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SVAR PÅ UDVALGSSPØRGSMÅL

Skatter på finansielle transaktioner

Til underretning for Folketingets Europaudvalg vedlægges Finansministeriets besvarelse af spørgsmål nr. 1-3 ad SEK (2010) 0409 - alm. del - af den 1. september 2010 vedrørende skatter på finansielle transaktioner.

Lene Espersen

Folketingets Europaudvalg
Christiansborg

Finansministeren

13. september 2010

Svar på Europaudvalgets spørgsmål nr. 1 af 1. september 2010
vedr. SEK (2010) 0409 - alm. del - stillet efter ønske fra Morten
Bødskov (S).

Spørgsmål:

Ministeren bedes – i forlængelse af mødet i Europaudvalget den 30. august 2010 – fremsende en beskrivelse af de forskellige eksempler på skat på finansielle transaktioner, der er på europæisk plan, samt en beskrivelse af hvilke modeller, der pt. drøftes på EU-plan. Ministeren bedes desuden bekræfte, at regeringen ikke vil modarbejde, at EU udarbejder en model for skat på finansielle transaktioner til brug for G20-mødet i Sydkorea.

Svar:

Det bemærkes, at regeringen ikke besidder et komplet og systematisk overblik over anvendelsen af skatter på finansielle transaktioner i andre europæiske lande. Med udgangspunkt i oplysninger fra Kommissionen kan følgende eksempler nævnes:

UK har siden 1986 haft en såkaldt ”stamp duty reserve tax” på aktuelt 0,5 %, som reelt er en transaktionsskat opkrævet ved handler med aktier for virksomheder hjemmehørende i UK, uanset hvor sælger og køber er hjemmehørende. Skatten beregnes af værdien af den underliggende aktie. Skatten giver et provenu på typisk ca. 0,2-0,3 pct. af BNP per år. Skatten opkræves centralt via det system, hvor hovedparten af handlerne med de omfattede aktier afvikles. Kravet om registrering i UK af ejerskabet til de pågældende aktier, der er en forudsætning for at kunne udøve sine aktionærrettigheder, skulle gøre det vanskeligere at omgå skatten ved f.eks. at flytte handelen med virksomhedens aktier til udlandet. UK’s regering har imidlertid givet udtryk for, at skatten unddrages i betydeligt omfang. Mange virksomheder i UK benytter sig desuden af en praksis, hvor et antal af virksomhedens aktier deponeres i en bank i USA, som herefter på det amerikanske marked kan sælge og handle med depotbeviser, svarende til de underliggende UK-aktier, uden at betale skatten. Denne praksis er imidlertid en lovlig omgåelse af skatten, og der betales i stedet en engangsafgift på 1,5 % til UK ved deponeringen. Der er desuden en undtagelse fra skatten for udenlandske kollektive investeringsfonde, der er noteret i UK, når disse handler med UK-aktier.

Schweiz opkræver en skat på bankers (og andre mægleres) handel med værdipapirer. Schweiziske virksomheder, der ejer skattepligtige værdipapirer til en bogført værdi på mere end 10 mio. CHF (svarende til ca. 58 mio. DKK), defineres ligeledes som en mægler og er omfattet af skatten. Satsen er 0,15 % for indenlandske værdipapirer og 0,30 % for udenlandske værdipapirer. Skatten beregnes af købssummen, eller alternativt af værdipapirets markedsværdi. Skatten opkræves hos mægleren, men fordeles formelt ligeligt mellem de to parter i handelen. Det gælder også, hvis mægleren alene er mellemmand mellem to parter, således at skatten fordeles ligeligt mellem de to reelle parter i handelen. Hvis handlen finder sted på en børs uden for Schweiz, og modparten ikke er en schweizisk mægler, opkræves ikke den halvdel af skatten, der påhviler modparten. Visse værdipapirer er undtaget fra skatten, herunder bl.a. obligationer i andre valutaer end schweizerfranc samt såkaldte Eurobonds. En række transaktioner er undtaget skatten, herunder handel med optioner på køb af aktier, handel med udenlandske pengemarkedsinstrumenter samt handel med udenlandske udstedte obligationer, hvor den schweiziske mægler alene formidler handelen mellem to udenlandske modparter. Provenu fra skatten udgjorde i 2007 ca. 0,4 pct. af BNP. Kommissionen har ikke angivet oplysninger om omfanget af eventuel omgåelse af den pågældende skat.

