

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 691 - 694

Topic: Robin Hood Tax

Hansard Page: Written

Senator Bob Brown asked:

691. Is Treasury aware of the recent IMF working paper (WP11/185) which concluded that a financial transaction tax (also known as a 'Tobin tax' or 'Robin Hood tax') is administratively feasible?
692. Have Treasury done any work on the effect a one basis point (0.01 per cent) tax on wholesale financial transactions would have on exporters or importers buying foreign exchange or businesses managing their exposures to interest rates and exchange rates or raising funds from the stock-market?
693. Would such a tax be a stabilising influence on financial markets by dampening very short-term speculative transactions?
694. Is it a progressive, regressive or proportional tax? Will Australia support international moves to introduce such a tax if the matter is raised at the G-20?

Answer:

691. Yes. However it also highlighted some of the complexities and difficulties that arise from the use of this type of tax instrument.
692. No. The final report of the Australia's Future Tax System (AFTS) Review found that FTTs are generally inefficient and could reduce financial market stability.
693. AFTS noted that FTTs do not directly address many of the causes of financial instability. It notes that they have the potential to reduce financial stability by reducing market liquidity as well as by increasing the cost of hedging.
694. The distributional effects of an FTT are difficult to determine without more information on the tax base and analysis of its economic effects. The Government has publicly indicated that Australia has no plans to introduce a FTT.