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PRACTICE NOTE

PN 140/07

Date: 6 March 2007

EUROPEAN DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Update on Reporting Procedures and Related Matters for Paying Agents

Introduction

This Practice Note is supplementary to PN 109/04 (EU Directive on the Taxation of Savings Income, Publication of a Guidance Note), PN 118/05 (European Directive on the Taxation of Savings Income, Reporting Procedures and Update on Related Matters for Paying Agents) and GN 31 (Notes for Guidance on the Application of the European Savings Directive for Isle of Man Paying Agents). The purpose of this Practice Note is to provide additional information in relation to the reporting requirements of existing and new paying agents following the accession of Bulgaria and Romania to the European Union.

Bulgaria and Romania

Following the accession of Bulgaria and Romania to the European Union on 1 January 2007 and the signing of agreements between the Isle of Man and both countries, legislation has been effected to apply the European Savings Directive ("the Directive") to interest payments made by Isle of Man paying agents to residents of Bulgaria and Romania with effect from 1 January 2007.

Reporting Requirements

Where the beneficial owner has notified the paying agent that exchange of information may be made, the ISO 3166-1-alpha-2 codes for the purposes of the reporting template appended to PN 118/05 are:

Bulgaria – **BG**

Romania – **RO**

Where retention tax is to be withheld, the appendix to this Practice Note now replaces the reporting template at Appendix 2 to PN 118/05. In view of the volume of electronic reports made last year, the Income Tax Division will not be issuing an annual return in paper form to paying agents for the purposes of the Directive. For agents not submitting an electronic return, the attached reporting template should be completed and returned. An electronic reporting template is available on the Income Tax Division website at www.gov.im/incometax.

The other reporting requirements and the timetable for the submission of Reports of Information or Returns and payment of Retention Tax set out in PN 118/05 continue to apply.

Attention is drawn to the final paragraph on Page 2 of PN 118/05 (shown in bold) which makes clear that it is the responsibility of all companies, firms and persons who are paying agents for the purposes of the Directive to notify the Income Tax Division of this fact. Detailed guidance in this regard is provided in GN 31, referred to above.

Interest Paid to Residents of Gibraltar

Further to the interim position set out in PN 118/05, as savings income of individuals resident in Gibraltar was ultimately exempted from taxation in Gibraltar from 1 July 2005, Isle of Man accounts of Gibraltar residents are not subject to retention tax under the Directive.

M Couch

Assessor of Income Tax

This Practice Note is intended only as a general guide and must be read in conjunction with the appropriate legislation. It does not have any binding force and does not affect a person's right of appeal on points concerning their own liability to income tax.

Comments and suggestions for improvements of issued Practice Notes and suggestions for future Practice Notes are always welcome.

PAYING AGENT REPORT OF RETENTION TAX DEDUCTED YEAR ENDED 5 APRIL 2007

The following amounts of retention tax have been deducted as required by the Income Tax (Retention of Tax and Exchange of Information) (Temporary Taxation) Order 2005:

Country	GBP
Austria	
Belgium	
Bulgaria	
Cyprus	
Czech Republic	
Denmark	
Estonia	
Finland	
France	
Germany	
Greece	
Hungary	
Ireland	
Italy	

Country	GBP
Latvia	
Lithuania	
Luxembourg	
Malta	
Netherlands	
Poland	
Portugal	
Romania	
Slovak Republic	
Slovenia	
Spain	
Sweden	
United Kingdom	

Total Retention Tax:

£

I attach remittances in respect of the above tax retained.

I hereby certify that the particulars on this form are true and correct to the best of my knowledge and belief.

No relevant interest payments have been made in the calendar year above.

Paying Agent Name

Paying Agent Reference Official Designation

Signature Date

Address

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