

Luxembourg

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**Financial Transaction Tax**

**Operational Tax contacts**

**Pascal Noël**  
[pnoel@deloitte.lu](mailto:pnoel@deloitte.lu)  
+ 352 451 452 571

**Vilma Domenicucci**  
[vdomenicucci@deloitte.lu](mailto:vdomenicucci@deloitte.lu)  
+ 352 451 452 464

**Markus Jung**  
[mjung@deloitte.lu](mailto:mjung@deloitte.lu)  
+ 352 451 454 327

Please contact  
**Mireille Martin**  
[mimartin@deloitte.lu](mailto:mimartin@deloitte.lu)  
should you wish to be removed from this mailing list or if you would like to have any of your colleagues added to the mailing list.

**Previous Operational Tax News**

## Operational Tax News

### European Tax Law update

10 October 2011

#### Financial Transaction Tax

##### EC proposal released

On the 28 September 2011, the European Commission ("EC") adopted a legislative proposal to introduce a Financial Transaction Tax ("FTT") in the EU. A draft proposal for a FTT was released to the public and is likely to be supported by some prominent member states. If passed, the proposal indicates that the provisions would apply from 1 January 2014.

Although many hurdles remain before a FTT becomes a reality, this is an issue that could affect any person or business that undertakes financial transactions where one party is located in the EU.

##### The Financial Transaction Tax

According to the provisions of the proposal the main tax payers would be financial institutions operating financial transactions, i.e. banks, investment firms or other financial institutions like insurance companies, UCITS, alternative investment funds, etc.

The tax would be levied on all transactions on financial instruments between such financial institutions if at least one of the involved parties is deemed to be established in the European Union.

The financial instruments in question would be products such as bonds, shares, derivatives and structured financial products. Whether transaction were carried out on organized markets or over the counter should, according to the wording of the proposal, not make any difference – in both cases they would be taxed.

The proposal foresees to tax transactions in bonds and shares at a rate of 0.1% and transactions in derivatives contracts at a rate of 0.01%. However, Member States might be



free to apply higher rates.

The tax would be applied on the territory of the 27 Member States of the European Union.

### **What next?**

At this stage the key points are:

A FTT's introduction is not definite, the proposal is still likely to face a number of major challenges such as the required approval by the 27 Member States.

However it is important to get FTT on the agenda as you may need to determine the impacts of this new tax on your business. Deloitte will be happy to assist you in this exercise.

If you have any queries regarding the above, please do not hesitate to contact us.

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Deloitte S.A.  
560, rue de Neudorf  
L-2220 Luxembourg

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