NEWSLETTER FROM THE PARLIAMENTARIAN WORLD APPEAL FOR THE TOBIN TAX
Washington Call

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You will find attached the January 2002 Newsletter from "World Parliamentarians for the Tobin Tax." To obtain further information or if you would like to have this monthly newsletter sent to other Parliamentarians, NGOs or interested parties, you may contact us by e-mail at: tobintaxcall@free.fr
Yours sincerely,
Harlem Désir, Glyn Ford and Carlos Carnero Gonzalez
"Capital Tax, Fiscal Systems and Globalisation" Intergroup of the European Parliament

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Summary:

1 – Belgium: Submission to Parliament of a Bill to Institute a Tobin-type Tax

By Jean Cornil, Senator in Belgium:

The Senator Jean Cornil and the Representative Karine Lalieux submitted Monday, December 17, 2001 to Belgian Parliament a bill to institute a tax on international movements of capital.

The revenues of this tax, to be levied at a rate of between 0.01 % and 0.1 %, will be allocated entirely to the Belgian Development Agency (la Coopération au Développement). For Belgium, this tax is estimated to produce 24 billion or more Belgian Francs (BF). The tax affects all movements of capital, whether or not for speculative purposes. It would become effective when a majority of member states in the Euro zone will have adopted similar measures.

Document:

The Text of the Bill Submitted to the Belgian Senate and Background Statement

(Unofficial Translation)

Belgium Senate

2000-2001 Session

December 17, 2001

Bill to Institute a Tax on International Movements of Capital

(Submitted by Jean CORNIL and Philippe MAHOUX)

1.1 DEVELOPMENTS

The purpose of the this bill is to institute a tax, in coordination with similar decisions likely to be taken by other member States of the European Union, on international movements of capital that serve to destabilize the international monetary and financial system.

In fact, between 1,500 and 1,800 billion dollars are exchanged every day in the currency markets. These transactions are for the most part purely speculative and are without a direct link to the true exchange of merchandise, services, or investments. These volatile movements of capital have notably the effect of destabilizing entire economies of certain developing countries causing serious financial crises such as, for example, in Southeast Asia, Latin America, and Russia.

The intent of this tax is to be a very low tax that does not impact the exchange of merchandise, services, nor investments but could play a role to halt speculative movements of capital. It could therefore contribute, alongside other mechanisms to fight financial speculation, which at the European level is unquestionably the establishment of a Euro Zone, to the stabilization of capital flows and to a greater autonomy for countries to manage their monetary policy with positive consequences for the sustainable development of emerging economies and economies delayed in development.

A significant volume of these capital movements, motivated by immediate profit-seeking, obviously does not take into account the state of production and the sale of goods and services of the countries affected by these transactions that result in an increase only in capital revenues but to the detriment of employment and global economic development thereby creating all the mechanisms that promote the spread of social exclusion and poverty.

This proposal aims to add a tax on capital flows in the Code of Stamp-like Taxes whose legislative provisions are governed by the Royal Judgment of March 2, 1927. It aims clearly to determine the parameters for the institution of this tax on all forward or current transactions, contracted, executed or passing through Belgium, without regard to the type of transaction parties, starting at a minimum of 10,000 EUR. In fact, the objective is to collect a tax on significant capital trades and not on the small transactions of citizens that are rarely for speculative purposes.

To guaranty a flexible and rapid adoption responsive to the evolution of the international situation, the current proposal fixes a range in which the government may fix by Royal Judgment in the Council of Ministers the exact amount of the tax.

According to figures released on October 9, 2001 by the National Bank of Belgium, the total net value of the traditional market segments of currency exchanges and related derivatives would grow in 2001 to approximately 6,000 billion EUR. By applying a rate of 0.01 %, the tax would raise more than 600 million EUR (or more than 20 billion BF).

