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TAXING OF FINANCIAL SECTOR AS POSSIBLE OWN RESOURCE OF EU BUDGET

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Abstract

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The discussion about the possible taxation of the financial sector has started in the European Union as a result of the financial crisis which has spread to the Europe from the United States in 2008. European Commission concluded that EU should lead the efforts to introduce system of levies or taxies on financial institutions. EU member states individually committed to support the financial sector for a total about EUR 4.6 trillion (i.e. 39% of EU-27 GDP in 2009). Those public interventions have significant budgetary consequences (strongly felt in Greece, Spain or Italy) and imposes a heavy burden on the present and future generations. Therefore there is a strong consensus not only on the level of the European Union but also internationally, that financial sector should contribute to the public finance more fairly. As a reaction on costs of the financial crisis which was paid out from the public money, some of the countries immediately introduced temporary measures in order to collect back paid out money. The aim of the paper is to research the possibility of financial sector taxation, to discuss the proposal of the European Union on the introduction of financial transaction tax on EU level and through the multi-criteria analysis to research, whether this type of the tax is suitable as an own resource of EU budget.

financial transaction tax, financial activities tax, budget, European Union

The discussion about the possible taxation of the financial sector has started in the European Union as a result of the financial crisis which has spread to the Europe from the United States in 2008. European Commission concluded that EU should lead the efforts to introduce system of levies or taxies on financial institutions. Since the discussion about the consequences of financial crisis had rather global character, the ideas about the new forms of taxation have been shaping on three international platforms. While the aim of the first two – G-20 and IMF was mainly to find a tool, which could help to regulate the financial sector and could help to collect back the money invested into the sector during the crisis, European Union added to the idea the third dimension – in June 2011 European Commission promoted financial transaction tax as a new "own resource" of the European Union in addition to customs duties and VAT. On 28th September 2011, the Commission published a draft of the directive introducing a common system of financial transaction tax, to be implemented by member States by 1st January 2014. After some of the EU Member States rejected the implementation of financial transaction tax, European Commission decided to introduce the tax through enhanced cooperation – i.e. that it will be implemented only by EU Member States willing to participate.

EU member states individually committed to support the financial sector for a total about EUR 4.6 trillion (i.e. 39% of EU-27 GDP in 2009). Those public interventions have significant budgetary consequences (strongly felt in Greece, Spain or Italy) and imposes a heavy burden on the present and future generations. Therefore there is a strong consensus not only on the level of the European Union but also internationally, that financial sector should contribute to the public finance more fairly. Moreover, with respect to the fact, that the crises was the result of complex interaction of market failures, global monetary and financial imbalances and weak supervision, it has been argued, that taxes could be used as regulatory tools.

As a reaction on costs of the financial crisis which was paid out from the public money, some of the countries immediately introduced temporary measures in order to collect back paid out money. Temporary Bank Payroll Tax was introduced in United Kingdom, similar temporary measure was also introduced in France.

Some of the countries, even EU Member States already have practical experience with taxation of financial transactions. In the United Kingdom, financial transactions are subjected to a Stamp Duty or Stamp Duty Reserve Tax in the amount of 0.5% of the consideration for the transfer of the shares. The securities transfer tax is levied also in Switzerland on domestic and foreign securities where a party to the transaction is a Swiss security leader. Also China is imposing transaction tax on securities trading since the opening of Shanghai stock exchange in 1990. The tax rate is 0.1% of the value of the shares as of the date of the transfer.

The aim of the paper is to research the possibility of financial sector taxation, to discuss the proposal of the European Union on the introduction of financial transaction tax on EU level and through the multicriteria analysis to research, whether this type of the tax is suitable as an own resource of EU budget.

Theoretical Background

There can be found the discussion of three main scenarios of financial sector taxation in the contemporary literature. First scenario represents financial activities tax (hereinafter as FAT), which was discussed mainly on the field of International Monetary Fund (IMF) and on the field of EU in 2010 (European Commission, 2010). After the discussion and consideration of all the consequences and impacts, the European Commission started to explore the idea of implementation of financial transaction tax (hereinafter as FTT) in 2011. The last scenario, which has been discussed since 2009, represents the possibility of introduction of bonus tax, "surcharge" to the corporate income tax in the financial sector or the introduction of the fee on the currency transactions.

