

Bankföreningens Skattekonferens 2016

Särskild beskattning av den finansiella sektorn - mål och mening



Svenska
Bankföreningen
Swedish Bankers' Association

Välkommen

Hans Lindberg
vd Svenska Bankföreningen



Svenska
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Swedish Bankers' Association

Utmaningar för svenska banker

- Digitalisering
- Globalisering
- Reglering



Två myter om banker

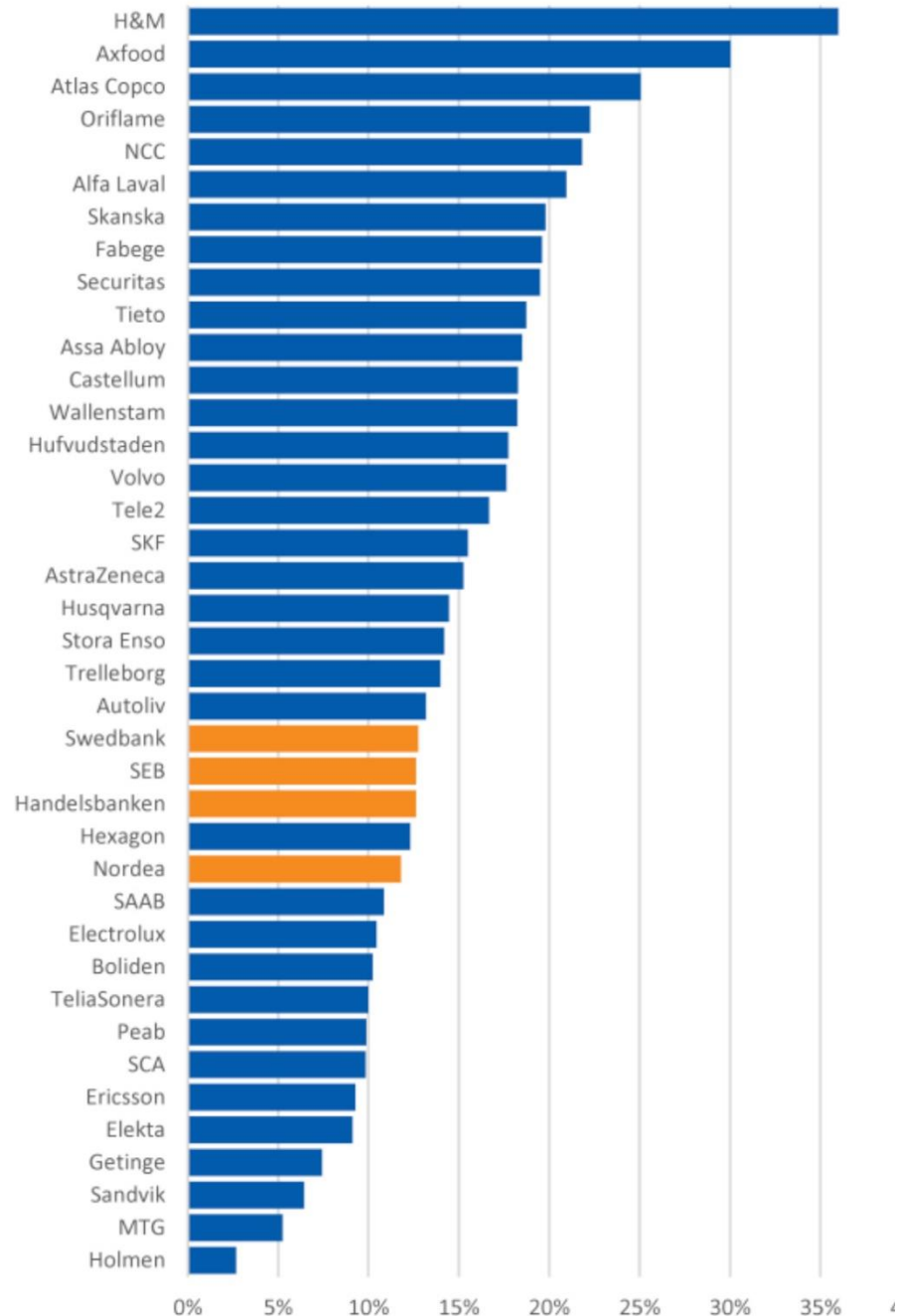
- *Bankerna gör övervinster.*
- *Bankerna har en implicit statsgaranti som innebär att skattebetalarna får betala om en bank får problem.*

Inga övervinster

Bankernas lönsamhet

Avkastning på eget kapital

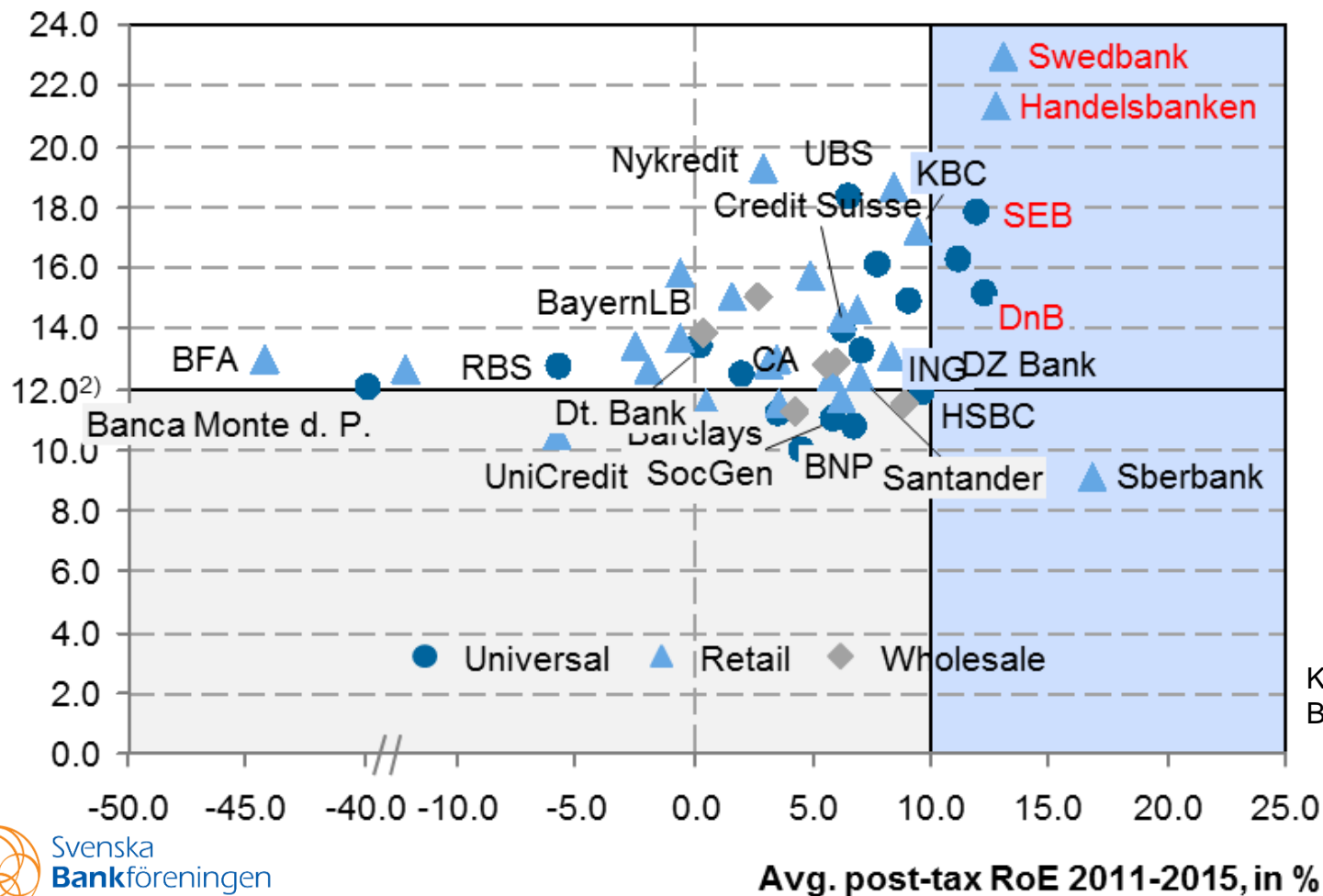
- 12,3 procent för bankerna
- 14,8 procent för övriga stora börsföretag



Svenska banker i EU-topp

Lönsamhet och kapitältäckning i stora europeiska banker

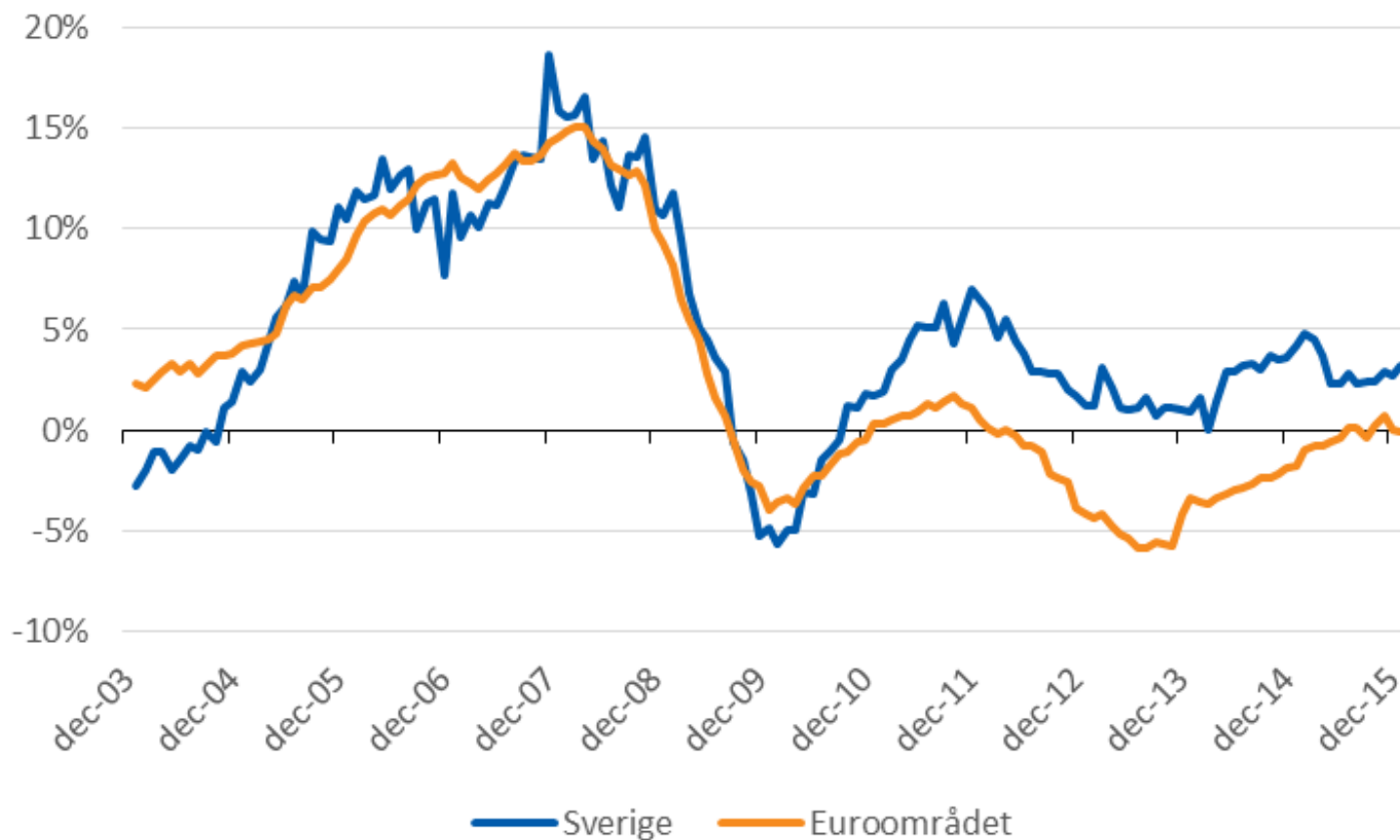
CET1 ratio 2015e, in %



Källa: ZEB European Banking Study

Svensk företagsutlåning starkare än i övriga EU

Utlåning till icke-finansiella företag, årstakt, procent



Kostnadseffektiv krishantering

	Utbetalningar	Inbetalningar	Summa	Diskonterat
90-talskrisen	104 mdr	146 mdr	+ 42 mdr	- 21 mdr
Finanskrisen	16 mdr	33 mdr	+ 17 mdr	+ 12 mdr

Bankernas skatter och avgifter

Finansskatt 1 - slopat ränteavdrag för efterställda skulder som ingår i kapitalbasen. Gäller från 2017?.	1,4 mdr
Finansskatt 2 – höjda sociala avgifter för banker och försäkringsbolag som kompensation för momsundantag. Gäller från 2018?	4-8 mdr ?
Stabilitetsavgift – upphör 2017	
Resolutionsavgift – full avgift (riskdifferentierad) från 2017	7 mdr
Insättningsgarantiavgift – riskdifferentierad avgift från 2017	1,5 mdr
TOTALT	13,9-17,9 mdr

Inte någon implicit statsgaranti

- Mer och bättre kapital samt större likviditetsbuffertar
- Nya krishanteringsregelverket:
 - Aktieägare och långivare ska bära förluster – ansvarar därmed själva för en betydligt större del av risken än tidigare
- Bankerna fonderar medel som kan användas av staten vid behov:
 - Insättningsgarantin - 1,3 miljarder/år – ca 30 miljarder
 - Resolutionsfonden - minst 3 procent av garanterade insättningar (ca 50 miljarder)
 - ca 6,5-7 miljarder/år
- Starkt svenskt regelverk

Staten har fått tillbaka kostnaderna för finanskrisen. Risken för en framtida bankkris är liten.

SKATTER OCH REGLERINGAR I KÖLVATTNET AV FINANSKRISEN

Peter Englund

Handelshögskolan i Stockholm

Swedish House of Finance



FINANSSEKTORN EFTER KRISEN

- En underbeskattad sektor?
 - ”A Fair and Substantial Contribution by the Financial Sector” (IMF Report for G20, 2010)
 - FAT, FTT....
 - ”Bankerna har fått oproportionerligt stora skattesänkningar” (Finansminister Magdalena Andersson, april 2016).
 - ”... skatt på finanssektorn, som minskar den skattefördel som sektorn kan antas få till följd av att omsättning av finansiella tjänster har undantagits från mervärdesskatt” (Utredningsdirektiv, maj 2015)
- Obligatoriska garantier och garantiavgifter
- Regleringar
 - Basel.....
- Summan av allt detta?

