Taxation on savings in the European Union

Resolution of the Economic and Social Commission (Brussels - 27 September 2001)
adopted by the Brussels Central Council (14 December 2001)

The European League for Economic Co-operation wishes to draw attention to its resolution of 9 December 1999 on tax policy in the European Union, in which it asserted the need for a competitive tax position vis-à-vis the outside world and called for the necessary movement towards convergence of tax policies in Member States, to "aim at lowering both personal and corporate taxes".

Turning to taxation on savings, ELEC stressed that "the long-term objective should be to protect savings and to ensure that individuals shall be able to invest their savings throughout the EU but pay the taxes on their securities in the country in which they are residents for tax purposes". ELEC thus welcomes, as an important step in the right direction, the agreement reached by the ECOFIN Council of 26 and 27 November 2000 on the substance of a future directive on taxation of savings.

This agreement, in effect, while permitting different systems to coexist, allows clear limits to be placed on tax competition inside the EU concerning the taxation of savings. This is all the more desirable in view both of EU enlargement and also of the aim of preventing an unjustified breach between the taxation of income derived from capital and that derived from labour. The timetable that was adopted enables the gradual introduction of a satisfactory system for exchanging information between Member States regarding income paid to residents of another Member State while continuing the operation of withholding tax for several years, which also offers some advantages in terms of efficiency and leaves a significant portion of the tax revenue to the state which collects it.

ELEC calls for the information exchanged by Member States to be as comprehensive and reliable as possible, with due regard however to the respect of privacy and personal liberty; otherwise, the chosen system will not have the desired deterrent effect on tax evasion. This will require investment in co-ordinated information systems, along with a more precise definition of, and stricter checks on, the saver’s place of residence for tax purposes.

Respecting the fiscal treatment of capital income distributed to residents of third countries, ELEC is strongly of the view that the point of entry of such capital should be fiscally neutral. This will eventually imply the harmonisation of bilateral agreements between Member States on the one hand and a third country on the other.

For the measures set out under this agreement to take full effect, it is essential that the discussions with third countries, in accordance with the conclusions of the European Council at Feira, should be brought to a successful conclusion. ELEC particularly wishes to highlight the importance of negotiations with important financial centres (such as Switzerland, the USA, Singapore and Hong Kong), the result of which will be decisive. It suggests that, in general, negotiations undertaken with third countries as well as with the applicant countries should draw upon the results obtained by the United States in their negotiations on these matters, namely the introduction of a system ensuring that financial institutions do not help US residents in tax evasion.

Finally, ELEC considers that the systematic application of the rule of unanimity to areas in which greater fiscal convergence would be desirable imposes serious limitations on the building of Europe. It suggests that in the future qualified majority voting should gradually be introduced in these areas, or, failing that, that they should be subject to enhanced co-operation.

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