Illustration 2

The table below shows the GDP of the member countries of the G20 and the estimated tax receipts if the French FTT arrangements are applied to each of them (pro rata to total GDP) :

N°	Country	GDP (€ bn 2010)[2]	Estimated inflow (€ bn)
1	South Africa	269,04	1,73
2	Germany	2 496,91	16,09
3	Saudi Arabia	334,13	2,15
4	Argentina	278,84	1,80
5	Australia	930,45	6,00
6	Brazil	1 574,15	10,14
7	Canada	1 185,37	7,64
8	China	4 426,73	28,52
9	South Korea	758,40	4,89
10	United States	11 038,33	71,13
11	France	1 944,82	12,53
12	India	1 158,19	7,46
13	Indonesia	532,22	3,43
14	Italy	1 547,64	9,97
15	Japan	4 110,91	26,49
16	Mexico	782,53	5,04
17	United Kingdom	1 692,49	10,91
18	Russia	1 103,31	7,11
19	Turkey	558,67	3,60
20	European Union[3]	4 447,74	28,66
	TOTAL	**41 170,86**	**265,30**

Source IMF

(2) The average dollar/euro conversion rate for 2010 was applied $1 = €0.7531.
(3) German, French, Italian and UK GDP have been taken out.

Conclusion

It is clear from all the evidence presented that the introduction of a financial transaction tax on a national basis is achievable in the short term. All of the conditions are in place to achieve this : the context and timing are favourable and it is immediately technically and legally feasible.

This report is intended as a guide to implementing a French financial transaction tax. The study was funded by UNITAID and carried out by 99 Partners Advisory (consultancy firm) on the initiative of the Chairman of the Executive Board of UNITAID, Special Advisor to the UN Secretary General in charge of innovative financing for development.

Tax on Financial Transactions : a guide for France

Summary of the report

Background

One of the aims of the G20 Summit of 3-4 November 2011 in Cannes, to be hosted by France, will be to debate innovative financing for development, including, in particular, a tax on financial transactions. In June 2011, the French parliament adopted a resolution calling for a financial transaction tax. The Chairman of the European Commission has announced that proposals will be presented for a European financial transaction tax in early October 2011.

Central recommendation of the report

The report recommends that a tax similar to the UK stamp duty be applied, and extended to bonds and derivatives. In a country such as France, calculations show that such a tax should generate over EUR 12 billion per year, using lower rates than existing FTTs. As in other countries with FTTs, the introduction of such a tax on a national basis should have no significant negative impact on the national financial markets.

National financial transaction tax

The report sets out the details for implementing a financial transaction tax on a national basis, taking the example of France.

Payment instruments such as cheques or interbank transfers and foreign exchange transactions are not included in the scope of this tax.

Throughout this study, the aim has been to develop a "how-to" guide to a tax that :

- will be feasible on a national, stand-alone basis (for example, that France, chair of the G20 at the time of this report would be able to create this tax alone)
- has the broadest possible taxation base
- is stable and sustainable ensuring sufficient and predictable income
- is feasible from the technical and legal points of view

Taxation scenarios : learning from existing taxes

Several countries already tax financial transactions successfully. These include the United Kingdom, with stamp duty Reserve Tax, and Taiwan, which imposes a tax on transactions in securities and in derivatives.

An examination of the existing FTTs shows that a variety of situations exist, in particular with regard to the financial instruments taxed, the collecting agent, the taxable event and the taxable entity.

How should a national FTT be structured ?

Concerning transactions in national securities (equities and bonds): the tax will be collected by (a) the central securities depositories authorised to operate in the national markets, and (b) other financial intermediaries, for those transactions that are not settled at central depository level. Concerning derivative contract transactions : the tax will be collected by (a) clearinghouses, and (b) the post-trade back-office platforms set up by the parties themselves.

Taxing derivative transactions: the tax base will be all transactions involving derivatives contracts where one of the parties is a domestic company (or government body) or is a foreign subsidiary of a domestic company. The tax will be collected either at the level of clearing-houses, or at the level of the post-trade back-office systems set up by the accountable party to a taxed derivatives contract.

Who will pay FTT ?

Purchasers (in the case of financial securities) and sellers of financial instruments will be the ultimate taxpayers. The majority of financial transactions are carried out by financial institutions, institutional investors and investment funds.

Less than 5% of the population draw a significant share of their income from securities and derivatives. In France, for instance, for 95% of households, financial investment income accounts for only 1.6% of total income.

What is the cost of collecting FTT ?

FTT is technically feasible. The financial market infrastructures would simply adjust their information systems following the introduction of the tax. Tax collection by existing market infrastructures which already charge flat fees per transaction, will allow the tax authorities to avoid incurring significant costs for tax collection and compliance control.

What are the estimated tax receipts ?

Based on the volume of financial instruments traded on the French financial markets in 2010, the estimated inflow is as follows (after applying adjustment measures)

Type of financial instrument	Volumes traded in 2010 (in € million)	Estimated amount per annum (in € million)
Equity securities	5,437,125	8,699
Debt securities	85,901,701	2,226
Mutual fund units or shares	508,893	407
Derivatives	60,495,908[1]	1,200
Total	**152, 343, 627**	**12,532**

(1) Derivatives trading volumes were calculated by adding up the taxable bases of these financial instruments, namely, in particular, the notional value for futures and premiums for options

Illustration 1

The diagram summarises the main features of the French FTT.