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*Plenary sitting*

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**A9-0011/2022**

1.2.2022

# **REPORT**

on a European Withholding Tax framework  
(2021/2097(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Pedro Marques

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### on a European Withholding Tax framework (2021/2097(INI))

*The European Parliament,*

- having regard to Articles 12, 45, 49, 58, 63, 64, 65, 113, 115 and 116 of the Treaty on the Functioning of the European Union,
- having regard to the Commission proposal of 11 November 2011 for a Council Directive on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (COM(2011)0714),
- having regard to Council Directive 2011/96/EU of 30 November 2011 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (Parent-Subsidiary Directive)<sup>1</sup>,
- having regard to Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market<sup>2</sup> and to Council Directive (EU) 2017/952 of 29 May 2017 amending Directive (EU) 2016/1164 as regards hybrid mismatches with third countries<sup>3</sup>,
- having regard to Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (Interest and Royalties Directive)<sup>4</sup>,
- having regard to Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation<sup>5</sup>,
- having regard to Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements<sup>6</sup>,
- having regard to the Commission proposals of 25 October 2016 on a Common Corporate Tax Base (COM/2016/0685) and of 25 October 2016 on a Common Consolidated Corporate Tax Base (COM(2016)0683), the digital taxation package<sup>7</sup>, and

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<sup>1</sup> OJ L 345, 29.12.2011, p. 8.

<sup>2</sup> OJ L 193, 19.7.2016, p. 1.

<sup>3</sup> OJ L 144, 7.6.2017, p. 1.

<sup>4</sup> OJ L 157, 26.6.2003, p. 49.

<sup>5</sup> OJ L 359, 16.12.2014, p. 1.

<sup>6</sup> OJ L 139, 5.6.2018, p. 1.

<sup>7</sup> The package consists of the Commission communication of 21 March 2018 entitled ‘Time to establish a modern, fair and efficient taxation standard for the digital economy’ (COM(2018)0146), the Commission proposal of 21 March 2018 for a Council directive laying down rules relating to the corporate taxation of a significant digital presence (COM(2018)0147), the Commission proposal of 21 March 2018 for a Council directive on the common system of a digital services tax on revenues resulting from the provision of certain

Parliament's position thereon,

- having regard to the Commission communication of 18 May 2021 entitled 'Business Taxation for the 21st Century' (COM(2021)0251),
- having regard to its position adopted at first reading of 11 September 2012 on the proposal for a Council Directive on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States<sup>8</sup>,
- having regard to its recommendation of 13 December 2017 to the Council and the Commission following the inquiry into money laundering, tax avoidance and tax evasion<sup>9</sup>,
- having regard to the Commission's follow-up to each of the above-mentioned Parliament resolutions<sup>10</sup>,
- having regard to the European Securities and Markets Authority's report of 23 September 2020 on cum/ex, cum/cum and withholding tax reclaim schemes,
- having regard to the Commission recommendation of 19 October 2009 on withholding tax relief procedures<sup>11</sup>,
- having regard to the Commission communication of 11 November 2011 entitled 'Double Taxation in the Single Market' (COM(2011)0712),
- having regard to the Commission communication of 15 July 2020 entitled 'An Action Plan for Fair and Simple Taxation Supporting the Recovery Strategy' (COM(2020)0312),
- having regard to the Commission communication of 24 September 2020 entitled 'A Capital Markets Union for people and businesses – new action plan' (COM(2020)0590),
- having regard to the Commission Code of Conduct on Withholding Tax of 2017,
- having regard to the European Banking Authorities' report of 11 May 2020 on cum/ex, cum/cum and withholding tax reclaim schemes,
- having regard to the European Securities and Markets Authority's final report of 23 September 2020 on the MAR Review,

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digital services (COM(2018)0148), and the Commission recommendation of 21 March 2018 relating to the corporate taxation of a significant digital presence (C(2018)1650).

<sup>8</sup> OJ C 353 E, 3.12.2013, p. 196.

<sup>9</sup> OJ C 369, 11.10.2018, p. 132.

<sup>10</sup> The joint follow-up of 16 March 2016 on bringing transparency, coordination and convergence to corporate tax policies in the Union and TAXE 1 resolutions, the follow-up of 16 November 2016 to the European Parliament resolution on tax rulings and other measures similar in nature or effect, the follow-up of April 2018 to the PANA recommendation, the follow-up of 26 March 2019 to the resolution on the cum-ex scandal and the follow-up of 27 August 2019 to the TAX3 resolution.