Sverige havde i perioden fra 1984 til 1991 en skat på finansielle transaktioner. Fra 1984 blev al handel med aktier og aktieoptioner i Sverige således omfattet af en skat på 1 % fordelt ligeligt på køber og sælger. Fra 1986 blev skattesatsen hævet til det dobbelte. Fra 1989 blev også handel med obligationer o.l. omfattet af en transaktionsskat, men kun på 0,002 % for de korteste løbetider og 0,03 % på de længste løbetider. Skatten på obligationer blev afskaffet i 1990 og satsen for de resterende transaktionsskatter blev halveret pr. 1. januar 1991 og helt afskaffet ved udgangen af 1991. Ifølge det oplyste var afskaffelsen begrundet i, at skatten medførte flytning af finansielle transaktioner til udlandet og betydelige dyk i kurser og handelsvolumen på de pågældende instrumenter, selvom der var tale om begrænsede skattesatser.

Der henvises desuden til vedlagte bilag udarbejdet af Kommissionen.

Som nævnt på mødet i Folketingets Europaudvalg den 30. august foreligger der ikke aktuelt fra Kommissionens side konkrete forslag til skatter på finansielle transaktioner på EU-plan. Kommissionen offentliggjorde i april et arbejdsrapport, der bl.a. vurderer fordele og ulemper ved finansielle transaktionsskatter. Kommissionens rapport indeholder ikke et forslag eller en klar anbefaling, men domineres af vægt på betydelige ulemper ved skatter på finansielle transaktioner.

Regeringen finder – i lighed med bl.a. Kommissionen og IMF – at der er en række væsentlige ulemper ved skatter på finansielle transaktioner. Det skal undgås, at en transaktionsskat generelt nedsætter likviditet og volumen på de finansielle markeder til skade for virksomheder og borgere, når disse ønsker at rejse kapital, værne mod risici, spare op m.v., idet en sådan skat ellers kan medføre større ustabilitet på markederne og mindre velfærd. Desuden skal det undgås, at de beskattede

transaktioner ikke blot flyttes til skattely, og øger disses indtægter og attraktionsværdi. Det taler bl.a. for, at en eventuel indførelse af skatter på finansielle transaktioner alene på EU-plan vil være uhensigtsmæssig, men i givet fald i stedet bør ske globalt. Under forudsætning af, at sådanne – og andre væsentlige – udfordringer kan løses, er regeringen klar til at vurdere konkrete forslag til modeller for beskating af finansielle transaktioner, og regeringen vil med det udgangspunkt ikke modarbejde eventuelle EU-indspil til G20, såfremt dette måtte blive aktuelt.

Det bemærkes, at i det omfang lande ønsker at øge bidraget fra den finansielle sektor til de offentlige finanser, kan det gøres mere hensigtsmæssigt gennem f.eks. en beskating i stil med den danske lønsumsafgift på den finansielle sektor. I analyserne fra Kommissionen og IMF nævnes sådanne skatter (under betegnelsen ”Financial Activities Tax”) som et alternativ til finansielle transaktionsskatter uden ovennævnte ulemper.

Med venlig hilsen

Claus Hjort Frederiksen

ANNEX A: TAXATION OF FINANCIAL TRANSACTIONS IN THE EU

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
Austria (12/7/2010)	1%	Direct contributions of capital to an Austrian company	-	-	-	-
Belgium (16/6/2010)	-	-	EUR 1.7 per thousand euro worth of securities (maximum of EUR 500) 0.6%	Shares, bonds and other securities, whether traded on the Stock Exchange or not Physical delivery of bearer securities. (Trade in short-term commercial papers is not taxable. Tax not applicable to securities issued upon formation of a company or an investment fund.)	0.15%	Stamp duty for documents concerning bank transactions
Bulgaria (5/7/2010)	-	-	-	Transfer of shares of a limited liability company and the transfer of an existing business incur a notary fee	-	A notary fee is due on the transfer of shares of a limited liability company and the transfer of an existing business
Cyprus (13/6/2010)	- EUR 102.52 plus 0.6% on the nominal value of the share capital; - EUR 17.09 allotment fees for the issue of the shares.	Capital duties and allotment fees are payable on the authorized share capital and on the issue price of the shares	-	-	0.15%	Transactions in, or transactions announced in, the Cyprus Stock Exchange
Czech Republic (12/7/2010)	-	-	-	-	-	Administration fees are payable on certain services rendered by various government bodies
Denmark (16/6/2010)	-	-	-	-	-	-
Estonia (16/5/2010)	-	-	-	-	-	-

