



EUROPEAN COMMISSION

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Dear President,

The Commission would like to thank the Senato della Repubblica for its Opinion on the Proposal for a Council Directive on a common system of financial transaction taxation and amending Directive 2008/7/EC {COM(2011) 594 final}.

The Commission shares the view that a coordinated approach at international level would be best suited in order to minimise risks related to the relocation of financial operators and would like to provide the following clarifications:

The proposal aims at taxing all similar financial instruments to avoid distortions. However, taxing currency spot transactions would be in conflict with the Treaty principle of free movement of capital in the EU (Art. 63 TFUE).

The proposal aims at harmonising the taxation of financial transactions in the EU. It is neither aimed nor conceived as an instrument to fight against tax havens.

The Commission has proposed that two thirds of the revenues collected from applying the harmonised minimum rates set in the FTT proposal be allocated to the EU budget, with an equivalent reduction of the GNI contributions of Member States. Each Member State would decide on the allocation of the remaining part.

The Commission agrees that financial transaction taxation (FTT) could potentially generate high revenues. The part of the revenue remaining with the Member States could be used in various ways, as each Member State sees fit, for example to address issues such as poverty or climate change mentioned by the Senate.

It is widely accepted that indirect taxes should have a wide scope with few exemptions so as to ensure tax neutrality and to avoid economic distortions as well as tax circumvention. For the same reasons, exceptions to the principle that the tax applies across the scope provided for need to be limited to the greatest extent possible. The Commission therefore foresees exemptions only in the case of a (potential) conflict with regulatory objectives (e.g. central clearing parties are out of scope), of the particular legal status of Union bodies (e.g. the European Investment Bank) or of other international bodies or in order to ring-fence monetary policy (transactions with the European Central Bank and central banks of Member States are out of scope). There are also good reasons for leaving primary market transactions outside the scope of the harmonised rules, in order not to affect the

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raising of capital through issuance of shares and bonds. In addition, the Commission considers that the harmonised FTT needs to be neutral with respect to the financing of public and private bodies. Primary market transactions relating to bonds, both for public or private financing purposes are thus excluded from the scope of the proposed tax. However, as a rule, all secondary market transactions are included in the scope of the directive.

I would like to take this opportunity to update you on the latest developments regarding the negotiations of the Commission's proposal. The discussions between the Ministers of finance of the EU has demonstrated that a common system of FTT as proposed by the Commission will not be adopted by the Council as a system applicable to all 27 Member States. However, some Member States have indicated their intention to proceed with enhanced cooperation. The formal procedure has not yet been initiated.

I hope that the clarifications address the observations made by the Senato della Repubblica and I look forward to continuing our political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*