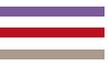




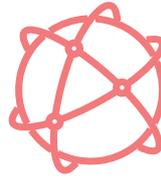
Belgium



2018 ECOMMERCE STUDY



ECOMMERCE



GLOBAL

OPPORTUNITIES & RISKS

2018

BUSINESS SOLUTIONS IN THE FACE OF NEW CHALLENGES BROUGHT ON BY ECOMMERCE

Given the digitization spree, e-commerce as a global marketplace has gained significant momentum. Together with the Ecommerce Foundation, Mazars has produced a series of country-specific studies and thought leadership pieces exploring the trends, challenges, and opportunities brought on by the emergence of e-commerce. As global advisors, Mazars' experts provide you with perspectives and tools to best leverage this new ecosystem. Our experts specialize in topics such as tax & legal, ethics & compliance, logistics & footprint, digitization & technology as well as business models and customer experience, all of which are evolving with the emergence of e-commerce.

Discover more on our website at www.ecommerce.mazars.com



The Ecommerce Foundation is an independent organization, initiated by worldwide national e-commerce associations as well as online and omnichannel selling companies from industries such as retail, travel & finance.

Our mission is to foster global digital trade as peace is the natural effect of trade. By facilitating digital commerce we hope to make the world a slightly better place. We facilitate the development of practical knowledge, insights and services for which individual institutions, retail and e-commerce associations and B2C selling companies do not have the (financial) resources and/or capabilities.

By combining collective goals and efforts, the Ecommerce Foundation is able to realize projects which could not have been realized on an individual basis.

Visit us at www.ecommercefoundation.org

ECOMMERCE IN BELGIUM



“Whenever a foreign company sells goods to private individuals in Belgium, the foreign company will be more than likely compelled to register for Belgian VAT purposes”

Véronique Ryckaert, Partner, Mazars in Belgium

1. THE BACKDROP

Belgium is a culturally-rich country rooted in Western Europe that houses a diverse heterogeneous regional mix, operating under a Federal Parliamentary Constitutional Monarchy. Its population has incrementally gone up by 1.3% from 2015, currently consisting of ~11.4 mn people spread over an area of 30,528 sq. km. On the economic front, the GDP has witnessed a steady rise from EUR ~404.8 bn in 2014 to EUR ~423.6 bn in 2017 (CAGR of 1.5%), and is forecast to reach EUR ~431.6 bn in 2018, at a year-on-year growth of almost 2%. Meanwhile the demographic mix presents further opportunities for growth, given that majority of the inhabitants (68.6%) are under 55 years of age, with over 40% ranging from 25-54. This means people are young, working, and readily willing to adopt upcoming trends in digitization. It translates into the country's strong internet user base of 88%, which is growing by ~1.8%. People are increasingly integrating the online space into daily life.

In terms of performance, Belgium ranks 16th globally on the Inclusive Internet Index, which outlines the current

state of internet availability, affordability, relevance and readiness. While readiness has been consistently high (ranking 4th in the world and 1st in the EU), the country stumbles upon affordability, where it only outperforms Austria and Estonia. This means while Belgium has high internet capacity, requisite skill-set and cultural acceptance, costs are high relative to income, stemming from an uneven level of competition in the marketplace. Meanwhile, trust and safety are also poor despite having top-rated privacy regulations. These factors have to be worked upon holistically, as they can eventually hamper internet usage, becoming detrimental to the digitization drive. Administrative hurdles also need to be brought down so that it is easier for new entrants to step in. People need to have reasonable access (in terms of cost) and complete trust in the system, before they can embed it into their daily lives. Concurrently the other two factors – Availability and Relevance – would constantly need to be maintained, given that Belgium works with 3 official languages. Developing and maintaining sound consumer connect amidst a large demographic mix becomes paramount.

BELGIUM



GOVERNMENT

FEDERAL
PARLIAMENTARY
CONSTITUTIONAL
MONARCHY



INTERNET PENETRATION

88%
PENETRATION UP
BY 1.8%



POPULATION

11,429,336
(UP BY 1.3%)



GDP

EUR 423.6 Bn
(YOY 1.71%)



