

Cross-Border Joint Venture and Strategic Alliance Guide (Belgium)

A Practical Guidance® Practice Note by Maxime Colle, Lydian



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This Cross-Border Joint Venture and Strategic Alliance Guide (Belgium) discusses relevant law and practice related to the formation and operation of cross-border joint ventures, including corporate and contractual joint ventures, in Belgium. For other jurisdictions see the [Cross-Border Joint Venture and Strategic Alliance Resource Kit](#).

Structures

What are the standard forms of joint ventures / strategic alliances and common features of each?

There is no standard form for joint ventures, although the following varying degrees of cooperation can be distinguished:

1. De facto cooperation
2. Unwritten joint venture agreement
3. Written agreement for a contractual joint venture that is not a company
4. Written agreement for a joint venture that qualifies as a company but without legal personality

5. Written agreement for a joint venture that qualifies as a company with separate legal personality (i.e., with assets, rights, and obligations separate from its shareholders)

Rules and regulations governing specific types of cooperation including but not limited to commercial agency agreements (*handelsagentuurovereenkomst/contrat d'agence commerciale*) (as defined in Art. I.11 (1) of the Belgian Code of Economic Law), commercial partnerships (*commerciële samenwerkingsovereenkomst/accord de partenariat commercial*) (as defined in Art. I.11 (2) of the Belgian Code of Economic Law), etc. are outside the scope of this Guide.

New Belgian Code of Companies and Associations

The Belgian Code of Companies and Associations (the Code or CCA) came into effect on 1 May 2019. Although many rules remained unchanged compared to the previous Company Code, some major changes were introduced intended to simplify Belgian corporate law and make it more flexible and more appealing to foreign investors, as well as aligned to today's digitalized world. The CCA is the result of a tremendous legislative effort with huge involvement of the academic world and supported by a number of eminent corporate law practitioners.

The CCA applies both to Belgian companies, as well as to non-profit associations and foundations.

One of the goals of the legislator was to reduce the number of corporate forms. Under the previous Company Code there were fourteen different corporate forms. The CCA recognizes and applies to eight types of companies:

1. a private partnership (*maatschap/société de droit commun*) (a company without legal personality),
2. a general partnership (*vennootschap onder firma/société en nom collectif* or VOF/SNC) (a company with legal personality),
3. a limited partnership (*commanditaire vennootschap/société en commandite* or CommV/SComm) (a company with legal personality),
4. a private limited company (*besloten vennootschap/société à responsabilité limitée* or BV/SRL) (a company with legal personality),
5. a public limited company (*naamloze vennootschap/société anonyme* or NV/SA) (a company with legal personality),
6. a cooperative company (*coöperatieve vennootschap/société coopérative* or CV/SC) (a company with legal personality),
7. a European company (SE) (a company with legal personality, mainly governed by European law), and
8. a European cooperative company (SCE) (a company with legal personality, mainly governed by European law).

The CCA has abolished the following corporate forms: the undisclosed or silent partnership (*stille vennootschap/société interne*), the special partnership (*tijdelijke vennootschap/société momentané*), the agricultural company (*landbouwvennootschap/société agricole*), the economic interest grouping (*economisch samenwerkingsverband/groupement d'intérêt économique*), and the limited partnership with share capital (*commanditaire vennootschap op aandelen/société en commandite par actions*).

Furthermore, a cooperative company can no longer be established with unlimited joint-and-several liability of the partners.

A (long) transition period

The CCA's entry into force was a gradual process. The moment as of which a company will be subject to the provisions of the CCA will depend on (i) whether the company has been incorporated before its entry into force (i.e., 1 May 2019) or after, and (ii) if the company has been incorporated prior to the entry into force of the CCA, whether it has chosen to opt-in for the application of the CCA or whether it had to amend its articles of association after 1 January 2020 and was therefore forced to apply the CCA. In the following paragraphs, the transition period of the entry into force of the new Code is summarized.

For companies incorporated after the entry into force of the CCA (i.e. 1 May 2019) the rule is straightforward: the applicable legislation is the CCA and no longer the previous Company Code from 1999. When incorporating a new company, the founders will therefore have to make sure that the articles of association comply with the provisions of the CCA, not the previous Company Code.

When it comes to companies that predate the entry into force of the CCA, a transition period is provided for. This transition period puts into place a mandatory but gradual switchover from the previous Company Code to the new CCA for companies incorporated prior to 1 May 2019.

It is appropriate to start with the changes that already affect these companies. On 1 May 2019, the new provisions regarding conflict resolution between shareholders became applicable to all companies; including companies incorporated before the entry into force of the CCA (i.e. no transition period is provided). Examples of conflict resolution between shareholders are the procedures of 'sell-out' (i.e. where a shareholder may request the other shareholder(s) to buy his or her shares) and 'squeeze-out' (i.e. where a shareholder may request the other shareholder(s) to sell his or her shares to the first shareholder). Both procedures, when successful, result in one or more shareholders leaving the company by voluntarily or obligatorily divesting their shares.

A second milestone started as of 1 January 2020. On that date, all mandatory provisions of the CCA became applicable to the companies incorporated before 1 May 2019 (even to the companies who have not opted in; see below). As of that date, all mandatory provisions of the CCA applied by operation of law, and any contradictory provisions in a company's articles of association were set aside. Optional provisions or provisions that can be waived in the CCA will apply only to the extent that the articles of association do not provide otherwise.

Thirdly, during the transition period from 1 January 2020 until 1 January 2024 when a company, incorporated prior to 1 May 2019 and not having opted in (see below), decides to amend its articles of association, it must fully comply with the CCA. This means that, even though after 1 January 2020 a company cannot be forced to change its articles of association for another 4 years (see below), if the company voluntarily chooses to do so, it must make sure the new articles of association are in compliance with the CCA. Failure to do so may result in director's liability.

Fourthly, if the company has not aligned its articles of association with the CCA by 1 January 2024, it will be in

breach of the CCA. In other words, 1 January 2024 is the ultimate deadline for making your articles of association CCA-proof.

1 January 2024 is also the deadline for the conversion of companies whose legal form ceases to exist under the CCA. Companies whose legal form ceases to exist and do not voluntarily convert will be automatically converted to the company type that most closely resembles the disappearing one (e.g. a Comm.Va/SCA will continue as an NV/SA).

Companies are allowed, however, to speed up the process as described above by choosing for a so-called 'opt-in'. The opt-in entails the formal choice by a company incorporated before 1 May 2019 to subject itself to the CCA even though it is not (yet) required by law to do so. Such decision must be approved by the quorum and majority required to amend the articles of association and, for so-called capital companies, by way of a notarized instrument. If a company decides to opt in, it must align its articles of association to the CCA.

From the above it follows that until 1 January 2024 both the CCA and the previous Company Code will govern Belgian companies.

Some Major Changes

The CCA is much more than a mere update of the previous Company Code and although it is not revolutionary either, it does bring Belgian corporate law into the 21st century. Below some of the major changes introduced by the CCA are summarized. Certain aspects will be discussed in more detail elsewhere in this Guide.

- The cooperative company (*coöperatieve vennootschap/société coopérative* or CV/SC) will be reserved for companies with an actual cooperative purpose. Consequently, in the absence of an actual cooperative purpose, it will no longer be possible for entity-based joint ventures to use the CV/SC, which in the past was common practice in Belgium. It is to be noted that any cooperative company which would not fulfill the condition of a cooperative purpose as of the deadline of 1 January 2024 (see above on the transition period) will automatically be requalified as a BV/SRL. (please see answer to question: Are there any forms of joint ventures or strategic alliances that are more typically used in certain industries (such as real estate, pharmaceutical, or technology?) Why are such forms favored?).
- The BV/SRL will no longer be subject to a (minimum) capital requirement. The notion of capital is abolished for

the BV/SRL. This has consequences with regards to both creditor protection and shareholder's rights in the BV/SRL. The more general consequence of rethinking the BV/SRL and making it more flexible is that it becomes the logical alternative to the CV/SC under the previous Company Code when setting up an entity-based joint venture because of its increased flexibility.

- An NV/SA can have either a one-tier management structure or a two-tier system with a supervisory board. Also a sole (statutory) director is now possible in an NV/SA.
- Shares carrying multiple voting rights are introduced.
- Voting and profit-sharing rights can be (almost) freely defined in the articles of association of the BV/SRL and unlisted NV/SA.
- Personal liability of directors for occasional negligence will be capped at maximum amounts based on turnover and whether or not the company is listed.
- Finally, the nationality of legal entities is no longer determined by the location of their head office or effective place of management, but rather by the corporate seat, regardless of where the company conducts business (please see answer to question: What is the applicable statutory framework for each structure discussed in this Guide?).

Some Basics of Belgian Contract Law

In general, the private partnership, which has a specific operation as its object (the former special partnership under the previous Company Code), the public limited company, and the private limited company are the most common corporate forms for joint ventures. However, before going into more detail on the civil and corporate law aspects of joint ventures, it is important to highlight a number of basic principles of Belgian law applicable to agreements and legal entities.

Under Belgian law, an agreement is a meeting of the minds or *consensus ad idem* (*wilsovereenstemming/consentement*) between two or more parties, pursuant to which they enter into one or more legally enforceable commitments.

In order for an agreement to be valid, the following cumulative conditions must be met:

- *Consensus ad idem* (*wilsovereenstemming/consentement*) (i.e., a meeting of the minds or mutual consent). Such consent must not be vitiated (*wilsgebreken/vices de consentement*) (i.e., invalidated), due to error (*dwaling/erreur*), duress (*geweld/violence*), fraud (*bedrog/fraude*), or disadvantage (*benadeling/lésion*).

- The parties must have legal capacity (*handelingsbekwaamheid/capacité légale*). Legal entities in principle benefit from the same rights as natural persons, insofar as compatible with their nature and type, and unless provided otherwise by law. Legal entities must be represented by a natural person in order to be able to act vis-à-vis third parties and enter into agreements (i.e., through their corporate organs (i.e., corporate bodies established pursuant to the law) or pursuant to their articles of association or a valid power of attorney).
- The object (*voorwerp/objet*) of the agreement (i.e., the legal consequence(s) intended by the parties) must be valid. The parties can freely determine the intended outcome or goal of their agreements subject, however, to the following limitations:
 - (1) The object or goal must exist or it must be possible for the object or goal to exist in the future.
 - (2) The object or goal must be tradable (i.e., it cannot be excluded from trade).
 - (3) The object or goal must be determined or determinable.
 - (4) The object or goal must be lawful (*geoorloofd/licite*), meaning it cannot be contrary to public policy (*openbare orde/ordre public*) or in violation of mandatory provisions of law (*dwingend recht/droit impératif*).
- The agreement must have a permissible cause (*oorzaak/cause*), which need not be expressly stated in the agreement. There is substantial discussion in the case law and literature with respect to the existence and concept of a permissible cause. With respect to reciprocal agreements, it could be argued that the permissible cause of a party is performance of the object of the agreement by the other party.

Consequently, two or more parties with an intention to join forces in order to achieve a common objective can enter into an agreement stipulating the terms and conditions for their collaboration. By nature, such objectives or goals can be very diverse, such as a joint project or investment, the joint management of a company or project, the joint manufacturing and/or distribution of a product, joint research and development, etc. As the object or goal of the cooperation is the key component of any joint venture, the content of each agreement will vary.

Choosing a Joint Venture Structure

Parties that wish to establish a joint venture in the form of a company must first decide which company form is best suited for their purposes. The following factors can be taken into account when choosing a company form:

- Separate legal personality
- Limitation of liability
- Cost and administrative burden upon incorporation and during existence
- Transferability of the shares
- Structure and functioning of the board / Governance
- Types of securities that may be issued
- Minimum capital requirements
- Tax transparency

In what follows, the focus will be on the opportunities and hurdles under the CCA that entered into force on 1 May 2019.

Non-Entity-Based Structures (Formed through Agreements)

Companies without legal personality are formed through agreements between the partners and are not separate legal entities. Under the CCA, only one type of company without legal personality remains, namely the **private partnership** (*maatschap/société de droit commun*). The former **special partnership** (*tijdelijke handelsvennootschap/société momentanée*) and **silent partnership** (*stille handelsvennootschap/société interne*) under the previous Company Code have ceased to exist as separate, autonomous company types. However, a private partnership can be tailored in such a way that de facto the special and silent partnerships 'live on' as a version of the private partnership.

The private partnership can be structured by the parties to the agreement to meet their joint venture needs and goals. Once the purpose of the joint venture is fulfilled (or if it becomes clear that it will not be fulfilled), the partnership can be easily wound up and liquidated. When a private partnership is embarked upon for the performance of one or more specific transactions, it has the same characteristics as the former special partnership. Likewise, when the partnership has at least one general partner and one limited partner (or silent partner) whose existence need not be disclosed, the private partnership will be known as a "silent" one and will have the same characteristics of the former silent partnership.

Additional attributes of the private partnership are as follows:

Table 1

	Formation and maintenance formalities and regulations	Notarial instrument	Minimum capital requirements	Liability to third parties
Private Partnership	Minimal.	None.	None.	Joint and several liability of the partners, unless expressly agreed otherwise in writing with third parties.
“Special” Private Partnership	Minimal.	None.	None.	Joint and several liability of the partners, unless expressly agreed otherwise in writing with third parties.
“Silent” Private Partnership	Minimal.	None.	None.	Joint and several for partners. Third parties cannot assert claims against the limited or silent partners who merely contribute to the partnership (and do not act in any other capacity).

