

FTT Newsletter

A Round-Up of FTT developments across Europe



Recently, 10 of the 11 members of the FTT zone announced they have agreed a step-by-step approach to the introduction of a financial transaction tax, starting with equities and certain derivatives, to apply by 1 January 2016. Further details are set out below.

We invite you to join our webcast to be held on 19 May at 1pm (UK time) where we will discuss the status and outlook of the EU FTT. A link to register for the webcast can be found below.

EU FTT



At the meeting of EU economic and finance ministers (ECOFIN) on 6 May 2014, a statement was released by 10 members of the FTT zone reiterating their political commitment to introducing an EU FTT. Slovenia was not part of this agreed statement in the light of its forthcoming elections.

The statement follows the rejection last week by the Court of Justice of the European Union of the UK's challenge to the use of the enhanced co-operation process to implement the FTT and precedes the European MEP elections later this month. In the statement, the other members of the FTT zone (including France,

Germany, Italy and Spain) announce the following:

- Participating member states will work towards a "progressive implementation" (i.e. step by step) of the EU FTT
- The EU FTT will apply initially to equities and "some derivatives"
- The EU FTT will be introduced, at the latest, by 1 January 2016
- Member states which currently tax the transfer of other financial instruments (such as bonds) will be permitted to continue to maintain existing taxes

Whilst widely expected, this is the first time it has been publicly acknowledged that the EU FTT would be introduced in relation to a smaller category of financial instruments and that the tax would be introduced later than originally proposed. Taxing transactions in equities has clearly formed the basis of common ground between the participating member states. Excluding bonds and other derivatives from the initial phase of the EU FTT makes it more likely that the tax will be introduced in the short to medium term in a form which resembles the UK's stamp duty and FTTs in France and Italy.

Despite the reinvigoration of the EU FTT process by the announcement of the above "progressive implementation", the details of this more "viable solution" remain vague. Key aspects of the design of the tax remain unanswered, including:

- What is meant by “some derivatives”. It seems reasonable in the light of the Italian FTT to assume this means equity derivatives, however, it remains unclear whether other derivatives, such as those in relation to interest rates, currencies, commodities and credit default, would be within scope
- Whether the tax will apply on the basis of the residence of the parties and/or the market in which securities are issued
- What exemptions may be available (such as in relation to market making and repo transactions)

This continued lack of detail makes it difficult to plan for the EU FTT’s implementation and will undoubtedly continue to cause concern across financial markets.

The statement suggests that although bonds will not be in the initial step of the tax, the FTT zone may look to bring them into scope at a later stage which will be unlikely to pacify those who have been lobbying for their exclusion from the EU FTT altogether. It is clear that there is significant work which still needs to be undertaken. George Osborne, the UK Chancellor of the Exchequer, has stated that the UK remains ready to launch another legal challenge against the introduction of the tax, depending on the specific features of the EU FTT that emerge.

All in all, this is a dynamic development in the admittedly slow process of the evolution and implementation of the EU FTT. We will continue to keep you updated as to any further developments. The UK Government had, on 18 April 2013, **lodged a legal challenge** against the decision by the Council of the European Union to authorise the use of the ECP to introduce FTT. The CJEU has today delivered its judgment, dismissing the UK’s challenge on procedural grounds.

Deloitte FTT webcast

Bill Dodwell, the head of Deloitte’s tax policy group, will be hosting a webcast “The EU FTT – where are we, and where are we going?” at 1pm (UK time) on 19 May 2014 .

Gary Campbell, Martin Walker and Helene Alston will discuss the following, building upon the latest developments:

- The basis on which the FTT might apply
- When and where it will apply
- Unresolved issues and potential exemptions
- Latest developments on the French and Italian FTTs
- The impact the FTT might have for financial markets

Please join us. You can sign up to the webcast from [this link](#).

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