<sup>11</sup> OJ L 279, 24.10.2009, p. 8.

- having regard to the Commission report of 24 March 2017 entitled ‘Accelerating the capital markets union: addressing national barriers to capital flows’ (COM(2017)0147),
- having regard to the EU Tax Observatory study of October 2021 entitled ‘Revenue effects of the global minimum tax: country-by-country estimates’,
- having regard to the EU Tax Observatory study of 22 November 2021 entitled ‘New forms of tax competition in the European Union: An empirical investigation’,
- having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility<sup>12</sup>,
- having regard to the Commission staff working document of 22 January 2021 entitled ‘Guidance to Member States Recovery and Resilience Plans’ SWD(2021)0012),
- having regard to the statement of 1 July 2021 by the G20/Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting (BEPS) on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy,
- having regard to the OECD’s Treaty Relief and Compliance Enhancement (TRACE) project,
- having regard to the Commission inception impact assessment of 28 September 2021 on the initiative entitled ‘New EU system for the avoidance of double taxation and prevention of tax abuse in the field of withholding taxes’,
- having regard to its resolution of 25 November 2015 on tax rulings and other measures similar in nature or effect<sup>13</sup>,
- having regard to its resolution of 6 July 2016 on tax rulings and other measures similar in nature or effect<sup>14</sup>,
- having regard to its resolution of 29 November 2018 on the cum-ex scandal: financial crime and loopholes in the current legal framework<sup>15</sup>,
- having regard to its resolution of 26 March 2019 on financial crimes, tax evasion and tax avoidance<sup>16</sup>,
- having regard to its resolution of 21 January 2021 on reforming the EU list of tax havens<sup>17</sup>,
- having regard to its resolution of 16 September 2021 entitled ‘Implementation of the EU requirements for exchange of tax information: progress, lessons learnt and obstacles to

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<sup>12</sup> OJ L 57, 18.2.2021, p. 17.

<sup>13</sup> OJ C 366, 27.10.2017, p. 51.

<sup>14</sup> OJ C 101, 16.3.2018, p. 79.

<sup>15</sup> OJ C 363, 28.10.2020, p. 102.

<sup>16</sup> OJ C 108, 26.3.2021, p. 8.

<sup>17</sup> Texts adopted, P9\_TA(2021)0022.

overcome<sup>18</sup>,

- having regard to Rule 54 of its Rules of Procedure,
- having regard to the report of the Committee on Economic and Monetary Affairs (A9-0011/2022),
- A. whereas Member States continue to lose tax revenue due to harmful tax practices, and estimates of the revenue lost due to corporate tax avoidance range from EUR 36-37 billion<sup>19</sup> to EUR 160-190 billion per year<sup>20</sup>;
- B. whereas independent research<sup>21</sup> suggests that EU Member States collectively lose more corporate tax revenue to other EU Member States than to third countries;
- C. whereas high flows of royalty, interest or dividend payments through a certain jurisdiction indicate that profits are being rerouted with the sole purpose of reducing the tax burden;
- D. whereas aggressive tax planning structures can be grouped into three main channels: (i) royalty payments, (ii) interest payments and (iii) transfer pricing<sup>22</sup>, showcasing the importance of passive income flows in tax avoidance and evasion;
- E. whereas the G20/OECD Inclusive Framework on BEPS agreed on the key components of a two-pillar reform of the international tax system in order to address the challenges arising from the digitalisation of the economy, including a minimum effective corporate tax rate of 15 %;
- F. whereas the EU Tax Observatory has estimated that the implementation of the G20/OECD agreement's Pillar II will lead to an immediate increase of EUR 63.9 billion in tax revenue for the 27 Member States;
- G. whereas withholding taxes can reduce the risk of tax evasion and avoidance, but may also lead to double taxation; whereas such taxes represent a source of revenue for Member States to finance public spending, and are an effective tool to secure a domestic tax base and combat profit shifting to low-tax jurisdictions;
- H. whereas changes at EU and Member State level in the withholding tax system should be integrated with existing and upcoming anti-tax avoidance provisions, such as the implementation of the abovementioned agreement by the G20/OECD Inclusive Framework on BEPS;
- I. whereas the cum-ex and cum-cum schemes both involve reclaims of dividend

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<sup>18</sup> Texts adopted, P9\_TA(2021)0392.

