Four – BDO is an expert in the tax rules in all of the countries in which you are, or want to be, active. We even have dedicated Country Desks for a number of countries: USA, UK, the Netherlands, France, Germany and China. Our multidisciplinary team of international tax consultants (who are specialised in transfer pricing, international corporate tax, VAT, etc.) will assess your compliance with current and 'future' tax legislation, ready to make any adjustments, if necessary, in line with your risk profile and activities.

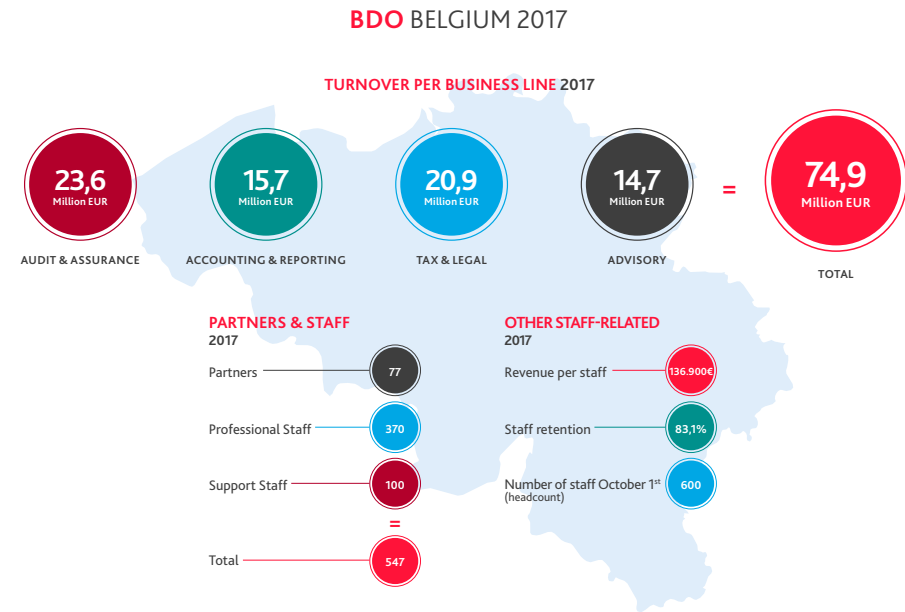
QUESTIONS ABOUT
YOUR NATIONAL AND/OR
INTERNATIONAL TAXATION?
Contact our specialists in our
International Corporate Tax Team:
tax@bdo.be

CORPORATE NEWS

BDO BELGIUM
DIGITISATION IN FIGURES

In 2018, entrepreneurship means digitisation. The pressure on companies and business leaders to embrace the digital revolution is growing every day. This is no different at BDO. It's a search for the relevant balance between opportunities and risks. With one goal in mind: to serve clients better by putting them at the centre of all the ins and outs. This digital metamorphosis is also reflected in the figures on both sides of the BDO balance sheet.

Author: Ann Celis, Communications Director



“Our confrontation with the complexity of the digital transformation was an extremely instructive experience.”

DIGITAL TRANSFORMATION IS ESSENTIAL!

As a company and entrepreneur, you can no longer ignore it. The Internet is making the world smaller, and tomorrow is always different from yesterday. Moreover, the change is accelerating day by day. So, anyone who wants to join us tomorrow has to embrace the digital transformation today.

Hans Wilmots, CEO of BDO Belgium, says: “This is no different at BDO. A

few years ago, we began the first steps in our own change process. And the more we went through it, the more we realised that we had to transform and digitise even more, and even more quickly. Because if we wanted to be able to provide our clients with relevant guidance in their transformation process, it was important that we adjusted our own strategy, our internal organisation and our (digital) business plan accordingly. In this way, we were confronted with the complexity of the digital transformation. An extremely rich experience.”

