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**FAQ published by the
Luxembourg Ministry of
Finance**

Operational Tax News

FTT Update

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FAQ published by the Luxembourg Ministry of Finance

Our last Operational Tax Alert of the 6th May 2013 made reference to the UK's legal challenge against the FTT enhanced cooperation procedure – which was supported by Luxembourg minister of finance.

Our last Operational Tax Alert most recently on the 8th May 2013 a **Frequently Asked Questions (FAQ)** document was published by the Luxembourg Ministry of Finance. This document provides answers to the main concerns that actors of the Luxembourg financial center may have if the tax was implemented in its current draft form.

The document - that was published in French - is divided into three sections covering:

- First section, the definition and objectives of the FTT. This section provides an overview of the tax and explains the events that have taken place at EU level until the issuance of the proposal by the EU Commission. With regards to the objectives of the tax, the document highlights the absence of concrete goals
- Second section, the Luxembourg's position regarding the FTT. This section addresses the reasons why Luxembourg opposes to the implementation of the tax in its current form, although it states that the Grand Duchy would be willing to support the implementation of an FTT if it were agreed globally. In this section, the main concern is the compatibility of the extraterritoriality of the tax with the EU treaty provisions and its economic effects.
Moreover, the document also claims that the tax, as it has been designed, will cause a delocalisation of financial activities from the EU to other financial centers and the fragmentation of the EU single market.
- The last section is devoted to the technical aspects of the FTT. It mentions that the main actors of the Luxembourg financial center would be caught by the tax given the

large scope of entities and transactions covered by the FTT proposal. Other aspects included in this section are the applicable exemptions, the rates, the liable parties (both parties to the transaction), the issuance and residence principle, possible cascading effects and how the proceeds of the tax would be used.

For further clarification on these concepts please refer to our [operational tax news](#), issued on the 18th February 2013.

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

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