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Are government subsidies and investment grants to enterprises higher in Belgium?

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Introduction

In Belgium, primary government expenditure has been relatively high for decades. In 2024, it reached 52.2% of GDP compared to 47.7% of GDP on average for the euro area. Moreover, expenditure has increased significantly since 2000, by 9.5 percentage points of GDP. This increase was mainly driven by growing spending on social benefits (primarily as a result of population ageing), although subsidies and investment grants to enterprises also played a role. These rose by 1.5 percentage points of GDP over the period 2000-2024.

This article takes a closer look at the composition and evolution of government subsidies and investment grants to enterprises. It is important to emphasise at the outset that the term "subsidies" is interpreted in different ways in public discourse. In this article, we follow the definition of subsidies used for government accounting purposes, which is based on the European System of Accounts (ESA) concept. In addition, we broaden the scope of government support to enterprises by considering investment grants to corporations, as well. The ESA approach offers the advantage of being based on clear, internationally standardised economic criteria. In public discourse, however, broader definitions of the term "subsidies" are sometimes used. Differences between these definitions and our approach are pointed out in this article.

The disadvantage of studying a specific expenditure category is that possible interaction with other expenditure or revenue categories may be overlooked. Therefore, when examining government subsidies and investment grants to enterprises, it is important to consider the broader context. This type of expenditure is generally used to pursue specific policy objectives, which can also be achieved by means of other types of expenditure or through reductions in contributions, as well as through structural reforms. Thus, the level of subsidies and investment grants can reflect the choices made in terms of policy instruments. For example, wage subsidies in Belgium (such as the exemptions granted to employers from the obligation to remit taxes withheld from employee wages or subsidies to service voucher companies) are often justified by the government as a way to reduce the high tax burden on labour income. Further, certain green subsidies may be counteracted by fossil fuel incentives that are not recorded as subsidies. It is important to take this into account when analysing subsidies in Belgium and making international comparisons with countries that have opted for different policy choices.

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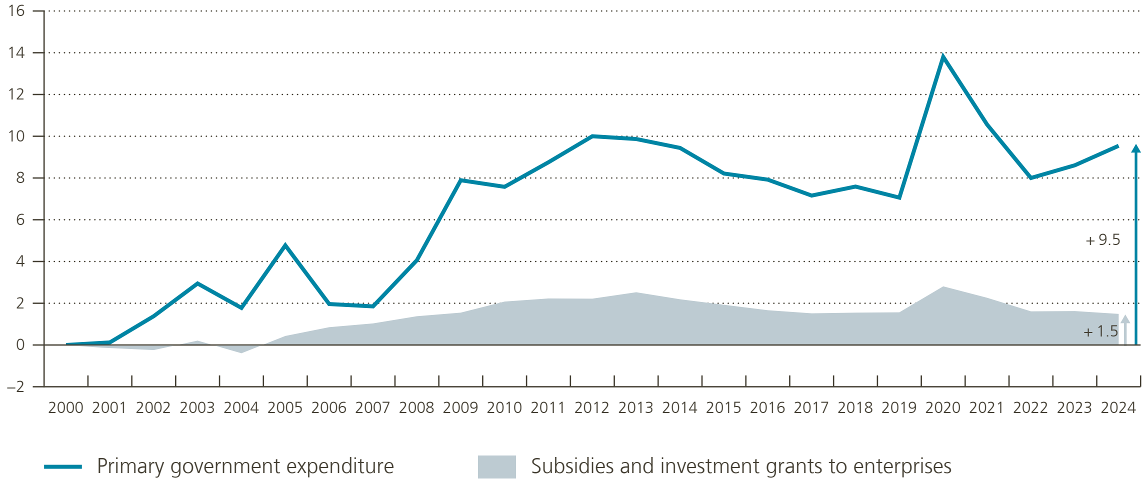
Figure 1

Subsidies and investment grants to enterprises have contributed to the increase in primary government expenditure

(change in percentage points since 2000)



Source: NAI.

This article is divided into five sections. The first sets out the definition of subsidies and investment grants used for our analysis. Subsequently, a detailed overview of spending on subsidies and investment grants to enterprises at the federal and regional levels is provided. In the third section, the level of subsidies and investment grants to enterprises in Belgium is compared with that of the euro area and the country's largest neighbours. This is followed by an overview of the main criteria used to assess subsidies and investment grants to enterprises and a number of examples of such reviews. The fifth and final section summarises the key findings of our study.

1. What do we mean by "subsidies"?

It is essential at the outset to clearly define the types of expenditure covered by the terms "subsidies" and "investment grants" as used in this article and, in turn, explain what is not included in these definitions.

1.1 Scope of the study

1.1.1 Subsidies

Subsidies are a category of expenditure (D.3) defined as follows in the European System of Accounts (ESA): "current unrequited payments which [the] general government or the institutions of the European Union make to resident producers".

Subsidies are granted, for example, to influence production levels, product prices or the remuneration of the factors of production. More specifically, subsidies can be divided into two types: subsidies on products and other subsidies on production.

Subsidies on products (D.31) are payable per unit of a good or service produced or imported. They can take several forms: a fixed amount per unit, a percentage of the unit price or the difference between a target price and the market price paid by consumers.

Other subsidies on production (D.39) benefit resident producers due to their production activities. These are typically subsidies related to the wage bill, the total workforce or the employment of specific categories of persons. This category also covers subsidies for pollution abatement.

The ESA specifies that non-market producers are not eligible for subsidies on products. However, they may qualify for other subsidies on production if these are paid under general provisions applicable to both market and non-market producers.

Accordingly, if a non-profit organisation is considered a non-market producer (e.g. it is active in the cultural, educational or social sector) and the funding it receives is intended to support a production activity, this form of government support is classified as a subsidy. This would be the case, for example, for wage subsidies paid to a cultural or social association.

1.1.2 Investment grants

In addition to the abovementioned subsidies, which constitute current expenditure, we felt it was appropriate to include in our analysis grants constituting capital expenditure. This is the case for investment grants (D.92), which the ESA defines as follows: "capital transfers in cash or in kind made by governments […] to other […] institutional units to finance all or part of the costs of their acquiring fixed assets". This definition does not distinguish between different types of beneficiaries. However, where possible, we have attempted to exclude from our analysis investment grants to households, other government entities or the rest of the world, so as to focus on grants to corporations.

1.2 Exclusions

Having defined the scope of the study relatively precisely, we can now list the various support measures that are not included.

First, we exclude public expenditure made in return for a product or service. This includes civil service salaries, current expenditure to ensure the functioning of government and government investment. In this regard, the scope of our analysis is closely related to the scope of consolidation of general government. In the case of Belgium, for example, the railway network operator Infrabel is now included in the general government sector, unlike the SNCB/NMBS. As a result, investments by Infrabel are classified in the national accounts as government investment, while investments by the SNCB are understood, where applicable, as investment grants. The same applies to current purchases and remuneration, which are recorded as subsidies for entities falling outside the scope of general government.

Secondly, our study excludes expenditure that is not intended for resident producers. In the case of households, this typically concerns social benefits, whether in kind (e.g. healthcare) or in cash (e.g. pensions). On the other hand, when a household receives financial support in its capacity as a producer, for example for the production of solar energy by means of photovoltaic panels, this is considered a subsidy. For non-profit organisations, if the financial support granted is not directly aimed at production, it will be classified in the national accounts under other current transfers rather than as a subsidy. Support to other levels of government and transfers to non-resident entities are also excluded from the analysis.

Thirdly, the study does not look at measures that result in a reduction in revenue rather than an increase in public expenditure. It should be noted, however, that in ESA 2010, targeted reductions in social security contributions for certain categories of workers are not recorded as negative public revenue. In Belgium, this also applies to exemptions (granted to employers) from the obligation to remit taxes withheld from employee wages. Conversely, these measures are treated as public expenditure, in this case as wage subsidies, and therefore fall within the scope of this analysis.

Lastly, our analysis excludes government assistance in the form of loans to or equity investments in enterprises, as well as debt assumption.

It should also be noted that financial assistance from European institutions is excluded from the scope of our study when granted directly to a beneficiary, bypassing the Belgian public authorities. European subsidies paid to Belgian governments are only considered in this study if they in turn give rise to the payment of subsidies or investment grants (see Bisciari *et al.*, 2021).

BOX 1

The role of subsidies in the calculation of GDP using the income approach

It is possible to break down gross domestic product (GDP) by isolating the contribution of subsidies in the national accounts.

We first add up the compensation of employees, the mixed income of the self-employed and the gross operating surplus of corporations. This gives us gross value added at factor cost.

Table 1

Half of the increase in gross operating surplus is attributable to the rise in "other subsidies on production"

(mainly wage subsidies)

	2024, in € billion	2024, in % of GDP	2000, in % of GDP
Compensation of employees (D.1)	302	49.1	50.1
+ Gross operating surplus (B.2g) and gross mixed income (B.3g)	260	42.3	38.3
= **Gross value added** (at factor cost)	562	91.5	88.4
+ Other taxes on production (D.29)	13	2.1	1.9
– Other subsidies on production (D.39)	–19	–3.1	–1.1
= **Gross value added** (at basic prices)	556	90.5	89.2
+ Taxes on products (D.21)	62	10.2	11.6
– Subsidies on products (D.31)	–4	–0.6	–0.8
= **Gross domestic product** (at market prices) (GDP)	614	100.0	100.0

Source: NAI.

Other taxes on production are then added to this aggregate, and other subsidies on production are subtracted. This yields gross value added at basic prices. The deduction of other subsidies on production is justified here by the fact that these amounts do not reflect value that is actually created by economic activity. These are subsidies paid to producers, which artificially increase the income for enterprises.

Finally, to obtain GDP at market prices, taxes on products (such as VAT and excise duties) are added and subsidies on products are subtracted. Here, the deduction of subsidies on products is explained by the fact that they reduce the market price paid by consumers.

In summary, subsidies are government transfers that do not alter to the actual production of goods or services. GDP aims to measure the total market value of goods and services produced in an economy. However, when a portion of this value is financed by the government, it does not reflect real market value. Subsidies are therefore subtracted to avoid overestimating the value effectively created by economic agents.

This table shows the increase in subsidies since the beginning of the century. Overall, subsidies rose by almost two percentage points of GDP between 2000 and 2023, driven by other subsidies on production. At the same time, the share of GDP allocated to the compensation of employees fell by one percentage point, while that going to the compensation of capital (including mixed income of the self-employed) rose by four percentage points.

2. Subsidies in Belgium

Subsidies and investment grants to enterprises accounted for €25.1 billion in public expenditure (4.1% of GDP) in 2024.

To analyse the subsidies disbursed in Belgium, we begin by examining the amounts granted by the various sub-sectors of government. It is immediately apparent that the subsidies granted at federal and regional level are of comparable magnitude. Together, subsidies from the federal government and the social security institutions amounted to €10.3 billion in 2024. For the communities and regions, the total was €11.3 billion. Local government accounted for only a limited share of subsidies.

When it comes to investment grants, the communities and regions play a dominant role, disbursing €2.1 billion in 2024 or 68% of the total. At the federal level, investment grants were limited to €900 million that year. It should be noted that these figures deliberately exclude investment grants to households, the rest of the world and other levels of government (see Section 1.1.2).

