

# **EU Brussels 2024**

## **An update on selected trends and issues**

Lucerne, September 2024  
Thomas Wulf, Secretary General EUSIPA

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# Lookback on EU election outcomes



# EP election results 2024 (DELTA 2019)

Latest update 21 August 2024

**FAR SIDES SHARE (LEFT/ECR/PfE/ESN) 32,3 %**  
(23,4%) (+8,9 = +38,3%)

**361 seats for absolute majority**  
Only one coalition realistically works

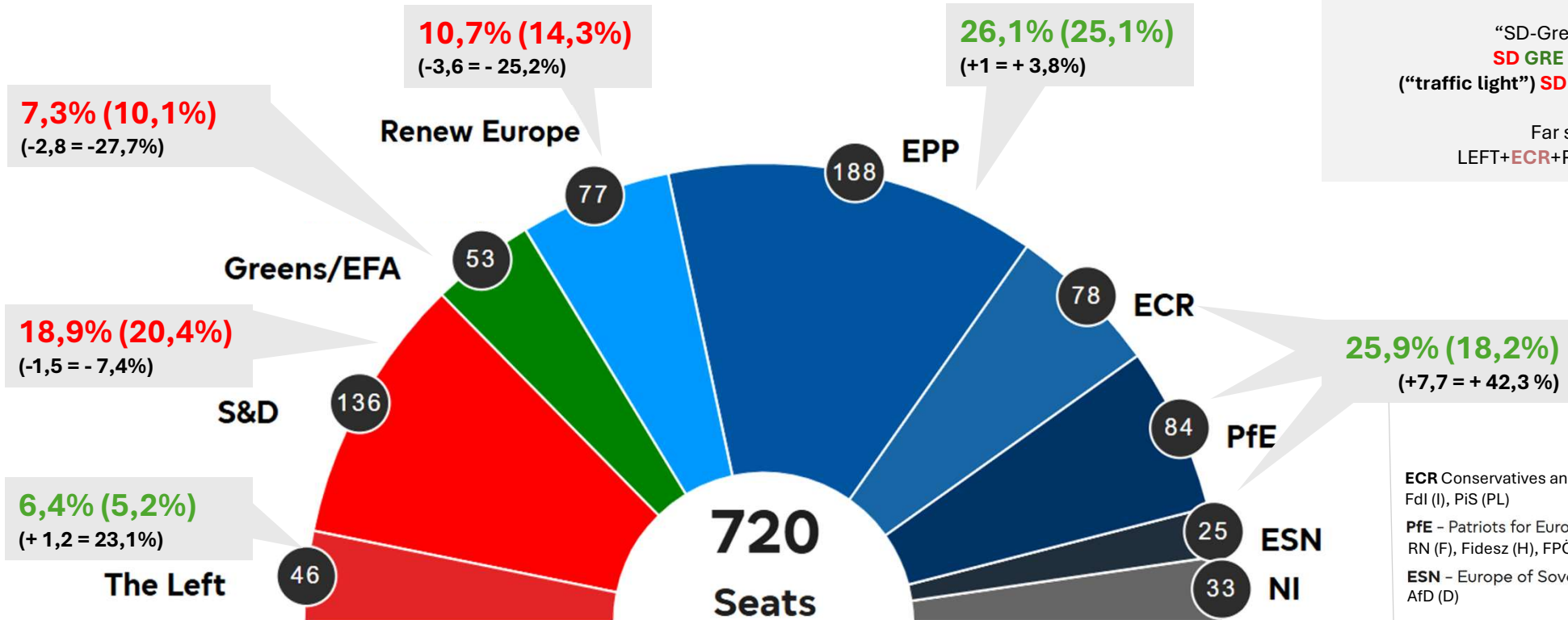
EPP SD = 324  
EPP SD RE = 401  
EPP RE GRE = 318

“Right-liberal or right-right” coalitions  
EPP ECR RE = 343  
(unlikely) EPP ECR PfE ESN = 375

“SD-Green coalitions”  
SD GRE RE LEFT = 312  
(“traffic light”) SD RE GRE = 266

Far sides coalition  
LEFT + ECR + PfE + ESN = 233

eusipa



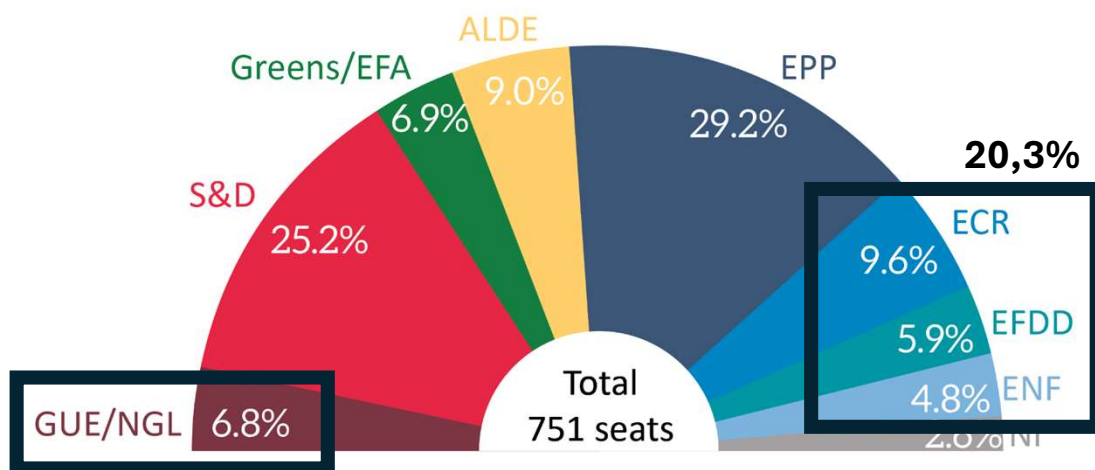
Data and graphics: European Parliament Research Service, EUSIPA own research

ECR Conservatives and Reformists  
Fdl (I), PiS (PL)  
PfE – Patriots for Europe  
RN (F), Fidesz (H), FPÖ (A), Lega (I)  
ESN – Europe of Sovereign Nations  
AfD (D)

# Eurosceptics / “far sides” – a familiar sight

EU parliament 2014-2019

**OVERALL 27,1 %**

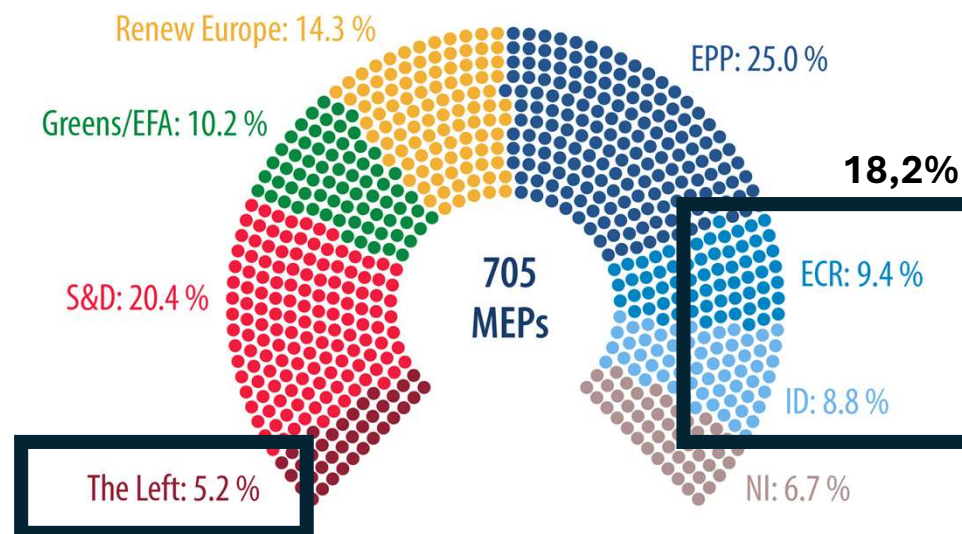


ECR - European Conservative and Reformist Group / prominent: UK Tories  
 EFDD - European Freedom and Direct Democracy / prominent: UKIP and M5S (IT)  
 ENF - Europe of Nations and Freedom / prominent: Rassemblement National (F)

