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Bank taxes in CESEE: rationale, design and effects

After a series of economic shocks and related support measures, fiscal consolidation intensified across the European Union. Governments, particularly in Central, Eastern and Southeastern Europe (CESEE), turned to banks for additional revenue, often motivated by high bank profits following monetary policy tightening. We compile and compare bank taxes implemented in CESEE and Austria since 2010, assess their effects on tax burdens and profitability, and discuss the financial stability implications of different tax designs.

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From stability levies to fiscal tools

Bank taxation in the EU has shifted: from post-GFC balance-sheet levies aimed at financial stability towards profit and revenue measures used to tax perceived windfall gains and support fiscal consolidation and new spending needs. Particularly banks in CESEE have been hit with several new taxes in recent years.



Banks' profitability still high, despite greater tax burden

After-tax profitability remains well above 2019 levels in most CESEE banking sectors despite additional taxes. Effective income tax burdens are often comparable with, or below, those elsewhere in the EU. Including bank levies raises the broader burden considerably in some cases, however.



Bank tax design shapes financial stability risks

Central banks in CESEE assess the effects of recent bank taxes on financial stability to be largely contained, supported by high profits and capital buffers. Adverse lending effects could intensify, however, if the buffers erode or if tax burdens grow, persist or become less aligned with banks' capacity to pay.

The views expressed are those of the authors and do not necessarily reflect those of the Oesterreichische Nationalbank or the Eurosystem.

1 Introduction to bank taxation in EU countries

Following the recent monetary tightening cycle, bank profitability in Europe increased markedly as banks benefited from higher net interest margins. At the same time, fiscal consolidation pressures intensified. Public debt ratios and deficits increased to a level that excessive deficit procedures were opened for eight EU member states in 2024 and 2025. Against this backdrop, bank-specific taxation has re-emerged as a prominent policy instrument. Governments in Central, Eastern and Southeastern Europe (CESEE) were particularly active in implementing new taxes or increasing existing ones. This may partly reflect the comparatively high profitability of CESEE banking sectors (e.g. Maneely and Ratnovski, 2024). In some countries, the high share of foreign ownership may have lowered the perceived domestic political cost of additional taxation.[1] Austrian banks have a strong presence in the region and are exposed to local bank taxes and their implications.

We consolidate information from a wide range of legal, official and analytical sources to document the evolution of bank taxation in eight CESEE countries since around 2010. These CESEE-8 countries are Bulgaria, Croatia, Czechia, Hungary, Poland, Romania, Slovakia and Slovenia. We compare developments in CESEE-8 and in other EU countries, focusing on Austria. We complement this stock-taking with a comparative analysis of bank tax burdens and after-tax profitability. Moreover, we discuss the main advantages and disadvantages of different bank tax designs, and synthesise recent analyses in which national central banks assessed the implications of bank taxation for financial stability.

We use a typology of bank taxation instruments to classify the measures covered, focusing on taxes levied solely on the banking sector, or jointly with other selected sectors. We do not comprehensively review general changes in corporate income taxation, financial transaction taxes, changes in deposit guarantee scheme contributions, or other policy measures that may impose costs on banks, including interest-rate caps and operational or service-provision requirements.

2 Types of taxes and theoretical considerations for implementation

Where bank tax revenues contribute to credible fiscal consolidation, banks may benefit indirectly from lower sovereign risk. For one thing, improved sovereign creditworthiness can reduce government bond risk premiums, thereby increasing the market value of banks' existing (fixed-rate) government securities and reducing associated credit and valuation risks. For another, it may also support banks' ratings and funding conditions, as lower sovereign risk reduces concerns about banks' direct government bond exposures and about risks arising from the domestic macroeconomic environment. These potential benefits must nevertheless be weighed against the potentially adverse effects that bank taxation may have on banks' profitability, capital generation and financial intermediation. This trade-off can be framed in terms of optimal tax theory, which assesses whether the social benefits associated with the revenue raised outweigh the social costs of taxation.[2]

Among the potential costs, effects on financial intermediation and financial stability have received particular attention from national central banks (see section 4) and the European Central Bank (ECB). In

[1] The CESEE country cases examined do not suggest a clear relationship between foreign bank ownership and the level of bank taxation. Hungary and Poland combine comparatively high bank tax revenues with lower foreign ownership, while Czechia has high foreign ownership but relatively low revenues from its bank windfall tax; Slovakia records high values for both.