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
Finland (1/7/2010)	-	-	1.6%	On the sales price, but only if the transfer is not made through the stock exchange. No transfer tax is due if shares of a foreign company are sold or if both the seller and the purchaser are non-residents. However, this exemption does not apply if one of the parties to the transfer is a Finnish branch of a foreign bank or a foreign investment company. The tax is always payable on transfers between non-residents if the transferred shares are shares in a Finnish housing or real estate company.		Stamp duty is levied on certain documents and in connection with various legal transactions, such as promissory notes, bills of exchange and certain other certificates, and mortgage certificates.
France (15/7/2010)	-	In general, there is no capital duty or similar duty on the formation and expansion of capital of companies.	3%, with a maximum of EUR 5,000 5%	For shares; only if the transfer is made by written deed executed in France The transfer of shares in non-quoted SAs whose assets consist principally of immovable property and the transfer of shares in SARLs and interests or quotas in legal entities whose capital is not divided into shares (e.g. partnerships). The same rate applies to a purchase of an existing unincorporated business as a going concern. The transfer of shares or quotas in a foreign legal entity is exempt from registration duty in France, unless made by a written deed executed in France.	-	-

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
Germany (1/7/2010)	-	-	-	-		Minor fees are due upon registration of transactions in the Commercial Register. This concerns mainly the formation of a company, a change in the capital and reorganizations.
Greece (10/5/2010)	1%	<ul style="list-style-type: none"> - Any kind of contribution to the share capital on the formation of a company. - The increase in a company's capital, unless its the result of the compulsory revaluation of immovable property or of the capitalization of profits, reserves or provisions other than the share premium reserve. - The contribution of assets or working capital by a non-resident company to its branch in Greece, if the non-resident company has its seat or permanent establishment outside the EU. - Profit-sharing loans and loans used for a capital increase are immediately subject to the capital duty except when shares are issued. 	0.15%	On the proceeds from the sale of shares listed on the Athens Stock Exchange or on any other recognized stock exchange in the world.	2.4%	On the issuance of loans between businesses or between individuals and companies and payment of interest on such loans. Loans granted by banks operating in Greece or abroad and interest payments on such loans are exempt

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
Latvia (21/6/2010)	-	-	-	-	-	-
Lithuania (28/6/2010)	-	-	-	-	-	-
Luxembourg (12/7/2010)	-	abolished 01/01/2009	-	-	-	-
Malta (8/7/2010)	-	-	-	-	2% EUR 210 to 2,250	Stamp duty on transfer of marketable securities (except when listed on the Malta Stock Exchange and inter vivos transfers of foreign marketable securities to persons resident in Malta effected through a local bank or a person holding an investment services licence. A nominal registration fee is payable upon registration of a company, depending on the amount of the authorized share capital.
Netherlands (1/7/2010)	-	-	6%	The acquisition of shares in a real estate company (if the acquisition gives the acquirer at least one third of the subscribed share capital)	-	-
Poland (7/7/2010)	0.5%	Initial capital contribution to a newly registered company and on the transfer of an effective place of management or registered office from a non-EU country to Poland	1%	Shares, bonds and other securities if the underlying rights are exercised in Poland	-	-

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
Portugal (12/7/2010)	See Stamp duties		-	-	0.4%	A capital duty (in the form of stamp duty) is imposed on capital contributions to capital companies upon incorporation or any subsequent capital or equity increase. The duty is also levied on the transfer from a non-EU state to Portugal of the place of effective management and/or legal seat of a capital company with its legal seat and/or place of effective management in that third state. (Exemptions, for example, in respect of: - capital contributions, upon incorporation or capital increases, through the contribution of all the assets and liabilities of the contributor or of one or more branches of activity; - incorporation and capital increases of venture capital companies and holding companies (SGPS); - the change of the corporate purpose of a capital company; - capital increases paid in cash (following the ECJ decision in Optimus, C-366/05)).
Slovak Republic (24/6/2010)	-	-	-	-	-	-
Slovenia (18/6/2010)	-	-	-	-	-	-

