



BREAKING THE OWN RESOURCES DEADLOCK

Six options to widen the choice
for the European Union's next budget.





**To be very clear,
our budget is about our future.
And any modern budget needs
new own resources.**

URSULA VON DER LEYEN

State of the Union, European Parliament, Strasbourg

16 September 2026



**The European Union
needs new revenue streams.
Like national budgets,
the European budget must
deliver on its priorities.**

ANTÓNIO COSTA

Press Statement, Dublin

17 September 2026

Six options to widen the choice for the European Union's next budget.

The European Union is negotiating its next budget for 2028–2034 — the Multiannual Financial Framework (MFF) — as the international order is under strain and being reshaped. War has returned to Europe's borders, trade, technology and supply chains have become instruments of geopolitical pressure, and the multilateral system is under growing financial and political pressure just as demands for collective action are rising. In this more fragmented world, Europe's security and prosperity increasingly depend on the resilience of its relationships beyond its borders — and on whether partners see the EU as a credible and reliable long-term actor.

The outcome of the ongoing negotiations will show not only what kind of power the EU intends to be, but whether it is prepared to finance that ambition. Europe's priorities have sharpened around two imperatives: its security and its economic resilience. Neither can be achieved by looking inwards. Europe needs strong international partnerships that deliver mutual benefit — creating economic opportunity, deepening trade and investment, strengthening supply-chain resilience, and reinforcing the stability and prosperity that Europe and its partners have a shared interest in protecting. Budget negotiations may cast Europe's domestic and external priorities as competing demands, but they are increasingly two sides of the same coin: **Europe's strength at home depends on stable, prosperous and resilient partnerships abroad.**

Financing this agenda is the harder question. To sustain Europe's ambitions at home and in the world, while repaying the debt taken on to recover from the COVID-19 pandemic, the European Commission has proposed a budget of almost €2 trillion, equivalent to 1.26% of EU Gross National Income (GNI). With national finances under pressure, securing higher contributions from Member States has proven difficult. Without additional sources of revenue — "own resources" beyond Member States' GNI — the EU faces a harder set of trade-offs between priorities that are increasingly difficult to separate from one another.

This publication gathers ideas on new ways to finance the EU budget.

Yet, the EU has been unable to make meaningful progress on the expansion of its own resources for six years. Despite the 2020 roadmap¹ and successive proposals, including the latest European Commission package, including five new resources, designed to generate around €58 billion per year², the Council stalemate persists.

Whilst several options have been put on the table by institutional and other stakeholders, Member States have repeatedly claimed that viable own resources must raise meaningful revenue whilst distributing the burden fairly, safeguarding European competitiveness and being implementable in the short term without creating disproportionate administrative or political costs. Equally, these should bring in genuinely new money, rather than simply transferring existing revenue from national budgets to the EU.

Global Citizen has commissioned a group of renowned economists and researchers to look into possible options that would meet all of these requirements, and help create a route through the deadlock. This publication gathers their ideas on new ways to finance the EU budget. Each contribution sets out a proposal in the author's own terms, with an estimate of the revenue it could raise, its likely effects and what it would take to put them in place. **Together, the authors estimate their proposals could raise around €100 billion per year.** National expenditures would be reduced, benefiting both from cuts in GNI contribution and expansion of the EU budget, while costs would be primarily borne by the wealthiest. Even taking into account the foregone revenue from existing domestic taxes, **this would make every country gain 0.5 to 0.7% of GNI in fiscal space.**

These contributions are offered in the spirit of an open conversation. They do not form a single plan or a set of recommendations, but they show that the options are real and varied, and they invite negotiators to look more widely as they work towards an agreement.

Detailed proposals accompany the summaries.

¹ Interinstitutional Agreement of 16 December 2020 on budgetary discipline, sound financial management and new own resources, Annex II (roadmap towards the introduction of new own resources), OJ L 433I, 22.12.2020.

² Emissions Trading System, Carbon Border Adjustment Mechanism, e-waste, Tobacco Excise Duty Own Resource, and Corporate Resource for Europe. European Commission, Proposal for a Council Decision on the system of own resources of the European Union, COM(2025) 574 final, 16 July 2025.

Beyond The EU Budget: Setting The Example For Solidarity Levies

These proposals would raise new money for the EU budget, and earmarking a share (say 15%) of the revenue to global public goods would also strengthen a wider global push for international 'solidarity levies' agreed to fund shared priorities. Some of these global ideas, such as a levy on first- and business-class flights, target the same activities and rest on the same arguments as the new EU revenues in this report.

If the EU makes these new revenues work, it will prove that countries can agree on new taxes together and put them into practice in a way that benefits every country. Solidarity levies need exactly this kind of cooperation.

The benefits go beyond money. By leading on this, Europe can bring other countries on board with matching levies, helping them raise more for global health, climate resilience and other shared goals. Agreeing these proposals is only the first step. The EU should also join the group of pioneering countries ready to move ahead together on solidarity levies.

A European Luxury Surcharge

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A European
Luxury
Surcharge
would raise
an estimated
annual revenue
of **€42 billion**.

WHAT IT IS

A 20% tax on the portion of a luxury item's price above a set threshold, added on top of normal VAT. It would apply to luxury items above a certain price, such as high-end cars, yachts and private jets. Sellers would collect it through the VAT return they already file. The EU would also stop refunding VAT to non-EU visitors, a perk that mostly benefits wealthy shoppers buying luxury goods.

WHAT IT WOULD RAISE

An estimated annual revenue of €42 billion. Together with national VAT, which averages 22%, luxury goods would be taxed at 42%, the rate that the modelling finds optimal. Ending VAT refunds would bring in an extra €4 billion, which would stay in national budgets.

WHO WOULD PAY

Affluent consumers, including non-EU visitors, would be the core target of this proposal. Covering many kinds of products would distribute the burden more evenly across Member States. France and Italy have large luxury industries; Germany would be exposed through cars, and Mediterranean economies through high-end tourism.

WIDER BENEFITS

Tax competition between EU countries has pushed top income tax rates down. A common tax on luxury spending is a way to restore some fairness at the top, bypassing the difficulty of harmonising income taxes and avoiding the adverse effects on philanthropy or investment of income or wealth taxes.

WHY IT COULD SUCCEED WHERE EARLIER ATTEMPTS HAVE FAILED

Higher taxes on luxury have European precedents, including France's former 33.33% VAT rate. Modelling shows that Member States would have little benefit from taxing luxury goods on their own as they would lose consumers to neighboring countries; the optimal rate is much higher in case of a common EU surcharge since it would minimize shopping diversion between countries. Broad coverage would spread the impact, while nationally retained revenue from ending visitor refunds would give affected governments an additional reason to support a deal.

A One-Off Levy On Large Fortunes

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€26 billion
per year could
be raised by
a moderate
one-time
contribution
from Europe's
wealthiest
individuals.

WHAT IT IS

A moderate, one-time contribution from Europe's wealthiest individuals, spread over 30 years. The yearly rates would be 0.1% on net wealth above €1 million, 0.3% above €10 million, and 0.5% above €100 million.

WHAT IT WOULD RAISE

An estimated revenue of about €26 billion per year. A narrower version that applies only to fortunes above €100 million would raise about €10 billion; bringing the rate to 2% on fortunes above €1 billion would take that version to €25 billion.

WHO WOULD PAY

Individuals with net wealth above €1 million. Relative to national income, estimated collections would be highest in Luxembourg, France, Austria and Germany.

WIDER BENEFITS

The largest fortunes often pay little income tax. A one-off levy would restore some fairness at the very top, and because it would be based on wealth held on January 2027, it would not discourage future investment or enterprise. 60% of the wealth tax revenue could be earmarked to a European sovereign fund, at a time when major investments are needed for the ecological transition and for competitiveness. Sized at 3% of EU GDP, the fund would make sure that wealth taxation does not divert resources away from productive investments. While holding a diversified portfolio of equities, the fund would prioritize primary investments in European companies with a strategic or sustainable dimension.

WHY IT COULD SUCCEED WHERE EARLIER ATTEMPTS HAVE FAILED

The proposal addresses three weaknesses in previous national wealth taxes: exemptions for business assets, income caps that let the richest pay little, and yearly assessment of wealth that could simply move. With this design, no later decision to invest, start a company or emigrate would change what is owed. The tax can be paid in kind to prevent any liquidity issue, and a system of deferral accounts ensures that it is recovered even in case of expatriation or death. Acting at EU level would overcome limits that hinder a single country from taxing residents who move to another Member State, and the low rates would keep the levy moderate and consistent with constitutional case law across Europe.

A VAT On Flights & A Tax On Vacant Seats

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Aviation reforms
are estimated
to add a total of
€10.5 billion.

WHAT IT IS

A gradual, two-step update to how flights within the EU are taxed, collected by the country the flight departs from. The first step charges vacant seats, paired with a 4% VAT on tickets calibrated to preserve the number of passengers. This encourages airlines to fill their planes and reduce greenhouse gas emissions. In a second step, VAT on tickets would rise by 20% rate already paid on most everyday goods and services, bringing flights in line with the rest of the economy.

WHAT IT WOULD RAISE

An estimated €2.5 billion a year from the reform designed to preserve passenger numbers. The extra VAT reform is estimated to add €8 billion, bringing the total to €10.5 billion.

WHO WOULD PAY

The first step would make airlines fly 18% fewer planes while carrying the same passengers, so the tax would actually generate an economic surplus rather than a cost. The higher VAT in the second step would be borne by travellers and the tourism sector. These changes would generate an efficiency gain since aviation is currently under-taxed (hence over-used).

WIDER BENEFITS

The first step would generate €5.4 billion in economic gains for the EU, cut CO₂ emissions by up to 8 million tonnes a year, and lower the EU's oil import bill. It could also open the way to a broader package: taxing business- and first-class tickets, pricing aviation's full climate impact, including contrails, and, as part of a coalition of the willing, extending to flights landing outside the EU to help fund global public goods.

WHY IT COULD SUCCEED WHERE EARLIER ATTEMPTS HAVE FAILED

Europe's last attempt to price the pollution of international aviation, in 2012, covered flights to and from the rest of the world and was suspended within a year after foreign governments threatened retaliation. Limiting the proposals to flights within the EU would remove this risk. The first step's focus on fuller aircraft would preserve passenger numbers and protect tourism.

A European Digital Services Tax

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A 3% tax
on the revenue
large digital
companies
make in the EU.

WHAT IT IS

A 3% tax on the revenue large digital companies make in the EU from online advertising, online marketplaces and the sale of user data.

WHAT IT WOULD RAISE

An estimated annual revenue of €6 billion.

WHO WOULD PAY

Large digital companies would nominally pay, although they would likely pass on the costs to consumers. The revenue collection would be homogeneous among Member States.

WIDER BENEFITS

Gaps in the taxation of large digital companies give them an advantage over brick-and-mortar services. A levy on their revenue would help level the playing field. An EU-wide tax would strengthen Europe's position in international negotiations on corporate taxation as well.

WHY IT COULD SUCCEED WHERE EARLIER ATTEMPTS HAVE FAILED

In 2018, the Commission proposed a similar 3% tax, which Member States shelved in 2019 to await an international agreement at the OECD. Since then, international talks have stalled, several Member States have acted on their own and more plan to follow. A common EU tax would replace that patchwork with one set of rules. The instrument is technically straightforward to implement, drawing on the experience of France, Italy and Spain.

A Levy On Digital Advertising

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WHAT IT IS

A levy of 15% on digital advertising revenue that would apply to platforms earning more than €100 million a year from advertising in the Union.

WHAT IT WOULD RAISE

€10 billion per year, or €24 billion if the tax rate is increased to 50%.

WHO WOULD PAY

The largest digital groups and, through higher fees, the advertisers and marketplace sellers that use them. Google, Meta and Amazon share about 75% of EU digital advertising revenue. The revenue collection would be homogeneous among Member States.

WIDER BENEFITS

The levy would put a price on the harms associated with advertising models that reward constant engagement. Online advertising has documented effects on young people's mental health, on the spread of misinformation, and on radicalisation. The measure could redirect talent towards more productive activities.

WHY IT COULD SUCCEED WHERE EARLIER ATTEMPTS HAVE FAILED

This is a new proposal, with a distinct health and consumer-protection rationale. Nobel prize economists Daron Acemoglu and Simon Johnson have advocated a much higher, 50% tax to change the business model. The 15% proposal would offer a more moderate starting point. Its broader policy case could help build support, though it would not remove the risk of US opposition.

The levy would put a price on the harms associated with advertising models that reward constant engagement.

A Financial Transactions Tax

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A 0.5% tax
on transfers of
ownership of
shares issued
by companies
incorporated in
the Union.

WHAT IT IS

A tax of 0.5% on transfers of ownership of shares issued by companies incorporated in the Union, wherever the trade takes place and wherever the investor lives. Only net acquisitions at the end of the trading day would be taxed. Primary issuance and market making would be exempt, and bonds, derivatives and foreign exchange would be out of scope.

WHAT IT WOULD RAISE

€8.3 billion annually absent behavioural adjustment, or around €6.7 billion with a 20% turnover reduction.

WHO WOULD PAY

Shareholders, including investors outside the EU. The wealthiest 10% of euro area households hold about 82% of directly held listed shares. France, the Netherlands and Germany would account for almost 80% of estimated collections, reflecting where trades are recorded. This does not mean their residents would bear that share of the tax: investors are spread across the world.

WIDER BENEFITS

One EU rule would replace a patchwork of national share taxes, and companies raising new capital would be exempted. Evidence from France shows a 10–20% reduction in trading, with no significant effect on liquidity, volatility or the cost of capital. Findings also suggest higher corporate investment as investors hold shares for longer. The proposal would therefore be compatible with the Savings and Investments Union.

WHY IT COULD SUCCEED WHERE EARLIER ATTEMPTS HAVE FAILED

The 2011–2013 proposal failed because it tried covering an excessively broad range of financial products, including derivatives. Even the attempt at enhanced cooperation fell flat on considerations of scope. The scope of this tax is much narrower than previous attempts. Three additional EU member states, namely France, Italy and Spain, have successfully introduced similar levies on financial transactions since then, and exemptions in the design protect market functions.

TABLE 1:

Estimated annual revenue from each proposal, by Member State of collection, in EUR million

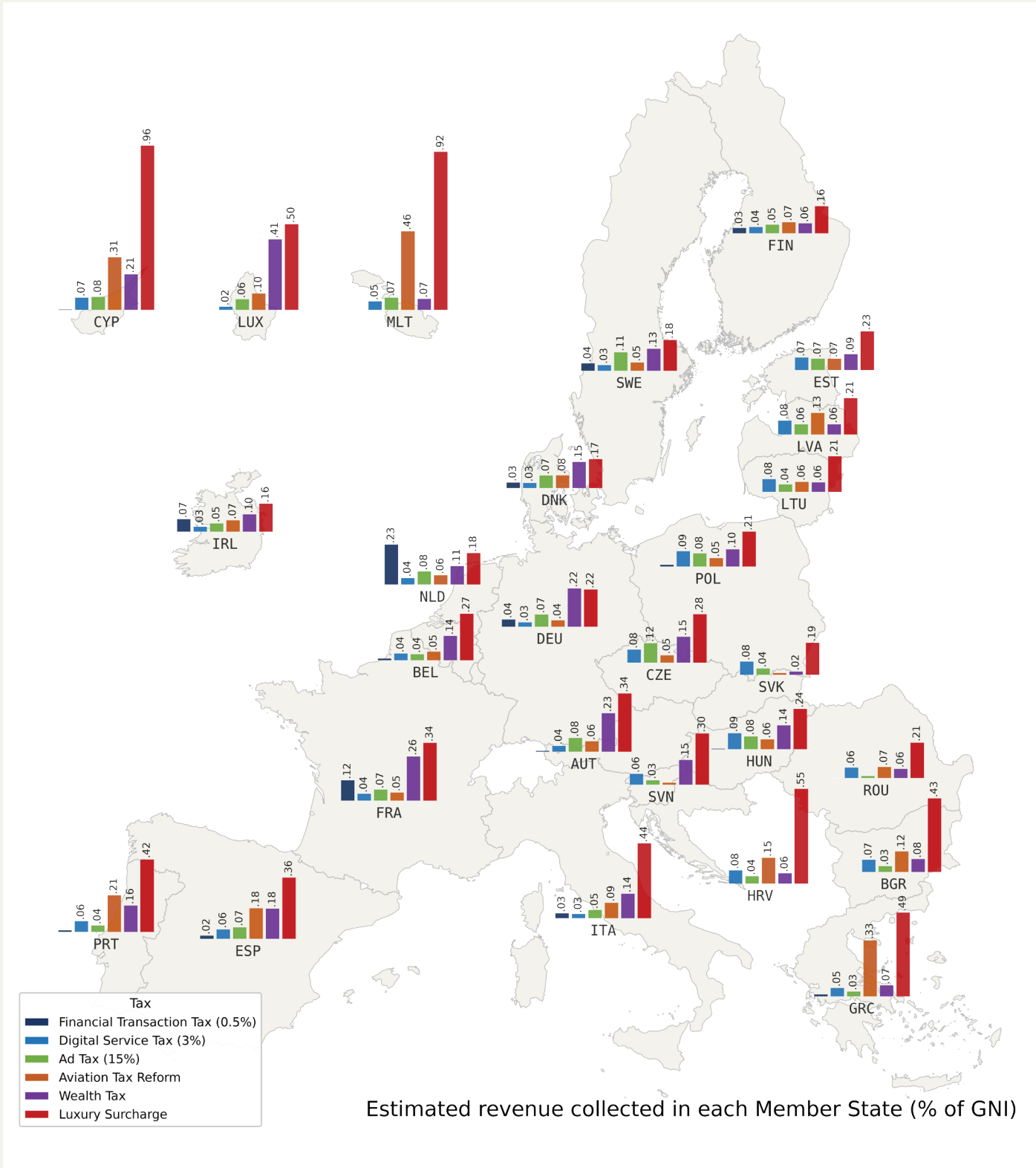
COUNTRY	A 3% DST	15% AD TAX	0.5% FTT	WEALTH TAX	AVIATION TAX REFORM	LUXURY SURCHARGE
Austria	143	330	26.40	920	254.33	1,390.17
Belgium	201	184	61.10	722	256.67	1,376.13
Bulgaria	38	18	0.20	40	63	224.67
Croatia	46	26	0.30	36	88.67	322.97
Cyprus	16	17	0.80	46	67.67	210.63
Czechia	178	263	3.80	348	102.67	645.94
Denmark	108	258	113.80	533	263.67	589.77
Estonia	23	21	0.10	29	21	70.21
Finland	97	133	81.30	152	168	407.22
France	1,084	1,691	3,100	6,670	1,255.33	8,706.12
Germany	978	2,700	1,595.20	8,344	1,409.33	8,102.31
Greece	91	54	22.70	118	592.67	884.65
Hungary	140	113	5.90	208	86.33	351.05
Ireland	97	160	241.40	331	219.33	533.60
Italy	467	891	544.50	2,618	1,659	7,933.80
Latvia	27	20	0	20	42	70.21
Lithuania	41	24	0.10	31	32.67	112.34
Luxembourg	10	32	0	208	49	252.76
Malta	7	10	0	9	63	126.38
Netherlands	333	652	1,961	913	462	1,544.63
Poland	497	427	63	560	277.67	1,123.37
Portugal	137	84	24.90	330	455	898.70
Romania	135	30	1.90	121	144.67	449.35
Slovakia	76	37	0	19	11.67	182.55
Slovenia	33	14	0.4	75	7	154.46
Spain	687	830	240.60	2,151	2,177	4,339.02
Sweden	190	601	245.10	712	270.67	996.99
European Union	5,880	9,620	8,334.5	26,264	10,500	42,000

TABLE 2:

Estimated annual revenue from each proposal, by Member State of collection, in % of GNI

COUNTRY	A 3% DST	15% AD TAX	0.5% FTT	WEALTH TAX	AVIATION TAX REFORM	LUXURY SURCHARGE
Austria	0.03 %	0.08 %	0.01 %	0.21 %	0.06 %	0.32 %
Belgium	0.04 %	0.03 %	0.01 %	0.13 %	0.05 %	0.24 %
Bulgaria	0.02 %	0.01 %	0.00 %	0.02 %	0.04 %	0.14 %
Croatia	0.04 %	0.02 %	0.00 %	0.03 %	0.07 %	0.27 %
Cyprus	0.05 %	0.05 %	0.00 %	0.13 %	0.20 %	0.61 %
Czechia	0.05 %	0.07 %	0.00 %	0.09 %	0.03 %	0.17 %
Denmark	0.03 %	0.08 %	0.04 %	0.17 %	0.08 %	0.19 %
Estonia	0.05 %	0.05 %	0.00 %	0.07 %	0.05 %	0.16 %
Finland	0.04 %	0.06 %	0.04 %	0.07 %	0.07 %	0.18 %
France	0.04 %	0.06 %	0.11 %	0.24 %	0.05 %	0.32 %
Germany	0.02 %	0.07 %	0.04 %	0.21 %	0.04 %	0.20 %
Greece	0.03 %	0.02 %	0.01 %	0.04 %	0.21 %	0.32 %
Hungary	0.05 %	0.04 %	0.00 %	0.07 %	0.03 %	0.12 %
Ireland	0.03 %	0.04 %	0.07 %	0.09 %	0.06 %	0.15 %
Italy	0.02 %	0.04 %	0.02 %	0.11 %	0.07 %	0.35 %
Latvia	0.05 %	0.04 %	0.00 %	0.04 %	0.08 %	0.14 %
Lithuania	0.04 %	0.02 %	0.00 %	0.03 %	0.03 %	0.11 %
Luxembourg	0.02 %	0.07 %	0.00 %	0.48 %	0.11 %	0.58 %
Malta	0.03 %	0.04 %	0.00 %	0.04 %	0.28 %	0.56 %
Netherlands	0.03 %	0.07 %	0.21 %	0.10 %	0.05 %	0.16 %
Poland	0.04 %	0.04 %	0.01 %	0.05 %	0.02 %	0.10 %
Portugal	0.04 %	0.02 %	0.01 %	0.10 %	0.13 %	0.26 %
Romania	0.02 %	0.01 %	0.00 %	0.02 %	0.03 %	0.08 %
Slovakia	0.05 %	0.02 %	0.00 %	0.01 %	0.01 %	0.12 %
Slovenia	0.04 %	0.02 %	0.00 %	0.10 %	0.01 %	0.20 %
Spain	0.04 %	0.05 %	0.01 %	0.12 %	0.12 %	0.24 %
Sweden	0.04 %	0.12 %	0.05 %	0.14 %	0.05 %	0.20 %
European Union	0.03 %	0.05 %	0.05 %	0.15 %	0.06 %	0.23 %

FIGURE 1:
 Estimated annual revenue from each proposal, by Member State of collection (% of GNI).
Source: authors' estimates.





**We must work as a priority
on new own resources, in
order to stabilise our national
contributions to this budget.
This is the essential condition
for a balanced agreement.**

EMMANUEL MACRON
European Council, Brussels
19 June 2026

Credits

This publication was commissioned by Global Citizen Deutschland gGmbH and written by independent experts: Adrien Fabre and Samuel Guerin of Global Redistribution Advocates, together with Arved Dörpinghaus, Matthias Kalkuhl, Lennart Stern and Xuan Xie. The views expressed here and in the annexes are theirs alone, as is responsibility for the content, and do not necessarily reflect those of Global Citizen or its partners.

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GLOBAL CITIZEN is a co-founder of the MFF Hub, a network of over 100 organizations that rallies efforts to increase financing for development, humanitarian assistance and global climate action in the next MFF, including through new own resources. www.mffhub.org

www.GlobalCitizen.org

www.Global-Redistribution-Advocates.org

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Aviation Tax Reforms

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This annex proposes two new EU own resources on intra-EU flights: a uniform VAT additive to national rates, and an ad valorem tax on vacant seats. Both are collected by the departure state and remitted in full to the EU. Confining the instruments to intra-EU flights is deliberate: it respects the international norm against unilateral extraterritorial taxation with revenue retention, thereby avoiding a repeat of the opposition provoked by the 2012 extension of the EU ETS to full scope, and preserving a norm that could underpin stable international financing of global public goods through future tax-coalition mechanisms with earmarking obligations.

The vacant-seat tax applies a single statutory rate to the spoilage value of a departure: the empty seats a flight leaves with, counted by cabin and valued at published route- and cabin-specific reference fares drawn from the previous year’s realised fares. The flight-level data already exist to an audited standard, so fare reporting is the only genuinely new requirement.

The economic case rests on a spoilage distortion. Around 16% of EU seat-kilometres depart empty — closer to 20% when weighted by revenue, since premium cabins are emptier — and [Dörpinghaus et al. \(2026\)](#) show that market outcomes systematically over-produce vacancy relative to the social optimum, and that in the simplest model a vacant-seat tax can align airline incentives with welfare. Carrying the same passengers in fewer aircraft does involve a genuine welfare trade-off, since it raises the risk of early sell-outs that exclude high-valuation travelers; but airlines’ incentives lead them to over-prioritize holding seats for late-booking, high-paying customers.

We present results for an efficiency-maximizing passenger-flow-preserving reform: it sets the vacant-seat tax at the level that delivers the efficient vacancy rate, then adjusts the additive VAT so that passenger numbers are unchanged. Because flows are fixed by construction, the reform places no burden on the tourism sector. Calibration gives a vacant-seat tax of 82.6% of spoilage value and a 3.7% additive VAT, cutting vacancy from 20.1% to 2.7% and flight frequency by 17.7%. Unusually for a tax reform, it raises EUR 2.5 billion while generating surplus rather than burden: EUR 2.8 billion in partial equilibrium, plus EUR 1.8 billion once resources released from aviation flow to sectors carrying pre-existing taxes and markups, with a further EUR 0.3 billion in oil terms-of-trade gains and EUR 0.5 billion in avoided climate damages accruing to the EU.

Having established that the efficiency-maximizing passenger-flow-preserving reform should be in the interest of all EU countries, we then consider a further reform that would raise the VAT rate beyond the modest 3.7% implied by it. Standard economic theory points to an optimal tax of 28%, against 8% in the status quo, hence an additive EU VAT of roughly 20%.

Finally, the EUR 45 billion base (interval EUR 38–52 billion) is assigned across member states and compared to GNI shares. Malta, Greece, Cyprus, Portugal and Spain are heavily over-exposed; Germany, Slovenia and Slovakia under-exposed. The wide spread implies that a standalone VAT increase would likely require compensation, which is why we suggest bundling it with the passenger-flow-preserving reform, whose net burden is negative.

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1 The proposals

We propose the following new EU-wide taxes as new EU own resources: 1) A VAT (additive to national VAT rates) on all intra-EU flights 2) A tax on vacant seats on intra-EU flights

Both proposed EU own resources are restricted to intra-EU flights, i.e. flights that both depart and land within the EU. This restriction reflects the value of respecting the existing international norm against unilateral extraterritorial taxation with revenue retention: it avoids the kind of opposition the EU faced when it extended the EU ETS to full scope in 2012, and it helps preserve a norm that could enable stable international mechanisms for funding global public goods through the earmarking of aviation tax revenue.

We propose that the entirety of the tax revenue be transmitted to the EU by the country of departure. Under Article 48, the base of an intra-EU flight is legally fractionated across every member state overflowed, so no member state has a natural claim to the tax base of a border-crossing flight. This motivates a Union-level charge, analogous to the EU's customs-duty own resource.

1.1 An additive uniform VAT on intra-EU flights

We propose to implement a VAT on all intra-EU flights with a uniform rate as an EU own resource, with the entire revenue collected by the country of departure and transmitted to the EU. This VAT would be additive to whatever VAT rates member states impose themselves.

1.2 A tax on vacant seats

The instrument is an ad valorem charge on the spoilage value of a flight: the empty seats it departs with, valued at the fare that prevailed in the market for the relevant cabin on the route flown, averaged over the whole of the previous year.

For a flight stage f operated on route r define the spoilage value S_f as follows:

$$S_f = \sum_c (\bar{p}_{r,c} \cdot V_{f,c})$$

where $V_{f,c}$ is the number of vacant seats in cabin c on the stage, $\bar{p}_{r,c}$ is the reference fare — the average fare paid for carriage in cabin c on route r , taken across all carriers operating that route in a past reference period and published in advance.

The spoilage value is the tax base, to which a uniform rate τ is applied. Since τ is dimensionless, it can be read as an ad valorem rate.

