The data set contains, for each of the 36 countries (including all the countries of the European Union (27) and the OECD, with the exceptions of Switzerland, Cyprus, Romania and Malta, *country*) with information from 1961 to 2012 (*year*), the data for the following variables.

The variable *capital* measures the ratio of bank capital and reserves to total assets, *liquidity* is the ratio of bank liquid reserves to bank assets. Trade openness (*openness*) is measured as the fraction between the sum of exports plus imports and the GDP, the Lerner index, *lerner*, is a measure of the market power of the banking system. The variable *psize* measures the ratio of public expenditure to GDP. The variable *info* is an indicator that measures the rules affecting the accessibility, breadth, and quality of the information available in the registers. Among the sectoral variables, *industry* represents the participation of industry in the GDP. The variable *density* reflects the current population divided by the area of the country. The variable *mobiles* measures the mobile phone lines for each 100 people. The World Bank's "Political Stability and Absence of Violence/Terrorism" index is incorporated by the variable *stability*. The variable *debt* measures the total public debt of the government as a percentage of GDP; *fdi* is a variable that measures the net flows obtained in the acquisition of at least 10% of the shares in a business that operates in a different economy than the investor. The variable *gdppc* is the growth rate of GDP per capita. The non-monotonicity of the relationship between income and financial development is measured by the variable *gdppc2*, which is the square of the growth rate of GDP per capita. The presence of a financial crisis is included by the variable *crisis*, which takes the value 1 in the year of a systemic banking crisis and 0 otherwise. The variable *distance* measures the average of the three bilateral distances between each country of the sample and France, Japan and the USA.

The first of our interest variables is the interaction of the financial tax rate (the marginal tax rate applied to financial services) and financial VAT (*tb*fVAT*), financial VAT being measured as a binary variable that takes the value 1 when financial VAT is in force in the country and 0 otherwise. The second one is *tb*separate*, the interaction of the financial tax rate and the presence of separated taxes, which is measured by taking the value 1 if the country applies a financial service tax other than financial VAT.

The variable *risk* is obtained from the World Bank, and reflects the logarithm of the Bank Z-score, defined as the probability of default of a country's banking system. It is a dependent variable for robustness check. Furthermore, we use different dependent variables as indicators of financial development. The size of the financial sector (*fsize*) is the logarithm of the percentage of domestic credit provided by the financial sector over the total GDP in first differences, in order to avoid unit root problems. The banking sector size (*bsize*) is the logarithm of the percentage of domestic credit provided by the banking system over the total GDP, and is also in first differences. Total financial depth (*fdepth*) reflects financial sector size, but also financial sophistication, because this variable is the sum of *fsize* and the logarithm of the stock capitalization to GDP. This last variable is not in first differences because our tests found it does not have unit root problems.