NÅGRA FRÅGOR

- Neutrala skatter?
 - Moms
 - Bolagsskatt
- Aktuariska avgifter?
 - Insättningsgaranti
 - Resolutionsavgift
- Hur hantera externaliteter och systemrisker?
 - Skatter eller regleringar?

MERVÄRDESKATTEN

- Finansiella tjänster undantagna.
- Inget i teorin (för optimal beskattning) säger att skatten ska vara lika för alla varor och tjänster, men....
- Effekter
 - Skatten övervältras sannolikt på konsument (om konkurrens....).
 - Tjänster som säljs direkt till slutkonsument är underbeskattade => Blir ”för billiga”. Kommer att ”överproduceras” .
 - Tjänster som säljs till momspliktigt företag är överbeskattade => Blir ”för dyra”. Kommer att ”underproduceras”.
 - Netto skattebortfall jämfört med enhetlig moms.
- Skatt som ”simulerar” en moms (FAT) kan minska den genomsnittliga snedvridningen, men inte göra något åt asymmetrin mellan tjänst till konsument och tjänst till momspliktigt företag.

BOLAGSSKATTEN

- Finanssektorn beskattas enligt samma principer som andra sektorer
 - Räkningar avdragsgilla, men inte kostnad för eget kapital
 - Stimulerar skuldfinansiering och därmed risktagande
 - Något man särskilt vill undvika i finanssektorn.
- Olika förslag att neutralisera detta.....
- Andra skatter och regleringar (kapitaltäckningskrav).

GARANTIAVGIFTER

- Insättningsgaranti
 - 0,1 % av garanterad insättning
 - Riskjustering omkring detta genomsnitt
- Resolutionsavgift (stabilitetsavgift)
 - 0,09 % av (skulder – kapitalbas – garanterad insättning)
 - Riskjustering omkring detta genomsnitt i förhållande till (komplicerad) riskindikator.
- Obligatoriska avgifter
 - Avgift = skatt?
 - Innebörden av fondering?

AKTUARISKA AVGIFTER?

- Aktuariskt riktiga avgifter skulle
 - Ta ”rätt” betalt för garantin
 - Avspegla sannolikheten att garantin faller ut
 - Ge incitament att begränsa risk.
- I praktiken
 - Genomsnittlig avgift riskoberoende
 - Individuella avgifter i förhållande till relativ risk.
 - Transparens?

EXTERNA EFFEKTER

- Fallissemangsexternalitet
 - Spridningseffekter i systemet om banker tillåts gå under
 - Sannolikheten beror på graden av risktagande
 - Spridningseffekten beror på systemlänkar, storlek....
- Resolutionsexternalitet
 - Effekter om staten förväntas gripa in
 - Sänker bankernas kapitalkostnader
 - Höjer statens lånekostnader.
- Storleken på dessa negativa externaliteter beror på en rad faktorer (t ex kapitaltäckning)
 - Baselregler.....

SKATTER ELLER KVANTITATIVA REGLERINGAR?

- Analogi med miljöpolitik
 - Hur hålla nere utsläppen på acceptabel nivå på ett kostnadseffektivt sätt?
 - Koldioxidskatt riskerar missa miljömålet
 - Förbud riskerar bli för dyrt
- Kapitaltäckningskrav eller skatt på överskuldsättning?
 - Skatt om kapitaltäckningskrav riskerar bli för dyrt. Osäkerhet om bankernas kostnader för att öka kapitaltäckningen?
 - Kapitaltäckningskrav om skatt riskerar missa stabilitetsmålet. Osäkerhet om kostnaden för ett instabilt system?
- Skatteintäkter
 - En skatt – höga garantiavgifter – bidrar också till att finansiera den offentliga sektorn och andra mer snedvridande skatter kan sänkas (double dividend).

EN BRA ARBETSFÖRDELNING?

- Neutrala skatter
- Aktuariska garantiavgifter
- Kvantitativa regleringar för att hantera systemrisker.



European Commission
Taxation and Customs Union



Pia MICHELSEN
European Commission

VAT and financial services

- Picking my brain ...



VAT Action Plan



- Two main pillars:
 - definitive regime of VAT – how to tax intra-EU supplies of goods
 - rates structure – with particular focus on reduced rates

- Other elements:
 - e-commerce – removing VAT obstacles
 - SMEs – looking to simplify

- Urgent measures:
 - improving cooperation
 - towards more efficient tax administration
 - improving voluntary compliance and tax collection

- No particular mention made of:
 - remaining actions listed in the 2011 Communication on the future of VAT

VAT Action Plan

Action Plan on VAT

Recent and ongoing policy initiatives

Removing VAT obstacles to e-commerce in the Single Market

+

SMEs VAT package

Urgent measures to tackle the VAT gap

Improving cooperation within the EU and with non-EU countries

Towards more efficient tax administrations

Improving voluntary compliance

Tax collection

Towards a robust single European VAT area

Definitive VAT regime for cross-border trade

Towards a modernised VAT rates policy

More freedom for Member States on rates policies

VAT and financial services

■ Status as it is

- Outdated EU law
 - Article 135 of the VAT Directive dating from 1977
- Changes to EU law expected?
 - [2007 proposals](#) not discussed since 2012 and about [to be withdrawn](#)
 - Need for update evident
 - Broadening tax base amongst objectives of the [2011 Communication on the future of VAT](#)
 - Time needed before any new review is to be expected
 - Not among actions singled out under the [VAT Action Plan](#)



VAT and financial services

■ What may the future bring?

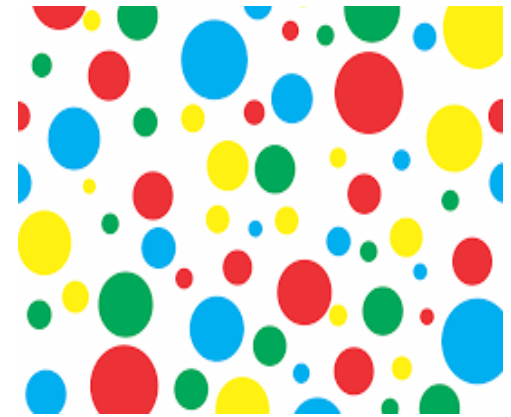
- Broadening of tax base
 - objective of the 2011 Communication still stands
 - overall direction therefore seems given
 - past experience however indicative of challenge
 - need for conditions to be ripe
 - prospect of renewed proposal not imminent



VAT and financial services

■ What else affecting the sector?

- VAT Grouping
- Cost-sharing arrangements
- Virtual currencies
- Crowdfunding
- Concept of fixed establishment



VAT and financial services

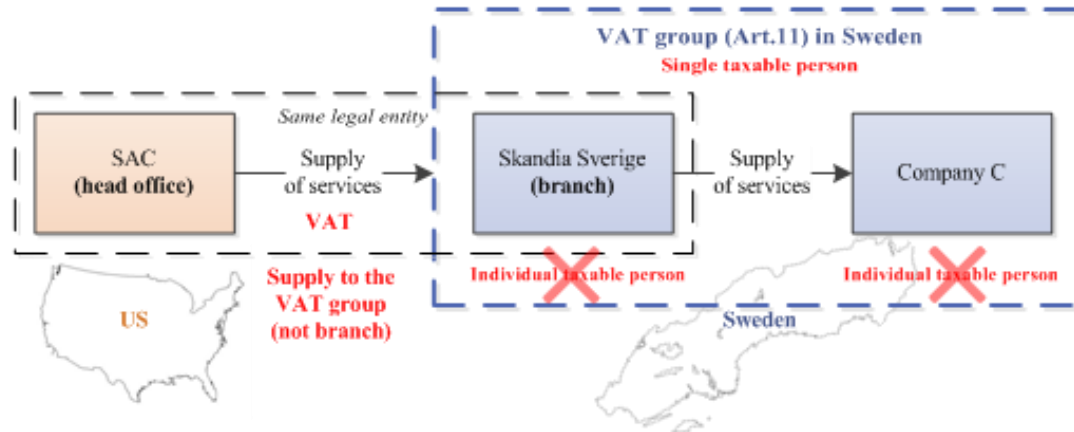
■ VAT Grouping and other cost-sharing

- No recent change to EU law
 - Article 11 of the VAT Directive remains unchanged
- Interpretation clarified
 - Ruling handed down by the CJEU in the [*Skandia America*](#) case



VAT and financial services

■ VAT Grouping and other cost-sharing



■ How to apply?

- Current application by Member States varies
- Discussed by the VAT Committee
- Heard business view (presented by the [VAT Expert Group](#))
- Commission view [first established in 2009](#)
- Final conclusion still pending – joint discussion planned for September (GFV/VEG)

VAT and financial services

■ VAT Grouping and other cost-sharing

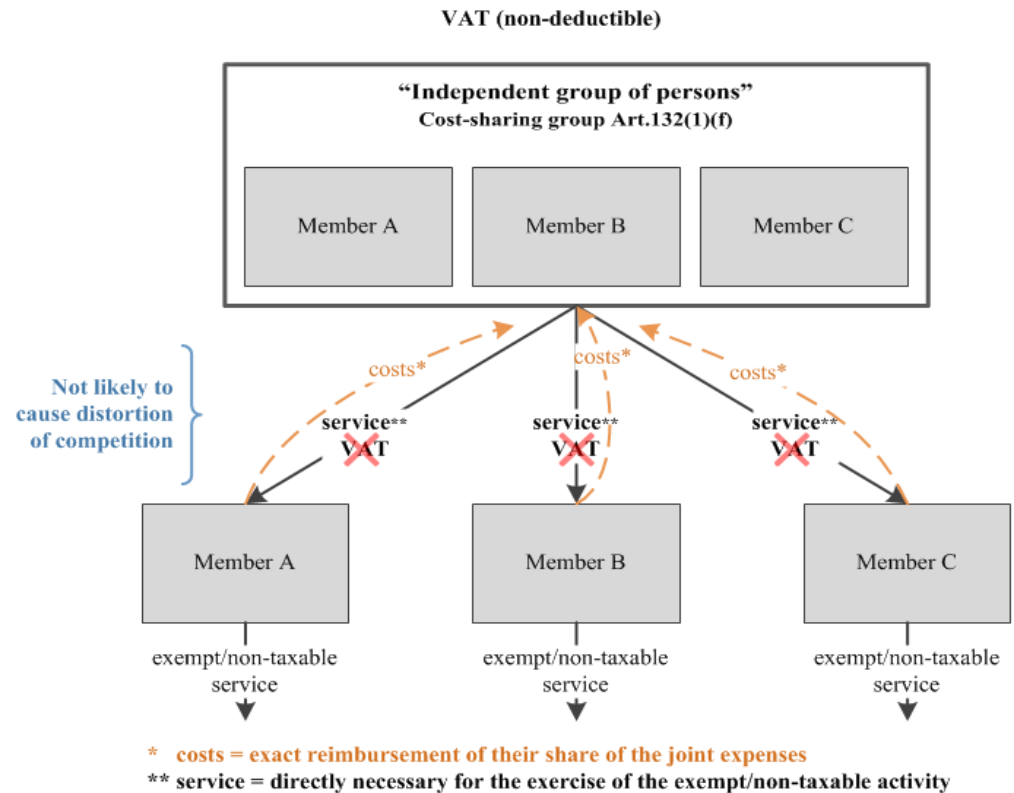
- No change to EU law
 - Article 132(1)(f) of the VAT Directive unchanged
- Interpretation to be clarified
 - Impending rulings by the CJEU ([Commission v Luxembourg](#), [DNB Banka](#) ...)



VAT and financial services

■ VAT Grouping and other cost-sharing

- How to apply?
 - Current application by Member States varies
 - Under discussion in the VAT Committee



VAT and financial services

■ VAT Grouping and other cost-sharing

- Could there be changes coming?
 - Apparent that uniform application is lacking
 - Perhaps not able to address all issues within current legal framework
 - Need to identify possible solutions
 - Bringing Member States and other stakeholders together



VAT and financial services

■ Virtual currencies

- How to fit in?
 - Discussed several times by the VAT Committee
 - Also examined by the VAT Expert Group
 - Overtaken by decision of CJEU in [Hedqvist](#)
 - Still need for further discussions

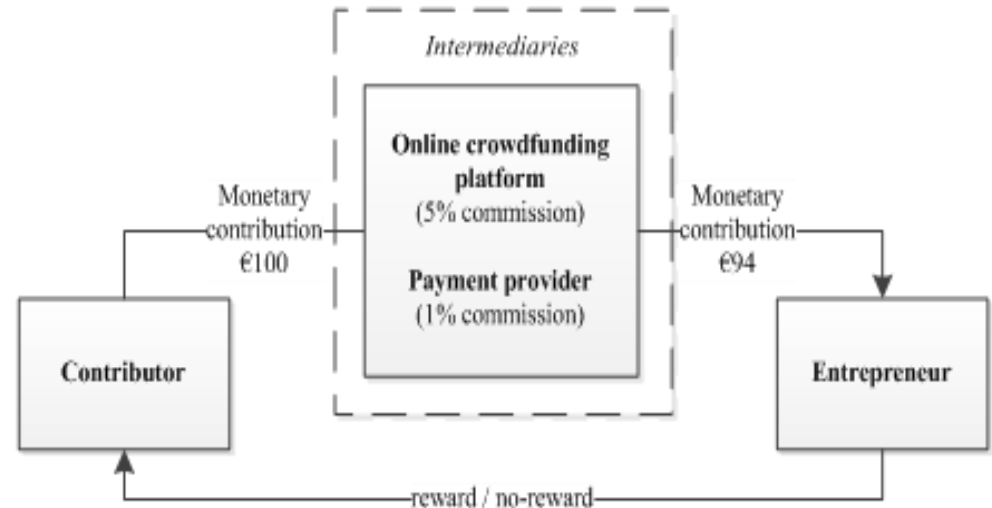


VAT and financial services

■ Crowdfunding

■ How relevant?

- Developing market as alternative to banking finance and venture capital
- Financial return models: crowd-investing and crowd-lending
- Discussed by the VAT Committee
- Guidelines agreed



VAT and financial services

■ Fixed establishment

- Recent changes to EU law
 - Included definition of active/passive fixed establishment in the VAT Implementing Regulation
 - Draws on existing CJEU case-law
- Interpretation clarified
 - Ruling handed down by the CJEU in the [Welmory](#) case
- Possible challenges?

VAT and financial services

■ Fixed establishment

- What is impact?
 - Not yet discussed by the VAT Committee
 - The VAT Expert Group currently examining this
 - Ultimately dependent upon factual circumstances
 - Launch of initiative to promote [cross-border dialogue](#) in case of double taxation disputes



VAT and financial services

- My brain unpicked ...



