

In case of discrepancies between the French and the English text, the French text shall prevail.

Luxembourg, 31 July 2017

To all credit institutions

## **CIRCULAR CSSF 17/664**

### **Re: Survey on staff expenses and taxes**

Ladies and Gentlemen,

This circular follows up on Circular CSSF 17/663 and aims at carrying out the annual survey on staff expenses and taxes.

The relevant data are collected for statistical purposes and shall be established in accordance with the IFRS accounting standards.

The information shall be based on tables B 2.5 B "Staff expenses" and B 2.5 E "Details on taxes"<sup>1</sup>. The technical instructions for submitting the reporting are published in the document "Reporting requirements for credit institutions" published on the CSSF's website under:

<https://www.cssf.lu/en/prudential-reporting-for-credit-institutions/>

#### **1. Purpose of the survey**

Information on staff expenses and taxes shall be provided annually based on the correctly evaluated situation as at **31 December** (from 01.01. to 31.12.).

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<sup>1</sup> I.e. tables B 2.5 B and B 2.5 E as introduced by Circulars CSSF 07/317, CSSF 07/331 and CSSF 09/410.

Institutions whose closing date is different from 31 December, shall report data as existing at the closing date of the last financial/fiscal year.

## **2. Date for submission of tables**

Tables must be submitted no later than 11 February of the year following the closing.

The data are to be drawn up for the first time for accounting year 2017 (submission: 11 February 2018).

## **3. Table B 2.5 B: Staff expenses**

- Scope:

The transmitted information shall reflect the individual and unconsolidated situation of the credit institution.

Luxembourg credit institutions having foreign branches must provide three different versions of table B 2.5 B: L, N, S.

Luxembourg credit institutions with no branches abroad, as well as branches of EU credit institutions and branches of non-EU credit institutions established in Luxembourg shall provide a single version of table B 2.5 B (L version).

- Presentation of the table:

Table B 2.5 B provides details on staff expenses. Staff expenses, registered in row 370 of table F 02.00 of the FINREP/ITS framework, are broken down as follows:

- Row 6.1 "Wages and salaries";
- Row 6.2 "Social security charges";
- Row 6.3 "Pension and similar expenses";
- Row 6.4 "Temporary staff expenses";
- Row 6.5 "Share based payments";
- Row 6.99 "Other".

## **4. Table B 2.5 E: Details on taxes**

- Scope:

The transmitted information shall reflect the individual and unconsolidated situation of the credit institution.

Luxembourg credit institutions (whether or not they have branches abroad), as well as branches of EU credit institutions and branches of non-EU credit institutions established in Luxembourg shall draw up version L of table B 2.5 E; the table shall not be drawn up either in N version or in S version.

- Presentation of the table:

Table B 2.5 E provides information on taxes, in particular Luxembourg taxes. Table B 2.5 E deals with the following elements:

- taxes on profit or loss from continuing or discontinued operations<sup>2</sup>, recognised in rows 620 "Tax expense or income related to profit or loss from continuing operations" and 660 "Tax expense or income related to discontinued operations", respectively of table F 02.00;
  - taxes other than on income<sup>3</sup>, included in rows 340 "Other operating income", 350 "Other operating expenses" and 380 "Other administrative expenses", respectively of table F 02.00.
- The following information shall be included in the different rows of table B 2.5 E broken down into several columns:
    - row 6.1 "Income taxes" includes taxes on profit or loss from continuing operations and taxes on profit or loss from discontinued operations, payable to (recoverable from) Luxembourg and/or foreign tax authorities (rows 620 and 660 of table F 02.00);
    - row 6.1.1 "of which: in Luxembourg" includes taxes on profit or loss from continuing operations and taxes on profit or loss from discontinued operations, only payable to (recoverable from) Luxembourg tax authorities (to be extracted from said row 6.1);
    - row 6.2 "Other taxes" includes taxes other than those on profit or loss, payable to (recoverable from) Luxembourg and/or foreign tax authorities (to be extracted from rows 340, 350 and 380 of table F 02.00);
    - row 6.2.1 "of which: in Luxembourg" includes taxes other than on profit or loss, only payable to (recoverable from) Luxembourg tax authorities (to be extracted from said row 6.2).
- Information requested in the different rows of table B 2.5 E is broken down into the following columns:
    - taxes on profit or loss from continuing operations and taxes on profit or loss from discontinued operations (row 6.1/6.1.1) are broken down into current taxes (columns 1 to 2) and deferred taxes (columns 3 to 4), distinguishing between expense (columns 1 and 3) and income (columns 2 and 4); the amount reported in column 5, which corresponds to the amounts reported in rows 620 and 660 of table F 02.00, is equal to the sum of the amounts reported in columns 1 to 4;

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<sup>2</sup> In Luxembourg, these taxes include, in particular, the corporate income tax (IRC) and municipal business tax (ICC).

<sup>3</sup> In Luxembourg, these taxes include, in particular, wealth tax, property tax, VAT, registration fees or vehicle tax.

- taxes other than on profit or loss (row 6.2/6.2.1) are broken down into expense (column 1) and income (column 2); the amount reported in column 5 is equal to the sum of the amounts reported in columns 1 to 2.

Note: In table B 2.5 E, current or deferred tax expense and income are to be reported separately (without offsetting each other).

