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THE TAX ON CERTAIN FINANCIAL INSTITUTIONS IN POLAND – OBJECTIVES AND IMPLICATIONS

Abstract

Background: The introduction of the tax on certain financial institutions in Poland was accompanied by many emotions about the fact that it is a tax that had not previously been applicable in Poland, and that it also concerned financial institutions that became the subject of particular interest in the era of intensified discussion on the reform and sealing of the tax system. On 1 February 2016, the Act on Tax on Certain Financial Institutions became effective. The law introduced a wealth tax, in which assets of certain financial institutions are subject to taxation.
Research purpose: The paper assesses the impact of the introduction of a tax on certain financial institutions in Poland, in particular, the impact of the tax on the financial stability of the banking sector, loans to NFCs and households, and ownership structure. It also examines the scale of tax shifting to bank customers.
Methods: The paper presents an overview of the literature on the subject, the construction of the bank tax, and the most important effects of taxation on the banking sector, bank customers, and the whole economy. The desk research method was used, which involved compiling, analyzing, and processing data and information from existing sources, and on that basis, formulating conclusions.
Conclusions: Banks passed on the costs of the bank tax to their customers in the form of higher fees and commissions, as well as higher interest rates on loans and lower interest rates on deposits. Bank profitability increased after the introduction of the bank tax, so it can be concluded that the banks and their owners have not borne the burden of the tax.

Keywords: bank tax, banking sector taxation, fiscal efficiency, tax revenue, tax burden, stability of the banking sector.

JEL classification: H22, E62, G21, G22

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1. Introduction

After the subprime crisis, the concept appeared that introducing a bank levy or bank tax would prevent the volatility of financial markets and limit the extent of the risks taken by banks. Since 2009, the bank tax has been introduced in 11 European Union (EU) countries (Austria, Finland, France, the Netherlands, Latvia, Hungary, Poland, Portugal, Romania, Slovenia, and the UK), and a bank levy introduced in six EU countries (Belgium, Cyprus, Germany, Romania, Slovakia, and Sweden), as it was believed that it would limit unstable sources of financing for banks and would allow EU countries' governments to recover funds previously spent on rescuing the banking sector. Meanwhile, in countries where the tax was based on assets, its aim was to increase state budget revenues. In many countries, this tax has led to a fall in lending, an increase in loan interest rates and a significant reduction in deposit rates, an increase in bank fees and commissions, an increase in banks' exposure in the treasury securities market, and a temporary increase in interbank interest rate fluctuations.

The study analyzes the effects of the introduction of a tax on certain financial institutions in Poland, in particular, the impact of the tax on the financial stability of the banking sector, loans to non-financial corporations (NFCs) and households, ownership structure. It also examines the scale of tax shifting to bank customers. The research investigates two questions: Can a bank tax can be an effective fiscal tool without undermining the growth of the economy while fulfilling a stabilizing function? Who bears the economic burden of the introduced tax: the banks or their customers? The paper assesses whether a tax on certain financial institutions in Poland can be considered good regulation. According to Kasiewicz, good regulation occurs when a bank achieves the objectives of the regulator and creates net benefits at a given level of risk.[1]

The following research hypotheses are set out in the paper:

I. After the introduction of the bank tax in Poland, lending to the non-financial sector was inhibited.

II. The stability of the banking sector increased after the introduction of the bank tax in Poland.

III. After the introduction of the bank tax in Poland, there were changes in the ownership structure and a decrease in the involvement of foreign investors.

[1] **S. Kasiewicz**, *Spór wokół kategorii „dobra regulacja”*, Studia Prawno-Ekonomiczne 2016/XCVIII, p. 251.

IV. The economic burden of the bank tax was shifted "forward" to the customers of banks in Poland.

The paper use the desk research method, which involved compiling, analyzing, and processing data and information from existing sources. On this basis, conclusions were formulated.

2. Literature review

Both science and practice are divided on the effects of taxing the financial sector and the effectiveness of taxation as an instrument to stabilize the financial market. The impact on the economy and the potential to generate public revenue may vary depending on the structure of the levy and its scope (national, introduced by a group of countries, e.g., the EU or global). A comprehensive assessment of possible variants of the tax base or bank levy was presented by Marcinkowska, who pointed out the most important advantages and threats resulting from individual solutions.[2] The study of the International Monetary Fund edited by Claessens, Keen, and Pazarbasioglu discussed options for taxing the financial sector and its effects.[3] Meanwhile, Zygierewicz analyzed different types of taxation and presented the best model.[4] A comprehensive review of additional public levies imposed on the banking sector was presented by Juszczyk and Snarski,[5] while Dec and Masiukiewicz analyzed the costs and risks for financial institutions, the benefits for the budget, as well as the effects of introducing the levy on the customers of financial institutions.[6] Martysz and Bartlewski presented an overview of solutions used in taxing the banking sector in EU countries.[7]

[2] **M. Marcinkowska**, *Dodatkowe podatki i opłaty od banków – potrzeby praktyki i dylematy teorii finansów*, Prace Naukowe UE we Wrocławiu, No. 170; **K. Jajuga** (ed.), *Finanse – nowe wyzwania teorii praktyki. Problemy wiodące*, Wrocław 2011, pp. 100–127.

[3] **S. Claessens**, **M. Keen**, **C. Pazarbasioglu**, *Financial Sector Taxation. The IMF's Report to the G-20 and Background Material*, IMF 2010.

[4] **M. Zygierewicz**, *Specjalny podatek od instytucji finansowych – próba poszukiwania najlepszego rozwiązania*, Bezpieczny Bank 2012/3 (48).

[5] **S. Juszczyk**, **P. Snarski**, *Przegląd potencjalnych podatków i opłat nakładanych na banki w obliczu globalnego kryzysu gospodarczego*, Ekonomika i Organizacja Gospodarki Żywnościowej, No. 93.

[6] **P. Dec**, **P. Masiukiewicz**, *Podatek bankowy*, Wydawnictwo C.H. Beck, Warszawa 2013.

[7] **C. Martysz**, **B. Bartlewski**, *Podatek bankowy – koncepcja europejska i studium przypadków wybranych krajów UE*, Studia BAS 2018/1 (53).

