Price gains tax: Erste Bank und Sparkassen fear capital outflow

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- Survey: 51% of security holders are considering moving money abroad
- Erste chief analyst Mostböck expects negative impacts on the capital market
- Uher, member of the Erste Bank board: “The price gains tax has massive disadvantages for the customer.”
- Sparkassen secretary general Michael Ikrath considers this an attack on the middle class and demands to extend the speculation term

According to this week’s survey conducted by the market and opinion research institute GfK Austria (n = 500), almost one in four Austrians (24%) is considering looking for investment alternatives, including abroad, if the price gains tax planned by the government is introduced in its intended form (see graph). The percentage of security holders is particularly high: 51 percent are considering investment alternatives and sometimes also thinking of moving their money abroad. One in ten Austrians states in the survey that they have securities in the form of shares, loans or funds. Fritz Mostböck, chief analyst of the Erste Group, expects in consequence negative impacts on the capital market.

“The price gains tax has clear disadvantages for the customer”, says Thomas Uher, spokesman of the Este Bank Austria board, “losses can only be claimed in next year’s tax return, while profit is taxed immediately. This tax model does not punish speculators but affects long-term fund savers who make their own provisions for their pension or who are repaying credit which was taken for residential purposes and that is payable at maturity.” Foreign currency credit in particular is usually payable at maturity and refinanced through fund savings plans (amortisation replacement). “The new tax thus encumbers those people who, by taking up credits and making investments, have massively boosted the local economy in the last few years”, Uher adds. According to the survey, 42 percent of all Austrians have argued for an exemption from the price gains tax for foreign currency borrowers (graph 2).

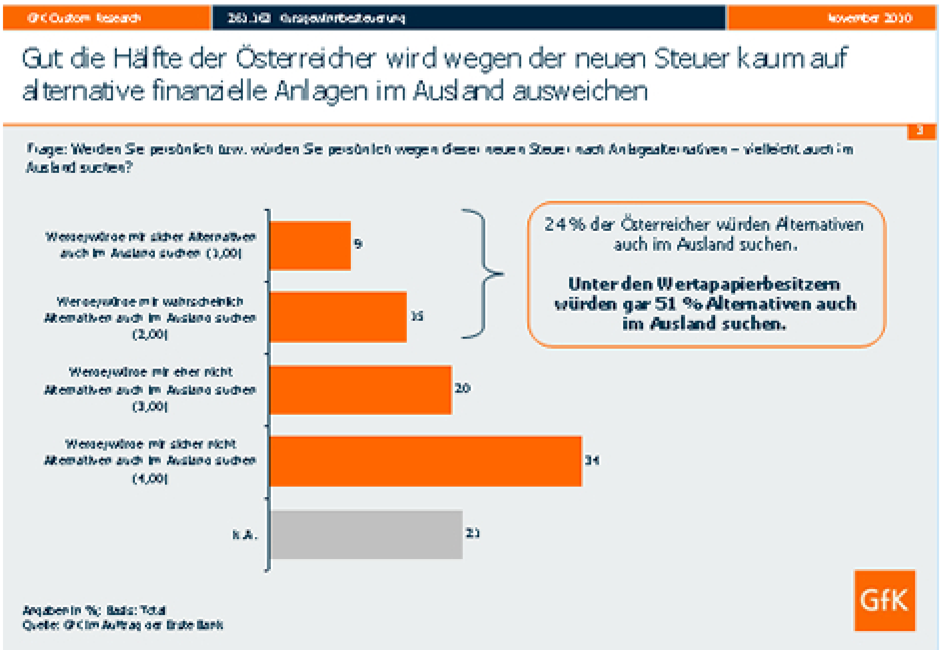
Fritz Mostböck, chief analyst of the Erste Group, also expects negative impacts on the capital market brought along by this tax: "In this way, a vital financial driving force is being throttled.“ Mostböck reasons that capital market transactions would all in all become less attractive. He expects a migration to other forms of investment or other markets. In total, more than one third of Austria’s population (35 percent) are against the price gains tax, 26 percent are for it, 24 percent are “indifferent either way” and 14 percent have no opinion (graph 3). Erste Bank und Sparkassen suspect that long-term savers will particularly be against the tax in its current form.

Also Michael Ikrath, secretary general of the Österreichischer Sparkassenverband (Austrian association of savings banks), takes the same line: „We have for years been striving to get people and our customers onboard to develop a third pillar of old-age pension. Fund saving is one of the options which is particularly popular among our customers. This tax, which will practically punish investors, forces us to question everything once more. It is also completely incomprehensible that willingness to invest equity in the local economy is flatly dismissed as speculation by the federal government. Overall, this tax does not, in any way, affect the so-called “super rich” or the true speculators. The brunt of it is instead borne by the middle classes and their efforts to build up an additional old-age pension and subsistence provisions through long-term investments in securities.”

