STATEMENT

MAY 2014

Statement on the Financial Transaction Tax in Europe

Background

Between September 28 and October 23 of 2012, 11 EU member countries formally indicated to the European Commission that they wished to proceed with a Financial Transaction Tax using the Enhanced Cooperation provisions of the EU Treaty, followed by the Commisison's proposal on October 25th[1]. Those countries are Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia[2]. The European Commission proposed that exchanges of shares and bonds would be taxed at 0.1 per cent and derivative contracts at 0.01 per cent[3]. The initiative is estimated to generate revenues in the range of tens of billions of Euros and could be implemented by 2014. The existing initiative does not specify what the funds will be used for, and without such agreement it will be left to the individual governments to allocate the funds as they deem appropriate.

WWF POSITION

WWF welcomes the initiative of 11 EU Member States to move ahead with a coordinated Financial Transaction Tax. WWF asks other EU countries to take the opportunity now to join this initiative, which could raise as much as 35 billion Euro a year[4] from the financial sector, whose transactions involving shares, bonds, derivatives and other assets are widely considered to be undertaxed. If more countries join, this sum would increase accordingly. WWF supports international cooperation to implement financial transaction taxes globally, covering the major financial centres worldwide, as a source of financing for global public goods including in the areas of development and environmental protection, with a particular focus on measures to promote sustainable, low carbon and climate

[1] These "Enhanced Cooperation" provisions allow a minimum of 9 countries proceed with initiatives using the EU institutions and procedures http://europa.eu/legislation_summaries/institutional_affairs/treaties/nice_treaty/nice_treaty_cooperations_en.htm

[2] European Commission. Proposal for a Council Decision authorising enhanced cooperation in the area of financial transaction tax. Brussels, 25.10.2012 http://ec.europa.eu/taxation_customs/resources/documents/taxation/com_2012_631_en.pdf

[3] The Times of Malta. Malta to study EU financial tax proposal. October 24, 2012 http://www.timesofmalta.com/articles/view/20121024/local/Malta-to-study-EU-financial-tax-proposal.442357

[4] German Institute for Economic Research (DIW)

resilient development. This initiative within the EU can help to build momentum and support towards a more broad-based international or global system, such as that proposed by the 60-country Leading Group in Innovative Financing for Development in 2010[55]. These 12 countries are demonstrating leadership, while some other EU countries, such as the UK, have said they will only support FTTs if there is a global agreement first.

However, in order for this initiative to fulfil its potential to scale up financing to support development, environmental protection and therein most notably climate change mitigation and adaptation efforts, two things must happen:

First, and most urgently, countries that are part of this initiative should agree to allocate part of the revenue to global public goods, including development and climate action. Given the current financial and fiscal crisis some EU countries are currently facing, it is understandable that they prioritise addressing this crisis at home in the short term. However they should also make provisions for a periodic review of revenue allocation to enable contributions from this revenue to international sustainable development efforts over the medium and longer terms. France has taken an initial step in this direction by allocating 10 % of the revenue from its existing unilateral FTT to international development and environment from 2015. WWF recommends that countries allocate between 30% and 50% of the revenue from FTTs to global public goods in developing countries. This amount must be new and additional – that is, on top of existing and projected budgetary allocations. Among other potential multilateral and bilateral channels WWF would ask that countries contribute part of the revenues from FTTs to the newly established Green Climate Fund.

Secondly, WWF is asking governments to build on this 11 country initiative to create a global, broad- based, coordinated financial transaction tax that can cover all major financial markets and a wider range of financial market transactions, including all derivatives and major currencies, with the revenue being predominately used for development, environment and achieving the shift to green, low carbon economies. This will ensure that the global financial sector makes a significant contribution to global sustainable development. It will also ensure a level playing field and prevent traders from shifting their activities to off-shore tax havens and financial centers that attract financial activities by keeping taxes low.

It is too soon to tell whether the world will take full advantage of this opportunity, but in the meantime, this group of pioneering countries should be congratulated for their vision and courage.

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5 Leading Group on Innovative Financing for Development. 2010. Globalizing Solidarity: The Case for Financial Levies. Report of the Committee of Experts to the Taskforce on International Financial Transactions and Development.
http://www.leadinggroup.org/IMG/pdf_Financement_innovants_web_def.pdf