Data and graphics: European Parliament Research Service, own research

EU parliament 2019-2024

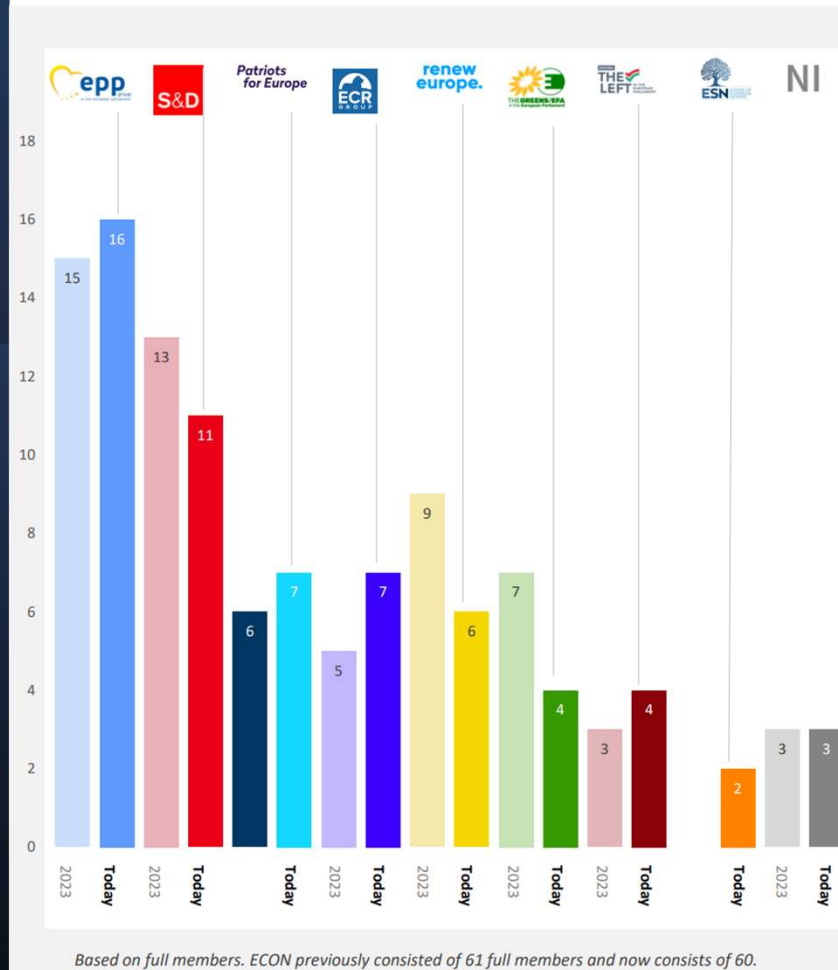
**OVERALL 23,4 %**



ECR / prominent: VOX, Fratelli d'Italia, PiS, NVA  
 ID - Identity and Democracy: AfD, FPÖ, Lega Nord, RN, PVV, VB  
 The Left / prominent: La France Insoumise, Die Linke / also: Podemos, Syriza

