

Brussels, 02 FEB. 2011
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Dear President,

Thank you for the opinion of the Austrian Nationalrat on the issue of a financial transaction tax adopted on October 27th. The European Commission has presented in detail its view on the taxation of the financial sector in the communication {COM(2010)549 final} of 7 October. The Commission thinks that a financial transaction tax (FTT) could be a suitable instrument on a global level and hence supports any further discussion on this issue at G-20 level.

During the Council of the Finance Ministers on 19 October, the European Commission has committed to investigate different options to tax the financial sector, in particular the option of a Financial Activities Tax (FAT). This tax might contribute considerably to our common aim of ensuring a fair contribution of the financial sector to the costs of the crisis. The financial activity tax risks less relocations and distortions of existing trading activities than other solutions at EU level.

An impact assessment on the different options of financial sector taxation is currently being conducted and will be available in summer 2011. Based on the results, the Commission will take a decision on possible legislative initiatives. The assessment will look at the rationale and feasibility of different options, notably a FAT and an FTT. It will also take into account the cumulative effects of new regulations and potential taxes on the financial sector. Given the complexity of the subject and the need for public consultations, a finalisation of the impact assessment until March 2011 should not be possible.

In addition to this, the June European Council stated the need for "levies and taxes on financial institutions to ensure fair burden-sharing and to set incentives to contain systemic risk" adding that "such levies or taxes should be part of a credible resolution framework". With regard to this, the Commission Communication of 20 October 2010 on "A new EU framework for crisis management in the financial sector" has stated that "banks subject to the crisis management framework would contribute to ex ante funds, backed by ex post financing arrangements to ensure that financing (of resolution) is available irrespective of the size of the failed bank, and costs exceeding the capacity of the fund are subsequently recovered from the banking sector." The Commission will come forward with proposals along these lines this year.

Yours faithfully,

Ms Barbara Prammer
President of the Austrian Nationalrat
Dr. Karl-Renner-Ring 3
A-1017 WIEN