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Insurance Europe's comments on the automatic exchange of information in the field of taxation

Europe's insurers acknowledge the importance of the fight against global tax evasion and tax avoidance and are therefore committed to complying with reporting requirements that help achieve this goal. It is, however, of vital importance that the reporting requirements are designed in such a way that they are proportionate to the risk associated with insurance products and do not put an undue burden on the insurance industry. Insurance Europe's views on how best to meet these objectives are summarised below.

Need for a global solution to the automatic exchange of tax information

Insurance Europe believes that in developing reporting and transmission standards to combat tax evasion, a global standardised solution for tax information exchange is needed. Since tax evasion is a global issue, any system of automatic information exchange should also have a global reach.

National or regional tax information regimes would lead to duplicate reporting, excessive costs and complex system designs for the insurance industry. We are therefore supportive of the work on a global model of uniform information exchange undertaken by the OECD with all countries equally participating in its development.

We encourage the Commission and EU member states to work closely with the OECD to evaluate the overall principles that should govern a global system for information exchange, rather than moving ahead with an EU-wide automatic exchange. The Commission and EU member states have been actively engaged in the issue of multilateral exchanges of information for a number of years, particularly via the European Savings Directive (EUSD), and have a considerable amount of experience that they can share with their international partners.

Difficulties resulting from the adoption of the EUSD and the Administrative Cooperation Directive (ACD) before reaching agreement on the global standard

Insurance Europe wishes to express its concern that adoption of the EUSD and ACD before agreement on the global standard is reached may result in disproportionate administrative costs and multiple reporting. In addition to these reporting schemes, many European insurance companies will have to comply with their domestic reporting regimes, US FATCA requirements and any possible further global systems. Those companies operating with the G5 may also have a slightly different regime. Insurance Europe therefore urges the EU institutions to postpone their work on these initiatives and instead actively engage in the global negotiations to ensure that one standard is adopted.

EUSD

Following the issuance of the final FATCA Regulations in January 2013, European insurance companies are obligated to implement FATCA reporting requirements. This will be expensive for insurance companies as they are currently not subject to any cross-border reporting requirements i.e. Treaty Relief and Compliance Enhancement (TRACE), and Qualified Intermediary (QI) and will therefore have to set up new systems from scratch.

Insurance Europe would like to underline that even though the objectives of the EUSD and FATCA are similar, European insurers would not be able to comply with EUSD reporting obligations by relying on their FATCA reporting systems, as the scope and reporting obligations under these regimes are not entirely similar. The FATCA Intergovernmental Agreements (IGAs) only require financial institutions to look for US taxpayers, not general tax residency. Furthermore, contrary to the IGAs, which take into account national and product specificities, the EUSD takes a wider approach and does not effectively exclude all retirement products from its

scope[1]. As a result, Europe's insurers would be obligated to set up a separate reporting system for EUSD purposes, which would lead to significant administrative costs. Imposing such costs on Europe's insurers would be inappropriate, in light of the fact that the EUSD reporting system would have to be changed once an agreement on a global reporting system is reached at the OECD.

ACD

The amended ACD currently under discussion foresees mandatory automatic exchange of information on income of EU nationals between the EU tax authorities. This would represent a significant change for European insurers, which are currently not obliged to report such information to their national tax authorities. Accordingly, the insurance-related information on the income of EU nationals, as required under the amended ACD, is for the time being not available for exchange between EU tax authorities.

It is worth underlining that the OECD global reporting standard currently being discussed is expected to oblige European insurance companies to report information on the income of EU nationals relating to savings and investment type products only. However, the suggested categories of income under the ACD go far wider than this. Against this background, in order to avoid diverging requirements with a similar objective, Insurance Europe strongly believes that the amended ACD should not be adopted before an agreement on the global standard is reached.

In addition to the concerns raised above, Insurance Europe would like to highlight that, in practice, it would be impossible for insurers to comply with the requirements of the amended ACD from January 2015, given that the information is currently not available and that it takes a minimum of 18 months to set up new reporting systems.

Insurance Europe is the European insurance and reinsurance federation. Through its 34 member bodies — the national insurance associations — Insurance Europe represents all types of insurance and reinsurance undertakings, eg pan-European companies, monoliners, mutuals and SMEs. Insurance Europe, which is based in Brussels, represents undertakings that account for around 95% of total European premium income. Insurance makes a major contribution to Europe's economic growth and development. European insurers generate premium income of more than €1 100bn, employ almost one million people and invest around €8 500bn in the economy.
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[1] According to Art. 6 (1) (e) of the EUSD only pensions or fixed annuities paid for at least 5 years are excluded from its scope. This provision does not reflect the entire market of pension products sold in the EU. It is practically impossible to draft a single definition of pension product provision without deferral to national legislation which would be workable on hundreds of pension products across the EU. Indeed, the pension sector in the EU is inherently a local business.