European Parliament
2024-2029

TEXTS ADOPTED

P10_TA(2026)0248

A coherent tax framework for the EU’s financial sector

European Parliament resolution of 7 July 2026 on a coherent tax framework for the EU's financial sector (2024/2117(INI))

The European Parliament,

– having regard to the Treaty on the Functioning of the European Union, and in particular Articles 113, 114 and 115 thereof,

– having regard to the Commission proposal of 28 September 2011 for a Council directive on a common system of financial transaction tax and amending Directive 2008/7/EC (COM(2011)0594),

– having regard to the Commission proposal of 14 February 2013 for a Council Directive implementing enhanced cooperation in the area of financial transaction tax (COM(2013)0071) (FTT proposal),

– having regard to the Commission proposal of 28 November 2007 for a Council regulation laying down implementing measures for Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services (COM(2007)0746),

– having regard to the Commission proposal of 28 November 2007 for a Council directive amending Directive 2006/112/EC on the common system of value added tax, as regards the treatment of insurance and financial services (COM(2007)0747),

– having regard to Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on markets in crypto-assets, and amending Regulations (EU) No 1093/2010 and (EU) No 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937[1],

– having regard to the Commission’s inception impact assessment of 22 October 2020 on a review of the VAT rules for financial and insurance services,

[1] OJ L 150, 9.6.2023, p. 40, ELI: http://data.europa.eu/eli/reg/2023/1114/oj.

– having regard to the Commission proposal of 12 September 2023 on establishing a Head Office Tax system for micro, small and medium sized enterprises, and amending Directive 2011/16/EU,

– having regard to Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom[2],

– having regard to the Commission communication of 22 December 2021 entitled 'The next generation of own resources for the EU Budget' (COM(2021)0566),

– having regard to the study requested by Parliament's Subcommittee on Tax Matters entitled 'The taxation of the EU's financial sector', published by its Directorate-General for Economy, Transformation and Industry in June 2025[3],

– having regard to the Court of Justice of the European Union's case law on the VAT exemption for financial and insurance services,

– having regard to the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources[4],

– having regard to its resolution of 10 May 2023 on own resources: a new start for EU finances, a new start for Europe[5],

– having regard to the report by Enrico Letta of April 2024 entitled 'Much more than a market – Speed, Security, Solidarity: Empowering the single market to deliver a sustainable future and prosperity for all EU citizens' (Letta report),

– having regard to the report by Mario Draghi of 9 September 2024 entitled 'The future of European competitiveness' (Draghi report),

– having regard to the Commission communication entitled 'Savings and Investments Union: A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU' (COM(2025)0124),

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2 OJ L 424, 15.12.2020, p. 1, ELI: http://data.europa.eu/eli/dec/2020/2053/oj.

3 Study – 'The taxation of the EU's financial sector', European Parliament, Directorate-General for Economy, Transformation and Industry, Policy Department for Economy and Growth, June 2025.

4 OJ L 433 I, 22.12.2020, p. 28. ELI: http://data.europa.eu/eli/agree_interinstit/2020/1222/oj.

5 OJ C, C/2023/1067, 15.12.2023, ELI: http://data.europa.eu/eli/C/2023/1067/oj.

– having regard to the Commission Recommendation (EU) 2025/2029 of 30 September 2025 on increasing the availability of savings and investment accounts with simplified and advantageous tax treatment[6],

– having regard to the World Bank working paper of May 2025 entitled 'VAT Exemptions, Embedded Tax, and Unintended Consequences',

– having regard to Rule 55 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A10-0169/2026),

A. whereas, in the Commission President's 2024 mission letter to the Commissioner responsible for taxation, the Commission is tasked with identifying innovative solutions for taxing the EU's financial sector to support the further integration of the sector, cross-border activity, digitalisation and innovation; whereas the Commission has launched a study on taxation of the financial sector in the EU;

