

Financial markets

MEPs back transaction tax despite Commission resistance

By Sarah Collins | Tuesday 08 March 2011

MEPs have overwhelmingly backed an EU-wide transaction tax despite European Commission and European Central Bank fears that it would harm the bloc's economy. Taxation Commissioner Algirdas Semeta threw cold water on the parliamentary call, saying that it would be "irresponsible" to go ahead without having agreement at G20 level. He was responding to a vote on an own-initiative report by Greek Socialist Anni Podimata, adopted in Strasbourg on 8 March, by 529 votes to 127 (with 18 abstentions), which calls for a 0.05% fee on all transactions that it is estimated would raise up to €200 billion a year for stretched national coffers.

"We need a financial transactions tax at global level to help fund our international challenges, such as climate change and development," Semeta said. "With regard to a financial transactions tax at EU-level only, I firmly believe that it is premature to commit to such an option," he added, warning that it could have an impact on European competitiveness. The Commission and the European Central Bank believe an EU-only FTT would push transactions out of Europe to Asia or other global centres. Belgium is the only country in the EU that backs a continent-wide transaction tax, but has said it will only introduce the charge when there is EU-wide support. France and Germany have previously tried to garner support for a global plan, but faced fierce opposition from the US, Australia and Canada.

The Socialists were patting themselves on the back after the vote, saying they had won a decisive victory. "The financial sector is undertaxed," Podimata said during a debate on her report, on 7 March. "This is a blatant injustice that we must put right, and send the message to European citizens showing them that we have learned our lessons from the crisis." This is the second time the Parliament has voted to bring in an FTT, after Socialists and Greens led calls to introduce a charge in a March 2010 resolution.

However, professionals at the Association of Chartered Certified Accountants (ACCA) have taken the Commission's line, saying that an EU-only charge could drive up interest rates for governments and costs for businesses. "We could only potentially support the introduction of such a tax under the sine qua non condition that it is global and not restricted to one region of the world," said Chas Roy-Chowdhury, ACCA's head of taxation.

The European Commission is currently undertaking an impact assessment into the tax, which will be published in the summer. EPP deputy Danuta Hübner (Poland) said that her group would only support the move if that impact assessment was favourable. "For every new type of tax that is introduced in Europe, we need to judge very carefully what its effects on growth, employment and competitiveness might be," she said.

The Podimata report also backs a system of eurobonds, a carbon tax and EIB-funded project bonds, and urges member states to make good on their aid pledges to developing countries.