





















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# Structures of the **taxation** **systems** in the European Union

**Data 1995-2002**

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## PREFACE

We are pleased to present the 2004 edition of the publication 'Structures of the taxation systems in the European Union'. This is the fifth time that the Directorate-General for Taxation and Customs Union and Eurostat have co-operated to compile tax indicators for analysing the structures of the taxation systems of the Member States of the European Union. For the first time, tax revenue data of the ten new Member States and of Norway have been processed and analysed.

The analysis is based on the comprehensive and harmonised framework of the European System of national and regional integrated accounts (ESA95), that has been adopted and implemented throughout Europe. The ESA95 methodology has contributed to major improvements and progress in national accounts data. During recent years Eurostat has provided considerable assistance to the new Member States in their application of this methodology. The fruitful collaboration of Eurostat and National Accounts Departments in Member States and the transmission of detailed tax receipts and social contributions data by institutional sector, has led to the creation of one of the most structured, harmonised and complete databases on taxes and social contributions in Europe.

Further methodological improvements have been implemented in this year's edition of this publication compared to last year's edition, with the help of Member States. The role of imputed social contributions has been investigated for all 25 Member States. The implicit tax rate indicators, that are still limited to the 15 old Member States, have been refined. With regard to the taxation of capital, we have for the first time analysed two new more policy oriented tax indicators - the implicit tax rate on corporate income and the implicit tax rate on capital and business income of households. In addition, environmental tax revenues have been investigated more thoroughly and a new implicit tax rate on energy consumption is being presented. Although the methodology could be further improved, it should be noted that, due to the level of aggregation, the tax indicators used in this publication have certain limitations. Results based on the tax indicators should therefore be interpreted with this in mind, and they should be judged with due caution when used as a basis for addressing policy questions.

The taxation systems of the different Member States in the enlarged European Union exhibit substantial divergences. Owing to the great complexity of these taxation systems, it is not easy to make comparisons between them. The present publication provides a unified framework by which the heterogeneous taxation systems of the different Member States can be effectively compared within different classifications of tax revenues and at different levels of aggregation. This framework makes it possible to monitor the broad development of the taxation systems as well as (aggregate) tax burden indicators in the different Member States and in the European Union as a whole.

The Commission Services carry out this analysis because they receive frequent requests for comparative assessments of the taxation systems in the Union, in the context of the broader co-ordination of economic policies. In recent years, the European Council and the Commission have placed special emphasis on the need to reduce the tax burden on labour income as part of the guidelines of the European Employment Strategy. The slightly decreasing trend in the implicit tax rate on labour in recent years confirms that there has been some success in the area. The monitoring of tax revenues at EU level has also become more systematic in the framework of the Growth and Stability Pact.

The Commission considers that tax policy should support broader EU policy objectives such as the goal set by the Lisbon European Council of making the EU the most competitive and dynamic knowledge-based economy in the world by 2010. The EU work on addressing the potential erosion of tax revenues and on eliminating harmful tax competition must continue. However, there is also a need to tackle the tax obstacles which prevent individuals and businesses from benefiting from the Internal Market and undermine the EU's international competitiveness. The long term goal of providing companies with a common consolidated tax base for their EU-wide activities is a particularly important module in this respect. The Commission is of the view that increased tax coordination would help Member States to meet these objectives. The Directorate-General for Taxation and the Customs Union is responsible for implementing this tax strategy. The 'Structures of the taxation systems in the European Union' provides an important means of monitoring the taxation policies of the Member States and thus of ensuring that EU tax policy proposals are defined in a coherent way.

Robert Verrue  
Director-General  
Taxation and Customs Union

Michel Vanden Abeele  
Director-General  
Eurostat

## Origin of this report

The publication 'Structures of the Taxation Systems in the European Union' is the result of collaboration between two Directorates-General of the European Commission: the Directorate-General Taxation and Customs Union, and Eurostat, the statistical office of the European Communities. The national accounts data collected from the national statistical offices by Eurostat were processed and analysed by the Directorate-General Taxation and Customs Union.

For some tax indicators, additional estimates provided by tax experts from national tax departments have been used. The Commission services also wish to acknowledge very helpful oral and written contributions of the tax experts.

However, it should be noted that the Commission services bear the sole responsibility for this publication and its content. Therefore, the present report does not necessarily represent the views of the tax departments in the Member States.

All data is available in the Eurostat database NewCronos. Data requests should be sent to one of the Eurostat Data Shops listed on the last page. Any questions or suggestions relating to the analysis should be addressed to:

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## Language and diffusion

The publication 'Structures of the Taxation Systems in the European Union' is only available in English. The publication can be downloaded for free from the Eurostat web-site ([www.europa.eu.int/comm/eurostat](http://www.europa.eu.int/comm/eurostat)). The paper version can be bought from any of the Data Shops listed at the last page.

