



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

10 September 2013

Dear Commissioner Šemeta,

EM 6442/13: Financial Transaction Tax

Thank you for the letter from Commissioner Hahn, dated 14 August 2013, on the Proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax. The House of Lords European Union Sub-Committee on Economic and Financial Affairs considered this document at its meeting on 10 September 2013.

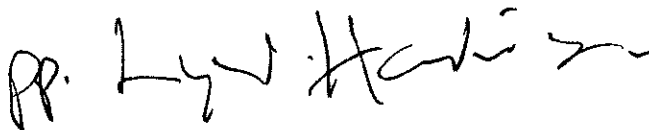
Whilst we note your response, we are disappointed that it failed to respond to a specific question put by the Committee in its letters of 16 April and 30 July in response to the evidence put to the Committee by Mr Manfred Bergmann, Director of Indirect Tax and Tax Administration, DG TAXUD, European Commission, on 19 March, that there would be no legal obligation on UK tax authorities to collect the tax. We disputed this, stating that it remained our understanding that UK financial institutions which are counterparties to financial transactions with a financial institution established in a participating Member State would have to pay the tax, and that it could be collected from the UK financial institution on the basis of joint and several liability or through the mutual assistance regime. We asked you to provide us with 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 regret your failure to address this point, and urge you to write to us as a matter of urgency.

We are also surprised by your statement that the Commission considers that, by authorising the enhanced cooperation in the area of financial transaction tax, the Council has judged that this cooperation respects the competences, rights and obligations of non-participating Member States, in accordance with Article 327 TFEU. This is particularly so given that enhanced cooperation was authorised before the Commission's proposals were published.

The Council's decision does not negate the Commission's responsibilities to protect the rights and competences of all 28 Member States, including the majority of Member States who have so far chosen not to participate.

We regret that, due to your existing diary commitments you will not be able to meet with the Committee on its visit to Brussels on 1-2 October. We would however be anxious to meet with you in London to discuss the proposal, and would be grateful if you can advise us of any convenient dates that you could do so. We would also be grateful to speak to a Commission official during our forthcoming visit to Brussels, and our staff will be in touch with your Cabinet in order to explore this possibility.

In light of the fact that the Committee will be meeting with him in Brussels I have copied this letter to Vice-President Rehn. I am also 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.

A handwritten signature in black ink, appearing to read "P. Lynd Hardison". The signature is written in a cursive style with a horizontal line at the end.

The Lord Boswell
Chairman of the European Union Committee