



**BRUSSELS | 4 OCTOBER 2021**

## **Withholding Taxes - New EU System to Avoid Double Taxation**

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The European Commission has now published a [Roadmap](#) concerning a new EU system on withholding taxes, designed to avoid double taxation. The publication precedes a public consultation questionnaire which will also be launched in Q4 2021 on the Have Your Say website.

The Commission Roadmap states that despite prior actions by the Commission *"tax barriers to cross-border investment and the risk of tax abuse persist within the European Union. One of these remaining barriers is the problem of inefficient withholding tax relief procedures. According to the most recent publicly available data from 2016 costs related to withholding tax refund procedures, foregone tax relief and opportunity costs are estimated to a value of EUR 8.4 billion annually. The Action Plan for fair and simple taxation supporting the recovery strategy proposes to introduce a common, standardised EU-wide system for withholding tax relief at source coupled with a new exchange of information and cooperation mechanism between administrations"*.

The policy options that are currently being considered in relation to the intended proposal for a new EU system on withholding taxes includes:

**Option 1:** *Improving withholding tax refund procedures to make them more efficient: This option entails the implementation of several measures, the objective of which is to simplify and streamline withholding tax refund procedures*

by making them quicker and more transparent.. These measures are not limited by but could include: the establishment of common EU standardised forms and procedures for withholding tax refund claims irrespective of the Member States concerned and the obligation to digitalise current paper based relief processes.

**Option 2:** Establishment of a fully-fledged common EU relief at source system: This option entails the implementation of a standardized EU-wide system for withholding tax relief at source whereby the correct withholding tax rate, as provided in the DTC is applied at the time of payment by the issuer of the security, to the non-resident investor thereby not incurring double taxation.

**Option 3:** Enhancing the existing administrative cooperation framework to verify entitlement to double tax convention benefits: This option envisages a reporting and subsequent mandatory exchange of beneficial owner-related information on an automated basis, to reassure both the residence and source country that the correct level of taxation has been applied to the non-resident investor.

The Commission will launch a consultation in questionnaire in the coming months concerning the above policy options, via the [Have Your Say](#) website. Input will be invited over a 12 week period via the online portal.

## Pandora Papers: Largest Ever Data Leak on Corruption & Illicit Assets

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The International Consortium of Investigative Journalists has published details of an investigation carried out by over 600 journalists into the largest known data leak on the use of offshore companies, dubbed the [Pandora Papers](#).

The leak comprises over 11 million files on the operations of 14 particular offshore service firms who facilitate the use of offshore companies. Individuals identified in the leak are accused of using offshore vehicles for concealing illicit assets. In the leak, over 900 companies in offshore havens have been linked to high-profile individuals and public officials, including country leaders, ministers, ambassadors and the like. Notably, former UK Prime Minister Tony Blair is

identified as having purchased an offshore company which owned a London building valued at 6.5 million pounds, thereby avoiding paying hundreds of thousands in stamp duty. President Nicos Anastasiades of Cyprus is also tied to the leak, through a law firm he founded, which is accused of hiding assets of Russian billionaires. The current Czech Prime Minister is also identified as using an offshore company to purchase a USD \$22 million dollar chateau in the south of France. The BBC, a partner in the investigations, [reported](#) on a number of other well-known wealthy individuals identified in the leak as follows:

- *the prominent Tory donor who was [involved in one of Europe's biggest corruption scandals](#)*
- *[the King of Jordan's £70m spending spree](#) on properties in the UK and US through secretly-owned companies*
- *Azerbaijan's leading family's [hidden involvement in property deals in the UK worth more than £400m](#)*
- *how the family of Kenyan president Uhuru Kenyatta's [secretly owned a network of offshore companies for decades](#)*

More detail from the investigations is expected to be made public throughout the week. Information on the leaks can be found on the [ICIJ website](#), the [BBC website](#) and [The Guardian website](#).

## 6th International Conference on Taxpayer Rights - 5 to 9 October

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The Centre for Taxpayers Rights' 6th International Conference on Taxpayer Rights will take place virtually from 5 to 9 October. Panel discussions for the conference will examine the topics of:

- Taxpayer rights as human rights;
- Taxation as a means to achieving Sustainable Development Goals (SDGs) in Africa and other developing countries;

- Independent administrative appeals and the promotion of integrity and fairness in the tax system;
- The role of legal privilege in the protection of taxpayer rights;
- Digitalization of tax administration and the implications for protection of taxpayer and human rights;
- Barriers to access to justice and their impact on achieving Sustainable Development Goals.

More information on the agenda for the conference and registration can be found [here](#).

## EU Tax Blacklist to be Updated

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EU ambassadors last week [approved](#) updates to the EU List of Non-Cooperative Jurisdictions for Tax Purposes. The changes should be officially approved at the Council to the EU ECOFIN meeting scheduled for 5 October.

It is expected that nine countries will remain on the updated Blacklist, namely: American Samoa, Fiji, Guam, Palau, Panama, Samoa, Trinidad and Tobago, U.S. Virgin Islands and Vanuatu. Anguila, Seychelles and Dominica have been successful in being removed from the list. It was also expected that Turkey would be included in the list, but has reportedly narrowly avoided being included by complying with a range of tax transparency disclosure requirements imposed by the EU.

The EU Parliament has [renewed criticism](#) of the EU Blacklist ahead of the official vote, following the publication of the Pandora Papers. The Parliament and other critics of the Blacklist call for the criteria to be reviewed and linked to real economic activity in a given jurisdiction by companies, and for zero or low tax jurisdictions to be automatically included in the list.

## EESC Hearing: The Role of Corporate Taxes in Corporate Governance

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On Friday 8 October, the European Economic and Social Committee will hold a hearing on the role of corporate taxes in corporate governance - addressing the debt-equity bias. The hearing will run from 10:00 - 13:00 CEST and will examine issues including:

- The effects of the debt-equity bias in corporate taxation
- Economic and social costs of the debt-equity bias - bankruptcy and job losses
- Ways of reducing the bias - how do we provide equal treatment for SMEs and MNEs?
- The importance of dividends being paid and put to the market test – how to find the right balance?

Registration for the event is not required, and the hearing can be live-streamed via this [link](#). More information concerning the hearing is available [here](#).

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