Paus



Svenska
Bankföreningen
Swedish Bankers' Association

BEDRE SKATT

Mva på finansielle tjenester i Norge ?



Meld. St. 4

(2015–2016)

Melding til Stortinget

Bedre skatt

En skattereform for omstilling og vekst



Forslagets utgangspunkt:

- Utgangspunkt:
 - Frittak for mva medfører overforbruk av finansielle tjenester
 - Bedrifter subsidierer privatkunder
- Forslag:
 - Mva på gebyrbelagte finansielle tjenester (Skadeforsikring primært)
 - Skatt på margininntekter

FINANSMOMS

Dagens Næringsliv
Torsdag 8. oktober 2015
UKE 41 | NR 233 - Avg. 126
Løssalg kr. 35
226 000 lesere hver dag

Statsbudsjettet: Ekspertenes dom
Tredemøllefeber
Snart har «alle» en tredemølle - men «ingen» har så fine og dyre som Olympiatoppen.
Side 32-37
Fire gode tredemølle-øker

Ny avgift vil ramme folk flest:
Bank og forsikring blir dyrere
Finansminister **Siv Jensen** vil innføre en ny avgift på en rekke bank- og forsikringstjenester. Side 2, 3, 8-27 og 50-52

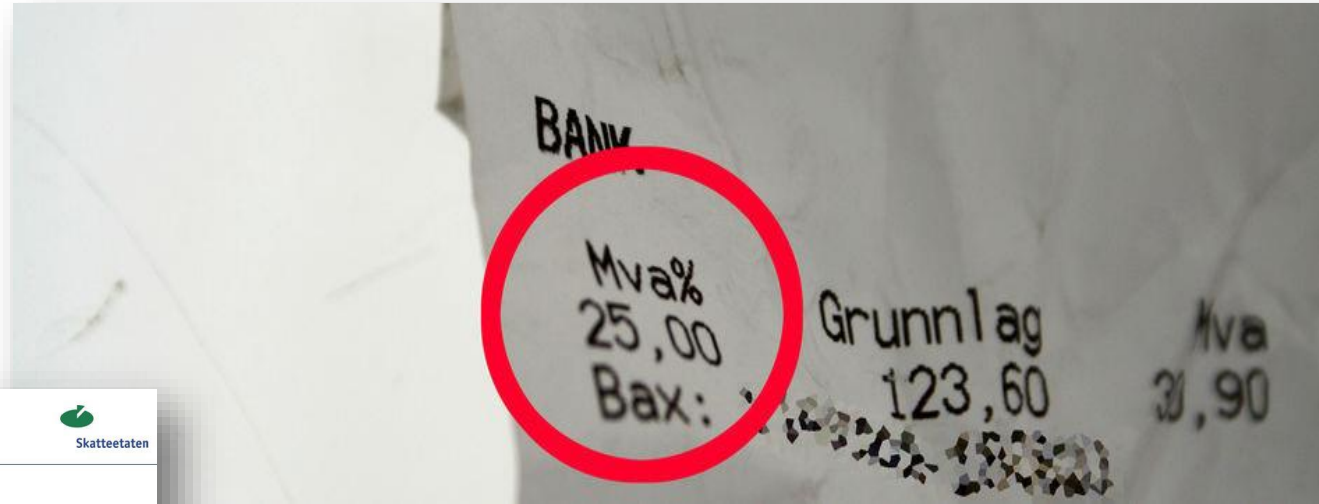
30.500 får mer i skatt
- Tragisk at det er den blåblå regjeringen som gjør det, sier eiendomsmegler Nils O. Nordvik.

Økokrim anker frifinnelse
Side 7

Nøkkeltall
1 dollar kr 8,21
-8 øre
Euro 9,22
-12 øre
Pund 12,57
-4 øre
100 SEK 99,54
1 øre
Oslo Børs 622,98 1,63%
Nordsjoolje 32,31 1,11 USD
Pengemarkedsrente 1,11
1 basispunkt

HØST-NYTT
SLETTVOLL
Se hostens mange nyheter og klassikere i ny utstilling.
Bergen Barum Drammen Førde Gjøvik
Kristiansand Kristiansund Lillehammer
Slanger Tromsø Trondheim

MVA betales av forbruker



Generelt om merverdiavgift



- Hva er Merverdiavgift (MVA) ?
 - indirekte skatt på forbruk – en avgift til staten på omsetning, uttak og innførsel av varer og tjenester som beregnes i hvert omsetningsledd
- Selvdeklarasjon
 - avgiftspliktige krever inn MVA på vegne av staten
 - avgiftspliktige oppgir MVA på omsetningsoppgave til skattemyndighetene

Det er ikke en skatt på næringens aktører. Provenyet på 3,5 milliarder forutsettes belastet forbrukerne

Finanstjenester er uegnet for MVA

Kompleksitet som gir store innkrevningskostnader



Utredet en rekke ganger før



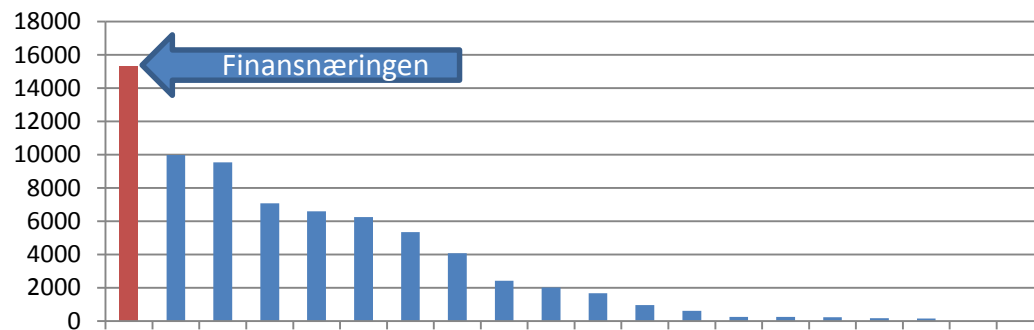
Ikke i tråd med internasjonal utvikling



Konsekvensene og konkurranseeffekter er ikke utredet

Finansnæringen er ikke underbeskattet

2013 Sum utlignet skatt, alle næringer (mill. kr)



Finansnæringen bidrar med:

- 3 prosent av sysselsettingen
- 7 prosent av verdiskapingen
- 8,5 prosent av utliknet skatt

(fastlands-Norge)

- 3x høyere skatt enn

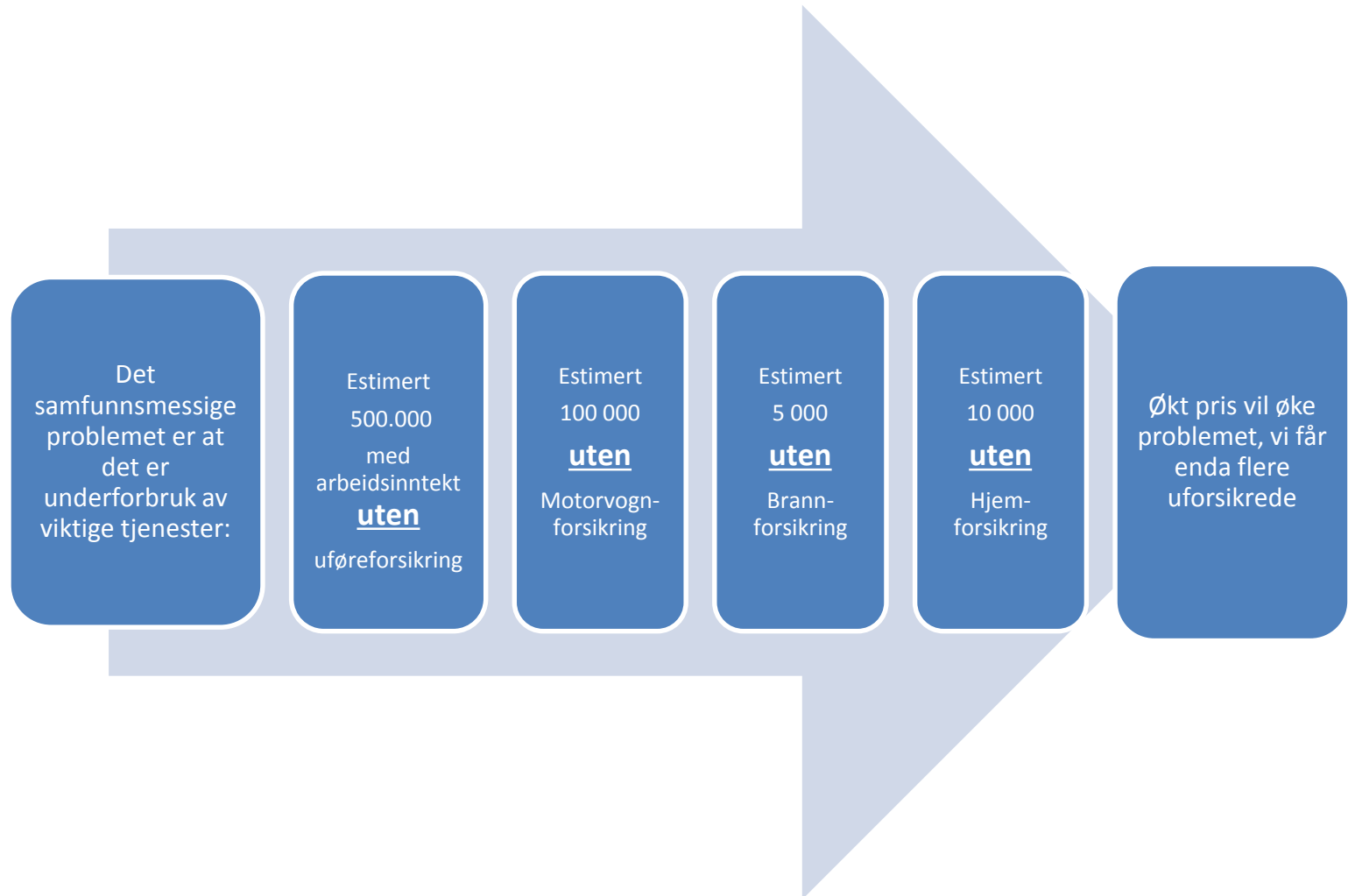
Industrien og Varehandelen

Tabell 9.1 Inntekt og skatt fra utvalgte næringer. Mill. kroner (løpende)

	Industri		Varehandel mv.		Finansierings- og forsikringsvirksomhet	
	2011	2012	2011	2012	2011	2012
Bruttoprodukt	180 504	188 171	190 035	189 183	101 473	118 031
Skattbar inntekt	42 912	29 964	44 648	38 720	34 551	70 923
Total utlignet skatt	11 696	7 974	12 476	10 780	9 703	19 897
Skatt som andel av bruttoprodukt	6,2	4,2	6,6	5,6	9,6	16,8
Antall aksjeselskap	12 146	12 417	42 381	44 020	15 732	16 127
Antall i skatteposisjon	5 341	5 424	18 320	18 592	5 551	5 870

Kilde: Statistisk sentralbyrå.

Underforbruk – ikke overforbruk



Trygghet blir dyrere

Innbruddsforsikring

Fripoliser

Pensjonssparing

Bilforsikring

Helseforsikring

Betalingstjenester

Pensjonskapitalbevis

Brannforsikring

Naturskadeforsikring

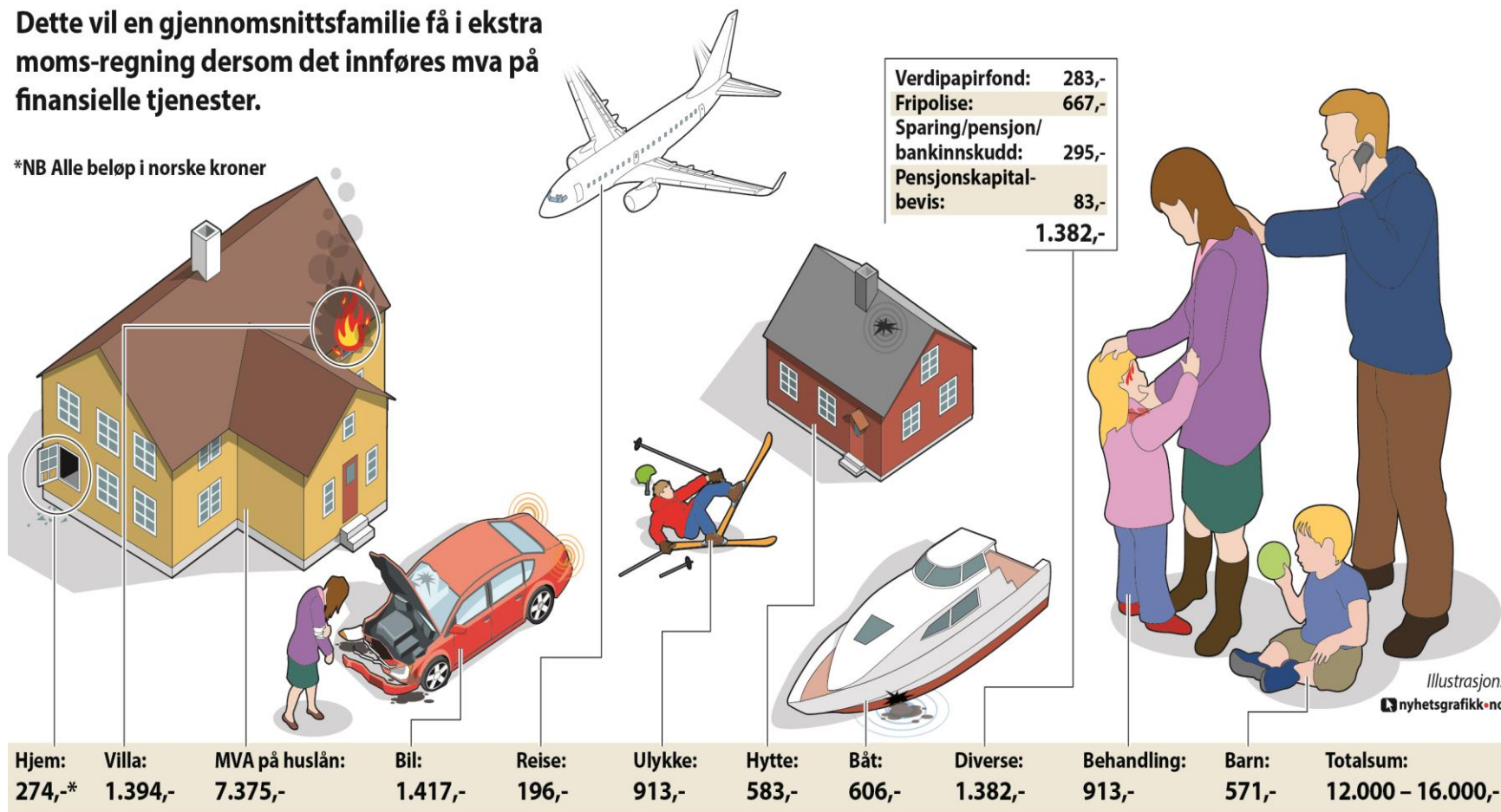
Boliglån

Reiseforsikring

Livsforsikring

Dette vil en gjennomsnittsfamilie få i ekstra moms-regning dersom det innføres mva på finansielle tjenester.

