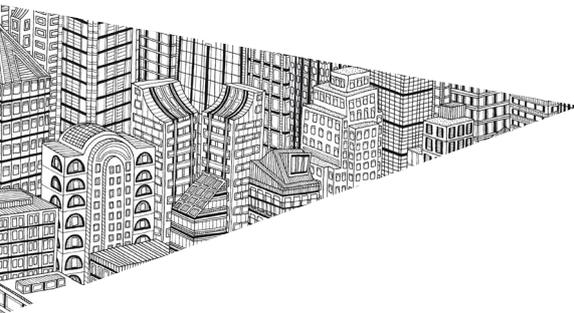


30 May 2013

FTT Alert



EU financial transaction tax - latest developments

It is being reported today that a major scaling back of the proposed EU financial transaction tax (EU FTT) is being proposed. While there have been no official pronouncements, there appears to be speculation that the EU FTT may apply from 2014 to equities only (and not to derivatives and debt instruments as currently proposed).

In addition, reports suggest that the rate at which the tax applies may be considerably lower than is currently proposed, with expected revenues reduced to a tenth of earlier estimates. The tax could then be extended to bonds up to two years later, and derivatives some time after that, if at all.

While the news is speculative at this stage, this suggests that policymakers have revised their expectations in view of the barrage of criticisms against the tax.

Considerable challenges are expected to remain. In particular, it may be optimistic to expect that financial markets participants will be able to adjust their systems in time to accommodate a 2014 start date, even for a "slimmed down" EU FTT that bites on equities only. Additionally, it is not at all clear that changes such as these would fully address concerns that have been raised about the practical enforceability of the tax outside the 11 participating Member States.

More information

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