Workshop on Bank Taxation

March 25, 2016

In the aftermaths of the crisis, several projects for the taxation on the financial sector have emerged. These proposals vary according to their base and purpose, but they all aim at increasing the tax burden on financial institutions and services and improving incentives. Hence, they have given rise to intense discussions and generated hot public debates. Additionally, the empirical evidence shows that pro debt bias of corporate taxation works against capital regulations making banks more prone to use leverage. Therefore, some reforms such as the allowance for corporate equity introduced in certain countries may curb this bias and give incentives to increase equity ratios in the banking sector.

The proponents of additional tax burden on the financial sector argue that its purpose should be recovering the costs of the direct fiscal support to banks or building up a reserve fund to ensure that taxpayers' money will not be used for future bailouts. They also claim that financial levies could be designed as Pigouvian taxes that would serve as macro-prudential tools to discourage banks and speculators from undertaking risky activities. Another motivation behind the current tax proposals is related to possible economic rents enjoyed by the financial sector and, hence, a tax is sometimes presented as a tax to curb the growth of the financial industry. Finally, they consider that additional levies will offset tax distortions due to the fact that financial services are exempted of VAT and lend themselves to fiscal optimization (International Monetary Fund, 2010).

Financial organizations reject the argument for under-taxation of the financial sector and claim that taxation is not an appropriate tool to tackle behavioral issues. They also advance arguments related to risks for the competitiveness of the EU financial sector and the risks of relocation. Most of all, they argue that newly introduced or to be introduced taxes would be detrimental to the economy as a whole because they would increase the cost of financial services (Commission Staff Working Paper Impact Assessment, SEC(2011) 1102 final, vol. 2).

Given the controversies around the topic, there is a need for further research on the taxation of the financial sector. This workshop aims at contributing to the policy debate with some academic insights that shed more light on the issue.

The participation to the workshop is free, but registration is required.

Program:

8:30-9:00	Welcome address
9:00-9:50	*Taxing Banks Properly: The Next Regulatory Frontier* Mark Roe (Harvard Law School - Harvard University) & Michael Troege (ESCP Europe & Labex ReFi)
9:55-10:50	*Is Bank Capital Sensitive to a Tax Allowance on Marginal Equity?* José Martin Flores (ESCP Europe & Labex ReFi) & Christophe Moussu (ESCP Europe & Labex ReFi)
10:50-11:00	Break
11:00-11:55	*Incidence of bank levy and bank market power*, Gunther Capelle-Blancard (Univ. Paris 1 Panthéon-Sorbonne & Labex ReFi) & Olena Havrylchyk (Univ. Lille 1)
11:55-12:50	*Taxing banks: an evaluation of the German bank levy*, Claudia M. Buch (Deutsche Bundesbank), Björn Hilberg (Deutsche Bundesbank) & Lena Tonzer (Halle Institute for Economic Research)
13:00-14:30	Lunch

Contact: gunther.capelle-blancard@univ-paris1.fr

Location: ESCP Europe Campus Paris (79, avenue de la République 75011 Paris)