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## EU COMMISSION PLANS NEW SPIN ON FINANCIAL TAX

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4 January 2012 EU OBSERVER The EU commission is revising its impact assessment of a proposed financial transactions tax (FTT), which included a worst-case scenario leading to job losses. The responsible commissioner now says original projections were "misused" and the overall impact will be positive. "The commission services are carrying out a fine-tuned economic analysis," a spokeswoman for commissioner Algirdas Semeta, in charge of taxation, told this website on Friday (3 February). The revised impact assessment is expected to focus on the positive impact of a 0.1 percent tax on primary markets and 0.01 percent on the much larger and more speculative market for derivatives. The commission's first assessment, published in September last year, suggested that in the long run such a tax could reduce future GDP by 1.76 percent. It also said there was a risk companies would relocate to escape the tax. The commission is currently saying the levy could raise some [ ] billion a year, from a sector widely blamed for causing the 2008 financial crisis. In an op-ed published in several European newspapers on Thursday, Semeta said the tax has gained wider acceptance among member states and that a "huge popular momentum" has formed behind it. He noted a "certain resistance by some" countries, however - a likely reference to British Prime Minister David Cameron who has said the scheme is "madness." "The commission's own figures have been misused and misrepresented to create doomsday scenarios around the impact on growth, jobs and competitiveness," Semeta wrote. In an attempt to "put the record straight on some of the myths" surrounding the tax, Semeta said it will not damage growth or lead to job losses: "All taxes, when looked at in isolation, carry an economic cost. But the cost of the financial transactions tax is small, and it is legitimate compared to the huge volume of support that the financial sector has received in recent years." Instead of a downwards effect, the tax could be used to reduce other taxes or boost investment in public services and infrastructure making it "positive for growth and employment in Europe." He disregarded ideas that ordinary people will somehow get hit, saying 85 percent of the targeted transactions take place exclusively between financial institutions. He added that the British objection - that businesses will flee Europe - is unfounded because the tax is to apply to wherever the transaction takes place not where the firm is domiciled. "Those who allege that the FTT will lead to a mass exodus of financial markets from Europe, have either not read the commission's proposal, or failed to understand it," he said. French experiment France and Germany are the biggest supporters of the initiative among member states, with Italy also joining the bandwagon. But Nicolas Sarkozy's upcoming bid for re-election has seen him race ahead of Germany's Angela Merkel in announcing a unilateral tax, even as Germany advocates an EU-wide levy. In a major speech last week, he announced a "Robin Hood" tax on financial markets to come into force from 1 August. The tax would affect stock trading only, but not the larger and wilder derivatives market, amid a fiercely negative reaction from Paris' top bankers. Sarkozy instead promised to impose special levies on credit default swaps - a complex product which bets on the performance of debt - and high frequency trading, but at a later stage. Sarkozy's opponent and frontrunner in the polls, the centre-left

Francois Hollande, wants a tax on derivatives as well. So do development NGOs, who would like revenues to be used for helping poorer countries meet climate change commitments. "We want to make sure the money doesn't go to pay back loans, it should be used for social expenditures, for meeting the United Nations commitments for development," said Jean Saldanha from Cidse, which has been pushing for a tax on financial transactions since 1999.

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