4 May 2011

AFME CALLS FOR STUDY OF FINANCIAL SECTOR TAXATION

The Association for Financial Markets in Europe, which represents Europe’s wholesale financial markets firms, has called on the European Commission to conduct a thorough study into the tax contribution made by the financial services sector.

The study would identify the total tax contribution, including taxes on business profits, employment taxes on employers and employees, sector-specific levies and value-added taxes, across all providers of financial services, including the costs of the sector's tax collection and reporting obligations. The findings would help to inform the ongoing discussion around the taxation of the sector, including the debate over Financial Transaction or Financial Activities Taxes. AFME believes that the study could be completed in a matter of months, provided that the national tax authorities in Member States are prepared to provide the relevant data.

The call comes in AFME’s formal response to the EC’s Public Consultation on Taxation of the Financial Sector. This consultation is taking place against the backdrop of several significant new taxes or levies already being introduced by individual Member States. Some Member States are using levies for general revenues; others are using levies for resolution funds.

In its consultation response, AFME argues that to address the question of whether financial services should face its own specific taxation regime it is important to be clear from the outset about the policy objectives of any specific form of taxation for financial services.

“Before calling for further taxes from any source, policymakers need to have accurate data about the tax contribution already being made. Otherwise they are making decisions in the dark,” says Simon Lewis, chief executive of AFME.
“Policymakers also need to be clear about the purposes of the additional taxes being proposed. Are they just to raise revenues or are they to increase the stability of the financial system?

“If the objective is changed behaviour, in pursuit of a more stable financial system, then effective regulation is a more appropriate tool. Whatever the objective, tax must support and not contradict regulatory objectives.”

AFME believes that a more effective method of reducing risk would be to develop sensible reforms, covering corporate governance, capital requirements, effective supervision and appropriate resolution regimes that reduce systemic risk and the need for government intervention when failures occur.

The full text of AFME’s response to the EC Consultation is available on the AFME website.

-ENDS-

Contact

AFME
Rob McIvor +44 (0)20 7743 9321
James White +44 (0)20 7743 9367

Notes:

1. AFME (the Association for Financial Markets in Europe) advocates stable, competitive and sustainable European financial markets, which support economic growth and benefit society. On behalf of our members, we:
   - Offer a single voice for the European capital markets participants and advocate their views at national, European and global levels;
   - Develop a constructive dialogue on market and regulatory policy with legislators and regulators;
   - Contribute policy and advocacy expertise to help achieve a balanced and stable regulatory environment; and
   - Promote the contribution of the financial sector to society.

2. For more information please visit the AFME website, www.afme.eu