INCLUSIVE INTERNET INDEX



OVERALL SCORE 82.6/100

RANK 16

LOGISTICAL PERFORMANCE INDEX

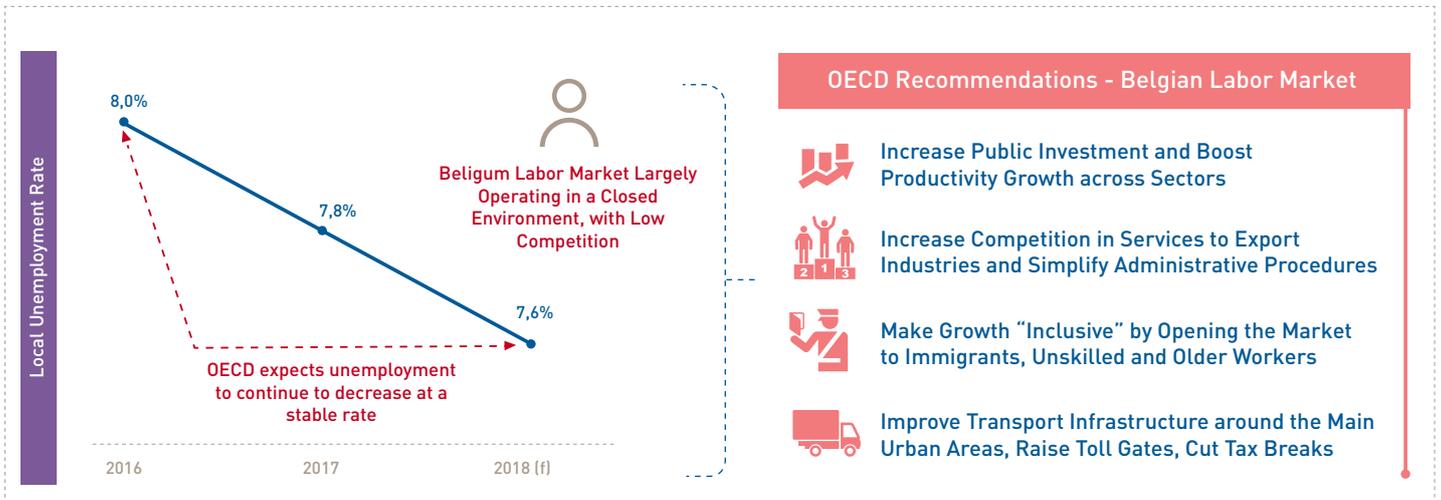
Logistically, Belgium ranks 6th on the LPI (Logistical Performance Index), reflecting a highly-running customs clearance process, trade and logistical services quality, as well as transport infrastructure.

However, there is still scope to spur up infra development in urban areas, raise toll gates and cut back upon company car tax breaks. Meanwhile, the E-Governmental Index is moderate at 19th, which reflects concurrent past & present investments in telecommunication, human capital and online services. This is in line with the OECD recommendation to increase public investment, which will further boost productivity and be offset by reductions in unnecessary public/private spending.

However, the ease of doing business is not too favorable, standing average at 52nd position. This puts a question on the effectiveness of Belgium's regulatory system on smaller players, highlighting the need to integrate even more friendly policies that encourage new entrants in the system. This move is much needed in the digital industry, where firms are already competing on several parameters, such as established networking, product exclusivity, as well as big data handling. With this,

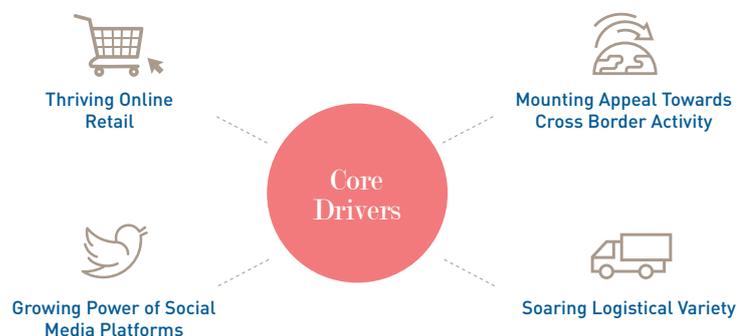
players are also required to maintain a hold on their regulatory compliance as cyber fraud has become a core topic globally. The need for a conducive atmosphere is a must, in order keep the online world up and running.

On a macro level, Belgium has an interesting trajectory towards e-development where sound infrastructure is in place, taking into account cultural factors such as content, linguistics etc. Unemployment has been slowly but incrementally falling from almost 8% in 2016 to ~7.8% in 2017; it is forecast to drop to ~7.6% this year. Nevertheless, the labor market is not up to its potential; as per the OECD, while unemployment will continue to decrease, the country further needs to open up the sphere to immigrants and unskilled/older workers so that growth can become more "inclusive" in nature. This open supply of labor is highly critical for the development of SMEs (especially those involved in the digital market), helping them keep fixed costs at bay and talent acquisition high, as they compete amongst larger players that already have an established network of users. An open floor of competition will ultimately boost product/service quality, benefitting a range of stakeholders in the ecosystem.



2. BUSTLING E-COMMERCE ACTIVITY

The rise of digitization has substantially fueled the e-commerce market in Belgium, where people are readily making use of electronic devices and payment mediums to transact "on the cloud." Shopping has become mobile, in line with today's fast-paced generation. This trend will only embed further ahead.

