



# Financial transaction tax: a wider and stronger net is possible

Committees: Committee on Economic and Monetary Affairs

**The proposed financial transaction tax should be better designed to capture more traders and to make evading it unprofitable, says a resolution adopted on Wednesday by the Economic and Monetary Affairs Committee. The resolution also says the tax should go ahead even if only some Member States opt for it.**

Parliament has been calling for a financial transaction tax (FTT), for close to two years and the Commission tabled a legislative proposal for one late in 2011.

Rapporteur Anni Podimata (S&D, EL), said "the committee has been consistent with what Parliament has been pushing for and I now expect Member States to show the same consistency with their declarations. It is time to change the financial services business model, away from high frequency trading to serving the real economy".

## A wider net

The adopted text adds to the Commission proposal an "issuance principle" whereby financial institutions located outside the FTT zone would also be obliged to pay the FTT if they traded securities originally issued within this zone.

For example, Siemens shares, issued in Germany and traded between a Hong Kong institution and one in the US would have to pay the tax. Under the Commission's proposals, such transactions would have escaped the tax, because only financial institutions based within the FTT zone would be subject to it.

The "residence principle" proposed by the Commission is also kept, which would mean that shares issued outside of the FTT zone but traded by at least one institution established within the zone would be caught.

## Tackling tax evasion

The resolution also raises the stakes to make evading the FTT potentially far more expensive than paying it. Taking the UK stamp duty approach, 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, he or she would not be legally certain of owning that security and would hence be unable to clear the trade centrally.

## Preferably EU-wide, but possibly less

If it is not possible to establish the tax EU wide at the outset, enhanced cooperation should be envisaged, the resolution says. The resolution however also recognises that introducing the tax in a very limited number of Member States could lead to a significant distortion of competition and that measures should therefore be taken to address this.

## Pension funds

# Press release

Various exemptions were requested by a number of MEPs. In the end the most substantive exemption was that granted to pension funds, which would see the tax waived on their transactions.

*The resolution was passed with 30 votes in favour, 11 against and no abstentions.*

*In the chair: Sharon Bowles (ALDE, UK)*

**Contact :**

**John SCHRANZ**

BXL: (+32) 2 28 44264

STR: (+33) 3 881 74076

PORT: (+32) 498 98 14 02

EMAIL: [econ-press@europarl.europa.eu](mailto:econ-press@europarl.europa.eu)