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## EXECUTIVE SUMMARY

### Introduction

The publication 'Structures of the taxation systems in the European Union' (Structures) presents time series of tax data from national accounts for the twenty-five Member States of the European Union and Norway. It provides a breakdown of taxes according to three different types of classification: by major type of tax (*i.e.* direct taxes, indirect taxes, social contributions), by levels of government (*i.e.* central-, state- and local government, social security funds and the European institutions), and by economic function (*i.e.* consumption, labour and capital). The breakdown of taxes by economic function and data on environmental taxes are so far only presented for the EU-15 Member States. The publication also includes implicit tax rates (ITRs) on consumption, labour and capital, which measure the effective average tax burden on different types of economic income or activity. ITRs express tax revenues that can be allocated to these economic categories as a percentage of the total potential tax base in the economy.

The publication is divided into three parts. Part I describes the tax revenue data available in national accounts and reviews major trends between 1995 and 2002 for the countries of the enlarged Union and Norway. Part II – limited to the old EU-15 – Member States presents the economic classification of taxes, the methodology for the implicit tax rates and a comparison of implicit tax rates between Member States over the period 1995-2002. In addition it presents a chapter analysing the trends in environmental taxes. Part III includes country chapters. It describes, for each Member State, the 1995-2002 trends in the overall tax burden and structures of taxes as well as tax policy changes in the period.

Most of the data presented in this publication are directly available from the standard tables of national accounts provided by Member States to Eurostat, accessible via the database NewCronos. This is the case for the breakdown of taxes by major type of tax and by levels of government. However, the classification of taxes by economic function is not standard, and is computed specifically for this publication. It relies on a detailed breakdown of national accounts tax data and on additional computations provided by tax departments in the EU-15 Member States.

This edition of 'Structures' covers the period 1995 to 2002. This period corresponds to the years for which national accounts data is available in the new European System of Accounts (ESA95) format for all 25 Member States and Norway. Compared to the publication of last year there have been further methodological improvements. The definition of total taxes has been refined as voluntary social contributions are no longer regarded to be part of total taxes. In addition new more policy-oriented sub-indicators for measuring the effective tax burden on capital and business income have been introduced: the implicit tax rate on corporate income and the implicit tax rate on capital and business income of households including self-employed. In addition, there is a new chapter describing trends in environmental taxation referring to a new implicit tax rate on energy consumption.



## Part I: Overview of taxation in the EU

### Calculating tax indicators in national accounts

The new European System of Accounts (ESA95) has been an important step forward in getting harmonised definitions and accounting rules and more detailed national accounts for the European Union and its Member States. National Accounts provide time series for observing changes in the overall effective tax burden and a coherent framework for matching tax revenues with income flow data and economic aggregates. The effective tax burden indicators are backward-looking aggregate measures<sup>1</sup>.

This edition of the 'Structures' contains a revision of the definition of 'total taxes including social contributions'. Up to the previous edition actual social contributions were taken into account; they consist of compulsory and voluntary social contributions. From this edition on only compulsory actual social contributions are considered, voluntary social contributions are thus excluded. In addition, an analysis of the role of imputed social contributions is presented, which, as in the past, are excluded from the definition.

### Tax structures and recent developments

One of the greatest challenges for the European Union ever, is the accession of ten new Member States. This publication measures the overall tax burden as the total amount of taxes and compulsory actual social contributions as a percentage of GDP. The new Member States have generally a lower tax-to-GDP ratio than the old Member States. In 2002 taking the arithmetic averages, the total tax burden in relation to GDP of new Member States is 6.6 percentage points lower than the average level of the EU-15 countries. The picture of the new Member States is composed of a group of three countries with a level close to the EU-15 (Slovenia, Poland and Hungary) and a group of the remaining countries with a level substantially lower, up to 12 percentage points. Among EU-15 only Ireland has a ratio lower than the average of this second group of new Member States.

Regarding the tax structure of the tax revenues by major type of taxes, generally, the new Member States have a lower share of direct taxes in relation to total tax revenues including social contributions. In 2002 the difference between the EU-15 and the new Member States (arithmetic) averages was about 10 percentage points. One of the reasons of this difference can be found in the lower tax rates for corporate and personal income taxation in the new Member States. In 2004 the average corporate income tax rate in the new Member States is about 10 percentage points lower than in the EU-15 and the average top statutory personal income tax rate lies about 11 points lower. The low share of direct taxes in the new Member States is counterbalanced by higher shares of indirect taxes and for the Czech Republic, Poland and Slovakia by social contributions. Regarding taxes by levels of government there is not a big difference in the taxes received by local governments between the EU-15 average and the average of the new Member States (around 10% of total taxes).

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<sup>1</sup> Other methods to compute effective tax burdens also exist, such as so-called 'micro forward-looking' methods (i.e. based on the tax legislation) and 'micro backward-looking' methods (e.g. based on financial statement data of companies). Each method has its own merits and demerits as well as different aims; there is not a single preferred methodology (see also OECD 2000; Nicodeme 2001).

