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European Commission Publishes 'FASTER' Proposal - New Rules for Withholding Taxes in the EU

The European Commission has published a [proposal](#) for a Council Directive on Faster and Safer Relief of Excess Withholding Taxes (FASTER), setting out proposed new rules for withholding taxes in the EU. The proposed legislation aims to simplify cross-border investment and taxation in the EU by introducing an EU-wide common system for withholding tax on dividend and interest payments and for tax authorities to exchange information and cooperate. The rules, once adopted by Member States, would come into force on 1 January 2027.

The key features of the proposed system are as follows:

- *A **common EU digital tax residence certificate** will make withholding tax relief procedures faster and more efficient. For example, investors with a diversified portfolio in the EU will need only one digital tax residence certificate to reclaim several refunds during the same calendar year. The digital tax residence certificate should be issued within one working day after the submission of a request. At present, most Member States still rely on paper-based procedures.*
- ***Two fast-track procedures complementing the existing standard refund procedure:** a “relief at source” procedure and a “quick refund” system, which will make the relief process faster and more harmonised across the EU. Member States will be able to choose which one to use – including a combination of both.*
 - *Under the “relief at source” procedure, the tax rate applied at the time of payment of dividends or interest is directly based on the applicable rules of the double taxation treaty provisions.*
 - *Under the “quick refund” procedure, the initial payment is made taking into account the withholding tax rate of the Member State where the dividends or interest is paid, but the refund for any overpaid taxes is granted within 50 days from the date of payment.*
- *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. Taxpayers investing in the EU through certified financial intermediaries will benefit from fast-track withholding tax procedures and avoid double taxation on dividend*

payments. The more financial intermediaries register, the easier it will be for tax authorities to process refund requests, regardless of the procedure used.

In 2022, CFE responded to a public consultation questionnaire concerning the planned proposal, expressing its support in an [Opinion Statement](#) for introducing an EU-wide system on withholding taxes. The CFE Tax Advisers Europe is supportive of the initiative to introduce an EU-wide system for relief at source of withholding tax on dividend, interest, royalty payments and service fees, and for exchange of information and cooperation between tax authorities under the system.

CFE in the Statement expressed it has a strong preference for a harmonized relief at source system and that there should be a harmonized means to obtain via e-request a tax residence certificate, with swift online provision of the tax residence certificate, and a digitalised verification system. Refund procedures are costly, time-consuming and often result in taxpayers having their refund claims refused for various administrative-related reasons.

A [public consultation](#) has now simultaneously been launched inviting public input on the legislative proposal, which will run until 14 August 2023. Submissions can be made via the [Have Your Say](#) website.

EU Parliament Adopts Report on Lessons Learned from the Pandora Papers

On 15 June, MEPs of the European Parliament sitting in Plenary [adopted](#) the Report on Lessons Learned from the Pandora Papers and Other Revelations, with 465 votes in favour, 5 votes against and 36 abstentions.

The report makes recommendations on regulation for intermediaries, reporting and information sharing, beneficial ownership, reducing conflicts of interest, addressing practices and regimes which reduce tax collection and whistle-blowers. The report also recommends changes to the EU's tax haven blacklist and the mandate of the Code of Conduct Group.

The CFE last week issued an [Opinion Statement](#) on the Report ahead of the EU Parliament plenary debate and vote. CFE Tax Advisers Europe values the continued efforts and contribution of the European Parliament, in particular the Subcommittee on Tax Matters (FISC) and the Committee of Economic and Monetary Affairs (ECON) in promoting better transparency, accountability and integrity of our tax systems.

CFE has contributed to the public debate and the expert hearings organised by the European Parliament in exploring ways in which tax professionals can contribute to these objectives as well as to strengthen the integrity and robustness of the fiscal systems for the benefit of the European economy, society, its citizens and taxpayers. We will continue to support the EU institutions in these important endeavours. In this spirit, we wish to provide remarks on the findings of the report, hoping these may be of assistance.