Entity-Based Structures with Legal Personality

The following companies with legal personality are worth mentioning:

- A **general partnership** (*vennootschap onder firma/société en nom collectif*) is a partnership entered into between jointly and severally liable partners.
- A **limited partnership** (*gewone commanditaire vennootschap/société en commandite simple*) is a partnership entered into between one or more jointly and severally liable partners, called general partners, and one or more mere investors, called limited or silent partners.
- A **private limited company** (*besloten vennootschap/société à responsabilité limitée*) is a company incorporated by one or more shareholders who can only be held liable up to the value of their contributions. The CCA loosens the transfer restrictions on shares that existed under the previous Company Code. The default position remains that a transfer of shares must obtain the agreement of at least half of the other shareholders representing at least three quarters of the voting rights. However, the articles of association can diverge from this default position and, for example, make the shares freely transferable.
- A **public limited company** (*naamloze vennootschap/société anonyme*) is a company incorporated by one or more shareholders who can only be held liable up to the value of their contributions. While a private limited company is a corporate form without (minimum) capital requirements, a public limited company has minimum capital requirements and is focused more on the capital contributions of the shareholders. Consequently, share transfer restrictions are less important; therefore, the shares are in principle freely transferable unless the articles of association (or a shareholders' agreement) provide otherwise.
- A **cooperative company** (*coöperatieve vennootschap/société coopérative*) is a company incorporated by at least three shareholders. Since the entering into force of the CCA, the cooperative company with unlimited liability (*coöperatieve vennootschap met onbeperkte aansprakelijkheid/société coopérative a responsabilité illimité*) has been abolished and the shareholders of a CV/SC are in principle only liable for the amount of their contribution in the company's capital (i.e. limited liability). The cooperative company has in the past been very attractive, also for setting up joint ventures, because of the legal flexibility it offered. The share capital of a cooperative company, for example, consisted of a fixed portion and a variable portion, making it easy for a shareholder to exit the company or to be expelled, without having to transfer shares or decrease the fixed capital. A cooperative company is still a very flexible corporate form, which allows shareholders to structure the management and functioning of the company to suit their needs. However, since the entering into force of the CCA, the CV/SC can only be used for activities with an actual cooperative purpose. Indeed the purpose of a cooperative is (i) to support

(fulfilment of the needs and/or development of the economic and/or social activities of) the shareholders or interested third parties through the performance of agreements, (ii) to meet the needs of the shareholders, parent companies or interested third parties, with or without the intervention of affiliates, and/or (iii) to hold shareholdings in other companies and promote the activities of the shareholders, parent companies or interested third parties. If a cooperative does not comply with the abovementioned legal purpose, any third party may request the winding-up of the cooperative or even its nullity (*nietigheid/nullité*) before the competent business court. Given this limitation and the increased flexibility of the BV/SRL, logically the latter will replace the former as preferred company form for founders who value a great degree of flexibility. It is to be noted that any cooperative company which would not fulfill the condition of a cooperative purpose as of the deadline of 1 January 2024 (see above on the transition period) will automatically be requalified as a BV/SRL.

For the purposes of this Guide, the European company (SE) and the European cooperative company (SCE) are not discussed, as they are not commonly used for joint ventures.

A brief summary of other features of each such entity is provided below:

Table 2

	Liability to third parties	Notarial instrument	Minimum share capital requirements	Profit shares (<i>winstbewijzen/ parts bénéficiaires</i>) & subscription rights	Nonvoting shares (<i>aandelen zonder stemrecht/ actions sans droit de vote</i>) & bonds (<i>obligaties/ obligations</i>)	Form of securities
General Partnership	Joint and several liability of the partners. The partners cannot be held personally liable for the partnership's liabilities as long as the partnership itself has not been found liable.	No.	None.	Cannot be issued.	Cannot be issued.	
Limited Partnership	General partners are jointly and severally liable. Limited or silent partners are mere investors and are not jointly and severally liable.	No.	None.	Cannot be issued.	Cannot be issued.	

	<p>General partners cannot be held personally liable for the partnership's liabilities as long as the partnership itself has not been found liable.</p> <p>Silent partners are not allowed to carry out managerial acts. A silent partner that violates this rule will be considered jointly and severally liable for all acts in breach thereof. In addition, a silent partner will be held jointly liable if it customarily performs acts of the partnership or if its name forms part of the partnership's name.</p>					
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Private Limited Company	Shareholders liable up to amount of their contribution.	Yes.	None. Requirement of 'sufficient initial assets'. Detailed financial plan.	Profit shares and subscription rights can be issued.	Nonvoting shares and bonds may be issued.	Shares are in registered form (listed shares can also be in dematerialized form). Other securities are in registered form or, if the articles of association allow for it, in dematerialized form.
Public Limited Company	Shareholders liable up to amount of their contribution.	Yes.	Minimum of €61,500, which must be paid up in full. Requirement of 'sufficient initial assets'. Detailed financial plan.	Profit shares and subscription rights can be issued.	Nonvoting shares and bonds may be issued.	Registered or dematerialized form.
Cooperative Company	Shareholders are liable for the company's liabilities up to the value of their contributions.	Yes.	None. Requirement of 'sufficient initial assets'. Detailed financial plan.	Cannot be issued.	Nonvoting shares cannot be issued. Bonds may be issued.	Registered or dematerialized form.

What are some of the key corporate governance, tax, regulatory, and timing considerations that could impact the choice of structure?

Corporate Governance

Eligibility to Serve as a Director

In principle, both natural and legal persons can be appointed directors and – except for age and capacity requirements – there are no statutory conditions. However, there are disqualifying factors (e.g., professional ban, conviction, bankruptcy), incompatibilities (e.g., competing activities, independence of certain professions), and competence requirements (e.g., financial institutions, members of the liberal professions, etc.). Furthermore, when a legal person is appointed director of a company, it must appoint a natural person to act as its permanent representative. It is no longer possible for a natural person to sit on the board of directors both in his own name and as a permanent representative of a legal person – director. In a limited partnership, the directors must be general partners.

Number of Directors

- **Public limited company.** It depends on the management structure the company has opted for. Under the CCA, a NV/SA can choose between: a board of directors (*raad van bestuur/conseil d'administration*), a two-tier structure with a management board (*directieraad/conseil de direction*) and a supervisory board (*raad van toezicht/conseil de surveillance*), or a sole director. If the company opts for the classic one-tier management structure with only a board of directors, the minimum number of directors (*bestuurders/administrateurs*) on the board is three (unless the company has less than three shareholders, in which case the minimum number of directors is two). A NV/SA can also have a sole director.
- **Other corporate forms.** There must be at least one director.

Term of Office

- **Public limited companies.** The maximum term for directors and for members of the supervisory board is six years (but is renewable), except for the 'sole director' management structure. The sole director can be appointed indefinitely.
- **Other corporate forms.** There is no statutory limitation on the term of a directorship.

Committees

Most corporate forms allow for some freedom to establish committees in addition to the corporate bodies required by law (e.g., strategy committee, technical committee, steering committee, etc.).

Such committees can play a merely advisory role. Whether a committee can be endowed with actual powers, is a different question. Under the previous Company Code, it was possible to establish a so-called management committee (*directiecomité/comité de direction*), provided that this possibility was foreseen in the articles of association; in this case the board of directors could delegate broad, general powers to the management committee. With the entry into force of the CCA, this committee has been abolished as a legally recognized body of the company (with the exception of a number of regulated finance and/or insurance entities). The 'spirit' of this management committee, however, lives on in the management board (*directieraad/conseil de direction*) under the two-tier management structure, although they must not be confused. In this two-tier management structure, the formulation of general corporate policy and strategy, as well as supervision, are powers reserved to the supervisory board. For other powers reserved to the board of directors, please see answer to question: *What documentation/agreements are required to form a joint venture or strategic alliance?*

The board of directors, or, in the case of a two-tier management structure, the management board, can also entrust daily management to one or more persons. Such persons can exercise daily managerial powers and will in most cases also be granted the power to represent the company within the scope of daily management. This is without prejudice to the board's right to exercise daily managerial powers itself.

Cooperative companies have broad freedom to organize management in their articles of association.

Finally, the applicable rules on legal representation of the company and directors' liability are also important and vary to a certain extent from one corporate form to another.

Tax

Capital contributions to a Belgian legal entity are not subject to a capital contributions tax.

Using a company that has legal personality, such as a private limited company or a public limited company, means that all profits generated by the business, whether in Belgium or abroad, will be taxable in Belgium under the corporate income tax rules (without prejudice to the application of tax treaties to avoid double taxation). Operating through a permanent establishment means that only Belgian-source income will be taxable in Belgium.

It may be, in some cases, fit from a corporate perspective to use a company without legal personality, such as an ordinary law partnership, or a company with legal personality but which is tax transparent, such as an economic interest group. The result is that the profits of the business are taxed in the hands of the shareholders or partners. Tax-transparent entities may be particularly interesting to attract foreign investors.

Depending on the option selected, the formalities and reporting obligations will differ. As far as income tax is concerned, tax residents of Belgium must file an annual income tax return. The type of return to be filed will depend on the circumstances and may be a corporate tax return, a personal income tax return, or a tax return for legal entities. Operating in Belgium via a branch, a representative office, or even salespersons may still (but not necessarily) require the filing of a tax return for non-resident tax purposes.

Throughout the Belgian Income Tax Code (BITC), the concept of legal personality serves as the main determining factor to classify an entity as a taxpayer. The BITC, therefore, requires that an entity has legal personality in order to fall within the scope of application of corporate tax. Conversely, the BITC classifies a number of Belgian corporate forms as tax transparent by stating that they are deemed associations without legal personality (for income tax purposes). Article 29 §1 of the BITC directly attributes income derived from a tax-transparent entity to its partners or members, regardless of whether the income is actually distributed to them.

Belgian tax law does not define the concept of legal personality and reference should hence be made to its definition within the realm of corporate law. Unless tax law expressly provides otherwise, it is not possible in a domestic context for a corporate vehicle to be re-characterized for tax purposes as a non-taxable entity or vice versa.

Regardless of whether an entity is treated as transparent for Belgian income tax purposes, issues could arise in an

international context. For instance, a Belgian private limited company is eligible for U.S. check-the-box treatment, allowing it to be considered transparent for U.S. tax purposes, whereas a public limited company does not qualify for such treatment.

Regulatory

Certain corporate forms are more suited for certain types of activities. Moreover, some activities cannot be conducted by certain corporate forms. In general, however, regulatory provisions tend to focus more on the activities of a joint venture or strategic alliance than on its corporate form.

Timetable

As mentioned throughout this Guide, certain corporate forms are easier to incorporate and run than others. However, in general, timing issues are insignificant when it comes to choosing a structure for a joint venture.

Can a joint venture or strategic alliance be formed for any purpose?

In general, businesses have substantial freedom to conduct any activity permitted by law. However, depending on, among other factors, the activities conducted and the sector in which the activities are conducted, there may be certain European, federal, regional, or local rules and regulations applicable to a joint venture that could adversely affect its ability to do business. Furthermore, certain activities will require permits, licenses, etc.

A number of general limitations are discussed below.

Contractual Relationships

Please see answer to question: *What are the standard forms of joint ventures / strategic alliances and common features of each?*

Entity-Based Structures

Statutory Purpose

A company must act in accordance with the statutory purpose applicable to its corporate form. In other words, a legal entity can only engage in activities to the extent these are consistent with the purpose the legislature has reserved for that type of legal entity. Indeed, the most important statutory limitation on companies is linked to the nature of a company, namely that it is incorporated in order to pursue a profit. However, acts that fall outside the statutory purpose are valid and enforceable against the company if a third party, due to extraordinary circumstances, could legally assume the company was acting within the scope of its statutory purpose.

Corporate Object

A company must act in accordance with its corporate object. The corporate object of a company is set out in its articles of association and describes the activities the

company can conduct. It is important that the corporate object of the company is carefully worded. Vague or too broad formulations are in principle not allowed. However, it is common to include in the corporate object boilerplate language in order to allow the company to engage in a broad range of activities, financing and grant securities. Acts in violation of the corporate purpose can be declared void.

Corporate Interest

All acts and decisions of a company must be in its corporate interest. Case law and literature are divided on the definition of corporate interest; however, an accepted approach is that corporate interest is the interest of all current and future shareholders of the company. Decisions and actions contrary to corporate interest can be declared void, without prejudice to the rights of third parties acting in good faith. A third party does not have a duty to investigate but will not be considered to be acting in good faith if he or she knew or should have known that a corporate body acted to the detriment of the company. Belgian law does not provide for a so-called *Konzernrecht* and, consequently, the interest of the group to which the company belongs cannot be taken into account when assessing the corporate interest. However, it is allowed to take into account (in part) the interest of the group when assessing whether a decision or action is in the interest of the company if the decision or action:

1. Is not contrary to a statutory provision
2. Is not contrary to a contractual provision –and–
3. Does not result in a disproportionate financial burden for the company and can reasonably result in a future benefit for the company

Are there any forms of joint ventures or strategic alliances that are more typically used in certain industries (such as real estate, pharmaceutical, or technology)? Why are such forms favored?

There is no standard corporate form for joint ventures in certain industries or sectors. However, certain corporate forms are more common in certain industries.

Public Limited Company and Private Limited Company

In Belgium, the most commonly used corporate forms are the public limited company and the private limited company. As previously discussed, a private limited company is eligible for U.S. check-the-box treatment, allowing it to be considered transparent for U.S. tax purposes. See answer to question: *What are some of the key corporate governance, tax, regulatory, and timing considerations that could impact the choice of a structure?* This has led to a large number of multinationals

changing from a public limited company to a private limited company. Coca-Cola Enterprises Belgium, for instance, is now a private limited company.

Tax Consolidation

A full tax consolidation is not foreseen in Belgian tax law. For financial years starting on or after 1 January 2019 (and related to assessment year 2020 or subsequent years) a tax consolidation in the form of a group contribution regime has however been introduced in Belgian income tax law. Under the group contribution regime, a transfer of profits is made possible between different Belgian taxpayers (including Belgian establishments), subject to certain conditions, thereby reducing the overall corporate income tax charge.

The group contribution regime is subject to, among other things, a number of limitations (article 205/5 BITC):

- the regime is only available for the tax losses realized during the tax year (use of carried forward tax losses or other tax deductions is not possible);
- tax consolidation is only allowed between Belgian companies (and/or foreign companies, established in the EEA, with a Belgian permanent establishments), either between a parent and a direct subsidiary or between subsidiaries of the same parent company;
- at least 90% of the capital must be held by the parent company;
- the participation requirement needs to be met for a period of five years, i.e. for the assessment year the group contribution regime is applied and the 4 preceding years;
- companies subject to exceptional tax treatment do not qualify (e.g., REITs).

In line with the case law of the European Court of Justice, the group contribution regime is also available for the liquidation losses of a qualifying EEA entity if these losses can be considered as final, i.e., there is no possibility to use these losses in that jurisdiction in the future.

