Resolution 1905 (2012)[1]

Restoring social justice through a tax on financial transactions

Parliamentary Assembly

1.   The continuing global financial and economic crisis has had disastrous consequences for public finances and social welfare systems in many member States of the Council of Europe. It has also revealed serious shortcomings in the functioning of financial markets: a propensity for excessive risk-taking and speculation, the inability to ensure long-term financial stability and adequate funding of the real economy, and distortions in the level playing field due to the under-taxation of many financial services and instruments.

2.   Policy makers must ensure that lessons are learned from the current crisis and that defences are raised to prevent any such crises from reoccurring. The Parliamentary Assembly believes that all stakeholders in financial trading ought to act more responsibly towards society and the economy in which they operate, for the sake of the public good and lasting development. It therefore welcomes proposals by the European Commission and the European Parliament concerning the implementation of a financial transactions tax on the widest possible scale.

3.   The Assembly notes that many countries – in Europe and worldwide – already have in place or are about to introduce financial transactions taxes. Various such taxes on selected financial services and products generate substantial tax revenue, which proves that a more comprehensive tax on financial transactions is both feasible and pertinent as a further step. Although national experiments enable various formulas for taxing financial transactions to be tested and improved, a more harmonised, co-ordinated and global approach is desirable to achieve optimal effect.

4.   The Assembly draws the attention of Council of Europe member States to the political significance, long-term development goals and social motivations for launching a European tax on financial transactions. It supports efforts to use this tax as a move towards stronger economic governance, conducive to a more cohesive society where every taxpayer contributes a fair share to the public budget.

5.   Moreover, the Assembly is convinced that the latest proposals for a European financial transactions tax have a strong potential to help close taxation gaps and tackle tax evasion in the financial sector, to break the vicious circle of self-reinforcing and growing financial speculation, to improve public finances and to contribute to restoring social justice through an innovative approach to financing and solidarity. It notes that, according to public opinion polls, a clear majority of Europeans supports the idea of a European financial transactions tax.

6.   The Assembly welcomes in particular the agreement reached in June 2012 between 10 countries to work together under the "enhanced co-operation" mechanism of the European Union with the introduction of a financial transactions tax in mind. It urges other European Union member States to join this mechanism at the earliest opportunity.

7.   The Assembly is particularly concerned about the sprawl of derivative financial instruments, off-exchange transactions and the related high-frequency trading in modern financial markets. As these financial means largely escape regulation and taxation, the Assembly insists on the need for the proposed European financial transactions tax – together with other complementary regulatory and supervision measures – to cover these instruments.

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1.   Assembly debate on 5 October 2012 (36th Sitting) (see Doc. 13017, report of the Committee on Social Affairs, Health and Sustainable Development, rapporteur: Ms Naghdalyan). Text adopted by the Assembly on 5 October 2012 (36th Sitting).

8.   In the light of the above considerations, the Assembly invites the Council and the Commission of the European Union to:

   8.1.   ensure that the financial transactions tax deals with financial services, products and actors in a comprehensive manner, in particular as regards the derivative instruments and off-exchange transactions;

   8.2.   work towards increasing the geographical coverage of the financial transactions tax and preventing the relocation of transactions to countries that do not apply such a tax;

   8.3.   build partnerships with non-member States and relevant international organisations, in particular the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF), with a view to finding common ground for establishing a global tax on financial transactions;

   8.4.   promote the use of the financial transactions tax as a complementary tool in addition to other regulatory measures concerning financial markets;

   8.5.   consider making provisions to commit a substantial share of revenue from the financial transactions tax to repair the damage caused by the financial and economic crisis, in particular via priority funding of measures in favour of sustainable growth, job creation, social needs and global solidarity action, notably development aid;

   8.6.   set up mechanisms for monitoring the implementation and assessing the effectiveness of the tax;

   8.7.   better inform the public about the modalities of the proposed tax on financial transactions, the strategic goals pursued and progress made towards implementing the tax.

9.   The Assembly invites the member States of the Council of Europe to commit in principle to the introduction of a tax on financial transactions and calls on non-European Union countries from among the member and observer States of the Council of Europe, as well as the Assembly's partner for democracy States, to examine ways to adopt such a tax on the basis of European Commission and European Parliament proposals.

10.   Finally, with a view to optimising European efforts in favour of introducing taxation on a broad range of financial transactions, the Assembly asks national parliaments to support relevant activities of the European Union, to co-operate with relevant international organisations and to act at national level towards this end.