Faster and Safer Relief of Excess Withholding Taxes

2023/0187(CNS) - 14/11/2024 - Text adopted by Parliament after reconsultation

The European Parliament adopted by 555 votes to 48, with 42 abstentions, following a special legislative procedure (renewed consultation), a legislative resolution on the draft Council directive on Faster and Safer Relief of Excess Withholding Taxes.

Parliament **approved** the Council draft without amendments.

According to the Council draft, the directive will introduce a **common EU digital tax residence certificate** (eTRC) that tax paying investors would be able to use in order to benefit from the fast-track procedures to obtain relief from withholding taxes. Member States will provide an automated process to issue digital tax residence certificates (eTRC) to a natural person or entity deemed resident in their jurisdiction for tax purposes.

The directive allows Member States to have **two fast-track procedures** complementing the existing standard refund procedure for withholding taxes. Member States will have to use one or both of the following systems:

- a '**relief-at-source**' procedure where the relevant tax rate is applied at the time of payment of dividends or interest;

- a '**quick refund**' system where the reimbursement of overpaid withholding tax is granted within a set deadline.

The Council agreed that Member States must apply the fast-track procedures if they provide relief from excess withholding tax on dividends paid for publicly traded shares.

A key change is the exemption provided to Member States who already have a comprehensive relief-at-source system in place and who have a relatively small financial market, i.e. when their market capitalisation ratio is below a **threshold of 1.5%.**

The Directive further introduces a **reporting obligation** for financial intermediaries, who will have to register in national registers established pursuant to this Directive in order to be able to request the fast-track procedures. In order to simplify the procedure, a **European Certified Financial Intermediary Portal** will be created.

Lastly, the Council agreement extends the original deadline for the entry into force of 1 January 2027, as foreseen by the Commission's proposal, to 1 January 2030.