Special Partnership

In the real estate sector where large-scale construction projects often require joint ventures between investors, contractors and other real estate professionals, under the previous Company Code the special partnership (*tijdelijke handelsvennootschap/société momentanée*) was the most commonly used corporate form. Under the CCA, the special partnership (*tijdelijke handelsvennootschap/société momentanée*) has ceased to exist as a separate, autonomous company type. However, a private partnership (*maatschap/société de droit commun*) can be tailored in such a way that de facto the special partnerships 'live on' as a version of the private partnership. This corporate form allows the partners

to jointly participate in invitations for tender and, by doing so, benefit from the know-how, track record, and other resources of the various partners. The fact that the partners are jointly and severally liable to third parties is often a condition sine qua non in order to successfully pitch for a large real estate project. Finally, the fact that the partnership automatically comes to an end when the specific project is finished allows for smooth dissolution.

Cooperative Companies

Historically, Belgium has had a large number of cooperative companies (CV/SC), particularly in the agricultural and pharmaceutical sectors (specifically for the distribution of medicines). Some large financial institutions in Belgium also use cooperative companies to structure their independent retail networks and, more generally, in the financial sector, banks, and insurance companies sometimes opt to take the form of a cooperative company. Finally, Belgium has numerous cooperative companies in industries with licensed professionals (*vrije beroepen/professions libérales*), such as architects, law firms, auditors, doctors, dentists, etc. However, since the entering into force of the CCA, the CV/SC can only be used for activities with an actual cooperative purpose. Indeed the purpose of a cooperative is (i) to support (fulfilment of the needs and/or development of the economic and/or social activities of) the shareholders or interested third parties through the performance of agreements, (ii) to meet the needs of the shareholders, parent companies or interested third parties, with or without the intervention of affiliates, and/or (iii) to hold shareholdings in other companies and promote the activities of the shareholders, parent companies or interested third parties. If a CV/SC does not comply with the abovementioned legal purpose, any third party may request the winding-up of the cooperative or even its nullity (*nietigheid/nullité*) before the competent business court. Given this limitation and the increased flexibility of the BV/SRL, logically the latter will replace the former as preferred company form for founders who value a great degree of flexibility. It is to be noted that any cooperative company which would not fulfill the condition of a cooperative purpose as of the deadline of 1 January 2024 (see above on the transition period) will automatically be requalified as a BV/SRL.

Are there any industries that would not permit or would not be conducive to a joint venture or strategic alliance?

In Belgium, there are no sectors or industries that prohibit joint ventures. However, in all cases, it is important to comply with the anti-trust rules. See answer to question: *Are there any anti-trust matters to be considered in forming a joint venture or strategic alliance?* In addition, depending on the activities

conducted by the joint venture and the sector(s) in which it is active, among other factors, certain European, federal, regional, or local rules and regulations may apply, which could impact the entity. Furthermore, certain activities will require permits, licenses, etc. Regulatory consent is often required in order to become a shareholder in a regulated entity (e.g., a financial institution), as well as for management and, in general, corporate governance decisions. Other sectors in which limitations typically apply are the energy sector and aviation sector.

How is a joint venture or strategic alliance structured to minimize potential liability? Are there instances where parties to a venture or alliance may knowingly choose a vehicle without limited liability and, if so, why would such party make that choice?

For a discussion regarding the liability of partners and shareholders to third parties, see answer to question: *What are the standard forms of joint ventures/strategic alliances and common features of each?*

Contractual Relationships

A joint venture agreement governs the contractual relationship between the contracting parties. In principle, this agreement will not have an impact on third parties (customers or suppliers of the joint venture). Indeed, customers or suppliers contract directly with one or more of the parties to the joint venture or strategic alliance. The rights and obligations of each party, the allocation of risk, and the manner in which disputes will be resolved are specified in the agreement.

Nevertheless, Belgian literature provides for the concept of good faith. The concept of good faith is well-known in continental European countries. In common law jurisdictions, good faith is typically not part of the legal framework. This is one of the reasons why, in general, agreements subject to UK or U.S. law tend to be much more detailed.

There is no statutory definition for good faith. This principle ensures a certain flexibility in the interpretation of agreements and prevents paralysis in the event of certain disputes. It can be described as the presumption that the parties to an agreement will act honestly and fairly in their dealings with each other, so as not to completely destroy the right of the other party or parties to receive benefits pursuant to the agreement. Objective good faith implies compliance with a standard of conduct, which includes a duty to act properly in the exercise of contractual rights and obligations in accordance with the requirements of reasonableness and fairness, as a reasonably prudent person would act in the same circumstances.

As mentioned above, companies without legal personality (i.e., a private partnership (*maatschap/société de droit commun*)) qualify as contracts. However, since they are also considered companies under the CCA, the prohibition on unconscionable clauses (*leeuwenbeding/clause léonine*) applies to them (for more information, see the discussion on Entity-Based Structures below).

Entity-Based Structures

Depending on the corporate form, the potential liability of the partners will vary (see Table 2 in Structures above).

At first glance, a company with limited liability may appear to be the best choice to structure a joint venture. However, there are valid reasons to opt for a corporate form with unlimited liability. Tenders for certain (construction) projects will sometimes require the partners to be jointly and severally liable together with the partnership. Banks and other creditors may, in the event of a company with limited liability, require personal guarantees from the shareholders (or from the parent companies or relatives of the shareholders). In larger corporate groups, unlimited liability in the lower echelons of the corporate structure is not always considered a major issue and may be remedied by including a limited liability company higher up in the corporate chain.

It is important to bear in mind that the shareholders can allocate the profit, risk, and liabilities amongst themselves in the instrument of incorporation, the articles of association, a shareholders' agreement, or elsewhere (e.g., an option agreement). Disproportionate treatment is allowed, provided the shareholders are treated fairly. Under Belgian law, the possibility to treat shareholders disproportionately is limited by what is commonly known as the prohibition on unconscionable clauses (*leeuwenbeding/clause léonine*). This prohibition applies to all companies described and states that agreements allocating all profits to one or more shareholders or excluding one or more shareholders from participating in such profits can be declared null and void (Articles 4:2 (*maatschap/société de droit commun*), 5:14 (BV/SRL), 6:15 (CV/SC) and 7:16 (NV/SA) CCA). Under the CCA this prohibition only relates to the allocation of or exclusion from all profits. This was different under the previous Company Code. Indeed Article 32 of the previous Company Code provided for a prohibition not only on agreements allocating all profits to one or more shareholders but also on releasing one or more shareholders from participating in the company's losses. The latter is no longer prohibited under the CCA.

Put and call options are popular in entity-based joint venture agreements to effectively minimize (or exclude) the risk or possibility to share in the profits of the company. A put option is an option that grants its beneficiary the right to require another party to purchase shares from the beneficiary at a

certain point in time (determined by the beneficiary or upon the fulfilment of certain conditions) and at a predetermined or determinable price. A call option is an option that grants its beneficiary the right to require another party to sell shares to the beneficiary at a certain point in time (determined by the beneficiary or upon the fulfilment of certain conditions) and at a predetermined or determinable price. Such options – since the entry into force of the CCA especially call options potentially excluding a shareholders from all profits – can be declared null and void pursuant to the prohibition on unconscionable clauses if it can be shown that, as a result of such a clause or option, a shareholder no longer shares in the profits. The CCA, however, does not contain a list of prohibited clauses and merely provides for the general principle stated above.

Belgian case law has clarified the prohibition on unconscionable clauses and promotes two theories, the second of which currently appears to be accepted by the Supreme Court. Please note, however, that the facts underlying the Supreme Court ruling were very specific (a short-term equity investment); therefore, a number of scholars have criticized the extension of this decision.

1. **The interdependence theory.** This theory states that a put or call option in an agreement can be declared null and void if it affects the functioning of the company and as a result directly or indirectly violates the articles of association.
2. **The corporate interest theory.** This theory accepts the validity of put and call options, provided that the agreement respects the corporate interest.

When assessing a potential violation of the prohibition on unconscionable clauses, the court will consider the intention of the parties. Consequently, parties to agreements that are at risk of being challenged pursuant to the prohibition on unconscionable clauses should ensure that their agreement is well documented and be able to explain why a clause (or a call or put option) is in the interest of the company (e.g., without the call or put option a shareholder would not be willing to invest in the joint venture). In addition to proper justifications in shareholder or subscription agreements, explanations in board minutes of the joint venture partners or in e-mails or minutes of meetings between the parties, etc. can be kept on file for purposes of substantiating the validity of put and call options. It will be interesting to see how Belgian case law will evolve taking into account the new definition of unconscionable clauses under the CCA.

Please note that if a court finds that a (put or) call option is null and void on the ground that it is not in the corporate

interest and the option is deemed essential to the decision to enter into the shareholders' or subscription agreement, the entire agreement could consequently be declared null and void.

Finally, taking into account the complexity of (put and) call options in the context of the prohibition on unconscionable clauses, such options should be carefully scrutinized (by legal counsel) on a case-by-case basis.

Statutory Framework

What is the applicable statutory framework for each structure discussed in this Guide?

Contractual Relationships

Choice of Court

Based on the principle of freedom of contract, the parties to a contractual relationship and companies without legal personality can generally choose the competent court. Article 25 of the recast Brussels I Regulation (hereinafter "Brussels I Recast") expressly provides for the possibility to integrate a choice-of-forum clause in the agreement, regardless of the domicile of the parties. However, the clause must be in writing, or in a form that is consistent with practices the parties have established among themselves, or with a usage widely known in the particular trade or commerce concerned. The substantive validity of the clause is determined by the *lex fori*.

Choice of Law

According to Article 3 of the Rome I Regulation, the parties are free to choose the applicable law. They can opt for national law (including the law of a non-Member State of the European Union), non-state law (e.g., CISG – United Nations Convention on Contracts for the International Sale of Goods), and even rules of substantive European Community contract law. Parties can select the law applicable to the entire contract or only a part thereof. Where all other elements relevant to the situation at the time of the choice are located in a country other than the country whose law has been chosen, the parties' choice may not prejudice the application of provisions of the law of that other country that cannot be deviated from by agreement. Where all other elements relevant to the situation at the time of the choice are located in one or more Member States, the parties' choice of applicable law other than that of a Member State shall not prejudice the application of provisions of Community law, where appropriate as implemented in the Member State of the forum, which cannot be derogated from by agreement.

Entity-Based Structures

As regards the question of international jurisdiction, both Brussels I Recast and the Belgian Code of Private International Law must be consulted. Pursuant to Article 24(2) of Brussels I Recast, the courts of the Member State of the European Union in which the company, legal person, or association has its seat shall have exclusive jurisdiction, regardless of the domicile of the parties, in proceedings that have as their object the validity of the constitution, the nullity or dissolution of companies or other legal persons or associations of natural or legal persons, or the validity of the decisions of their organs. In order to determine where the “seat” is located, the court shall apply its rules of private international law.

In the past, Belgian law has applied the real seat theory. Thus, previously, under Belgian private international law, legal entities were governed by the law of the state on whose territory their principal establishment was located. The principal establishment of a legal entity was determined with reference to in particular its administrative centre, its centre of business or activity and, only if necessary, its registered office. The real seat theory has been abandoned under Belgian private international law and the CCA for the benefit of the incorporation theory. Indeed, under the CCA, the law applicable to a legal entity will be determined solely with reference to the location of its registered office. In other words, the place from which the company conducts operational activities has become completely irrelevant (for corporate law purposes). I.e., Belgian courts have jurisdiction regarding the validity, functioning, dissolution and liquidation of legal entities if their statutory seat is located in Belgium. Nevertheless, Belgian courts will maintain jurisdiction regarding liability of directors of legal entities towards persons other than the legal entity or its shareholders when such legal entity’s principal establishment is located in Belgium while its statutory seat is located in a state outside the EU and the legal entity only has a formal relationship with that state.

As regards the question of applicable law, only the Belgian Code of Private International Law need be consulted. Article 110 of the Code states that the applicable law is determined by the statutory seat of the company.

Article 111 §1 of the Code of Private International Law defines the material scope of the law applicable pursuant to Article 110, in particular:

1. Existence and corporate form of the legal entity
2. Firm or company name
3. Incorporation, dissolution, and liquidation
4. Legal capacity of the entity

5. Composition, powers, and functioning of its corporate organs
6. Internal relations among its partners or members as well as relations between the entity and its shareholders or members
7. Acquisition and loss of capacity of partners or members
8. Rights and obligations attached to profit shares and shares and their exercise
9. Liability for breach of company law or the articles of association –and–
10. Extent to which the legal entity is obliged to pay debts incurred by its corporate organs to third parties

By introducing the incorporation theory instead of the real seat doctrine, the Belgian government wanted to make the CCA available not only to Belgian legal entities but also to “foreign” legal entities. Indeed, a foreign legal entity should be able to opt for Belgian law, even if it intends to be (commercially) active (only) outside Belgium. The main purpose of such change is to make Belgium more “attractive” to foreign businesses.

Are there statutory or other limits on the duration of a joint venture or strategic alliance?

Contractual Relationships

The duration of a joint venture or strategic alliance established solely by agreement will be determined in the agreement. When this date passes or a certain event occurs, the contract will end by operation of law (*van rechtswege/de plein droit*) without judicial intervention being required. Termination can be subject to a notice period or effective immediately, depending on the provisions of the agreement.

Unless provided otherwise in the agreement and subject to general rules of civil law (such as *force majeure*), an agreement for a fixed term cannot, in principle, be terminated by a party other than on the date specified in the agreement.

The parties can agree not to fix the term of their agreement. Agreements with an indefinite period of time can be terminated by either party at any time, as long as they have complied with the notice period specified in the agreement or, if no notice period is mentioned, with reasonable notice. This follows from the general rule that a party cannot be bound, or bind another party indefinitely.

For corporate forms without legal personality that qualify as contracts (i.e., ordinary law partnerships), the rules applicable to entity-based structures set forth below apply *mutatis mutandis*.

