TECHNICAL FICHE[1]
TAX CONTRIBUTION OF THE FINANCIAL SECTOR

This fiche summarizes the main findings regarding the tax contribution of the financial sector as analyzed in the *Impact Assessment accompanying the Proposal for a Council Directive on a Common system of financial transaction tax and amending Directive 2008/7/EC (SEC(2011) 1102)* as well as in the Staff Working Document on *Financial Sector Taxation* (SEC(2010)1166). The information has been updated where new data were available.

1. Possible economic rents in the Financial Sector likely to increase pay

There is some evidence that the financial sector has been more profitable than the non-financial sector over the last two decades[2]. This is not as such problematic if this above-normal profit is related to higher productivity. However, the high **profitability** of the sector could also result from a lack of competition due to e.g. barriers to entry, the existence of an (implicit or explicit) safety net provided by governments, combined with banking regulation or the VAT exemption (see below). In this case the financial sector could indeed make a more substantial contribution to government finances by the introduction of new taxes which are directed at **economic rents** (profits above normal return) and/ or which take into account the VAT exemption of most financial services. The data used in the Impact assessment on individual companies active in the financial sector suggests however that profitability is very heterogeneous within the sector and depends on the segment of activity as well as on the size of the company measured by total assets.

Potential economic rents can be captured by either the shareholders in the form of higher profits which either increase share prices or are distributed as dividends or by the managers and employees in the form of higher pay (including variable components such as bonuses or stock options). Analysing the **structure of executive compensation** of managers the financial sector (director level), volume 5 of the Impact Assessment shows empirically that there is a significant earnings premium in the financial sector which amounts for the overall sample

[1] This technical fiche should be considered as a non-paper that commits only the Commission's services involved in its preparation.

[2] See Devereux et al. (2004) and Lepetit (2010) p. 19.

(including both EU and Non-EU countries) to about 40%. This can be seen as an indication that possible rents are at least partly translated into higher management salaries in some parts of the financial sector.

2. Except for VAT and bank levies, the tax provisions for the Financial Sector do not differ significantly from those of other sectors

In order to gain a comprehensive overview of existing tax regimes applied to the financial sector, four different tax areas have been analyzed in the Impact Assessment: Corporate Income Tax, Labour Taxation, Value-Added Tax and the taxation of financial instruments. Broadly speaking, looking at 2011 tax provisions, the study does not find any significant differences in the tax treatment of the financial sector compared to other sectors, with the main exception of VAT from which the activities of the financial sector are generally exempted. As a consequence, the sector cannot recover a large part of the VAT paid on its inputs. Instead, the sector may aim at passing this input tax on to its clients. In addition, this section also discusses briefly bank levies.

In **labour taxation**, there are no differences in the treatment of personal income of workers employed in the financial sector. One difference though (albeit temporary for some Member States) is that several Member States have introduced bonus taxes on the financial sector. This would lead to greater taxation in personal income tax. Another point is that in a limited number of countries stock options and bonuses benefit from a favourable tax treatment. This treatment is however available for all sectors. It may be the case that the financial sector has a pay structure more prone to these pay schemes leading to a lower effective tax burden. This was however outside the scope of the study and the correspondents of the contractor did not have the view that this was the case. However, the study on executive compensation in the financial sector in volume 5 of the Impact Assessment finds evidence that the financial sector may rely more heavily on variable compensation compared to some other sectors.[3]

In **Corporate Income Tax (CIT)**, two main differences between financial and non-financial corporations concern the treatment of bad and doubtful loans and the non-application of thin capitalization rules to the financial sector. In the case of bad and doubtful loans, the

[3] Egger, von Ehrlich and Radulescu (2012), "How Much it Pays to Work in the Financial Sector", *CESifo Economic Studies*, 58: 110-139. Computed from Table (1), page 115.

differential treatment may provide a cash-flow (liquidity) advantage, but not a tax advantage. These differences in treatment can however be explained by the structure of the business in the financial sector for which interest received and paid constitute part of the business and not just the financing of activities. In the Member States in which there are these differences, they are explicitly made to take this situation into account. See Table 1 below for an overview of CIT rates as well as related local taxes.

