

Note to the attention of the EFMLG
Meeting 12 March 2016 in Milan

State of Play of the Financial Transaction Tax (FTT)
7 March 2016

1. Council of the European Union
Ecofin meeting 8 December 2015

The Council discussed the proposal aimed at introducing the FTT in 11 Member States by "enhanced cooperation" and took note of the following statement made by 10 of the member states participating in the enhanced cooperation:

Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia, Spain.

"We reached today an agreement on the tax that should have the following features:

1. Regarding shares:

- a) All transactions including intra-day should be taxed.*
- b) All transactions in the chain should be taxed except agents and clearing members (when acting as facilitators).*
- c) In order to sustain liquidity in illiquid market configurations, a narrow market making exemption might be required.*
- d) The territorial scope of the tax should follow the commission's proposal. It is now being determined whether it is more sensible to start taxation with only shares issued in the member states participating in the enhanced cooperation. Important elements in this determination include relocation risks and administrative costs.*

2. Regarding derivatives:

- a) The territorial scope of the tax should follow the commission's proposal (cumulation of residence and issuance principles with application of counterparty principle).*
- b) The taxation should be based on the principle of the widest possible base and low rates and it should not impact the cost of sovereign borrowing.*
- c) The determination of the tax base for derivatives should abide by the following principles:*

- i) For option-type derivatives the tax base should preferably be based on the option premium.*
- ii) For products others than option-type derivatives and coming with a maturity, a kind of term-adjusted notional amount / market value (where available) might be considered as the appropriate taxable base.*
- iii) For products other than option-type derivatives and not coming with a maturity, the notional amount / market value (where available) might be considered as the appropriate taxable base.*
- iv) In some cases, adjustments to the tax rates or to the definition of the tax base might be necessary in order to avoid distortions.*

- d) No exemption for market making activities should be granted.*

3. Other elements:

Member States agreed that further analysis with regard to real economy and pension schemes is required. Negative impact on real economy and pension schemes should be minimised. Further, the financial viability of the tax for each country is required.

4. On the basis of these features, in order to prepare the next step, experts in close coordination with the commission should elaborate adequate tax rates for the different variants. A decision on these open issues should be made until the end of June 2016."

In the light of the discussion, the President of the Council emphasised that work will have to continue in the Council. The result should be satisfactory to all Member States, both those that wish to have a common FTT system and those that will not participate in the enhanced cooperation.

Enhanced cooperation for an FTT was authorised in January 2013 by Council decision 2013/52/EU after a September 2011 proposal for an EU-wide FTT failed to obtain unanimous support. The directive requires the unanimous agreement of the participating countries (within the Council), after consultation with the European Parliament. All Member States can participate in discussions on the proposal, though only participating countries can take part in the vote. Legal basis is: Article 113 and Articles 326 to 334 of the Treaty on the Functioning of the European Union.

The proposal is aimed at:

- ensuring that the financial sector pays its fair share of tax;
- discouraging transactions that do not enhance the efficiency of financial markets;
- harmonising implementation of the FTT in the participating member states.

Tabled in February 2013, the proposal on enhanced cooperation essentially mirrors the scope and objectives of the Commission's initial proposal for an EU-wide FTT.

2. European Parliament.

ECON. 18 February 2016.

Economic Dialogue and exchange of views with Jeroen Dijsselbloem, President of the Eurogroup, ECOFIN President and Minister of Finance of the Netherlands

The President of the Eurogroup emphasised the need to avoid fragmentation of the single market and tax avoidance. He announced that the Euro Working Group would look further into the publication of its documents, while pointing out that most documents were not owned by the EWG and would need to respect confidentiality requirements of the owning institutions.
