

FINANCIAL TRANSACTION TAX

Reference texts:

<http://bofip.impots.gouv.fr/bofip/7561-PGP.html?ftsq=TAT&identifiant=BOI-TCA-FIN-10-20140115>

(Texts are available only in French)

Date of application:

1st August 2012

Presentation

The French Financial Transaction Tax (FTT), introduced by the 1st Amended Finance Law for 2012, published on March 15, has come into force on August 1st 2012. Administrative guidance was issued on August 2, and implementation decrees were published on August 7.

The FTT refers indeed to three different taxes: a tax on the acquisition of eligible French listed stocks (FTT-Stocks), a tax on high frequency trading (FTT-HFT) and a tax on “naked” CDS on EU sovereign debts (FTT-CDS).

The FTT-Stocks which rate was finally 0.2%, applies to acquisitions for consideration of listed shares of French companies whose market capitalization is over €1.bn on December 1st of the year before the year of taxation. Certificates representing registered shares (such as ADR, EDR) have been included in the scope of the tax through the 2nd Amended Finance Law.

The accountable party for the FTT-Stocks is the Investment Services Provider (ISP) executing the buy order. In case of several ISP, this is the one receiving directly the buy order from the buyer giving that it is agreed for the “Execution on behalf of clients”. If the buyer is itself an ISP, it is the accountable party. Finally, for acquisitions realized without the participation of any ISP, the tax is payable by the Custodian of the buyer. It is important to note that the definition of the accountable party has been notably changed a few days after the entry into force of the new tax requiring companies to review their process in order to be compliant with the new texts.

The FTT-Stocks is due irrespective of the the nationality of the ISP, those of the accountable party, the investor’s tax residency as well as the place of trading, the type of market or the place of settlement of the transaction. The tax is based on the acquisition value of the securities as expressed in the “contract”. The tax is due when the transfer of ownership is recorded. It is assessed on the daily net buying position for a same day. 9 cases of exemption are also part of the tax.

The payment of the tax jointly with the declaration file (of taxable transactions but also exempted ones) has to be done every month (excepted for the first three months) by the accountable party either directly or via a member of the CSD – most often to Euroclear France designated as the tax collector by the French Tax Authority.

The FTT-Stock is collected since the 1st of August 2012 (December 2012 for ADR transactions). Lending/borrowing transactions as well as exempted corporate actions with new issuance have to be declared (they are exempted) since the 1st of January 2013.

Amendments have been made both in June 2013 and January 2014 in order to clarify the original texts regarding the scope, the accountable party, the net position and to give some precision for UCITS.

Latest news:

A new amendment has been issued on the 1st of August 2014 in case of several ISP involved in the process. The accountable party used to be the one receiving directly the buy order from the buyer giving that it was agreed for the "Execution on behalf of clients". Now under certain conditions the accountable party could be the ISP which actually executes the order.

Next steps

No real next steps (except precisions/amendments provided by the French Tax Authorities). The tax is in place and should remain until the go live of the European tax.

Learn more:

Many documents have been issued on this topic; the main are:

- Euroclear France's DSD (how to pay and declare)
- The AFTI White Paper (more dedicated to member of EOC France)
- An explanatory note from the AMAFI (for ISP)

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