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Europe moves toward financial transactions tax

By Editor Test *Thu, Jan 24, 2013*

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A month after a majority of multi-employer pensions gave 11 members of the European Union their blessing to introduce a "Tobin tax," EU finance ministers have given those member states the green light to implement the controversial Financial Transaction Tax (FTT), according to IPE.com.

In September 2011, the European Commission issued a proposal for the introduction of a directive containing an FTT of 10 basis points (0.1%)for bond and equity transactions and one basis point (0.01%) for derivatives transactions.

While France and Germany, which had originally pushed for the tax, received support from Belgium, Austria, Slovenia, Portugal and Greece, additional member states' approval had been needed in order to employ 'enhanced cooperation'.

In October 2012, Italy, Spain, Estonia and Slovakia pledged support for the tax, bringing the number of member states backing the FTT to 11, higher than the minimum of nine countries required under Commission rules to trigger enhanced cooperation.

"It is a milestone for EU tax policy, as it paves the way for more ambitious member states to progress on a tax file, even when unanimity could not be achieved," said Algirdas Šemeta, European commissioner for taxation and customs union, audit and anti-fraud.

"Those who want to move ahead, and who appreciate the merits of working more closely on taxation at EU-level, can do so."

According to Šemeta, the FTT will be applied regionally by a group of countries representing approximately two-thirds of European GDP.

Under enhanced cooperation, other European member states wishing to implement the tax will be able to do so at any time.

In April last year, a resolution passed by the EU Economic and Monetary Affairs Committee (EMAC) sought to exempt pension funds from the FTT. After a number of MEPs requested various exemptions, the final resolution included a provision waiving the tax on transactions carried out by pension funds.

Last October, the Dutch pensions industry welcomed the new government's plan to introduce the FTT with an exemption for pensions funds. Harmen Geers, spokesman at APG, the asset manager for civil service scheme ABP, told IPE at the time that APG had emphasised that pension funds should not fall victim to measures meant to curb commercial players and risk seekers.

Geers also pointed out that APG needed to trade derivatives to hedge against risks and protect pension assets. “We are not pursuing maximum profits but stable returns for our clients,” he said.