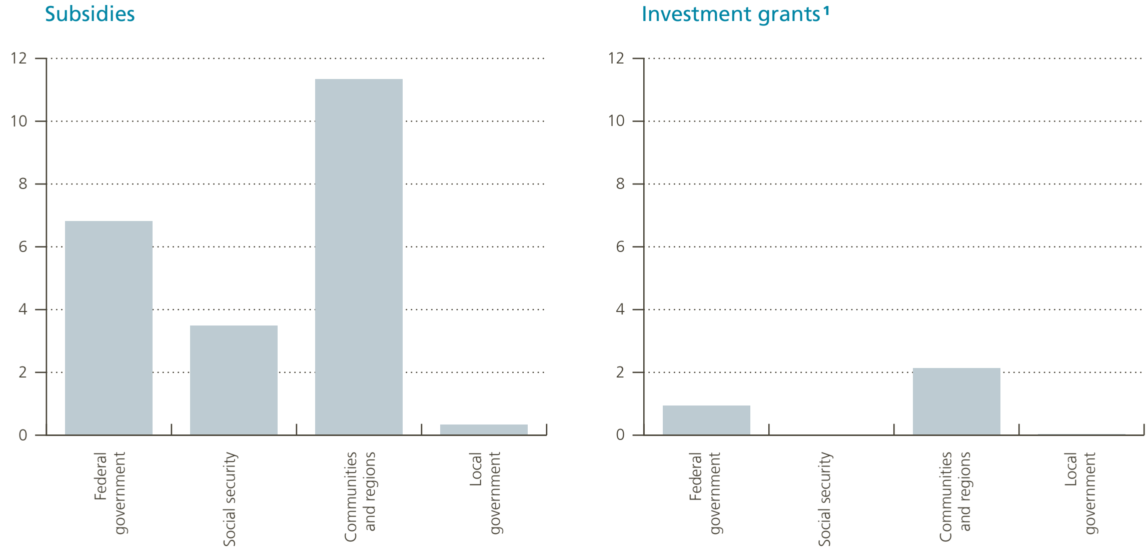
The rest of this section is devoted to identifying more precisely the nature of this expenditure at both the federal level and the community and regional level. For purposes of our analysis, we use the OECD's Classification of the Functions of Government (COFOG) to categorise different types of subsidies and investment grants.

COFOG categorises government spending based on the purpose for which the funds are used. Expenditure is thus assigned to 10 different functions (general public services, defence, public order and safety,

Figure 2

Subsidies are granted both at the federal level and by the federated entities

(2023, in € billion)



Source: NAI.

economic affairs, environmental protection, housing and community amenities, health, recreation, culture and religion, and education and social protection). Each of these 10 functions is then subdivided. As well as being intuitive, COFOG permits very accurate comparisons to be made of the purposes for which public funds are spent.

2.1 Federal government and social security

At the federal level, subsidies to enterprises are predominantly wage related. In 2023, total federal subsidies to enterprises amounted to €6.8 billion, of which approximately two-thirds were in the form of tax remittance exemptions. The remaining third mainly consisted of transfers to public (or state-owned) enterprises, a quarter of which went to the SNCB/NMBS and Bpost.

The two primary recipients of federal subsidies to public enterprises are the SNCB/NMBS and Bpost. The SNCB/NMBS subsidies mainly serve to offset losses incurred on passenger transport operations, which stem from a pricing policy aimed at ensuring affordability and accessibility. Ticket revenue would need to increase by an amount equivalent to the subsidies granted in order to fully cover the company's operating deficit. This explains why these amounts are classified as subsidies on products (D.31). According to the coalition agreement concluded by the current federal government, these subsidies will be reduced by €250 million by 2029. Since the restructuring of the SNCB/NMBS in 2014 and its split into separate entities, Infrabel has fallen within the general government sector, as defined by ESA 2010. Consequently, subsidies and investment grants to Infrabel are no longer recorded as federal government subsidies to public enterprises.

A similar rationale applies to the subsidies granted to Bpost, which amounted to over €300 million in 2023. Historically, a substantial portion of this support has been provided under a contract for newspaper distribution.

This arrangement was intended to ensure broad and affordable access to daily newspapers across the Belgian territory and constituted a structural subsidy to Bpost (formerly De Post/La Poste). However, the contract was not renewed at the end of 2023. As the phase-out of newspaper delivery by Bpost progresses, the associated subsidy is expected to decline accordingly until 2027. According to the coalition agreement, the level of subsidies is expected to be reduced by €50 million in the forthcoming contract with Bpost, indicating a structural reorientation of public subsidies to the latter.

Federal subsidies to non-public enterprises comprise all other federal subsidies, with wage subsidies representing the most significant share by far. The most significant type of wage subsidy, accounting for roughly 95%, is an exemption from companies' obligation to remit taxes withheld from their employees' wages. The remaining five percent consists of federal contributions to the Maribel Social Funds and to the system for employee holiday pay.

The tax remittance exemption benefits the employer rather than the employee, who remains liable for the same amount of personal income tax. Therefore, in accordance with ESA requirements, it is recorded as a subsidy to the employer. This measure, along with its development over time, is discussed in more detail in Section 2.4. The remaining wage subsidies consist of various forms of social expenditure which, due to the manner in which they are financed, are recorded by the federal government. These include contributions to the Maribel Social Funds and to the employee holiday pay funds.

A final federal subsidy entails support for offshore wind farms and is classified as "environmental protection", more specifically "pollution abatement". The objective of this measure is to render the production of renewable energy in the North Sea economically viable. This subsidy, which ensures a guaranteed price for wind energy (under a so-called "contract for difference"), increased steadily from the first output in the late 2000s, in line with the expansion of offshore wind capacity. In response to the 2021–2022 energy crisis, however, the maximum guaranteed price was capped. Consequently, during periods of exceptionally high market prices, the subsidy per unit of energy produced is limited. This adjustment aligns the total level of support more closely with actual production volumes, thereby reducing exposure to price spikes. Support for offshore wind farms is expected to continue for the foreseeable future.

Federal investment grants amounted to only €946 million, a mere fraction of total federal subsidies to enterprises, and are allocated almost exclusively to the SNCB/NMBS. These grants correspond to the expenditure agreed under the services contract with the SNCB/NMBS and cover mainly investments in rolling stock, ateliers and buildings. It should be noted that investments in Infrabel are no longer included, as this entity now falls within the general government sector (see Section 1.2).

Subsidies granted by the social security institutions are exclusively wage related. In 2023, these amounted to €3.5 billion and consisted of payments via the Maribel Social Funds, targeted reductions in employer social security contributions and wage subsidies for the healthcare sector. This is consistent with the responsibilities of the social security system, namely the collection of social security contributions and the financing of general, university and psychiatric hospitals.

The Maribel Social Funds focus on non-profits, specifically entities providing healthcare, social services and other public services. The objective is to create additional employment in these sectors. Established in the late 1980s, these funds remain a significant source of financing for non-profits. The share of the payments made by these funds attributable to the social security institutions amounted to €1.5 billion in 2024, accounting for nearly half of all subsidies granted by the social security system. It should be noted that, on top of these payments, a limited amount of subsidies granted via the Maribel Social Funds is attributed to (and thus financed by) the federal government sector (see supra), in particular a tax remittance exemption.

Targeted reductions in employer social security contributions account for around one-quarter of the subsidies bestowed by the social security institutions. The power to grant this type of subsidy was transferred to the federated entities during the sixth state reform, meaning only a limited number of targeted reductions are still granted at federal level, amounting to €340 million in 2015. Over the past decade, this amount has nearly tripled, driven almost exclusively by a significant increase in reductions provided under so-called "plus plans" for first hires. This scheme was significantly expanded in 2016: the social security contributions due by an employer when hiring its first employee were reduced for an indefinite period of time and a temporary reduction was introduced for the sixth hire. These modifications led to an increase of around €0.5 billion in the cost of this measure, which is however thought to have peaked in 2024. Successive reforms in 2022 and 2024 lowered the reduction for first hires. From 2026, it will be further reduced, although the duration of the reduction for the second to fifth hires will be extended.

Other targeted reductions in social security contributions are more limited. A reduction for professional athletes was introduced in 2022: as from that year, social security contributions have been calculated based on the athlete's actual gross monthly salary rather than on a fixed notional amount. Both the reduction for universities, introduced in 1989, and that for scientific researchers, introduced in 1996, have grown in line with their base and amounted to €110 million and €60 million, respectively, in 2024.

Subsidies granted to hospitals are classified under COFOG as health expenditure and take the form of wage subsidies. They include subsidies for hospital contract workers and those paid out under successive social agreements on personnel in excess of the staffing standard by the National Institute for Sickness and Disability Insurance (RIZIV/INAMI). During the Covid-19 pandemic, additional subsidies were provided, but these had been fully phased out by 2023. The only remaining structural support is provided via the Healthcare Personnel Fund *(Fonds Blouses Blanches)*.

2.2 Communities and regions

Of the communities and regions, Flanders spent by far the most on subsidies in 2023, followed by the Walloon Region and the Brussels-Capital Region. The French Community disbursed only a limited amount. As far as investment grants are concerned, the amounts are substantially lower. In this case, as well, Flanders was the biggest spender.

A comparison of the amount spent with the size of the respective region's budget reveals that total subsidies represent 11% of disposable revenue in Flanders, comparable to a figure of 12% for the Walloon Region and the French-speaking Community combined. In the Brussels-Capital Region, which has only regional powers, subsidies amount to 24% of disposable revenue, which is commensurate with the corresponding figure for the Walloon Region (23%).

Looking at expenditure on subsidies and investment grants by the communities and regions as per COFOG category, several interesting trends emerge. First, Flanders spends relatively more on "environmental protection" than the other regions. The same holds true for healthcare. This goes for both subsidies and investment grants. Wallonia and Brussels spend relatively more on subsidies for "economic affairs", more specifically the promotion of employment, and, with regard to investment grants, they disburse relatively more on social housing.[1] Furthermore, it is logical that the limited subsidies granted by the French Community are allocated almost entirely to recreation, culture and religion, given the scope of the Community's powers. It should be noted that the classification of expenditure according to its purpose is not always a straightforward exercise.

1 For the Brussels-Capital Region, spending on social housing is classified as "social protection" under COFOG.

Figure 3

The communities and regions use subsidies and investment grants to discharge their powers

Source: NAI.

2.2.1 Flanders

In Flanders, subsidies to enterprises amounted to approximately €6.8 billion in 2023.

Most of this amount was allocated to non-public enterprises, with wage subsidies accounting for more than half. Service voucher companies were the primary recipients of this type of subsidy. The subsidies paid to these companies ensure that household help receive an hourly wage that is higher than the face amount of the vouchers used to pay for their services. The idea is to help low-skilled workers find employment and tackle undeclared work in the personal and household services (PHS) sector. In Flanders, the price of service vouchers was raised in 2025, which will lower the subsidies paid to service voucher companies.[2] Another significant type of wage subsidy, classified under the function of "economic affairs", is targeted reductions in employer social security contributions for groups facing difficulties on the labour market (such as older workers, low-skilled young people, those without recent, sustained work experience, people with a disability, and dredging, towage and merchant shipping workers). In July 2024, several of these targeted reductions were abolished in Flanders (for older workers and young people). As a result, the earmarked amounts will decrease considerably. Furthermore, within the category of wage subsidies, a substantial amount is spent on "health" under the social agreement for the health and social care sector concluded by the Flemish government in March 2021, also known as Flemish Intersectoral Agreement No 6 (VIA6). This agreement, covering the period 2021 to 2025, aims to grow the health and social care offering, improve the attractiveness of the sector and the purchasing power of its personnel, and tackle labour shortages. Within the "healthcare" category, a considerable amount is also allocated to nursing staff at care homes.

2 In addition, the tax deduction was abolished effective 2025.

Finally, a sizeable amount of wage subsidies goes to sheltered workshops, with the aim of reducing the wage bill of these enterprises and thus increasing employment.

In addition to wage subsidies, non-public enterprises in Flanders receive other types of subsidies, most notably for green certificates.[3] This form of compensation for energy generated by solar panels has been declining for some time but remained a major item of expenditure in 2023 and 2024. However, the intention is to phase it out in the long term. Note that these subsidies are financed by levies on electricity suppliers. Further, a substantial sum is spent to support innovation and entrepreneurship, a significant amount of which goes to IMEC. The subsidies received by Fluvius, which aim to keep energy affordable, are also worth mentioning. These take the form of payments to network operators to cover expenses that are incurred in the fulfilment of their public service obligations and which, consequently, are not reflected in the network tariff. These subsidies were considerably lower in 2024 and are a temporary measure.