A **bank levy or bank tax** can be interpreted as an additional duty imposed on financial institutions, predominantly banks. Following the recent financial crisis, several countries have taken legislative initiative in this respect, such as an additional levy applicable to banks, which are considered to pose a systemic risk to the economy. Although there are current proposals and negotiations pending in this respect, up to now there is no common approach, for instance between the EU Member States, in relation to such tax. Generally such bank levies are not applied on the income/ accounting result of the bank (as the case for CIT), but are in principle levied on the (relevant) assets, liabilities or capital of the bank. See Table 1 for an overview of current bank levies.

The **taxation of financial instruments** does not seem to lead to specific tax advantages in most countries reviewed, even if in many countries the treatment for accounting and/or tax purposes of financial instruments held by financial institutions differs from its treatment when held by non-financial institutions. However, there is no evidence that this results in an advantage for the financial sector. As regards transaction taxes, only a minority of Member States applies securities transaction taxes, and there is no uniformity with respect to the scope of these taxes. Table 2 below summarizes the information on current transaction taxes.

If statutory provisions of corporate tax systems do not seem to differentiate between the financial sector and the non-financial activities in the EU, the same is not true for Value-Added Taxation (**VAT**). Since the adoption of the Sixth VAT Directive in 1977, the EU's common value added tax system has generally exempted mainstream financial services including insurances and investment funds. Article 135(1) of the VAT Directive provides an exemption from VAT for most financial and insurance services but at the same time, the Directive allows Member States to grant taxable persons the option of taxing financial services. Around ⅔ of all financial services are margin-based which makes the implementation of the invoice-credit VAT system difficult in this respect. The exemption means that the financial sector does not charge VAT on most of its output and that it cannot deduct the VAT charged on its inputs. This is known as the 'irrecoverable VAT problem' where financial institutions are taxed on their inputs. Based on case studies, PricewaterhouseCoopers (2006) found that VAT recovery rates in the financial sector varied from 0% to 74%. The variations in recovery rates could be explained by differences in the way in which the Member States interpret the scope of the exemption and the option to tax but also by concessional arrangements applicable in individual Member States to institutions operating in the financial sector and by the different weight in different countries of services provided to non-EU customers (see below). An overview of current VAT application can be found in table 3 below. It should be noted that some countries apply for specific insurance services an insurance premium tax. However, products with a savings component (like life insurances) are usually exempted from this tax.

3. Consequences of VAT exemption

The VAT exemption for the financial sector has the likely consequence that, assuming that some input VAT is irrecoverable and passed-through into prices, the price of financial services for business users is higher than what it would be under a VAT system with deductible output VAT, while the price of financial services for final (individual) users is lower than if VAT would be applied. For the latter, this also means that sales from the financial sector are under-taxed compared to sales from non-financial sectors.

The harmonised VAT system aims at relieving exports from VAT burden. For financial services, this is achieved by Article 169(c) of the VAT Directive whereby financial institutions are entitled to deduct input VAT in respect of goods and services used for the purpose of rendering exempt financial services to non-EU customers.

There have been a few attempts in the economic literature to quantify the VAT losses for tax authorities deriving from exemption for financial services and most studies point to a net revenue loss (Genser and Winker, 1997; Huizinga, 2002; De la Feria and Lockwood, 2009). This tax loss on VAT collection from the sector is estimated to be around 0.15 % of GDP (Huizinga, 2002), which for the EU27 translates into close to EUR 18 billion. This order of magnitude was confirmed by the Impact Assessment which, using FISIM data, found a tax loss of about 0.15% GDP.