Entity-Based Structures

All corporate structures automatically end when:

1. Their set term expires
2. The activity for which they were incorporated is discontinued –or–
3. When the activity or project for which they were incorporated is accomplished

For partnerships and companies with a fixed term of existence, it is obvious when termination occurs or should occur. However, even for these types of corporate forms, the partners can unanimously decide to extend the term of existence.

Many joint venture vehicles are incorporated for an unlimited term.

A general partnership and limited partnership can be terminated in the event of the death, manifest insolvency, incompetence, or bankruptcy of one of the partners, unless provided otherwise.

Do joint ventures or strategic alliances have to be registered with any federal or local body?

Contractual Relationships

For contractual joint ventures, the agreement governing the relationship should specify the formalities that need to be fulfilled. In principle, contractual joint ventures do not require specific formalities to be complied with (other than those mentioned in the answer to question: *What are the standard forms of joint ventures /strategic alliances and common features of each?*), and no notarial instrument or registration with federal or local authorities is required.

In principle, companies without legal personality qualify as contracts, and no specific formalities (other than those included in Table 1 above), notarial instrument, or registration with federal or local authorities are required. However, contributions by the partners of real estate and intellectual property rights will result in additional formalities (for real estate, a notarial instrument and registration and, for IP, registration formalities).

Entity-Based Structures

The incorporation process will depend on the corporate form. In general, companies with unlimited liability have fewer formalities to fulfil than companies with limited liability.

Below is a summary of generic registration formalities (without distinguishing between corporate forms).

Instrument of Incorporation

The first formality to be fulfilled when incorporating a company is to draw up an instrument of incorporation

(*oprichtingsakte/acte constitutif*). The instrument of incorporation contains provisions on the incorporation of the company, its articles of association (often referred to as “bylaws” in common law jurisdictions), and other provisions, such as the appointment of directors and the statutory auditor (if any), the closing date of the first financial year, an undertaking by the company to accept obligations incurred in its name prior to incorporation, etc. Companies with unlimited liability do not require a notarial instrument for incorporation (except when real estate or intellectual property rights are contributed); a private agreement between the founders is sufficient. The founders can of course always opt to incorporate their company in front of a notary. For companies with limited liability, a notarial instrument is required. For the additional formalities and documents required to incorporate a company, see answer to question: *Should contributions to the joint venture or strategic alliance be documented? If so, what is the typical form of documentation?*

Filing of Instrument of Incorporation

After execution of the instrument of incorporation, either in the form of a private agreement or a notarized document, it must be filed with the clerk’s office of the business court in the judicial district where the company’s registered office is located. In addition, the instrument of incorporation must be recorded with the Register of Legal Entities (*Rechtspersonenregister/Registre des personnes morales*). For companies with limited liability, the notary will handle these formalities. A company will obtain legal personality at the time its instrument of incorporation is filed with the clerk’s office of the business court (as evidenced by a stamp on the filed form or electronic proof of filing).

Submission of the Company’s Information into the Crossroads Enterprise Database and Related Filings

Following filing of the instrument of incorporation, the clerk’s office of the business court will submit the company’s information to the Crossroads Enterprise Database (*Kruispuntbank der Ondernemingen/Banque-Carrefour des Entreprises*). This will allow the company to receive an enterprise number, which is its unique identification number with the relevant Belgian authorities (tax, social security, etc.) and the courts. This number must be indicated on all corporate documents, including invoices and judicial documents. Failure to register is a criminal offense. In addition, claims on behalf of a company that is not registered will be inadmissible in court, and the company may be ordered to discontinue its business. For regulated activities and small or medium-sized enterprises (SMEs), registration is subject to prior approval by the competent authorities. If the company (regardless of its size) conducts regulated

activities for which an authorization is required (e.g., banking), it will not be registered unless it can demonstrate that it has obtained the required operating license. A small or medium-sized enterprise that performs activities requiring registration with the Crossroads Enterprise Database must be managed by a person meeting certain requirements in terms of managerial skills. In practice, proof that the company does not qualify as an SME may take the form of a sworn statement or an appropriate mention in the instrument of incorporation (and may have to be supported by evidence upon registration).

The following are deemed SMEs (Article 1:24 CCA):

- Businesses with no more than 50 employees on average on an annual basis
- Businesses, 25% of whose shares or voting rights are held by one or more other companies that are not SMEs –and–
- Businesses whose annual turnover does not exceed €11,250,000 or whose balance sheet total does not exceed €6,000,000.

The clerk's office of the business court also ensures that the instrument is published in the annexes to the *Belgian State Gazette (Bijlagen bij het Belgisch Staatsblad/ Annexes aux Moniteur belge)*.

In addition, the instrument of incorporation must be recorded with the registry of the Ministry of Finance (Land Registry, Department of Registration and Domains). Registration fees will need to be paid. If the instrument of incorporation takes the form of a notarized document, registration should occur within 15 days following incorporation before the notary. For private agreements, the partners must do so within four months.

Further, the company must register with a social insurance fund within three months from the filing of its instrument of incorporation.

If the company performs activities subject to VAT, it must also register with the VAT authorities, invoice the applicable VAT, and remit the VAT to the tax authorities.

The hiring of personnel by a company gives rise to a number of obligations on the part of the employer, vis-à-vis the National Social Security Office (ONSS/RSZ) and tax authorities. Indeed, the employer must register with the ONSS/RSZ, withhold social security contributions from its employees' salaries, and remit employer and employee contributions quarterly to the social security administration. Furthermore, every employer must register with a family allowances fund and an external service for health and safety at work and have occupational accident insurance. Work rules (i.e., a type of employee handbook) must be drafted by the employer and mandatory payroll documents must be prepared and maintained.

Registration of the Company's Information in the Ultimate Beneficial Owner register

With the purpose of countering money laundering, the financing of terrorism and other related crimes, Belgium has implemented a centralized register of Ultimate Beneficial Owners (**UBO**) containing details as to the identity of natural persons who own or control a legal entity. Such record helps identifying, beyond the complexity of legal entities and their structuring, the natural person making an actual financial benefit from the entity at hand. Since 31 August 2019, all companies, non-profit organizations and foundations are obligated to keep up to date information as to their UBO. The rules on UBO similarly apply to both legal entities incorporated in Belgium with a registered office abroad, and to foreign legal entities with a registered office in Belgium.

The following information is to be disclosed for each natural person identified as an UBO:

- Date of birth;
- Nationality(ies);
- Address of residency;
- Date as of which the person became UBO of the entity;
- National identification number or similar number issued by the country of residence.

With privacy of UBOs' details becoming an issue, Belgium has introduced, on 17 February 2023, a legislation with regards to the legitimate interest that natural and legal persons have to demonstrate to gain access to the UBO register. The following three categories of persons are now assumed to have a legitimate interest:

- persons involved in activities, in a sustainable and effective manner, related to the fight against money laundering and the financing of terrorism;
- persons acting in court in the context of the fight against money laundering and terrorist financing with a view to defending an interest related to that purpose or activities; or
- persons who will engage in an economic relationship or carry out transactions with a subject entity and who are active in the fight against money laundering and terrorist financing.

This legislation substantially reduces the scope of access to the UBO register, which was initially entirely public but now remains available only to natural and legal persons involved in the fight against money laundering and the financing of terrorism. Any access request to the UBO register has to include relevant documents setting out the reasons for the request and demonstrating such legitimate interest.

With respect to registration and other duties of foreign shareholders or partners, please see answer to question: *What permits, consents or registrations are required by foreign members/partners of a joint venture or strategic alliance?*

Regulatory Environment

Are joint ventures or strategic relationships specifically regulated?

Joint ventures are not specifically regulated due to the fact that they are voluntary forms of cooperation.

In general, the Belgian Civil Code, general principles and customs of Belgian law, and provisions of public policy or mandatory law govern agreements *stricto sensu*.

In addition, companies without legal personality and entity-based structures are subject to the CCA which regulates almost every aspect of the incorporation, governance, and termination of joint venture companies. Nevertheless, it is possible to deviate (in the articles of association, a shareholders' agreement or otherwise) from all provisions that are not of public policy.

In general, Belgian law provides for a regime of unlawful clauses (onrechtmatige bedingen/clauses abusives) in B2B relationships that is applicable on agreements that are concluded, renewed or changed as from 1 December 2020. The Act of 4 April 2019 introduced specific unlawful clauses into book VI of the Belgian Code of Economic Law (Wetboek Economisch Recht/Code de droit économique). These have been divided into a "black list" containing clauses that will always be deemed unlawful and a "grey list" containing clauses presumed to be unlawful until proof to the contrary has been established. Such grey list presumptions can be rebutted insofar as it can be demonstrated that a clause does not create a manifest imbalance between the rights and obligations of the parties.

Blacklist clauses, according to Article VI.91/4 are those:

1. that provide for an irrevocable commitment from the other party while the company's performance is subject to a condition that depends solely on its will;
2. that give the company the unilateral right to interpret any clause in the agreement;
3. that, in the event of a dispute, cause the other party to waive any means of redress against the company;
4. that establish in an irrefutable manner the acknowledgment or acceptance by the other party of provisions that the latter could not have taken notice of before entering into the agreement.

Greylist clauses, according to Article VI.91/5 are those:

1. that grant the company the right to unilaterally change the price, features or conditions of the agreement without a valid reason;
2. that tacitly prolong or renew a fixed-term agreement, without specifying a reasonable notice period;
3. that without consideration place on a party the economic risk that normally rests on the other company or on another party to the agreement;
4. that in an inappropriate manner exclude or limit the legal rights of a party in the event of complete or partial non-performance or defective performance by the other company of one of its contractual obligations;
5. that, without prejudice to Article 1184 of the Civil Code, bind the parties without stating a reasonable notice period;
6. that discharge the company from its liability for its intent, gross negligence or that of its appointees or, except in cases of force majeure, for not performing the essential obligations that are the object of the agreement;
7. that limit the means of evidence that the other party can make use of;
8. that, in the event of non-execution or delay in the execution of the other party's commitments, determine compensation amounts that are clearly disproportional to the disadvantage that the company may suffer.

Book VI of the Belgian Code of Economic Law also includes a prohibition of the abuse of economic dependence (Article IV.2/1). In the case where one or more companies would be in a position of economic dependence, this position cannot be abused in such a way that it would interfere with the competition of the Belgian market or a part thereof. The Belgian Code of Economic Law provides a non-exhaustive list of situations in which economic independence can occur:

- refusing a sale, purchase or other transaction terms
 - directly or indirectly imposing unfair purchase or sale prices or other unfair contractual conditions;
 - limiting production, marketing or technical development to the detriment of consumers
 - the application to economic partners of dissimilar conditions to equivalent services, thereby placing them at a competitive disadvantage
 - making the conclusion of agreements subject to acceptance by the economic partners of supplementary services which, by their nature or according to commercial usage, have no connection with the subject of these agreements
-

Finally, depending on the activities conducted by the joint venture and the sector(s) in which it is active, among other factors, certain European, federal, regional, or local rules and regulations may apply, which could impact the entity. Furthermore, certain activities will require permits, licenses, etc. Regulator consent is often required in order to become a shareholder in a regulated entity (e.g., a financial institution), as well as for management and, in general, corporate governance decisions. Other sectors in which limitations typically apply are the energy sector and aviation sector.

Are there any anti-trust matters to be considered in forming a joint venture or strategic alliance?

Merger Control

The Belgian Competition Act is included in Book IV of the Code of Economic Law. Pursuant to Article IV.6 of the Code, the creation of a joint venture that will perform on a long-term basis the functions of an autonomous economic entity constitutes a concentration. Such a full-function joint venture must have the necessary resources including finance, staff, and assets in order to operate independently on the market and perform the functions normally carried out by undertakings operating on the same market. The creation of such a joint venture is therefore subject to merger control, as is the case under EU Merger Regulations.

Notification to the national competition authority is required for concentrations that meet the following thresholds:

- Aggregate Belgian turnover of the undertakings concerned in excess of €100 million –and–
- At least two of the undertakings concerned each has turnover in Belgium of at least €40 million

The parties are prohibited from implementing the proposed transaction before the transaction is notified to ('notification requirement') and approved by ('standstill obligation') the Belgian competition authority. In recent years, the European Commission as well as the national authorities, including the Belgian Competition Authority, have been active in pursuing parties that violate these obligations ('gun-jumping'). The Belgian Competition Authority can impose a fine of 10% of the party's worldwide turnover for gun-jumping.

Full-function joint ventures are subject to the same substantive test as other type of concentrations. However, if a full-function joint venture could give rise to the coordination of the parents' competitive behavior in their retained activities, the assessment of such conduct will be subject to the rules set forth in Article IV.1 of the Code of Economic Law, which is the equivalent of Article 101 TFEU.

Restrictive Practices

Recently, the European Commission established a new control system specifically targeting foreign subsidies. Its purpose is to level out the playing field between the restrictions of EU member States and Non-EU countries wishing to invest in the internal market. This Regulation mainly targets merger activity and public procurement. With regards to merger control, it sets out for companies benefiting from foreign subsidies involved in a concentration to notify the European Commission of the concentration if:

- - the threshold of an aggregate turnover of €500 million is met; and
- - the total foreign subsidy across all parties involved in the concentration exceeds €50 million over the past three years.

As to its material scope, the Regulation defines a 'foreign subsidy' very broadly as any direct or indirect financial contribution by a third country which confers a benefit to a company operating on the EU internal market. The definition of a public financial contribution is also to be understood to its broadest sense. It may therefore cover any financial preferential treatment such as direct public grants, zero-interest loans, tax exemptions or incentives, supply contracts, payment of utilities, export financing, etc.

A value threshold is foreseen excluding any subsidy under €4 million over three years from the scrutiny of the Commission and the Regulation is expected to apply to foreign subsidies granted up to five years prior to its entry into force.

Where a company does not comply with its notification obligation, the European Commission may impose fines up to 10% of the company's annual aggregate turnover. Furthermore, any failure to cooperate to the Commission's investigation on the subsidy may result in fines of up to 1% of the total turnover of the company concerned, as well as periodic penalty payments.

The Regulation formally entered into force on 12 January 2023 and its general regime started applying as of 12 July 2023. The notification obligation only applies since 12 October 2023.