*NB Alle beløp i norske kroner



Illustrasjon:
nyhetsgrafikk.no

Hard facts. Clear stories.

Copenhagen
Economics

CE

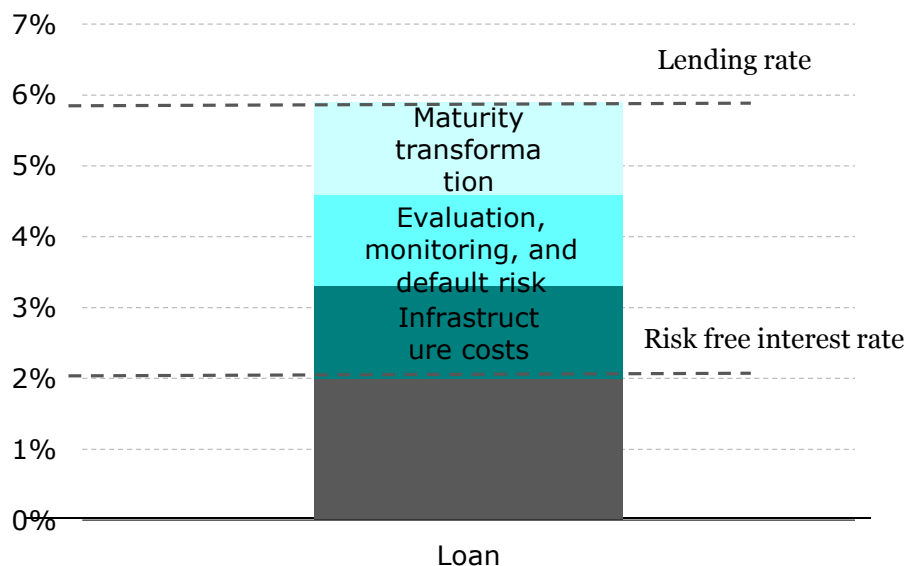
Hur slår momsfriheten i finanssektoren?

Swedish Bankers' Association
22 April 2016

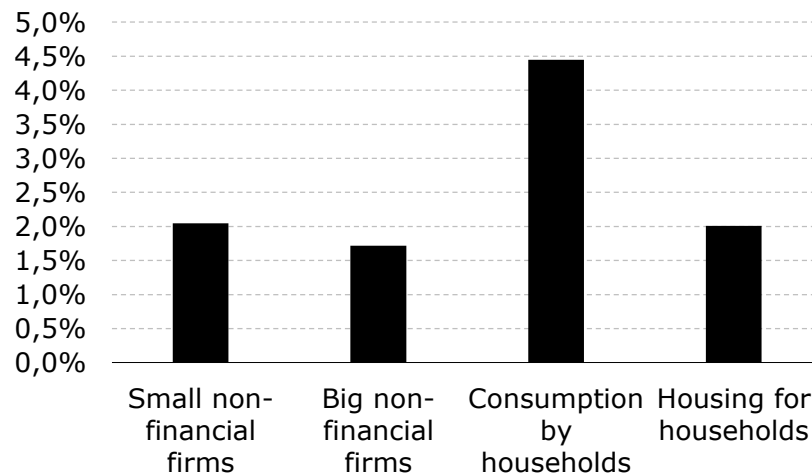
VAT on fee based transactions: “easy” enough

A primer on VAT on credit intermediation

VAT base = lending rate – (risk free interest rate + external costs)



Margins highest for low collateral/high risk customers



Nature of the problem: should something be done?

Exemption from VAT: what does it mean

Credit intermediation

- Borrowing at low rates..
- ...lending at higher rates
- Difference equals use of real resources...
- but not taxed

Exemption of some often fee based specific transaction

Distortions

Insourcing bias

Business pay too much (hidden VAT)

Consumers pay too little (no VAT on financial intermediation)

Lower competitiveness

- For high VAT countries within EU
- All EU banks on domestic turf

Welfare

Financial services used the “wrong places”

Productivity lowered

- Too little business investment...
- ...too much consumption

Lower savings ratio

- Less expensive to get loans with high loss probability and low collateral

Action?

Yes if benefits exceeds costs

Cost-benefit calculation depends on other factors

Are consumers also facing other regulatory/tax policies affecting demand for financial services?

Can we improve overall welfare and not just parts of it?

What would happen if a real VAT was applied on financial services in Sweden?

Taxing final consumption of financial services on Swedish ground

VAT on imports to consumers based on destination principle in VAT directive

Zero rating of exports to businesses

Comprehensive all providers included department stores, cars dealers

Private consumers

Higher costs for banks fully passed on to consumers: theory and empirical evidence strong

Largest prices increase for household with small loans and limited collateral

Cut back on demand for housing, consumer durables and transaction based services

Small businesses

Hidden cost recovery passed on to clients

Likely largest impact on smaller business

More business investments

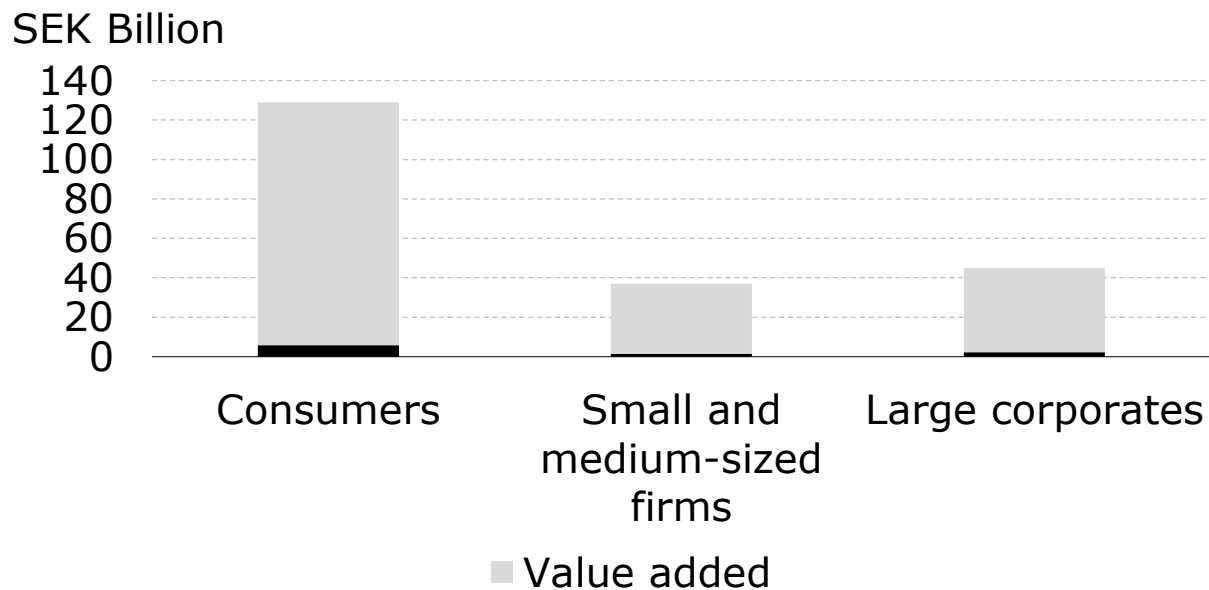
Large international based enterprises

Swedish banking pricing strongly influenced by global competitors

Lower costs for Swedish banks lead more to increases in marked shares...

...than change in overall consumption by large (Swedish) enterprises

VAT tax base across consumer segments for Sweden



Static VAT expenditures across consumer segments for Sweden

Final consumers, incl. non-VAT registered businesses

- Current value added nearly SEK 125 billion
- New VAT revenue + SEK **20-24** billion net

SMEs

- Current value added nearly SEK 35 billion
- Loss in VAT revenue due to SMEs recovering hidden VAT roughly SEK **1,5-2,5** billion
- This includes a cascading effect of hidden VAT sold to final consumers

Large corporates

- Current value added SEK 43 billion
- Loss in VAT revenue due to LCs recovering hidden VAT roughly SEK **2-4** billion

*Rough preliminary estimate of net revenues with no change in prices and volumes
= SEK **14-20** billion*

The estimates are quite preliminary and may change

Impact of a VAT on size of financial sector in Sweden

Swedish financial sector has a calculated value added sold to non-financial sector of SEK 200 billion.



Changes in costs from imposing/or not imposing VAT will be passed into prices.



Put differently, the present VAT exemption gives a revenue loss but is not per se a tax advantage for the sector

Hence, it infer no gain per se for the financial sector, but it may change production volume as prices change.



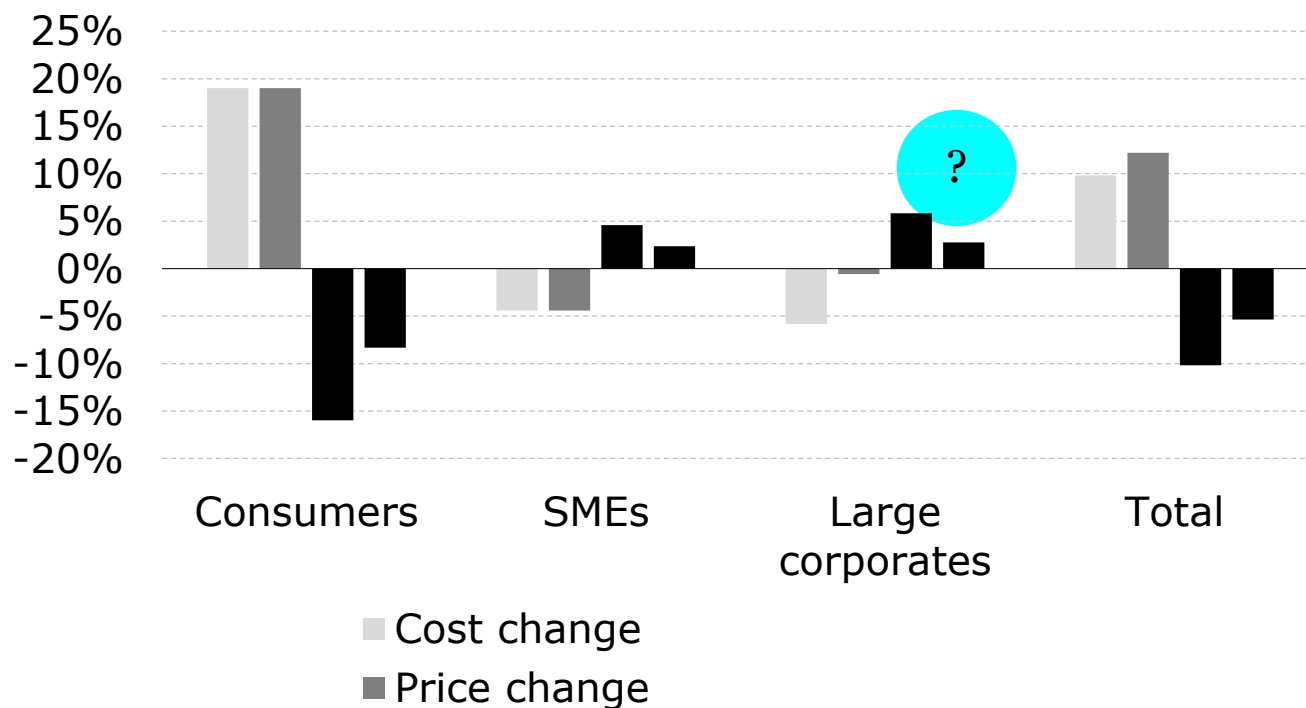
A rough first estimate: a decline around 5 to 10 per cent or financial sector GVA (\approx GDP) fall of SEK 10-19 billion.

Fall in consumer demand larger than increase in business demand.

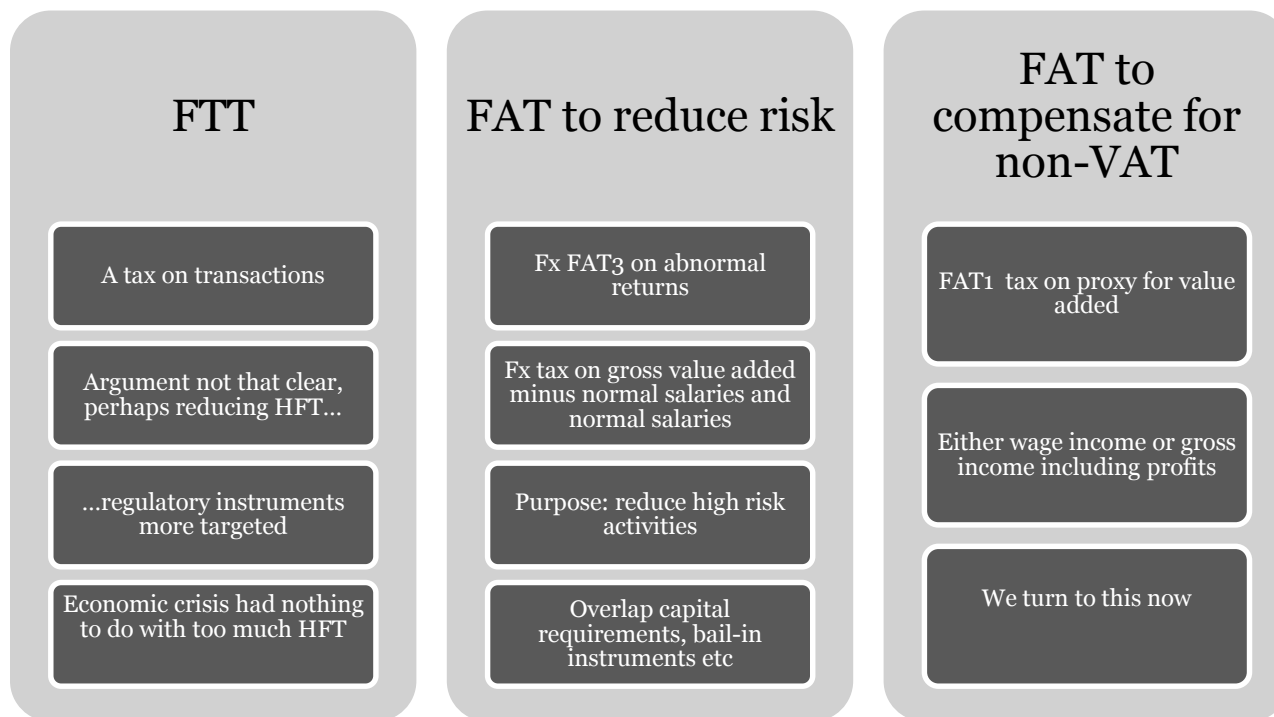


Gross profits will fall by much less as main impact will be on fall in bank wage income and other expenses

