Question for written answer E-004570/2020
to the Commission
Rule 138
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Subject: The use of deferred tax assets (DTAs) and deferred tax credits (DTCs) in the financial sector

The financial sector is facing challenging times trying to combat the immediate and long-term effects of the COVID-19 crisis. Banks' profitability will collapse, and there will also be a sharp increase in non-performing loans.

Banks play an increasingly important role in the economy of our modern society. Therefore, it is of utmost importance to preserve financial stability even in times of crisis. The establishment of the Banking Union made a significant contribution in this respect, although further risk sharing should go along with additional safeguards.

Deferred tax assets (DTAs) reduce the amount of future tax obligations, depending on a bank's profitability. Therefore DTAs should be deducted from Common Equity Tier 1 (CET1) capital. [1] However, some Member States introduced legislative changes to transform DTAs into deferred tax credits (DTCs), which are not contingent on future profitability, and therefore fall within the scope of CET1 capital. [2]

1. Does the Commission agree that including DTCs in CET1 capital calls the reliability and robustness of a bank's balance sheet into question?

2. Can the Commission elaborate on the interdependency between DTCs and national governments while taking into account the goal of the Banking Union, namely to break the sovereign-bank nexus?

3. Would the Commission be able to share an overview, per Member State, on the average use of DTCs by banks (percentage of own funds)?

[1] https://eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2017_3225
[2] https://nplconfidential.com/deferred-tax-assets-still-a-hot-issue-for-greek-banks/