On 12 August 2025, the European Commission launched the first review of the Foreign Subsidies Regulation. The purpose of the review is to understand the impact of the Foreign Subsidies regime and how it could be improved, bearing in mind the importance of regulatory simplification. EU competitiveness is also at the heart of this initiative which could ultimately lead to reforms to reduce excessive burden on businesses.

The Commission is required to publish the review report and any proposals for reforms by 13 July 2026, with subsequent reviews to be undertaken every three years.

Restrictive Practices

Even if the joint venture does not constitute a concentration, it nevertheless remains subject to the competition law rules on restrictive practices (such as the prohibitions on cartels and abuse of a dominant position). These rules are set forth in Articles IV.1 and IV.2 of the Code of Economic Law that adopt the wording of Articles 101 and 102 TFEU. The Belgian competition authority has not adopted specific guidelines or block exemptions applicable to joint venture agreements. Belgian competition law follows EU law in this respect, in accordance with Article IV.4 of the Code of Economic Law. Therefore, EU law applies, and it is necessary to assess whether the joint venture agreement complies with these rules, including, among other things, the block exemption regulations on horizontal agreements, R&D agreements and specialization agreements, the notice on ancillary restraints, and the guidelines of the European Commission on the applicability of Article 101 TFEU to horizontal cooperation agreements.

Formation

What are the procedures in forming a joint venture or strategic alliance?

In addition to what is mentioned elsewhere in this Guide on constituent elements to form a contract or legal entity, there are a number of requirements for persons to be able to perform legal acts (such as serve as the founder of a joint venture) in Belgium.

A natural person must have reached the age of majority (18 years of age in Belgium) and have legal capacity in order to enter into a contract and serve as a founder.

A legal person must also have capacity to enter into a contract and serve as a founder. For Belgian companies entering into a joint venture or strategic alliance, it must be verified whether:

- Entering into a joint venture or strategic alliance is within the scope of its corporate object.
- Entering into a joint venture or strategic alliance is in its corporate interest.
- The Belgian company is validly represented when entering into the joint venture.
- The competent corporate body of the Belgian company has approved entering into the joint venture.

- No other statutory or contractual provisions or provisions of the company's articles of association render entering into a joint venture difficult or impossible.

It is also necessary to check whether similar requirements for foreign founders apply and have been complied with.

What documentation/agreements are required to form a joint venture or strategic alliance?

For a discussion of registration formalities, please see answer to question: *Do Joint Ventures or Strategic Alliances have to register with any federal or local body?*

Joint ventures can be formed by an agreement between at least two parties. For more information, see answer to question: *What are the standard forms of joint ventures / strategic alliances and common features of each?* Such an agreement can even be oral (unwritten). However, taking into account legal certainty and the burden of proof, it is advisable to have a written agreement setting out the rights and obligations of the parties to the joint venture or strategic alliance. With respect to choice of law and jurisdiction, see also answer to question: *What is the applicable statutory framework for each structure discussed in this Guide?*

The CCA sets out the requirements to establish a company without legal personality and to incorporate a company with legal personality.

The form of the company will determine the formalities applicable to its instrument of incorporation (private agreement or notarized document) and registration requirements.

Below is a description of some of the key agreements entered into upon the formation of a joint venture or strategic alliance:

- **Subscription agreement.** A subscription agreement is often entered into by the (future) shareholders of a company, typically describing their contributions as well as the essential aspects of their cooperation.
- **Shareholders' agreement.** A shareholders' agreement, in addition to the articles of association, is also very common. Often, the provisions of a subscription agreement and a shareholders' agreement are combined in a single agreement. The articles of association are applicable to all shareholders and the company; a shareholder becomes bound by the articles of association by subscribing to or acquiring shares in or by becoming a partner of the company. A shareholders' agreement can be entered into by all shareholders or a particular group of shareholders. The company itself may or may not be a party to the shareholders' agreement. If the

company is a party to the shareholders' agreement, its provisions will be enforceable against the company and its corporate bodies. Further, if the company is a party to the shareholders' agreement, its corporate bodies can be used to streamline the mechanisms and procedures provided for by the agreement (e.g., notifications in view of pre-emptive rights or other transfer restrictions).

For companies with legal personality and limited liability, a major difference between the articles of association and a shareholders' agreement is the fact that the former is a public document (available at the clerk's office of the competent business court) and, therefore, enforceable against third parties, whereas the latter need not be filed or published. Consequently, a shareholders' agreement is not enforceable against third parties. In addition, a shareholders' agreement can only be terminated with the consent of all parties thereto, whereas the articles of association can be changed subject to the quorum and majority requirements provided for by law.

Other agreements. Often, other agreements exist between the shareholders and/or the joint venture or strategic alliance. Examples are service level, management, and technical agreements, etc. Of course the relationship between members of a joint venture or strategic alliance that takes the form of an entity-based structure is also governed (or at least influenced) by the decisions of the entity's corporate bodies and committees (as documented in minutes, reports, etc.).

Specific Provisions of Articles of Association/ Shareholders' Agreements

It is useful to briefly summarize a number of provisions often seen in articles of association and/or shareholders' agreements of joint ventures (with limited liability).

Voting Agreements at the Level of the General Meeting of Shareholders

A shareholders' agreement often contains voting arrangements at the level of the general meeting of shareholders. Such arrangements are valid if the following conditions are met:

- They are limited in time.
- They do not violate provisions of the CCA or the corporate interest of the company.
- Shareholders do not agree to vote in accordance with guidelines from or approve proposals by the company, a subsidiary of the company, or the corporate bodies of the company or a subsidiary.

The fact that voting arrangements must not violate the corporate interest (not only when entered into but at all times) results in legal uncertainty as to their validity. The maximum

time limit for voting agreements is no longer stipulated in the law. Previously, the law provided for a maximum period of five years. In practice, this five-year limit is still often used. In exceptional circumstances, supported by comprehensive arguments, a longer period could be acceptable, for instance in the case of a joint venture with a project that will take longer than five years to implement. In any case, voting agreements for longer periods of time should be carefully scrutinized (by legal counsel) on a case-by-case basis.

The validity of voting agreements at the level of the board of directors is debated in the literature. Since directors have a fiduciary duty to the company and must at all times act in the corporate interest, a majority of scholars argues that voting agreements at the level of the board of directors are not valid. One solution could be for shareholders to agree to ensure that the board of directors will approve certain decisions (or transfer certain decisions to the general meeting, see below).

Transfer Restrictions

For differences among a private limited company, a public limited company, and a cooperative company, see also answer to question: *What are the standard forms of joint ventures / strategic alliances and common features of each?*

Joint ventures by nature often require a lockup or standstill period during which shareholders are not allowed to sell their shares and exit the joint venture. Standstill clauses must be in the interest of the company and limited in time (maximum five years, or longer in exceptional circumstances). Most standstill provisions are drafted in order to allow transfers approved by some or all of the other shareholders and within the same group of companies, to spouses, children, and grandchildren.

Pre-emptive right clauses grant certain persons the right to acquire shares at a price determined by a third party or in the clause. When determining the price, the prohibition on unconscionable clauses must be taken into account. This prohibition applies to all companies described and states that agreements allocating all profits to one or more shareholders or excluding one or more shareholders from participating in such profits can be declared null and void (Articles 4:2, 5:14, 6:15 and 7:16 CCA). Such clauses must be limited in time (maximum six months from the request for consent to transfer the shares or exercise the pre-emptive right). Parties have substantial freedom to structure pre-emptive rights (e.g., a right of all other shareholders to acquire the shares pro rata, a right granted to only certain shareholders or certain third parties such as management, etc.). Often, the pre-emptive right is in fact a right of first refusal. Accordingly, if the beneficiaries of the right do not exercise it, the transferor can transfer the shares to the proposed transferee.

Consent clauses require a potential transferor to obtain prior (written) consent from all or some of the other shareholders, a corporate body, or a committee to the transfer of shares. Such clauses must be limited in time (maximum six months from the request for consent). Often, a consent clause is linked to a pre-emptive right or—in the event of refusal—a put option in favor of the potential transferor.

In the framework of an exit, tag-along and drag-along rights are often used in order to avoid being left behind in a joint venture after the exit of one or more shareholders or not being able to sell all shares to the potential purchaser, as the case may be. A tag-along right allows a minority shareholder to sell its shares, together with the majority shareholder, at the same conditions to the potential purchaser. A drag-along right allows a majority shareholder to force a minority shareholder to sell its shares at the same conditions to the potential purchaser. Tag-along and drag-along rights are sometimes linked to put and call options.

Rights to Appoint Board Members

Often, a category of shareholders or one or more shareholders holding a certain percentage of the share capital will be granted the right to appoint one or more directors to ensure proportionate or disproportionate representation on the board of directors. Two or more candidates will be presented to the general meeting of shareholders, which will ultimately decide which to appoint.

The right to propose candidates for directorships is often associated with a list of matters for which consent is required by a director appointed by a certain category of shareholders or by one or more shareholders or with a list of matters on which such a director has a veto right.

Antidilution Measures

Several methods of protection against dilution are seen in shareholders' agreements in a joint venture context, ranging from amendments increasing the number of shares to antidilution warrants (now: antidilution subscription rights). An antidilution warrant (now: antidilution subscription right) entitles its holder to acquire, during a new financing round, additional shares at a price lower than the price initially paid. Through exercise of the antidilution warrant (now: antidilution subscription right), the holder acquires the same number of shares as if its initial investment had been made during the new financing round at the new issue price. Antidilution protection is complex from a legal perspective and must always be carefully scrutinized (by legal counsel) on a case-by-case basis as to its validity and enforceability.

Reserved Matters

Since directors have a fiduciary duty to the company and must at all times act in the corporate interest, requiring

approval for certain decisions by a director appointed by a particular category of shareholders or by one or more shareholders holding a certain percentage of the share capital is sometimes problematic when a decision is in the corporate interest of the company but not in the interest of the shareholders that appointed the director. A solution is to draw up a list of matters that require the approval of the general meeting, a given category of shareholders, or one or more shareholders holding a certain percentage of the share capital. In order not to paralyze the company's management, it is important to keep the list short and to the point. It should be noted that the board of directors cannot be stripped of all its powers.

For public limited companies, the following powers are reserved to the board of directors or the 'sole director'. When an NV/SA opted for a two-tier management structure these powers are reserved to the supervisory board, unless otherwise indicated:

- Determining the company's general strategy and policy
- Supervising the company's management / daily management, which is a responsibility of the management board
- Appointing and removing members of the management / management board
- Calling the general meeting of shareholders
- Drawing up the annual accounts
- Deciding to increase the capital within the limits of the authorised capital
- Deciding to distribute an interim dividend
- Making proposals to the general meeting of shareholders on capital increases outside the authorised capital
- Mergers
- Demergers and other types of reorganisations
- Winding-up of the company

If there is no documentation forming the joint venture or strategic alliance, is there a standard form that exists by default? Are there any attendant risks of falling within that category?

Any form of cooperation between two or more parties does not automatically qualify as a company. A company is an agreement on the basis of which two or more persons agree to contribute something for the purpose of performing one or more precisely described activities with a view to procuring a direct or indirect financial advantage for the partners. Therefore, as soon as parties contribute something with a view to sharing profit and loss, their cooperation will be qualified as a company. It is accepted that the default form of a company is an ordinary law partnership (*maatschap/société*

de droit commun), a partnership without legal personality. Partners are—unless expressly agreed otherwise in writing with third parties—jointly and severally liable to third parties. The unlimited liability of the partners in an ordinary law partnership is of course a significant risk. In practice, when entering into a contractual joint venture, it is of the utmost important to carefully check whether the contract qualifies as an ordinary law partnership and, if so, consider the attendant risks. Finally, labeling an agreement differently when the constituent elements of an ordinary law partnership are present will not help the parties avoid joint and several liability. Indeed, the courts are not bound by and can ignore the characterization given by the parties to their agreement.

Becoming a Member/Partner

What are the different levels of equity and voting participation in the various forms of joint ventures and strategic alliances? How flexible is each of the structures?

In general, please refer to Table 2 in Structures above (especially with respect to nonvoting shares, warrants, profit shares, etc.).

The rules on equity and voting rights underwent substantial changes with the entry into force of the CCA. In a private limited company (BV/SRL), founders are free to determine the number of voting rights awarded to shares in the company. The ‘one share, one vote’ principle is consequently no longer mandatory law for the BV/SRL, although it does remain the default rule if the founders do not provide in diverging statutory provisions.

When it comes to public limited companies (NV/SA), the rules remain more strict, at least for those companies that are listed. A non-listed NV/SA is subject to the same rules as the BV/SRL. A listed NV/SA, cannot freely determine how many voting rights are attached to the shares it issues. When shares represent an equal percentage of the share capital they, obligatorily, each carry the same amount of votes. “One share, one vote” remains mandatory law except for one exception provided for in Article 7:53 of the CCA. ‘Loyal’ shareholders can, but this is not a requirement but a possibility, be awarded double voting rights. Shareholders that have held their shares in the company for two or more years can be rewarded for their ‘loyalty’ to the company by having their voting rights doubled. This option must be provided for in the company’s articles of association, but this decision is subject to a less stringent majority requirement: two thirds instead of three quarters of the votes must approve the change of the articles of association introducing the double voting rights.

In addition, please note that:

- When shares do not represent an equal percentage of the share capital, the voting rights are determined based on the proportion of the share capital they represent, it being understood that the share representing the lowest percentage of the share capital shall have one vote and that fractions of votes are disregarded.
- Equal voting rights for shares issued at different prices can be achieved by allocating a portion of the issue price to the share capital and the remainder to an issue premium.

From a tax point of view, a nil (or low) equity basis combined with substantial indebtedness may trigger application of the thin capitalization (or thin cap) rules. Belgium has a 5:1 debt-to-equity ratio: if the total indebtedness of the company exceeds five times the sum of its taxed reserves at the start of the relevant financial year and the paid-in capital at the end of that financial year, the interest on debt exceeding this ratio will no longer be tax deductible. This rule applies to *inter alia* all intragroup loans (group is defined in Article 1:20 of the CCA). An anti-abuse measure provides that loans guaranteed or funded by a third party (bearing some or all of the risk associated with the loan, known as a “tainted third party”) shall be deemed extended by this third party. Further to Council Directive 2016/1164 of July 12, 2016, laying down rules against tax avoidance practices that directly affect the functioning of the internal market (ATAD Directive), the Belgian thin cap rules have been largely replaced by a new interest limitation rule. For financial periods starting, at the earliest, on 1 January 2019 (linked to tax year 2020), the aforementioned 5:1 debt-to-equity ratio only applies for grandfathered loans (predating 17 June 2016 that have not been materially modified after this date) and loans whereby interest is paid to tax havens.

