

Ambrish Parmar's response to Working Paper on the Bank Levy and Corporation Tax Surcharge; dated 26 February, 2016.

Dear Competition & Markets Authority ("CMA"),

This response welcomes the opportunity to comment upon the working paper concerning the Bank Levy and Corporation Tax Surcharge. This response acknowledges that the HM Government is responsible for the taxation policy; consequently, the taxation policy resides outside the scope of the CMA's investigation. However, the investigation's mandate affords the CMA a role in ascertaining whether there are implications concerning the investigations mandate, and this is welcomed.

This response is non-partisan in nature; in the event that you wish to discuss the afforded in greater detail, please do not hesitate to contact me.

Taxation Policy Objective and Coverage

The response notes that according to published HM Revenue and Customs documentation, the intended policy objective is that the *"banking sector should make a contribution, which reflects the risks they pose to the financial system and the wider economy. This contribution must be balanced against financial stability and banks' ability to lend to the real economy"*¹. This response observes that there is a degree of discomfort in respect to whether the given taxation policy and its' dual agenda ('risk control and receipt revenue') is an appropriate vehicle for managing risk within the financial services sector, in particular given wider Regulation.

The threshold of taxation policy applicability will impact a number of Building Societies, alongside challenger Banks. The response notes and acknowledges that Building Societies occupy a material role within the real economy and this is supported through the lending and saving figures published by the Building Societies Association ("BSA"). For instance, according to the BSA, Building Societies' gross lending amounted for 26% of the UK's gross market lending².

The impact of the taxation policy upon Building Societies that operate differing business models from Banks may require further consideration. Building Societies in accordance to imposed restrictions operate relatively simplistic business models compared to those in the Banking sector. Therefore and on this basis, there is an argument that the application of the policy may impact organisations that pose a relatively low risk to the *"financial system"*¹.

The response notes that there may be merit in applying dispensations in respect to policy application for Building Societies. However, the response also notes that applying dispensations and/or applying sensitivities may actually run contrary to the intended scope of the taxation policy that is designed *"to ensure a level playing field for all those affected by it in the UK"*¹.

Stability of a Taxation Regime

HM Government has acknowledged that the Taxation Policy will “*continue to be monitored and reviewed*”³. The response recognizes that feedback loops are positive. Nevertheless, stability and confidence in respect to taxation policy is a basic tenet to sector investment and growth. Furthermore, the response observes that there is a risk that regular alterations to the taxation regime has the capacity to erode confidence and may lead to a decrease in investment and by association impact sector competition.

The response would encourage HM Government to promptly conclude ongoing investigations into taxation within the parameters of a clear timetable. This will provide required transparency and the certainty required for a sector that is integral to the economy.

The response also encourages the CMA to advise the HM Government that the recently introduced surcharge may require attention and that a responsive monitoring regime needs to be introduced. In addition, and acknowledging fellow respondents, this response would suggest that a deferment of the surcharges’ implementation by a minimum of one year may be prudent, in particular, given the proximity of wider eco-political events that will occur over 2016.

To conclude, taxation has the capacity to influence competition and the implications of sub-optimal and possibly ‘punitive’ taxation policies have the capacity to be harmful and regressive in nature. For completeness, the impact of ‘harmful’ taxation has been extensively covered by the European Commission⁴.

About Ambrish

Ambrish is a Financial Services Director with a circa 19 year career in shaping and delivering business outcomes across the Financial Services sector. He is a Board Level Executive Advisor at the intersection of Business, Technology, Regulation, and Change. Ambrish’s experience extends to the UK’s new Banking entrants through to the design of a Defacto Award winning Retail Banking Account Switching ecosystem. Ambrish also recently submitted a response to the CMA additional remedies suggestions invitation.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/413934/TIIN_2068_BL_rate_change_.pdf

² Building societies (including subsidiaries) mortgage lending Q4 2015 figures

³ Letter to the BBA, 3 September 2015

⁴ http://ec.europa.eu/taxation_customs/taxation/company_tax/harmful_tax_practices/index_en.htm

End of submission.