**Bank Levy Information**

*This version 23 October 2013*

**austria**

**1. Start Date**

* 1 January 2011
* The levy was introduced through legislation enacted in December 2010.

**2. Entities Subject to Levy**

* Credit institutions holding a licence under Banking Act (unconsolidated balance sheet)
* Credit institutions from the European Union or the European Economic Area that offer financial services via an Austrian permanent establishment (PE) (business attributable to the Austrian branch or PE)

**3. Tax Base**

Tax Base I

* Unconsolidated balance sheet total

*less*

* secured deposits
* subscribed capital and reserves
* liabilities that originate from fulfilling the liquidity provisions of the Austrian Banking Act, insofar as there are credit balances with and receivables against a central institution that trigger a tax liability
* certain liabilities of credit institutions that must submit a development or restructuring plan to the European Commission according to the legal provisions of the European Union on State aid, insofar as the credit institution is to be wound up and may no longer be expanded by new business
* liabilities in respect of which the federal government has assumed liability under the Export Finance Promotion Act (Ausfuhrfinanzierungsförderungsgesetz)
* liabilities based on trustee transactions in respect of which the credit institution carries only an administrative risk, insofar as such are included in the balance sheet total

Tax Base II

* the average transaction volume of all derivatives contained in the bank’s trading book, plus all options sold

**4. Tax Rate**

Tax Base I

* €0 - € 1bn = 0%
* € 1bn - € 20 bn = 0.055%
* € 20bn and over = 0.085%

Tax Base II

* 0.013% (based on nominal value)

--- For 2012-2017 there will be a surcharge of 25% of the total tax calculated.

**5. Tax deductibility**

* Yes

**6. Use of Revenue**

* Proceeds accrue to Treasury.
* Surcharge to contribute to special federal funds for the specific purpose of measures regarding the stability of the financial market.

**7. Policy objectives**

* Contribution towards the costs of the crisis.
* To promote financial market stability.

**8. Further notes**

* For 2011, 2012 and 2013, the levy will be assessed based on the average unconsolidated balance sheet total of the fiscal year that ended in 2010.
* As of 2014, the average unconsolidated balance sheet total of the respective previous year will be used to assess the tax.
* The tax base is calculated as the average of the relevant figures at the end of the first three calendar quarters and the relevant figures at end of the financial year.

**9. Sources**

* Stability Tax Act.
* Andreas Baumann and Martina Gatterer, “Far-Reaching Changes in Austria Stemming from the Budget Accompanying Act 2011” *European Taxation*, May 2012, pp. 201-203.
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.

**10. Coding of levy variables**

The levy was first payable in 2011 and the levies in 2011-2013 were made with reference to the 2010 balance sheet. Since the levy was enacted in December 2010 at a point when many banks had already drawn up their 2010 balance sheet and the remaining banks had very little time to raise equity or otherwise adjust the balance sheet, we consider the levy payments in 2011-2013 to be effectively predetermined with no scope for reduction of levy payments through behavioral responses. Hence, we code the levy variables zero for the entire sample period.

**belgium**

**1. Start date**

* 1 January 2012
* The levy was introduced through an Act of 28 December 2011 and a Royal Decree of 23 February 2012.

**2. Entities Subject to Levy**

* Credit institutions established in Belgium (with the exception of electronic money institutions)
* Includes foreign branches of domestic banks
* Does not include Belgian branches of foreign banks

**3. Tax Base**

* Total liabilities

*less*

* deposits subject to the guarantee scheme of the Belgian National Bank
* regulatory capital (“fonds propres réglementaires”)[[1]](#footnote-1)

**4. Tax Rate**

* 0.035%

**5. Tax deductibility**

* Yes

**6. Use of Revenue**

* The tax accrues into a Resolution Fund within the Belgian Caisse des Dépôts et Consignations.

**7. Policy Objectives**

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**8. Further notes**

* There are a number of other bank taxes in Belgium.
* The tax base is calculated as at 31 December of the preceding year.
* The levy is to be paid by 1 July at the latest.

**9. Sources**

* Law of 28 December 2011, Royal Decree of 23 February 2012.
* PWC, “New bank levies impacting the financial industry (Acts enacted on 28 December 2011) and additional amendments still to come (Draft Program-Law of 15 May 2012”.
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.
* EU Commission, “Technical Fiche: Tax Contribution of the Financial Sector”, 4 May 2012.

