30 January 2018

Press release

PensionsEurope calls on the Commission and Member States to continue smoothing withholding tax refund procedures

The European Commission held a public hearing on simpler withholding tax procedures for Europe on 30 January 2018 to present the Code of conduct on withholding tax (WHT) to stakeholders and have a lively exchange of views. The Code is one of the main deliverables of the capital markets union (CMU) action plan in the area of taxation, and it addresses the longstanding problems of long delays and high costs faced by investors seeking to claim WHT refunds. The Commission has estimated that the annual cost to investors of WHT refund procedures amounts to around 8.4 billion euro.

In today's hearing, Mr Matti Leppälä, CEO/Secretary General of PensionsEurope, participated in the first panel discussion about the current state of play, why the WHT procedures are costly and lengthy, and to what extent implementing the code would improve the situation.

Matti Leppälä, CEO/Secretary General of PensionsEurope, said:

"PensionsEurope is thankful to the European Commission for its work on removing the WHT refund barriers to cross-border investment in the EU. We all know that these are longstanding problems from which e.g. pension funds have suffered already for decades. We also know that tax issues are not something were 'quick wins' are achieved, but the Code is a remarkable step forward in trying to improve the current situation."

"The Code is straightforward, and it contains good practical and concrete guidance. It can deliver small, but very important, improvements in various steps of refund procedures. PensionsEurope has emphasised that a relief at source is clearly the best practice for pension funds, and the Commission and Member should further work to make it possible. Member States should reciprocally and automatically recognise pension funds to save pension funds' efforts and costs to prove their status in a host Member State. If a pension fund qualifies as a pension fund according to the law of its home Member State, it should automatically get a recognition as a pension fund according to statutory terms or categories in a host country. A tax register for recognized pension institutions could be an appropriate tool to make this work in practice."

"In order that the Code will be useful and it will deliver, all EU Member States and national tax authorities should make a strong commitment to the Code and follow it. That should also apply to everyone in each tax authority of the Member States. Preferably Member States start working on a single, pan European, IT platform to accommodate WHT procedures. The Commission should continue being very engaged together with Member States, and it should actively coordinate the work and follow up. Second, the Commission should establish an expert group consisting of tax experts from industry representatives to follow the developments in line with the Code and to provide further comments and expertise from industry side."

During the last two years PensionsEurope has published two papers[1] on WHT barriers and it aims to publish a position paper on removing WHT barriers to cross-border investment beyond Code of Conduct in the upcoming months.

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes. PensionsEurope has **23 member associations** in 18 EU Member States and 3 other European countries[2].

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people.** Through its Member Associations PensionsEurope represents more than **€ 4 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **26 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns;

Our members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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[1] See PensionsEurope position paper on the withholding tax refund barriers to cross-border investment in the EU (April 2016) and PensionsEurope position paper on the EC's Code of Conduct for relief-at-source from the withholding tax procedures (December 2016).

[2] EU Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.

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