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Bank interest

The finance ministry has announced that it considers negative interest charged by banks on deposits as a non-deductible expense and interest paid by banks on refunds of loan handling fees as income subject to withholding tax.

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Some banks make a charge – referred to as “negative interest” – when accepting deposits on certain types of account. The finance ministry has now announced in a decree that it regards “negative interest” of this nature as a deposit or custodial charge deemed to be covered by the savers’ allowance (€801 p.a.). Accordingly, such charges are not specifically deductible from taxable income.

In the same decree the ministry also states that it regards interest on bank refunds of loan handling fees (in response to Supreme Court judgments in 2004 holding standard text agreements for service fees for reviewing loan applications to be invalid) as interest income of the borrower subject to withholding tax to be accounted for by the paying bank.

Schlagwörter

bank interest, handling fee, negative interest