The construction separates a quantity, measured at flight level, from a valuation, set at route level. The quantity is observed by the carrier on every departure and cannot be manipulated. The valuation is a market-wide statistic that the carrier does not influence and knows before making its capacity decision.

Vacant seats: the physical base

The vacant seats in a cabin on a flight stage are the passenger seats installed in that cabin of the aircraft as operated on that stage, less the number of persons occupying a seat in that cabin at departure, whether or not they paid a fare.

The base is disaggregated by cabin. Cabin means the physical travel class in which the seat is installed — economy, premium economy, business, first.

The valuation rule: route-level, cabin-differentiated reference fares

Each vacant seat is valued at the average fare paid for that cabin on that route, across all carriers serving it. Three properties of this rule matter.

A single statutory rate. τ is one number, uniform across routes, cabins and carriers. All heterogeneity — distance, market, seasonality, cabin — enters through the reference fare. The legal instrument fixes one parameter.

The valuation is exogenous to the carrier’s own pricing. $\bar{p}_{r,c}$ is a market-wide average from the previous year.

Cabin differentiation. A vacant business seat is valued at the route’s average business fare, a vacant economy seat at the route’s average economy fare. Beyond proportionality, this is defensible on resource grounds: a long-haul business seat occupies two to three times the floor area of an economy seat, so flying it empty forgoes proportionally more of the aircraft’s capacity. It is also necessary for accuracy, since premium cabins typically operate at lower occupancy than economy on the same aircraft; a blended valuation would systematically under-value spoilage where spoilage is highest.

This definition of the tax base is motivated by two considerations, one practical and one welfare-theoretic. Practically, it converts a physical count into a monetary base that is comparable across routes, cabins, distances and price levels, and that indexes automatically to inflation and fuel costs. In welfare terms, the results of [Dörpinghaus et al. \(2026\)](#) explained below suggest that the optimal cabin-specific taxation of vacant seats is close to proportional to cabin-specific spoilage value, which is exactly what the proposed base implements.

Constructing and governing the reference-fare schedule

Coverage. The reference fare for a cell is computed over all carriers operating the route in the reference period, weighted by passengers. It is a market statistic, not a carrier statistic; a given carrier’s own fares influence it only through its market share.

Timing. The schedule is fixed for a calendar year, computed from realised fares over the twelve months prior to departure.

Fare basis. The reference fare is the total amount paid by the passenger for carriage on the stage, net of taxes and of government and airport charges collected on behalf of third parties, but inclusive of ancillary charges for seat selection, baggage and fare bundles. Excluding ancillaries would reintroduce the revenue-shifting margin at the schedule-construction stage. Including them is feasible here precisely because the schedule is a statistical exercise conducted once, centrally, rather than a per-flight compliance calculation.

Fare reporting. The European Union has no public route-level fare database comparable to the United States DB1B origin-and-destination survey. Constructing the schedule requires either a new reporting obligation on carriers covering passengers and passenger revenue by route, cabin and period — figures carriers already hold — or the procurement of commercial fare data.

Cabin definitions. “Business class” is not standardised across carriers or markets. The schedule requires a harmonised classification, defined by reference to the operator’s declared cabin designation in its schedule filing, with an anti-abuse provision preventing reclassification undertaken principally to alter the applicable reference fare. If such a provision is judged difficult to make effective, the binary cabin classification used by the French solidarity levy on air travel could be adopted instead: *a seat falls in the additional-services category where a passenger carried in that seat would be entitled, without supplement, to on-board services that not all passengers on the flight can access without one*. This is determinate from the cabin configuration and the carrier’s published product rules and requires no new taxonomy.

Measurement, reporting and verification

The quantity is already generated, to an audited standard, on every commercial flight. Mass-and-balance documentation prepared under EU air operations rules (Regulation (EU) No 965/2012) records the number of persons on board at departure; this figure is safety-critical, produced by the departure control system at door close, and retained by the operator. Installed seats by cabin are fixed by the certified cabin configuration recorded for the airframe.

The reporting obligation is therefore modest: for each in-scope stage, the operating carrier reports (i) installed passenger seats by cabin in the configuration flown, and (ii) persons occupying a seat by cabin at

departure. Spoilage value and liability follow mechanically by applying the published schedule. Returns are filed monthly and verified against records the carrier is already required to hold. No new measurement is created at flight level; the only genuinely new data requirement is the revenue reporting needed to construct the schedule itself.

2 The economic case for the tax on vacant seats

At present, 16% of the seat-kilometres flown in the EU are empty. Weighted by revenue shares, the figure is closer to 20%, since business-class seats have a substantially higher vacancy rate. This raises the question of whether such an allocation of resources is efficient.

It is useful to distinguish two logical possibilities: the cause of vacancy may be either “deterministic” or “stochastic”. By deterministic we mean that at some point early in a flight’s sales horizon it becomes certain that the flight will not sell out. Widespread deterministic vacancy may seem implausible — why would airlines not simply operate smaller aircraft? — yet it does arise in periods when passenger flows between two places are structurally asymmetric.

If tax policy could be targeted specifically at deterministic vacancy, the prescription would be straightforward: absent scarcity, seats should be priced at marginal cost, that is, at close to zero. A tax on vacant seats raises utilisation at close to marginal cost and therefore raises social welfare, at least up to the point where the flight again has a chance of selling out, or where prices have fallen to marginal cost.

Now consider the case where vacancy is stochastic, so that seats remain empty only when demand happens to turn out low. Here taxing vacant seats involves a genuine trade-off. On the one hand, more people take the flight. On the other, early sell-outs become more likely, so that travelers with very high valuations may be unable to board.

For the purpose of analyzing the passenger-flow-preserving tax reforms (see next section), the trade-off can be phrased as follows: taxing vacant seats and adjusting the VAT accordingly allows the same number of people to be carried in fewer aircraft, which saves resources; but it also makes it more likely that flights sell out before departure, leaving travelers with a very high willingness to pay without a ticket.

Dörpinghaus et al. (2026) show that there is a systematic “spoilage distortion”: absent corrective taxation, market outcomes involve a vacancy rate that is excessive from a social welfare perspective. They also show that, in the simplest model and for a broad range of travel demand specifications, a tax on vacant seats can perfectly align a private airline’s incentives with social welfare. These results provide the initial motivation for the instrument. The next section provides quantitative estimates of the welfare gains that could be reaped, using the full-fledged model introduced in the second part of the same paper.

3 Passenger-flow-preserving tax reforms

We propose the following tax reform, which we will argue is robustly beneficial:

Definition 1 *The efficiency-maximizing passenger-flow-preserving tax reform consists of introducing the two proposed tax instruments, i.e.:*

- 1) *A uniform additive¹ intra-EU VAT.*
- 2) *A tax on vacant seats, as defined above, i.e. with a uniform ad valorem rate applied to the spoilage value of empty seats.*

The reform sets the tax on vacant seats at the level that achieves the socially efficient vacancy rate, and adjusts the VAT so that the number of passengers carried remains unchanged relative to the status quo.

3.1 Evaluating passenger-flow-preserving tax reforms

We now report results for the efficiency-maximizing passenger-flow-preserving tax reform, computed with the partial equilibrium model developed in Dörpinghaus et al. (2026) and combined with the welfare-accounting adjustment derived in Stern (2026), which captures the pre-existing taxes and markups on other goods in

¹i.e. additive to other taxes

the economy. The calibrated model yields the following results for the efficiency-maximizing passenger-flow-preserving² reform, which we explain below:

Table 1.1: Policy Parameters and Summary of Impacts for the efficiency-maximizing passenger-flow-preserving tax reform applied to all intra-EU flights

Policy Parameters	
Tax on vacant seats	82.6% of spoilage value
Additive EU-wide VAT rate ^a	3.7%
Flight frequency reduction	17.7%
Impacts and Outcomes^b	
Vacancy rate (from 20.1%)	2.7%
Emissions reduction (excl. leakage) ^c	≈ 8.0 MtCO ₂
Emissions reduction (incl. leakage) ^c	≈ 1.76 MtCO ₂
Aviation tax revenue increase	+EUR 2.5 billion
Economic surplus change (excl. climate damages)	+EUR 2.8 billion
incl. cross-sector wedge correction ^d	+EUR 4.6 billion
Global Climate Damages Avoided^c	
Avoided climate damages from CO ₂ (SCC EUR 180/t)	EUR 1.5 billion / year
Avoided climate damages incl. non-CO ₂ forcing (SCC EUR 290/t)	EUR 2.3 billion / year
Terms of trade effects from reduced oil demand^c	
Savings for the EU's oil import bill	EUR 300 million / year
Reduction in oil revenue for Russia	EUR 203 million / year
Cross-Sector Fiscal Spillovers^d	
Additional consumption-tax revenue (11.5%)	EUR 0.75 billion
Additional corporate tax on markups (26% × 14.5%)	EUR 0.25 billion

Notes: Results are for the passenger-flow-neutral policy package. ^d Applies the pre-existing wedge of $1.115 \times 1.145 - 1 = 0.28$ in the rest of the economy to the resource savings released by the 17.7% reduction in flight frequency (EUR 6.5 billion).

The findings are striking. The reform collects EUR 2.5 billion in additional revenue from the aviation sector, yet instead of creating an economic burden of the same order — as tax reforms typically do — it generates an economic surplus of EUR 4.6 billion. This result is obtained in two steps. The first computes the economic surplus of the reform in the partial equilibrium model of [Dörpinghaus et al. \(2026\)](#), which comes out at EUR 2.8 billion; this qualitatively confirms the intuitive appeal of the proposal, namely that it saves resources without reducing passenger flows. The second step accounts, using a simple result from [Stern \(2026\)](#), for an effect that the partial equilibrium analysis misses: the resources saved in aviation are redirected to other sectors, which carry pre-existing commodity taxes and markups and therefore generate additional profits and tax revenue. This adds EUR 1.8 billion in welfare gains, of which EUR 0.75 billion takes the form of consumption tax revenue and EUR 0.25 billion that of corporate income tax revenue. The EU further reaps EUR 0.3 billion in terms-of-trade benefits (based on [Beaufils et al. \(2025\)](#)) and, assuming that its share of the social cost of carbon equals its share of world GDP, EUR 0.5 billion in avoided climate damages. Overall, the EU obtains EUR 5.4 billion in economic surplus from EUR 2.5 billion in additional revenue.

Incidence

In general, aviation tax reforms raise the difficult question of how the incidence is split between the travelers and the hospitality sector. Conceptually, the split is determined by the relative elasticities of the demand for flights and the supply of hospitality services ([Black et al., 2024](#)). These elasticities are difficult to estimate, however, and no published study appears to offer confident values. Fortunately, discussing the incidence of the passenger-flow-preserving reforms requires no stance on these questions.

²The model disregards distributional questions in order to focus on efficiency. Taking distributional effects into account would typically strengthen the case for taxing vacant seats.

Indeed, an attractive feature of the passenger-flow-preserving reforms is that, by design, they place no burden on the hospitality sector — hotels, restaurants and other providers of goods and services to travelers. The impact on travelers, through changes in prices, in flight availability and in flight frequency, is well captured by the model of [Dörpinghaus et al. \(2026\)](#) and is therefore already reflected in the estimates above.

Taken together, our results imply that all EU countries should find it in their interest to vote in favor of the efficiency-maximizing passenger-flow-preserving tax reform.

4 The economic case for the additive uniform VAT on intra-EU flights

So far we have focused on passenger-flow-preserving reforms. We now consider an additional reform: raising the EU-wide additive uniform VAT beyond the modest rate implied by the efficiency-maximizing passenger-flow-preserving reform.

The basic case for such an additional tax reform is that aviation is undertaxed relative to other consumption goods. A broad class of economic models implies that optimal taxation requires the equalisation of “wedges” across all consumption goods ([Atkinson and Stiglitz, 1976](#); [Epifani and Gancia, 2011](#)). The wedge denotes the proportion by which the consumer price exceeds the marginal cost of the good, so that by definition $1 + \text{wedge} = (1 + \text{tax})(1 + \text{markup})$, where the markup is the proportion by which firms set price above marginal cost.

This result yields a simple heuristic for identifying efficiency-increasing reforms when a single sector such as aviation is considered in isolation: set the tax rate so that the sector’s wedge equals the appropriately weighted average of the wedges in the rest of the economy. In the EU, the average markup on non-aviation consumer goods and services is 11.5% and the average tax rate 14.5%. Air travel is special in that markups can be taken to be zero, given the ease of entry on any route. These numbers imply that a tax on flights of $(1 + 0.115)(1 + 0.145) - 1 = 0.28$, i.e. 28% of the ticket price, would be optimal. Against a status quo average intra-EU ad valorem rate of 8% from ticket taxes and domestic VATs, this suggests that an additive EU-wide VAT of 20% would be optimal from the EU’s perspective — before allowing for the possibility that externalities and terms-of-trade effects are themselves undertaxed.

Optimal taxation theory also holds that intermediate inputs to production should be exempt from tax ([Diamond and Mirrlees, 1971](#)), exactly as a VAT ensures. This provides an efficiency rationale for replacing existing ticket taxes with a VAT.

Standard economic theory therefore suggests that, in addition to the roughly 4% EU-wide additive VAT that forms part of the efficiency-maximizing passenger-flow-preserving reform, two further reforms would increase efficiency: 1) replacing the ticket taxes by an ad valorem equivalent increase in VAT, and 2) raising the VAT by a further 16 percentage points.

5 Incidence of the VAT

For the passenger-flow-preserving reforms that are the core proposal of this annex, we saw that the incidence analysis is greatly simplified. For the further increase in the additive EU-wide VAT on intra-EU flights, by contrast, computing how the incidence is distributed between tourism service suppliers and travelers would require calibrating a model with endogenous tourism supply. Such a rigorous economic incidence analysis at the country level is beyond the scope of this report. The next subsection nonetheless estimates the shares of the tax base attributable to each member state, which serves as a rough proxy for the shares of the incidence borne by them. The previous section’s analysis also indicates the cost of raising public funds through this VAT: at an additive rate of 20% the marginal cost of public funds is 1, and it is lower at lower rates³.

³This proxy likely overestimates the true burden substantially, given that a part of the incidence actually falls on non-EU travelers and the non-EU hospitality sector. Again, due to data limitations, quantifying this effect is beyond the scope of this report.

5.1 VAT tax base estimates by EU member states

Suppose we take the assigned tax base as a proxy for the economic burden of the tax, and suppose that the new own resource displaces GNI-based contributions one for one. The ratio of a country's share of tax revenue to its share of GNI is then an indicator of whether it is disproportionately burdened. For example⁴, if the average cost of raising a EUR via the VAT on flights is 0.9 then a country is better off without this new own resource as long as its ratio of the share of the tax base to the share of the GNI exceeds $1/0.9 = 1.11$. That several countries have a ratio greatly exceeding 1 suggests that reaching unanimity might require a compensation scheme if a VAT increase were put forward as a standalone proposal for an EU own resource. Alternatively, the efficiency-maximizing passenger-flow-preserving reform described above could be bundled with a further VAT increase and proposed as a package of new own resources. Given our finding that the former reform carries a negative net burden, this path deserves exploration. The results provided in this report provide a basis on which one could analyze how far this approach could go.

⁴After the efficiency-maximizing passenger-flow-preserving reform, we found there to be an under-taxation by 20%. Under the perspective of [Jacobs \(2018\)](#), this implies a marginal cost of public funds of 0.9 if one assumes a price elasticity of demand of -0.6 and an infinite price elasticity of supply.

Table 1.2: Assignment of the intra-EU aviation VAT tax base to member states, 2024

Member state	Tax base (EUR bn)	Share of base (%)	Share of UE GNI (%)	Ratio	Revenue relative to GNI (bp)	
					Passenger-flow- preserving Reform (EUR 2.5bn)	Additional VAT of 20% (EUR 8bn)
Malta	0.27	0.61	0.11	5.60	7.59	24.29
Greece	2.54	5.64	1.30	4.34	5.88	18.82
Cyprus	0.29	0.64	0.16	3.90	5.29	16.92
Portugal	1.95	4.33	1.55	2.80	3.80	12.14
Spain	9.33	20.74	8.68	2.39	3.24	10.37
Croatia	0.38	0.84	0.48	1.76	2.39	7.63
Latvia	0.18	0.40	0.24	1.67	2.26	7.24
Luxembourg	0.21	0.46	0.31	1.48	2.01	6.42
Italy	7.11	15.81	12.06	1.31	1.78	5.68
Denmark	1.13	2.50	2.27	1.10	1.49	4.77
Bulgaria	0.27	0.60	0.55	1.09	1.48	4.73
Finland	0.72	1.59	1.60	1.00	1.36	4.34
Estonia	0.09	0.22	0.22	0.96	1.30	4.16
Ireland	0.94	2.10	2.33	0.90	1.22	3.90
Austria	1.09	2.43	2.81	0.86	1.17	3.73
Sweden	1.16	2.58	3.23	0.80	1.08	3.47
Lithuania	0.14	0.31	0.42	0.74	1.00	3.21
Netherlands	1.98	4.40	6.06	0.73	0.99	3.17
France	5.38	11.96	16.61	0.72	0.98	3.12
Belgium	1.10	2.45	3.46	0.71	0.96	3.08
Hungary	0.37	0.82	1.18	0.70	0.95	3.04
Romania	0.62	1.37	2.03	0.68	0.92	2.95
Czechia	0.44	0.98	1.68	0.58	0.79	2.52
Poland	1.19	2.65	4.77	0.56	0.76	2.43
Germany	6.04	13.43	24.81	0.54	0.73	2.34
Slovenia	0.03	0.06	0.38	0.16	0.22	0.69
Slovakia	0.05	0.10	0.73	0.14	0.19	0.61
EU27	45.00	100.00	100.00	1.00	1.36	4.34

Notes: The tax base is pre-tax consumer spending (fares plus ancillary revenue, net of existing ticket taxes and VAT, gross of airport, security and air navigation charges) on scheduled passenger flights with both endpoints in the EU27, including domestic flights, less the share attributable to business travel on the grounds that VAT-registered businesses reclaim input VAT. The aggregate base is EUR 45 billion, with an estimation interval of EUR 38–52 billion. Domestic flights are assigned in full to the member state concerned; cross-border intra-EU flights are assigned half to the departure country and half to the arrival country. Passenger volumes are from Eurostat ([avia_paoc](#), 2024), for which the national and intra-EU aggregates are constructed from departure declarations only and are therefore a census of one-way passenger legs; revenue per passenger and the business-travel share are estimated and carry essentially all of the uncertainty. GNI shares are the own-resources key agreed by the Advisory Committee on Own Resources and reproduced in the Statement of Revenue of the Draft Budget 2025. The ratio is the share of the assigned tax base divided by the share of EU GNI, computed from unrounded shares. Member states are ordered by that ratio.

The final two columns give revenue collected in each member state as a proportion of that member state’s GNI, in basis points (1bp = 0.01% of GNI); divide by 100 to read as a percentage. Column 6 is the revenue collected from the passenger-flow-preserving reform, EUR 2.5bn distributed in proportion to the assigned tax base; column 7 is the revenue collected additionally from a further additive VAT increase of 20 percentage points, EUR 8bn distributed on the same key. GNI levels are taken from Table 4 of the Statement of Revenue of the Draft Budget 2025, for which the EU27 GNI base is EUR 18,445bn.

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A One-Off Moderate Wealth Tax

Adrien Fabre *

While the EU looks for new own resources to repay the debt contracted during Covid, this appendix argues that wealth taxation can work if designed well. The proposal deliberately avoids the pitfalls that have historically undermined recurrent wealth taxes. It is a *one-off* levy, assessed on the net wealth each resident holds on a single past reference date (1 January 2027), and paid over thirty years at low annual rates. In the Central scenario, yearly marginal rates are 0.1% on wealth between EUR 1 and 10 million, 0.3% between EUR 10 and 100 million, and 0.5% above EUR 100 million. We also present an alternative scenario where the tax only applies above EUR 100 million.

Because the base is fixed in the past, the levy is a lump sum in the economic sense: no decision taken after 2026, whether to invest, to found a company or to emigrate, can change what is owed, so the tax does not distort future accumulation and activity. The low annual rates keep the tax non-confiscatory and comfortably within constitutional bounds. Liquidity is addressed head-on: payment is reduced if a taxpayer's wealth drops and the taxpayer may pay in company shares. Finally, a Deferral Account secures the claim against emigration and death.

Built this way, the tax would raise about EUR 26 billion a year, close to EUR 790 billion (that is 4.5% of EU GDP) over the thirty-year horizon. The proposal adopts the low-rate one-off logic of [Pisani-Ferry and Mahfouz \(2023\)](#), who recommended an exceptional levy of 5% of GDP spread over thirty years to finance the climate transition. Besides, it adapts the deferral and one-off mechanisms designed for the Californian wealth-tax bill ([California State Legislature, 2023](#)).

The instrument rests on solid economic foundations. [Farhi \(2010\)](#) shows that a one-off capital levy is the efficient response to a negative fiscal shock, precisely the case created by the pandemic-era debt, the security build-up and the financing of the transition. Progressive wealth taxation is independently justified on distributive grounds: [Saez and Zucman \(2019\)](#) argue that it is the most appropriate tool for restoring progressivity at the very top, since the ultra-wealthy report little taxable income.

The tax revenue could simply be paid into the EU budget as an own resource, or used to repay the common debt, and we show that it works well on those terms. Alternatively to this default revenue use, we also argue for another strategic use. Rather than shrink the Union's balance sheet by repaying the debt, the proceeds could endow a European sovereign fund, at a time when major investments are needed for the ecological transition and for competitiveness.

The combination of low annual rates, deferral, payment in kind and asset-backed recovery is what makes the tax simultaneously enforceable, non-distortive and respectful of taxpayers' liquidity constraints and asset control. We believe such a tax can actually be adopted. It does not interact with the taxes Member States already levy; it raises real revenue; it is constitutional in every EU jurisdiction; it rests on solid economic and democratic foundations; and it is increasingly on the political agenda.

The remainder covers the proposal (Section 1), revenue estimates (2), the case that the tax can fly (6), responses to objections (4), the sovereign-fund option (5) and variants (6).

1 Proposal

1.1 A one-off tax, payable over thirty years

We propose a one-off tax on individual net wealth, assessed on the wealth each resident holds on 1 January 2027.¹ The tax is strictly individual: wealth is attributed to natural persons, with couples assessed on

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¹It is important to choose an evaluation date anterior to the announcement of the reform, so that taxpayers do not have the time to relocate (note however that preemptive relocation for tax avoidance purposes does not lift the tax liability but may

their respective shares, so as to avoid the marriage penalties and avoidance opportunities associated with household-level assessment.

The headline schedule is a one-off liability levied at the following marginal rates: 3% on the fraction of individual wealth between EUR 1 and 10 million, 9% on the fraction between EUR 10 and 100 million, and 15% on wealth above EUR 100 million. This liability is not due immediately. It is spread over thirty years, so that in any given year the taxpayer owes one thirtieth of the total: the annual tax schedule is 0.1% on wealth between EUR 1 and 10 million, 0.3% between EUR 10 and 100 million, and 0.5% above EUR 100 million. These annual rates are deliberately calibrated well below the return on capital, so that the tax can in principle be paid out of the income the wealth generates, leaving the principal intact.

The one-off character is the central design choice. A permanent wealth tax changes the incentive to accumulate, to invest and to remain resident on an ongoing basis; the empirical literature finds that such taxes can generate behavioural responses, from portfolio reshuffling to migration (Brühlhart et al., 2022; Durán-Cabré et al., 2019). A one-off tax assessed on a past reference date is, by construction, a lump-sum tax: it does not distort decisions taken after the reference date, because no future choice can change the liability. This is the classical efficiency argument for capital levies, and it is the reason Pisani-Ferry and Mahfouz (2023) and the Californian bill favoured an exceptional rather than a recurrent instrument.

1.2 Payment, deferral and the annual minimum

Each year, the taxpayer must pay the *smaller* of two amounts: (i) one thirtieth of their initial liability, indexed to inflation and increased by a deferral charge; or (ii) the annual schedule (0.1% / 0.3% / 0.5%) applied to their *current* wealth. The second option protects taxpayers whose wealth has fallen: someone who has become poorer since 2027 pays less, in line with their ability to pay. The tax ceases to be owed after thirty years of payment, or earlier if the taxpayer settles their remaining liability in full.

The deferral charge is set at a level that makes postponing payment equivalent for the taxpayer to paying upfront. Hence, the deferral charge reflects the return the taxpayer earns on their wealth. We set it at 3% per year for the tax due for wealth below EUR 10 million, 5% between EUR 10 million and 100 million, and 7% above EUR 100 million. These figures are aligned with the empirically documented increasing returns to wealth: larger portfolios earn systematically higher average returns (Chancel et al., 2022). Aligning the charge with the return on capital ensures that deferral is neither confiscatory nor a subsidy to the wealthy, and removes the incentive to game the timing of payments.² This system allows smoothing the wealth transfer over thirty years.

1.3 Payment in kind

Liquidity constraint is the objection most often raised against wealth taxes: a taxpayer may be rich on paper yet hold most of their wealth in illiquid form, such as a stake in an unlisted company, real estate or an art collection, that generates little cash, so that a tax payable in cash could force them to sell assets, sometimes at a discount.

The proposal neutralises it through a graduated set of payment options. First, the administration accepts payment in non-cash liquid assets, in particular shares in listed companies, valued at market price on the day of transfer. A taxpayer whose wealth consists mainly of a quoted equity stake can therefore discharge the tax without selling on the market and without any cash outlay. Second, on a case-by-case basis, the administration may accept payment in illiquid assets, such as shares in non-listed companies, to the extent that the taxpayer's liability exceeds their liquid assets. These in-kind payments mirror the logic of the Californian bill, which

induce costly and uncertain litigation with the tax authorities, cf. Article 29 of OECD, 2017). Retroactivity is permitted in tax design provided it is justified and the date is not too distant in the past. The Californian bill uses a similar approach, with a date ten months before the referendum but two months after the announcement, which still allowed some billionaires to relocate.

²Take the example of a taxpayer with a wealth of EUR 10 million in 2027, and assume they have 3% returns on their wealth and that there is no inflation. The taxpayer's initial tax liability is $3\% \cdot (10 - 1) = 0.27\text{M EUR}$. In 2027, if the taxpayer has only paid their annual tax minimum in 2027 (one thirtieth of 270k EUR, that is 9,000 EUR) and not the full tax liability, the taxpayer's expected wealth is $(10,000,000 - 9,000) \cdot (1 + 3\%) = 10,290,730 \text{ EUR}$. Their 2027 tax liability is their initial tax liability inflated by the deferral charge minus what they already paid, that is $(270,000 - 9,000) \cdot (1 + 3\%) = 268,830\text{k EUR}$. Their 2027 wealth minus their remaining liability $(10,290,730 - 268,830 = 10,021,900 \text{ EUR})$ exactly corresponds to the expected wealth following payment of the full liability in 2027: $(10,000,000 - 270,000) \cdot (1 + 3\%)$. Therefore, with a real return of 3%, the taxpayer is indifferent between paying the entire liability upfront or spreading the tax payment over thirty years.

allowed liquidity-constrained taxpayers holding designated highly illiquid assets (typically start-up equity) to attach a claim to those assets rather than face an immediate cash assessment (California State Legislature, 2023). In-kind payments already exist under some circumstances: for example, countries such as France, Germany, the UK, Spain, Italy, or the Netherlands all accept non-monetary assets such as artworks to pay the inheritance tax.

Payment in shares has an important corollary for the objection that a wealth tax penalises young, capital-intensive firms relative to established ones. Because the founder of a start-up can hand over a fraction of their shares rather than cash, the tax does not force the sale of the company and it does not require the firm to distribute dividends it cannot afford. To guarantee that taxpayers keep control over their companies, the administration may accept payment in non-voting shares in cases where the tax would make their stake cross the 50% majority threshold (say from 50.1% to 49.8%).

1.4 Deferral Accounts

The system of Deferral Accounts is directly adapted from the Californian wealth tax proposal (California State Legislature, 2023). Unless they settle their entire liability in the first year, taxpayers must open a Deferral Account (DA): a mortgage with the State to which they attach assets of sufficient value to cover the tax liability. The DA has two functions. It secures the State’s claim: the outstanding liability is recovered when the taxpayer dies or moves their tax residence outside the EU, whichever comes first, and the account is closed only once the tax has been paid in full. It supports the payment-in-kind mechanism, since attached assets can be transferred to the tax authority to discharge the liability.

