

13. Taxation of Savings Directive

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ABI Lead Committee: Taxation Strategy Committee

Other interested committees: European Committee

Issue: In 2008, the Commission adopted a proposal to amend the Taxation of Savings Directive with a view to closing existing loopholes and eliminating tax evasion. The proposed amendments to the Directive include interest payments on life insurance contracts where the biometric risk coverage amounts to less than 5% of the capital invested.

Status: The Swedish Presidency issued their compromise text in September 2009, which was promising for UK positions as it introduced an 'opt-in' provision to allow Member States to utilise their existing reporting regime to satisfy the requirements of the Directive. This compromise text was discussed at the ECOFIN meeting in December. It was not possible to reach a balanced political agreement, however, and the required unanimity could not be attained. The Secretariat understands that Austria and Luxembourg insisted that the Directive be agreed only as part of the wider measures to encourage good governance in tax matters: the Mutual Assistance and Tax Recovery Directives, but also to the negotiation of anti-fraud agreements. Discussion will now be resumed under the Spanish Presidency.

ABI Action: The Secretariat has met with HM Revenue and Customs to discuss the potential issues for insurers if life insurance products are brought within the scope of the Directive. Our arguments have focused on the existence in the UK of a system that facilitates the effective exchange of information with other national authorities on tax revenues, we also said that the Directive would lead to duplication, and create significant compliance costs for insurers with no discernable benefit to the Exchequer. The Secretariat has also worked closely with the CEA taskforce considering the Directive. In late October, the Secretariat met with Swedish Presidency and Commission representatives in charge of this dossier.

Background: The Taxation of Savings Directive aims to counter cross-border tax evasion and applies in 42 jurisdictions. To achieve this it puts in place a mechanism for collecting and exchanging information about citizens of one Member State who receive savings income in another Member State. The Directive requires the Commission to report to the Council on the operation of the Directive every three years. The Commission issued its first report on the Directive on 15 September 2008. The report found that it was relatively easy for individuals to circumvent the rules by using interposed legal persons or arrangements that are not taxed on their income.

Useful documents

[Commission's first report on the operation of the Directive](#)