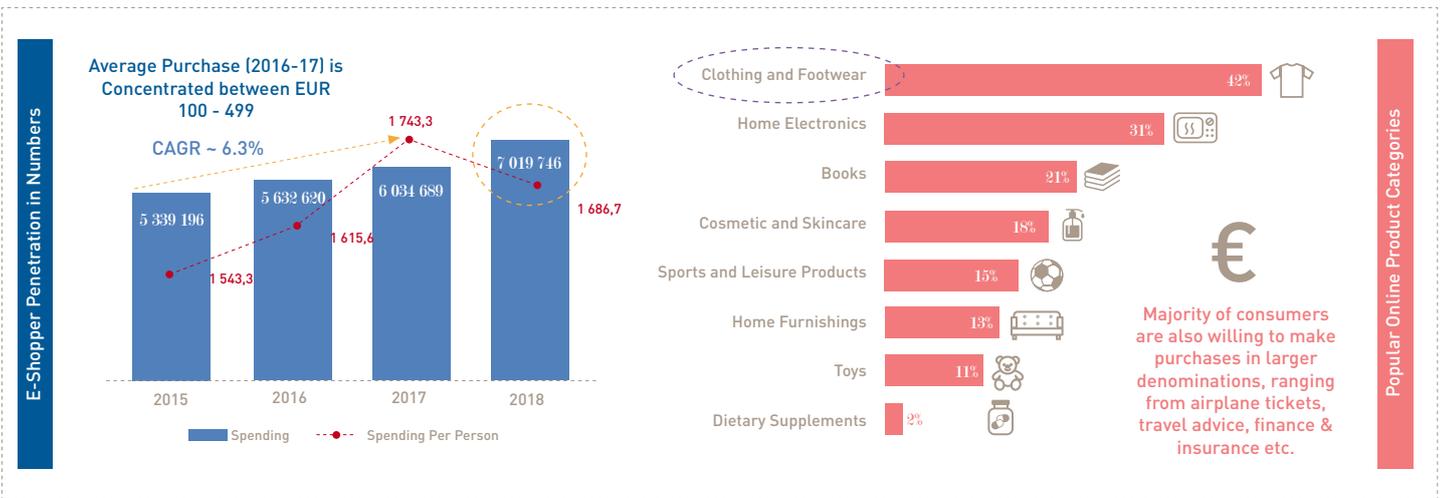


E-SHOPPING BILLING STRONG

The e-shopping market has gained strong footing, with over 60% of internet users buying online. While the average spending per buyer (which has gone up by 13% from 2015) is expected to decrease slightly this year, the aggregate amount will rise and reach over EUR ~7mn. This frequency kicks in even more quickly during the last 3 months of the year, with over a third of the purchases being 3-5 times in 2017.

The average online order can vary from anywhere less than EUR 50 to even over EUR 1,000, depending upon

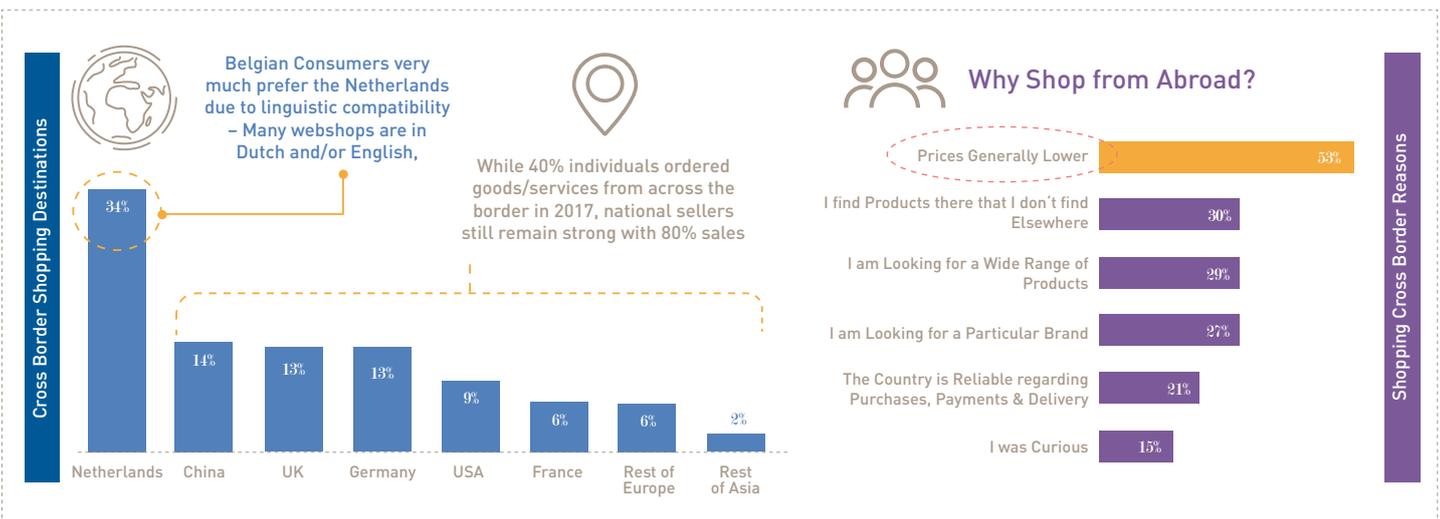
the nature of sale. Nevertheless, almost half of the purchases made are between EUR 100-499, reflecting a diverse mix of products/services purchased electronically. For example, Clothing & Footwear is the most popular product category as of 2017, standing at 42% of online purchases; it is closely followed by Home Electronics, Books and Cosmetics, at 31%, 21% and 18% respectively. However, the focus is more than just on non-durables; over 70% of surveyed consumers are also willing to make large purchases in airplane tickets, with over 50% ready to pay for other travel tips or venture into services in finance/insurance. Interest is expanding over various lines.