A missing payment triggers a penalty equal to inflation plus 10% per year on the overdue amount. This penalty accrues within the DA and is ultimately recovered when the attached assets are sold or generate dividends, so that non-payment is costly but never forces an immediate ownership transfer. The combination of low annual rates, deferral, payment in kind and asset-backed recovery is what makes the tax simultaneously enforceable, non-distortive and respectful of taxpayers’ liquidity constraints and asset control.

2 Revenue estimates

2.1 Method and assumptions

Revenue is estimated by microsimulation on the 2023 wealth distributions of the World Inequality Database (WID).³ Two successive haircuts are applied to the base throughout: 15% for asset-price depreciation and a further 15% for evasion and valuation discounts.

Table 2.1’s revenue figures are those of the proposed tax’s three marginal bands. Column *a* is the 0.1% levied on the slice of wealth between EUR 1 and 10 million; column *b* the 0.3% on the slice between EUR 10 and 100 million; and column *c* the 0.5% on all wealth above EUR 100 million. The central scenario is the sum of these three bands, $a + b + c$ (also shown as a share of 2023 GDP). Column *d* reports a separate band that does not belong to the central schedule: a 2% rate on wealth above EUR 1 billion, used only to illustrate a top-heavy variant that would use 2% as the marginal rate on billionaire wealth, so that the top-heavy figure is $c + \frac{3}{4}d$. All figures are in EUR million per year.

2.2 Results

The central scenario, which combines the three low brackets, raises about EUR 26 billion per year for the EU, or close to EUR 790 billion over the thirty-year horizon. This represents 4.5% of EU GDP, in the range of the 5%-of-GDP benchmark independently proposed by Pisani-Ferry and Mahfouz (2023) to finance the

³For most Member States, we use the tabulation that underlies the WID Wealth Tax Simulator, which reports, for a grid of euro thresholds, the total net wealth and the number of adults above each threshold. This dataset is the most adequate source for two reasons: its grid already includes the statutory cut-offs (EUR 1, 10, 100 million and 1 billion), so each bracket’s base can be read off directly; and it smooths the top tail, so it resolves the extreme fortunes on which the upper brackets depend. The eleven smaller Member States that the simulator omits are completed from the raw WID distributional-national-accounts data, which report the average wealth within each of 127 population brackets, up to the top 0.001%. Applying the schedule to those bracket averages reproduces the lower brackets well but resolves the very top less finely. Because these states are small (their combined contribution is about EUR 0.6 billion), this has no material effect on the EU total.

energy transition, and about twice the EU’s common (NextGenerationEU) debt. As an own resource, the proceeds would relieve the GNI-based contributions Member States pay into the EU budget.

These estimates are deliberately conservative for two reasons. They cut the base by two successive 15% haircuts, both generous. The 15% allowance for evasion and valuation discounts sits well above the leakage a well-enforced one-off levy should suffer: [Seim \(2017\)](#) finds that the taxable base contracts by at most 1% in the short run, and [Advani and Tarrant \(2021\)](#) put the medium-run figure at less than 10% for a 0.5% wealth tax. The 15% allowance for depreciation is also cautious, and compounded by our use of 2023 wealth data. Indeed, the tax would be assessed on wealth held on 1 January 2027:⁴ since asset prices have risen since 2023, the true 2027 base, and hence the revenue, would be larger.

⁴Germany prohibits retroactivity (*echte Rückwirkung*), so the assessment date should not precede announcement.

Table 2.1: Estimated revenue of a one-off wealth tax in the first year, by EU Member State (EUR million per year) The GDP column reports annual central revenue as a share of GDP.

Country	a 0.1% on 1–10M	b 0.3% on 10–100M	c 0.5% >100M	Central ($a + b + c$)	Central % GDP	d 2% >1 bn	Top ($c + \frac{3}{4}d$)
Germany	3,050	2,702	2,592	8,344	0.20%	4,963	6,315
France	1,994	1,378	3,298	6,670	0.24%	8,812	9,907
Italy	1,177	448	994	2,618	0.13%	1,327	1,989
Spain	851	434	866	2,151	0.14%	1,409	1,923
Austria	296	287	337	920	0.19%	841	967
Netherlands	585	109	220	913	0.09%	182	356
Belgium	500	37	186	722	0.12%	527	581
Sweden	260	140	312	712	0.14%	829	934
Poland	169	196	196	560	0.08%	170	323
Denmark	199	145	188	533	0.14%	441	519
Czechia	74	44	230	348	0.11%	489	597
Ireland	247	14	70	331	0.06%	69	122
Portugal	187	109	35	330	0.12%	48	70
Luxembourg	56	37	115	208	0.25%	305	343
Hungary	53	62	93	208	0.10%	8	99
Finland	58	12	82	152	0.05%	84	145
Romania	39	37	46	121	0.03%	20	61
Greece	64	17	36	118	0.05%	0	36
Slovenia	18	18	38	75	0.11%	0	38
Cyprus	11	2	33	46	0.14%	0	33
Bulgaria	13	14	13	40	0.04%	0	13
Croatia	18	12	6	36	0.05%	0	6
Lithuania	14	10	7	31	0.04%	0	7
Estonia	14	9	6	29	0.08%	0	6
Latvia	9	8	3	20	0.05%	0	3
Slovakia	12	7	0	19	0.02%	0	0
Malta	9	0	0	9	0.04%	0	0
EU-27 total	9,978	6,287	10,000	26,264	0.15%	20,525	25,394

3 Why this wealth tax can fly

Having shown that a one-off wealth tax, correctly designed, raises interesting amounts, we now set out why we believe it can actually be adopted. The EU level is more suited than the national one; it does not interact with the taxes Member States already levy; it raises real revenue; it is constitutional in every EU jurisdiction; it rests on solid economic and democratic foundations; and it is increasingly on the political agenda.

3.1 Suitability of the EU level

A one-off wealth tax is more efficient levied by the Union than by Member States acting separately. Two arguments support this. First, EU law makes it hard for a Member State to secure its tax base against a taxpayer who leaves for another Member State, while the single market makes leaving nearly costless. Second, it is ill-suited to treat a billionaire’s fortune as belonging to the country where its owner happens to reside, since that fortune is generated by the worldwide activities of the firms they own.

The instrument a State would use to secure a wealth-tax claim against emigration is an exit tax. Between

two Member States, that instrument is tightly constrained by the fundamental freedoms, and the case law has narrowed it steadily. In *de Lasteyrie du Saillant* (CJEU, 2004) the EU Court of Justice struck down the French exit tax on latent gains as a restriction on the freedom of establishment, and held disproportionate the conditioning of deferral on the provision of guarantees or the appointment of a tax representative; the CJEU (2006) later confirmed that deferral must be granted without security. In *Commission vs. Portugal* (CJEU, 2016) the Court applied the same reasoning to individuals transferring their residence, finding an unjustified restriction on the free movement of persons and on the freedom of establishment. Germany, which in 2022 replaced its open-ended interest-free deferral for departures within the EU and EEA by a seven-year instalment scheme, is widely thought to have fallen on the wrong side of that line, and the question is now before the Court on a Polish reference (CJEU, 2025).

Once the taxpayer has gone, collection depends on the assistance of the new State of residence under the mutual recovery directive (Council of the European Union, 2010), whose enforcement record is modest.

Departure, meanwhile, is nearly frictionless. Free movement of persons and of capital means that residence and portfolios can be shifted between Member States without exchange controls or administrative hurdles, and several Member States actively bid for wealthy newcomers: Italy offers new residents a substitutive flat charge on all foreign-source income (raised from EUR 100,000 to EUR 200,000 a year in 2024) and Greece a comparable EUR 100,000 lump sum for up to fifteen years. A Member State levying our tax alone would face both this competition and the legal challenges of charging those who respond to it.

Levying the tax at Union level dissolves the problem. Moving from one Member State to another changes nothing: there is no exit, and therefore no restriction to justify. Only departure from the Union crystallises the Deferral Account (Section 4), and there the constraints are far weaker: the freedom of establishment and the free movement of persons do not extend to third countries. The border that has to be policed is the Union's, which far fewer people cross, and which the Union itself is competent to police.

The second argument is one of principle. The fortunes this levy reaches consist overwhelmingly of stakes in companies whose value is produced across the single market and beyond it. Those firms owe their profits and their valuations to the size of the markets they serve, to free capital movement and to the cross-border enforcement of property rights, all of them Union-wide public goods rather than national ones (Zucman, 2024). Attributing the whole of such a fortune to the tax jurisdiction where its owner sleeps is therefore arbitrary, and doubly so once holding structures are taken into account: it hands windfalls to the small Member States that host them and nothing to the countries where the value was actually created. If the base is European in origin, the natural claimant is the European budget.

3.2 Additionality from existing taxes

The proposed levy would be *additional* to, not a substitute for, the taxes Member States already apply to wealth. Within the EU only Spain still operates a comprehensive recurrent net-wealth tax, and the low rates proposed here pose no problem to make the tax additional in Spain. The few other national instruments are narrow. Crucially, all of them share a feature that the present proposal deliberately avoids: they largely spare the business assets that make up the bulk of very large fortunes, so the overlap with our levy is small.

Spain is the leading case. Its recurrent wealth tax is regionally administered, and several regions (notably Madrid and Andalusia) had granted 100% relief until the central government introduced, in 2022, a Solidarity Tax on Large Fortunes (ITSGF) to reclaim that base, with marginal rates of 1.7% above EUR 3 million up to 3.5% above 11 million. Yet the Spanish tax exempts business assets: shares held by owner-managers who hold a qualifying stake, play a managerial role and draw most of their income from the firm are relieved, and the primary residence is partly exempt. On top of this, a cap limits the combined income-and-wealth-tax bill to 60% of taxable income; but the resulting relief may not exceed 80% of the wealth-tax liability, so that at least 20% of it is always due (Article 31 of Law 19/1991). In practice this floor caps the effective wealth-tax rate of the asset-rich but income-poor at one fifth of the statutory rate, about 0.7% rather than the headline 3.5%. Together these carve-outs and caps let the very wealthiest largely escape the tax, and avoidance responses to it are well documented (Directorate-General for Taxation and Customs Union (European Commission), 2026).

France abolished its general wealth tax (ISF) in 2018 and replaced it with a narrow tax on real-estate wealth (IFI), at 0.5%–1.5% on net property above EUR 1.3 million, leaving financial and business wealth untaxed.

The Netherlands has no more net-wealth tax: its “Box 3” regime taxed a notional return on savings and investments within the income tax, an approach the Supreme Court struck down in 2021 and again in 2024 (Section 3.4). From 2027 it is to be replaced by the Box 3 Actual Return Act, which taxes the *real* return on wealth: an annual mark-to-market (accrual) tax on the change in value of most assets and debts, combined with a realisation-based capital-gains tax on real estate and on shares in start-ups. This remains a tax on the return to wealth, not on the wealth stock itself, and so leaves the base our levy targets untouched.

Belgium levies a 0.15% annual tax on securities accounts worth at least EUR 1 million, a narrow charge that reaches listed portfolios but not directly held business stakes.

The proposed levy is therefore complementary rather than duplicative. Because it is one-off, values assets at market and grants *no* business-asset exemption, it falls, for very-high-net-worth individuals, precisely on the unlisted-company and financial holdings that the national taxes spare, while adding only 0.1% per year at the bottom of the schedule (above EUR 1 million). Where a taxpayer is simultaneously liable to a national recurrent wealth tax (the Spanish solidarity tax or the French IFI), the proposal treats them as cumulative, since even in the most heavily taxed cases the combined annual burden stays below the return on capital and therefore within the bounds courts have treated as non-confiscatory (Section 3.4).

3.3 Revenue raising

At about EUR 26 billion a year (Section 2), the central scenario raises as much as, or more than, the old national wealth taxes did, despite markedly lower rates, because it corrects their design defects (Section 4). As a genuine own resource, it would reduce the GNI-based contributions Member States pay into the EU budget. This is the property the Council is looking for in a new own resource: a base that is concentrated and additional to what Member States already tax.

3.4 Constitutionality

Wealth taxation is not unconstitutional as such in any EU jurisdiction. The concern that can make a wealth tax fall foul of a constitution is that it becomes confiscatory, taking so large a share of asset returns that it amounts to an expropriation rather than a tax. Low rates dispose of that concern: an annual charge of at most 0.5% of wealth, only a fraction of the normal return on capital, leaves the principal intact and stays far from any confiscation threshold. The history of national wealth taxes, reviewed below, confirms that they were struck down or abandoned for specific, avoidable defects, unequal valuation, taxation of a fictitious return, or genuinely confiscatory rates, and never because taxing wealth is inherently impermissible.

Germany. The Federal Constitutional Court suspended the wealth tax in its 1995 decision (2 BvL 37/91) not because wealth taxation is inherently unconstitutional, but because real estate was valued far below market while financial assets were valued at market, violating the equality principle of the Basic Law ([Bundesverfassungsgericht, 1995](#)). The same decision advanced the *Halbteilungsgrundsatz*: the legal principle that wealth and income tax combined should not take away more than roughly half of the potential return of the taxed assets. Two points defuse this. First, the Court itself, in a later ruling, held the *Halbteilungsgrundsatz* not to be legally binding ([Directorate-General for Taxation and Customs Union \(European Commission\), 2026](#)). Second, the proposed tax would satisfy it in any case: an annual charge of at most 0.5% of wealth is only a small fraction, of the order of a tenth of the normal return on capital, so that even added to income tax the combined burden stays far below half of that return. A uniformly market-valued, low-rate one-off tax thus avoids both defects that felled the German tax.

Spain. The Constitutional Court *upheld* the central solidarity wealth tax in December 2023 against challenges from several regions, confirming that a wealth tax is compatible with the Spanish constitution ([Tribunal Constitucional de España, 2023](#)).

The Netherlands. The Netherlands abolished its genuine net-wealth tax in 2001 for practical, not legal, reasons: the old tax was widely avoided or evaded and raised little. The wealth tax was folded into the income tax as “Box 3”, which taxes a *notional* (assumed) return rather than actual wealth or actual income, a design chosen for administrative simplicity, not because taxing wealth was thought unconstitutional. It is precisely

the taxation of a *fictitious* return that the Supreme Court struck down, in the 2021 “Christmas Judgment” and again in 2024, as an infringement of the right to property and the prohibition of discrimination under the European Convention on Human Rights (Hoge Raad der Nederlanden, 2021). The Netherlands is now moving to a tax on *actual* returns from 2027. A charge levied on *actual* wealth, with an ability-to-pay safeguard, does not share this flaw; if anything the Dutch saga shows that taxing real wealth is on firmer legal ground than taxing an imputed one.

France. The Conseil constitutionnel has repeatedly upheld wealth taxation (the ISF and later the IFI), on the condition that the burden not become confiscatory, which for a holding tax may require an income-based cap only when the rate is high (Conseil des prélèvements obligatoires, 2018; Conseil constitutionnel, 2012). The threshold is telling: in the ISF case-law a rate of 0.5% was validated without any cap, whereas a rate of 1.8% required one (Conseil des prélèvements obligatoires, 2018). The maximum annual rate proposed here is 0.5%, the very level the Conseil accepted with no cap, so the French standard is comfortably met. It is worth noting that the Conseil constitutionnel also judged that ability to pay may be assessed on wealth ownership rather than income flows (Decision n° 2019-769 QPC), confirming the legitimacy of a wealth tax.

Austria. Austria discontinued its wealth tax in 1993 by an act of government, not of any court, and for reasons of design rather than principle: fear of capital flight, widespread evasion, high administrative cost, and low and declining revenue, compounded by the unequal treatment of grossly under-valued real estate (the same defect that later led the Constitutional Court to strike down the Austrian inheritance tax) (Directorate-General for Taxation and Customs Union (European Commission), 2026).

However, one genuine legal obstacle is specific to Austria: Article 1(1)(2) of the constitutionally entrenched Final Taxation Act (*Endbesteuerungsgesetz*) bars any wealth tax on bank deposits and domestically issued bonds. Overcoming it would require either amending that constitutional law by a two-thirds majority, or granting Member States the option to exempt those asset classes, which in any case make up only a small share of large fortunes.

The recurring constitutional theme across jurisdictions is that wealth taxes fail when they value assets unequally, tax fictitious returns, or become confiscatory, never simply because they tax wealth. The present design is built to avoid all three failure modes.

3.5 Solid economic justification

The instrument rests on solid economic foundations. Farhi (2010) shows that a one-off capital levy is the efficient response to a negative fiscal shock, precisely the case created by the pandemic-era debt, the security build-up and the financing of the transition. Because the base is a past stock, the levy raises revenue without blunting the incentive to work, save or invest after 2027, the classical efficiency property of a lump-sum tax. Progressive wealth taxation is independently justified on distributive grounds: Saez and Zucman (2019) argue that it is the most appropriate tool for restoring progressivity at the very top, since the ultra-wealthy report little taxable income.

The design also has concrete precedents. It adapts the deferral and one-off mechanism of the Californian wealth-tax bill (California State Legislature, 2023), which let liquidity-constrained taxpayers attach a claim to designated illiquid assets rather than face an immediate cash assessment, and it adopts the low-rate one-off logic of Pisani-Ferry and Mahfouz (2023), who recommended an exceptional levy of 5% of GDP spread over thirty years to finance the climate transition. These are not speculative constructs but instruments that leading economists have already drafted and defended.

3.6 Democratic appeal

Beyond efficiency, the tax answers a democratic demand. Eurobarometer surveys show that 67% of Europeans agree that “an important task of the government is to tax the rich in order to support the poor”. Furthermore, 85% of Western Europeans accept an unspecified tax on millionaires (Fabre et al., 2025) and 72% of Europeans (from seven different countries) are in favor of a 2% tax on wealth above EUR 1 million even if 30% of the revenue were channeled to foreign, low-income countries (Fabre, 2025). A European wealth tax is also a matter of basic fairness: large fortunes are today taxed at effective rates well below those borne by ordinary

households (Zucman, 2024), and a levy that reaches the stock of wealth restores the progressivity that income taxes alone can no longer deliver at the top. Finally, the extreme concentration of wealth is itself a concern for democracy, since it concentrates economic and political power; a modest, broadly supported levy that returns part of that wealth to the common budget strengthens rather than threatens democratic legitimacy.

3.7 Suitability with the political debates

Taxing large fortunes in a coordinated way is no longer a marginal idea. At the request of the Brazilian G20 presidency, Zucman (2024) presented to the July 2024 Rio meeting of G20 finance ministers a blueprint for a coordinated minimum tax on ultra-high-net-worth individuals, under which billionaires would pay at least 2% of their wealth each year.⁵ Several governments, including Brazil, South Africa, France and Spain, have supported the coordinated approach. Spain, the only Member State still operating a net-wealth tax (which raised about EUR 2.2 billion in 2023), has been its most consistent EU advocate.

At European level, the instrument is now under serious institutional consideration. The European Commission has commissioned a study on the effectiveness of wealth-related taxes targeting ultra-high-net-worth individuals across EU and non-EU countries, and the European Parliament’s Subcommittee on Tax Matters (FISC) held a public hearing on the taxation of ultra-high-net-worth individuals in December 2025. A one-off EU levy of the kind proposed here offers a concrete, legally robust way to act on this momentum.

4 Responses to main objections

4.1 Expatriation

The objection most often raised against wealth taxes is that the wealthy will simply leave. This concern is real for a recurrent tax, but it has little force against a one-off levy assessed on residence at a fixed past date. Because the liability is fixed by where a taxpayer lived on 1 January 2027, no later move can change what is owed. Emigration therefore cannot erase the tax, only the ease of collecting it, and that is what the Deferral Account is designed to secure. The outstanding balance is attached to assets and crystallises when the taxpayer dies or transfers their tax residence outside the EU, so that leaving triggers, rather than avoids, payment. This is the same logic as an exit tax, applied to a liability that was already fixed before any departure.

4.2 Liquidity

Another common objection is that wealthy taxpayers, though rich on paper, may lack the cash to pay. The design answers this on two levels: the annual rate is low (at most 0.5% of wealth, payable out of normal capital income rather than principal), and payment can be made in listed shares or, in genuinely illiquid cases, in kind, so that no market sale or cash outlay is required.

4.3 Reduced investment and production

A wealth tax could in principle reduce private investment by lowering the after-tax return to capital, eventually lowering GDP. However, the concern of deterring investments due to lower returns does not apply here since the tax is one-off and backward-looking, so it does not alter the marginal return on any investment decided after 2027.

The claim that wealth taxes deter entrepreneurship applies to *recurrent* taxes that repeatedly claw back the fruits of success. It does not apply to a one-off tax on a past stock. An entrepreneur contemplating a new venture in 2027 faces no wealth-tax consequence from success, because the reference date has passed. The incentive to create, take risks and build is therefore left intact, which is precisely why Pisani-Ferry and

⁵The G20 Rio de Janeiro Ministerial Declaration on International Tax Cooperation (July 2024) committed member states, “with full respect to tax sovereignty”, to “seek to engage cooperatively to ensure that ultra-high-net-worth individuals are effectively taxed”, through the exchange of best practices, debate on tax principles and the design of anti-avoidance mechanisms; the commitment was reaffirmed in the leaders’ declaration of November 2024.

Mahfouz (2023) and the classical public-finance literature on capital levies favour exceptional over permanent instruments.

Another concern is that investment would be reduced since taxation would divert resources from productive investments into public consumption. While this view should be softened by two facts. First, corporate investments can generally be funded with bank loans if retained earnings or equity become less available. Second, most of the EU budget actually fosters production rather than merely consuming it (think of the Cohesion Fund, the European Regional Development Fund, or research funding). Still, to guarantee that private investment (and in particular venture capital) is not affected, we propose in Section 5 to earmark wealth tax revenues to a sovereign wealth fund.

4.4 Valuation

A recurring objection is that wealth is hard to value, especially unlisted businesses, real estate and art. The one-off design blunts this objection at the root: because the tax is assessed on a single reference date, assets need to be valued only once, exactly as they already are at death for inheritance tax, rather than re-valued every year. The recurring administrative cost that weighs on permanent wealth taxes therefore does not arise.

The experience of countries that value wealth annually shows the task is feasible but must be done at market value. Norway, which has levied a net-wealth tax without interruption since 1892, values listed shares at market, primary dwellings by hedonic pricing and other real estate by construction cost, and unlisted firms at their book value excluding intangible assets (Directorate-General for Taxation and Customs Union (European Commission), 2026). That last convention systematically under-values young, intangible-intensive companies, the very firms whose value lies in their brand, technology or growth prospects, so Norway's base is, if anything, too generous to business owners (Grindaker and Vestad, 2025). We therefore assess all assets at fair market value.

4.5 The low yield of past wealth taxes

Skeptics point out that recurrent wealth taxes have historically raised little, around 0.2% of GDP in France (ISF) and Spain, and roughly 0.1% in the former German and Austrian taxes (Directorate-General for Taxation and Customs Union (European Commission), 2026). This is a critique of how those taxes were designed, not of wealth taxation as such. Their yield was hollowed out by three features that the present proposal rejects. First, generous exemptions for business assets, which de facto exempted billionaires. Second, income-based caps: for instance, France's cap let the billionaires be taxed at an effective rate of less than 0.1% (Directorate-General for Taxation and Customs Union (European Commission), 2026). Third, annual assessment on a mobile base, which invited migration and avoidance year after year. Our levy grants no business-asset exemption, has no income cap (it is instead capped by an ability-to-pay ceiling on *current wealth*), and is assessed once on a past stock that cannot emigrate. It is precisely because it corrects these three defects that it raises as much revenue as old taxes did despite significantly lower tax rates.

5 A strategic use: a European sovereign fund

5.1 Rationale

Everything above establishes that the levy works as an own resource: its proceeds could be paid into the EU budget, relieving Member States' contributions, or used to repay the common NGEU debt. But there is an alternative way to deal with the debt-reimbursement problem. Rather than shrink the Union's balance sheet by repaying the debt, the proceeds could be invested, at a time when major investments are needed for the ecological transition and for competitiveness.

The idea is to endow a European sovereign wealth fund, with at least a substantial share of the wealth tax proceeds. Such funds are no longer the preserve of resource-rich states: China, Singapore, Australia and South Korea each run one worth more than 10% of their GDP, and Canada launched a national fund in 2026 financed by public debt. Worldwide, sovereign wealth funds manage assets worth close to 13% of global GDP, yet the European Union has no comparable fund. Sized at 5% of EU GDP, the levy would build up a

fund whose assets would eventually reach about twice the common debt, so that its long-run dividends would exceed the interest owed several times over.

As the fund reinvests the proceeds rather than consuming them, the aggregate capital stock is preserved and ownership merely shifts from private to collective hands. This addresses a potential concern that investment would be reduced since taxation would divert resources away from productive investments (Section 4.3).

5.2 Governance and mandate of the fund

The proceeds would endow a European sovereign wealth fund under democratic control.⁶ The fund’s mandate would be threefold: to hold a broadly diversified portfolio of equities, so as to spread risk and secure a stable return; to steer the ecological transition; and to select strategic investments that strengthen Europe’s future-preparedness. On the model of the recent Canadian national fund, the mandate would give priority to *primary* investments (initial public offerings, capital increases and other subscriptions of newly issued equity) in European companies with a strategic dimension or a sustainable project, so that the fund channels fresh capital into productive investment rather than mostly reallocating ownership of existing shares.

6 Possible variants

Several variants are compatible with the architecture above but are left for future work and not developed here: (i) converting the one-off levy into a *permanent* recurrent wealth tax; (ii) applying *higher rates* above EUR 100 million wealth, closer to the 2%–3% minimum-tax proposals of [Zucman \(2024\)](#); and (iii) pairing the wealth tax with a reform of *inheritance* and *capital gains taxation*, which reaches the same tax base at the point of transmission. Each of these would change the efficiency, legal and political properties of the instrument and deserves separate analysis.

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⁶For example, its board would be appointed by the political groups of the European Parliament, each group naming board members and exercising a voting right proportional to its number of seats in the Parliament, so that the fund’s direction reflects the Union’s democratic balance rather than the discretion of a single executive.

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A Tax on Luxury Consumption

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This appendix proposes a broad luxury tax as a new own EU resource, bundled with the abolition of VAT refunds for non-EU that would also generate additional revenue for member states, mostly from personal (portable) luxury goods. Both components are motivated by the finding that raising revenue via luxury taxation generates a significantly lower marginal economic burden than other taxes. Indeed, luxury taxation is justified on the grounds of status externalities and progressivity, and it taxes the wealthiest without deterring investments nor philanthropy. However, national luxury taxation is currently distorted downward due to international tax competition. In the case of portable luxury goods there is tax competition for internationally mobile shoppers and in the case of residence-based luxury goods (e.g. cars) there is tax competition for high-net-worth residents. We therefore propose to implement a new own EU resource as a luxury excise on values exceeding category-specific per-item price thresholds. We propose a uniform ad valorem rate across categories as a focal point to facilitate negotiations. Economic modeling suggests that an EU-wide additive luxury tax rate of 20% is justified on the grounds of status externalities and signaling alone, while socially optimal tax rates are likely substantially higher once progressivity benefits are taken into account. A 20% rate is estimated to raise EUR 42 billion per year for the EU budget. While a luxury tax restricted to any particular product category would create uneven relative burdens across member states, our broad product scope (covering yachts, luxury vehicles, personal luxury items, hospitality, and fine spirits) achieves a more balanced burden relative to GDP. Countries collecting higher revenue shares (e.g., France, Italy, Spain) would benefit disproportionately from the concurrent abolition of VAT refunds, which is estimated to raise up to EUR 4 billion EU-wide. This combined reform is feasible, highly progressive, and politically viable.

1 Introduction

There are strong economic reasons (reviewed below) for why taxing luxury goods at a higher rate than other goods will raise social welfare. However, if countries decide individually on their luxury good taxes then there are strong tax competition forces pushing luxury good taxation down. For portable luxury goods, countries have an incentive to lower luxury good taxes to attract and retain shoppers, thereby gaining other indirect tax revenue from their non-refundable spending on on-site consumption of other goods and services. For non-portable luxury goods that are taxed based on residence (e.g. luxury cars), there is an incentive for countries to lower the tax rate in order to attract more (internationally mobile) high earners and high wealth individuals. In the case of the post-Brexit abolition of VAT refunds in the UK, these spillover effects became very visible for the case of portable luxury goods, whose sales shifted substantially to other countries, including continental Europe ¹.

This suggests that luxury good taxes are promising as an EU own resource, given that such a common tax could correct a distortion created by tax competition. Even if individual EU countries find it optimal for themselves to not introduce luxury good taxes, they might still find it in their interest to vote in favor of an EU-wide luxury tax, given that this will prevent them from losing shoppers or residents to other EU countries.

