

EU to come down very hard on the UK - Swiss tax deal

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[Europolitics has reported today:](#)

The European Commission is planning to attack the tax agreements concluded by Switzerland with Germany and the United Kingdom, on 25 October in Strasbourg. It finds that Berlin and London have encroached upon the Union's powers by negotiating bilateral arrangements with Berne that interfere with savings taxation rules.

Taxation Commissioner Algirdas Semeta will answer that evening an oral question by British Liberal Sharon Bowles, on behalf of the EP Committee on Economic and Monetary Affairs (ECON), which she chairs.

MEPs question the compatibility of these Rubik agreements, set to enter into force in 2013, with EU rules on taxation of savings income, which provides for a 35% withholding tax at the source (not in full discharge of liability) on interest earned on savings. More generally, they wonder whether states have the power to negotiate such bilateral tax agreements and whether the Rubik system may present an "obstacle" to revision of the EU savings taxation directive and of the EU's agreements in this area with Switzerland, Liechtenstein, Andorra, San Marino and Monaco. Will not Rubik agreements "have the effect of halting the move towards an automatic exchange of information for tax purposes," they ask.

The question answers itself. Luxembourg and Austria have already seized the pretext of Berne's arrangements with London and Berlin to hold up the savings taxation issue in the EU.

Keen on being treated equally with Switzerland, in order to prevent any capital flight, they refuse to be obliged to switch from the system of withholding at the source to the automatic exchange of information between tax administrations, and to abolish their banking secrecy in the process.

In the context, Commissioner Semeta plans to take a very hard line, on 25 October, and to denounce an abuse of power by Germany and the United Kingdom — except no

doubt for the amnesty operation, which the Commission does not have the competence to prevent.

And as they note this is in the context of:

The global network Tax Justice will publish, on 25 October, [a study that pillories London and Berne](#). Its conclusions will doubtless be identical to those of a tax specialist based in Zurich, who is consulted regularly by the Commission and prefers to remain anonymous.

So not only are the UK incompetent in their dealings with Switzerland, they're also incompetent in their dealings with Brussels who have rumbled exactly what Osborne and Hartnett are doing - which is to undermine any effective challenge to tax havens.

It's good news that the EU is fighting back. So they should. The promotion of tax haven abuse is unacceptable anywhere - including in London.