

Financial transaction tax

MEPs close ranks

By Tanguy Verhoosel | Tuesday 10 January 2012

With Nicolas Sarkozy's determination continuing to spark debate, members of the European Parliament closed ranks, on 9 January, on the European Commission's proposal to introduce a financial transaction tax (FTT) at Union level or, should that prove impossible, at eurozone level. Members of the Committee on Economic and Monetary Affairs (ECON) held an initial exchange of views on the text proposed in September 2011. A report will be drafted by Anni Podimata (S&D, Greece) under the consultation procedure that applies to taxation issues. It will be presented on 28 February, with a vote in committee set for April and a June vote in plenary.

Summing up her group's position, the Greek rapporteur said the Commission's directive is "balanced" and its implementation will not result in the massive relocations feared by some, particularly in the very British ranks of the European Conservatives and Reformists (ECR) and the Europe of Freedom and Democracy (EFD) groups. Podimata mentioned the low taxation rates recommended by the Commission – 0.1% for shares and bonds and 0.01% for derivatives.

Sirpa Pietikäinen (EPP, Finland) seconded that view: "I don't fear relocations because the Union is far too important to be left aside".

Another of the proposal's strengths, said Pascal Canfin (Greens-EFA, France), is that it targets primarily companies that engage in intense trading activity and banks that operate on markets on their own behalf. It would be illogical for them to pass on to consumers the extra costs brought on by the FTT.

Session chair Wolf Klinz (ALDE, Germany) has totally changed his point of view: "I was always an adversary of the FTT. But I have changed my mind because the financial sector has not learned anything from the crisis. It's a good solution," even if the Commission's proposal is still totally unacceptable to some – including in the Swedish ranks of the ALDE and the Poles in the EPP – and imperfect for others.

Canfin, for instance, has concerns about the "underlying European principle". He suggests that it might be better to tax all transactions on European shares, bonds or derivatives, irrespective of where operators are based and where the transactions are implemented.

Another key question to be addressed is the level at which the FTT should apply, in the event Britain and Sweden veto its implementation at EU level.

Proponents of the tax are all on the same wavelength in this respect: in the absence of a compromise by the 27, the FTT should be applied "at least" by all the eurozone states, summed up Jean-Paul Gauzès (EPP, France). He attributed to the French "election" context the statements by Sarkozy, who is considering going it alone should the European proposal fail.

DANISH RELUCTANCE

The Danish Council Presidency is “very reluctant” when it comes to the proposed financial transaction tax, arguing that it would threaten growth and employment. The proposal tabled by the Commission “is not very solid,” said Danish Economy Minister Margrethe Vestager at a meeting with foreign journalists in Copenhagen, on 10 January.

She pointed out that studies carried out by the Commission itself have shown that such a tax implemented in Europe alone could cost the continent a half-point of economic growth and “hundreds of thousands of jobs” owing to the relocation of banking and financial activities outside the EU. “Since everyone agrees that today’s priority is to create jobs, we are very reluctant to support a proposal that would have the opposite effect, minimising growth and causing significant job losses,” said the minister.

The first discussions by the EU’s finance ministers brought to light deep divisions between the countries that support such a measure, among them France and Germany, and its opponents, first and foremost the United Kingdom, which sees it as a threat to the City of London, Europe’s leading financial centre. Since taxation issues require unanimity in the EU, France and Germany are considering going forward with the eurozone states, for example under enhanced cooperation by a group of EU countries, authorised by the Lisbon Treaty. Paris is even saying it is willing to impose such a tax alone, to “set an example”.

The Danish minister, whose country does not belong to the monetary union, noted that the eurozone states should also take into account “the danger of losing growth and jobs”.

Background

The Commission proposed, on 28 September 2011, to introduce, in 2014, a financial transaction tax between financial institutions on the secondary market, both organised and over the counter. It estimates revenues from such a measure at 57 billion euro and suggests that “part” of these funds should be paid into the EU budget, which would consequently reduce member states’ contributions. The balance would go to states or be used to finance projects, in the fields of development assistance or climate change, for example.

A Commission spokesman said, on 10 January, that it is this proposal, considered a priority, that is currently being examined. Work between Commission staff and the Danish EU Presidency has just begun. Following the announcements by Nicolas Sarkozy, who is considering launching such a tax in France, the spokesman confirmed that, for the EU executive, the goal is an agreement by the 27 or even, if possible, at global level. He also welcomed the fact that this matter had been discussed at meetings between Sarkozy and German Chancellor Angela Merkel.