First scientific work, which has been focused on the idea of financial transaction tax in the form of security transaction tax, was presented by Keynes (1936). He was followed by Tobin (1978), who suggested the imposition of one percent tax on all foreign exchange transactions, in order to limit cross-border flows of capital. In following years, two main streams of attitude can be identified in the theoretical literature – FTT opponents and FTT proponents.

First argument against FTT was presented by Stiglitz (1989) and Summers and Summers (1989). They raised an objection, that the introduction of FTT would decrease short-term speculations. Further, Schwert and Senguin (1993) or Habermeier and Kirilenko (2003) underline, that the introduction of FTT would resulted into the higher costs of capital for companies which would lead to the lower prices of assets. The above mentioned authors also mention, that FTT introduction can result into the decrease in liquidity on the market which could cause higher price volatility. Lately, as the FTT introduction started to be discussed on global forums. Matheson (2010) emphasizes, that the introduction is connected with the possibility of tax evasion and tax fraud and further argues that markets will become more volatile if a FTT is introduced, and that the cumulative effect of the tax will have a huge but untargeted impact on the financial markets while increasing the overall costs for doing business in a national economy.

Very interesting idea can be found in the study by Shackelford, Shaviro and Slemrod (2010), who were trying to find the analogy between the taxation of financial sector and taxation of environment pollution (by parallel with Pigouvian taxation). They tried to identify the negative externalities, which are produced by financial sector. The study was concluded that optimal solution would be the tax equal to the marginal social damage.

Recently, even before the financial crisis broke out, the concept of the financial transaction tax has been considered by Spahn (1995), who suggested two tire rate system – low-rate FTT and exchange surcharge at prohibitive rate. Eichengreen, Tobin and Wyplosz (1995) state that introduction of FTT would lead to less speculation, less systematic risk and better allocation of capital. The positive effect was also mentioned by Palley (1999), who concluded, that FTT can eliminate individual "noise" traders. Similar effect indicated also Westerhoff (2003), who states that FTT can reduce volatility by crowding out speculators.

On the contrary, empirical evidences mentioned further show that the introduction of FTT usually leads to the decrease in market volume, but not the volatility of prices. This has been proved by Umlauf, (1993) on the empirical example in Sweden, where government introduced FTT for seven years (1980–1987). Another empirical example was brought from Asia by Hu (1998), who concludes, that the increase of the tax rate results into the decrease in the stock price, but has no significant effect on market volatility or market volume. Lately, Liu and Zhu (2009) based on empirical analysis of changes in Japanese stock market conclude that the finding that lower commission rates tend to increase market volatility suggests that FTT may be a policy tool for market regulators with respect to market volatility.

Regarding the level of the tax rate, there can be found clear evidence in the theoretical literature, that while Tobin (1978) suggested one percent tax rate, later due to the discussion of effects on financial market, the authors suggest remarkably lower tax rates. The concern about the decrease in the market liquidity, and mainly about the tax evasion in the form of driving the activity off-shore, lead authors as Pollin and others (2002), Sprat (2006), Kapoor and others (2007) or Schulmester, Schrazenstaller and Picek (2008), to suggest, that the tax rate should not be higher than one-half of the basis point.

To sum up, the review of the literature shows, that while at the beginning the imposition of FTT was considered mainly in connection with the regulation of the financial market, in recent years it started to be considered mainly as a tool for raising the revenue and collecting back the money which has been invested in to the financial sector during the financial crisis.

METHODOLOGY

The paper employs standard methods of scientific research. In the theoretical part, mainly the methods of description and induction were used. In practical part, the method of comparative analysis, induction, deduction and synthesis was applied. In order to research, whether the FTT would be suitable candidate for the EU own resource, the multi-criteria analysis based on the model introduced by Cattoir (2004) was performed.

The multi-criteria analysis is based on four groups of criteria – budgetary, integration, efficiency and equity criteria. Basic budgetary criteria which should tax levied on the level of EU meet are sufficiency and stability. With respect to the sufficiency criterion (European Commission, 2011) mentions, that FTT could constitute a new revenue stream, which could reduce the existing Member States contributions. The criterion of stability should ensure the income of the EU budget will be stable in the long run so that the fiscal autonomy of EU could be guaranteed.