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¹Of the 162,000 non-EU tourists who claimed VAT refunds exclusively in the UK in 2019, approximately a fifth were claiming rebates in EU countries by 2023. Since this captures only EU-redirection, the true extensive margin is likely larger [Bloomberg and Creery \(2024\)](#).

Put differently, each EU country benefits from other EU countries' luxury good taxation via the resulting displacement of shoppers/residents to them. Thus, voting for an EU-wide luxury tax is more attractive.

We will argue that there are advantages to the "bundled approach" of introducing an EU-wide luxury tax to fund the EU budget as compared to the "separated approach" of introducing mandatory minimal luxury taxes and increasing the EU budget via the traditional GNI-based contributions. In other words, we will argue that the two problems, "tax competition leading to undertaxation of luxury" and "unanimity constraints leading under-provision of funding for the EU" can best be addressed via a single mechanism, namely an EU-wide luxury tax to fund the EU budget.

There are two core arguments in favor of the bundled approach. Firstly, the bundled approach avoids, in contrast to the separated approach, aggravating tax competition for people with high income and wealth. Under the separated approach, attracting such people would be made more valuable for each country to the extent that the mandatory minimal luxury taxes increase the tax revenues that such people yield. Thus countries would have increased unilateral incentives to further lower taxes on high income and wealth. Under the bundled approach, no such aggravation of (income and wealth) tax competition would result. The reason for this is that each country would be indifferent about which would collect the EU-wide luxury tax, given that all the revenue would go to the EU budget anyway.

The first argument in favor of the bundling approach that we just sketched shows that the aggregate welfare gains achievable via the bundled approach are greater than under the separated approach. This is per se desirable and it would also make it easier to get unanimity. We now sketch a second argument suggesting that even if we neglect this welfare gain via avoided aggravation of tax competition, the bundled approach might be more likely to get unanimity among EU member states.

This second argument in favor of bundling can be stated very generically: suppose we compare having votes on two reforms separately or on the combination of the two. If each of the separate reforms garner unanimity then so should the combination. However, the converse does not hold.

2 The proposals

2.1 The EU luxury surcharge

We propose a single EU-wide indirect tax, levied at a uniform ad valorem rate on the part of an item's price that exceeds a category-specific threshold, assessed on the first supply to a final consumer or on importation, and collected by VAT-registered vendors through the existing VAT return. Its yield accrues to the EU budget as an own resource. We refer to it as the European luxury surcharge.

The surcharge is defined by the following elements.

- (i) *Scope*. A set of product categories $\mathcal{C}$ (see below).
- (ii) *Thresholds*. Each category $c \in \mathcal{C}$ carries a threshold $\bar{p}_c$ which can be either 0 or positive. If positive, it is expressed as an amount per item before any taxes.
- (iii) *Rate*. A single rate t^{EU} applies uniformly across all categories on the value exceeding the threshold.
- (iv) *Collection*. The surcharge is declared and paid on the VAT return of the person liable, in a separate box, and is subject to the same registration, invoicing, record-keeping and audit obligations as value added tax.
- (v) *Attribution*. Amounts collected are attributed to the member state of taxation and transferred to the EU budget under the Own Resources Decision.

The tax base

Table 3.1 estimates the tax base. The categories could be specified by Combined Nomenclature (CN) codes, which already exist and are already used at import. For some categories, the thresholds could be set to 0 because all items in the category can be viewed as luxury. For example:

- CN 7113/7114/7116: jewellery, articles of precious metal, precious stones
- CN 9101/9102: watches with precious-metal cases
- CN 4303: furskin apparel

Many other product categories contain both goods that clearly are luxury and goods that (arguably) are not. For these categories, positive per item thresholds are essential. Examples include:

CN 8703: passenger vehicles)
 CN 8903: yachts and pleasure craft
 CN 2204/2208: wine and spirits
 CN 9701-9706: art, antiques

Services (luxury hotels, cruises, fine dining) have no CN code and would need a definition by price per night.

Table 3.1: EU-27 spending on high-end and luxury goods and services by sector (2024E/2025), net of VAT and consumption taxes

Sector	EU-27 spending (EUR bn/yr)
Luxury cars	88
Personal luxury goods	81
Hospitality (hotels, cruises)	54
Yachts	25
Fine wines and spirits	22
Gourmet food and fine dining	18
Design and furniture	11
Total, goods and services	299

Notes: Own calculations. Global sector values from [European Cultural and Creative Industries Alliance and Bain & Company \(2025\)](#) are multiplied by the share purchased in Europe (published for personal luxury goods: 30.3%, [D'Arpizio et al., 2024](#); constructed for other sectors) and by the EU-27 share of Bain's EU perimeter (74%). For cars, we assume a price threshold of EUR 32000, equal to the EU mean estimated based on ([UNRAE, 2025](#)) and ([DAT, 2026](#)). Memo items outside the ECCIA sector perimeter: art and antiques $\approx$ EUR 5 bn. The yacht figure is estimated separately as a flow of consumption. It is a territorial (destination-basis) estimate of yacht-related consumption in EU waters for yachts above 10 m, based on the Italian tax introduced in 2012.

Specific proposals for thresholds could be anchored in values already in use elsewhere and indexed to inflation. Korea's Individual Consumption Tax applies to watches and bags above roughly EUR 1,300 and to jewellery, fur and leather goods above roughly EUR 3,200. France's *taxe forfaitaire sur les objets précieux* applies to jewellery, watches, art and antiques above EUR 5,000 per item, with the threshold assessed object by object except where the objects form a coherent set. India's tax collected at source on luxury goods applies above roughly EUR 10,000, uniformly across its notified list of watches, art, collectibles, yachts, bags and footwear. For accommodation, Florence's *imposta di soggiorno* is assessed directly against the net price per guest per night, in bands whose highest begins at EUR 200.

For motor cars the comparators are more dispersed: Australia's Luxury Car Tax threshold stands at roughly EUR 46,000, rising to roughly EUR 69,000 for zero-emission vehicles; Canada's at roughly EUR 65,000; China's at roughly EUR 110,000; and Greece's at EUR 17,000. Denmark's registration tax, the closest European analogue to a graduated luxury rate on vehicles, reaches its 85 per cent bracket at roughly EUR 8,200 and its top 150 per cent bracket at roughly EUR 25,500, once its VAT-inclusive base is restated net of VAT. Canada applies a separate and much higher threshold of roughly EUR 156,000 to vessels. A simple practical approach could be to define the price threshold as the average pre-tax car price in the EU, which is about EUR 32000. This would automatically index it to inflation.

2.2 Abolishing the VAT refunds

We propose to combine the introduction of the European luxury surcharge with an EU-wide abolition of VAT refunding. VAT refunds mostly concern luxury goods, as only for high-value goods it is worth it for consumers to carry them home.

Legality

There appears to be no papers or reports questioning the legality of abolishing VAT refunds. Consistently with that, no country opposed the UK when it abolished its VAT refund after leaving the EU.

2.3 Tax design

The case for a uniform tax rate Purely from the perspective of aggregate welfare, it might be optimal to substantially differentiate the tax rates on different luxury goods, to the extent that they differ in the degree to which their consumption is motivated by status and the degree to which their consumption is correlated with income and wealth. However, a proposal for a new EU own resource might be more easily adopted in a simple form with a uniform rate. The burden of taxes on luxury cars will disproportionately fall on Germany, whereas the burden of taxes on portable luxury goods will disproportionately fall on France. Hence negotiations about rate differentiation will have to some extent a zero-sum character. Having a uniform rate could be a reasonable focal point. Moreover, a uniform rate might lead to a relatively balanced distribution of tax burdens, as the estimates in section 4.2 suggest.

Adoption Both of the proposed reforms, i.e. the EU-wide luxury excise and the VAT refund abolition, require unanimity among EU member states. We propose to bundle the two reforms to improve the chances of reaching unanimity.

Alternative design options In the proposal as formulated above, the European Luxury Surcharge gets implemented as an excise. However, there might be advantages to implementing it as a hybrid between an excise applied to some categories and an additive VAT applied to the others. As discussed above, for some categories of goods the appropriate price threshold is 0 anyway. For those cases, implementation via an additive VAT is possible. Given the enforcement advantages of VAT (Pomeranz (2015)), such an implementation seems advantageous. For the categories where the appropriate price threshold is substantially above 0, the excise based implementation seems preferable, given that the VAT-based implementation would create distortions as a result of the discontinuous jump in the tax at that price threshold.

3 The case for luxury taxation to compensate for lack of progressivity in income and wealth taxation

Luxury consumption is correlated with high income. As a result, luxury taxation is progressive and thus, to the extent that the status quo tax system is insufficiently progressive, luxury taxation looks promising. However, a standard objection to this argument is that the status quo tax system is a result of historical learning and societal deliberation, trading off the benefits of progressivity with its costs. Progressive luxury taxation reduces the work incentives in a way similar to how a progressive income tax does. It also makes it less attractive for high earners to stay in or move to the country with the progressive taxation. The clearest theoretical distillation of this argument is provided by Kaplow (2006): under some technical assumptions, any redistribution achieved via a tax reform making commodity taxation progressive can be achieved more efficiently by instead equalizing tax rates across all goods and directly making the income taxation more progressive.

The Kaplowian argument stands on firm grounds when discussing unilateral national tax policy in a given country. Importantly, the Kaplowian conclusion doesn't require work disincentive effects to be the primary force limiting the optimal taxation of income. In fact, there is a more straightforward argument in the case where international mobility of high earners is the primary force limiting the degree of progressivity that is optimal from a national perspective with unilateral tax policy: progressive commodity taxation is similar to progressive income taxation in decreasing a country's attractiveness for high earners. So to maintain a given level of attractiveness, a country is best off taxing commodities at the same rate to leave consumption choices undistorted and to adjust the income tax to the highest level of progressivity compatible with maintaining the targeted level of attractiveness for the high earners.

However, when it comes to discussing optimal EU-wide taxes, these arguments have to be qualified. In fact, precisely because the progressivity of income taxation has been eroded due to tax competition for the internationally mobile high earners, particularly in the EU (Kleven et al. (2011)), luxury good taxation can potentially play an important role in partially mitigating this lack of progressivity. It could be retorted that, again based on a Kaplowian perspective, there should instead be a progressive EU-wide income tax. However, agreeing on a common base for an income tax seems to be a daunting challenge. The complexity involved

has been well recognized by the most prominent proposals for an EU wide additive tax on high incomes: [Hennette et al. \(2019\)](#) proposes to create a new legislative body, parallel to the European Parliament, to deliberate on such complex fiscal questions. In comparison to this, agreeing on a set of goods to be defined as "luxury" for the purposes of an EU-wide additive tax for EU own resources seems relatively straightforward.

Moreover, progressive commodity taxation has an added benefit compared to progressive income taxation: it also acts partly like a progressive tax on wealth, given that luxury spending is positively correlated with wealth and decreases the purchasing power of wealth [Kaplow \(2008\)](#). Thus the lack of progressivity of wealth taxation arising from the international mobility of people with high wealth ([Agrawal et al. \(2025\)](#)) provides a further rationale for progressive commodity taxation. Importantly, this form of quasi-wealth redistribution does not affect incentives to save or invest, in contrast to an actual tax on wealth. As a result, many of the concerns that have led to opposition to wealth taxation do not apply to luxury taxes. In addition, luxury taxation does not reduce private philanthropy, in contrast to progressive taxes on income and wealth.

Determining the optimal taxation of luxury goods based on these progressivity-grounded considerations is a challenging task beyond the scope of this report. Instead, we will derive normatively optimal tax rate under a very conservative approach that disregards the arguments grounded in progressivity just made. Our approach, explained in the next section, focuses entirely on a different rationale for luxury taxation, namely signaling and status-externality effects. This approach, as we will see, highlights also that even if the optimal progressivity of income and wealth taxation was achieved at the EU level, substantial EU-wide additive luxury taxes would remain efficiency-enhancing.

3.1 The optimal taxation of status goods

A further rationale for taxing luxury goods arises due to signaling and status externality effects. In the case of some luxury goods, there is strong evidence that a part of the motivation for purchasing the goods is derived from the information that it reveals to others (e.g. about the consumer's wealth/income, about the person's commitment in case of a gift). This information revelation still happens when the tax on the luxury goods gets increased. The extreme case is that of a "pure diamond good" as defined by [Ng \(1987\)](#): [Ng \(1987\)](#) notes that in the case of natural diamonds there is a functionally equivalent substitute, namely synthetic diamonds, which cost only a fraction. Given that people still buy natural diamonds, it must be the case that they are motivated by the signaling that the spending allows. In such a case, any increase in the tax is beneficial as it results functionally in the same outcome (information transmission, e.g. about the commitment of the person gifting the diamond) with less resources being spent on the good. In the more realistic case of an impure diamond good where the information transmission motive co-exists with the intrinsic enjoyment of the good, there exists a finite optimal tax rate.

A related alternative model posits that luxury goods generate status benefits (e.g. via signaling of wealth or income) to the consumer but that these status benefits are fixed-sum in the aggregate. Thus luxury consumption creates a classical externality that needs a Pigovian tax for correction. It turns out that for empirically plausible elasticity values, the optimal tax rate on luxury goods is similar in this status externality model as in the partial diamond good model. For reasons of tractability, we report the results for the status externality model, derived by [Xie \(2026\)](#).

The critical parameter for the calculation of the optimal tax on luxury goods turns out to be the answer to the following question: Per dollar spent on a luxury good, what is the number ϕ of dollars in benefits that a person derives from the status benefits that the consumption confers to her (e.g. via signaling of wealth and income)? In general, it is difficult to estimate this parameter. However, [Bursztyn et al. \(2018\)](#) exploits a rare opportunity to do that: in a randomized experiment, consumers were offered two types of functionally equivalent platinum credit cards, one type where this is visible and one type where it is not. The experiment implies $\phi = 1/3$.

From [Xie \(2026\)](#), we obtain the following simple formula for the optimal tax t_{luxury} on luxury in the (hypothetical) setting of globally coordinated tax policy. This provides an important benchmark later on, when we will discuss how tax competition forces shape countries unilateral incentives to tax luxury. The optimal tax formula under global coordination is very simple and depends only on the tax $t_{\text{other goods}}$ prevailing on other goods, the prevailing markups and the status parameter ϕ which give how many dollars a person derives as status benefits per dollar spent on a luxury good:

$$1 + t_{\text{luxury}} = (1 + t_{\text{other goods}}) \frac{1}{1 - \phi} \frac{1 + \text{markup}_{\text{other goods}}}{1 + \text{markup}_{\text{luxury}}}$$

We obtain the result $t_{\text{luxury}} = 0.42$ for the following estimates ²:

$$t_{\text{other goods}} = 0.18, \phi = 1/3, \text{markup}_{\text{other goods}} = 0.12, \text{markup}_{\text{luxury}} = 0.4$$

Under this calibration, we thus obtain that luxury goods should be taxed at 42%. This calculation has not taken into account the other above-mentioned rationales (beyond status effects) for taxing luxury goods. Therefore, it should be considered a conservative estimate for the optimal tax on luxury goods. If we were to account for the fact that the progressivity of wealth and income taxes has been eroded due to tax competition and that luxury good consumption is correlated with high income and wealth then we would arrive at potentially much higher estimates for the optimal tax on luxury goods.

3.2 The self-interested case

Our discussion so far has focused on the optimal taxation of luxury in a hypothetical globally coordinated policy setting. [Xie \(2026\)](#) show that for personal luxury goods that when countries act unilaterally without coordination, they will end up with luxury taxes below the globally socially optimal rates³. These findings are approximately independent of the status/signaling parameter ϕ introduced above. They therefore provide a robust case for EU-wide luxury taxation.

The above-mentioned rationales for taxing luxury consumption at higher rates than other goods apply for each country individually. The population of each country benefits when status externalities (which plausibly arise primarily due to comparisons of people with a given country where they live) are taxed and thereby corrected.

However, there are three major additional effects that arise for any given country's calculation of how to set its luxury tax (on luxury purchases on its own territory) to maximize its own welfare:

- 1) The profits arising due to the mark-ups on the luxury goods and services partly accrue to workers and shareholders in other countries.
- 2) A part of the luxury consumption is done by visitors from other countries and they thus bear part of the tax burden.
- 3) Increases in the luxury tax causes people (domestic consumers and potential visitors) to go to another country for their luxury purchases.

The effects 1) and 2) create national incentives to set the luxury tax high. If effect 3), which pushes instead towards low tax rates was sufficiently weak then we would get the theoretical prediction that national governments have an overall incentive to set their luxury taxes above the globally optimal level. However, [Xie \(2026\)](#) provides an empirically calibrated model (for portable personal luxury goods) that implies that 3) is actually stronger than 1) and 2) combined. Thus we obtain the conclusion that tax competition distorts national luxury taxes downwards. This provides a strong rationale for a luxury tax at the EU level in order to correct for the forces of tax competition. Specifically, the modeling from [Xie \(2026\)](#) yields that the marginal cost of raising a EUR via an EU-wide luxury tax, starting from the situation where the VAT refund has been abolished, is 0.88 EUR⁴. This estimate implies that it is 12 percent cheaper for the EU to raise funding via luxury taxation than via GNI-based contributions.

Importantly, this estimate that a marginal euro of revenue raised via an EU-wide luxury tax only costs the EU countries 0.88 euros already accounts for some of the main effects that are commonly (and justifiably)

²Concerning the markup on other goods, there is substantial uncertainty in the literature. Since we are focused on the EU, we use 0.12 based on [Weche and Wambach \(2021\)](#) and [Ganglmair et al. \(2021\)](#). The alternative estimate from [Edmond et al. \(2023\)](#), namely a markup of 0.22, is based on the US but more accurate in the sense that the estimates is directly for the cost-weighted markup. It is the estimate used by [Xie \(2026\)](#). In order to be conservative concerning the optimal luxury tax rate, we instead used the estimate 0.12.

³For example, [Xie \(2026\)](#) show that France's current standard VAT rate (20%) is almost exactly France's unilateral optimum (19%). For Italy (27%), Germany (31%) and Spain (36%), the unilateral optimum is above the status quo but still much below the global optimum.

⁴It must be emphasized that there is large uncertainty associated with this estimate. We have not found any other estimate in the literature. The 0.88 estimate based on the model [Xie \(2026\)](#) is for a specific category of luxury (namely luxury leather goods) as a proof-of concept. The calibration can be straightforwardly extended to other categories with substantial additional data work.

adduced as arguments against such taxes in Europe. Firstly, the underlying modeling captures the effects on the EU's luxury industry. The model captures this via a markup that accrues to the luxury producers that is higher than in other sectors due to the strong brand-based differentiation characteristic of the industry. Secondly, the model takes into account cross-border shopping diversion to countries such as the UK, Switzerland and the Gulf countries and the fact that such diversion reduces the EU countries' revenue from the VAT collected on the non-refundable consumption by the luxury shoppers.

3.3 Effects on global welfare

Some luxury goods such as jewelry have large negative externalities due to the role that precious stones play in financing conflicts [Binzel et al. \(2023\)](#) and in undermining democratic accountability [Bhattacharyya and Hodler \(2010\)](#), as the large literature on the "resource curse" has documented ([Olsson \(2007\)](#), [Blair et al. \(2021\)](#)). This adds a further reason for why the optimal tax rates on the relevant luxury goods can be expected to be larger than the one calculated (based on signaling/ status externalities) above.

4 Revenue estimates

4.1 Aggregate revenue estimate

Our proposed excise involves category-specific price thresholds, with a uniform ad valorem rate being applied to the value exceeding the corresponding threshold. Defining these thresholds for each category is beyond the scope of this report. Instead, we provide a rough estimate for the revenue potential of luxury taxes assuming that the thresholds are set at 0 but that the product categories are defined in a way corresponding to luxury product status in our data sources. Assuming that the threshold gets in practice set at a relatively low level, the results presented here should give a good approximation.

For each category, let us assume that pre-tax prices are unaffected by the luxury taxes.⁵ Consider the case of a luxury good (e.g. luxury cars) that is bought only by residents. Let us assume that the demand has constant price elasticity denoted by ϵ . Denoting the pre-tax price of the good by p , the country i 's own ad valorem⁶ tax on luxury goods by t_i and the additive EU-wide tax by t_{EU} . Then we can write the quantity consumed in terms of the status quo value, denoted Q_i^0 :

$$Q_i = Q_i^0 \left(\frac{1 + t_i + t_{EU}}{1 + t_i} \right)^\epsilon$$

Let $T_{i,EU}$ denote the revenue from the EU-wide tax collected by country i . We get:

$$T_{i,EU} = t_{EU} p Q_i = t_{EU} p Q_i^0 \left(\frac{1 + t_i + t_{EU}}{1 + t_i} \right)^\epsilon$$

Now denoting by R_i^0 the status quo spending on the luxury good category by country i , we get $R_i^0 = p Q_i^0 (1 + t_i)$. Given our assumption that both the pre-tax price p and the country's own tax rate are unaffected by the EU-wide additive ad valorem tax, we can thus write:

$$T_{i,EU} = t_{EU} \frac{R_i^0}{1 + t_i} \left(\frac{1 + t_i + t_{EU}}{1 + t_i} \right)^\epsilon$$

Rearranging gives:

$$T_{i,EU} = \frac{t_{EU}}{1 + t_i + t_{EU}} R_i^0 \left(\frac{1 + t_i + t_{EU}}{1 + t_i} \right)^{1+\epsilon}$$

⁵This happens in monopolistic competition models, used e.g. by [Xie \(2026\)](#) for the analysis of luxury good taxation.

⁶This includes both VAT and excises if they exist.

Elasticity calibration For portable personal luxury goods, arguably the most directly relevant tax-base elasticity comes from the UK Office for Budget Responsibility’s review of the abolition of the VAT Retail Export Scheme (OBR, 2024). The OBR’s original 2020 costing assumed an elasticity of -1.9 , itself a 50% scale-up of a UK tourism elasticity of -1.28 intended to capture the greater price-sensitivity of tax-free luxury shoppers; on review the OBR judged this too high and revised its central estimate to approximately -1.2 . It is important to read this figure for what it measures: a *tax-base* elasticity that bundles the pure consumption response together with the diversion of tourist purchases to competing destinations—above all to Paris and Milan, which retained tax-free shopping when the UK withdrew it. The estimate is therefore dominated by a *destination-substitution* margin that is specific to a unilateral national measure.

For an EU-wide luxury surcharge the relevant elasticity is likely to be substantially smaller in absolute value. The -1.2 estimate is large precisely because a non-EU visitor deciding where to buy a handbag could avoid the UK price increase by purchasing in another European capital at no cost to their itinerary; the tax fell on one destination while its closest substitutes remained untaxed. A harmonised surcharge applied simultaneously across all 27 member states closes exactly this margin: intra-EU relocation of purchases no longer avoids the tax, and only the two weaker channels remain—genuine reductions in consumption, and diversion to destinations outside the EU (principally the UK, Switzerland, and the Gulf and Asian luxury hubs). Since a large share of the leakage embodied in the OBR figure is intra-European, the own-price elasticity of the EU-wide tax base should be expected to lie well below 1.2 in magnitude, closer to the underlying consumption elasticity of personal luxury goods, with only a modest additional wedge for extra-EU diversion.

We can also get some theoretical prior on ϵ by considering "pure diamond goods", introduced by Ng (1987) as explained above. For pure diamond goods we can theoretically conclude that $\epsilon = -1$. For the realistic case where consumers are also motivated in part by the intrinsic enjoyment of the good, the elasticity can be below or above -1 . The econometric estimates find demand to be inelastic, i.e. less elastic than 1 in absolute value:

Table 3.2: Category-level own-price elasticities of demand, luxury-relevant categories

Category	Category-level price elasticity of demand	Source
Jewellery & watches (US, PCE aggregate, 1947–2004)	-0.38 short run; -0.17 steady state	Taylor & Houthakker (2010), <i>Consumer Demand in the United States</i> , 3rd ed., Table 15.15
Gold imports, jewellery-dominated (India, aggregate)	≈ -0.5 to -1.0 long run; more elastic in the short run ^a	Kanjilal & Ghosh (2014), <i>Resources Policy</i> 41, 135–142,
Wine (aggregate consumption)	-0.69 (mean of reported estimates)	Wagenaar, Salois & Komro (2009), <i>Addiction</i> 104(2), 179–190,
Spirits (aggregate consumption)	-0.80 (mean of reported estimates)	Wagenaar, Salois & Komro (2009), ibid.
New passenger vehicles (US, whole market)	-0.34 (long run)	Leard (2022), <i>J. Assoc. Environ. Resour. Econ.</i> 9(1), 27–49

Notes: Only estimates at whole-category aggregation are included, as inter-brand substitution inflates $|\epsilon|$ relative to the response to a category-wide tax.

A revenue estimate The results that we present here are very insensitive to the exact elasticity that we assume among the range of empirical estimates provided above, at least for the moderate tax rate of 20% . For simplicity, we therefore assume that $\epsilon = -1$ for each of the luxury categories. We get from the formula derived above the tax revenue from the EU-wide tax as a function of the status quo consumer spending R_i^0 , the status quo national tax rate t_i and the EU-wide tax rate t_{EU} , :

$$T_{i,EU} = R_i^0 \frac{t_{EU}}{1 + t_i + t_{EU}}$$

We see that the amount of tax revenue that the EU-wide tax rate generates increases in the tax rate t_{EU} and approaches 299 billion euro as the tax rate goes to infinity.

Let us now compute the tax revenue for the case where all EU countries have a tax rate on luxury goods equal to the average statutory rate, i.e. 22%:

$$\sum_{i \in EU} T_{i,EU} = \sum_{i \in EU} R_i^0 \frac{t_{EU}}{1 + 0.22 + t_{EU}} = 299 \cdot \frac{t_{EU}}{1.22 + t_{EU}}$$

Consider the case where we set $t_{EU} = 0.2$ so that the overall ad valorem tax rate is equal to 42%, the (conservatively estimated) optimal rate according to Xie (2026). Then we get for the aggregate revenue collected via the EU-wide luxury tax:

$$\sum_{i \in EU} T_{i,EU} = 299 \cdot \frac{0.2}{1.42} = \text{EUR } 42 \text{ billion.}$$

Further revenue potential The revenue estimate of 42 billion euros that we just provided is conservative in at least two ways: Firstly, the (surprisingly weak) empirical evidence surveyed above is consistent with the demand actually being substantially less elastic than our assumed number of $\epsilon = -1$. This would imply that the maximal theoretically achievable *revenue potential* is larger than the 299 billion euros that we have for $\epsilon = -1$.

Of course, the socially optimal tax on luxury goods is likely much below the rate that maximizes tax revenue. At some point, excessively high luxury tax rates could reduce work incentives for those of the high-earners that are motivated by the intrinsic enjoyment that they derive from consuming luxury goods. However, given that the tax progressivity in the EU has been pushed down by tax competition for people with high income and wealth, the optimal tax on luxury goods is likely substantially above the 42% that is justified by status externalities alone. In fact, in the theoretical scenario where the price elasticity of overall luxury demand is close to 0, the luxury tax can make up for most of the lack of progressivity of the income and wealth taxation in the EU.

Quantifying the overall optimal luxury tax is beyond the scope of this report. However, let us illustrate the revenue potential under the above assumptions:

For a 40% tax rate, tax revenue would be EUR 74 billion.

For a 60% tax rate, tax revenue would be EUR 99 billion.

4.2 Revenue collected by Member State

As motivated above, this report proposes the use of a uniform EU-wide tax rate across all luxury goods to fund the EU budget as an own resource. One important design choice implicit in this proposal is to bundle all the luxury tax bases together, rather than putting forward luxury taxes on specific categories as separate proposals. The following estimates provide one of the motivations for such a broadly bundled approach by showing that the tax revenue collected and thus contributed to the EU budget is not that far away to being proportional to GDP.

This purely descriptive finding suggests that the proposal has some promise for garnering unanimity if countries are well-informed about their self-interest, under two reasonable assumptions. Firstly, let us assume that the benefits from the EU spending is roughly proportional to GDP. Secondly, let us assume that the tax burden is roughly proportional to the tax revenue collected. This latter assumption is not necessarily accurate as there are other components in the overall tax burden, most notably profits and international shifting of consumers. However, the proportionality assumption likely provides a first decent approximation for the distribution of tax burdens across countries.