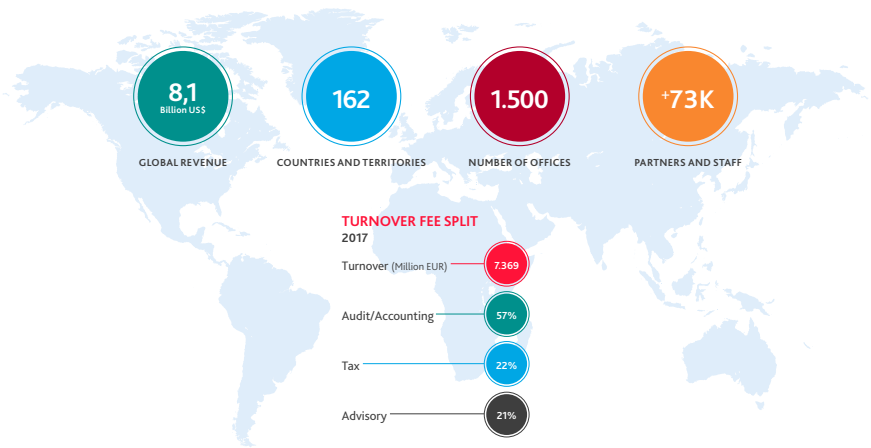
TRANSFORMING IS INVESTMENT

The digital transformation is increasingly at the top of the agenda for Belgian CEOs. This does not surprise us if you know that it is accompanied by significant investments. And it is precisely this effort that sometimes

stops managers from taking the most necessary steps today. However, it does not prevent them from fully informing themselves – about the possibilities of artificial intelligence, for example, or far-reaching automation. At the same time, they become increasingly aware of the new business models that are visible everywhere. And of the risk of disruption to their business. But the question that keeps every CEO awake is: “How do you make a ‘sensible’ choice today while technology is evolving at such a rapid pace?” Business 4.0 (read the article on the corporate pages) is a reality, but at the same time, it is a dilemma. It’s a search for the right and relevant balance between potential and risk.

“In recent years, we have invested heavily in putting the BDO of the future on track,” Hans Wilmots explains. “Investments in IT tools, in

BDO INTERNATIONAL - OUR NETWORK 2017



PRACTICAL TRANSFORMATION

WHAT DOES THIS DIGITAL REVOLUTION LOOK LIKE IN PRACTICE AT BDO?

Two examples:

► Accounting & Reporting

Recording invoices correctly is no longer rocket science. On the other hand, the interpretation of the figures, and the reporting, still are. Intensive digitisation is ensuring that the accountant is evolving towards a new model of cooperation. Our auditors are being transformed into trusted business advisers – experts who actively, together with the client, seek added value and build an intensive, creative and empathic relationship.

► Adapted service offering

Influenced by the digitisation of the corporate world and of our own world, we match our service offering continually – and ever more quickly – with the new needs and requirements. Just think of our cybersecurity solutions, the importance we attach to your data protection (GDPR), and the care we take to connect your business processes seamlessly or to provide you with clear and visual reporting of all your relevant data. Or, how we support your business intelligence, help you deal with blockchain applications, the Internet of Things, and so on. That’s why we keep a close eye on the market, continuously refine our expertise, and establish partnerships, most recently with Crossroad (you can read more about this on p. 28).

the development of new (innovative) solutions, in training, in guiding our people. And in attracting new specialised profiles. That’s not always been easy. Because it requires a huge amount of effort from all of the teams, although they only see the result of all these efforts once all the pieces of the puzzle have been laid out.

“Moreover, BDO resolutely opted for the radical revolution, the maximum digitisation of our traditional business lines and a thorough development of our ‘Advisory’ services. In doing so, we are focusing more than ever on the client. In this way, our people will understand the market and our clients even better, and we can be much more proactive in thinking about the future with them.”

TRANSFORMING IS ANTICIPATING

In the current rapidly-changing VUCA (Volatile, Uncertain, Complex and Ambiguous) era, every business leader must continue to invest in technology and be open to new ideas and innovative entrepreneurship. At the same time, this means monitoring and anticipating the market. Depending on the nature of the business and the DNA of the organisation, this can be done in different ways.

“BDO deliberately chooses to offer its clients added value through the innovation and change process,” says Hans Wilmots. “Data analytics, big

data, benchmarking and insight tools are gaining in focus. In the past year, BDO continued to develop its digital transformation – not only in Belgium, but in all of the other countries in which we are present. This is the only way to respond to the new challenges that are presenting themselves, such as robotisation, blockchain and bot technology.”

DIGITISATION IN FIGURES

This conscious choice, and the market evolution described above, are reflected in the figures. Specialised advice is doing fine. Our clients are rightly looking for more added value. Accounting’s more traditional activity experienced a slight decline, due to the vital transformation process that is in full swing: the focus on internal change had a temporary impact on attention to the market. However, as stated above, there is a new model in the pipeline with the emphasis on assisting the client in interpreting his or her figures and the decisions that must be linked to that interpretation. In other words, as much as possible, we are automating services that we can intelligently digitise. In 2017, we invested as much as 20% of our contribution in information technology. This allows us to free up time for what really counts: the human creative and proactive input – actively listening to the problems that our clients are experiencing and developing suitable solutions for them. ■

QUESTIONS ABOUT THE DIGITAL REVOLUTION AND HOW WE CAN SUPPORT YOU?
Contact our Digital & Innovation specialists from our Advisory team: advisory@bdo.be

CORPORATE NEWS

‘BDO CROSSROAD’ BOOST EXPERTISE IN INNOVATION AND DIGITISATION

At the beginning of December 2017, BDO and ‘digital’ expert Crossroad joined forces. A very deliberate choice in light of current digitisation activities. Today, half of all companies are carrying out a digital transformation – however, 70% are failing in the implementation. ‘BDO Crossroad’ will offer companies more support during this process of change; at the same time, BDO will deepen its own expertise in the field of digital process optimisation and sustainable technological solutions.

