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INDIRECT TAXES ON TRANSACTIONS IN SECURITIES

The Commission has laid before the Council a proposal for a Directive concerning indirect taxes on transactions in securities. The aim of the proposal is to establish a single system of taxation for transactions in securities to replace the tax currently levied on stock exchange transactions in Member States.

The proposal provides for the partial harmonization of the structures of the tax on transactions in securities. Any acquisition or transfer of transferable securities for valuable consideration will attract the tax. The system proposed by the Commission is based on a two-stage breakdown of the transaction in securities into the sale and purchase, the tax being levied at both stages. As a result, it will be possible to allocate tax receipts between the seller and the purchaser and, in the case of international transactions, between the Member States concerned. The main clauses of the proposal concern the definition of the scope of the tax, the basis of assessment and the demarcation of Member States' powers of taxation. In particular, with a view to bringing the levels of taxation closer into line, maximum rates are set and a number of exemptions are made compulsory. The proposed rules are designed to limit double taxation and to eliminate most forms of discrimination based on the nature of the securities or on the place of residence of the issuer of the securities or of the parties to the transactions.

Since it aims to remove fiscal obstacles to the free movements of capital, the proposal forms part of work on the establishment of a European capital market. It takes further the progress achieved by the previous Council Directives concerning indirect taxes on the raising of capital. It also follows up two other proposals for directives concerning the admission of securities to official stock exchange quotation, dating from 1972 and 1975. Lastly, the proposed system will, in the long run, facilitate the gradual abolition of the tax, an objective the Commission has set itself. For this reason, incidentally, the establishment or retention of the tax in question is not made compulsory and existing exemptions will be retained.