



Frequently asked questions on: Double Taxation, Cross-border workers, Migrant workers and Pensioners

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Taxation of dividends

I live and work in the Netherlands, where I am employed by an Italian company. Thanks to an employee savings plan, I have shares in my company and as a result I receive dividends from Italy.

Should those dividends be taxed in the same way in the Netherlands as they would be if I were working for and receiving dividends from a Dutch company?

YES. The Netherlands must apply the same tax rules to your dividends paid by your Italian employer as it would apply if the dividends were paid to you by a Dutch company under an employee savings plan.

I live in the UK and own shares in a company based in another EU country. When the dividends on my shares were paid out, they were taxed at 30% in the other country.

The tax treaty between the UK and the other country seems to say that the other country shouldn't withhold more than 15% from dividends paid to a UK resident. Isn't it illegal for it to have withheld 30%?

NO. Some countries may agree under tax treaties to apply lower rates of withholding tax to dividends paid to foreign shareholders than the rates that apply under national rules. But unfortunately they are not legally bound to conclude such treaties or to apply them correctly. Furthermore, even when countries apply their treaties, they may apply lower tax treaty rates only by way of refunds on the basis of claims.

To make such a claim, you may have to prove that you actually reside in the UK. Contact the tax authorities of **the UK** or **the other country** to find out how to claim the lower rate. If you received the dividends via your bank, your bank may be willing to claim the lower rate on your behalf.

Can a country from which I receive dividends tax them at a higher rate just because I live in another country?

NO. The country from which the dividends are paid cannot, under EU law, apply a higher tax rate just because they are being paid to someone in another EU country. Sometimes a country may apply a different tax treatment to dividends paid to non-residents (e.g. it may apply a flat withholding tax on dividends paid abroad while taxing dividends paid to residents at a net rate, after tax deductions). This may result in a lower or higher rate of tax on non-residents. As long as non-residents are given the option of being treated in the same way as residents for tax purposes this different tax treatment would not be illegal.

Property taxes

Capital gains taxes on sales of houses

I live in Portugal, but have just sold my house there and bought one in Poland with a view to moving to Poland. I sold the house for more than I bought it. Portugal taxes capital gains on sales of property, but allows a tax exemption when the seller buys a replacement property. Should that apply to me?

YES. The Portuguese tax authorities should grant you the same exemption from tax on capital gains that you would be eligible for if you had bought the new home in Portugal rather than in Poland.

Tax exemptions on purchases of property

I am planning to move to the UK from another EU country where I work and pay taxes. If I buy or build a home in the UK, am I eligible for a tax deduction in my home country?

MAYBE. Under EU law, a country cannot limit tax deductions for residents to houses or apartments bought or built on its own territory.

However, countries ARE allowed to apply different rules to different situations. Example: some countries allow a tax deduction for the purchase of primary homes but NOT for holiday homes or investment properties.

In such a situation, it might NOT be illegal for your country to refuse you a tax deduction for property located abroad if that property will not become your primary home immediately after purchase.

Taxation of income from letting or leasing of real estate

I am Swedish but live and pay taxes in another EU country. I let out my house in Sweden to tenants. And I pay tax in the country where I live on my rental income from the house in Sweden. Should I be able to deduct the cost of repairs, management fees, etc. from my taxable rental income?

THAT DEPENDS. You should be eligible to deduct such costs from your taxable rental income, if you would be able to do so if the property were located the country where you live.

It would be illegal for an EU country to allow tax deductions only for real estate located on its territory.

Inheritance taxes

I live in Poland and recently inherited real estate there and in Spain. I have to pay tax in Poland on this inheritance.

To estimate the value of the property in Poland, the Polish tax authorities used a simplified method that resulted in a value lower than the market price (good for me). For the Spanish real estate, they asked me to obtain an estimate of the market value.

Are the tax authorities allowed to use a less favourable valuation method for property abroad than they apply for local property?

NO. The method for estimating the value of real estate abroad may be different but it may not be less favourable or more burdensome to the taxpayer than the method used for real estate in the country.

I am a Swedish national. Some years ago my partner and I purchased a property in Spain and moved there. We co-financed the purchase, paying 50% each.

She passed away two years after the move and bequeathed her half-share of the property to me. Now the Spanish authorities have sent me an inheritance-tax bill that I cannot possibly pay. Under local law, inheritances between married couples benefit from a tax deduction. In Sweden, we were officially registered as partners, so aren't the Spanish authorities required to give us the same tax benefits as for married couples?

