



Financial Transaction Tax: wide scope and attention to pension funds and SMEs

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Parliament kept up the pressure on Wednesday for a comprehensive financial transaction tax in 11 EU countries with a wide scope and rates of 0.1% for trades in stocks and bonds and 0.01% for those in derivatives. Lower rates should apply until 1 January 2017 for trades in sovereign bonds and pension fund industry trades. Finally, a new legal ownership principle was inserted to make tax avoidance more costly.

Anni Podimata (S&D, EL), Parliament's lead MEP on the matter welcomed Parliament's tenacity. "Parliament has stayed true. We have taken a consistent line. We strongly believe that such a tax is the way the sector can contribute to emerging from the crisis and returns to its proper job of serving the real economy", she said. The resolution was passed by 522 votes to 141, with 42 abstentions

A wide scope

The adopted opinion backs the Commission proposal that the financial transaction tax (FTT) should cover a wide range of financial instruments, be it stocks, bonds or derivatives. At the same time, it addresses specific concerns to ensure that the less speculative trading activities of pension funds or those involving SME shares are less affected by the tax.

Tax rates

The text retains the tax rates proposed by the Commission, i.e. 0.1% for trades in stocks and bonds and 0.01% on derivatives trades. However it also says participating countries should be allowed to apply a higher rate to riskier "over the counter" trades (which are less tightly controlled and transparent than stock exchange traded instruments).

However, trades in sovereign bonds should be only taxed at 0.05% until 1 January 2017 and, up until the same day, trades of pension funds would be taxed at 0.05% for stocks and bonds and 0.005% for derivatives. It adds that when evaluating the FTT's performance, the European Commission should pay special attention to the rate of taxation applied to pension funds.

FTT: expensive to avoid

The adopted text introduces provisions to make evading the FTT potentially far more expensive than paying it. The text links payment of the FTT to the acquisition of legal ownership rights. This means that if the buyer of a security did not pay the FTT, there would be no legal certainty of owning that security and the trade could not be cleared centrally.

Next steps

The European Parliament has a consultative role on tax matters. It is now up to the 11 member states participating in the enhanced cooperation arrangement to reach a deal.

Press release

The 11 participating member states are: Austria, Belgium, Estonia, France, Germany, Italy, Greece, Portugal, Slovakia, Slovenia and Spain.

Procedure: Consultation

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