

Enhanced cooperation in the area of financial transaction tax

2012/0298(APP) - 23/10/2012 - Legislative proposal

PURPOSE: to authorise enhanced cooperation in the area of financial transaction tax (FTT).

PROPOSED ACT: Council Decision

BACKGROUND: in 2011, the Commission took note of an ongoing debate on additional taxation of the financial sector. This debate originates from the desire to: (i) ensure that the financial sector fairly and substantially contributes to the costs of the crisis and that it is taxed in a fair way vis-à-vis other sectors for the future, (ii) disincentivise excessively risky activities by financial institutions, (iii) complement regulatory measures aimed at avoiding future crises and (iv) generate additional revenue for general budgets or specific policy purposes.

Against this background, the Commission adopted a [proposal for a Council Directive](#) on a common system of financial transaction tax and amending Directive 2008/7/EC. That proposal set out the essential features of such a common system for a broad based FTT in the EU that aims at achieving these objectives. It was conceived so as to minimise the risk of relocation. The European Parliament delivered its favourable opinion on 23 May 2012.

At the Council meetings of 22 June and 10 July 2012, it was ascertained that essential differences in opinion persist as regards the need to establish a common system of FTT at EU level and that the principle of harmonised tax on financial transactions will not receive unanimous support within the Council in the foreseeable future.

In these circumstances, **eleven Member States** (Belgium, Estonia, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) have addressed formal requests to the Commission by letters received between 28 September and 22 October 2012 indicating that they wish to establish enhanced cooperation between themselves in the area of the establishment of a common system of FTT and that the Commission should submit a proposal to the Council to that end.

This proposal for a Council Decision is the Commission's response to these requests for enhanced cooperation.

LEGAL BASIS: Article 329(1) of the Treaty on the Functioning of the European Union.

CONTENT: the proposal concerns the **authorisation of enhanced cooperation to Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia in the area of the establishment of a common system of financial transaction tax.**

The Commission considers that **all legal conditions set by the Treaties for enhanced cooperation are fulfilled** and that it is appropriate and timely to authorise enhanced cooperation.

The implementation of a common system of financial transaction tax amongst a sufficient number of Member States would entail **immediate tangible advantages**. The Commission states that:

- the position of the participating Member States in terms of relocation risks, tax revenues and efficiency of the financial market and avoidance of double taxation or non-taxation would be improved;
- other Member States' legislation and policy in the area would not be affected, whereas operators from such other Member States may also benefit from the reduced fragmentation of the internal market;
- through a regime along the lines of the original Commission proposal it would be possible to address evasive actions, distortions and transfers to other jurisdictions.

A proposal for specific measures implementing such enhanced cooperation – i.e., on substance, for a **Directive on a common system of FTT** – will be submitted in due course.