Muszyński pointed to the risk of a slowdown in lending, which could lead to a slowdown in economic growth as a result of the introduction of an additional public levy on the banking sector.[8] Borowski, Jaworski, and Tymoczko analyzed the impact of the bank tax on credit to the non-financial sector in Poland. They noted that the imposition of the tax on banks reduced lending.[9] Buch, Hilberg, and Tonzer analyzed the effects of the introduction of an additional levy on banks in Germany. The study found no clear evidence of changes in new lending. Nevertheless, banks burdened with the bank levy increased the supply of credit to a lesser extent compared to banks that were exempt from the levy.[10] Kochaniak, Mikołajczyk, Ulrichs, and Włodarczyk analyzed the impact of regulatory burdens and the bank tax on the banking sector in Poland. Their analysis confirmed the negative impact of the bank tax on the development, lending activity, and profitability of the banking sector.[11]

Schweikhard and Wahrenburg,[12] Devereux, Johannesen, and Vella,[13] and Diemer studied the impact of additional public levies imposed on banks at the level of systemic risk in the banking sector.[14] Meanwhile, the impact of bank tax on the interbank market in Poland was studied by Hryckiewicz, Mielus, Puławska, and Snarska.[15] The impact of bank tax on the profitability of the Polish

8 **M. Muszyński**, *Podatek bankowy a efektywność działalności operacyjnej banków komercyjnych w Polsce*, Finanse i Prawo Finansowe 2017/3 (15), p. 84.

9 **J. Borowski**, **K. Jaworski**, **D. Tymoczko**, *Wpływ podatku bankowego w Polsce na kredyt dla sektora niefinansowego*, Studia Ekonomiczne. Zeszyty Naukowe Uniwersytetu Ekonomicznego w Katowicach 2016/287, p. 15.

10 **C. Buch**, **B. Hilberg**, **L. Tonzer**, *Taxing Banks: An Evaluation of the German Bank Levy*, Bundesbank Discussion Paper 2014/38, p. 2.

11 **K. Kochaniak**, **K. Mikołajczyk**, **M. Ulrichs**, **B. Włodarczyk**, *Skutki implementacji regulacji ostrożnościowych dla banków i gospodarki. Lata 2015–2019*, Program Analityczno-Badawczy, Warszawski Instytut Bankowości, Warszawa 2020, pp. 77–94.

12 **F.H. Schweikhard**, **M. Wahrenburg**, *The Internalization of Systemic Risk: An Analysis of Bank Levy Schemes*, Presented at the EFA 2013 Meetings, Gothenburg 2013.

13 **M.P. Devereux**, **N. Johannesen**, **J. Vella**, *Can Taxes Tame the Banks? Evidence from European Bank Levies*, University Centre for Business Taxation, Saïd Business School Research Paper 2015/5, Oxford.

14 **M. Diemer**, *Bank Bailouts*, *Bank Levy, and Bank Risk-Taking*, Dissertation zur Erlangung des akademischen Grades Doctor rerum politicarum, Universitat Leipzig, 22.10.2014, pp. 42–43.

15 **A. Hryckiewicz**, **P. Mielus**, **K. Puławska**, **M. Snarska**, *Does a Bank Levy Increase Frictions on the Interbank Market?*, Working Paper 2018/033, Warsaw School of Economics, Collegium of Economic Analysis.

banking sector was analyzed by Muszyński,[16] while Gajewski[17] and Siudek[18] analyzed the construction of bank tax in Poland.

The literature also mentions the impact of taxation on the behavior of international banks. According to Merz, Overesch, and Wamser, host country taxes have a negative effect on the probability of choosing a particular host location.[19] In another study, the same authors said that international differences in tax rates provide an incentive to adopt strategies that are associated with profit shifting from high-taxed to low-taxed subsidiaries to minimize the overall tax payments.[20] According to Franz Reiter, banks use the debt shifting channel for tax avoidance more aggressively than non-financial multinationals do.[21] Another study demonstrated that a one percentage point lower corporate tax rate increases banks' fixed-income trading assets by 2.2% and trading derivatives by 6.3%.[22] However, it is worth noting that these studies focused on the impact of income taxation rather than bank tax.

Although tax incidence is an important area of economic analysis, research usually focuses on value-added taxes or excise duties, while bank taxes and fees are relatively rarely the subject of analysis. Weder di Mauro carried out a simulation of the pass-through of taxes and bank levies, showing that the burden of the imposed levy is borne both by financial institutions and customers.[23] Finally, Wiśniewski presented an analysis of the scale of transferability of tax on some financial institutions in Poland to bank customers.[24]

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16 **M. Muszyński**, *Podatek bankowy a efektywność działalności operacyjnej banków komercyjnych w Polsce*, Finanse i Prawo Finansowe 2017/3 (15).

17 **D. Gajewski**, *Polityka podatkowa na rozdrożu – wokół podatku bankowego w Polsce*, Studia z Polityki Publicznej 2016/2 (10).

18 **T. Siudek**, *Podatek bankowy – konsekwencje dla sektora bankowego w Polsce*, Ekonomika i Organizacja Gospodarki Żywnościowej 2011/92.

19 **J. Merz**, **M. Overesch**, **G. Wamser**, *The location of financial sector FDI: Tax and regulation policy*, Journal of Banking & Finance 2017/78, issue C, pp. 14–26.

20 **J. Merz**, **M. Overesch**, *Profit shifting and tax response of multinational banks*, Journal of Banking & Finance 2016/68, issue C, pp. 57–68.

21 **F. Reiter**, *Avoiding taxes: banks' use of internal debt*, CESIFO Area Conferences 2017, Public Sector Economics, 2017 April 27–29, Munich, pp. 1–24.

22 **D. Langenmayr**, **F. Reiter**, *Trading Offshore: Evidence on Banks' Tax Avoidance*, CESIFO Area Conferences 2017, Public Sector Economics, 2017 April 27–29, Munich, pp. 1–37.

23 **B. Weder di Mauro**, *Quantitative Impact of Taxing or Regulating Systemic Risk*, in: **S. Claessens**, **M. Keen**, **C. Pazarbasioglu** (eds.), *Financial Sector Taxation. The IMF's Report to the G-20 and Background Material*, IMF 2010, pp. 96–104.