It is proposed that the revenues of this tax be entirely allocated to the Belgian Development Agency since there is evidently a relationship between the speculative nature of these transactions and the destruction of the economies of certain developing countries. Taking into account the urgent needs of these countries to improve the well-being of their people and to fight against poverty and social exclusion, it appears to us particularly appropriate to allocate the revenues from this tax to support development. The United Nations Development Program estimates a cost of 40 billion dollars a year to eliminate the most extreme forms of poverty and to provide access to sanitation and basic education to countries in the Third World. This source of revenues, which assumes the form of a world tax, must compensate for the destructive effects of financial speculation.

Article 5 of the current bill anticipates the range of transactions subject to the tax, with the possibility for the King by Royal Judgment in the Council of Ministers to define the additional parameters that will ensure that financial speculators do not escape this tax. The bill also anticipates the actual implementation of this tax only when a majority of the member States of the Euro Zone will have adopted similar measures.

In fact, it is essential to register these provisions within Europe and other countries, like France, for example, which is in the process of making provisions in the same spirit. Only a concerted effort at the European level like at the international level will help to eventually stop these purely speculative transactions and sanction tax havens. This principal is progressing elsewhere. For example, initiatives are being taken in Canada, Spain, Great Britain, Switzerland, Chili, and Uruguay.

Furthermore, in Belgium, other than the Senate Resolution of December 7, 2000 (adopted by 53 votes for, one against, and eight abstentions) and that of the House of Representatives of June 13, 2000, the Governmental Declaration of July 1999, even if it doesn’t explicitly mention this tax, it is not irreconcilable with our bill. Furthermore, the High Council of Finance, in its opinion of June 2001 does not challenge the technical and judicial feasibility of such a tax at the European level. Finally, under the auspices of the Belgian Presidency of the European Union, the Commission is conducting a feasibility study that will probably only define and clarify the positive and negative aspects of instituting a tax of this type.

For these authors, the current bill is above all a question of political will. The implementation of such a tax from the technical side is extremely easy to put in place given the capability to trace capital flows. Furthermore, there already exist some taxes that are collected on many capital movements in the world, particularly on the stock exchanges of Singapore, Honk Kong, the United States, and France. These taxes are not contested because they are not a tax in essence and only finance the functioning of the exchanges.

In conclusion, it appears to us essential to take a legislative initiative on the matter to put in place the structure to institute a tax on the speculative movements of capital while the unbridled evolution of international finance has tragic consequences on developing countries and increases considerably the inequalities between the rich and poor countries of our planet.

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1.2 Bill

Article 1

The current bill conerns a matter of Article 78 of the Constitution.

Article 2

In the Code of Stamp-like Taxes, relating to legislative provisions of stamp-like taxes, approved by the Royal Judgment of March 2, 1927, it is added a Title VII "Tax on Capital Flows" and under this title, an Article 113 written as following:

"There is instituted a tax on the gross amount of international capital flows.

<u>Subject to this tax on capital flows:</u>

<u>- all transactions mentioned in Article 1 § 1°, 4°, 5°, 6°, 7° and in § 2 of the law of April 6th, 1995 relating to secondary markets, the statutes of investment companies and their control, intermediaries and investment advisors.</u>

<u>- all transactions, forward or current, including conditional transactions, contracted or executed in Belgium or that pass through Belgium, without regard to the designation, constituting a transfer, purchase, or exchange of currency as well as all transactions having as a purpose, directly or indirectly, the conversion of one currency to another, including interbank transactions, without regard to the currency.</u>

- all transactions including forward contracts and conditional transactions, contracted, executed, or passing through Belgium that are intended, directly or indirectly, to exchange, transfer, or purchase financial interests, without regard to the designation of the transaction."

The tax is due notwithstanding the failure of delivery of the underlying assets of the transaction.

Article 3

In the same code, it is added an Article 114 the following text:

"The tax is due, without regard to the type of parties to the transaction, with the exception of the State and its subdivisions and persons subject to Articles 180 to 182 of the Tax Code on all revenues of transactions exceeding 10,000 EUR."

Article 4

In the same code, it is added an Article 115 the following text:

"The rate of the tax is fixed uniformly by Royal Judgment in the Council of Ministers, within a range of a minimum of 0.01 % and a maximum of 0.1 %."