Under these two assumptions, it follows that at a given overall benefit-cost ratio of the proposed reform (additive EU-wide luxury tax to fund EU budget) is more likely to garner unanimity if the ratios of tax revenue to GDP are less dispersed across countries. To see why, note that the impact of additional own resources is to either expand EU spending or to replace the residual contributions that are proportional GNI which itself is close to GDP. If all countries had the same ratio of tax revenue collected to GDP then rational voting behaviour would yield unanimity as long as the aggregate benefit-cost ratio exceeds 1. This is highly plausible, as we will argue below.

We use the definition of a luxury good/service via the list of categories provided above (Automotive, Personal luxury goods, Hospitality (hotels, cruises), Yachts, Fine wines and spirits, Gourmet food and fine dining, Design and furniture). Thus the following estimates are the aggregates across all these categories.

Table 3.3: EU-27 luxury tax base by member state, EUR bn per year, net of VAT.

Member state	Base EUR bn	Rev. %	GDP %	Ratio	Member state	Base EUR bn	Rev. %	GDP %	Ratio
France	62.0	20.7	16.3	1.27	Romania	3.2	1.1	2.2	0.49
Germany	57.7	19.3	24.5	0.79	Finland	2.9	1.0	1.6	0.61
Italy	56.5	18.9	12.3	1.54	Hungary	2.5	0.9	1.1	0.78
Spain	30.9	10.3	8.7	1.19	Croatia	2.3	0.8	0.5	1.55
Netherlands	11.0	3.7	6.0	0.61	Luxembourg	1.8	0.6	0.5	1.21
Austria	9.9	3.3	2.8	1.18	Bulgaria	1.6	0.5	0.6	0.88
Belgium	9.8	3.3	3.5	0.93	Cyprus	1.5	0.5	0.2	2.44
Poland	8.0	2.7	4.7	0.57	Slovakia	1.3	0.4	0.7	0.63
Sweden	7.1	2.4	3.0	0.79	Slovenia	1.1	0.4	0.4	0.93
Portugal	6.4	2.1	1.6	1.34	Malta	0.9	0.3	0.1	3.11
Greece	6.3	2.1	1.3	1.61	Lithuania	0.8	0.3	0.5	0.53
Czechia	4.6	1.5	2.0	0.77	Estonia	0.5	0.2	0.2	0.91
Denmark	4.2	1.4	2.3	0.62	Latvia	0.5	0.2	0.3	0.55
Ireland	3.8	1.3	3.0	0.43	EU-27	299	100	100	

“Rev. %” is the share of total revenue collected; “GDP %” the member state’s share of EU-27 GDP in 2024; “Ratio” the former divided by the latter. The estimates apply to the case of a small tax, where tax revenues are proportional to the status quo tax base. The estimates use data from [Eurostat\(2024\)](#), [ACEA \(2026\)](#), [ECCIA-Bainreport \(2025\)](#) and ad hoc assumptions that would take too much space to detail here. All details are available upon request.

We see that, setting aside the small countries Cyprus and Malta⁷, the maximal ratio of a country’s implied share of luxury tax revenue contributed to the EU to its share of EU GDP is 1.61 (see Greece). Thus under rational voting behaviour (and the above assumption) unanimity holds iff 1 euro of spending by the EU yields at least 1.61 in benefits for EU countries overall.

In reality, the probability of unanimity is of course not just determined by the largest relative tax burden given that countries at somewhat lower relative tax burdens (e.g. Croatia) could also oppose the reform. Thus, broadly it is favorable for unanimity to have a low dispersion in the ratio of tax revenue share to GDP share. It turns out that this dispersion is 36% lower than the average dispersion that would result if we considered each of the sectors separately.⁸ The reason for this is that the sectors are far from being perfectly correlated. For example Germany bears a disproportionate part of the burden from luxury car taxation and a relatively small part of the burden from personal luxury good taxation, whereas the reverse is true for France.

4.3 Should countries with high relative tax burden be compensated?

A natural approach for compensating countries with high relative tax burden could be to reduce their required GNI-based contributions. If countries believe that EU own resources substitute 1 for 1 for GNI-based contributions then this could be seen as favorable for facilitating unanimity. However, there are substantial downsides associated with such an approach arising from the fact that it would aggravate countries’ tax competition for people with high wealth and income. To see why, consider the extreme case where the GNI-based contribution is fully adjusted so that each country ends up making a net contribution to the EU budget corresponding to its GNI share. In this case, a country de facto gets to fully keep every euro of additional luxury tax revenue, given that it gets compensated one for one for exceeding the tax revenue corresponding to its GNI share. The country would therefore have an incentive to lower its taxes on high income and high

⁷where maybe correspondingly small ad hoc transfers could be appropriate to compensate them

⁸A standard way of measuring the dispersion is via the GDP-weighted coefficient of variation of the ratio. For this we get: A base-weighted average of the sector variances would imply an aggregate CV of 0.557; the actual aggregate CV is 0.354. Roughly 36% of the dispersion cancels when the sectors are combined.

wealth due to the increased gain from attracting such people, given that their disproportionate spending on luxury goods.

The detrimental effect of compensating countries for high luxury tax contributions to the EU with reduced GNI-based contributions that we just highlighted scales with the size of the corresponding country's luxury tax base. A pragmatic approach is therefore to resort to this form of compensation for all countries who are sufficiently small in this sense and who are sufficiently disproportionately burdened by the luxury tax. Such an approach can increase the chances of reaching unanimity without compromising too much on the welfare gains that the reform can achieve.

5 The case for using the luxury tax as EU own resource

Tax competition between EU member states undermines the unilateral incentives for EU countries to introduce and raise luxury taxes. This international spillover suggests that there might be aggregate gains for EU member states to jointly increase luxury good taxes even if it is not in the individual interest of any country to do this individually. This motivates the proposal to introducing a new EU-wide ad valorem luxury excise. Empirically calibrated modeling (Xie (2026)) suggests that there are already some countries who would benefit from unilaterally introducing luxury taxes. However, the collective economic gains from luxury taxes are much larger.

The introduction of such a new additive EU-wide luxury tax requires unanimity between member states. For this it is, other things equal, favorable if the revenue raised creates large collective benefits. Thus it could be the case that using the tax revenue for the EU budget as an own resource, as we propose, could actually make it more likely that all member states vote for it.

5.1 Bundling to facilitate unanimity

The proposed European Luxury Surcharge as an EU own resource purports to simultaneously address two current inefficiencies: 1) suboptimal luxury good tax rates driven by tax competition and 2) suboptimal funding for the EU (in particular EU-wide international public goods).

Alternatively, one could have two separate EU-wide policy reforms, each addressing one of these problems: Firstly, one could have a scheme where an EU-wide luxury tax gets introduced and each member state gets to keep its revenue. Secondly, one could have a scheme where each member state has to contribute additional funding for the EU, e.g. in proportion to its GNI as in the traditional EU funding scheme. One could call this alternative the "separated approach", with a separate vote for each of them at the EU level (each requiring unanimity).

This separation approach has been the dominant approach, both globally and at the EU level. For example, the Global Minimum Tax on corporate income does not impose any earmarking conditions. Instead, it focuses on addressing a race-to-the bottom in corporate income tax rates and, relatedly, the inefficiency of transfer-pricing based tax avoidance. Funding of global funds for global public goods and redistribution is generated separately from any tax coordination. It is based on voluntary contributions and, in the case of the UN institutions, partly on assessed contributions calculated in proportion to GDP that countries have to pay to keep their voting rights at the UN general assembly.

Similarly, at the EU level, the separation approach has been the dominant one. Most existing mechanisms for tax coordination impose rules on member states without any earmarking obligations. For example, there are restrictions on the set of VAT rates that member states are allowed to impose. Mostly, tax revenues are retained by member states. Small exceptions include the EU-wide plastic own resource that both addresses an international externality and contributes to the EU budget. However, most of the funding for the EU budget comes from GNI-based contributions and tax-based contributions (e.g. the required 0.3% of VAT tax base) do not (aim to) address tax competition or other under-taxation issues.

In the case of the EU, the separation approach might be motivated as follows. If the international public goods that the EU budget in part provides generate benefits that are roughly proportional to countries' GNI then funding them via GNI-based contributions (or VAT base contributions that themselves are roughly proportional to GNI) ensures that all countries are better off as a result, as long as the international public goods yield more than 1 EUR in aggregate benefits per 1 EUR spent on them, a condition synonymous with under-provision, which clearly is the case we are in.

However, such exact proportionality of the GNIs and the benefits that countries derive from additional spending by the EU is unlikely to hold in practice. This could explain the difficulties of getting agreement on expanding GNI-based contributions. Similarly, there might be some countries that will not gain from EU-wide luxury taxes if the revenue is retained nationally. However, if the opposing countries differ between the two components (increasing EU spending and increasing EU-wide luxury taxation), then the bundle might still garner unanimity.

5.2 Bundling to avoid aggravating other tax competition

A further argument in favor of the bundled approach exemplified by EU own resource design is that it can alleviate tax competition on other (potentially hard to contract on) tax instruments, in contrast to the separated approach. Specifically, consider the scenario where (under a separated approach) a minimum tax on luxury goods has been adopted at the EU level, where members states are obliged to impose it but can fully retain the tax revenue from it. Such a scheme would increase the value for each government of attracting top earners that buy luxury goods as fiscal residents, given that now the government will collect the luxury tax on this. As a result, the tax competition forces that depress top income tax rates in the EU (Muñoz (2021), Kleven et al. (2011)) would get intensified.

This is in stark contrast to the case of the EU own resource. In that case, the new luxury tax revenue would not generate a strong additional incentive for EU countries to attract high earners. To see why, note firstly that each government in the EU will value a euro collected in revenue from the common luxury tax at typically much less than 1 euro, given that it cannot retain it and given that only a small part of the international public good benefits generated by the EU spending accrue to any given country. Moreover, if high earners move to other EU countries, they will also generate this luxury tax revenue for the EU budget, further reducing a given government concern for attracting high earners from other EU countries. As a result, the EU own resource design would not substantially aggravate top income tax competition within the EU, in contrast to the separated approach.

6 Domestic compensation

Throughout this report, we have focused on each country’s economic interest at an aggregate level. We have argued that the proposed reforms could make each EU member state better off. However, this does not preclude the possibility that the reforms might make some groups of workers in specific luxury sectors worse off. Therefore, it is important to combine the proposed reforms with domestic compensation schemes to ensure that ideally an overwhelming majority of the population in each EU member state would gain.

Three groups bear the incidence of luxury taxes. Luxury consumers, shareholders of luxury firms and luxury sector workers. For the first two groups, compensation seems unnecessary. Luxury consumers actually reap some of the welfare gains of luxury taxes in the form of reduced resources expended on status competition. On net, they still bear a burden from the tax. In the case of portable luxury goods consumers, the results from Xie (2026) suggest that consumers bear most of the net incidence. However, given that they have typically high income and wealth, there is no strong rationale for compensating them. Similarly, it seems unnecessary to compensate shareholders of luxury firms.

Concerning the workers in the luxury sector, however, compensation seems very important for building support for the proposed reforms. As the luxury tax will lower production of the luxury products, the design of appropriate compensation policies must take into account how difficult it is for workers to transition to other segments or sectors. In some sectors, transitioning from the luxury segment to a non-luxury segment (or another sector) might have low costs. This might be the case for hospitality. In this case, the incidence of a luxury tax will be born by all workers in the hospitality sector. Reducing the indirect taxes on the hospitality sector could then precisely offset the incidence⁹.

In sectors where workers’ skills strongly depreciate as they move away from their specialized work in the luxury sector (e.g. in the luxury car industry), compensation policies could take the form of specific wage

⁹reduced VAT rates on (non-luxury) accommodation and restaurant services are already available to them under Annex III of the VAT Directive, with additional rate flexibility since the 2022 reform of the EU rate rules through Council Directive (EU) 2022/542 of 5 April 2022. A further loosening of the restrictions on the number and level of reduced rates may in any case come onto the agenda if the European Luxury Surcharge is partly implemented as an additive VAT.

subsidies to workers displaced from the luxury sector.

Such compensation policies could be funded by dedicating some fraction of the luxury tax revenue to them. This could be achieved by letting EU member states retain some fraction of the EU-wide luxury surcharge. Alternatively, under the design of our baseline proposal for the EU-wide luxury surcharge, where all the revenue would be directed to the EU, EU member states could implement additive national rates. Indeed, under the excise-based implementation there would be no legal obstacles for governments to introduce such additive rates. Moreover, they could even make them sector-specific, reflecting their own preferences and interests. The results from Xie (2026) for personal luxury goods suggest that governments would have incentives to do so¹⁰.

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¹⁰They also raise the question as to why governments do not already impose such excises for themselves. One reason could be the fixed (administrative) costs of introducing such an excise are perceived to outweigh the gains. The introduction of the EU-wide luxury surcharge would mean that there would be no further administrative costs of introducing an additive nationally retained rate. Moreover, the earmarking of the EU-wide luxury surcharge would preserve countries’ unilateral incentives to add national excises, given that the tax competition would be dampened (Keen and Kotsogiannis (2002), Devereux et al. (2007), Besley and Rosen (1998)).

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European Digital Services Tax and Digital Advertising Tax

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Profit shifting and tax optimisation specific to the digital sector enable digital companies to face a lower effective corporate income tax rate than companies in other sectors. In the EU, this gap is substantial and raises questions about the fairness of our tax system. The uncollected tax revenues also represent a significant amount of money that escapes Member States' budgets. Taxing those profits at source requires international consensus, but six years of OECD negotiations have failed to produce one. Several EU member states have turned instead to taxing digital revenues, a second-best instrument that is nonetheless administrable and politically tractable.

This report makes the case for replacing that fragmented landscape with a single EU-level instrument structured as an Own Resource: a 3% levy on digital advertising, intermediation, and user data revenues. The instrument acts as a proxy for the corporate income tax revenues that are not collected from digital companies, yielding approximately EUR 6bn annually by 2028. In the same vein as the national Digital Services Taxes that it will replace, it is designed to evolve with international developments on the taxation of digital profits, with this evolving design providing a framework that can support further progress towards such an international agreement. A resolution on profit taxation that would ensure Member States receive their fair share of corporate income tax revenues, exceeding the DST revenues foregone. It also mitigates individual Member States' exposure to US trade pressure by leveraging a single Union-level stance.

The report also proposes a Pigouvian levy targeted at digital advertising to contribute to the repayment of NextGenerationEU, following a proposal by [Acemoglu and Johnson \(2024\)](#). This instrument is designed to steer economic activity and technological development away from an attention-capture business model that generates documented externalities, including harm to individual mental health and threats to democratic discourse and excess advertising due to zero-sum competition between advertisers. We propose an initial tax rate of 15%, which would raise EUR 9 to 10bn annually by 2028, as a first step towards the 50% tax rate proposed by Acemoglu and Johnson.

1 The problem: the corporate income tax was not built for the digital economy

The digitalisation of the economy challenges our existing tax system. The system is based on the principle that companies are taxable where they maintain a sufficiently substantial physical presence. That doctrine was designed in the 1920s for an industrial economy and has not been revised in any structural sense since. Technology companies can generate billions in advertising revenues, intermediation fees, and user data monetisation from users in a country and shift profits via royalty payments and intercompany transfer prices to entities holding intellectual property in another country. Not only does this amount to a transfer of corporate income tax (CIT) revenues away from the places where value is created, but at a global scale, the revenue of CIT is lowered. The European Commission estimated in its 2018 impact assessment that digital companies operating in the EU face an effective corporate income tax rate of 9.5%, against 23.2% for traditional companies of comparable scale ([European Commission, 2018b](#)).¹

These concerns led to growing calls for a reform of the international tax system. In 2012, the G20 mandated the OECD to develop solutions to address base erosion and profit shifting (BEPS), leading to a

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¹Figures based on modelled effective average tax rates (ZEW/PwC 2016 methodology). Pillar Two (Directive 2022/2523/EU, FY2024) establishes a 15 % floor but does not close the structural gap; no updated EU-wide estimate has been published.

15-point action plan released in 2013. Following the completion of the BEPS project in 2015, negotiations continued within the OECD Inclusive Framework, which brings together more than 140 jurisdictions to further develop international tax rules. These negotiations culminated in the two-pillar solution, agreed in October 2021. Pillar One aims, in particular, to reallocate taxing rights to market jurisdictions. It applies to the largest multinational enterprises, with global revenues exceeding USD 20 billion and profitability above 10%. Under its rules, 25% of residual profits (profits exceeding the 10% profitability threshold) are allocated to market jurisdictions in proportion to the revenues generated in each jurisdiction.

To establish the legal framework for Pillar One, the Multilateral Convention was designed to modify and, where necessary, supersede the relevant provisions of bilateral tax treaties. The text was finalised in October 2023, but the United States withdrew from the negotiations in January 2025, preventing the convention from being opened for signature. The co-chair statement of the Inclusive Framework acknowledged that the MLC text itself is stable but that unresolved issues prevent conclusion. No timeline exists.

A parallel process is under way at the United Nations, initiated by a large group of developing countries considering that the OECD framework did not adequately represent their interests. The UN General Assembly adopted the Terms of Reference for a Framework Convention on International Tax Cooperation (UNFCITC) in December 2023, opening an intergovernmental negotiation expected to run until 2027. The convention's ambition goes well beyond digital taxation: its goal is to establish a new architecture for the global distribution of taxing rights anchored on the source-based taxation principle. Protocol I of the convention addresses the taxation of income from cross-border services. Digitalised services are included, with a broader scope than that of the European DSTs already implemented and our proposal. As of mid-2026, the UN Framework Convention on International Tax Cooperation and its two first protocols on the taxation of income from cross-border services and on the prevention and resolution of tax disputes have been drafted and are being negotiated.

European DSTs emerged as a response to the slow pace of OECD negotiations. In March 2018, the European Commission proposed a Digital Services Tax (DST) as a temporary measure pending an international agreement. Revenues from online advertising, digital intermediation services, and the sale of user-generated data would have been taxed at a 3 % rate for estimated annual revenues of EUR 4.7 to 6 billion for EU-28.

Under Article 113 TFEU, the proposal required unanimity. Ireland, Malta, and Luxembourg objected on grounds of corporate tax model compatibility, a structural opposition that reflects a preference for residence-based nexus and a concern that any market- or user-based allocation principle, once normalised for DST purposes, would migrate to the corporate income tax base on which its fiscal model depends. All three host major technology companies and preferred a multilateral OECD solution that would be less disruptive to their existing tax models. Denmark, Sweden, and Finland issued a joint statement arguing that any reallocation of taxing rights to user location should not be decided at EU level alone (Andersson et al., 2018). Even a narrowed version limited to online advertising revenues, circulated by the Romanian Council Presidency in early 2019, failed to overcome these objections. The Council formally discontinued work on those proposals in March 2019. The episode nonetheless prompted a wave of unilateral national DSTs, and their proliferation aims to increase pressure to conclude Pillar One. Participating jurisdictions of Pillar One agreed to withdraw their DSTs upon implementation of the new agreement. The political standstill on new DSTs, maintained by OECD members as a confidence-building measure during the Pillar One negotiations, expired without renewal at the end of 2023. Countries are therefore no longer under a formal commitment to refrain from introducing or expanding DSTs. As those incentives weakened, the United States continued to pressure trading partners to abandon DSTs through the threat of trade and economic measures. Section 301 of the US Trade Act of 1974 authorises the executive to impose retaliatory tariffs on countries applying measures considered unfair to US commerce. In 2025, the proposed Section 899 of the One Big Beautiful Bill Act would have imposed higher withholding tax rates on payments to residents of countries imposing such taxes. Although removed from the final legislation before enactment, the threat alone was sufficient to secure diplomatic concessions. Investigations under Section 301 were first opened against France in 2019 and against Austria, Italy, and Spain in 2020, and formally terminated in November 2021 alongside the OECD two-pillar political agreement.

The 2018 proposal was not pursued in the hope that the outstanding issues surrounding the taxation and allocation of profits would be resolved, particularly through the BEPS process. Pillar One ultimately failed to materialise, while national DSTs were introduced as a means of keeping international discussions alive and providing a temporary, albeit imperfect, response to the taxation of digital profits.

Much has changed since 2018. The digital sector has continued to expand rapidly, while the prospect

of reaching an international agreement on the taxation of digital businesses appears increasingly remote. Section 301 investigations, terminated in November 2021 during OECD negotiations, were relaunched by presidential memorandum in February 2025, leaving retaliatory actions pending. Developing a European DST would therefore serve a dual purpose: maintaining pressure for the resumption of international negotiations towards a multilateral solution to corporate taxation, with the combined weight of 27 Member States, while providing collective protection against the risk of US retaliation.

The situation has fundamentally changed since 2018, and the European approach should reflect this.

The debate on digital taxation is embedded in a complex international framework, and a European DST is designed to address concerns that extend well beyond Europe’s borders. It will change the relationship with major trading partners, and pressure should be expected. But the instrument also pushes for more global cooperation: by acting as a single bloc, the EU can demand a level of international alignment that no member state could claim alone.

2 National digital services taxes: the current landscape in the European Union

The European Council’s failure to reach unanimity on the 2018 proposal by the Commission left member states with a choice: wait for an international agreement that remained uncertain, or act unilaterally. Several chose to act. France enacted the *taxe sur les services numériques* in 2019, triggering a wave of similar instruments across Europe. Seven years later, six jurisdictions have enacted DSTs, each with its own rate, scope, and threshold structure (Hungary’s rate has been suspended at 0% since April 2026).

France, Italy, and Spain drew directly on the Commission’s template, adopting the same three-category structure (advertising, intermediation, and user data) at a 3 per cent rate; France subsumes user data transmission within its advertising category rather than taxing it separately. Austria chose a narrower instrument: online advertising only, at 5 per cent. Hungary stands apart: its advertising tax dates to 2014, predates the DST wave, and originated as a progressive media levy with motivations that were as much political as fiscal. In parallel, the United Kingdom, acting outside the EU framework after Brexit, introduced a DST at 2 per cent in 2020 on advertising and intermediation revenues.

Table 4.1: Digital services taxes in force, mid-2026

Country	Rate	Scope			Threshold (EUR M)		Revenue (EUR M)
		Ad.	Int.	Data Stream.	Global	Domestic	
France (TSN)	6%	✓	✓	✓	750	25	756 (2024)
Italy (ISD)	3%	✓	✓	✓	750	—	637 (2025)
Spain (IDSD)	3%	✓	✓	✓	750	3	375 (2024)
Austria	5%	✓			750	25	124 (2024)
Hungary	7.5% ^a	✓			—	100	—
UK (DST)	2%	✓	✓		GBP m 500	GBP m 25	GBP m 944 (2026)

Sources: [CEPS \(2025\)](#); [Corte dei Conti, Sezioni Riunite in sede di controllo \(2026\)](#); [Agencia Estatal de Administración Tributaria \(2025\)](#); [Tax Foundation \(2026\)](#); [Rundfunk und Telekom Regulierungs-GmbH \(2025\)](#). ^a statutory 7.5%; suspended to 0%, April 2026.

National DST revenues have proved stable and growing in the European Union. The UK’s *Digital Services Tax* revenues rose from GBP 358 million in 2020–21 to GBP 944 million in 2025–26, a five-year compound annual growth rate (CAGR) of 21.4%, driven purely by the expansion of the digital economy as the tax rate has not changed since implementation. Italy’s ISD grew from EUR 298 million (2022) to EUR 637 million (2025), a 113% increase over three years, accelerated by the January 2025 removal of its domestic revenue threshold. France doubled its rate from 3% to 6% in the 2026 finance law ([République française, 2026](#); [Assemblée nationale, 2025](#)), motivated by fiscal need and mounting frustration with Pillar 1’s collapse. Those cases show that DST receipts draw on two sources: the structural expansion of the digital economy,

and changes to the instruments themselves. Such changes reflect a political position: a country raises its DST to build leverage and force progress toward an international agreement on the taxation of digital profits; it reduces or withdraws when bilateral pressure makes the instrument too costly to hold, or when a deal becomes mature enough to justify stepping back.

The same logic operates beyond Europe but in an opposite direction. Turkey reduced its rate from 7.5% to 5% in January 2026 and has scheduled a further cut to 2.5% from 2027 ([Tax Foundation, 2026](#)), using the rate trajectory as a diplomatic signal of readiness to step back. Canada implemented a 3% DST in June 2024 and rescinded it twelve months later under direct bilateral pressure from the United States ([Department of Finance Canada, 2025](#)). India abolished both of its digital levies in 2024 and 2025 ([India Briefing, 2024, 2025](#)), as a unilateral bet that OECD implementation would follow.

National experience shows that the instrument is administratively tractable: applied to a small number of large multinationals on a gross revenue base, it has proved collectible in practice, and high thresholds have consistently excluded SMEs from its scope.

The European Union framework is fragmented and evolving. The majority of EU member states levy no digital services tax and extract nothing from digital revenues generated in their territories, even as those revenues grow. Among those that do, each instrument sets its own thresholds, tax base, rate, and enforcement mechanism. Rates vary and definitions of “digital advertising” or “intermediation service” may differ across jurisdictions. For example, the same app distribution platform is a taxable intermediary in France and a non-taxable digital content supplier in Italy and Spain. The resulting divergence creates legal uncertainty and compliance costs for multinationals operating across member states. It also creates structuring incentives to escape those national instruments. Finally, individual member states implementing a DST have faced bilateral pressure without the collective leverage of the Union.

Beyond the instruments in force, Belgium’s coalition government has committed to a 3% DST by 2027, contingent on the absence of EU or OECD consensus ([CEPS, 2025](#)); Poland has a 3% proposal at legislative review; Slovakia published a formal proposal in August 2025; the Czech Republic has a 7% proposal stalled in parliament. EU member states demonstrate political will to tax digital services. The question is whether they do it in a fragmented national patchwork or through a coordinated EU instrument.

3 A European digital services tax

The proposed instrument is structured as an EU own resource under Article 311 TFEU: revenues feed the EU budget directly rather than national treasuries, and national tax administrations act as collection agents on the Union’s behalf. This departs from the 2018 Commission proposal ([European Commission, 2018a](#)), which allocated revenues to Member States rather than to the Union budget. Three categories of digital services are covered: targeted advertising, intermediation, and the transmission of user data. A flat rate of 3 per cent applies to gross revenues before any deduction for costs, intragroup charges, or IP royalties. These three categories represent the sectors in which users are the source of value creation. Advertising platforms sell attention; marketplaces sell access to a buyer and seller base; data services sell records of user behaviour.

Targeted advertising. Advertising is targeted if the selection of which ad appears to a given user relies on data collected from that user’s prior activity. The charge falls on the entity providing the placement service: where an intermediary places ads on third-party publisher interfaces, the intermediary’s revenues are taxable and the publisher incurs no second charge on the same amount.

Intermediation services. The taxable service is the operation of a multi-sided digital interface through which users locate and interact with other users. The scope consists of matching platforms and marketplace platforms. The taxable revenues are fees charged for access, promoted visibility or data-based matching. For transactions, only the service fee is charged, not the value of that transaction.

User data transmission. The taxable service is the sale of data collected from users’ activity on digital interfaces to a third party. The perimeter is narrow: only data collected from users’ digital activity, transmitted to a third party, and in exchange for payment. Data used internally, shared without charge, or not originating from users’ activity are all outside scope. In practice this is the smallest of the three categories.

The dominant platforms primarily monetise behavioural data through advertising, already covered by the first category; an independent charge arises mainly for data broker activity where the aggregator and the advertising buyer are separate entities.

Nexus. Taxing rights attach to the EU for revenues derived from users located within the EU at the moment of the taxable interaction, identified by the IP address of the device. No permanent establishment or physical presence in any member state is required. The user-location principle has not been successfully challenged before any EU member state court since national DSTs entered into force in 2019, establishing a robust precedent for adoption at EU level.

Thresholds. The tax applies only to groups exceeding EUR 750 million in total worldwide revenues from all sources and EUR 50 million in DST taxable revenues within the EU. Both tests apply at consolidated group level, preventing threshold avoidance through corporate fragmentation.

Sunset clause. The tax is designed to foster an international resolution to the under-taxation of digital profits. It shall be repealed when a qualifying international agreement on the taxation of the digital economy enters into force. To preserve the integrity of the EU budget, the resulting loss of revenue must be fully compensated.

As the international agreement would allocate the resulting corporate tax revenues directly to Member States rather than to the EU budget, we propose the European DST to be replaced by an equivalent increase in GNI-based contributions. This increase would be set at the level of the last annual yield of the DST being phased out.

The transition to the new regime would be determined by the Commission under Article 291 TFEU. The Commission’s assessment shall be based on: (a) the text of the international instrument; and (b) a published impact assessment estimating its projected annual yield for EU Member States.