Within the frame of integration criteria, FTT should ensure financial autonomy, transparency and link to the EU policies. Very important in that consequence is the principle of fiscal equivalence in provision of public goods and services – i.e. individuals benefiting from spending programmes should also contribute finances into the system.

In order to meet efficiency criteria, the FTT levied on EU level should fulfil visibility criterion, criterion of low operation costs and the criterion of efficient resources allocation. Visibility means, that the EU tax payer should be informed that he is paying FTT and should also have the information about the precise amount of the paid tax. The introduction of FTT on EU level should be accompanied by the decrease in the compliance costs of taxation as well as administration costs for tax authorities. With respect of the efficient resources allocation, the introduction of FTT on EU level would support the allocation by two means. Firstly, it can serve as a policy tool in the areas where negative cross-border externalities in connection with financial market are arising. Secondly, the introduction of FTT on EU level can lead to the tax base harmonization.

The last criterion of equity is connected with the tax theory, according to which, the basic attribute of the taxation system should be the equity – horizontal and vertical. According to the principal of horizontal equity, the tax subjects, who are according to the relevant aspects equal, should also be treated equally (i.e. should pay the equal tax). According to the principal of vertical equity, the subjects who are well-off should pay higher tax. Last requirement on the FTT on EU level represents the criterion of the fair contribution. The EU-tax should bring from the Member State amount of money equivalent to its economic development.

RESULTS AND DISCUSSION

Financial Transaction Tax represents turnover tax on financial transactions. There are several forms in which FTT can be levied on EU level. Firstly, it can be implemented in the form of security transaction tax. This type of tax is levied on trading with all or selected types of securities. Moreover, securities can be taxed in the moment of issuing or on the secondary markets. Therefore FTT of that type can be levied as a flat rate or ad valorem from the market value of the security.

Secondly FTT could be implemented in the form of currency transaction tax – i.e. it is levied on currency transactions, sometimes also on financial derivates. This type of tax is also called Tobin tax in tax theory. In some states, FTT is applied in the form of registration tax or capital levy. In that case the tax is levied on the increase in the capital in the form of capital contribution. In some countries capital levy is applied as selective tax on selected forms of business, for example the partnerships.

Further, FTT can be also levied in the form of bank transaction tax – i.e. all the deposits and withdrawals from bank accounts are taxed, usually by certain percentage from the deposited (withdrawn) amount. Another form of FTT represents insurance premium taxes, which are levied on insurance sector in order to compensate the exemption from VAT. Finally, the last form of FTT represents real estate transaction tax, which is levied on the value of the land, which is sold.

There can be found also in taxation theory another tax, which with its character is very similar to the financial transaction tax. Feige (2000) suggested automated payment transaction tax, which was proposed to replace all the taxes in the US. The author proposed to levy the low rate tax on all economic transactions.

Looking back into the history of FTT, there can be identified, that FTT in different forms has been already levied in some states. However, the following table proves, that in the last 20 years, there can be identified the trend towards abolishment of FTT.

On the other hand, the following table shows that there are still member states applying different forms of FTT. It is levied on the national level – i.e. there is no coordination between member states. Given the fact, that financial transactions are considered to be extremely mobile, imposition of the FTT on EU level

I: *Abolishment of FTT*

State	Year of abolishment	Type of the tax
United State	1966	STT
Spain	1988	FTT
Netherlands	1990	STT
Sweden	1991	STT
Germany	1991	STT
Germany	1992	capital duty
Denmark	1999	FTT
Japan	1999	STT
Austria	2001	STT
Australia	2001	STT
Italy	2008	STT
France	2008	STT

Source: own research and Matheson, T. (2010) Taxing Financial Transactions: Issues and Evidence. IMF Working Paper WP/10/xx.
STT – security transaction tax

