HM Revenue
& Customs

Bank levy 2014 rate change

Who is likely to be affected?

UK banks, banking groups and building societies, foreign banking groups operating in the UK through permanent establishments or subsidiaries, and UK banks and banking sub-groups in non-banking groups.

General description of the measure

The Government has consistently set out its intention that the bank levy should raise at least £2½ billion each year. To ensure this and to take account of the benefit to the banking sector from the additional reductions in corporation tax announced since the levy was introduced, the rate of the bank levy will increase to 0.156 per cent from 1 January 2014. A proportionate increase to 0.078 per cent will be made to the half rate, also with effect from 1 January 2014.

Policy objective

These changes will help to ensure that the banking sector makes a fair contribution through the bank levy, reflecting the risks it poses to the financial system and the wider economy. These changes also take account of the impact of other measures on the sector.

Background to the measure

The Government announced the introduction of the bank levy at Budget 2010 to commence for chargeable periods ending on or after 1 January 2011.

At Budget 2013, the Government announced an increase in the rate of the bank levy to 0.142 per cent from 1 January 2014.

The Government announced further bank levy increases at Autumn Statement 2013.

Detailed proposal

Operative date

The measure increases the rates of the bank levy from 1 January 2014 to 0.156 per cent for the full rate and 0.078 per cent for the half rate.

Current law

The bank levy rates are set out in paragraphs 6 and 7 of Schedule 19 Finance Act 2011 as amended by section 211 Finance Act 2011 and paragraphs 1 to 7 of Schedule 34 Finance Act 2012.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend the rates of bank levy. For periods falling wholly or partly after 1 January 2014 the rate applying to chargeable equity and long term chargeable liabilities will be increased from 0.071 per cent to 0.078 per cent and the rate for short term chargeable liabilities will be increased from 0.142 per cent to 0.156 per cent.

Summary of impacts

Exchequer impact (£m)	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	-	+230	+260	+260	+260	+260
	These figures are set out in Table 2.1 of the Autumn Statement and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Autumn Statement.					
Economic impact	The bank levy complements wider regulatory reforms aimed at improving financial stability, including higher capital and liquidity standards. The measure will encourage banks to adjust their activities in favour of less risky funding models.					
Impact on individuals and households	There is no direct impact on individuals and households. The bank levy is a tax on the balance sheets of banks, banking groups, and building societies.					
Equalities impacts	The measure is not expected to have a direct or disproportionate impact on any of the protected equality groups.					
Impact on business including civil society organisations	The bank levy currently affects in the region of 30 banking groups and building societies. The impact on these businesses as a result of this change is expected to be negligible in terms of additional administrative and compliance costs. The bank levy has no direct impact on businesses and organisations beyond those taxpayers.					
Operational impact (£m) (HMRC or other)	The changes proposed here add no additional costs.					
Other impacts	Competition assessment: the scope of the bank levy has been specifically designed to ensure a level playing field for all those affected by it in the UK. Small firms impact test: the banks, building societies and banking groups affected by the bank levy are not considered to be small firms, as only institutions with over £20 billion of chargeable liabilities are liable to pay the bank levy. Other impacts have been considered and none have been identified.					

Monitoring and evaluation

Receipts from the bank levy are being monitored on an ongoing basis.

Further advice

If you have any questions about this change, please contact Anthony Fawcett on 03000 585911 (email: anthony.c.fawcett@hmrc.gsi.gov.uk).

1 Bank levy: rates from 1 January 2014

(1) Schedule 19 to FA 2011 (bank levy) is amended as follows.

(2) In paragraph 6 (steps for determining the amount of the bank levy), in sub-paragraph (2)—
  (a) for "0.065%" substitute "0.078%", and
  (b) for "0.130%" substitute "0.156%".

(3) In paragraph 7 (special provision for chargeable periods falling wholly or partly before 1 January 2013)—
  (a) in sub-paragraph (1) for "2013" substitute "2014",
  (b) in sub-paragraph (2), in the first column of the table in the substituted Step 7, for "Any time on or after 1 January 2013" substitute "1 January 2013 to 31 December 2013", and
  (c) at the end of that table add—

"Any time on or after 1 January 2014	0.078%	0.156%";

and in the italic heading immediately before paragraph 7, for "*2013*" substitute "*2014*".

(4) Section 203 of FA 2013 (bank levy rates from 1 January 2014) is repealed.

(5) The amendments made by subsections (2) to (4) are treated as having come into force on 1 January 2014 (and accordingly the section repealed by subsection (4) is treated as never having come into force).