# The 2024 ECON committee

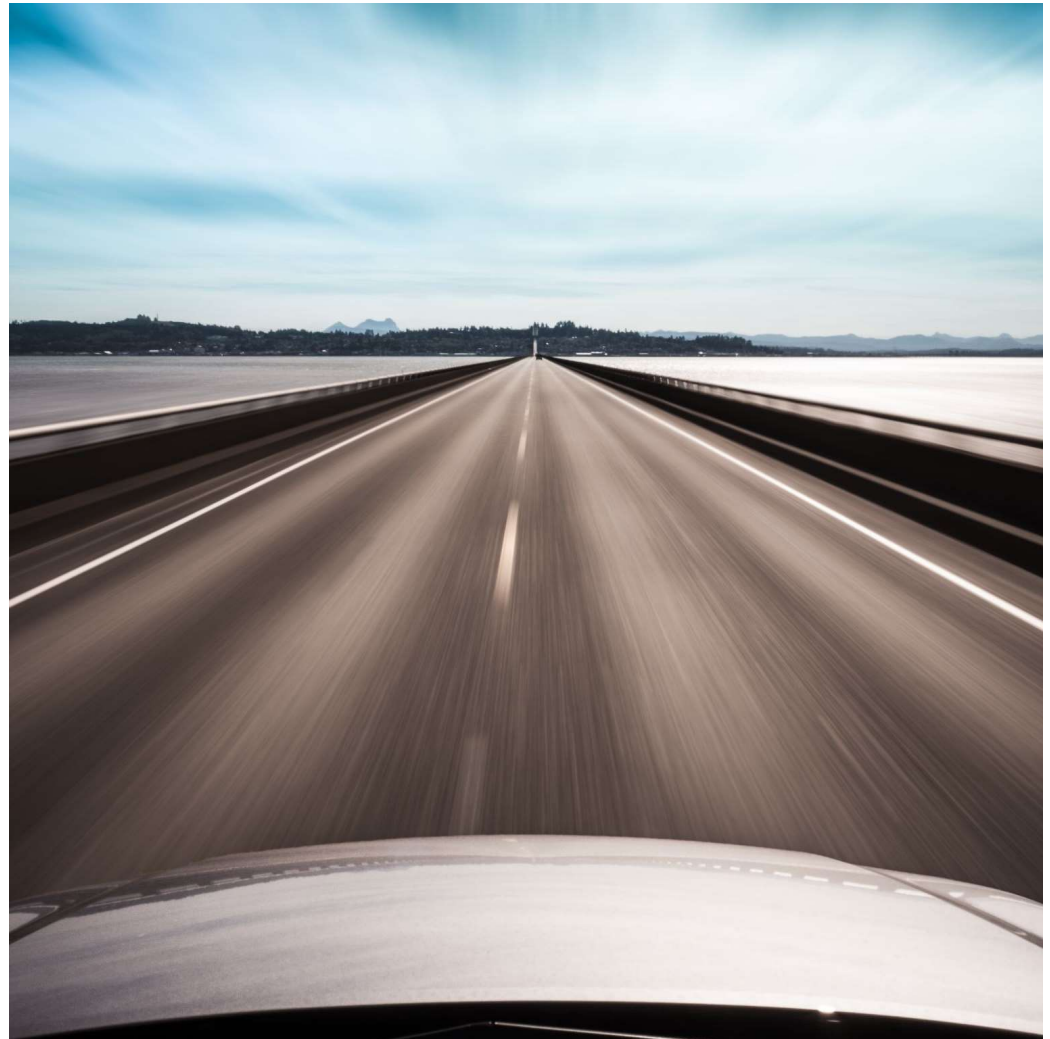
60 MEPs



	<b>European People's Party (EPP)</b> <ul style="list-style-type: none"> <li>16 of 60 permanent seats.</li> <li>1 new seat compared to previous legislature.</li> <li>8 of EPP's members are returning.</li> </ul>
	<b>Socialists &amp; Democrats (S&amp;D)</b> <ul style="list-style-type: none"> <li>11 of 60 permanent seats.</li> <li>2 fewer seats compared to previous legislature.</li> <li>6 of S&amp;D's members are returning.</li> </ul>
	<b>Patriots for Europe</b> <ul style="list-style-type: none"> <li>7 of 60 permanent seats (equal as ECR).</li> <li>1 new seat compared to ID in the previous legislature.</li> <li>2 of PFE's members are returning.</li> </ul>
	<b>The European Conservatives and Reformists (ECR)</b> <ul style="list-style-type: none"> <li>7 of 60 permanent seats (equal as Patriots).</li> <li>2 new seats compared to previous legislature.</li> <li>3 of ECR's members are returning.</li> </ul>
	<b>Renew Europe (Renew)</b> <ul style="list-style-type: none"> <li>6 of 60 permanent seats (1 less than ECR).</li> <li>3 fewer seats compared to previous legislature.</li> <li>4 of Renew's members are returning.</li> </ul>
	<b>The Greens</b> <ul style="list-style-type: none"> <li>4 of 60 permanent seats (equal as The Left).</li> <li>3 fewer seats compared to previous legislature.</li> <li>2 of the Greens' members are returning.</li> </ul>
	<b>The Left</b> <ul style="list-style-type: none"> <li>4 of 60 permanent seats (equal as Greens).</li> <li>1 new seat compared to previous legislature.</li> <li>1 of the Left's members is returning.</li> </ul>
	<b>Europe of Sovereign Nations:</b> <ul style="list-style-type: none"> <li>2 of 60 permanent seats.</li> <li>2 new seats compared to previous legislature.</li> </ul>
	<b>Non-Attached and others:</b> <ul style="list-style-type: none"> <li>3 of 60 permanent seats.</li> </ul>

# 2024

EU Commission and  
Parliament off to a  
new start



# Their challenges – not new ... but growing.

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TRADE RELATIONS IN A  
FRACTURING GLOBAL  
ECONOMY




SECURITY AND  
DEFENCE





IMMIGRATION AND  
SOCIAL COHESION



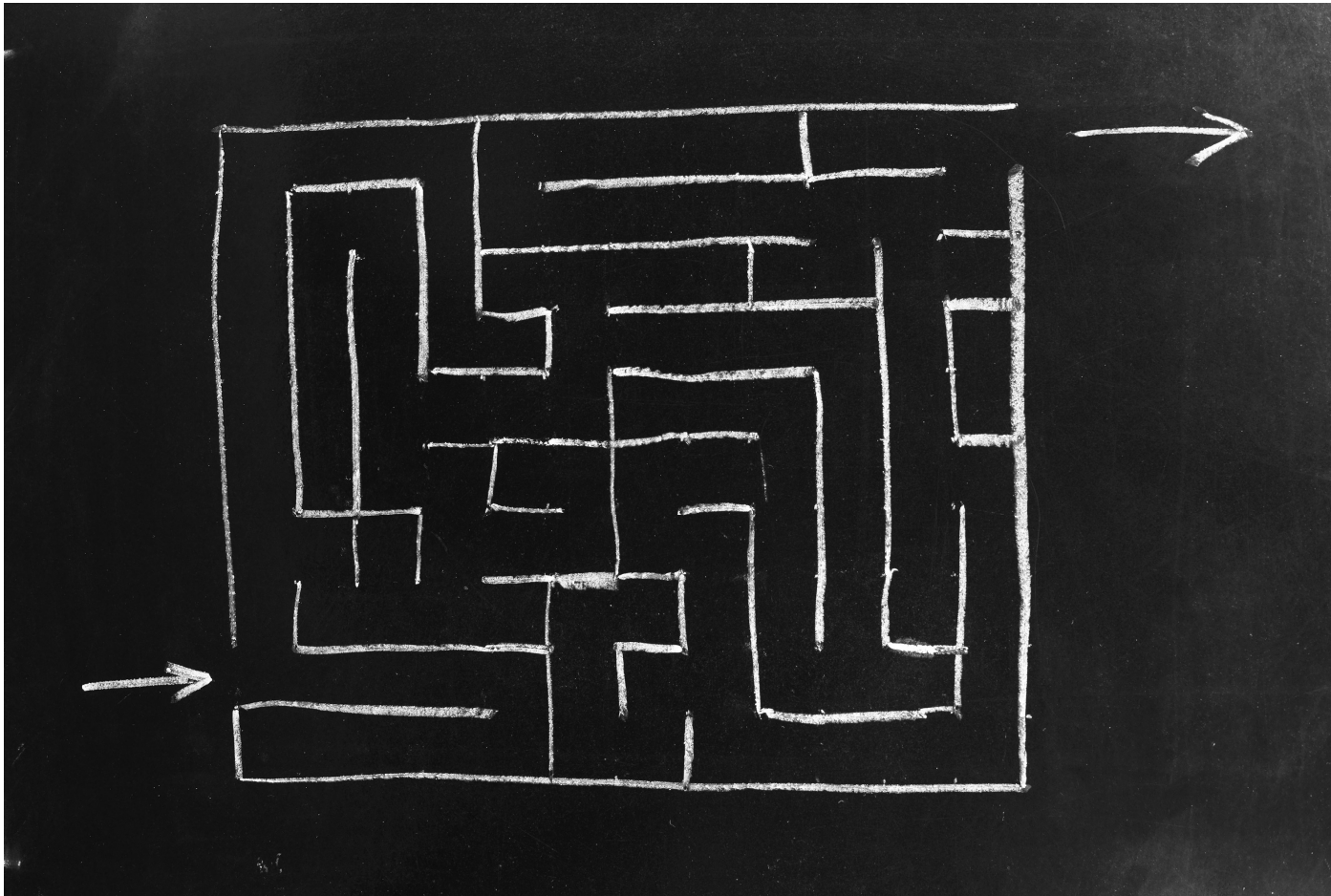
TECHNOLOGIES AND  
INFRASTRUCTURE



What to expect?

