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## *Hot topics treasury seminar*

Beheerst nieuwe regelgeving  
ook uw agenda?  
13 juni 2013



**pwc**

## EU FTT – What will happen?

**A.**



**B.**

**FTT NOW!**

**EUR 35 billion** tax revenues

**C.**



**D.**

**FTT is a fact,  
but stamp duty type more likely**

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## ***Contents***

- Recent press coverage
- The EU FTT – Where do we stand?
- The EU directive
- EU FTT impact
- Initial conclusions
- Next steps
- Questions?

## Recent press coverage



It is very plausible that certain kinds of FTTs could work. I am lending some credibility to that. This money could be well spent and make a difference.

**“U.S. Slams EU's Tax-on-Trades Plan”**

Wall Street Journal

**Europe's financial transactions-tax: 'Bin it'**

DNBulletin

**Financiële transactietaks in EU onwenselijk**

**EU komt waarschijnlijk met afgezwakt voorstel transactietaks**



**The Economist**

**“very harmful effect”**



EU Tax Chief: UK Won't Stop Financial Transaction Tax

**De Telegraaf**

**Dijsselbloem blijft vechten voor financiële transactietaks**

**THE WALL STREET JOURNAL**

Eleven EU nations get go-ahead on 'Robin Hood' finance tax

**THE STRAITS TIMES**



**Europe's financial transactions tax could hit UK growth**

**“Tobin tax' push causes dismay”**

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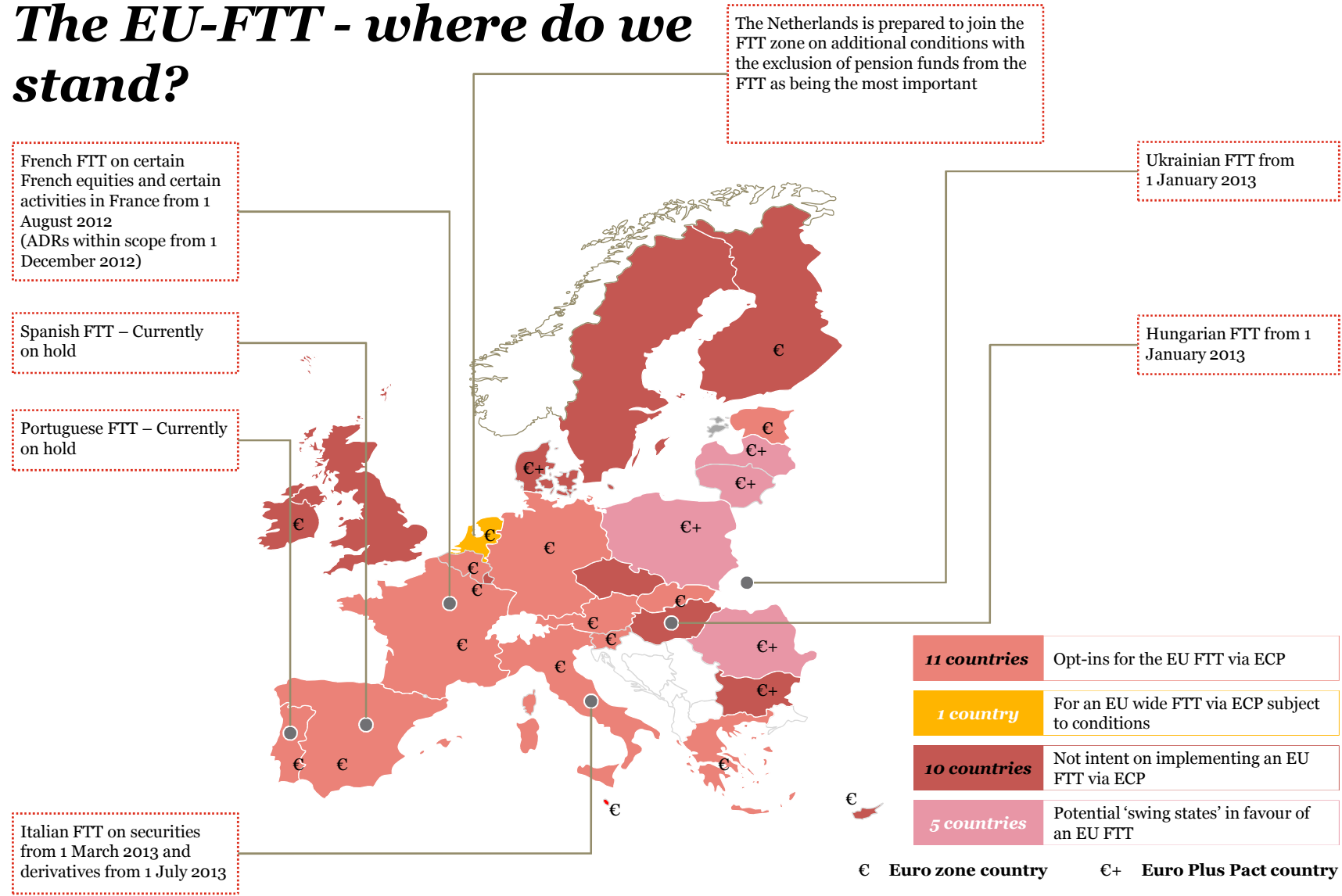
**Telegraph**