NOT NECESSARILY. There is no EU legislation on registered partnerships and their recognition in other EU countries. Each EU country decides whether it recognises registered partnerships or other civil unions as being equivalent to marriage. If it does recognise partnerships and gives them the same tax benefits as it gives to married couples it may also have to allow these tax benefits to foreign partnerships. However, it could for this purpose impose formalities such as the registration of the foreign partnerships locally, even if they have already been registered abroad.

Nor is there any EU-wide law regarding inheritance taxation. So Spain (and its regions) can apply the rules they choose as long as they do not discriminate in a way that would be contrary to EU law, for example by treating non-nationals less favourably than Spanish nationals in the same situation.

I have inherited property and am being taxed in both the country where I normally pay taxes and the country where the inherited property is located. Isn't this sort of double taxation prohibited under EU law?

NO. If you inherit property located in an EU country other than the country in which you live, you may be subject to the inheritance-tax laws of both countries and there is nothing in EU law that prohibits double taxation.

However, most EU countries with inheritance taxes DO allow some tax deductions for foreign inheritance taxes. Contact the tax authorities of one or both countries to see what, if any, deductions are available.

Tax when registering imported second-hand cars

I have retired and am going to live full-time in my holiday home in Cyprus. I am bringing my car, which was bought and registered in Hungary.

Are there any EU rules on how much registration tax I have to pay in Cyprus?

NO. If you move to another EU country for more than 6 months, you must under EU rules register your car in the new country.

For registration taxes, however, there are no EU-wide rules. Countries may levy car-registration taxes or not, as they choose. Some –including Cyprus–do NOT tax you if you had to pay a similar tax when you bought the car new.

If a country does tax imported second-hand cars, it must take account of the residual value when setting the amount of registration tax. Example: your type of car has a value in the new country of €10,000 when new and the tax on such a car would be €2,500 so that the car would cost €12,500 in total and the tax component of the price would be 20%. Assume that you move the car when it is 5 years old and that after 5 years a similar car in the new country would be expected to have lost 30% of its value and only to be worth about €8,750. In that case the tax to be applied in the new country could only be 20% of €8,750 i.e. €1750.

Taxation of donations to charities

I want to donate money to a charity in the country where I live and to a charity based in another EU country.

My home country offers a tax deduction for donations to local charities. Can I claim the same deduction for a donation to a charity in another EU country?

YES BUT. EU countries must treat national charities and comparable foreign charities (as well as donations to them) in the same way. However, you may have to provide evidence that the foreign charity to which you are donating money is comparable to a national charity.

Taxation of savings income Single page for Double Taxation. Cross-border workers, Migrant workers and Pensioners

I have a savings account with a bank based in an EU country other than the one in which I live. Where do I pay taxes on the interest that I earn on that account?

You would normally at least have to pay tax in your country of residence.

The country of the bank paying you interest may also be allowed to withhold tax, depending on the double-taxation treaty between it and your country. If it does so, your country will in most cases reduce its tax by the amount already paid to another country.

Double taxation

Taxation of foreign interest payments – applicable rules

Information exchange between tax authorities

I am a French citizen living, working and paying taxes in Italy. Recently the Italian authorities sent me a bill for property tax on real estate I own in France. Because I had already paid property tax in France, I didn't declare it in Italy.

How did the Italian authorities hear about my French property? Why should they also be able to levy property tax?

EU countries exchange information with each other in order to ensure that their residents are taxed correctly. That information exchange covers a wide range of areas including income from employment, directors' fees, dividends, capital gains, royalties, certain life insurance products, pensions, and ownership of and income from immovable property (real estate). So Italy may well have received the information from France.

Generally a taxpayer is obliged to declare worldwide income and assets – including real estate – in his/her country of residence.

There is nothing under EU law to prevent both Italy and France from levying tax on your property. However, some countries allow tax paid in the country where the property is located to be credited against the taxes due in the country where you reside. Contact the Italian or French tax authorities to find out whether any such concessions are applicable in your case.

I object to tax authorities sharing information on me. Don't I have a right to privacy under EU data-protection law?

YES BUT. The Data-protection Directive 95/46/EC lays down rules on how your personal data can be processed and shared.

The Directive also allows national governments to make exceptions to safeguard their important economic or financial interests, including taxation matters. But tax authorities may only use information exchanged for tax purposes.