



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

4 April 2016

The Rt Hon Andrew Tyrie MP
Chairman
Treasury Committee
7 Millbank
House of Commons
London
SW1P 3JA

Jer Andrew,

Thank you for your letter of 6 April regarding the tax deductibility of payments made by banks to regulators. I am happy to set out the government's position on this issue.

In my letter of 15 February, I confirmed that payments made to regulators are generally deductible for Corporation Tax purposes. This applies to routine payments made by banks operating in the UK to regulatory authorities, to cover the cost of their supervision and oversight. It also applies to payments that banks make to regulators to cover the costs of specific investigations, such as those carried out under section 166.

This is a long-standing general position and reflects the view that regulatory payments are a routine cost of doing business, and are paid by compliant and non-compliant firms. It is also consistent with the treatment of payments made to regulators in other industry sectors, such as law, accounting, oil and gas.

I will nonetheless keep this area under review as part of our commitment to ensure a fair tax contribution from the banking sector.

George Osborne,

GEORGE OSBORNE