Author: Ann Celis, Communications Director



Left to right Hans Wilmots (CEO BDO), Felix Fank (BDO), Johan Vandenbroeck (BDO), Carmen Cordier (Crossroad), Peter Van Laer (CEO Crossroad), Jan De Schepper (Crossroad)

WHAT DOES CROSSROAD DO?

For over 10 years now, Crossroad has advised and supported companies in their digital transformation. The consultancy also provides them with advice on conceptual development, the implementation of new technologies and employee support.

BDO ACQUIRES CROSSROAD

With the acquisition of Crossroad, BDO is deepening its own expertise in digitisation and innovation. Indeed, this is a theme on

every business manager’s desk. But why regard up-and-coming digitisation as a threat or risk, when it actually offers more opportunities to grow? “Or, to serve your customers better and crank efficiency up a notch,” Hans Wilmots, CEO of BDO Belgium, continues. “Besides the traditional services that have been offered by BDO for 50 years, companies also need support and advice from specialists on disruptive and digital technologies. Thanks to Crossroad’s many years of experience, BDO is reinforcing its know-how and

“Digitisation is not an imposed obligation, but an exponent of the corporate objectives.”

strength. What’s more, our strategic ambition is to have our ‘Advisory’ department expand substantially in the coming years. This new cooperation is an initial step in that direction.”

isations: “We find this even more important than any business consideration whatsoever: both clients and employees of the integrated organisation must become better off in the long-term as a result of that organisation. We both firmly believe in the added value of complementary cooperation.”

To further develop the vision and synergy of the BDO Crossroad project, Carmen Cordier, Peter Van Laer and Jan De Schepper will continue to sit on the Board of Directors as we move forward.

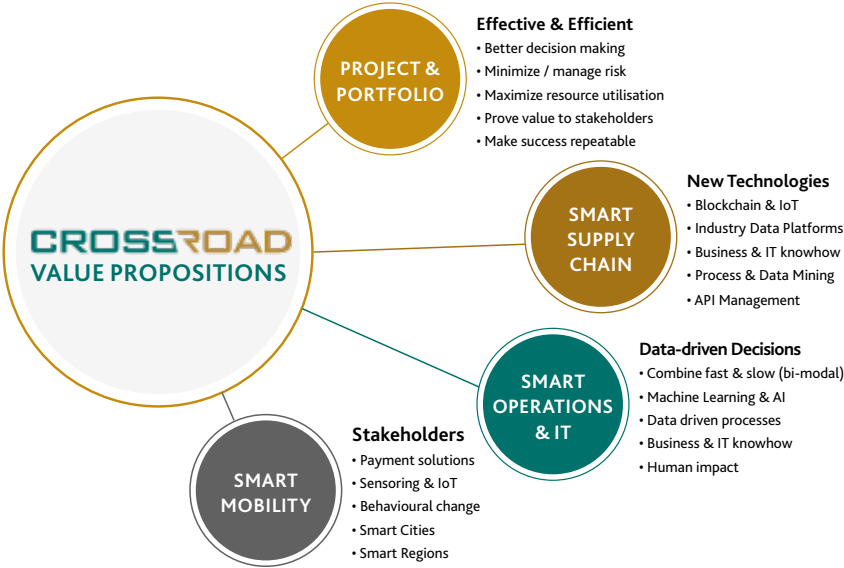
DIGITISATION IS FEASIBLE FOR EVERY ORGANISATION

Managing Director of Crossroad, Peter Van Laer, is in full agreement: “Our customers expect creative input to build and implement their solutions and also to support the employees involved in this process. So, we will continue our proposed growth plan and once again recruit experts in 2018. In this way, we can continue to offer state-of-the-art solutions at all times.” Right from the very first contacts, Hans Wilmots felt the click between the cultures of the two organ-

Digitisation has become an indispensable efficiency booster, and every company must be keenly aware of this. Still, this requires a different mindset among some business managers. After all, anyone changing because he or she ‘has to’ only sees a large mountain in front of him or herself and will resolutely dig in his or her heels. That’s the wrong attitude. The digitisation of a company is not an imposed obligation, but an exponent of the objective that you as an entrepreneur have set.