CROSS BORDER FRENZY

While national sellers stay strong, Belgians have increasingly started to buy from abroad, with sales from non-EU nations up from 18% in 2016 to 21% in 2017. Sales from sellers in other EU nations have slightly declined by 3% from 2016-17, with 34% of the population shopping from the Netherlands due to linguistic compatibility. Meanwhile, purchasing from other countries of origin has also become popular, with various shoppers buying from other parts of Europe, the US, China and other Asian countries.

When asked why, 53% consumers state they shop overseas for a lower price while ~30% shop for increased product variety, exclusivity and range. This development stands favorably for the e-commerce market, which itself facilitates people to shop without territorial borders.

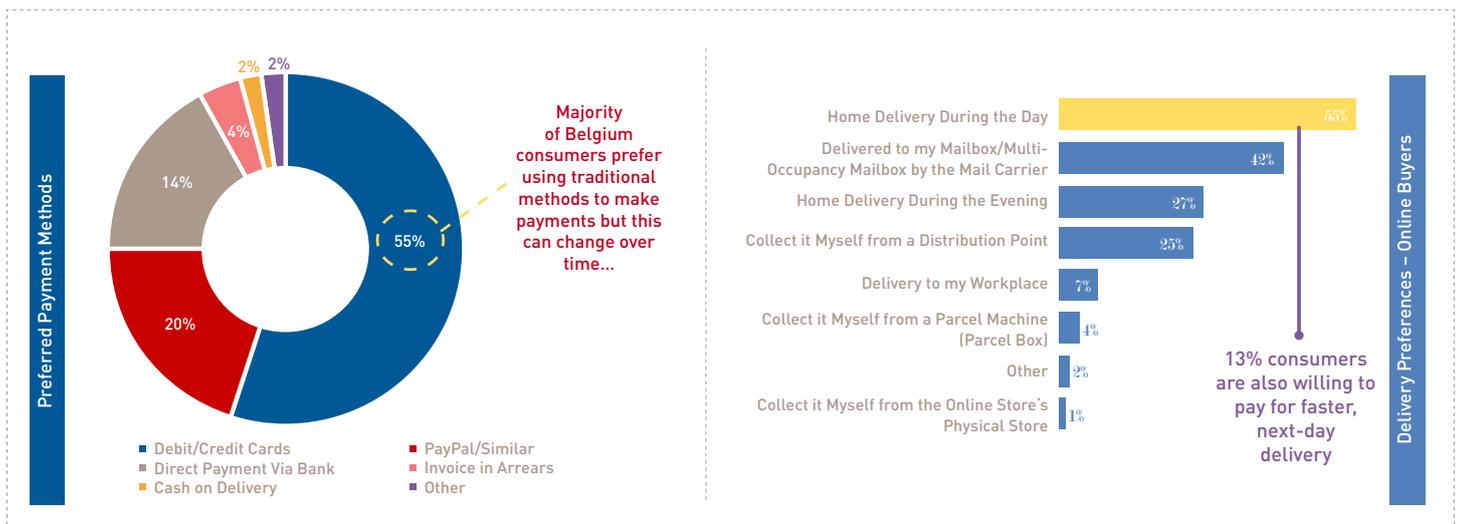


TUNING INTO LOGISTICAL VARIETY

Having e-commerce is one thing; to have various mediums to engage in e-commerce is another. For today's consumer, shopping online is no longer simply about buying a dress on the desktop and then paying by traditional debit/credit cards to close the deal. Rather, people like to utilize a plethora of options available to them, whether it be picking & choosing between shopping platforms, payment mechanisms, delivery options etc. For example, while over 54% and 30% of online spending takes place on laptops and PCs, other devices such as tablets and smartphones are emerging steadily; they will gain greater ground in the coming years as m-commerce becomes the contemporary way of doing things.

