

INTRODUCTION OF A TAX ON "SURPLUS PROFITS" OF BANKS IN UKRAINE (ЗАПРОВАДЖЕННЯ ПОДАТКУ НА "НАДПРИБУТКИ" БАНКІВ В УКРАЇНІ)

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У статті розглянуто впровадження податку на "надприбуток" у банківському секторі Європи та України. Проаналізовано обґрунтування, причини та наслідки цього податку, зокрема зростання процентних доходів банків та використання фінансових інструментів, таких як депозитні сертифікати та облигації. Досліджено дії уряду у зв'язку з впровадженням цього податку та його вплив на фінансову стабільність і діяльність банківського сектору.

Ключові слова: надприбуток, процентні доходи, податок, банк.

The article examines the introduction of the "surplus profit" tax in the banking sector of Europe and Ukraine. The rationale causes and consequences of this tax are analyzed, in particular the growth of banks' interest income and the use of financial instruments such as certificates of deposit and bonds. The actions of the government in connection with the introduction of this tax and its impact on the financial stability and activity of the banking sector are studied.

Key words: excess profit, interest income, tax, bank.

The introduction of a tax on "surplus profit" is not so common, but an existing phenomenon. This tax provides a temporary increase in the tax burden on industries that have earned significant profits as a result of favorable market conditions, rather than due to their efficient operations under normal conditions. There are examples of the application of such a tax in the world in various industries, in particular in financial, energy, mining and others.

From 2022, discussions about the introduction of a tax on the "surplus profits" of banks have increased in Europe. This is due to high interest rates set by central banks to curb inflation, which has led to significant interest income and profits in the banking sector. Among the countries of the European Union, in the last two years, Italy, Spain, Lithuania, the Czech Republic and Hungary have already introduced a tax on the "surplus profit" of banks [1].

Ukraine is also introducing a tax on bank "surplus profits" to finance military spending. At the end of 2023, the Verkhovna Rada of Ukraine adopted draft law No. 9656-d (now Law No. 3474-IX), which provides for an increase in bank income tax rates. The norms of the new law oblige banks to pay income tax for 2023 at the rate of 50%. And since January 2024, the rate has been set at the level of 25%, which is almost 1.5 times higher than the standard rate, which was 18% [2].

The "surplus profits" of the banks became the reason for the authorities to take such measures.

The structure of banks' income in 2023 showed a significant increase in interest income, which exceeded UAH 304 billion, and commission income at the level of UAH 97 billion. This indicates that the banks made significant profits, mainly through interest transactions. Under normal conditions, the growth of interest income is not unusual, banks are constantly making money by lending to businesses and private clients. However, in 2023, there is a decrease in lending activity, although the loan portfolio increased and reached UAH 1.13 trillion at the beginning of 2024, but it is still less than in previous years. In addition, banks mainly form loans under the "5-7-9" program, which has preferential terms and rates. Standard commercial loans, the rates of which are on average 18–20%, occupy a small level among the issued loans [4].

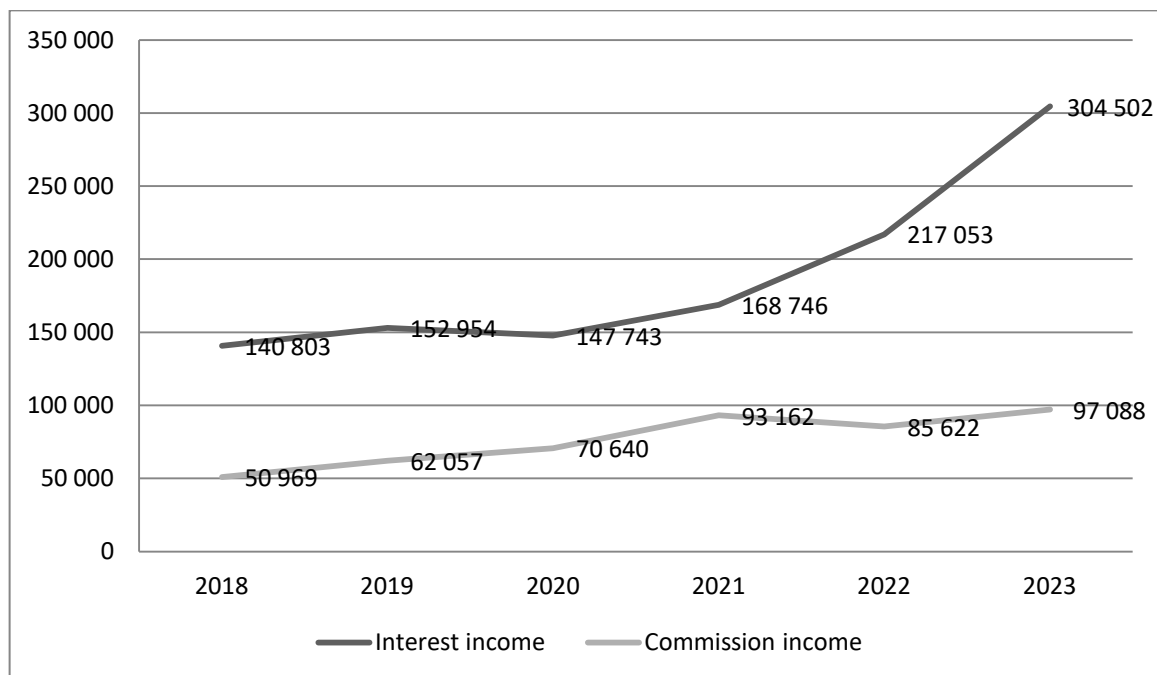


Figure 1. Dynamics of interest and commission income

Source: developed by the author based on the information source [3].

The main reason for the growth of banks' interest income in 2023 was instruments such as NBU certificates of deposit and military bonds (OVDP). Banks actively used these tools as early as 2022, but in 2023 this trend intensified. The yield of deposit certificates was tied to the NBU discount rate: when the discount rate was 25%, the yield of deposit certificates was 23%, but after the rate was reduced to 15%, the yield of the certificates also decreased [4].

The yield of domestic government bonds (OVDP) depended on the terms of circulation and ranged from 16.8% to 18.5%. This allowed banks to count on passive income in the range of 15–19%, without risking the issuance of loans that may end up in the category of non-performing loans (NPL) due to unforeseen circumstances [4].

Even after the reduction of the NBU discount rate from the summer of 2023 (from 25% to 15%), certificates of deposit continue to be in demand among financial institutions. Banks hold significant amounts in this instrument, and the volume of investments in OVDP is also growing. For example, as of February 14, 2023, the bond portfolio of banks amounted to UAH 519 million, and as of February 14, 2024 – UAH 665 million [4].

According to the NBU, for the entire year 2023, the banking sector received UAH 87 million in net profit. At the same time, the amount of income tax paid for the year reached UAH 74 billion. This already takes into account the increase in the rate to 50%.

According to the calculations of the Ministry of Finance, as a result of the increase in the income tax rate in 2023, banks will pay an additional 24-25 billion UAH.

At the end of 2023, presenting the next report on financial stability, the NBU warned that the indefinite increase in the bank profit tax rate to 25% from 2024 will lead to a decrease in the profitability of the banking business and will affect the speed of capital replenishment by banks [1].

At the same time, the NBU reminds that 70% of the profit of the banking system is generated by state banks. They will pay the lion's share of the tax to the state budget.

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