

Flash note  
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## Italian government backtracks on its planned windfall profits tax on Banks

The Italian government backtracks, saying it will limit the impact of the planned windfall tax on banks.

Today, the Italian government has limited the scope of its new windfall tax on banks to 0.1% of assets. The tax, as originally announced, could have affected up to around 0.5% of total risk-weighted bank assets.

Today's announcement means that the tax would have an aggregate impact of €1.9 billion (quite less than the initial impact of the measure before the "cap" announced today, which had been estimated at €3 billion).

Today's decision comes after the shares of major financial institutions plummeted yesterday. Apparently, Meloni's cabinet was scared, and they have decided to "back down" to calm the nervousness of the market and guarantee financial stability.

While other European countries such as Spain and Hungary have introduced taxes on bank windfalls, the announcement of the new tax in Italy on Monday night took the market by surprise, damaging confidence and raising fears of further measures.