Meanwhile, a basket of e-payment options have kicked in such as digital wallets, mobile banking, prepaid vouchers etc., opening up opportunities for people to transact electronically. However, the activity in Belgium is at a nascent stage, with 55% of online payments being through traditional cards and only 20% or less on platforms such as PayPal. Nevertheless, this conception will change as payment processing becomes real-time, with usage of cash waning off eventually.

Delivery is also a core driver, with 55% consumers preferring to get delivered in their home during the daytime. 13% of Belgians are also willing to pay extra for faster delivery, given that this element is of sound importance. In fact, startups or less experienced firms are recommended to intently take these factors into account, knowing their local e-commerce associations, deducing what payment methods are suitable and localizing the product content to connect with a diverse mix of inhabitants. This is crucial for Belgium, given its linguistic variety. Such cultural tuning can lead to search engine optimization.

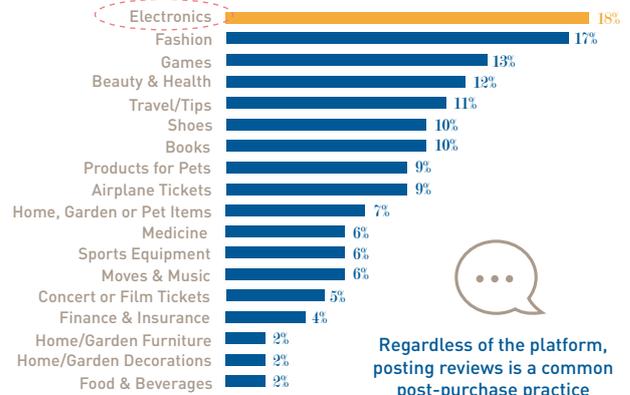
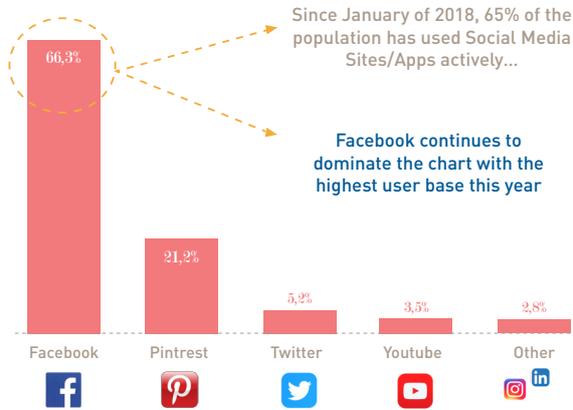


GETTING SOCIAL ON SOCIAL MEDIA

Social media has gained immense global appeal over the years, including in Belgium. It is not simply restricted to "liking" or "commenting" on personal pictures, statuses or events, but has rather become a commercial medium for users to post reviews. For example, around 65% of the population has used social media since January 2018, with over 66% of users logging onto Facebook. Consumers readily utilize such platforms to express their content or grievance with a certain purchased product/service, which can eventually culminate into shaping a firm's corporate image in front of potential clients.

While the habit of always reading reviews has marginally declined from 44% in 2017 to 42% in 2018, the act of writing reviews has gone up. In fact, Electronics is the most reviewed product category (by 18% of consumers), which is followed by Fashion, Games, Beauty/Health by 17%, 13% and 12% respectively. Hence, this factor cannot be ignored when operating in the e-commerce sphere; players always need to maintain a strong e-identity, utilizing social media to create a positive buzz and not a complaint forum.

