

Faster and Safer Relief of Excess Withholding Taxes

2023/0187(CNS) - 10/01/2025 - Final act

PURPOSE: to make withholding tax procedures in the EU more efficient and secure for investors, financial intermediaries, such as banks or investment platforms.

LEGISLATIVE ACT: Council Directive (EU) 2025/50 on faster and safer relief of excess withholding taxes.

CONTENT: to ensure the proper functioning of the Capital Markets Union (CMU), it is essential to remove obstacles to cross-border investment, while combating tax evasion and tax abuse. Such obstacles exist, for example, in cases of inefficient and excessively burdensome procedures for relieving excess withholding tax on dividends or interest income paid to non-resident investors on listed shares or bonds. The current situation has proven to be inadequate in preventing recurrent risks of tax fraud, tax evasion and tax avoidance, as shown by numerous cases of multiple tax reclaim schemes and fraud involving the use of dividend arbitrage or dividend stripping (*Cum/Ex and Cum/Cum*).

The FASTER directive will **make tax relief procedures faster, simpler and, at the same time, safer**. It lays down the following rules concerning:

- the issuance of a digital tax residence certificate by Member States; and
- the procedure to relieve any excess withholding tax that can be levied by a Member State on dividends from publicly traded shares and, where applicable, on interest from publicly traded bonds paid to registered owners that are resident for tax purposes outside that Member State.

Common tax residence certificate

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. Member States will issue the eTRC, based on the information of which the issuing authority has knowledge on the date of issuance, within 14 calendar days of the submission of a request.

Member States will recognise an eTRC issued by another Member State as proof of tax residence of a taxpayer in that other Member State.

Fastrack procedures

The Directive allows Member States to have two fast-track procedures complementing the existing standard refund procedure for withholding taxes. This will make relief and refund processes faster and more closely harmonised across the EU.

Member States should 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.

Member states will have an option to maintain their current procedures, and not apply Chapter III of the directive, if: (i) they provide a comprehensive relief-at-source system applicable to the excess withholding tax on dividends paid for publicly traded shares issued by a resident in their jurisdiction and (ii) their market capitalisation ratio is below a threshold of 1.5%. Nevertheless, if this ratio is exceeded for four consecutive years, all rules foreseen by the directive will become irrevocably applicable. In such cases Member States will have five years to transpose the rules of the directive into national law.

Standardised information for financial intermediaries

A standardised reporting obligation will provide national tax administrations with the necessary tools to check eligibility for the reduced rate and to detect potential abuse. Certified financial intermediaries will have to report the payment of dividends or interest to the relevant tax administration so that the latter can trace the transaction.

In particular, large EU financial intermediaries will be required to join a **national register of certified financial intermediaries**. This register will also be open to non-EU and smaller EU financial intermediaries on a voluntary basis. A European Certified Financial Intermediary **Portal** will act as a central dedicated website where the national registers will be accessible.

Once registered the financial intermediaries will need to report the necessary information to the relevant tax authorities so that the transaction can be traced.

Under the new rules, certified financial intermediaries requesting relief on behalf of a registered owner will need to carry out due diligence regarding the registered owner’s eligibility to benefit from tax relief.

Lastly, Member States will impose penalties where the obligations arising from this Directive are not complied with.

ENTRY INTO FORCE: 30.1.2025.

TRANSPOSITION: no later than 31.12.2028.

APPLICATION: from 1.1.2030.