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## REPORT

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From:	Presidency
To:	Council
No. prev. doc.:	16120/1/14 FISC 218 ECOFIN 1108
No. Cion doc.:	6442/13 FISC 28 ECOFIN 112 - COM(2013) 71 final
Subject:	Proposal for a Council Directive implementing enhanced cooperation in the area of Financial Transaction Tax - State of play

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1. Delegations will find in the Annex a Presidency report on the state of play relating to the abovementioned proposal to be presented to the Council on 9 December 2014.
2. The report takes account of comments received from delegations and was presented at the Committee of Permanent Representatives of 3 December 2014.

## PRESIDENCY REPORT

### I. INTRODUCTION

1. The purpose of this report is to present a state of play, at the end of the Italian Presidency, on progress made on the Draft Directive on a common system of financial transaction tax (FTT) with a view to its adoption in the framework of enhanced cooperation and to share the Presidency's views on the possible further handling of this file in the Council.

### II. PROGRESS MADE

2. Given the importance that both participating and non-participating Member States attach to the project of introducing FTT in the participating Member States<sup>1</sup> in a harmonized way, the Italian Presidency has continuously maintained this file high on its agenda and conducted work within the Council in a transparent manner.
3. Technical work under the Italian Presidency was guided by the Joint Statement of Ministers of ten participating Member States released at the ECOFIN Council Meeting of 6 May 2014, and which focused on the following substantial points:
  - a) those participating Member States would aim at creating a harmonised taxation regime to tax financial transactions, work with non-participating Member States and finalize viable solutions;
  - b) FTT should be implemented progressively, taxation of transactions in shares and some of the derivatives being the first step, while other steps are to be taken when economic impact is duly considered;
  - c) Member States that would like to impose taxation for other products that are not included from the beginning of a progressive implementation, in order to maintain existing taxes, they would be allowed to do so.

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<sup>1</sup> So far, eleven EU Member States participate in this enhanced cooperation: BE, DE, EE, ES, FR, EL, IT, AT, PT, SI and SK.

4. The Working Party on Indirect Taxation has met three times (15 July, 7 October and 2 December 2014) to further examine the Commission proposal and discuss possible solutions to the open issues.
5. Following consultations with the delegations of Member States, the Italian Presidency concentrated its efforts at the following issues that were extensively covered at the meetings of the Working Party on Indirect taxation:
  - a) defining the scope of the transactions (categories of financial products) that would fall under FTT at the first phase;
  - b) seeking an agreement on the basic principle (or principles) of taxation that would apply for the whole structure of the FTT; and
  - c) analysis of the collection methods of FTT, outlined in the report prepared for the European Commission.
6. The Presidency submitted a report to the ECOFIN Council of 7 November<sup>2</sup>, where it outlined in detail the key open issues that needed to be resolved in order to make progress towards a compromise.
7. Progress made on the FTT has also been reflected in the ECOFIN report to the European Council on 18/19 December 2014<sup>3</sup>.

### **III. THE WAY FORWARD**

8. The Presidency is of the view that the importance of the FTT project remains evident and that further discussions should continue to be driven towards reaching an overall compromise on the FTT. This would be an unprecedented positive step by a group of eleven EU Member States, committed towards a common goal in that area.

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<sup>2</sup> Doc. 14949/14 FISC 181 ECOFIN 1001.

<sup>3</sup> Doc. 16034/14 FISC 214 ECOFIN 1100.

9. As far as further work is concerned, the Presidency considers that the following elements should be taken into consideration:

- Regarding the scope of the FTT, while progress has been made towards convergence of views of the Member States on the scope of the FTT for transactions in shares, the scope of the FTT for derivatives as well as the taxation principles for both transactions in shares and derivatives remain key outstanding issues. Concerning transactions in shares, the Presidency has worked on the categories of financial products to fall within the definition of shares. Participating Member States highlighted the opportunity that transactions in shares of publically listed companies will be covered by the FTT.

A solution has been proposed with regard to transactions in non listed shares in order to address the concerns of some Member States about their taxation and to allow the other Member States to tax them within the framework of the Directive<sup>4</sup>.

- Some further work is required on the scope of transactions in financial derivatives. The Presidency has focused its work on identifying the categories of derivatives subject to FTT in the first stage. Although a compromise has not been found yet, better understanding of some critical issues has been achieved<sup>5</sup>.

- With regard to taxation principles underlying the future FTT (residence and/or issuance principles), further reflections on their application will be necessary<sup>6</sup>.

- Future work on the FTT compromise text will also have to cover particular aspects of a possible collection mechanism of the FTT.

10. Although further work will be required, in particular on the issues mentioned above, participating Member States have continuously confirmed their agreement on the need to proceed with a progressive implementation of the FTT. This would allow them, before broadening the scope of the FTT, to assess the real economic impact of this tax on the markets.

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<sup>4</sup> See doc. 14949/14 FISC 181 ECOFIN 1001, point 11.

<sup>5</sup> See doc. 14949/14 FISC 181 ECOFIN 1001, points 13 to 17.

<sup>6</sup> See doc. 14949/14 FISC 181 ECOFIN 1001, points 18 to 23.

11. The Presidency takes the view that a solid basis for further progress towards an early adoption of an FTT has been elaborated and encourages the incoming Presidency to pursue work in a transparent and inclusive manner, while giving the file political attention, as appropriate, in order to facilitate the participating Member States to reach an agreement on taxation of the financial transactions within the expected deadlines.
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