Top 5 Social Media Platform Usage Across Devices - 2018

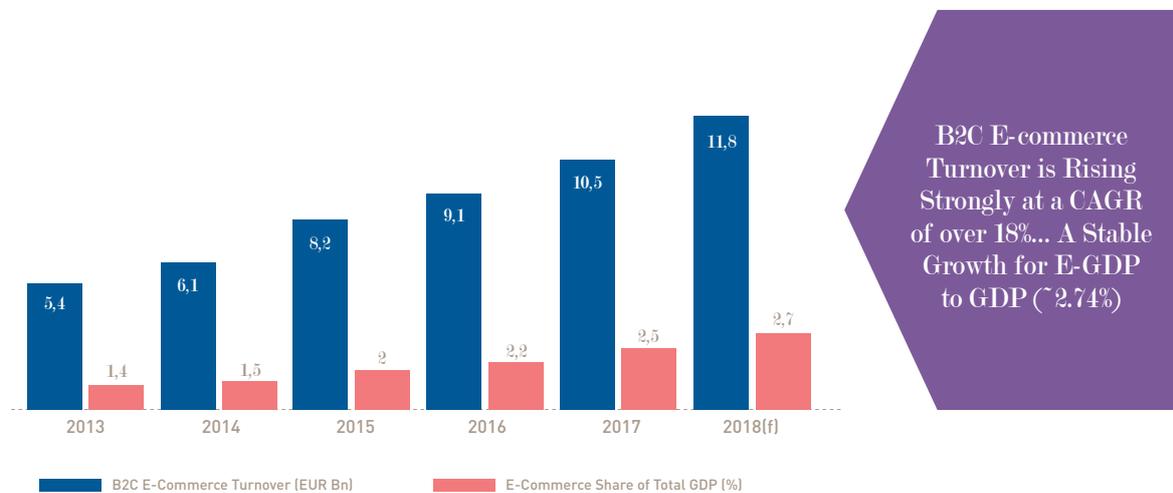


Consumer Review Behavior - Product Category Wise, 2017

SURGING MARKET DYNAMICS

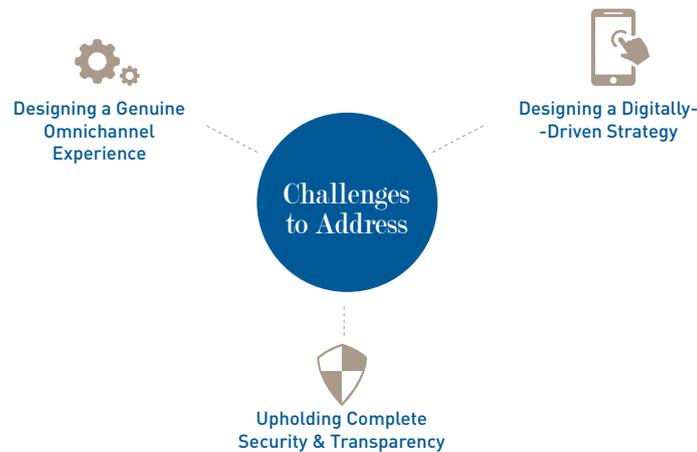
In terms of financial performance, B2C E-commerce revenue has seen a stable increase over the years, growing from EUR 5.4 bn in 2013 to EUR ~10.5 bn in 2017 (CAGR of 18.1%) and is expected to become EUR ~11.8 bn in 2018. Meanwhile, the E-GDP share of total GDP has significantly grown from being ~1.4% in 2013 to ~2.5% in 2017; it is expected to reach over 2.7% in 2018.

In fact, the B2B market is also adopting B2C characteristics with systems that standardize interactions across channels & geographies and raise information clarity. B2B firms are also taking steps to simplify processes and transactions, in order to increase convenience for both the buyer & seller and integrate channels/business models across the value chain. E-commerce has evolved the traditional relationship framework where distributors are no longer "middlemen." Their responsibility has extended throughout the process, which includes being responsible for the consolidation of customer data.



3. KEY CHALLENGES

Dissemination of e-commerce across industries and value chains is inevitable; however, its rapid adoption also carries forward a range of issues that firms are expected to address at the earliest.



INTEGRATING THE TRUE OMNICHANNEL BUSINESS MODEL

Today's consumer no longer demands a singular product journey, but one that is personalized, complex and omnichannel in nature. Belgian buyers are no different; close to 50% prefer webshops that also have a physical store in the country, while ~80% also want webshops to address key elements such as price clarity, delivery speed & reliability, user-friendly payment mechanisms etc. Hence, paying attention on all these intricacies across the value chain becomes paramount.

Unfortunately, many retailers fall in the pitfall of merely giving an option to shop online; this is not omnichannel. Rather, an omnichannel system is one that merges the online and offline environments, with a channel agnostic strategy that is customer-centric. A single purchase should be able to make use of multiple channels, adding value to the consumer. This is what they are actually seeking.

GETTING RID OF SECURITY BLOCKAGES

One of the greatest obstacles of the cyber world is security, as people are very hesitant of having their personal information left astray in the clouds. Specifically, fraud is a major issue when it comes to managing transactions for both e-tailors and buyers. Fortunately Belgium is better placed in this matter, with over 91% of local consumers not having experienced online banking fraud. Nonetheless, out of the remaining, 8% have been defrauded at least once, while 1% have fallen prey multiple times. Hence, Belgium firms must take care towards eradicating this issue completely, especially when such problems end up eating a firm's 8% revenue every year.

While technological advancement has inadvertently made fraud more "sophisticated" and easier to execute, the same technology can be better channeled to increase security and protect consumers' data and funds. Payment channels must be integrated with an instantaneous response time, with a focus on "payment after delivery" to enable a smooth purchase journey. Building trust amongst buyers becomes key to take the e-commerce drive forward.

ROOTING FOR THE DIGITALLY-DRIVEN MODEL

In order to embed e-commerce to its core, firms must be able to redesign all business processes/activities towards a digitally-driven strategy. This calls for extensive technological integration, not simply adoption. Unfortunately, many firms simply believe in getting expensive machinery and data systems in place, without having a conducive environment to run it in or skilled-staff to take care of ongoing issues. This often hampers their development as digitization becomes an outlier to the firm.