**10. Coding of levy variables**

The levy was first payable in 2012 on the basis of the balance sheet as of 31 December 2011. Since the levy was enacted on 28 December 2011, at a point when many banks had already drawn up their 2011 balance sheet and the remaining banks had very little time to raise equity or otherwise adjust the balance sheet, we consider the levy payments in 2012 to be essentially predetermined with no scope for reducing levy payments through adjustments to the 2011 balance sheet. We thus code the levy variables zero for 2011. The levy payments in 2013 are made on the basis of the balance sheet as of 31 December 2012 and so on. We thus code the levy dummy variable one in 2012 and forward. Since the levy applies a uniform rate, 0.035%, to a subset of liabilities, we code the marginal levy rate as 0.035 for all banks in 2012 and forward.

**cyprus**

**1. Start date**

* 1 January 2011
* The levy was introduced through legislation enacted on 14 April 2011.

**2. Entities Subject to Levy**

* Banks operating under the Banking Law (but not their foreign subsidiaries or branches)
* Cooperative societies operating under the Co-operative Societies Law
* Includes:
* subsidiaries of foreign banks from EU Member States / third countries
* branches of banks from EU Member States / third countries

**3. Tax Base**

* Total amount of deposits (of residents and non-residents)
* Does not include:
* interbank deposits between banks operating in Cyprus
* deposits from foreign financial institutions

**4. Tax Rate**

* 2011- 2012: 0.095%
* 2013 - onwards: 0.11%

**5. Tax deductibility**

* No (however it reduces the amount of profits subject to deemed dividend distribution).

**6. Use of Revenue**

* 2011-2012: 25/60 of proceeds accrue to a “Financial Stability Fund”, 35/60 to Treasury.
* 2013 onwards: Proceeds to accrue to the “Financial Stability Fund”.

**7. Policy Objectives**

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**8. Further notes**

* Fines may be imposed on banks which pass on levy to customers.
* A provision had been introduced to the effect that total tax will not exceed 20% of the total taxable profits of the financial institution, but this was repealed retrospectively.
* Tax base is taken as at 31 December of the previous year.
* The declaration of deposits has to be made by 31 March of each calendar year. The declaration may be revised by 31 December.
* The levy is collected in 4 installments (31 March, 30 June, 30 September and 31 December) – through self-assessment.
* The declaration and first payment for the year 2011 had to be made by 31 May 2011.

**7. Sources**

* Deloitte Cyprus Tax Services, ‘Tax News: Laws Voted in Parliament’, 2 January 2013.
* PwC, ‘Legislation for special levy on credit institutions’, April 2011.
* KPMG, ‘Introduction of Bank Levy into Cyprus Tax Law’, 15 April 2011.
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.

**8. Coding of levy variables**

The levy was first payable in 2011 on the basis of the 2010 balance sheet as of 31 December 2011. Since the levy was enacted on 14 April 2011, we consider the levy payments in 2011 to be predetermined with no scope for reducing levy payments through adjustments to the 2010 balance sheet. We thus code the levy variables zero for 2010. The levy payments in 2012 are made on the basis of the balance sheet as of 31 December 2011 and so on. We thus code the levy dummy variable one in 2011 and forward. Since the levy applies a uniform rate, 0.095%, to a subset of liabilities, we code the marginal levy rate as 0.095 for all banks in 2011 and forward.

**France[[2]](#footnote-2)**

**1. Start Date**

* 1 January 2011

**2. Entities Subject to Levy**

* Broad definition including credit institutions and other financial entities
* French banks on a consolidated basis (including foreign subsidiaries and branches)
* French branches of foreign banks if regulated in France, except if the branch’s head office is in the EEU

**3. Tax Base**

* Minimum equity requirement.

**3. Tax Rate**

* January 2011 – December 2012: 0.25%
* January 2013 – onwards: 0.5%

**5. Tax deductibility**

* Yes

**6. Use of Revenue**

* Proceeds accrue to Treasury.

**7. Policy Objectives**

* /

**8. Further notes**

* Threshold of €500 m of minimal own funds requirement.
* The tax was due for the first time on 30 April 2011 based on the 2010 balance sheet.
* The levy is charged on the balance sheet of the previous fiscal year.