[2] Optimal tax theory examines how a tax system can maximise social welfare while meeting the government's revenue requirement and considering distributional objectives and taxpayers' behavioural responses (Mankiw et al., 2009). This involves weighing benefits associated with taxation against the deadweight losses caused by behavioural adjustments and the administrative and compliance costs of the tax system. Within this framework, the case for sector-specific taxation depends on whether its welfare benefits outweigh the additional distortions arising from differential treatment. From this perspective, the case for bank taxes is stronger where taxation targets economic rents, corrects sector-specific externalities, reduces distortions arising from implicit public guarantees, or helps cover the expected fiscal costs of bank resolution and support (IMF, 2010; Perotti and Suarez, 2011; Keen, 2018).

its November 2023 Financial Stability Review, the ECB warned that "recent initiatives to impose taxes on banks may have negative repercussions for financial stability, as they make it harder for banks to accumulate capital" (ECB, 2023a, p. 15). In the same report and in several Opinions on national taxes, the ECB also warned that extraordinary taxes may contribute to fragmentation in the European financial system (ECB, 2023a; Pekanov and Schratzenstaller, 2025). Insofar as taxes increase uncertainty about the outlook for the banking sector, they may raise the costs of wholesale funding and equity. Besides competitiveness concerns within the EU, high bank taxes may also make EU banks less competitive on a global level, e.g. relative to US banks. Taxes may also have adverse spillover effects through higher lending margins and a lower supply of credit to the private sector (ECB, 2023b).

Empirical studies provide evidence of these transmission channels for asset-based bank levies in CESEE countries. For instance, using loan-level data for Poland, Borsuk et al. (2023) find that the levy introduced in 2016 raised lending margins and reduced credit growth. At the same time, it encouraged banks to shift household lending from relatively safe, low-margin mortgages towards higher-margin, riskier consumer loans in an effort to offset the pressure on profitability. For Hungary, Capelle-Blancard and Havrylchyk (2017) find that the levy introduced in 2010 was passed on mainly to customers with less elastic demand, particularly households, through higher net interest and fee margins and higher rates on outstanding housing loans. Using Slovenian credit-register data, Volk (2024) finds that the levy introduced in 2011 reduced the supply of corporate credit: a one-percentage-point increase in the tax burden relative to bank capital raised corporate lending rates by 8 basis points and reduced outstanding corporate lending by 0.5% within five months. Overall, evidence from these papers and from the broader empirical literature on bank taxation suggests that bank taxes can affect not only the price and aggregate supply of credit, but also its allocation across borrowers and loan types. Nature and magnitude of these effects depend on the tax design as well as banks' exposure to the measure and capacity to adjust through prices or portfolio composition.

The following discussion therefore considers the main tax design features that shape these effects. A particularly important aspect is the tax base. Broadly, taxes can be divided into (1) taxes levied on balance sheet items, i.e. assets or liabilities or parts of them, and (2) taxes levied on profit and loss items, often profits or revenues or parts of them.[3] Taxes also differ in their rates, duration, implementation (ad hoc or pre-announced), permitted deductions and other design features. These choices affect banks' ability to adjust to, or mitigate, their tax burden and therefore influence the level and stability of fiscal revenues, as well as the effects on financial intermediation and financial stability.

Flow-based taxes are more cyclical, which leads to declining fiscal revenues in downturns. Taxes based on stocks rather than flows usually generate more stable revenues. Yet, this also means an unchanged burden in difficult economic situations, which may affect financial stability negatively. Fiscal revenues also tend to be higher when measures are ad hoc because pre-announcements allow banks to react and pre-emptively reduce their tax base and thus tax burden (Maneely and Ratnovski, 2024). Different tax bases also entail different implications for financial intermediation. For instance, asset-based taxes create incentives to reduce the balance sheet size and may therefore adversely affect credit growth, consistent with the empirical evidence discussed above. This is particularly concerning in countries where the level of financial intermediation is comparatively low, e.g. in Romania and Hungary. Among flow-based measures, taxes on profits allow for costs and provisions to reduce the tax base, unlike taxes on revenues or net interest income. This may support provisioning incentives, but profit taxes may also weaken incentives to invest in cost efficiency. Generally, governments may also design taxes to explicitly steer

[3] There are some special cases as well, such as Denmark's financial sector payroll tax, or France's (abolished) systemic risk tax on regulatory capital requirements. They are not covered here.

behaviour. In Poland and Hungary, for example, deductions for government securities encourage banks to hold government bonds. Although such securities fulfil important liquidity and collateral functions, the tax incentive may reinforce the already pronounced sovereign-bank nexus.

Higher tax rates and longer-lasting measures increase the likelihood of behavioural responses. The statutory incidence of a bank tax does not necessarily determine who ultimately bears its economic cost: banks may absorb it through lower profits and internal capital generation, or adjust lending rates, fees, credit supply, employment, branch networks, investment and service provision. It is difficult to prevent such a pass-through via regulation. Tax design should therefore balance fiscal objectives against effects on customers, financial intermediation and bank resilience, while limiting cross-border distortions and double taxation.

3 Overview of bank taxes applied in CESEE and Austria

The cross-country overview in table 1 points to a clear broadening of bank taxation in the region. While early measures were mainly balance-sheet-based bank levies, recent measures are more diverse and include windfall profit taxes, higher corporate income tax (CIT) rates and bank turnover taxes.

