



EUROPEAN COMMISSION - PRESS RELEASE

Financial Transaction Tax: Making the financial sector pay its fair share

Brussels, 28 September 2011 – Today the Commission has presented a proposal for a financial transaction tax in the 27 Member States of the European Union. The tax would be levied on all transactions on financial instruments between financial institutions when at least one party to the transaction is located in the EU. The exchange of shares and bonds would be taxed at a rate of 0.1% and derivative contracts, at a rate of 0.01%. This could approximately raise €57 billion every year. The Commission has proposed that the tax should come into effect from 1st January 2014.

The Commission has decided to propose a new tax on financial transactions for two reasons.

- First, to ensure that the financial sector makes a fair contribution at a time of fiscal consolidation in the Member States. The financial sector played a role in the origins of the economic crisis. Governments and European citizens at large have borne the cost of massive taxpayer-funded bailouts to support the financial sector. Furthermore, the sector is currently under-taxed by comparison to other sectors. The proposal would generate significant additional tax revenue from the financial sector to contribute to public finances.
- Second, a coordinated framework at EU level would help to strengthen the EU single market. Today, 10 Member States have a form of a financial transaction tax in place. The proposal would introduce new minimum tax rates and harmonise different existing taxes on financial transactions in the EU.. This will help to reduce competitive distortions in the single market, discourage risky trading activities and complement regulatory measures aimed at avoiding future crises. The financial transaction tax at EU level would strengthen the EU's position to promote common rules for the introduction of such a tax at global level, notably through the G20.

The revenues of the tax would be shared between the EU and the Member States. Part of the tax would be used as an EU own resource which would partly reduce national contributions. Member States might decide to increase the part of the revenues by taxing financial transactions at a higher rate.

Algirdas Šemeta, Commissioner for Taxation, Customs, Anti-fraud and Audit, said: "With this proposal the European Union becomes a forerunner in the global implementation of a financial transaction tax. Our project is sound and workable. I have no doubt this tax can deliver what EU citizens expect; a fair contribution from the financial sector. I am confident that our partners in the G20 will see their interest in following this path."

Background

As a result of the crisis, public debt in all 27 EU Member States jumped from below 60% of GDP in 2007 to 80% for the years to come. The financial sector has received substantial financial support from governments. EU Member States have committed €4.6 trillion to bail out the financial sector during the crisis. In addition, the financial sector has benefited from low taxes in recent years. The financial sector enjoys a tax advantage of approximately €18 billion per year because of VAT exemption on financial services. A new tax on the financial sector would ensure that financial institutions contribute to the cost of economic recovery and discourage risky and unproductive trading.

The financial transaction tax aims at taxing the 85% of financial transactions that take place between financial institutions. Citizens and businesses would not be taxed. House mortgages, bank loans, insurance contracts and other normal financial activities carried out by individuals or small businesses fall outside the scope of the proposal.

The Commission has explored the idea of taxing the financial sector at EU level for several months now. On 29 June 2011, the Commission announced in the context of the multiannual financial framework that it would propose to set up a financial transaction tax as an own resource for the EU budget ([IP/11/799](#), [MEMO/11/468](#)).

The decision followed an analysis of different tax instruments to make the financial sector contribute to the recovery of the EU economy.

In parallel, the Commission has explored ways to introduce a financial transaction tax at global level since 2009 with its international partners in the G20 (Pittsburgh, Toronto).

Next steps

The proposal will be discussed by all Member States in the EU's Council of Ministers and the Commission will present it to the G20 Summit in November.

See also [MEMO/11/640](#)

For the full text of the proposal and the study analysing different tax instruments, see:

http://ec.europa.eu/taxation_customs/taxation/other_taxes/financial_sector/index_en.htm

Homepage of Commissioner Algirdas Šemeta, EU Taxation and Customs Union, Audit and Anti-fraud Commissioner:

http://ec.europa.eu/commission_2010-2014/semeta/index_en.htm

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