B. whereas financial services are generally exempted from value added tax (VAT) in the EU; whereas financial institutions cannot deduct VAT paid on their inputs because of that exemption, causing the so-called irrecoverable VAT problem; whereas this exemption could create a lack of transparency, increase costs on consumers and result in additional costs for financial institutions, influence organisation and outsourcing decisions, and lead to competitive disadvantages for smaller, digital and cross-border service providers;

C. whereas the possibility for financial institutions to opt into VAT is not provided consistently across Member States, leading to further administrative complexity;

D. whereas the VAT exemption dates back to 1977 when taxing such financial services posed significant technical and administrative difficulties; whereas the original technical justification for the VAT exemption could now be addressed through technological, digital and supervisory advances, including real-time data processing and improved reporting requirements;

E. whereas several jurisdictions worldwide have revised similar exemptions or have introduced alternative forms of taxation of financial services in order to address the unintended fiscal and competitive effects of irrecoverable VAT and to continue to ensure a fair and sound contribution of the financial sector to public revenues;

F. whereas both the Letta and Draghi reports underline that tax fragmentation in the single market, including administrative and tax

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6 OJ L, 2025/2029, 8.10.2025, ELI: http://data.europa.eu/eli/reco/2025/2029/oj.

barriers, obstructs economic growth, trade and cross-border activities; whereas EU internal barriers effectively impose a near 100 % tariff on financial services; whereas those barriers and regulatory hurdles are, according to Draghi, far more damaging to economic growth than any tariffs the US might impose;

G. whereas, according to Eurostat data, the financial sector is a significant component of the EU's economy, generating around EUR 0,9 trillion in value added in 2022, employing nearly 5 million people and recording a net turnover of approximately EUR 2,4 trillion; whereas the sector contributes to public finances through corporate taxation, payroll taxes and sector-specific levies; whereas the EU financial sector plays a central role in financing the real economy, supporting innovation and facilitating investment;

H. whereas recent initiatives such as Council Directive 2025/50 of 10 December 2024 on faster and safer relief of excess withholding taxes[7] (FASTER Directive) have made significant progress in reducing administrative burdens and facilitating cross-border economic activity in the EU, and similar efforts should continue in order to further strengthen the integration and efficiency of the single market;

I. whereas the Council has been delaying a decision regarding the Commission proposal for a Directive establishing a Head Office Tax system for micro, small and medium sized enterprises, and amending Directive 2011/16/EU, while Parliament already approved a legislative resolution on 10 April 2024[8];

J. whereas any future initiatives should reduce fragmentation in the single market and strengthen competitiveness by ensuring a coherent, predictable and neutral tax framework for financial services, while taking into account diverse business models and tax interactions across the EU financial sector;

K. whereas the taxation of financial services in the EU remains highly fragmented, with diverging national approaches to insurance premium taxes, financial transaction taxes (FTTs), bank levies, financial activity taxes and other profit-based taxes; whereas this fragmentation creates legal uncertainty and complexity, drives market distortions, encourages tax avoidance and reduces the EU's competitiveness;

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[7] OJ L, 2025/50, 10.1.2025, ELI: http://data.europa.eu/eli/dir/2025/50/oj.

[8] European Parliament legislative resolution of 10 April 2024 on the proposal for a Council directive establishing a Head Office Tax system for micro, small and medium sized enterprises, and amending Directive 2011/16/EU (OJ C, C/2025/1326, 13.3.2025, ELI: http://data.europa.eu/eli/C/2025/1326/oj).

