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INDEPENDENT TAX CONSULTING



Taxation of the Financial Sector

Nordic Tax Research Council,
Stockholm 25 May 2013

Taxation of the financial sector

- Emphasis on
 - Currently applicable legislation and the impact on the financial sector.
 - The impact of activities the financial sector on the tax environment.
- Private equity funds as part of the financial sector
 - Scrutiny by tax administration
 - Introduction of a number of specific provisions aiming at the private equity sector
 - Interest limitation
 - Carried interest
 - Notion of control to include specific structures used in the private equity industry
- Anti abuse provisions and the financial sector
 - Thin capitalization debt:equity requirements vs. Minimum Capital Ratio
 - CFC-legislation
 - Danish CFC regime: discriminates financial sector:
 - Even more problematic after repeal of low tax requirement
 - Financial institutions must obtain approval – technical uncertainties

Taxation of the financial sector

- Financial innovation in the financial sector – Capital Adequacy
 - Hybrid as tier 1 capital: permanence, flexibility of payments and loss absorbency
 - Perpetual debt
 - Tax system not able to handle such instruments
 - Specific provisions in Denmark to ensure interest deductibility (LL § 6 B and KGL § 1)
 - Contingent Convertibles (CoCo)
 - Basel III and Banking Supervision
 - Deduction of deferred tax assets from
- AOA and Capital Allocation in Bank Permanent Establishments



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