



The Director

CENTRE FOR TAX POLICY AND ADMINISTRATION

Mr. Roger Kaiser

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European Banking Federation

Email: r.kaiser@ebf.eu

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Dear Roger,

I refer to your letter of 20 April 2020 on behalf of a coalition of banking, custodian and fund industry associations, in which you highlight the impact that the ongoing COVID-19 outbreak may have on the efficiency of withholding tax relief procedures pursuant to double tax treaties, potentially leading to undesirable withholding tax outcomes for taxpayers and tax administrations alike.

I understand that the restrictions imposed around the globe carry a risk that physical certificates of tax residence, which often form the basis for claiming treaty relief, can either not be issued on time, or do not reach the concerned taxpayers, financial intermediaries or source country tax administrations in time. This could then lead to the application of an inaccurate, higher withholding tax rate by the source country, resulting in adverse consequences both for the taxpayer and the tax administration in the taxpayer's country of residence. In turn, source countries that would apply a higher withholding tax rate may be confronted with a large number of refund claims in the years to come.

As with the guidance we have recently issued on questions of treaty interpretation, we endeavour to be responsive to the needs of taxpayers in these unprecedented times and help facilitate pragmatic and timely solutions. My team will therefore reach out to you to very shortly to further explore the technical details and scope of the issue, as well as to assess what pragmatic solutions could be proposed to address the adverse treaty relief consequences the COVID-19 outbreak may inadvertently produce.

I look forward to further discussion of this and other issues. My team and I stand ready for any further queries you may have.

Yours sincerely,

Pascal Saint-Amans
Director, CTPA