Public enterprises received a relatively small share of subsidies in 2023. Most was earmarked for social housing via the Vlaamse Maatschappij voor Sociaal Wonen (Flemish Social Housing Company) and for the treatment of wastewater by public water distribution networks.

In 2023, the Flemish government paid out considerably less in investment grants than subsidies. Here, too, most went to non-public enterprises. The largest share was allocated to innovation and entrepreneurship through the Fonds voor Innoveren en Ondernemen (Fund for Innovation and Entrepreneurship) and included compensation for indirect carbon leakage, i.e. indemnification from the Flemish government for the indirect emission costs borne by energy-intensive industries. These are the costs that electricity suppliers incur to purchase emission rights under ETS 1. In addition, a considerable amount also went to hospitals via the Flemish Infrastructure Fund for Person-related Matters (VIPA), for the construction of high-quality healthcare infrastructure.

With regard to public enterprises, the largest share of investment grants paid by the Flemish government in 2023 went to municipalities for municipal sewage works, small-scale sewage treatment plants, private water treatment plants and contributions to public water distribution networks. A disbursement to AGIOn, the Flemish government agency responsible for providing subsidies for the construction, purchase and renovation of school buildings in Flanders, is also worth mentioning. This amount was intended for so-called DBFM (design, build, finance and maintain) projects. To meet its growing need for school infrastructure, the Flemish government is working together with private partners.

These figures indicate that, compared to other regions, a relatively large proportion of the subsidies and investment grants paid by the Flemish government is earmarked for environmental protection and healthcare.

2.2.2 Wallonia and the French Community

In Wallonia, subsidies to enterprises amounted to around €3.1 billion in 2023, almost all of which went to non-public enterprises.

Wage subsidies accounted for nearly €2 billion or almost two-thirds of this amount. In this category, the largest item was the approximately €800 million spent on employment aid, mainly in the form of employment promotion assistance (APE) (€543 million) and financial support for employment in the market services sector (SESAM) (€95 million). APE takes the form of an annual lump-sum subsidy intended to promote the creation of jobs in the non-market sector. To be eligible, it is necessary to hire an unemployed jobseeker registered with Forem, the public service for employment and vocational training in Wallonia. SESAM provides employment aid to small commercial enterprises that hire jobseekers registered with Forem.

3 Since 2002, the federal government and the three regions have developed mechanisms to encourage the production of renewable energy. Green certificates are vouchers granted by the government to producers of green electricity, intended to accelerate the repayment of investments in clean energy sources. In this respect, subsidies are paid to households in their capacity as energy producers as well as to enterprises. For more information, see D. Cornille,. *et al* (2021).

Service vouchers were another significant item of expenditure in the category of wage subsidies, amounting to €534 million. In addition, nearly €200 million was spent on targeted reductions in employer social security contributions for specific groups facing difficulties on the job market (older workers, low-skilled young people, persons with no professional experience). Wage subsidies were also granted for nursing and care homes (around €200 million), for people with disabilities (€149 million), and under the social agreement for the healthcare sector (€117 million). All of these measures are classified under the function of "economic affairs", with the exception of those relating to nursing and care homes and the social agreement for the healthcare sector, which fall under "health".

In addition to wage subsidies, non-public enterprises receive other types of subsidies, the most significant of which are for green certificates, amounting to nearly €323 million in 2023. As in Flanders, the cost of this policy has been declining for some time and will eventually disappear. Green certificates cost around €288 million in 2024 and thus still represent a significant item of public expenditure. This category also includes subsidies for training (via Forem) and to encourage research and development in Wallonia.

The level of investment grants disbursed to enterprises in Wallonia in 2023 was clearly lower than the level of subsidies and amounted to €641 million. Just over half of this amount went to the Walloon Housing Company (SWL). The other half mainly consisted of investment grants to corporations to support competitiveness (e.g. to compensate energy-intensive enterprises for indirect carbon leakage, as in Flanders) or to small and medium-sized enterprises.

Wallonia thus allocates a relatively large share of its subsidies to the promotion of employment and of its investment grants to social housing.

The French Community disbursed a total of €74 million in subsidies in 2023. Most of this amount went to support the media. Investment grants are limited in the French Community and are mainly directed at school infrastructure.

2.2.3 Brussels-Capital Region

In 2023, the Brussels-Capital Region paid out just over €1 billion in subsidies to enterprises.

The largest share by far of this amount went to non-public enterprises, mainly in the form of wage subsidies. Service voucher companies were the primary recipients of this type of subsidy. In addition, considerable amounts were spent to boost the hiring of unemployed jobseekers in the non-profit sector, under a subsidised contract scheme known as GESCO, and on targeted reductions in employer social security contributions. In the Brussels-Capital Region, these reductions are mainly aimed at first hires and younger and older workers.

In addition to wage subsidies, non-public enterprises also received subsidies in the form of green certificates and to cover the operating costs of social housing companies.

Public enterprises received less than €100 million in subsidies in 2023. Approximately half of this amount was for wastewater treatment by water companies. It should also be noted that social housing companies received operating subsidies to support social housing policies.

Compared to subsidies to enterprises, the amount of investment grants paid by the Brussels-Capital Region to corporations was considerably lower. Most went to public enterprises, mainly to social housing companies for renovation works and the building of housing under the regional housing plan.

In summary, the Brussels-Capital Region spends a relatively substantial amount on subsidies to promote employment. As far as investment grants are concerned, a large portion is directed at social housing.

2.3 Level and types of wage subsidies at the federal and regional levels

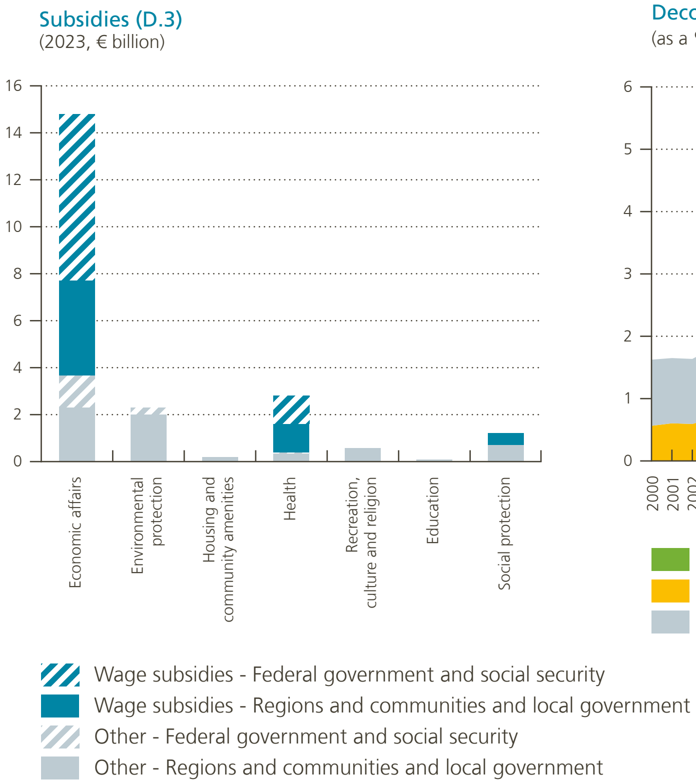
Zooming out, a broader overview reveals that wage subsidies account for approximately two-thirds of total government support to enterprises in Belgium (see the left-hand chart in Figure 4). This type of subsidy is prominent at both the federal and regional levels. Regional authorities typically focus on targeted labour cost reductions, given that general wage-setting mechanisms fall outside their powers. Moreover, wage subsidies are not confined to the COFOG function of "economic affairs" and also fall under "health" and, to a lesser extent, "social protection".

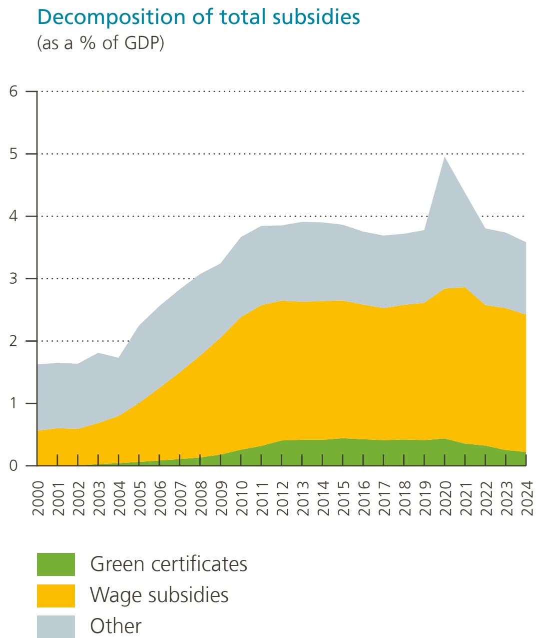
Over the past two decades, total government subsidies to enterprises have increased markedly, rising from 1.6% of GDP in 2000 to 3.6% in 2024. This growth has been overwhelmingly driven by the expansion of wage subsidies, which account for approximately 80% of the overall increase. Green certificates contributed to the upward trend in the early 2010s, peaking at 0.4% of GDP, but the gradual phase-out of this form of support has tempered their impact. Other types of subsidies have remained broadly stable over time, with the exception of a temporary surge during the Covid-19 pandemic, when targeted support was extended to hospitals and sectors affected by the lockdowns.

A more granular decomposition reveals that the rise in wage subsidies stems from several distinct sources. Service vouchers and exemptions from the obligation to remit (withheld) tax have emerged as the principal drivers of growth in wage subsidies. Since 2020, wage subsidies directed at the health and social care sector have also

Figure 4

The level of wage subsidies is high at both the federal and regional levels; the regions also use subsidies to promote social protection and environmental policy

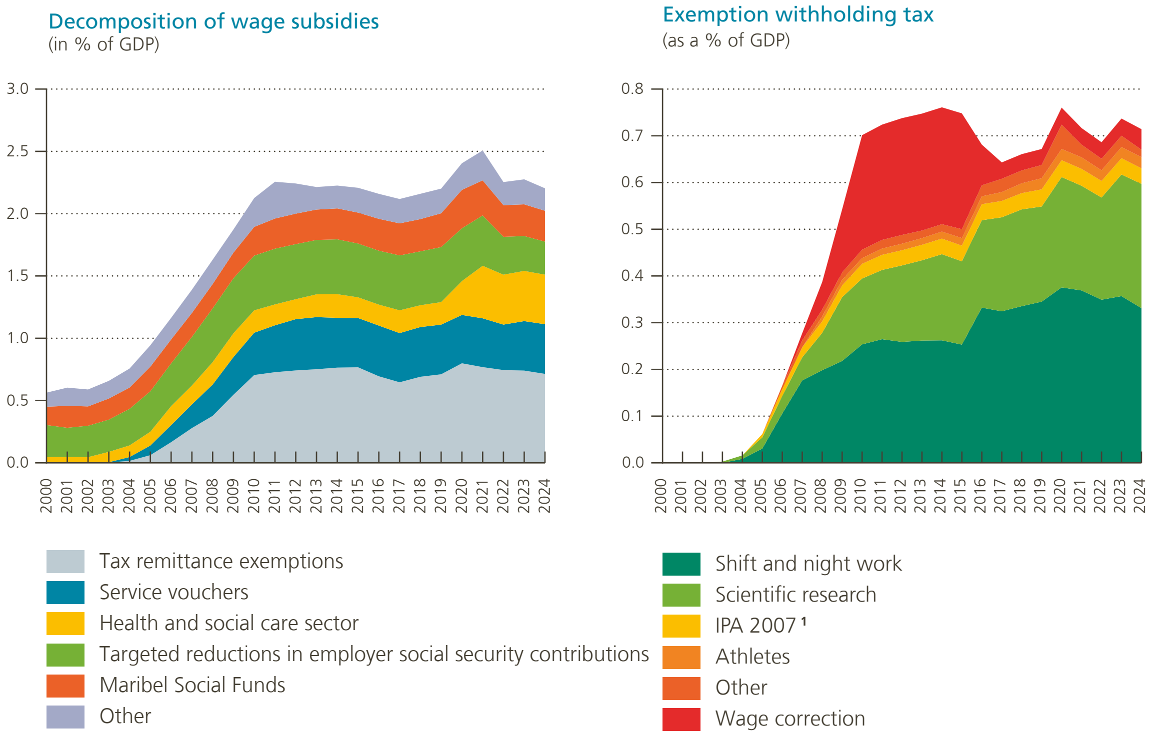




Source: NAI.