Note that such a decision by the Commission would be subject to review by the Court of Justice of the European Union under Article 263 TFEU.

4 Revenue estimates

Platforms only declare user-location revenues in countries already implementing DSTs: France, Italy, Spain, and Austria. Otherwise, revenues from digital services are booked by legal entity, typically in the jurisdiction where the operating subsidiary is registered, rather than where users are located. Pending the introduction of a European DST and the collection of such data, we estimate total revenues and allocate them across Member States using three publicly available proxies: IAB Europe national advertising market data, observed DST returns from the four countries already in force, and Eurostat demand-side surveys.²

Bottom-up calibration from DST returns We give an estimation based on IAB Europe’s 2024 national data (IAB Europe, 2025) together with revenues from already implemented DSTs, to provide a bottom-up estimate of the revenues that could be generated by an EU-wide DST. The EU-wide three-category revenue base M is distributed among countries according to their respective shares of the European digital advertising market. We assume that intermediation fees and user data transmission revenues are proportional to advertising ones. Denoting A_i what advertisers spent in a market i :

$$R_i^{bu} = \tau \cdot \bar{k} \cdot A_i \quad (4.1)$$

France and Spain both operated a three-category DST at 3% through end-2025; their confirmed 2024

²Two new disclosure regimes improve the outlook. The EU Public CbCR Directive (2021/2101/EU) requires groups with revenues above EUR 750 million to publish revenues by EU member state from FY2024 onward. The GloBE Information Return, filed for the same threshold from 2026, contains jurisdiction-level revenue data for all in-scope groups, though it remains confidential between administrations. Together, these regimes will make a bottom-up estimation of M tractable for future work.

revenues at that rate are the natural anchors for $\bar{k}$.³ With $A_{\text{FR}} = \text{EUR } 11,209 \text{ M}$ and $A_{\text{ES}} = \text{EUR } 5,501 \text{ M}$:

$$k_i = \frac{R_i^{\text{obs}}/\tau_i}{A_i}, \quad k_{\text{FR}} = 2.25, \quad k_{\text{ES}} = 2.27 \quad (4.2)$$

The mean $\bar{k} = 2.26$ allows us to estimate revenues for every Member State and gives an aggregate of EUR 4,322 M for the whole EU-27.

The [European Commission \(2018b\)](#) estimated that a 3% levy on in-scope revenues from online advertising and intermediary platforms would yield EUR 4.7 bn for EU-28; the United Kingdom accounted for approximately 30% of that figure ([European Commission, 2018b](#), Table 11, footnote 71), giving implied EU-27 revenues of EUR 3.3 bn. Scaled to 2024 using IAB Europe total European advertising market data with market growth from approximately EUR 61 bn in 2019 to EUR 87 bn in 2022 and to EUR 119 bn by 2024. Applied to the EU-27 base of EUR 3.3 bn, it gives a DST revenue actualized for 2024 of EUR 6.4 bn (Table 4.2).

The EU Commission’s estimation is derived from Statista sector series. For advertising, this series tracks revenues earned by platforms from advertisers. For intermediation, the computation is based on the total value of transactions processed through platforms rather than the charged commission. The Commission’s EUR 4.7 bn (EU-28) breaks down as EUR 0.8 bn for advertising (17%), EUR 3.9 bn for intermediation (83%) and user data transmission is thought to raise negligible amounts. Our method in contrast gives by construction a share of $1/k = 44\%$ for advertising. Applying the Commission top-down shares to France (approximately 10% of EU-28 advertising, 14% of EU-28 e-commerce) and Spain (9% and 6%) and scaling to 2024 implies revenues of EUR 1.2 bn and EUR 0.59 bn respectively. Actual 2024 DST revenues of EUR 0.756 bn for France and EUR 0.375 bn for Spain describe a lower return than the estimated ones from the Commission’s document. Although our estimates yield lower revenues than those projected by the Commission, we anchor our estimates in the actual revenues generated by enacted DSTs, providing a more credible assessment of the revenue potential.

The principal weakness remains that market data record where revenues are invoiced rather than where users are located, overestimating revenues from countries with large subsidiary operations (Ireland, the Netherlands, Sweden) and understating them in large consumer markets such as Poland and Romania. Another drawback is that our method does not account for different mixes in the digital economy of member states.

Consumer-location reallocation We propose here to reallocate by Member States with demand-side weights using each country’s share of online buyers in the EU-27 found in Eurostat’s survey ([Eurostat, 2024](#)) (individuals aged 16–74 ordering online in the last three months, multiplied by national population). It uses the same EU-27 aggregate as the bottom-up estimation but applies a different allocation key. The key matches the intermediation nexus directly; for the advertising category, the correct variable would be ad impressions by device location, which is not publicly available. Online buyers are the best available public proxy for the intermediation category; for the advertising component, the relevant dimension is ad impressions by user location, which the purchasing-activity variable does not capture.

Table 4.2 presents member-state estimates under both methods. The consumer-location reallocation applies a different allocation key to the same bottom-up aggregate; by construction, both methods yield an EU-27 total of EUR 4.3 bn. Their discrepancy at country level reflects the gap between booking geography and user geography, not a difference in the estimated total.⁴

Table 4.2: Revenue estimates for a three-category DST by method and by member state (EUR m, 3% rate)

Member state	Bottom-up	Consumer-location reallocation	Confirmed	Revenue estimates
Austria	148	105	124 ^a	143
Belgium	82	148	—	201

(continued on next page)

³France doubled its rate to 6% in the 2026 finance law; the calibration uses 2024 data collected at 3%.

⁴Public country-by-country reports under Directive 2021/2101/EU will allow a direct platform-level cross-check once FY2025 filings are published; the first mandatory disclosures for calendar-year companies are due by end of 2026.

(continued)

Member state	Bottom-up	Consumer-location reallocation	Confirmed	Revenue estimates
Bulgaria	8	28	—	38
Croatia	12	34	—	46
Cyprus	— ^b	12	—	16
Czech Republic	118	131	—	178
Denmark	116	79	—	108
Estonia	10	17	—	23
Finland	60	71	—	97
France	760 ^c	797	756	1,084
Germany	1,213	719	—	978
Greece	25	67	—	91
Hungary	51	103	—	140
Ireland	72	71	—	97
Italy	400	343	637 ^d	467
Latvia	9	20	—	27
Lithuania	11	30	—	41
Luxembourg	— ^b	7	—	10
Malta	— ^b	5	—	7
Netherlands	293	245	—	333
Poland	192	365	—	497
Portugal	38	101	—	137
Romania	13	99	—	135
Slovakia	17	56	—	76
Slovenia	6	24	—	33
Spain	373 ^c	505	375	687
Sweden	270	140	—	190
EU-27 total	4,322	4,322	1,891	5,880

^a Austria scope incompatible (advertising-only at 5%). ^b Cyprus, Luxembourg, and Malta are only aggregated in the IAB Europe AdEx Benchmark. They collectively account for EUR 24 M in the EU-27 total. ^c France and Spain are the anchors for this estimation method. ^d Italy 2025 exceeds the estimates due to threshold removal.

Austria (5% advertising-only, EUR 124 M) gives $k_{AT} = 1.13$, consistent with a single-category instrument, the residual gap above unity reflecting the broader legal definition of taxable advertising revenues relative to IAB survey coverage; Italy’s 2025 figure implies $k_{IT} = 3.30$, inflated by the January 2025 threshold removal. France and Spain remain the preferred anchors. Three countries preparing DST legislation have published official revenue projections. The Czech Ministry of Finance projected CZK 5 bn per year at steady state under a 7 % rate ([Czech Ministry of Finance, 2019](#)); adjusted to 3 %, that gives EUR 86 M, against our estimate of EUR 118 M for 2024. Poland’s government-commissioned study projected PLN 1.7 bn per year at 3 % ([Instrat Foundation, 2025](#)), revised to PLN 2.5 bn in the July 2026 regulatory impact assessment ([Ministerstwo Cyfryzacji, 2026](#)), or EUR 400 to 590 M against our estimate of EUR 192 M. Slovakia’s government cited EUR 30 to 100 M per year ([Ministerstvo investícií, regionálneho rozvoja a informatizácie SR, 2025](#)) against our estimate of EUR 17 M. The Czech figure is close to our estimate once updated for five years of digital market growth since the 2019 projection. The Polish and Slovak projections exceed ours substantially; both official estimates cover a broader revenue base than the advertising market alone, which accounts for the discrepancy.

The last column projects each member-state estimate to the first full year of MFF 2028–2034 operation. The projection applies a baseline CAGR of 8%/yr to the base collected in the second column. This rate is derived from Statista Market Insights forecasts for EU digital services markets ([Statista Market Insights, 2025](#)), against a historical 2022–2024 rate of approximately 17%/yr that reflected post-Covid recovery. At this rate the EU-27 total reaches EUR 5.9 bn in 2028. The two allocation methods diverge at country level. The

bottom-up estimate weights by IAB national advertising market shares: Germany, with the largest digital advertising industry in the EU, ranks first. The consumer-location reallocation weights by Eurostat online buyer counts: France, with the largest online buyer population, ranks first. Germany remains first under the consumer-location reallocation but falls from EUR 1,213 M to EUR 715 M; its large advertising market reflects B2B and industrial spend with a proportionally smaller consumer buyer base. Poland and Romania rise substantially under the consumer-location reallocation; Sweden and Denmark fall.

Both methods share the same EU-27 aggregate by construction (EUR 4.3 bn); only the distribution across member states differs.

Both methods are proxies for the taxable base. The bottom-up estimate follows IAB advertising market shares, a variable that reflects advertiser demand and correlates with user location but is also influenced by the size of each country’s corporate advertising sector; Germany illustrates this, with a large advertising market that reflects B2B and industrial advertising intensity, not simply user volume. The consumer-location reallocation follows Eurostat online buyer counts, a consumer-side variable that more directly measures where users transact across the three taxable categories. For an instrument whose nexus is user location, the consumer-side proxy is the more internally consistent choice. Neither is a direct measure of taxable revenues; the consumer-location reallocation is the best available public approximation.

5 Effects and leverage of a European DST

5.1 Practical viability

Two questions are central to the practical viability of a DST: who ultimately bears the tax, and whether firms can reduce their exposure by restructuring. The first determines how the tax affects the wider economy, while the second determines whether firms can avoid or significantly reduce the intended tax burden. Six years of national experience alongside recent academic work on platform taxation shed light on both.

Langenmayr and Muddasani ([Langenmayr and Muddasani, 2026](#)), using Amazon’s Fulfilled by Amazon fee schedules across France, Spain, Italy, and the United Kingdom following each DST introduction show that platforms do not necessarily absorb the tax. In France, Spain and the UK, 80 to more than 100% was passed on in fee increases to third-party sellers. Italy is the exception: fee increases there were small and not statistically significant. In contrast, Google applied a 2.5 per cent operational surcharge to advertising services ([Olmastroni, 2025](#)) following Italy’s DST introduction. The divergence across countries and companies suggests that pass-through is a commercial decision rather than a structural one.

For the online advertising market specifically, Lassmann et al. ([Lassmann et al., 2025](#)) provide the closest empirical test. They use Facebook’s 2016 shift from local-entity to Ireland-headquartered revenue booking as a quasi-natural experiment: where effective corporate tax rates rose as a result, ad prices rose and advertisers bore the cost, consistent with a model in which platforms maintain their pre-tax margin and pass tax costs through to advertisers.

Available evidence suggests that a significant share of the tax is passed on to advertisers. It is passed to the businesses that depend on them, marketplace sellers and advertisers, many of them SMEs, and from there in part to end consumers. This is a genuine design constraint for a gross-revenue levy. It characterises every national DST already in force and the same is expected of the proposed EU instrument.

Restructuring is limited in scope. Firms can reclassify revenue streams or adjust intragroup allocations, but they cannot move users to another country. National experience confirms this: revenues in all four countries grew consistently after introduction, and digital advertising spend grew at rates comparable to non-DST markets ([European Parliament Committee on Budgets, 2026](#)). On revenue stability, a tax on revenues is less sensitive to the business cycle than a tax on profits. Corporate income tax receipts can fall sharply in a downturn; digital activity and user engagement tend to be more resilient. The consistency of DST receipts in France, Italy, Spain, and Austria since introduction supports this ([European Parliament Committee on Budgets, 2026](#)).

5.2 Fiscal contribution

The EUR 5.8 bn aggregate carries different fiscal significance depending on whether a member state already operates a national DST. For the majority that do not, the levy generates genuinely new public revenue

from a sector that currently contributes far less in corporate income tax than other sectors. Most Member States would for the first time see revenues from digital services in its territory contribute to a common EU instrument.

For the four member states already levying a national DST, the EU instrument does not produce additional revenue at the consolidated public-sector level: it replaces existing national receipts with an EU-level equivalent. Seven national regimes currently coexist, each with its own rate, scope definition, and nexus rule; companies serving users across multiple member states file separately under each, creating compliance costs and exploiting definitional gaps to reduce their effective burden. A single EU directive with one consolidated revenue base replaces that patchwork, reducing compliance costs for in-scope companies and eliminating the scope arbitrage that divergent national definitions enable (European Commission, 2018a).

5.3 Collective leverage

The shift from individual member-state action to a collective EU instrument changes the strategic position of European governments vis-à-vis the United States in a way no single state acting alone can replicate.

France, Italy, Austria, and Spain face investigations under Section 301 of the Trade Act of 1974, which threatens retaliatory tariffs on the DST country's goods exports (USTR, 2025; Skadden, 2025). With separate national instruments in force, the United States can exert pressure on countries one after another, by negotiating with each of them in turn. A single EU instrument closes this avenue as the Commission becomes the sole interlocutor acting under the EU's exclusive competence in common commercial policy. It becomes the guarantor of the collective decision to defend or withdraw that no individual member state could override unilaterally.

The 2025 Section 899 episode confirms the leverage differential (Congressional Research Service, 2025).⁵ Section 899's threat alone, before enactment, produced the G7 "shared understanding" of 26 June 2025 and the subsequent OECD side-by-side package. Section 301, relaunched in February 2025 and escalated to a 100% tariff threat in June 2026, has produced no DST withdrawal in Europe. Canada's repeal in June 2025 is the single exception: it was driven by direct bilateral negotiation pressure on a country without the EU's collective trade architecture (Department of Finance Canada, 2025).

6 Feasibility

6.1 Legality

Article 311 TFEU gives the Council the authority to establish new own resources whose proceeds accrue directly to the EU budget. This requires unanimous approval by the Council, followed by ratification by all Member States. The plastics-based own resource, in force since January 2021, was adopted through this route. A second route adds a prior reliance on Article 113 TFEU. Article 113 provides the legal basis for establishing a common tax design administered by national authorities, after which Article 311 provides for the allocation of the proceeds to the EU budget. The adoption of the VAT-based own resource followed this architecture. The combined route provides a more established legal framework for the tax design, but requires an additional unanimous Council decision for the directive alongside the own resources decision, which must be ratified by all member-state parliaments. The Commission's 2018 DST Directive (European Commission, 2018a) relied on Article 113 alone, with revenues accruing to Member States. The combined route has not yet been tested for a European digital services tax, but appears legally feasible.

6.2 Member state support

The 2018 proposal (COM(2018) 148) failed at ECOFIN in March 2019 after reservations from Ireland, Luxembourg, the Netherlands, Denmark, Finland and Sweden, each citing a preference for an OECD solution over a regional instrument. Several governments have explicitly conditioned their national position on the

⁵Section 899 of the proposed US tax code amendment (included in the House version of the "One Big Beautiful Bill Act", May 2025) would have imposed elevated withholding tax rates on payments to residents of countries with "discriminatory" foreign taxes against US companies, including DSTs. It was removed from the Senate version before enactment but its threat alone produced diplomatic movement.

absence of an EU or OECD solution. With Pillar One stalled indefinitely, a collective EU instrument is the next available rung on the same ladder of preference for the broadest multilateral framework. The Netherlands stated in 2023 that “an EU DST should be considered as an alternative to Pillar One, Amount A if a global agreement is not reached”. Belgium’s coalition agreement of January 2025 commits to a 3 % national DST by 2027 in the absence of EU or OECD consensus (Tax Foundation, 2026). Slovakia’s ministry of investment, regional development and informatization proposal of August 2025 uses identical framing (Ministerstvo investícií, regionálneho rozvoja a informatizácie SR, 2025). Germany, the largest potential revenue contributor under any EU instrument, has not opposed an EU-level instrument. France, Italy, Spain, and Austria introduced national DSTs only after EU-level negotiations collapsed in 2019, and in October 2021 all four signed a formal commitment to replace those national instruments with the OECD Pillar One solution once in force (U.S. Department of the Treasury, 2021). Poland introduced a 1.5 % audiovisual digital tax in 2020 (Tax Foundation, 2026) and proposed a broader 3 % DST in January 2026 (Ministerstwo Cyfryzacji, 2026). In March 2025, the US Ambassador-designate publicly stated that the proposal was “not very smart” and that “Trump will reciprocate” (Euronews, 2025) but Poland’s government publicly reaffirmed the plan.

Denmark and Luxembourg have moderated their stance since 2018. Sweden and Finland have not made any clear recent public statements on the issue. Both co-signed the 2018 joint statement with Denmark calling for a global solution; the question is whether they will follow Denmark towards a more open position. Their opposition may also reflect broader concerns about new EU own resources on grounds of fiscal sovereignty. Sweden’s Finance Minister has described the expansion of own resources as completely unacceptable, while Finland’s concerns have centred on the implications for competitiveness and the attractiveness of the country to technology investors. Their objection therefore concerns the EU budget architecture rather than the tax design itself, and reflects a broader concern in discussions on the EU budget. This has to be addressed in the broader context of the other options for new own resources, including the possibility of reducing GNI contributions and thereby balancing Member States’ contributions across the overall EU budget.

Some Member States may have some concerns regarding the implementation of a user-location nexus established at EU level. By hosting an important share of the profits of multinational companies (Tax Foundation, 2026), these countries derive a significant part of their corporate income tax revenues from such activity. Malta’s Prime Minister Abela declared before its national Parliament in June 2026 that Malta would block any EU-wide tax as an own resource under any circumstances (Lovin Malta, 2026). Ireland has long maintained an unsupportive position, though recent developments show some signs of openness. Taoiseach Martin described an EU digital levy as “challenging” at a joint press conference on 28 July 2026 and called for the EU to “tread carefully.” Those concerns should be addressed within the broader MFF negotiation, demonstrating that the burden can be shared fairly among Member States when the full package is considered. It is an opportunity for the EU to reaffirm its support for all countries in adapting towards an economic model that better serves common prosperity.

6.3 Public opinion backing

Public opinion reinforces the procedural mandate. A Flash Eurobarometer conducted across all 27 member states in April 2025 found that 80 per cent of EU respondents agreed that large multinational companies should be required to pay a minimum amount of tax in each country where they operate (44 per cent strongly, 36 per cent somewhat); the range across member states ran from 67 per cent to 87 per cent, with no country below a majority (European Commission, 2025). A Kieskompas poll conducted in November 2018, as reported by the S&D Group in the European Parliament, found more than 80 per cent of respondents in France, Germany, the Netherlands, Denmark, Sweden, and Austria in favour of a fair tax on technology companies (Socialists and Democrats Group, European Parliament, 2018). A more recent EU-wide survey found 39 per cent in favour of an EU-level digital levy, 29 per cent preferring national-level action, 21 per cent with no opinion and 11 per cent opposed to any such measure (Polling Europe (OpinionWay and SWG), 2026). Taken together, the two surveys show that more than two thirds of respondents supported taxing digital revenues in some form.

7 Principal objections answered

The US will retaliate.

Section 301 investigations are already active against France, Austria, Italy and Spain; the question is not whether to incur retaliation risk but how to manage it.

A fragmented set of national DSTs is weaker than a collective instrument, where the defence of the measure can be coordinated at EU level. Canada's repeal of its DST in June 2025 under direct bilateral pressure is a clear illustration ([Department of Finance Canada, 2025](#)).

The 2021 termination of those actions without a single DST withdrawal ([WilmerHale, 2021](#)) showed that the threat carries a political cost for the US as well: imposing 25 % duties on French wine and Italian handbags to discipline a tax on Google is disproportionate, and the Biden administration did not follow through.

In 2025, tensions remain high, but the evolution of the political context complicates the US's ability to follow through on retaliation. First, the Supreme Court struck down the administration's primary broad tariff authority, the International Emergency Economic Powers Act, by 6–3 on 20 February 2026 ([WilmerHale, 2026](#)): any tariff imposed on DST grounds must now go through Section 301's formal investigation process, which carries a statutory timeline of up to twelve months, rather than the "immediate" imposition Trump threatened on 26 June 2026 ([CNBC, 2026](#)). Second, Section 899, the legislative mechanism designed to penalise foreign DSTs by raising withholding taxes on investors from designated jurisdictions, was stripped from the One Big Beautiful Bill Act following a G7 diplomatic exchange on Pillar Two in June 2025 ([Loyens & Loeff, 2025](#)); Wall Street lobbied separately against a provision that risked deterring the \$19 trillion in foreign holdings underpinning US capital markets ([CNBC, 2025](#)). The DST grievance that Section 899 was designed to address was not itself resolved by that exchange, but the instrument is gone. Third, the political cost of tariff-driven consumer price increases is becoming increasingly difficult to sustain. Senator Cruz described the tariff burden as "the single biggest determinant" of the Republican party's performance ([Yahoo News, 2025](#)).

The instrument will be successfully challenged as discriminatory.

The legal risk is that a tax falling overwhelmingly on US companies could be challenged as discriminatory under the General Agreement on Trade in Services (GATS). Article II requires each WTO member to treat all other members' services and service suppliers equally, while Article XVII requires it to treat foreign suppliers no less favourably than domestic ones. The objection has been anticipated in the design. The EUR 750 million global revenue threshold is a size criterion and not in itself discriminatory: European companies meeting it are in scope on the same terms. Booking.com, Just Eat Takeaway, and Spotify approach or meet that level, making their presence in scope both an inconvenience for some Member States and a legal asset for the instrument.

DST member states would transfer revenues from their budgets to Brussels.

A Member State operating a national DST would transfer that revenue stream to the EU budget. From a purely budgetary standpoint, the burden on national budgets could be lowered through reductions in GNI contributions during the MFF negotiations. If this reduction were set to compensate exactly for the national revenue loss, the overall EU budget would still see a gain. Furthermore, collective leverage against US threats and greater fiscal uniformisation are additional benefits that could further balance national interests.

The second stage of the measure does not create a new own resource

While the second stage of the proposal is implemented through a direct transfer from Member States, it is triggered by the conclusion of an international agreement on the taxation of profits. This agreement creates a new source of revenue for Member States and by transferring a share of this new revenue to the EU budget, the measure turns into a European Own Resource.

8 Extensions

The ultimate extension of the European DST would be its eventual evolution following an international resolution of the under-taxation of digital companies' profits. Possible avenues include the resumption of the Pillar One process and further advances in the UN tax convention process.

Extensions to the levy itself serve a dual purpose: they could raise EU revenues, and by demonstrating that the Union can deepen its digital tax architecture without a multilateral agreement, they once again could create incentives for trading partners to resume the negotiation process. The levy could evolve in two directions.

Rate. At 3%, the three-category base yields approximately EUR 6 bn by 2028. The instruments already in force include rates of 5% (Austria), 6% (France), and 7.5% statutory (Hungary). At 5%, the EU-27 yield scales proportionally to approximately EUR 10 bn; at 6%, matching the current French rate, to approximately EUR 12 bn.

New categories. Thomadakis ([European Parliament Committee on Budgets, 2026](#)) identifies cloud computing services as a fourth major category of digital value extraction, one expected to grow at the highest rate of any digital revenue stream. The present design does not reach cloud infrastructure, software-as-a-service subscriptions, or AI inference APIs sold to EU-based customers. Extending to these services would follow the same EU-user nexus logic as the existing three categories and raise the tax base materially, while requiring careful legislative drafting to prevent double-counting with existing intermediation revenues.

9 A Pigouvian advertising levy

9.1 The external cost of digital advertisements

We saw in Section 5.1 that pass-through of DST to clients of big digital companies is important. The tax is borne by downstream market participants, final clients and companies paying for ads. Platform profits remain unaffected. This partial failure, however, opens a different reading of the instrument's value. The economic impact falls partly on digital advertising, a sector with documented externalities. This is exactly the economic impact on this sector that makes this instrument valuable.

Criticism of advertising is not new: economists have long argued that competition for consumer attention is a zero-sum game generating socially excessive advertising expenditure ([Dixit and Norman, 1978](#)). But as the sector is booming, an entire attention economy has been developed. More and more energy is invested in keeping people captive on platforms and in presenting them with ads skillfully engineered for them. Artificial Intelligence will make this even easier to implement and will amplify such externalities in a hardly predictable manner. We describe three categories of documented externalities, following Acemoglu and Johnson ([Acemoglu and Johnson, 2024](#)).

Platforms optimize for engagement through emotionally charged content. Outrage and indignation are the most effective levers to generate strong engagement and condition users to engage in purchases with a higher success rate. This has documented effects, particularly among young people, in terms of mental health, addiction, body image, self-harm, eating disorders, sleep disturbances and bullying. Users bear these harms without viable exit: network effects bind them to platforms where their social life is. Platforms choose network architectures showing content only to users who are predisposed to agree with it. Platform algorithms optimized for engagement tend to amplify polarizing and misleading content within communities of users who share the same biases, with documented effects in terms of radicalization and misinformation ([Acemoglu et al., 2024](#)).

Consumers must be profiled so that ads fitting their characteristics can be presented to them. The distribution algorithms are fed by data also obtained by monitoring user behaviour. Advertisers pay for access to users' attention. Users pay with their time, their cognitive engagement, and their data. Acemoglu and Johnson ([Acemoglu and Johnson, 2024](#)) argue that the advertising revenue ecosystem incentivizes valuable engineering and artificial intelligence talent to concentrate on surveillance, engagement maximization, and the automation of human interactions. Such human capital could instead contribute more to global well-being if it were directed toward supporting workers and improving productivity.

Digital advertisements also distort market structure. Targeted advertising strongly influences consumers' willingness to pay by leading them to overestimate the quality of a particular product. Even if not all

consumers are affected in the same way, the fact that some are weakens price competition: margins and prices for artificially differentiated products rise. Competition between platforms should, in theory, drive prices down and improve user well-being, but this is not the case. Economic actors are not encouraged to improve their products but rather to maintain a high ad load without losing their unsuspecting users to a competitor.

Acemoglu and Johnson propose a rate of 50 per cent to force a structural switch away from advertising-dependent business models entirely. Their argument is not derived from a precise measurement of marginal external cost. Like tobacco excise taxes, the rate is calibrated to change behaviour: the harm is documented and large and the market will not self-correct. A price signal strong enough to alter incentives is the appropriate instrument.

National DSTs already in place at 3 per cent were not designed to internalise negative externalities. On the contrary, little market change was observed. At 15 per cent, the relative attractiveness of subscription-based alternatives shifts enough to matter. We propose to start at 15 per cent to open at a politically tractable entry point with a clear signal that the trajectory is escalating. The rate should rise as the instrument demonstrates its effects, the evidentiary case matures, and the political conditions for a more ambitious target develop. This is more an incentive to build different business models than a revenue instrument. Nonetheless, this section develops that instrument as a standalone EU own resource. The levy presented here is independent of the three-category DST presented above, a separate option for a Union with the ambition to steer its economy toward collective welfare. The advertising revenue base of the Pigouvian levy overlaps with the first category of the DST; the two instruments are best understood as sequential options, and their simultaneous application would bring the combined levy on digital advertising to 18 per cent, a rate close to the Pigouvian-only target.

Many sectors seem to be aware of the problem. On the public side, there is a documented demand for companies to take greater responsibility for algorithms they manage and the harm they cause (Reuters/Ipsos, 2026; Pew Research Center, 2026). The academic community has also taken up the issue; leading economists are identifying the problem and proposing converging approaches to address it: Pigouvian taxes (Petropoulos, 2021; Romer, 2021; Belgroun et al., 2025; Acemoglu and Johnson, 2024). On the government side, no Pigouvian advertising tax has yet been adopted at the national level, though the direction is becoming visible: France’s Treasury officially quantified the externalities due to the “attention economy” at 2 to 3 GDP points (Chardon-Boucaud, 2025), the European Parliament voted 545 to 12 for a regulatory framework targeting engagement algorithms (European Parliament, 2023), and the State of Illinois enacted in June 2026 the first digital advertising tax with an explicit mental health rationale (Bloomberg Tax, 2026). This could be a first for the EU and could pave the way for international cooperation on the subject (Acemoglu and Johnson, 2024).