Noticeable differences in the tax-to-GDP ratio and in the tax mixes are also present among the EU-15 Member States. Regarding the total tax burden from the first (Sweden) to the last (Ireland) of the rank there is a difference of 22 percentage points. Highest tax ratios are found in Sweden, Denmark, Belgium and Finland whilst the lowest appears in Ireland, the UK, Spain Greece and Portugal. Some of the Nordic countries (*i.e.* Sweden, Denmark and Finland) have relatively high shares of direct taxes in total tax revenues, whereas some southern countries (in particular, Portugal and Greece) have relatively high shares of indirect taxes compared to the EU average. In Denmark, the United Kingdom and Ireland the shares of social contributions to total tax revenues are relatively low, whereas these shares are relatively high in Germany and, to a lesser extent, in France. More details on the structures of the taxation systems (by more detailed type of tax) in individual Member States are given in the country annexes in part III of this publication.

In the EU-15, since the late 1990's, a number of Member States have taken the opportunity to reduce the tax burden in proportion to the size of the economy, in particular through cuts in personal income tax rates and in social contributions, but also through tax rate reductions in corporate income tax. The tax reforms that were implemented vary in coverage and depth (part III of the publication presents further information on the individual Member States), but they were often aimed at reducing the tax burden on labour income, at achieving a reduction in corporate income tax rates (whilst broadening the tax base at the same time) and at improving the functioning of capital markets. Reforms in the area of indirect taxation were more diverse. Increases in indirect taxation were driven by 'green' tax reforms in several Member States, often as a counterpart to the reduction in the taxation of labour income (the so-called 'double dividend' approach). In some Member States the share of revenues received by state governments (regions) increased.

The EU-15 average tax-to-GDP ratio continued to rise between 1995 and 1999 despite the mentioned reforms. Only in recent years (2000-2002) have there been substantial reductions in the ratio among the majority of Member States. One reason why the tax cuts did not show up immediately in the figures is that the economic upswing of the late 1990s may have lifted the measured overall tax burden; the slowdown in recent years has arrested this trend and the tax reductions are finally visible in the figures between 2001 and 2002. The tax-to-GDP ratios remain relatively high in the Nordic countries and in Belgium, whereas they are relatively low in the United Kingdom, Portugal, Spain and Ireland. Ireland stands out for having witnessed the largest reduction in the overall tax burden. The tax-to-GDP ratios in the European Union generally remain high by international standards.

## Part II: Taxation according to economic function

### Methodology for implicit tax rates

It is not possible to obtain a good picture of where in the economy the tax burden falls by looking solely at standard classifications of taxes. Therefore a broad classification into three economic functions (*i.e.* consumption, labour and capital) has been made. National accounts have been used to derive information on the corresponding aggregate bases that could potentially be taxed in the economy, in order to calculate implicit tax rates (ITRs) for consumption, labour and capital. In addition, an ITR for taxed levied on energy is presented for the first time. ITRs measure the average effective tax burden on the different types of income or activity in the economy. They do not measure the final incidence of taxes that can be shifted from one activity to another via behavioural effects. It is also evident that these potential tax bases do not measure the actual tax bases as defined in the legislation. In practice it is sometimes not straightforward to link developments in the implicit tax rates to tax policy changes<sup>2</sup>.

For the moment a classification of taxes by economic function is only available for the old Member States of EU-15. Such classification leads inevitably to certain simplifications and rather hybrid categories. The exercise is currently complicated by the fact that the tax data are not always recorded in sufficient detail to identify individual taxes and allocate them to the corresponding categories. A key methodological problem for classifying tax revenue across the economic functions is that some taxes relate to multiple sources of economic income or activities. This holds notably for personal income tax (which is typically broadly based), and also for some other taxes (*e.g.* local business taxes or energy taxes). Estimates from national tax departments have been used to make the relevant allocations of taxes, whenever this was feasible.

For the 2003 edition of this publication a new method was developed to split the revenue of the personal income tax (PIT) across the different economic functions for the EU-15 countries. Under an approach using only aggregate data from national accounts, total personal income tax raised on labour or capital income is often estimated using the proportion of aggregate labour or capital income in the aggregate taxpayer income. This approach basically assumes that effective average rates of personal income tax are equal across different taxable income sources and different groups of taxpayers. This assumption is generally unrealistic, and this has called for a new approach using more detailed income tax statistics from national tax departments. Actually splitting the income tax revenues is complicated both conceptually and in practice. The EU-15 Member States used the best methods available to them. A majority has used data sets of individual taxpayers to estimate the allocation of the personal income tax. Basically, income tax payments were multiplied by fractions of the (net) taxable income sources (as a percentage of the total tax base) at the level of the individual taxpayer. Some Member States applied the same method using income class data instead (or data aggregated at the level of tax brackets), while others used detailed tax receipts data from withholding wage tax and income tax statistics with a number of adjustments. While the method for allocating personal income tax has further improved compared to last year's edition of the 'Structures', there

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<sup>2</sup> Readers wishing to achieve a good understanding of the implicit tax rates and their strengths and limitations are referred to section II-1., and to the methodological paper on the ITR on capital (European Commission 2004b).

remains some heterogeneity between Member States, which is most noticeable for personal income tax allocated to capital income and social transfers and pensions. Inevitably this has had some effect on the accuracy and the comparability of the implicit tax rates. When Member States were able to provide estimates of the PIT split only for a limited number of years the missing estimates were replaced by simple linear interpolations, which seems reasonable in the absence of major tax reforms.