Some Member States have also tried to simulate the VAT revenue losses from exempting the Financial Sector. The United Kingdom estimates its losses at about GBP 4.5 billion for the fiscal years 2007-2008 and 2008-2009 (about 0.31% GDP in 2008).[4] For Denmark, the estimate was DKK 2.5 billion in 2006 (about 0.15% GDP). [5]

Two Member States specifically use additional taxes to compensate for the VAT exemption. Denmark introduced in 1990 a duty on wage and salary costs (*Lønsumsafgift*[6]) for businesses engaged in certain activities that are exempted from VAT. The tax base is generally the sum of labour costs and taxable profit[7]. For several sectors, including financial activities, the tax base is defined as labour costs plus a supplement of 90%. France introduced in 1968 a payroll tax (*taxe sur les salaires*[8]) which is levied on employers who are not liable for VAT or who have not been liable for VAT on at least 90% of their turnover during the previous year. Those include bank and insurance companies. The tax base is defined as gross remunerations, prior to the deduction of employee's national insurance contribution, including benefits in kind. Those two taxes resemble a Financial Activities Tax.

4. Contribution of the Financial Sector to CIT

In terms of its contribution to corporate tax receipts, the financial sector accounted for a substantial share of such revenues before the crisis. This should not come as a surprise given the weight and the above-average profitability of this sector in general. The EU27 GDP-weighted average share of the contribution by the financial sector to total corporate tax collection was around 20% in both 2006 and 2007. It decreased to 17% in 2008 as a result of the crisis and this share will most probably decrease further in the coming years due to the fact that the accumulated losses during the crisis will reduce future tax payments via loss carry-forward. The values for the EU27 are similar to those for many non-EU G-20 countries, as collected by the IMF for its report to the G-20. For example, between 2006 and 2008, the share of the financial sector in total corporate tax collection was around 18% for the United States, 23.5% for Canada and around 15% in Brazil and Australia.

4 http://www.hm-treasury.gov.uk/d/pbr08_taxreadyreckoner_287.pdf , page 18.
5 http://www.rigsrevisionen.dk/media(461,1033)/Transparency_of_Tax_Expenditures.pdf , page 29.
6 Covered by the Law on tax o labour costs (lov om afgift af lønsum mv.).
7 In case of losses, these are deducted from the labour costs. The system is therefore symmetric.
8 Covered by articles 231 to 231 bis R and 1679, 1679A and 1679 Bis of the General Tax Code.

5. Contribution of the Financial Sector to sector specific taxes

(a) Payroll Taxes

In the UK, a Bank Payroll Tax was introduced in 2010 in order to tackle the remuneration practices that contributed to excessive risk taking by the banking industry. A Taxable Company (broadly banking groups, banking entities and building societies) operating in the banking sector that awards a bonus greater than £25,000 in value (or bonuses totalling more than £25,000 if more than one is awarded to an individual employee) in respect of employees is charged the bank payroll tax at a rate of 50% on the aggregate of the amounts by which each such bonus exceeds that limit. Given the relative importance of these bonuses in the UK economy, the tax raised a sum corresponding to about 0.24% of GDP (GBP 3.455 billion) in 2010.

(b) Compensatory taxes to VAT exemption, similar to Financial Activities Tax.

In France, the *Taxe sur les Salaires* described above raised EUR 11.354 billion in 2010. This is about 0.59% of GDP. In 2008, about 85% of the amount collected was levied from financial institutions (IMF, 2010).

In Denmark, the *Lønsumsafgift* described above amounted to DKK 5.115 billion in 2010. This is about 0.29% GDP. In 2008, about 70% of this amount was raised from the financial sector (IMF, 2010).

(c) Bank Levies

The receipts of bank levies are in some cases earmarked for resolution or deposits guarantee funds. As such, they are not necessarily recorded as tax receipts. Two examples from Member States give an order of magnitude of the levy revenue. In the UK, where the levy is not earmarked, the bank levy is expected to raise about GBP 2.5 billion per annum. The German bank levy, which is earmarked for a resolution fund, raised about EUR 590 million in 2011.

