


# Procedure file

Basic information		
CNS - Consultation procedure Directive	1998/0193(CNS)	Procedure lapsed or withdrawn
Savings, taxation: minimum of savings income in the form of interest payments within the Community		
Subject 2.50.02 Savings		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>ECON</b> Economic and Monetary Affairs, Industrial Policy	PSE <a href="#">PÉREZ ROYO Fernando</a>	25/06/1998
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2297</a>	17/10/2000
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2268</a>	05/06/2000
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2225</a>	29/11/1999
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2212</a>	08/11/1999
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2181</a>	25/05/1999
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2167</a>	15/03/1999
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2143</a>	01/12/1998
	<a href="#">Economic and Financial Affairs ECOFIN</a>	<a href="#">2103</a>	05/06/1998

Key events			
20/05/1998	Legislative proposal published	COM(1998)0295	Summary
05/06/1998	Debate in Council	<a href="#">2103</a>	
13/07/1998	Committee referral announced in Parliament		
01/12/1998	Resolution/conclusions adopted by Council		
26/01/1999	Vote in committee		Summary
26/01/1999	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0040/1999</a>	
09/02/1999	Debate in Parliament		
10/02/1999	Decision by Parliament	T4-0095/1999	Summary

15/03/1999	Debate in Council	<a href="#">2167</a>	
25/05/1999	Debate in Council	<a href="#">2181</a>	
08/11/1999	Debate in Council	<a href="#">2212</a>	
08/11/1999	Debate in Council	<a href="#">2212</a>	
29/11/1999	Debate in Council	<a href="#">2225</a>	
05/06/2000	Debate in Council	<a href="#">2268</a>	
17/10/2000	Debate in Council	<a href="#">2297</a>	Summary
20/07/2001	End of procedure in Parliament		

### Technical information

Procedure reference	1998/0193(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
Legal basis	EC Treaty (after Amsterdam) EC 094
Stage reached in procedure	Procedure lapsed or withdrawn
Committee dossier	ECON/4/10280

### Documentation gateway

Legislative proposal	<a href="#">COM(1998)0295</a> <a href="#">OJ C 212 08.07.1998, p. 0013</a>	20/05/1998	EC	Summary
Document attached to the procedure	<a href="#">SEC(1998)2010</a>	23/11/1998	EC	Summary
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A4-0040/1999</a> <a href="#">OJ C 150 28.05.1999, p. 0004</a>	26/01/1999	EP	
Text adopted by Parliament, 1st reading/single reading	<a href="#">T4-0095/1999</a> <a href="#">OJ C 150 28.05.1999, p. 0154-0186</a>	10/02/1999	EP	Summary
Economic and Social Committee: opinion, report	<a href="#">CES0194/1999</a> <a href="#">OJ C 116 28.04.1999, p. 0018</a>	24/02/1999	ESC	

### Additional information

European Commission	<a href="#">EUR-Lex</a>
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## Savings, taxation: minimum of savings income in the form of interest payments within the Community

**OBJECTIVE:** the proposal for a Directive seeks to ensure a minimum of effective taxation of savings income in the form of interest payments made in each Member State to natural persons resident for tax purposes in another Member State. **SUBSTANCE:** in the absence of any coordination of national systems, it is currently possible for natural persons who are resident in the Member States to evade all forms of taxation of interest received in a Member State other than that where they reside. This causes distortions in the operation of the internal market and losses of tax revenue by the Member States. While respecting the principles of subsidiarity and proportionality, the proposal is based on the 'coexistence' model, whereby each Member State may choose between two systems: it may either provide information on income from savings to other Member States where the recipients reside or it may withhold tax at source at a rate of 20%. Each Member State must choose one of these two options and apply it alone to all interest payments made within its territory to residents of other Member States. It is, however, possible for a beneficial owner who receives a payment in a Member State which has opted for the withholding-tax system to receive different treatment by applying for a certificate: the beneficial owner may agree to be taxed solely in the Member State where he is

resident for tax purposes, in the same way as a beneficial owner receiving a payment in a Member State which has opted for the information system. ?

