



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

James Ensor, Director of Public Policy

ORGANISATION

Oxfam Australia

Oxfam Australia is an independent development agency. We have worked with local communities around the world to combat poverty and injustice for over 50 years. We are a member of Oxfam International, a global confederation of 15 organisations that work with others to overcome poverty and injustice in almost a 100 countries around the world. Oxfam Australia works in 30 countries across the Pacific, Asia, Africa and Indigenous Australia. We undertake long-term development projects, provide emergency response during disaster and conflict, and undertake research, advocacy and campaigning for policy and practice changes that promote human rights and justice.

STATEMENT OF PRIORITIES

Around two or three pages, please. Please address both of these issues:

1. *What are your priority reform directions for the tax and transfer system?*

Oxfam Australia's interest in the tax system is grounded in our vision of a fair world in which people control their own lives, their basic rights are achieved, and the environment is sustained. A number of emerging trends highlight the need for tax system reform. For example, it is clear that the world's poorest people will require substantial finances to both adapt to the impacts of climate change and pursue low-carbon development pathways. In Copenhagen, the global community committed to mobilising 100bn USD per year by 2020 to this end. Tax system reform presents a number of opportunities for Australia and the world to meet its commitments to developing countries. Two particular reforms Oxfam Australia would like to explore at the Tax Summit are the introduction of a Financial Transactions Tax and an International Maritime Bunker Fuel Levy.

Financial Transactions Tax (Robin Hood Tax)

A financial transactions tax, of between 0.005 per cent and 0.05 per cent on institutional trades of currencies, stocks, bonds, derivatives and interest rate securities could raise billions of dollars annually. This could fund domestic social and environmental programs and be used to address the impacts of global climate change and support global poverty alleviation. In addition, a financial transactions tax would reduce the enormous volume of low margin transactions involving speculative securities that are fuelling Australian and global market volatility and instability.



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The global value of financial transactions is now many times larger than world GDP due to the enormous growth of financial markets trading over the last two decades. In 1990 financial transactions were 15 times greater than GDP. They are now 73 times greater. The vast majority of financial market trades are executed by computer programs, which can hold and sell assets in less than 12 seconds, for the purpose of exploiting minor price fluctuations.

International Maritime Bunker Levy

Putting a price on emissions from global shipping presents a dual opportunity to both reduce emissions from the maritime sector and raise money for the Green Climate Fund. Shipping emissions, also known as ‘bunkers’ in the UN climate negotiations, are significant and rapidly growing. A single ship can emit more in one year than many small island states. Shipping emissions are not currently regulated under the global climate regime.

A carbon price for ships, at around 25 USD per tonne, can drive significant maritime emissions cuts and is likely to increase the cost of shipping by just 0.2 per cent, or \$2 for every \$1000 traded. Such a scheme could raise 25bn USD per year. That money could be used to ensure that developing countries face no net costs as a result of a scheme (so that importing food is not more expensive), raise money for the Green Climate Fund and drive efficiency gains in the maritime sector.

2. How are your proposals financed over the short and longer term?

Both these proposals generate public revenue and do not impose a cost on the tax system.

Financial Transactions Tax (Robin Hood Tax)

Estimates as to the potential yield of financial transactions taxes vary greatly depending on the size of the tax, products excluded from its scope, and its dissuasive effect on transactions.

The report of the United Nations’ Advisory Group on Finance, that was established to look at sources of climate finance, suggests that globally between 2bn USD and 27bn USD could be raised by a financial transactions tax annually by 2020. Schmidt (2007) estimates that a 0.005 per cent currency transactions tax on the four major currencies (US\$, Yen, Euro and Pounds Sterling) would raise over 33bn USD per annum. Another US study has estimated that between 117bn USD and 353bn USD could be raised annually through differentiated tax rates for different markets (Barker, Pollin, McArthur and Sherman, 2009, University of Massachusetts) . The International Monetary Fund (2010) has estimated 200bn USD could be raised annually through a one basis point or 0.01 per cent financial transactions tax.

A financial transactions tax is likely to dissuade some transactions and, therefore, an accurate prediction of the potential yield is not possible. However, if a 0.05 per cent financial transactions tax had been collected on Australian “over-the-counter” and exchange traded market transactions between 2005-06 and 2008-09, it would have raised 48bn AUD (calculations by Professor Ross Buckley, University of NSW, 27 Jan 2011).



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International Maritime Bunker Fuel Levee

Assuming a carbon price of 25 USD per tonne and global emissions from the maritime sector of approximately 1 gigatonne in 2020, total revenues generated by a fuel levy or by the auctioning of allowances under an emissions trading scheme would amount to approximately 25bn USD in 2020.

Assuming that developing countries receive a rebate from this based on their share of global imports by sea, up to 40 per cent of total revenues would be used as compensatory rebates. From the 60 per cent of remaining revenues, a substantial proportion – at least 10bn USD – should be directed to the Green Climate Fund. A smaller proportion could remain in the maritime sector to drive efficiency gains.

LIST OF ATTACHMENTS

'Out of the Bunker: Time for a fair deal on shipping emissions' (2011), Oxfam and World Wildlife Fund.

'Climate Finance Post-Copenhagen: The \$100bn questions' (2010), Oxfam.