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Samtök starfsmanna fjármálafyrirtækja 30. Nov 2011/SigAlbert

Hvaða leiðir eru til að skattleggja fjármálafyrirtæki? (samantekt unnin í samstarfi við norræn samtök starfsmanna fjármálafyrirtækja NFU)

1.Skattur á launakostnað fjármálafyrirtækja: Sá skattur sem nú er rætt um að leggja á launakostnað fjármálafyrirtækja er í raun skattur á vinnuafl sem ekki á neina sök á bankahruninu, en ekki á starfsemi fjármálafyrirtækja og hefur því engin stýrandi áhrif á starfsemi þeirra önnur en þau að hvetja til fækkunar starfsmanna og bjaga launaþróun. Í Danmörku var þessi skattur innleiddur 1988 og þar má finna er skýr dæmi um áhrif af skattlagningu sem þessari. Hlutfall starfsmanna í fjármálageiranum í Danmörku lækkaði um 20% frá árinu 1991 – 2001. Þess má geta að nú þegar greiða íslenskir bankar tryggingagjald, sem er ekkert annad en launaskattur, en það gera danskir bankar ekki.
Fækkun starfsmanna í fjármálafyrirtækjum getur dregið úr þeim áherslum sem verið hafa á bætta ráðgjöf og þjónustu við viðskiptavini og einnig rýrt gæði þeirrar þjónustu.
Skattur á launagreiðslur fjármálafyrirtækja er óstöðug tekjulind fyrir ríkissjóð þar sem hvati fyrirtækjanna er talsverður til að fækka starfsmönnum og draga úr launagreiðslum til að minnka skattbyrði. Þetta getur leitt af sér einskonar vítahring þar sem ítrekað þarf að hækka skatta til að viðhalda tekjustofninum.
Skattur á launagreiðslur til starfsmanna getur leitt til hærri útgjalda samfélagsins vegna aukins fjölda atvinnulausra sem missa störf í greininni sem og í afleiddum störfum.

2. Skattur á veltu fjármálafyrirtækja
Skattur sem lagður er á veltu fjármálafyrirtækja er mun einfaldari í framkvæmd en skattur á launakostnað fjármálafyrirtækja.Velta fyrirtækjanna er tiltölulega stöðug stærð og breytist í takt við efnahagsþróun í hagkerfinu.
Fjármálafyrirtæki hafa engan hvata til að minnka veltu sína til að komast hjá skattgreiðslum eins og gerst hefur með skatt á launakostnað.
Skattur á veltu hefur ekki í för með sér hvata til að blása út efnahagsreikning umfram það sem nauðsynlegt er, t.d. með útlána eða skuldsetningarþenslu. Veltuskattur hefur því stýrandi áhrif á starfsemi fjármálafyrirtækja í þá veru að draga úr líkum á frekari fjármálakrísum.
Skatti á veltu er tiltölulega auðvelt að stjórna ef skattstofninn er öll veita en með mismunandi skattprósentu eftir tegund starfsemi. (Sjá dæmi á bls 4—5 í NOTAT sem er meðfylgjandi)

3. Skattur á fjármálagjörninga (Financial transaction tax, FTT)
Slíkan skatt má útfæra sem mjög lága prósenta og gæti virkað sem tæki til að draga úr fjölda þeirra viðskipta sem flokkast undir spákaupmennsku svo sem tíð viðskipti sem ekki tengjast vörnum gegn raunverulegri áhættu. Skattur á fjármálagjörninga er ekki gallalaus en það er mat aðila sem hafa skoðað kosti og galla hans að stöðugleikaáhrif sem hann hefur séu meiri en ókostir af framkvæmdinni. Meginhlutverk slíkrar skattheimtu væri að efla og styrkja heilbrigt fjármálakerfi.
Skattur á fjármálagjörninga þarf í eðli sínu að vera lág upphæð og myndi þar með hafa lítil áhrif á þætti sem tengjast raunverulegu hagkerfi. Útflytjandi sem þarf gjaldeyrisvamir þarf að greiða skatt vegna þeirra en aðeins einu sinni. Hinsvegar þurfa spákaupmenn að greiða þennan skatt við hver viðskipti. Kostur þessa forms á skattheimtu er að hann skattleggur alla fjármálagerninga en ekki bara hefðbundna bankastarfsemi í samræmi við það hvernig spákaupmennskan er framkvæmd. Að jafnaði er ekki til verkfæri til að taka á spákaupmennsku en skattur á fjármálagerninga tekur á því viðfangsefni. Nýlega lagði framkvæmdastjóri ESB fram tillögu um að skattur af þessu tagi verði tekinn upp innan ESB. sjá nánar heimildir frá norrænum samtökum starfsmanna fjármálafyrirtækja (af forsíðu vefs www.ssf.is)

NFU UPDATE

www.nordicfinancialunions.org
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Tax financial transactions - new EU proposal

Last week we moved one step closer towards a European financial transaction tax when the EU Commission presented their proposal to tax transactions of shares and bonds at 0.1 % and derivatives at 0.01 %. Although a transaction tax at global level would certainly have been preferable, NFU believe that there are several good elements in the proposal from EU.