Whatever that objective, a successful digitisation starts with a thorough analysis of the available data. Only in this way can you identify the problems facing your business in full knowledge of the facts, and tackle them step-by-step, incorporating them into the existing or new digital strategy. Incidentally, digital transformation is not only vital for large companies. Small businesses too must (and can) embrace digitisation. However, not every company has all the necessary knowledge in-house. Sometimes it’s very helpful (or even necessary) to get some temporary expertise on board: specialists who guide and support you in developing a high-performance and sustainable ICT technology, tailored to your objectives and in line with your organisation’s DNA. ■

CROSSROAD ADVISES AND SUPPORTS COMPANIES IN THEIR DIGITAL TRANSFORMATION



WOULD YOU LIKE OUR HELP AND SUPPORT WITH THE DIGITAL TRANSFORMATION OF YOUR ORGANISATION OR COMPANY? Contact our Advisory experts: advisory@bdo.be

CORPORATE

BDO INSIGHTS

The BDO library contains newsletters, brochures, articles,... about very different topics. You can download these insights on the BDO website: www.bdo.be/en-gb/insights



BDO Benchmark of municipalities in Flanders

Looking forward to discovering the figures of the municipalities of your province? BDO has good news for you! We developed a benchmark for all Flemish provinces for 2016 and 2015. Six key figures are shown and compared. This analysis will be updated after the preparation of the financial statements 2017. This benchmark does not contain any value judgement but only shows the achieved figures.



GDPR – Six months to go until the deadline

Lessons learned on the way to GDPR compliance. Based on experience with dozens of GDPR projects and over a hundred discussions about GDPR with companies.

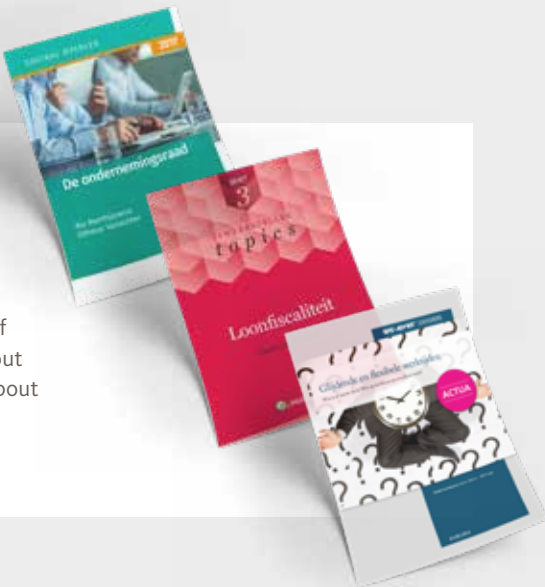
In this article:

- Forget full compliance
- No big bang, but a gradual increase in maturity
- Demonstrability will be key
- Make use of a tool
- Opt for an integrated approach
- Consider cyber insurance



White paper – What is the impact of BEPS on your company?

In this white paper we go deeper into the first Belgian repercussions of the OECD's BEPS project, which are the Transfer Pricing Documentation Requirements and the changing of the 'Patent Income Deduction' into the 'Innovation Income Deduction'. This second measure has an important impact on all companies that are active in innovation. The white paper exists in English and in French.



The most recent books of our Social Legal team

Ria Matthijssens co-authored a book about the **works council in 2017**. This book gives an answer to the most important questions about the works council.

In the book about **income taxation**, Saskia Lombaerts looks at each component of the concept of "salary", as well as the different alternatives. In a second book about **flexible working hours**, she goes deeper into the changes introduced by the law about manageable and feasible work. These books were published in Dutch.



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- Audit Partner – *La Hulpe*

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TAX & LEGAL

INNOVATION INCOME DEDUCTION DEDUCTION RATE OF 85%

The BEPS (Base Erosion and profit Shifting) Project was jointly initiated in 2013 by the G20 and by the OECD (Organisation for Economic Co-operation and Development). This project consists of 15 action plans. The outcome will not only impact multinationals but also SMEs that expand their activities abroad, as well as companies (even non-international ones) that are active in innovation.

This white paper provides a detailed overview of the first repercussions of the OECD's BEPS project, in particular:

- The Transfer Pricing Documentation Requirements
- The changing of the Patent Income Deduction into the Innovation Income Deduction.

WHITE PAPER
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