



**EUROPEAN COMMISSION**

**PRESS RELEASE**

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## **Financial Transaction Tax under Enhanced Cooperation: Commission sets out the details**

The details of the Financial Transaction Tax (FTT) to be implemented under enhanced cooperation have been set out in a proposal adopted by the Commission today. As requested by the 11 Member States<sup>1</sup> that will proceed with this tax, the proposed Directive mirrors the scope and objectives of the original FTT proposal put forward by the Commission in September 2011 ([IP/11/1085](#)). The approach of taxing all transactions with an established link to the FTT-zone is maintained, as are the rates of 0.1% for shares and bonds and 0.01% for derivatives.

When applied by the 11 Member States, this Financial Transaction Tax is expected to deliver revenues of 30-35 billion euros a year.

There are certain limited changes in today's FTT proposal compared to the original one, to take into account the fact that the tax will be implemented on a smaller geographical scale than originally foreseen. These changes are mainly to ensure legal clarity and to reinforce anti-avoidance and anti-abuse provisions.

Algirdas Šemeta, Commissioner responsible for Taxation, said: *"With today's proposal, everything is in place to enable a common Financial Transaction Tax to become a reality in the EU. On the table is an unquestionably fair and technically sound tax, which will strengthen our Single Market and temper irresponsible trading. Eleven Member States called for this proposal, so that they can proceed with the FTT through enhanced cooperation. I now call on those same Member States to push ahead with ambition – to drive, decide and deliver on the world's first regional FTT."*

Today's proposal follows EU Finance Ministers' agreement last month to allow the 11 Member States to move ahead with an FTT under enhanced cooperation ([IP/12/1138](#)).

There are 3 core objectives to the FTT. First, it will strengthen the Single Market by reducing the number of divergent national approaches to financial transaction taxation. Secondly, it will ensure that the financial sector makes a fair and substantial contribution to public revenues. Finally, the FTT will support regulatory measures in encouraging the financial sector to engage in more responsible activities, geared towards the real economy.

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<sup>1</sup> France, Germany, Belgium, Austria, Slovenia, Portugal, Greece, Slovakia, Italy, Spain, Estonia

As in the original proposal, the FTT will have low rates, a wide base and safety nets against the relocation of the financial sector. As before, the "residence principle" will apply. This means that the tax will be due if any party to the transaction is established in a participating Member State, regardless of where the transaction takes place. This is the case both if a financial institution engaged in the transaction is, itself, established in the FTT-zone, or if it is acting on behalf of a party established in that jurisdiction.

As a further safeguard against avoidance of the tax, today's proposal also adds the "issuance principle". This means that financial instruments issued in the 11 Member States will be taxed when traded, even if those trading them are not established within the FTT-zone. Furthermore, explicit anti-abuse provisions are now included.

As in the original proposal, the FTT will not apply to day-to-day financial activities of citizens and businesses (e.g. loans, payments, insurance, deposits etc.), in order to protect the real economy. Nor will it apply to the traditional investment banking activities in the context of the raising of capital or to financial transactions carried out as part restructuring operations.

The proposal also ring-fences refinancing activities, monetary policy and public debt management. Therefore, transactions with central banks and the ECB, with the European Financial Stability Facility and the European Stability Mechanism, and transactions with the European Union will be exempted from the tax.

## **Next Steps**

The proposed Directive will now be discussed by Member States, with a view to its implementation under enhanced cooperation. All 27 Member States may participate in the discussions on this proposal. However, only the Member States participating in enhanced cooperation will have a vote, and they must agree unanimously before it can be implemented. The European Parliament will also be consulted.

## **Background**

In September 2011, the Commission tabled a proposal for a common system of financial transactions tax, with the objectives of securing a coherent approach to taxing this sector in the Single Market, ensuring a fair contribution from the financial sector to public finances, and contributing to more efficiency and welfare enhancing financial sector trading.

Following intense discussions on this file, there was consensus at the ECOFIN meetings in summer 2012 that unanimity between the 27 Member States would not be reached within a reasonable period. Nonetheless, a number of Member States expressed a strong willingness to go ahead with the FTT. Therefore, in autumn 2012, 11 Member States wrote to the Commission, officially requesting enhanced cooperation on the financial transaction tax to be authorised, on the basis of the Commission's 2011 proposal.

The Commission carefully assessed these requests against the criteria for enhanced cooperation in the Treaties. In particular, it was established that enhanced cooperation on the FTT would not have a negative impact on the Single Market or on obligations, rights and competences of non-participating Member States. On the basis of that assessment, in October 2012, the Commission proposed a Decision to allow enhanced cooperation on the FTT. This was backed by the European Parliament in December and agreed by European Finance Ministers at the ECOFIN in January 2013.

Once the green light for enhanced cooperation had been given, the Commission could proceed with the detailed proposal on the FTT to be applied by the 11 Member States, which it has presented today.

For more information, see also [MEMO/13/98](#)

For the full text of the proposal, see:

[http://ec.europa.eu/taxation\\_customs/taxation/other\\_taxes/financial\\_sector/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/other_taxes/financial_sector/index_en.htm)

For Commissioner Šemeta's website, see:

[http://ec.europa.eu/commission\\_2010-2014/semeta/index\\_en.htm](http://ec.europa.eu/commission_2010-2014/semeta/index_en.htm)

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