

Universal Financial Transactions Tax for Climate Finance

21 April 2023
Friday

06:00 PM - 08:00 PM (IST)

02:30 PM - 04:30 PM (CET)

08:30 AM - 10:30 AM (EST)

BACKGROUND NOTE

Mindful of the scale of the challenge posed by climate change and its prospective impact on the existence of mankind, CUTS brings a unique initiative to initiate a global dialogue on this issue of critical importance. We plan to organise a webinar on the theme ‘**Universal Financial Transactions Tax (FTT) for climate finance.**’ The webinar will witness distinguished individuals place their views on the idea of a universal FTT.

A **Financial Transaction Tax (FTT)** is a small levy applied on trading of stocks, bonds, derivatives, currencies, and other financial instruments. Several countries levy an FTT at an individual level. The proposal suggests the imposition of a universal Financial Transactions Tax at a standard rate, across the board. The proposal indicates that countries collect the proceeds of FTT in their respective jurisdictions, before parking these with a specialised agency like the **United Nations Environment Programme (UNEP)**.

Internal disagreements over the ‘Right to Tax’ of individual states have prevented a concrete harmonised FTT structure from taking shape. Differences on the ‘degree of harmonisation’ have also come to the fore, in negotiations over the past decade, including at the 2011 G20 Summit in Cannes – when a proposal mooted by the EU failed to garner endorsement. The rate and expanse of tax differs across jurisdictions, with some countries covering a wider set of transactions at higherrates, compared to others.

An all encompassing, universal FTT could help generate over US\$400 billion per year, which could meet a part of the global climate finance requirements. While a universal FTT has the capacity to raise revenues on a massive scale, there are questions about its desired implementation and the likelihood of all countries to accept it. There have been instances in the past when the proposal didnot pan out, as expected. The divergence between targeted and actual collections, as seen in Spainfor FY 2022-23 are indicative of the challenges in realising the objectives of an FTT.

Thus, the webinar will be an opportunity to have a detailed examination on the feasibility of a Universal FTT. It will also offer an opportunity to comprehensively address concerns which were responsible for jeopardising past attempts.

With Climate action a key element of India’s G20 Presidency, this exercise could be used to builda narrative in alignment with the G20 agenda. Inputs from this exercise will feed into a global campaign to push the idea of a Universal FTT as a key G20 initiative under climate action.

ACTION AREAS

- **To address concerns on the idea of a Universal Financial Transactions Tax (FTT):** Webinar to focus on the gaps which a universal FTT could fill, to address global climate finance requirements, while also ascertaining its potential in various scenarios.
- **Determining the proposed structure of a Universal FTT:** Deliberations to focus on concerns of different countries on a standard rate of tax, for an all-encompassing FTT. The webinar will offer an opportunity to identify and address key concerns of individual countries, exchange views on collection standards and determine the scope of application.
- **Forge consensus on optimal utilisation of collected funds:** It is important that funds generated through a universal FTT could be utilised to maximise the impact on targeted beneficiaries. The proposal mentions that the UNEP be entrusted with the responsibility of devising a framework for efficient utilisation of the consolidated funds.
- **Outlining the plan for pushing it as a G20 agenda:** G20 is the premier forum for international economic cooperation representing around 85 percent of the global GDP. Its members also account for three fourths of the global carbon emissions. Hence, CUTS plan to push this proposal to be wedded with the G20 Agenda, under India's presidency.