L. whereas the Savings and Investments Union (SIU) requires stronger incentives for people to save and invest in European capital markets; whereas the completion of the SIU requires a comprehensive approach to financial stability, market integration and investor protection; whereas ensuring that the financial sector makes a meaningful contribution to public finances, internalises the risks it generates and supports long-term sustainable investment is crucial for the SIU's success and credibility;

M. whereas FTTs and bank levies were discussed after the financial crisis in 2008 and 2009; whereas these measures sought to offset the costs of the crisis;

N. whereas at least seven Member States currently levy an FTT; whereas these Member States have not coordinated their FTTs as regards their scope, rate or application; whereas no agreement has been reached on an EU-wide FTT, despite several legislative proposals from the Commission since 2011;

O. whereas Parliament has consistently supported the introduction of an EU-wide FTT, including as a possible own resource, most recently in its resolution of May 2023; whereas in its 2026 work programme, the Commission proposed to withdraw its previous FTT proposal due to a lack of consensus among Member States with no agreement reached;

P. whereas Member States continue to introduce temporary windfall taxes or solidarity levies on bank profits to address extraordinary increases in profitability driven by monetary policy;

Addressing the tax fragmentation of the financial sector and increasing its competitiveness

1. Notes that following the great financial crisis, Member States have introduced 91 sector-specific taxes to tax the financial sector , resulting in a highly fragmented tax landscape; notes that this fragmented tax landscape generates additional operational and administrative costs and increases structural barriers to the cross-border expansion of financial services providers, thus weakening the EU's financial sector and its investment capacity and undermining the objectives of the SIU and the Banking Union;

2. Notes that differences in national tax regimes reflect domestic policy choices; notes the ongoing work at an international level as regards profit shifting; calls for strengthened coordination at EU level, including in the implementation of the Pillar 2 Directive, robust anti-avoidance rules and transparency requirements, particularly in the field of public country-by-country reporting;

3. Notes that fragmentation of national tax regimes increases the risk of cross-border double taxation and, driven by administrative and

legal complexity, can inhibit the growth of the EU's financial sector and pose an obstacle to a deeper integration of EU financial markets; emphasises that avoiding double taxation and reducing administrative burdens should remain crucial; stresses, however, that simplification efforts must not result in deregulation or a race to the bottom in tax standards;

4. Stresses that differences in national procedures for withholding tax create administrative burdens and barriers to cross-border investment, as acknowledged in the Commission's SIU strategy; welcomes the adoption of the FASTER Directive; calls for further progress towards a more coordinated and ambitious framework;

5. Calls on the Council to decide on the Commission proposal for a Council Directive establishing a Head Office Tax system for micro, small and medium sized enterprises, and amending Directive 2011/16/EU, duly taking into account Parliament's legislative resolution of 10 April 2024;

6. Observes moreover that existing tax rules have not fully kept pace with the emergence of new financial products and market infrastructures; underlines that fragmentation is rapidly becoming more worrying with the success of neobanks, for example, digital-only banks, challenger banks or fintech banks; points out the significant increase in the share of cross-border deposits held by these banks in the last six years; underlines that differences in tax rules between banks and non-bank entities can create distortions;

7. Emphasises that the insufficient data on the effective tax burden across the EU financial sector obstructs evidence-based policymaking and the assessment of policy impacts on market behaviour, competition and financial stability; underlines the need for improved transparency and better use of existing data as a prerequisite for coherent reform of financial sector taxation;

8. Stresses that removing tax barriers to cross-border investment through coherent EU-level rules would reduce compliance costs, improve market efficiency, increase legal clarity for cross-border capital flows and strengthen the competitiveness of EU financial services, while simultaneously curbing tax evasion and aggressive tax planning; stresses the need for a coherent set of rules for the EU financial sector, while respecting Member States' tax sovereignty and the principle of subsidiarity; stresses that taxation of financial services should help sustain the competitiveness of the financial sector;

9. Notes that, according to the Commission's 2026 European Macroeconomic Report[9], the EU household saving rate remains well

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[9] European Commission, '2026 European Macroeconomic Report', November 2025.

above the average of the countries of the Organisation for Economic Co-operation and Development; regrets that around one third of these savings are invested outside the EU, which shows the shortcomings of the EU financial framework in retaining investment; calls on the Commission to assess how tax measures can encourage investment to flow towards the EU; underlines the importance of discouraging financial outflows towards countries on the EU list of non-cooperative jurisdictions;

10. Underlines the importance of advancing the SIU to mobilise savings for productive investments; considers reducing tax fragmentation and improving cross-border investment channels as key to mobilising European savings for investment within the EU;