**9. Sources**

* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.

**10. Coding of levy variables**

Since the French levy does not have a clear effect on the incentives underlying bank choices, French banks are generally not included in the sample.

**GERMANY**

**1. Start Date**

* 1 January 2011
* The levy was introduced through the Restructuring Act of December 2010 and the Restructuring Fund Ordinance of July 2011.

**2. Entities Subject to Levy**

* Credit institutions within the meaning of the German Banking Act which hold a German banking license and are subject to the German regulation on credit institution accounting
* German branches:
  + of EEA banks are not subject to levy
  + of non-EEA banks are likely to be subject to the levy as they will require a German banking license
* German subsidiaries of foreign banks likely to be subject to the levy because they require a German banking license
* Foreign branches of German banks are subject to the levy
* Foreign subsidiaries of German banks are not subject to the levy
* Tax base is determined on an entity not a group level. Only the entity holding a German banking licence is subject to the bank levy.

**3. Tax Base**

Tax Base I

* Total liabilities

*less*

* liabilities to customers (Except for liabilities to legal entities that are affiliates of the credit institution and need to be included in the consolidated financial statements)
* profit participation right capital (Except for profit participation right capital with a maturity of less than two years)

* funds for general banking risks
* equity (core Tier 1 capital)

Tax Base II.

* All off-balance sheet derivatives (taxed on their nominal value)

**4. Tax Rate**

Tax Base I

* ≤ €300mn = 0%
* €300mn - € 10 bn = 0.02%
* € 10 bn - € 100 bn = 0.03%
* € 100 bn - € 200 bn = 0.04%
* € 200 bn - € 300 bn = 0.05%
* > €300 bn = 0.06%

Tax Base II

* 0.0003%

**5. Tax deductibility**

* No

**6. Use of Revenue**

* Proceeds accrue to a bank resolution fund.

**7. Policy Objectives**

* The funds collected from banks serve to finance the Restructuring Fund.
* The bank levy may be understood as the price for the implied public-sector guarantee of a stable financing system.
* At the same time, it helps curb banks’ excessive risk appetite.

**8. Further notes**

* There is a cap of 20% of annual net income.
* There is a minimum charge of 5% (therefore this is payable even if the bank has losses).
* In 2011 the levy raised € 600 million and not the predicted €1.3 billion.[[3]](#footnote-3)
* The Target funding for the fund is €70 bn.
* The tax is payable on 30 September of each year. First payment was made on 30 September 2011.
* The levy is determined on the basis of the approved annual statements for the last business year ending prior to March 1 of the relevant contribution year.

**9. Sources**

* Restructuring Fund Law.
* German Restructuring Fund Ordinance.
* Federal Ministry of Finance, **“**Cabinet adopts Restructuring Fund Ordinance”, 21 July 2011.
* Federal Agency for Financial Market Stabilisation, “Bank Levy”.
* Sullivan & Cromwell, “Bank Levies in the UK, France and Germany”, May 2011.
* Christian Kastrop, “Bank Taxes and a Financial Transaction Tax”, Presentation at Bruegel – IMF Fiscal Affairs Department Workshop, 18 September 2012
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.

**10. Coding of levy variables**

Since the levy was enacted in December 2010, we consider that there was no scope for reducing levy payments through adjustments to the 2010 balance sheet. We thus code the levy variables zero for 2010. The 2011 balance sheets affect the 2011 or 2012 levies depending on the end of the financial year. We thus code the levy dummy variable one in 2011 and forward. In order to code the marginal levy rate, we need to estimate the levy base. This is estimated as:

*total assets – customer deposits – equity*

where *equity* is a measure of regulatory capital and *customer deposits* are a measure of deposits subject to a guarantee scheme. Using this estimated base, we code the marginal levy rate according to the rate structure indicated above.

