

Ms. Kerstin MALMER
Head of Unit
Direct Tax Legislation
Taxation and Custom DG
EUROPEAN COMMISSION



Brussels, 18 September 2008

Dear Ms. Malmer,

RE: SAVINGS DIRECTIVE REVIEW - PENSION SCHEMES
STAFF WORKING DOCUMENT, 29 APRIL 2008
SUMMARY RECORD OF THE 4TH MEETING OF THE EXPERT GROUP ON TAXATION OF SAVINGS

We apologise for the delay and hope it will still be possible to take our comments into consideration. The European Federation for Retirement Provision (EFRP) has carefully scrutinized the Commission Staff Working document refining the present coverage of Council Directive 2003/48/EC on taxation of income from savings, date 29th of April 2008.

The EFRP strongly welcomes and supports the Commission's view that an extension of the scope of the Directive to "out payments" from genuine life insurance contracts and pension schemes is not appropriate.

EFRP also supports the concerns expressed during the 4th meeting of the expert group on taxation of savings, held in Brussels on 19 May 2008 by the CEA.

Indeed, pension schemes are not comparable to interest-bearing products: they do not constitute a fee paid on a borrowed capital and are not aimed at compensating any opportunity cost: they have an explicit retirement income objective. Hence the benefit cannot be paid out without a significant penalty unless the beneficiary is older than a legally defined age.

Moreover, one must not forget that the level of the retirement benefits does not depend as the interest of a debt claim, on the value of the assets and the performance of the investment vehicle but also:

- On the length of the working career/number of membership years;
- The employee salary.

Moreover, it is important to note that pension schemes are not a vehicle liable to be used in order to escape/evade taxation. Indeed, pension's benefits are taxed under personal income tax.

Hence, there is no reason then to widen the scope of the tax savings Directive to pension schemes, the purpose of this widening being to fill in the loophole of the Directive leaving some income free from national taxation.

It is worth reminding that the Commission itself in its Communication (COM 2001/214) on taxation barriers to cross-border provision of pensions advocates for a broader acceptance of the EET principle (Exempt contributions, Exempt investment income of the pension institution, and Taxed benefits.). Not only because it brings down tax barriers – double non-taxation or double taxation - but also because it provides the right incentives to enter into adequate retirement schemes.

It goes without saying that the extension of the tax savings Directive' scope to pensions would undermine the European and national objective of promoting private pension plans in order to avert as much as possible the effects of workers' "myopia" regarding savings and their tendency to value today's consumption higher than future income.

If a broad review of pensions benefits taxation system(s) were to be launched, it would require both an in depth and comprehensive analysis as to macro-economic and social efficiency considerations.

Kindest regards



Chris VERHAEGEN
Secretary General