

Tax treatment: elimination of capital duty and other indirect taxes on the raising of capital (repeal. Directive 69/335/EEC). Recast

2006/0253(CNS) - 04/12/2006 - Legislative proposal

PURPOSE: to recast Council Directive 69/335/EEC concerning indirect taxes on the raising of capital.

PROPOSED ACT: Council Directive.

CONTENT: the purpose of the proposal is to simplify a very complicated piece of Community legislation, phase out capital duty which is recognised as a significant obstacle to the development of EU companies, and reinforce the prohibition on creating or levying of other similar taxes.

Since 1985, the trend has been towards an elimination of capital duty. In response to its detrimental economic effects, capital duty has been abolished by many Member States. The United Kingdom abolished its capital duty in 1988, Germany and France abolished theirs in 1992, Denmark abolished its in 1993 and Italy in 2000. Most recently, capital duty was abolished by Ireland from 7 December 2005, and by Belgium and the Netherlands from 1 January 2006. As a result, only 7 (Greece, Spain, Cyprus, Luxembourg, Austria, Poland, Portugal) of the 25 Member States continue to levy it. In Poland and Portugal, capital duty is levied already at a rate of 0,5% or less; and in Cyprus, the rate is 0,6%. In the remaining 4 Member States, the rate is 1,0%.

This recast proposes a limit of 0,5% on the rate by 2008, and a phasing out of capital duty by 2010 to fit with the Lisbon strategy.

The Directive regulates the levying of indirect taxes on the raising of capital. The recast Directive is divided into two parts, which reflects the situation to which the Directive actually applies and keeps in mind that the aim of the Directive, since the 1985 amendment, has been to abolish capital duty. The first part contains the main rules which prohibit the levying of capital duty and other similar taxes. The second part contains the special provisions on the levying of capital duty applying to those Member States which during the phasing out period opt to continue to charge capital duty. Once all Member States have abolished capital duty the provisions in the second part will become obsolete while the first part of the Directive will continue to apply.