**hungary[[4]](#footnote-4)**

**1. Start Date**

* 27 September 2010

**2. Entities Subject to Levy**

* Levy applies to credit institutions and other financial entities
* Hungarian banks and (most likely) their foreign branches
* Hungarian branches of foreign banks

**3. Tax Base**

* Adjusted balance sheet total (for 2013 this was still based on the balance sheet as at 2009)
* The following are excluded from the tax base:
  + Debt receivables arising from interbank loans, securities and shares issued by other credit institutions, financial enterprises or investment companies
  + Loans, subordinated loans and supplementary subordinated loans granted to financial enterprises and investment companies (including reverse placement transactions, repurchase agreements and delivery repurchase agreements concluded with such institutions)

**3. Tax Rate**

* ≥ HUF 50 bn = 0.15%
* > HUF 50 bn = 0.53%

**5. Tax deductibility**

* No.

**6. Use of Revenue**

* Proceeds accrue to Treasury.

**7. Policy Objectives**

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**8. Further notes**

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**9. Sources**

* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.

**10. Coding of levy variables**

Since the Hungarian levy does not have a clear effect on the incentives underlying bank choices, Hungarian banks are generally not included in the sample.

**latvia**

**1. Start Date**

* 1 January 2011
* The levy was introduced by the Financial Stability Fee Law of December 2010.

**2. Entities Subject to Levy**

* Credit Institutions registered in Latvia (excluding electronic money institutions)
* Foreign branches of Latvian credit institutions
* Latvian branches and subsidiaries of foreign credit institutions

**3. Tax Base**

* Total liabilities at the end of the tax period

*less*

* deposits included in the deposit guarantee scheme of the Republic of Latvia or another Member State
* mortgage debentures issued by the fee payer
* underlying obligations included in the calculation of own capital as the subordinated capital in accordance with the regulations of the Financial and Capital Market Commission

**4. Tax Rate**

* 2011: 0.036%
* 2012 - onwards: 0.072%

**5. Tax deductibility**

**/**

**6. Use of Revenue**

**/**

**7. Policy Objectives**

* To strengthen the whole financial system in order, if necessary, to finance measures which would decrease the negative impact of the credit institutions having entered into financial difficulties on the other participants of the financial market.
* To partially compensate for the State budget financing diverted in order to stabilise the situation in the financial sector from which the banking sector as a whole gained a direct or indirect benefit.

**8. Further notes**

* Payment of the fee shall be divided for quarters in the tax period, paying one fourth of the calculated payment each quarter.
* The fee payer shall calculate the quarterly fee payments of the tax period on the basis of the data of the financial accounts included in the annual account of the previous tax period, … dividing the calculated payment amount proportionally into quarters. A tax period is equivalent to a calendar year.

**9. Sources**

* Financial Stability Fee Law, December 2010.
* ‘Latvia in review’, Issue 51, December 20 – 27, 2011.
* Official press release: “Saeima adopts the state budget for 2012 in the final reading” (16.12.2011.)[[5]](#footnote-5)
* EU Commission, “Tax Reforms in EU Member States – 2012 Report”, Taxation Papers, Working Paper N. 34 – 2012.

**10. Coding of levy variables**

The levy due is computed on the basis of the balance sheet as of the end of the tax year. The levy was enacted in December 2010 and came into force on 1 January 2011. We thus code the levy dummy variable one in 2011 and forward. Since the levy applies a uniform rate to a subset of liabilities, we code the marginal levy rate as 0.036 for all banks in 2011 and 0.072 in 2012.

**NETHERLANDS**

**1. Start Date**

* 1 October 2012
* The levy was introduced through legislation enacted in July 2012.

**2. Entities Subject to Levy**

* Dutch resident credit institutions with a license granted by the Dutch Central Bank to conduct banking activities in the Netherlands
* EU/EEA resident credit instituions that operate in the Netherlands through a Dutch brunch and that hold a European passport
* Foreign resident entities that operate as banks in the Netherlands through a Dutch branch and that been granted a banking license by the Dutch Central Bank
* Foreign subsidiaries and branches of Dutch credit institutions

**3. Tax Base**

* Consolidated balance sheet total

*less*

* regulatory capital (Tier I and II)
* deposits covered by Deposit Guarantee Scheme
* liabilities relating to the bank’s insurance activities

**4. Tax Rate**

* Long-term (more than one year) non-secured liabilities: 0.022%
* Short-term (less than one year) non-secured liabilities: 0.044%
* Rates multiplied by 1.1 if the variable element of the remuneration of a board member exceeds 100% of his fixed annual remuneration.

