Taxation of the Financial Sector

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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