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
Spain (1/6/2010)	1%	On the contribution of capital to a company or a branch upon the formation or a subsequent increase of the subscribed capital, and on the liquidation and immigration of companies to Spain.		Normally not, except when transfer of unquoted shares of SAs and preemptive rights to subscription of such shares by the intervention of a notary or a stockbroker if the transfer leads to the acquisition of control over a non-listed company in which 50% or more of its assets consist of Spanish-situs immovable property.	-	-
Sweden (25/5/2010)	-	-	-	-	-	-
United Kingdom (14/6/2010)	-	-	-	-	0.5%	A stamp duty reserve tax (SDRT) is levied on certain transfers of shares and securities.

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
Non-EU countries						
Switzerland (1/6/2010)	1%	<p>A 1% federal stamp duty (Emissionsabgabe) is payable by resident companies (AGs, GmbHs, KAGs and cooperatives) upon the issuance of shares or other participation rights and the increase in their nominal value to the extent that the share capital exceeds CHF 1 million. The taxable amount is equal to the total amount contributed to the company or the value of the shares issued, whichever is higher.</p> <p>Qualifying venture capital companies are exempt from the duty. In addition, certain types of transactions are exempt, including:</p> <ul style="list-style-type: none"> - participations taken or increased in connection with mergers, changes of legal structure, spin-offs or transfers of corporate seats from abroad to Switzerland; - participations in cooperatives to the extent they do not exceed CHF 1 million in total; and - participations formed by the use of share premium reserves of AGs if the company can 	0.15% (Domestic securities), 0.3% (Foreign securities)	<p>A transfer tax (Umsatzabgabe) is levied on the transfer of domestic or foreign securities where one of the parties is a Swiss security broker. Swiss brokers include banks and bank-linked financial institutions as defined by Swiss banking law. In addition, companies that own taxable securities of a book value in excess of CHF 10 million qualify as security brokers.</p> <p>A broker who acts as a party to the transaction must pay one half of the transfer tax for himself and another half on behalf of each party who is not a broker. If the broker merely acts as an intermediary, he is only required to pay one half of the transfer tax on behalf of each party who is not a broker. If a Swiss security broker deals at a foreign stock exchange in securities that are subject to Swiss transfer tax, the part of the tax allocated to the other party to the transaction is not levied.</p> <p>The taxable base is equal to the consideration paid; if there is no consideration, the taxable base is the fair market value of the security. The duty is levied at a rate of 0.15% for domestic securities and 0.3% for foreign securities.</p> <p>Eurobonds, other bonds</p>		

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
		<p>prove a previous payment of the duty for these contributions.</p> <p>If at a later moment the requirements for an exemption no longer exist, stamp duty becomes due on the remaining part of the existing participation right. No stamp duty is due upon formation and expansion of capital by partnerships, associations and foundations.</p>		<p>denominated in a foreign currency and the trading stock of professional security brokers are exempt. Certain types of transactions are exempt:</p> <ul style="list-style-type: none"> - initial purchase of shares in resident companies, including those purchased through a bank or a holding company (subject to stamp duty upon the issuance); - the transfer of an option to acquire shares; - the redemption of securities for cancellation; - the initial purchase of bonds issued by foreign debtors and shares in foreign companies not denominated in Swiss currency; - the transfer of foreign money market papers; and - the transfer through security brokers of foreign bonds whether in Swiss or foreign currency between two foreign parties. 		

Country (date of last update)	Capital duty (on the creation of, or increase in, share capital)		Transfer tax		Stamp or other duty	
	Tax rate	Tax base	Tax rate	Tax base	Tax rate	Tax base
Taiwan (1/4/2010)			0.3% of the transaction price for a transaction in shares issued by a company; and 0.1% of the transaction price for a transaction in corporate bonds and other government approved marketable securities such as certificates issued by securities investment trusts. Since 1998, a stock index futures transaction tax is imposed on both parties to the transaction based on the contracted amount. The current transaction tax is levied per transaction at a rate of not less than 0.01% and not more than 0.06%, based on the value of the futures contract.	Securities transactions tax is levied on all securities on the stock exchange, except government bonds. Securities transaction tax on bank debentures and corporate bonds is not imposed from 1 January 2010 to 31 December 2016.		