11. Stresses that a tax framework for financial services should be designed alongside the SIU’s objectives, focusing on increasing efficiency, addressing market distortions, and fostering investment and long-term growth, while ensuring a balanced approach that also reflects broader economic and social considerations;

12. Notes that the taxation of the financial sector should be governed by the principles of simplicity, neutrality, fairness, economic, environmental and social sustainability, and legal certainty; notes that it should also reflect the cyclical dynamics of banks profitability linked to monetary policy and economic conditions;

13. Calls on the Commission to follow through on its commitment to propose innovative solutions for taxing the sector that reduce fragmentation, support further integration at EU level and help complete the SIU;

Addressing the VAT regime for financial services

14. Notes that the VAT exemption for financial services dates back to 1977, serving to avoid technical difficulties in applying VAT to complex financial services, which was considered administratively unworkable; acknowledges that the original technical justification for the VAT exemption could now be addressed by the realities of technological progress and digitalisation;

15. Observes that the exemption does not necessarily constitute an advantage for financial institutions, as it prevents them from recovering VAT; takes the view that the status quo perpetuates market distortions, can create a lack of transparency and increase costs on consumers, reinforces the self-supply bias in the financial sector and creates competitive disadvantages compared with institutions from non-EU countries;

16. Stresses that VAT exemptions are often granted to activities of general interest in recognition of their essential social function; underlines that certain core financial services – notably payment

services, deposit-taking and basic credit provision – can perform a comparable quasi-public utility function by safeguarding savings, enabling economic exchange and ensuring that people and businesses can participate safely in the economy;

17. Notes that repeated Commission initiatives, including its 2007 proposals and the 2020 inception impact assessment, did not result in a reform of the VAT exemption for the financial sector because Member States failed to reach a unanimous agreement; notes that the Commission most recently intended to publish amendments to the VAT Directive[10] in early 2023; observes that these plans were stalled, leaving this essential reform still pending;

18. Notes that, under Article 11 of the VAT Directive, VAT grouping remains optional for Member States and is limited by territorial constraints, creating legal and practical obstacles for cross-border groups active in financial services;

19. Emphasises that, despite the use of VAT grouping and cost-sharing arrangements in some Member States, the VAT exemption, combined with differing compensatory national tax rules, like insurance premium taxes, creates a complex and fragmented tax landscape, making cross-border tax compliance costly and increasing firms' operating expenses; stresses that clearer VAT definitions and simplified rules are needed to reduce these burdens, ensure consistent application of rules across the EU, facilitate cross-border activity and support innovation;

20. Notes that VAT grouping, which can reduce administrative burdens for, and improve the efficiency of, financial institutions, is currently applied unevenly across Member States and generally limited to entities established within a single Member State; highlights that greater convergence in the application of VAT grouping could reduce fragmentation and legal uncertainty in the internal market and facilitate cross-border financial services activity;

21. Calls on the Commission to encourage Member States to implement VAT grouping in a consistent manner and to explore options for a clearer legal framework, including the possibility for cross-border VAT grouping; stresses that broader use of VAT grouping for financial and insurance services must be in line with corporate tax rules, notably those on transfer pricing, and must be accompanied by binding anti-abuse safeguards to prevent fraud and tax avoidance, intra-group VAT leakage and cost-sharing abuse;

22. Notes that the VAT Directive lacks specific provisions for emerging financial instruments, including crypto-assets, decentralised finance

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[10] Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1, ELI: http://data.europa.eu/eli/dir/2006/112/oj).

and fintech; highlights that in addition the Directive does not address the VAT treatment of derivatives and that the treatment of investment funds remains divergent across Member States; notes that this has led to diverging national interpretations of VAT rules, legal uncertainty for service providers and uneven treatment between traditional and new financial services and risks hindering innovation and competitiveness;

