



Dear Mr. Aujean,

Review of the Operation of the Council Directive 2003/48/EC on Taxation of Income from Savings

Please find attached our views with regard to the questions raised in the working document on the above mentioned subject. As the issues related to the Savings Directive are of high importance for our industry we welcome the opportunity to highlight our key ideas in the context of the review.

STEP supports the comment of the experts from EFAMA that legislative overhaul is premature in the light of the short time that the Directive has been in effect.

In addition whilst STEP supports the view of the experts from the EBF that change should not proceed an economic impact assessment we also realise that the attempted survey by the Commission is an effort to build such an assessment. However, in our expert opinion it is not possible to accurately quantify, or even estimate, the impact of the Savings Directive through such a survey and indeed-it is highly problematic to do so through other means.

On the subject of the inclusion of discretionary trusts we feel that it is imperative for the Commission to better define the nature and quantify the extent of any problem regarding discretionary trusts before proposals are made in this area. As we have already stated we feel that it is inappropriate to view discretionary trusts as vehicles for avoidance of the Directive as in our experience they are not used for such purposes.

We note that some of the submissions have referred to the 'impossibility' of legislating for discretionary trusts. It must be said that, even if the nature of the problem were to be better defined, the difficulties inherent in legislating for discretionary trusts are enormous, as our submission shows. 'Impossibility' may not be too strong a word. The UK has a successful and effective legislative regime for discretionary trusts, but it is very extensive and it has taken many years to reach its present state.

We have refrained from answering further questions as they have been dealt with by other organisations in whose area of competence they sit more comfortably. We note, however, that our concerns as to the possibility of legislation introducing distortions into

the market arise not just in relation to trusts, but more generally. There would seem to be a danger that legislating at the moment, with the best of intentions, will do more harm than good.

Yours sincerely,

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