First of all, the EU Commission proposes to tax transactions and not the banks' payroll, which has been discussed earlier. Second, a tax on transaction is expected to affect speculation more than the financial services supporting the real economy. And the tax will apply to all actors in the financial markets, not only the core banking sector.

What will the implications be and what are the chances for the tax to be introduced? Read more here.

Commissioner Barnier has emphasised the need to finish the Commission's regulatory work "putting rules at the service of morality and banks at the service of the economy."

2011.10.03

Tax financial transactions – new proposal from the EU

EU Commission President Barroso presented last week a proposal for a European Financial Transaction Tax (FTT). Although an FTT at global level would certainly have been preferable, NFU believe that there are several good elements in the proposal from EU.

First of all, the EU Commission proposes to tax transactions and not the banks' payroll, which has been discussed earlier. This is a very important decision, as the payroll tax is effectively a tax on wages in the sector and thus an incentive to employ less people in the sector.

Second, a tax on transaction is expected to affect speculation more than the financial services supporting the real economy. This is due to the relatively low taxation rate, which makes high-frequency trading less attractive, but will not make 'normal' one-time transactions too expensive. And the FTT will apply to all actors in the financial markets, not only the core banking sector. This means that also the shadow banking sector, which is currently mainly unregulated and untaxed, will contribute.

With the current proposal, the scope of the tax will be shares, bonds and derivatives. The level of taxation for shares and bonds is suggested to be 0.1 %, whereas derivatives will be taxed at a 0.01 %. The tax is expected to generate about 8 billion Euros at European level per year. The proposal on an FTT is the first in a range of ways of generating 'own resources' to the EU budget. The aim is that these own resources gradually replace some of the national payments to the EU. It is therefore reasonable to argue that with an EU tax on the finance sector, national governments should not have any national taxation of the sector to avoid unequal competition between countries within the EU.

What will happen next?

It still remains to see whether any decisions will be taken. In the current political landscape in the EU the FTT proposal will have a tough way forward. The EU Parliament is generally positive towards a tax, but has no right to decide on taxation. Furthermore, all member states have to agree on the proposal, and since UK is strongly opposing the initiative, it already looks hard to find a compromise. However, it is suggested that Barroso will aim for a UK opt-out and in that way introduce the tax in the rest of the EU. A great deal of UK transactions will in any case involve actors from other EU countries, and will then be taxed despite the opt-out

Summary of main points

- The finance sector should contribute to society and fiscal consolidation on a level playing field with other sectors.

- We believe that the objective of financial sector taxation is threefold: a) maintain stability and eliminate excessive risk taking in the financial sector; b) make the 'polluters pay principle' apply, i.e. make risk takers pay; c) generate revenue to bank resolution funds.

- No tax instrument is a panacea which can solve the challenges of avoiding future crisis.

- The traditional banking sector – as opposed to the shadow banking sector - plays an important role for the real economy, contributing to growth and employment.

- The finance sector is experiencing a wave of new regulation, supervision and demands to capital buffers whereas the shadow banking sector is not addressed at all. We do not question the need to regulate, but we question the level playing field between the traditional banking sector versus shadow banks.

- A FAT should be avoided at all cost. Ordinary finance employees are not responsible for the crisis. A FAT is effectively a tax on labour, and has thus no regulatory effect apart from being an incentive to reduce the number of employees and distort wage development. We need to bring about a shift in the tax burden from labour towards activities with strong negative externalities. We need to bring a about a shift in burdening the few – the traditional banking sector – towards equal burden sharing among all risk takers in the financial markets.

- A FTT at a very low rate and broad based (as a minimum derivatives, over-the-counter products and high risk securities) could be a solution – ideally at global level, but also in the EU as a second best solution. 8 EU countries including Finland as well as Switzerland and Taiwan have already introduced some form of transaction tax. However, the Swedish transaction tax led to large relocation effects with negative impact on the economy. FTT has the advantage of targeting all risk takers – also outside the finance sector. We acknowledge the downsides of an FTT, but these are less harmful than the alternative of taxing labour in the finance sector, i.e. FAT. The design of an FTT is vital.