24 **M. Wiśniewski**, *Przerzucalność podatku bankowego w Polsce – próba oceny skali zjawiska*, Annales Universitatis Mariae Curie-Skłodowska, Sectio H 2017/51/4, pp. 347–355.

3. The tax on certain financial institutions in Poland

On 1 February 2016, the Act on Tax on Certain Financial Institutions became effective in Poland.[25] The law introduced a wealth tax that taxes the assets of certain financial institutions, i.e., domestic banks, branches of foreign banks, branches of credit institutions, cooperative banks, domestic insurance companies, domestic reinsurance companies, branches and main branches of foreign insurers and reinsurers, and loan institutions. The bill sets out some exemptions from the new tax: 1) foreign insurance and reinsurance companies from, e.g., EU countries that conduct their activities in Poland based on the freedom to provide insurance services rule (not through a branch in Poland), 2) banks that provide cross-border banking services, and 3) Polish state banks and financial institutions that are subject to liquidation, bankruptcy, or compulsory administration.

The tax rate is 0.0366% of the taxable base monthly (which is 0.44% annually),[26] which is one of the highest in the EU member states. The amount of the tax cannot be treated as a tax deductible cost for purposes of Polish Corporate Income Tax. The first period for which taxpayers were required to calculate and pay the bank tax was February 2016.

The tax base is different concerning the groups of taxpayers (Table 1).

TABLE 1: *Tax on certain financial institutions in Poland – the tax base thresholds*

Taxpayers	Tax-free amount (billion PLN)	Tax base
Banks, branches of banks, credit institutions and cooperative banks	4	Assets decreased by equity and certain financial assets, e.g., treasury bonds, funds of cooperative banks on accounts in affiliating banks, securities purchased from the National Bank of Poland as collateral for NBP refinancing a loan
Insurers, reinsurers, and their branches	2	Tax base is calculated jointly for all taxpayers, related or co-related, directly or indirectly, to one entity or a group of related entities
Loan institutions	0.2	

S o u r c e: Act on Tax on Certain Financial Institutions, 15 January 2016.

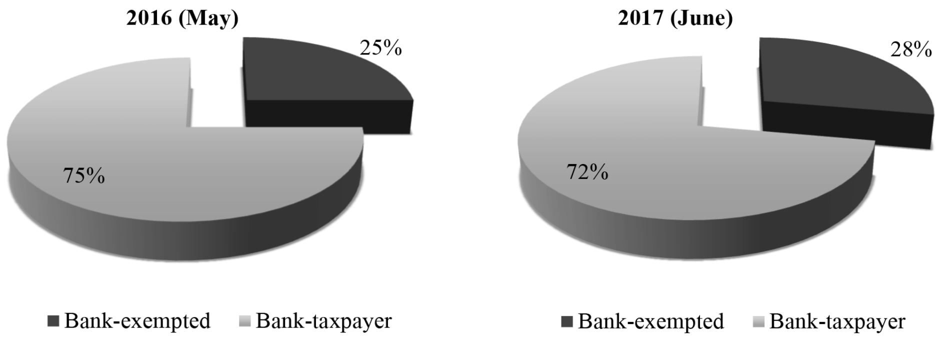
[25] Act on Tax on Certain Financial Institutions, 2016 January 15 (Dz.U. 2016, poz. 68).

[26] *Ibidem*.

4. Analysis of the impact of the tax on certain financial institutions on the banking sector in Poland

Figure 1 presents the share of assets of tax-paying banks in the assets of the banking sector in Poland. In June 2017, the tax was paid by 18 commercial banks and one branch of a credit institution (hereinafter collectively referred to as banks); the list of taxpayers has not changed since July 2016. In May 2016, the exempt banks had 25% of the sector's assets, and the taxpayers had 75%. In June 2017, the banks that paid the tax accounted for 72% of the sector (under the asset base).

FIGURE 1: *Share of assets of tax-paying banks in banking sector assets in Poland*

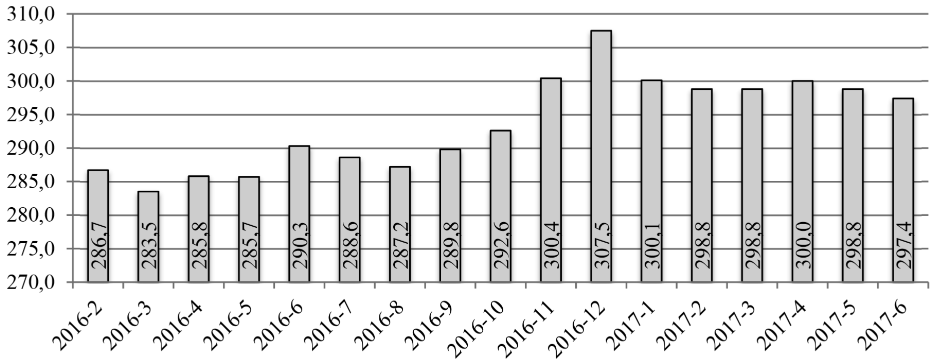


Source: **KNF** (Polish Financial Supervision Authority), *Syntetyczna informacja na temat wpływu podatku od niektórych instytucji finansowych na sytuację banków komercyjnych*, Warszawa, lipiec 2016, p. 5; **KNF** (Polish Financial Supervision Authority), *Syntetyczna informacja na temat wpływu podatku od niektórych instytucji finansowych na sytuację banków komercyjnych*, Warszawa, August 2017, p. 3.

Banks have paid tax since February 2016. At that time, as shown in Figure 2, its value oscillated between PLN 283.5 million and PLN 307.5 million. This means that fluctuations are relatively small. In total, until June 2017, banks paid PLN 4,991.8 million.