**A Financial Transaction Tax would damage more than just Europe's banks**

**CITYA.M.**

13 juni 2013

# The EU-FTT - where do we stand?



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## ***The EU FTT directive***

*“My organization is not located within the FTT zone, so I will not be charged”*

*I’m a corporate and not a financial institution, so lucky me”*

*“Look at the tax percentages (0,1% / 0,01%) - that will hardly have an impact”*

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## ***The EU FTT directive***

### General overview

The EU Financial Transaction Tax is an EU Directive that aims to raise tax on transactions in financial instruments.

The Directive applies to:

‘...all ***financial transactions***, on the condition that

at least one party to the transaction is ***established*** in the territory of a ***participating Member State*** and that

a ***financial institution established*** in the territory of a ***participating Member State*** is party to the transaction, acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction’

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## ***The EU FTT directive***

### Financial institution

Entities (amongst others) qualify as a financial institution if it carries:

“out one or more of the following activities, in case the annual value of its financial transactions constitutes more than fifty percent of its overall net annual turn over, as referred to in Article 28 of Council Directive 78/660/EEC:

- (i) Activities referred to in points 1,2,3 and 6, of Annex I to Directive 2006/48/EC;
- (ii) Trading for own account or for account or in the name of customers with respect to any financial instrument;
- (iii) Acquisition of holdings in undertakings;
- (iv) Participation in or assurance of financial instruments;
- (v) The provision of services related to activities referred to in point (iv);”

**So where treasury operations are separated in a legal entity,  
such legal entity will likely qualify as a financial institution**



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## ***The EU FTT directive***

### Financial institution

#### ***Net turnover is defined in Article 28 Directive 78/660/EEC as:***

*“The net turnover shall comprise the amounts derived from the sale of products and the provision of services falling within the company's ordinary activities, after deduction of sales rebates and of value added tax and other taxes directly linked to the turnover.”*

#### ***The average is further defined in the FTT Directive as:***

*“the average annual value referred to in that point shall be calculated either over the three preceding calendar years or, in the case of a shorter period of previous activity, over that shorter period.”*

*“where the average annual value of financial transactions in two consecutive calendar years does not exceed fifty per cent of the overall average net annual turnover,..., the undertaking, ... shall be entitled, upon request, to be considered as not being or no longer being a financial institution.”*

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## ***The EU FTT directive***

Financial transaction/instrument

### ***Financial transactions include:***

- Purchase, sale or exchange of a financial instrument, i.e.
  - Transferable securities (including equity and debt securities)
  - Money market instruments
  - Fund units
  - Structured products
- The conclusion of derivative contracts
- Repo agreements and stock lending agreements

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## ***The EU FTT directive***

### Rates

- Sales and purchases of shares and bonds would be taxed at **0.1%** on the purchase price.
- Derivative contracts would be taxed at **0.01%** on the notional amount of the derivative.

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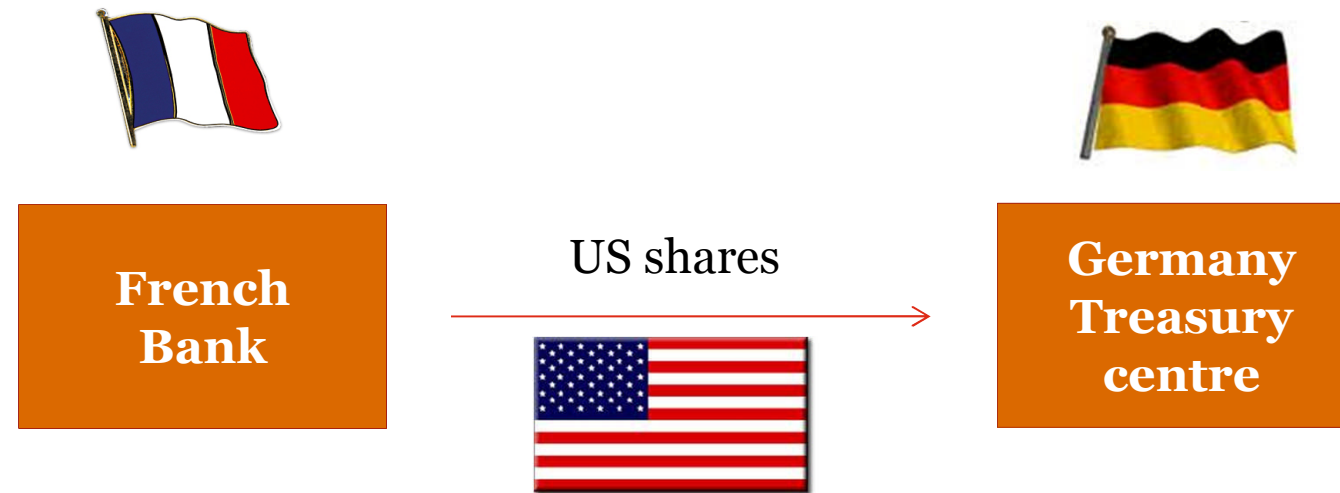
## ***The EU FTT directive***

