

Brussels, 27 October 2017

Mr Johan Van Overtveldt
Minister of Finance
Wetstraat 12
1000 Brussels

Dear Minister,

Thank you for the submission of Belgium's Draft Budgetary Plan (DBP) for 2018, which we received on 17 October. We are writing to ask for clarifications on the compliance of Belgium's planned fiscal effort in 2018 with the requirements of the preventive arm of the Stability and Growth Pact.

The DBP plans a structural effort for 2018 of 0.3% of GDP, both at face value and once recalculated by the Commission services according to the commonly agreed methodology for the calculation of potential growth. This is below the effort of at least 0.6% of GDP required according to the commonly agreed adjustment matrix under the Stability and Growth Pact, as set out in the Council recommendation of 11 July 2017. Also the planned nominal growth rate of net primary expenditure exceeds the recommended rate of 1.6%, with a gap of 0.5% of GDP. According to our analysis, this points to a risk of a significant deviation from the required effort in 2018. In 2017, the gaps amount to 0.0% and 0.4% of GDP based on the structural balance and the expenditure benchmark respectively. As a result, for 2017 and 2018 together, our analysis points to a risk of significant deviation on the basis of an "overall assessment". We would thus welcome further information on the precise composition of the structural effort envisaged in DBP for the different levels of government. Also, additional information beyond that in the DBP, related to the envisaged reform of corporate income taxation, in particular its budgetary implications, would be welcomed. The Commission's preliminary assessment also indicates that Belgium's plan would not ensure compliance with the debt reduction benchmark in 2018.

We would also like to recall that Belgium's broad compliance with the preventive arm of the Stability and Growth Pact is a key relevant factor in the report under article 126(3) TFEU on the prima facie breach of the debt rule in 2016. The report issued on 22 May 2017 concluded that the debt criterion as defined in the Treaty and in Regulation (EC) No. 1467/1997 should be considered as complied with. At the same time, additional fiscal measures were to be taken in 2017 to ensure broad compliance with the adjustment path towards the MTO.

The Commission seeks to continue a constructive dialogue with Belgium in order to come to a final assessment. We would welcome your views by 31 October 2017, close of business, to allow the Commission to take it into account in its further analysis. Our services stand ready to assist you in this process.

Yours sincerely,



Valdis Dombrovskis



Pierre Moscovici