

European Union Savings Tax Directive - fact sheet

What is the European Union Savings Tax Directive?

The Directive is European Union law that requires member states of the European Union to automatically exchange information with each other about customers who earn savings income in one European Union member state, but live in another. Although the legal scope of the Directive cannot extend outside the European Union, its implementation will also affect the UK Crown Dependencies (the Channel Islands and Isle of Man) who introduced provisions similar to the Directive, on the 1st July 2005. For the purpose of this fact sheet, when reference is made to the 'Directive', this relates to the equivalent measures being implemented in Jersey and the Isle of Man.

How will it affect me?

If you are resident in a European Union member state and you receive savings income from your account(s) held in Jersey or the Isle of Man, you will have certain options under the local legislation in the Channel Islands and the Isle of Man, implementing provisions of the Directive. These are numbered below. If you are **not** resident in the European Union, please let us know your current address.

1. Exchange of Information

Interest on your account(s) is currently paid gross and you should declare your interest received in your tax return, where there is a legal requirement for you to do so.

By choosing this option, you can continue to do so – the only difference is that we will send details confirming your interest received to our local Tax Authorities who will forward this to the Tax Authority of the country where you are resident. We will send details of your interest received to our local Tax Authorities on an annual basis at the end of the tax year of the region where your account(s) are held. In Jersey, the tax year concludes on the 31st December whilst the Isle of Man tax year ends on the 5th April. By selecting this option, we will need to collect your Tax Identification Number (TIN) **or**, if this is not available, your date of birth, place of birth and country of birth.

2. Retention Tax (sometimes referred to as 'Withholding Tax')

If you select Retention Tax we will automatically deduct tax from the interest received on your account(s). Retention Tax is currently 20% and from the 1st July 2011 will be set at 35%.

It is important to note, that this money is paid as a lump sum to the respective Jersey & Isle of Man Tax Authorities who in turn pass it onto the Tax Authority in the country where you are resident. (As no personal details are passed to your Tax Authority, you should continue declaring your interest received on your tax return, where there is a legal requirement for you to do so). You may be able to claim back Retention Tax from your local Tax Authority and upon request we can provide a certificate to show the amount deducted.

3. Exemption

If you do not pay tax in your European Union member state or you are resident but not domiciled in a European Union member state, you may qualify for Exemption from the Directive. If this is the case, there are a number of ways in which you might claim Exemption, these are as follows:

- Provide us with a Tax Certificate from your local Tax Authority.
- Complete and return a Self Certified Exemption form (available by contacting us) or provide us with a letter from your accountant/solicitor confirming that either:
 1. You are exempt from paying tax in your member state of residence or;
 2. Because no interest is remitted to the individual no liability to income tax arises in their member state of residence.

Please note that Exemptions are valid for a maximum of three years from the date of issue, after which they will have to be renewed. If you select the Exemption option and do not supply a valid Tax Certificate/letter/Self Certified Exemption form (or a certified copy of the Tax Certificate/letter) your interest will be subject to Retention Tax, until we receive one of these documents.

Please note that if you do not provide us with your written authority to Exchange of Information or provide a document outlining Exemption from the Directive, Retention Tax will be deducted from your interest.

Frequently asked questions on the Directive

If I have an account with another bank will it be affected?

Yes, all banks in the European Union, UK Crown Dependencies and other Territories identified within the Directive have implemented equivalent measures, though not all countries will be able to offer the option of Retention Tax on your interest received.

Can I choose different options for my various accounts?

No, if you have more than one account with us, we will apply your selected option to all the accounts you hold with us. Where accounts have more than one holder, each holder can choose a different option.

Can I decide to change my option?

Yes, if you decide to switch from Exchange of Information to Retention Tax or vice versa, you can do this by informing us in writing. Please note, we may not be able to change your option if your instructions are received less than 3 months before the end of the tax year in the jurisdiction where your account(s) are held.

Why have you requested my Tax Identification Number (TIN), date of birth, country of birth and place of birth?

If you have opted for Exchange of Information, banks are required to obtain your TIN wherever possible. However, where TINs are not available, we can rely upon date of birth, country of birth and place of birth. We are asking you to validate the information we hold on our records.

How can I get a Tax Certificate?

There is currently no common name for this document, or process for obtaining the certificate across the European Union. Please contact your local Tax Authority for further information on this.

If I select Retention Tax, will you pass my personal details to my local Tax Authority?

No, we can only pass on your personal details to the local Tax Authority in your country of residence if you provide your written authority for us to do so, by selecting the Exchange of Information option.

How can I prove that I have paid Retention Tax?

Upon request, we will supply you with a certificate at the end of the respective Jersey or Isle of Man tax year. In addition to this, the Retention Tax deducted from your account(s) held with us will be shown on your statements. This will show the gross interest we have paid to you, the proportion of Retention Tax applied to your gross interest and the net interest you will ultimately receive.

How do you treat accounts with more than one holder under the Directive?

For the purposes of the Directive, the interest is split equally between all account holders. The Directive only applies to the interest received by our customers who are residents in the European Union.

I am not the beneficial owner of this account – how does this affect me?

If you are not the beneficial owner of the account (for example, you are acting as a Trustee) please contact us so you can complete the appropriate documentation. If you are acting as a Trustee in a professional capacity, please confirm this in writing on the official headed-paper of your organisation.

Where can I go for help?

If you have any questions, please contact us on **0845 604 6335** or if you are calling from outside of the UK **+44 (0)1539 740730**. We'll be happy to help you.

Please note this fact sheet is for information purposes only and does not purport to give professional advice.

Should you require further information on the Directive, we recommend that you contact your Independent Financial Adviser, Tax Accountant or local Tax Authority.

The information contained within this fact sheet is based on our understanding of the local tax rules and its impact on our customers. All information has been provided in good faith but its accuracy and completeness cannot be guaranteed and the rules applying to the taxation of savings income may change. Therefore Bank of Scotland International accepts no liability for any direct or consequential loss arising from the interpretation of this information.

About Us

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The Isle of Man branch of Lloyds TSB Offshore Limited is licensed by the Isle of Man Financial Supervision Commission to take deposits and carry on investment business and is registered with the Insurance and Pensions Authority in respect of General Business. Business Address: PO Box 111, Peveril Buildings, Peveril Square, Douglas, Isle of Man IM99 1JJ.

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