## **Reminder:**

### **Current tax and deferred tax (IAS 12) - Presentation on the face of the balance sheet and in the income statement**

#### ***Basic concepts***

1. *Current* tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) according to the rules laid down by *the tax administration*.
2. Recognition of *deferred* tax is *mandatory* under IAS 12; deferred tax serves to erase distortions between the accounting profit and taxable income in order to present an economic view of the situation, unaffected by tax rules. *Temporary* differences between the accounting profit and taxable income give rise to the recognition of *deferred tax*.
3. Current and deferred taxes are recognised as the transaction to which they relate (*symmetry rule*):
  - a) as regards *items charged or credited to profit or loss*, the current or deferred tax shall be charged or credited to *profit or loss*;
  - b) as regards *items charged or credited directly to equity* (without affecting profit or loss)<sup>4</sup>, the current or deferred tax shall be charged or credited to *equity*;
  - c) where the transaction is the *initial recognition in a business combination*, the counterparty of the deferred tax is the *goodwill* (in the consolidated reporting).

#### ***Tax relating to profit or loss from continuing operations***

Row 620 "Tax expense or (-) income related to profit or loss from continuing operations" of table F 02.00 includes income taxes (IAS 12) relating to profit or loss from continuing operations reported in rows 010 to 600 of table F 02.00.

This row includes current taxes and/or deferred taxes, as the case may be. Deferred tax expense (income) is relating to the origination and reversal of temporary differences:

- deferred tax expense represents the recognition of deferred tax liabilities (row 260 of table F 01.02) or the reversal of deferred tax assets (row 350 of table F 01.01);
- deferred tax income represents the recognition of deferred tax assets (row 350 of table F 01.01) or the reversal of deferred tax liabilities (row 260 of table F 01.02).

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<sup>4</sup> Examples:

- unrealised gains and losses on financial assets valued at fair value through equity;
- unrealised gains and losses on derivatives used in cash-flow hedging relationships.

### ***Tax relating to profit or loss from discontinued operations***

Row 660 "Tax expense or (-) income related to discontinued operations" of table F 02.00 includes income taxes (IAS 12) relating to profit or loss from discontinued operations (i.e. non-current assets (individual assets or group of assets to be disposed of), classified as held for sale (IFRS 5) which meet the definition of a discontinued operation (as provided for in IFRS 5.32)).

This row includes current taxes and/or deferred taxes, as the case may be.

### ***Tax assets***

Item 330 "Tax assets" of table F 01.01 is broken down into current tax assets (row 340) and deferred tax assets (row 350):

- Row 340 "Current tax assets" notably includes the amount of income taxes recoverable if the amount already paid for the current or previous year(s) exceeds the amount due for these years or the tax benefit relating to a tax loss which can be carried back to recover the current tax due for a previous year.
- Row 350 "Deferred tax assets" includes the amounts of income taxes *recoverable* in future periods in respect of:
  - (a) deductible temporary differences (expenses recognised in accounting, but not yet tax deductible; taxed income, but not yet recognised in accounting);
  - (b) the carryforward of unused tax losses; and
  - (c) the carryforward of unused tax credits.

### ***Notes:***

- Tax assets relating to taxes other than on profit or loss (examples: wealth tax, property tax, VAT, etc.) are reported in row 360 "Other assets" of table F 01.01.
- Tax assets and liabilities relating to profit or loss from discontinued operations (individual assets or group of assets to be disposed of) classified as held for sale (IFRS 5) which meet the definition of a discontinued operation (as provided for in IFRS 5.32) are included in row 370 "Non-current assets and disposal groups classified as held for sale" of table F 01.01 and row 290 "Liabilities included in disposal groups classified as held for sale" of table F 01.02.

### ***Tax liabilities***

Item 240 "tax liabilities" of table F 01.02 is broken down into current tax liabilities (row 250) and deferred tax liabilities (row 260):

- Row 250 "Current tax liabilities" includes the amount of income taxes for the current or previous year(s), in so far as not paid.

- Row 260 "Deferred tax liabilities" includes the amounts of income taxes *payable* in future periods in respect of taxable temporary differences (income recognised in accounting, but not yet taxable; tax deductible expenses, but not yet recognised in accounting).

*Notes:*

- Tax liabilities relating to taxes other than on profit or loss (examples: wealth tax, property tax, VAT, etc.) are reported in row 280 "Other liabilities" of table F 01.02.
- Tax assets and liabilities relating to profit or loss from discontinued operations (individual assets or group of assets to be disposed of) classified as held for sale (IFRS 5) which meet the definition of a discontinued operation (as provided for in IFRS 5.32) are included in row 370 "Non-current assets and disposal groups classified as held for sale" of table F 01.01 and row 290 "Liabilities included in disposal groups classified as held for sale" of table F 01.02.

Yours faithfully,

COMMISSION de SURVEILLANCE du SECTEUR FINANCIER

Jean-Pierre FABER  
Director

Françoise KAUTHEN  
Director

Claude SIMON  
Director

Annex

Annex

**Table B 2.5 B: Staff expenses**

		References	Current year
			1
6.1	Wages and salaries	CP	
6.2	Social security charges	CP	
6.3	Pension and similar expenses	CP	
6.4	Temporary staff expenses	CP	
6.5	Share based payments	CP	
6.99	Other	CP	
<b>6.100</b>	<b>Total</b>		

**Table B 2.5 E: Details on taxes(1)**

		Current tax		Deferred tax		Total of the current year
		Expense	Income	Expense	Income	
		1	2	3	4	5
<b>6.1</b>	<b>Income taxes</b>					
6.1.1	of which: in Luxembourg					
<b>6.2</b>	<b>Other taxes</b>					
6.2.1	of which: in Luxembourg					

(1) only in version L