Technology is only the enabler of digital business goals, not the goal itself. Hence, firms must be cautious in facilitating digital transformation through appropriate technological means and handling big data that is often times unstructured. Tools such as AI (Artificial Intelligence) and robotics can be used to take a more proactive approach towards understanding customer data and addressing needs beforehand; however, this can only be beneficial when such tools are integrated in the business model itself, and not in a single piece of machinery.



4. WAY FORWARD

Looking at the big picture, e-commerce in Belgium is here to stay and grow ahead, as consumer preferences are shifting towards an omnichannel experience. Factors such as the growth of different e-payment mechanisms, supply chain models, marketing mediums etc. are complementing this trend, encouraging firms to opt for a flexible and customized purchasing experience.

The ultimate success rests itself on how well players can integrate digitization in their core business models and utilize the right technology to streamline, automate and optimize processes; all while maintaining high security standards to build trust. Having data availability is one thing, but channeling it into core value activities is the driving mantra.



VÉRONIQUE RYCKAERT

PARTNER, MAZARS IN BELGIUM



1. What are the three main tips you give to foreign companies coming to Belgium? Specifically, small- to mid- sized companies?

Make a thought-through decision with regards to the appropriate company form taking into account the future reform of the Belgium Companies' Code

The Belgian Companies' Code is subjected to the most drastic reform since 1999. The amount of company forms is being reduced from 13 to 6. The remaining company forms will be subjected to significant changes, in particular the B.V. (private limited liability company). This company form will become a more flexible form with multiple new options regarding shareholders' rights and organisational features. The exact date of the entering into effect of this law is not final yet, but estimations are that by the beginning of 2019 new companies will have to be compliant with the reformed Belgian Companies' Code. Our advice would be to make sure you get expert advice in order to make the right choice.

“By the beginning of 2019 new companies will have to be compliant with the reformed Belgian Companies' Code”

Enhance consumers' trust by ensuring compliance with local consumer protection laws which mainly enforce transparency and fair advertising

Since purchases are being executed without personal interaction, the consumers' trust is key. The most effective way to gain consumers' trust is to be transparent. Local consumer protection laws impose a multitude of rules regarding transparency towards consumers. Customers have to be well informed about amongst others, the vendor, the prices and characteristics of products and the rights of the consumers in an e-commerce transaction. Most of this information will be incorporated in the general terms and conditions (GT&C), a document of indispensable value. It is very important that the GT&C contain all legally obliged information and that they are written in a language which is easily comprehensible for the consumer. Taking into account the multitude

of official languages in Belgium (Dutch, French and German), this often implies that they have to be drafted in several languages. Our experience teaches us that it is often the company which turns out to be the victim of poorly drafted GT&C. A review by a legal expert is in our opinion essential.

Furthermore, Belgian consumer protection laws impose rules on online advertising which should at all times be respected. Of course, direct marketing practices require a GDPR compliant permission of the customer. A compliancy check with the local rules regarding online advertising is an absolute must before targeting Belgian consumers through online marketing.

Secure customer data and inform customers on personal data processing

Our last tip is not strictly related to the Belgian territory. Since May 25th, the GDPR launch date the general awareness regarding data processing and appropriate data protection is on the radar of every business within the EU. The most important obligations for SME's are:

- Firstly, to create a data register stipulating the different data processing flows within your business;
- Second of all to review the agreements entered into with data processors, your suppliers, your customers and other contracting parties in order to make them GDPR-compliant;
- Another key obligation is to provide for appropriate security of customer data in order to avoid data breaches;
- Finally, your customers have to be well informed about the data processing, the purpose thereof and their rights related thereto. An all-inclusive and yet simply written privacy policy is therefore of undeniable importance for your e-commerce business.

The exact implications of certain GDPR obligations will only become clear over time and certain aspects have to be defined on a national level. Therefore, the guidelines of the Belgian data protection authority will have to be consulted as well.

2. What are VAT-specific rules for e-commerce platforms in Belgium?

Whenever a **foreign company** sells goods to private individuals in Belgium, the foreign company will be more than likely compelled to register for Belgian VAT purposes. The registration becomes compulsory if the seller of the goods sells (and ships) goods to Belgian individuals for more than 35.000 EUR (VAT excluded) a year (the threshold does not apply for excise products). In case of an EU-based company, the registration can be done via a direct VAT registration. Should the seller of the goods be a non-EU based company, it will be compelled to appoint an individual fiscal representative. In both cases, the foreign company can also choose to voluntarily register for Belgian VAT purposes, even if the threshold has not been exceeded yet.

“Whenever a foreign company sells goods to private individuals in Belgium, the foreign company will be more than likely compelled to register for Belgian VAT purposes.”

