



FSI tax alert Belgium

Progress on the EU FTT (Financial Transaction Tax)

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The FTT working group met on 12 September 2015 before the full ECOFIN meeting on 14 September 2015 between EU economic and finance ministers. Public statements by politicians close to the FTT project have indicated that material progress has been made in securing an agreement among FTT zone members. For example, Michel Sapin, the French finance minister, has been reported as saying:

"We have agreed on certain principles and we will be able to take more important decisions in October. That does not mean we have decided on all the details or that the financial transaction tax will start in October, but a certain threshold has been passed."

Although the precise details of what has been agreed are not entirely clear at this stage, reports suggest that the FTT zone members are disposed towards:

- Applying the tax on an issuer (instead of residency) basis, such that securities issued within the adopting Member States would be in scope of the FTT;
- Taxing transactions on a gross rather than net basis (similar to the tax base for the UK's stamp duty reserve tax, but different from the net daily settlement basis of the French and Italian FTTs);
- Including all derivatives with the exception of those referencing sovereign debt. This would mean that the FTT's scope of application for derivatives goes well beyond that of the Italian FTT and would cover interest rate and currency hedges for example;
- Exempting government bonds and repos from the scope of FTT;
- A narrow market maker exemption. The European Commission estimates that a narrow market maker definition will only reduce the intended tax yield by about 20%;
- FTT rates are yet to be agreed upon and will be determined once all other aspects of the FTT have been finalised.

Certain Member States seem to have specific reservations with respect to the FTT. For example, it is understood that the Belgian delegation is keen to exclude certain life insurance products from the scope of FTT.

Interestingly, Wolfgang Schauble, the German finance minister, is also understood to have acknowledged that the proposed FTT may not necessarily sit comfortably with the Capital Markets Union ("CMU"). CMU is a proposal by the European Commission intended to make it easier for EU businesses to access funding, including through capital markets. This is the first time a potential conflict between the FTT and CMU initiatives by the European Commission has been acknowledged by a senior official close to the FTT project. This conflict is clearly something that the FTT zone members would need to consider in more detail, but it is again unlikely to be an insurmountable obstacle.

The next FTT working group meeting is likely to take place at or around the next ECOFIN meeting which is scheduled for 6 October 2015, although an additional meeting may take place at the end of this month.

Deloitte Belgium will continue to keep readers updated on all material developments.

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