Source: IBFD "European tax survey" database. Date: 22/07/2010

ANNEX B: COUNTRY EXPERIENCE

B.1 TRANSFER TAXES AND STAMP DUTIES

United Kingdom

The UK stamp duty on transfers of securities consists of two instruments: (1) **Stamp duty** (charged on instruments of transfer) and (2) **Stamp Duty Reserve Tax (SDRT)** (charged on underlying agreements to transfer securities where an instrument is not executed).

The two go hand in hand when considering transaction taxes on shares. **Stamp Duties** in the UK are collected on documents used to effect the sale and transfer of ownership in shares and other securities of UK-based companies. In order to collect duties on transactions carried out through electronic share dealing systems, the **Stamp Duty Reserve Tax (SDRT)** was introduced in 1986. Stamp duties are levied on the underlying value of the transferred good. The standard rate is currently 0.5%.

Revenue from duties on the transfer stocks and shares also augmented over the last decade. After the economic downturn in 2001-02 revenue declined for two years in a row. From 2004-05 onwards revenue steadily increased despite the fact that the tax rate remained unchanged at 0.5% in this period. There are three main reasons for this development. Firstly, share prices increased significantly in recent years as a consequence of the economic boom. Secondly, volume of traded shares also increased since the number of incorporated companies increased. Lastly, turnover also augmented since shares have become important products for medium- and short-term investments. However, revenue declined also for this category in 2008-09. The reasons are the reduction in transactions volumes as well as significantly lower stock prices due to the financial crisis. This observation suggests that revenue from stamp duties is pro-cyclical with economic activity. In fact, revenue from stamp duties on transfers of financial assets was more than 30% lower in 2008-09 compared to 2007-08.

The SDRT taxes transactions in shares where no instrument of transfer is executed and which are therefore outside the scope of the "standard" Stamp Duty. In this sense, it is a transaction tax, levied on agreements to transfer chargeable securities while the "standard" Stamp Duty is charged upon documents. SDRT accounts for the majority of revenue collected on share transactions effected through the UK's Exchanges. On average almost 90% of revenues actually stem from the SDRT. Table (B.1) shows the revenue data for both types in the second and third column.³⁷ The fourth column shows the total revenue from the two sources. The peak is in 2000-01 just before the end of the Internet bubble. Columns 5 and 6 show the tax revenue in relation to total tax revenue and GDP. The Stamp Duty was on average about 0.7% of total tax revenue. In terms of GDP and total tax revenue the highest values have been reached during the boom years at the end of the last century, notably in 2000-01. For 2008-09 the value is back to the level of the mid 1990ies which is around 0.2% of GDP.

Both, SDRT and standard Stamp Duty are levied on share transactions in UK incorporated companies currently taxed at 0.5% of the purchase price of shares. It is charged whether the transaction takes place in the UK or overseas, and whether either party is resident of the UK

³⁷ The split between the two levies is only available from 2001 onwards. Note that small differences between values single and sums occur due to rounding when converting revenues in Sterling Pound to Euro.

or not. Securities issued by companies overseas are not taxed. This means that the tax is paid by foreign and UK-based investors who invest in UK incorporated companies. To put it differently, the tax is connected to the location of headquarters.

Table (B.1): Revenue from stamp duties on stocks and shares and other liable securities in the UK

Year	SDRT	Standard Stamp duty	Stamp Duties Total Revenue	over Total Tax Revenue	over GDP
1995-96	n.a.	n.a.	1,810	0.59	0.20
1996-97	n.a.	n.a.	1,966	0.60	0.20
1997-98	n.a.	n.a.	3,033	0.73	0.25
1998-99	n.a.	n.a.	3,696	0.79	0.28
1999-00	n.a.	n.a.	5,617	1.10	0.40
2000-01	n.a.	n.a.	7,383	1.26	0.46
2001-02	4,218	367	4,586	0.77	0.28
2002-03	3,669	455	4,124	0.69	0.24
2003-04	3,280	418	3,698	0.65	0.22
2004-05	3,454	548	4,001	0.64	0.23
2005-06	4,105	961	5,067	0.77	0.28
2006-07	4,767	745	5,511	0.77	0.28
2007-08	5,372	716	6,091	0.82	0.30
2008-09	3,673	349	4,022	n.a.	0.22
			in m Euro	in %	in %

