



**HOUSE OF LORDS**  
European Union Committee

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Mr Algirdas Šemeta  
European Commissioner for Taxation and Customs Union,  
Audit and Anti-Fraud,  
European Commission,  
B-1049 Brussels,  
Belgium

30 July 2013

Dear Commissioner Šemeta,

**EM 6442/13: Financial Transaction Tax**

I am writing in relation to COM (2013) 71 on the proposal for a Council Directive implementing Enhanced Cooperation in the area of Financial Transaction Tax. The proposal is currently being scrutinised by the House of Lords European Union Sub-Committee on Economic and Financial Affairs, who heard evidence on 19 March 2013 from Manfred Bergmann, Director of Indirect Taxation and Tax Administration, DG TAXUD, European Commission. Following that evidence, we wrote to you on 16 April 2013, asking a series of questions reflecting our deep concern about the proposal and its implications for non-participating Member States, including the UK. The absence of any reply to that letter has caused us considerable surprise, and obliges us to write to you again.


We expressed deep concern about the lack of clarity as to the impact of the proposal, and the poor standard of the Commission's Impact Assessment. We noted arguments that analysis of the impact of the FTT were based on the incorrect assumption that the FTT could be implemented effectively without resulting in behavioural change. We noted that the proposal was particularly weak in terms of assessing the impact of the new issuance principle and the impact on non-participating Member States, and asked for your response to these criticisms. We found that it was particularly unacceptable that a full analysis of the impact of the proposal on non-participating Member States was not made available before the vote on enhanced cooperation took place, and that the Commission had consequently failed in its duty to the 16 Member States that had thus far chosen not to participate in the tax.

We also asked for clarification of Mr Bergmann's evidence that there would be no legal obligation on UK tax authorities to collect the tax, given our understanding that UK financial institutions which are counterparties to financial transactions with an EU established financial institution would have to pay the tax, and it could be collected from UK financial institutions

on the basis of joint and several liability or through the mutual assistance regime. We noted the possibility that, in the case of a financial transaction involving German shares between a US and a UK financial institution, given that collection of the tax from the US financial institution may be difficult, the proposal would enable the German tax authorities to impose joint and several liability for both instances of the FTT upon the UK financial institution and recover the whole amount using the EU mutual assistance regime. In light of this, we asked for a categorical statement of the obligation that would be placed on UK authorities to collect the tax, in the light of Article 10 of the proposal and Directive 2010/24.

We would underline the seriousness of these issues. Given the importance of these concerns not only for the UK but for all non-participating Member States, we are extremely disappointed that we have not received a response to our letter before the House of Lords rises for its summer recess on 30 July. In light of your commitment to respond in writing to the comments of national parliaments, and in light of your obligations to all 28 Member States, including those choosing not to participate in the Financial Transaction Tax, we urge you to write to the Committee as a matter of urgency to clarify these matters. I should also stress that the Committee will be visiting Brussels on 1-2 October where we are anxious to meet with you to discuss these issues in more detail.

I am copying this letter to William Cash MP, Chair of the House of Commons Committee; the President of the European Commission; the Secretary-General to the Commission; the UK Foreign Secretary and the Minister for Europe; the Chancellor of the Exchequer and the Financial Secretary to the Treasury and the UK Permanent Representative to the EU.

*Yours sincerely*  


The Lord Boswell  
Chairman of the European Union Committee