II: *Different forms of FTT levied in EU member states*

	Type of the tax		
State	capital duty	transfer tax	stamp duty
Austria	1%	-	-
Belgium	-	1.7 EUR per 1000 EUR worth of securities	0.15%
Bulgaria	-	-	-
Czech Republic	-	-	-
Denmark	-	-	-
Germany	-	-	-
Estonia	-	-	-
Ireland	-	-	0-9%
Greece	1%	0.2%	2.4%
Spain	1%	0,1	1%
France	500 EUR	3%, 5 000 EUR max	-
Italy	168 EUR	-	-
Cyprus	102.52 EUR plus 0.6%	0.15%	-
Latvia	-	-	-
Lithuania	-	-	-
Luxembourg	-	-	-
Hungary	-	4%	-
Malta	-	-	2%; 5%
Netherlands	-	6%	-
Poland	0.5%	1%	0.5%
Portugal	-	-	0.4%
Romania	-	-	-
Slovenia	-	-	-
Slovakia	-	-	-
Finland	-	1.6%	-
Sweden	-	-	-
United Kingdom	-	-	0.5%

Source: IBFD Research platform and Database Taxes in Europe

should avoid distortions caused by non-coordinated taxation. The EU financial market can be protected from the distortions in the form of fragmentation of the market and cross-border transfers of transaction only by action on EU level, which would harmonize FTT, currently levied by some EU Member States.

The following table summarizes present situation in individual member states.

It is necessary to mention, that different forms of FTT are not only levied in the European states. They are implemented in several other states in the world. Financial security tax is levied in China, India or Indonesia. Secondary trading with securities is taxed in South Africa or South Korea. Brazil imposes FTT in the rate of 1.5% on equities of domestic companies shares listed abroad. Stock transaction tax is also imposed by world financial centres as Hong-Kong, Singapore or Switzerland. The rate varies between 10–30 basis points. Moreover, Russia, Turkey, Brazil or Switzerland applies capital levies on debt financing. Finally, Brazil is the only country levying tax on foreign exchange. The tax is levied at the rate of 0.38%.

As was mentioned by (Commission, 2010), the introduction of the tax at the rate of 0.1% could raise the revenue at the amount of 60 bn. EUR. Some authors as Schulmeister, Schratzenstaller and Picek (2008) mention, that this amount could be even ten times higher, in case the derivates would be included into the tax base. Even though FTT appears to have potential for raising significant revenues from financial sector, in the other hand it is connected with the risk of negative effects on the GDP growth and decrease in the market volume. In order to eliminate those negative effects, the proposed FTT comprise certain avoidance strategies.

Firstly, the tax base is defined very broadly as regards products, transactions, types of trade and financial actors, as well as transactions carried out inside a financial group. The scope of the suggested FTT covers transactions relating to all types of financial instruments. It means those which are negotiable on the market, money-market instruments, and shares in collective investment undertakings as well as derivates agreements. It is important to mention, that the scope of the tax is not limited just on the transactions in organised markets, but covers also transactions in other types of markets including OTC (over-the-counter) markets. When a derivate agreement results into the supply of the financial instrument, the supply is also subjected to taxation. However, the transactions with European Central Bank and national central banks are excluded, to avoid the possible negative impact on the accessibility of financial resources.

Secondly, the proposal is based strictly on the residence principle. The transaction is taxed in a Member State, where the financial actor is established. The location of the transaction does not play any role with respect to the taxation. It means that in order for a financial transaction to be taxable in the EU, one of the parties to the transaction needs to be established in the territory of the Member States.

Further, by splitting of the tax rates, the proposal tries to minimise eventual impacts on the costs of capital for non-financial investment purposes. Therefore, the proposal suggest that the tax rates should not be lower than 0.1% in respect of financial transactions other than derivate agreements and 0.01% in respect of financial transactions related to derivates agreement. FTT is chargeable for each financial transaction at the moment it occurs. In case of the financial transactions, other than derivate agreements everything, which constitutes consideration, or the market price, in case that the consideration is lower than market price, is considered as taxable amount. In case of financial transactions related to derivate agreements, the taxable amount for the FTT purposes should be considered the notional amount of the derivatives agreement at the time of the financial transaction. Furthermore, not to undermine the raising of capital by governments and companies, all transactions on the primary market are excluded from the FTT in the proposal.