Established in a participating member state

- Residence principle
- Issuance principle

## ***The EU FTT directive***

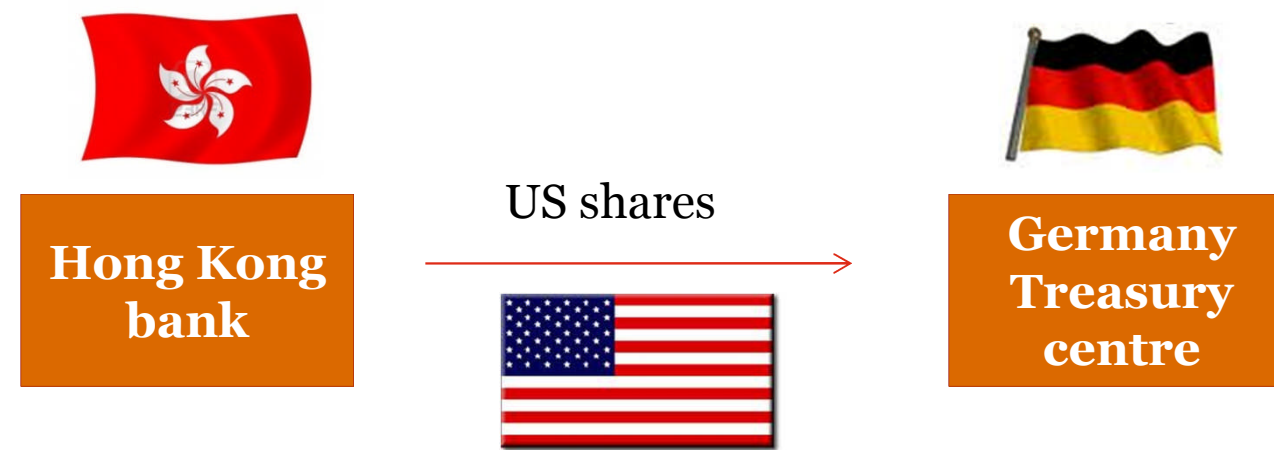
### Residence principle (i)



- Two financial institutions physically established in FTT zone
- Purchase- and sale of financial instrument (shares)
- Both parties are FTT due

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***The EU FTT directive***  
Residence principle (ii)

