

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:937
ANSWERED ON:30.07.2010
TAXATION OF BANKS
Ponnam Shri Prabhakar

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has opposed the European Union plan of taxing banks in the recent past; and
- (b) if so, the details thereof and the reasons therefor?

Answer

MINISTER OF THE STATE IN MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) India has not agreed to a 'one size fits all' solution on this issue, and has emphasised that such a tax is not appropriate for India, even though it may be appropriate for other countries e.g. in some European countries.

(b) In the G20 meetings, India did not agree to the banking sector tax in India as our banks are strongly regulated, we did not have to bail out our banks using tax payers' money during the recent financial and economic crisis, and we already have other measures such as a statutory liquidity ratio (SLR) and the cash reserve ratio (CRR) that impose costs on the financial sector. We have emphasised that we will persevere with a path of financial sector reforms to support rapid and inclusive growth in the real economy, and also increase systemic stability in the financial sector.

Several other countries inter-alia including Australia, Canada, and Brazil also held the view that 'one size fits all' cannot be the solution. The G-20 finally agreed on the principle that tax payers should not pay for the cost of rescue of financial sector. However, it also agreed that there are a range of policy options to achieve that and the exact mechanism should be based on country circumstances.