Taxes on consumption include taxes levied on transactions between (final) consumers and producers and on the (final) consumption goods. The corresponding tax base for the implicit tax rate is defined as the final consumption expenditure of households on the economic territory. Taxes on labour are generally defined as all personal income taxes, payroll taxes and compulsory social contributions of employees and employers that are raised on labour income. The potential tax base is similar to the total amount of compensation of employees in the economy. The ITR on capital and business income is defined as all taxes levied on the income earned from savings and investments by households and corporations divided by a measure of the potentially taxable capital and business income within national accounts. For the first time two more policy oriented sub-indicators are calculated, for corporations and households including self-employed. The bases of these indicators aim to approximate the world-wide capital and business income of Member States' residents for domestic tax purposes. The broader overall implicit tax rate on capital also includes taxes that are related to stocks of capital stemming from savings and investments in previous periods as well as taxes on transactions related to these stocks.

### **Trends in the tax burden according to economic function**

Taxes levied on employed labour income, mostly withheld at source, clearly represent the most prominent source of tax revenue in most Member States of EU-15. Capital taxes are generally less important than consumption taxes. It is also evident from the figures that Member States with a relatively high tax-to-GDP ratio generally tend to collect a relatively high amount of labour taxes and social contributions, and conversely. The share of labour taxes and social contributions in total tax receipts is significantly below the EU-15 average in traditionally low-tax countries such as Ireland and the United Kingdom, and also in Greece and Portugal.

The distribution of the tax burden according to economic function has undergone some important changes since the mid-1990s. The most striking feature of the recent developments has been a slight decline in labour taxation and a general increase in the measured overall tax burden on capital until 2000. The latter trend can probably be attributed in part to the economic upswing in that period. A subsequent decrease in the measured overall tax burden on capital started from 2001 onwards in most of the EU-15 Member States.

### **Trends in the tax burden on labour**

The implicit tax rate on labour has been steadily rising since the early 1970s in most Member States. Since the mid-1990s, however, a number of Member States have implemented measures to lower the tax burden on labour income, in order to boost the demand for labour, and to foster work incentives. It now appears that the general trend towards increasing the tax burden on labour has stabilised and reversed slightly for most Member States. The average (EU-15) implicit tax rate on labour declined by 1.4 percentage points between 1998 and 2002 but still remains relatively high by international standards. It should, however, be recognised that the evolution of the implicit tax rate

on labour refers to an ex-post trend without disentangling cyclical, structural and policy elements. In some Member States, for example, the development of the implicit tax rate on labour seems to be clearly influenced by the economic upswing in the late 1990s and by the slowdown in the following years.

By the year 2002, labour income appears to be most heavily taxed in Sweden, Finland and Belgium with average implicit tax rates well above 40% of the total wage bill in the economy (social contributions included). Ireland and the United Kingdom stand out with average implicit tax rates around 25% of the total wage bill. When interpreting these figures, it must be recognised that the implicit tax rate on labour is a macro indicator which may hide important variation in the effective tax burden across different household types or across different wage levels.

In the majority of the Member States the implicit tax rate on labour largely reflects the important role played by wage-based contributions in financing the social security system. On average, somewhat more than 60% of the implicit tax rate on labour consists of social contributions paid by employees and employers. Only in Denmark, Ireland and the United Kingdom, do personal income taxes form a relatively large part of the total charges paid on labour income. In Denmark, the share of social contributions is relatively low as most welfare spending is financed out of general taxation. Obviously this publication does not investigate the level and efficiency of welfare spending which is financed by taxes and social contributions. In this edition of the publication an analysis of the role of imputed social contributions on the tax burden on labour is also provided.

Every year, the OECD publishes data of total tax wedges between labour costs to the employer and the corresponding net take-home pay of the employee, for various examples of household types and representative wage levels of production workers in the manufacturing industry. These total tax wedge indicators are calculated on the basis of the tax legislation and they do not relate to the actual tax revenue. Comparisons between the (macro) implicit tax rate on labour and these (micro) total tax wedge indicators tend to show a reasonably strong correlation. Member States with a relatively high (macro) implicit tax rate on labour should generally also show a relatively high level of the (micro) tax wedge indicator, and conversely. However, for some Member States there can be sizeable differences between the two ratios, because of the conceptual and statistical differences between the two indicators. For example, the gross amount of the compensation of employees from national accounts, which forms the base/denominator of the implicit tax rate, does not correspond to the particular wage level of an average full-time production worker in the manufacturing industry, but includes all employees, both full-time and part-time workers. With a few exceptions, both indicators have comparable informative content as regards to general increasing- or decreasing trends in the average tax burden on labour income over time. However, reductions in the tax wedge indicators are often more pronounced for most Member States, as the consequences of the recent tax reforms show up more clearly in the OECD figures for targeted income levels. In fact, micro indicators are more appropriate to investigate the effects of targeted tax provision (i.e. to low paid, large families), while the implicit tax rate has the advantage to be based on actual revenues and to take account of all employees in the economy.

