

British Tax Review

2013

Legislative Comment

Finance Act notes: section 204: no deductions for UK or foreign bank levies

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Subject: Tax. **Other related subjects:** Banking and finance

Keywords: Bank levy; Corporation tax; Deductions; Double tax relief; Foreign banks; Income tax

Legislation: [Finance Act 2013 \(c.29\)](#) s.204

[Finance Act 2011 \(c.11\)](#) Sch.19

[Section 204 of the Finance Act 2013](#) (FA 2013) makes a number of changes to deal with the deduction of UK or foreign bank levies. Provision was made in [Schedule 19 to the Finance Act 2011](#) for double taxation relief to be given where a foreign bank levy applies. Part of the changes made now clarify the operation of those provisions.

The first change makes it clear that the UK bank levy is not deductible for the purposes of calculating income tax or corporation tax, whether the bank levy is paid directly or whether it is reimbursed to another party and so borne indirectly.

Secondly, it is made clear that a foreign bank levy, in respect of which specific provision is made for double taxation relief, may not give rise to a deduction for income tax or corporation tax. Once again, this applies whether the foreign bank levy is paid directly or indirectly by way of reimbursement.

These changes reflect a more general issue: as specific taxes are introduced on certain activities or certain sectors, the general measures for relief from double taxation may not be applicable. Either double taxation can arise, or special provisions need to be introduced to relieve double taxation, making the legislation more complex.

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B.T.R. 2013, 4, 505

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