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European Union

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## PROPOSAL

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From: Secretary-General of the European Commission,  
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 11 December 2015

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of  
the European Union

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No. Cion doc.: COM(2015) 632 final

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Subject: Proposal for a COUNCIL DECISION on the signing, on behalf of the  
European Union, of the Amending Protocol to the Agreement between the  
European Community and the Principality of Andorra providing for  
measures equivalent to those laid down in Council Directive 2003/48/EC  
on taxation of savings income in the form of interest payments

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Delegations will find attached document COM(2015) 632 final.

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Encl.: COM(2015) 632 final



Brussels, 11.12.2015  
COM(2015) 632 final

2015/0286 (NLE)

Proposal for a

## **COUNCIL DECISION**

**on the signing, on behalf of the European Union, of the Amending Protocol to the Agreement between the European Community and the Principality of Andorra providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments**

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

Following the adoption of Council Directive 2003/48/EC, the Savings Directive, and in order to preserve the level playing field of economic operators, the EU signed Agreements with Switzerland, Andorra, Liechtenstein, Monaco and San Marino providing for measures equivalent to those laid down in the Directive. Member States also signed agreements with the dependent territories of the United Kingdom and the Netherlands.

More recently, the importance of automatic exchange of information as a means to combat cross-border tax fraud and tax evasion by ensuring full tax transparency and cooperation between tax administrations worldwide has also been recognised at the international level. The Organisation for Economic Cooperation and Development (OECD) was mandated by the G20 to develop a single global standard for automatic exchange of financial account information. The Global Standard was released by the OECD Council in July 2014.

Following the adoption of a proposal to update the Savings Directive, the Commission adopted on 17 June 2011 a recommendation for a mandate to initiate negotiations with Switzerland, Liechtenstein, Andorra, Monaco and San Marino, in order to upgrade the EU's Agreements with those countries in line with international developments and to ensure that those countries continue to apply measures equivalent to those in the EU. On 14 May 2013, the Council reached an agreement on the Negotiating Mandate by concluding that negotiations should be aligned with the recent developments at global level where it was agreed to promote automatic exchange of information as an international standard.

In its communication of 6 December 2012 containing an Action Plan to strengthen the fight against tax fraud and tax evasion, the Commission highlighted the need to promote vigorously the automatic exchange of information as the future European and international standard for transparency and exchange of information in tax matters.

On the basis of a proposal presented by the Commission in June 2013, the Council on 9 December 2014 adopted Directive 2014/107/EU amending Directive 2011/16/EU and extending the mandatory automatic exchange of information between EU tax authorities to a full range of financial items in accordance with the Global Standard. The amendment ensures a coherent, consistent and comprehensive Union-wide approach to the automatic exchange of financial account information in the Internal Market.

As Directive 2014/107/EU is generally broader in scope than Directive 2003/48/EC and provides that in cases of overlap of scope, Directive 2014/107/EU prevails, on 18 March 2015 the Commission adopted a proposal to repeal Directive 2003/48/EC.

In order to minimise costs and administrative burdens both for tax administrations and for economic operators, it is crucial to ensure that the amendment of the existing Savings Agreement with Andorra is in line with EU and international developments.

This will increase tax transparency in Europe and will be the legal basis for implementing the OCDE Global Standard on automatic exchange of information between Andorra and the EU.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

The legal basis for this proposal is provided by Article 115 of the Treaty on the Functioning of the European Union, in conjunction with Article 218(5) and (8) second subparagraph. The substantive legal basis is provided by Article 115 TFEU.

Article 1(1) of the Amending Protocol annexed to this Proposal for Council Decision changes the title of the existing Agreement in order to better reflect the contents of the Agreement, as amended by that Amending Protocol.

Article 1(2) replaces the existing articles and Annexes with a new set of provisions comprising 11 Articles, an Annex I that reflects the OECD Common Reporting Standard which is part of the Global Standard, an Annex II that reflects important parts of the OECD Commentaries to the Global Standard and an Annex III that lists the Competent Authorities of Andorra and of each Member State.

The new Articles reflect the articles of the OECD Model Competent Authority agreement for the implementation of the Global Standard, with minor adaptations to reflect the particular legal context of an EU Agreement. In Article 1 there is no definition of Tax Identification Number (TIN), since there is already a definition of TIN in Section VIII(E)(5) of Annex I. Article 5 includes a full set of provisions on exchange of information upon request that follows the latest text of the OECD Model Tax Convention. Article 6 includes a more detailed set of provisions on data protection. Article 7 provides for an additional stage of consultation before any Member State or Andorra undertakes to suspend the Agreement. Article 8 features provisions on amendments to the Agreement. Article 10 defines the territorial scope.