**5. Tax deductibility**

* No

**6. Use of Revenue**

* Proceeds accrue to Treasury.

**7. Policy Objectives**

* To partly finance the reduction in the property transfer tax.
* Compensation for state support during the crisis.
* To limit risks relating to the banking institutions.

**8. Further notes**

* Tax allowance of €20 billion (“efficiency exemption”).

**9. Sources**

* KPMG Meijburg & Co., “Dutch Bank Tax”, August 2012.
* Peter Kavelaars, “Netherlands Bank Tax Introduced”, *European Taxation,* August 2012.
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.

**10. Coding of levy variables**

The levy was enacted in June 2012. We thus code the levy dummy variable one in 2012 and forward. In order to code the marginal levy rate, we need to estimate two levy bases. The first base, to which the full rate applies, is estimated as:

*total assets – customer deposits – equity – long term funding*

where *equity* proxies for regulatory capital; *customer deposits* proxy for deposits subject to a guarantee scheme; For banks for which this base exceeds the basic deduction of €20 billion, we code the marginal levy rate as 0.044 in 2012. For banks for which this base is smaller than the basic deduction of €20 billion , we compute the second base:

*total assets – customer deposits – equity*

For banks for which this larger base exceeds the basic deduction of €20 billion but the first smaller base falls below it, we code the marginal levy rate as 0.022 in 2012.

**Portugal**

**1. Start Date**

* 1 January 2011
* The levy was introduced through Law n.º 55-A/2010 enacted on 31 December 2010 (and amended by Law n.º 64/b, 2011 and Law n.º 66-B/2012) and Order no. 121/2011 enacted on 31 March 2011.

**2. Entities Subject to Levy**

* Credit institutions headquartered in Portugal
* Portuguese subsidiaries of foreign credit institutions
* Portuguese branches of non-EU credit institutions
* Foreign branches of Portuguese credit institutions

**3. Tax Base**

Tax Base (i)

* Liabilities (entries in the balance sheet representing debt to third parties regardless of their form or nature)

*less*

* items accounted for as equity
* liabilities for defined benefit retirement plans
* deposits covered by the Deposits Guarantee Fund
* provisions for liabilities
* liabilities concerning the revaluation of financial derivatives
* deferred income
* liabilities for securitized assets which are not derecognised

Tax Base (ii)

* Notional value of off-balance sheet financial derivatives, excluding hedging derivatives and back-to-back derivatives

**4. Tax Rate**

* Tax Base (i): 0.05%
* Tax Base (ii): 0.00015%

**5. Tax deductibility**

* No

**6. Use of Revenue**

* Proceeds accrue to Treasury.

**7. Policy Objectives**

* Raise revenue from the financial sector.
* Mitigate systemic risks.

**8. Further notes**

* The taxable base is calculated by reference to the average of the closing balance of each month, as found in the annual accounts for the year for which the tax is due.
* The bank must send a declaration by 30 June, and the tax is payable on that date.

**9. Sources**

* Law n.º 55-A/2010 (31/12/2010) - Budget Law 2011(Introduced the levy).
* Law n.º 64/b, 2011 - Budget Law 2012 (Amended the levy).
* Law n.º 66-B/2012 – Budget Law 2013 (Amended the levy).
* Order no. 121/2011 (30/03/11).
* PwC, “*Flash fiscal / Tax flash:* Contribuição sobre o Sector Bancário/Bank Levy” 31 March 2011.
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.

**10. Coding of levy variables**

The levy was enacted in December 2010 and the first levy payment was computed with reference to the 2011 balance sheet. We thus code the levy dummy variable one in 2011 and forward. Since the levy applies a uniform rate to a subset of liabilities, we code the marginal levy rate as 0.05 for all banks.

**ROMANIA**

**1. Start Date**

* 2 June 2011

**2. Entities Subject to Levy**

* Credit institutions incorporated in Romania
* Foreign branches of credit institutions incorporated in Romania

**3. Tax Base**

* Total liabilities

*less*

* guaranteed deposits

**4. Tax Rate**

* 0.1%

**5. Tax deductibility**

* Yes

**6. Use of Revenue**

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**7. Policy objectives**

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**8. Further notes**

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**9. Sources**

* KPMG, “New draft legislation on the contribution to the Special Compensation Fund”, Tax Newsflash No. 251, August 2011.
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.

