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The 2022 Global Philanthropy Environment Index Belgium

Expert: Pascale Van Durme

Institutional Affiliation: Belgian Federation of Philanthropic Foundations

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Cooperative, Foundation

Five main social issues addressed by these organizations: Arts and Culture, Basic Needs, Environment, Health and Medical Research, Youth and Family

Average time established by law to register a philanthropic organization: 61-90 days

Average cost for registering a philanthropic organization: USD 1,600

The main cost consists in the fees for the notary deed (founding statutes) required for creating most forms of philanthropic organizations (POs).

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	5.00	4.50	4.50	5.00	5.00	4.50	4.75

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 5.0

The legal requirements to form a philanthropic organization (PO) in Belgium are very transparent, and the threshold to entry is relatively low (low minimum capital requirements, possibility for a single individual to start a foundation and for a formal or informal group of persons to establish a joint organization among other organizations). Foreign individuals and entities are also allowed to form a PO subject to appropriate safeguards (such as identification of beneficial owners), and there is even a special statute for international nonprofit associations.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 5.0

Belgian POs can operate in total autonomy from the government as long as they respect the legal provisions applying to nonprofit associations and foundations. There are no impediments to collaboration with domestic and international entities outside the legitimate constraints imposed by anti-money laundering and other types of regulations aimed at preventing fraud and the financing of illegal activities or terrorism. Reporting requirements are clear, consistent, accessible, and proportionate to the size of the PO. Simplified reporting requirements are available for smaller organizations.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 5.0

The governing body of a PO can voluntarily terminate its activities under the procedure set out in the law. The main requirement is that the assets/funds of the organization should not be redistributed to the founders or members following the termination and must be dedicated to a nonprofit aim. The only exception is in cases where the statutes of a foundation foresee that, once the nonprofit aim of the foundation is achieved, the founder(s) and/or their heir(s) may withdraw an amount equivalent to the funds initially dedicated to the realization of the nonprofit aim. Involuntary termination by a government entity is extremely rare and occurs only as a result of a severe violation of the law.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 4.5

Donations to POs by individuals and organizations can in certain cases benefit from a deduction from the income tax, subject to specific and transparent conditions. The tax deduction (45% until 2019, 60% in 2020) applies to donations within a certain threshold (about USD 46 to 460,000) per donor and per fiscal year. In order to offer tax deductibility to their donors, POs need to obtain federal government recognition. The conditions for obtaining this recognition are transparent and available on the website of the Ministry of Finance. Although fulfilling the conditions can be challenging for some, more than 2,200 POs had managed to obtain federal recognition by the end of 2020. Finally, donations to non-domestic POs may not always benefit from the tax exemptions foreseen at the domestic level. This is primarily an issue for countries outside the European Economic Area (EEA) for which there is rarely a mutual recognition of POs and for which the procedures to obtain tax deductions are more complicated.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 4.5

Belgian POs are in principle not subject to company tax unless they carry out some for-profit activities. Instead, they are typically subject to a tax on assets (rather than on income) when their activities exceed a (relatively low) threshold. Value added tax (VAT) exemption is also relatively common depending on the sector and nature of the activities performed by the organization. In terms of property tax, there is no general exemption for POs except in very limited cases whereby a building is used for educational purposes. In terms of inheritance law, which is a regional competence in Belgium, POs typically benefit from a lower tax rate—and, in certain cases, a tax exemption—on legacies than companies or family members. Finally, recognized POs may offer tax deductibility to their donors under specific conditions provided for in national law as discussed in Q4.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 4.0

Cross-border legacies and registered donations to POs are possible without any additional cost imposed by the Belgian authorities. For legacies, within the EEA, non-resident POs can benefit from the same reduced tax rate as Belgian POs. For cross-border donations, within the EEA, non-resident POs may be eligible for the same tax deductibility as for domestic donations. Outside the EEA, it is more complicated to benefit from the same tax advantages. POs can easily make grants outside the national territory without any government interference nor taxation. There are however some restrictions to cross-border financial flows, primarily in the context of anti-money laundering requirements and legislation aimed at preventing the financing of terrorism and illegal activities.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 5.0

Belgian POs can receive cross-border donations without problems and without additional costs.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 5.0

The Belgian government recognizes the role of POs as effective change agents. Many POs work in cooperation with local, regional, or state authorities. There is a good level of dialogue between the sector and the different levels of power.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 5.0

Donations to POs, whether domestic or foreign, are generally encouraged without government pressure.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 5.0

As in every country, POs can be negatively affected by difficult economic conditions. The economic climate in Belgium is, however, generally favorable for the success of philanthropy, as demonstrated by the decision of the federal government in 2020 to temporarily raise the tax deductibility of donations to POs from 45 percent to 60 percent for individual donors subject to the income tax as a way to mitigate the effect of the COVID-19 crisis on the philanthropic sector.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 4.5

Although philanthropic giving may be less deeply ingrained in the Belgian social and cultural traditions than in some other European countries due to a historically strong role of the public sector, there is a real societal recognition of the positive role of private giving. POs generally benefit from a positive public perception, as evidenced by regular public surveys. A recent study estimated that 80 percent of Belgians consider philanthropy as important in today's society, a stable proportion over the years (KBF-Itinera, 2020). The same study has shown consistent growth of the philanthropic sector from 2008 to 2017, with a relative stagnation in 2018–2019 but a new impetus since the COVID-19 crisis. Overall, the Belgian civil society ecosystem is dynamic. In 2019, 8 percent of the Belgian population has volunteered for a PO (Hustinx & Dudal, 2020).

