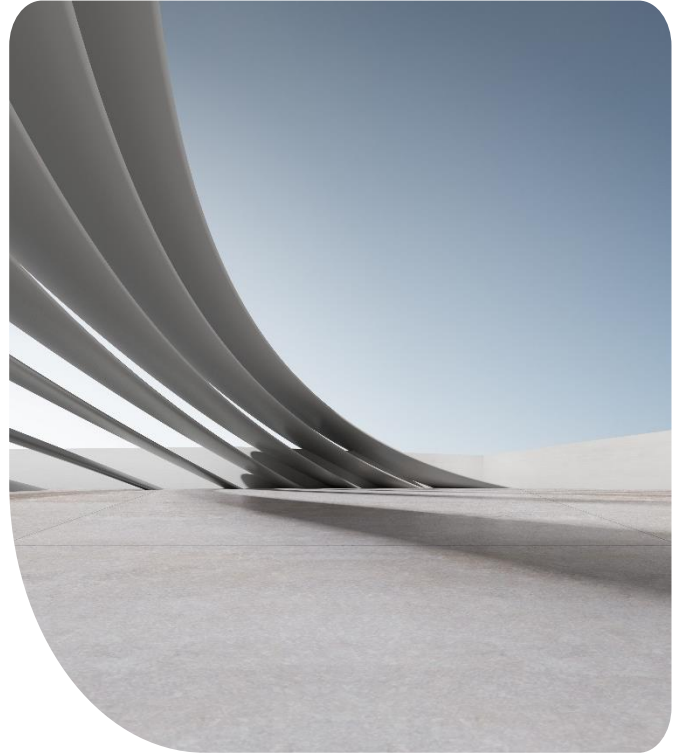
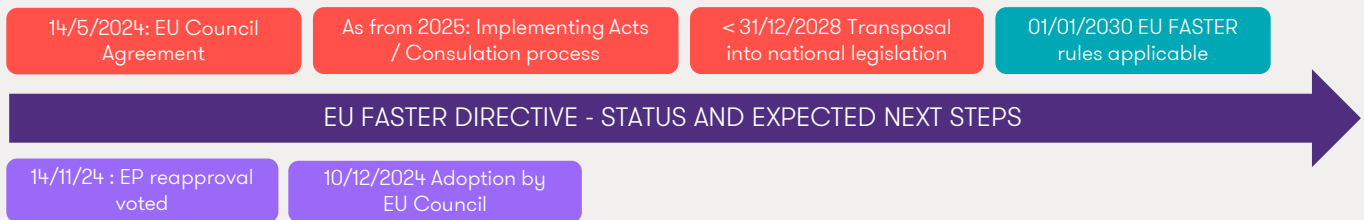


# EU FASTER Directive: relief from excess withholding taxes within the EU



On 10th December 2024, the EU Council formally adopted the EU Directive on Faster and Safer Relief of Excess Withholding Taxes within the European Union (the FASTER Directive). The Directive aims to enhance withholding tax relief and recovery within the European Union. Key impacts include the introduction of standardised EU digital tax residence certificates, fast procedures for withholding refunds and the introduction of reporting obligations to prevent abuse in withholding tax procedures.

The Directive should be transposed before the end of 2028 and is expected to apply as from 1st January 2030.



## A fast ride through FASTER

The new Directive will be a game changer for investors, financial intermediaries and tax administrations within the EU (and for certain non-EU financial intermediaries).

A more competitive and more efficient withholding tax environment should arise:

- Standardised digital tax residence certificates (eTRC) should be issued by EU Member States within 14 days and accepted throughout the EU.
- Standard relief procedure, mandatory for dividends from publicly traded shares and optional for interest from publicly traded bonds (for listed entities, tax resident in the EU), whereby EU Member States may opt to introduce a relief at source procedure, a quick refund procedure (within 60 days) or a combination of both procedures. Existing relief at source procedures may also be retained.
- Reporting on payments to map the flows from issuer to registered owners, and, to prevent abuse (given the “cum/cum” and “cum/ex” cases), exchange of information obligations regarding holding periods and certain unsettled financial arrangements (such as REPOs, securities lending, futures).

## Will all EU Member States participate?

The Directive is generally mandatory for all Member States (including the Digital Tax Residence Certificate). However, Chapter III, covering the Withholding Tax Relief procedure, is not binding on Member States that have comprehensive relief at source provisions (that meet specific criteria) and a low market capitalisation ratio (below 1.5% for at least 4 consecutive years).

## Who has obligations under the Directive ?

The FASTER Directive introduces requirements for financial intermediaries registered as Certified Financial Intermediaries (“CFI”). Large EU financial intermediaries (such as most global custodians) will be obliged to register, while smaller EU financial intermediaries and non-EU intermediaries will be allowed to register on voluntary basis.

## Operational implementation to be finalised

A number of operational elements remain to be finalised by the European Commission through “Implementing Acts”. These should be closely followed in the context of impact assessment and implementation projects. Stakeholders will be able to provide input during a consultation process. The draft eTRC template should for example be made available early 2025.

## How can we help?

Although FASTER is not expected to go live before 2030, typically CFIs should consider impact analysis and implementation well in advance (given that, e.g. preparing the entire organisation throughout various departments impacted and setting up or enriching IT systems may be a lengthy process).

### Implementation assistance

- Strategy: workshops to ensure the right choices are made
- Impact analysis: determine the impact of each area of the Directive on the organisation, taking account of existing onboarding and tax processes, liability and business practices and develop an implementation plan
- Procedures and processes: implement internal processes and procedures to ensure compliance throughout the organisation
- Systems: ensure business requirements documents cover the necessary IT specifications to run FASTER successfully
- Review of legal documentation (such as onboarding packages and general terms and conditions) to include FASTER wording, where needed
- Training: prepare your internal resources with dedicated trainings, tailored to the respective teams and departments
- Setup of reporting: setup reporting to other intermediaries, the tax authorities and the account holders, or provide review and advisory assistance in this respect

### Post-implementation assistance

- Health checks: identify areas of non-compliance, remediate where needed (stand-alone or within an internal audit context)
- Assistance with tax audits: prepare responses to tax authorities requests, assist during audits and with post-audit remediation

### Ongoing assistance

- Ad hoc advice: in-depth analysis, practical recommendations and solutions
- Hotlines: fast and reliable answers to day-to-day questions
- Outsourcing: on the spot resources and/or ongoing assistance with applicable requirements and compliance obligations
- Periodic review: assist the internal responsible department with periodic review
- Updates: keep resources updated based on recurrent trainings, and train new joiners

### Anticipate new developments

- Tax watch: get alerted swiftly when Implementing Acts or changes are announced to the FASTER framework (or broader operational tax framework)
- Update meetings: discuss anticipated changes interactively in person

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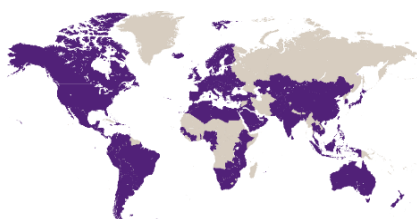
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