Article 5

In the same code, it is added an Article 116 the following text :

"The tax is levied and paid to the Treasury within three days of the transaction settlement whether current or forward, given the methods determined by a Royal Judgment in the Council of Ministers by the parties to the transaction or by any intermediaries.

The Royal Judgment taken in the first paragaph determines notably the obligations to transaction parties and professional as well as non-professionnal intermediaries, intervening in the transactions subject to Article 113 of the Code of Stamp-like Taxes, with the intent of assuring payment of the tax to the Treasury."

Article 6

In the same code, it is added an Article 117 the following text:

"The transaction is predominately located in Belgium, or the site of the negotiation of the transaction, or the location of accounting record for the transaction, or the place of transaction settlement, or the residence, or the headquarters of management, operations, or administration, or the establsihment of a party or intermediary to the transacation is located in Belgium.

The King, by Royal Judgment in the Council of Ministers, will define the additional criteria for application."

Article 7

In the same code, it is added an Article 118 the following text:

"The King, by Royal Judgment in the Council of Ministers, determines the fines to pay in the case of a violation of the obligations established by Articles 113 to 116 of the present code."

Article 8

"In applying Article 45 of the laws governing State accounting, the attached table to the Law of December 27, 1990 creating budget accounts, and modified to accept receipts from the Tax on Capital Flows to the federal budget of the Belgian Development Agency, by the addition of a new heading 32-XX.

Designation of Budget Funds:

32-XX Fund for Contributions to the Belgian Development Agency;

Type of receipts affected:

1° tax on capital flows (Article 113 and following the Code of Stamp-like Taxes).

Type of authorized expenses:

1° additional federal expenditures allocated to assist the Belgian Development Agency."

Article 9

In the same code, an Article 120 is added and says that:

"The tax on capital flows will be applied when a majority of Euro Zone member States will have introduced in their legislatures similar taxes on the capital flows subject to Article 113 of the current code."

You may obtain additional information from Jean Cornil at the following address: cornil@senators.senate.be

2 – Tobin Tax on the Agenda for Porto Alegre

During the Second World Social Forum, which will take place from January 31 to February 5, 2002 in Porto Alegre, many representatives and senators, who are signatories to the World Parliamentary Appeal for the Tobin Tax, will gather on February 1st and 2nd for the World Parliamentary Forum.

An international round table on the Tobin Tax and the campaigns lead by NGOs and elected persons from different political groups will be organized by ATTAC. This round table will be presided by Bernard Cassen. It will include participants such as Bruno Jetin (economist and member of the Scientific Council of ATTAC), René Passet and Peter Wahl.

For more information about the World Social Forum and the World Parliamentary Forum, please refer to the website at: http://forumsocialmundial.org.br

3 – Op-Ed Piece on the Tobin Tax to Revive the Debate in Great Britain

In an Op-Ed piece entitled "Times is right for this just tax" appearing January 4, 2002 in the British magazine *Tribune,* Harry Barnes, Labour MP to the House of Commons and principal proponent of the Tobin Tax in that arena, along with Gary Kent urge the British government to learn from the lessons of September 11th and build a new economic world order founded on the share of wealth, for which this tax could serve as a tool:

"The war, it is hoped, is nearly over. Now, the focus should be on paying the bill. That is not the military one, but the cost of all our promises to help reconstruct Afghanistan, prevent a humanitarian disaster and to tackle the root causes of the despair…

… Previously unthinkable solutions are now reasonable.

… Suddenly (after September 11th) the Tobin is realistic. One of the main counter-arguments was that currency traders would move their operations to tax havens. Yet, a consequence of the Manhattan massacre is the crackdown on tax havens in which billions are laundered for nefarious purposes. This can be turned to Tobin's advantage…"

You may find the entire version of this Op-Ed column on the Tobin Tax on the website of the World Parliamentarians Appeal for the Tobin Tax: http://tobintaxcall.free.fr.