Finally, the proposal ring-fence lending and borrowing activities of private households, enterprises or financial institutions, and another current financial activities as mortgage lending or payment transactions. To sum up, the Commission estimates that the mitigating measures comprised in the FTT directive proposal will limit the negative impact on the GDP in the long run to 0.5%. A review clause stated in the end of the directive proposal will allow after three years of implementation to examine the impact of the FTT on financial markets and real economy.

The possible tax based EU resources has already been researched in the past by Langes (1994) or Begg, Grimwade and Price (1997). The discussion in the theoretical literature has been renewed mainly in connection with the financial crises by Richter (2010), Pachta (2010) or Kawecka-Wyrzykowska (2010). (Commission, 2011) identified six potential candidates on new own resources, one of them was FTT. As was already mentioned at the beginning, according to (Commission, 2011), FTT could constitute a new revenue stream, which could reduce the existing member states contributions – concretely GNI contribution. GNI own resource of EU budget in 2011 is presented in the following table.

According the methodology created by Cattoir (2004), which was described already above, the basic criteria, which should FTT meet are sufficiency and stability. As the Commission has expressed the idea to gradually replace national contributors by taxation of financial sector on the level of the EU, the criterion of sufficiency is very important. The FTT directive proposal sets the tax rate on 0.1%, resp. 0.01% in case of derivatives agreement. As states (European Comission, 2011), preliminary estimates indicate that depending on market reactions, the imposition of the tax could raise EUR 57 bn. yearly in the whole EU (the estimation with using 2010 data). Moreover, on the contrary to VAT, FTT has highly progressive incidence. For example more than 25% of financial assets in the U.S.A. are owned by top 1% richest population. Based on the

III: *GNI contribution of individual member states in 2011*

State	GNI (bn EUR)	GNI own resource (mil EUR)	Corrections: UK correction (mil EUR)	Corrections: Reduction in GNI granted to NL and SE (mil EUR)	VAT own resource (mil EUR)	Total national contribution (mil EUR)
BE	375.5	2 627.3	177.5	24.2	516.5	3 345.5
BG	37.5	274.1	18.4	2.4	51.2	346.1
CZ	144.4	1 170.4	74.6	9.3	207.7	1 462.0
DK	247.5	1 701.2	112.1	16.1	291.3	2 120.8
DE	2 612.4	17 610.4	218.3	170.9	1 671.5	19 671.1
EE	15.2	106.9	6.0	1.0	22.9	136.7
IE	125.3	884.4	52.7	8.3	193.5	1 139.0
EL	208.2	1 376.1	93.1	14.2	278.6	1 762.0
ES	1 048.1	7 355.1	487.7	69.0	1 964.4	9 876.1
FR	2 034.0	14 035.3	965.9	133.0	2 916.6	18 050.8
IT	1 569.7	11 703.4	717.9	103.1	1 811.8	14 336.2
CY	17.2	123.5	8.5	1.2	27.0	160.1
LV	20.2	133.6	9.0	1.2	15.9	159.8
LT	29.6	213.7	14.0	1.9	27.9	257.4
LU	30.6	215.1	15.0	2.1	46.7	278.8
HU	94.6	666.4	47.0	6.4	116.6	836.4
MT	5.8	43.5	2.9	0.4	9.5	56.3
NL	608.1	4 217.2	50.7	–625.0	290.3	3 933.3
AT	300.2	2 150.0	24.0	19.1	306.1	2 499.2
PL	353.9	2 494.5	182.7	23.5	527.0	3 227.8
PT	164.9	1 207.8	81.6	10.8	299.3	1 599.4
RO	134.7	902.2	66.9	8.2	138.8	1 116.0
SI	35.0	251.9	17.9	2.4	54.7	326.9
SK	67.8	474.9	36.9	4.5	60.0	576.3
FI	193.7	1 436.1	87.1	12.6	266.9	1 802.8
SE	396.1	2 798.9	33.0	–138.3	173.1	2 866.6
UK	1 758.9	12 240.0	–3 595.9	116.2	2 513.1	11 273.4
TOTAL	12 629.1	88 414.0	5.4	–1.4	14 798.9	103 216.9

Source: Eurostat

Commission proposal, GNI contribution of EU member states would be EUR 110 bn. without FTT. Assuming the fact, that development of the FTT tax base is copying the evolution of EU GNI, the collection from FTT would amount to EUR 81 bn. in 2020. The European Commission suggested that two thirds of the tax collection (i.e. EUR 54.2 bn.) would be used to finance EU expenditure. It means that member states applying FTT could therefore save 50% of their GNI contribution into the EU budget. The amount of decrease in the GNI contribution shows the following table.