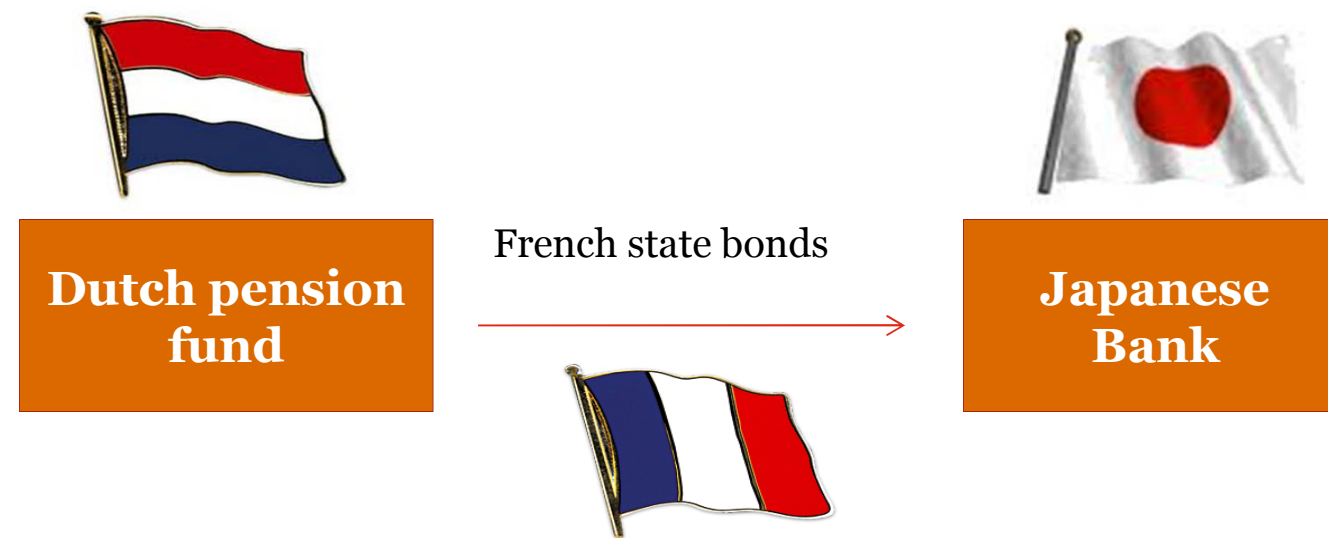


- Hong Kong bank “deemed” established in FTT zone
- Purchase- and sale of financial instrument (shares)
- Both parties are FTT due

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## *The EU FTT directive*

### Issuance principle



- French state bonds issued in FTT zone
- Purchase- and sale of financial instrument
- Both parties are FTT due

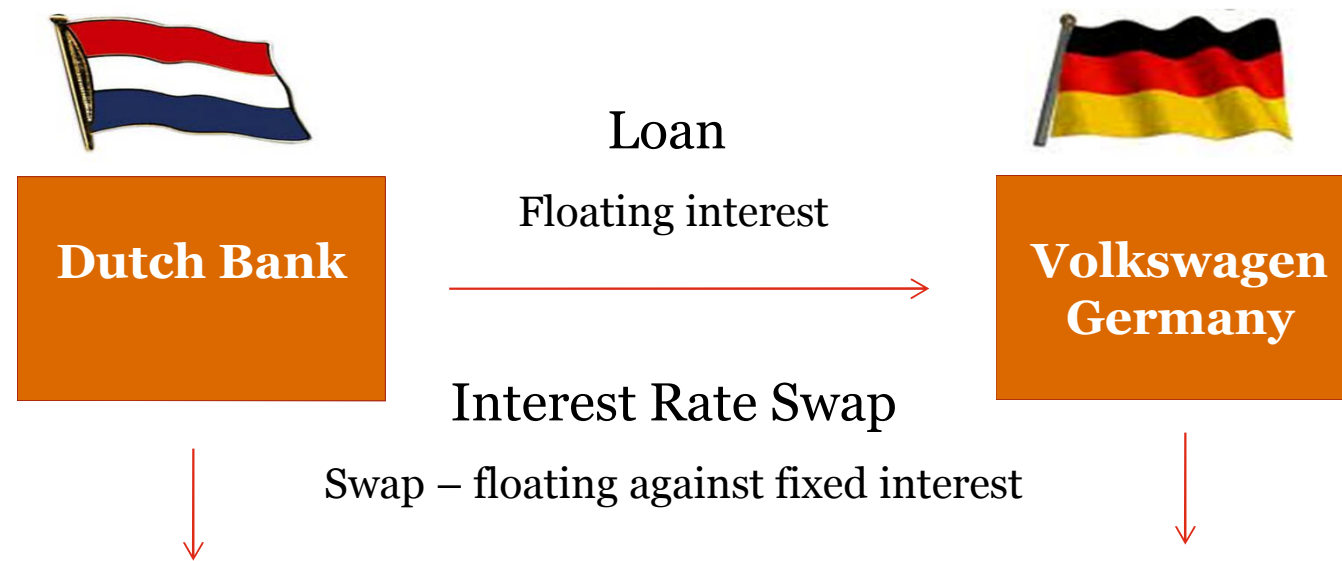
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## ***EU FTT Impact***