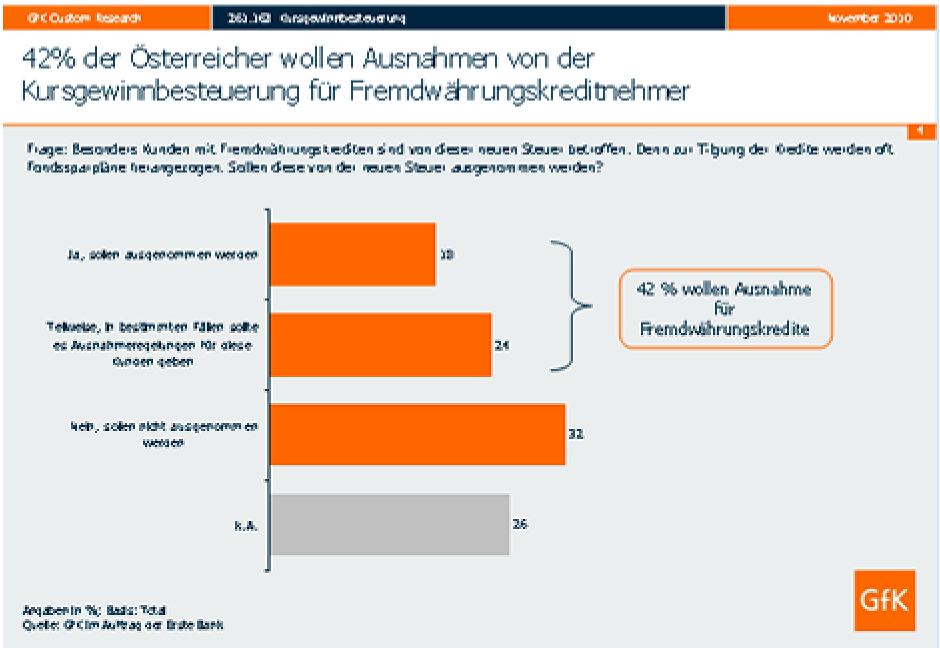
The Secretary-General of the savings banks association thus demands an exception for investors with long-term investment goals, as well as for foreign currency borrowers. As already proposed by the local fund sector and as is the general practice in Germany, the price gains tax should only apply at a share level when a security is sold. The easiest, most reasonable and also cheapest option for everbody involved would of course be the extention of the speculation term currently in force to several years.

Investment tip:
As final details on the price gains tax are still not known, it is difficult to give specific investment recommendations. One tip that does apply in any case is this: Shares purchased by the end of the year are tax-free (the one-year speculation term is of course an exception). The bank advises foreign currency borrowers to speak to a consultant; changing credit payable at maturity to credit which is repayable monthly may, however, be a good solution.

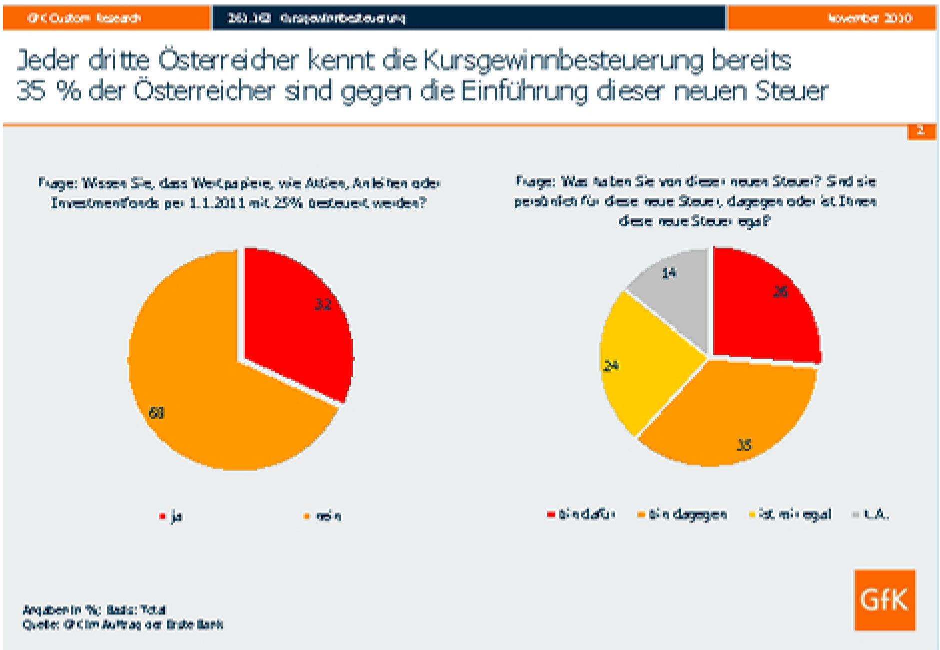
Graph 1



Graph 2



Graph 3



Jeder dritte Österreicher kennt die Kursgewinnbesteuerung bereits
35 % der Österreicher sind gegen die Einführung dieser neuen Steuer
Frage: Wissen Sie, dass Wertpapiere, wie Aktien, Anleihen oder Investmentfonds per 1.1.2011 mit 25% besteuert werden?
32
68
ja
nein
Frage: Was halten Sie von dieser neuen Steuer? Sind sie persönlich für diese neue Steuer, dagegen oder ist Ihnen diese neue Steuer egal?
14
26
24
35
bin dafür
bin dagegen
ist mir egal
k.A.
Angaben in %; Basis: Total
Quelle: GfK im Auftrag der Erste Bank
GfK

Graph 4

Daten zur Untersuchung
Befragungszeitraum
15.11. – 16.11.2010
Grundgesamtheit
Bevölkerung mit Internetzugang 15-69 Jahre
Befragungsgebiet
Österreich
Befragungsart
CAWI – Computer Assisted Web Interviews
Stichprobe
n=500
GfK

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