<sup>19</sup> Commission report of 18 May 2021 entitled 'Annual Report on Taxation 2021'.

<sup>20</sup> Dover, R. et al., 'Bringing transparency, coordination and convergence to corporate tax policies in the European Union, Part I: Assessment of the magnitude of aggressive corporate tax planning', European Parliament, Directorate-General for Parliamentary Research Services, European Added Value Unit, September 2015.

<sup>21</sup> Tørsløv, T., Wier, L. and Zucman, G., 'The Missing Profits of Nations', Working Paper 24701, June 2018, available at: <https://www.nber.org/papers/w24701>

<sup>22</sup> [https://ec.europa.eu/taxation\\_customs/system/files/2018-03/taxation\\_papers\\_71\\_atp.pdf](https://ec.europa.eu/taxation_customs/system/files/2018-03/taxation_papers_71_atp.pdf)

withholding tax to which the beneficiaries were not entitled and are estimated to have imposed a total cost to taxpayers of about EUR 140 billion between 2000 and 2020; whereas most of these reclaims have been considered illegal and the revelations constitute the largest ever tax fraud scandal in the European Union;

- J. whereas complex, lengthy, costly and non-standardised refund procedures increase the risk of tax fraud and avoidance schemes, as demonstrated by the cum-ex revelations, while also increasing the administrative burden for cross-border investments, particularly for small and medium-sized enterprise (SME) and retail investors, and may discourage cross-border investments and create an obstacle to market integration and the advancement of the Capital Markets Union;
- K. whereas the European Parliament's position on the Capital Markets Union is laid out in its resolution of 8 October 2020 entitled 'Further development of the Capital Markets Union (CMU): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation'<sup>23</sup>; whereas the EU remains committed to completing the Capital Markets Union and to promoting a true European market that encourages cross-border investments; whereas the Commission has announced the objective of alleviating the tax-associated burden in cross-border investments as one of the key action points in its 2020 communication entitled 'A Capital Markets Union for people and businesses – new action plan';
- L. whereas the Commission has introduced non-binding measures to ease tax refund claim procedures in the past, including a Code of Conduct on withholding tax and a recommendation on the simplification of procedures for claiming cross-border withholding tax relief, which have yielded only limited results; whereas the OECD's TRACE package<sup>24</sup> is also not widely applied;
- M. whereas the Commission has estimated the total costs of withholding tax refund procedures at around EUR 8.4 billion in 2016, which was mainly due to foregone tax relief, the costs of reclaim procedures and opportunity costs<sup>25</sup>, making the prospect of cross-border investments less attractive;
- N. whereas the Interest and Royalties Directive (IRD) and the Parent-Subsidiary Directive (PSD) both exempt certain cross-border payments that take place within the EU and are related to interest, royalties and dividends from withholding tax with the aim of eliminating double taxation;
- O. whereas on 26 February 2019, the Court of Justice of the European Union ruled on several cases regarding the Danish withholding tax regime with respect to dividends and interest paid by Danish companies to companies in other EU Member States with important consequences for the application of the IRD and PSD; whereas these cases confirm the importance of reliable beneficial ownership information and economic

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<sup>23</sup> OJ C 395, 29.9.2021, p. 89.

<sup>24</sup> Opening statement by Mr Paul Gisby (Accountancy Europe) at the FISC Subcommittee public hearing in the European Parliament on 27 October 2021.

<sup>25</sup> Commission report of 24 March 2017 entitled 'Accelerating the capital markets union: addressing national barriers to capital flows' (COM(2017)0147)

substance on the part of the recipient of passive income;

- P. whereas recital 3 of the IRD states that ‘it is necessary to ensure that interest and royalty payments are subject to tax once in a Member State’;
- Q. whereas negotiations on the revision of the IRD have been stalled in the Council since 2012 owing to diverging views among Member States on the possibility of including an effective minimum tax rate for royalties and interest; whereas the Commission considers that the transposition of Pillar 2 of the G20/OECD Inclusive Framework on BEPS should pave the way for agreeing the pending proposal for recasting the IRD<sup>26</sup>;
- R. whereas the Commission has pledged to propose a legislative initiative for introducing a common, standardised, EU-wide system for withholding tax relief at source, accompanied by an exchange of information and cooperation mechanism among tax administrations<sup>27</sup>;
- S. whereas high standards of cooperation between Member States regarding taxation, within the boundaries of the Treaties and the European legal framework, remain crucial to protecting and safeguarding the integrity of the single market;