Balance-sheet-based bank levies are generally imposed on assets or liabilities. Such levies were originally introduced as post-global-financial-crisis (GFC) instruments to make banks contribute to financial stability, crisis-resolution costs or the fiscal costs associated with bank support. As discussed above, such bank levies can provide more stable and predictable revenues. Over time, the link to financial-stability objectives has weakened. Some levies have remained unchanged, while others have been increased, redesigned or reintroduced in response to new fiscal pressures. This applies to Austria (see box 1), Hungary and Poland, the historical Slovak levy and the reintroduced Slovenian levy for flood reconstruction. Other EU countries, which have balance-sheet-based levies are Belgium (since 2012), Cyprus (since 2011), Finland (2013–2014), Greece (since 2011), Ireland (since 2014), the Netherlands (since 2012), Portugal (since 2011) and Sweden (2009–2015, 2022 to date) (AFME-KPMG, 2026).

Box 1: Austrian stability levy

Following the GFC, a stability levy on the operations of credit institutions has been applied in Austria since 2011. It was enacted in December 2010, as part of the Budget Accompanying Act 2011. The tax base equals the average unconsolidated total assets of the credit institution, reduced by some liabilities, particularly secured deposits as well as subscribed capital and reserves. Both the tax rate and the relevant thresholds were amended over time. In addition, temporary supplementary payments to the stability levy were collected, initially for the first years starting from 2011 and later between 2017 and 2020. The original purpose of the stability levy was to make banks contribute to the budgetary costs of banking-sector support measures and to strengthen financial stability. The tax is designed in a progressive manner to impose a bigger burden on larger institutions that pose greater risks to financial stability.

Recently, as part of Austria's fiscal consolidation measures, the government increased the stability levy and re-activated the temporary supplementary payments to the stability levy again from 2025. The tax rate was increased to 0.033% for the part of the tax base between EUR 300 million and EUR 20 billion, and to 0.041% for the tax base exceeding EUR 20 billion. In 2029, the tax rate is set to be re-evaluated. For the fiscal years 2025 and 2026, temporary supplementary payments amount to 0.050% for the part of the tax base between EUR 300 million and EUR 20 billion, and to 0.061%

for the tax base exceeding EUR 20 billion. The measure is expected to generate approximately EUR 500 million per year in both 2025 and 2026, with lower revenues thereafter. Since 2011, tax revenues of around EUR 6.3 billion have accrued from the stability levy.

Table 1

Characteristics of bank taxes implemented in Austria and the CESEE-8 countries

Country: tax type	Applied	Rationale	Tax base	Thresholds	Rate, p.a., selected years		Revenue (average p.a.)
						%	EUR
Austria: Bank levy (+ temporary supplementary payments)	2011 to date	Financial stability contribution; more recently, to support fiscal consolidation	Asset-based: average unconsolidated total bank assets with deductions for secured deposits and subscribed capital and reserves	I: 2011–2016: EUR 1 to 20 billion I: from 2017: EUR 300 million to 20 billion II: from 2011: > EUR 20 billion	2011	I: 0.055, II: 0.085	2011–2016: 510 to 570 million 2017–2020: 350 million 2021–2024: 100 to 150 million 2025–2026: 500 million (Fiscal Advisory Council estimates)
					2021	I: 0.024, II: 0.029	
					2025–2026	I: 0.033 + 0.050, II: 0.041 + 0.061	
Croatia: Windfall profit tax	2022	To finance inflation support measures	Profit-based: 2022 gross earnings exceeding 120% of 2018–2021 average	Gross earnings > HRK 300 million	2022	33	about 200 million (estimate by Hrvatska narodna banka)
Czechia: Windfall profit tax	2023–2025	To finance energy-price support measures	Profit-based: annual corporate income tax (CIT) base exceeding 120% of 2018–2021 average	Annual net interest income (NII) > CZK 50 million & 2021 NII > CZK 6 billion	2023–2025	60 (on top of standard CIT rate)	about 24 million (substantially below initial projections)
Hungary: Bank levy ("special tax on financial institutions")	2010 to date	To support post-GFC fiscal consolidation; subsequently extended as recurring sectoral tax	Asset-based: total bank assets, with deductions for interbank loans and other intra-financial-sector exposures	I: ≤ HUF 50 billion	from 2010	I: 0.15	2010: about 660 million
				II: > HUF 50 billion	2010–2015	II: 0.53	
					2016	II: 0.31	
					2017–2018	II: 0.21	2017–2021: about 180 million
					from 2019	II: 0.2	
Hungary: Special tax on banks	2020	To fund pandemic-related support measures		> HUF 50 billion	2020	0.19	about 150 million
Hungary: Windfall profit tax	2022 to date	To finance household inflation protection measures and defence expenditure	Net sales revenue in t-1 (about NII + fee income)	None	2022	10	2022–2025: about 790 million (bank levy & extra-profit tax)
					2023H1	8	
			Adjusted pre-tax profit in t-1 (tax reduction for government bonds from 2024; tightened in 2025)	I: ≤ HUF 10 billion II: > HUF 10 billion	2023H2–2024	I: 13, II: 30	
				I: ≤ HUF 20 billion II: > HUF 20 billion	2025	I: 7, II: 18	
					from 2026	I: 10, II: 30	
Poland: Bank levy	2016 to date	To finance government expenditure	Asset-based: total bank assets with deductions for government securities and regulatory capital	Assets > PLN 4 billion	2016–2026	0.44	2016–2020: about 1 billion 2021–2024: about 1.4 billion
					2027	0.40	
					from 2028	0.35	

