



**COUNCIL OF
THE EUROPEAN UNION**



Brussels, 7 December 2010
15094/10
PRESSE 279

Combating tax fraud: Agreement on strengthened mutual assistance and the exchange of information

The Council today¹ reached political agreement on a draft directive aimed at strengthening administrative cooperation in the field of direct taxation so as to enable the member states to better combat tax evasion and tax fraud.

In the light of greater taxpayer mobility and a growing volume of cross-border transactions, the draft directive sets out to fulfil the member states' growing need for mutual assistance – especially via the exchange of information – so as to enable them to better assess taxes due.

One of a number of measures implementing the EU's strategy against tax fraud, launched in 2006, the text provides for an overhaul of directive 77/799/EEC, on which administrative cooperation in the field of taxation has been based since 1977.

The directive will ensure that the OECD model tax convention on income and capital is implemented in the EU as regards the exchange of information on request. It will thus prevent a member state from refusing to supply information concerning a taxpayer of another member state on the sole grounds that the information is held by a bank or other financial institution.

¹ The agreement was reached at a meeting of the Economic and Financial Affairs Council.

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In addition, the directive will:

- extend cooperation between member states to cover taxes of any kind;
- establish time limits for the provision of information on request and other administrative enquiries;
- introduce provisions on the automatic exchange of information (see below);
- allow officials of one member state to participate in administrative enquiries on the territory of another member state;
- provide for feedback on the exchange of information;
- provide that information exchange be made using standardised forms, formats and channels of communication.

The Council's discussion focused on two issues:

- exchange of information on request. In order to allay the risk of member states making imprecise requests aimed at detecting irregularities ("fishing expeditions"), the Council agreed to identify in the directive certain details that must be specified in requests for information, namely the identity of the person under investigation and the tax purpose for which the information is sought. These details are however less stringent than in the OECD convention, thus allowing for more scope for information exchange;
- automatic exchange of information. The Council agreed on a step-by-step approach aimed at eventually ensuring unconditional exchange of information for eight categories of income and capital¹. From 2015, member states will communicate automatically information for a maximum of five categories, provided that that information is readily available (they will however not be required to send more information than they receive in return). By 1 July 2017, the Commission will provide a report and, if need be, a proposal. When examining that proposal, the Council will examine the possibilities for removing the condition of availability and extending the number of categories from five to eight.

The Council will adopt the directive without further discussion at a forthcoming meeting, once the text has been finalized.

¹ Income from employment, directors' fees, dividends, capital gains, royalties, certain life insurance products, pensions, and ownership of and income from immovable property.