KPMG

EU Directive on Faster and Safer Relief of Excess Withholding Taxes (FASTER)

January 2025

What is FASTER?

- On December 10, 2024, the Council of the EU adopted the proposal for a Directive on Faster and Safer Relief of Excess Withholding Taxes (FASTER).
- Key measures introduced through FASTER include:
  - digital tax residence certificates (eTRC),
  - fast-track withholding tax relief procedures,
  - additional registration, reporting and due diligence requirements for financial intermediaries.
- FASTER covers excess withholding tax[1)] levied on dividends from publicly traded shares and optional interest payments from publicly traded bonds

[1)] The Directive defines "excess withholding tax' at the difference between WHT levied by payments to non-resident owners and the lower amount of WHT applicable in accordance with a double tax treaty or specific national rules

Scope

- Provisions regarding the fast-track procedures, national registers of certified financial intermediaries (CFIs), and registration requirements, amongst others, will not be binding in Member States which have:
  - *Established comprehensive national relief system:* Existing relief-at-source systems that ensure certain criteria for a straightforward and efficient application of the appropriate tax rate at the time of payment, *and*
  - *Low market capitalization:* The total value of publicly traded shares in the jurisdictions is below 1.5 percent of the overall market capitalization of the EU.

Digital tax residence certificate (eTRC)?

Key facts on eTRC:

- Common automated digital certificate proving taxpayers' information for WHT fast-track procedures
- To be issued in general within 14 days of request, covering up to one fiscal year

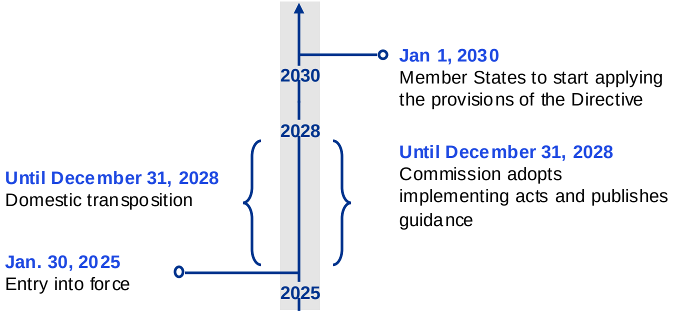
Registration and reporting obligations for financial institutions

- In-scope Member States will be required to establish publicly accessible national registers of CFIs
- CFIs are defined as financial intermediaries listed in a national register
- Large (financial) institutions which handle certain transactions, e. g. dividend payments, will be required to register in the national register of the Member State in which issuers of securities that their clients have invested in are located
- Electronic access point for the registration as CFIs shall be a common European Certified Financial Intermediary Portal operated under control of the Commission
- CFIs will be required to report WHT related information either directly or indirectly to the competent authority
- The CFIs are required to perform due diligence procedures on the owner's eligibility for relief. These procedures include i) obtaining a declaration that the register owner meets certain criteria and ii) verify specific information regarding their client (e.g., eTRC, register owner's declaration and tax residence, entitlement to the relief).
- To avail of either one of the fast-track procedures, investors will need to engage with and submit relevant information (e.g., evidence of the applicability of WHT reliefs) to the CFI
- The EC has been tasked with developing and adopting multiple implementing acts – including a standardized and computerized common template for the eTRC, statement to be obtained from the registered owners, as well as reporting forms.

WHT relief systems

- In-scope Member States are required to facilitate withholding tax relief through one or both of two systems:
  - *Relief-at-source system:* WHT reduction is applied at the time of dividend or interest payment.
  - *Quick refund system:* WHT is withheld at the higher rate applied in the source country, but the excess tax will be refunded within 60 days upon receipt of the quick refund request to be submitted by CFIs on behalf of the registered owner within two months after payment.
- Certain transactions may be excluded from the FASTER relief systems, e.g., dividends paid on publicly traded shares acquired within five days before the ex-dividend date; financial arrangements related to dividends not settled before the ex-dividend date; claims for WHT exemptions; claims for reduced WHT rates not based on DTTs; dividend payments exceeding EUR 100,000 per registered owner per payment date.
- Benefits can generally also be applied to indirect investments

When would FASTER be implemented and when would it become applicable?



For more information, please refer to EuroTaxFlash Issue 541.

How can KPMG help?

The KPMG network of EU tax professionals can help you assess how the new rules may impact your business.

In particular, KPMG member firms can assist with the evaluation of your registration, reporting and due diligence requirements and will support with the monitoring of national developments in regard of established relief systems.

If you would like to receive more information, feel free to contact one of the following advisors, or, as appropriate, your local KPMG contact.

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