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# THE MARKET REFORM WATCH BULLETIN

## Taxation: Financial Transaction Tax Update

Financial Transaction Tax (FTT) steals the show as one of the EU's painful problem. At this time, the Legal Service for the Council of the EU (CLS) has joined the discussion on the FTT implementation. European Council's lawyers expressed the view that this tax shall not be introduced due to the non-compliance with the international law, at least as it has been planned before. They adduced the arguments, which are more than 'enough' to dismiss the subject named 'financial transaction tax'.

- Abuse of authority by Member States' Jurisdiction for taxation, because it is not compatible with the international
- Non-Participating Member State (non-PMS) invasion in terms of taxation;
- The EU FTT is discriminative and most likely to lead to contortion of competition to the loss of non-PMS.

The EU Commission, in its turn, disagreed with the CLS judgment and took the floor that 11 Member States (which agreed to introduce the FTT) would continue to go ahead with the tax. This two side's conflict is hard to overcome due to lack of precedent or analog in international tax law dispute settlement.

The major point is that the FTT will not enter into force without fail across the EU in 2014. Further discussions will take place in October.

How long will the two parties go on disputing whether the Financial Transaction Tax be a virtue or a crime?

### Back To The Origins

The Financial Transaction Tax (FTT) was proposed by the EU Commission in 2011 with the main objective to increase tax revenues of the member countries budgets, with the consequent behavioral change to damp speculative trading. The originally proposed taxes at the rates of 0,1% for bonds, 0,1% for equities, 0,01% for derivatives were to be imposed on all transactions on financial instruments between financial institutions when at least one party to the transaction is located in the EU. Initially, 11 Member States agreed to impose the tax (France and Italy have already implemented the FTT). As for the 2nd of July 2013, the FTT delayed till the mid of 2014.