Source: HM Revenue and Customs and own calculations

Given the existence of the tax, one should observe that investors discount higher future transaction costs when trading shares. These costs should be capitalized in lower share prices. In fact, empirical studies show that the stamp duty influences the share prices negatively. More frequently traded shares are stronger affected than low-turnover shares. Therefore the tax revenue capitalizes at least to some extent in lower current share prices. For firms which rely on equity as marginal source of finance this may increase capital costs since the issue price of new shares would be lower than without the tax. Currently, there are no estimates on the effects on trading volumes and price volatility of the stamp duties in the UK. Given results from empirical studies on the effect of transaction costs on trade volumes it is likely that Stamp Duties reduce trade volumes significantly. Whether or not this increases price volatility is disputed, however, more recent studies tend to find a positive correlation between trade volumes and price volatility.

While it is possible to avoid stamp duty by executing and retaining the instrument outside the UK, in practice the need to get the company's share register changed to show the name of the new owner, combined with the restriction on unstamped instruments being given in evidence or used for any purpose whatever, means that most instruments of transfer are presented for stamping.

Stamp duty reserve tax is difficult to avoid because the vast majority of UK company shares are held in the CREST settlement system which automatically debits SDRT when they are transferred. Nevertheless, there are two mechanisms to avoid SDRT legally:

American depositary receipts (ADRs)

Many UK companies have ADR programmes which enable them to market themselves in the US. Shares are issued to a US depositary bank which issues "American depositary receipts" (ADRs) in respect of them. It is the receipts rather

than the underlying shares that are traded on the US markets. Such trading is currently free from standard 0.5% SDRT transfer charges, but, to compensate, there is a charge instead (only paid once at the higher rate of 1.5%) when the shares are issued to the depositary bank. Placing shares into an ADR system is not regarded as avoidance.

Exchange Traded Fund (ETF)

An overseas collective investment scheme that lists on a UK exchange (ETF) currently qualifies for exemption from SDRT provided that it is not centrally managed and controlled in the UK or has a UK share register. The exemption was introduced in 2007 to encourage overseas ETFs to list in the UK and use of these schemes is thus legitimate. However, owners of an ETF share do not legally own the shares in the fund. If investors want to have voting rights the ETF cannot be used to avoid stamp duty.

Sweden

In the 1980s Sweden experienced strong growth of the financial sector.³⁸ This was accompanied by significant increases in the salaries of professionals in this sector. It was argued that the financial sector's contribution to the economy and the society was small compared to the resources it used. Furthermore, excessive financial transactions were seen as destabilizing the economy and as promoting disproportionate wage differentials between sectors. The latter point was politically of great importance. Despite the resistance of the Ministry of Finance, Sweden introduced a 50 basis points tax on the purchase or sale of equity securities in January 1984. A round trip transaction (purchase and sale) resulted therefore in a 100 basis points tax. The tax applied to all equity security trades in Sweden using local brokerage services as well as to stock options. The fact that only local brokerage services were taxed is in the literature seen as the main design problem of the Swedish system. Avoiding the tax only required using foreign broker services. In July 1986, the tax rate was increased to 100 basis points. In 1987, the tax base was extended and half the normal rate was also applied to transactions between dealers.

In January 1989, the tax base was widened again and a tax on fixed-income securities was introduced. The tax rate was considerably lower than on equities, as low as 0.2 basis points for a security with a maturity of 90 days or less. On a bond with a maturity of five years or more, the tax was three basis points. Only 15 months later, on 15 April 1990, the tax on fixed-income securities was abolished. In January 1991 the rates on the remaining taxes were cut by half and by the end of the year, they were also abolished completely.