- Products
- Counterparty
- Structure (of financial institution)
- Cascading

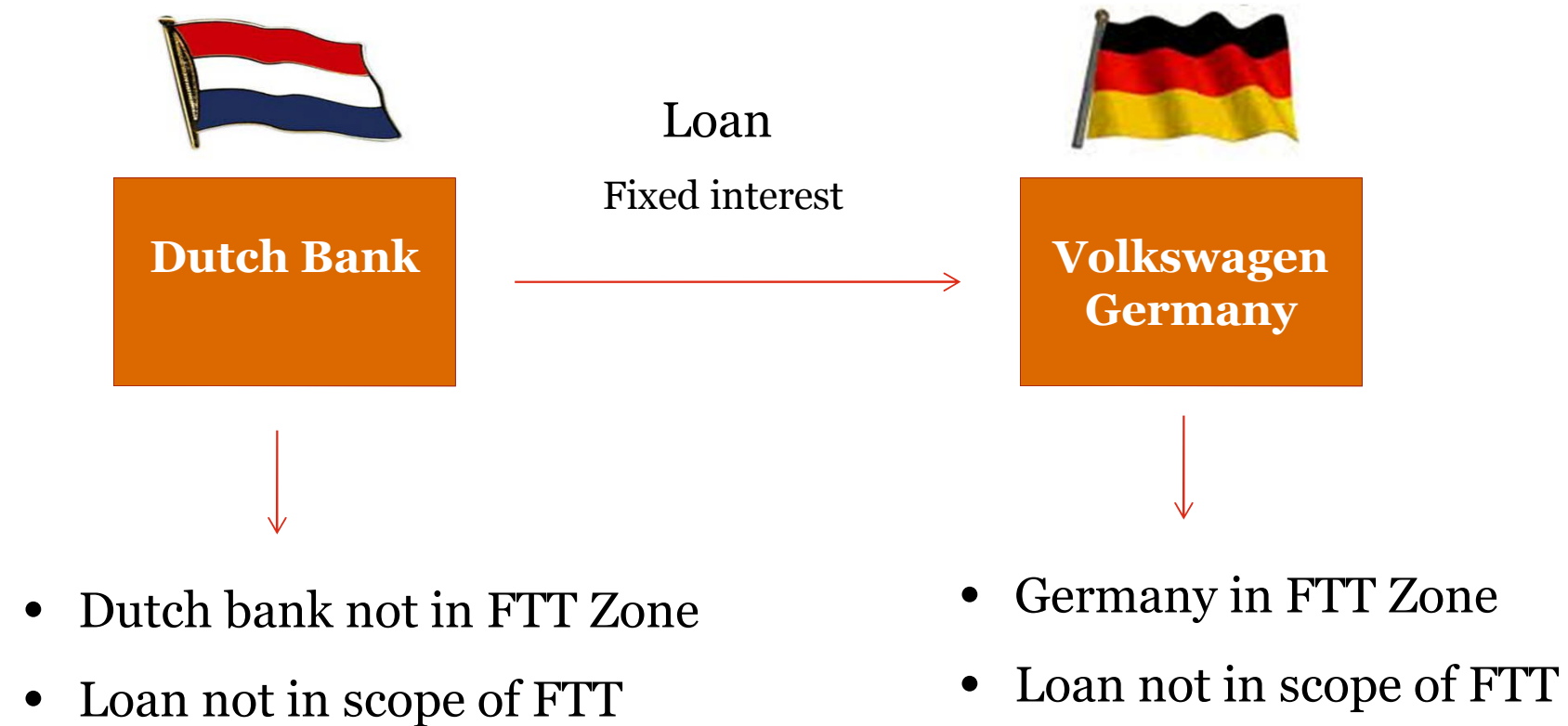


## *FTT Impact – products*



- Dutch bank established in Germany (art. 4-1-f)
- Loan: Not in scope of FTT
- Swap: German FTT
- No financial institution
- No FTT due (would be the case if German bank would a party to the transaction)

