

George Osborne rejects EU transaction tax

The Chancellor has said that Britain will not back a new European tax on financial transactions despite it being a key pledge of the French President, Nicolas Sarkozy.



Mr Osborne shakes hands with France's finance minister Francois Baroin at the G7 meeting in Marseille today. Photo: EPA

By Bruno Waterfield, in Marseilles

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In public comments that put George Osborne on a collision course with the French and the Germans who both back the so-called "Tobin Tax", he said that any new taxes would put the City's position as a global leader at risk.

Proposals will be tabled in Brussels October and will set the scene for a major test of David Cameron's European policy at a European Union summit in December.

Speaking in the margins of a G7 summit today, Mr Osborne vowed to oppose a tax that he said would lead to companies deserting the City, and the European Union for financial centres not covered by the European levy.

"I am against an EU tax," he said. There would be no point introducing a financial transaction tax that led, the next day, to our foreign exchange markets moving to New York or Singapore or anywhere else."

Mr Osborne said that he had nothing against a transaction tax "in principle" but noted "there are very considerable practical obstacles to its successful implementation unless you can get every jurisdiction in the world to sign up to it".

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After a meeting between the European Commission and Nicolas Sarkozy in Paris on Friday morning, a Franco-German letter pledging support for the tax was sent to Brussels in a signal that the EU's most powerful two countries were set to press for the change.

The letter, signed by Wolfgang Schaeuble and Francois Baroin, the German and French finance ministers, urged the EU to introduce the tax even if, as expected, the idea is rejected at November's G20 summit in Cannes.

"We believe the EU should lead," said the letter. "Although the Toronto G20 meeting demonstrated that a global agreement is very difficult to achieve, we strongly believe that the implementation of a FTT at the European level would be a crucial step on the path to reaching a global consensus in a way that does not affect European competitiveness. We stress that the difficulties in implementation should not be used as an excuse to reject the financial transaction tax."

Britain has a veto over EU taxation proposals but EU officials suggest that it could be difficult for Mr Osborne to resist a measure billed as a tool to cut public deficits within the eurozone and more widely tackle the debt crisis.

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