

## **Direct taxation: Commission decides to refer Belgium to the European Court of Justice over the tax exemption applicable only to interest paid by domestic banks**

***The European Commission has decided to refer Belgium to the European Court of Justice since in its view the tax exemption applicable only to interest paid by domestic banks discriminates against foreign banks. The Commission considers that Belgian provisions restrict the free movement of capital and the freedom of to provide services.***

Under Belgian law, Belgian residents are subject to different tax treatment of the interest received on their savings depending on whether the interest is paid by a domestic bank or not. Only interest paid by a domestic bank can benefit from a tax exemption. Thus, only Belgian residents who have a savings deposit account with a Belgian bank can benefit from the tax advantage.

### Background

The incriminated provision is Section 21, paragraph 5 of the Belgian Tax Code which is in the opinion of the Commission incompatible with articles 56 and 63 of the Treaty on the Functioning of the European Union and with the corresponding articles 36 and 40 of the Agreement on the European Economic Area.

The Commission's case reference number is 2006/4726.

For press releases on infringement cases in the taxation or customs field, see:

[http://ec.europa.eu/taxation\\_customs/common/infringements/infringement\\_cases/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/infringements/infringement_cases/index_en.htm)

For the latest general information on infringement measures against Member States see:

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