Under the new interest limitation rule, there is no direct link with the amount of equity of the taxpayer. Net borrowing costs are only tax deductible for an amount of up to 30% of the taxpayer’s earnings before interest, taxes, depreciation, and amortisation (EBITDA) less non-taxable items (such as the participation exemption, 85% of innovation income, etc.). This EBITDA-based interest limitation rule contains a number of special rules, such as an exemption of up to €3 million on interest, standalone and PPS exclusion, transitional rules for existing loans (which remain subject to the existing thin cap rules – see above), the transfer of non-deductible interest to subsequent taxable periods, ad-hoc consolidation (including a transfer of excess capacity to deduct net-borrowing costs) etc.

What forms of contributions (e.g., cash versus in kind) may be made by members/partners?

The possible forms of contributions will vary depending on the corporate form. In general, there are three forms of contributions: contributions in cash, contributions in kind, and contributions of services.

In the past contributions in the form of services were only possible in partnerships. With the entry into force of the CCA, the contribution of services became possible in a private limited company (BV/SRL – Article 5:7 CCA) although it remains impossible in a public limited company (NV/SA – Article 7:6 CCA).

Contributions in kind in companies with limited liability are only possible if the contributed assets can be valued in monetary terms. Special reporting requirements apply to contributions in kind (reports by the board of director and the (statutory) auditor).

Should contributions to the joint venture or strategic alliance be documented? If so, what is the typical form of documentation?

The instrument of incorporation will, among other things, stipulate the contributions of each partner. Companies with unlimited liability do not require a notarial instrument for incorporation (except when real estate or intellectual property rights are contributed), a private agreement between the founders being sufficient. The founders can of course always opt to incorporate in front of a notary. Companies with limited liability require a notarial instrument. The same holds true for later contributions.

Although not required by law, contributions are often documented in subscription agreements.

For limited liability companies, the following additional documents and/or procedures are required:

- **Financial plan.** Upon incorporation, a financial plan justifying the initial assets must be drawn up and provided to the notary. The financial plan is not made public but will be kept in the notary's file. It is important to draw up the financial plan with care, since if the company declares bankruptcy within three years following its incorporation, the founders can be held liable if it can be proven that the initial assets upon incorporation were clearly inadequate to exercise the company's activity for at least two years. The CCA has increased the amount of information that must be provided in the financial plan with respect to a private limited company (BV/SRL), which can be seen as a compensation for the abolishment of the minimum share capital. The financial plan is one factor that will be taken into account when assessing the founders' potential liability.

- **Special bank account.** Both upon incorporation and during the term of existence of a limited liability company, when a contribution in cash occurs, a special account must be opened with a Belgian bank in the name of the company (in formation), the amounts corresponding to the contribution must be wired to that account, and the bank must provide the notary with a certificate evidencing the availability of the funds.
- **Reports for contributions in kind.** Both upon incorporation and during the term of existence of a limited liability company, when a contribution in kind (a building, equipment, claims, etc.) is made, special reports on the proposed contribution must be drawn up by the founders (upon incorporation) or the board of directors / director(s) (during the company's term of existence) and the (statutory) auditor. The auditor's report shall contain a description of the contribution in kind and the valuation methods applied, an assessment of whether the resulting valuation corresponds at least to the number and (nominal or par) value and, as the case may be, the issue premium of the shares to be issued, and the actual consideration offered in return for the contribution. The founders' report (for contributions upon incorporation) shall explain why the contribution in kind is in the interest of the company and, if applicable, why they deviate from the auditor's opinion. The board of directors / director(s) report (for contributions during the company's term of existence) must explain why the contribution and the capital increase are in the interest of the company and, if applicable, why its report differs from the auditor's conclusions.

Are there any statutory or other requirements regarding the number (i.e., minimum or maximum) or type of members (as in age requirements or legal status; individual or juridical person) in the joint venture or strategic alliance?

Contractual Relationships

The minimum number of parties to a contractual joint venture is two. The law does not provide for a maximum number (Article 4:1 CCA).

Entity-Based Structures

The minimum number and type of members will depend on the corporate form of the company and are governed by Belgian law and the company's articles of association.

Both a public limited company (NV/SA) and a private limited company (BV/SRL) can be incorporated by a single founder, who can be a natural or a legal person. The CCA removed the requirement that an NV/SA and, in principle, a BV/SRL

must have two shareholders upon incorporation. By doing so, it also abolished the specific grounds of liability that existed for the sole shareholder if, for one reason or another, the company did have one shareholder at the moment of incorporation or later in the company's existence.

A cooperative company may be incorporated by at least three natural or legal persons (Article 6:3 CCA).

With respect to the type of members/shareholders, there are a number of requirements in order for persons to be able to perform legal acts in Belgium. A person must have reached the age of adulthood (18 years of age) and have full legal capacity in order to enter into a contract. In Belgium, a minor cannot be a shareholder (or, more accurately, cannot exercise shareholder rights independently). A guardian (*voogd/tuteur*) or parent must represent the minor for these purposes. If a minor does not have a guardian or a parent, the court can appoint a third party to represent him or her.

Can a public sector body be a member/partner in the joint venture or strategic alliance?

The federal government, communities, regions, provinces, municipalities, and other public authorities exercise many governmental tasks directly. However, some tasks in the public interest are exercised by individual legal entities or by public-private partnerships. Such legal entities can be incorporated by one or more governmental authorities and one or more private partners and can be contracted to carry out one or more, mostly governmental tasks. The incorporation of a public law legal entity and the setting up of public-private partnerships are subject to strict rules. Governmental authorities can only incorporate legal entities or set up public-private partnerships if a law, decree, or ordinance allows them to do so (and within the limits and scope thereof). In addition, the public procurement and state aid rules must be taken into account when cooperating with the private sector. Finally, the joint venture or strategic alliance must fit in with the constitutional tasks of the government/governmental authority.

Restrictive Covenants

What restrictive covenants can apply to members/partners relating to corporate opportunity, noncompetition and non-solicitation?

Restrictive covenants in joint venture agreements or shareholders' agreements are very common.

Non-competition

A non-compete clause in a joint venture agreement, shareholders' agreement, share purchase agreement,

employment contract, or other agreement is a provision that prohibits a shareholder (employee or consultant) from starting a competing business or working for a competitor for a specified number of years in a given geographic area after leaving the company. In order to be enforceable, the clause must be sufficiently precise. Consequently, a general non-compete clause is invalid. First, a non-compete provision should cover only activities similar to those carried out by the joint venture. Second, a non-compete clause must be geographically restricted to the countries, regions, or areas where competition can actually occur, taking into account the nature of the activities carried out by the joint venture. Third, the non-compete clause must be limited in time. A non-compete clause for a period of 12 months following a shareholder leaving the company is generally acceptable. Longer periods, from two to three years, also appear acceptable under certain circumstances (except with respect to employment contracts where the maximum term seems to be 12 months). It should be noted that a non-compete clause is in principle invalid if any of these conditions is not respected, although recent case law allows the invalid clause to be 'saved' by the court if this is in accordance with the parties' intentions. It is therefore advisable to include a clause that would allow the non-compete undertaking to be applied to the fullest extent as allowed by law, if it would be considered invalid in its entirety, or a clause with similar finality.

Non-solicitation

By signing a non-solicitation clause, a former shareholder (or a former employee or consultant) of the company agrees not to solicit employees or consultants of the company to leave their current position. Non-solicitation clauses are in principle less heavily negotiated than non-compete clauses.

Confidentiality

Other restrictive covenants often seen in joint venture documentation are confidentiality provisions prohibiting shareholders (employees or consultants) from using confidential information during and after leaving the joint venture or strategic alliance.

Doctrine of Corporate Opportunity

In addition to restrictive covenants, Belgian law provides for a general duty of loyalty. A duty of loyalty is applicable to shareholders and directors in their relations with the company and among themselves, even if not provided for in a contract. Although not provided for by the CCA, the corporate opportunity doctrine, which is based on the duty of loyalty, should also be borne in mind. A corporate opportunity refers to any business opportunity that may benefit the company and that should thus be deemed a corporate asset. The corporate opportunity doctrine has only recently received attention in

Belgian literature and, in the absence of substantive case law on the subject, is mostly based on U.S. examples.

Pursuant to the corporate opportunity doctrine, directors, officers, and shareholders in a company should not appropriate the company's opportunities for themselves without first disclosing the opportunity to the board of directors / director(s) of the company and obtaining consent from the board/director(s) to pursue the opportunity. Sanctions for violation of the corporate opportunity doctrine may include directors' liability, damages, removal of a director and, in the event of unfair competition, cessation of the offending activity.

Management

How is the joint venture or strategic alliance managed in the different structures? Are there statutorily mandated supermajority provisions?

In general, a company is managed by one or more directors or a board of directors.

Limited liability companies also have a general meeting of shareholders. The general meeting has the power to approve the annual accounts (discharge the directors and the statutory auditor, decide on the distribution of dividends), initiate claims against directors, appoint, remove and determine the remuneration of directors and the statutory auditor, amend the articles of association, and vote on mergers and demergers, contribution of a branch of activity, winding-up, etc.

An ordinary general meeting must be held annually within six months from the close of the financial year, on the date and at the time stipulated in the articles of association. For companies with limited liability, decisions by the general meeting are in principle (see the exceptions below) adopted by a simple majority of votes cast and without a quorum being required, unless the articles of association provide otherwise. For other corporate forms, decisions must in principle be adopted unanimously, unless the articles of association provide otherwise.

An extraordinary general meeting must be called to vote on amendments to the articles of association of a private limited company, a public limited company, a cooperative company, and a partnership limited by shares. The CCA provides that for these corporate forms, the following quorum and majority requirements apply to amend the articles of association: a quorum of at least half the share capital and a majority of at least three quarters of the votes cast. More stringent quorum and majority requirements apply for instance to amend

the company's corporate purpose. A less stringent majority requirement exists for the decisions to grant double voting rights to 'loyal' shareholders in a public limited company.

What mechanisms are there for resolving deadlocks on major decisions?

A deadlock on major decisions can always occur in a joint venture, especially in a 50-50 joint venture.

Therefore, it is important to acknowledge the risk of deadlock from the outset of the joint venture and to create mechanisms to avoid and/or resolve them. Various mechanisms can be considered, including:

- Deciding vote (tiebreaker) by the chair
- Deadlock provision in the joint venture or shareholders' agreement. A deadlock provision is a provision that determines how disagreements on key issues are to be resolved in relation to the management of the joint venture. Deadlock provisions often introduce cooling-off periods (during which the parties can try to reach a consensus on a deadlocked matter) and often lift the matter to higher management echelons within the shareholders' corporate structures. If at the end of the procedure, the matter still cannot be resolved, the following mechanisms may apply.
- Binding third-party decision
- Deadlock put option, allowing a minority shareholder in the event of a deadlock to sell all of its shares to the majority shareholder (or to a group of majority shareholders on a pro rata basis) at fair market value (agreed by the parties or determined by an independent expert or a committee of independent experts) or a determined price.
- Deadlock put option is often combined with a deadlock call option. If the minority shareholder does not exercise the deadlock put option within six weeks from the time it is entitled to do so and if the shareholders have not reached a consensus on the matter during this period, the majority shareholder (or a group of majority shareholders pro rata) will be entitled to purchase all of the minority shareholder's shares at fair market value (determined by the parties or, if no agreement can be reached, by an independent expert or a committee of independent experts) or a determined price.

Note that under Belgian law a deadlock put option, alone or in combination with a deadlock call option, may be limited by the prohibition on unconscionable clauses (*leeuwenbeding/clause léonine*), as discussed in more detail in this Guide above. This prohibition applies

to all companies described and states that agreements allocating all profits to one or more shareholders or excluding one or more shareholders from participating in such profits can be declared null and void (Articles, 4:2, 5:14, 6:15 and 7:16 CCA).

A number of dispute resolution procedures are provided for by the CCA (e.g., expulsion or resignation of a shareholder) and, ultimately, the winding-up of the company can be requested.

What procedures apply for removing managers in joint ventures and strategic alliances?

In principle, directors may be removed from office *ad nutum* or at will (i.e., without grounds for removal being required and without notice). Since the adoption of the CCA, this principle is no longer mandatory and can be diverged from in the company's articles of association. This means that the articles of association or the appointment decision can provide for a notice period or termination fee.

In a private limited company, a director can be appointed for a limited or unlimited period of time. In addition, a permanent director (*statutaire bestuurder/administrateur statutaire*) can be appointed. Such a director holds office for the company's entire term of existence. A permanent director can only be removed (1) by amending the articles of association of the company or (2) for serious cause (e.g., the director is declared incompetent, is seriously ill for an extended period of time, displays a complete lack of interest in the company's affairs, etc.). This last possibility requires only a decision by the general meeting of shareholders taken in compliance with the normal quorum and majority requirements. The possibility to appoint a permanent director is interesting for a number of reasons (e.g., to ensure the representation of minority shareholders in the management of the company, representation (or even control) of management of the company for the *pater familias* in the framework of succession structures, etc.).

Under the CCA, this fortified position a director holds within a company has been extended to the public limited company. An NV/SA has the possibility to appoint a 'sole director' (*enige bestuurder/administrateur unique*) in the articles of association. Members of the board of directors, supervisory board or management board, however, cannot be appointed in the articles of association. When a statutory sole director has been appointed, it is possible to provide for the joint and several liability of the sole director for the obligations of the company. The CCA also provides for the possibility to adopt a provision in the articles of association that any change of the company's articles of association, including the ones dealing with the appointment of the sole director, must be approved by the sole director, which gives him a veto right regarding

his own dismissal. The only exception to this veto right is the dismissal because of a serious cause, which can, contrary to the dismissal for serious cause of the statutory director in a BV/SRL, only occur as long as the normal quorum and majority for the amendment of the articles of association are complied with.