Figure 5

The substantial increase in subsidies is due to wage subsidies



Source: NAI.
1 Generally applicable tax remittance exemption included by the federal government in the 2007-2008 interprofessional agreement.

risen, with expenditure doubling to 0.4% of GDP. In contrast, targeted reductions in employer social security contributions have declined steadily since 2019. That year, the downward trend that started at the regional level in 2016 began to accelerate and the increase observed at the federal level reached its peak. These targeted reductions are expected to continue to trend downwards. Other schemes, such as the Maribel Social Funds and various specific reductions, remained relatively stable throughout the period under review.

Tax remittance exemptions have become one of the most significant types of wage subsidies since their introduction in 2004. The expansion of this form of subsidy has largely been driven by two schemes – (i) support for shift and night work and (ii) incentives for scientific research – which, combined, represented 0.6% of the 0.7% of GDP allocated to this measure in 2024. Following a sharp increase in the first decade following its introduction, the cost of this type of exemption has risen steadily, both in nominal terms and relative to GDP.

The exemption to support scientific research in Belgium and increase the number of scientific researchers was aligned to the European Union's target of having total expenditure on research and development approach 3% of GDP by 2010. Companies engaged in innovation are partially subsidised for the researchers they employ.

The rationale for the exemption for shift and night work was to "sustainably strengthen the competitiveness of Belgian companies vis-à-vis their trading partners and reinforce the labour market position of certain target groups." This measure formed part of a broader project to support the manufacturing sector, in particular the automotive industry. The policy objective of the tax remittance exemption for overtime is to "reduce labour costs in order to strengthen the economic fabric" and combat undeclared work.

Following its introduction, the exemption rates were increased, leading to a rapid rise in the associated subsidies. In 2016 and 2018, the tax remittance exemption for shift and night work was significantly expanded; the latter reform extended its scope to the construction sector.

A 2019 audit by the Audit Court concluded that "the exemptions are based on complex and unclear legislation".[4] Since then, the statutory framework has been partially clarified, and the monitoring of these subsidies has been strengthened. These reforms have led to a more accurate alignment of the intended policy objectives with the subsidies effectively granted. Importantly, these adjustments should be viewed independently of any fiscal consolidation objectives. Expenditure remains substantial.

In its coalition agreement, the current federal government announced the launch of a spending review aimed at assessing these exemptions. Moreover, a spending review covering the tax remittance exemptions for scientific research, overtime, and shift and night work was explicitly included in the European Commission's recommendations for Belgium's national medium-term fiscal-structural plan. At the same time, the government has committed to safeguarding legal certainty and ensuring the stability of the existing exemptions to the greatest extent possible.

A notable exception in this regard is the exemption introduced under the 2007–2008 interprofessional agreement, which peaked at over 0.2% of GDP in 2015. This measure was largely abolished as part of a broader tax reform, commonly referred to as the "tax shift", under the Michel I government. In essence, the exemption was replaced by a general reduction in employer social security contributions. This case illustrates how a policy objective, namely reducing the tax burden on labour income, can be pursued through alternative instruments, each with distinct implications for expenditure and revenue trajectories.

2.4 Government communications often use a broader concept of "subsidies"

In public discourse and even official government communications, the term "subsidy" is often used in a broad and inconsistent manner. Frequently, it refers solely to expenditure by a particular level of government, regardless of the nature of the transfer. This broad interpretation is not inherently incorrect. However, it is essential that readers be aware of the specific definition applied in a given context. The following section presents selected examples of reports on subsidies and highlights differences between the definition of "subsidies" used for purposes of a given report and the ESA classification (D.3) applied in this analysis.

In a recent spending review, the federal government applied a very different interpretation of subsidies

A comprehensive spending review was carried out by the Federal Public Service for Policy and Support (FPS BOSA) at the end of 2024, in close cooperation with other federal institutions. This *ad hoc* initiative formed part of a broader reform strategy supported by the European Commission (DG REFORM) and was based on best practices developed by the OECD. The review was conducted under the supervision of the federal government and embedded in Belgium's Recovery and Resilience Plan (RRP). Among its explicit objectives, the review aimed to promote greater efficiency and effectiveness in the use of subsidies across federal public services, planning departments and other federal entities.

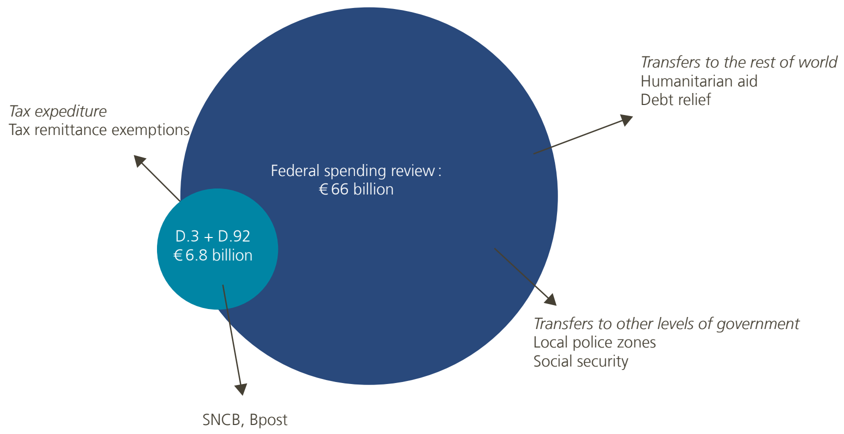
The report on the federal spending review notes the absence of a strict legal definition for the term "subsidy" in the Belgian federal context. To address this issue, a survey was conducted among federal public services and institutions, using a standardised information sheet and budget allocation as a broad reference framework. Based on the results of this survey, both current and capital transfers to other sectors, as well

4 Audit Court (2019), "Vrijstellingen van storting van bedrijfsvoorheffing – een complexe regeling ter ondersteuning van werkgevers"

Figure 6

The overlap between the national accounts concept of subsidies and that used for the federal spending review is very limited

(2024)



Sources: NAI, Spending review: overview of subsidies, December 2024.

as intergovernmental transfers, were considered subsidies, with the exception of transfers made under the Special Financing Act.[5] Ultimately, the amount in scope totalled €66 billion.

This figure stands in stark contrast to the €6.8 billion in subsidies (D.3) and investment grants (D.92) analysed in this article. One explanation for this can be found in the types of recipients: transfers to other levels of government were considered subsidies in the spending review whereas this article excludes, for example, flows to local police zones and the social security system, given that these entities fall within the general government sector. Likewise, investment grants to Infrabel were included in the spending review but excluded from the scope of our study since Infrabel forms part of the government sector (see Section 1.1). In addition, international financial flows were excluded from the present analysis. In essence, any expenditure made at the federal level directed at entities outside the federal public services and institutions surveyed was considered to fall within the scope of the spending review. Thus, the scope of the spending review was significantly broader than that of our study.

Moreover, the overlap between the definition of subsidies used for the spending review and the ESA definition is limited for other reasons. Due to the spending review’s sole focus on budget allocation and spending, various types of exemptions were not considered subsidies. Consequently, tax remittance exemptions (in the amount of approximately €4.5 billion and considered a subsidy in the national accounts) were not included. Only a limited subset of expenditure is in fact covered by both concepts, namely, the subsidies and investment grants allocated to the SNCB/NMBS and Bpost. This limited overlap reflects the methodological and terminological differences between the definition of subsidies used for the spending review and the ESA-based classification applied in this article.

5 For comparison purposes, transfers under the Special Financing Act were excluded from the scope of this article as well.

The concept of subsidies used by the Flemish government for its subsidies register is broader than the national accounts (ESA) concept

The Flemish subsidies register was established in 2022 by governmental decree. It provides a clear overview of all flows of subsidies from the Flemish government to legal entities and de facto associations, for the purposes of enhancing transparency regarding the spending of public funds and avoiding double subsidies. The register is updated on a quarterly basis. In time, the reporting scope will be extended to include local government.

A subsidy is defined as any form of financial assistance, regardless of its name or form, granted by a Flemish government entity as a capital or current transfer, to support an activity that serves the public interest.

The Flemish subsidies register is based on information provided by subsidy providers in Flanders. The latter must submit relevant data on subsidies[6] to the administrator of the register, namely the Flemish Department of Finance and Budget. The register is freely accessible at Subsidieregister.

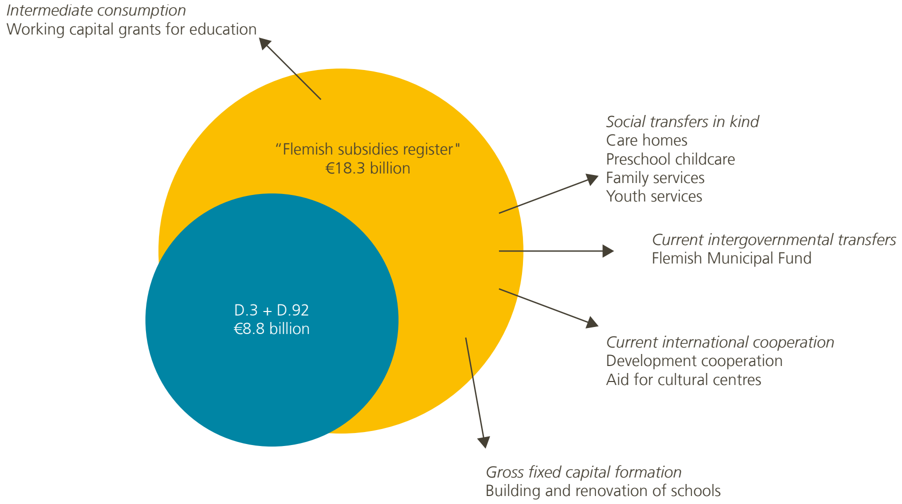
For 2024, the subsidies recorded in the Flemish register totalled €18.3 billion. This is more than double the amount of subsidies and investment grants to enterprises (D.3 + D.92) as per the government accounts. There is some overlap between the data used to compile both sources, with most data used for the government accounts reflected in the Flemish subsidies register. However, a great deal of data underlying the Flemish subsidies register cannot be found in the government accounts. These data relate, among other things, to intermediate consumption (including working capital grants for education, youth services, pedagogical support, etc.), current intergovernmental transfers (mainly for the Flemish Municipal Fund), transfers abroad (e.g. for development cooperation, cultural centres abroad, etc.), gross fixed capital formation (e.g. the construction and

6 These include a description of the public interest activity for which the subsidy is granted, the purpose of the subsidy, the identification details of the beneficiary, the total amount of the subsidy and the amount already disbursed, the policy area, the beneficiary's ESA code, and the payment schedule.

Figure 7

The concept of subsidies used for the Flemish subsidies register is broader than the national accounts concept

(2024 figures)



Sources: Flemish government, NAI, NBB.

renovation of schools, sporting infrastructure, architectural heritage grants, etc.) and social transfers in kind (e.g. for preschool childcare, the financing of residential care homes, family services, youth care, foster care, etc.). For the latter category, transfers are made to certain institutions based on the number of patients or people in need of care (e.g., the number of beds). Under the ESA approach, these amounts are not considered subsidies in the government accounts given that the beneficiaries (i.e. those in need of care) are households rather than enterprises.

