

PRESS RELEASE

Withholding Tax on Cross-Border Dividends in the EU continues to be a nightmare for investors

15 May 2023 - Many investors commonly use the strategy of investing in dividend stocks. Yet, investors holding foreign shares often have to pay additional withholding tax on dividends in the respective country. [A recent survey conducted by BETTER FINANCE and DSW¹](#) among 3,000 investors across the EU found that withholding tax (WHT) refund procedures are cumbersome and costly, making it difficult or financially unreasonable for non-professional investors to reclaim excess withholding tax on cross-border dividend income. More than 90% of European investors find the WHT reclaim procedure overall difficult, while in close to 70% of cases the investors incurred costs. Moreover, substantial knowledge and compliance with refund procedures are required, and delays are also detrimental, thus undermining investors' confidence in cross-border investment within the EU.

For example, the Belgian-French tax treaty to avoid double taxation allows for double taxation, with Belgian residents holding shares of French-domiciled companies paying higher taxes on dividends received from French issuers than for Belgian-domiciled ones. This survey's findings highlight that the taxation of Belgian residents will be significantly higher than that of French residents receiving the same dividends.

The survey results also show that, due to the complexity of the procedure, over 83% of investors do not manage to reclaim tax withheld in another EU Member State and were effectively double-taxed. As a result, 31% of investors intend to stop buying foreign EU shares due to cross-border WHT issues. Besides, WHT procedures across EU countries are viewed as far more complicated and less efficient than those from Switzerland or the US as the source country of investment income.

Another key finding of the survey: In addition to simplifying procedures, private investors prefer a relief at source procedure to a cumbersome and time-consuming refund procedure to avoid a double taxation of their dividend income from the start.

Guillaume Prache, Managing Director of BETTER FINANCE, stressed that *“if we truly want to achieve a capital markets union, there is an urgent need for EU action. Only simplified and harmonise WHT processes at the EU level will help to stimulate and stop hampering cross-border retail investments. Beyond mere tax cooperation between EU member states, barriers to WHT refund procedures need to be removed, including deficient cross-border procedures and administrative barriers.”*

Contact: Chief Communications Officer | Arnaud Houdmont | +32 (0)2 514 37 77 | houdmont@betterfinance.eu

¹ [Research Report](#): Withholding taxes on dividends in the European Union | An uphill battle for individual shareholders