Financial transaction tax: Council agrees to enhanced cooperation

The Council today\(^1\) adopted a decision authorising 11 member states to proceed with the introduction of a financial transaction tax (FTT) through "enhanced cooperation" (\(16977/12\)).

The 11 countries are Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia.

The Commission will now make a proposal defining the substance of the enhanced cooperation, which will have to be adopted by unanimous agreement of the participating member states.

Discussions on a 2011 proposal aimed at introducing an FTT throughout the EU\(^2\) received insufficient support within the Council. That proposal involved a harmonised minimum 0.1% tax rate for transactions in all types of financial instruments except derivatives (0.01% rate). The aim was for the financial industry to make a fair contribution to tax revenues, whilst also creating a disincentive for transactions that do not enhance the efficiency of financial markets.

In September and October 2011, the 11 member states wrote to the Commission requesting a proposal for enhanced cooperation, specifying that the scope and objective of the FTT be based on that of the 2011 proposal.

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\(^1\) The decision was taken, by qualified majority, at a meeting of the Economic and Financial Affairs Council. The Czech Republic, Luxembourg, Malta and the United Kingdom abstained.

\(^2\) 14942/11
It is only the third time that an enhanced cooperation has been launched\(^1\) to allow a limited number of member states to proceed with a particular measure, and the first time in the area of taxation.

Requirements for enhanced cooperation are laid down in article 20 of the Treaty on European Union and articles 326 to 334 of the Treaty on the Functioning of the European Union. In particular, it must be established that the objectives cannot be attained within a reasonable period by the EU as a whole. At least nine member states must participate, and the cooperation must remain open for any others that wish to join.

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\(^1\) On the basis of article 329(1) of the Treaty on the Functioning of the European Union.