Note: Only measures implemented by the cut-off date of 31 August 2026 are included. "Bank levy" is used for bank-specific balance-sheet-based taxes, whether levied on assets or liabilities. For the sake of readability, more detailed information on exemptions and deductions is not reported. Unless indicated otherwise, reported annual revenue figures are realised amounts, with euro equivalents calculated using approximate contemporaneous annual average exchange rates.

Source: Authors' compilation based on national legislation and budget documents, publications by national central banks, finance ministries and tax authorities, EU and IMF reports, academic and policy studies (e.g. Kosztowniak and Drapała, 2026), tax-consultancy analyses, banking-industry publications and specialist financial media. For analogous comparison tables covering a broader set of European countries, see AFME-KPMG (2026), Maneely and Ratnovski (2024) or Pekanov and Schratzenstaller (2025).

Table 1 continued

Characteristics of bank taxes implemented in Austria and the CESEE-8 countries

Country: tax type	Applied	Rationale	Tax base	Thresholds	Rate, p.a., selected years		Revenue (average p.a.)
						%	EUR
Poland: Higher CIT rate for banks	Higher rate since 2026	To cover increased defence spending and to support fiscal consolidation	Profit-based: standard CIT base	Lower rates for cooperative and smaller banks (taxable revenue <EUR 2 million)	2025	19	
					2026	30	2026: about 1.5 billion billion (Ministry of Finance estimate)
					2027	26	
					from 2028	23	
Romania: Bank turnover tax	2024 to date	To support fiscal consolidation	Net revenue (income from interest, dividends, fees, gains, and losses from various sources)	All banks	2024–06/2025	2	about 260 million
				Market share < 0.2%	07/2025–2026	2	about 540 million (estimate by the National Bank of Romania)
				> 0.2%		4	
Slovakia: Bank levy ("special levy on selected financial institutions")	2012–2020	Financial stability contribution; later also used for fiscal consolidation	Liability-based: total bank liabilities, with deductions for equity and other statutory items; insured deposits deductible only initially	None	2012–2015	0.4	2012–2020: about 146 million
					2016–2019	0.2	
					2020	0.4	
Slovakia: Windfall profit tax (regulated-sector levy extended to banks)	2024–2027	To support fiscal consolidation	Profit-based: pre-tax profit, adjusted by the share of regulated banking activities in total revenues	(Forecast) pre-tax profit ≥ EUR 3 million	2024	30	2024: 336 million 2025: 280 million 2026: 240 million (Ministry of Finance estimates)
					2025	25	
					2026	20	
					2027	15	
Slovakia: Higher CIT rate for large firms	Higher rate since 2025	To support fiscal consolidation	Profit-based: standard CIT base		2024	21	2025: 517 million (economy-wide Ministry of Finance estimate)
				Taxable income > EUR 5 million	from 2025	24	
Slovenia: Bank levy	2011–2015, 2024–2028	2011–2015: financial stability contribution and promotion of corporate lending, 2024–2028: finance reconstruction following 2023 floods	Asset-based: total bank assets (2024–2028: capped at 30% of annual pre-tax profit, deductions for higher CIT payments & other flood-related contributions)	None	2011–2015	0.1	2014: 25 million 2024–2028: 100 million (IMF estimate)
					2024–2028	0.2	
Slovenia: Temporary higher general CIT rate	2024–2028	Finance reconstruction following 2023 floods	Profit-based: standard CIT base	None	2023	19	n.a.
					2024–2028	22	

Note: Only measures implemented by the cut-off date of 31 August 2026 are included. "Bank levy" is used for bank-specific balance-sheet-based taxes, whether levied on assets or liabilities. For the sake of readability, more detailed information on exemptions and deductions is not reported. Unless indicated otherwise, reported annual revenue figures are realised amounts, with euro equivalents calculated using approximate contemporaneous annual average exchange rates.

Source: Authors' compilation based on national legislation and budget documents, publications by national central banks, finance ministries and tax authorities, EU and IMF reports, academic and policy studies (e.g. Kosztowniak and Drapała, 2026), tax-consultancy analyses, banking-industry publications and specialist financial media. For analogous comparison tables covering a broader set of European countries, see AFME-KPMG (2026), Maneely and Ratnovski (2024) or Pekanov and Schratzenstaller (2025).

