



### OTP Bank Group

Market: EU

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Category: Market Announcements

### Proposal for a Directive on faster and safer relief of excess withholding taxes- update 2 (from August 4th, 2024)

**Summary:** Proposal for a Directive on faster and safer relief of excess withholding taxes

On June 19, 2023, the European Commission proposed a new set of rules to improve the withholding tax process within the EU between investors, financial intermediaries and Tax administrations. A public consultation is launched by the European Commission inviting public input on the proposal.

The Directive will enter into force on **January 1st, 2030**, instead of January 1st, 2027.

The proposal introduces various elements:

- a Common Electronic Tax Residence Certificate in the EU - for faster and more secure withholding tax relief systems, investors will be able to request an electronic Tax Residence Certificate (eTRC) which will be recognizable by every Tax Administration within the EU and set under an uniformed format by Member States. The new Electronic Tax Residence Certificate (eTRC) will be issued by EU Member States within 14 calendar days of receiving the investor's request, instead of 1 day.
- **National Registers of Certified Financial Intermediaries** - in order to act on behalf of its clients to request a withholding tax relief, a Financial Intermediary will need to previously obtain a new Certified Financial Intermediary (CFI) status. To do so, Financial Intermediaries will have to enter National Registers, held by Member States with withholding tax rates on listed equity payments exceeding their Double Tax Treaty rates, in the countries where they offer investment services to their clients. A similar system may also be set by Member States for interest payments at their discretion.
- **new Reporting Obligations for Certified Financial Intermediaries;**
- possibility for certain Member States to maintain their current systems of WHT relief: a new market capitalization ratio criterion. Member states with a low national financial market capitalization ratio (below 1.5 % for at least the last four consecutive years) relative to the overall EU market capitalization may be exempt from implementing the Directive's quick relief systems and registration/reporting requirements for Certified Financial Institution (CFIs) if they already have a comprehensive relief-at-source system in place. Such Member States will remain able opt in.
- **new withholding tax relief procedures:** Relief at source and/or Quick-Refund -with this proposal for Directive, the EU aims to re-organise the various withholding tax relief



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process currently in place for the application of the Double Tax Treaty and local reduced withholding tax rates through a common set of rules in term of requirements and timeline. 2 Different procedures will be set in place alternatively or cumulatively by Member States offering withholding tax relief: a Relief at source system or a Quick-refund (within 25 days of the request).

- **longer deadlines in the context of the 'quick refund' procedure**

Residually, if the condition to process through these 2 Relief systems could not be met, a Standard Refund system should still be actionable for investors providing that they comply with the reporting information regarding the transactional environment of the payment if those exceed 1 000 €.

- the option to request **the declaration on beneficial ownership**, as opposed to this declaration being mandatory in all cases;
- **indirect** reporting an option for Member State;
- **special provisions regarding collective investment undertakings**

Once formally adopted, Member States will need to transpose the Directive by December 31, 2028, with the rules becoming applicable starting on January 1, 2030.

**Impacts:** Faster and safer relief of excess withholding taxes in the EU

**Required actions:** -

**Application date:** predicted on 1 January 2030.

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