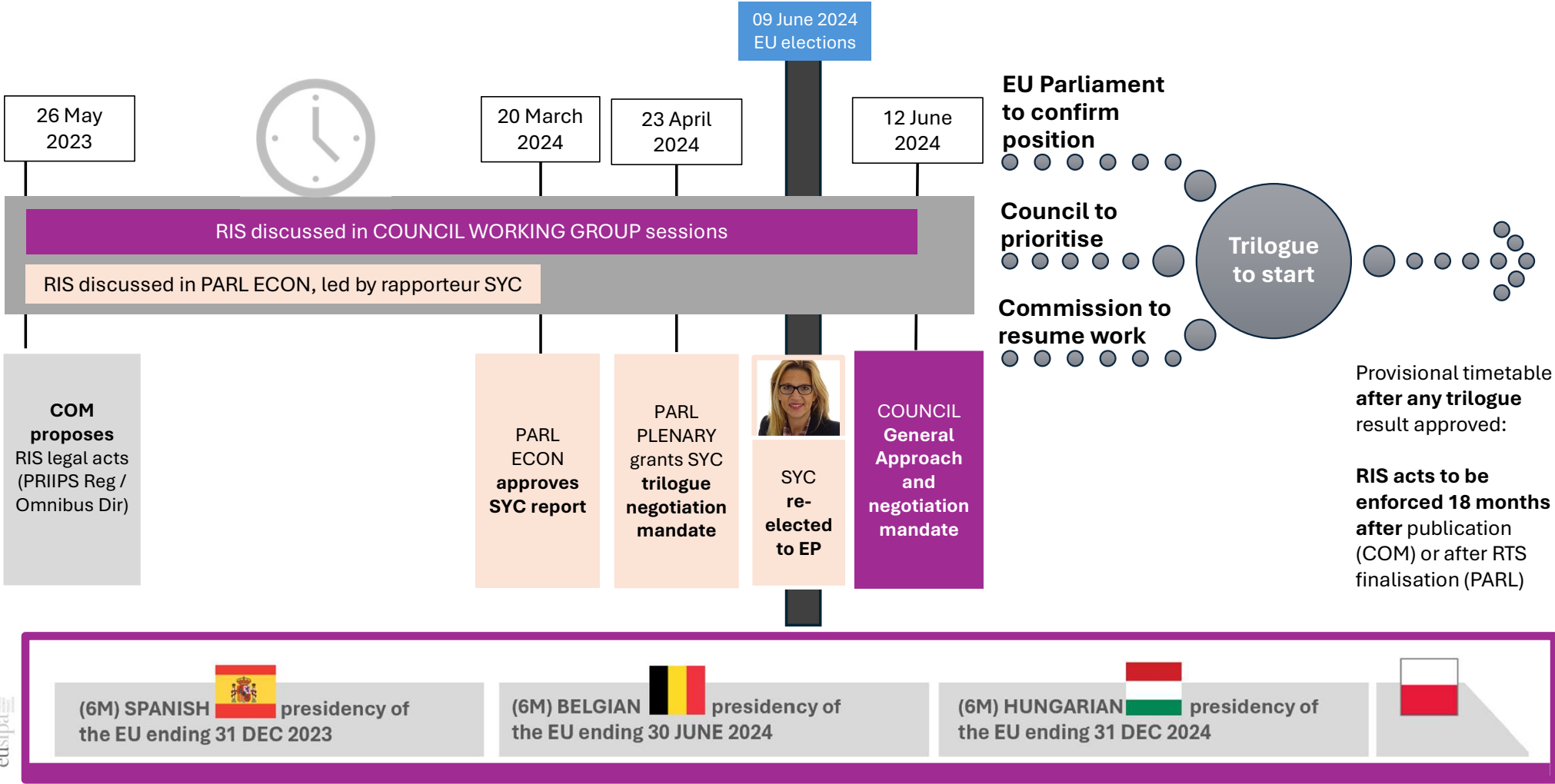






Update  
EU Retail  
Investment  
“Strategy”

# RIS timeline post-elections (July 2024)



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# RIS - makeshift rules...

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Heavily refined and  
tightened  
inducements  
conditions

Value for Money  
(benchmarks / peer-  
to-peer  
comparisons)

Stricter marketing  
governance

ESG criteria in  
PRIIPs KID

Client  
categorisation  
upgrade changes

More reporting  
obligations on POS  
interaction



Are investors  
encouraged to  
engage?



Paschal Donohoe



Enrico Letta



Christian Noyer

# Thoughts, ideas and recommendations

Next dishes and menus on the round CMU table

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# Few new thoughts ...

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New EU investment vehicles with harmonised minimum tax benefit

Pension products using auto enrolment schemes

Freeing up insurance assets by adjusting prudential capital rules

Creating an EU “Deep Tech” Stock Exchange

Better securitisation standards

ESMA/EIOPA governance changes (smaller boards, majority decisions)

# Taxation and investment

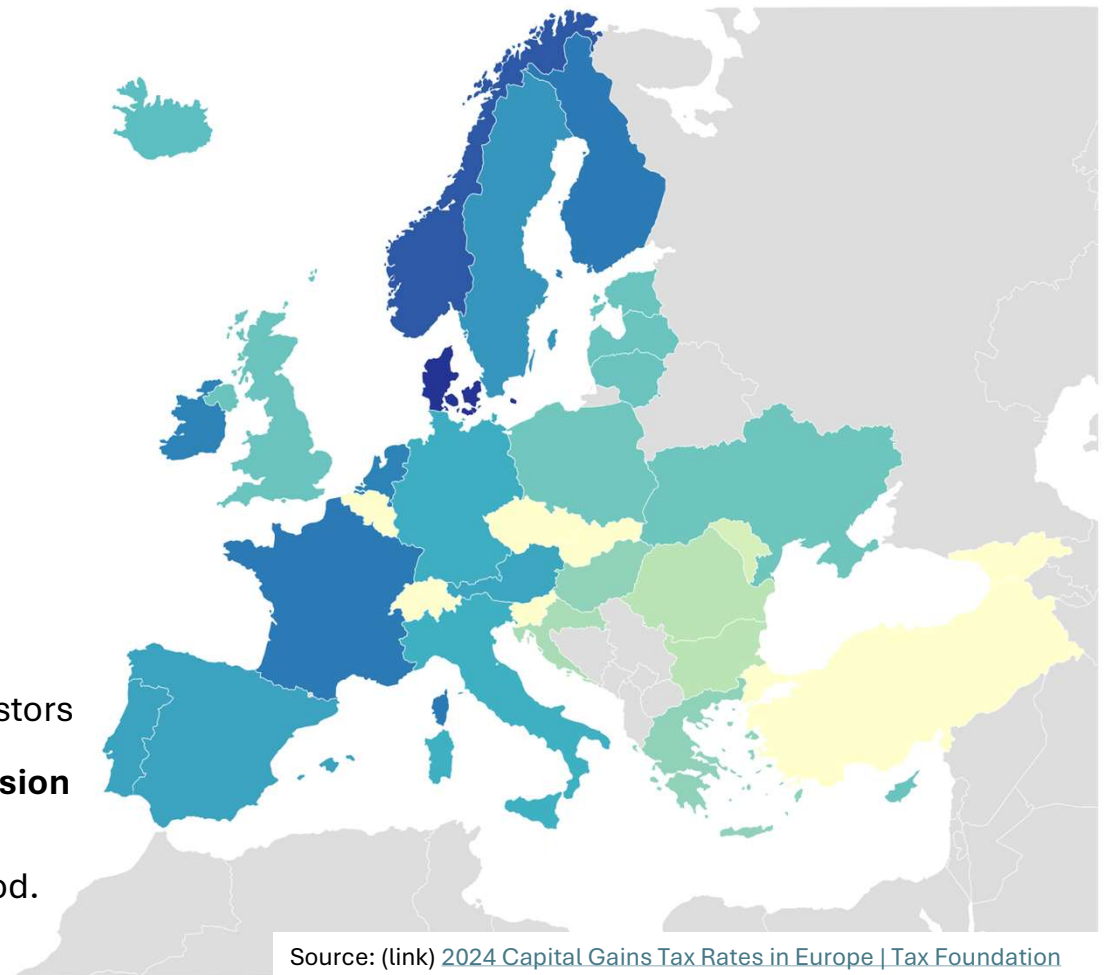


# Capital Gains Tax rates in Europe 2024

- EU average CGT rate on share investments 18,2%
- **Only partial investment loss off-setting** for retail investors
- **CGT relief in most countries partially granted on pension products withdrawals**
- Ultralow or 0%-rate may require minimum holding period.

