

‘Taxing Banks’ in FT Adviser

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The [FT Adviser notes](#):

A tax on financial transactions would raise £100bn a year globally, according to a report by a coalition backing a crackdown on banking activities.

The report, entitled [Taxing Banks](#), proposes a global 0.005 per cent tax on currency exchanges and derivatives.

The report, authored by the Trades Union Congress, Christian Aid, Tax Justice Network, Tax Research UK and the Task Force on Financial Integrity and Economic Development, claimed a tax on foreign currency exchanges — similar to a Tobin tax — could be collected through the continuous linked settlement bank or the real time gross settlement mechanisms, which are run for all major currencies by the main central banks.

Setting the tax at 0.005 per cent would not cause any difficulties for the financial markets but would raise an estimated £21bn a year worldwide, according to the report.

The report argued a 0.005 per cent global tax on derivatives trades, which are estimated to be worth \$3,150 trillion (£2,013 trillion) a year, could be introduced quickly and raise around £76bn a year.

The document also examines the worldwide extension of a 0.5 per cent tax on share transactions, which already operates in the UK, Hong Kong, Singapore, Ireland and India.

It estimates this could eventually raise up to £150bn a year, although the report notes additional research is needed on the behavioural effects of a worldwide stamp duty and its impact on other taxes.

The report, submitted to the International Monetary Fund as part of its consultation on how the financial sector could pay for the costs of government support given to the banks, said the tax would be harder to avoid compared with an insurance levy.

Brendan Barber, general secretary of the TUC, said: "Everybody in the world is paying the price for the global recession the banks caused — through lost jobs and homes, less money in their pockets or having less food to feed their families.

"But rather than suggest ways to address the damage they have caused, the response of most financial institutions has been to say that no transaction tax — no matter how small — could ever work.

"Our report shows that taxes on financial transactions can be implemented quickly, unilaterally and raise substantial sums without causing any difficulties to the financial markets.

"Several countries, including the UK, already have these taxes and there is no reason why they cannot be extended across the world."

Paul Brannen, head of advocacy and influence for Christian Aid, said: "We support the idea of financial transactions taxes as one means of generating much-needed funds for the fight against poverty, HIV and climate change.

"Another vital reform is the introduction of country-by-country reporting, also covered in this report. It would help poor countries to collect more of the \$160bn (£102bn) a year that they currently lose to tax dodging by companies trading internationally."