



**The Quoted
Companies Alliance**

European Commission
Directorate-General for Taxation and Customs Union
Rue de Spa 3, Office 06/31
B-1049 Brussels

TAXUD-FINTAX@ec.europa.eu

26 April 2011

Dear Sirs,

European Commission – Consultation on Financial Sector Taxation

INTRODUCTION

The Quoted Companies Alliance (QCA) is a not-for-profit membership organisation working for small and mid-cap quoted companies. Their individual market capitalisations tend to be below £500m.

The QCA is a founder member of European**Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

Our ID number for the European Commission's register of interest representatives is 45766611524-47.

The QCA Tax Committee has examined your proposals and advised on this response. A list of committee members is at Appendix A.

IDENTIFICATION OF STAKEHOLDER

Please find below responses to your questions on the identification of stakeholders:

Name and address of the respondent, relevant contact details (including email address for contact)

Tim Ward, Quoted Companies Alliance, 6 Kinghorn Street, London EC1A 7HW,
kate.jalbert@theqca.com

If you are registered with the Commission as an "interest representative" your identification number

45766611524-47

Are you a recognised European social partner organisation or a representative of a European (sectoral) social dialogue committee

No

Field of activity of the respondent. Please specify your field of activity. Please indicate if you are directly affected by any of the measures and if so, which one and to what extent:

The Quoted Companies Alliance (QCA) is a not-for-profit trade organisation that works for small and mid-cap quoted companies in the UK and Europe to promote and maintain vibrant, healthy and liquid capital markets. The proposed Financial Sector Transaction Tax (FTT) will affect our quoted company members in terms of attracting investment and trading of their equities.

If the respondent is an association of stakeholders, how many members do you represent and what is your membership structure?

We represent all small and mid-cap quoted companies in the UK, accounting for some 2,000 companies (75% of all quoted companies). We have just over 100 quoted companies and 100 advisers of the small and mid-cap quoted sector as direct members of our organisation.

Do you object to publication of personal data on the grounds that such publication would harm your legitimate interests?

No

Do you agree to having your response to the consultation published along with other responses?

Yes

RESPONSE

We welcome the opportunity to respond to this consultation and will limit our comments to the specific proposal for a financial transaction tax (FTT):

Q10: At what level do you think that the FTT will be most effective?

1. EU level, because there may never be a G20 agreement and the EU must lead by example
2. Global level, because otherwise the trade relocation incentives would be rather big
- 3. The FTT will not be effective at any level because it will have a detrimental effect on liquidity in markets.**
4. Cannot decide
5. Other _____

Please explain further and provide evidence, if you have any.

In response to the question above, it is our view that a financial transaction tax, at any rate, will have a detrimental effect on liquidity in markets throughout Europe. The tax would result in raising the cost of capital for companies seeking to raise equity on markets, in an environment where the cost of capital is already high and many banks are reluctant to lend. This increased cost would in turn have a disproportionate effect on small and mid-cap quoted companies, the growth engines for the European economy, and affect their availability to attract investment. Ultimately, the FTT proposal would have a negative effect on private sector recovery in Member States throughout Europe.

We also believe that the FTT would be an overly complex tax, which would be difficult to levy, especially with regard to how it would apply to cross-border transactions. Over all, we believe that the costs involved in setting up such a tax would not necessarily outweigh the benefits.

If you would like to discuss any of these issues further, we would be happy to attend a meeting.

Yours faithfully,



Tim Ward
Chief Executive

Quoted Companies Alliance Tax Committee

Vijay Thakrar	Deloitte LLP
Paul Barnes	KPMG LLP
Chris Bond	PKF (UK) LLP
David Boyd	Mazars LLP
Nick Burt	Nabarro LLP
Jason Collins	McGrigors LLP
Tim Crosley	Memery Crystal LLP
Paul Fay	Crowe Clark Whitehill
Natasha Kaye	Olswang
Neil Pamplin	Grant Thornton UK LLP
Michael Ridsdale	Wedlake Bell LLP
Amanda Solomon	Charles Russell LLP
Tim Ward	Quoted Companies Alliance
Kate Jalbert	Quoted Companies Alliance

THE QUOTED COMPANIES ALLIANCE (QCA)

A not-for-profit organisation funded by its membership, the QCA represents the interests of small and mid-cap quoted companies, their advisors and investors. It was founded in 1992, originally known as CISCO.

The QCA is governed by an elected Executive Committee, and undertakes its work through a number of highly focussed, multi-disciplinary committees and working groups of members who concentrate on specific areas of concern, in particular:

- taxation
- legislation affecting small and mid-cap quoted companies
- corporate governance
- employee share schemes
- trading, settlement and custody of shares
- structure and regulation of stock markets for small and mid-cap quoted companies;
- political liaison – briefing and influencing Westminster and Whitehall, the City and Brussels
- accounting standards proposals from various standard-setters

The QCA is a founder member of European **Issuers**, which represents quoted companies in fourteen European countries.

QCA's Aims and Objectives

The QCA works for small and mid-cap quoted companies in the United Kingdom and Europe to promote and maintain vibrant, healthy and liquid capital markets. Its principal objectives are:

Lobbying the Government, Brussels and other regulators to reduce the costing and time consuming burden of regulation, which falls disproportionately on smaller quoted companies

Promoting the smaller quoted company sector and taking steps to increase investor interest and improve shareholder liquidity for companies in it.

Educating companies in the sector about best practice in areas such as corporate governance and investor relations.

Providing a forum for small and mid-cap quoted company directors to network and discuss solutions to topical issues with their peer group, sector professionals and influential City figures.

Small and mid-cap quoted companies' contribute considerably to the UK economy:

- There are approximately 2,000 small and mid-cap quoted companies
- They represent around 85% of all quoted companies in the UK
- They employ approximately 1 million people, representing around 4% of total private sector employment
- Every 5% growth in the small and mid-cap quoted company sector could reduce UK unemployment by a further 50,000
- They generate:
 - corporation tax payable of £560 million per annum
 - income tax paid of £3 billion per annum
 - social security paid (employers' NIC) of £3 billion per annum
 - employees' national insurance contribution paid of £2 billion per annum

The tax figures exclude business rates, VAT and other indirect taxes.

For more information contact:

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www.theqca.com