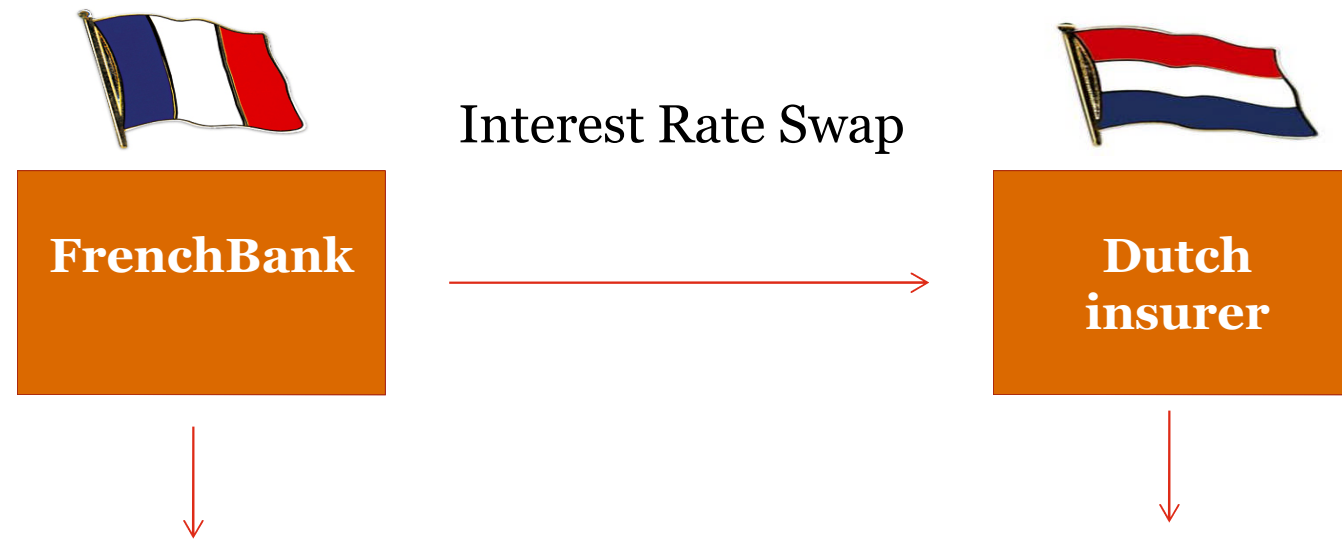
## ***FTT Impact – products***



Different design of product –> Dutch bank is no FTT due. Hence, anti-abuse rule

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## ***FTT Impact – counterparty***