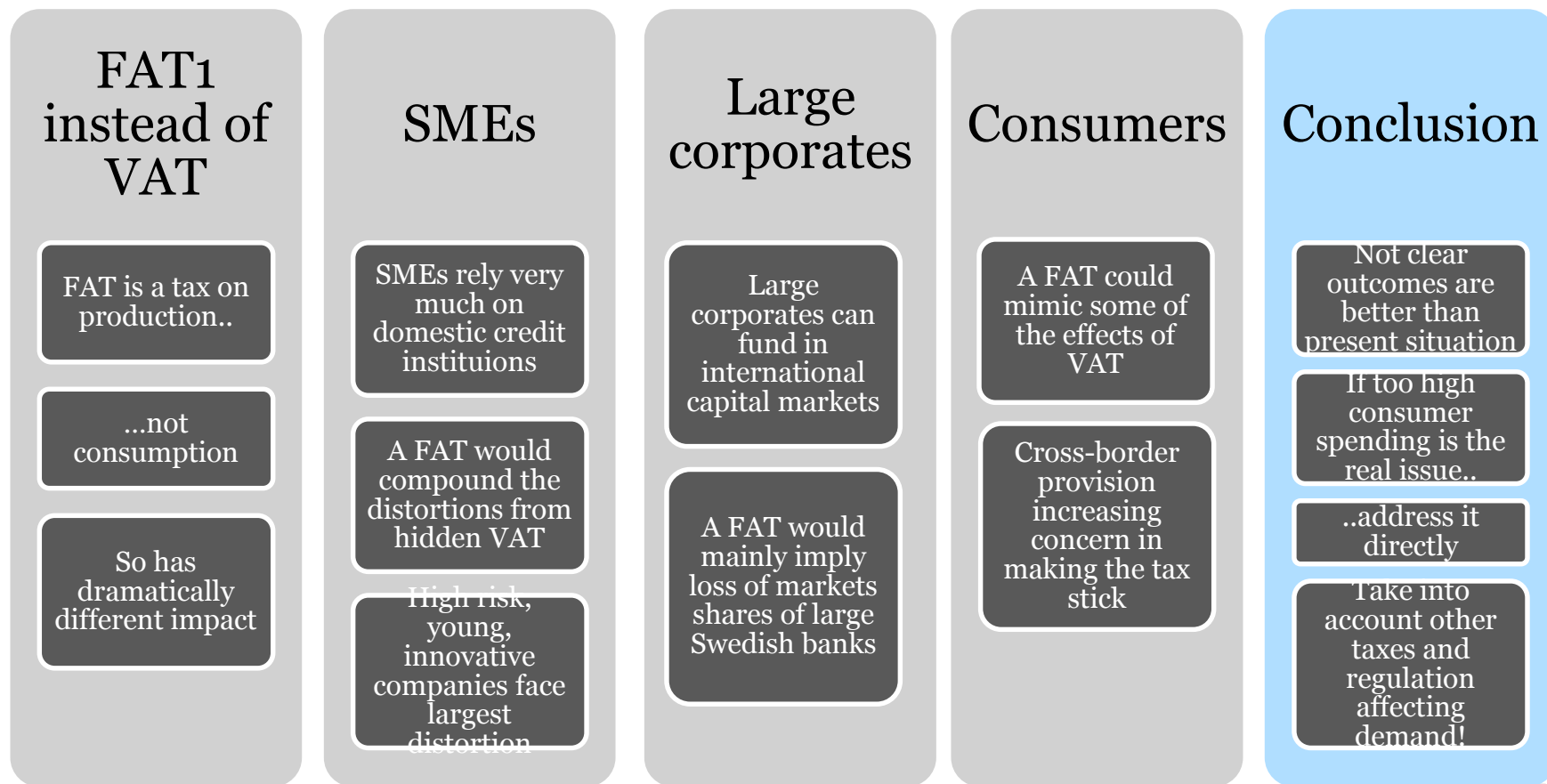
Effects of a VAT on Swedish financial sector



VAT on financial services versus other instruments



Comparing FAT1 with VAT



Why not go for the real thing?

VAT as solution dropped historically

Banks were sole suppliers

Cross-border competition trivial but for top end market

Up-stream ICT costs limited and book-keeping manual

Too high costs, to few benefits

The world has changed

Technology revolution (digital solutions)

More players and more products also in payment systems

Cross-border competition increasing

IT systems also the solution to simpler VAT systems for VAT for financial services

The cost-benefit calculus has changed

What is blocking?

EU VAT directive

Option to Tax used, but could be turned around:

Option for member states to impose mandatory system

Real VAT systems for financial services could be tested...

...build around the final destination principle for services

Conclusions

Lack of VAT is potentially **distorting**

Introduction of VAT in Sweden could lead to **sizeable welfare** and **revenue gains** but **not an equivalent tax advantage**

Expected pass-through to customers likely **100 per cent, one caveat**

Volume fall in financial sector GVA of perhaps **SEK 10-19 billion**

Profit loss **a fraction** of this

FAT/wage tax very different animal: **production not consumption tax**

Existing distortions for small enterprises **compounded**

Loss of external competitiveness for small enterprises and banks

Consider **targeted solutions for consumer demand**

The world has changed: **benefits larger and costs smaller**

Contact

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Lunch



Svenska
Bankföreningen
Swedish Bankers' Association



SKATTEMINISTERIET

Danish payroll tax in the financial sector

Swedish Bankers Association

22.april 2016

Jens Holger Helbo Hansen
Danish ministry of taxation

History

In 1987 general wages increased much more in Denmark than in other countries. The Danish Krone was pegged to German D-mark and fixed exchange rates was central to economic policy.

1. January 1988 taxes on employment paid by employers equal to on average 4.75 pct. of wages was abolished. Revenue loss was partial financed through a 2.5 pct. tax on the VAT base (AMBI tax). The VAT rate was de facto raised from 22 pct. to 25 pct. ($1.22/0.975 = 1.251$) From 1. January 1992 the special AMBI tax was removed (The tax was found illegal in 1992 by EU Court of Justice) while the formal VAT rate was raised.

For those activities which was exempted from VAT (financial services, public transport etc.) there was created bases similar to a VAT base in the AMBI tax. For the financial sector the base was Wages x 1.9 which was taxed with 2.5 pct. = 4.75 pct. of pay roll.

1. July 1990 – the "Lønsumsafgift" = Payroll tax was born which taxed wages in the financial sector. 1. January 1992 the VAT exempted parts of the AMBI tax was transferred to the Lønsumsafgift.

The rate has since been increased several times. The revenue has often been used to reduce the corporate income tax (CIT) rate. The non-financial sector has often financed rate reduction by expanding CIT base.



Accrued revenue from Lønsumsafgiften 1995-2015

	Revenue of payroll tax (Billion Dkr.)	Revenue of payroll tax (Pct. of total revenue)
1995	2,45	0,50
2000	3,37	0,54
2005	4,02	0,53
2010	4,95	0,60
2011	5,77	0,69
2012	5,83	0,67
2013	6,50	0,72
2014	6,86	0,70
2015	7,18	0,77



Rates Financial Sector

	Pct. of Wages
1. January 1988 - 30. June 1990	4.75
1. July 1990- 13. June 1995	8.55
14. June 1995 - 1. January 2011	9.13
2012	10.5
2013	10.9
2014	11.4
2015	12.2
2016	13,6
2017	14,1
2018	14.5
2019	15.0
2020	15.2
2021-	15.3



VAT base

National account identity:

$$Y = \text{GDP} = \text{Production} - \text{inputs} = C + G + I + X - M$$

$$\text{Production} - \text{inputs} - G - I - X + M = C$$

On the left side is definition of VAT base. Production – investment in stock = sale.

The VAT is a general indirect tax on private consumption in the country.

C= Private consumption

I = Investments

G= Government consumption

X= Exports

M= Imports

Y= Gross domestic product



The tax bill - Lønsumsafgiftsloven

The tax bill – Lønsumsafgiftsloven is applicable for those who are exempted from VAT with some exemptions (mainly education and children nursing) + Newspapers.

The tax define 4 bases:

1. General: Wages + profit	rate 4.12 pct.	20 pct. of revenue
2. Financial sector: Wages	rate 2016 13,6 pct.	71 pct. of revenue
3. Lotteries+ organizations: Wages	rate 6,37 pct.	9 pct. of revenue
4. Newspapers: Sales	rate 3,54 pct.	1 pct. of revenue



Financial Sector in 2012

Billion DKr.		Produced in Denmark	Imports
A	Net profit income, taxes etc.	37,7	
B	Wages	49,8	
C	Production tax	4,3	
D=A+B+C	Net value added	91,8	
E	Inputs	64,7	
F	Depreciation real assets	10,6	
G=D+E+F	Production	167,1	7,7
Demand:			
	Input in production	98,7	5,8
	- Inputs financial sector	31,1	1,8
	Consumption	57,2	1,9
	Investments	4,9	0
	Exports	6,4	0



Foreign trade with financial services



The right base?

VAT is a general tax on consumption. In Denmark the policy is that the VAT should be as general as possible with only one rate. There should be as few exemptions as possible. The wide base policy however has to take account of administrative questions and EU legal restrictions. There are also some political limitations.

Financial services are exempted from VAT. There are no VAT on sales of financial services. But on the other hand, VAT on input can not be refunded.

The result is:

- A. Financial sector insource to much.
- B. Households and other non-VAT registered: To much consumption of financial services.
- C. VAT registered firms: To little consumption of financial services.
- D. To much imports to little exports.
- E. Incentives to increase sales of VAT goods with high value added to VAT-registered firms to increase refund of input VAT.

This create distortions.

The problem could be solved if it was allowed / technical possible to include financial services in the VAT base. (and eventually to inforce the destination principle)

If this option is out of the question, what would then be the second best solution?



Base Company simplified example

		Normal VAT firm	Exempted firm	
A	Sale -Production before tax on sales	100	114,5	H=F+G
B	Purchases - consumption inputs	32	40= 32 x 1.25	G
C= A-B	Gross Value added	68	74.5	F=D+E
D	Purchases of capital - Depreciation	16	20 = 16 x 1.25	E
E = C-D	Net Value Added =VAT base	52	54.5	D=A+B+C
F	Wages	40	40	C
G	Net financial costs	5	7.5	B
H=E-F-G	Net reported profit	7	7	A
I	Normal return 5 pct. on real capital stock 200	10	12.5 = 10 x 1.25	I
J=G+H-I	Pure Profit	2	2	

If Wages and pure profit $40 + 2 = 42$ is taxed with 25 pct. = 10.5 price for exempted company will be 125



Right base

Normally VAT base are calculated by subtracting purchases from sale.

But base could also be calculated in a Company by adding wages + pure profit = Financial cost on debt + reported profit - Normal return on capital stock. From one year to another there will be substantial differences. But on average it will give the same result. Ignoring border- and foreign trade
VAT = tax on (Wages + pure Profits) +adjusted public transfers.

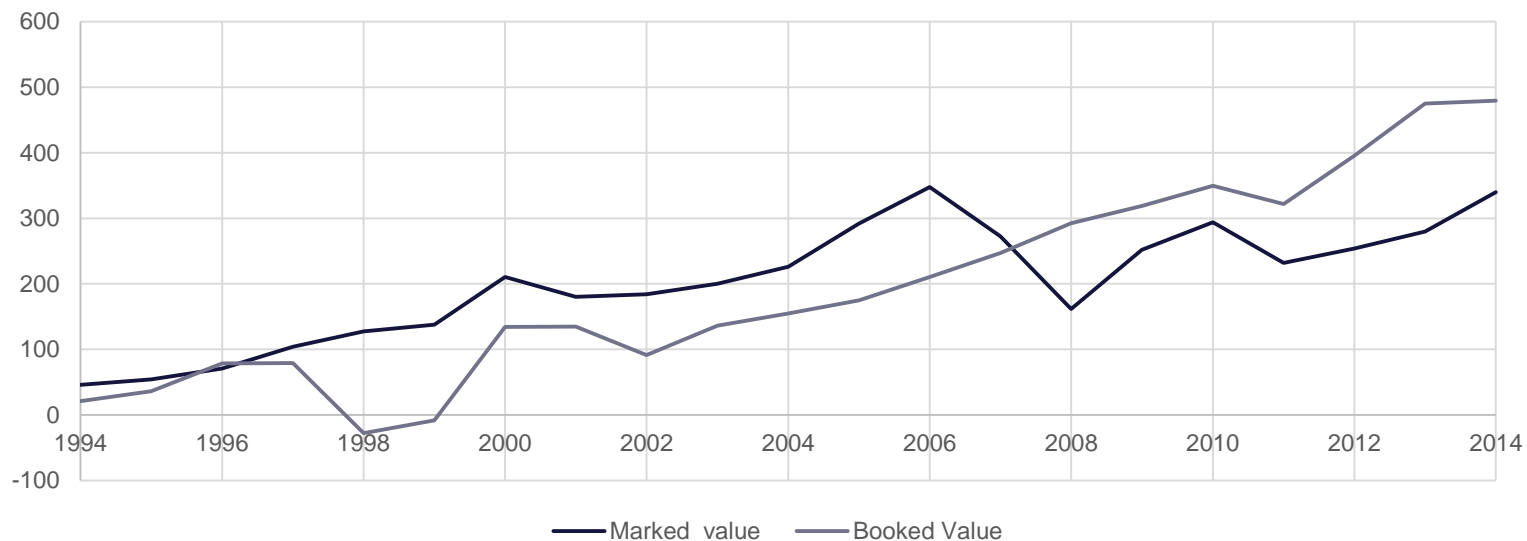
In practice pure profit is difficult to calculate – you need to know the right depreciations etc.

Pure profits are excluded from the Danish tax base because.

- It is not expected, that there is systematic pure profits in the inancial sector.
- Administrative difficulties.
- If reported profits are used, a higher proportion of the tax is expected to burden VAT business than if the tax is only calculated on wages – but business customers are already burdened to much. Besides it its expected that banking for foreign customers use little labor and much capital.