Structured as a standalone EU own resource, the instrument follows the Article 311 TFEU route set out in Section 6.1: unanimous Council approval and ratification by all member-state parliaments. Unanimity takes on a different character in this case, as the instrument does not expose structural differences in Member States’ fiscal frameworks, but instead proposes a common project to which all Member States can contribute. The instrument does not seek to reallocate taxing rights between Member States, but to correct documented negative externalities associated with the attention-based digital advertising model. This is a common objective that can be pursued collectively at EU level, contributing to the instrument’s political feasibility. The experience of the ETS shows that the EU can adopt ambitious Pigouvian instruments if the externality is quantifiable and if the policy is phased in gradually.

9.2 A digital ad tax at 15 %

The EU-27 digital advertising market reached EUR 63.4bn in 2024, measured by the IAB Europe AdEx Benchmark (IAB Europe, 2025). The market is highly concentrated: Google (Search and YouTube), Meta, and Amazon together account for approximately 75 % of revenues. We propose a threshold of EUR 100 M in annual EU advertising revenues, derived from the USD 500 M threshold proposed by Acemoglu and Johnson (Acemoglu and Johnson, 2024), scaled to the EU digital advertising market, which represents roughly one quarter of the United States market by revenue. This excludes the long tail of smaller publishers and ad-tech intermediaries and reduces administrative burden without protecting the platforms whose business models drive the documented harms. A revenue-from-advertising nexus, rather than a global turnover threshold, also

makes the instrument harder to characterise as targeting a specific set of US firms: any platform generating EUR 100 M in EU advertising revenues falls within scope regardless of corporate origin.

The pass-through analysis in Section 5.1 was based on data from the digital advertising sector. For revenue and price estimation, full pass-through is assumed, though the actual incidence may be lower or may involve over-shifting. Under a standard constant-elasticity demand function $Q \propto P^\varepsilon$, net tax revenue becomes:

$$T = \tau \cdot B_0 \cdot (1 + \tau)^\varepsilon$$

where B_0 is the pre-tax advertising base.

There is limited empirical evidence on the elasticity of demand for digital advertising in the literature. In [Acun et al. \(2025\)](#), DST surcharges are studied across 29 EU countries using a Google Ads panel covering 2018–2022. The study finds that platforms passed the tax through to advertisers almost entirely, supporting the full pass-through assumption used in the formula above. Advertiser demand adjusted only marginally, supporting the relatively inelastic end of the elasticity range considered below. In [Pellefigue \(2019\)](#), an elasticity of $\varepsilon = 0$ is assumed for digital advertising at a 3 % rate, based on budget rigidity and the absence of close substitutes. A perfectly inelastic response seems difficult to sustain at a 15 % rate. In the absence of a credible empirical estimate, we consider a range of $\varepsilon \in [-1.5, -0.5]$ to provide a plausible allowance for non-zero elasticity, consistent with the limited response observed at lower tax rates. Table 4.3 presents the resulting revenue estimates.

Table 4.3: Net revenue and advertising volume reduction at 15 % and 50 % levy rates, EU-27 digital advertising (2028)

<i>Rate: 15 %</i>				<i>Rate: 50 %</i>	
Scenario	ε	Net rev. (EUR bn)	Vol. red. (%)	Net rev. (EUR bn)	Vol. red. (%)
Low response	−0.5	10.3	6.7	29.9	18.4
Central	−1.0	9.5	13.0	24.4	33.3
High response	−1.5	8.9	18.9	20.0	45.6

The revenue shortfall relative to the static baseline is the mechanism at work, not a cost to minimise: reduced advertising spend means fewer resources devoted to attention maximisation, while EUR 9 to 10 bn in annual revenues at 2028 market size is an appreciable by-product of this correction.

Table 4.4 distributes the central-scenario yield across EU member states, applying the 85 % in-scope share (platforms above the EUR 100 M threshold) to the 2024 IAB Europe country figures ([IAB Europe, 2025](#)) projected to 2028 at an 8 % annual CAGR. The tax formula at $\varepsilon = -1.0$ reduces to $\tau/(1 + \tau)$ times the in-scope base.

Member state	Revenues (EUR m)	% GNI
Germany	2,700	0.54
France	1,691	0.48
Italy	891	0.36
Spain	830	0.48
Netherlands	652	0.54
Sweden	601	0.83
Poland	427	0.49
Austria	330	0.57
Czech Republic	263	0.72
Denmark	258	0.53
Belgium	184	0.25
Ireland	160	0.33
Finland	133	0.40
Hungary	113	0.50

(continued)

Member state	Revenues (EUR m)	% GNI
Portugal	84	0.28
Greece	54	0.20
Slovakia	37	0.26
Luxembourg ^a	32	0.43
Romania	30	0.08
Croatia	26	0.28
Lithuania	24	0.26
Estonia	21	0.44
Latvia	20	0.36
Bulgaria	18	0.15
Cyprus ^a	17	0.45
Slovenia	14	0.17
Malta ^a	10	0.46
EU-27	9,616	0.45

^a Cyprus, Luxembourg, and Malta are not covered individually by the IAB Europe AdEx Benchmark. Advertising market size estimated by GDP share relative to the EU-24 IAB aggregate (GNI for Luxembourg, to exclude the cross-border worker distortion on GDP); source: Eurostat `nama_10_gdp`, 2023.

Table 4.4: Pigouvian advertising levy: per-member-state yield at central scenario, 2028

9.3 International positioning

A Pigouvian advertising levy operates on entirely different legal ground from the OECD framework. It targets externalities generated by the attention-capture business model, not the profit-shifting that Pillar Two addresses; the two instruments are complementary and do not interact. It is an excise on an externality-generating activity, not a digital services tax, and Pillar One repeal commitments do not apply. No multilateral negotiation is required or sought: the externality rationale is self-standing, and the EU is not conditioning the instrument on an international process.

Governments were pressed under Section 301 in 2025 because their instruments fell predominantly on a small set of US-headquartered platforms (USTR, 2025). A Pigouvian advertising tax grounded in documented externalities, with a EUR 100 M threshold determined by market concentration rather than national origin, does not meet that discrimination standard and could therefore be defended on those grounds. Unlike a DST, it would also avoid diverting political and diplomatic resources towards defending the measure, leaving those resources available to defend its interests.

The instrument does not require international coordination to operate. Acemoglu and Johnson (Acemoglu and Johnson, 2024) nonetheless call for G7 harmonisation of such a levy. An EU-level introduction would constitute the European contribution to that process, and evidence that a tax instrument can redirect the digital economy away from attention extraction and toward applications that genuinely serve users.

Conclusion

We therefore propose a European DST to support Member States seeking to address the under-taxation of digital companies. Rather than allowing years of unsuccessful international efforts to fuel frustration and a proliferation of national DSTs, we propose that the tax be collected at EU level, thereby harmonising the European landscape and drawing on the Union’s collective diplomatic strength.

We also propose a tax on digital advertising, justified by the sector’s documented negative externalities. Its explicit purpose is to steer the development of the economy towards outcomes more conducive to the common good.

Together, these proposals go beyond a simple budgetary response. They strengthen European unity, reinforce the Union’s position at the international level, and help steer economic policy towards shared priorities.

From a budgetary perspective, the two instruments could contribute approximately EUR 15–16 bn to the repayment of NextGenerationEU: around EUR 6 bn from the European DST and EUR 9–10 bn from the digital advertising tax.

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Financial Transaction Tax

Gunther Capelle-Blancard*

This annex argues that an EU-wide financial transaction tax (FTT) could be a workable component of a package of new own resources, provided it is designed narrowly and pragmatically. The proposal is not to revive the broad 2011–2013 European FTT, which proved politically fragile. Instead, it proposes a pragmatic equity transfer tax, modelled on instruments already in force in major financial markets, including the UK stamp duty and the French, Italian and Spanish FTTs, as well as comparable instruments outside Europe. These examples show that a well-designed FTT can be implemented in open, sophisticated and highly internationalised financial markets without undermining their functioning.

The proposal is to introduce a harmonised EU tax on transfers of ownership of shares issued by companies incorporated in Member States, at a rate of 0.5%, in line with the UK stamp duty. Primary market issuance and genuine market-making activities could remain exempt, as in existing national schemes. The tax would be based on a robust legal and operational design: it would be attached to the security itself, rather than to the location of the broker, the trading venue or the investor. This is the key lesson from existing FTTs: such taxes can work, but only if they are carefully designed so as to limit avoidance and ensure enforceability.

This narrower design is precisely why the proposal may be more feasible than earlier European attempts. It avoids the most contentious elements of the former Commission proposal, notably the taxation of bonds, derivatives, foreign-exchange transactions and all gross intraday transactions. The present proposal therefore does not seek to reopen the full debate on a comprehensive European FTT. It focuses instead on the most operationally tested component: an issuance-based tax on equity transfers, while leaving broader extensions, in particular the taxation of intraday transactions and other securities transactions, for a later stage.

Under conservative assumptions, the proposed EU equity transfer tax would raise approximately EUR 6.5–8.3 billion per year. The revenue estimate is deliberately very prudent. It does not rely on speculative assumptions. Instead, it is anchored in the observed performance of the French FTT in 2024 and then applied to equity trading volumes in other Member States. This approach incorporates, by construction, the existing exemptions, leakages and the narrow effective tax base observed in France, including the exclusion of intraday transactions.

In sum, an EU equity transfer tax would be theoretically grounded, technically feasible, fiscally useful and fair. It would not solve all budgetary challenges, and it should not be oversold. But as one component of a broader package of new own resources, it has a strong comparative advantage: it is based on a tested instrument, it targets a highly concentrated and undertaxed tax base.

The following sections provide the detailed background supporting this proposal. They first present the design and rationale of the equity transfer tax, before reviewing existing national policies and the earlier European FTT project. They then set out the revenue-estimation methodology and Member State-level results, respond to common objections, review public opinion, and finally discuss possible extensions, notably to intraday transactions.

1 A pragmatic design for an EU FTT

FTTs are neither new nor untested. They have existed for centuries and remain in force in several major financial centres. The relevant question is therefore not whether an FTT can exist, but how it should be designed (Capelle-Blancard, 2024a).

The proposal considered here has four core design features. First, it would apply only to transfers of ownership of shares, not to all financial transactions. The taxable event would be the legal transfer of

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ownership, recorded through settlement or end-of-day net acquisition, rather than every order or intraday trade. Second, it would follow the issuance principle: the tax would apply to shares issued by companies incorporated in EU Member States, irrespective of where the transaction takes place or where the investor is resident. Third, it would be levied at a moderate rate of 0.5%, in line with the UK stamp duty. Fourth, it would preserve standard exemptions for primary issuance and genuine market-making activities.

These design choices are intended to make the tax administratively feasible, legally robust and politically more acceptable than a comprehensive FTT. They also explain why this proposal differs from the broader 2011–2013 European FTT project: it starts with the most operationally tested part of the tax base, while leaving intraday transactions and other financial instruments for possible later extensions.

The most important of these design features is the issuance principle. Under this principle, the tax applies to transactions in shares issued by companies incorporated in the taxing jurisdiction, regardless of the residence or nationality of the investor and regardless of where the transaction takes place. This is the logic underpinning the UK stamp duty and the French FTT. It is crucial for enforceability: the tax is linked to the legal transfer of ownership of securities, not to the location of the trading platform or intermediary. This design considerably limits avoidance opportunities and explains why such taxes can be maintained even in highly internationalised financial markets (Capelle-Blancard and Persaud, 2025).¹

Administrative and legal feasibility is a central reason for choosing this design. The proposal does not require creating a tax on all financial transactions from scratch. It builds on existing settlement, reporting and securities-registration infrastructures. Because the taxable event is the legal transfer of ownership of issued shares, collection can rely on the institutions that already record, settle or report these transfers. From a legal perspective, the key issues are therefore the definition of the taxable event, the territorial connecting factor, the scope of exemptions and the organisation of reporting and collection obligations (Correia, 2025).

A public reporting architecture would have important advantages. Rather than relying solely on private intermediaries to aggregate and transmit taxable transactions, the EU could require standardised reporting to the relevant tax authority, market supervisor or a designated public repository. This would create a more complete and uniform record of taxable equity transfers across Member States. It would also improve the traceability of transactions, facilitate administrative control, and reduce the risk that differences in national reporting systems create loopholes or uneven enforcement. In this sense, the collection mechanism would not merely be an administrative tool; it would also strengthen market transparency and supervisory capacity.

Harmonisation would still be needed at EU level, but the administrative and legal challenge is much more limited than for a comprehensive FTT covering derivatives, foreign exchange or crypto-assets.

Beyond the fiscal case, the proposal also has an established economic rationale. Keynes, and later Tobin and Stiglitz, argued in different contexts that very short-term financial trading may generate private gains without always contributing to the social usefulness of financial markets. The point is not to obstruct market functioning, but to ensure that a modest share of the gains from highly liquid financial-market activity contributes to public revenue, while discouraging the most socially unproductive forms of short-term trading.

For the purpose of new EU own resources, the fiscal argument is central. The proposed FTT would raise revenue from secondary-market financial activity, rather than from labour income, ordinary consumption or primary corporate financing. This matters for both efficiency and fairness: the tax would target a large, concentrated and relatively undertaxed base, while leaving primary issuance outside its scope. It would therefore not tax firms when they raise new equity capital. Existing evidence on the French FTT suggests that a low-rate equity tax can reduce trading volumes moderately, by around 10–20%, without significant effects on market liquidity or volatility. The proposal is therefore not to weaken EU capital markets, but to tax a narrow segment of financial activity in a way that preserves their core functions.

This makes the proposal intentionally pragmatic. Rather than reviving the broader and more politically contentious idea of taxing all financial instruments, it builds on what already exists and works: a narrow, enforceable levy on equity transfers, based on the issuance principle, at a low nominal rate, with standard exemptions for primary issuance and market-making activities where appropriate. This approach would allow the EU to create a new own resource from a tried-and-tested tax instrument, while avoiding many of the objections usually directed at more comprehensive versions of the FTT.

¹The possibility that some new firms might incorporate outside the EU to avoid the tax cannot be entirely ruled out, but it is unlikely to be a major margin of avoidance. The tax would apply only to secondary-market transfers of shares, not to primary issuance, and its rate would be very low relative to the legal, fiscal, regulatory and governance costs associated with incorporating outside the firm's main economic area. For most firms, access to investors, legal certainty, listing conditions and corporate taxation are far more important than a modest tax on future share transactions.

2 Existing national policies

The proposed EU own resource would not be created in a vacuum. Several European countries already tax financial transactions, and the most relevant examples are not marginal cases: they include the United Kingdom, France, Italy and Spain.

The United Kingdom remains the main benchmark. Its stamp duty on share transactions dates back to 1694 and is still in force. It applies at a rate of 0.5% to purchases of shares issued by UK companies. The UK stamp duty raises £4.32 billion in 2024–25, illustrating that such instruments can provide stable and non-negligible revenues. The key feature of the British model is the issuance principle: the tax applies because the share is issued by a UK company, irrespective of the nationality or residence of the investor and irrespective of where the transaction is executed. Primary market issuances, market-making activities and shares listed on the Alternative Investment Market are exempt. The UK experience is particularly important because it shows that a major financial centre can maintain a sizeable equity transaction tax over a very long period without undermining the development of its financial sector.

France introduced its current FTT in 2012. The French tax also follows the issuance principle. It applies to acquisitions of shares issued by companies whose registered office is in France and whose market capitalisation exceeds EUR 1 billion.² The tax is paid by the buyer and it is calculated on net acquisitions recorded at the end of the trading day. This means that the French FTT is not, strictly speaking, a tax on transactions, but a tax on transfers of ownership. Intraday transactions that are opened and closed within the same day are therefore effectively excluded from the tax base.³ The rate of the French FTT was initially 0.2%, then increased to 0.3% in 2017, and 0.4% in 2025. The French case is especially useful for the present proposal because it shows how a modern equity FTT can be implemented unilaterally, even in an open financial market.

Italy introduced a similar tax in 2013, shortly after France. It applies to shares of Italian companies above a market-capitalisation threshold of EUR 500 million. The Italian design is broader in some respects, since it also includes a tax on derivatives and a specific component targeting high-frequency trading. It also differentiates between transactions executed on regulated markets and those executed elsewhere: the rate is 0.2% for transactions on regulated markets and 0.4% otherwise (since 2026). This feature is important because it can encourage trading to move towards more transparent and regulated venues. Italy therefore illustrates a possible refinement of the French model, even though the proposal considered here remains focused on a simple equity transfer tax.

Spain reintroduced an FTT in 2021, after having abolished an earlier tax in 1988. The Spanish tax follows the same broad family of instruments as the French and Italian taxes: it focuses on equity transactions and provides another recent example of a Member State implementing an FTT independently. Together, the French, Italian and Spanish cases show that unilateral implementation within the EU is feasible and that such taxes do not require a fully global agreement in order to operate.

Other European countries also have FTTs. Belgium has had a tax on stock-exchange transactions since 1913. Its design, however, differs from the British, French and Italian models. It is linked to the involvement of a Belgian financial institution or to Belgian-resident investors, and it appears easier to circumvent than systems based on the issuance principle. Ireland also applies a stamp-duty-type tax, introduced in 1937 on the British model, with a rate of 1%. Existing work also identifies Finland, Poland, Cyprus and Malta among European countries with FTT-type instruments. These cases confirm that securities transaction taxes are not exceptional within Europe, although their design, scope and revenue performance vary substantially.⁴

Beyond Europe, securities transaction taxes are also widely used in several Asian markets, including Hong Kong, South Korea, China, Taiwan and India. This is important because these are not marginal or stagnant markets: several of them are among the most active equity markets in the world, and their experience shows

²The list of companies subject to the tax is updated annually.

³The French FTT formally has three components: a tax on share transfers, a tax on high-frequency trading, and a tax on naked sovereign credit default swaps. In practice, however, only the first component is effective. The high-frequency trading component is too narrow to generate meaningful revenue, while the naked CDS component became largely irrelevant after EU restrictions on such transactions.

⁴Several European countries previously levied similar taxes but later abolished them, notably the Netherlands in 1990, Germany and Sweden in 1991, Norway in 1993, Denmark in 1999 and Austria in 2000. These historical precedents should be interpreted with caution, as the abolished taxes often differed substantially in design from issuance-based equity transfer taxes such as the UK stamp duty or the French FTT.

that transaction taxes can coexist with highly dynamic trading activity, while generating substantial revenues.

Overall, the international landscape is heterogeneous. Some instruments, such as the UK stamp duty, the French FTT or the Spanish FTT, are close to an issuance-based equity transfer tax. Others are broader securities transaction taxes, stamp duties or financial transaction taxes applying to different instruments or market segments.⁵

Table 5.1 provides an illustrative overview of selected existing taxes on equity and securities transactions, without attempting to provide an exhaustive or fully harmonised taxonomy.

A specific political-economy issue arises for Member States that already levy such taxes. Their likely reaction would depend on whether an EU-wide FTT is designed as a replacement for existing national schemes or as a harmonised EU component built on top of, or alongside, them. These countries are unlikely to object to the principle of taxing equity transactions, since they already do so. However, they may be reluctant to transfer existing national revenues entirely to the EU budget.

There is no fully neutral solution to this problem. Temporary retention of national receipts would only postpone the adjustment, while country-specific credits could weaken the equal treatment of Member States. A more coherent response would be to complement the EU own resource with national extensions to offset the loss of revenue (to the EU budget) for countries that already tax financial transactions. The core EU instrument would remain a harmonised, issuance-based tax on equity ownership transfers. This is the simplest and most tested design, and the one most consistent with existing successful schemes.

At the same time, Member States that already levy an FTT would broaden their national schemes beyond the core equity-transfer base, notably towards intraday equity transactions or equity derivatives. Such extensions would make economic sense: the current French-type design leaves many very short-term transactions outside the effective tax base, and equity derivatives may be close substitutes for taxed share transactions. They could therefore provide additional national revenue and reduce avoidance margins.

Even independently of the own-resource debate, greater harmonisation of national FTTs within the EU would be desirable. France, Italy and Spain already operate broadly comparable equity-FTT schemes, and a similar framework could in principle be extended to other Member States, including Germany. Such harmonisation would reduce fragmentation, clarify the tax base, and strengthen the case for a future EU-level own resource.

The main lesson from existing national policies is clear. The success of an FTT depends less on the abstract principle of taxing financial transactions than on the details of its design. Taxes based only on the location of the intermediary or the trading venue are more vulnerable to avoidance. By contrast, taxes based on the issuance principle are more robust because the tax follows the security itself. The EU proposal examined here should therefore draw primarily on the UK, French, Italian and Spanish experiences, while avoiding the weaknesses of more easily circumvented systems.

⁵Two additional cases are worth mentioning, although they are not directly comparable to the core equity-transfer taxes discussed above. Finland is sometimes included in broad inventories of securities transfer taxes because it applies a relatively high transfer tax to corporate shares and other securities. However, listed shares traded on the stock exchange are usually exempt, so the Finnish case should not be interpreted as a standard equity-market FTT. The United States provides a different example: Section 31 fees are a regulatory transaction fees used to finance the Securities and Exchange Commission. They are politically relevant because they show that even the US system accepts transaction-based levies on securities markets when they are linked to market supervision.

Table 5.1: Selected existing taxes on equity and securities transactions

Jurisdiction	Equity	Bonds/oth.	Derivatives	Main rate	Revenue, EUR equiv.	Remarks
<i>Panel A. Europe</i>						
France	Yes	–	–	0.4% from 2025	EUR 1.86bn 2024	Issuance-based tax on acquisitions of shares issued by large French companies. The 2024 revenue refers to the former 0.3% rate. The formal HFT and naked sovereign CDS components generate little or no meaningful revenue.
Italy	Yes	–	Yes	0.2–0.4% equity	c. EUR 0.5bn indicative	Broader than the French design, with equity transfers, derivatives and a formal HFT component. The revenue figure should be treated cautiously pending a fully comparable official series.
Spain	Yes	–	–	0.2%	n.a.	Modern equity FTT introduced in 2021. Close to the French model, with a tax on acquisitions of shares in large Spanish companies.
Belgium	Yes	Yes	–	0.12– 1.32%	c. EUR 0.43bn 2023	Tax on stock-exchange transactions. The base is broader than equity alone and depends on the type of instrument. Less close to a pure issuance-based equity transfer tax.
Finland	Lim.	–	–	1.5%	n.a.	Transfer tax on corporate shares and other securities, but listed shares traded on the stock exchange are usually exempt. The high headline rate is therefore not directly comparable to equity-market FTTs such as the UK, French, Italian or Spanish schemes.
Ireland	Yes	Yes	Lim.	1%	c. EUR 0.54bn 2025	Stamp-duty-type tax on transfers of shares, stocks and marketable securities. Close in spirit to the UK model, but with a higher headline rate.
Greece	Yes	–	–	0.1%	n.a.	Tax on sales of shares listed on a Greek regulated market or multilateral trading facility. The rate was reduced from 0.2% to 0.1% from 2024.
United Kingdom	Yes	–	–	0.5%	c. EUR 5.1bn GBP 4.32bn 2024–25	Main benchmark for an issuance-based equity transfer tax. The tax is attached to UK-issued shares and collected through established settlement and registration mechanisms.
Switzerland	Yes	Yes	–	0.15% / 0.30%	c. EUR 1.6bn CHF 1.53bn 2025	Securities transfer stamp tax on purchases and sales of Swiss and foreign securities when a Swiss securities dealer acts as contracting party or intermediary.
<i>Panel B. Rest of the world</i>						
Hong Kong	Yes	–	–	0.1% + 0.1%	c. EUR 6.2bn HKD 52bn 2024–25	Stamp duty on both purchase and sale notes. Useful benchmark because it raises substantial revenue in a highly active international equity market.
South Korea	Yes	–	Yes	c. 0.20% listed; 0.35% other	c. EUR 3.3bn KRW 4.8tn 2024	Securities transaction tax on transfers of Korean shares. Rates differ by market segment and changed repeatedly. Derivatives are covered by a separate capital gain tax.
China	Yes	–	–	0.05%	c. EUR 16bn RMB 127.6bn 2024	Stamp duty on stock transactions, currently levied on the seller only. Revenue is very large in absolute terms. Difficult to have detailed information.
Taiwan	Yes	Lim.	Yes	0.3%	c. EUR 8.3bn NTD 288bn 2024	Securities transaction tax on sellers of securities. Bond taxation is limited or suspended for some instruments; derivatives are covered by a separate futures transaction tax.
India	Yes	–	Yes	0.1% delivery; 0.025% intraday; derivatives vary	n.a.	Securities transaction tax on exchange-traded equity and derivatives. The design distinguishes delivery-based equity trades, intraday equity trades and derivatives.
South Africa	Yes	–	–	0.25% USD 20.60	n.a.	Securities transfer tax on transfers of listed and unlisted securities.
United States	Lim.	–	Lim.	per million from Apr. 2026	USD 2.15bn FY2026 target	Section 31 fee on covered securities sales, paid by exchanges and FINRA/SROs and generally passed through to broker-dealers and customers. This is a regulatory transaction fee used to finance the SEC. Politically relevant because it shows that transaction-based levies exist even in the US market.

Notes: The table is illustrative rather than exhaustive. “Equity” refers to taxes on purchases, sales or transfers of shares or comparable equity securities. “Bonds/oth.” refers to bonds or other securities. “Deriv.” refers to derivatives. A dash means that the instrument is not part of the main effective tax base. “Form.” indicates that a formal provision exists, but that it is not a major component of the effective tax base or revenue. Revenue figures are approximate euro equivalents and are not directly comparable across jurisdictions, since tax bases, exemptions, fiscal years, exchange rates and budgetary classifications differ. “n.a.” means that no sufficiently comparable revenue figure is reported here, not that the tax raises no revenue. “Lim.” indicates that the instrument exists only for a limited segment of the relevant market, or that it is not directly comparable to a standard equity-market FTT.

3 The (former) European FTT project

The idea of a European financial transaction tax gained renewed political momentum after the 2007–2008 financial crisis. The crisis strengthened the view that the financial sector should make a fairer contribution to public finances and that new fiscal instruments could also help discourage socially unproductive short-term trading. The European Parliament called on the Commission to examine the issue in 2010, and the initiative was then strongly supported by France and Germany. In September 2011, the European Commission adopted a proposal for a Council directive establishing a common system of financial transaction tax across the European Union.

The Commission proposal was deliberately ambitious (Gabor, 2016). Its objective was not merely to create a new source of revenue, but also to harmonise existing national approaches, prevent fragmentation of the Single Market, ensure a fair contribution from the financial sector, and discourage transactions considered not to contribute to the economy. The proposal was based on a broad tax base and low rates. It would have applied to secondary-market transactions involving financial institutions, with minimum rates of 0.1% for shares and bonds and 0.01% for derivatives. The Commission described the approach as applying to all markets, all instruments and all actors. In particular, the proposed tax would have applied to gross transactions before netting and settlement, thereby including intraday transactions.

The expected revenue was substantial. For the EU as a whole, the Commission estimated that the proposal could raise around EUR 57 billion per year. Other estimates for the eleven Member States later involved in the enhanced cooperation procedure suggested annual revenues of around EUR 30–35 billion. These figures reflected the breadth of the initial proposal: a large share of expected revenue came not from the taxation of equity transactions alone, but from the inclusion of bonds and, especially, derivatives.

The project immediately encountered strong opposition. Because taxation requires unanimity in the Council, the proposal could not be adopted at EU-wide level. Several Member States were reluctant or hostile, especially those concerned about the impact on financial centres, market liquidity or the relocation of trading activity. The United Kingdom, Sweden and the Netherlands were among the most vocal opponents in the political debate.

As unanimity proved impossible, the debate shifted towards enhanced cooperation. In 2012, eleven Member States requested authorisation to proceed together: Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. The Council authorised enhanced cooperation in January 2013, and the Commission tabled a revised proposal in February 2013 for these participating countries. Estonia later withdrew from the process, leaving ten participating Member States. The use of enhanced cooperation was politically significant, as it would have been the first case of such a procedure in the field of taxation.

Despite this narrower framework, negotiations never reached a conclusion. The participating Member States continued to disagree on the scope of the tax, the treatment of derivatives, the residence and issuance principles, the allocation of revenues and the possible effects on non-participating Member States. The proposal remained blocked in the Council for years. In 2023, the Commission stated that the prospects of reaching an agreement were limited and that there was little expectation of an agreement in the short term. In its 2026 work programme, the Commission indicated its intention to withdraw the proposal.