- A bank levy on the entire balance sheet, but with differentiated rates according to the type of financial institution (banks, life and pension insurance, mortgage institutions etc) should be promoted. A bank levy could serve the purpose of resolution of banks – cleaning up after financial crisis and avoiding future crisis.

NOTAT

BALANCE SHEET TAXATION OF FINANCIAL ENTERPRISES (TO REPLACE LABOUR COSTS TAXATION)

28. MARTS 2011

MW/JVN

Finansforbundet (Financial Services Union Denmark) proposes that current labour costs-based taxation 'lønsumsafgift' imposed on financial enterprises is restructured and balance sheet taxation introduced in its place. We propose a new balance sheet tax with differentiated rates, according to the type of financial enterprise concerned.

Finansforbundet has identified a number of reasons that explain why the balance sheet is a better platform for taxation of the financial sector in Denmark than the existing taxation of labour costs.

- The total balance sheet for the financial sector as a whole is relatively stable and will normally develop in the same direction as economic development.
- Like a tax on labour, labour costs taxation may function as an incentive to reduce workforce numbers and thus increase total tax revenue. Enterprises have no incentive to reduce the balance sheet in order to avoid taxation.
- On the contrary, balance sheet taxation means that there is no incentive to inflate the balance sheet unnecessarily, e.g. by explosive increases in lending. Balance sheet taxation is therefore regulatory in relative to avoiding a financial crisis in the future.
- Balance sheet taxation is a model that is being introduced and is used in other EU member states.

Our proposal will be explained in detail in the following.

LABOUR COSTS TAXATION FROM A HISTORICAL PERSPECTIVE

In the Agreement on the Danish Finance Act 1988, several employer taxes were eased and Arbejdsmarkedsbidrag (Labour Market Contribution, known as 'ambi') at 2.5% of the Danish VAT base was introduced instead. Since financial enterprises are VAT exempted, an alternative calculation base was required for them. Labour costs were chosen and the tax was set at 2.5% of the cost of labour plus 90%, which represented a total of 4.75% of labour costs.

Doubts were raised as to whether 'ambi' complied with EU legislation and the Danish Labour Market Contribution Act was repealed with effect from 1 January 1992. As for the VAT-exempted companies (including the financial sector), the Taxation on Labour Costs Act was amended so that labour costs taxation was raised to 8.55% of labour costs.

There were subsequently a number of minor increases in the rate of labour costs taxation. In 1997, labour costs taxation was raised to 8.71%, in 1998 to 8.87%, in 1999 to 8.92%, in 2000 to 9.13% and in 2011 to 10.5%. These increases were often made on grounds that the financial sector was not hit hard by tax increases imposed on other kinds of enterprises during this period.

LABOUR COSTS TAXATION IS AN UNSTABLE TAX SOURCE

Finansforbundet does not question that the financial sector has a duty to contribute to society. But we do question the suitability of labour costs taxation as the tax source.

We fail to see the socio-economic benefits of a labour costs-based taxation per se. Any tax paid on the basis of labour costs will - all other factors being equal - limit companies' economic incentive to take on staff. Rather than taking on staff, the tax encourages companies to seek to reduce the number of employees - which also means that the effect of labour costs taxation is to reduce the total number of people in employment.

It can be expected that increases in the labour costs taxation level would give financial enterprises a further economic incentive to slash the number of people employed in this sector. This may bring about an increase in unemployment and potentially encourages staff to take early retirement. This means that there is a serious risk that an increase in labour costs taxation in the long term will lead to increased public spending on benefits and a lower tax revenue.

In line with increasing globalisation, labour costs-based taxation may also motivate companies to export (more) jobs from Denmark to other countries in or outside the EU. Labour costs taxation is yet another tax on labour.

Labour costs-based taxation is an unstable tax source, and, at the same time an increase in labour costs taxation may further exacerbate the issue of economic-political sustainability. Therefore, Finansforbundet is convinced that labour costs taxation should be abolished and replaced by a tax that does not make it more costly for employers to retain staff and recruit new staff into the financial sector.

LABOUR COSTS TAXATION IS ADMINISTRATIVELY BURDENSOME

The tax base for labour costs taxation is gross salary paid to the employees, provided that employees are employed to work on VAT-exempted financial activities. Most financial enterprises also sell goods and services that are subject to VAT. The salary share for these activities is not calculated in labour costs taxation and, in practice, the distinction gives rise to uncertainty.