### **Trends in environmental taxes**

A number of Member States have started to introduce 'green tax reforms' over the last decade. This includes Denmark, Germany, Italy, the Netherlands, Austria, Sweden, Finland and the UK. The basic idea of these reforms is that an increase in environmental taxes is accompanied by a reduction

in taxes on labour, thereby avoiding an increase in the overall tax burden and achieving the twin benefits of reducing environmental damage whilst increasing the demand for labour and employment through reduced labour costs. The reduced costs might also foster work incentives leading to an increased supply of labour. However, at the same time a reduction in real income through higher environmental taxes might outweigh the first effect.

In 2002, revenues from environmental taxes in EU15 accounted for 6.5% of total revenues from taxes and social contributions and 2.7% of GDP. Compared to 1980, these shares have increased significantly. The main increase took place between 1990 and 1994. The highest tax-to-GDP ratio can be found in Denmark (4.8%), the Netherlands (3.6%), Portugal (3.2%), while the lowest shares are in France (2.0%), Spain (2.2%) and Ireland (2.3%). Like for the European average, in all countries energy taxes represent at least more than 50% of environmental tax revenues.

A high ratio of environmental tax revenue to total taxation as such is not a clear indication for a high priority of protecting the environment via taxation policy. Notably energy taxes in many cases were originally used purely as revenue raising instruments, without environmental motivation. Furthermore, the ratio depends on the general tax structure, influenced by direct taxes and social contributions. A high ratio is neither an indication for achieving environmental oriented policy goals. The dilemma lies in the principles of the environmental tax instruments themselves. If green taxes indeed act as an efficient incentive, they should reduce the use of the environmentally harmful goods and thereby erode the tax base. This could result in a falling tax-to-GDP ratio for environmental taxes. From the slightly decreasing ratio in recent years it should not immediately be concluded that environmental policy has a less prominent role on the policy agenda.

The specific difficulties in interpreting this ratio could be partly overcome by an implicit tax rate, which is computable for energy taxes only. The ITR on energy consumption is the ratio of energy tax revenues divided by the final energy consumption in tons of oil equivalent. In the years 1995 to 2001 the ITR on energy increases clearly in Denmark, Germany, the Netherlands, Austria, Sweden and the UK, although the tax base proxy of energy consumption as a share of GDP decreased. This indicates that in all countries which implemented green tax reforms the effective tax burden in energy increased. The comparison with the stable or slightly declining ITR on labour shows that a relative 'green' tax shift has taken place. Tax revenue data alone are not enough to conclude about causal relationships. However, it seems that the increased energy tax revenues over the whole period have helped to ease somewhat the tax burden on labour.

### **Trends in the tax burden on capital**

The implicit tax rate (ITR) on capital for companies and households has been rising sharply between 1995 and 2000. This is also true for the sub-indicators on corporate income and to a lesser extend the ITR on the capital and business income of households. In 2001 or 2002 in most of the countries a reduction in the ITRs on capital is discernible, partly offsetting the increase in prior years. Of the various implicit tax rates, the ITRs on capital are the most complex and it is important that they are interpreted very carefully<sup>3</sup>. The ITRs on capital are broadly based indicators and their trends can

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<sup>3</sup> The construction of this indicator and its possible sources of bias in measuring the effective tax burden on capital are mentioned in paragraph II-1.3.3 and are explained in detail in European Commission (2004).

therefore reflect a very wide range of factors, which may vary for different Member States. However, four main channels of influence have been identified, which seem to be relevant for most Member States:

The ITRs on capital and business income are sensitive to the business cycle. Due to the asymmetric influence of company losses from previous and current years, in principle no clear direction in the cycle can be identified from the outset. In the relatively long-lasting expansionary phase of 1995 to 2000, however, an increase in the ITRs might be expected. This relates to the progressive nature of the personal income tax system and to the fact that more and more companies make profits in combination with diminishing loss carry-over possibilities. Preliminary time series over a longer period for some Member States seem to confirm this relationship.

This expansionary phase in the second half of the 1990s was accompanied by booming stock markets across-the-board. As a result, capital gains and the corresponding tax revenues have risen substantially (in countries where capital gains are taxed). However, as it is not possible to include the capital gains in the denominator of the ITRs on capital (since in practice they are not recorded in national accounts for all assets), this development clearly leads to an overestimation of the average effective tax burden on capital and business income for some Member States, and partly explains the rise in the ITRs.

In addition, structural changes in the financing of companies have led to an increase in the ITR on capital and business income: empirical evidence exists to suggest that corporations changed their way of financing (and their distribution of profits) with less interest and more dividend payments. But this also happened against the background of falling interest rates. Most tax systems in the EU are not neutral towards different forms of investment-financing and allow deductions for interest payments when calculating the taxable profits. The shift towards more dividend distributions results on average in a higher tax burden on companies' profits as a consequence of this characteristic of tax legislation.