The more frequent use of profit-based measures reflects the perception that banks benefited from monetary policy tightening. Tax design often seeks to isolate "excess" or windfall profits by comparing current profits or tax bases with a pre-shock reference period. Croatia and Czechia are prime examples of this approach.[4] Slovakia follows a different model: its bank windfall tax is based on pre-tax profit from regulated banking activities, rather than on a historical profit benchmark, and its tax rate declines annually from 30% in 2024 to 15% in 2027. Hungary is another hybrid case: the tax was introduced in response to high bank profitability, but it initially relied on a revenue-type base and later shifted to an adjusted pre-tax-profit base with progressive rates. Moreover, it has been extended repeatedly and is therefore no longer a pure temporary windfall instrument.

A related distinction concerns higher statutory CIT rates rather than narrowly defined windfall taxes. Poland's bank-specific CIT increase and Slovakia's higher CIT rate for large firms, which also affects large banks, fall into this category. While Poland's initial rate hikes are transitional, neither the Polish nor the Slovak arrangements currently provide for a return to the previous CIT rate or have a defined sunset. Slovenia, by contrast, temporarily increased its general CIT rate from 2024 to 2028 to finance post-flood reconstruction, alongside the reintroduction of its bank levy. The distinction between temporary windfall taxes, temporary CIT increases and permanently higher CIT rates matters because the measures have different implications for investment incentives, tax certainty and fairness (i.e. level playing field) and the banking sector's long-term tax burden.

In the remaining EU countries, profit-based taxes were implemented in Latvia (2024), while parts of profits are or were taxed in Spain (bank net revenue, 2023–2026), Lithuania ("excess" net interest income (NII) in 2023–2026) and Italy ("excess" NII, 2023). In CESEE, Romania chose bank turnover as the tax base, and Hungary's hybrid net sales tax discussed above also partially fits into this category.

Many countries try to avoid taxing smaller or less systemically important institutions by using thresholds, exemptions or differentiated rates. Bank levies often exempt some types of assets or liabilities; windfall profit taxes often apply only above a given profit, tax-base or sector-specific size threshold; and Romania's bank turnover tax differentiates between banks by market share. These mechanisms introduce some burden differentiation, but they do not necessarily make the tax economically progressive. A balance-sheet tax can still weigh on a low-profit bank, while a turnover tax can burden large institutions disproportionately because it applies before costs and provisions.

4 Bank profitability and financial stability implications of bank taxation

The design and size of bank taxes have important consequences for both financial intermediation and financial stability and are relevant from a cross-border perspective. Varying tax burdens contribute to different business environments for EU banks, which can hinder the Single Market and banking union. In this section, we examine bank taxation in the CESEE-8 countries from a financial stability perspective, focusing on differences in tax burdens and profitability across countries and over time and, where available, on assessments by national central banks.

Chart 1 shows banks' profit tax expense as a share of pre-tax profits across EU countries, based on the ECB's consolidated FINREP data for reporting banks. Importantly, it does not encompass all so-called bank taxes, as most accounting practises differentiate between taxes based on taxable profit and other levies. Generally, taxes on balance sheet items or revenues are booked as operating expenses and lower

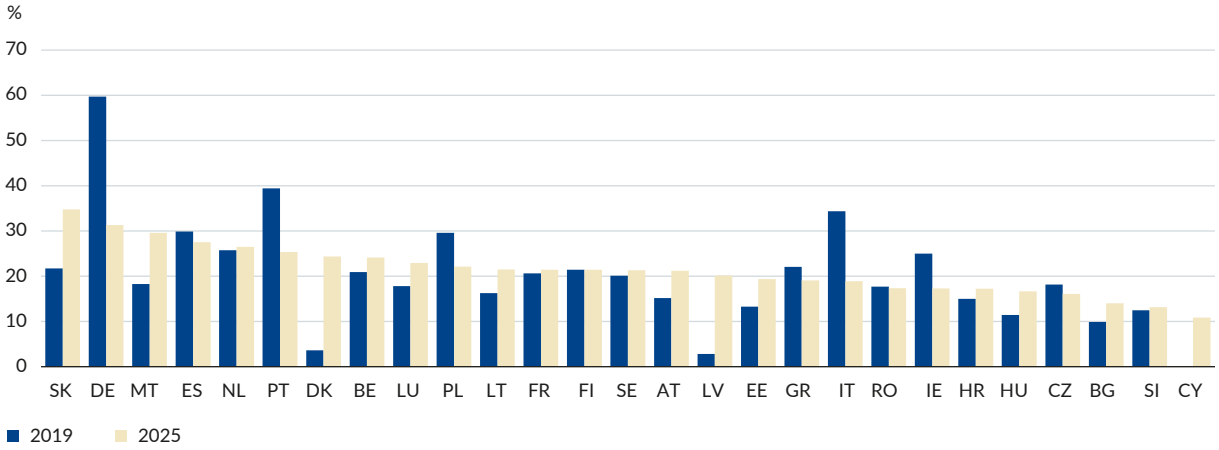
[4] At the time of writing, the Bulgarian government was considering a one-off windfall profit tax for 2027 covering banks and five other sectors. The proposed 33% tax would apply to the portion of a company's 2027 taxable profit exceeding 120% of its average taxable profit over 2020–2025, similar to the approach in Croatia and Czechia.

pre-tax profits. While not a comprehensive metric for the overall tax burden[5], the ratio in chart 1 provides a simple proxy for the effective tax burden on reported bank profits. A fully comparable assessment of the broader fiscal burden across countries remains a challenge, however.