Annex I follows both the OECD Common Reporting Standard (CRS) and Annex I to the Directive on Administrative Cooperation. Annex II implements key parts of the OECD Commentaries to the CRS and corresponds to Annex II to the Directive on Administrative Cooperation. The minor deviations from Annex I or II to the Directive on Administrative Cooperation are justified by the re-alignment of the text to the CRS requested by the Andorran negotiators. Those include the following:

1. In Section I(D) the reference to the reporting of place of birth is realigned to the CRS.
2. Section I(A) on insurances that are effectively prevented by law from being sold to residents of a Reportable Jurisdiction is reintroduced. In order to avoid risks of abuse of that exemption, a corresponding Joint Declaration is included at the end of the Amending Protocol.
3. All the relevant options provided for in the CRS Commentaries and in the Directive on Administrative Cooperation have been left at the discretion of each Member State and Andorra and are not exercised directly in the Agreement. There is

instead an obligation on Member States and Andorra to notify each other and the Commission whether they have exercised any particular option. This is meant as a safeguard for the correct application of the alternative definition of “Related Entity” in connection with the option on new accounts of current customers.

4. The definitions of “International Organisation” and “Central Bank” in Section VIII(B)(3) and (4) have been realigned to the CRS in order to enable them to apply also in the context of the exemption from the look-through for Passive non-financial entities (NFEs) in Section VIII(D)(9)(c).

5. In Annex II the definition of “Residence of a Financial Institution” is aligned to the CRS Commentaries in order to cover cases where the residence of another Financial Institution should be determined, e.g. for the look-through for Passive NFEs.

Article 2 of the Amending Protocol includes provisions on the entry into force and application. It deals with issues on the transition from the existing Agreement to the amended Agreement, with regard to requests for information, credits available to beneficial owners for withholding tax, final payments of withholding tax by Andorra to Member States and final exchanges of information under the voluntary disclosure mechanism.

Article 3 includes a Protocol on additional safeguards related to the exchange of information on request. The text specifies that exchanges on the basis of a group request are not prevented. The Protocol on additional safeguards is in line with the Global Forum's Terms of Reference for exchange of information on request.

Article 4 lists the languages in which the Amending Protocol is signed.

The revised Agreement is supplemented by four Joint Declarations of the contracting parties and one Unilateral Declaration by Andorra.

The first Joint Declaration concerns the expected date of entry into force of the revised Agreement. The second and third Declarations make a link respectively to the Commentaries to the Global Standard and Article 26 of the OECD Model Tax Convention on Income and on Capital. The fourth Declaration aims at preventing misinterpretation of Section III(A) of Annex I and establishes a mechanism of mutual notification of the cases where that exemption would have grounds to apply. The fifth Declaration is a unilateral one from the Andorran side.

The proposal does not go beyond what is necessary or appropriate to achieve the expected objectives.

### **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

The Amending Protocol implements the Global Standard between EU Member States and Andorra. The different stakeholders were already consulted on various occasions during the development of the OECD Global Standard.

EU Member States have also been consulted and informed during the negotiations between the Commission and Andorra. The Commission reported to the European Council at its meetings in March and December 2014 on the state of play of the negotiations with Andorra.

The Commission has also consulted the new Expert Group on automatic exchange of financial account information that provides advice to ensure that EU legislation on automatic exchange of information in direct taxation is effectively aligned and fully compatible with the OECD Global Standard. The Expert Group includes representatives from organisations representing the financial sector and organisations campaigning against tax evasion and tax avoidance.

#### **4. BUDGETARY IMPLICATIONS**

The proposal does not have any budgetary implications

#### **5. OTHER ELEMENTS**

None

Proposal for a

## COUNCIL DECISION

**on the signing, on behalf of the European Union, of the Amending Protocol to the Agreement between the European Community and the Principality of Andorra providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 115 in conjunction with Article 218 (5) and the second paragraph of Article 218 (8) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) On 14 May 2013 the Council authorised the Commission to open negotiations with the Principality of Andorra to amend the Agreement between the European Community and the Principality of Andorra providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments<sup>1</sup>, in order to align it with the recent developments at global level where it was agreed to promote automatic exchange of information as an international standard.
- (2) The text of the Amending Protocol, which is the result of the negotiations, duly reflects the negotiating directives issued by the Council as it aligns the Agreement with the latest developments at international level concerning automatic exchange of information, namely, with the Global Standard for automatic exchange of financial account information in tax matters developed by the Organisation for Economic Cooperation and Development (OECD). The Union, its Member States and the Principality of Andorra have actively participated in the work of the Global Forum of the OECD for supporting the development and implementation of this Standard. The text of the Agreement, as amended by this Amending Protocol, is the legal basis for implementing the Global Standard in the relations between the Union and the Principality of Andorra.
- (3) Therefore, the Amending Protocol should be signed on behalf of the European Union, subject to its conclusion at a later date,

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<sup>1</sup> OJ L 359, 4.12.2004, p.33

HAS ADOPTED THIS DECISION:

*Article 1*

The signing of the Amending Protocol to the Agreement between the European Community and the Principality of Andorra providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments is hereby authorised on behalf of the Union, subject to the conclusion of that Amending Protocol<sup>2</sup>.

The text of the Amending Protocol is attached to this Decision.

*Article 2*

The President of the Council is hereby authorised to designate the person(s) empowered to sign the Amending Protocol on behalf of the Union.

*Article 3*

This Decision shall enter into force on the date of its adoption.

Done at Brussels,

*For the Council  
The President*

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