Press release

Financial Transaction Tax: MEPs push wide scope and attention to pension funds

Committees Committee on Economic and Monetary Affairs [18-06-2013 - 14:45]

The Economic and Monetary Affairs Committee stood by its guns on Tuesday in supporting the Commission's proposal for a wide-scope financial transaction tax, with stocks and bond trades taxed at 0.1% and derivatives trades taxed at 0.01% in 11 EU countries. The committee proposed lower rates until January 2017 for trades in sovereign bonds and the pension fund industry's trades. A new legal ownership principle was also inserted to make tax avoidance more costly.

Taking the floor after the vote Anni Podimata (S&D, EL), Parliament's lead MEP on the matter welcomed the committee's tenacity. "Despite very intense lobbying, today's vote proved that Parliament remains consistent and coherent in its approach to this tax", she said.

A wide scope

The committee's position 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, the adopted text addresses specific concerns, notably the issue of pension funds and their need to be active on the financial markets.

Tax rates

The committee text retains the headline 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).

The committee position also says that trades in sovereign bonds should be only taxed at 0.05% until 1 January 2017 and, up until that same date, trades of pension funds would only 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 with regard 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, he or she would not be legally certain of owning that security and would be unable to clear the trade centrally.

Next steps

The European Parliament has a consultative role on taxation matters. It is now up to the 11 member states participating in the enhanced cooperation arrangement to reach a deal. The Commission has said that it expects the FTT to be up and running by 1 January 2014.

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