



LE MINISTRE DES FINANCES
ET DES COMPTES PUBLICS



LE MINISTRE FEDERAL
DES FINANCES

Paris, *January 21, 2015* Vienna,

Dear Fellow Ministers,

In 2013, our countries initiated an enhanced cooperation with a view to quick implementation of a financial transaction tax (FTT). The aim is to roll out this tax to all EU Member States in due time. Several stages of discussions have been held and various approaches examined. On 6 May 2014, we agreed on a progressive implementation of the tax and to start with a limited base which would then be extended to other products.

In our view aspects concerning both the substance of the FTT and our internal procedure have so far lead to a deadlock. A fresh start is therefore required.

During our next meeting on the margins of the ECOFIN Council Meeting on 27 January, we must move on from these difficulties and start fresh talks both in terms of the concepts underpinning the FTT and the procedures to be adopted. This is necessary, first for the successful introduction of the tax and, second, to ensure the operational effectiveness of the enhanced cooperation, which will be a prerequisite for its use in the future to address other issues.

On substance:

We have so far focused the discussion on which products should be taxed. Each participating Member State has consequently expressed a desire to exempt certain sensitive assets. As a result, the very tax base has gradually been stripped of meaning, particularly in the case of derivatives.

Consequently, as regards the concepts underpinning the FTT, we suggest resuming the work on a different footing to the approach that led to negotiations hitting a wall in 2014. This fresh direction would be based on the assumption that the tax should have the widest possible base and low rates. We will need to carefully decide on the tax's technical aspects to mitigate the risk of relocation of the financial sector as this would simply move financial transactions away from the countries having implemented the FTT, without curbing speculation and with expected revenues also being reduced.

On procedure:

In addition, there are several issues regarding how our work is organised that must be addressed. The lack of a permanent chair for our meetings and the absence of any follow-up by a secretariat or dedicated team make it difficult to work effectively: no minutes are published after meetings, the coordination of our technical work is severely lacking, and no documents are prepared in advance of our political discussions outlining the choices to be made.

Lastly, the lack of technical and logistics support from EU institutions has added extra complexity. For example, there is no technical support by the European Commission even though it should naturally be one of the key stakeholders in the entire process.

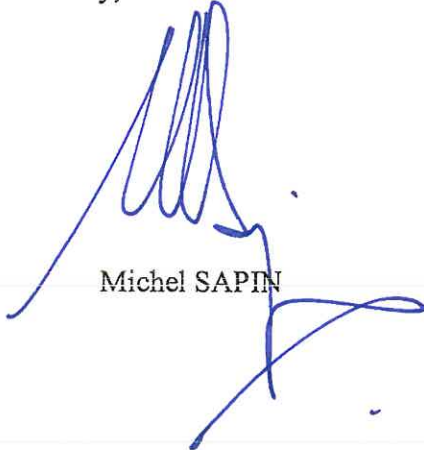
In order to get this necessary support by the Commission it would be necessary to present in working party meetings coordinated proposals and requests.

To streamline our work methods, we suggest immediately appointing one of us 11 to be responsible for the organization of our meetings which he should also preside our meetings. In addition, one of the members of the group of national technical experts should act as a coordinator and report to us on the progress of the technical work. We should also ask the Commission to explain, in the very near future, if and how it could support our work. In the light of this we could then also invite it to attend our meetings held at all levels. Lastly, we

need to decide on the conditions for the Council's involvement in the work together with the Presidency of that institution.

Summarizing, we are looking to breathe new life into talks on the FTT and we underscore our desire to see the tax introduced in 2016.

Yours sincerely,



Michel SAPIN



Hans-Jörg SCHELLING

To:

Ms. Maria Luís ALBUQUERQUE, Minister of State and Finance of Portugal
Mr. José Luis de GUINDOS, Minister of Economy and Competitiveness of Spain
Mr. Gikas HARDOUVELIS, Minister of Finance of Greece
Mr. Peter KAZIMIR, Deputy Prime Minister and Minister of Finance of Slovakia
Ms. Maris LAURI, Minister of Finance of Estonia
Mr. Dušan MRAMOR, Minister of Finance of Slovenia
Mr. Pier Carlo PADOAN, Minister of Economy and Finance of Italy
Mr. Wolfgang SCHÄUBLE, Minister of Finance of Germany
Mr. Johan VAN OVERTVELDT, Minister of Finance of Belgium

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Mr. Pierre MOSCOVICI, European Commissioner for Economic and Monetary Affairs, Taxation and Customs
Mr. Jānis REIRS, Minister of Finance of Latvia, President of the ECOFIN Council