

WARM UP

1 Have you heard of the term 'Tobin Tax'? What is it? Read the introduction to check.

## Financial transaction taxes

A 'Tobin Tax' is a tax imposed on financial transactions, an idea which was originally proposed by the American economist and Nobel Prize winner James Tobin in the 1970s. He suggested applying a small tax on currency transactions in order to discourage short-term currency speculation and therefore increase stability in financial markets.

# UK's No to Financial Transactions Tax

[May 2013] Speaking at a conference in London, Prime Minister David Cameron has repeated British opposition to a European financial transactions tax (FTT), saying it is 'not a good idea'. Cameron fears it could damage the UK's financial services sector and Europe's global competitiveness. (1)

The FTT aims to discourage speculative trading by taxing transactions of shares, currencies and bonds. Some European governments have blamed speculators and excessive trading for exaggerating the swings in financial markets during the 2008

crash and the recent eurozone crisis. (2)  Only 11 out of 27 EU member states have signed up to these FTT tax proposals: Germany, France, Italy, Spain, Belgium, Austria, Portugal, Greece, Slovenia, Slovakia and Estonia.

Business lobby groups are concerned that UK firms trading with the UK branches of French or German banks could be hit by the tax. Increasing the cost of financial transactions could mean a dramatic fall in the amount of business carried out in the City of London. The City, which currently accounts for 40% of the EU's financial services activity,

could lose billions of pounds worth of business. (3)  Critics also say that the banks will pass the cost of the tax onto its customers, meaning pension funds and savings will get lower returns.

However, supporters of the tax accused Cameron of promoting the interests of the City, not the country as a whole. (4)  The group also says that the position of the UK is hypocritical since the UK's stamp duty on shares is collected wherever UK shares are traded and regardless of who is trading them. (5)

Source – BBC News – © 2013 BBC

ACTIVITIES

### READING COMPREHENSION

2 **BEC** Read the article and choose the best sentence to fill each gap. There is one extra sentence you do not need.

- a A consequence of this fall would certainly be job losses.
- b This means that the British government will have to collect the tax but cannot keep it.
- c He claims it would also encourage financial firms to relocate outside the EU.
- d This tax raises about £3 bn a year for the country and has not had a negative effect on business.
- e The Robin Hood Tax Campaign group described it as 'defending one rather rich square mile'.
- f They believe the FTT will help to encourage more responsible trading by financial institutions.

### MORE ABOUT...

The **Robin Hood Tax Campaign** in the UK is part of a global movement that wants to introduce a financial transaction tax in the financial sector in order to collect money to reduce poverty and fight climate change.



<http://robinhoodtax.org.uk/>

### SPEAKING

3 Discuss these questions in small groups.

- 1 Are financial transactions taxes a good idea? Why/Why not?
- 2 Do you think private individuals will end up by having to pay?
- 3 How should the money raised by these taxes be used? For example, to pay off government debts or for social and environmental initiatives and programmes?
- 4 Is there a movement like the Robin Hood Tax Campaign in your country?