6. Current legal tax framework in Member States – Overview tables

Table 1: General Tax Regime Applying to Banks: CIT, Local Taxes and Bank Levies

Country (April 2012)	Corporate Income Tax Rate	Local Taxes	Bank Levies	Remarks
AUSTRIA	25% (Annual min. CIT): - EUR 5,452 for banking institutions; - EUR 1,750 for private limited liability companies (non-financial institutions); - EUR 3,500 for public limited liability companies (non-financial institutions).	No	1) Levy to finance the chamber of commerce 2) From 1/1/2011, Bank levy: 2 taxable bases: - Capital assets (based on the unconsolidated balance sheet total). Tax on capital assets calculated on a modified average unconsolidated balance sheet total – tax rate of 0.055%-0.085% depending on certain threshold – allowance if tax base < €1 billion; - Derivatives in the trading book: tax rate of 0.013% based on their nominal value – no allowance for derivatives.	
BELGIUM	33.99%	No	Two levies which apply from 1 January 2012: *Financial Stability Contribution* All banks are subject to financial stability contribution of 0.035%, which is levied on the total amount of liabilities less equity and deposits subject to the guarantee scheme of the Belgian National Bank. *Deposit Protection Fund Contribution* In 2012, a deposit protection contribution of approximately 0.245% will be levied on the amount of deposits subject to the guarantee scheme of the Belgian National Bank. For 2013, the duty will be reduced to approximately 0.15%. For each bank, the exact contribution will be based on a weighted ratio which corresponds with the risk profile of the bank concerned. In addition, the capital adequacy, the quality of its assets and the liquidity will be taken into account.	
BULGARIA	10%	No	No	
CYPRUS	10%	No	Proposed bank levy: legislation is being considered by parliament, to tax deposits excluding inter-bank deposits at a rate of 0.095% (total levy not to exceed 20% of taxable profits).	
CZECH REPUBLIC	19%	No	No	
DENMARK	25%	No	No	Payroll tax (applicable to all entities not subject to VAT), in effect applicable mainly to financial entities, including banks: 10.5% of the payroll total.
ESTONIA	21%	No	No	CIT only upon distribution of profits.

Country (April 2012)	Corporate Income Tax Rate	Local Taxes	Bank Levies	Remarks
FINLAND	24.5%	No	No	
FRANCE	33.33% but a 3.3% 'social tax contribution' may also apply (if CIT exceeds K€ 763), i.e. effective tax rate may be 34.43%	No	Bank levy: financial bill for 2011 created a new 'tax on systemic risks' specific to banks, which will be paid in addition to contributions paid by the financial institutions to the deposit guarantee fund and supervision fees. In a nutshell, a 0.25% tax is assessed on the amount of the bank's equity over EUR 500 million. PEs of foreign banks resident in an EEA country are not subject to this levy.	
GERMANY	15% + 5.5% solidarity surcharge	Yes ('trade tax'), of between 7 and 17.1% depending on the relevant municipal rate (14.35% in Berlin)	- A bank levy (annual levy) is applicable from 1 January 2011 and falls due annually on 30 September. The base for calculating the levy is the sum of: 1) a progressive rate of 0.02 - 0.04% calculated on balance sheet total less liabilities to customers (without liabilities towards affiliate entities) less certain other items (such as funds for general bank risks) and liable equity capital; and 2) 0.00015% of nominal amount of derivatives. The bank levy is limited to a maximum of 15% of net profits plus certain other items and a minimum of 5% of the regular annual contribution.	
GREECE	20% for accounting year 2011	No	Bank debt is subject to a special levy of 0.6% annually on the loan value (L. 128/75).	
HUNGARY	10% up to HUF 500 million tax base, 19% above	Yes (in Budapest: 2%). It is noted that the local business tax base is determined differently from the tax base of the corporate income tax.	Bank levy with start date on 27 September 2010: Progressive rate of 0.15% up to HUF 50 billion and 0.53% on the excess. The levy is calculated on the adjusted balance sheet total (i.e. less, inter-bank lending and loan receivables, etc.). The bank levy is also applicable to other financial institutions (i.e. insurance companies, broker-dealers, etc.), for which different rates may apply.	
IRELAND	12.5% on trading income; 25% on passive income	No	No	
ITALY	27.5%	Regional income tax (introduced in 1997): ▪ 3.9% for non-FS ▪ 4.82% for FS ▪ may vary according to region.	No	
LATVIA	15%	No	Yes, financial stability duty of 0.036% per annum, in force from 1 January 2011, payable by Latvian banks, foreign branches of Latvian banks and Latvian branches of foreign branches	
LITHUANIA	15%	No	No	
LUXEMBOURG	21% + 5% solidarity surcharge = 22.05% from 1/1/2011	Yes, 'municipal business tax': varies between 6.75% and approx. 9%. Banks established in Luxembourg city: total combined CIT/MBT rate = 28.8%	Net wealth tax (computed on net asset value), applicable to all corporations at a rate of 0.5%. No (proposed) bank levies or financial transactions tax.	