Among the EU Member States, the highest level of bank tax revenue as a proportion of total tax revenue was noted in Hungary (Figure 3). Each year, Hungary's bank tax revenue declined (in absolute terms and as a proportion of total tax revenue), reaching 0.44% of total tax revenue in 2017, which ranked Hungary second in terms of fiscal efficiency among EU countries. In contrast, first place was occupied by Poland. It should be noted here that the tax structure implemented in Poland provides for the taxation of not only banks, but also insurance companies and lending institutions. Receipts from the tax on certain financial institutions in Poland ranged from 0.62% in 2016 to 0.64% in 2017 of total tax revenues. Therefore, it can be pointed out that Hungary and Poland are among the countries where taxing the banking sector has the highest fiscal importance.

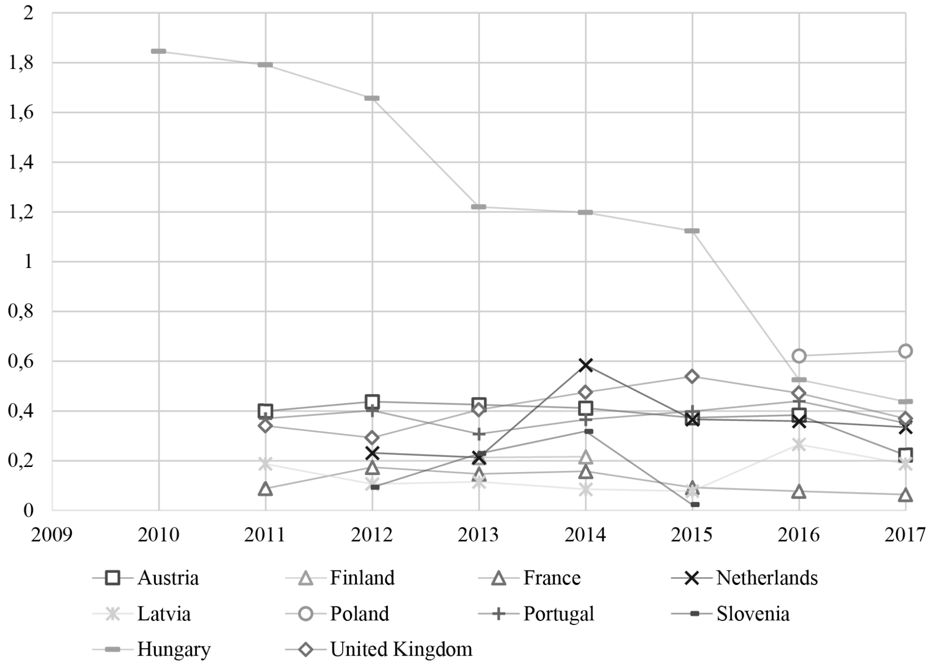
FIGURE 2: *Value of tax paid by banks in Poland (million PLN)*



S o u r c e: **KNF** (Polish Financial Supervision Authority), *Syntetyczna informacja na temat wpływu podatku od niektórych instytucji finansowych na sytuację banków komercyjnych*, Warszawa, August 2017, p. 4.

Figure 4 shows the shifted positions in the banks' balance sheet, which influenced the shifted tax base. From January 2016, the banks' interest in treasury bonds increased. They also increased their equity capital, which is also exempted from tax. As a result, at an almost constant level of assets, the tax base decreased. Banks took steps toward tax optimization because they are trying to reduce their tax base. The largest change can be observed in treasury bonds, which have increased by 48% since December 2015 (the month before the tax was introduced). Quantitatively, there is a change in the portfolio by PLN 76.1 billion. In the same period, assets increased by 6% (PLN 76.6 billion) while the total tax base decreased by 2% (PLN 20.2 billion).

FIGURE 3: *Bank tax revenues in selected EU Member States (% of total tax revenues)*



Source: own compilation based on: **European Commission**, *Taxes in Europe database*; **European Commission**, *Taxation and Customs Union*; accessed 24.07.2021.

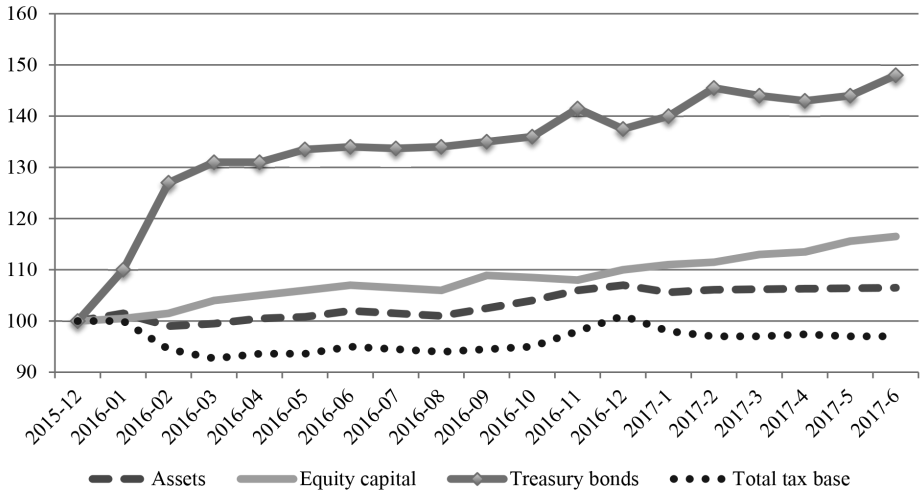
In accordance with the Act on Tax on Certain Financial Institutions, the tax base may be reduced by the value of treasury bonds and, as a result, the bank tax may be reduced (transferring an asset taxed to non-taxable assets). Banks may purchase treasury bonds to aggressively avoid tax. Particularly noteworthy should be the situation when a bank decides to purchase treasury bonds of an appropriate value on the last day of the month to lower its tax base. It will then sell the same bonds on the second day, thus freeing the assets that were not covered by the tax obligation.

From the point of view of servicing the government debt, the increased demand for treasury bonds is positive. However, it should be remembered that this tendency will be very unfavorable for the country from the point of view of falling tax revenues.

The bank tax introduced in Poland is levied on the assets of financial institutions. This makes it a tax on the scale of banks' business activity, but it does not refer to the level of risk they undertake. As a result, it may affect the terms and conditions of bank operations, including the volume of credit activity.[27]

The bank tax in Poland is a wealth tax, which is charged on assets. It is worth noting that in the case of a bank tax or a bank levy of a property nature, there may be double taxation when a different tax is also paid on that property. An example of this is the bank tax introduced in Poland, which charges assets with certain exemptions (e.g., equity or treasury securities). The bank's assets also include real estate, that is subject to property tax. Therefore, there is a double taxation of real estate assets by bank tax and property tax.

