

# The European Union Savings Directive

A simple guide

with effect from 1 July 2011

# Do you have any questions?

## This guide will tell you more

If you are resident in an EU Member State and earn interest on deposits or investments held in any of the jurisdictions participating in the European Union Savings Directive, you may need to consider how the directive will affect you.

## Glossary

These are some of the terms you'll come across when reading about the European Union Savings Directive in this guide:

### The directive

The European Union Savings Directive and similar measures introduced in other jurisdictions.

### Savings income

Various kinds of savings income are affected by the directive, including interest on savings accounts and deposits. More information is provided in this guide.

### Exchange of information

This is the release of information about you and the interest paid on your savings ultimately to the tax authority in your EU country of residence.

## What is the European Union Savings Directive?

It is an agreement between the Member States of the European Union (EU) to exchange information about customers who earn savings income in one EU Member State but live in another.

Some jurisdictions have voluntarily put into place the same or equivalent measures. These include Switzerland, Jersey, Guernsey and the Isle of Man.



What happens if I am resident in an EU Member State and earn interest from a deposit or savings account held in the Isle of Man?

We will exchange information of any savings income on deposits or investments held in your own name with the tax authorities in your EU country of residence.

## So, does the directive affect me?

If you are resident in an EU Member State and earn 'savings income' on deposits or investments held in your own name, it is likely that you will be affected by the directive. The directive does not apply to anyone who lives outside the EU.



What happens if I am an EU National but do not live in an EU Member State at the moment?

As long as you live outside the EU and have evidence to support this, savings income on your bank deposits will fall outside the scope of the directive.

## What is 'savings income'?

In summary, savings income as defined by the directive means:

- interest earned on bank deposits, such as savings accounts
- interest from certain bonds and proceeds on their sale or redemption
- income from certain types of investment funds

Most other types of income – for example, dividends on ordinary or preference shares of companies, salary and pension payments – fall outside the definition and so are outside the scope of the directive.

## Are all of my accounts affected by the directive?

Any accounts that pay credit interest will be affected – for example savings accounts and fixed-term deposits. Under current guidance, structured deposit accounts should **not** be affected. However, please note that it is still your responsibility to declare any relevant returns to your local tax authority.

## What is exchange of information and how will it work?

For individuals with accounts in the Isle of Man we send our local tax authority information about your identity and residence, the amount of savings income earned and the period it relates to. This information is then forwarded to the tax authority of the country where you are resident and may be compared by them with your tax returns.

## How does this fit with the data protection legislation and customer confidentiality?

The Isle of Man has comprehensive data protection legislation and well-established common-law principles on customer confidentiality. As laid out in our Terms and Conditions we only divulge information regarding your account where required to do so by law or with your specific authority.

## How will the interest earned on joint accounts be treated?

Interest earned on accounts held in two or more different names will be treated on the basis that it has been earned equally among the account holders. Additionally, individual residency status will also be applied so only those accounts holders who are EU residents will be subject to information exchange.

## Are companies affected by the directive?

The directive only applies to payments of savings income to individuals and certain other special types of organisation. Legal entities, including companies, and certain other entities (for example Partnerships and certain Trusts) are not affected by the directive.

## When did the directive come into effect?

The directive came into force on 1 July 2005 and has been amended in 2008 and 2011.



### What do I need to do next?

- If you live in an EU country you do not have to take any action, and information exchange will automatically be applied to your accounts.
- If you change your country of residence please tell us as this may change the information that is sent to your tax authority.

## For more information



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