Country (April 2012)	Corporate Income Tax Rate	Local Taxes	Bank Levies	Remarks
MALTA	35%	No	No	
NETHERLANDS	25% (with step-up of 20% on first EUR 200,000 of taxable income)	No	No	
POLAND	19%	No	No bank levy or financial activities tax. Currently, a bill to introduce a levy on banks and certain other financial institutions has been proposed by the opposition party in parliament. Given the make-up of parliament, even if the law is ultimately passed, it is unlikely that it will take the form presented in the bill.	
PORTUGAL	25%	1.5% maximum local surtax; National surtax at the rate of 3% is levied on income subject to CIT derived by resident entities and exceeds EUR 1.5 million. Profits higher than EUR 10 million are taxed at a rate of 5%. Reduced rate for Madeira Region but not applicable to banks or FS.	Since 2011, the banking sector is subject to a new contribution regime in addition to the standard tax rates. *Taxable base & tax rates* Base I : Total liabilities less, amongst others: ▪ Items that are accounted for as equity; ▪ Liabilities for defined benefit retirement plans; ▪ Provisions; ▪ Liabilities concerning revaluation of financial derivatives; ▪ Receipts related to deferred income, irrespective liabilities' operations; and ▪ Liabilities related with assets which were not accounted for in securitization's operations. Part of the bank deposit actually covered by the Deposits Guarantee Fund Tax rate foreseen: 0.05% Base II: The notional amount of off-balance sheet financial derivatives, excluding hedging derivatives and back to back derivatives. Tax rate foreseen: 0.00015%	
ROMANIA	16%	No	Proposal of 'solidarity tax' on profits derived by the financial services sector, temporary tax, proposed rate: 2.5% on profits derived during previous fiscal year. As the proposal is still pending in parliament, it will probably not come into effect in the near future.	
SLOVAKIA	19%	No	- No - The Slovak Ministry of Finance has presented its proposal to introduce taxation of banks in 2012. It is not yet clear whether it will be a tax levied on the liabilities of the financial institution or a financial activities-based tax.	
SLOVENIA	20%	No	No	
SPAIN	30%	No surcharges or local direct taxes, but from a CIT/direct taxation perspective, rules differ depending on the territory (for instance special rules applicable to the Vasc region).	No	

Country (April 2012)	Corporate Income Tax Rate	Local Taxes	Bank Levies	Remarks
SWEDEN	26.3%	No	Bank levy effective as from 30 December 2009, for financial years ending after that date: 0.036% of total amount of debt and provisions less intra-group liabilities and other items. This tax rate is halved for financial years 2009 and 2010.	
UK	25%	No	The full rate was 0.075 % from May to December 2011 and is 0.088 % since 2012.The bank levy is applicable to global consolidated balance Sheet liabilities less 'Tier 1', insurance liabilities, protected deposits, sovereign repo liabilities and other items (derivatives on a net basis). For calculation of the taxable base, a threshold of £20 billion is applied.	

