Alice Springs, NT, 0870
6-9-11

Dear Treasury,

I appreciate the opportunity to contribute to the national tax debate, since the decisions that are made regarding tax policy in our country are closely related to questions about what kind of society we want to be.

I believe that the Government should give serious consideration to endorsing an international policy on financial transaction taxes in our national tax reform agenda. Taxing speculative financial transactions is not a new idea. But it is an idea whose time has come.

Serious repercussions of the 2008 global financial crisis (GFC) have been felt by ordinary people in countries around the world, including Australia. Despite being at fault, the international finance sector was not made to bear the costs for the long-term social and economic impact of its risky behaviour. Quite the contrary, trillions of tax dollars in US and Europe was spent bailing out the investment banks.

Until now, Australia has opposed this tax at the G20 forum. While banks in Australia did not require huge bailouts, the GFC did affect, and is still affecting, the Australian economy. Yet Australia is siding with US objections to the tax, which reflect the power of the banking lobby in that country.

The tide is turning in Europe and leaders are getting behind the idea of a financial transactions tax. It is time for Australia to examine the evidence and take a more informed approach to these international deliberations.

Why Australia should endorse a coordinated international policy to introduce financial transaction taxes:

Tax policy can be used by the government to make the distribution of income in Australia more equal. The tax system funds public services, ensuring all Australians have access to education and medical services regardless of their income, and allows us as a society to transfer benefits to those in need. It also provides a means by which the government can dissuade people and corporations from 'anti-social' behaviour by making it uneconomic.

While it might seem that Australia escaped the impact of the GFC, the recently released Australian Community Sector Survey 2011 reveals otherwise. The number of times people in need who were turned away from welfare agencies due to lack of funds reached 345 000, an increase of 19% since 2008-9. Our ageing population is also putting unprecedented demands on our tax system to fund pensions and aged care services.

Internationally, developed countries including Australia have agreed to the goal of jointly mobilising US$100 billion annually by 2020 to address the needs of developing countries in adapting to the impacts of climate change. This is only fair, since over the past 200 years, developed countries have used more than their fair share of atmospheric space and in so doing have been the major contributors to the excessive accumulation of greenhouse gases in the atmosphere today. In recognition of this historical responsibility, developed countries have an obligation to help people, communities and governments of developing countries to 'climate proof' existing national resources and systems - that is, to plan their future economic and social development in a low carbon path in a manner that builds the resilience of the population to withstand climatic shocks. These funds, along with Australia's pledge to increase its amount of overseas development assistance, must also be raised through our tax system.

A 0.05% financial transaction tax collected on Australian [3]over-the-counter[2] and exchange traded market transactions between 2005-06 and 2008-09, would have raised an estimated $48 billion in additional tax revenue for the government. Estimated global revenue is as much as $US863 billion each year. I support the proposal of the Robin Hood Tax coalition that the revenue be split 50% for domestic public services, 25% for international development and 25% for international climate finance.

Besides the potential revenue raised, an internationally coordinated policy to introduce a tiny levy on wholesale financial transactions is a good idea. Today, financial transactions related to international trade, goods and services represent only a small proportion of daily trade. The vast majority of financial transfers are executed by computer programs aimed at exploiting minor price fluctuations. Assets are now bought, held and sold in less than 12 seconds. The proliferation of this high-frequency trading, primarily executed outside public scrutiny in an unregulated trading environment, has made markets less effective at their core function of setting prices, and increased price volatility that has resulted in the boom and bust cycle we have experienced recently in the GFC.

A tiny tax would dissuade purely speculative short-term trading and shift the balance of trading towards more stable and socially beneficial investment. It would make global markets more stable and strengthen Australia's future as a sound financial hub without attracting risky and 'toxic' investments.

Financial transaction taxes have been assessed by the International Monetary Fund (IMF) as being a progressive form of taxation. The tax is not imposed on the everyday essential financial services or transactions that Australian citizens use such as payroll transactions, paying home loans or personal loans. It targets wholesale traders, whose clients are those with enough capital to gamble with short-term speculative trading.

Finally financial transaction taxes have been determined by the IMF as being not only administratively feasible, but in some respects even easier to administer than other forms of taxation. Given the tax is collected at the point where deals are settled through centralised settlement systems, it is also difficult to avoid or evade.

I believe that the Government should give serious consideration to endorsing an international policy on financial transaction taxes in our national tax reform agenda.

Yours sincerely,
Gavan Breen