



European Commission
Taxation and Customs Union

CHALLENGES OF TAXATION IN A GLOBALISED WORLD - EUROPEAN ANSWERS IN VIEW TO THE INTRODUCTION OF A FINANCIAL TRANSACTION TAX, THE MODERNISATION OF VAT AND THE REFORM OF ENERGY TAXATION

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Tax Policy in the EU

- ... remains largely **national competency**

But: **Tax Policy initiatives at EU level**

- can foster **growth and competitiveness** by reducing fiscal barriers in the Single Market
(fragmentation by 27 different tax systems: high compliance cost, double taxation, distortions etc.)
- ... can sustain **budget consolidation**
(Examples: administrative cooperation, Savings Directive)



CONTENT

1. Financial Transactions Tax
2. Revision of Energy Tax Directive
3. VAT Green Paper

1. Financial Transactions Tax (FTT/1)

WHY?

- Excessive risk taking and wrong incentive systems in financial sector contributed to financial crisis
- Financial sector benefitted from massive public support (4.6 trillion €)
- Public debt in EU increased from less than 60% in 2007 to more than 80 % in 2012
- Financial sector largely exempt from VAT
- Externalities to be compensated by tax
'Slow down' financial markets; reduce problematic transactions, such as HFT

1. FTT/2 - EU APPROACH

- Introduce Financial Transaction Tax (FTT) world wide
- Start at EU-level – minimising negative effects with wide scope of financial transactions and financial institutions, small tax rates, residence principle
- Part of FTT: Own resource for EU budget

1. FTT/3 - DESIGN

Scope: Transactions (purchase/sale) relating to all types of financial instruments: transferable securities, money-market instruments, derivatives, structured products

Tax base: The transaction price (derivatives: notional value)

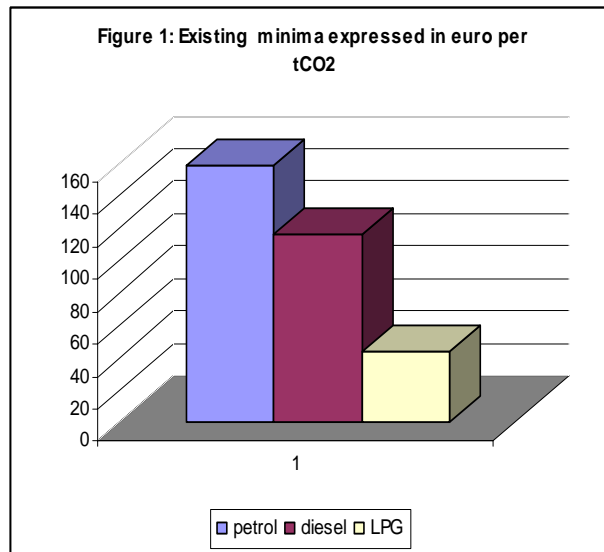
Taxable Person: Financial Institutions in the EU (on own account and on behalf of others); Residence principle; third country aspects.

Minimum Tax Rates: 0.1% for bonds/shares;
(selling AND buying) 0.01% derivatives (notional value)

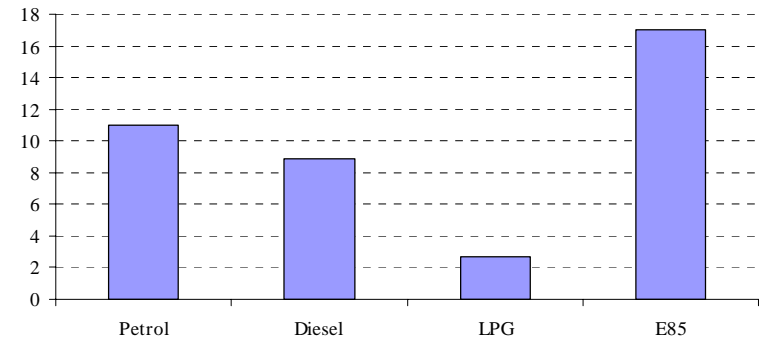
Expected Revenue: around 55 bn € p.a.

2. ETD/1 – WEAKNESSES OF CURRENT DIRECTIVE

- Energy content taxed inconsistently
- CO2 emissions not taken into account



Graph 6: Current minimum rates for motor fuels on energy content (GJ); EUR/ GJ



2. ETD/2 – COMMISSION PROPOSAL FOR REVISION

■ Two tier Tax Base

- Energy content
- CO2 emissions outside ETS

■ Minimum rates:

- Energy content:
 - Transport: 9.6 €/GJ
 - Industry/households: 0.15 €/GJ
- 20 €/ t CO2

■ Transitional Periods

- Gradual increase of minimum rates by 2018 (diesel from 330€ to 390€/1000l; petrol remains at 359€)
- Alignment above minimum rates by 2023
- Bio fuels, LPG/CNG, CO2 tax element in new MS ...