We invite you to read the [statement](#) and remain available for any queries you may have.

ECOFIN Progresses Debate on ViDA Proposals

Finance Ministers from the Council of the European Union met on 16 June at the Economic and Financial Affairs Council, where a number of files were progressed.

Key outcomes included the following:

Taxation: VAT in the digital age

Ministers held a policy debate on this legislative package and **gave political guidance** on a number of key issues which had so far been the subject of discussions at the level of experts of the member states.

Business Taxation: Code of Conduct Group

The Council approved [conclusions](#) on the **progress** achieved by the Code of Conduct Group during the Swedish presidency (January to June 2023).

Report to the European Council on Tax Issues

The Council approved the biannual Ecofin [report](#) to the European Council on tax issues. This report provides an **overview of the progress achieved** in the Council during the term of the Swedish Presidency, as well as an overview of the **state of play** of the most important dossiers under negotiation in the area of taxation.

European Semester

The Council approved its [country-specific recommendations](#) on the 2023 national reform programmes and it delivered its opinions on the updated stability or convergence programmes. Ministers approved the Council recommendations with a view to forwarding them for endorsement to the European Council.

Further information on the outcomes of the meeting is available [here](#).

Register Now: "A Gender Equal Tax System in Europe: Reflections for a New Agenda" - 4 July 2023, EU Parliament

Registration is now available via the [European Parliament InfoHub website](#) for the 4 July 2023 event (panel discussion) on the topic of "*European Values: A Gender Equal Tax System in Europe: Reflections for a New Agenda*". The event is organised by CFE Tax Advisers Europe, the ICAEW Women in EU Finance Network and PwC, kindly supported by the European Parliament.

A number of panelists from the OECD and the EU have been confirmed, with key-note speeches from OECD's newly appointed Deputy Secretary-General Fabrizia Lapecorella and Member of Parliament Kira Marie Peter Hansen MEP; Michelle Harding from the OECD CTP; Ana Xavier and Helena Malikova from the European Commission, a representative of the European Parliament regarding the EU 2024 elections campaign, as well as colleagues from practice and the organising bodies.

Gender equality in fiscal affairs is a matter of fairness, well-being and growth. While the EU has taken steps to include a gender perspective in all stages of policy design significant challenges remain – including when it comes to tax. The structure and administration of tax systems often still have different impacts on gender. As the EU starts to look ahead towards a new legislative term, what would it take to establish a truly inclusive tax system by 2030? What needs to be done to ensure that future changes to tax systems help drive gender equality as well as responding to Europe's green, digital and growth ambitions? Speakers will offer views and reflections on a pathway towards a more gender equal tax system by 2030, and address questions such as: what are the key features of tax system designed to help reduce gender inequality and what is lacking today; what do policymakers and tax administrations need to do to in the next EU legislative period to build a tax system that is gender equal, green, digital and competitive; and, what lessons can be learnt from international best practice.

European Parliament Subcommittee on Tax Matters - Hearing on the Role of Tax Incentives on EU Policy Goals - 27 June

The European Parliament's Permanent Subcommittee on Tax Matters ("FISC") will hold a [public hearing](#) on 27 June 2023 from 15:00 to 16:30, on "the role of tax incentives on achieving EU policy goals". The hearing will examine tax incentives for businesses and how they are used or abused to lower the corporate tax payments of enterprises significantly, thereby possibly causing a gap in overall tax revenue. Experts will discuss reforms such as patent boxes, minimum tax rate of 15% in the framework of the OECD Pillar 2 reform designed in order to counter tax incentives' abuse and the US Inflation Reduction Act and the future role of tax credits in stimulating the economy.

The hearing will be thereafter be followed by a presentation of and discussion on the draft own-initiative report on "Further reform of corporate taxation rules" from 16:30 to 17:00. The hearing can be viewed via livestream [here](#).

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