The ratio in chart 1 varies widely across countries and over time. In 2025, it ranged from above 35% in Slovakia to below 15% in Cyprus, Bulgaria and Slovenia. The country ranking looks very different pre-COVID-19. To a certain extent the fluctuations over time are due to the volatility of the flow measures used, but they are also partially due to the changed macroeconomic and institutional environment. Most CESEE countries are found towards the lower end of the distribution, which indicates a comparatively moderate tax burden on reported profit.

Chart 1

EU banks: profit tax expenses over profit before tax, 2019 vs 2025



Note: Foreign and domestic banks. Tax rates in countries which host consolidating mother companies might include (parts of) taxes paid in foreign countries. Cyprus for 2019 is an outlier (140%) and not plotted. Data for Ireland from 2024, as 2025 is not yet available.

Source: ECB Consolidated Banking Statistics (FINREP).

In chart 2, we take a closer look at how the tax burden has evolved over time in the CESEE-8 countries. For countries where bank levies are recorded as operating expenses (Hungary, Slovenia, Romania, Poland), we use information from the national central banks to additionally calculate an adjusted ratio including bank levies. These estimates are a rough approximation as they ignore deductions and other accounting details. Chart 2 indicates heterogeneous developments.

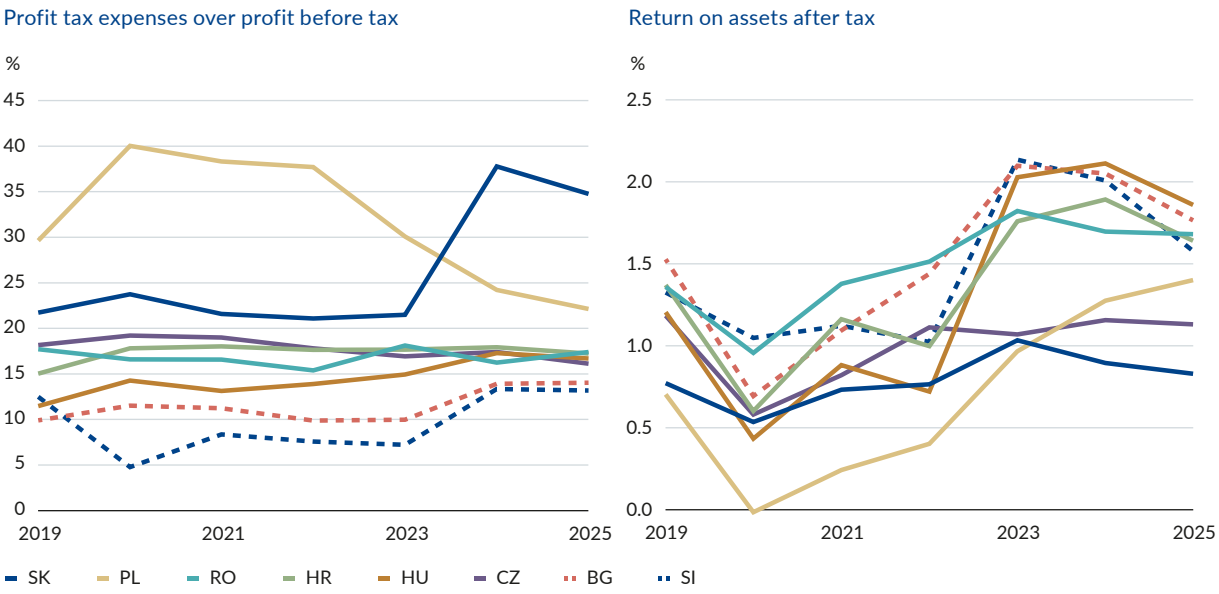
In Croatia, the ratio remained broadly stable between 2019 and 2025. This is consistent with the Croatian national bank's (HNB) assessment that the windfall profit tax had only a mild dampening effect on bank profitability in 2022 and posed negligible risks to financial stability, given the relatively low tax burden, the one-off nature of the measure and strong competition limiting banks' ability to pass the tax on to customers (HNB, 2023a and 2023b).

In Romania, the chart does not suggest a clear trend in either. When we adjust the Romanian ratio for the fact that the turnover tax is booked as operating expense, however, the tax ratio increases from 16% to 22% in 2024. The National Bank of Romania (NBR) commented the tax critically, noting that its initially envisaged permanent nature makes it more burdensome than one-off windfall taxes in other countries. It assessed that banks could absorb the tax, but that it might have negative financial stability implications

[5] Income-tax expense recognised in the accounts may differ from cash taxes paid, e.g. because of deferred tax effects. The ratio may also be volatile when pre-tax profits are low, while cross-country comparability may be affected by differences in accounting treatment, consolidation scope and FINREP reporting coverage.

