



EUROPEAN COMMISSION

Brussels, 27.4.2012  
C/2012/ 2756 final

Dear Speaker,

*The Commission would like to thank the Kamra tad-Deputati for its reasoned opinion on the Proposal for a Council Directive on a common system of financial transaction tax (FTT) and amending Directive 2008/7/EC {COM(2011)594 final}.*

*The Commission would like to underline that the central objective of the proposed Directive is to ensure that the Single Market continues to function properly and to avoid distortion of competition in a context of existing and possibly forthcoming financial transaction taxes in the Member States of the EU. An EU initiative on the harmonisation of the essential features of a FTT is necessary to avoid non- or double taxation, undue relocations of transactions and market participants and substitution of financial instruments within the EU. Such an initiative has become particularly relevant in the context of the economic and financial crisis, bearing in mind that various Member States already apply a form of national tax on certain financial transactions and that this area could be the object of additional unilateral measures on the part of the Member States.*

*Article 113 of the Treaty on the Functioning of the EU therefore is the appropriate legal basis of the Commission proposal. That proposal does not go beyond what is needed to ensure the good functioning of the Single Market. The Commission has taken great care to ensure that this proposal respects fully the principles of subsidiarity and proportionality. The Explanatory Memorandum contains a section dedicated to both the subsidiarity and the proportionality principles. Furthermore, the Impact Assessment accompanying the proposal, together with its annexes, defines the problem, describes objectives, analyses the various policy options and explains the advantages of the solution retained.*

*The Commission wishes to clarify that the preliminary revenue estimates mentioned in the Impact Assessment are in the order of magnitude of 57 billion euros per year. The FTT Proposal as such*

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*does not address the attribution of revenue to the EU Budget. However, it should be stressed that in its subsequent legislative proposals on the system of own resources of the EU, the Commission has neither suggested the use of all the revenue collected for the purposes of the EU budget (but only two thirds of the revenues collected using the minimum tax rates), nor taken a decision to earmarking the funds for a future crisis.*

*Another clarification relates to the interaction between the proposal and the VAT treatment of financial services. It is clearly specified in Article 12 of the proposal that "Member States shall not maintain or introduce taxes on financial transactions other than the FTT object of this Directive or value-added tax as provided for in Council Directive 2006/112/EC."*

*With respect to the incidence of this tax on different categories of economic actors, the Commission would like to stress that a certain increase in the cost of capital can be expected, but the proposal provides for a number of mitigating measures: the ordinary financial activities of households, companies or governments are not within the scope of the proposed tax; the minimum tax rates proposed are very low so as to also avoid significant knock-on effects on the real economy due to an increased cost of capital; the primary issuance of shares and bonds necessary to raise capital so as to finance activities in the real economy will not be taxed. Moreover, approximately 85% of transactions take place between financial institutions; by making financial institutions liable to pay the tax, they will normally bear most of the tax incidence. Of course, the financial institutions would have to assess whether they absorb such a tax or pass it on, taking into account market conditions, as they already have to do for other costs.*

*The Commission thanks the Kamra tad-Deputati for the details provided on its position regarding the FTT Proposal and hopes that these explanations serve to clarify the concerns raised in the reasoned Opinion. The Commission looks forward to continuing the political dialogue on this very important issue.*

*Yours faithfully,*

*Maroš Šefčovič  
Vice-President*