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

1998/0193(CNS) - 20/05/1998 - Legislative proposal

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.