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BRUEGEL-IMF WORKSHOP
ON FINANCIAL SECTOR TAX

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TAXES ON BALANCE SHEETS
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FINANCIAL SECTOR TAX

- **Need for fiscal consolidation efforts in the context of the crisis**
- **Additional taxation on the financial sector considered as a panacea**
- **Bias of the debate:**
  - **Costs of bank taxes likely passed on to customers, employees and shareholders**
  - **Misconception of the VAT exemption applicable in the EU to financial services**
  - **Conflict with objective of ensuring financial stability**

TAX BASE

- **2 options: asset-based levy *vs* liability-based levy**

- **Asset-based levy**
  - **Risk-weighted approach**
  - **Starting point: Basel-based risk weighting measures**

- **Liability-based levy**
  - **Starting point: balance sheet liabilities as reflected in the individual financial statements**

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EXEMPTIONS

- **Asset-based levy**
  - **Significant exemptions would not be necessary, with the targeting of the tax base relying to a significant extent on the risk weighting process**

- **Liabilities-based levy**
  - **Broad tax base facilitates a greater degree of flexibility to exclude certain items and to target specific behaviours and market conditions**

ELIMINATION OF DOUBLE TAXATION

- Application of the authorised OECD approach for attribution of assets/liabilities to branches
- Adoption of a reverse exemption method in the host Member State
- No duplication with those taxes already introduced or being considered by Member States

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CONCLUDING REMARKS

- **Tax rate and bank tax *versus* bank levy: Bank taxes should be calibrated with any bank levy aimed at financing Resolution Funds and Deposit Guarantee Schemes**

- **Perimeter: A Level Playing Field between the banking sector and the non-banking sector should be maintained**

- **Geographical scope: A Level Playing Field between EU-banks and non-EU banks should be ensured to avoid unintended competitive consequences**