Value of banks



Booked net value is only net value of financial assets and liabilities excluding real assets. Before 2008 value of the bank stocks was higher than internal value – indicate pure profits. After 2008 booked value is higher than the marked value of stocks.



Who is burdened by the tax?

Billion Dkr. 2013	Total	42 pct. Business	58 pct. Household
Net production of financial services to other than the sector	143,7		
- VAT sale !!?	31,5		
VAT exempted sale	112,2	47,6	64,7
Not refunded VAT on inputs and investments	7	2,9	4,0
Payroll tax	4,6	2,0	2,7
Not refunded tax on power	0,2	0,1	0,1
Total taxes	11,7	5,0	6,8
Taxes if VAT on financial services and no payroll tax	14,5	0	14,5
Tax expenditure these taxes	2,7	-5	+7,7



Other taxes

While the financial sector pay to little in VAT etc., there might be other taxes which burdens the financial activity more than other sectors or vice versa.

- | | |
|--------------------------------------|---|
| Corporate income tax: | Financial sector pays a large proportion of CIT. |
| Stamp duties: | A large proportion of stamp duties are paid in connection with financial services. |
| FISIM: | Part of income for financial sector is FISIM, which can be deducted in personal capital income. |
| Personal capital income taxes | Financial services is often used in combination with debts and savings. |
| Moral hazards: | Banks and depositors behave to risky because government give a free insurance against failure. |



Corporate income tax

	2000-2004	2005-2009	2010-2014
All	100,0	100,0	100,0
Raw materials	12,5	12,1	10,1
Finance and insurance	30,7	23,0	17,3
Part of banks	12,8	11,5	6,1
Other	56,8	64,9	72,5

Before 25-30 pct. of revenue from corporate income tax was paid by the financial sector. It was a high proportion taking into account relative turn over and employment etc. After the financial crisis taxable profits after written off bad debt has been lower than normal since 2008.

The high CIP revenue from financial sector is due to much capital and because the base for corporate income tax in the financial sector is closer to true nominal profits than in other sectors. Financial sector paid on average 8.5 billion DKr. In Corporate income tax 2010-2014 on a taxable income of around 35 billion DKr.



Corporate income tax with same return after tax in financial corp. and other corp.

	Financial company	Other company
Invested capital	100 kr.	100 kr..
- Financial assets	100 kr.	0.00 kr.
- Real assets	0 kr.	100.00 kr.
Income from higher value of assets due to inflation 2 pct.	0 kr.	2.00 kr.
Other income before tax	6.41 kr.	3.85 kr.
Corporate income tax 22 pct.	1.41 kr.	0.85 kr.
Nominal return after tax	5.0 kr.	5,00 kr.
Average tax on nominal income after Tax	28.2 pct.	16,9 pct.



Corporate income tax

In normal companies nominal income from higher value of real assets due to inflation is not taxed before the assets are sold.

In financial sector the value of assets are calculated using “the mark to market” principle. The value of the assets are booked according to the market value, Investors wants same return after tax either savings is invested in a financial company or a ”real” company. Around 30-40 pct. of the corporate income tax from financial sector = 3 billion Danish kr. is in excess of ”normal” corporate income tax. This excess tax is shifted in the price of financial services – 1.2 billion for business and 1.8 billion for households.



Stamp duties

When mortgages are registered in the public register a stamp duty is paid in excess of the cost for the public register. This stamp duty increase cost of some financial services. Revenue is around 5.9 billion in 2015. However stamp duties are also paid when houses are sold etc. Perhaps 2 billion DKr. might be combined with consumption of financial services. Of this 0,8 billion is paid by business and 1.2 billion by households.



FISIM

The main part of consumption of financial services are paid by FISIM (Financial intermediation Services indirect measured). The interest rate debtors and creditors pay in banks are different. The difference is called the margin. An other part is paid by explicit charges.

Households can not deduct expenditure for private consumption. That's also the case for explicit charges for financial services. But as FISIM is part of the interest debtors pay and all interest payment is deductible, household do in fact deduct part of consumption of financial services. For creditors households receive an interest which is below market rate. As interest income is taxable financial services consumed by creditors are also partly deductible.

Due to present very low interest rates FISIM for creditors are around 0 these years.

Mortgages banks collect a fee on top of the interest paid by debtors. This fee finance consumption of the financial service. The fee is deductible. Households pay around 25 billion DKr. in FISIM and 15 billion DKr. in mortgages fee a year. Put part of this is for non- corporate business: For private households FISIM etc. is a round 30 billion Dkr. The tax value is around 30 pct. = 10,5 billion DKr.



Personal capital income taxation

Financial services are often used together with savings and debts. Capital income is taxed with a high rate on the real return, as the base is the nominal income.

If the tax rate is 42 pct. interest rate is 3 pct. and inflation 1.5 pct. the tax on real interest is 84 pct. Taxes on personal capital income distort savings. With higher prices on financial services, savings will fall for those with net financial income, while debt will fall for those with net negative financial income. The net result will be higher savings.

However these effects should not be taken into account when the pay roll tax rate is set, because it is possible to adjust the rates on personal capital income directly.



Moral Hazards

Government gives free insurance against bank failure for small deposits and all deposits in systemic banks. Depositors and banks are more inclined to high risk (and return) activities as the profits belongs to the owner and depositors, while the losses is shared with the government.

However it does not help on risky behavior to tax profits, activities or transactions etc. Taxation is not a substitute for good regulation.

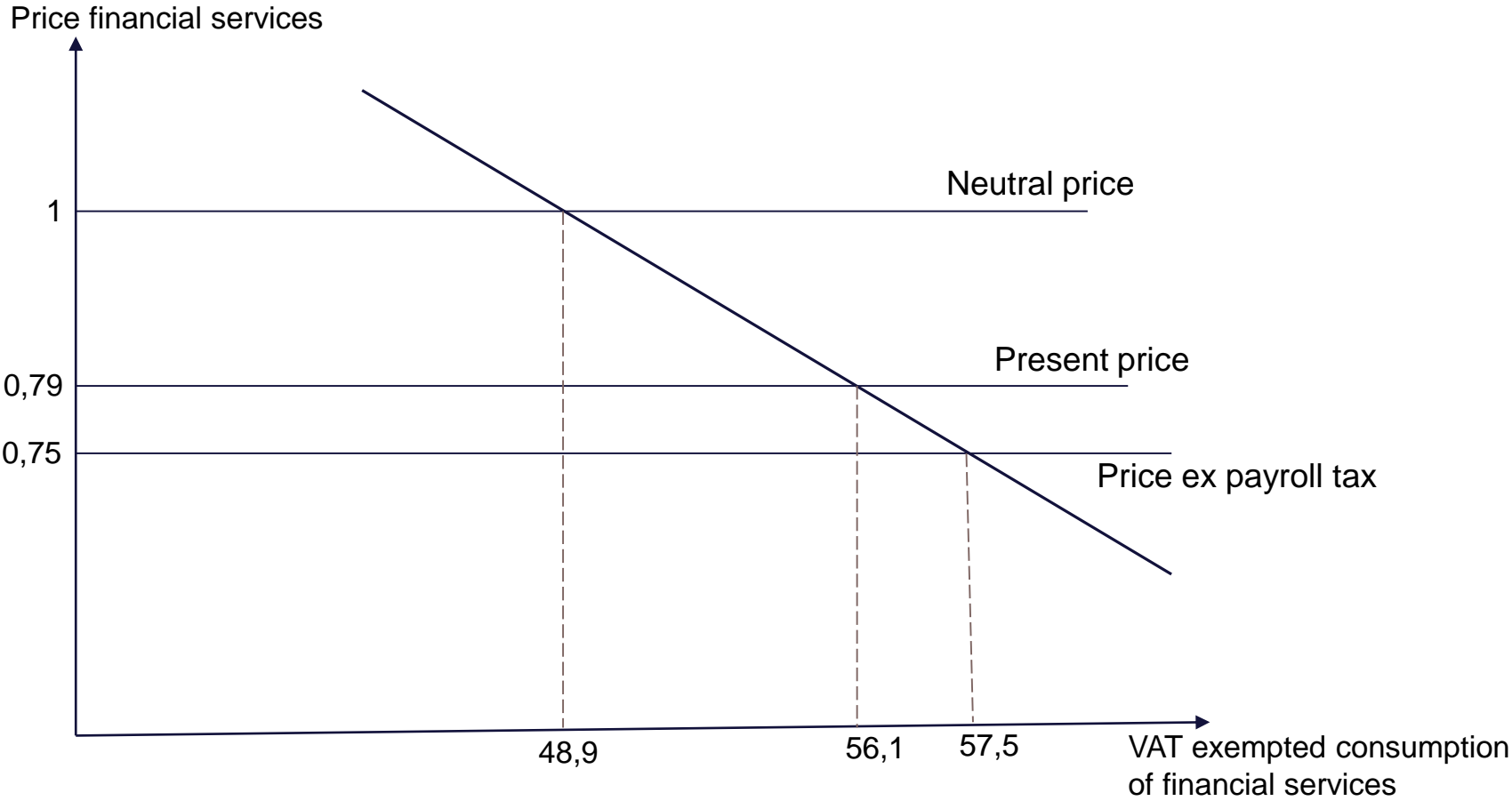


All Tax expenditures

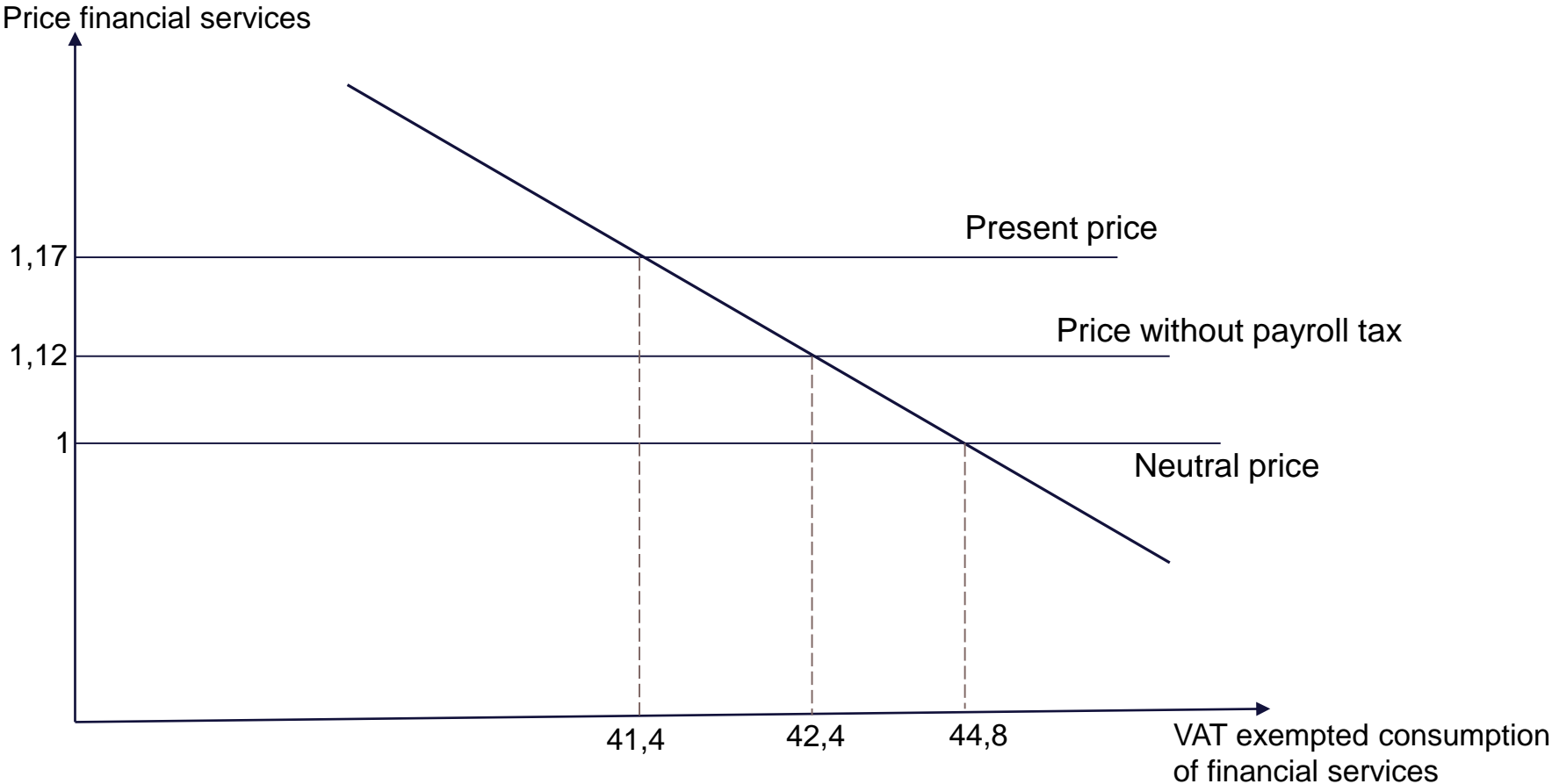
	All	Business	Households
Production	112,2	47.6	64.6
Do value without indirect tax	97,5	41,4	56,1
Tax expenditures gross			
VAT	7,1	-2,9	10.0
Pay roll tax	-4,6	-2,0	-2,7
Power tax	-0.2	-0.1	-0.1
Corporate income tax	-3.0	-1,2	-1,8
Stamp duties	-2.0	-0,8	-1,2
FISIM	+10.5	0	10.5
All	+7.7	-7	14.7
Net value	103,8	48.4	55.4
“Neutral” value	111.5	41.4	70,1



Households



Business



Distortion financial services with and with out payroll tax (with FISIM, stamp and CIP)

Households:

Deadweight loss with payroll tax = $\frac{1}{2} \times 0.21 \times 7.2$ = 0.756 Billion DKr.

Deadweight loss without payroll tax = $\frac{1}{2} \times 0.25 \times 8.6$ =1.075Billion DKr.

Extra loss if payroll tax is abolished =0.319 Billion DKr.

Business :

Dead weight loss with payroll tax = $\frac{1}{2} \times 0.17 \times 3.4$ = 0.289 Billion DKr.

Do without = $\frac{1}{2} \times 0,12 \times 2.4$ = 0.144 Billion DKr.

Extra loss =-0.141 Billion DKr.

Net loss if payroll tax is abolished 0.178 Billion DKr.

Rough calculation excluding insource distortions, distortions between domestics and foreign banks and distortion from incentive to increase high value added/low wages sale of VAT commodities.