(6) Subsections (7) to (13) apply where—
  (a) an amount of the bank levy is treated as if it were an amount of corporation tax chargeable on an entity ("E") for an accounting period of E,
  (b) the chargeable period in respect of which the amount of the bank levy is charged falls (or partly falls) on or after 1 January 2014, and
  (c) under the Instalment Payment Regulations, one or more instalment payments, in respect of the total liability of E for the accounting period, were treated as becoming due and payable before the commencement date ("pre-commencement instalment payments").

(7) Subsections (1) to (5) are to be ignored for the purpose of determining the amount of any pre-commencement instalment payment.

(8) If there is at least one instalment payment, in respect of the total liability of E for the accounting period, which under the Instalment Payment Regulations is treated as becoming due and payable on or after the commencement date ("post-commencement instalment payments"), the amount of that instalment payment, or the first of them, is to be increased by the adjustment amount.

(9) If there are no post-commencement instalment payments, a further instalment payment, in respect of the total liability of E for the accounting period, of an amount equal to the adjustment amount is to be treated as becoming due and payable at the end of the period of 30 days beginning with the commencement date.

(10) "The adjustment amount" is the difference between—

(a) the aggregate amount of the pre-commencement instalments determined in accordance with subsection (7), and

(b) the aggregate amount of those instalment payments determined ignoring subsection (7) (and so taking account of subsections (1) to (5)).

(11) In the Instalment Payment Regulations—

(a) in regulations 6(1)(a), 7(2), 8(1)(a) and (2)(a), 9(5), 10(1), 11(1) and 13, references to regulation 4A, 4B, 4C, 4D, 5, 5A or 5B of those Regulations are to be read as including a reference to subsections (6) to (10) (and in regulation 7(2) "the regulation in question", and in regulation 8(2) "that regulation", are to be read accordingly), and

(b) in regulation 9(3), the reference to those Regulations is to be read as including a reference to subsections (6) to (10).

(12) In section 59D of TMA 1970 (general rule as to when corporation tax is due and payable), in subsection (5), the reference to section 59E is to be read as including a reference to subsections (6) to (11).

(13) In this section—

"the chargeable period" is to be construed in accordance with paragraph 4 or (as the case may be) 5 of Schedule 19 to FA 2011;

"the commencement date" means the day on which this Act is passed;

"the Instalment Payment Regulations" means the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175);

and references to the total liability of E for an accounting period are to be construed in accordance with regulation 2(3) of the Instalment Payment Regulations.

EXPLANATORY NOTE

BANK LEVY: RATES FROM 1 JANUARY 2014

SUMMARY

1. Clause [X] amends the rate at which the bank levy is charged from 1 January 2014 onwards.

DETAILS OF THE CLAUSE

2. Subsection (2) increases the bank levy rates from 1 January 2014.

3. Subsection (3) introduces into the table of rates at paragraph 7(2), Schedule 19 to Finance Act 2013 the new bank levy rates for the period 1 January 2014 onwards.

4. Subsection (4) removes section 203 of FA 2013 which contained the previous rates applicable from 1 January 2014 (old rates).

5. Subsection (5) provides that the new rate changes made by subsections (2) to (4) are treated as having come into force on 1 January 2014. As a consequence of this, section 203 of FA 2013 is treated as never having come into force.

6. Subsections (6) to (12) provide transitional provisions for collecting the additional amounts of bank levy that arise from the introduction of the new rates. Where an instalment payment in respect of a chargeable period ending on or after 1 January 2014 is due before the date of Royal Assent to Finance Bill 2014, the first instalment for the same chargeable period due after Royal Assent is increased by the adjustment amount. The adjustment amount is the difference between what was actually paid in the pre-Royal Assent instalment and what would have been due if the post Royal Assent rates had been applied. If there is no instalment for the same chargeable period due after Royal Assent then a further instalment, equal to the adjustment amount, becomes due 30 days after Royal Assent.

7. Subsection (13) provides definitions of terms used in this clause.

BACKGROUND NOTE

8. The bank levy is an annual balance sheet charge based upon the chargeable equities and liabilities of all UK banks and building society groups, foreign banks and banking groups operating in the UK and UK banks in non-banking groups from 1 January 2011 onwards.

9. Bank levy is treated as if it is corporation tax, and the relevant entity or, in the case of a banking group, the “the responsible member” (see paragraph 54, Schedule 19) is required to

both make a return of the bank levy (as part of its company tax return) and to pay the bank levy.

10. Entities that pay the bank levy are required to do so under the provisions of The Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175).

11. If you have any questions about this change, or comments on the legislation, please contact Anthony Fawcett on 03000 585911 (email: anthony.c.fawcett@hmrc.gsi.gov.uk).