Funding the Future

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As Europolitics reports:

The pugnacity of the Hungarian EU Presidency and of the European Commission did not pay off: Italy refused, on 17 May, to support a compromise on the taxation of savings income in the absence of sanctions for states and operators that "systematically" violate the existing rules. Rome's refusal in this context targeted Switzerland.

This is unfortunate:

The Hungarian Presidency had proposed that the 27 finance ministers give a green light to the Commission to draft mandates to negotiate with five countries — Switzerland, Liechtenstein, Andorra, San Marino and Monaco. The idea was to ensure that they continue to apply measures equivalent to the EU's in the area of taxation of savings income. The 27 are considering extending the scope of their directive to new products (investment funds, life insurance, etc) and to certain 'intermediaries' (trusts, foundations, etc) that can serve as screens for fraudsters.

Luxembourg ended up approving Budapest's draft conclusions, which carefully avoid the sensitive issue of abolishing banking secrecy. Luxembourg and Vienna demand to be treated on an equal footing with Switzerland. They refuse to be forced to switch from withholding at the source to the automatic exchange of information between tax administrations if Berne does not follow suit.

That was progress. But Italy was adamant:

Italian Finance Minister Giulio Tremonti accused certain states and economic operators of "systematically" violating existing regulations.

The EU directive on savings taxation "was written by Switzerland, of which the Union has become a member," he railed. "This is a paper tiger, a text with no teeth. Obligations were imposed on financial institutions and states, but no sanctions were put in place" against those failing to comply.

This "leaves the door wide open to abuse. It's a scandal," he added, accusing banks (Swiss in particular) of "using insurance systems or offshore funds" to circumvent their *obligations.*

This seems misguided ion Italy's part:" the new European Union Savings Tax Directive would address these issues, so meeting its concerns. But:

Rome consequently refused to make the slightest concession until the Union "undertakes to apply sanctions against non-compliant countries and operators" in the framework of the review of implementation of the EU legislation. The Commission will present a report in June, confirmed Taxation Commissioner Algirdas Semeta, who wants "to use it as an instrument of surveillance".

I understand Italy's anger. I'm not sure they've expressed it the right way.

But it doesn't look as though it's back to the drawing board. Progress is likely, I think.