A coherent tax framework for the EU's financial sector

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The European Parliament adopted by 418 votes to 152, with 85 abstentions, a resolution on a coherent tax framework for the EU's financial sector.

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

Members noted 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. 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 Saving and Investment Union (SIU) and the Banking Union.

The fragmentation of national tax regimes increases the risk of cross-border double taxation and can hinder the growth of the EU's financial sector and impede further integration of EU financial markets. Moreover, this fragmentation becomes more of a concern with the emergence of new financial products and market infrastructures (e.g., neobanks and digital banks).

According to Parliament, **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. The resolution stressed the need for a **coherent set of rules** for the EU financial sector, while respecting Member States’ tax sovereignty and the principle of subsidiarity.

Members believe that reducing tax fragmentation and improving cross-border investment channels are key to mobilising European savings for investment within the EU.

Review of the VAT regime applicable to financial services

Members acknowledged that the original technical justification for the VAT exemption, dating back to 1977, could now be addressed by the realities of technological progress and digitalisation. This exemption does not necessarily constitute an advantage for financial institutions, as it prevents them from recovering VAT, thus perpetuating market distortions, potentially creating a lack of transparency and increasing costs on consumers.

Parliament regretted the lack of reform to the VAT exemption for the financial sector, due to the lack of consensus among Member States, and highlighted the difficulties related to **VAT grouping**, which is currently applied unevenly across Member States.

The Commission is urged 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.

Members also noted that the VAT Directive lacks specific provisions for emerging financial instruments, including **crypto-assets, decentralised finance and fintech**, leading to legal uncertainty and hindering innovation. The Commission is urged to clarify the VAT treatment of emerging financial services to ensure technological neutrality and a level playing field across the EU.

Parliament called on the Commission to **review the impacts of the current VAT regime on the financial sector** and to consider policy options to address identified distortive impacts. 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.

Furthermore, any change 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.

Promoting a more coherent tax framework for the financial sector

Parliament recalled 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. 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.

Tax rules applicable to the financial sector should be **simplified, clear, transparent and predictable** in order to reduce fragmentation, enable investment and cross-border activities while ensuring a high level of consumer protection.