Distortion financial services with and with out payroll tax (without FISIM, stamp and CIP)

Households:

Deadweight loss with payroll tax = $\frac{1}{2} \times 0.1 \times 3.5$ = 0.175 Billion DKr.

Deadweight loss without payroll tax = $\frac{1}{2} \times 0.14 \times 4.9$ =0.343 Billion DKr.

Extra loss if payroll tax is abolished =0.168 Billion DKr.

Business :

Dead weight loss with payroll tax = $\frac{1}{2} \times 0.12 \times 2.5$ = 0.150 Billion DKr.

Do without = $\frac{1}{2} \times 0.07 \times 1.5$ = 0.053 Billion DKr.

Extra loss =-0,097 Billion DKr.

Net loss if payroll tax is abolished 0.071 Billion DKr.



Dilemma:

With correct VAT, prices for households will be 25 pct. above prices for business. But if you can not differentiate, a common tax will create distortions on sales for business and reduce distortions on sales for households. What is the right answer?

Price	Price B	Quantity business	Quantity households	Distortion	Distortion	Distortion
A	B	A	B	A	B	A+B
1	1	40	60	0	0,9375	0,9375
1,05	1,05	39	58,5	0,025	0,6	0,625
1,1	1,1	38	57	0,1	0,3375	0,4375
1,15	1,15	37	55,5	0,225	0,15	0,375
1,2	1,2	36	54	0,4	0,0375	0,4375
1,25	1,25	35	52,5	0,625	0	0,625

Example:

Right Price on A is 1, on B 1,25. Price without tax is 1 for both A and B.

If you have to use the same tax rate for A and B, minimum distortions will be with a common rate of 15 pct. = $0,6 \times 25 + 0,4 \times 0 = 15$ pct. (If same elasticity) Distortions for A = $3 \times 0,15 \times \frac{1}{2} = 0,225$ and tax revenue is $0,15 \times 37 = 5,55$, while distortions for B will be reduced with $0,7875 = 0,25 \times 4,5 - \frac{1}{2} \times 0,15 \times 4,5$ from 0,9375 to 0,15. Tax revenue will be 8,325.

If you can use 2 rates you can obtain right prices for both A and B and distortions will be 0.

Financial Transaction Tax by enhanced cooperation in the EU

Views from the Belgian Finance Industry,
Rodolphe de Pierpont

Stockholm, April 22, 2016



Content

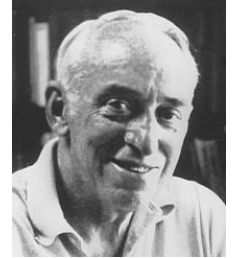
1. Origins and development of the idea
2. Reaction & positioning of the Belgian Banking sector
3. Current political situation in Belgium

1. Origins and development of the idea

Confusion with the Tobin tax

1971: **James Tobin** → “Tobintaks”

- Tax on exchange operations
- Objectives: second-best solution for more stability and counter the speculative operations on the exchange market



Belgium

- ‘kind’ of FTT introduced by the legislation

19 November 2004: Law introducing a tax on the change,
*but only if all MS of the Eurozone are doing so or if there is a
Directive in this respect*

- **Beurstaks-TOB**: introduced at the beginning of the 20st century
 - Share and bonds
 - Limited scope ; mainly private persons and non professional investors

Budget : around
200 million/year

1. Origins and development of the idea

Origins of the project at EU-level

2009-2010

2011

2013

2015

2016

2008 EU pushed for a global FTT
No consensus at G-20 level

First Commission proposal for the **EU-27**

Second Commission proposal 'Enhanced cooperation' only for 11 'candidates'
Belgium participates

Technical discussions 'Core Engine/ building blocks'
No real progress or result

Next steps ?
→ June 2016?



Strong opposition from UK, Lux, ...



FTT-11 zone

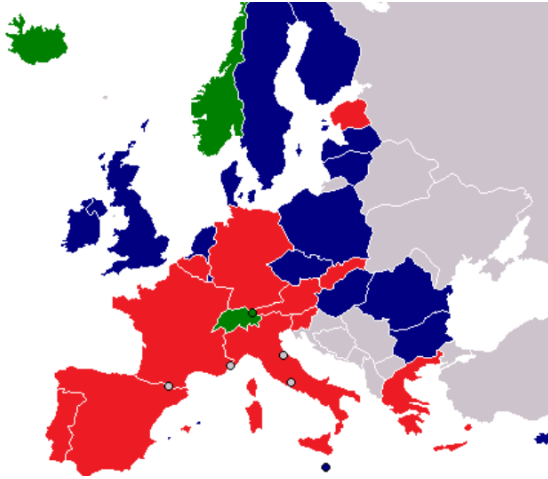
8 December 2015
'Agreement' (?) on the core elements of an FTT
→ Under pressure from France ; Belgium signs

FTT-10 zone



1. Origins and development of the idea

Content of the Agreement of 8 December 2015



BE = One of the 10
Participating countries
FTT-zone

Scope

- All shares
- All derivatives
- Limited exclusions
- Nothing on the proxy's
- Nothing on the collection of the tax

Repo's & hedging in
scope

Estimate Febelfin 2013
EUR 8.4 B

Limited 'carve-outs'

- Limit the impact on
 - the real economy
 - pension funds
- Ensure the FTT is 'viable'

➔ **June 2016 : Decision???**

10 Participating
Belgium, France,
Germany, Greece, Italy,
Austria, Portugal,
Slovakia, Slovenia,
Spain

VS

18 non-participating
UK, Luxembourg,
Netherlands and 15 other
EU-MS

Estland

2. Reaction & positioning of the Belgian Banking sector

1. **Where is the logic with the efforts toward growth, risk capital, investing in SME's ?**
2. Doubts about the **implementation** of the tax
“A masterpiece of bad design” (Financial Times)
3. **Cost of implementation for?**
4. **Impact for the Belgian State** (considering the TOB/beurstaks disappears)?
5. **Collection responsibilities?**
6. **Capital Markets Union** → Harmonisation of the Financial markets >< splitting the EU internal market
7. Danger of relocation
8. **Extraterritoriality and legal issues**
9. ...

2. Reaction & positioning of the Belgian Banking sector in line with some reactions in the press

The Economist

Europe's financial-transactions tax Bin it

Plans for a transactions tax ought to be dropped

Feb 23rd 2013 | From the print edition

Brussels should drop the tax on financial transactions

Financial Times, 27 May 2013

George Osborne (Min. Financien VK in ECOFIN 08/12/2015):

“if the FTT had an extraterritorial impact, meaning that it would affect non-participating countries, the UK would go to the European Court of Justice”

Taxe Tobin européenne: la finance et le patronat français alertent Moscovici

L'Expansion.com avec AFP - publié le 15/04/2013 à 09:00

Le Medef, des banques et des sociétés d'assurance mettent en garde le ministre de l'Economie, Pierre Moscovici, contre le projet de taxe "Tobin" sur les transactions financières.

Pierre Gramegna (Minister of Finance Luxemburg) in the European Parliament – 11/01/2016

“It is difficult to make an assessment on the FTT with which Luxembourg does not deal with at all. The FTT is bad for Europe as it will make the EU financial markets less attractive than the rest of the world and money will find ways to avoid such a taxation. At a first glance this is good for Luxembourg in the short term but in the end this will be bad for the EU as a whole.”



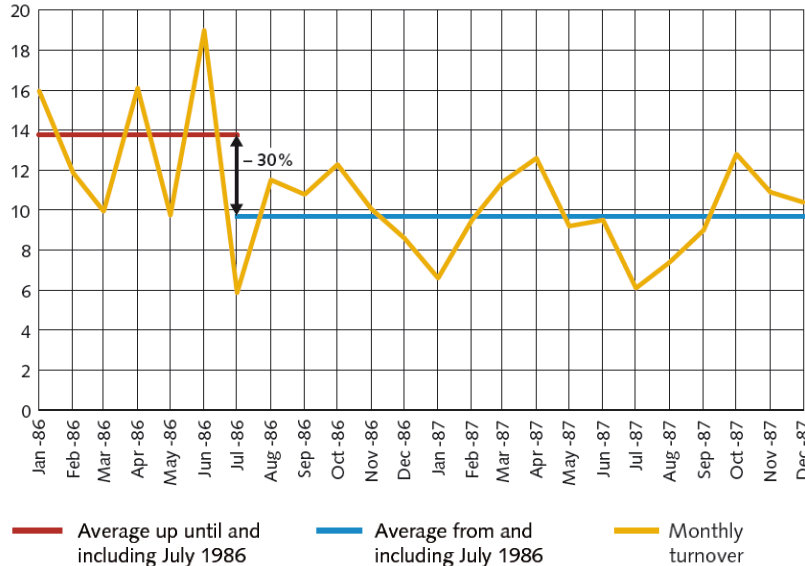
George Osborne,
UK Chancellor, 2014

It's not a tax on bankers,
it's a tax on jobs, on
investment, on people's
pensions

2. Reaction & positioning of the Belgian Banking sector “the Swedish case”



Figure 1. Turnover on the Stockholm Stock Exchange 1986-1987
SEK billion



Note. On 1 July 1986, the tax rate was doubled and the tax base was broadened to include share options and convertibles.

Source: Nasdaq OMX.

The tax "had a very detrimental impact on our financial markets"
 "If the European Union introduces the tax, firms could simply move to New York or Asia"
 "So we are basically taxing growth away from Europe, and that is not a very good idea."

- 30% drop in Stock Exchange volumes
- over 50 % trading in Swedish shares moved to London Stock Exchange
- Consequence : tax completely abolished in 1991



Anders Borg,
Swedish Minister
of Finance, 2011 96



3. Current political situation in Belgium



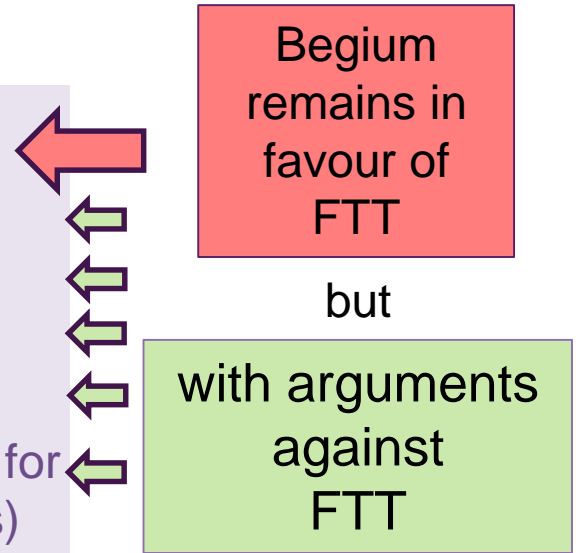
Government agreement October 2014

Belgium continues working on FTT, but :

- Only on the speculative operations
- No impact on the real economy
- No impact on pension funds
- No impact on insurance companies
- Under condition that there is no negative impact for the public finances (hedging on public emissions)

Other aspects

- Stimulate equity
- No 'goldplating'
- Financial activities in Brussels



➔ Current FTT-works are not in line with the Government agreement

3. Current political situation in Belgium

- **Agreement Government** : the Minister of Finances has the mission to continue the works on FTT in line with the Government agreement.



→ = continues to push for an FTT with the adequate exclusions



→ = tries to avoid any (damageable) FTT

"FTT-project is not in line with the Government agreement. "

Belga 23 januari 2016



25
janvier 2016

L'Echo

Taxe Tobin: le ministre des Finances a parlé trop vite

Le gouvernement fédéral n'a pas l'intention de reculer sur la taxation des transactions financières.



MINISTER VAN FINANCIËN PLAATST VRAAGTEKENS BIJ TRANSACTIETAKS

MR fluit Van Overtveldt meteen terug over tobintaks

25 JANUARI 2016 | Van onze redacteur Nico Tanghe

Belgium Has Doubts on EU's Transaction Tax, Van Overtveldt Says

BloombergBusiness January 23, 2016 – 4:38 PM CET

"Le gouvernement confirme sa soumission au lobby financier"



M. Van Overtveldt est d'avantage le Ministre des grandes banques, des multinationales et des spéculateurs que celui de la justice fiscale"
Georges Gilkinet, membre de la Commission des finances, 23 janvier 2016

3. Current political situation in Belgium

FTT discussed in the Finance and Budget commission of the Parliament in February



AGENTSCHAP VAN DE SCHULD VREEST NEGATIEF EFFECT

‘Tobintaks doet rente op staatsschuld stijgen’

Hoe de tobintaks uw woonkrediet duurder maakt

De Standaard, 3 februari 2016

Auditions to be planned in April : new agenda considering the recent events and news

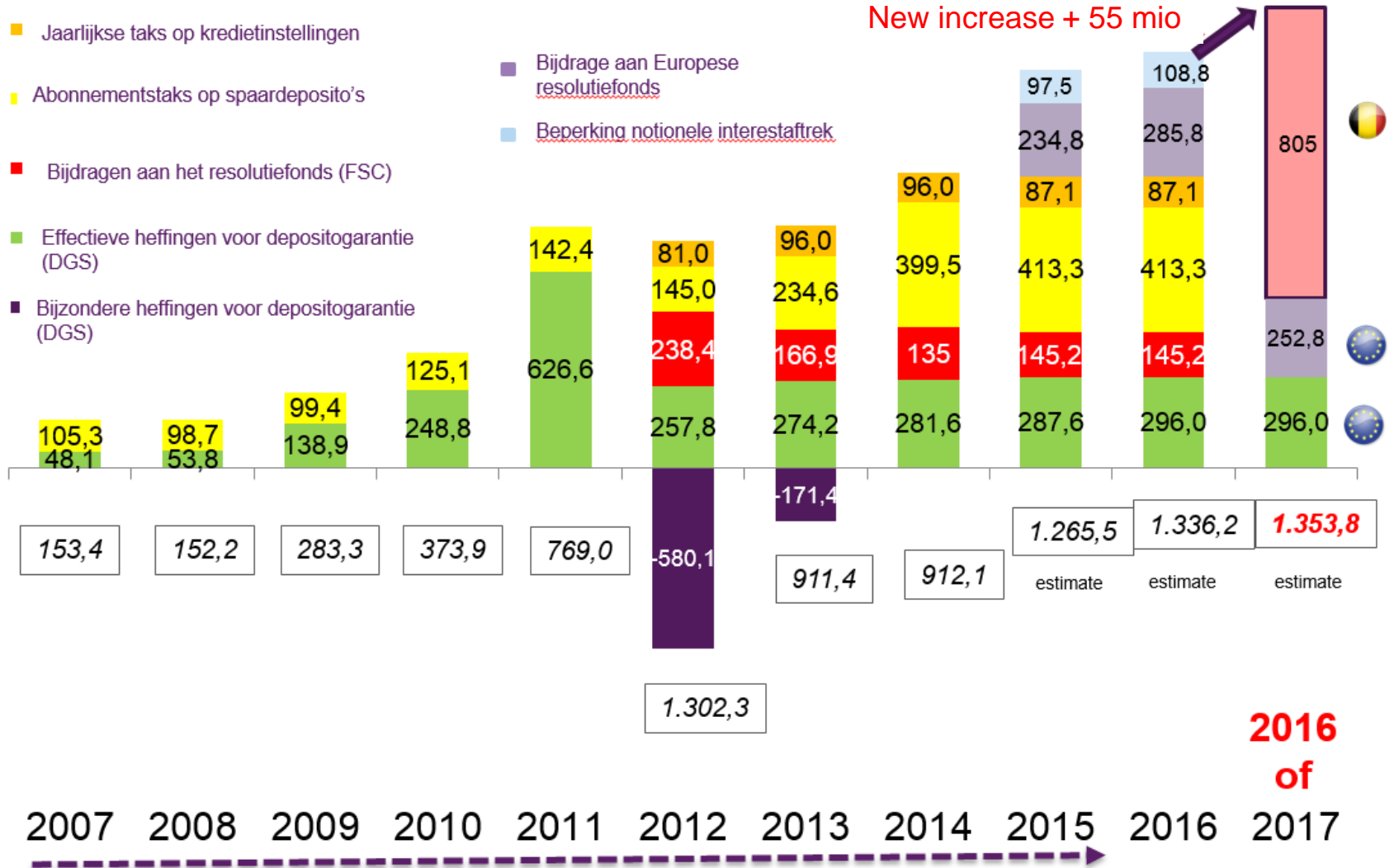
Blasts hit Brussels Airport and a metro station near the E.U. headquarters



