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REPORT

on the proposal for a Council decision on the conclusion of the Agreement between the European Community and the Republic of San Marino 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 (COM(2004)0643 – C6-0172/2004 – 2004/0241(CNS))

Committee on Economic and Monetary Affairs

Rapporteur: Jean-Paul Gauzès

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a Council decision on the conclusion of the Agreement between the European Community and the Republic of San Marino 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
(COM(2004)0564– C6-0120/2004 – 2004/0192(CNS))**

(Consultation procedure)

The European Parliament,

- having regard to the proposal for a Council decision (COM(2004)0643)¹,
 - having regard to the draft Agreement between the European Community and the Republic of San Marino 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,
 - having regard to Article 94, Article 300(2), first subparagraph, and Article 300(4) of the EC Treaty,
 - having regard to Article 300(3), first subparagraph, of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0172/2004),
 - having regard to Rules 51 and 83(7) of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A6-0039/2004),
1. Approves the conclusion of the agreement;
 2. Instructs its President to forward its position to the Council and Commission, and the governments and parliaments of the Member States and of the Republic of San Marino.

¹ Not yet published in OJ.

EXPLANATORY STATEMENT

I - Background

In the light of the observation that, in the absence of any coordination of national systems of taxation of savings income, some residents of the Member States were able to avoid any form of taxation in their State of residence on interest which they received in another State, it was decided to draft a directive to remedy this situation, which is conducive to the development of damaging fiscal competition, as capital tends to flow to countries outside the European Union with abnormally low rates of taxation. The lack of information about this income thus hampers the proper functioning of the single market.

In this context, the Council authorised the Commission, by its decision of 16 October 2001, to negotiate appropriate agreements with Switzerland, the United States of America, Andorra, Liechtenstein, Monaco and San Marino under which those countries would adopt measures equivalent to those to be applied within the Community, so as to ensure effective taxation of savings income in the form of interest payments.

Since then, the Council has adopted Directive 2003/48/EC on taxation of savings income in the form of interest payments, which it did on 3 June 2003. It provides for a system of information exchange whose introduction was initially scheduled for 1 January 2005.

Three Member States (Austria, Belgium and Luxembourg) attached conditions to this abolition of banking secrecy. They secured a transitional period during which they will be authorised to withhold tax instead of exchanging information.

The Council has already concluded an agreement on the taxation of savings income with Switzerland and is preparing to do so with Andorra and Liechtenstein. These agreements comprise four elements: withholding of tax at source shared with the State of residence, voluntary disclosure of information at the initiative of the income recipient, a review clause and progress on exchanges of information in cases of tax fraud. The same arrangements apply to those to be concluded with the Republic of San Marino and the Principality of Monaco.

The agreements with the Republic of San Marino and the Principality of Monaco were submitted to the Council for conclusion. In accordance with the conclusions of the ECOFIN Council of 21 January 2003, these two documents confirm that during the transitional period provided for by Council Directive 2003/48/EC of 3 June 2003, the European Community will open talks with other major financial centres to ensure that they adopt measures equivalent to those to be applied by the Community.

The Council has indicated its political agreement to the text. The European Parliament is now being consulted.

II - Rapporteur's remarks

Your rapporteur considers that, from the technical point of view, the agreements which are the subject of the proposal for a Council decision are satisfactory. Moreover, they represent a major step forward from the political point of view. He therefore does not propose any amendments.

The agreements will have the effect of ensuring the adoption by the countries concerned of measures equivalent to those which must be implemented within the European Union to tax effectively savings income in the form of interest payments made in one State and intended for recipients residing in another State. This instrument should permit effective taxation, which is necessary to combat damaging tax competition and help improve the functioning of the single market. In order to attain this objective, the automatic exchange of information between tax authorities provided for by Directive 2003/48/EC is an appropriate means.

It is important that the negotiations with third countries should be concluded promptly. The negotiations with Switzerland, Liechtenstein and Andorra have been completed. In the case of the United States, the existing framework for bilateral relations with the Member States with regard to taxation makes it possible to conclude that equivalent measures already exist.

The implementation of this series of agreements was initially scheduled for 1 January 2005. However, it was postponed until 1 July 2005 by a Council decision of 19 July 2004, as the various conditions for their implementation ought to be met by then. It is important that this date should be respected in order for the whole package to be implemented properly.

We appreciate the efforts made by the Republic of San Marino and the Principality of Monaco to establish fiscal transparency and genuine judicial cooperation, which enable fraud and money laundering to be combated. Your rapporteur considers, nonetheless, that both the Republic of San Marino and the Principality of Monaco, which have chosen to base part of their prosperity on the development of financial services, must continue to respect the rules of the game and increase their cooperation in the fight against money laundering.

PROCEDURE

Title	Proposal for a Council decision on the conclusion of the Agreement between the European Community and the Republic of San Marino 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	
References	COM(2004)0643 – C6-0172/2004 – 2004/0241(CNS)	
Legal basis	Article 300(3), first subparagraph, EC	
Basis in Rules of Procedure	Rules 51 and 83(7)	
Date of consulting Parliament	5.11.2004	
Committee responsible Date announced in plenary	ECON	
Committee(s) asked for opinion(s) Date announced in plenary		
Not delivering opinion(s) Date of decision		
Enhanced cooperation Date announced in plenary		
Rapporteur(s) Date appointed	Jean-Paul Gauzès 10.11.2004	
Previous rapporteur(s)		
Simplified procedure Date of decision		
Legal basis disputed Date of opinion		
Financial endowment amended Date of opinion		
European Economic and Social Committee consulted Date of decision in plenary		
Committee of the Regions consulted Date of decision in plenary		
Discussed in committee	23.11.2004	
Date adopted	23.11.2004	
Result of final vote	for: 28 against: 0 abstentions: 0	
Members present for the final vote	Pervenche Berès, Zsolt László Becsey, Ieke van den Burg, Paolo Cirino Pomicino, Jonathan Evans, Elisa Ferreira, Jean-Paul Gauzès, Benoît Hamon, Gunnar Hökmark, Karsten Friedrich Hoppenstedt, Brice Hortefeux, Ian Stewart Hudghton, Sophia Helena In 't Veld, Enrico Letta, Pii-Noora Kauppi, Cristóbal Ricardo Montoro Romero, Joseph Muscat, Alexander Radwan, Bernhard Rapkay, Antolín Sánchez Presedo, Margarita Starkevičiūtė, Ivo Strejček, John Whittaker, Lars Wohlin	
Substitutes present for the final vote	Harald Ettl, Satu Hassi, Antonis Samaras, Theresa Villiers	
Substitutes under Rule 178(2) present for the final vote		
Date tabled – A6	25.11.2004	A6-0039/2004

Comments	...
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