These factors have disguised the influence of recent tax policy measures aimed at reducing the tax burden for corporations and at improving the functioning of capital markets. Between 1995 and 2004 the average top statutory corporate tax rate (including local taxes and surcharges) in the EU-15 countries decreased by 6.6 percentage points. The new Member States first reduced their rates at a similar pace but have accelerated the reduction in recent years. In fact, the process of tax competition and the reduction in corporate tax rates is a longer lasting trend and was not initiated by the enlargement of the Union. At the same time, cuts in the nominal statutory tax rates on corporations were often accompanied by measures that broadened the taxable base (*e.g.* by reducing the rates of capital depreciation allowances), offsetting at least to some extent the effects of the reductions in the statutory rates in the period 1995 to 2002.

With the slowdown in economic growth and deteriorating stock market performance in 2001 and 2002, a decline in the ITR on capital income and in the sub-indicators for corporations and households is discernible for most of the EU-15 countries. These cyclical elements are accompanied by the impact of recent tax rate reductions for corporations that show up in revenues with a certain time lag. However, it is too early to judge which of these elements influencing the development of the ITR are of greater importance.

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## GLOSSARY

BE	Belgium
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
NO	Norway (Not member of the EU)
EU	European Union
EMU	Economic and Monetary Union
MS	Member State
EU-25	The enlarged EU (25 members)
EU-15	The 15 old Member States
Euro12	The 12 countries of the EMU
NMS10	The 10 new Member States
PIT	Personal Income Tax
CIT	Corporate Income Tax
ESA95	European System of Accounts 1995
GDP	Gross Domestic Product
ITR	Implicit Tax Rate
SC	Social Contributions
VAT	Value Added Tax



## Introduction

The publication ‘Structures of the taxation systems in the European Union’ presents time series of tax revenue data from national accounts for the twenty-five Member States and Norway. It provides a breakdown of taxes according to different classifications: by types of taxes (direct taxes, indirect taxes, social contributions), by levels of government, and by economic functions (consumption, labour, capital). It also compiles data for the sub-group of environmental taxes.

The breakdown of tax revenue data computed in percentage of GDP provides indicators of the tax burden and the structure of taxation in the different Member States as well as developments over time. The interpretation of the tax-to-GDP ratio as an indicator for the tax burden requires additional information. A step in this direction is to use the economic classification of taxes and to compute implicit tax rates for each category. The implicit tax rate for each category is defined as the ratio of aggregate tax revenues to the corresponding income in the economy or the kind of economic activity that could potentially be taxed. Implicit tax rates measure the average effective tax burden for the economic categories<sup>1</sup>.

Most of the data presented in this publication are directly available from the national accounts provided by Member States to Eurostat. This is the case for total taxes and the breakdown of taxes by levels of government. The related definitions are given in the regulation for the “European System of Accounts”<sup>2</sup>. The breakdown by types of taxes is an aggregation of the common national account categories of taxes. However the economic classification of taxes is not standard and is computed specifically for the publication ‘Structures of the taxation systems in the European Union’. It relies on more detailed tax revenue data provided by the Member States in addition to the standard data required for EU national accounts. The corresponding implicit tax rates require additional assumptions and calculations. Tax departments in the EU-15 Member States have in particular helped to produce the data required for these computations. The publication gives a comprehensive overview of the methodology and data used for this purpose. Environmental taxes have also been compiled in this framework. However, Eurostat has published the underlying methodology separately<sup>3</sup>. The breakdown of taxes by economic function and data on environmental taxes is so far only available for the EU-15 Member States.

This edition of the publication ‘Structures of the Taxation Systems in the European Union’ incorporates a number of changes and extensions compared to the 2003 edition<sup>4</sup>:

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<sup>1</sup> Implicit tax rates are aggregate ‘backward-looking’ measures. Other methods to compute average effective tax burdens also exist, such as so-called ‘micro forward-looking’ methods (i.e. based on the tax legislation) and ‘micro backward-looking’ methods (e.g. based on financial statement data of companies). Each method has its own merits and demerits as well as different aims; there is not a single preferred methodology (see also OECD 2000; Nicodeme 2001).

<sup>2</sup> European Commission(1996)

<sup>3</sup> European Communities (2003)

<sup>4</sup> European Commission (2003a)

- The inclusion of tax revenue data by type of taxes and by level of government for the 10 new Member States of the European Union and Norway. In addition, the respective country chapters in part three describing the main features of the tax system and major tax policy changes have been introduced.
- The definition of total taxes including social contributions has been refined. Voluntary social contributions are not part of the total tax burden. In addition, sensitivity analysis of the role of imputed social security contributions for the total tax burden and the implicit tax rate on labour has been included.
- The introduction of two new, more policy oriented sub-indicators concerning the taxation of capital income, the implicit tax rate on corporate income and the implicit tax rate on capital and business income of households.
- A more thorough investigation of environmental tax revenues and the calculation of an implicit tax rate on energy.

This edition of the publication 'Structures of the taxation systems in the European Union' covers the period 1995-2002. This period corresponds to the years for which national accounts data is available in the new European System of Accounts (ESA95) format for all Member States. For the reasons mentioned above, these data are not comparable to the data 1970-1997 published in the 2000 edition of the publication.

