Withholding taxes on payments to and from EU territories from 1 January 2021

The table below shows the rates applicable to certain payments, based on the domestic legislation of the territories concerned and the relevant Double Taxation Agreements with the UK at the time of writing (see a full list of agreements on gov.uk). Always check the current treaty in case of any subsequent changes.

	Payments to UK			Payments from UK	
Country	Dividends	Interest	Royalties	Interest	Royalties
Bulgaria					5%
Croatia	5%	5%	5%	0% or 5%**	5%
Czech Republic	5%		10%***		10%***
Denmark	15%				
Estonia			5% or 10%**	10%*	5% or 10%**
Germany	10%				
Greece	5%				
Ireland	5%				
Italy	1.2%	10%	8%	10%	8%
Latvia				10%	5% or 10%**
Lithuania				10%	5% or 10%**
Luxembourg	5%****		5%		5%
Malta				10%	10%
Poland		5%	5%	5%	5%
Portugal	10%	10%	5%	10%	5%
Romania	5%	10%	15%	10%	10% or 15%*
Slovak Republic			10%***		0% or 10%*
Slovenia			5%		5%

Notes:

* Lower rate applies to copyright royalties.
** Lower rate applies to interest on sales of or royalties for the use of industrial, commercial or scientific equipment.
*** Withholding tax only applies to patents, trademarks, designs or models, plans, secret formulae or processes, or for the use of, or the right to use, any industrial, commercial or scientific equipment, or for information concerning industrial, commercial, technical, technological or scientific experience.
**** 0% where the conditions of the Luxembourg participation exemption are met.

It is possible that the UK will be able to renegotiate some existing double taxation treaties so that they replicate the current position. Alternatively, some EU countries may amend their domestic tax rules to achieve the same outcome. In the meantime, many companies will need to take action to manage their cashflow position.

If they wish to take advantage of treaty rates of withholding tax (which in some cases exempt the relevant payment from withholding tax altogether), some UK companies will need to make new or amended withholding tax applications. The relevant forms usually need to be submitted by the UK companies concerned to the taxing authority of the paying company to enable the payer to make payments of dividends, interest, or royalties at the applicable treaty rate. The forms are usually completed and stamped by the EU tax authority concerned to provide evidence that the company is entitled to the treaty benefits concerned.

In the case of dividends paid to the UK, some EU member states (eg, Portugal) only allow the treaty rate to apply where the dividends are subject to tax in the UK. A decision will therefore need to be made in those cases whether to elect to tax the dividend in the UK to secure the treaty rate of withholding tax.

EU resident companies may also wish to take similar action in relation to payments from UK resident associated companies. However, it is worth noting that:

- the UK does not withhold tax on dividends made by UK companies; and
- royalty payments can be made gross or at the treaty rate of withholding as applicable by UK companies where the payer reasonably believes that the receipt is entitled to the benefits under the relevant treaty.

Companies and groups may also wish to consider taking alternative action in response to the removal of the directives. If they still have time, they may wish to bring payments forward so that they can be made by 31 December while the directives are still in force.

In other cases, they may wish to restructure and migrate operations where other circumstances allow and the withholding taxes arising are an unacceptable cost of doing business in the territories concerned.