#### ***Putting an end to profit shifting practices***

1. Notes that despite continuous efforts, the system of withholding taxes among Member States has remained largely fragmented in terms of rates and relief procedures, creating loopholes and legal uncertainty; notes further that the current system is abused to shift profits, enables aggressive tax planning and creates the undesired effect of double taxation in addition to barriers to cross-border investments in the single market;
2. Welcomes the considerable progress made in the fight against harmful tax practices in recent years, both at EU and international level, while stressing that better application of existing laws is needed and, in the light of growing evidence of profit shifting, harmful tax competition, and fraud, notably after the cum-ex revelations, that legislative action may be necessary, alongside efforts to tackle taxation-based obstacles to cross-border investments;
3. Welcomes the agreement reached by the G20/OECD Inclusive Framework on a two-pillar reform, including a global minimum effective corporate tax rate; considers this an important step towards ending the practice of shifting profits to low-tax jurisdictions, reducing harmful tax competition among territories and ensuring that companies pay their fair share of tax in each jurisdiction; notes, however, that the agreement includes carve-out clauses and a de minimis exclusion and that the scope is focused on multinational enterprises with a global consolidated turnover of at least EUR 750 million;
4. Is pleased that 137 countries and jurisdictions have supported the G20/OECD Inclusive Framework agreement on a two-pillar reform; notes with satisfaction the fact that all

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<sup>26</sup> Commission communication of 18 May 2021 entitled ‘Business Taxation for the 21st Century’ (COM/(2021)0/251).

<sup>27</sup> Commission Action Plan for Fair and Simple Taxation supporting the Recovery Strategy.



Members of the G20 and of the OECD and all EU Member States are part of the agreement; welcomes the fact that the Commission put forward a legislative proposal for the implementation of Pillar II in line with the agreement shortly after the OECD developed its model rules; calls on the Council to swiftly adopt such proposals, while taking into account Parliament's position, so that it is effective in 2023; believes that putting a floor on tax competition is part of the implementation of the international deal;

5. Recalls that withholding taxes can be a defensive measure that Member States take against countries mentioned on the EU list of non-cooperative jurisdictions for tax purposes; requests that the Commission consider putting forward a legislative proposal that enhances coordinated defensive measures against listed countries, given that discretionary application by individual Member States has been less effective than anticipated; highlights, in this regard, that the implementation of the G20/OECD agreement, notably Pillar II, must also be taken into account;
6. Reiterates its demand that the Commission present a legislative proposal for an EU-wide withholding tax in order to ensure that payments generated within the Union are taxed at least once before leaving it<sup>28</sup>; urges the Commission to include strong anti-abuse measures in this proposal;
7. Notes that a simple, consistent and fair tax system is a key factor in enhancing the competitiveness of the EU; regrets that base erosion and profit shifting are still ongoing and are facilitated by the lack of a common withholding tax on outbound payments to third countries and the absence of common rules and procedures that more effectively ensure taxation of intra-EU flows of dividends, royalties and interest, including a possible minimum effective tax rate; underlines that addressing profit shifting should be one of the EU's main tasks for the coming years;
8. Recalls that the Commission, in the context of the European Semester and the assessment of the national recovery and resilience plans, found that more reforms are needed in order to address aggressive tax planning in six Member States, where the absence or limited application of withholding taxes on outbound payments are likely to be misused for aggressive tax planning and treaty shopping;
9. Calls on the Commission to insist on the implementation of recommendations in the context of the European Semester and the assessment of the national recovery and resilience plans regarding aggressive tax planning, and in particular interest, royalty and dividend payments;
10. Stresses that the regime in place under the IRD and PSD, coupled with the absence of common rules and procedures that ensure the taxation of intra-EU flows of dividends, interest and royalty payments, can provide conduits for these flows to leave the EU untaxed for low-tax third jurisdictions, resulting in significant revenue losses; stresses the need to address this issue at least through anti base-erosion rules;
11. Calls on the Commission and the Member States to establish a common and standardised withholding tax framework that reduces complexity for investors, stems

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<sup>28</sup> European Parliament resolution of 6 July 2016 on tax rulings and other measures similar in nature or effect, paragraph 26.