This is because the exact amount of time spent by employees on activities in the enterprise that are subject to labour costs taxation and on activities in other areas of the enterprise is not normally recorded.

As a result, labour costs taxation is difficult to calculate and gives rise to uncertainty.

BALANCE SHEET TAXATION IS A BETTER TAXATION BASE

Finansforbundet is strongly in favour of finding an alternative taxation base that is more stable and that does not have the same negative socio-economic consequences as labour costs taxation.

As an alternative to labour costs taxation, Finansforbundet proposes that an enterprise's total balance sheet is used as a tax base.

Taxation of the total balance sheet will hit financial enterprises unevenly however, due to the differences in their activities and thus in their balance sheet composition. A reform to introduce a **uniform** balance sheet taxation would represent a significant increase in the taxation of mortgage credit institutionsmortgage credit institutions and insurance companies, while taxation of banking institutions would be eased.

Taxation based on an **adjusted** balance sheet would be a proposal worthy of serious consideration. In the case of the mortgage credit institutions, adjustment could be made for bonds issued, and, in the case of insurance companies, the figures could be adjusted so that the companies were not taxed on provisions on insurance agreements. This would, however, be tantamount to an extra corporate tax, which is why we do not consider this model an appropriate solution.

We suggest instead a **differentiated** balance sheet taxation percentage, depending on the type of financial enterprise. This requires clear and unequivocal categorisation of the financial sector. Categorisation could be made on the basis of Finansforbundet's registration of licences by enterprise code.

TAX REVENUE FROM LABOUR COSTS TAXATION

Table 1 below shows taxation and tax revenue on current labour costs taxation

Table 1. Current labour costs taxation - tax percentage and revenue

	2006	2007	2008	2009	2010	2011
Taxation (as % of labour costs)	9.13	9.13	9.13	9.13	9.13	10.5
Tax revenue from labour costs taxation in the financial sector (DKK billions)	2.71	2.87	3.04	3.17	*3.24*	*3.80*

Note: Figures in italics are estimated.

Source: Danish Ministry of Taxation, Danish FSA and own calculations

Our point of departure is that the tax revenue of DKK 3.8 billion should not disappear but must be imposed differently.

TAX REVENUE ON BALANCE SHEET TAXATION

If the total balance sheet in the financial sector were taxed at 0.036%, the same tax revenue would be achieved as the estimated revenue from labour costs taxation in 2011 (cf. Table 2).

Table 2. Current balance sheet taxation - tax percentage and revenue

	2006	2007	2008	2009	2010	2011
Total balance sheet	8,813	10,061	10,705	10,612	*10,612*[1]	*10,612*[1]
Tax revenue, Financial Sector (DKK billions)	2.71	2.87	3.04	3.17	*3.24*	*3.80*
Balance Sheet Taxation (%)	0.031	0.029	0.028	0.030	*0.031*	*0.036*

1) For technical calculation purposes, the total balance sheet is maintained at the 2009 level.

Note: Figures in italics are estimated.

Source: Danish Ministry of Taxation, Danish FSA and own calculations

The above calculation model will, as stated previously, have different consequences for different kinds of financial enterprises.

Therefore we propose a model with differentiated tax rates.

To ensure the same tax revenue per branch relative to the current labour costs taxation, the following calculated rates would have to be imposed per branch:

Table 3: Expected taxation 2011, balance sheet total 2010 and calculated "tax percentage" by type of financial enterprise

	Taxation (DKK billions)	Balance sheet sum 2010 (DKK billions)	Calculated "tax percentage"
Banking institutions	2.59	4,324	0.060 %
Mortgage credit institutions + ship mortgage providers	0.22	3,187	0.007 %
Non-life insurance	0.69	160	0.43 %
Life, pension and corporate pension funds	0.24	1,693	0.014 %
Unit trusts, stockbrokers, etc.	0.02	570	0.004 %
ATP, SP, LD (investment management groups)	0.04	678	0.006 %
Total	3.80	10,612	0.036 %

1) For technical calculation purposes, the total balance sheet is maintained at the 2009 level.

2) Estimated figure per enterprise type

Source: Danish Ministry of Taxation, Danish FSA, Finansforbundet and KPMG calculations

The above table shows that the estimated tax percentage based on balance sheet sums for 2010 varies greatly for the different types of enterprises.

Note that the current labour costs taxation is already imposed on different tax bases in different branches/types of enterprise.

