

## UK regulators hit back at critics

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The newly created HM Revenue and Customs justified its enhanced document as part of the normal process for implementing a European directive. Patrick O'Brien, press officer for HM Revenue and Customs, said that regulators will always be criticised no matter what action they took. He said: "We are always criticised for providing too much or too little information. This process is completely normal for any new legislation being introduced." Financial Adviser revealed last week that the UK regulatory authorities took the European guidance rules on the EU Savings Directive and translated them into more than 1100 pages. Both the FSA and HM Revenue and Customs were involved in the consultation process before the document was published.

Vincent Derudder, secretary general of the Federation of European Financial Advisers (FECIF) said that despite all the pages of information, advisers still do not know exactly how the reporting system will work. He said: "Nobody has any idea how the reporting of tax avoidance is going to work and it could take up to 10 years to work out. I am not sure if the UK tax office is not well enough equipped and it could be difficult to implement the rules." Jim Turner, senior adviser for Chester-based Innes Reid, said there had been very little communication with IFAs concerning the directive. He said: "There has been some good technical advice from providers. My main concern is that it was not until recently that that we found out that a date of 1 July had been fixed for its implementation. A lot of IFAs are not aware of even the general points.

The FSA may argue that it should not be something they report on but it could be related to compliance issues." Mr Turner said that the best explanatory notes on the directive have come from providers and not from either the FSA or HM Revenue and Customs. He said: "Advisers need to know what advice to give and there has been an extreme lack of communication." The Cheshire-based IFA said the guidance that has come from HM Revenue and Customs has been predominantly regarding the reporting side. Of this, Mr Turner said: "The 1100 pages are to do with reporting. We have not seen anything directly that is formal." Speaking in general terms, Robin Gordon-Walker, press officer for the FSA, said the regulator was still committed to reducing unnecessary red tape in all areas. He said: "We want to simplify and remove rules, and right now, we are looking to simplify many areas, including our codes of business. It is the commission that has to agree any directive in the first place and we build our rules and implement them based on the final version of that directive."

The council of the European Union issued the directive on 3 June 2003 with the aim of simplifying taxation throughout the member states. Despite the concerns in the UK, Britannia International has said that the regulatory bodies on the Isle of Man have been exceptionally good. Peter Mansfield, managing director of Britannia International, said: "We have found both the Isle of Man Financial Supervisory Commission and the Inspector of Taxes very helpful with this legislation. It has enabled us to produce a document that ensures our customers have all the relevant information. This is part of our campaign to put customers first." Other providers outside of the UK have also produced guides in print and electronic format and have been gearing up for implementation since the white paper was originally

drawn up. Some however, have raised concerns about the more complex implementation issues.

According to tax consultant, PricewaterhouseCoopers, there are three big concerns. The first is related to developing a cost-efficient system that enables providers to obtain the beneficial owner and payment data. The second is whether data will be able to be transmitted on a timely basis and the third is regarding how practical the reporting of tax withholding data will be to the relevant authority.

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