A Financial Transactions Tax: Ireland & funding development

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3. European Proposal
4. Ireland and the FTT Proposal
5. Using FTT revenues for Development
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1. Introduction

- Long attention on a ‘Tobin tax’
  o Origin in 1972
  o a very small tax on global capital flows

- Other terms have appeared recently:
  o Robin-hood tax: variant of Tobin
  o Financial Transactions Tax (FTT) = Tobin tax
  o Financial Activities Tax (FAT) = similar to a VAT on bank profits, remuneration and liabilities…would have to be higher %

- All had been ruled out, but...
- Financial crisis, reckless speculation, societal bills….
2. Why a FTT?
   
   (i) allow states to more adequately monitor the financial sector
   
   (ii) provide additional taxation revenue
   
   (iii) reduce the volume of high-risk financial transactions

3. European Proposal
   
   • EU commission in September 2011 + Parliament subsequently
   • An EU-wide FTT…blocked
   • 11 countries implementing it…aim for 2014
   • Not including Ireland
3. European Proposal

- EU commission in September 2011 + Parliament subsequently
- An EU-wide FTT…blocked
- 11 countries implementing it…aim for 2014
- Not including Ireland
- Very comprehensive proposal:
  - all markets, all instruments, all actors (triple A)
  - residence principle, issuance principle, ownership principle
- Hard to avoid/escape
- €30-35billion (if all EU-27 = €57billion)
**The Rates:**

- 0.1% (one-tenth of one per cent) on the trading of bonds and shares
- 0.01% (one-hundredth of one per cent) on the value of derivative agreements and ‘financial market bets’.
- The rates are minimums as countries with the EU retain the right to set individual tax rates and could choose higher levels if desired.
- In all cases the tax falls separately on each of the parties to the transaction, i.e. buyers and sellers will both pay.

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**4. Ireland and the FTT Proposal**

- Government has been hesitant
- Unwilling without UK participation
- Yet, design implies tax will occur anyway…
- Relocation etc unlikely
- Revenue:
  - + €300-550m (net) per annum
  - some to EU, rest for domestic purposes
- **Ireland has a lot to gain from FTT – should play a more enhanced role at EU level in broader implementation**
- To date, such leadership has been lacking
5. Using FTT revenues...

- Prior to the recession
  - FTT was seen as an idea for funding development
- This has begun to fade as its popularity increases
  - Exchequers, EU budget etc eyeing up the €
- Development sector needs to reassert the case for funding development from FTT
  - Large revenues, should be sufficient for domestic and EU needs, but you need to ask for the €
  - Relevant to increasing ODA towards UN target

6. Conclusion

- Relevant given financial crisis
- Relevant given need for funds
- Relevant given Development needs
- Major progress to date at EU level
- Ireland needs to join-in and aggressively campaign for an almost EU-wide FTT
- Possible and feasible
- **Time for Tobin!**
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Research for new economic policies