**10. Coding of levy variables**

The levy was enacted in June 2011 when an existing tax on bank assets was modified to grant a deduction for equity. The first levy payment was computed with reference to the 2011 balance sheet. We thus code the levy dummy variable one in 2011 and forward. Since the levy applies a uniform rate to a subset of liabilities, we code the marginal levy rate as 0.1 for all banks.

**slovakia**

**1. Start Date**

* 1 January 2012
* The levy was introduced by legislation enacted in October 2011.

**2. Entities Subject to Levy**

* Banks licensed by the National Bank of Slovakia
* Foreign branches of Slovakian banks
* Branches of foreign banks operating in Slovakia

**3. Tax Base**

* Total liabilities

*less*

* equity
* deposits received by the banks within the territory of the Slovak Republic and protected by the Act on Protection of Bank Deposits
* subordinated debt under a special regulation

**4. Tax Rate**

* 0.4%

**5. Tax deductibility**

* Yes

**6. Use of Revenue**

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**7. Policy Objectives**

* To make selected financial institutions participate in the costs of future financial crises in the banking sector.
* To limit systemic risks.
* To protect the stability of the banking sector.

**8. Further notes**

* The levy to be paid in four quarterly payments in the amount of one quarter of the 0.4% rate.
* To determine the basis for calculating the levy for the calendar quarter banks are to use data on the value of protected deposits as of the last day of the previous calendar quarter, and the data reported in:

a) the annual financial statements as at 31 December of the previous calendar year, if it is a basis for calculating the levy for the first calendar quarter

b) interim financial statements as of the last day of the preceding calendar quarter, if it is a basis for calculating the levy for second to fourth calendar quarter

**9. Sources**

* Act on Bank Levy.
* Deloitte Slovakia, “Tax Alert: Special Levy on Selected Financial Institutions” (November 2011).
* Randall Jackson, “Bank Tax Adopted”, Tax Notes International, 31 October 2011.
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.

**10. Coding of levy variables**

The levy was enacted in October 2011. The first levy payment (for the first quarter of 2012) was computed with reference to the balance as of 31 December 2011; the second levy payment (for the second quarter of 2012) was computed with reference to the balance as of 31 March 2012 and so on. Since many banks had already drawn up their 2011 balance sheet at the time of enactment and the remaining banks had very little time to raise equity or otherwise adjust the balance sheet before the closing of their financial year, we consider that the 2011 balance sheet was unaffected by the levy. We thus code the levy dummy variable zero in 2011 and one in 2012 and forward. Since the levy applies a uniform rate to a subset of liabilities, we code the marginal levy rate as 0.4 for all banks from 2012 and forward.

**Slovenia[[6]](#footnote-6)**

**1. Start Date**

* 1 August 2011

**2. Entities Subject to Levy**

* Banks regulated in Slovenia (does not include foreign branches)
* Slovenian branches of foreign banks

**3. Tax Base**

* Total assets as shown in the statement of financial position of the bank calculated as an average value on the last day of each month in the calendar year.
* This tax is not paid by banks, where the balance of loans granted to non- financial institutions and sole entrepreneurs in the calendar year for which the tax should be paid, is higher than the balance of these loans during the previous calendar year, by at least 5% of total assets of the previous calendar year. Total assets are calculated as an average value on the last day of each month in the calendar year.
* This tax is also not paid by taxpayers, where the balance of loans granted to non- financial institutions and sole entrepreneurs, on the last day of the month when the Act of implementation of this tax shall come into force, is less than 20% of total assets.

**3. Tax Rate**

* 0.1%

**5. Tax deductibility**

* /

**6. Use of Revenue**

* Proceeds accrue to Treasury.

**7. Policy Objectives**

* /

**8. Further notes**

* Cap calculated as 0.167% of the balance of loans, given to non-financial institutions and sole entrepreneurs.

**9. Sources**

* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.

**10. Coding of levy variables**

Since the Slovenian levy does not have a clear effect on the incentives underlying bank choices, Slovenian banks are generally not included in the sample.