Allocating Profits, Losses, and Distributions

How are profits, losses, and distributions allocated among partners/members? Are there legal or regulatory restrictions that may limit the ability of the partners/members to make such allocations on their own?

In principle, profits are allocated in proportion to the contributions of the partners/shareholders, unless the articles of association provide otherwise.

It is important to bear in mind that the shareholders can allocate the profit, risk, and liabilities amongst themselves in the instrument of incorporation, the articles of association, a shareholders' agreement, or elsewhere (e.g., an option agreement). Disproportionate treatment is allowed, provided the shareholders are treated fairly. Under Belgian law, the possibility to treat shareholders disproportionately is limited by the prohibition on unconscionable clauses (*leeuwenbeding/ clause léonine*). This prohibition applies to all companies described and states that agreements allocating all profits to one or more shareholders or excluding one or more shareholders from participating in such profits can be declared null and void (Articles 4:2, 5:14, 6:15 and 7:16 CCA).

The new CCA introduced a new double test (the net asset test and the liquidity test) to ascertain whether a private limited company (BV/SRL) is allowed to distribute its profits.

For private limited companies, no allocation of profits is allowed if, at the close of the financial year, the net asset value has or will, as a result of the allocation, become negative. If the company has reserves that cannot be distributed by law or pursuant to the articles of association, the net asset value cannot drop below this amount. This is the so-called net asset test. For public limited companies, the first test also uses the net asset but links it to the notion of 'legal capital' which, contrary to the BV/SRL, has not been abolished for the NV/SA. For an NV/SA the net assets are not allowed to drop below the legal capital of the company increased with, if applicable, the company's reserves that cannot be distributed by law or pursuant to the articles of association.

In addition, public limited companies are required to set aside each year at least 20% of the net profits and place them in

a statutory reserve; this obligation ends when the reserve reaches 10% of the share capital (or fixed share capital for a cooperative company with limited liability).

The second test, the liquidity test, concerns the liquidity of the company and is only applicable to the private limited company (BV/SRL) and, for reasons of completeness, the CV/SC. Distribution of profits is only possible if the management body has determined that, according to the reasonably expected developments, the company will continue to be able to pay its debts after the distribution as they become due and payable over a period of at least twelve months from the date of the distribution. This analysis will take the form of a report that will be scrutinized by the statutory auditor, if a statutory auditor is appointed, on the historic and prospective accounting and financial data used in such report.

From a tax point of view, net operating losses carried forward may be forfeited in the event of a change of control of the company, except in the case of legitimate financial or economic needs. This concept is not defined in the law. Some guidance regarding this notion can be found in the Circular Letter of 15 December 2000. According to this Circular Letter, legitimate financial or economic needs can be deemed present if:

- It concerns a “company in difficulty” that, because of the change of control, is able to continue, even partially, its economic activities, and is able to maintain, even partially, its employment level;
- The change of control occurs within a group of companies whose results are consolidated for accounting purposes. A ruling can be obtained to confirm (1) whether or not there is a change in control and, if this is the case, (2) whether legitimate financial or economic needs exist. Obtaining such a ruling generally takes three to six months.

For financial periods starting at the earliest on 1 January 2018 (linked to tax year 2019), the use of certain (carried forward) deductions is limited to €1,000,000 plus 70% of the taxable income base (before deductions) exceeding this amount. As a consequence, 30% of the tax base in excess of this €1,000,000 cannot be offset. The limitation applies a.o. to the tax losses carried forward, the carried forward participation exemption and the carried forward notional interest deduction (see below).

Indemnification

What indemnification provisions would apply in a joint venture or strategic alliance?

In theory, there is freedom of contract with respect to indemnification between the parties.

The parties can in principle be exonerated for misconduct, even willful misconduct (pursuant to most legal scholars), but not fraud. Exoneration for criminal penalties and fines is in general not accepted. See also answer to question: *Are joint ventures or strategic relationships specifically regulated?*

Exit or Termination

How is a joint venture or strategic alliance terminated?

Contractual Relationships

The terms for the termination of a contractual relationship are stipulated in the agreement. If the agreement has an indefinite term, it can be ended with a reasonable notice period.

An ordinary law partnership that was founded for one or several specific activities is wound up automatically when the purpose for which it was formed ends. In addition, these partnerships can be wound up unanimously by the partners or by a court for serious cause (e.g., serious differences of opinion between the partners making it impossible to work together, serious and continuous abuse of majority rights, the long-term illness of a partner, etc.).

With respect to companies without legal personality, the general rules on the division of estates between heirs will apply to the partners. In principle, the liquidation proceeds will be divided among the partners pro rata to their contributions. As is the case with the distribution of profits, liquidation proceeds can be allocated disproportionately amongst the partners. Disproportionate allocations of liquidation proceeds cannot however violate the prohibition on unconscionable clauses. This prohibition applies to all companies described and states that agreements allocating all profits to one or more shareholders or excluding one or more shareholders from participating in such profits can be declared null and void (Article 4:2 CCA).

In any case, it is advisable to include detailed provisions with respect to termination and the procedure to be followed in the event of termination in the joint venture agreement.

Entity-Based Structures

With respect to companies with legal personality, the following methods of termination of the joint venture are worth mentioning:

- **Automatic winding-up (*ontbinding van rechtswege/dissolution de plein droit*).** The company terminates upon expiration of the period for which it was incorporated or completion/extinction of the purpose for which it was formed.

- **Winding-up due to termination (*ontbinding ingevolge opzegging/renonciation*).** This form of winding-up is only applicable to general partnerships and limited partnerships entered into for an indefinite period and occurs by way of a declaration by one or more partners that they no longer wish to be part of the partnership.
- **Judicial winding-up (*gerechtelijke ontbinding/résolution judiciaire*).** Judicial or involuntary winding-up can occur when there is a reason stipulated in the law and, for public limited companies when the net asset value drops below the amount provided for by the CCA (€61,500). Winding-up can be ordered at the request of an interested party or a shareholder for serious cause. So-called dormant companies (i.e., those that have not filed annual accounts) can be wound up at the request of any interested party or the public prosecutor.
- **Voluntary winding-up (*vrijwillige ontbinding/dissolution volontaire*).** Voluntary winding-up requires an amendment to the articles of association, which must be approved by the general meeting of shareholders in accordance with the quorum and majority requirements stipulated by the CCA (see also answer to question: *How is the joint venture or strategic alliance managed in the different structures? Are there statutorily mandated supermajority provisions?*). The CCA provides in detail the procedure for voluntary winding-up and liquidation.

For private limited companies, public limited companies and cooperative companies a statement of assets and liabilities no older than three months must be prepared as well as a (statutory) auditor's report on the statement of assets and liabilities and a special report by the board explaining why it proposes liquidation. Subsequently, an extraordinary general meeting will be held before a notary to vote on the winding-up and liquidation of the company. With respect to general partnerships and limited partnerships, no notarial instrument is required, but the decision by the partners must be taken by at least half the partners holding at least three quarters of the company's capital.

At this stage liquidation starts, which is in principle a very formal, lengthy, and costly procedure.

However, a company can also be dissolved and liquidated by way of a single document if the following cumulative conditions are met:

- No liquidator is appointed.
- No liabilities appear from the statement of assets and liabilities (all liabilities have been settled or the necessary funds have been consigned). The reporting auditor or external accountant reporting on the dissolution or liquidation must confirm such payment or deposit of all liabilities in the conclusions of his report. The payment or

deposit of such liabilities may be delayed if agreed upon in a written agreement with the shareholders, partners or third-parties concerned. The agreement must be confirmed by the reporting auditor or external accountant in the conclusions of his report.

- All shareholders are present or validly represented at the extraordinary general meeting and the decisions are taken unanimously in a general partnership or limited partnership. Alternatively, subject to the unanimous vote of the shareholders present or represented, insofar as, in a private limited liability company or cooperative company, the shareholder represent at least half of the total number of shares issued or, in a public limited liability company, at least half of the capital.
- The remaining assets will be transferred to the shareholders.

If an auditor's report must be drawn up, it must mention the fact that the liabilities have been settled or that the necessary funds have been consigned. In practice, we notice that more and more companies opt to fulfil these conditions in order to qualify for simplified winding-up and liquidation.

If the above conditions for simplified winding-up and liquidation are not fulfilled, the normal liquidation formalities must be complied with, which include:

- Petition to the commercial court requesting confirmation of the appointment of the liquidator(s)
- Court hearing to confirm the appointment of the liquidator(s)
- Confirmation by the commercial court of the appointment of the liquidator(s)
- Liquidation of the company by the liquidator(s)
- Preparation of a draft distribution plan by the liquidator(s)
- Petition to the commercial court requesting approval of the draft distribution plan
- Approval of the draft distribution plan by the commercial court
- Preparation of draft liquidation accounts by the liquidator(s)
- Auditor's (or statutory auditor's) report on the liquidation accounts
- Preparation of a draft liquidation report
- Unanimous written resolutions by the shareholders or general meeting resolving to close the liquidation
- Publication of the close of liquidation
- Deregistration of the company with the Crossroads Enterprise Database
- Deregistration of the company with the VAT authorities

- Filing of an income tax return for the period between the filing of the latest annual accounts and the closing date of liquidation
- If applicable, drawing up of a certificate that the conditions to withhold tax are satisfied and the filing of a tax return for the liquidation proceeds

Bankruptcy proceedings, while not a way to terminate a joint venture, should be mentioned here for the sake of completeness. If the conditions for bankruptcy are met, a company must file for bankruptcy and, after the bankruptcy proceedings are closed, the company is wound up and ceases to exist.

Is the termination of a joint venture or strategic alliance subject to the approval of any governmental body?

No approval of governmental bodies is required. However, the commercial court in liquidation proceedings or the commercial court, trustee in bankruptcy, etc. in bankruptcy proceedings plays an important role. Furthermore, where activities require permits, licenses, etc., additional notifications to or consent from governmental bodies may be required.

Foreign Members/Partners

What statutes or rules govern joint ventures or strategic alliances with foreign parties?

A Cooperation Agreement between the federal State and federal entities implementing a screening mechanism for foreign direct investment in Belgium is expected to come into force as of 1 July 2023. The mechanism enshrined in the Cooperation Agreement covers investments by foreign investors which could have an impact on Belgium's security and public order, or on the strategic interests of the federal entities.

Within that framework, a foreign investor is either a (i) natural person with its main residence outside the EU, (ii) an undertaking established outside the EU or (iii) every undertaking of which the ultimate beneficial owner has its residence outside of the EU. In terms of material scope, a foreign direct investment is any type of investment that aims at establishing or maintaining lasting direct relations, including, but not limited to effective participation in the management or control of the target company. A transaction resulting in a lasting direct relation, may fall within the scope of the screening mechanism, if it fulfils one of the two following sets of criteria:

1. The transaction constitutes a direct or indirect acquisition of **25 percent** or more of the voting rights of a Belgian entity and the Belgian entity's activities relate to:
 - critical infrastructure
 - technologies and raw materials essential for safety, defense and public security, military equipment, dual-use goods and technologies of strategic importance
 - supply for critical inputs, such as energy or raw materials
 - access to sensitive information
 - private security
 - freedom and pluralism of the media
 - technologies of strategic interest in the biotech sector, on the condition that the turnover of the Belgian target exceeds 25 million euros
2. The transaction constitutes a direct or indirect acquisition of **10 percent** or more of the voting rights of a Belgian entity with a turnover that exceeded 100 million euros in the previous financial year and the Belgian entity's activities relate to:
 - defense
 - cyber security
 - energy
 - electronic communication
 - digital infrastructure

An Investment Screening Commission (ISC) (*Interfederale Screeningscommissie/Comité de Filtrage Interfédéral*) will be in charge of the screening procedure. The ISC will be composed of a representative of the federal public service for finance, of the federal public service for internal affairs and of the federal public service for foreign affairs, three representatives of the regions and three representatives of the communities.

Transactions that fall within scope, cannot close before an assessment is made by the ISC. The screening will take place in three phases:

1. Notification (*Aanmelding/Notification*): transaction documents, in draft or signed, should be submitted to the secretariat of the ISC. The ISC shall review the documents and notify the parties if information is missing. The notification should include the following information:

- a. Ownership structure of the foreign investor and the target company, including information on the identity, the participation in the capital and the UBO of the investor;
 - b. Approximate value of the investment, and the elements used to get to this valuation;
 - c. Products, services and activities of the foreign investor and the target company;
 - d. The EU and third countries in which the foreign investor and the target company have activities;
 - e. The financing of the investment and its origin; and
 - f. The date or the envisaged date for the closing.
2. Assessment (*Toetsing/Vérification*): once the file is considered complete by the secretariat of the ISC, it will be submitted to the ISC itself. The ISC will judge whether the characteristics of the transaction or the foreign investor may entail a risk for public order, security, or strategic interest. If no risks are identified, the parties may proceed with the closing of the transaction. Until the green light is given by the ISC, the parties have to refrain from completing the transaction. This phase may take up to 40 calendar days, starting from the day the file was submitted to the ISC by the secretariat.
 3. Screening (*Screening/Filtrage*): if certain risks are identified, the members of the ISC shall further examine the transaction and draft an advice with regards to the specificities of the government they report to. Based on these advices, one consolidated decision will be communicated to the parties, which can either approve the transaction, possibly under conditional mitigation measures, of which compliance with would lead to a positive advice, or refuse the transaction. Mitigation measures may relate to the structure of the transaction itself, to governance and compliance requirements or limiting the flow of information. The duration of this phase cannot be put in concrete terms, as it depends on various factors and the number of extensions used. The more complex a transaction and the more governments affected, the longer this phase will take.

In case of non-compliance with the procedure, for example by failure to notify, by providing misleading or incorrect information or by not implementing the mitigation measures, fines of between 10 and 30 percent of the value of the transaction may be imposed upon investors. Additionally, the ISC will have the possibility to still conduct an assessment and screening, following which structural modifications and mitigation measures may be imposed up until two years after the acquisition of the voting rights with a possible extension

of three extra years in case of indications of bad faith. When the acquisition of the control by the foreign investor took place before the entry into force of the Cooperation Agreement, the ISC can start the assessment and screening procedure up to two years after the acquisition, if deemed necessary in light of the protection of public order, national security or strategic interests.

