



EU Tax Centre

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Commission supports FTT enhanced cooperation initiative and issues draft Council Decision

Commission - FTT – enhanced cooperation

The EU Commission has issued a draft decision for the introduction of a financial transaction tax (FTT) by ten EU Member States. However, the decision will have to be approved by the Council and the European Parliament before the proposed tax can be introduced.

The Commission indicates that the following ten Member States have formally requested enhanced cooperation: Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. Concrete details have not yet been published but are expected later in the year. However, the Commission indicates that these will be in the form of a Directive based largely on the scope and objectives of the Commission's original proposal for all 27 Member States published in September 2011. It appears that reference was made in particular to the need to avoid evasion, distortions and transfers to other jurisdictions, but the Commission indicates that it believes this can be achieved under a regime based on the original proposal.

The Commission's draft decision analyses the conditions that have to be satisfied under the EU Treaties before an enhanced cooperation initiative can be adopted. These include that the initiative would further the objectives and interests of the EU, would not undermine the Single Market, and would respect the rights, competences and obligations of non-participating Member States. Their conclusion is that all these conditions have been satisfied.

Next steps

It remains to be seen whether the timetables of the ECOFIN Council and the European Parliament will allow for an approval this year, in particular since the Parliament will first have to give its consent and then the Council authorize. It should be noted that, in order to be authorized, the initiative needs approval by a qualified majority of Member States. This means that the ten Member States wishing to introduce the tax would not, without the support of other Member States, be sufficient for the necessary approval. Although other Member States have indicated that they would not as such stand in the way of such an initiative, the

final position is not yet known. It may also be that this support will be dependent on the substantive proposals for the Directive being made known.

It might also be noted that the Commission estimates that the enhanced cooperation regime could generate tens of billions of euros “to the public purse”. However, they do not indicate whether this would be limited to individual Member States’ budgets, or could also include the EU budget.

EU Tax Centre Comment

This draft decision comes at a time when an increasing number of Member States are putting forward their own versions of an FTT, the latest being Italy. As such the Commission’s comments in its draft decision that “in the absence of enhanced cooperation, an even greater number of legal systems would coexist” rings particularly true.

Should you require further assistance in this matter, please contact the EU Tax Centre or, as appropriate, your local KPMG tax advisor.

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