Taxation of savings income in the form of interest payments. Savings Directive

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The Council heard a comprehensive report on the current state of play of negotiations on the taxation of savings income between the Commission and third countries as well as on the discussions between the Member States concerned and their dependent or associated territories. Commissioner Bolkestein reported that while talks with most third countries have started, negotiations have not yet formally begun with Switzerland. Switzerland is linking the tax issue to the opening of talks with the EU on a number of unrelated subjects, such as participation in the Schengen/Dublin acquis, liberalisation of trade in services and participation in audiovisual programmes, on which negotiating mandates should be agreed shortly by the Council. As regards dependent and associated territories, the United Kingdom informed the Council of the measures it had taken to secure agreement on the exchange of information. For its part, the Netherlands reported on the successful outcome of its discussions with the Dutch Antilles and Aruba. It is recalled that the Feira European Council of June 2000, confirmed by ECOFIN in November 2000, made the adoption of the directive on the taxation of savings conditional on measures of equivalent effect being agreed by several countries outside the European Union to prevent capital flight towards tax havens where savings taxation is less strict. According to the timetable for the tax package agreed by ECOFIN in July 2001, agreement should be reached by June of this year with several so-called "key countries", including Switzerland, the United States of America and Liechtenstein, while the UK and the Netherlands will have to agree arrangements with their associated or dependent territories, such as the Channel Islands, UK Caribbean territories and the Netherlands Antilles.