FTT Newsletter

A Round-Up of FTT developments across Europe

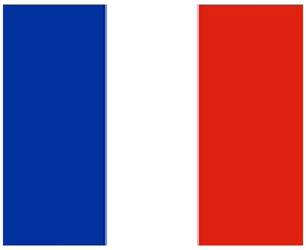
In recent weeks, there have been some developments in the EU and unilateral FTTs, but there are also some notable missing items. The list of in scope French equities will change from 1 January 2014, but no official updated list has yet been provided by the French authorities. The Portuguese legislature has once again provided authorization for the government to introduce a unilateral FTT, but the precise form of the proposed FTT remains undecided. And an EU FTT working group meeting was held, but no agreement was reached on what precise form the EU FTT should take. Further details on all these matters, and on the release of the long awaited Italian FTT annual return, can be found below.

We also provide you with an update of important changes to the UK's Stamp Tax regime.

EU FTT

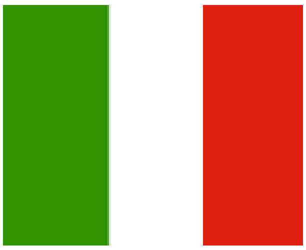
A FTT working group meeting was held on 12 December 2013. It seems that the 11 FTT members participating in the enhanced cooperation process were unable to reach agreement on the precise form that the FTT should take. However we understand that Greece, which assumes the EU presidency from January 2014, intends to place the FTT on the agenda for the next ECOFIN meeting and schedule a further FTT working group meeting towards the end of January 2014.

France



The updated official list of companies whose shares are in scope for French FTT ("FFTT") in 2014 has not yet been released, although an indicative list has been published today by the French financial markets association (AMAFI). The list of in scope equities (defined by reference to French companies with a market capitalization of over €1bn) changes with effect from 1 January by reference to the situation on the preceding 1 December each year. We expect an official list to be released by the French authorities in the coming weeks.

Italy



The Italian tax authority has released a draft of the Italian FTT ("IFTT") return that will need to be filed by 31 March 2014, and annually thereafter.

Key points to note from the draft return include:

Submitting the return: The tax return must be submitted by those who are required to pay the IFTT (namely end purchasers) or by the intermediaries (such as brokers and investment managers) responsible for the payment of the tax. If the tax due is less than EUR 50, no return is required to be made.

Non-residents should submit the tax return through either their Italian permanent establishment if they have one; through their tax representative if they have one; or otherwise directly or through Monte Titoli.

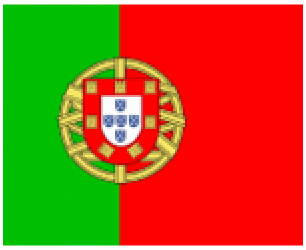
Where Monte Titoli has been appointed by a non-resident, Monte Titoli should submit the return. However the tax payer retains ultimate responsibility for compliance and payment.

Monthly breakdowns: Certain data will need to be provided on a month by month basis in the return for equities, equity derivatives and high frequency trading. The following data is required monthly:

• the number of transactions carried out
• the taxable amount
• payment details

Annual Breakdowns: The taxable basis and number of transactions will need to be reported on an annual basis for each of the following eight categories of transactions which are excluded or exempt from IFTT: (i) repo/ securities lending; (ii) intra-group; (iii) riskless principal; (iv) transactions with certain international bodies (such as central banks and sovereign wealth funds); (v) purchases of shares in “ethical” funds; (vi) market making activities; (vii) pension funds; and (viii) liquidity providers.

Portugal



As part of the 2014 budget, the Portuguese parliament renewed its authorization for the Portuguese government to introduce a Financial Transaction Tax (“PFTT”).

This is an authorization only and no PFTT has yet been implemented.

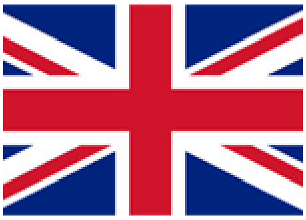
The authorization is on the same terms as the one in 2013.

Therefore details of PFTT have yet to be decided including:

• in scope transactions
• the necessary rules and criteria to determine which entities/individuals will be subject to PFTT, in addition to the territorial scope of the PFTT
• exempt entities and transactions
• the computational rules of the taxable basis regarding derivatives;
• the tax rates
• tax payment criteria, procedures and deadlines, penalties for non-compliance, anti-abuse rules.

We consider it unlikely that a PFTT will be introduced in 2014, while discussions for an EU FTT are progressing. However we will, of course, let you know should this position change.

UK Stamp Duty Reserve Tax



Unlike French and Italian FTT which, in certain circumstances, only apply to net intra-day trading, UK stamp duty reserve tax (“SDRT”) is charged on gross transactions (subject to available exemptions) and is required to be reported on a gross basis. An increase in the market practice of netting or aggregating trades before settlement through CREST, the settlement service operated by Euroclear UK and Ireland, has led to HM Revenue & Customs requesting Euroclear to develop a new enhanced SDRT assessment service in relation to net settlement of UK share transactions. This would enable net trades to be input into CREST with a new ‘net’ stamp flag, but reported separately by certain market participants and with SDRT paid on the gross amounts. The new service is expected to be launched in July 2014.