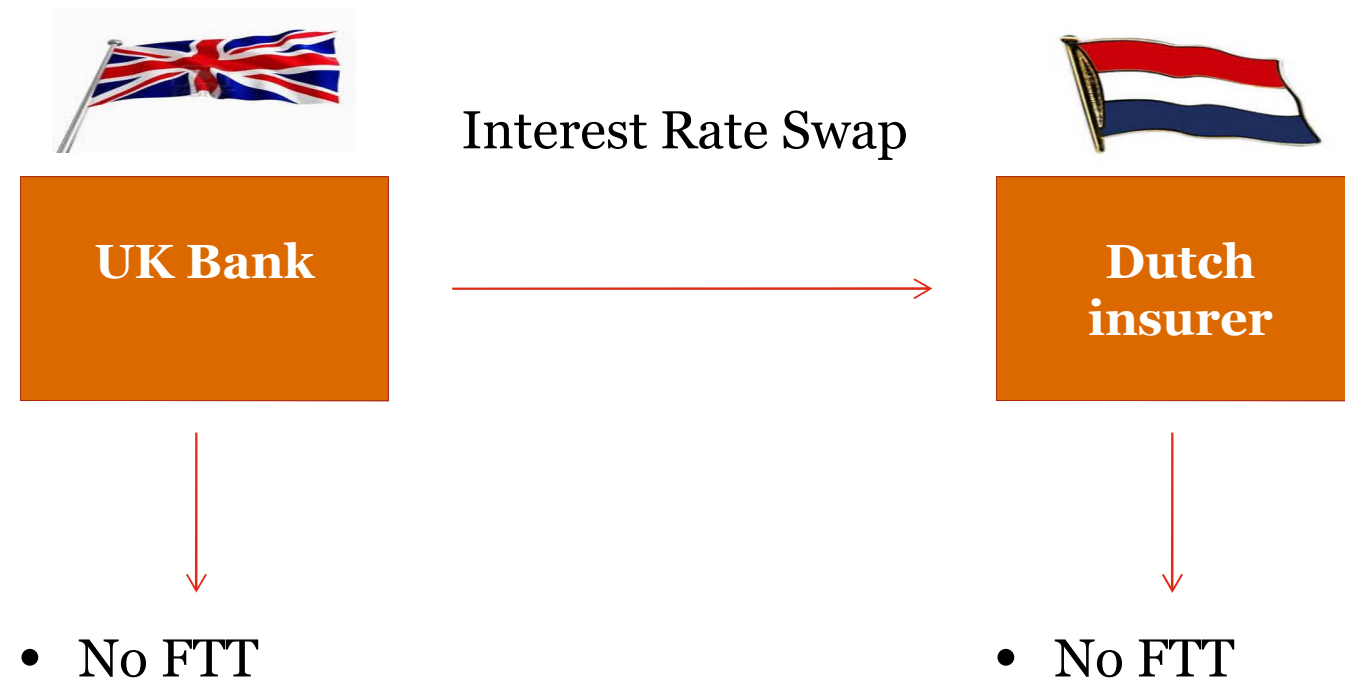


- FTT due

- Dutch insurer established in France
- FTT due

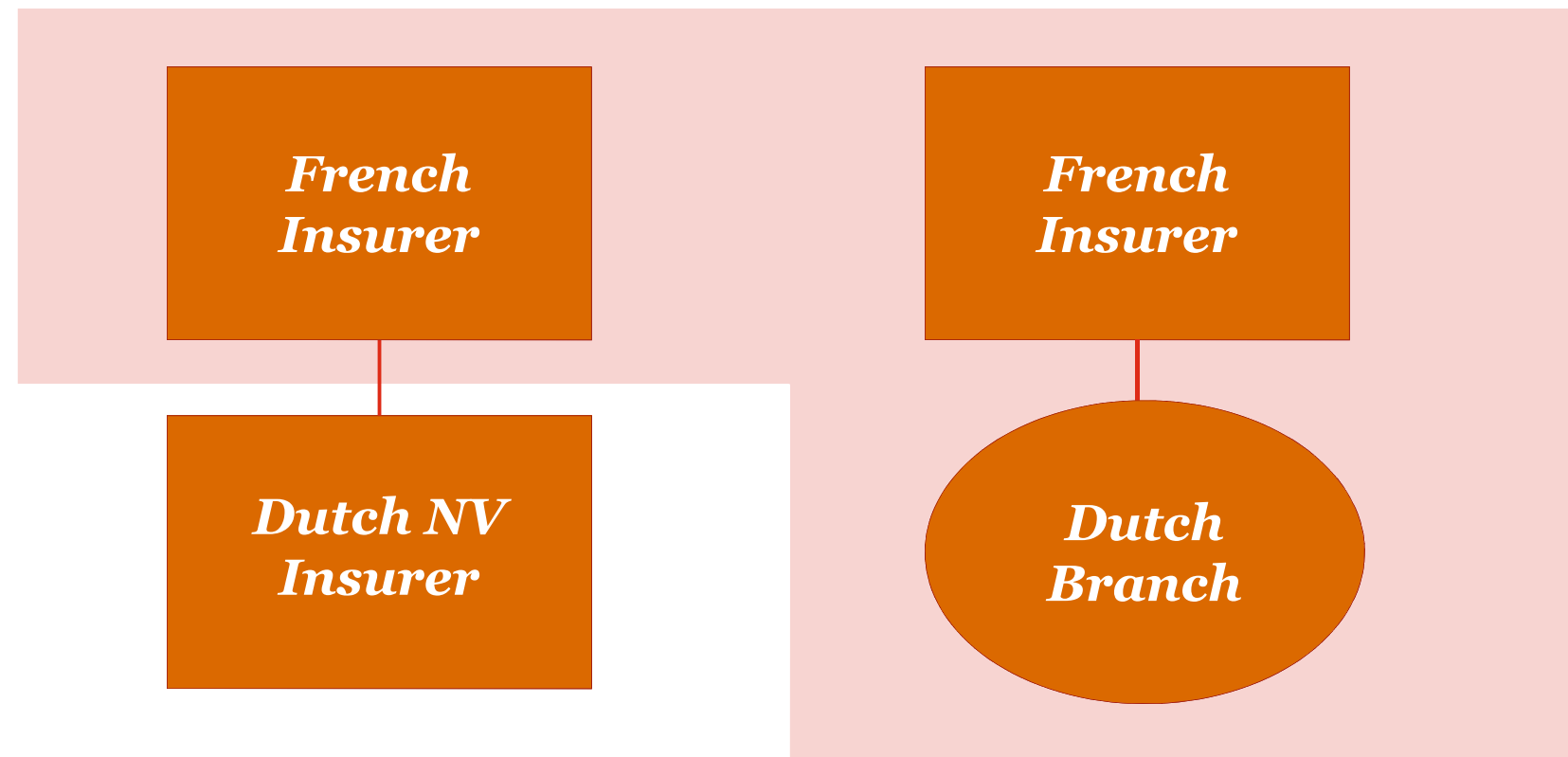
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## ***FTT Impact – counterparty***



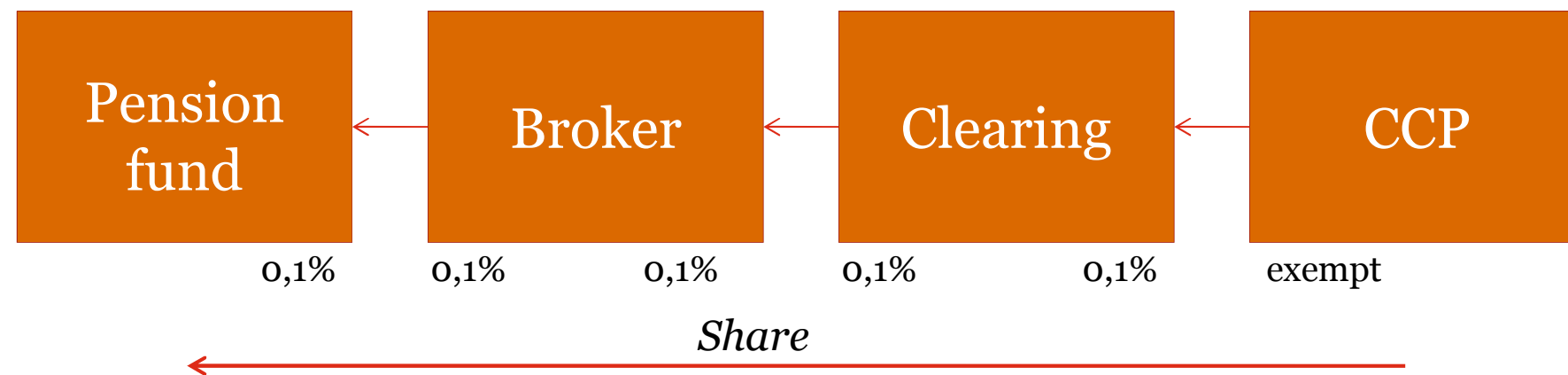
*By acting with UK instead of French bank no FTT due*