The federal inventory of fossil fuels "subsidies" contains no subsidies according to the ESA definition

A third interesting example of a subsidies register, one with little or no overlap with the ESA concept of subsidies, is the inventory of fossil fuel subsidies. This inventory was established in response to the requirement included in the National Energy and Climate Plans (NECPs) to compile and assess a list of federal support measures for fossil fuels. The NECPs outline specific actions and policies designed to meet 2030 climate- and energy-related targets and to contribute to the broader objectives of the EU energy union. Each EU country draws up its own NECP. For Belgium, a report is prepared annually by the Federal Public Service Finance and the Federal Public Service for Health and the Environment on federal support, in the broad sense, for fossil fuels. In this report, the support granted is referred to as "subsidies".

According to the inventory, federal support for fossil fuels totalled €13 billion in 2022. However, the definitions of subsidies (D.3) and investment grants (D.92) used in this article and for the inventory differ. There are two reasons for this. The first relates to the recipient of the support. The beneficiaries of fossil fuel support are often households. This is, for instance, the case with the social tariff for natural gas and electricity, as well as for the personal income tax advantages associated with a company fuel card.

The second reason relates to how the support is recorded. Fossil fuel subsidies are often cloaked as reductions in indirect taxes. For example, reduced excise duty rates on fossil fuels appear as lower revenue in the national accounts rather than subsidies.

For company cars and the cost of this scheme included in the inventory, both explanations apply. First, the share of the benefit enjoyed by the employee cannot logically be considered a subsidy to producers. Second, the share that benefits the employer consists of a corporate tax deduction and an implicit non-targeted reduction in employer social security contributions.

3. Comparison with other countries

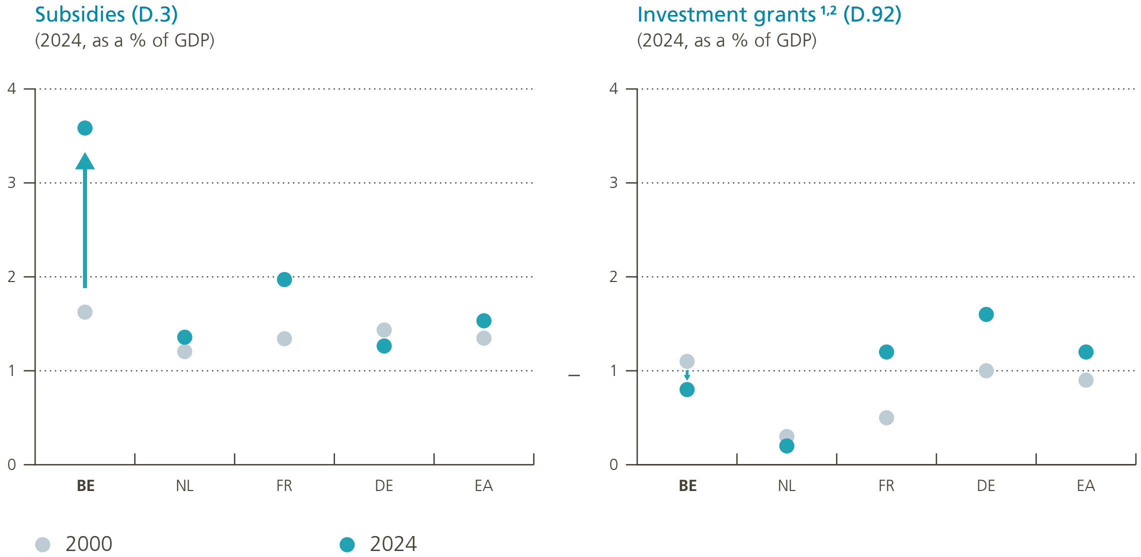
To put the total level of subsidies and investment grants in Belgium into perspective, the choice of benchmark is important. In this study, data for Belgium are compared with those for neighbouring countries, namely Germany, France and the Netherlands, as well as with the euro area average. Although there are differences between these reference points, they remain the most economically relevant benchmarks for Belgium.

In 2024, the level of subsidies Belgium equated to 3.6% of GDP, more than double the level observed in 2000 of around 1.6% of GDP. In the euro area, the average level of subsidies was around 1.5% of GDP in 2024, a figure very close to that recorded in 2000. This was also the case for neighbouring countries, with the exception of France, where subsidies have grown more robustly, rising from 1.3% of GDP in 2000 to 2% of GDP in 2024.

In order to make an international comparison of investment grants, a broader definition than that used for the analysis in Section 2 is required. While only investment grants to resident corporations have been included in our analysis so far, the data available at international level do not allow for a distinction to be made between

Figure 8

Subsidies in Belgium have more than doubled since 2000, while investment grants are slightly below the euro area average



Source: EC.
1 To ensure data comparability across countries, this graph presents total investment grants, not only those to resident corporations.
2 In 2018, the NAI reclassified Infrabel, the railway infrastructure manager, into the general government sector. This change, effective from 2014, led to a decrease in investment grants (€962 million in 2014 or 0.2% of GDP).

corporations and other recipients (e.g. households, the rest of the world). Thus, a more extensive concept is used in this section.

In Belgium, investment grants did not follow the same trend as subsidies over the reference period. Investment grants equated to around 1.1% of GDP in 2000 and 0.8% of GDP in 2024. A significant explanatory factor for this is the reclassification of Infrabel. In 2018, the NAI reclassified the railway infrastructure operator into the general government sector. This change, which took effect in 2014, led to a decrease in the recorded level of investment grants from 2014 onwards (of nearly €1 billion or 0.2% of GDP). The level of investment grants in Belgium in 2024 was lower than both the euro area average and the level observed in France and Germany, where it increased from 2000. The level of investment grants in the Netherlands was very low in 2024, at around 0.2% of GDP.

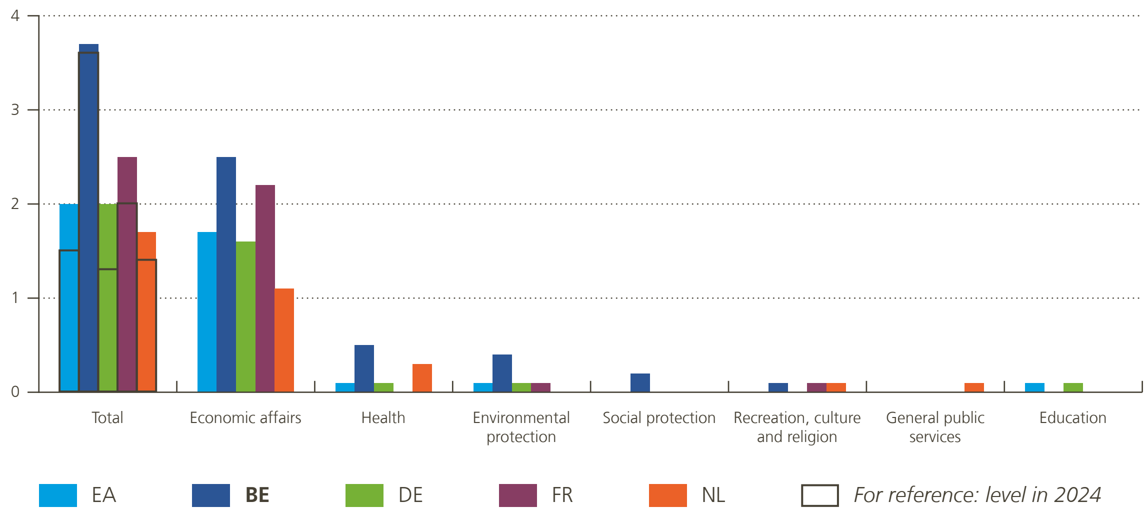
3.1 Subsidies are particularly high in the areas of economic affairs, environmental protection and health

To help identify the nature of differences in subsidy levels in Belgium compared to the euro area average and in neighbouring countries, we again refer to COFOG. This classification is currently available up to 2023, which therefore serves as the reference year. It shows that differences in subsidies are particularly significant for "economic affairs" and, to a lesser extent, "environmental protection" and "health". The results presented in Section 2 indicate that, for all sub-categories grouped under economic affairs and health in which this type of expense is observed, the expenditure corresponds, to a large extent, to wage subsidies. With regard to expenditure classified under "environmental protection", regional green certificates represent a significant share. However, the level of subsidies granted under this policy has been declining

Figure 9

Breakdown of subsidies (D.3) as per COFOG

(2023, % of GDP)



Source: EC.

in all regions of the country in recent years and is expected to continue to drop in the coming years as the policy is gradually phased out.

Although the classification of public expenditure by function is not available for 2024, total expenditure on subsidies is lower than in 2023, compared to neighbouring countries and the euro area average, which indicates a decline in certain subsidies at the end of 2023 (see below).

3.2 The relatively high level of "economic affairs" subsidies in Belgium is almost entirely due to wage subsidies

Closer analysis of the "economic affairs" function reveals that these differences originate in the subcategory of "general economic, commercial and labour affairs". Subsidies in this subcategory represented 2% of GDP in Belgium in 2023, compared with 0.7% of GDP in France, 0.2% of GDP in Germany and 0.0% of GDP in the Netherlands. Most wage subsidies granted in Belgium classified under economic affairs fall within this subcategory.

Since the early 2000s, wage subsidies have increased significantly in Belgium. Data from the Central Economic Council (CEC) show that wage subsidies amounted to around 0.4% of GDP in 2000 and 2% of GDP in 2023 (see Section 2 for a detailed explanation of wage subsidies in Belgium). Wage subsidies accounted for no more than 0.4% of GDP in 2023 in France, Germany and the Netherlands. However, specific policies implemented in neighbouring countries have, historically, led to significant variations in the level of wage subsidies. In 2013, France introduced a competitiveness and employment tax credit *(crédit d'impôts pour la compétitivité et l'emploi)* (CICE). This measure reduced labour costs for employers by a percentage of their gross wage bill below a certain threshold. In 2019, the CICE was abolished and replaced with a reduction in employer social security contributions for low-paid workers. In the Netherlands, temporary employment support during the Covid-19 pandemic took the form of a subsidy to enterprises to enable them to continue paying wages during this period. This measure explains the relatively high level of wage subsidies in the Netherlands in 2020 and 2021.

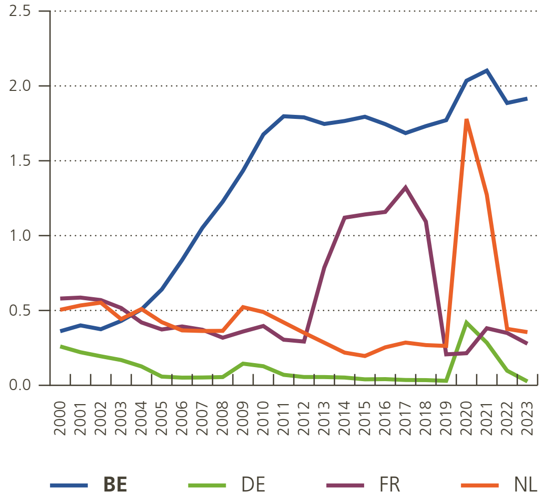
Figure 10

The relatively high level of "economic affairs" subsidies in Belgium can be almost entirely explained by high wage subsidies

Breakdown of subsidies (D3) in economic affairs
(2023, % of GDP)

	BE	DE	FR	NL
Economic affairs (TOTAL)	**2.5**	**1.6**	**2.2**	**1.1**
General economic, commercial and labour affairs	2.0	0.0	0.7	0.2
Fuel and energy (for reference: 2021)[1]	0.0 (0.1)	1.2 (0.6)	0.8 (0.3)	0.6 (0.2)
Transport	0.2	0.2	0.4	0.1
Other	0.3	0.2	0.3	0.2

Wages subsidies
(% of GDP)



Sources: CEC, EC.
1 Figures for 2021 are also shown since the figures for 2023 were inflated by temporary measures related to the energy crisis.