the practice of treaty shopping and ensures that all dividends, interest, capital gains, royalty payments, professional service payments and relevant contract payments generated in the EU are taxed at an effective rate;

12. Recalls its position adopted at first reading of 11 September 2012 on the revision of the IRD; regrets that the revision of this directive has been blocked in the Council since 2012 owing to diverging views among Member States on the possibility of including an effective minimum tax rate for royalties and interest; urges the Council to swiftly resume and conclude the negotiations on the IRD in the light of the EU's implementation of Pillar II;
13. Notes that the lack of an effective minimum tax rate on dividend payments to shareholders has created an environment that may favour tax avoidance; calls on the Commission to analyse this issue and to assess the best legislative options to address it, including the possibility of revising the PSD;
14. Recalls that recent research<sup>29</sup> shows large differences in the application of withholding taxes in Member States – the rates can vary between 0 % and 35 % – and points to the fact that withholding tax rates in tax treaties are often lower than the standard rates;
15. Encourages all Member States to complete the ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI); calls on the Commission to include these MLI standards in the reform of the EU list of non-cooperative tax jurisdictions and its criteria;
16. Encourages Member States to review all tax treaties in force signed with third countries to ensure compliance with new global standards; asks the Commission to suggest proportionate measures to Member States regarding their existing bilateral tax treaties to ensure that they include general anti-abuse rules;
17. Invites the Commission to assess the development of EU guidelines for the negotiation of tax treaties between Member States and developing countries in the light of the 'Subject to Tax Rule' included in Pillar 2;

### ***Stepping up the fight against dividend arbitrage***

18. Recalls that in October 2018, an investigation disclosed that 11 Member States had lost up to EUR 55.2 billion in tax revenue as a result of cum-ex and cum-cum schemes, but that new estimates from an investigation published in October 2021 set the amount of loss of public revenue at around EUR 140 billion for the period 2000-2020; is concerned that these schemes continue to be exploited at the expense of EU public finances; is concerned to hear of the possible existence of other schemes with a similarly damaging impact, such as cum-fake; notes that the German Court of Justice in Karlsruhe ruled in July 2021 that cum-ex schemes are illegal and therefore constitute tax fraud;
19. Notes the inquiry and final report by the European Securities and Markets Authority

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<sup>29</sup> Van 't Riet, M. and Lejour, A., 'A Common Withholding Tax On Dividend, Interest And Royalties In The European Union', 2020.

(ESMA) and the European Banking Authority (EBA) into cum-ex, cum-cum and withholding tax reclaim schemes, as requested by Parliament; calls on the Commission to assess possible solutions to tackle these schemes, namely the possibility of linking tax reclaims to the underlying distribution of dividends, notably through a unique identifier, and/or by entrusting a single entity in each Member State with responsibility for collecting the withholding tax and issuing the relevant tax certificate to ensure that multiple tax reclaims over a single distribution cannot take place and that abuse of reclaim procedures is easily detected by tax administrations;

20. Emphasises that the cum-ex revelations have had an impact on market integrity and investor confidence; calls on the Commission to reflect on the conclusions of ESMA's final report on the review of the Market Abuse Regulation (MAR) to analyse whether the regulation has been violated, and to consider whether amendments to the MAR are required in this regard; highlights that European authorities, including the EBA and ESMA, must be held to their supervisory responsibilities;
21. Calls on the Commission to propose measures to enhance cooperation and mutual assistance between tax authorities, financial market supervisory authorities and, where appropriate, law enforcement bodies regarding the detection and prosecution of withholding tax reclaim schemes; highlights ESMA's recommendation<sup>30</sup> to the Commission to remove the current legal limitations for the exchange of information between financial market supervisory authorities and tax authorities; calls on the Commission to provide for a legal basis for the exchange of relevant information between these authorities, notably to flag suspicious activities, in forthcoming legislative proposals;
22. Shares ESMA's concern that withholding tax reclaim schemes are rarely confined within EU borders<sup>31</sup> and therefore stresses the importance of continued international cooperation on this matter;
23. Highlights the Commission's efforts and Parliament's initiatives to strengthen tax cooperation between Member States, one such example being the Fiscalis programme;
24. Stresses that although Council Directive 2014/107/EU has facilitated the exchange of information, other obstacles to the detection of cum-ex and cum-cum schemes exist, including settlement delays in security transactions, the scope of the exchange of information on capital gains, and the insufficient spontaneous exchange of information; recalls the recommendations issued in its resolution of 16 September 2021 entitled 'Implementation of the EU requirements for exchange of tax information: progress, lessons learnt and obstacles to overcome';
25. Emphasises that the role of intermediaries should be taken into consideration and calls on the Commission and the Member States to develop appropriate measures to prevent their role in facilitating tax abuse and tax avoidance; recalls that Directive (EU) 2018/822 (DAC 6) introduced mandatory disclosure rules for cross-border arrangements, creating an obligation on intermediaries to report potentially harmful tax