There are different reasons for the abolishment of the tax. First of all, the revenues from the taxes were disappointing. The revenues from the tax on fixed-income securities were expected to amount to 1,500 million Swedish kroner per year, but the average was only around 50 million a year. Furthermore, since trading volumes fell, the capital gains tax became less and less applicable and revenue declined. The increase in revenue from equity transaction taxes was almost entirely offset by this reduction in capital gains taxes. The net budget effect was accordingly close to zero. An additional reason for the decline in revenue from capital gains taxes was the decline in share prices that accompanied the introduction of the transaction tax. The day the tax was announced, share prices fell by 2.2%. Taking into account possible trading based on insider information in the weeks before the official announcement, the price

³⁸ The description of the Swedish experience is based on Umlauf (1993) and Campbell and Froot (1993). Sweden levied transaction taxes on stock exchange and stock options, fixed interest securities and the connected derivatives.

decline is estimated to have amounted to 5.35%. These declines were in line with the net present value of tax payments on future trades. Investors discounted the future payments and prices for equity decreased driving up capital costs accordingly.

Next to the low revenue generated from the tax, relocation became a serious problem in Sweden. 60% of the trading volume of the eleven most actively traded Swedish share classes moved to the UK after the announcement in 1986 that the tax rate would double. 30% of all Swedish equity trading moved offshore. By 1990, more than 50% of all Swedish trading had moved to London. Foreign investors reacted to the tax by moving their trading offshore while domestic investors reacted by reducing the number of their equity trades.

Even though the tax on fixed-income securities was much lower than that on equities, the impact on the traded volume was much more dramatic. During the first week after the introduction of the tax, the volume of bond trading fell by 85%, even though the tax rate on five-year bonds was only three basis points. The volume of futures trading fell by 98% and the options trading market disappeared. Trading in money market securities, which faced a tax as low as 0.2 basis points, fell by 20%. This reaction was due in large part to the existence of a wide variety of non-taxed substitutes. Once the taxes were eliminated, trading volumes returned and grew substantially in the 1990s.

Switzerland

A prominent example of a transfer tax outside the EU is Switzerland. A transfer tax (*Umsatzabgabe*) is levied on the transfer of domestic or foreign securities where one of the parties is a Swiss security broker. Swiss brokers include banks and bank-linked financial institutions as defined by Swiss banking law. In addition, companies that own taxable securities of a book value in excess of CHF 10 million qualify as security brokers.

A broker who acts as a party to the transaction must pay one half of the transfer tax for himself and another half on behalf of each party who is not a broker. If the broker merely acts as an intermediary, he is only required to pay one half of the transfer tax on behalf of each party who is not a broker. If a Swiss security broker deals at a foreign stock exchange in securities that are subject to Swiss transfer tax, the part of the tax allocated to the other party to the transaction is not levied.

The taxable base is equal to the consideration paid; if there is no consideration, the taxable base is the fair market value of the security. The duty is levied at a rate of 0.15% for domestic securities and 0.3% for foreign securities.

Eurobonds, other bonds denominated in a foreign currency and the trading stock of professional security brokers are exempt. Certain types of transactions are exempt:

- initial purchase of shares in resident companies, including those purchased through a bank or a holding company (subject to stamp duty upon the issuance);
- the transfer of an option to acquire shares;
- the redemption of securities for cancellation;
- the initial purchase of bonds issued by foreign debtors and shares in foreign companies not denominated in Swiss currency;
- the transfer of foreign money market papers; and

- the transfer through security brokers of foreign bonds whether in Swiss or foreign currency between two foreign parties.

The revenue of the Swiss transfer tax was CHF 1.9 billion CHF in 2007. This corresponds to 0.37% of GDP.

Taiwan

An example for a country with transactions taxes outside Europe is Taiwan. The securities transaction tax is imposed upon gross sales price of securities transferred and the tax rates are 0.3% for share certificates issued by companies and 0.1% for corporate bonds or any securities offered to the public which have been duly approved by the government. However, trading of corporate bonds and financial bonds issued by Taiwanese issuers or companies are temporarily exempt from STT beginning 1st January 2010. The Taiwanese government argued this "would enliven the bond market and enhance the international competitiveness of Taiwan's enterprises."³⁹ The legal taxpayer is the seller of the securities and tax is collected by the broker or sales agent or the transferee in cases of direct transactions.

Since 1998, Taiwan also levies a stock index futures transaction tax is imposed on both parties to the transaction based on the contracted amount. The current transaction tax is levied per transaction at a rate of not less than 0.01% and not more than 0.06%, based on the value of the futures contract. Revenue from the securities transaction tax and the futures transaction tax was about EUR 2.4 billion in 2009. The major part of this revenue came from the taxation of bonds and stocks (96.5%). The taxation of stock index future shares was 3.5%. In total, this corresponds to 0.8% in terms of GDP.