Within the function of "economic affairs, the level of subsidies falling under "fuel and energy" was, in relative terms, notably higher in 2023 in France (1.2% of GDP) and Germany (0.8% of GDP) than in Belgium (0.0% of GDP). This was largely due to temporary country-specific measures introduced during the energy crisis in 2022, to combat rising gas and electricity prices, and discontinued in 2023. The level of expenditure in this subcategory was significantly lower in 2021, before the energy crisis. The removal of these measures probably also explains the overall decline in the level of subsidies in France and Germany in 2024.

3.3 Taxes on labour income, net of wage subsidies, are lower in Belgium than in France and close to the level in Germany

Wage subsidies cannot be analysed in isolation from the high level of labour costs in Belgium. This section looks at wage subsidies from this perspective and examines how they have developed over time.

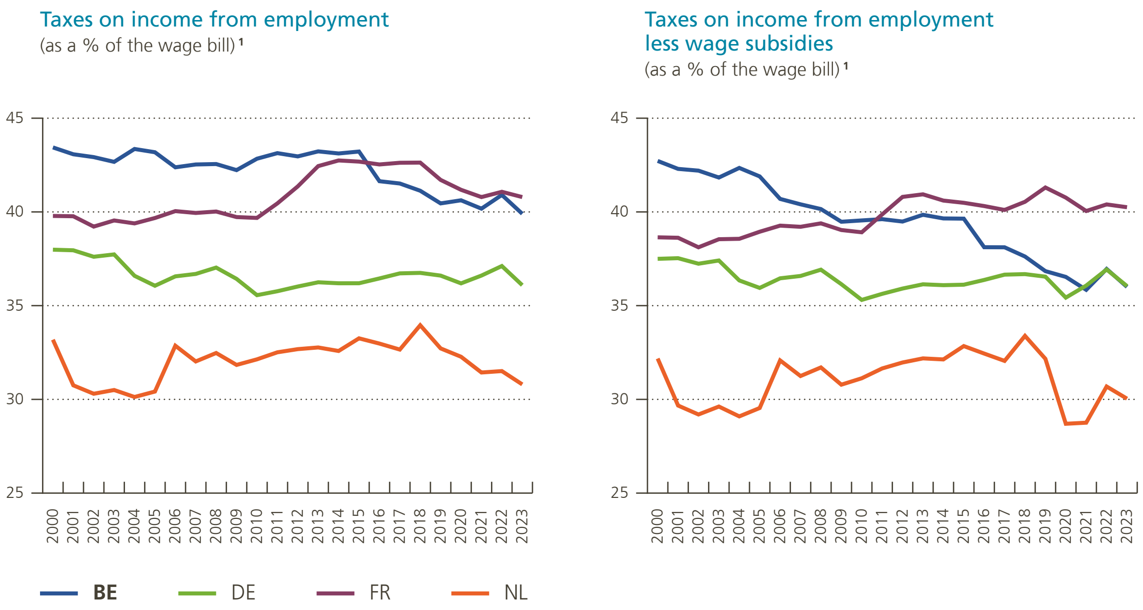
A harmonised European Commission database allows the taxation of labour income[7] to be compared between countries. This database shows that, between 2015 and 2023, the tax rate on labour income fell in Belgium by around 3% of the total wage bill, [8] as a result of gradual implementation of the tax shift. Overall, expressed as a percentage of the wage bill, the tax rate on labour income in Belgium in 2023 (40%) was close to the level in France (39%) and higher than in Germany (36%) and the Netherlands (31%) (see Figure 11).

7 Taxes on employed labour includes all taxes, directly linked to wages and mostly withheld at source, paid by employers and employees, including compulsory employer and employee social security contributions, payroll taxes, and the share of personal income tax related to earned income.

8 The wage bill refers to the compensation of employees (D.1) and total wage bill and payroll taxes (D.29c)

Figure 11

The tax rate on labour income less wage subsidies is lower in Belgium than in France and close to the level in Germany



Sources: CEC, EC.
1 The wage bill refers to the compensation of employees (D.1) and total wage bill and payroll taxes (D.29c)

Using CEC data on the level of wage subsidies in Belgium and neighbouring countries, it is possible to deduce a "net" tax rate on labour income, i.e. after the deduction of wage subsidies whose intrinsic objective is to reduce labour costs (see Section 2). The marked increase in wage subsidies in Belgium brought the "net" tax burden on labour income to the same level as in Germany (36%) in 2023 and below that of France (39%). The net tax rate on labour income remains higher in Belgium than in the Netherlands, where it amounted to around 30% of the total wage bill. The data on the taxation of labour income cover the entire economy, while the CEC data on wage subsidies concern only the private sector. This implies that the impact of wage subsidies on the net taxation of labour income in the private sector is greater than shown in Figure 11.

Annex 6 contains a graph identical to Figure 11 but expressed as a percentage of GDP. In this case, it can be seen that the net taxation of labour income in Belgium is well below the level in Germany. This is because the wage share in Germany is now substantially higher than in Belgium. This divergence was first observed in 2014; after that year, productivity gains in Belgium were translated to a lesser extent into wage increases than elsewhere in Europe.[9] This decline in the wage share also has a negative effect on government revenue.

The Council's latest country-specific recommendations for Belgium emphasise that the high tax burden on labour income is offset by numerous wage subsidies, which create economic inefficiencies and make the tax system unnecessarily complex.[10] In particular, in its latest report on Belgium, the EC highlights that special tax measures such as meal vouchers, commuting allowances, flextime arrangements and tax remittance exemptions for night/shift work (a subsidy) tend to create economic inefficiencies and environmental distortions.

9 See Basselier, R. and Jonckheere, J. (2025), "Level and development of the wage share in Belgium", *NBB Economic Review*, 2025(7). Available at https://www.nbb.be/en/media/20707.
10 Council of the European Union (2025). 13 EC (2025).

3.4 The level of investment grants is relatively lower in Belgium, particularly in the category of "economic affairs"

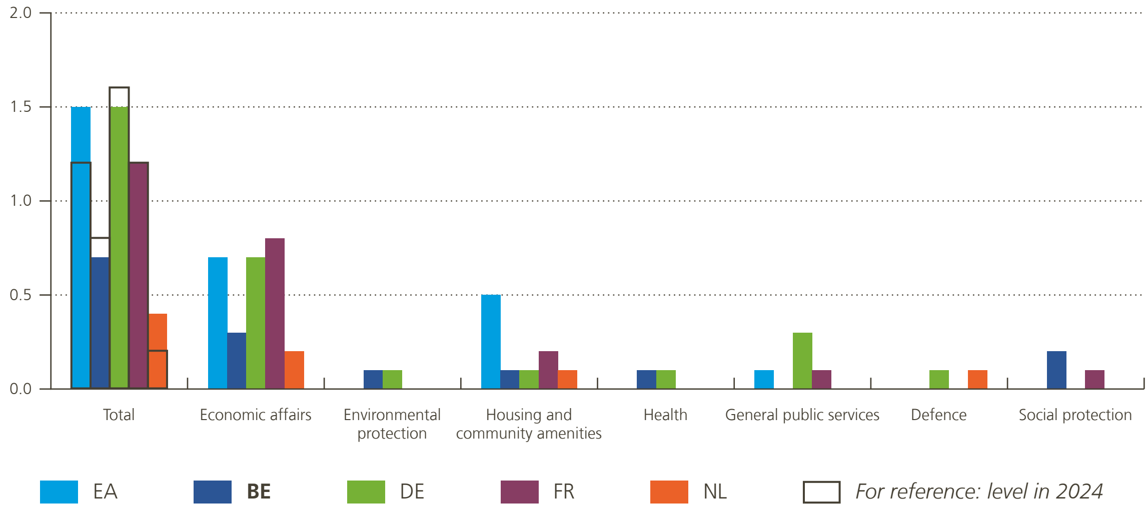
The level of investment grants in Belgium (see Section 2 for more information) is lower than in neighbouring countries, in particular France and Germany, due mainly to a lower level of grants classified under "economic affairs". In Germany, a large share of "economic affairs" investment grants relates to measures intended to promote energy efficiency and renewable energy in the building sector (including support for the use of new heating systems). In France, this category includes a research tax credit (CIR). The CIR is a tax incentive designed to encourage enterprises to develop scientific and technical research and to finance investments in R&D and innovation.

The high euro area average for "housing and community amenities" investment grants is also worth noting. This figure is largely due to the so-called "superbonus" in Italy, a tax-credit scheme for renovation works.

Figure 12

Breakdown of investment grants as per COFOG

(2023, % of GDP)



Source: EC.

1 The EA figure for 2022 is heavily influenced by the Italian "superbonus", a tax-credit scheme for renovation works.

4. Assessment of subsidies in Belgium

4.1 A conceptual framework to assess government expenditure and subsidies to enterprises

Subsidies and investment grants to enterprises can be justified if they help the government fulfil its function of correcting market failures. For the other classic functions of government, redistribution and the stabilisation of economic activity, other policy instruments are more appropriate, namely social benefits to households and taxes on economic activity. With regard to the correction of free-market failures, a distinction can be made between the provision of public goods and the internalisation of externalities. As public goods are non-excludable and non-rivalrous, the private sector cannot ensure a sufficient supply. The provision of public goods by the government can take the form of subsidies to public enterprises that provide these goods. Examples mentioned above include the subsidies granted to the SNCB/NMBS, Bpost and wastewater management companies.

Government financial support to businesses can also help contain negative externalities or promote positive externalities. Such support should preferably be limited to clear cases of externalities with a high social cost, such as the negative spillovers of certain private production decisions on the environment (including the climate). The federal subsidies for offshore wind energy and regional subsidies for electricity production with solar panels can be viewed as intended to curb negative environmental impacts. It should be noted that other policy instruments, such as environmental taxes, can also result in containment, but with a positive impact on public finances rather than a negative one. A relevant example of a positive externality that justifies government intervention is innovation. Examples mentioned above include subsidies for research and development, such as the tax remittance exemption for research staff.

In addition to correcting market failures, subsidies are used to implement specific policies aimed at certain target groups. For example, the government grants wage subsidies for shift and night work in order to boost the international competitiveness of export-oriented firms. While it can be argued that such targeted policies have a lower budgetary cost than the provision of comparable support to the economy as a whole, governments that provide targeted support are more susceptible to influence from pressure groups. Targeted support may also be perceived as unfair by those who do not benefit from it as it undermines the level playing field, which also hampers economic efficiency. Moreover, other policy instruments, such as labour market reforms and a generally attractive investment climate, may lead to similar results with no budgetary cost. Another example of a targeted policy is wage subsidies aimed at integrating vulnerable groups into the labour market. This type of policy may be politically defensible from a social point of view, but the concept of "vulnerability" must be carefully defined. Thus, wage subsidies for the disabled have a clearer basis than age-related wage subsidies. With regard to the latter, as well as subsidies intended to encourage the hiring of unemployed jobseekers, structural labour market reforms may, once again, offer a more budget-friendly alternative.

Regardless of the government's reason for supporting enterprises, it is necessary to ask whether subsidies or grants are the most efficient, cost-effective way of achieving the stated objective. Apart from conceptual considerations, this question can best be answered with reference to empirical research, some examples of which are given below.

