



Mr Vassos Shiarly
Minister of Finance
Ex-Secretariat Compound
1439 Nicosia
CYPRUS

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ENHANCED COOPERATION ON FINANCIAL TRANSACTIONS TAX

Dear Minister,

At the 13th November ECOFIN Council you will discuss proposals for 11 Member States to be allowed to take forward a Financial Transactions Tax through a process of enhanced co-operation.

Business has already made clear its concerns about a tax which a wide range of impact assessments show will have a negative impact on growth as a result of both raising the cost of capital for investment and encouraging business relocation outside the EU.

Moreover, the tax would add unnecessarily to an already significant regulatory burden without addressing weaknesses in the financial sector. While business has been supportive of addressing such weaknesses more effectively by strengthening the regulatory framework through legislation such as CRD IV, the FTT does not resolve the weaknesses in relation to safety and stability.

If an FTT is to be introduced, full consideration should be firstly given to an appropriate limitation of the scope of the tax and to exemptions that can minimise its negative impact on growth and jobs.

Secondly, we believe that those EU countries which have chosen not to adopt the FTT should not suffer a negative externality from the tax. To avoid extra-territorial taxation and impeding the taxation base of sovereign states, both parties in a transaction must be within the jurisdictions agreeing to implement a FTT. Moreover, we have deep concerns that rather than enhancing EU integration as required under enhanced co-operation, this initiative could disrupt the functioning of the Single Market for financial services by increasing both complexity and differences in market conditions between Member States.

In conclusion, we believe that it is important that the process of enhanced co-operation, which is potentially a valuable method for co-operation, is not undermined. This means that before proceeding further, and in line with the rules for enhanced co-operation, the Council must ensure it has benefitted from a full impact assessment which provides a robust analysis of the consequences of the FTT both on participating and non-participating Member States and on the Single Market as a whole.

Yours sincerely,

Philippe De Buck