The lesson for the present proposal is not that an EU FTT is impossible, but that its design must avoid the main pitfalls of the 2011–2013 project. The proposal examined here is therefore much less ambitious than the earlier European project. It does not seek to tax all financial instruments, all markets and all financial actors. It does not include bonds, derivatives or foreign-exchange transactions at the adoption stage. Nor does it attempt to tax all gross intraday transactions. Instead, it focuses on equity transfers, following the logic of existing national schemes such as the British stamp duty and the French FTT.

This narrower design responds directly to several of the issues on which the earlier negotiations became blocked. It relies on a tested tax base, limits the administrative complexity associated with derivatives and other instruments, and reduces relocation risks by using the issuance principle rather than the location of trading venues or intermediaries. This does not mean that reluctant Member States, notably Sweden and the Netherlands, would necessarily support the proposal, since their opposition also reflects broader political concerns about new EU own resources. But it does mean that the debate would be framed differently: the key question would no longer be whether a comprehensive FTT is technically workable, but whether Member States are willing to allocate part of a narrow, tested and enforceable tax base to the EU budget.

4 Revenue potential at Member State level

The revenue estimates presented here follow an inference-based approach, rather than a purely hypothetical one (Capelle-Blancard and Persaud, 2025). The method is anchored in the observed revenue of the French FTT and then applied to equity trading volumes in other Member States. This is deliberately conservative: rather than assuming that the full statutory tax rate applies to all market transactions, it starts from what the French tax actually raises under the existing design, with its exemptions, its daily netting mechanism and the exclusion of intraday trading.

The reference year is 2024. In France, the FTT raised EUR 1,860 million, including EUR 528 million allocated to the Agence française de développement. According to ESMA⁶, the total value of equity transactions in France in 2024 was EUR 3,502,800 million. The implicit tax ratio is therefore:

$$\frac{1,860}{3,502,800} = 0.0531\%.$$

This figure is much lower than the statutory rate of the French FTT, which was 0.3% in 2024 (0.4% since April 2025). It implies that the effectively taxed base represents only:

$$\frac{0.0531\%}{0.3\%} = 17.7\%$$

of total equity trading volumes. In other words, the implicit exemption or out-of-scope rate is approximately 82.3%. This reflects the narrowness of the current French design: the tax applies to transfers of ownership recorded at the end of the day, not to all intraday transactions. Paradoxically, the most short-term transactions are therefore largely left outside the tax base.

The same implicit tax ratio is then applied to the equity trading volume of each Member State.⁷ The estimate at a 0.3% statutory rate is given by:

$$R_i^{0.3} = T_i \times \frac{1,860}{3,502,800},$$

where T_i is the total equity trading volume in Member State i . The estimate at a 0.5% rate is obtained by assuming a proportional increase in revenue:

$$R_i^{0.5} = R_i^{0.3} \times \frac{0.5}{0.3}.$$

Table 5.2 reports the revenues estimated using this approach for each EU Member State.⁸

Overall, an EU-wide equity transfer tax at a 0.5% rate would raise approximately EUR 8.3 billion per year before any additional behavioural adjustment. If a 20% reduction in trading volumes were applied, in line with the conservative assumption used in previous work, the estimate would fall to around EUR 6.7 billion per year. The plausible order of magnitude is therefore approximately EUR 6.5–8.3 billion per year.

This should be interpreted as an estimate for a narrow tax on equity transfers, not as an estimate for a broader FTT including bonds, derivatives or intraday transactions.⁹

⁶ESMA statistics on securities and markets, ESMA11-239717167-20877.

⁷For some Member States, including Luxembourg, ESMA reports no equity trading volume in the dataset used for this exercise. These entries are therefore kept at zero for consistency with the ESMA data. This should not be interpreted as meaning that these countries have no financial-market activity. Rather, their recorded equity trading volumes are either absent from the ESMA table or extremely small in alternative sources. For Luxembourg, for example, World Bank and WFE-based figures are only around EUR 36–37 million in 2024, which would imply a negligible revenue estimate under the methodology used here.

⁸The Member State allocation is based on observed equity trading volumes reported in the ESMA dataset, rather than on the headquarters of the issuing firms. It should therefore be read as an operational approximation, not as a precise legal allocation under the issuance principle. Existing national FTTs are not deducted from these gross estimates. The figures therefore measure gross revenue potential, not the net additional resources that would accrue to the EU budget after coordination with existing national schemes.

⁹These illustrative figures differ from previous estimates of FTT revenues (Capelle-Blancard and Persaud, 2025) for methodological reasons. In earlier work, transaction volumes were based on a combination of World Bank and Refinitiv data for 2022, and revenues were estimated by assuming that 15% of total turnover would remain taxable after exemptions and that trading volumes would fall by 20% after the introduction of the tax. At a 0.5% statutory rate, this amounts to applying an effective

The distribution of revenues would be highly concentrated. France alone would account for about 37% of total EU revenue, followed by the Netherlands with 23.5% and Germany with 19.1%. Together, these three countries would generate almost 80% of the total. Including Italy brings the share to around 86%. This concentration reflects the geography of equity trading within the EU rather than any specific assumption about tax capacity or political preferences.¹⁰

This concentration is politically important, but it should be interpreted with caution. The estimates above allocate potential revenues according to recorded equity trading volumes, not according to the Member State of incorporation of the issuer or the residence of the final investor. They therefore identify where trading activity is recorded, not which Member State would economically bear the tax under an issuance-based EU design. This distinction is especially important for countries such as the Netherlands, where recorded equity trading volumes are large. The proposal should not be presented as a national levy on the Member State hosting the trading platform, but as an EU own resource levied on transfers of EU-issued shares, with the legal basis attached to the security rather than to the trading venue.

The political design should therefore avoid treating the distribution of recorded trading volumes as a distribution of national contributions. A more robust presentation would distinguish three issues: the place where transactions are recorded, the securities that fall within the legal scope of the tax, and the final allocation of revenues to the EU budget. For Member States with large trading platforms but no existing FTT, the central point is that the tax would not be a charge on the national budget, but a levy on financial-market transactions involving EU-issued shares. The treatment of existing national FTT revenues is a separate political-design issue, discussed above, and should not be inferred from the distribution of recorded trading volumes.

revenue ratio of approximately 0.06% to total trading volumes. The Member State estimates reported here use ESMA trading volumes instead, and apply the implicit French revenue ratio observed in 2024, scaled from the French statutory rate to a 0.5% rate. The difference between the two sets of results therefore reflects both the use of a different data source for trading volumes and a different effective tax ratio. These figures should be read as illustrative orders of magnitude rather than as directly comparable estimates.

¹⁰As an illustrative international benchmark, applying the same implicit revenue ratio to WFE equity trading volumes gives much larger orders of magnitude for major non-EU markets: approximately EUR 116 billion for the United States, EUR 6.9 billion for Japan, EUR 28.6 billion for China, and EUR 178 billion at the world level. These figures should be interpreted with great caution. They are not directly comparable with the ESMA-based Member State estimates and are provided only as indicative orders of magnitude. For the EU, WFE data are not used for revenue estimation because they produce a much lower aggregate than ESMA and do not provide a satisfactory allocation of trading activity across Member States.

Table 5.2: Estimated revenues by EU Member State

Member State	Code	Equity trading volume	Estimated revenue
		EUR million	EUR million, 0.5% rate
Austria	AT	29,800	26.4
Belgium	BE	69,000	61.1
Bulgaria	BG	200	0.2
Cyprus	CY	900	0.8
Czechia	CZ	4,300	3.8
Germany	DE	1,802,500	1,595.2
Denmark	DK	128,600	113.8
Estonia	EE	100	0.1
Spain	ES	271,900	240.6
Finland	FI	91,900	81.3
France	FR	3,502,800	3,100.0
Greece	GR	25,700	22.7
Croatia	HR	300	0.3
Hungary	HU	6,700	5.9
Ireland	IE	272,800	241.4
Italy	IT	615,200	544.5
Lithuania	LT	100	0.1
Luxembourg	LU	0	0.0
Latvia	LV	0	0.0
Malta	MT	0	0.0
Netherlands	NL	2,215,800	1,961.0
Poland	PL	71,200	63.0
Portugal	PT	28,100	24.9
Romania	RO	2,200	1.9
Sweden	SE	277,000	245.1
Slovenia	SI	500	0.4
Slovakia	SK	0	0.0
European Union	EU27	9,417,600	8,334.6

5 Responses to common objections

The debate on FTTs is marked by a recurring set of objections. Many of them are serious and should not be dismissed. However, they often refer to very broad FTT schemes, whereas the proposal considered here is narrower: a tax on equity ownership transfers, based on the issuance principle, at a moderate rate. This distinction is crucial. The question is not whether any possible FTT would be desirable, but whether this specific design can provide a robust and workable own resource.

1. The FTT would reduce market liquidity.

This objection is partly correct but often overstated. An FTT increases the cost of trading and is therefore expected to reduce trading volumes ([International Monetary Fund, 2010](#)). The key point, however, is that trading volume and useful liquidity are not the same thing. A reduction in turnover does not necessarily imply that investors are unable to trade at reasonable cost, especially if the tax is low, applies only to equity ownership transfers, and preserves exemptions for genuine market-making activities.

The evidence on the French FTT is particularly useful in this respect. [Colliard and Hoffmann \(2017\)](#) show that the tax reduced trading activity and changed market composition, but they do not find evidence of a collapse in market quality. In particular, the French experience does not support the claim that a low-rate equity FTT necessarily destroys liquidity or increases volatility. The relevant lesson is therefore more nuanced than either side of the debate sometimes suggests: trading volumes may decline, but this does not automatically translate into a significant deterioration of useful liquidity.¹¹

The Swedish case points in the same direction, but for a different reason. It is often presented as evidence that FTTs are unworkable. In fact, it is mainly evidence that design matters. The Swedish tax was vulnerable because it was linked to domestic brokers and trading activity located in Sweden. Transactions could therefore be relocated abroad, notably through foreign intermediaries, without changing the underlying securities. This is precisely the weakness that an issuance-based design is meant to avoid. Under the proposal considered here, the tax would follow the security itself: a share issued by a company incorporated in a participating Member State would remain within the scope of the tax regardless of where the transaction is executed.

2. The FTT would increase volatility.

The theoretical effect of an FTT on volatility is ambiguous: it may reduce liquidity and thereby increase volatility, but it may also reduce very short-term noise trading and self-reinforcing speculation. The issue should therefore be assessed empirically.

The available evidence from recent European equity FTTs does not support the claim that low-rate transaction taxes mechanically increase volatility. Studies of the French FTT find no statistically significant increase in volatility after the introduction of the tax, despite a reduction in trading volumes ([Gomber et al., 2016](#); [Meyer et al., 2015](#); [Capelle-Blancard and Havrylchyk, 2016](#); [Colliard and Hoffmann, 2017](#)). This result is robust across several empirical analyses using different control groups, time windows and data frequencies. Similar evidence from Italy and Spain also does not point to a major deterioration in market quality following the introduction of equity FTTs ([Hvozdyk and Rustanov, 2016](#); [Cappelletti et al., 2017](#); [González-Fernández et al., 2024](#)).

The empirical conclusion is therefore cautious but important: a poorly designed FTT could in principle affect volatility, especially if it impaired liquidity. However, the experience of modern, low-rate equity FTTs suggests that this is not what happens under designs close to the one proposed here. The relevant risk is not volatility per se, but poor design; this is why the proposal remains limited to equity ownership transfers, uses a moderate rate, and preserves exemptions for genuine market-making activities.

3. The FTT would raise the cost of capital for firms.

This objection relies on an apparently straightforward chain of reasoning: a transaction tax is capitalised into equity prices; equity values fall; the cost of equity rises; and the firm's WACC increases. This

¹¹Moreover, the literature on individual investors shows that more frequent trading often reduces net performance ([De Bondt and Thaler, 1995](#); [Shleifer, 2000](#); [Odean, 1999](#); [Barber and Odean, 2000, 2001](#)).

channel should not be dismissed. But it depends on a key intermediate step: the tax must materially impair useful liquidity. If the tax reduces trading volumes without significantly affecting market quality or liquidity, the link between the transaction tax and the cost of capital becomes much weaker.

Moreover, the tax does not increase trading costs in the same way for all investors. It is most costly for short-horizon investors who trade frequently. For long-term investors, by contrast, the cost is amortised over the holding period and becomes small on an annual basis. This is one of the merits of the tax: it increases the relative cost of short-term turnover without significantly penalising long-term shareholding.

This point also connects with a broader literature on the hidden costs of excessive liquidity and investor short-termism. Theoretical work has long emphasised that very liquid markets may weaken shareholders' incentives to monitor firms, because dissatisfied investors can exit rather than exercise control (Coffee, 1991; Bhidé, 1993). Empirical studies similarly show that short investment horizons and high portfolio turnover can be associated with managerial myopia, lower long-term investment, reduced R&D, distorted investment decisions and stronger price pressures during market shocks (Bushee, 1998; Aghion et al., 2013; Derrien et al., 2013; Cella et al., 2013; Cremers et al., 2020; Garel and Petit-Romec, 2017). The relevant issue is therefore not simply whether the tax is capitalised into prices, but whether it changes the balance between short-term trading and long-term ownership in a way that harms or improves firms' financing conditions.

This is why the empirical evidence on liquidity is decisive. The theoretical link between liquidity and expected returns is well established (Amihud and Mendelson, 1986; Amihud, 2002). But the empirical relevance of this channel for a low-rate equity transfer tax is much less clear. Evidence on the French FTT shows that trading volumes declined, but the effects on market quality were limited and did not provide evidence of a large disruption to liquidity. If the liquidity channel is weak or breaks at this stage, there is little reason to expect a material effect on firms' cost of capital.

Direct evidence is also reassuring. Fraichot (2017) studies the effect of an FTT on corporate cost of capital and finds an insignificant impact in highly liquid equity option markets. More recently, Do (2025) studies the 2012 French FTT and finds a positive effect on corporate investment, especially where the tax induced a shift from short-term to longer-term ownership. This suggests that any increase in transaction costs may be offset by a reduction in short-termism, rather than mechanically raising firms' financing costs (Fraichot, 2017; Do, 2025).

4. The FTT would harm investment and competitiveness.

This objection assumes that the presence of a FTT makes a financial centre unattractive. Existing experience suggests otherwise. The United Kingdom has maintained a stamp duty on share transactions for centuries while remaining one of the world's leading financial centres. France, Italy and Spain have also introduced modern equity FTTs without undermining the functioning of their equity markets.

Competitiveness concerns should therefore be assessed in relation to the design of the tax. A badly designed tax can create distortions. A tax based on the issuance principle, applied at a moderate rate and limited to equity transfers, is much less likely to damage competitiveness than a tax based only on the location of intermediaries or trading venues.

5. The FTT would lead to relocation.

As the Swedish example illustrates, relocation is a serious risk when the tax is based on the location of the broker, the exchange or the intermediary. This is not the logic of the proposal considered here.

Under the issuance principle, the tax follows the security, not the marketplace. A share issued by a company in a participating Member State remains within the scope of the tax even if it is traded through a foreign intermediary or on an alternative platform. This substantially limits the scope for relocation, because moving the transaction does not remove the underlying security from the tax base.

6. The FTT would be easy to avoid.

Avoidance is possible for any tax, but the risk is much lower when the tax is attached to the transfer of legal ownership. The British stamp duty illustrates this logic: the tax is connected to the recognition and

settlement of ownership. The French system also shows that an equity transfer tax can be implemented in a modern, highly internationalised market.

The main remaining issue is substitution towards untaxed instruments or arrangements, including derivatives. This is a valid concern. However, the proposal examined here is deliberately conservative and focuses on the most robust part of the tax base: equity ownership transfers. Additional anti-avoidance rules could be considered if substitution became significant, but the existence of possible avoidance margins is not a reason to abandon the tax altogether.

7. The FTT would hit ordinary savers.

This objection is often politically powerful but economically incomplete. The direct payer may be the buyer of the share, but the economic incidence of the tax depends on trading behaviour, portfolio structure and market intermediation. Ordinary savers typically trade much less frequently than professional intermediaries or short-term investors. For buy-and-hold investors, the effective annual cost of a small transaction tax is not significant.

The French case suggests that a substantial share of the tax would also be collected from foreign investors. In 2024, non-residents held 50% of the capital of French-resident CAC 40 companies. Under the (plausible) assumption that trading shares are broadly proportional to ownership shares, roughly half of the revenue from an issuance-based tax on French shares would therefore be collected from non-resident investors. For an EU-wide tax, the share paid by non-EU investors would require a dedicated calculation, since intra-EU cross-border holdings would no longer count as external to the Union. The French evidence nevertheless shows that such taxes are not borne only by domestic households.

The redistributive profile of the tax is also important. Equity ownership is highly concentrated among wealthy households. In the euro area, the wealthiest 10% of households own about 82% of directly held listed equities; in France, the concentration is even higher, at close to 88%.¹² By contrast, direct share ownership is limited among the rest of the population. Even when the FTT is ultimately borne by households, it therefore falls disproportionately on wealthier investors and more frequent traders, rather than on ordinary savers. This makes the FTT more progressive than broad-based taxes on labour income or consumption.

8. The FTT would penalise market-making and useful liquidity provision.

This is a design issue rather than a decisive objection. The purpose of the tax is not to penalise genuine liquidity provision, but to tax equity ownership transfers while preserving the market functions that are necessary for orderly trading. Existing FTTs already address this issue through clear exemptions. The French FTT, for example, exempts market-making activities carried out by investment firms or credit institutions, including when these activities are conducted abroad. It also exempts market-making activities carried out on behalf of the issuer in order to support the liquidity of its securities. These exemptions are explicitly designed to protect useful liquidity provision.

The key challenge is therefore to calibrate exemptions carefully. If they are too narrow, useful liquidity provision may be affected. If they are too broad, the tax base is unnecessarily eroded.

9. The FTT would be administratively complex to collect.

This is an important concern, but it is also one of the reasons for limiting the proposal to equity ownership transfers. As explained above, the tax can rely on existing settlement, reporting and securities-registration infrastructures, rather than on a wholly new administrative system. The UK stamp duty and the French FTT show that such taxes are technically feasible.¹³

That said, the quality of the collection mechanism matters. The French experience also shows that transparency, access to data and administrative control are important. A European own resource should therefore be designed with clear reporting obligations and strong cooperation between tax authorities, market supervisors and settlement infrastructures.

¹²<https://www.afg.asso.fr/app/uploads/2025/02/Etude-AFG-OEE-2025.pdf>

¹³The administrative challenge would be greater for possible extensions, especially to intraday transactions, derivatives, foreign exchange or crypto-assets. This is why these extensions are not included in the core proposal.

6 Review of existing surveys on public opinion

Public opinion is one of the relative strengths of the FTT proposal. The available evidence should nevertheless be interpreted with caution. The most detailed EU-wide survey is now somewhat dated, while the most recent survey evidence covers only a limited number of Member States. Taken together, however, the results point to a consistent pattern: financial transaction taxes tend to attract broad public support, especially when they are presented as a way to make the financial sector contribute to public goods, development, climate action or the costs of crises.

The main EU-wide reference remains the 2011 Eurobarometer survey commissioned by the European Parliament in the aftermath of the financial crisis.¹⁴ In that survey, 61% of Europeans supported the principle of a tax on financial transactions, while 26% were opposed and 13% expressed no opinion. Support was higher in euro area countries, at 63%, than in non-euro area countries, at 54%. The wording of the question explicitly stated that the tax would be very low and would apply to transactions between financial operators, not to the general public.

The same survey also provides useful information on the reasons behind public support. Among respondents in favour of the principle of the tax, the main motivation was to combat excessive speculation and help prevent future crises, followed by the idea that financial actors should contribute to the costs of the crisis. Reducing public deficits and financing innovative policies, including climate, environment and development aid, were also mentioned, but less frequently. This suggests that the public appeal of the FTT is linked not only to revenue-raising, but also to a broader perception of fairness in the taxation of the financial sector.

The objections expressed by opponents in the 2011 survey were also informative. Among those opposed to introducing the tax at EU level as a first step, the main concern was feasibility: some respondents believed that such a tax could only be introduced globally. Other concerns related to competitiveness, the risk that only European financial actors would contribute, and possible capital outflows from the EU. These objections closely mirror the arguments raised in the policy debate. They also reinforce the importance of explaining why the proposal considered here is narrower, issuance-based, and modelled on existing national systems.

More recent evidence is provided by a 2024 survey conducted by Focus 2030 and Stack Data Strategy in France, Germany and Italy, ahead of the European Parliament elections.¹⁵ The survey was carried out between 16 and 22 February 2024, with representative samples of around 1,500 respondents in each of the three countries. It found that 57% of respondents supported a European financial transaction tax, while 80% were either in favour or would not oppose such a tax if it were used to finance the fight against global poverty and climate change. Only 13% opposed the measure. Support, or non-opposition, was highest in France, at 82%, with only 9% opposed.

Available surveys suggest that the FTT is more popular than many other tax instruments, especially when framed as a modest levy on financial transactions rather than a tax on ordinary households. From a political communication perspective, the strongest framing is therefore not technical harmonisation, but fairness: a small contribution from financial-market activity to finance common European and global priorities.

7 Possible extensions

The proposal examined here is intentionally limited to equity ownership transfers. This narrow scope is useful for adoption, but it could later serve as a platform for two main extensions: first, the inclusion of intraday equity transactions; second, the extension of the tax base to other financial instruments, such as derivatives or crypto-assets.¹⁶

These extensions may also be relevant for the political treatment of existing national FTTs. Countries that already tax equity transfers could use them to broaden their own national base, or the EU could consider them at a later stage once the core equity-transfer tax has been established. This would preserve the simplicity of the initial own-resource proposal while recognising that, from an economic point of view, there are good

¹⁴European Parliament, *Eurobarometer 75.2: Europeans and the Crisis*, Analytical synthesis, June 2011.

¹⁵Focus 2030 and Stack Data Strategy, *Survey: citizen opinions in France, Italy and Germany on the role of the European Union in international development ahead of the elections*, March 2024.

¹⁶Another possible extension would be a green FTT, either through the allocation of revenues to climate and environmental objectives or through differentiated rates linked to issuers' environmental performance; see (Capelle-Blancard, 2027).

reasons not to leave intraday transactions and close equity-derivative substitutes permanently outside the tax base.

7.1 Extension to intraday equity transactions

The most natural extension would be to include intraday equity transactions. Under the French model, the tax applies to net acquisitions recorded at the end of the trading day. Transactions opened and closed within the same day are therefore outside the effective tax base, including many high-frequency and very short-term strategies. This is a major limitation: the tax applies to investors who hold shares at least until the end of the day, while many of the shortest-term transactions remain untaxed.

Including intraday transactions would broaden the base, increase revenues and improve the coherence of the tax. In the French case, the effectively taxed base represents only a small share of total equity trading volumes, precisely because the tax is collected on transfers of ownership rather than on all transactions. From an economic point of view, it is difficult to justify taxing longer-term investors while leaving the fastest and most speculative transactions outside the scope of the tax.

The main obstacle is operational rather than conceptual (Capelle-Blancard, 2024b). A tax on end-of-day ownership transfers can be collected through central securities depositories such as Euroclear. A tax on intraday transactions, by contrast, requires reliable information at the level of order execution and trading venues. This would imply a change in the collection architecture. One possible route would be to rely more directly on transaction-level reporting under MiFID II, which already provides regulators with detailed information on market transactions.

This extension should not be confused with the taxation of genuine liquidity provision. Market-making is an economic function, not a trading horizon. Some intraday transactions contribute to liquidity, but many others do not. Existing FTTs already include targeted exemptions for market-making activities, including in France. A blanket exclusion of all intraday trading is therefore not the right way to protect liquidity. It amounts to adding a broad and poorly targeted exemption on top of already existing protections. A well-designed EU FTT should preserve clear market-making exemptions, but should not exclude all intraday trading by default.

7.2 Extension to other financial instruments

A second extension would consist in broadening the tax base beyond equity transfers. The earlier European Commission proposal covered not only shares, but also bonds and derivatives. Such a broader base would raise larger revenues and reduce substitution towards untaxed instruments. It would also address a legitimate concern: if only equity transfers are taxed, investors may replicate some exposures through derivatives or other instruments that are economically close to the taxed transaction.

This extension is, however, more complex than the inclusion of intraday equity transactions. Derivatives raise difficult questions of valuation, netting, maturity, notional amounts and economic equivalence. A simple tax on the notional value of derivatives would not be appropriate for all contracts, while a tax on premia or market values may be harder to harmonise and enforce. Crypto-assets raise additional issues, including the identification of taxable events, the location of platforms and intermediaries, and the treatment of decentralised transactions.

For these reasons, the core proposal should remain focused on equity transfers. Once the legal and administrative framework is established, the EU could consider targeted extensions to instruments that are close substitutes for equity transactions, especially equity derivatives. Broader extensions to bonds, foreign exchange or crypto-assets should be treated as separate policy choices, requiring specific design and impact assessment. The priority is therefore sequential: first establish a robust equity transfer tax; then broaden the base where substitution risks, feasibility and revenue potential justify doing so.

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Sources and construction of Table 5.1

The table is based primarily on official tax-administration, budgetary and market-infrastructure sources. For each jurisdiction, the legal scope and rates were checked against the relevant tax authority, legislation, stock exchange or central securities depository documentation. Revenue figures are reported only when a reasonably identifiable official or quasi-official figure is available. They are converted into euros only to provide an order of magnitude and should not be interpreted as harmonised or directly comparable fiscal data.

The classification is deliberately conservative. A country is marked as covering equity when shares or comparable equity securities are part of the main effective tax base. Bonds and derivatives are reported separately because they raise different design and valuation issues. Formal or marginal components, such as high-frequency trading provisions or narrowly defined derivatives taxes, are not treated as equivalent to a broad-based tax on those instruments.

France: [Assemblée nationale, report on the French financial transaction tax](#), reporting a 2024 yield of EUR 1,860 million.

Italy: indicative figure around EUR 0.5 billion, based on recent Italian public reporting and budget discussions. This figure should be treated cautiously unless replaced by a fully comparable MEF revenue series.

Belgium: [OECD Revenue Statistics 2025](#), Belgium detailed country table, “Tax on stock exchange transactions”, EUR 429 million in 2023.

Ireland: [Revenue Commissioners, Annual Report 2025](#), “Stamp Duty on Shares”, EUR 540 million.

United Kingdom: [HMRC, Annual Stamp Tax Statistics 2024 to 2025](#), stamp taxes on shares and other liable securities, GBP 4,320 million.

Finland: Finnish Tax Administration, transfer tax guidance. The general rate for corporate stock and other securities is 1.5%, but purchases of listed shares on the stock exchange are usually exempt. Purchases of listed shares outside the stock exchange may remain taxable at 1.5%. <https://www.vero.fi/en/individuals/property/transfer-tax/corporate-stock/>

Switzerland: [Federal Tax Administration, 2025 activity report](#), securities transfer stamp tax (Umsatzabgabe), CHF 1.534 billion.

Hong Kong: [Hong Kong Inland Revenue Department / Government of Hong Kong](#), stamp duty collection from stock transactions, HKD 52 billion in 2024–25.

South Korea: [National Assembly Budget Office, 2024 National Tax Revenue Performance and Causes of Changes](#), securities transaction tax revenue, KRW 4.8 trillion.

China: [Report on China’s central and local budgets](#), securities transaction stamp duty revenue, RMB 127.588 billion in 2024.

Taiwan: [Ministry of Finance, Analysis of Tax Collection in 2024](#); securities transaction tax increased by NT\$90.7 billion, implying total revenue of around NT\$288 billion.

India: <https://incometaxindia.gov.in/> Government of India, Income Tax Department, direct tax collection release for FY2024–25 as of 17 December 2024, reporting Securities Transaction Tax collection of INR 40,114 crore.

United States: Securities and Exchange Commission, Section 31 transaction fee guidance and FY2026 fee-rate advisory. Section 31 fees are paid by national securities exchanges and national securities associations on covered sales, and are calibrated to produce fee collections equal to the SEC's regular appropriation. Certain listed put and call options issued by the Options Clearing Corporation are covered, with the fee computed on the option premium, whereas options on security indexes are excluded. The FY2026 rate is USD 20.60 per USD 1,000,000 of covered sales from 4 April 2026. <https://www.sec.gov/rules-regulations/fee-rate-advisories/section-31-transaction-fees-basic-information-firms> <https://www.sec.gov/rules-regulations/fee-rate-advisories/2026-2>