Table 2: Securities Transaction Taxes/ Transfer Taxes

Country	Securities transaction taxes applicable in principle	On regulated markets	Type of securities in scope	Provision	Rate	Revenue	Remarks
BELGIUM	Tax on Stock Exchange Transactions	Yes	All securities	Sections 120 *et seq.* of the Belgian Miscellaneous Duties and Taxes Code - "MDTC"	0.17% (or 0.5% or 0.07% depending on the type of security)	EUR 134 million	There is an exemption for non-residents and the Financial Sector acting for its own account
CYPRUS	Levy on transactions effected in respect of securities listed at the Cypriot Stock Exchange	Yes	'Titles', meaning shares, stocks, debentures, founding and other titles of companies that are listed at the Stock Exchange	Law 161 (I)/99	0.15%	EUR 1.4 million	This legislation ceases to be of effect from 31 December 2011
	Stamp Duty	No, exempt if listed at stock exchange	Securities issued by Cypriot-resident companies	Stamp Duty Law L19/1963	0.15% (on the first EUR 170,860) plus 0.2% (on amounts over 170,860)	N/A	Stamp duty is applicable to the agreement and not to the transaction
FINLAND	Transfer tax	No, exempt if traded on a qualifying market	Finnish securities, e.g. equities, PPL, stock options, but not debt securities or derivatives	Transfer Tax Act (29.11.1996/931)	1.6%	N/A	

Country	Securities transaction taxes applicable in principle	On regulated markets	Type of securities in scope	Provision	Rate	Revenue	Remarks
FRANCE	Transfer Tax (not yet in force)	Yes	- Transactions on shares of publicly traded companies established in France, whose capital is over EUR 1 billion - High frequency and automated trading operations, taxable at a rate of 0.01% on the amount of cancelled or modified orders above a ceiling, which will be defined by a Ministerial Decree; and - Purchase of a Credit Default Swap (CDS) by a French Company, taxable at a rate of 0.01% on the amount of contract covered by the CDS.	Amending Finance Law for 2012 (Projet de Loi de Finances rectificative pour 2012, PLFR)	0.1% for shares, 0.01% for HFT and CDS	N/A	N/A
GREECE	Transaction duty	Yes, but also OTC transfers of Greek listed shares are subject to the duty	Greek or foreign listed shares and compound products such as equity swaps, call options, futures	L.2703/1999	0.15%	EUR 54 million in 2010	Draft bill in which amendments are proposed, for example abolition of transaction duty for the sale of listed shares initially acquired after 1.1.2012
IRELAND	Stamp duty		Stocks or marketable securities (including derivatives) of an Irish company or Irish immovable property	Sections 2, 88 and 90 and Schedule 1 of the Stamp Duties Consolidation Act 1999	1% but possibly up to 6%	N/A	

Country	Securities transaction taxes applicable in principle	On regulated markets	Type of securities in scope	Provision	Rate	Revenue	Remarks
ITALY	N/A	N/A	N/A	N/A	N/A	N/A	The Italian Securities Transfer Tax has been repealed for contracts signed on and after 31 December 2007
POLAND	Taxation of sale or exchange of property rights	No, exemption for transactions within an organised market	Securities and derivatives, except Polish treasury bonds etc.	Civil Law Activities Tax Law dated 9 September 2000	1%	N/A	
ROMANIA	Securities transaction taxes	Yes, whether on the regulated market or not	All types of securities	Regulation No. 7/2006 regarding revenues of the National Securities Commission ("NSC"); Emergency Ordinance No. 25/2002 for approval of the NSC Statute; Decision No. 1/2010 for approval of the NSC budget for 2010 (Annex 1)	A commission of a maximum of 0.08% or a monitoring fee of 0.15%; a commission of 0.10 RON when derivatives are involved	EUR 4,022 million in 2009	
UK	Stamp Duty and Stamp Duty Reserve Tax		Equities, certain equity derivatives (cash-settled derivatives excluded) and some loans having equity-like features	Finance Act 1986, Section 87	0.5% (or 1.5%)	N/A	Certain recognised intermediaries (Financial Sector traders) are given an exemption
SINGAPORE	Stamp duty	No, not applicable to transactions on the Singapore Exchange via the scripless settlement system	Stocks and shares, including debt with certain features		0.2%	EUR 1,157 million in 2007	