FIGURE 4: *Dynamics of tax base components in Poland (banks that have paid tax, 2015-12 = 100)*



Source: **KNF** (Polish Financial Supervision Authority), *Syntetyczna informacja na temat wpływu podatku od niektórych instytucji finansowych na sytuację banków komercyjnych*, Warszawa, August 2017, p. 5.

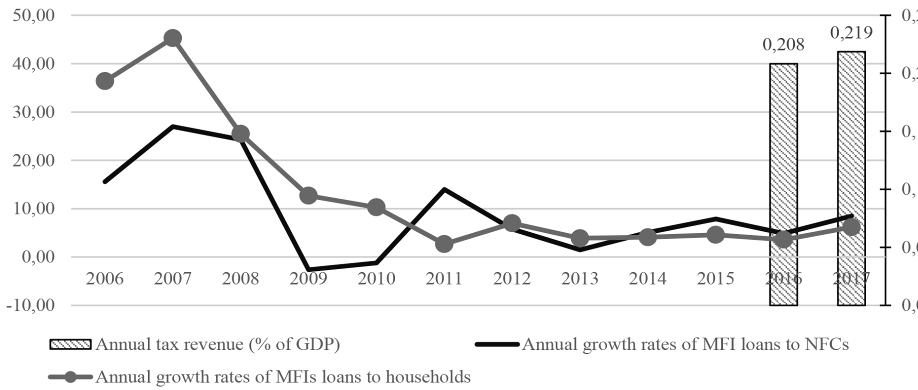
The construction of the tax may lead to a kind of arbitration. The structure of a bank tax may have an impact on the long-term bank's strategy. Treasury bonds (which are exempted from taxation) and loans (non-exempted) are the bank's assets. Thus, banks may face a dilemma of whether to invest in treasury bonds or lend loans. On the one hand, they are subject to bank tax, but on the other, they are exposed to economic risk. In a situation where assets constituting granted

[27] **D. Gajewski**, *Polityka podatkowa na rozdrożu – wokół podatku bankowego w Polsce*, Studia z Polityki Publicznej 2016/2 (10), p. 71.

loans are subject to taxation, while assets in the form of treasury securities are excluded from taxation, the bank may, in a situation of similar rates of return, invest free funds to purchase treasury securities and thus limit the availability of loans to customers.[28]

The bank tax on assets is intended to tax the scale of activity. The bank's main assets are loans, so they are mainly taxed. However, according to the literature review, one of the main risks associated with introducing a bank tax is the fall in bank lending.

FIGURE 5: *Annual growth rates of MFI (monetary financial institutions) loans to NFCs and households (left axis) and revenues from bank tax (right axis) in Poland in 2006–2017*



S o u r c e: **European Central Bank**, *Statistical Data Warehouse* (ECB SDW), 2020; **European Commission**, *"Taxes in Europe" database*, 2020; **European Commission**, *Taxation and Customs Union*, 2020.

As shown in Figure 5, after the bank tax was introduced in 2016, there was a slight decrease in the growth rate of lending. A greater weakening of the rate of credit growth can be observed in loans to non-financial corporations than to households. This effect was not long-lasting because, in 2017, there was an acceleration in credit growth for both non-financial companies and households.

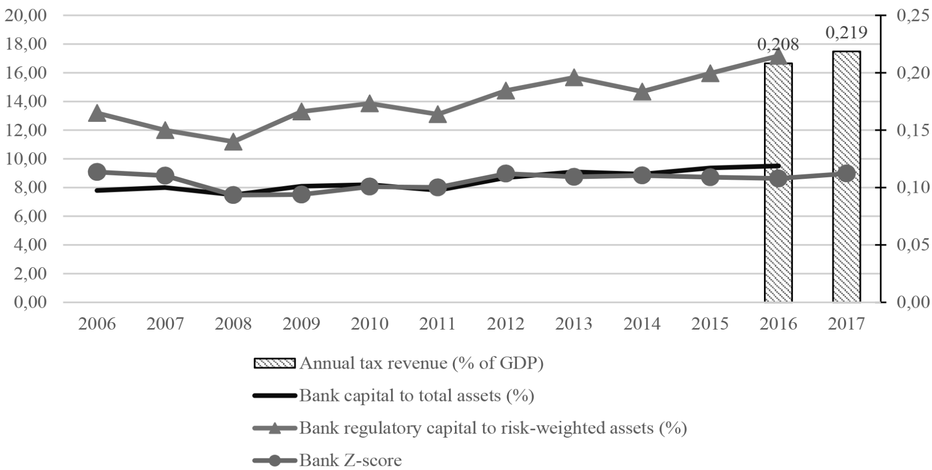
We evaluated changes in the stability of banks using the capital adequacy index and evaluated changes in the security of banking sector entities using the Z-score index.

[28] **M. Twarowska-Ratajczak**, *Tax planning in bank tax – analysis of the use of treasury bonds*, **W. Tarczyński**, **K. Nermend** (eds.), *Effective Investments on Capital Markets*, 2019.

As Figure 6 shows, the capital adequacy ratio in Poland has been below the EU-28 average since 2007, although it increased between 2006 and 2016 by 30% (on average, in the EU-28, the ratio increased by 66% in the study period). After the introduction of the bank tax in 2016, the value of the ratio increased to 17.18%.

The Z-score index for the banking sector in Poland was also relatively low, below the EU-28 average, and was subject to slight fluctuations over the entire period. In 2016, when the bank tax was introduced, the value of the index increased to 8.98%.