³⁹ See <http://www.ey.gov.tw/ct.asp?xItem=65822&ctNode=1334&mp=11> for the press release.

B.2 MEMBER STATES' EXPERIENCES WITH FAT ELEMENTS⁴⁰

Denmark

Denmark introduced in 1990 a duty on wage and salary costs (*Lønsumsafgift*⁴¹) for businesses engaged in certain activities that are exempted from VAT. The tax base is generally the sum of labour costs and taxable profit⁴². For several sectors, including financial activities, the tax base is defined as labour costs plus a supplement of 90%.

The general tax rate is 3.08%. Specific rates apply to various sectors. For financial services, the rate is 5.08% of labour costs plus an additional 4.5% of 90% of labour costs (i.e. an effective rate of 9.13% (5.08+ 90%*4.5%). This rate will be increased to 10.5% but this measure will not be effective before 2013.

In 2008, the annual revenues amounted to DKK 4,668.7 million (i.e. about EUR 650 million) or 0.26% of GDP. About 70% of this amount would be raised from the financial sector (IMF, 2010).

France

France introduced in 1968 a payroll tax (*taxe sur les salaires*⁴³) which is levied on employers who are not liable for VAT or who have not been liable for VAT on at least 90% of their turnover during the previous year. Those include bank and insurance companies. The tax base is defined as gross remunerations, prior to the deduction of employee's national insurance contribution, including benefits in kind. The measure is therefore not a FAT *per se* but the underlying concept is the same.

For employers who are partly liable to VAT, the payroll tax is due in proportion of the exemption. Remunerations paid by public administrations are exempted as long as this does not create distortions in competition. Remunerations paid to apprentices are fully or partially exempted, depending on the number of employees. A limited number of remunerations are also exempted. Those are mainly paid in the context of training of workers and incentives to hire unemployed. Businesses with a turnover that does not exceed a defined threshold (EUR 80,000 for sales of goods and EUR 32,000 for services) are also exempted.

The tax rate is 4.25%. It is increased to 8.50% for individual annual pay between EUR 7,491 and EUR 14,960 and to 13.60% for individual annual pay above EUR 14,960. There is a reduced rate of 2.95% for overseas territories. The tax is not due if its annual total amount is under EUR 840. If the tax due is between EUR 840 and EUR 1,680, the tax is reduced by an amount representing $\frac{3}{4}$ of the difference between EUR 1,680 and the tax originally due. Non-profit associations are eligible to a tax credit of EUR 5,890 per year.

The payroll tax is deductible from the corporate income tax or the personal income tax.

⁴⁰ The information in this section is retrieved from the Taxes in Europe database.

⁴¹ Covered by the Law on tax on labour costs (lov om afgift af lønsum mv.).

⁴² In case of losses, these are deducted from the labour costs. The system is therefore symmetric.

⁴³ Covered by articles 231 to 231 bis R and 1679, 1679A and 1679 Bis of the General Tax Code.

In 2008, the annual tax revenues amounted to EUR 11.3 billion. This is about 0.55% of GDP. About 85% of this amount would be levied from financial institutions (IMF, 2010).

Italy

Italy introduced in 1997 a regional tax on productive activities (*Imposta Regionale sulle Attività Produttive – IRAP*).⁴⁴ This regional tax is applied to taxpayers engaged in commercial business. The tax base is the value of the net production, which is accounting profit plus most remuneration. Several exemptions apply for unit trusts, pension funds, European Economic Interest Groupings, and some small taxpayers. Deductions are allowed for contributions for labour insurances, expenses related to junior clerks, disable persons and R&D. In addition, there is a EUR 1,850 deduction for each employee (with a maximum of five) to enterprises with income below EUR 400,000 and certain regions apply a EUR 9,200 deduction for each employee. The base is allocated across regions based on the number of workers in each region.

The basic rate is 3.90% and it can be increased by regions up to 1 percentage point. However, since 2008, the rates increased by regions must be multiplied by a coefficient of 0.9176. In 2008, the annual tax revenues amounted to EUR 36 billion or 2.3% of GDP.

⁴⁴ Covered by D. Lg. N446 of 15 December 1997 and L n° 244/2007.