Funding the Future

The EU Parliament says the time for a Robin Hood Tax ha...

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As Owen Tudor has reported on the TUC's Touchstone blog:

The European Parliament voted yesterday — by a thumping 487 to 152 — for a Europe-wide Financial Transactions Tax (FTT) to be implemented by 2014, as part of a wider growth strategy. They couldn't have sent a clearer message to the EU leaders who are meeting this evening in Brussels to discuss the Eurozone crisis, growth and possible solutions like an FTT.

The Robin Hood Tax (as the FTT is called in some EU countries like Britain) has been placed on the EU Summit agenda by the new French President Francois Hollande. Having raised it this weekend at the G8 summit in the USA, Hollande has made it clear he is at least as committed as his predecessor, and it is a proposal backed by four of the five biggest economies in the EU — Germany, Italy and Spain as well as France.

David Cameron is a lone voice among the big five in opposing the tax. He told Hollande in Washington that an FTT would do nothing to stimulate growth which is staggering for a Prime Minister who has presided over the VAT increase , the pasty tax, the caravan tax… Apparently taxes on ordinary people are fine, but taxes on Cameron's friends and funders in the City of London are unacceptable!

As Owne then notes, all Cameron's claims on the FTT have been discredited anyway by the EU. And as Owen concludes:

The European Parliament was voting on a report from its Economic and Monetary Affairs Committee about the European Commission's draft directive on FTT, although it is only advisory as the Parliament does not have control over tax policy. The report recognised that countries like the UK might not join in with the first wave of implementing the tax, and urged a smaller group of EU countries to get on with implementation regardless. It also proposed exempting pension fund investments, and extending measures to tackle tax evasion and tax avoidance.

The last point is important here. As the EU statement on this said:

A wider net

The adopted text adds to the Commission proposal an "issuance principle", whereby financial institutions located outside the EU would also be obliged to pay the FTT if they traded securities originally issued within the EU.

For example, Siemens shares, originally issued in Germany and traded between a Hong Kong institution and one in the US would have to pay the tax. Under the Commission's proposals, such transactions would have escaped the tax, because only financial institutions based within the FTT zone would be subject to it.

The "residence principle" proposed by the Commission is also kept, which would mean that shares issued outside of the EU but subsequently traded by at least one institution established within the EU would be caught.

Tackling tax evasion

The resolution also raises the stakes to make evading the FTT potentially far more expensive than paying it. Taking the UK stamp duty approach, the text links payment of the FTT to the acquisition of legal ownership rights. This means that if the buyer of a security did not pay the FTT, he or she would not be legally certain of owning that security. As FTT rates would be low, this risk is expected to far outweigh any potential financial gain from evasion.

I think the principle in this last paragraph especially important. What it says is that the right to ownership of an asset is dependent upon having paid the tax due when acquiring it: without that tax having been paid the title to the asset is void and the asset is forfeited to the state.

It's an idea whose time has come as surely as the time for an FTT has arrived.