

**Ministers of the Member States  
Participating in enhanced cooperation**

For information:

Director General  
for Taxation and Customs Union  
at the European Commission  
Mr. Stephen Quest

**French-German Proposal on Financial Transaction Tax**

Vienna, 22 Januar 2020

Dear colleagues,

Austria – like all other participating Member States – specified in its formal request for enhanced cooperation that the scope and objectives should be based on the Commission's proposal of September 2011 for a Directive on a common system of financial transaction tax.

This proposal provided for the broadest scope possible in order to reduce the risks of tax avoidance, market relocation and substitution. Transactions of all types of financial instruments (shares, bonds and derivatives) should be covered on condition that at least one party to the transaction is established in the EU.

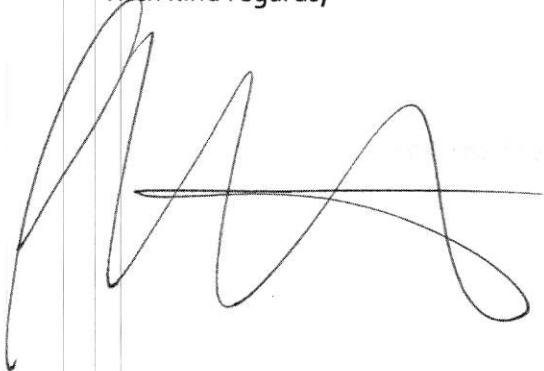
The current proposal does not correspond to this original Commission's proposal at all, since it covers only shares issued in a participating Member State.

Due to the limited tax base approximately 99 % of all transactions with financial products would remain out of the scope. Transactions not enhancing the efficiency of financial markets would not be disincentivized, on the contrary, the exemption of derivative trading and of all intraday trading would provide an incentive in exactly the opposite direction.

By exempting transactions of bonds depth financing would receive a more favourable tax treatment than equity financing. Trade in domestic shares would be disadvantaged against trade in shares of non-participating countries. An academic study by Professor Pichler commissioned by the Austrian Ministry of Finance confirms this assessment.

For all these reasons I cannot support a FTT based on the FTT levied by France. Austria remains fully committed to a harmonised FTT with a broad scope as provided for in the Commission's proposal. Thus, I propose to try to reach an agreement on the original proposal. If this is unacceptable for the group, unfortunately Austria will formally withdraw from the FTT enhanced cooperation procedure.

With kind regards,

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned below the closing text.