

New report on taxing banks

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Tax Research UK, along with the Trade Union Congress, Tax Justice Network, Christian Aid and the Task Force on Financial Integrity and Economic Development has today submitted a report to the [IMF in response to its consultation](#) on the future taxation of the finance sector. The submission is [available here](#).

The submission is comprehensive. It identifies banks as the source of the additional revenue needed to tackle current problems in the economy whilst noting the contribution other parts of the financial services sector made to the current economic crisis. In doing so it promotes two strands for action, but makes clear bank levies are not something it endorses.

The first action demanded is the creation of financial transaction taxes. This, of course, links to the [Robin Hood Tax campaign](#). Detailed estimates of the likely revenues to be raised are included in the report, which I authored. The issue of incidence is also considered. The result is a recommendation that such taxes be introduced in stages, starting with a currency transaction tax on foreign exchange dealing, then taxes on derivatives, options, swaps and bonds before finally rolling out a UK style stamp duty more widely. I am convinced that the first two alone would achieve significant revenues and have the additional benefit of reducing socially useless and harmful activity in the City and elsewhere whilst imposing little cost on ordinary taxpayers. Indeed, in what I call a perverse paradox, the cost will almost certainly rebound back to fall within banks and a very limited City workforce to create social benefit, just as James Tobin always predicted.

The report does not stop at that point though. it also recommends the adoption of country-by-country reporting, General Anti-Avoidance Principles, codes of conduct for banks, changes in information sharing arrangements, restriction on the use of bank losses, and restrictions on the tax relief available on bankers' pay. The first four of these are familiar issues here: the last two are not and I will feature them more prominently over the next day or so.

In the meantime the message is an important one: the options for action are

wide-ranging and the need for action is pressing. This is the time to act.

Note: This post is open for comments. Comments will only be accepted if they contribute positively to debate on this issue. Those that do not will be deleted.