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Press Release

PensionsEurope: FTT would be detrimental to pension savings

On 23 October 2018, the Spanish government published a first draft of the law to implement the Spanish Financial Transactions Tax (FTT). On 15 November 2018, PensionsEurope answered to its consultation and warned that the FTT would be detrimental to pension savings.

Elisa Ricon, Board Member of PensionsEurope and Director General of INVERCO said:

"The Spanish FTT would be disastrous to pensions savings, as it will be the pension funds, and ultimately their participants who will bear the costs of the tax as it will be passed on in part or completely by financial intermediaries to end-investors. The tax level of 20 bps by far exceeds execution services fees, which means that is not even possible for financial intermediaries to absorb the costs, should they wish to do so.

Quantitative estimates provided by INVERCO show that investments in Spanish listed equity by pension funds over the life span of a participant's accumulation phase may lose by 17% (or by 29,4%, if the lost profit for non-reinvestment of such tax is considered). The proposal is also inconsistent with exemptions for pension funds that already exist in the regulation of taxes on financial transactions in France (2012) and Italy (2013).

There is a need for more funded pensions to address the challenges of the aging societies in Europe. Tax rules should therefore support pension funds in delivering adequate pensions."

Besides the plans of the Spanish government to introduce a national FTT, the Austrian Presidency has put forward proposals to simplify and restrict the scope of the FTT being discussed by the remaining ten Member States considering the introduction of an EU wide FTT under the enhanced cooperation procedure.

Matti Leppälä, Secretary General/CEO of PensionsEurope said:

"PensionsEurope is against the establishment of taxes on financial transactions, since such taxes, in their various typologies, end up becoming taxes on savings or pensions, in addition to affecting the efficiency of markets and producing a relocation in the financing flows of the real economy, towards companies established in non-taxed jurisdictions.

The FTT would increase the costs, lower the returns and reduce the efficiency of the investment strategies of pension funds which will ultimately lead to lower benefits for pensioners. Furthermore, it would significantly reduce hedging activities of Europe's pension funds and companies, impacting pension returns, and increase the cost of capital for FTT-zone issuers. FTT-zone member states would become less attractive and the movement of capital, particularly between the FTT-zone and the rest of the EU, would be impaired.

The FTT contradicts the EU strategy to create growth and foster investment in the EU, as it would severely affect pension funds in their roles as investors. The FTT would consequently have a negative effect on pension funds' ability to contribute to the Capital Markets Union objectives. We firmly believe that the FTT would be detrimental to retirement savings and to the real economy. The EU wide FTT initiative should be withdrawn or otherwise at least pension funds should be exempt from its scope."

About PensionsEurope

PensionsEurope represents national associations of pension funds and similar institutions for workplace and other funded pensions. Some members operate purely individual pension schemes.

PensionsEurope has **23 member associations** in 18 EU Member States and 3 other European countries[1].

PensionsEurope member organisations cover different types of workplace pensions for over **110 million people.** Through its Member Associations PensionsEurope represents more than **€ 4 trillion of assets** managed for future pension payments. In addition, many members of PensionsEurope also cover personal pensions, which are connected with an employment relation.

PensionsEurope also has **30 Corporate and Supporter Members** which are various service providers and stakeholders that work with IORPs.

PensionsEurope has established a **Central & Eastern European Countries Forum (CEEC Forum)** to discuss issues common to pension systems in that region.

PensionsEurope has established a **Multinational Advisory Group (MAG)** which delivers advice on pension issues to PensionsEurope. It provides a collective voice and information sharing for the expertise and opinions of multinationals.

What PensionsEurope stands for

- A regulatory environment encouraging workplace pension membership;
- Ensure that more and more Europeans can benefit from an adequate income in retirement;
- Policies which will enable sufficient contributions and good returns;

Our members offer

- Economies of scale in governance, administration and asset management;
- Risk pooling and often intergenerational risk-sharing;
- Often "not-for-profit" and some/all of the costs are borne by the employer;
- Members of workplace pension schemes often benefit from a contribution paid by the employer;
- Wide-scale coverage due to mandatory participation, sector-wide participation based on collective agreements and soft-compulsion elements such as auto-enrolment;
- Good governance and alignment of interest due to participation of the main stakeholders.

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[1] EU Member States: Austria, Belgium, Bulgaria, Croatia, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Luxembourg, Netherlands, Portugal, Romania, Spain, Sweden, UK. Non-EU Member States: Iceland, Norway, Switzerland.