Top Capital Gains Tax Rates on Individuals in 35 Major European Countries, 2024

0.0% 42.0%



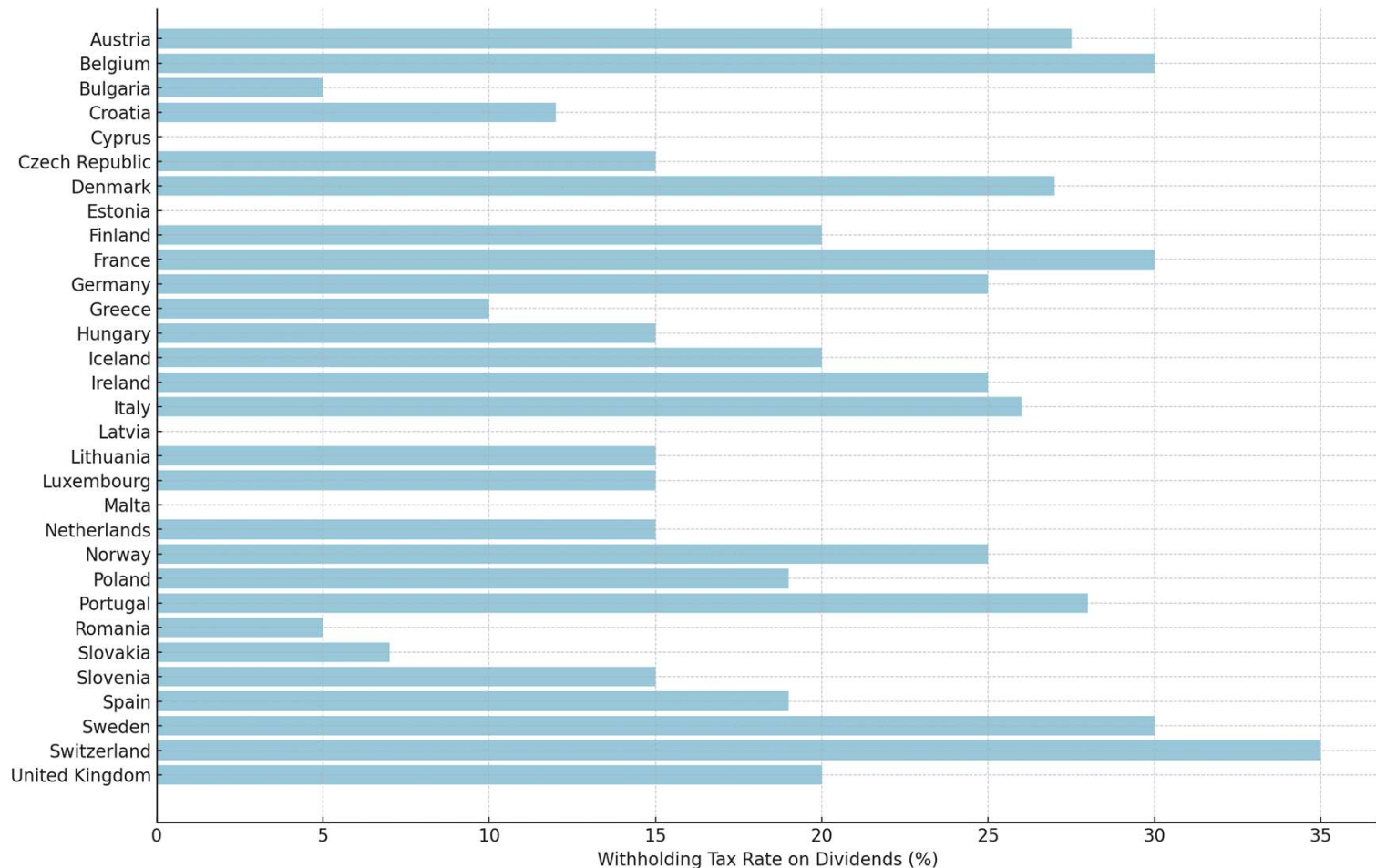
Source: (link) [2024 Capital Gains Tax Rates in Europe](#) | Tax Foundation

*Note: If the capital gains tax rate varies by type of asset sold, the tax rate applying to the sale of listed shares by an individual without substantial ownership after an extended period of time is used. Capital gains tax rates shown include surtaxes.*



# Withholding Tax rates (on interest / dividends) in Europe 2024

- EU average WHT rate (on dividends) 17,3%
- WHT exemptions reductions sporadically granted for political reasons



# Ad hoc update – EU “FASTER” Directive

## Making cross border (withholding) tax refunds easier



**Quick relief systems:** Member States introduce either a relief at source system resulting in withholding the correct amount of WHT or a quick refund system resulting in the refund of excess WHT within fifty days.



**National registers for Certified Financial Intermediaries (CFIs):** Large institutions and central securities depositories, which facilitate WHT relief procedures, will be included in national registers as CFIs.



**EU tax residence certificate:** The directive introduces a **common EU digital tax residence certificate (eTRC)** that investors can use in order to benefit from the FASTER relief procedures. Member states must provide a quick and automated process to issue eTRCs to resident investors.

Council(ECONFIN)  
consensus  
**14 May 2024**

Member States to  
**implement  
systems by the  
end of 2028.**

Rules becoming  
**applicable from  
January 1, 2030.**



Swiss investor inclusion  
depending on double  
taxation treaties

# Tax impact on retail investment

## Example 1

### The French PEA (“Plan d’Epargne en Actions”)

Banking version (insurance version exist)

- **Investment limit (excluding gains) EUR 150k per person**
- Eligible assets: **EU/EEA shares and UCITs/ETFs funds** (if  $\geq 75\%$  EU/EEA)
- General lock-in period 5 years
- **No capital guarantee**
- **Capital gains, incl. reinvested dividends, are tax-exempt (WHT/CGT) > 5y**
- Social security charges (17,3%) apply on any drawdown
- **Invested volume 2023: 115 billion Euros**
- Number of PEAs (only one per person allowed): **6.631.627** (Q4 2023)

