

SUMMARY

With this Growth Pact, the N-VA is seeking to put forth proposals aimed at decisively tackling the major economic problems and challenges we face. Given these difficult circumstances, these proposals are budget-neutral overall, and will even allow us to achieve positive results over the medium and long term.

AT FEDERAL LEVEL

Part 1: Making work pay

The N-VA demands that **work be made to pay** in this country. Today we are the world champion when it comes to taxing work - hardly a gold medal to envy.

Nowhere in Europe is the labour tax wedge (the difference between the cost of an employee to his/her employer and the net wages that this employee takes home) as high as in Belgium.

The marginal tax burden is problematic, and it discourages people from setting to work. For every 100 euros in additional gross income earned by a low-wage worker, as much as 75 euros can be skimmed off the top by the government and social security.

Concrete proposals:

- **Making work pay: Make the employee contribution to the National Office for Social Security – NOSS (RSZ)(currently 13.07%) progressive**
 - This will increase the net pay of anyone with less than 5,000 euros in gross income. Low- and middle-income workers stand to benefit the most from this.
 - Eliminate the unemployment trap by increasing the difference between unemployment benefits and income earned from work.
 - Eliminate the low-wage trap by lowering the marginal tax burden: for every additional euro in gross income that an employee earns, he/she will retain more of that euro in net income compared to today.

In order to make work pay, the N-VA wants to make the employee contribution (13.07% - low-wage work bonus) progressive.

We want to institute this reform as quickly as possible so as to increase the net wages of all people in employment (and earning less than 5000 euros gross) as of 1 August.

The N-VA is seeking to achieve two objectives via this reform: 1) Bolster the purchasing power of the working population and thereby stimulate domestic demand, and 2) Energise the job market. This will reduce the labour tax wedge and increase the gap between benefits and wages, and in so doing will make work pay. Making the employee contribution to the NOSS progressive will also lessen the marginal tax burden so that working or earning more will be rewarded.

In order to fund the NOSS reform, the N-VA wants to follow the European Recommendation and shift the burden to less growth-impeding costs such as indirect taxes. The N-VA is therefore in favour of funding the progressive NOSS employee contribution by increasing the general VAT rate to 22% (to be excluded from the index). This must be supplemented by the revenue derived from efforts to combat fraud so that money is redirected from dishonest people to the honest, hard-working taxpayer. Over the long term, part of this funding must come from revenue generated through structural reforms in the labour market.

Part 2: Creating work through tax reforms

The N-VA wants to implement **a tax reform** for businesses which would serve as the basis of policy for years to come. This will put an end to the legal uncertainty in which many businesses continue to find themselves.

Concrete proposals:

- **Gradual replacement of the notional interest deduction with a general rate reduction**

Gradually phase out the notional interest deduction by 2015, and compensate for this by gradually reducing the overall corporate tax rate to 21% in 2015.

- **Additional incentives for R&D and innovation**

We are proposing a series of additional tax incentives for companies that invest in research & development and innovation.

- **Offering a competitive holding regime**

Flanders still wants to be a destination for decision-making centres, and this is why the deduction for dividends will be expanded.

- **Broadening the tax base**

No notional interest, a more stringent DBI (definitively taxed income) deduction and clearer capitalisation requirements will serve to increase the scope of the budget so that the general rate can be lowered.

- **Provide tax incentives for increasing net assets**

Profit that remains with the business can benefit from a favourable tax regime.

At the regional level, we want to provide the federated entities with partial tax autonomy in the realm of corporate taxation:

- **Rate autonomy**

By means of surcharges/reductions against the federal base rate

- **Tax deductions**

The establishment of deductions and exemptions within extended Regional competences

The transfer of the entire budget of tax deductions over which the federated entities are competent

Our current tax system is too complex and imposes too large a burden. The notional interest deduction has proved its worth, but has been continually eroded in recent years. This is why the N-VA is seeking to implement a tax reform that would enhance our competitiveness and lay down the ground rules for the coming years.

A lower nominal rate (the first thing investors look at) will make us more attractive to investors. By making massive investments in research & development and expanding the DBI (definitively taxed income) deduction, we are seeking to attract more investment projects having on average a higher total investment and which create both knowledge- and labour-intensive jobs over the long run.