**SWEDEN**

**1. Start Date**

* 30 December 2009
* The levy was introduced through legislation enacted in October 2009

**2. Entities Subject to Levy**

* Regulated credit institutions (i.e. having their legal seat in Sweden)
* Foreign branches of Swedish Banks

**3. Tax Base**

* Liabilities and provisions – though not untaxed reserves[[7]](#footnote-7)

*less*

* corresponding liabilities to other fee-paying undertakings in the same group
* subordinated debt securities that may be included in the capital base under the Capital Adequacy and Large Exposures Act (2006:1371)
* the average amount of debt securities guaranteed by the Swedish National Debt Office according to specific rules

**4. Tax Rate**

* 2009-2010: 0.018%
* 2011- onwards: 0.036%

**5. Tax Deductibility**

**/**

**6. Use of Revenue**

* Proceeds accrue to a stability fund.

**7. Policy Objectives**

* Provides financing for public support measures in a financial crisis. Therefore financial firms would bear the cost of the management of future financial crisis themselves. That would create sustainable financing in the long term and strengthen government finances in advance of future crises.
* Making firms bear the costs of financial instability would also reduce the incentives for excessive risk taking.

**8. Further notes**

* The fund is targeted to reach 2.5% of GDP in 15 years.
* For the purposes of the levy the balance sheet is taken as at the end of the financial year.

**9. Sources**

* Government Bill 2009/10:30 - Stability fee.
* Ministry of Finance, “Preventing and managing financial crises”, 23 January 2013 (Translation of report summary).
* Fredrik Bystedt (Director-General Financial Markets and Institutions - Swedish Ministry of Finance), “Bank taxes – taxes on balance sheets experiences from Sweden”. Presentation at Bruegel – IMF Fiscal Affairs Department Workshop, 18 September 2012.
* KPMG, “Bank Levies: Comparison of certain jurisdictions”, Edition IX, June 2012.
* PWC, “(Proposed) bank levies – update”, May 2013.

**10. Coding of levy variables**

The levy was enacted in October 2009 and the first levy payment was computed with reference to the balance as of 31 December 2009. Since many banks had already drawn up their 2009 balance sheet at the time of enactment and the remaining banks had very little time to raise equity or otherwise adjust the balance sheet before the closing of their financial year, we consider that the 2009 balance sheet was unaffected by the levy. We thus code the levy dummy variable zero in 2009 and one in 2010 and forward. Since the levy applies a uniform rate to a subset of liabilities, we code the marginal levy rate as 0.4 for all banks from 2012 and forward.

**UNITED KINGDOM**

**1. Start Date**

* 1 January 2011
* The levy was introduced in the UK through the Finance Act 2011 which received Royal Assent on 19 July 2011 (the Chancellor of the Exchequer announced in the June 2010 Budget the introduction of a bank levy for periods of accounts ending on or after 1 January 2011).

**2. Entities Subject to Levy**

* the global consolidated balance sheets of UK banking groups and building societies
* the aggregated UK subsidiary and branch balance sheets of foreign banks and banking groups operating in the UK and their subsidiaries
* the balance sheets of UK banks and UK branches of foreign banks in non- banking groups

**3. Tax Base**

* Total chargeable equity and liabilities

*less*

* tier 1 capital
* deposits covered by depositor protection schemes
* high quality liquid assets
* repos secured against sovereign debt

**4. Tax Rate**

|  |  |  |
| --- | --- | --- |
| **Rate Period** | **Rate for chargeable equity and long term liabilities** | **Rate for short term chargeable liabilities** |
| 1 January 2011 - 28 February 2011 | 0.025% | 0.05% |
| 1 March 2011 - 30 April 2011 | 0.05% | 0.1% |
| 1 May 2011 - 31 December 2011 | 0.0375% | 0.075% |
| 1 January 2012 - 31 December 2012 | 0.044% | 0.088% |
| 1 January 2013 – 31 December 2013 | 0.065% | 0.130% |
| 1 January 2014 - | 0.071% | 0.142% |

**5. Tax Deductibility**

* No

**6. Use of Revenue**

* Proceeds accrue to Treasury.

**7. Policy Objectives**

* To encourage banks to move away from riskier funding.
* To ensure that banks make a contribution that reflects the potential risk to the UK financial system and wider economy from bank failures and consequent loss of consumer and investor confidence.

