

# European Union Savings Tax Directive (EUSD)

## What is the European Union Savings Tax Directive?

The EUSD is an agreement between the EU Member States to automatically exchange information with each other about customers who earn interest in one EU Member State but reside in another.

The ultimate objective of the EUSD is the automatic exchange of information about interest paid to individuals resident in the EU. However, the Directive does allow for a jurisdiction to apply a withholding tax at source on interest payments to individuals resident in the EU as an alternative to the automatic exchange of information.

## How does the EUSD affect the Isle of Man?

Although the Isle of Man is not part of the EU, it has voluntarily agreed (along with Jersey, Guernsey, Switzerland and a number of other jurisdictions) to apply similar provisions. The Isle of Man has decided to follow the same withholding tax option as adopted by three of the EU Member States, Belgium, Luxembourg and Austria. Customers of banks located in the Isle of Man still have the option of electing for exchange of information instead of incurring withholding tax.

For your information, Jersey, Guernsey and Switzerland have also followed the withholding tax option. In the Isle of Man the withholding tax option is known as the 'retention tax' option.

The current rate of retention tax in the Isle of Man is 20% for interest payments made up to and including 30 June 2011.

**NOTE:** The Isle of Man Government has declared that with effect from 1 July 2011 the Retention Tax option will no longer be available. From that date, all interest will be paid gross, together with automatic Exchange of Information with the relevant tax authorities.

## Do customers have a choice?

The Isle of Man has elected to apply the retention tax as this allows customers who are affected by the EUSD to have a choice. Essentially, if they do not want to have the retention tax applied to their interest, they can authorise us to disclose details of interest earned to their home tax authorities via the Isle of Man tax authority.

## What if my offshore savings income is exempt from tax?

If your offshore savings income is exempt from tax in the EU Member State in which you currently reside, the EUSD may not apply.

## How does this affect residents of the Isle of Man and other non EU countries?

If you are an Isle of Man resident or for that matter a resident in any country not in the European Union - see list below of EU Member States - then the Directive will not apply to you.

## Do I need to do anything?

Simply complete the section of your application form dealing with the EUSD, indicating your tax status and your choice of any options available.

### EU Member States:

Austria	Czech Rep	France	Irish Republic	Luxembourg	Portugal	Spain
Belgium	Denmark	Germany	Italy	Malta	Romania	Sweden
Bulgaria	Estonia	Greece	Latvia	Netherlands	Slovak Rep	United Kingdom
Cyprus	Finland	Hungary	Lithuania	Poland	Slovenia	

Additional guidance to the EUSD can be found at [www.isleofmanfinance.com](http://www.isleofmanfinance.com), an Isle of Man Government website.

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