## Savings, taxation: minimum of savings income in the form of interest payments within the Community

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**PURPOSE:** to present Commission plans for addressing the external dimension of taxation on savings. **CONTENT:** The Commission proposes taking steps to establish exploratory contacts on this subject with third countries, initially based on proximity to the Community. Such a criterion would indicate first contacts should include Switzerland, Liechtenstein, Andorra, Monaco and San Marino. Priority is also given to contacts with certain fundamental Community partners such as the United States and Japan. Preliminary contacts would focus on three key elements: - the need to ensure a minimum of effective taxation on savings income at the international level; - the specific elements of the measures which could be considered equivalent to those envisaged by the co-existence model; - the adoption of the paying agent method. The Commission considers the establishment of such contacts to be a matter of urgency for the ECOFIN Council, as technical discussions within the Council on the proposal for a directive could produce concrete results by the end of the German Presidency. The Commission also proposes raising the issue of adoption of equivalent measures, in the context of pre-accession discussions with the candidate countries.?

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The Committee (Rapporteur, Fernando PÉREZ ROYO (PES, E) approved a Commission proposal aimed at introducing a minimum effective taxation on savings income. This proposal, part of the so-called Monti package against harmful tax competition, seeks to plug a loophole which allows individuals to escape taxes by placing their savings in another Member State, as few states tax savings income for nonresidents. Under the terms of the proposal, Member States are obliged to either impose a withholding tax of at least 20%, or provide information on income to the tax authorities in the individuals' country of residence. While supporting the main objectives of the proposal, the Committee adopted a small number of amendments calling for, in particular, lowering the minimum tax rate to 15% as this is the rate most commonly used in international tax agreements. Other amendments aim at clarifying the scope of the directive, although amendments seeking to exclude Eurobonds from the directive were not carried. The Committee also agreed with the Commission's and Council's intentions of seeking to extend the proposed system to third countries, although it did not consider that the entry into force of the directive should be postponed until such agreements have been concluded. Agreements should according to the Committee first be concluded with those neighbouring countries granting nonresidents particularly favourable tax treatment and then over time be extended to at least all OECD countries.?

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The proposal for a Council Directive to ensure a minimum of effective taxation of savings income in the form of interest payments within the Community was approved by the European Parliament, subject to amendments in the following areas: - stressing that a regulation of this kind must include third countries; - presenting the proposed directive as part of a more general package of measures aimed at fighting harmful tax competition in the internal market; - providing that the minimum tax rate on savings must apply to interest received by physical persons either directly or indirectly through undertakings for collective investment in transferable securities (Ucits); - pointing out that under international tax agreements, only in exceptional circumstances will the withholding tax applied by the source State to interest paid to a non-resident exceed 15%; - giving priority in reaching agreement with third countries to those neighbouring countries which grant non-residents a particularly favourable tax treatment, liable to undermine the effectiveness of the proposed directive, before extending it to at least all other OECD member countries; - indicating the need to take additional steps to harmonise taxation of capital gains; - providing that, in the event of repurchase before maturity by a person not subject to the proposed directive, the repurchase price shall replace value at redemption. The rapporteur was Fernando Pérez Royo (PSE,ES).?

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The Council reviewed the progress made on the three strands of the tax package: savings taxation, interest and royalties and the code of conduct (business taxation). With regard to savings taxation, further to the conclusions of the Feira European Council, the Working Party on Tax Questions was to deal with all of the questions relating to the basic substances of the Directive, on which agreement should be reached by the end of the year. The Working Party has studied all of these questions, with the exception of the rate of withholding tax. On most of the subjects discussed a majority agreement was emerging, in particular as regards the scope of the Directive (definition of interest), revenue sharing and the paying agent mechanism. Further technical work still needed to be done on these three matters: the nature of information to be transmitted on the basis for assessment of the withholding tax as regards coupon washing, zero-rate coupons and capitalisation funds; - the treatment of bodies such as partnerships, trusts, etc; - the procedure for identifying the beneficial owner and the type of information to be provided on that owner. The Council has instructed the Working Party on Tax Questions to pursue its work with determination in order to be able to submit the terms of an overall compromise in time for the Council meeting on 27 November. With regard to the Directive on interest and royalties, the Working Party on Tax Questions should endeavour to resolve the outstanding issues, in particular on non-application of the Directive in certain specific cases and on the transitional period for Greece, Spain and Portugal, at the same time as the other two strands of the tax package. Lastly, the Council has confirmed the code of conduct Group's mandate to continue its proceedings with determination on a framework for freezing and dismantling national measures held to be damaging to competition, and to report to the Council on the progress achieved at its meeting on 27 November.?

