# EXPLANATORY MEMORANDUM TO THE

# REPORTING OF SAVINGS INCOME INFORMATION (AMENDMENT) REGULATIONS 2005

## 2005 No. 1539

**1.** This explanatory memorandum has been prepared by HM Revenue & Customs and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

## 2. Description

2.1 The instrument updates the rules for the operation of the scheme implementing the EU Savings Directive and related agreements in the UK

## 3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 The Regulations will come into force on a date to be determined by the Treasury and notified in the London, Edinburgh and Belfast Gazettes. This is the same mechanism to be used to bring into force the Reporting of Savings Income Information Regulations 2003 (SI 2003/3297).

## 4. Legislative Background

4.1 The powers to make this instrument are in section 199 of the Finance Act 2003. Section 199 provides for the implementation of the EU Savings Directive (Council Directive 2003/48/EC on taxation of savings income in the form of interest payments), and related agreements with other territories.

4.2 The Regulations are needed to implement agreements with other territories and to reflect the addition of 10 new Member States. They amend the Reporting of Savings Income Information Regulations 2003 (SI 2003/3297).

## 5. Extent

5.1 This instrument applies to all of the United Kingdom.

## 6. European Convention on Human Rights

These Regulations are subject to annulment and do not amend primary legislation. Accordingly the Paymaster General is satisfied that no statement as to compatibility with the Convention rights is required.

## 7. Policy background

7.1 The EU Savings Directive was adopted on 3 June 2003. It is designed to counter cross-border tax evasion on savings by individuals. It does this by requiring EU Member States to exchange information automatically on savings income paid cross-border to individuals resident in another Member State. Three Member States – Austria, Belgium and Luxembourg – will apply a withholding tax instead of exchanging information during a transitional period.

7.2 Under the scheme implementing the Directive, UK paying agents will be required to report information on savings income they pay to individuals resident and certain entities established in the other Member States. Paying agents will make reports annually to HM Revenue & Customs, who will pass the information to the tax authority of the Member State in which the individual is resident or the entity established. Member States will pass information on payments to UK residents or entities to HM Revenue & Customs. The Member States which are operating the transitional withholding tax will instead pass on 75% of the tax withheld.

7.3 The Directive is expected to come into effect on 1 July 2005. This is dependent on agreements being in place with certain third countries to apply equivalent measures to the Directive, and certain dependent and associated territories of Member States to apply the same measures. The third countries are Andorra, Liechtenstein, Monaco, San Marino and Switzerland. The dependent and associated territories are Anguilla, Aruba, British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, Montserrat, Netherlands Antilles and Turks & Caicos Islands.

## 8. Impact

8.1 The impact of implementing the specific changes required of relevant bodies by these Regulations is marginal, and occurs as part of the changes necessary for the implementation of the Directive. The Regulatory Impact Assessment (RIA) for the Directive can be found at http://hmrc.gov.uk/ria/eusd-ria.pdf.

8.2 The impact on the public sector is not significant.

## 9. Contact

Paul Heggs at HM Revenue & Customs (Tel: 020 7147 2407 or e-mail: paul.heggs@hmrc.gsi.gov.uk) can answer any queries regarding the instrument.