3. VAT GREEN PAPER/1

VAT gap as a share of theoretical liability
(in %, 2006)

- VAT – fit for next 40 years?
- VAT more than 20% of tax revenue
- VAT Revenue Ratio: EU: 55%, CH: 75%, NZL: close to 100%
- High level and high variation of tax rates in EU, complex national rules
- High revenue losses: tax gap

	2006
EU-25	12
AT	14
BE	11
CZ	18
DE	10
DK	4
EE	8
ES	2
FI	5
FR	7
EL	30
HU	23
IE	2
IT	22
LT	22
LU	1
LV	22
MT	11
NL	3
PL	7
PT	4
SE	3
SI	4
SK	28
UK	17

3. VAT/2 - TOWARDS A SIMPLER, MORE ROBUST AND EFFICIENT VAT SYSTEM

Issues to be addressed:

- How tax intra-EU supplies. Fate of transitional and definitive system?
- How to improve efficiency and neutrality? (exemptions, reduced rates)
- Effectiveness and efficiency of tax collection – fight against fraud, reduce compliance and administrative costs: new technological options

3. VAT/3 - Next Steps

- Strategic Communication before end 2011
- Legislative Proposals from 2012

THANK YOU



Current national rates in Germany

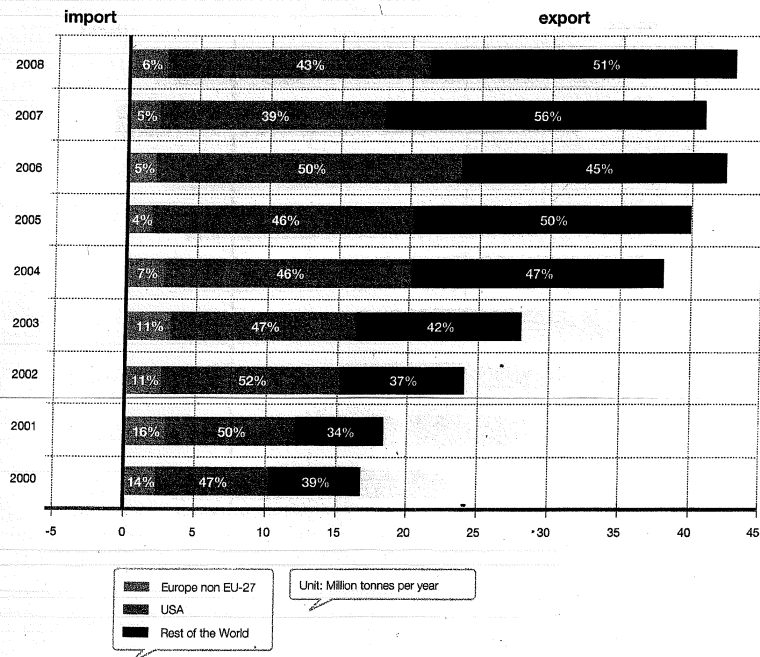
- 470€/1000l – DIESEL
 - 655€/1000l – PETROL
-
- Increase to 707€/1000l for diesel in 2023 if rate for petrol does not change (to comply with article 4.3 of the new proposal).
 - Other alternatives: Reduce petrol rates or budgetary neutral combination (increase diesel rate while decreasing petrol rate)

EU-27 gasoline / gasoil trading balance

Oil products

EU-27 gasoline trading balance:

