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**NOTE**

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From: German delegation  
To: Delegations  
Subject: Council Directive implementing enhanced cooperation in the area of  
financial transaction tax  
*- Policy debate/progress report*

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Delegations will find in the annex a progress report on the EU financial transaction tax.

It was submitted to the chair of the German delegation in connection with the corresponding item on the agenda for the Ecofin meeting on 14 June 2019, to be prepared in Coreper on 12 June 2019.

## **State of play of the financial transaction tax**

A tax on the financial sector has been under discussion at European level for many years. As far back as 2011, the European Commission proposed a harmonised financial transaction tax (FTT) for the EU Member States. Since the proposal did not secure a majority at EU level, from 2013, deliberations on the introduction of an FTT continued in the framework of enhanced cooperation with Austria, Belgium, Estonia (until December 2015), France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. In that context, the European Commission put forward an (almost identical) proposal for a Directive for the Member States participating in the enhanced cooperation.

Following the lack of a breakthrough in the negotiations on the FTT over a number of years, Germany and France decided at their meeting in Meseberg on 19 June 2018 to inject new momentum into the stalled negotiations and set themselves the objective of successfully concluding the negotiations at EU level. Their aim is now to press ahead and conclude work on the tax swiftly. The FTT in place in France, which is mainly aimed at the taxing of transactions involving domestically issued shares, should serve as an example. The revenue generated could be used to finance European expenditure.

In January 2019 Germany and France fleshed out their plans and presented a joint position paper:

It proposes that a French-style FTT be levied on the acquisition of shares of listed companies whose head office is in a Member State of the European Union and whose market capitalisation exceeds EUR 1 billion on 1 December of the preceding year. The tax should be levied on the transfer of ownership when shares of listed public limited companies are acquired. Initial public offerings, market making and intraday trading should not be taxable. The tax rate should be no less than 0.2 per cent. The revenue should flow into the EU budget or the still-to-be-created euro area budget. Revenue levied nationally should be distributed among the Member States according to a distribution mechanism to be further defined.

On 11 March 2019 the finance ministers of the states participating in enhanced cooperation in this area met in the margins of the Ecofin meeting. There is consensus among the ministers that the FTT should continue to be negotiated according to the Franco-German proposal. There is also agreement that the revenue generated should be distributed by way of a compensation mechanism among those states wishing to introduce the tax. Discussions are still ongoing as to what specific form this should take. The topic should be discussed promptly in Ecofin in order to present the thoughts of the group of states participating in the enhanced cooperation to all Member States.