

Abstract

This paper attempts to address both theoretical and practical considerations for a tax such as financial transactions taxes (FTT). It includes examples of FTT in the wider context, for example, on stocks and derivatives, currency transactions, and tangible property. Most of the discussion centres on financial market issues to reflect the thrust of current discussion and debate. What is found is that assumptions and commensurate analysis about how financial markets function drive the final views and outcomes over FTT. A roadblock, that a clear understanding or explanation of the range of behaviours in financial markets is incomplete and imprecise, remains. However, globally, FTT remains a commonly used tax. A cross-country comparison is provided. It reveals, however, that FTT is often used as a temporary instrument.

JEL Classification: H25, G18

Keywords: Capital Inflows, Derivatives, Economic Efficiency, Financial Assets, Fiscal Stimulus, Stock Market Transactions Costs, Taxes, Volatility