What constitutes a “foreign” member or partner of a joint venture or strategic alliance? If there is an attribution rule that traces the ultimate ownership of a local member/partner to a foreign entity, what are the equity-holding and voting-rights thresholds for deeming “control” at each ownership chain?

The CCA does not contain a definition of a foreign member or partner of a joint venture or strategic alliance.

With respect to how control is construed in Belgian corporate law, it should be noted that control over a company is defined as the power de jure or de facto to exercise a decisive influence on the appointment of a majority of the company’s directors or the orientation of its policy.

De jure control is irrefutably presumed:

1. From possession of a majority of the voting rights attached to the company’s shares
2. When a shareholder has the right to appoint or dismiss a majority of the company’s directors
3. When a shareholder, pursuant to the articles of association or agreements entered into with the company, has the power to control the company
4. When a shareholder, pursuant to an agreement entered into with other shareholders, holds a majority of the voting rights attached to the company’s shares –and–
5. In the event of joint control

De facto control results from factors other than those mentioned above. A shareholder shall be deemed, unless proven otherwise, to have de facto control over a company when that shareholder has, at the last and next-to-last general meetings, exercised voting rights representing a majority of the voting rights attached to company’s shares represented at those meetings.

Both domestic and foreign investors in joint ventures are subject to the rules and regulations on the prevention of money laundering and terrorist financing. The Act of 18 September 2017 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, as amended (the AML Act), governs the prevention of money laundering and terrorist financing. The AML Act

implements Directive (EU) 2015/849 of 20 May 2015 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (e.g., the obligation to identify and take adequate risk-based measures to verify the identity of ultimate beneficial owners (UBOs)). A UBO is a natural person on whose behalf a transaction is executed or a client relationship is entered into or a natural person who ultimately owns or controls the client.

The AML Act provides for the establishment of a central Belgian register of UBO's (the UBO Register). The directors of all Belgian legal entities (companies, foundations and (international) not-for-profit organisations) are required to collect and hold information on their UBO's and to provide this information to the UBO Register electronically. Such information includes at least the name, date of birth, nationality and address of the UBO, as well as the nature and the size of the economic interest held by such UBO.

Do such statutes or rules have any limitations regarding foreign members/partners in a joint venture or strategic alliance?

No restrictions on the level of participation or management are stipulated in the CCA; however, the articles of association (or other agreements among partners/shareholders) can provide otherwise. In addition, depending on the activities conducted and the sector in which these activities are conducted, among other factors, certain European, federal, regional, or local rules and regulations may apply to the industry in which the joint venture or strategic alliance operates, which could impact the entity. Furthermore, certain activities will require permits, licenses, etc. Regulator consent is often required in order to become a shareholder in a regulated entity (e.g., a financial institution), as well as for management and, in general, corporate governance decisions. Other sectors in which limitations typically apply are the energy sector and aviation sector.

What permits, consents, or registrations are required by foreign members/partners of a joint venture or strategic alliance?

With respect to foreign partners and shareholders of entity-based structures, no specific forms of consent or registrations apply (see below for more information). However, if the foreign partners or shareholders (or other foreign nationals) carry out activities in Belgium as an employee or self-employed person, this conclusion could be different.

In order to work as an employee or to carry out a self-employed activity in Belgium, the following permits or consent are required for foreign nationals (i.e., nationals of countries other than the EU Member States, Iceland, Norway, Liechtenstein, and Switzerland).

Foreign nationals who wish to reside and work as an employee in Belgium are not allowed to do so on the basis of an employment contract alone.

Foreign nationals who wish to reside and work as an employee in Belgium for less than 90 days must apply for a work permit with the work permit authorities via their employer.

Foreign nationals who wish to reside and work as an employee in Belgium for more than 90 days must also hold a so-called "single permit", which is a combined residence permit and work permit, effective in Belgium as from 1 January 2019.

An application must be filed by the employer with the work permit authorities via the "Working in Belgium" platform before the employee enters the Belgian territory. Subsequently, the residence permit authorities will handle the file. The single permit procedure can take in total up to 4-5 months as from the examination of the file by the work permit authorities (due to a large influx of applications, there are currently waiting times of two to four weeks before starting the examination of the file).

Certain categories of foreign nationals are exempt from the obligation to obtain a work permit (e.g., persons taking part in certain traineeships, persons attending meetings, or on a business trip for a limited period of time, etc.).

Belgian law provides for the imposition of criminal, civil, or administrative sanctions on both the employer and the employee if foreign nationals are employed in violation of the aforementioned rules.

Any foreign national who performs self-employed professional activities in Belgium, either as an individual or on behalf of a company, must have a professional card. In order to obtain a professional card, a foreign national must file an application. After having obtained a professional card, the foreign national must apply for a residence permit. This rule does not apply to foreign nationals who live abroad and who are only on a business trip to Belgium, provided the total duration of their visits to Belgium does not exceed three consecutive months (in the Flemish Region: 90 days in a period of 180 days). Trips to Belgium by foreign nationals to attend board or shareholders' meetings are considered business trips, for which no professional card is required, provided these individuals are not involved in the day-to-day management of the company.

In addition to the general requirements applicable to all self-employed persons, special formalities apply to certain categories of self-employed individuals relating to the entrepreneurial skills required by a given trade or profession (e.g., basic knowledge of management) and in order to obtain specific licenses or permits.

Further, every foreign employer/self-employed person must complete a mandatory electronic declaration (the so-called “Limosa declaration”) with the National Social Security Office (ONSS/RSZ) for each employee (as of January 1, 2017, the obligation for self-employed persons is limited to certain sectors) seconded to Belgium, prior to the employee’s/self-employed person’s arrival in Belgium. Certain categories of seconded employees and self-employed persons are exempt from the Limosa requirement.

Are there any economic incentives for foreign direct investments in a joint venture or strategic alliance?

Like most EU Member States, Belgium is keen to attract business, including joint ventures, with foreign investors. The following tax advantages are worth mentioning and are applicable to both domestic and foreign joint ventures.

Belgium actively supports R&D and IP-heavy businesses by means of a variety of tax incentives, some focused on companies and some on employees. Belgium is continually improving and extending these incentives.

The main corporate tax incentives are:

- **Accelerated depreciation.** Intangible fixed assets used in R&D may qualify for accelerated three-year (rather than five-year) depreciation (Article 63 BITC).

R&D investment deduction / tax credit. Article 68-77 and 201 BITC. **Pre 2025 R&D Investment Deduction Regime.**

Companies could benefit from an additional investment deduction on top of ordinary depreciation for qualifying R&D investments. The one shot deduction amounted to 13.5% of the acquisition value; the spread deduction (i.e. over depreciation) was 20.5% of the annual amortisation. As an alternative, companies could opt for an R&D tax credit equal to 25% of the investment deduction (one shot or spread), resulting in an upfront tax reduction rather than a base deduction. Unused tax credits could be carried forward and—since assessment year 2025—are refundable after four years (previously five).

Basic deduction (only for SMEs/self-employed): 10% on acquisition value; increased to 20% for qualifying digital investments (on a published list).

Thematic deduction: 40 % for SMEs/self-employed, 30% for other companies—valid for investments in areas such as energy efficiency, renewable energy, carbon free transport, and supporting digital investments, subject to attestation and being on the official list.

Technology deduction (for R&D related fixed assets and patents): 13.5% one shot or 20.5% spread; taxpayers can choose the deduction or opt for a tax credit instead.

- **Transitional and Carry Forward Rules.** The current rules on carry forward of unused investment deductions remain in place: basic deductions (one year for companies), thematic and technology deductions (unlimited carry forward). Assets acquired before 2025 are still subject to the old regime; new rules apply only to asset investments made from 1 January 2025 onwards.
- **Innovation Income Deduction (IID).** (Article 205/1-205/4 BITC). Belgium’s IID provides an 85% deduction on net income derived from eligible IP: patents, copyrighted software, plant breeders’ rights, orphan drugs, SPCs. The deduction is subject to the nexus approach, requiring detailed tracking and tracing of R&D expenses and historical development costs. As of assessment year 2025, taxpayers may opt to convert the IID into a non-refundable tax credit with unlimited carry-forward. A BELSPO certificate is mandatory, especially for software, under newly tightened 2025 guidelines.
- **Well-established advanced tax ruling practice.** From 2003, a taxpayer is able to request from the Ruling Commission (*Dienst voorafgaande beslissingen in fiscale zaken/Service des Décisions Anticipées en matière fiscale*) a formal ruling on all tax queries, unless the relevant tax law specifically indicates that a ruling may not be requested. A ruling binds the tax authorities. A ruling is generally valid for a period that may not exceed five years, but may be granted for a longer period in certain cases. For certain specific topics (e.g., innovation income deduction for software), rulings are generally only valid for three years. The Flemish ruling commission (Vlabel), established in August 2015, issues advance binding decisions on how the Flemish Tax Code (VCF) applies to planned transactions. Rulings are valid for up to five years.
- **R&D salary withholding tax incentive for qualifying companies** (Article 275 BITC). Eighty percent of the taxes withheld on wages for qualifying researchers need not be remitted to the tax authorities, subject to a number of conditions. Since 1 January 2018, this regime has been expanded to personnel that hold a bachelor’s degree (although with some limitations).
- **Expat tax status** (Article 32/1 and 32/2 BITC). Belgium knows an attractive special tax regime for inbound taxpayers and inbound researchers, offering significant benefits and decreasing the cost of employing individuals in Belgium. Both regimes contain different conditions. The regime is valid for 5 years plus a 3-year extension, subject to conditions on salary or R&D role.
- **Other employment-related tax benefits.** R&D premium (i.e., a premium of up to one month’s gross salary per employee that is exempt from social security contributions and taxes in the hands of the employee

and tax deductible for the company) remains available under specific conditions. Furthermore, a beneficial tax regime may apply for IP income related to the cession or concession of IP – if the rights qualify as copyright-protected work – whereby this income will be taxed as movable income (rather than professional income) in the hands of the employee, subject to applicable thresholds and formal requirements (Article 17, § 1, 5° BITC).

Note that in addition to the above tax incentives, grants and other incentives might also be available.

Are there mandatory minimums or maximum equity investments or contributions for a foreign joint venture or strategic alliance member/partner?

No, this is not the case under Belgian corporate law. The same minimum capital requirements apply to companies incorporated by foreign or Belgian partners and shareholders.

Are there any restrictions regarding distributions to, or repatriation of profits by, foreign partners/members?

No, this is not the case under Belgian corporate law.

This is also not the case under Belgian tax law. However, it is worth underlining that repatriation of profits may trigger taxation in Belgium such as withholding taxes. Dividend distributions are in principle subject to a withholding tax rate of 30% (a number of exemptions and reduced rates are however potentially available in the BITC and applicable tax treaty).

Also, in case of a distribution of paid-in capital, the tax implications need to be carefully considered. Since the notion of paid-in capital is no longer applied for all legal forms foreseen in the CCA, a specific definition of this concept has been incorporated in the Belgian Income Tax Code. Paid-in capital is defined as a company's equity, to the extent it stems from contributions in cash or in kind. Specific rules however apply in case of a contribution of shares.

Furthermore, for any decision of capital reduction taken as from 1 January 2018 in accordance with the CCA, the amount of the capital reduction will be deemed to derive proportionally from (a) the fiscal paid-in capital of the company and (b) the total of (i) certain taxed reserves incorporated in the capital of the company, (ii) certain taxed reserves not incorporated into the capital of the company

and (iii) certain untaxed reserves incorporated into the capital of the company (Article 18, limb 2 and 3 BITC). The part of the capital reduction that is deemed to derive from the abovementioned taxed and untaxed reserves will be treated as a dividend distribution from a tax perspective and be subject to Belgian withholding tax, if applicable. The part of the capital reduction that is deemed to derive from the abovementioned untaxed reserves may additionally give rise to a corporate income tax charge at the level of the company. Moreover, all payments between a company and related parties should be at arm's length. This principle is codified in Article 185, §2 of the BITC and enables both upward and downward corresponding adjustments for non-arm's-length payments between related parties. If a payment made by the company is not at arm's length (i.e., too high), this could give rise to an upward adjustment of its profits. This will not result in additional (effective) taxation if the additional profit arising from the adjustment can be offset against losses carried forward or other deductions. This applies to any payment (interest, royalties, management fees, etc.).

Before enacting Article 185, §2 of the BITC, the Belgian tax authorities made use of other, more general, provisions in the BITC to challenge transfer prices. These general provisions still exist and are still relied on by the tax authorities. The most relevant for our purposes are:

- **Article 49 of the BITC.** This provision sets out the general rule on the deductibility of (business) expenses. It stipulates that a tax deduction is allowed only if an expense is incurred for the benefit of the taxpayer and is connected with the taxpayer's business activity. The application of this rule is closely monitored, particularly with respect to fees paid to companies to serve as directors or fulfil similar functions and for management services.
- **Article 55 of the BITC.** This provision relates to interest payments. It provides that interest is a tax deductible business expense, but only if the rate does not exceed normal rates after taking into account the specific risks of the transaction, in particular the financial situation of the debtor and the terms of the loan. Note that as of 1 January 2020, the normal rate is determined in a specific way for most loans without a fixed maturity date.
- **Article 53, 10° of the BITC.** This article provides for the non-deductibility for any excessive expenses (unlike Article 55 BITC, which is limited to interest payments). To the best of our knowledge, no case law exists on the application of this article in the context of transfer pricing.

- **Article 26 of the BITC.** This article allows the tax administration to increase the tax base of a company or enterprise where the authorities can demonstrate that profit transfers represent an “abnormal or non-gratuitous benefit” to individuals or companies established in Belgium or abroad. This applies to any advantage granted by the company (interest, royalties, management fees, etc.) unless the beneficiary of the advantage is taxed (in Belgium) on this advantage.
- **Article 207 of the BITC.** This article provides that a Belgian company that receives (directly or indirectly) abnormal or gratuitous benefits from a company on which it is directly or indirectly dependent may not use any current losses or losses carried forward or apply certain other deductions against the taxable income arising from the benefit.

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