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EU Tax Centre

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Council discussions on the EU Financial Transaction Tax (FTT)

Council of the EU – ECOFIN - FTT – consultation procedure – enhanced cooperation

The current status of the EU Financial Transaction Tax (FTT) was discussed in Luxembourg on October 9, 2012, by the Economic and Financial Affairs (ECOFIN) Council of the EU. The discussion focused on the issue of enhanced cooperation, and more specifically on which Member States are willing to move forward under this procedure. Eleven Member States have expressed their support for the initiative, which means that, in principle, there is sufficient support for those Member States to adopt an FTT between themselves under this procedure.

Background

As a result of an orientation debate held during the ECOFIN meeting on June 22, 2012, the Danish presidency of the Council noted that the Commission's proposal for an EU-wide FTT was not unanimously supported by Member States. This paved the way for Member States to examine the option of moving forward under enhanced cooperation, which provides the legal basis for a limited number of Member States, i.e. at least nine, to adopt measures that only apply to those Member States. Prior to the ECOFIN meeting of October 9, 2012, seven Member States − Austria, Belgium, France, Germany, Greece, Portugal and Slovenia − had notified the European Commission in writing of their commitment to adopting an FTT under this procedure.

Discussions in Council

During the ECOFIN council meeting, representatives of a number of Member States took the floor to express their views on the FTT. Four additional Member States − Estonia, Italy, Spain and Slovakia − indicated their willingness to participate in the procedure. These Member States now need to inform the Commission of their decision in writing. The Commissioner for Taxation and Customs Union, Algirdas Šemeta, stated that, once the European Commission has received notification from the Member States concerned, it is prepared to move swiftly and put forward a proposal to authorize enhanced cooperation for discussion during the ECOFIN meeting in November. This will likely include an analysis of the proposal in light of the conditions laid down in EU Treaties for enhanced cooperation, in particular that it does not adversely impact on the internal market.

Once the European Commission has issued its proposal, the Council, acting on a qualified majority after obtaining the consent of the European Parliament, must grant its authorization so that the enhanced cooperation procedure can go ahead. Although the Commissioner indicated that the enhanced cooperation proposal will be based on the Commission's existing proposal for an EU-wide FTT, several Member States have requested clarification, in particular as regards the scope of the new tax and its impact on the single market, as well as on how the revenues raised through the FTT should be used, i.e. whether the revenues will contribute to individual Member States' budgets, or to the EU budget (in the latter case in conjunction with a proportionate decrease in contributions from the gross national income).

All Member States may participate in the Council's discussions and vote on the authorization to proceed under enhanced cooperation. However, only Member States participating in the procedure can vote on the implementation of the FTT.

EU Tax Centre Comment

Although there is now, in principle, sufficient support for an FTT to be introduced in a limited number of EU Member States, the actual adoption of such a tax is still dependent on a number of factors, in particular the EU Commission's assessment of its impact on the internal market, and the required authorization from the Council. Although it has been suggested that the proposal will be based on the existing EU-wide FTT proposal, it is possible that the final version may differ, e.g. as regards its scope. It should be noted that our comments are of an indicative nature and are based on a webcast of the orientation debate held by the Council (ECOFIN) on October 9, 2012.

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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