Brussels, 29th November 2019
VH/AP

EACB comments on the OECD consultation about Pillar 2 on how to tax MNEs

The European Association of Cooperative Banks (EACB) gladly takes the opportunity to comment on the OECD consultation about the Pillar 2 on how to tax MNEs.

The EACB welcomes the OECD's plans for Pillar 2, which aim to subject the profits of international companies to a minimum taxation. Given the structure of Co-operative banks, a great number of those will not be affected by the new rules. However, some Co-operative Banks, which tend to operate internationally, might fall under the scope of the minimum taxation. This may specifically be the case for the Central institutions of Cooperative banks Groups and networks.

<u>In view of these circumstances, the EACB believes that the financial sector should be exempted by the new minimum taxation under Pillar 2 (Question 11 of the consultation).</u>

This carve-out should be granted to financial sector both for simplification and, in particular, for compliance cost reasons. The financial industry is one of the industries which has been hugely affected by new regulation and extra compliance costs in the recent years in order to reduce risks and safeguard financial stability. For this reason, political institutions have not expressed any concerns regarding the level of taxation of banks. As a result, there is no need to rectify any injustice in terms of profit sharing.

It has to be noted that when banks establish operations abroad, they may be obliged by relevant prudential regulation to establish branches in the concerned country which would be in scope of normal taxation of revenues.

The financial sector functions as a prerequisite for the economic prosperity of other industries by making capital available to internationally operating companies. Therefore, an extra tax to the financial sector would harm growth and reduce liquidity globally without solving in any way the problem of the MNE’s transferring to jurisdictions where income is taxed at an effective rate below a minimum rate.

Thus, the EACB asks for a carve-out for banks as it has also asked for the unified approach under pillar 1, also based on political and financial reasons and according to the differentiation criterion, under which the specific type of enterprise of banking is regulated by a complete different set of rules e.g. in the EU, the Capital Requirements Regulation (EU) No. 575/2013 (CRR).

EACB AISBL – Secretariat • Rue de l’Industrie 26-38 • B-1040 Brussels
Tel: (+32 2) 230 11 24 • Fax (+32 2) 230 06 49 • Enterprise 0896.081.149 • lobbying register 4172526951-19
www.eacb.coop • e-mail : secretariat@eacb.coop

Contact:

For further information or questions on this paper, please contact:

- Mr. Volker Heegemann, Head of Department (volker.heegemann@eacb.coop)

- Mr. Anastasios Pavlos, Adviser (Anastasios.Pavlos@eacb.coop)