23. Emphasises that a modern tax framework should support innovation in fintech and digital finance and avoid creating regulatory disincentives for new market entrants; calls on the Commission to clarify the VAT treatment of emerging financial services in order to ensure technological neutrality and a level playing field across the EU;

24. Considers that a broad and undifferentiated VAT exemption for the entire financial sector raises questions regarding the overall consistency and balance of the tax system; underlines that a reform of the VAT exemption could reduce distortions and the level of irrecoverable VAT without creating disproportionate administrative complexity; notes that options for removing the VAT exemption could effectively remove the irrecoverable VAT by allowing financial corporations to fully reclaim the VAT that they pay on goods and services used in their operations; underlines that this would eliminate the current bias towards bringing services in-house rather than outsourcing them, which can limit a company's ability to specialise, access external expertise, and innovate; recognises that this reform could also level the playing field as regards other jurisdictions and strengthen the international competitiveness of EU financial institutions;

25. Recalls that VAT is a harmonised tax framework at EU level, although Member States retain some scope for implementing it; recognises, therefore, that a reform of the VAT system for financial services should be addressed at EU level;

26. Calls on the Commission to review the impacts of the current VAT regime on the financial sector and to publicly share this analysis; calls on the Commission to consider policy options to address identified distortive impacts; emphasises that any such reform should reduce irrecoverable VAT and the fragmented application of rules, improve legal certainty and tax fairness, and strengthen the competitiveness of EU financial markets, while safeguarding financial stability and minimising regulatory arbitrage between Member States; emphasises that any such reform must also safeguard consumers and continue to ensure that the financial sector makes a fair contribution to public revenues;

27. Notes that any proposal for revising the VAT framework should be based on an in-depth analysis at macroeconomic level and

comprehensive mapping of national bank tax and levies; emphasises that such an analysis should take into account the administrative implications for financial services, the interaction between existing national bank taxes, financial sector levies and the VAT system, and the impact on the single market;

28. Underlines that any changes to the VAT treatment of financial services must carefully assess the impact on services provided to retail consumers, particularly low- and middle-income households, and avoid any extra overall costs;

29. Calls on the Commission, as part of a possible reform of the VAT exemption, to assess the feasibility of replacing national insurance premium taxes by means of fully integrating insurance services into the VAT system;

Promoting a more coherent tax framework for the financial sector

30. Recalls that the EU faces a significant investment gap of EUR 750 to 800 billion annually as regards meeting its climate, digital and strategic autonomy objectives; recalls the commitment of the Member States and the EU to substantially increase European defence investment; emphasises that in order to respond to these challenges, fair and more coherent taxation of the financial sector could contribute to mobilising private capital, thus stimulating retail investment, and to strengthening European capital markets, while raising revenue for public investment for strategic priorities, and our social, climate and investment needs, therefore strengthening the EU's competitiveness;

31. Recalls, in this regard, the 2020 agreement between Parliament, the Council and the Commission on a roadmap for introducing new own resources, including an FTT based on the results of an impact assessment;

32. Acknowledges the lack of progress made on the FTT proposal in the Council, despite extensive debate, both under unanimity and enhanced cooperation, and takes note of the Commission's announcement about the withdrawal of the FTT proposal in its 2026 work programme;

33. Takes the view that regular assessments of the economic impacts and the continued relevance of tax policy in the financial sector are crucial, in order to avoid unintended or lasting distortions to financial markets; welcomes the fact that the Commission is carrying out a comprehensive analysis of the potential impact of overall financial sector taxation on market functioning, cross-border investment, and the competitiveness of EU financial markets;

34. Emphasises that tax rules for the financial sector should be simplified and ensure that the sector makes a fair and sound

financial contribution, and should be clear, transparent and predictable in order to reduce fragmentation, enable investment and cross-border activity while guaranteeing a high level of consumer protection; stresses that these rules should improve efficiency and capital allocation, safeguard market stability and competitiveness, and mitigate compliance costs, particularly for retail consumers and small and medium-sized enterprises;

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35. Instructs its President to forward this resolution to the Council and the Commission.