

(C) Main recommendations for improvement

(1) Better integrate the most important analytical results and improve transparency on modelling methods and assumptions. The report should improve the presentation of the results of the comprehensive analysis contained in the Annexes in the main text, by providing a summary table in the impacts section for the two main options, presenting clearly (i) the design and implementation conditions necessary for their feasibility/effectiveness, and (ii) the expected impacts and their robustness to varying (modelling) assumptions (incl. with regard to cost of capital, market volatility and relocation activities). In view of the multitude of analytical tools and approaches used to analyse the feasibility and effectiveness of introducing FTT or FAT, the report should clearly indicate the main assumptions and limitations of the various appraisal methods and address possible imbalances, conflicting assumptions or incompatibilities between these approaches. Where sensitivity analysis has been carried out, the results should be reported. In the presence of significant uncertainties in the modelling results, projections should be reported in ranges. The report should make an effort to explain what drives differences in modelling results for the two main options, for instance regarding effects on GDP growth.

(2) Strengthen the baseline scenario and the subsidiarity analysis. The report should more explicitly include current Member State actions (i.e. levies) in the baseline. It should give a better overview of problems resulting from non-harmonisation, especially as regards accumulation of levies and taxes from different fiscal jurisdictions and overlaps in regulations. In this context the report should use some of the descriptive elements that are currently in the objectives section to describe specific characteristics of the financial sector that would make tax harmonisation in this area necessary. The report should provide evidence in the problem section to support the suggestion that not only tax bases but also tax rates need to be harmonised. The consequences of differences in the legal base for direct and indirect taxation should be briefly explained. The report should attempt to show more concretely what the potential cost of non-harmonisation would be, and address possible proportionality issues that the different options may entail in more concrete terms. Finally, as regards VAT exemptions which are presented as a problem, the report should indicate how this issue is likely to be addressed (in a separate proposal).

(3) Improve the presentation of impacts on the financial sector and the real economy. The report should provide more details on the IMF's considerations concerning a FTT, with a clear reference to the difference between the IMF's criteria and the broader Commission objectives. It should explain that the (modelling) analysis of possible relocation effects on some segments of the financial sector has not produced sufficiently robust results to allow drawing unequivocal conclusions. Where subsectors have different characteristics (e.g. regarding the risk of relocation to other Member States or substitution towards other products) this should be reflected in the analysis. The report should also explain the economic incidence and growth effects, and how the design of the tax instrument determines to a large extent what impact a given financial tax instrument will have on the (private and corporate) customers of financial institutions. It should provide a more profound discussion of the likely impacts of the options on the competitiveness of the financial sector and non-financial companies. More in particular, it should explain what possibilities are available (like exempting primary markets) to ensure that the tax burden does not fall disproportionately on non-financial enterprises.

Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.

(D) Procedure and presentation

The report should provide clearer references to the views of different stakeholder groups and Member States throughout the main text. It should specify monitoring arrangements, identify appropriate indicators to cover the objectives, and indicate how a potential intervention will be evaluated. The Annexes should be presented in a more logical order (consultation, background information, analytical/projection/prediction) and an index to the Annexes should be provided.

(E) IAB scrutiny process

Reference number	2011/TAXUD/001
External expertise used	No
Date of Board Meeting	13 July 2011