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Peers reject "flawed" EU transaction tax

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By [Huw Jones](#)

LONDON (Reuters) - Britain must veto European Union plans to tax financial transactions as they are flawed and would likely prompt banks to relocate, a House of Lords' report said on Friday.

The bloc's executive European Commission has proposed a tax on derivative, stock and bond trades to raise up to 57 billion euros (47.60 billion pounds) from 2014 to make banks pay for economic damage from the financial crisis.

Much of the money would be collected in London, the EU's biggest financial centre, but the report from the House of Lords said such a tax would not meet its stated objectives.

"There is a significant likelihood that financial institutions will relocate outside the EU in order to avoid the tax," the report said.

The UK has already said it won't sign up, effectively killing a pan-EU tax, as unanimity is needed among the 27 member states to bring into law what Chancellor George Osborne has described as a bullet aimed at the heart of London.

Germany and France hoped for a transaction tax in the 17-nation euro zone, but this also looks unlikely after the Netherlands came out against.

German Finance Minister Wolfgang Schaeuble conceded for the first time on Monday that even a euro zone tax was doomed, saying: "We just can't get it done."

EU finance ministers are due to discuss how to move forward when they meet on Friday and Saturday informally in Copenhagen.

STAMP DUTY

The focus is already switching to the possible introduction of national stamp duties on share transactions, which Britain already has and which France is set to follow in August.

The House of Lords report said the government should still seek to influence this development as stamp duties in different countries may have consequences for Britain.

"The implications for the UK and the EU as a whole are considerable, and we urge the Government to redouble their efforts to ensure that the UK is able to influence the ongoing debate," the report said.

Sony Kapoor of think tank Re-Define told the lawmakers that if other EU states introduced stamp duties, Britain could lose its relative "first-mover advantage".

Brussels has said that if the EU set an example with a "Tobin Tax" or "Robin Hood Tax", as it is also referred to by advocates, other countries would follow.

"Given the opposition to an FTT in the USA, the suggestion that the Commission proposal will pave the way for a global tax is in our view wholly unrealistic," the lawmaker report said.

A report from Corporate Europe Observatory (CEO) released on Thursday said the financial industry had been successful in mounting a "full scale scaremongering lobby" against the tax.

"With the proposals now to be decided by the EU Council, which requires unanimity on taxation issues, Europe's financial transaction tax looks destined for the dustbin," said CEO, which tracks EU-focused lobbying.

(Editing by [David Holmes](#))

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