The publication is divided into three parts. Part I describes the tax revenue data available in national accounts and reviews major trends between 1995 and 2002. Part II presents the economic classification of taxes, the methodology for the implicit tax rates and a comparison of implicit tax rates between Member States over the period 1995-2002. Part III includes country chapters. It describes, for each Member State, the 1995-2002 trends in the overall tax burden and structures of taxes as well as tax policy changes in the period. The country presentation is based on a standard table presenting the data in 4 blocks: A-Structure of revenues as % of GDP; B-Structure according to level of government as % of GDP; C-Structure according to economic function as % of GDP, including the sub-group of environmental taxes; D-Implicit tax rates.

Annex A presents the same data organised differently: each table presents a single tax category, in % of GDP or in % of total taxes, or an implicit tax rate, for all years and Member States together with an EU average. Annex B gives an exhaustive list of detailed taxes that were sent by the Member States and their allocation to the different economic functions and environmental tax categories. Annex C presents further explanatory notes for the data presented in the country chapters in part III. Annex D provides a more detailed description of the methods employed by the national tax departments in the Member States to split the revenue of the personal income tax between labour, capital and other sources of taxable income.

## Part I Overview of taxation in the EU

Chapter 1 reviews the main definitions of tax revenue data in national accounts. Chapter 2 presents the 1995-2002 trends in the tax structures and the tax-to-GDP ratio in the Member States.

### 1. CALCULATING TAX INDICATORS IN NATIONAL ACCOUNTS

The Commission Services are frequently required to carry out comparative assessments of the tax systems, not only for the purpose of the internal market based EU tax policy but also in the perspective of co-ordination of economic policies in a broader sense. In recent years, the European Council and the Commission have put special emphasis on the need for reducing the tax burden on labour as part of the guidelines of the European Employment Strategy. The monitoring of tax revenues at the EU level has also become more systematic in the framework of the Growth and Stability Pact. The assessment and monitoring of the structures of the taxation systems and the various tax reforms in the European Union call for a reliable, coherent and up-to-date system of tax indicators representing the structures of the various tax systems in the European Union.

The publication 'Structures' assesses the tax burden in the EU by comparing tax revenues in the Member States. Tax revenues are classified in different groups, such as direct or indirect taxes, or by level of government that ultimately receives the taxes. These technical classifications, although commonly used, are hard to interpret in economic terms. Therefore, the Commission Services also apply a classification according to so-called 'economic functions', i.e. consumption, labour and capital. In parallel, environmental taxes are classified into three categories (energy, transport, pollution/resources). This is one way of showing the kind of economic activity or type of income on which Member States levy taxes.

#### 1.1. National Accounts Framework

National accounts satisfy the criteria of reliability, coherence and up-to-date information set out above. They are increasingly used in EU policy making (own resources for the EU budget, allocation of Cohesion and Structural Funds, Stability and Growth Pact). They provide time series for observing changes in the overall effective tax burden and a coherent framework for matching tax revenues with income flow data and economic aggregates. The average effective tax burden indicators derived from national accounts are backward looking aggregate measures.

The publication 'Structures' follows a top down approach to assess the economic incidence of the overall tax system. Total taxes in percentage of GDP reflect national preferences for the financing of public goods. The breakdown of taxes into taxes on consumption, labour and capital gives an indication of the link between fiscal performance and the main growth and income distribution parameters relevant for taxation. Implicit tax rates for consumption, labour and capital measure the actual or effective average tax burden levied on different types of economic income or activities. In this framework capital is defined in a broad sense, encompassing all private sector investment and saving activities<sup>1</sup>. The implicit tax rates give some further insights but their economic interpretation

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<sup>1</sup> Capital income includes income from corporate and unincorporated businesses, property and financial savings by households. Capital taxes include taxes on income, plus taxes on wealth.



is still not straightforward. In particular they do not measure the final incidence of taxes that can be shifted from one activity to another through behavioural effects. National accounts provide a consistent framework to compare economic functions and to match income and tax revenue data. However it should be kept in mind that the tax base derived from national accounts does not correspond to the actual tax base for taxes. National accounts are in some ways narrower (omitting capital gains for capital, for instance) and in others they are broader (excluding some deductions from the tax base). Implicit tax rates differ from other calculations of effective tax rates, which, using tax legislation, simulate the tax burden generated by a given tax and can be linked to individual behaviour. But such so-called 'forward-looking' effective rates do not allow comparison of the tax burden implied by different taxes. Neither do they allow the identification of any shift in the taxation of different economic income and activities. At the EU level, implicit tax rates featured in the debate on taxation of capital and labour. In this edition a new implicit tax rate on energy is calculated for the first time in order to assess the development of the average effective burden of taxes on energy.

An advantage of the publication 'Structures' is the international comparability due to the consistency and harmonised computation of ESA95 national accounts data by the Member States of the European Union. Tax revenue data in national accounts rely on a common classification and registration method.

## 1.2. Classification of taxes

The publication 'Structures' is based on a standard classification of taxes, splitting taxes into direct taxes, indirect taxes and social contributions and a classification by levels of government. The ESA95 has broadly kept the classification of taxes that prevailed under the ESA79.