Belgian VAT (reduced rates or standard rate of 21% depending on the nature of the goods) will have to be charged and collected by the foreign company on the sales invoices. The VAT will have to be settled to the Belgian VAT authorities via periodical VAT returns in Belgium (monthly or quarterly, depending on the annual turnover). The foreign company will have to issue VAT compliant sales invoices, mentioning the Belgian VAT number and Belgian VAT amount due. Belgian input VAT can be reclaimed via the Belgian VAT return as long as the input VAT has been correctly charged by the supplier and as long as there are no deductibility restrictions in Belgium (car costs, accommodation expenses, ...).

In case a **Belgian company** sells (and ships) goods via its e-platform to foreign private individuals, outside Belgium, it will have to comply with the local VAT requirements of the country where the client is located. In this respect, it has to be noted that different thresholds may apply, and other formalities could be complied with.

3. Are foreign companies eligible to a refund for Belgian VAT? If so, what does obtaining the refund entail? If not, how can foreign companies become eligible?

Foreign companies are eligible for refund of Belgian VAT. The procedure to apply for a refund in Belgium can be summarized as follows:

- The foreign company, without establishment in Belgium, is registered for Belgian VAT purposes

The refund of input VAT can be done via the Belgian VAT returns, which have to be filed in Belgium on a monthly or quarterly basis. Whenever the input VAT results in a VAT credit (because it is higher than the VAT payable), a refund can be requested every quarter by checking the box of the Belgian VAT return. In principle, the VAT is then reimbursed within a period of 3 months.

In Belgium, the following restrictions apply on deduction of input VAT:

- Tobacco,
 - Alcoholic beverages (not meant for resale or production),
 - Accommodation, beverages and meals (unless incurred by a staff member while performing a taxable supply outside the company's premises or in case of a recharge 'as such'),
 - Motor vehicle costs: maximum 50% (in function of the professional use).
- The foreign company is not registered in Belgium, nor has to be registered in Belgium, and is based in a Member State of the European Union

The request for Belgian VAT refund has to be done electronically in the Member State of establishment via the VAT refund procedure as foreseen by the 8th VAT Directive. The request has to be made before September 30 of the following calendar year.

The request has to be made for a period of minimum 3 months and maximum one year. Depending on the period, the foreign company has to respect the minimum amount of refund (400 EUR or 50 EUR). Depending on the nature and the taxable amount of the incurred expenses, copies of the invoices has to be submitted as well to the request. There is no need for a Belgian bank account number.

The same deductibility restrictions apply as for VAT registered foreign companies (see above).

- The foreign company is not registered in Belgium, nor has the obligation to do so, and is based outside the European Union

The request for Belgian VAT refund has to be done electronically on paper forms in Belgium via the VAT refund procedure as foreseen by the 13th VAT Directive. The request has to be made before September 30 of the following calendar year. The Belgian law does not foresee in any "reciprocity rule" implying that each third country may apply for a VAT refund in Belgium.



The original signed forms (in Dutch, French or German) have to be submitted at the Belgian tax office, and have to be filed together with (amongst others):

- Signed proxy;
- Original invoices + overview of the invoices;
- Certificate of VAT status in the country of residence.

The request has to be made for a period of minimum 3 months and maximum one year. Depending on the period, the foreign company has to respect the minimum amount of refund (200 EUR or 25 EUR). There is no need for a Belgian bank account number.

The same deductibility restrictions apply as for VAT registered foreign companies (see above).

4. When looking at indirect taxation, how best could Belgian businesses map and assess the possible VAT and admin costs of the Brexit?

If we are talking about a “hard” Brexit, implying that after the legal Brexit, The United Kingdom will no longer be a part of the customs Union nor from the VAT Union, this will have the following major consequences, from an indirect tax point of view:

- Intracommunity acquisitions of goods will be treated as import of goods, generating import VAT and excise and/or custom duties;
- Intracommunity supplies of goods will be treated as export of goods.

“Regarding Brexit, besides the implications for the supply of goods, one should examine the impact on the reporting of incoming and outgoing services as well as the possibility to use the MOSS regime for digitally supplied services by a UK company in Belgium (and vice versa).”

These changes could have important consequences with respect to cash flow (import VAT due on importations; custom and excise duties) and with respect to administrative formalities (custom formalities, export controls, ...).

In order to fully prepare Belgian businesses, dealing with UK suppliers and/or clients, an impact assessment has to be done in which following items are covered:

- Review and amendment of the financial reporting systems;
- Review of the existing flow of goods and invoices in order to consider the impact of import VAT and custom duties (VAT deferment regime possible, timing of actual reimbursement, custom tariffs, ...);
- Examination of the current custom procedures, applicable for import of export of goods.

Besides the implications for the supply of goods, one should examine the impact on the reporting of incoming and outgoing services as well as the possibility to use the MOSS regime for digitally supplied services by a UK company in Belgium (and vice versa).

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