4.2 Empirical studies on the efficiency and effectiveness of subsidies yield mixed findings

Cockx *et al.* (2025) examined the permanent reduction in employer social security contributions for the first hire. This measure cost €488 million in 2023. Their analysis revealed that the number of firms with one employee increased significantly, while there was no increase in the number of businesses with more than one employee. They estimate the gross budgetary cost per additional employee at €101,000 (for 2023) and expect this amount to rise. Furthermore, they consider it unlikely that the increase in demand caused by the entrance of new firms will be fully met by the unemployed or inactive and instead foresee a reallocation from larger, more productive companies to smaller, less productive ones. As a policy alternative, they propose abolishing the permanent reduction for the first hire and the temporary reduction for the second and third hires or at least limiting the duration of the reduction for the first hire.

Albanese and Cockx (2019) studied the effects on employment and wages of a reduction in the employer's labour costs for employees over the age of 58. Based on their analysis, they concluded that a reduction in labour costs aimed at older workers keeps this group in work for a negligibly longer period and that the cost to society outweighs the benefit. Age is therefore not a meaningful criterion when targeting reductions in employer social security contributions at specific groups. They point to the high level of wages of older workers compared with their productivity and argue that the productivity-pay gap could also be reduced directly, rather than indirectly through wage subsidies. It should be noted that the targeted reduction for older workers was abolished in Flanders in 2024.

Desiere and Cockx (2022) investigated the effectiveness of a hiring subsidy aimed at unemployed jobseekers over the age of 45 who have been out of work for at least six months, by looking at the consequences of the repeal of this measure in Flanders in 2017. Although the wage subsidy temporarily boosted employment, its impact over time proved limited. The effect of the subsidy steadily diminished and did not increase the likelihood of finding a job over a period of twelve consecutive months. They point to the importance of training and education in activating the long-term unemployed.

Dumont (2022) looked at the federal tax remittance exemption for researchers. This study revealed robust indications that the (partial) exemption from the obligation to remit taxes withheld from the wages of R&D personnel, together with other forms of government support, encourages firms to invest more in R&D. This also applies to the (partial) exemption for R&D employees with a bachelor's degree. This form of support appears more effective than tax credits for investments in R&D and the tax deduction for patent income.

In a 2019 pilot spending review, the Flemish government evaluated the objectives of the service voucher scheme. The Flemish government seeks to achieve three objectives by means of this policy: a better work-life balance through the outsourcing of household tasks, a higher employment rate for low-skilled women, migrants and other vulnerable groups, and less undeclared work. The study found that, at first glance, the service voucher policy has been successful, with 88,000 registered workers in 2018. A microeconomic analysis indicates that net job creation accounted for 56% to 93% of this figure. In 2018, 700,000 households used service vouchers to outsource household tasks, enabling them to work more, have more free time and avoid other costs (such as for care homes). The study notes the greater price sensitivity of service vouchers for lower-income groups.

De Groote and Verboven (2019) examined the system of subsidies for solar panels in Flanders, which has favoured subsidies on production for several years (as is the case in Brussels and Wallonia) rather than direct support upon the purchase of solar panels. The Flemish subsidies have resulted in a sharp increase in purchases of solar panels. However, the research revealed a strong preference for direct support: beneficiaries apparently underestimate the future savings on their electricity bills or do not fully trust the government to pay out the subsidies. The efficiency of the system in Flanders (as well as in Brussels and Wallonia) is therefore low. An upfront investment subsidy rather than a subsidy on production would have reduced Flemish government expenditure by €1.9 billion, or 51% of the amount spent, over the period 2006-2011. Moreover, De Groote, Gautier and Verboven (2024) found a decrease in voter support for incumbent political parties in municipalities with a high solar power adoption rate. This indicates that the punishment by voters exceeds the potential reward from the recipients of these generous subsidies.

The Audit Court (2024) conducted a review of research support for companies, universities, technical colleges and accredited research centres in the Walloon Region. The audit covered €327 million in support granted in 2023, including in the context of the *Plan de relance de la Wallonie* (Walloon Recovery Plan). The court concluded that the government fails to focus public funding on priority research areas that would contribute to Wallonia's economic recovery. Furthermore, few obligations are imposed on subsidies recipients in terms of the socio-economic impact of funded projects for Wallonia.

The above studies paint a mixed picture of the effectiveness and efficiency of specific subsidies. It is important for governments to have detailed figures on subsidies and their recipients. Only then is it possible to thoroughly assess subsidies policies and adjust them where necessary. For example, based on such assessments, the Flemish government recently decided to abolish wage subsidies for older workers and to reduce the level of subsidies for service voucher companies.

Conclusion

The debate on government spending, in the current context characterised by the consolidation of public finances, extends to subsidies to enterprises. Primary government expenditure has risen by 9.5% of GDP since 2000; subsidies and investment grants to enterprises are responsible for some of this increase (1.5% of GDP).

In such discussions, it is important to clearly define what is meant by "subsidies". In this study, we use the ESA concepts of subsidies to enterprises (D.3) and investment grants to corporations (D.92 to corporations). This support to enterprises is limited to transfers to domestic producers, meaning transfers to households, other countries and other levels of government are excluded. Subsidies and investment grants to enterprises accounted for €25.1 billion in public expenditure (4.1% of GDP) in 2024. This is considerably less than the amounts referenced in other studies or reports on "subsidies".

This study provides a fairly detailed overview of subsidies and investment grants to enterprises. In this way, we aim to inform the public debate on the policy choices made at various levels of government. In Belgium, almost two-thirds of subsidies to enterprises are in the form of wage subsidies, which are granted at both federal and regional level. The main examples of such subsidies are (federal) tax remittance exemptions, (federal and regional) targeted reductions in employer social security contributions and (regional) subsidies to service voucher companies. In addition, public enterprises, such as the SNCB/NMBS and Bpost and wastewater companies, receive federal and regional subsidies, respectively. Other subsidies contribute to the government function of environmental protection, such as regional subsidies for solar panels (to both households and firms in their capacity as electricity producers) and federal support for offshore wind farms. There are also subsidies to stimulate research and development. At the regional level, it appears that Flanders disburses relatively more subsidies on environmental protection and healthcare, while the focus in Wallonia and Brussels is on activation policies.

Subsidies in Belgium are higher than in neighbouring countries and above the euro area average, by at least 1.5% of GDP. This was not the case in 2000. However, the level of investment grants in Belgium is slightly below the European average. The substantial increase in subsidies in recent decades and the difference with neighbouring countries can be attributed almost entirely to wage subsidies. The objectives cited by the government to justify the use of these subsidies include strengthening the international competitiveness of Belgian firms, integrating certain vulnerable groups into the labour market and stimulating research and development. For each subsidy, however, it is important to analyse whether it effectively achieves the stated policy objective in an efficient manner. For example, structural labour market reforms that make companies more competitive and encourage people to work could render certain subsidies unnecessary. Empirical research reveals mixed findings regarding the effectiveness and efficiency of certain wage subsidies. For example, wage subsidies for older people or for the first hire appear to come at a high cost with limited or no net job creation. On the other hand, the wage subsidies for service voucher companies and the tax remittance exemption for R&D personnel appear to achieve their objective, although it remains necessary to determine whether this could be done at a lower cost.

The high level of wage subsidies in Belgium should be viewed in the context of the country's high labour costs. The European Commission highlights that the high tax burden on labour income is offset by numerous wage subsidies, which create economic inefficiencies and make the tax system unnecessarily complex. In the early 2000s, the tax burden on income from employment in Belgium was significantly higher than in its three main neighbours. The tax shift, from 2014 onwards, lowered the tax burden on labour income almost to the level of France and reduced the gap with Germany. If wage subsidies are factored in when calculating the tax burden on income from employment, the resulting net tax burden in Belgium is significantly below the level in France and on a par with that of Germany. If the net tax burden is expressed in relation to GDP (rather than to the wage bill), net revenue in Belgium is approximately two percentage points of GDP less than in Germany, where a larger share of added value goes to labour.

Furthermore, for subsidies other than wage subsidies, it is necessary to ask if the same result could be achieved using less expensive policy instruments. For example, studies show that financial support for solar panels would have been just as effective with half the budget had it been granted in the form of a direct investment subsidy upon purchase rather than as a subsidy on production. The reform of the subsidies for offshore wind farms, to a contract for difference, shows that more intelligently designed, less unconditional support can help limit expenditure.

In recent years, governments have reformed or abolished certain subsidies, partly on the basis of spending reviews. In order to carry out such assessments, greater transparency on subsidies and their recipients is needed. The Flemish subsidies register can serve as an example in this regard. In the medium-term fiscal-structural plan submitted to the European Commission, the federal government agreed to conduct a number of spending reviews. In any case, a critical assessment of current subsidies policies at all levels of government is essential given the need for fiscal consolidation.

Annexes

Annex 1 – Subsidies and investment grants to enterprises: federal government and social security institutions

Table A1

Federal government: subsidies (D.3) **and investment grants** (D.92)
(in € million)

	2000	2023	2024	ESA	COFOG
D.3 Subsidies	1 396	6 441	6 818		
1) To public enterprises, including:	1 180	1 608	1 456		
SNCB/NMBS	965	1 284	1 127	D.31	Economic affairs (Transport)
Bpost	215	324	329	D.31	Economic affairs (Communication)
2) To non-public enterprises, including:	189	4 592	5 208		
Wage subsidies, of which:	0	4 309	4 616		
Tax exemptions	0	4 082	4 385	D.39	Economic affairs (General economic, commercial and labour affairs)
Maribel Social Funds	0	56	59	D.39	Health (Hospital services)
Employee holiday pay funds	0	171	172	D.39	Economic affairs (General economic, commercial and labour affairs)
Other, including	0	283	592		
Offshore wind farms	0	283	592	D.31	Environmental protection (Pollution abatement)
3) Other	78	228	125		
D.92 Investment grants	927	802	946		
1) To public enterprises, including:	784	767	830		
SNCB/NMBS	784	767	830	D.92	Economic affairs (Transport)
2) To non-public enterprises	0	34	117	D.92	

Sources: NAI, NBB.

Table A2

Social security institutions: subsidies (D.3) **and investment grants** (D.92)

(in € million)

	2000	2023	2024	ESA	COFOG
D.3 Subsidies	1 209	3 520	3 496		
1) To public enterprises	0	0	0		
2) To non-public enterprises, including:	1 209	3 520	3 496		
Wage subsidies, of which:	1 209	3 520	3 496		
Maribel Social Funds	378	1 460	1 461		Economic affairs (General economic, commercial and labour affairs)
Targeted reductions in employer social security contributions	435	965	926		Economic affairs (General economic, commercial and labour affairs)
Hospital employees	0	657	663		Health (Hospital services)
Other (mainly targeted subsidies for the healthcare sector)	0	438	446		Health (Hospital services)
3) Other	0	0	0		
D.92 Investment grants	0	0	0		
1) To public enterprises	0	0	0		
2) To non-public enterprises	0	0	0		

Sources: NAI, NBB.

Annex 2 – Subsidies and investment grants to enterprises: Flanders

Table A3

Flanders: subsidies (D.3)

(in € million)

	2015	2023	2024	ESA	COFOG
D.3 Subsidies	4 775	6 784	6 528		
1) To public enterprises, including:	287	470	596		
Social housing (via the Vlaamse maatschappij voor Sociaal Wonen)	0	177	N/A	D.39	Housing and community amenities (Housing development)
Wastewater management	124	127	N/A	D.31	Environment protection (Waste water management)
Hospital services	15	53	N/A	D.39	Health (Hospital services)
Seaports/airports	54	35	N/A	D.39	Economic affairs (Transport)
2) To non-public enterprises, including:	4 621	5 997	5 634		
Wage subsidies, of which:	2 361	3 321	3 384		
Service vouchers	1 022	1 545	1 592	D.39	Economic affairs (General economic, commercial and labour affairs)
Targeted reductions in employer social security contributions	616	360	362	D.39	Economic affairs (General economic, commercial and labour affairs)
Activation of the unemployed	99	16	4	D.39	Economic affairs (General economic, commercial and labour affairs)
Social agreement for the healthcare sector (non-profits)	0	538	539	D.39	Health (Hospital services)
Nursing staff (MRS/MRPA) (non-profit)	308	353	353	D.39	Health (Hospital services)
Disabled persons	316	509	535	D.39	Social protection (Sickness and disability)
Other, including	2 260	2 676	2 250		
Green certificates	1 287	956	858	D.31	Environmental protection (Pollution abatement)
Innovation and entrepreneurship	N/A	541	N/A	D.39	Economic affairs (R&D economic affairs)
Affordable energy	N/A	341	142	D.39	Environmental protection (Environmental protection N.E.C.)
3) Other	–133	316	298		

Sources: NAI, NBB.