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

Belgium is traditionally characterized by a plurality of POs, many of which are small in size and rely on individual donors. The small scale of many organizations creates incentives for them to join forces with others and develop partnerships, including with non-philanthropic organizations, for example in the context of public-private partnerships. The sector uses a variety of methodologies to support philanthropic projects, from traditional grantmaking to impact investing. Many POs rely on public subsidies for part of their activities or on the support of one major donor, so the diversification of revenues sources and the ability to raise funds from the private sector in innovative ways (crowdfunding, new forms of corporate sponsorship, etc.) will be key to allow the sector to grow and increase its impact in the future.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

- 1) The entry into force of the New Belgian Code for companies, associations, and foundations in 2019;
- 2) The COVID-19 crisis as of March 2020; and
- 3) The temporary rise of the tax deductibility rate for donations to recognized philanthropic organizations from 45% to 60% for the fiscal year 2020.

Future development trends in the philanthropic landscape

POs are innovating on all fronts to try to do “more with less” whether in terms of funding, governance, operations, or people management. Among the key trends are: the development of new forms of funding and the rise in sustainable finance initiatives; the development of collaborative approaches and joint ventures to allow several POs to support large scale projects; and the development of new digital tools, for example to facilitate micro and/or recurrent donations via online platforms, but also to facilitate co-creation and participatory approaches in the design and implementation of philanthropic projects. Digitalization also supports efforts to professionalize the sector, such as by encouraging more transparency through the use of open data and by allowing for better quantitative and qualitative assessments of projects.

Three key recommendations to improve the environment for philanthropy

- 1) The philanthropic sector needs to be more visible to further develop the Belgian culture of private giving and ensure a vibrant, independent, and sustainable civil society ecosystem. This can be achieved by joint efforts of the sector itself, but also by a greater recognition and partnership with public authorities, including fiscal measures supporting private donations.
- 2) The global nature of many economic, social, and environmental problems calls for more cross-border partnerships among POs. As a small country, Belgium has a particular interest to ensure that its philanthropic sector acts in sync with that of its neighboring countries. A regulatory framework that facilitates cross-border financial flows and activities could play an important role in this regard.
- 3) New collaborative tools and approaches are needed to allow the many small POs to join forces with others to develop synergies and increase their impact. Flexible forms of cooperation could be facilitated by “light” legal requirements for joint undertakings and by innovative private sector solutions.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

The strength of the philanthropic sector rests in its ability to address the impact of the COVID-19 crisis on multiple fronts, whether in terms of the sanitary, social, psychological, economic, or environmental consequences. In Belgium, the focus of POs has been to complement the actions of public authorities in areas often overlooked and underfunded. Examples included providing psychological and logistical support to isolated elderly people during the crisis, providing computers to underprivileged children to allow them to study remotely during the closing of schools, raising awareness about the prevention measures among refugee seekers and undocumented migrants, providing pro bono digital consultancy services to local shops suddenly constrained to offer their services online among others.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

One of the major shifts in philanthropic practices as a result of COVID-19 has been the tendency to adapt the requirements for funding, especially on the side of grantmaking foundations. The operational and financial difficulties faced by many associations on the ground have forced funders to become more agile and to offer more flexible terms to the beneficiaries of grants, for example as regards reporting deadlines and the achievement of certain objectives. The crisis has also encouraged more solidarity. In Belgium, both individual donors and POs have shown a high degree of maturity in responding to the crisis by mobilizing extra funds and temporarily shifting their priorities to support the emergency needs unveiled by the crisis. This was done in complement with the actions of public authorities.

Impact of COVID-19 on the philanthropic environment

The COVID-19 crisis has put a lot of pressure on those POs whose funders, including individual donors, have been economically weakened by the crisis. According to a recent survey, around half of Belgian nonprofit associations saw their financial situation deteriorate in 2020, compared to only 19 percent in 2018 (IPSOS-King Baudouin Foundation, 2020). We also expect that the exceptional efforts made to finance medical research and health initiatives linked to the pandemic may have diverted some donations from other areas, such as research for other diseases. As a result, the impact of the crisis on the environment for philanthropy is not homogenous, and some parts of the ecosystem are likely to be more severely impacted, such as POs active in the arts and cultural sector.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

The COVID-19 crisis is expected to continue well into 2021. As mentioned in our answer to the previous question, many parts of the philanthropic sector have been severely hit by the economic crisis, and the sustainability of some POs may be endangered going forward.

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