Chart 2

CESEE-8: banking sector tax burden and profitability, 2019 until 2025



Source: ECB Consolidated Banking Statistics (FINREP), national central banks.

due to higher business uncertainty and potentially lower credit growth in a context of already low financial intermediation (NBR, 2023). The OECD (2026) raised a related concern, arguing that turnover is a poorly targeted tax base because it may disproportionately burden banks with high revenues relative to profits and discourage lending.

In Czechia and Poland, the tax burden decreases over time. In Czechia, the windfall tax generated substantially less revenue than initially expected as profitability did not rise much compared to reference values. The Czech National Bank (CNB) regarded the introduction of the tax as a political decision and noted that it would not compromise the resilience of Czech banks (CNB, 2022; Pečinková, 2022).

In Poland, the tax burden was historically high due to higher general CIT rates and limited deductions, and profitability was low, partially due to provisioning related to the legal disputes surrounding Swiss franc loans (NBP, 2024). The fall in the tax burden ratio mostly reflects a sharp recovery in profitability since 2022. Back-of-the-envelope calculations suggest that the ratio would be even 8 to 9 percentage points higher if the bank levy were included in 2023–2025. As discussed in section 2, Borsuk et al. (2023) find that the levy introduced in 2016 increased lending margins, reduced credit growth and encouraged a shift towards higher-risk household lending. Kapuściński (2022), on the other hand, finds no significant effect on loan volumes, risk-taking or profitability, but reports higher mortgage rates and lower corporate deposit rates. The absence of a significant profitability effect may reflect banks' adjustment through balance-sheet reallocation and higher lending margins. Despite differences between the empirical findings, both studies indicate that banks adapted their pricing or portfolios in response to the levy. Its exemption of government securities also encouraged greater sovereign exposures, reinforcing the sovereign-bank nexus. The National Bank of Poland (NBP) has therefore repeatedly recommended redesigning the levy to make lending to the real economy more attractive relative to government bonds and called for a reduction in broader legal and regulatory risks (NBP, 2016a, 2016b, 2017, 2024, 2025).

Returning to chart 2, four countries show a visible increase in the profit tax burden ratio: Hungary, Slovakia, Slovenia, and Bulgaria. In Hungary, the ratio has risen gradually. Hungarian bank taxes are booked as levies, reducing profit before tax, which can increase the ratio. The rise may also be influenced by other factors, such as the volatility of profits and structural shifts in the Hungarian banking market.

Including bank levies in the tax burden, the ratio increases substantially to between 25% and 27% from 2023 to 2025 (instead of 15% to 17%). The pass-through of the levy introduced in 2010 to less price-sensitive customers, documented by Capelle-Blancard and Havrylchyk (2017; see section 2), is consistent with the Magyar Nemzeti Bank's (MNB) earlier warning that banks could pass the levy on through higher lending rates (MNB, 2010). Regarding the windfall tax introduced in 2022, the MNB found that it materially reduced profitability, although strong interest income more than offset this effect at the time (MNB, 2023). More recent MNB assessments indicate that high profitability and sizeable capital buffers have so far preserved the sector's resilience and lending capacity despite these tax burdens, although tax relief linked to government security purchases also encouraged banks to increase such holdings (MNB, 2025 and 2026).

In Bulgaria, Slovakia and Slovenia, the increase in the respective tax burden is likewise consistent with recently implemented tax measures. Bulgaria is not included in table 1 because, as of the cut-off date, imposing a possible additional tax on the banking sector was only under discussion. The observed increase in banks' tax burden reflects the transposition of the EU Directive 2022/2523 into national law[6], rather than a discretionary bank-specific tax measure. Given Bulgaria's comparatively low statutory CIT rate of 10%, the new legislation introduced top-up taxation for affected large enterprises whose effective CIT rate falls below 15%. As foreign-owned banks account for a large share of the Bulgarian banking sector, the impact on the sector-wide tax burden appears to be pronounced.

In Slovakia, the windfall profit tax introduced in 2024 and the higher CIT rate applied to large firms from 2025 pushed the effective tax burden on reported bank profits to the highest level in the EU in 2025 (see chart 1). In an Opinion, the ECB (2024) voiced concerns because the law was passed before a thorough analysis of potential negative effects could be undertaken. While welcoming the scheduled decline in the windfall profit tax rate, the ECB cautioned that maintaining the initially high rate could "seriously hamper the longer-term capital generation capacity of credit institutions" (p. 5). This could in turn diminish the ability of banks to lend to the economy and have adverse effects on economic growth. The National Bank of Slovakia (NBS) also stressed that bank profitability would be negatively affected but noted that banks' resilience and ability to lend would not be compromised provided that interest income and credit losses continued to develop favourably (NBS, 2024a). This conditional assessment underlines the importance of incorporating bank tax changes into stress tests, as their financial stability implications may become more pronounced when economic conditions deteriorate. The NBS also assessed the entire fiscal consolidation package of the Slovak government – including, for instance, the introduction of a financial transaction tax – and concluded that it would increase costs for banks but not jeopardise financial stability under the prevailing conditions (NBS, 2024b).