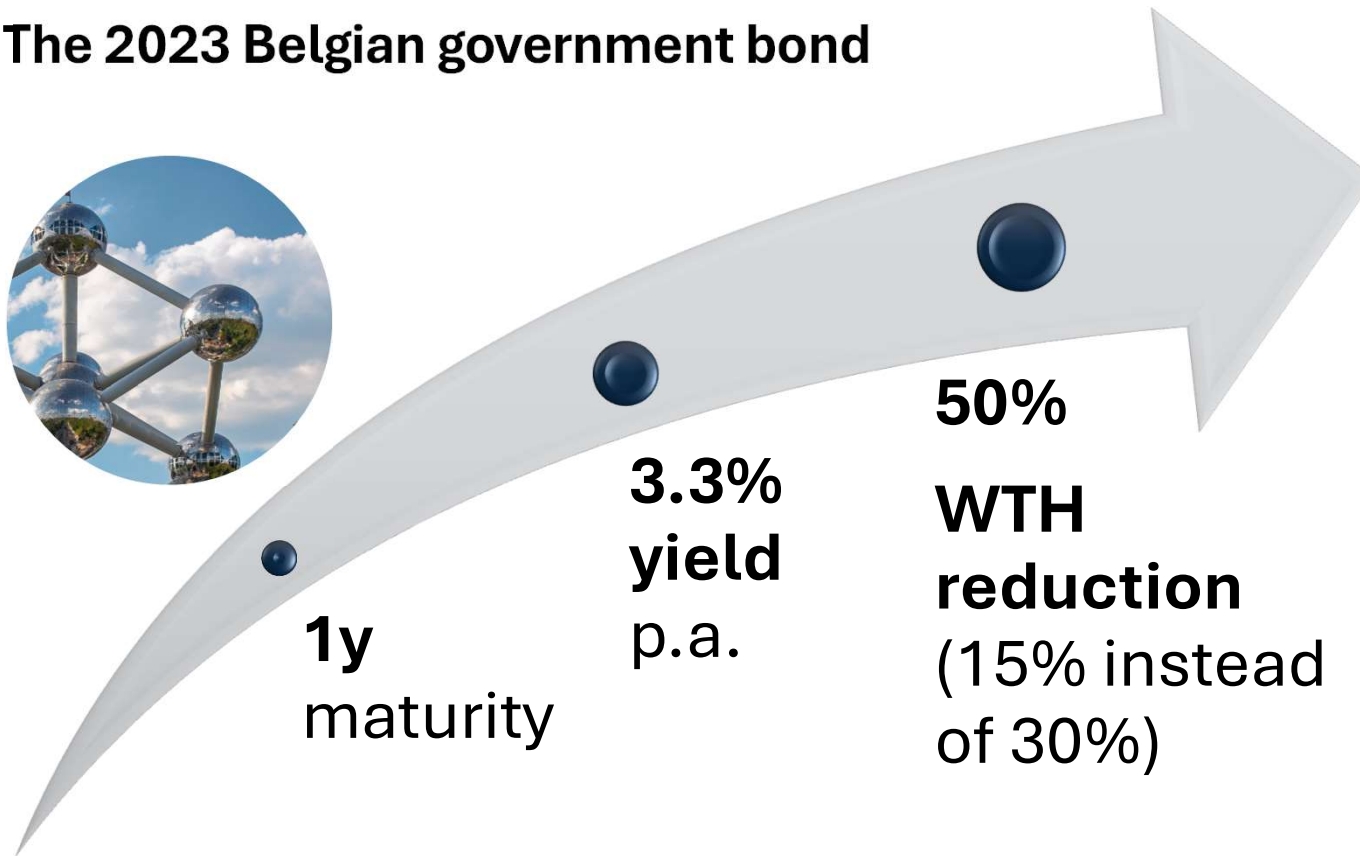


Adeline Stock | #003229384

# Tax impact on retail investment

## Example 2

The 2023 Belgian government bond



**22 bn EUR**  
**in 10 days**

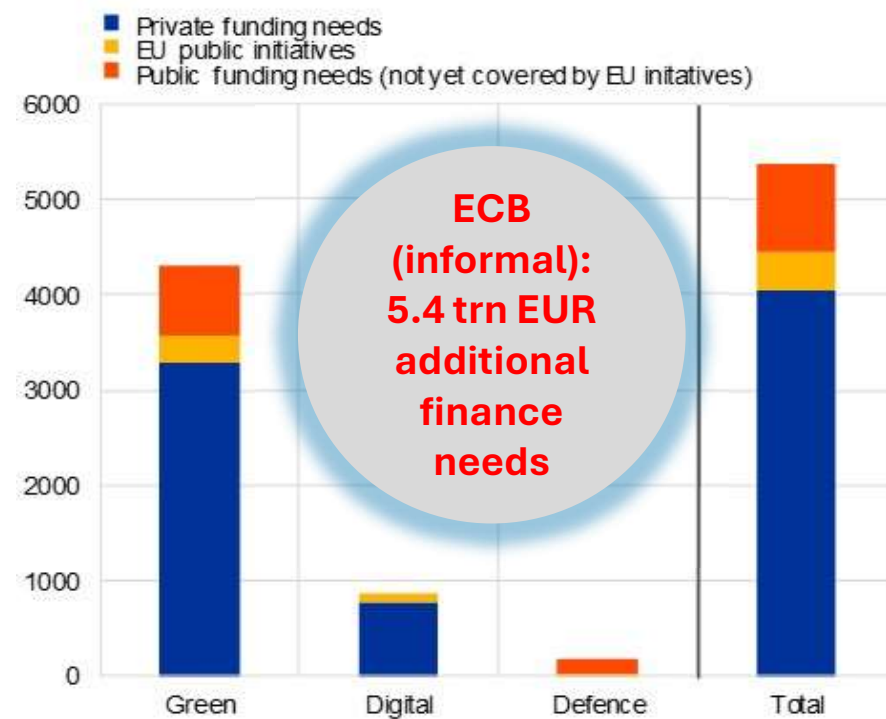
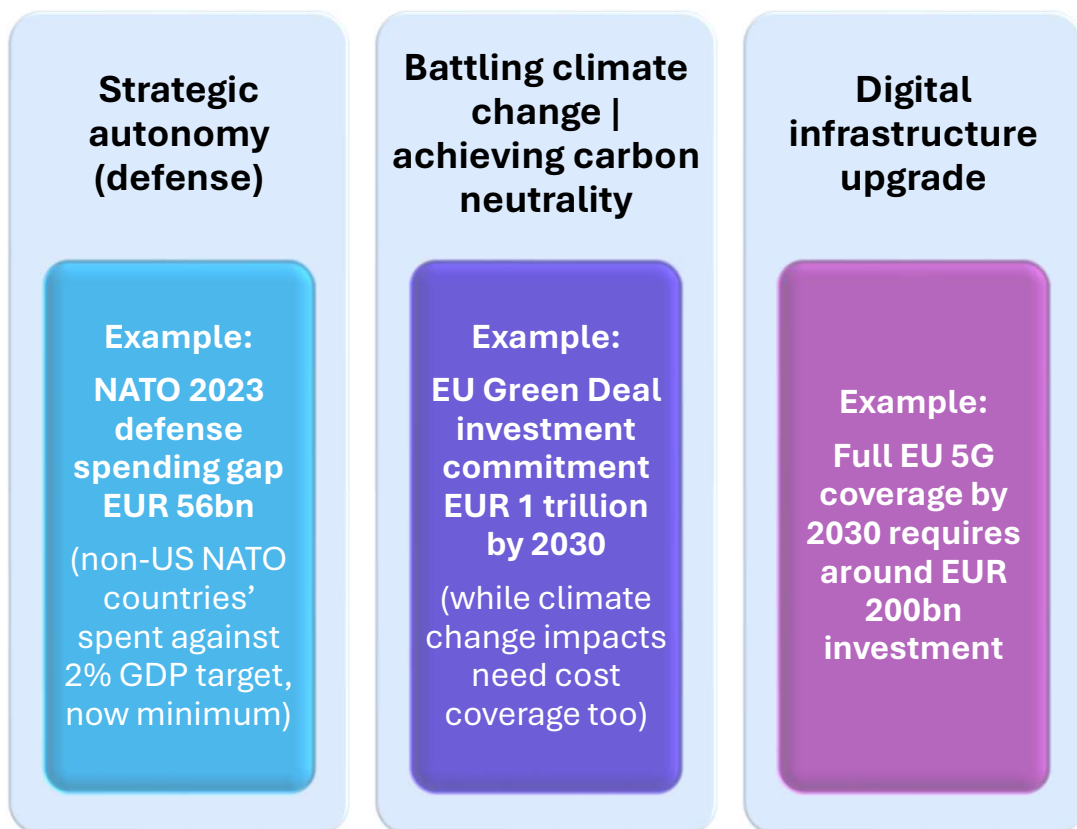
- Bond massively subscribed
- MoF closed offer prematurely
- Liquidity drain from Belgian banking sector



# The EU governments' perspective



# Major uncovered funding needs in EU (2025-2031)



Source/link: Mind the gap: Europe's strategic investment needs and how to support them ([eupa.eu](https://eupa.eu))

***“The lion’s share [of 5.4 trillion] has to be borne by private firms, investors and households, (...) [while only] a substantial share of around €1.3 trillion Euros, will have to be funded via public sources.”***

Source: ECB experts in “Mind the gap: Europe’s strategic investment needs and how to support them ([europa.eu](https://www.europa.eu))”