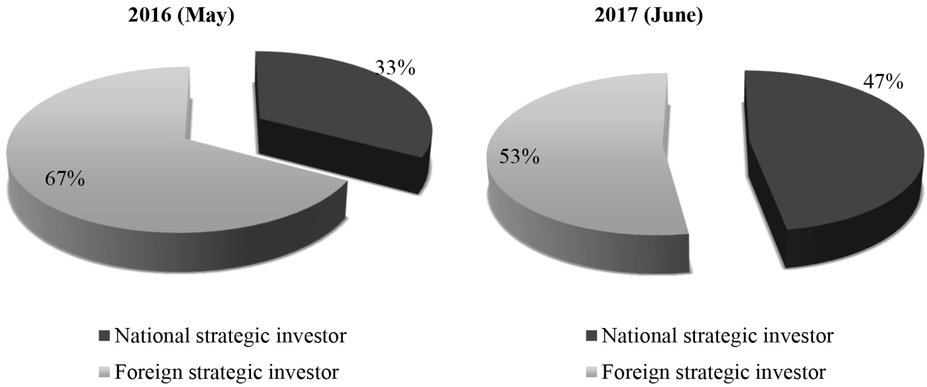
FIGURE 6: *Selected indicators of financial stability of the banking sector, bank capitals (left axis), and revenues from bank tax (right axis) in Poland, 2006–2017*



S o u r c e: **European Commission**, *"Taxes in Europe" database*, 2020; **European Commission**, *Taxation and Customs Union*, 2020; **The World Bank**, *Global Financial Development Database (GFDD)*, 2020.

In Poland, bank equity and Treasury securities in banks' portfolios are exempted from the bank tax base. The share of equity in total assets of the banking sector was relatively high compared to the EU-28 average. This ratio increased from 7.80% in 2006 to 9.51% in 2016 (a 22% increase compared to a 40% increase on average in the EU-28). After the introduction of the bank tax in 2016, the share of bank capital in total assets in Poland increased, but this may also have resulted from the continuation of the upward trend from previous years.

FIGURE 7: *Strategic investor and tax revenue in Poland*



S o u r c e: **KNF** (Polish Financial Supervision Authority), *Syntetyczna informacja na temat wpływu podatku od niektórych instytucji finansowych na sytuację banków komercyjnych*, Warszawa, July 2016, p. 5; **KNF** (Polish Financial Supervision Authority), *Syntetyczna informacja na temat wpływu podatku od niektórych instytucji finansowych na sytuację banków komercyjnych*, Warszawa, August 2017, p. 4.

The introduction of the tax was followed by an increase in the share of banks with domestic capital (Figure 7). In May 2016, 67% of taxpayers were banks with a foreign strategic investor, and 33% were banks with a domestic strategic investor. The share of banks with a national strategic investor increased to 47% in June 2017. This was mainly due to the takeover of Pekao Bank by PZU SA and PFR SA, and thus the change of strategic investor from Italian to Polish.[29]

The share of assets controlled by foreign investors in the assets of the banking sector has fallen since the financial crisis (Figure 8). This cannot be associated only with taxation, but the introduction of the tax might have accelerated this process. In 2017, for the first time since 1999, the share of domestic investors in the banking sector's assets was higher than the share of foreign investors, amounting to 54.6% at the end of June 2017 (against 43.4% at the end of 2016). The fundamental change in the ownership structure of the banking sector should be related to the acquisition of control over Bank Pekao SA by Polish capital (PZU SA and PFR SA) in June 2017.[30]

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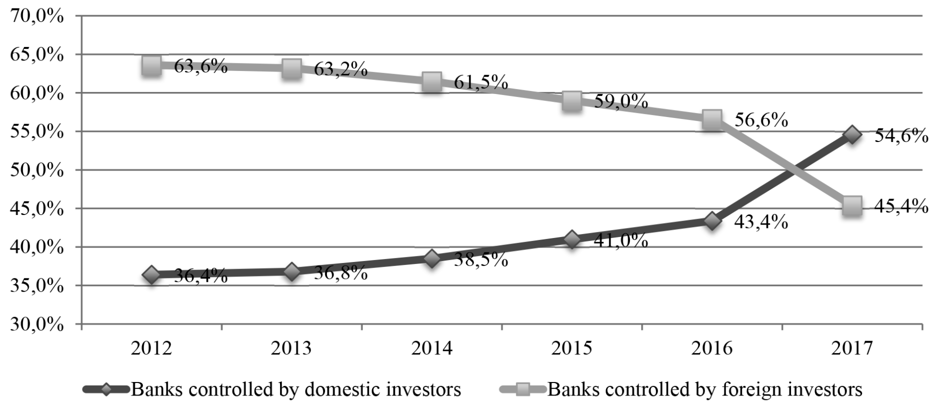
[29] **KNF** (Polish Financial Supervision Authority), *Raport o sytuacji banków w I półroczu 2017 r.*, Warszawa 2017, p. 36.

[30] *Ibidem.*

FIGURE 8: *Ownership structure of the banking sector in Poland (share in sector assets)*



S o u r c e: **KNF** (Polish Financial Supervision Authority), *Raport o sytuacji banków w 2016 r.*, Warszawa 2017, p. 19; **KNF** (Polish Financial Supervision Authority), *Raport o sytuacji banków w I półroczu 2017 r.*, Warszawa 2017, p. 36.

The additional taxation of financial institutions was not the reason for banks withdrawing from Poland. The increased share of domestic capital – the share of assets controlled by foreign investors in the assets of the banking sector – has fallen since the financial crisis. This cannot be associated only with taxation, but the introduction of tax accelerated this process. According to Hryckiewicz and Kowalewski, "[…] a multinational bank's decision to close or sell a subsidiary in another country is based mainly on problems in the home country, with a lesser factor being the weak performance of the foreign subsidiary".[31] Based on the behavior of banks in Poland, it can be concluded that banks do not want to increase their assets that are subject to bank tax, so some loans can be transferred to the parent company or other foreign branches.

The data in Table 2 show the inflow of FDI in the financial sector in 2015 and 2016. This inflow resulted mainly from reinvested earnings, not from new investments.

The foreign debt of the non-financial sector increased following the introduction of the additional taxation of the financial sector. This trend started earlier but accelerated after the taxation (Figure 9). At the same time, the foreign debt of monetary financial institutions decreased. It may demonstrate that banks

[31] **A. Hryckiewicz**, **O. Kowalewski**, *Why do Foreign Banks Withdraw from other Countries? A Panel Data Analysis*, CESIFO Working Paper, March 2010/3006, pp. 1–33.