In Slovenia, the higher general CIT rate applied since 2024 accounts for most of the increase in the tax burden ratio, with a smaller contribution from the transposition of the EU Directive 2022/2523 (Bank of Slovenia, 2025). When the bank levy reintroduced in 2024 is also taken into account, our broader tax burden estimate rises from 13% to around 20%. The Bank of Slovenia (2025) estimates that the levy accounted for more than half of the increase in banks' operating costs in 2024. Nevertheless, strong earnings and sizeable capital buffers allowed banks to absorb the additional costs without compromising banking sector resilience. Levy payments declined by just over 10% in 2025, partly because the higher CIT rate reduced the levy base. Although profitability moderated, it remained above its long-term average, while retained earnings continued to support capital accumulation and banking sector resilience (Bank of

[6] This Directive implements the OECD/G20 Pillar Two framework within the EU and aims to limit profit shifting and harmful tax competition by ensuring a minimum effective CIT rate of 15% for large multinational and domestic groups with consolidated annual revenues of at least EUR 750 million. As a general CIT measure it is not covered in this study. Its national impact is likely to be greater in countries with low effective CIT rates and a substantial presence of large multinational groups.

Slovenia, 2026). These recent reports do not identify a system-wide lending constraint attributable to the levy, although Volk's (2024) findings for the earlier Slovenian levy, discussed in section 2, illustrate its potential adverse effects on corporate lending conditions.

Overall, after adjusting the tax burden ratios for bank levies, Slovakia and Poland would continue to record the highest burdens, as in chart 2, followed by Hungary, Romania and Slovenia, while Croatia, Czechia and Bulgaria would have the lowest ratios. As noted above, caveats apply to these back-of-the-envelope calculations. Despite additional taxes, after-tax profitability rose relative to 2019 in all CESEE countries except Czechia (see the right-hand panel of chart 2). Comparing the 2023–2025 average with 2019, after-tax return on assets (RoA) increased by around 20% to 30% in Slovakia, Romania, Croatia and Bulgaria, 43% in Slovenia, 66% in Hungary and 72% in Poland. Pre-tax RoA increased at a similar rate in most countries except for Slovakia, where the increase exceeded that of the after-tax RoA by 20 percentage points.

5 Conclusions

Bank-related fiscal interventions have become widespread in the EU, particularly in CESEE. Bank taxation has evolved from post-GFC balance-sheet levies, originally associated with financial stability and the public costs of bank support, towards a more heterogeneous set of profit- and revenue-based instruments. Recent measures have primarily sought to tax perceived windfall gains and mobilise revenue for fiscal consolidation and new spending needs. Credible fiscal consolidation may benefit banks indirectly by reducing sovereign risk, supporting the value of their sovereign exposures and improving funding conditions. However, these potential benefits must be weighed against potentially adverse effects of bank taxes on lending, internal capital generation, investment and service quality as well as the risk that tax incentives favouring government bond holdings reinforce the sovereign-bank nexus. Considerable cross-country differences in tax design and duration may also distort competition within the Single Market and the banking union. Greater coordination among EU member states could help limit cross-border distortions, double taxation and further fragmentation of the EU banking market.

Despite additional bank taxes, after-tax profitability has remained high and above 2019 levels in most CESEE banking sectors. Reported profit tax burdens are often comparable with, or below, those elsewhere in the EU, although the broader burden is substantially higher in several countries once bank levies recorded as operating expenses are included. The financial stability implications observed in recent years have generally remained contained. In Croatia and Czechia, the relevant windfall profit taxes were temporary or imposed a comparatively limited burden, and the respective central banks assessed their effects on resilience as negligible or limited. In Hungary, Slovakia and Slovenia, more material effects on profitability or operating costs were absorbed by strong income generation and sizeable capital buffers. These assessments were nevertheless often conditional on favourable profitability, credit-loss and capital developments. The central banks of Poland and Romania expressed stronger concerns about longer-term effects on financial intermediation and incentives. In Poland, the exemption of government securities from the levy base encouraged banks to increase their sovereign exposures. Romania's revenue-based tax is weakly aligned with profitability and may discourage lending in a banking system with comparatively low financial intermediation. These concerns are broadly consistent with assessments by both the ECB and OECD.

Overall, the effects of bank taxes depend on their tax base, duration and scale, as well as banks' capacity to absorb the burden. The absence of an immediate systemic impact should not be interpreted as evidence that bank taxes are neutral for financial stability. Empirical studies from the region, including studies of earlier bank tax episodes, document partial pass-through to borrowers, higher lending rates, weaker credit growth and changes in the allocation of credit and bank portfolios. Such effects may become more

pronounced if profitability moderates, credit losses increase or temporary measures become long-lasting. Tax design should therefore reflect the measure's objective and intended duration. Especially for recurring taxes, predictable, proportionate and non-discriminatory rules are important.

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