

Netherlands Addresses Participation In EU FTT

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In a February 18 letter¹ to the Dutch parliament, Minister of Finance Jeroen Dijsselbloem said that the Netherlands would participate in a harmonized financial transaction tax (FTT) system only if pension funds are excluded from the FTT, measures are taken to prevent a disproportionate accumulation of FTT and banking tax, and the proceeds of the FTT flow back to the member states.

The European Commission adopted a revised draft directive for an FTT on February 14. (See p. 721 of this issue.) (Prior coverage). Under the enhanced cooperation procedure, the draft directive requires the consent of the European Parliament and the unanimous agreement among the 11 EU member states that constitute the FTT zone² (the Netherlands is not among the states). If the consent and agreement are obtained, the FTT would come into force on January 1, 2014.

Like the original proposal, the February 14 proposal would exempt some transactions and entities from the

FTT. However, pension funds would not be excluded from the scope of the tax. Thus, the current proposal is not acceptable to the Netherlands.

In a nonbinding explanatory note on the impact the FTT would have on pension funds, the European Commission acknowledged that the importance of (private) pension funds varies greatly across the European Union and that they are most significant to the Netherlands. In the Netherlands, pension funds represent 135 percent of GDP, or about €850 billion (2010 figure). However, in some FTT zone states — such as Germany, Austria, Italy, Belgium, Slovenia, France, and Greece — the accumulated assets of such funds are less than 5 percent of GDP. It is logical that these states would be less concerned with the FTT's applicability to pension funds.

Dijsselbloem said that the Netherlands will continue to call attention to the Dutch “wish list” during upcoming discussions of the new proposal. If the European Commission and the participating member states are open to amending the proposal to take into account Dutch concerns, the Netherlands could join the FTT zone later, he said. ◆

¹Reference AFP/2013/61.

²These are Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia, and Spain.

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