

# EC/Andorra Agreement: taxation of savings income in the form of interest payments. Protocol

2015/0285(NLE) - 11/12/2015 - Legislative proposal

**PURPOSE:** to conclude, on behalf of the European Union, the Amending Protocol to the Agreement between the European Community and the Principality of Andorra providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments.

**PROPOSED ACT:** Council Decision.

**ROLE OF THE EUROPEAN PARLIAMENT:** the Council adopts the act after consulting the European Parliament but without being obliged to follow its opinion.

**BACKGROUND :** following the adoption of [Council Directive 2003/48/EC](#) ('the Savings Directive'), and in order to preserve the level playing field of economic operators, the EU signed **Agreements with Switzerland, Andorra, Liechtenstein, Monaco and San Marino** providing for measures equivalent to those laid down in the Directive. Member States also signed agreements with the dependent territories of the United Kingdom and the Netherlands.

The importance of automatic exchange of information as a means to combat cross-border tax fraud and tax evasion has been recognised at international level. **The Organisation for Economic Cooperation and Development (OECD) was mandated by the G20 to develop a single global standard** for automatic exchange of financial account information. The OECD Council released the Global Standard in July 2014.

Following the adoption of a proposal to update the Savings Directive, the Commission adopted on 17 June 2011 **a recommendation for a mandate to initiate negotiations with several countries, including Andorra**, in order to upgrade the EU's Agreements with those countries in line with international developments and to ensure that those countries continue to apply measures equivalent to those in the EU.

On the basis of a proposal presented by the Commission in June 2013, the Council adopted [Directive 2014/107/EU](#) amending Directive 2011/16/EU and extending the mandatory automatic exchange of information between EU tax authorities to a full range of financial items in accordance with the Global Standard.

As Directive 2014/107/EU is generally broader in scope than Directive 2003/48/EC and provides that in cases of overlap of scope, Directive 2014/107/EU prevails, on 18 March 2015 the Commission adopted [a proposal](#) to repeal Directive 2003/48/EC.

The Commission considers it crucial to ensure that the amendment of the existing Savings Agreement with Andorra is in line with EU and international developments.

This will be the legal basis for implementing the OCDE Global Standard on automatic exchange of information between Andorra and the EU.

**CONTENT:** the proposal calls upon the Council to **approve, on behalf of the EU, the Amending Protocol to the Agreement between the European Community and Andorra** providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments.

**The Amending Protocol implements the Global Standard between EU Member States and Andorra.**

It introduces a new set of provisions comprising 10 Articles, an Annex I that reflects the OECD Common Reporting Standard (CRS) which is part of the Global Standard, an Annex II that reflects important parts of the OECD Commentaries to the Global Standard and an Annex III that lists the Competent Authorities of Andorra and of each Member State.

**The new Articles reflect the articles of the OECD Model Competent Authority agreement for the implementation of the Global Standard.** They include, inter alia:

- a full set of provisions on exchange of information upon request that follows the latest text of the OECD Model Tax Convention;
- a more detailed set of provisions on data protection;
- an additional stage of consultation before any Member State or Andorra undertakes to suspend the Agreement.

Furthermore, the Protocol:

- deals with issues on the transition from the existing Agreement to the amended Agreement, with regard to requests for information, credits available to beneficial owners for withholding tax, final payments of withholding tax by Andorra to Member States and final exchanges of information under the voluntary disclosure mechanism;
- includes a Protocol on additional safeguards related to the exchange of information on request. The text specifies that exchanges on the basis of a group request are not excluded.

The revised Agreement is supplemented by four Joint Declarations of the contracting parties and one Unilateral Declaration by Andorra.