As is obvious from the above presented facts, FTT is able to partially replace GNI contribution of EU Member States. As it was declared by the European Commission, that the aim is not replace the own resources fully, in this respect FTT can be considered as fulfilling the criterion of sufficiency. FTT would also fulfil the criterion of stability, for its imposition would discourage short-term (computer run) financial transaction, which destabilized the market in 2007, while longer investment horizon investor would remain unaffected. This was concluded also by Schulmeister (2009) who mentions, that FTT will reduce the profit from trend-following trading. The reduction will be the bigger the smaller is the difference between buy and sell price – i.e. the reduction will be the bigger the higher is the speed of trading.

Within the frame of integration criteria, FTT should ensure financial autonomy, transparency and link to the EU policies. As was already mentioned above, in situation, when FTT would partially replace GNI contribution (not fully), revenues from that tax would guarantee financial autonomy. The design of FTT directive proposal also fulfils the criterion of transparency and link to the EU policy – i.e. to consolidate and stabilize the

IV: *Estimated reduction in GNI contribution of EU member states when applying FTT*

State	Estimated reduction (mil EUR)
Belgium	–1 588
Bulgaria	–176
Czech Republic	–658
Denmark	–1 026
Germany	–10 753
Estonia	–67
Ireland	–534
Greece	–896
Spain	–4 741
France	–8 768
Italy	–6 457
Cyprus	–80
Latvia	–81
Lithuania	–131
Luxembourg	–154
Hungary	–423
Malta	–27
Netherlands	–2 634
Austria	–1 248
Poland	–1 813
Portugal	–645
Romania	–634
Slovenia	–166
Slovakia	–338
Finland	–834
Sweden	–1 664
United Kingdom	–7 692
TOTAL	–54 226

Source: European Commission

financial sector Very important in that consequence is the fact that FTT fulfils the principle of fiscal equivalence – i.e. financial institutions which during the crises received huge support from public money will contribute finances into the system.

The condition of the introduction of FTT as the new EU budget resource is the preservation of economic efficiency. This is conditioned by the criterion of visibility, low operation costs and efficient resources allocation. Implementation of FTT would fulfil the criterion of visibility, for the prospective taxpayer would have the information about payment of the tax and would have information about the precise amount of the tax (for the rate is set on 0.1% from consideration resp. 0.01% from notional amount), which he is paying into the EU budget. The criterion of low operation costs should be also fulfilled by FTT. As the majority of financial transactions even on OTC market are done electronically, FTT administration should operate at low cost, therefore for the collection and administration existing electronic messaging and settlement systems could be used. The introduction of FTT could support efficient resources allocation by two means. Firstly, it can serve as a policy tool in the areas where negative cross-border externalities in connection with transactions on financial market would arise (as e.g. high-frequency trading, etc.). Secondly, the introduction of FTT (even through enhanced cooperation as announced by European Commission) would result to the tax base harmonization in EU member states applying FTT, for as was shown in Table 2, there are FTT unilaterally levied by some EU Member States.

The FTT should also fulfill the basic attribute laid by the tax theory on each taxation system– the criterion of equity. Under FTT, the requirement of horizontal equity will be definitely fulfilled, for tax subjects (financial institutions) in the EU, equal according to relevant aspects, will be treated equally – i.e. will pay the equal amount of the tax. Moreover, FTT also fulfills the requirement of vertical equity, for it has progressive distributional effects – i.e. the impact is growing proportionally with the incomes. Higher income groups benefit more from services provided by the financial sector, therefore indirectly are paying higher tax.

The last criterion which should FTT fulfill represents the fair contribution. FTT should bring from the Member State such amount of money, which is in accordance with its economic development. The geographical distribution of tax revenue between the Member States will depend on the place of establishment of the financial institutions involved in the financial transaction (not on the place, where the financial instruments are traded). This should result to lower concentration of the tax revenue.

The results of the research are summarized in Tab. V.

