

Luxembourg
Global Financial Services Industry

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**Financial Transaction
Tax**

Operational Tax News. Financial Transaction Tax



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The FTT is moving forward...

The discussions regarding the introduction of a Financial Transaction Tax (FTT) are ongoing at the European Union ("EU") level under the Irish Presidency. The latest development is the ECOFIN meeting held on 22 January 2013 in Brussels.

Where are we in the process?

The EU Council adopted a decision authorizing 11 Member States to proceed with the introduction of a FTT through the "*enhanced cooperation procedure*". It seems that only the Czech Republic, Luxembourg, Malta and the U.K. abstained resulting in a clear qualifying majority in favor of the enhanced cooperation.

As a reminder, the 11 Member States which formally expressed their intention to join the enhanced cooperation on FTT are: Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "FTT participating Member States").

The next step is now the publication of a revised proposal of the Directive by the EU Commission. The EU Tax Commissioner Algirdas Šemeta announced that such a proposal will be published in the next few weeks together with an Impact Analysis taking into account the fact that the FTT will be implemented between the 11 FTT participating Member States.

What about the shape of the future tax?

The Finance Ministers did not discuss the content and substance of the FTT during the ECOFIN meeting held on 22 January. We will certainly have to wait for the amended draft Directive from the Commission, which would largely be based on the original draft Directive released in September 2011. The tax would therefore mainly be based on

the location of the parties to the transaction (“residence principle”).

Some adjustments will obviously be required to reflect the fact that only a subset of EU Member States are participating to this initiative. There may be other adjustments such as the introduction of the “issuance principle” as proposed by the EU Parliament: in other words, the transfer of financial instruments issued by companies resident in FTT participating Member States may be brought into the scope of the tax even if the parties to the transaction are both resident outside the EU.

Next steps and impact for the Luxembourg financial center

Even if Luxembourg is not part of the enhanced cooperation, its Financial Services Industry will be impacted directly or indirectly depending on the shape of the future tax. Stay abreast of the latest developments via our brand new FTT website by clicking on the link below and do not hesitate to register to receive our FTT Newsletters.

http://www.deloitte.com/view/en_LU/lu/market-challenges/financial-transaction-tax/index.htm

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