

The end of cross-border tax obstacles for EU citizens?

The European Commission, in its Communication published 20 December, aims to make Member States tax systems more compatible in order to facilitate cross-border activities between citizens from neighbouring States. Eventually new measures could make it easier for individuals living, working or moving abroad to confront double taxation, tax refunds reclaim, cross-border income, inheritance taxes, dividend taxes, car registration taxes and E-Commerce.

According to the statements of the Taxation, Customs, Antifraud and Audit Commissioner, the role of taxation in strengthening the Internal Market is crucial and the adoption of good tax policies can promote employment, investment and growth.

Based on the difficulties caused by foreign tax rules and the conflict among tax systems in different Member States, the European Commission plans to take further action at EU and national level. Obtaining deductions and tax allowances from foreign tax authorities or claiming entitlements to relief from withholding taxes applied by foreign countries are some of the basic problems faced by EU citizens. Moreover, E-Commerce is regularly blocked by tax obstacles and VAT rules resulting in very low standards of EU trade between Member States. Finally, people with foreign pension funds come face to face with problems covering cross-border transfers and deductions.

The objective of the Communication is to mobilise Member States to implement tax practices eliminating obstacles in cross-border activities. The compatibility of tax systems within the EU will be achieved by concrete proposals in mid-2011 concerning inheritance tax problems, measures arising from car double taxation and cross-border dividend payments as well as the establishment of a one-stop-shop system simplifying reposting obligations and on-line services to foreign customers.

The question is whether eventual coordination of cross-border tax obstacles could ever come into force by initiatives or compliance to EU regulation.

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