These tax reforms will not only result in a simplified and more competitive tax system, but will also create a fairer tax system. The discrepancy between what different businesses pay in corporate tax has never been so great. Some businesses pay a great deal in taxes while others succeed in paying little to no taxes at all. This reform will mean that every company will pay the proper amount of taxes on its Belgian earnings.

And lastly, the N-VA wants to further encourage the accumulation of net assets by means of a new regulation (the temporary exemption on profit remaining in the company). This was a key positive effect of the notional interest deduction, and we want to keep supporting this trend.

Part 3: Modern wage-setting

Then there is the problem of our **wage handicap**. According to the OECD, this has risen to more than 10% since the wage norm was introduced in 1996. This is an indication that the current law - and certainly the adjustment mechanism it includes - is not working.

Consequences of this can be felt in the economy. In its recently published 'in-depth investigation' from 30 May of this year, the European Commission expresses concern over developments concerning our trade balance (the difference between exports and imports). According to the Commission, our trade balance is even declining at the same rate as those of the peripheral countries which are currently under fire in the financial markets.

Concrete proposals:

- **A modern system of wage-setting**
 - Only all-in agreements will be declared generally binding for the public and private sector.
 - A smart automatic wage-indexing mechanism will remain in place for social benefits (such as pensions).

In order to tackle this **problem of wage costs**, the N-VA wants to modernise our current system and allow only all-in agreements to be declared generally binding. This change in the social model must allow companies to reward employees more quickly when business is good and to ask their employees to share in the burden when things are not going so well.

All-in agreements will breathe new life into the social dialogue in this country, and will increase flexibility for the sectors and businesses.

The N-VA favours maintaining an automatic wage-indexing mechanism for social benefits (such as pensions) in order to guarantee the purchasing power of our society's more vulnerable groups. Smart adjustments need to be made to the current mechanism in order to increase the predictability of public finances.

Part 4: The price of energy

The **high price of energy** must be addressed as well. Necessary measures have been taken at the Flemish level to better keep these costs under control in coming years. Measures are likewise urgently needed at the federal level in order to increase the competitiveness of our businesses.

Concrete proposals:

- **A cap on federal levies**
 - A fixed ceiling on the federal contribution and offshore surcharge (both for connection as well as production)
- **Not funding offshore wind energy on the backs of consumers**
 - A sliding-scale aid measure in which the price of offshore green power certificates is linked to the price of energy
- **Permanent discount on green power**
 - A more transparent formulation in which companies receive a 10% discount relative to costs

AT FLEMISH LEVEL

Flanders was one of the first regions in Europe to enjoy a budget surplus. This was achieved primarily by getting our expenditures in order. Key investments were spared, and the government was urged to operate more efficiently with fewer resources and less people. The N-VA still wants to do its part within the Flemish Government by stimulating economic growth as much as possible.

Part 5: Permits

The current policy regarding permits must be promoted further. The key words here are simplification, legal certainty and clarity.

The N-VA wants the Flemish Government to assist in implementing the unique environmental permit (construction and environment permit) as soon as possible.

The 'three-stage rocket' model must become the standard for projects. This would further increase the importance of the preliminary phase. The number of public inquiries is declining. Once an entrepreneur gets the green light at the outset, it must be possible to carry out the project as well.

Part 6: New career agreement

The N-VA will go to great lengths to see to it that the agreements in the new career agreement are properly honoured. The N-VA would like to do even more to further energise the job market.

Part 7: Investments

To create a favourable investment climate, the N-VA wants to lend weight to its commitment by fully exempting heavily-investing industrial firms from property tax by 2020 when they make new investments in materials and equipment. Should current measures fall short, the N-VA wants to take additional initiatives as quickly as possible under the auspices of the Flemish Government.

Part 8: Research & Development

Finally, the N-VA will also make sure that the Flemish Government sticks to its ambitious policy with regard to research & development. The government is keeping pace with the spending trajectory it has set, and hereby aims to comply with the European target by 2020 (public R&D expenditures at 1% of GDP).