



A European FTT

For a fair contribution from the financial markets

Declaration adopted by the PES Presidency on 14 April 2011

The PES Presidency calls for the immediate introduction of a broad-based tax on financial transactions (FTT) within the EU. It is the only instrument available to us which can ensure a fair contribution of the financial sector to recouping the cost of the crisis, while not impinging on ordinary citizens.

The PES family has registered important victories in promoting this new solidarity tax. In particular, the adoption by the European Parliament of two reports promoted by PES MEPs, Pervenche Berès and Anni Podimata, is an important step forward, also in light of our ongoing campaign for a European FTT. Now there are no more excuses for the European Commission not to propose a real and effective FTT.

But we have no illusions. It was more than two years ago that the PES first called for introduction of the FTT. Since then, the conservative majority of Europe has constantly resisted or tried to avoid it. Realizing that they cannot defeat our argument, the European rightwing has been cynically trying to seize and weaken our proposal. The PES Presidency strongly reiterates its proposal for an ambitious instrument to be put in place in Europe.

In the context of the ongoing European Commission consultation¹ on financial sector taxation, the PES will put forward the 5 following red lines:

1 – **200 billion, not 20 billion**: we are demanding an FTT with a broad tax base to ensure that all parts of the financial sector make an adequate contribution. The consensus estimates show that a European FTT on all spot and derivative products, exchange traded and Over-The-Counter (OTC), can generate revenue of €200 bn per year. This contrasts with the conservative proposals which would only yield €20 bn. Our proposal would generate 10 times this amount.

2 – **A European tax first**:

We are demanding that every possible effort is made to put in place a FTT at a global level. The financial crisis we are still living through is essentially global in character and the international mobility of finance makes it vital that we work to achieve international mechanisms to prevent such crises in the future and to deal with the consequences of the current crisis. At the same time as we work towards this goal, we believe that a European FTT must proceed, as a first step of a global strategy.

¹ http://ec.europa.eu/taxation_customs/common/consultations/tax/2011_02_financial_sector_taxation_en.htm



3 – **Putting the wheels in motion in 2012 for a tax in operation in 2013**: we demand a clear timetable for the implementation of the FTT as early as possible, in order to prevent any delay.

4 – **0.05% and nothing less**: we are asking for an extremely small tax rate, so as to ensure that the tax does not weigh on ordinary citizens and the real economy. 0.05% is small enough, and we will not settle for anything less.

5 – **A tax which provides resources for the modern progressive agenda**: the revenue collected with the FTT must be allocated to those issues where the need for funding is the most pressing. In the context of the ongoing social crisis, Europeans are looking for ways in which their essential services can be secured in both standard and delivery. The conservative ‘austerity only’ agenda has dire consequences for ordinary people. That is why, as part of our strategy to overcome the crisis, we need to ensure that social, environmental and global considerations are central.

Other less ambitious proposals for taxing the banking sector than an EU FTT are currently being explored by the European Commission, notably the so-called financial activity tax (FAT) and bank levy. The PES is only prepared to consider these additional instruments as complementary to an EU FTT, and not as substitutes.

We urge the European Commission to come forward with a concrete proposal. Following the adoption of the Podimata report, Tax Commissioner Šemeta first resisted talking about the FTT. He then announced he would be waiting for another “impact assessment” before taking a stance. Yet, a number of independent studies are already there to show the Commission that the FTT will function and be the most appropriate option for taxing the financial sector. The PES demands that this impact assessment is performed by independent and qualified experts, so as to ensure that its conclusions are not influenced by short term political interests and ideological bias. The European FTT is too important for it to fall prey to financial markets lobbyists and their political arm.

What is at stake here is not just a matter of fiscal policy or financial regulation. A progressive EU FTT can pave the way for a fair new deal between the people and the financial markets, shifting the tax burden from citizens to speculators and meeting the challenge of redistribution of wealth in today’s world.