BALANCE SHEET TAXATION COMPLIES WITH EU LEGISLATION

Our professional advisors have assessed the legality of converting the labour costs taxation to balance sheet taxation and their assessment is that balance sheet taxation will be in compliance with EU legislative reforms in the VAT/taxation area.

OTHER TAX COLLECTION MODELS

We have assessed two other models. One is a tax on net interest and income from fees and the other is a tax calculated on the pre-tax accounting profit.

Tax on net interest and income from fees: This model reflects the activity level of the enterprise before depreciations in lending and administration costs. These sources of income fluctuate in line with economic development, including the current interest rate.

This means that the proceeds from a special tax would fluctuate from one year to the next, which fails to meet our over-arching criterion, i.e. that tax conversion should have a neutral effect on revenue.

This means that a banking institution's turnover on savings and lending would have to be calculated for VAT purposes as interest rate differential. This would also possibly raise doubts as to whether such a tax base would comply with the VAT Directive's Clause 401.

Tax calculated on the accounting profits is another possibility. Profits will fluctuate in line with financial development in the company and other socio-economic conditions.

This means that the proceeds from a special tax would fluctuate from one year to the next, which fails to meet our over-arching criterion, i.e. that tax conversion should have a neutral effect on revenue.

In our assessment, it does not seem likely that such a model would present problems vis-à-vis the VAT Directive's Clause 401, but compliance could become a moot point.

INTERNATIONAL DEVELOPMENTS

The European Commission has recommended that member states introduce special taxation on financial institutions to ensure that the financial burden that this sector creates in times of crisis is also paid for by this sector.

A number of member states have already introduced or are in the process of introducing new tax bases for the banking sector.

In addition to the labour costs taxation, which is included in the State budget, **Denmark** has introduced a tax to finance financial enterprises administered by Finansiel Stabilitet (The Financial Stability Company) and has set up a scheme to provide individual State guarantees.

Sweden has introduced balance sheet (stability) taxation at 0.036%, which is paid into a stability fund.

With effect from 1 January 2011, **the UK** has introduced balance sheet taxation at 0.05%, which will increase to 0.075% in 2012. Banks with total provisions in excess of GBP 20 billion are liable for this tax. The tax revenue is included in the total State budget.

Germany has introduced a bank tax in 2011, which is imposed on banks licensed in Germany. Investment trust and insurance companies are exempted. The banks pay both a progressive tax based on the balance sheet and a fixed tax on securities.

Both taxes are paid into a special fund.

France has introduced balance sheet taxation. The tax is imposed on financial companies under administrative supervision, although asset management, insurance companies and non-regulated investment funds are exempted. The tax is included in the total French State budget.

Hungary has introduced balance sheet taxation of up to 0.5%.

Austria has introduced balance sheet taxation from 2011 and specific balance sheet taxation is also on the drawing board in several more European countries and in the USA.

EU TAXATION

The EU is working on different kinds of taxation.

There is talk of a tax on financial transactions, FTT. The purpose of FTT would be to minimise speculation. If such a tax were to have any effect, it would have to be introduced globally. In the EU context, it is suggested that a significant share of FTT income would be allocated to the EU budgets to finance EU projects and policies. The EU Commission doubts that a purely European FTT would work. There is support for the introduction of FTT in the European Parliament.

A tax on financial transactions can only be passed by a unanimous Council of Ministers, which is considered unlikely.

There is also talk of a Financial Activity Tax, known as FAT. FAT would be calculated on company profits and/or labour costs and it is generally thought that any FAT income will primarily be allocated to the EU budget. FAT has the support of the European Commission and the European Parliament has noted that such a tax can only be a supplement to FTT.

A tax on financial activity can only be passed by a unanimous Council of Ministers, which is considered unlikely.

EU documentation states that there are different kinds of 'bank levies', one of which is balance sheet taxation. The Commission's framework for crisis management in the financial sector includes the option to impose tax on balance sheet-related items. A statement from the European Parliament stated that the Parliament "was pleased to see the IMF proposal which has the support of the European Commission in favour of the introduction of a tax on bank assets."

Finally, there is also some talk of higher rates of VAT, which, seen from the EU perspective, is the most realistic financial instrument.

Overall we do not see any upcoming EU initiatives that would oblige the national systems and that would mean a change in Denmark from labour costs taxation to balance sheet taxation would have to await an EU decision.

EXTERNAL ASSESSMENT

We have engaged State-authorized Auditor Partnership KPMG to assess the economic and legislative consequences of our proposal. The KPMG note dated 9 February 2011 is available in Danish on request.