EUROPEAN CENTRAL BANK

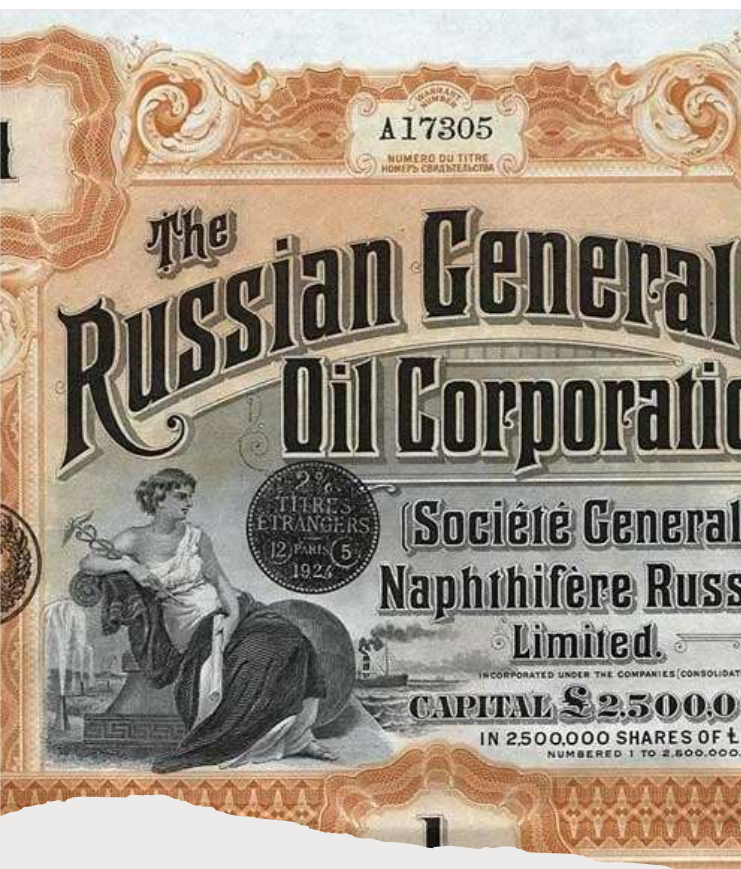
An orange circle with a thin black outline, containing the text "TAX THEM" in white, bold, uppercase letters.

**TAX  
THEM**

A blue circle with a thin black outline, containing the text "MAKE THEM INVEST" in white, bold, uppercase letters.

**MAKE  
THEM  
INVEST**





## The art of the deal

Incentivizing retail investments without misallocating retail assets



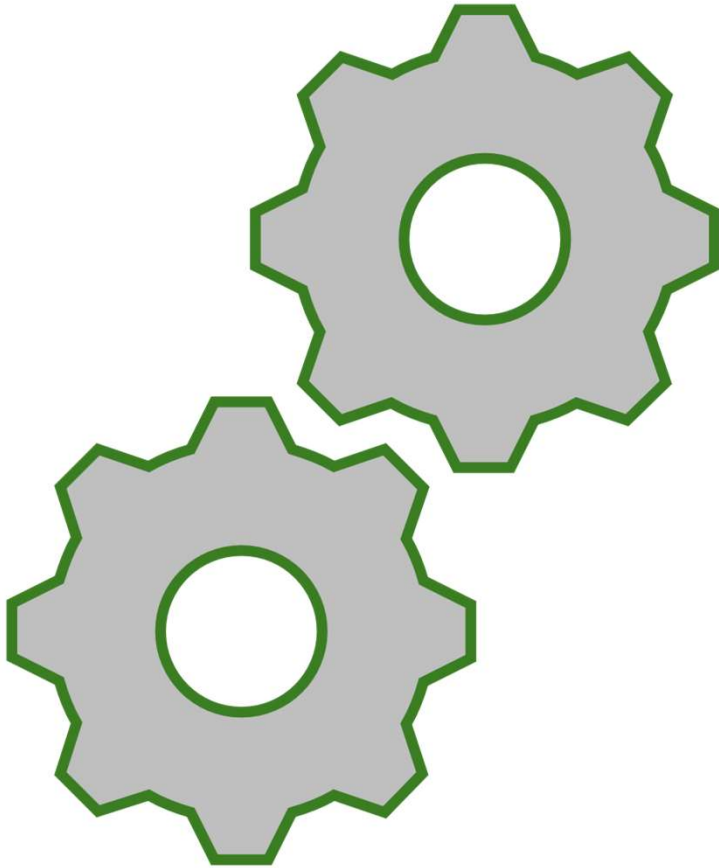
The industry's perspective





# Main challenges for us.

- **Inclusion of SPs as eligible assets** in tax-privileged investment schemes
  - **Value for Money** demonstration (“beyond tax benefit”)
  - **Tax efficiency** of product structure
  - Offering **long-term but also sufficiently flexible** investment solutions (competing with bond markets different maturities)
  - **Appropriate guidance to investors** on “political markets” (as started already with ESG)
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While other  
wheels keep  
turning too...

# EU, ESG, taxes and extraterritoriality

## “EU Carbon Border Tax” or CBAM



Reporting started 2023  
Levy as of 2026

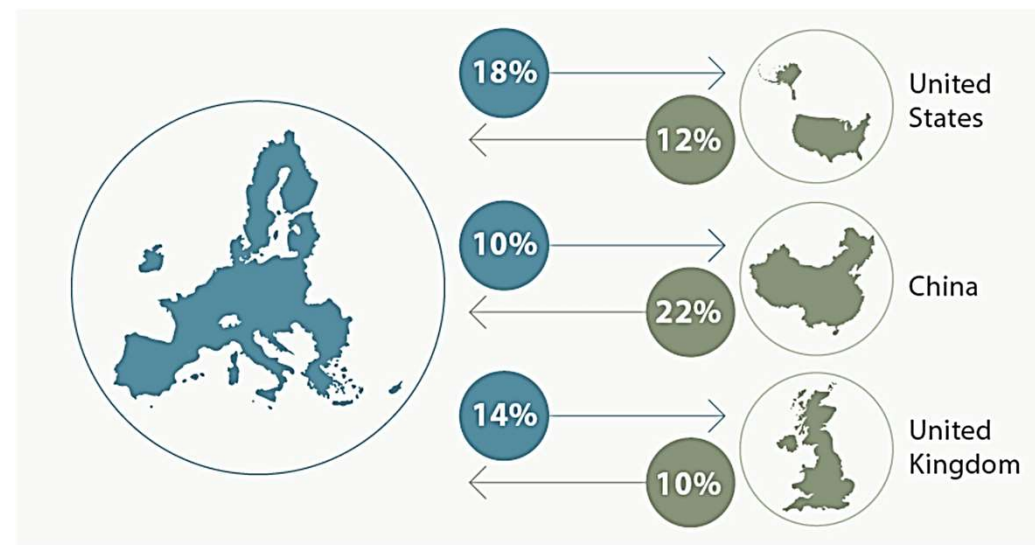
Switzerland as EEA  
country exempt from  
CBAM