FTT remains at this stage an issue with a lot of uncertainties

3. Current political situation in Belgium

Decisions from budgetary control April 2016



Paus



Svenska
Bankföreningen
Swedish Bankers' Association

Särskild beskattning av finansiella företag

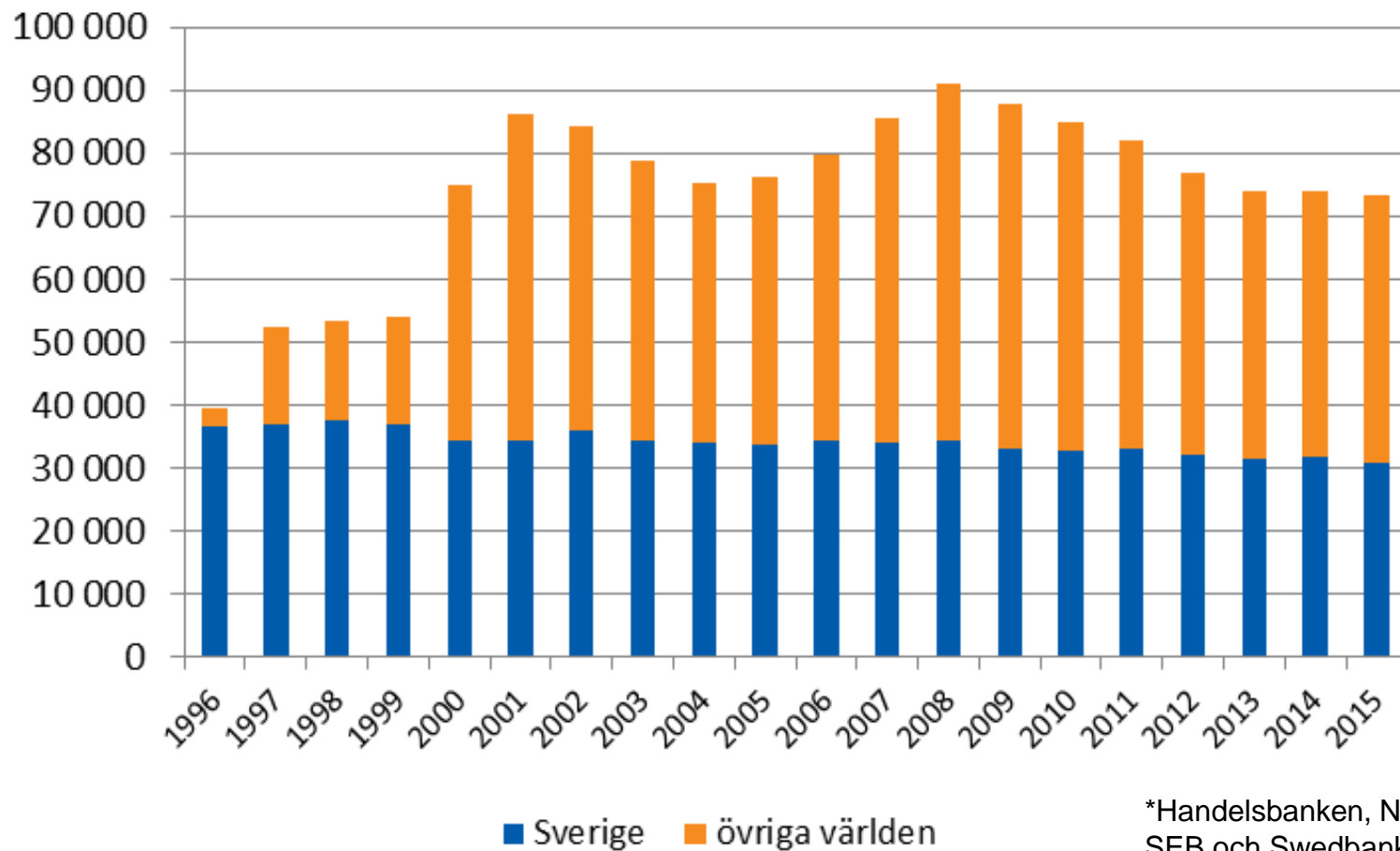
Vad sker med konkurrensen, arbetsmarknaden och inom EU om länderna har olika slags skatter i finanssektorn? Hur påverkas konsumtion och produktion av finansiella tjänster med ökad beskattning?

- Inledning: Gunnar Hökmark, MEP, Europaparlamentet
- Johan Åhman, Swedbank
- Magdalena Wetterfors, Skandia
- Sigurd Naess Schmidt, Copenhagen Economics
- Frederik Hans-Christian Staer, Finansraadet Danmark
- Ulrika Boëthius, ordförande i Finansförbundet Sverige

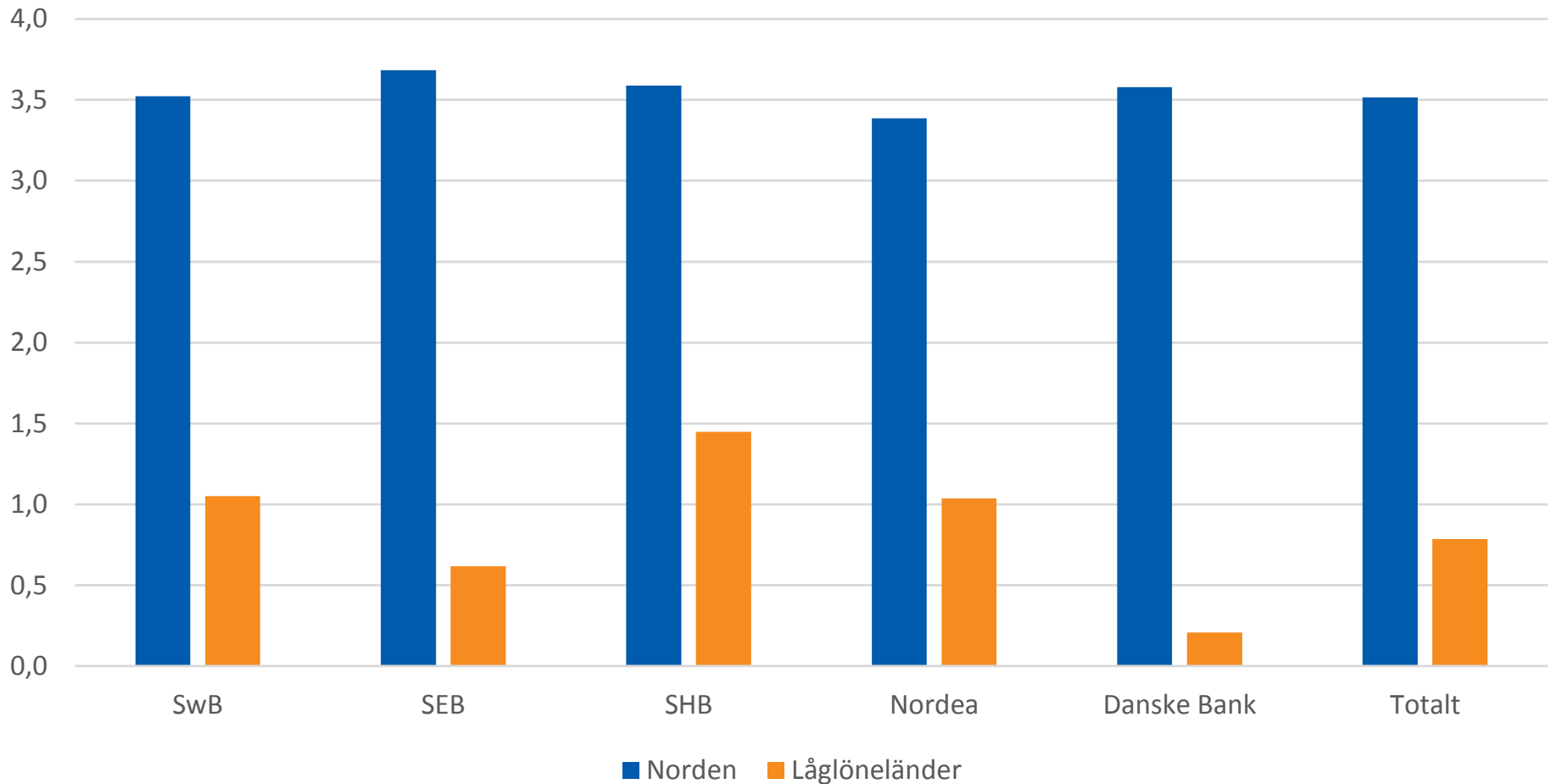
	Idag	Efter löneskatt, 10%
Kostnad för en person i Sverige	156	172
Samma person i Estland	57	57
Moms för att köpa hem tjänsten	13	13
Jämförbar kostnad	70	70
Kostnad uttryckt i procent av Sv	45%	41%

Anställda i de fyra stora bankerna*

Medelantal anställda i koncernen. Källa: årsredovisningar



Intäkt/ anställd, MSEK



Bankföreningens Skattekonferens 2016

- Driver "lönsummeavgiften" jobben från Sverige?

Johan Åhman

Group Head of Transfer Pricing



Kostnadsnivån styr lönsamheten hos bankerna

- Liten differentiering i produktutbud och pris mellan olika banker
 - Lönsamhet beror på volym och kostnadsnivå
- Digitalisering och ökade regulatoriska krav gör bankerna geografiskt obundna
 - Lokalkontorspersonal minskar → *geografiskt bunden*
 - Central administration ökar → *geografiskt obunden*
- Stor skillnad i kostnadsläge mellan bankernas verksamhetsländer
- Allt flyttar inte
 - Språk- och kulturskillnader
 - Omställningskostnader
 - Moms
 - PR
 - Komplexitet och förändringsobenägenhet
- **...men** ju större besparingen är, desto fler flyttkalkyler kommer att visa sig lönsamma

Danske Bank sticker ut

- flest anställda per intäktskrona i lågkostnadsländer

FY 2015	SwB	SEB	SHB	Nordea	Danske Bank
FTE/MSEK					
Norden	0,28	0,27	0,28	0,30	0,28
Lågkostnadsländer	0,95	1,62	0,69	0,96	4,82

Flytten fortsätter för Danske Bank

Anställda	FY 2015	FY 2014	Differens
Medelantal anställda			
Danmark	10 098	10 567	-469
Sverige	1 327	1 277	50
Norge	1 379	1 281	98
Finland	2 021	2 092	-71
Polen	41	45	-4
Estland	406	489	-83
Lettland	80	85	-5
Litauen	1 423	994	429
Indien	637	59	578
Övriga	1 637	1 714	-77
Totalt	19 049	18 603	446

High level overview of tax environment in Sweden and Denmark (20 April 2016)

Tax, levy etc.	Swedish rates	Danish rates
CIT (excl. notional yield tax)	22%	22%
VAT	0%, 6% 12% or 25%	0% or 25%
Individual income tax (excl. basic allowances and other deductions)	<p>Salary:</p> <ul style="list-style-type: none"> ■ 29.98% – 54.98% (Stockholm) <p>(Plus optional church tax)</p> <p>Capital gains, dividends etc.:</p> <ul style="list-style-type: none"> ■ 30% (general rate) 	<p>Salary withholding rate:</p> <ul style="list-style-type: none"> ■ 36.98% – 51.95% (average) <p>(Plus optional church tax)</p> <ul style="list-style-type: none"> ■ Labor market contribution of 8% is not included in the withholding rate, but is deducted from the salary before the tax is calculated <p>Capital gains, dividends etc.:</p> <ul style="list-style-type: none"> ■ 27% – 42%
Employer's contributions etc.	<ul style="list-style-type: none"> ■ Generally payable by employer on taxable gross salary (incl. fringe benefits etc) ■ 31.42% (standard rate) ■ No cap ■ Special wage tax of 24.26% generally payable by the employer on gross pensions payments (no cap) ■ Employee contributions (7% of net earned income with a max cap of SEK 32,800 per annum. Credited against income taxes.) 	<ul style="list-style-type: none"> ■ Employer contribution amounts to approx. DKK 10,000/EUR 1,350 per annum per employee ■ Employee contributions amounts to DKK 1,135/EUR 152 per annum ■ No special wage tax apply on pensions. The pension is taxed under the applicable tax rate, when the pension is withdrawn ■ Gain from pension scheme is taxed by 15.3% (annually)

Särskild beskattning av finansiella företag

Vad sker med konkurrensen, arbetsmarknaden och inom EU om länderna har olika slags skatter i finanssektorn? Hur påverkas konsumtion och produktion av finansiella tjänster med ökad beskattning?

- Inledning: Gunnar Hökmark, MEP, Europaparlamentet
- Johan Åhman, Swedbank
- Magdalena Wetterfors, Skandia
- Sigurd Naess Schmidt, Copenhagen Economics
- Frederik Hans-Christian Staer, Finansraadet Danmark
- Ulrika Boëthius, ordförande i Finansförbundet Sverige

Avslutning

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