Country	Securities transaction taxes applicable in principle	On regulated markets	Type of securities in scope	Provision	Rate	Revenue	Remarks
SWITZERLAND	Transfer stamp tax	Yes	Bonds, shares (including shares in investment funds)	Swiss Federal Stamp Duty Act (StG)	0.15% for domestic securities and 0.3% for foreign securities		Foreign banks and securities dealers are exempt parties, amongst others

Table 3: VAT – Option to tax, Payroll taxes, Insurance Premium Tax

Country (April 2011)	Option to tax	Payroll tax (similar to payroll tax base of FAT)	Others
AUSTRIA	Option to tax adopted to a very limited extent, i.e. for certain very specific financial services mentioned in article 135(1)(b) and (c) of Directive 2006/112/EC		
BELGIUM	Option for taxation adopted to a very limited extent, i.e. for certain very specific financial services mentioned in article 135(1)d of Directive 2006/112/EC		
BULGARIA	Option for taxation adopted to a very limited extent, i.e. for certain very specific financial services mentioned in article 135(1)b of Directive 2006/112/EC		
CYPRUS	N/A		
CZECH REPUBLIC	N/A		
DENMARK	N/A	Most VAT exempt activities, including VAT exempt financial activities, are liable to a Special Payroll Tax. Also branches and representative offices are liable if they have employees in Denmark. Financial services companies (or companies whose main activity is financial services) must pay the highest tax rate, namely 10,5 % of the payroll related to VAT exempt activities. The taxable base will as a main rule include all payroll and all taxable benefits	
ESTONIA	Option for taxation adopted for financial services mentioned in article 135(1)(b) to (g) of Directive 2006/112/EC		
FINLAND	N/A		

Country (April 2011)	Option to tax	Payroll tax (similar to payroll tax base of FAT)	Others
FRANCE	The scope of the option is widely defined by a legal provision. However, another provision explicitly excludes from that scope a series of transactions or of kinds of transactions	Not applicable to transactions but paid by a French-established employer on the salaries (progressive in accordance of salary threshold) to the extent that its turnover is either VAT exempt (without credit) or outside scope of VAT In this respect, the Payroll Tax is apportioned on the basis of the following ratio: Numerator: the VAT exempt and the outside scope of VAT revenue, and Denominator: the total revenue (taxable, VAT exempt and outside scope of VAT)	Turnover tax: A 'value added contribution' ('Cotisation sur la valeur ajoutée des entreprises') is assessed on the added value of French companies. This applies to banks and other companies where their turnover exceeds EUR 152,500. The tax is computed by applying a progressive rate ranging between 0% and 1.5% on the added value of the company. Both turnover and the added value are calculated according to special provisions for banks (e.g. 95% of dividends deriving from long-term investments are not taken into account instead of a complete exemption).
GERMANY	Option for taxation adopted for financial services mentioned in article 135(1)(b) to (f) of Directive 2006/112/EC Not applicable for insurance transactions according to article 135(1)(a) of Directive 2006/112/EC and management of special investment funds according to article 135(1)(g) of Directive 2006/112/EC		
GREECE	N/A		
HUNGARY	N/A		
IRELAND	N/A		
ITALY	N/A		
LATVIA	N/A		
LITHUANIA	Option for taxation adopted to a limited extent, i.e. for certain very specific financial services mentioned in article 135(1)(b) to (e) of Directive 2006/112/EC		
LUXEMBOURG	N/A		
MALTA	N/A		
NETHERLANDS	N/A		
POLAND	N/A		
PORTUGAL	N/A		
ROMANIA	N/A		
SLOVAKIA	N/A		
SLOVENIA	N/A		
SPAIN	N/A		
SWEDEN	N/A		
UK	N/A		