

In June 2010 revised legislation arising from the European Savings Tax Directive (EUSTD) came into force in the Isle of Man. If you are resident in a European Union member state and hold funds with Nationwide International you are highly likely to be affected by this legislation.

## What is the European Savings Tax Directive?

The European Savings Tax directive (EUSTD) is an agreement between member states of the European Union (EU) applicable to individuals who earn interest in one EU country but reside in another. Isle of Man legislation, arising from the EUSTD, originally allowed customers the choice between paying a Retention tax at source on interest or for the details of their interest to be exchanged with their European country of residence. In 2010 this legislation was revised so that from 1st July 2011 the retention tax option will be withdrawn and all interest paid to individuals resident in the EU will become subject to Exchange of Information arrangements.

## Does the EUSTD apply to me?

Anyone whose current address or permanent home address is in an EU member state and has savings or investments in the EU or its member's dependent or associated territories is likely to be affected by the EUSTD. However, customers are excluded from the scope of the EUSTD if:

- you are tax resident outside the EU
- you are a resident of the dependent or associated territories of an EU member state (including Guernsey, Isle of Man, Gibraltar or Jersey)
- The account in question is held in the name of a company or partnership
- the account in question is held in the name of the trustee(s) of a Trust (provided the trust structure meets certain rules)
- the account in question is held in the name of an unincorporated association or society

## What choices do I have under the EUSTD?

Under current Isle of Man legislation you have two choices:

### 1. Exchange of Information-

Customers choosing the Exchange of information option will receive interest paid gross. Your name, address, account number and the gross amount of interest paid to your account will be disclosed to the Isle of Man tax authorities. They in turn will forward your details to the tax authority in your country of residence. With this option no tax will be deducted at source from the interest we pay to your account.

### 2. Retention Tax – (this option is only available for interest paid before 1st July 2011)

Customers electing to have tax deducted at source will have a Retention tax levied on the interest paid to their account at the rate of 20%. All interest paid on or after 1st July 2011 will be subject to an Exchange of Information as detailed above.

#### Exemption

If you are resident in the UK but are not domiciled there or if you are exempt from taxation in your EU country of residence you may be exempt from paying a Retention tax. If this is the case you can claim exemption by ticking the 'exemption from taxation' box on the application form. A separate form will be sent to you for completion once your account has been opened. Please note from 1 July 2011, we are obliged to include all individuals resident in the EU under Exchange of Information arrangements. Individuals exempt from taxation in their country of residence should, from then on, take up such exemptions with the tax authorities of their country of residence.

## Interest on closure

Interest on closure provides a straight forward way of putting you in control of when your interest is paid. Your interest will continue to accrue each day, but instead of it being paid each month or each year, your interest will be paid only at the point at which you choose to close your account.

To close your account you will need to provide us with instructions of where you want us to transfer your funds to. This might be to an alternative savings account with Nationwide International or another bank or building society. If you choose to close your account to receive your interest, remember that you can open another Nationwide International account at any time. Once you have chosen the interest on closure option on an account, it will not be possible to change it to a different interest option for that account.

## We're here to help

If you would like to discuss the EUSTD and how it may affect your savings with us, please call us on +44 (0)1624 696000. Alternatively you can visit us on our website at [www.nationwideinternational.com/eustd.htm](http://www.nationwideinternational.com/eustd.htm).

## Frequently asked questions

### Can I choose different options for my different accounts held at Nationwide International?

All your accounts are linked on our computer systems so you must choose the same option (i.e. Retention Tax or Exchange of Information) for all your Nationwide International accounts.

### Can I change options?

Yes. If you wish to switch from Retention Tax to Exchange of Information or vice versa you can do so at any time up to 1st July 2011

### Does the EUSTD apply to Isle of Man residents?

No. If you are resident in the Isle of Man your interest is paid gross of tax and declared annually to the Isle of Man tax authority under domestic taxation laws.

### Does the EUSTD apply to residents of the Channel Islands or Gibraltar?

No. The directive does not apply to residents of the Channel Islands, Gibraltar nor the dependent or associated territories of EU member states.

