

FTT newsletter

A round-up of FTT developments across Europe



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Financial Transaction Tax ("FTT") continues to feature regularly in the press, with the media widely reporting that the proposed scope of the FTT is set to be drastically scaled back. The proposed start date of 1 January 2014 also seems more likely to be postponed.

Next steps include further discussions and negotiations at ECOFIN and EU Committee of Permanent Representatives meetings.

To discuss any aspect of FTT please contact your usual Deloitte contact or **Martin Walker** on +44 20 7303 7644.

EU FTT

It has been widely reported in the media in the last two days that the proposed scope of the FTT is set to be scaled back, initially only applying to in-scope share transactions at a rate of 0.01% (lower than current proposed rate of 0.1%) with other transactions (e.g. bonds, derivatives, repos) being brought within the FTT charge at a later date, if at all. If this is the case, then the initial impact of the FTT will be felt most in capital markets equities trading, as well as having an impact on M&A transactions and group reorganisations.



The source of the reports in the media appears to be anonymous quotes given by EU officials to a news agency. The officials are quoted as saying – *"It is not going to survive in its current form."* and *"You can introduce it on a staggered basis... We start with the lowest rate of tax (0.01 percent) and increase it bit by bit."*

A spokeswoman for the European Commission in charge of tax policy is also quoted as saying to the news agency – *"Depending on the speed of progress from here, it is still feasible that the common FTT could be implemented in 2014, although January 2014 is looking less likely."*

There has been no official press release from the Taxation and Customs Union office of the European Commission. However, the quotes along with the increased negative media coverage over the last few weeks appear to be softening the ground for a retreat from the FTT coming into force in its current full form on the proposed start date 1 January 2014. This implementation date had appeared ambitious given each participating Member State is expected to adopt and publish the necessary local laws to implement the FTT by 30 September 2013 per the draft FTT Directive.

Whilst, the media reports suggest there may be changes to the proposed FTT in its current form, we would note the following:

- Even if the FTT rate is reduced, the financial services sector would still incur the costs of collecting the tax and reporting chargeable financial transactions.
- If the approved final FTT still applies on a residence basis (where the parties are established or deemed to be established in the FTT Zone) and issuance basis (where the securities are issued in the FTT Zone), the scope of the tax will still be broader than the UK's stamp duty reserve tax and the existing French and Italian FTTs.

An EU Committee of Permanent Representatives meeting is due to be held today, where FTT may be discussed. Given the increasingly critical press coverage of the FTT in its current form, it appears more likely that the EU will give further thought to the scope, form and implementation dates of FTT.

We will of course keep you updated with developments in this area through our regular FTT newsletters.

A list of Deloitte's **FTT contacts** across Europe can be found here along with a link to the **FTT website**.



Martin Walker
Director

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