## ***FTT Impact – structure***



*For Dutch NV insurer only financial transaction in FTT zone are in scope*

## ***FTT Impact – cascading***

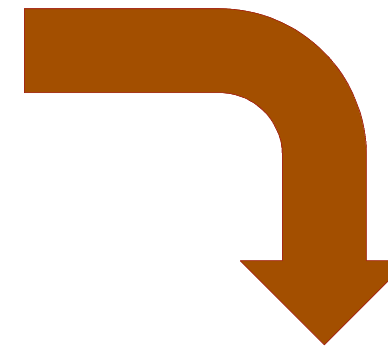


***Multiple times FTT, unless financial institution acts in the name or for the account of another financial institution???***

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## ***Initial conclusions***

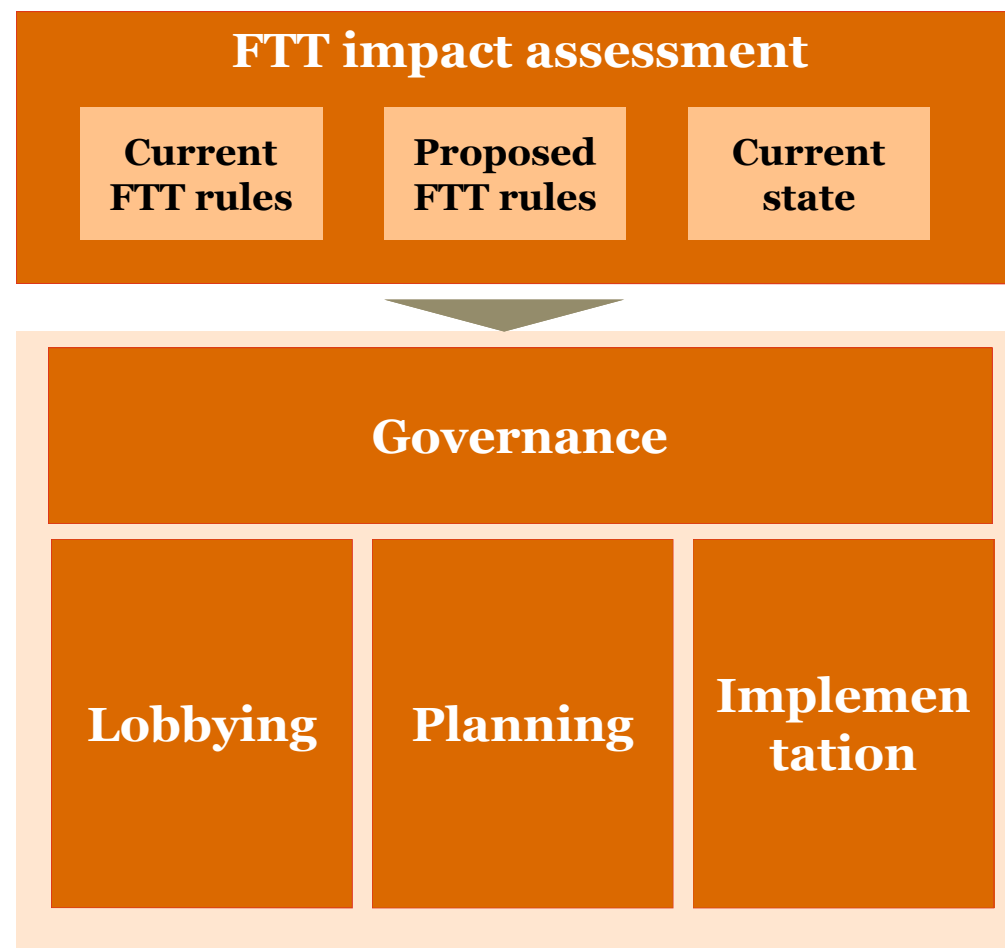
- Scope FTT is wide
- Much uncertainty
- FTT depends on shape transaction
- FTT depends on establishment FIs



- Exacts costs FTT difficult to estimate
- Costs FTT can be significant
- Prevent FTT by reallocation operations
- Prevent TFF by restructuring transactions

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## *Next steps*



## **Main actions**

1. Impact assessment
2. Lobby



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# Questions?



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