### How is tax calculated or reported on joint accounts?

Tax is calculated depending on the extent that each account holder has the benefit of the interest payments paid to the account. Unless you tell us to the contrary we assume that the benefit is split equally. If this is not the case please complete the form available on our website at [www.nationwideinternational.com/eustd.htm](http://www.nationwideinternational.com/eustd.htm) detailing who and in what proportion each holder has the benefit of the interest paid to the account or just write in and tell us. For example, if you have a joint account with someone who is not EU resident and 100% of the benefit of the interest paid is going to that non EU resident then the account will not be affected by the EUSTD.

### I am resident in the EU and have a joint account in the name of myself and my colleague who is resident outside of the EU. How are we affected by the EUSTD?

It all depends on who benefits from the interest on the account. Unless you tell us otherwise we assume that all holders benefit equally from the interest on the account (i.e. 50% each). In this case your details will be declared together with 50% of the interest paid. Your colleague's details will not be declared. If, on the other hand, you don't benefit from the interest (your colleague receiving the entire benefit) then neither your details nor those of your colleague will be declared.

### What happens if I have an 'Interest on Closure' or 'Deferred Interest' account?

If you have selected 'interest on closure' or 'deferred interest' on your account, interest is not paid on a regular basis but only when you decide it should be paid. If you decide that interest should be paid after the 01 July 2011 and you are resident in an EU country at the time of payment, all unpaid and undecleared or untaxed interest that you have earned whilst in an EU country (and for which you receive the benefit) will be declared.

### What happens if I move address to a new country of residence?

**Retention Tax option** - If you move address to a new country of residence you should notify us as soon as possible. If you are no longer within an EU member state, we will amend our records and any future interest will be paid gross from the date on which you moved to the new address. If your residential address changes from being outside the EU to being inside the EU, Retention Tax will only apply to the interest earned and paid to your account after the date you tell us you moved to the new address. Note: if you do not tell us the date on which you moved address it will be assumed that you moved address on the date we receive and process your notification.

**Exchange of Information option** - If you change your address, we will report your interest based on your residential address held in our records as at 5 April each year (i.e. if you are not resident in the EU as at 5 April you will not be included in the report regardless of your other countries of residence during that year).

### How will the EUSTD affect my statements?

If you choose the Retention Tax option your statements will show details of your net interest credits and the amount of tax deducted. Upon request we will supply you with a certificate at the end of the Isle of Man tax year confirming the amount of Retention Tax paid on your account. If you choose the Exchange of Information option your statement will continue to show your gross interest credits.

### What if I open a Lifetime Guarantee account where interest is paid after 01 July 2011?

Where interest is paid on or after the 01 July 2011 no tax will be taken on the interest but instead, where you are resident in the EU and you benefit from the interest, your details together with the amount of interest from which you benefit will be declared.

### I am resident in the EU and have a Tracker Premium account paying interest annually on 31 March of which I am the only holder. I have currently selected the Retention tax option. How will my interest be affected by the recent change to legislation?

Your interest paid on 31st March 2011 will be subject to tax at 20% and will not be included in an Exchange of Information report. Your subsequent interest payment on 31st March 2012 will not be taxed at source but the interest paid will be included in the Exchange of Information report.

### I am a non domiciled resident of an EU country and have sent you details confirming that I am exempt from retention tax. What happens on my account after 1st July 2011?

As you are resident in an EU country, after 1st July 2011 your details will be declared to the tax authority of that country. You will continue to receive interest gross of tax. It is then for you to provide details to your EU tax authority in order for you to establish your exemption from tax on the interest paid.

Please note that the information in this leaflet is based on our current understanding of the impact of the EUSTD on our customers. The accuracy of this information or its completeness cannot be guaranteed. The legislation or practice may be subject to change. We are not authorised to provide individual tax advice and recommend that you seek independent professional advice from a suitably qualified tax adviser. Any opinions are given in good faith but Nationwide International will not be liable in contract, tort, negligence or otherwise for any loss or damage connected in any way with your use of this information, whether such loss or damage is direct or indirect or includes loss of business, loss of profits or any other indirect or consequential loss.

No warranty is given as to the tax consequences of any account for any particular account holder. Tax regulations and guidance may change and you should seek appropriate advice as required.

A wholly owned subsidiary of Nationwide Building Society. Registered in the Isle of Man No. 52214. Licensed by the Isle of Man Financial Supervision Commission to take deposits.