

### **Switzerland – European Union: tension over taxation on savings**

In the bilateral relationships between Switzerland and the European Union (EU), it is time for intimidation manoeuvres. Having forced three small member countries to subscribe to their views regarding the automatic exchange of tax information, the big EU member states – led by Germany and Great Britain – are now attacking Switzerland. But, their verbal assaults are not being limited to taxation, an area that is probably a little too tedious for those interested in high-level politics.

Accordingly, Switzerland has seen itself accused on two occasions (at the OECD ministerial conference by a high-ranking British official and at the end of the Seville summit by the Germany finance minister himself) of paving the way for terrorism because of its attachment to banking confidentiality. This can't be serious.

These accusations are unacceptable. Furthermore, they have been discredited by numerous comments originating in the principal country concerned by the terrorist threat, namely the United States. The most recent of these came from the American Attorney General, Mr John Ashcroft, who emphasized the exemplary way in which both the Swiss authorities and the Swiss banks are co-operating in the fight against the financing of terrorist activities. The Americans are well aware that Switzerland's is the jurisdiction whose "know your customer" rules are the toughest. It is this and nothing else that counts in the fight against crime generally and against terrorism in particular.

The reason for the German-British irritation is obviously linked to the badly crafted project for the EU Directive on the taxation of savings that Austria, Belgium and Luxembourg are still refusing – despite the political agreement that was forced out of them two years ago – to adopt in its current form unless a certain number of third countries – including the United States and Switzerland – do the same. This project envisages an automatic exchange of tax information in relation to interest payments made to EU residents. For a transitional period of 7 years, it will be possible for these three countries to replace the exchange of information by a withholding tax. From 2010, the exchange of information will, in principle, be obligatory within the EU.

When listening to the Anglo-German recriminations, one could think that Switzerland had dug its heels in and was refusing to co-operate with the EU. However, this is far from being the case. The Swiss government has already stated that it is willing to levy a withholding tax modelled on the EU system. The only concession Switzerland is asking for – admittedly, rather firmly – is that this withholding tax system, deemed equivalent to the exchange of information, should not be limited in time.

Accordingly, it seems that the totally unacceptable remarks aimed at Switzerland are in no way motivated by an immediate issue at stake but by one situated in the distant future, whereby proving the absurdity of the reference to terrorism.

On 27 June 2002 Kaspar Villiger, federal councillor and president of the Confederation, publicly stated his deception at the methods used by some of his European colleagues, "The unacceptable assimilation of the fight against terrorism to tax avoidance and the accusation that Switzerland is unwilling to co-operate are completely unfair", he said. "I have now reached the point where I ask myself if it was really worthwhile expressing our willingness to co-operate (with the EU)".

For ages those wielding power have subscribed to La Fontaine's fables, The Wolf and the Lamb in particular, and think that the quality of their arguments is of little importance, as "the reason of the strongest is always the best". But, in this case, who will be the strongest: the EU wolf or the few million Swiss lambs who, when the time comes, will be called to vote on a bilateral agreement that may not appeal to them?

Voting rights for lambs? La Fontaine had not thought of that.

Swiss Private Bankers Association – July 2002