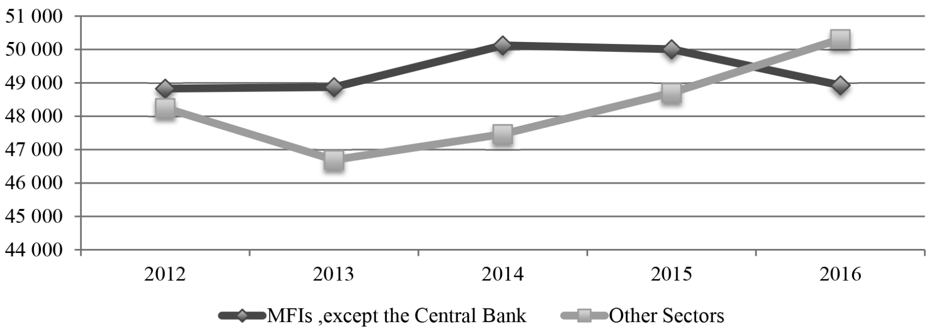
do not want to increase their assets that are subject to tax, so some loans can be transferred to the parent company or other foreign branches.

TABLE 2: *Foreign direct investment (inflow) in Poland in financial and insurance activity (million EUR)*

Description	Capital inflow in EUR million	
	2015	2016
Equity and investment fund shares (net)	–324.1	–236.2
Reinvested earnings (net)	863.1	805.9
Debt instruments (net)	9.1	386.5
Total FDI inflows (net)	548.1	956.1

N o t e: (+) signifies capital inflows to Poland, (–) signifies the withdrawal of capital from Poland.
S o u r c e: **National Bank of Poland**, http://www.nbp.pl/home.aspx?f=/publikacje/zib/zib.html

FIGURE 9: *Gross external debt position by sector (million EUR)*



S o u r c e: **National Bank of Poland**, http://www.nbp.pl/home.aspx?f=/statystyka/zadluz.html

Cutting the cost of obtaining a loan will result in bank customers who are interested in such an 'offer' looking for credit institutions (banks) that could carry out such operations. This refers to banks with foreign branches and parent companies in other countries with a 'more favorable' tax burden. In such a situation, banks (financial institutions) that did not have foreign branches find themselves in a much less favorable position. To a large extent, this applied to domestic financial institutions with less equity capital. This practice may result in harmful competition between financial institutions.[32]

[32] **D. Gajewski**, *Polityka podatkowa na rozdrożu – wokół podatku bankowego w Polsce*, Studia z Polityki Publicznej 2016/2 (10), p. 78.

Another extremely important subject of analysis is the distribution of the tax burden (tax incident) – the study is intended to indicate who has effectively borne the burden of tax, thus becoming a real taxpayer.

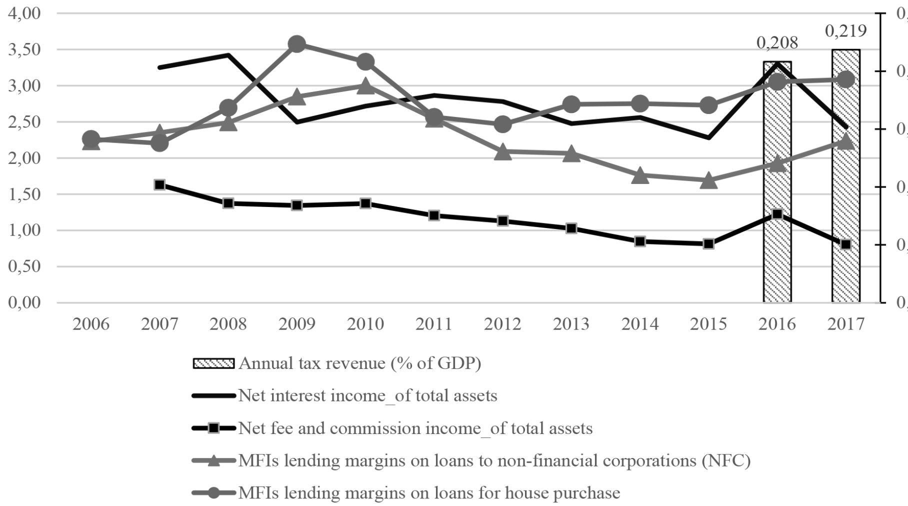
Shifting the bank tax may take place through an increase in the cost of loans to bank customers. After the introduction of the tax, with fixed central bank interest rates, the average interest rates on deposits fell, and interest rates on loans increased, resulting in an increase in net interest income (interest margin), i.e., the difference between the interest rates on loans (interest income) and deposits (interest expenses). After the tax was introduced, the interest rates on deposits decreased, which may reduce the size of savings in the economy, affecting the banks' ability to lend.

After the introduction of the banking tax, the fees and commissions received by banks increased significantly. Figure 10 shows that banks passed on the costs of the bank tax to their customers in the form of higher fees and commissions, as well as higher interest rates on loans and lower interest rates on deposits. In the first year after the introduction of the tax, there was an increase in both net interest income and net fee and commission income in relation to total assets. In the following year, however, these ratios decreased to a level comparable to the period before the introduction of the tax.

Net interest income increased mainly in the first year after the introduction of the bank tax, while in the following years, the net interest income changes occurred under the influence of other market factors and in different directions. Shifting the burden of bank tax was mainly due to the increase in fees and commissions, which also happened in the first year after the introduction of the tax.

