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PRACTICE NOTE

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EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME Publication of a Guidance Note

The Income Tax Division has published a comprehensive Guidance Note (GN31) in respect of the EU Directive on the Taxation of Savings Income. The Guidance Note is available on the Division's website at www.gov.im/treasury/incometax, and printed copies are available on request.

Primarily, the Guidance Note is aimed at those who will be considered "paying agents" within the Isle of Man and will therefore have responsibility for deducting retention tax from interest payments made to individuals resident in a EU Member State. The guidance is based on our current knowledge and may be amended and added to in the light of experience.

It should be emphasised however, that the Guidance Note is intended simply to offer practical assistance to those who are subject to the Directive. The Guidance Note is not a legal document and does not replace the need to obtain proper legal advice. It is intended to help the reader answer for themselves questions such as whether they are a paying agent, whether they are a person to whom interest payments are made, and whether the interest payments made or received are subject to retention tax.

The Guidance Note should have relevance for banks, registrars, custodians and other financial institutions that make interest payments or distributions from certain collective investment schemes, to individuals in the EU Member States. It may also be of interest to financial dealers and securities houses which purchase money debts or units in collective investment schemes from individuals subject to retention tax, businesses which redeem money debts or units in collective investment schemes held by individuals and stockbrokers and others who act for individuals in the sale of such investments.

The Guidance Note may also be relevant for those (such as accountants, solicitors or nominee companies) who hold or administer money debts and investments in collective investment schemes on behalf of individuals.

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Assessor of Income Tax

This Guidance 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.