**8. Further notes**

* Any deposits not otherwise excluded (except for those from financial institutions and financial traders) are taxed at a half rate.
* Tax allowance of £20 billion.
* Extensive derivative netting rules.
* The levy is charged on the equity and liabilities as reported on the relevant balance sheets at the end of a period of account of the entity, or in the case of a group, the parent entity (i.e. the period for which it prepares financial statements – this is known as the “chargeable period”). If the chargeable period starts before 1 January 2011 the period is deemed to have started on 1 January 2011.
* The Government set the bank levy a revenue target of at least £2.5 billion per annum.
* A 2013 HM Treasury and HMRC consultation document explained that “receipts have been smaller than originally anticipated, and in both 2011 and 2012 have been below the £21⁄2 billion target. In response, the Government has made several increases to the rate of bank levy charged to ensure that the levy raises at least £21⁄2 billion each year.”

**9. Sources**

* Schedule 19 Finance Act 2011.
* HM Treasury, “Bank Levy: a consultation”, July 2010.
* HM Treasury and HMRC, “Bank Levy Review 2013”, 4 July 2013.
* HMRC, “Bank Levy Manual”

**10. Coding of levy variables**

The levy was announced in June 2010 and applies to annual accounts drawn up after 1 January 2011. We thus code the levy dummy variable one in 2011 and forward. In order to code the marginal levy rate, we need to estimate two levy bases. The first base, to which the full rate applies, is estimated as:

*total assets – customer deposits – equity – derivatives*

*– long term funding*

where *equity* proxies for tier 1 capital; *customer deposits* proxy for deposits subject to a guarantee scheme; *derivatives* is the minimum of derivatives on the asset side and the liability side of the balance sheet and proxies for deductions from the levy base due to netting. For banks for which this base exceeds the basic deduction of £20 billion, we code the marginal levy rate as 0.075 in 2011 and 0.088 in 2012. For banks for which this base is smaller than the basic deduction of £20 billion , we compute the second base:

*total assets – customer deposits – equity – derivatives*

For banks for which this larger base exceeds the basic deduction of £20 billion but the first smaller base falls below it, we code the marginal levy rate as 0.0375 in 2011 and 0.044 in 2012.

1. A note by PWC explains: “[a]lthough the text of the law refers to “regulatory capital”, the parliamentary preparatory works refer to corporate equity Belgian GAAP which is a different notion and which might create some confusion regarding the ‘equity’ to deduct from the computation basis.” PWC, “New bank levies impacting the financial industry (Acts enacted on 28 December 2011) and additional amendments still to come (Draft Program-Law of 15 May 2012)”. [↑](#footnote-ref-1)
2. The notes for the levies in France, Hungary and Slovenia are based entirely on the summaries provided by PwC and KPMG and cited below. [↑](#footnote-ref-2)
3. Christian Kastrop, “Bank Taxes and a Financial Transaction Tax”, Presentation at Bruegel – IMF Fiscal Affairs Department Workshop, 18 September 2012. This is available at

   http://www.bruegel.org/fileadmin/bruegel\_files/Events/Event\_materials/2012/120918\_Bruegel-IMF\_workshop/Presentations/Kastrop.pdf [↑](#footnote-ref-3)
4. The notes for the levies in France, Hungary and Slovenia are based entirely on the summaries provided by PwC and KPMG and cited below. [↑](#footnote-ref-4)
5. http://www.saeima.lv/en/about-saeima/work-of-the-saeima/speaker-2/mas-priekssedetajas-aktualitates-2/19162-saeima-adopts-the-state-budget-for-2012-in-the-final-reading [↑](#footnote-ref-5)
6. The notes for the levies in France, Hungary and Slovenia are based entirely on the summaries provided by PwC and KPMG and cited below. [↑](#footnote-ref-6)
7. “It was stated in the preparatory works for the Support Act that the fee basis should comprise the respective institution's balance sheet total, with a deduction for reported shareholders' equity, subordinated liabilities and that part of untaxed reserves that constitutes shareholders' equity (Government Bill 2008/09:61, p. 50). Another way of expressing the same thing is to say that the fee basis should constitute the company's liabilities and provisions (the company's obligations).” Government Bill 2009/10:30 - Stability fee, p. 17. [↑](#footnote-ref-7)