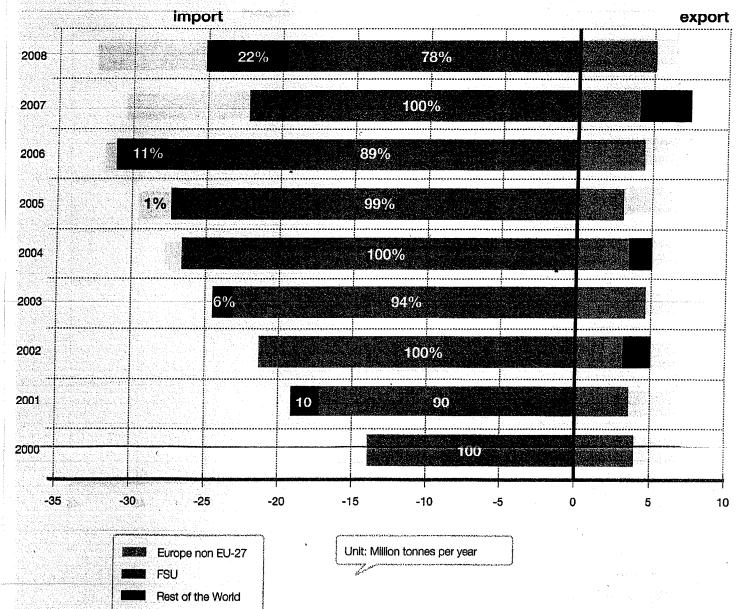
USA is a key export market for the EU



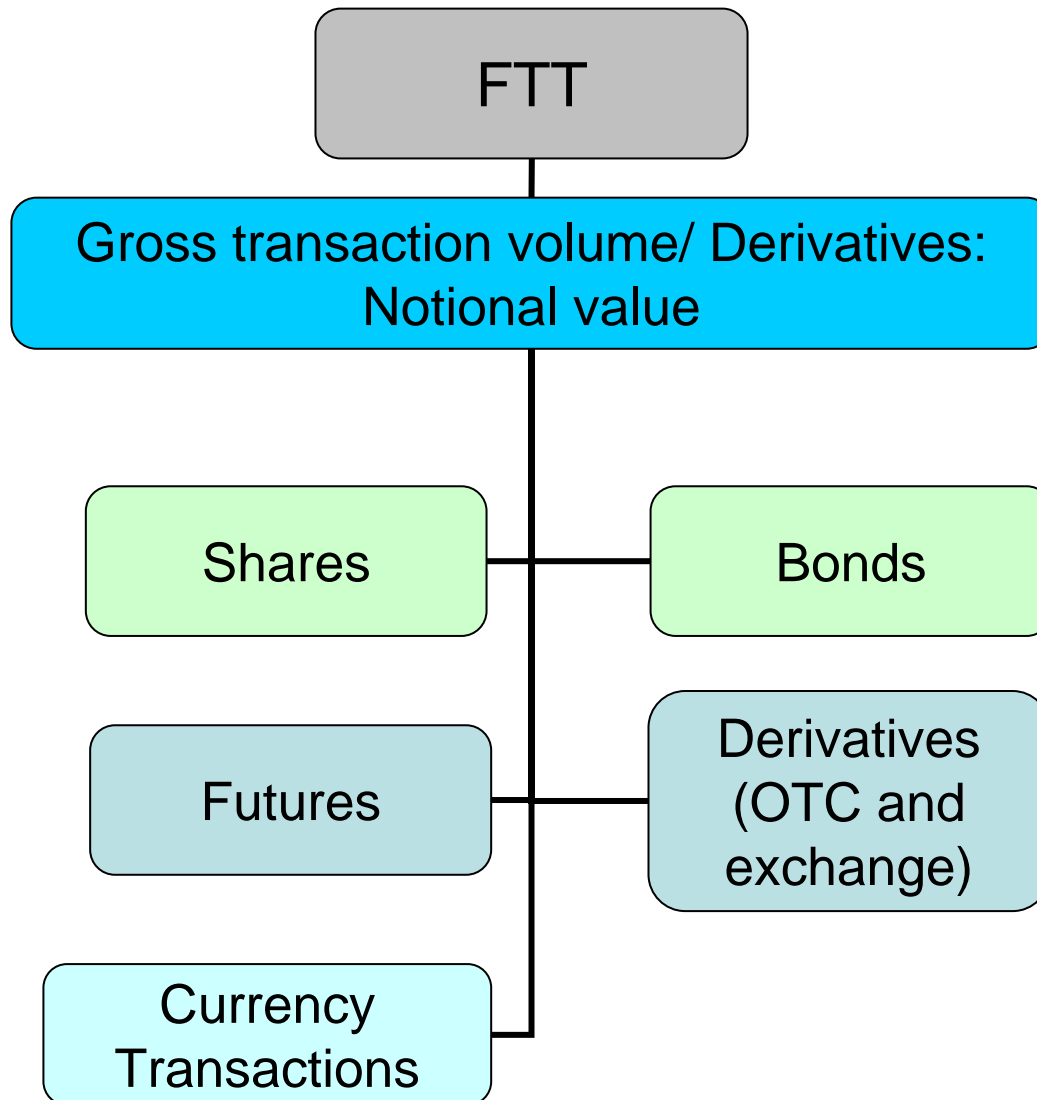
Source: Eurostat, 2010

Oil products

EU-27 gasoil trading balance: Gasoil importations mainly come from the Former Soviet Union (FSU)



Source: Eurostat, 2010



Persons liable to pay the tax for financial transactions subject to FTT (purchase and sale of currencies of third countries not included) Direct transactions between parties

Party/ counterparty	EU financial institution (Member State B)	EU citizens, companies and alike (Member State B)	Non EU financial institution	Non EU citizens, companies and alike
EU financial institution (Member State A)	1 Tb	2 -	3 Ta	4 -
EU citizens, companies and alike (Member State A)	5 Tb	6 -	7 Ta	8 -
Non EU financial institution	9 Tb	10 -	11 -	12 -
Non EU citizens, companies and alike	13 Tb	14 -	15 -	16 -