

Taxation

Initiatives to solve cross-border tax problems

By Eric van Puyvelde | Monday 20 December 2010

Dual taxation, problems obtaining tax refunds and difficulties obtaining information on foreign tax rules are some of the obstacles EU citizens can face in cross-border situations. The European Commission announces in a communication, adopted on 20 December, how it plans to address such problems. Its plans concern areas such as cross-border income, inheritance taxes, dividend taxes, vehicle registration taxes and e-commerce. It proceeds with caution in a sector where member states are protective of their sovereignty, but notes that, depending on the area, measures could be taken at EU level or by member states themselves. The aim is to make tax systems more compatible so that citizens will not be deterred from engaging in cross-border activities.

The Commission notes that the complaints it receives from citizens on these types of cross-border tax problems are the sources of half the tax infringement proceedings initiated every year. The complaints cover a wide range of issues: complex foreign tax rules, incompatibilities between member states' tax systems, lack of clear information for foreigners and difficulties for cross-border workers – who are frequently subject to dual taxation – in getting tax allowances, relief and deductions from foreign tax authorities. Citizens who buy foreign real estate often miss out on tax exemptions or have to pay higher property taxes than residents, while those moving or buying cars cross-border face double registration taxes.

People with foreign investment income find it difficult to claim entitlements to relief from withholding taxes applied by foreign countries. Many people with foreign pension funds experience problems with deductions and cross-border transfers, while inheritances from another member state are often subject to higher or double taxation. E-commerce is also severely hampered by tax obstacles, such as complicated VAT rules and reporting requirements.

The communication announces a number of initiatives, including:

- a communication on dual taxation in 2011, examining the extent and gravity of the problem, followed in 2012 by legislative proposals to remedy it
- proposals in mid-2011 on cross-border inheritance tax problems
- measures to resolve dual taxation that can arise when a car that is first registered in one member state is then moved to and re-registered in another member state
- extension of a 'one stop shop' system for e-commerce in order to simplify reporting obligations for businesses and make it easier for them to offer goods and services online to foreign consumers. The question of obstacles to e-commerce will also be addressed as part of the review of the EU's VAT system (on which a consultation is now open)
- proposals, in 2012, on problems related to taxation of cross-border dividend payments.

Working with the national authorities and stakeholders, the Commission also plans to promote measures to simplify tax rules, for example, standardised tax claim and declaration forms, single information points where workers and investors can get clear and reliable tax information, and special tax measures at national level to cater for the needs of mobile and border workers.

The communication is available at www.europolitics.info > search = 285301

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