



Taxation Rises to 35% for EU savers from 1st July

The rate of taxation under the European Union Savings Directive (EUSD) will jump from 20% to 35% on 1st July 2011. This will affect all investors with savings including deposits, mixed funds, corporate bonds and bond funds.

Individual Savings Accounts (ISAs) - Disclosure Under the European Savings Directive

Many expatriates hold UK cash and investment fund ISAs that are liable to tax under the terms of the EUSD. While most expatriates are conversant with the EUSD rules for offshore funds and deposits, many are unaware that all UK ISA providers must automatically notify the tax authorities in the expatriate's host country about how much income has been received (even if it is rolled-up) along with the European address details of the ISA member.

This misconception is understandable – ISAs are historically a UK 'package' – but it is important to note that UK banks and investment companies now automatically disclose information to the relevant tax authority in the expatriate's overseas location. The result is that ISA holders will be more visible to their host country's tax authority – who could come calling. This could result in an investigation into the investor's wider financial affairs, which could, if affairs are not in order, mean payments of back tax, plus interest and penalties are required.

The Fry Group can advise you how to minimise the impact of the 35% tax rate. We also help clients to sensibly shelter assets from annual tax liabilities. For example it may be possible to avoid annual tax liabilities on deposit interest and other investment income liable to the 35% EUSD tax.

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