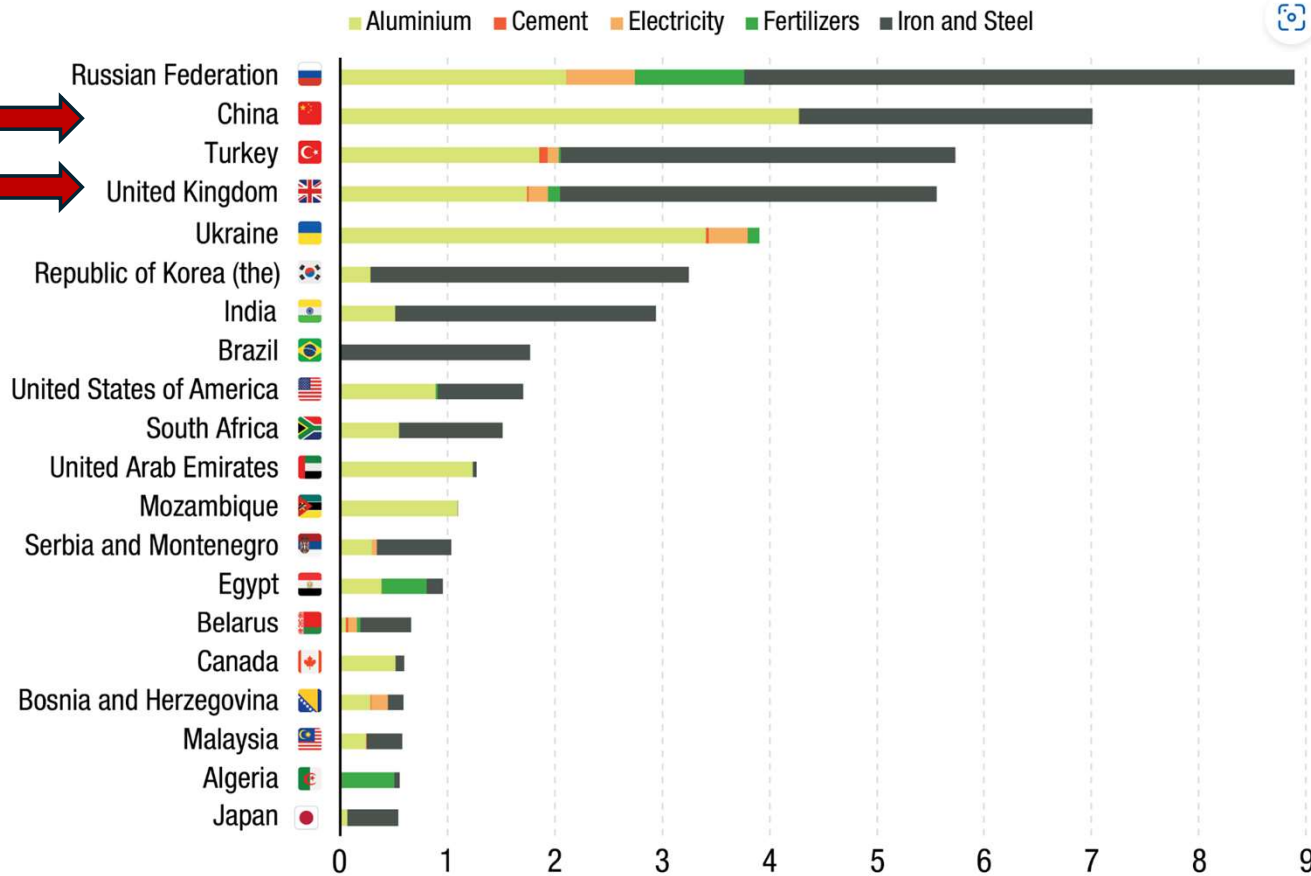
EU's top 3 export / import destinations (2022)

# Partners in trade



# CBAM – who is hit (absolute terms)

20 most-exposed countries in terms of aggregated value of exports (billion \$)



**EU ESG rules – a push for extraterritoriality**  
Showcase “EU Carbon Border Tax”

Source: UNCTAD based on UN COMTRADE.

Note: The list does not include Iceland, Norway and Switzerland because they participate in, or are linked to, the ETS. Therefore, it is likely that these countries are exempt from the mechanism.

# CBAM – intentions



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**Enforcing EU carbon reduction goals efficiently for internal market-sold products**

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**Preventing “dirty” material production** in countries with cheaper carbon price

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**Incentivize non-EU producers** to reduce emissions

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Support **more efficient carbon pricing** (‘true costs’)

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Creating a **precedent for a new EU budget resource**

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# CBAM – side effects



**EU to encounter unwanted (?) price increase in relevant goods**



**Existing EU carbon certificates might increase massively in price**



**EU faces (even carbon-unrelated) counter measures, including from US**



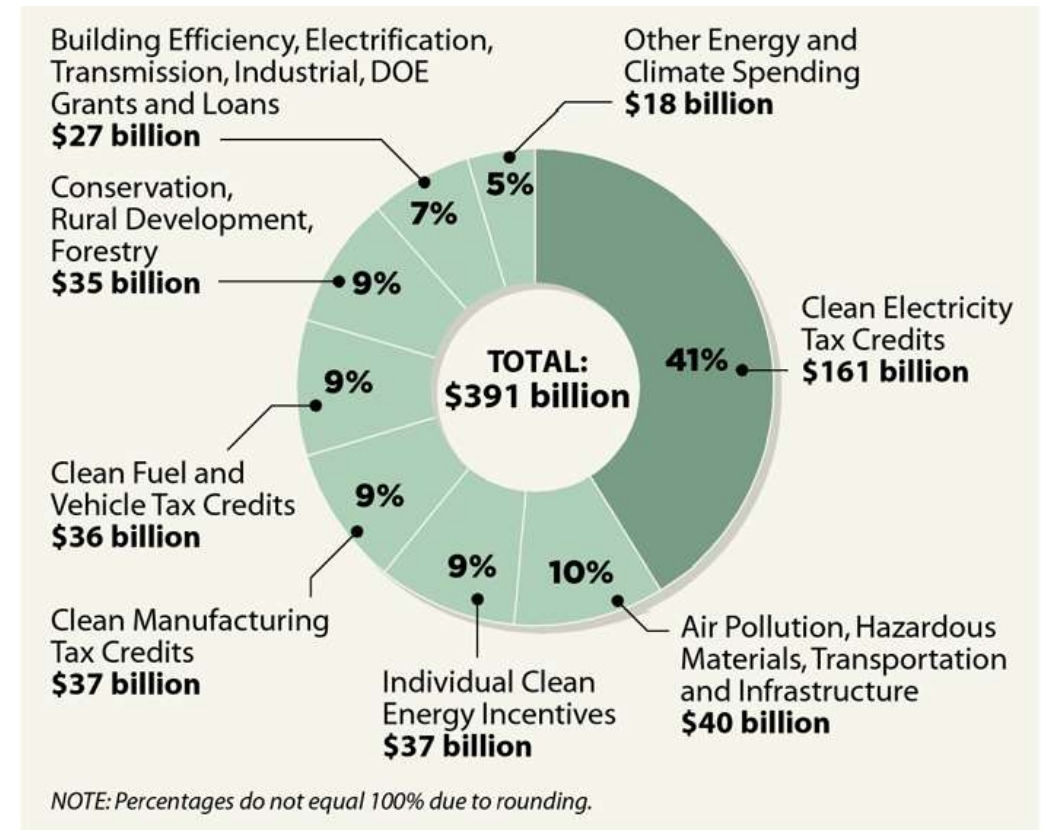
**Affected « dirty » material producers outside EU to sell their products elsewhere**

# Meanwhile in America

Strategic investment triggered via the  
“Inflation Reduction Act”  
(CBO cost estimate 2022-2031)

## NO BUDGET CAP ON TAX RELIEF

(Goldman cost estimate USD 1.1tr)



SOURCE: CBO

PAUL HORN / Inside Climate News

Thanks for listening...  
Questions and comments.

