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EU Commission's proposal on a Financial Transaction Tax – where do we stand one year after its presentation?

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Overview

State of play

Selected key points of discussion

Will there be 'enhanced cooperation'?



State of play

Strong support of broad public in all MS, by EP and other institutions

ECOFIN Council 22 June and subsequent Council meetings under CY Presidency

- no support at EU27 = **finding of last resort**
- substantial interest to advance via 'enhanced cooperation'
- some MS raise questions but no opposition

Link to MFF (**own resources**)

On-going discussions on who and what exactly

Key points of discussion

"Fairness"

- Massive **bail-outs** - revenue potential as part of reply to public deficits
- Public perception and expectations (bonuses debate, roots of the crisis, recent BIS-report ...)
- Systematic **under taxation of financial sector** difficult to quantify but real
- All other taxes: more distortive, less targeted and/or smaller revenue potential

Key points of discussion

Benefits for Internal Market

- **Art. 113** = legal base
- Various MS have local FTT
- but mostly with narrow scope, also because of **lacking EU framework**
- More national FTTs: France, Spain, (Hungary)
- Operators concerned about **multitude of approaches, risk of double taxation and administrative burden**

Key points of discussion

Effect on economic growth and employment?

- Commission IA often misinterpreted or misrepresented
- Econometric models inherently show negative GDP-effects of new or increased tax ...
- **Long-term effect!** Almost **negligible** on yearly basis ...
- Additional elements of analysis
- Sensible use of **revenues**
- Many well-performing economies with financial centres run FTTs

Key points of discussion

Effect on pensioners and savers?

- Very **low tax FTT rates**, i.e. nowhere near fees and other costs
- 85% of financial transactions between financial institutions
- Cumulating effect of FTT not for real agents!
- HFT affected but is it a problem?
- FTT favours **long-term holding- and investment** strategies
- and thus rather higher market stability / increasing long-term pension value
- **Ring-fencing** of day-to-day financial transactions of citizens (mortgages, consumer credits etc.)

Key points of discussion

Delocalisation?

- Very low tax FTT rates
- Comprehensive approach
- **Residence principle** with 'outreach' clause
- EP: combine with 'issuance principle'
- Administrative cooperation; information exchange etc.
- Subsidiarity: anti-avoidance rules
- Substance over form
- Never 100% capture



Will there be 'enhanced cooperation'?

Various **procedural steps**

- Finding of 'last resort' ✓
- Checking conditions
- Authorising decision by COM
- Adoption by Council by QMV with consent of EP
- Substantive proposal by COM
- Unanimity approval by participating MS; consultation of EP

But it all would start with

- **A request by at least 9 MS** (setting out objectives and scope)



THANK YOU !

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