Liechtenstein reveals the weakness of the current Europ...

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Liechtenstein has just announced the latest sums it has collected under the terms of the European Savings Tax Directive. It was a measly â‚¬7.8 million.

Working backwards this is 20% tax on â‚¬40 million interest. Assuming 2% interest, this is tax on interest income on â‚¬ 2 billion capital (which may seriously overstate the case: German bonds paying over 3% p.a.).

Liechtenstein banks have â‚¬ 140 billion assets under management.

So tax was levied on less than 2% of assets. Generously assuming only 40% of assets were fixed income then the savings tax is less than 5% effective in Liechtenstein which is no surprise with nearly 100,000 foundations, trusts, companies and anstalts in the Principality.

What is clear is that the case for reform of the European Savings Tax Directive is overwhelming given this massive failure of the existing arrangement to tackle serious tax abuse.