V: *The results of multi-criteria analysis*

Criteria	Financial Transaction Tax
Sufficiency	**
Stability	***
Financial autonomy	***
Transparency	***
Link to EU policies	***
Visibility	***
Low operating costs	***
Efficient allocation resources	***
Horizontal equity	***
Vertical equity	***
Fair contribution	**

Source: own research
* - FTT does not fulfil the criterion
** - FTT fulfils the criterion just partially
*** - FTT fulfils the criterion

CONCLUSION

As can be seen from the Tab. V, FTT in the form suggested by the European Commission fulfils nearly all the criteria covered by the multi-criteria analysis. The only criteria, which would be reached just partly, when FTT would be implemented, is sufficiency and fair contribution. With respect to the fact that European Commission explicitly mentioned the idea, that FTT is considered as the candidate on new own resource of the budget which might partially replace GNI contribution of EU member states, the research revealed that revenues from FTT might be sufficient. Moreover, the research further revealed that not only revenues from FTT could partially replaced GNI contributions, but as is stated in Tab. IV, EU Member States applying FTT could even save 50% of their GNI contribution into the EU budget.

The main reason why FTT is fulfilling the criterion is the fact that most probably, it is going to be introduced through enhanced cooperation and not in the form of directive, which would force all the EU member states to introduce FTT. The geographical distribution of tax revenue between the Member States then will depend not only on the place of establishment of the financial institutions involved in the financial transaction (not on the place, where the financial instruments are traded), but it will be influenced also by the fact whether Member State itself applies FTT. This should result to lower concentration of the tax revenue, but only among the member states applying FTT (through enhanced cooperation).

Based on the evaluations in the table, the implementation of FTT proposed by the European Commission would create a new revenue stream for the Member States and for the EU budget. However, as shows the multi-criteria analysis, FTT implementation can replace existing own resources paid out of national budgets just partially. Therefore, in case that the Commission would search for the solution of full replacing of own resources, FTT would have to be implemented in combination with other new tax on EU level in order to raise sufficient revenue for EU budget. Although as the research revealed, some form of FTT are already levied across in some EU Member States, the action on EU level, even through enhanced cooperation, could prove to be more effective and efficient than uncoordinated individual actions of individual Member States.

SUMMARY

The discussion about the possible taxation of the financial sector has started in the European Union as a result of the financial crisis which has spread to the Europe from the United States in 2008. At the beginning three main scenarios of financial sector taxation were discussed - financial activities tax, financial transaction tax and the introduction of bonus tax, “surcharge” to the corporate income tax in the financial sector or the introduction of the fee on the currency transactions. Looking back into the history of FTT, different forms have already been levied in some states. However, in the last 20 years, there has been identified the trend towards the abolishment of FTT. Even though this fact, the research revealed countries as Korea, Hong-Kong, Singapore, Brazil or Switzerland, which still levy FTT. In 2011 the European Commission identified six potential candidates on new own resources, one of them was FTT, which could constitute a new revenue stream, reducing the existing member states contributions – concretely GNI contribution. The FTT directive proposal sets the tax rate on 0.1%, resp. 0.01% in case of derivatives agreement. Preliminary estimates indicate that depending on market reactions, the imposition of the tax could raise EUR 57 bn. yearly in the whole EU. Assuming the fact, that development of the FTT tax base is copying the evolution of EU GNI, the collection from FTT would amount to EUR 81 bn. in 2020. The European Commission suggested that two thirds of the tax collection (i.e. EUR 54.2 bn.) would be used to finance EU expenditure. It means that member states applying FTT could therefore save 50% of their GNI contribution into the EU budget. Based on the evaluations, the implementation of FTT proposed by the European Commission would create a new revenue stream for the Member States and for the EU budget. However, as shows the multi-criteria analysis, FTT implementation can replace existing own resources paid out of national budgets just partially. Therefore, in case that the Commission would search for the solution of full replacing of own resources, FTT would have to be implemented in combination with other new tax on EU level in order to raise sufficient revenue for EU budget. Although as the research revealed, some form of FTT are already levied across in some EU Member States, the action on EU level, even through enhanced cooperation, could prove to be more effective and efficient than uncoordinated individual actions of individual Member States.

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