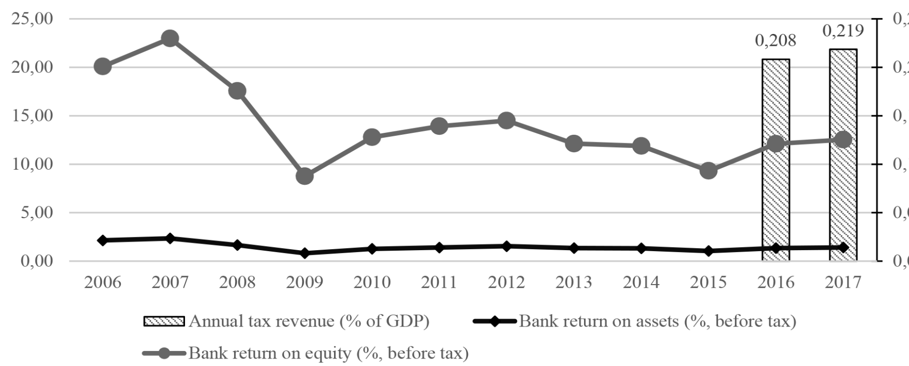
The MFIs (monetary *financial institutions*) lending margins on loans increased after the introduction of the bank tax for both non-financial corporations (NFCs) and house purchase loans, but the increase was greater for NFCs. The increase in the lending margins also continued in the year following the introduction of the bank tax. Based on the analysis of data on lending margins, it can be concluded that the burden of the tax was passed on to customers, both households and NFCs.

FIGURE 10: *Selected indicators of interest margin and net fee and commission (left axis) and revenues from bank tax (right axis) in Poland, 2006–2017*



S o u r c e: **European Central Bank**, *Statistical Data Warehouse* (ECB SDW), 2020; **European Commission**, *"Taxes in Europe" database*, 2020; **European Commission**, *Taxation and Customs Union*, 2020.

FIGURE 11: *Bank return on assets and bank return on equity (left axis) and revenues from bank tax (right axis) in Poland, 2006–2017*



S o u r c e: **European Central Bank**, *Statistical Data Warehouse* (ECB SDW), 2020; **European Commission**, *"Taxes in Europe" database*, 2020; **European Commission**, *Taxation and Customs Union*, 2020.

The predictions of a decline in the banks' profitability after the introduction of bank tax were not fulfilled. In 2016, there was an increase in both the return on assets and the return on equity (Figure 11). Nevertheless, if there had been no bank tax, then profitability would have been even higher. However, the bank tax may have weakened the dynamics of profitability growth.

5. Conclusion

Poland introduced a bank tax in 2016, covering banks, insurers, and credit institutions, and it is one of the highest in the EU. This paper analyzed the effects of introducing a tax on certain financial institutions in Poland, in particular, the impact of the tax on the financial stability of the banking sector, loans to NFCs and households, the ownership structure. It also examined the extent to which the tax burden is passed on to bank customers.

Banks took steps towards tax optimization to reduce their tax base. After the introduction of the bank tax, banks' interest in treasury bonds increased. Banks also increased the equity capital, which is also exempted from tax. As a result, at an almost constant level of assets, the tax base decreased.

The bank tax in Poland is a wealth tax, which is charged on assets, and it is intended to tax the scale of activity. The bank's main assets are loans, so they are mainly taxed. According to the literature review, one of the main risks associated with the introduction of the bank tax is the fall in bank lending. However, after the tax was introduced, there was only a slight decrease in the growth rate of lending. There was a greater weakening of the rate of credit growth in loans to non-financial corporations than to households.

Over the years, the financial stability of the banking sector gradually improved, and this trend has continued even after the introduction of the bank tax, and the value of the capital adequacy ratio increased after the introduction of the bank tax in 2016. The Z-score index for the banking sector in Poland was subject to slight fluctuations. In 2016, when the bank tax was introduced, the value of the index increased. The introduction of the tax was also followed by an increase in the share of banks with domestic capital.

Based on the analysis of data on lending margins, it can be concluded that the burden of the tax has been passed on to customers, both households and NFCs, in the form of higher fees and commissions, as well as higher interest rates on loans and lower interest rates on deposits. The profitability of the banks increased after the introduction of the bank tax, so it can be concluded that the banks and their owners have not borne the burden of the tax.

One of the most important drawbacks of the concept of a bank tax is, therefore, the ease with which the costs of fiscal charges can be passed on to customers by increasing the prices of individual financial services. The legitimacy of the tax introduced should therefore be considered, as it affects not only affect financial institutions but also their customers.

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PODATEK OD NIEKTÓRYCH INSTYTUCJI FINANSOWYCH W POLSCE – CELE I SKUTKI

Abstrakt

Przedmiot badań: Wprowadzeniu w Polsce podatku od niektórych instytucji finansowych towarzyszyło wiele emocji związanych z tym, że jest to podatek, który do tej pory w Polsce nie obowiązywał, a ponadto dotyczy instytucji finansowych, które w dobie wzmożonej dyskusji na temat reformy i uszczelnienia systemu podatkowego stały się przedmiotem szczególnego zainteresowania. W dniu 1 lutego 2016 r. zaczęła obowiązywać ustawa o podatku od niektórych instytucji finansowych. Ustawa ta wprowadza podatek majątkowy, w którym przedmiotem opodatkowania są aktywa niektórych instytucji finansowych.
Cel badawczy: Celem artykułu jest ocena skutków wprowadzenia podatku od niektórych instytucji finansowych w Polsce, w szczególności wpływu podatku na stabilność finansową sektora bankowego, kredyty dla przedsiębiorstw niefinansowych i gospodarstw domowych, strukturę własnościową, a także zbadanie skali przerzucenia podatku na klientów banków.
Metoda badawcza: W artykule przedstawiono przegląd literatury przedmiotu, konstrukcję podatku bankowego oraz najważniejsze skutki opodatkowania dla sektora bankowego, klientów banków i całej gospodarki. Zastosowano metodę *desk research*, która polega na zestawianiu, analizowaniu i przetwarzaniu danych i informacji z istniejących źródeł, a następnie formułowaniu na ich podstawie wniosków dotyczących badanego problemu.
Wyniki: Banki przerzuciły koszty podatku bankowego na swoich klientów w postaci wyższych opłat i prowizji, a także wyższego oprocentowania kredytów i niższego oprocentowania depozytów. Rentowność banków wzrosła po wprowadzeniu podatku bankowego, można więc stwierdzić, że banki i ich właściciele nie ponieśli ciężaru tego podatku.

Słowa kluczowe: podatek bankowy, opodatkowanie sektora bankowego, efektywność fiskalna, dochody podatkowe, obciążenia podatkowe, stabilność sektora bankowego.