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<sup>30</sup> European Securities and Markets Authority final report of 23 September 2020 on the MAR Review, paragraph 624.

<sup>31</sup> Ibid., paragraph 617.

arrangements; calls on the Commission to evaluate to what extent these rules have contributed to revealing harmful tax arrangements such as cum-cum and cum-ex schemes and to what extent they have had a deterrent effect;

26. Calls on the Commission to extend the mandatory exchange of information to dividend arbitrage schemes and all information on capital gains, including the granting of dividend and capital gains tax refunds; further calls on the Commission to assess the impact of the extension of reporting requirements to cross-border arrangements for the management of the assets of clients who are natural persons, taking into account the administrative burden that would be created; highlights, in this framework, the importance of accurate and complete beneficial ownership information;

### ***Removing barriers to cross-border investments in the single market***

27. Strongly welcomes the Commission's intention to put forward a proposal by the end of 2022 establishing a common and standardised system for withholding taxes, accompanied by a mechanism for the exchange of information and cooperation among tax administrations of Member States; urges the Commission, with full respect for EU competences, to strive also to tackle divergences in withholding taxes in the EU;
28. Requests that such a proposal address the need for harmonised implementation that should replace tax treaties between Member States; calls on the Commission to provide guidance on treaty provisions which could be used by Member States in their bilateral agreements with third countries;
29. Recalls the Commission's commitment to completing the Capital Markets Union; calls on the Commission, in this regard and by 2022, for an impact assessment of the implementation of the measures included in the action plan launched in 2019;
30. Notes that the Commission recommendation to implement well-functioning relief-at-source procedures or, where this is not possible, to establish quick and standardised refund procedures, which was issued as part of the Commission recommendation of 19 October 2009 on withholding tax relief procedures, has not yet been satisfactorily implemented by Member States;
31. Urges the Commission to come forward with a common and standardised EU procedure for withholding tax refunds for all Member States; highlights that such harmonisation would be particularly helpful for retail investors, who are often deterred from completing refund procedures due to the excessive burden caused by said discrepancies, and would thus improve the level playing field;
32. Calls on the Commission to introduce, inter alia and as part of this harmonisation, rules on exemptions and deductions and a standardised format and process for reclaim requests, and to address the current lack of a uniform definition of 'beneficial owner', the lack of alignment of time periods for request and reclaim, and language barriers; stresses the importance of preventing the possibility for fraud in the new framework;
33. Reckons that repayments of withholding taxes remain predominantly a paper-driven process, which is not only slower and more burdensome for taxpayers, further complicating the process for non-domestic investors, but also more prone to fraud;

stresses that properly functioning, easy-to-use, quick, standardised and digital withholding tax refund procedures and improved cooperation among national tax administrations can reduce the administrative burden, uncertainty in cross-border investments and tax evasion, while speeding up procedures for investors and tax authorities alike, thus constituting an improvement over the status quo;