Table A4

Flanders: investment grants (D.92)

(in € million)

	2015	2023	2024	ESA	COFOG
D.92 Investment grants	655	1 204	1 362		
1) To public enterprises, including:	326	494	414		
Sewer construction for municipalities	0	147	N/A	D.92	Environment protection (Waste water management)
Education (via the Agentschap voor Infrastructuur in het Onderwijs)	0	113	107	D.92	Education (Subsidiary services to education)
Hospitals (via VIPA)	5	72	N/A	D.92	Health (Hospital services)
Transport (seaports, railways, etc.)	1	63	N/A	D.92	Economic affairs (Transport)
Social housing (via the Vlaamse maatschappij voor Sociaal Wonen)	39	60	N/A	D.92	Housing and community amenities (Housing development)
2) To non-public enterprises, including:	306	675	935		
Innovation and entreneurship (via the Fonds voor innoveren en ondernemen)	N/A	230	332	D.92	Economic affairs (General economic, commercial and labour affairs)
Hospitals (via VIPA)	N/A	208	192	D.92	Health (Hospital services)
Wastewater management	N/A	82	82	D.92	Environmental protection (Waste water management)
Agriculture (via the Vlaams Landbouwinvesteringsfonds)	N/A	34	33	D.92	Economic affairs (Agriculture, forestry, fishing and hunting)
3) Other	23	35	13		

Sources: NAI, NBB.

Annex 3 – Subsidies and investment grants: Wallonia

Table A5

Wallonia: subsidies (D.3)

(in € million)

	2015	2023	2024	ESA	COFOG
D.3 Subsidies	2 668	3 143	3 109		
1) To public enterprises, including:	25	65	47		
Wastewater management (Budgetary fund for environmental protection)	N/A	30	21	D.39	Environment protection (Waste water management)
Other (small measures)	N/A	35	26	D.39	
2) To non-public enterprises, including:	2 643	3 078	3 062		
Wage subsidies:	1 327	1 979	2 031		
Service vouchers	416	534	550	D.39	Economic affairs (General economic, commercial and labour affairs)
Targeted reductions in employer social security contributions	627	196	201	D.39	Economic affairs (General economic, commercial and labour affairs)
Employment promotion assistance (via APE)	N/A	588	581	D.39	Economic affairs (General economic, commercial and labour affairs)
Employment in small enterprises (via SESAM)	N/A	95	117	D.39	Economic affairs (General economic, commercial and labour affairs)
Activation of the unemployed	131	95	80	D.39	Economic affairs (General economic, commercial and labour affairs)
Nursing staff (MRS/MRPA)	141	205	339	D.39	Health (Hospital services)
Disabled persons	143	149	163	D.39	Economic affairs (General economic, commercial and labour affairs)
Social agreement for the healthcare sector	N/A	117	N/A	D.39	Health (Hospital services)
Other, of which:	530	718	663		
Green certificates	530	324	288	D.31	Environmental protection (Pollution abatement)
R&D subsidies	N/A	93	84	D.39	Economic affairs (R&D economic affairs)
Educational leave	N/A	28	36	D.39	Economic affairs (General economic, commercial and labour affairs)
Training (via Forem)	N/A	176	190	D.39	Economic affairs (General economic, commercial and labour affairs)
Energy crisis measures	N/A	25	N/A	D.39	Economic affairs (General economic, commercial and labour affairs)
Recovery plan (PRW)	N/A	72	65	D.39	Economic affairs (Economic affairs N.E.C.)
3) Other	786	381	368		

Sources: NAI, NBB.

Table A6

Wallonia: investment grants (D.92)

(in € million)

	2015	2023	2024	ESA	COFOG
D.92 Investment grants	326	641	523		
1) To public enterprises, including:	129	388	322		
Walloon Housing Society	N/A	340	288	D.92	Housing and community amenities (Housing development)
Other (small measures)	N/A	48	34		
2) To non-public enterprises, including:	191	250	207		
Support for competitiveness – carbon leakage measures	N/A	50	20	D.92	Economic affairs (General economic, commercial and labour affairs)
Small and medium-sized enterprises	N/A	60	75	D.92	Economic affairs (General economic, commercial and labour affairs)
Other (small measures)	N/A	140	112		
3) Other	6	3	–6		

Sources: NAI, NBB.

Annex 4 – Subsidies and investment grants: French Community

Table A7

French Community: subsidies (D.3)

(in € million)

	2015	2023	2024	ESA	COFOG
D.3 Subsidies	36	74	76		
1) To public enterprises, including:	N/A	37	39		
Cinema and Audiovisual Centre	N/A	21		D.31	Recreation, culture and religion (Broadcasting and publishing services)
CHU de Liège (hospital)	N/A	9		D.31	Health (Hospital services)
Other university hospitals	N/A	7		D.31	Health (Hospital services)
2) To non-public enterprises, including:		38	36		
Support for print media in French		12		D.31	Recreation, culture and religion (Broadcasting and publishing services)
Local media		10		D.31	Recreation, culture and religion (Broadcasting and publishing services)
Other (small measures)		16			

Sources: NAI, NBB.

Table A8

French Community: investment grants (D.92)

(in € million)

	2015	2023	2024	ESA	COFOG
D.92 Investment grants		9	5		
(mainly for municipal school infrastructure)					

Sources: NAI, NBB.

Annex 5 – Subsidies and investment grants: Brussels-Capital Region

Table A9

Brussels-Capital Region: subsidies (D.3)

(in € million)

	2015	2023	2024	ESA	COFOG
D.3 Subsidies	719	1 027	997		
1) To public enterprises, including:	24	85	72		
Wastewater management (via water companies)	5	40	N/A	D.39	Environmental protection (Waste water management
Social housing (via social housing companies)	3	26	N/A	D.39	Social protection (Housing)
Economic affairs	7	11	N/A	D.39	Economic affairs (General economic, commercial and labour affairs)
2) To non-public enterprises, including:	658	890	891		
Wage subsidies, of which:	N/A	705	N/A		
Service vouchers	204	287	304	D.39	Economic affairs (General economic, commercial and labour affairs)
Economic affairs (employment, etc.)	N/A	242	N/A	D.39	Economic affairs (General economic, commercial and labour affairs)
Targeted reductions in employer social security contributions	209	148	140	D.39	Economic affairs (General economic, commercial and labour affairs)
Activation of the unemployed	33	28	28	D.39	Economic affairs (General economic, commercial and labour affairs)
Other, of which:	211	186	N/A		
Green certificates	21	81	71	D.31	Environmental protection (Pollution abatement)
Operating subsidies to social housing companies	24	46	N/A	D.39	Social protection (Housing)
Basic research	11	18	N/A	D.39	General public services (Basic research)
3) Other	37	51	34		

Sources: NAI, NBB.

Table A10

Brussels-Capital Region: investment grants (D.92)

(in € million)

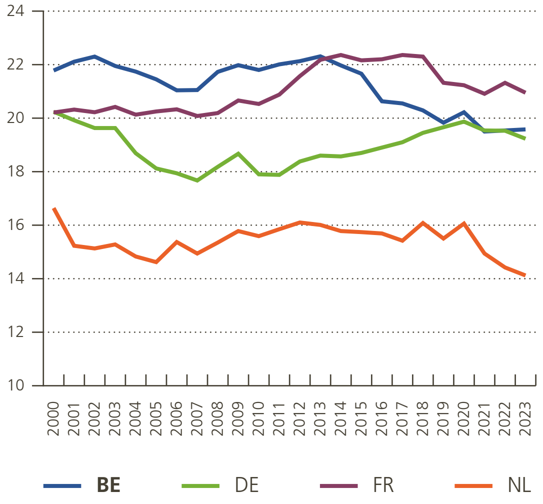
	2015	2023	2024	ESA	COFOG
D.92 Investment grants	121	206	208		
1) To public enterprises, including:	90	164	164		
Social housing (via social housing companies)	30	86	N/A	D.92	Social protection (Housing)
Wastewater management (via water companies)	29	32	N/A	D.92	Environmental protection (Waste water management)
Urban development	27	33	N/A	D.92	Economic affairs (General economic, commercial and labour affairs)
2) To non-public enterprises, including:	32	42	44		
Investment support to businesses (various)	18	26	N/A	D.92	Economic affairs (General economic, commercial and labour affairs)
Investment support to businesses for rational energy consumption	4	5	N/A	D.92	Economic affairs (Fuel and energy)
Investment support to businesses for works to preserve heritage sites	0	3	N/A	D.92	Recreation, culture and religion (Cultural services)
Social housing	4	2	N/A	D.92	Social protection (Housing)
3) Other	0	0	0		

Sources: NAI, NBB.

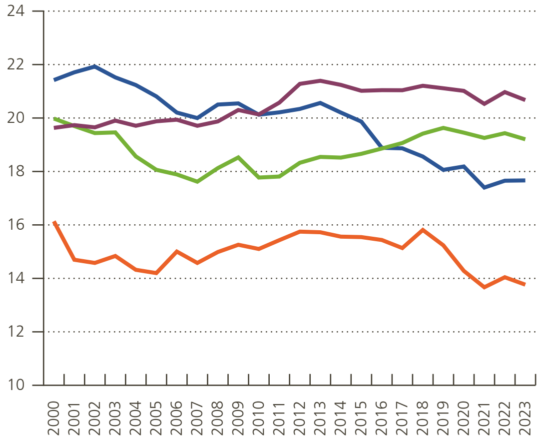
Annex 6 - Taxes on labour income as a share of GDP

Expressed as a percentage of GDP, taxes on labour income less wage subsidies are lower in Belgium than in both France and Germany

Taxes on income from employment
(% of GDP)



Taxes on income from employment
minus wage subsidues
(% of GDP)



Sources: CEC, EC.

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Conventional signs

e.g.	*exempli gratia* (for example)
€	euro
et al.	*et alia* (and other)
i.e.	*id est* (that is)
%	per cent

List of abbreviations

EU countries or regions

BE	Belgium
DE	Germany
EA	Euro area
FR	France
IT	Italy

Other abbreviations

AGIOn	(Flemish) Agency for School Infrastructure
APE	Employment promotion assistance
CEC	Central Economic Council
CICE	Crédit d’impôt pour la compétitivité et l’emploi
COFOG	Classification of the Functions of Government
COVID-19	Coronavirus disease 2019
DBFM	Design, build, finance and maintain
EC	European Commission
ESA	European System of Accounts
ETS	Emissions trading system
EU	European Union
FPS BOSA	Federal Public Service for Policy and Support
Forem	(Walloon) Public Service for Employment and Vocational Training
GDP	Gross domestic product
GESCO	Gesubsidieerde contractueel (subsidised contract worker)
IMF	International Monetary Fund
INSEE	(French) National Institute of Statistics and Economic Studies
NAI	National Accounts Institute
NBB	National Bank of Belgium
NECP	National Energy and Climate Plan
OECD	Organisation for Economic Cooperation and Development
PRW	Walloon Recovery Plan
R&D	Research and development
RRP	Recovery and Resilience Plan
SESAM	Soutien à l’emploi dans les secteurs d’activités marchands
SNCB/NMBS	National Railway Company of Belgium
VAT	Value added tax
VIPA	Flemish Infrastructure Fund for Person-related Matters

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