Subject: Pensions exemption in the FTT

Brussels, 24 July 2019

In the context of ongoing discussions between the 10 Member States participating in the European Financial Transaction Tax (FTT), Insurance Europe wishes to reiterate its concerns relating to this initiative, and especially to the envisaged inclusion of pension products under the scope of the FTT.

Generally, Insurance Europe remains convinced that an FTT at European level would have a negative impact on the real economy overall, and therefore does not support its inception. Most importantly however, we believe that all pension products must be exempted from the scope of any envisaged FTT. Without this exemption, the FTT would have a negative effect on pension provision in Europe.

In the insurance sector, the costs of the FTT will push up insurers' expenses and will inevitably diminish investment returns for policyholders, notably those who have signed contracts designed to provide long-term retirement income and protection against an unforeseen life event.

The European insurance sector strongly believes that the FTT should not discourage long-term savings, especially those associated with risk coverage. Doing so would be particularly inappropriate at a time when efforts are being made both at EU and national level to encourage financial protection for old age in response to demographic changes. Imposing an additional tax burden on retirement and other long-term insurance savings products is especially inconsistent with the objective and the efforts of member states to increase the role of complementary retirement savings plans in pension systems in response to demographic changes.

This is why an exemption for pension products from the scope of the FTT is crucial. Because the definition of what constitutes a "pension product" varies significantly between countries, Insurance Europe believes that it would be most effective to leave the definition of the "pension products" that should fall outside the scope of the FTT to national authorities. Otherwise, it would be essential to apply a broad definition of a "pension product" at EU level to successfully exempt all national varieties of "pension products". In this context, the principle of "substance over form" should also be observed, meaning that all financial institutions that provide occupational pension products should be regulated not on the basis of the legal vehicle through which the products are sold, but rather according to the benefits those products provide to beneficiaries. Indeed, exempting only specific types of pension providers would not only lead to a distortion of competition but it would also be confusing for pension beneficiaries since these products share the same objective.

Insurance Europe finally notes that an exemption for pensions products should be applicable seamlessly, without unnecessary bureaucratic processes for financial institutions. Otherwise, compliance costs could increase substantially, and in the worst case, surpass any expected FTT revenue amount.

We remain at your disposal for any further clarification you may need and call for your due consideration of this important aspect of the envisaged FTT.

Yours sincerely,

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