EUROPEAN COMMISSION
DIRECTORATE-GENERAL
TAXATION AND CUSTOMS UNION

The Director-General

The history of the proposal on Financial Transaction Tax

The original proposal of 28 September 2011 …

In September 2011, the European Commission proposed a harmonised Financial Transaction Tax for the entire European Union (see (IP/11/1085).

- frequently asked questions (MEMO/11/640),
- the proposal itself (COM/2011/594 Search for available translations of the preceding link●●●),
- the impact assessment (SEC/2011/1102), its summary Search for available translations of the preceding link●●● (SEC/2011/1103) and the citizens' summary Search for available translations of the preceding link●●●
- a presentation Search for available translations of the preceding link●●● explaining the main characteristics of the proposal.

The objectives of the proposed FTT were:

- to prevent the fragmentation of the Single Market that could result from numerous uncoordinated national approaches to taxing financial transactions,
- to ensure that the financial sector made a fair and substantial contribution to public finances, and
- to discourage financial transactions which do not contribute to the efficiency of financial markets or of the real economy.

This initiative was also supposed to be a first tangible step for taxing such transactions at the global level.

The proposal was to harmonise the tax base and set minimum rates for all transactions on (secondary) financial markets, once at least one EU party (financial institution) was involved in this transaction. The minimum tax rates foreseen were 0.1% for the trading in shares and bonds, and 0.01% for derivative agreements such as options, futures, contracts for difference or interest rate swaps.

The proposal took a "triple A" approach, i.e. the tax should apply to all markets (such as regulated markets or over-the-counter transactions), all instruments (shares, bonds, derivatives etc.) and all actors (banks, shadow banks, asset managers, etc.). This would minimize potential distortions across different market segments and reduce the risk of tax-planning, substitution and relocation.

… and its fate

By mid-2012, EU Finance Ministers decided at ECOFIN that they could not reach unanimous agreement on the proposal for an EU-wide FTT in the foreseeable future. Nonetheless, a number of Member States expressed a strong willingness to go ahead with the FTT. The door was therefore open for a subgroup of Member States to engage in the procedure of "**enhanced cooperation**" on a common Financial Transaction Tax harmonised amongst themselves.

By end-September 2012, the Commission had received a request to this end from a group of 11 Member States. They asked to be allowed to introduce a common system of FTT based on the scope and objectives of the Commission's initial proposal. The Commission analysed this request to ensure its compatibility with EU law, also taking into account the interests of non-participating Member States.

On 23 October 2012 the Commission proposed to the Council to authorise the enhanced cooperation requested by these eleven Member States (see IP/12/1138). The European Parliament gave its consent on 12 December 2012 and the EU Council adopted a decision authorising eleven Member States to go ahead with the requested enhanced cooperation on 22 January 2013 (see Council press release Search for available translations of the preceding link●●●) (available only in English).

Preparatory work in 2010

On 7 October 2010 the Commission published a communication (COM/2010/549 Search for available translations of the preceding link●●●) setting out ideas for the future taxation of the financial sector. This was followed on 22 February 2011 by the launch of a public consultation on the taxation of the financial sector, aimed to receive as wide as possible feedback on the ideas set out in the Communication. The results of the consultation are available on the website.

In parallel, the Commission has explored ways to introduce a financial transaction tax at global level since 2009 with its international partners in the G20 (Pittsburgh, Toronto) and will continue to do so.

Is the FTT as proposed in compliance with international taxation and European law?

In the meantime, the UK has challenged the legality of the decision of 22 January 2013 of the Council to authorise enhanced cooperation on a common framework of FTT and the scope and objectives of the initial commission proposal (see Case C-209/13 UK v Council Search for available translations of the preceding link●●●) claiming that the Council decision authorised legislation has illegal extra-territorial effects, and is not respecting the rights of non-participating Member States. This legal challenge has, however, no suspending effect.

The Commission and several participating Member States rebutted the claims that the harmonised FTT framework as proposed by the Commission would contain provisions with illegal extraterritorial effects or not respect the rights of non-participating Member States.

- Speech Search for available translations of the preceding link●●● (*reply/intervention*) by the EU Commission's Director for indirect taxation, M. Bergmann at a conference in Paris (23 January 2014)
- The legality of the "counter-party principle" and the FTT proposal as such – *a technical note*

Related information

More on the Financial Transaction Tax