

Paris, 18 September 2023

**FASTER Draft Directive: Paris Europlace Tax Commission's response  
to the European Commission consultation**

Paris Europlace represents Paris international financial center's market players, including banks, insurance companies, asset managers, financial intermediaries, international corporates and other financial services providers.

Paris Europlace thanks the European Commission for the open consultation on the draft FASTER directive and requests its comments below.

Despite the intention to make the reimbursement and upstream granting of conventional benefits procedures more efficient, we believe that the proposed directive does not meet the expectations of the stakeholders concerned. It faces problems of inconsistency and ineffectiveness, both in the contradiction of the goals pursued and in the operational feasibility of its provisions. In addition to the primary purpose of the text, namely the correct application of withholding tax rates through a simplification of procedures for refunding surpluses, the draft directive includes a second objective of combating tax fraud which relies heavily on financial intermediaries, while dedicated international cooperation between tax administrations seems necessary.

The proposed directive could constitute a new obstacle to the implementation of international tax conventions against double taxation. These new obligations, if they were to be applied as they stand by financial intermediaries, would generate very significant and costly technical developments, undoubtedly difficult to be accepted by investors. No account keeper today has the IT and organizational resources to develop such complex reporting and control systems.

We also note that the proposal de facto excludes from the benefit of withholding tax reimbursement procedures investments made through a Common Investment Fund ("CIF") since the latter do not have, due to lack of legal personality, a tax identification number, necessary to obtain the tax certificate of residence.

Furthermore, from the perspective of issuing companies, the current proposal only deals with intermediated investments and focuses mainly on financial intermediaries. It completely

ignores the numerous non-intermediated financial flows (dividends, interest, intra-group royalties).

If the directive is not amended to take into account these non-intermediated flows as well as the flows passing through CIFs, it will be a major disappointment for both companies and investors, and a missed opportunity to create a more efficient and equitable system.

We argue that the directive should refocus on its original aim of “quicker and safer relief of excess withholding taxes”, focusing on the development of a harmonized and electronic residence certificate (eTRC), by removing any element likely to increase the role and the responsibility of certified financial intermediaries and make these procedures disproportionately complex.

Finally, the possibility given to Member States to opt for one of the systems provided for in this directive (relief at source, quick refund, or both), associated with the continuation of the standard reimbursement procedure, makes their operational application more complex and costly, which is once again contrary to the objectives. It is indeed important to emphasize that without a minimal harmonization in the application of the FASTER directive across Member States, the objectives of this directive will not be achieved. Furthermore, it is imperative that the FASTER proposal does not eliminate, or jeopardize, existing procedures for a relief at source or rapid reimbursement which operate effectively in certain Member States.

As we have already had the opportunity to highlight, the simplification and harmonization of withholding tax procedures should be achieved through pan-European definitions of key concepts (e.g. beneficial owners), and a certificate of residence common tax (TRC) issued and transmitted by digital means based on standardized technology in Europe. In this regard, we welcome the idea of a common and digitized e-TRC, as mentioned in recent works, which could also be used for a solution applicable to non-intermediated investment.

In our view, existing procedures can be improved significantly and quickly only through harmonization and digitalization within the EU, without the need to design entirely new procedures that would require huge investments on the part of the EU financial institutions and tax administrations.

The current design of the FASTER directive proposal makes us fear a blocking of reimbursement procedures with a systematic application of domestic law rates by financial intermediaries, which would no longer make European financial markets attractive and would alienate investors from European companies.

Paris Europlace warmly thanks the European Commission for this consultation and remains available to discuss, in order to detail the analyzes supporting our points of view.