
PRACTICE NOTE

PN 168/11

Date: 21 February 2011

EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

New Reporting Procedures and Related Matters for Paying Agents

Introduction

The purpose of this guidance note is to advise paying agents of reporting obligations which will apply from 1 July 2011 in relation to the application of the Isle of Man's equivalent to the European Union Directive 2003/48/EEC on the taxation of savings income in the form of interest payments (commonly referred to as the EUSD).

The Treasury Minister announced in June 2009 that the Isle of Man, in its application of the EUSD, will move fully to automatic exchange of information from 1 July 2011. This means that from 1 July 2011 information in respect of interest payments made by paying agents established in the Isle of Man to beneficial owners resident in EU member states must be reported to the Assessor. This change was brought into effect by the Income Tax (Exchange of Information) (Temporary Taxation) Order 2010 (the "Order"). For the avoidance of doubt, this change removes from 1 July 2011 the retention tax option which has been available to EU-resident customers of Manx paying agents since the EUSD came into effect in 2005, and the Income Tax (Retention of Tax and Exchange of Information) (Temporary Taxation) Order 2005 will be revoked.

Guidance regarding who is a paying agent, who is a beneficial owner and whether interest payments made or received must be reported is contained within Guidance Note GN 31a which is available on www.gov.im/incometax.

The prescribed format

The Order requires paying agents to report to the Assessor in the prescribed form.

Paying agents will be required to submit the information to be exchanged as an XML file compatible with the standard format for the exchange of information used within the EU ("FISC 153"). This will be the prescribed form for the purposes of the Order. An alternative format may be used in the circumstances described below.

FISC 153 was designed by an EU working party and has been adopted by all member states. Full technical details can be found at <http://register.consilium.europa.eu/pdf/en/05/st15/st15305.en05.pdf>.

Example files and test cases will be provided to paying agents if required. In addition, the Assessor will be prepared to work with paying agents and review test files so as to confirm whether or not they are FISC 153 compliant.

While the prescribed form is to be used from 1 July 2011, the Assessor will be happy to accept returns for the year ended 5 April 2011 in FISC 153 format.

The alternative format

Paying agents with less than ten items of data subject to information reporting can apply to the Assessor in writing (see contact details below) for permission to use an MS Excel format as an alternative to FISC 153. Applications to use the alternative format should be submitted before the end of the relevant tax year. Details of the MS Excel format will be provided when the Assessor confirms with a paying agent that the alternative format may be used.

Submission of the data

Whether FISC 153 or the alternative format is used by a paying agent, the information must be submitted on disc (or other proprietary memory medium) or by email. The data should be encrypted or password protected: or, ideally, both. Although the submission of unprotected data will be accepted, we strongly advise against sending unprotected files.

Paying agents submitting data on disc or a similar medium should ensure that it is clearly marked with "EUSD", the relevant tax year and the paying agent's name (or tax reference number). Contact details should be provided with the data in order that the Assessor can obtain the password on receipt.

Encrypted email submissions should be sent to eusdsubmissions@gov.im

We are currently investigating the feasibility of submitting EUSD data via secure FTP directly to an Isle of Man government server. This functionality is not currently available for paying agents, and further guidance will be produced on this method of submitting data at a later date.

Annual return of interest paid to Isle of Man residents

The Assessor does not currently prescribe a form to be used for the reporting under section 78, Income Tax Act 1970, of interest paid to Isle of Man residents. However, consideration is being given to requiring the use of FISC 153 for this purpose.

The adoption of the FISC 153 format by paying agents submitting section 78 annual returns of interest paid to Isle of Man residents would be welcomed.

Contact details

Please contact the Division by email at EUSD@itd.treasury.gov.im or by using the contact details at the top of this Practice Note.

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.