34. Takes good note of the potential of distributed ledger technology (DLT) to make the withholding system more efficient in each country, but also to facilitate seamless procedures between different national systems and prevent fraudulent activity; calls on the Commission, in this regard, to take account of existing digital solutions in Member States, to assess how to leverage blockchain technologies to prevent tax evasion and avoidance, while fully respecting EU data protection rules, and to consider the establishment of a pilot project; stresses, however, that technology alone cannot fully address the problems arising from the lack of a common framework;
35. Points out that the PSD and the IRD have gradually removed withholding taxes on dividend, interest and royalty payments between associated companies in the EU which reach certain thresholds, with the aim of reducing the risk of double taxation; notes that withholding taxes continue to be raised on investors below these thresholds and that the procedures for tax exemption or relief are ruled by double tax conventions in this case;
36. Welcomes the option outlined by the Commission to establish a fully fledged common EU relief-at-source system, which could be a reliable solution in the long term; highlights that a move towards this type of system cannot be detrimental to the fight against tax abuse or facilitate, directly or indirectly, profit shifting to low-tax jurisdictions or double non-taxation; stresses that, in all circumstances, compliance by the destination Member State with EU legislation implementing the agreement reached by the G20/OECD Inclusive Framework must be a prerequisite for relief at source;
37. Recalls the OECD principle of taxing the business activity where it happens; calls on the Commission and the Member States to analyse other options such as an alternative system of 'relief at residence', in which all withholding taxes paid to the source Member State would be compensated through tax credit by the residence Member State where the income is declared, guaranteeing that no double taxation would occur and limiting the risk of abuse;
38. Takes note of the OECD TRACE initiative, which empowers authorised intermediaries to reclaim withholding tax claims on portfolio investments; recalls that only one Member State has implemented TRACE; encourages others to assess the results in terms of administrative burden reduction, the impact on tax revenue and fraud risks;

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39. Instructs its President to forward this resolution to the Council and the Commission.

## INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

<b>Date adopted</b>	25.1.2022
<b>Result of final vote</b>	+: 52 -: 5 0: 1
<b>Members present for the final vote</b>	Rasmus Andresen, Gunnar Beck, Marek Belka, Isabel Benjumea Benjumea, Stefan Berger, Gilles Boyer, Carlo Calenda, Engin Eroglu, Markus Ferber, Jonás Fernández, Raffaele Fitto, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Luis Garicano, Valentino Grant, Claude Gruffat, José Gusmão, Enikő Győri, Eero Heinäluoma, Michiel Hoogeveen, Danuta Maria Hübner, Stasys Jakeliūnas, France Jamet, Othmar Karas, Billy Kelleher, Ondřej Kovařík, Georgios Kyrtzos, Aurore Lalucq, Philippe Lamberts, Aušra Maldeikienė, Pedro Marques, Csaba Molnár, Siegfried Mureşan, Caroline Nagtegaal, Luděk Niedermayer, Lefteris Nikolaou-Alavanos, Dimitrios Papadimoulis, Piernicola Pedicini, Lídia Pereira, Sirpa Pietikäinen, Dragoş Pîslaru, Evelyn Regner, Antonio Maria Rinaldi, Dorien Rookmaker, Joachim Schuster, Ralf Seekatz, Pedro Silva Pereira, Paul Tang, Irene Tinagli, Ernest Urtaşun, Inese Vaidere, Johan Van Overtveldt, Stéphanie Yon-Courtin, Marco Zanni, Roberts Zile
<b>Substitutes present for the final vote</b>	Karima Delli, Elisabetta Gualmini, Margarida Marques

## FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

52	+
ECR	Raffaele Fitto, Roberts Zīle
ID	Valentino Grant, France Jamet, Antonio Maria Rinaldi, Marco Zanni
PPE	Isabel Benjumea Benjumea, Stefan Berger, Markus Ferber, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Danuta Maria Hübner, Othmar Karas, Georgios Kyrtos, Aušra Maldeikienė, Siegfried Mureşan, Luděk Niedermayer, Lídia Pereira, Sirpa Pietikäinen, Ralf Seekatz, Inese Vaidere
Renew	Gilles Boyer, Carlo Calenda, Engin Eroglu, Luis Garicano, Billy Kelleher, Ondřej Kovařík, Caroline Nagtegaal, Dragoş Pîslaru, Stéphanie Yon-Courtin
S&D	Marek Belka, Jonás Fernández, Elisabetta Gualmini, Eero Heinäluoma, Aurore Lalucq, Margarida Marques, Pedro Marques, Csaba Molnár, Evelyn Regner, Joachim Schuster, Pedro Silva Pereira, Paul Tang, Irene Tinagli
The Left	José Gusmão, Dimitrios Papadimoulis
Verts/ALE	Rasmus Andresen, Karima Delli, Claude Gruffat, Stasys Jakeliūnas, Philippe Lamberts, Piernicola Pedicini, Ernest Urtegas

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ECR	Michiel Hoogeveen, Dorien Rookmaker
ID	Gunnar Beck
NI	Enikő Győri, Lefteris Nikolaou-Alavanos

1	0
ECR	Johan Van Overtveldt

Key to symbols:

+ : in favour

- : against

0 : abstention