

# Asset levy likely to impact customers of banks, insurers

Economists, Minister of Finance:



Bankers' row on Independence Square, Port-of-Spain. PHOTO BY ROBERTO CODALLO

Finance Minister Davendranath Tancoo is warning that citizens should brace for the possibility of increased bank charges following the Government's decision to implement a 0.25 per cent asset levy on commercial banks and insurance companies.

Speaking at the post-budget forum hosted by the T&T Manufacturers' Association on Tuesday, Tancoo acknowledged that while the levy is aimed at institutions, its effects could quickly trickle down to consumers.

"It is very likely," he said, "As we've seen in other sectors, when taxes are raised, the cost is passed directly to consumers. That's how businesses operate—and that's what they will attempt to do," he said.

These potential fees be as a direct result of the new Government-imposed asset levy.

The 0.25 per cent levy is due to come on stream from January 1, 2025 and, as part of the 2026 fiscal package, targets the asset base of commercial banks and insurance companies. While it's designed to boost public revenues by \$575 million annually, its ripple effects could land squarely on the shoulders of everyday consumers.

Tancoo explained that conservative lending practices and favourable monetary conditions have

driven these outcomes and despite this, the average citizen continues to be subjected to unreasonably high fees and nearzero returns on their savings and investments.

“Against this backdrop, I proposed to introduce an Asset Levy of 0.25 per cent, which is to be charged against the assets of commercial banks and insurance companies operating in T&T,” he said while delivering his budget presentation on Monday.

Importantly, the asset levy would not be applied to financial institutions and insurance companies operating under the provisions of the Special Economic Zones Act.

As financial institutions absorb this additional cost, many may respond by adjusting their fee structures, tightening lending conditions, or increasing interest rates—moves that could make banking more expensive and borrowing more difficult for households and small businesses already grappling with a high cost of living.

Economist Dr Ronald Ramkissoon, who is the former manager of Republic Bank Ltd’s Economic Intelligence Unit, cautioned that while the public may not feel the impact immediately, the levy is essentially a tax on growth, which would inevitably increase the cost of doing business for banks and constrain their capacity for future expansion.

This new burden is layered onto an existing differential tax structure, as commercial banks already pay a 35 per cent tax on profits, a rate higher than the 25 per cent paid by many SMEs and individuals.

For the public, the key concern is whether, and by how much, this added cost could be passed as Ramkissoon said the levy could result in higher bank charges or higher interest rates on loans to the ordinary consumer.

“It will result in a higher cost for the institution, because it is now paying a levy which it didn’t have before. The question for the public is, will it be passed on? How will it be passed on? How much of it will be passed on is another. It could be passed on depending on the particular institution. It could be passed in 2026 or in a few years to come if it is affecting profitability,” he said.

Development economist Dr Marlene Attzs said the proposed levy potentially introduces an additional cost to the financial sector that could constrain credit expansion and profitability.

“While intended to boost state revenues by an estimated TT\$575 million annually, the levy effectively taxes the scale of banks’ and insurance companies’ operations rather than profits. This means it potentially reduces banks’ ability to lend and build capital buffers —particularly significant given the Central Bank’s capital requirements.

In practice, this asset levy could lead to tighter lending conditions, higher borrowing costs especially for smaller businesses and households,” she explained.

Attzs further warned that the levy is technically a tax on banks but its ripple effects could reach households and businesses, especially those already grappling with a higher cost of living.

“My broader concern is that, at a time when the country needs stronger private sector investment to support Government’s economic policy framework, I hope this measure doesn’t increase borrowing costs which could in turn slow economic momentum,” she said adding, “Which is why there’s need for policy coordination between the government and the regulator (Central Bank) to balance fiscal objectives to ensure ordinary citizens do not shoulder a disproportionate share of the burden,” she said.

Attzs noted the asset levy model is operational in Barbados and Jamaica—Barbados applies a 0.35

per cent tax on the average domestic assets of banks, while Jamaica imposes a similar levy ranging between 0.14 per cent and 0.25 per cent.

In both cases, she added, banks adapted by raising lending rates and shifting toward non-interest income activities.

Beyond direct fees, Ramkissoon highlighted a less obvious but equally significant consequence: a reduction in corporate social responsibility.

He warned that if the levy significantly affects a bank's profitability, it could lead the institution to curtail positive community activities it supports, such as initiatives for youth, sports, the environment, and training for small and medium-sized enterprises.

He emphasised, therefore, the importance of market dynamics and consumer awareness as he countered the notion that customers are helpless by stressing that in a market economy, consumers must be willing to "shop around."

Meanwhile, economist Dr Indera Sagewan pointed out that banks and insurance companies have consistently declared higher and higher profits year after year, even while the wider economy has been in decline.

While she acknowledged that stable, profitable financial institutions are desirable, she argued that the present moment in T&T's history demands a responsible response.

The crucial factor is the hardship currently facing the average citizen as she stated that customers simply cannot afford any new fees. Sagewan pointed out that T&T has already seen a particularly high incidence of defaulting on mortgages and home loans in recent years.

Sagewan, a recently appointed director at the Central Bank, also clarified that this measure is viewed as a first levy and should therefore be seen by the Government as an effort to ensure that the financial sector contributes to the cost of governing. By the banks, it should be seen as a manageable expense given their sustained profitability.

Tancoo: Banking sector must contribute

During his remarks at the TT- MA's post-budget panel, Tancoo underscored that the time has come for the banking and insurance sectors to play a more substantial role in advancing national development.

Speaking candidly, Tancoo framed the levy not as a punitive measure, but as a fair and necessary call for shared responsibility in a society where citizens are already bearing the brunt of rising costs.

Tancoo also highlighted a reality familiar to many: the growing burden of bank fees.

"I pay a significant sum to find out how much money I have in the bank," he remarked, pointing to the proliferation of charges for basic services—withdrawals, transfers, balance inquiries—that have become routine in the banking experience. These fees, he noted, are part of a broader strategy that has allowed banks to generate "substantial profits."

While he expressed no resentment toward their success—"I am very glad that they are making money"—he emphasised that profitability must come with a sense of civic duty.

"What we are asking for as a government," Tancoo explained, "is to put some of that towards national development."

The asset levy, in his view, is a modest request: a way for profitable institutions to give back to the society that sustains them.

He was quick to clarify that the government is not seeking to stifle enterprise or interfere with private sector operations.

Rather, it is asking for a fair opportunity—for the financial sector to support the country's broader goals.

Tancoo's message, however, was not directed solely at the banks. He issued a rallying cry to citizens, urging them to reclaim their power in the marketplace.

“If you find that an institution is overcharging you... if you find that an institution wants to maintain its profit margin at your expense,” he said, “Then use your cell phone. Use your digital footprint. And find better options.”

The finance minister also touched on the social responsibilities of financial institutions as he stated that if citizens push back hard enough, “we may end up with toilets in the banks,” referencing the need for more humane and accessible services, especially for the elderly.