

## ***French Financial Transaction Tax – Draft update of the administrative guidelines***

The tax authorities have issued a draft update of their Statement of Practice on the French FTT. This update has been circulated for consultation and is still subject to change.

At this stage, the draft updated statement of practice incorporates the clarifications issued throughout the year, in particular:

- Dividends paid in shares (distributions paid in kind) are out of scope
- Fund mergers may benefit from an exemption
- FTT obligations can be delegated out by the accountable person. However the accountable person remains responsible towards the French Tax Authorities.

In addition, the draft update also includes further clarifications around netting:

- The Net Buying Position (NBP) should be computed on a settlement date basis
- The NBP is calculated per security
- The taxable basis of an Investment Service Provider (ISP) is computed by adding the individual NBP
- The net buying position is calculated for each client of the ISP
- The net buying position should be calculated for each ISP. This means that transactions for the same client by different ISP cannot be aggregated.

*Example for an ISP:*

<b>Settlement Date</b>	<b>Client</b>	<b>Security</b>	<b>Price per share</b>	<b>Buy</b>	<b>Sell</b>	<b>NBP (= tax basis)</b>
1/06	X	A	50	150	50	5000 (i.e. 150 - 50 = 100 shares@€50)
1/06	Y	B	20	200	180	400 (i.e. 20 shares@€20)
<b>Tax due by the ISP</b>						<b>5400x0.2% = 10.80€</b>

Although more substantial changes have been discussed previously and are anticipated, they would require a change of law and are not included in the draft.

As the discussions of the working group on this matter progress, we will of course keep you updated of any further developments.

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