Box 1 gives the breakdown of taxes that Member States have agreed to provide on a harmonised basis and the codes used in ESA95. This represents the smallest common denominator for tax data availability and national statistical offices provide more detail on individual taxes<sup>2</sup>.

Indirect taxes are defined as taxes linked to production and imports (D2), i.e. as compulsory levies on producer units in respect of the production or importation of goods and services or the use of factors of production. It includes VAT, import duties, excises and other specific taxes on services (transport, insurance etc.) and on financial and capital transactions. It also includes taxes on production (D29) defined as 'taxes that enterprises incur as a result of engaging in production', such as professional licences, taxes on land and building and payroll taxes.

Direct taxes are defined as current taxes on income and wealth (D5) plus capital taxes including taxes such as inheritance or gift taxes (D91). Income tax (D51) is a sub-category, which includes personal income tax (PIT) and corporate income tax (CIT) as well as capital gain taxes.

Social contributions paid by employers, paid by employees and paid by self- and non-employed persons are discussed in the next paragraph in more detail.

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<sup>2</sup> Annex B provides for each EU-15 Member State the list of individual taxes that Member States have agreed to provide on a voluntary basis, and shows how the individual taxes have been allocated for the economic classification of taxes and for the environmental taxes.

The publication 'Structures' provides also a split according to the government level that ultimately receives the tax revenues. A distinction is made between central government, local government, social security funds and institutions of the European Communities. In ESA95, a new distinction has become available for state government (regions).

**Box 1 Schematic presentation of ESA95 classification of taxes and social contributions**

<b>TRD2</b>	<b>Taxes on Production and Imports</b>
TRD21	Taxes on Products
TRD211	Value added type taxes
TRD212	Taxes and duties on imports excluding VAT
TRD2121	Import duties
TRD2122	Taxes on imports, excluding VAT and import duties
TRD2122A	Levies on imported agricultural products
TRD2122B	Monetary compensatory amounts on imports
TRD2122C	Excise duties
TRD2122D	General sales taxes
TRD2122E	Taxes on specific services
TRD2122F	Profits of import monopolies
TRD214	Taxes on products, except VAT and import taxes
TRD214A	Excise duties and consumption taxes
TRD214B	Stamp taxes
TRD214C	Taxes on financial and capital transactions
TRD214D	Car registration taxes
TRD214E	Taxes on entertainment
TRD214F	Taxes on lotteries, gambling and betting
TRD214G	Taxes on insurance premiums
TRD214H	Other taxes on specific services
TRD214I	General sales or turnover taxes
TRD214J	Profits of fiscal monopolies
TRD214K	Export duties and monetary comp. amounts on exports
TRD214L	Other taxes on products n.e.c.
TRD29	Other taxes on production
TRD29A	Taxes on land, buildings and other structures
TRD29B	Taxes on the use of fixed assets
TRD29C	Total wage bill and payroll taxes
TRD29D	Taxes on international transactions
TRD29E	Business and professional licences
TRD29F	Taxes on pollution
TRD29G	Under-compensation of VAT (flat rate system)
TRD29H	Other taxes on production n.e.c.

**Box 1 Continued**

<b>TRD5</b>	<b>Current taxes on income, wealth, etc.</b>
TRD51	Taxes on income
TRD51A+TRD51C1	Taxes on individual or household income incl. holding gains
TRD51B+TRD51C2	Taxes on the income or profits of corporations incl. holding gains
TRD51C	Other taxes on holding gains
TRD51D	Taxes on winnings from lottery or gambling
TRD51E	Other taxes on income n.e.c.
TRD59	Other current taxes
TRD59A	Current taxes on capital
TRD59B	Poll taxes
TRD59C	Expenditure taxes
TRD59D	Payments by households for licences
TRD59E	Taxes on international transactions
TRD59F	Other current taxes n.e.c.
<b>TRD91</b>	<b>Capital taxes</b>
TRD91A	Taxes on capital transfers
TRD91B	Capital levies
TRD91C	Other capital taxes n.e.c.
<b>TRD611</b>	<b>Actual social contributions</b>
TRD6111	Employers' actual social contributions
TRD61111	Compulsory employers' actual social contributions
TRD61112*	Voluntary employers' actual social contributions*
TRD6112	Employees' social contributions
TRD61121	Compulsory employees' social contributions
TRD61122*	Voluntary employees' social contributions*
TRD6113	Social contributions by self- and non-employed persons
TRD61131	Compulsory contributions self- and non-employed persons
TRD61132*	Voluntary contributions by self and non-employed persons*
<b>TRD612*</b>	<b>Imputed social contributions*</b>

\* Not included in the 'Structures' definition of total taxes (incl. social contributions)

### 1.3. Refined treatment of social contributions

Up to the 2003 edition of this publication social contributions included in the Structures definition of total taxes correspond to actual social contributions (D611). The imputed social contributions (D612), which correspond to social insurance schemes provided by employers that are not funded, are excluded. Actual social contributions consist of compulsory and voluntary contributions payable to social security funds or other levels of government.

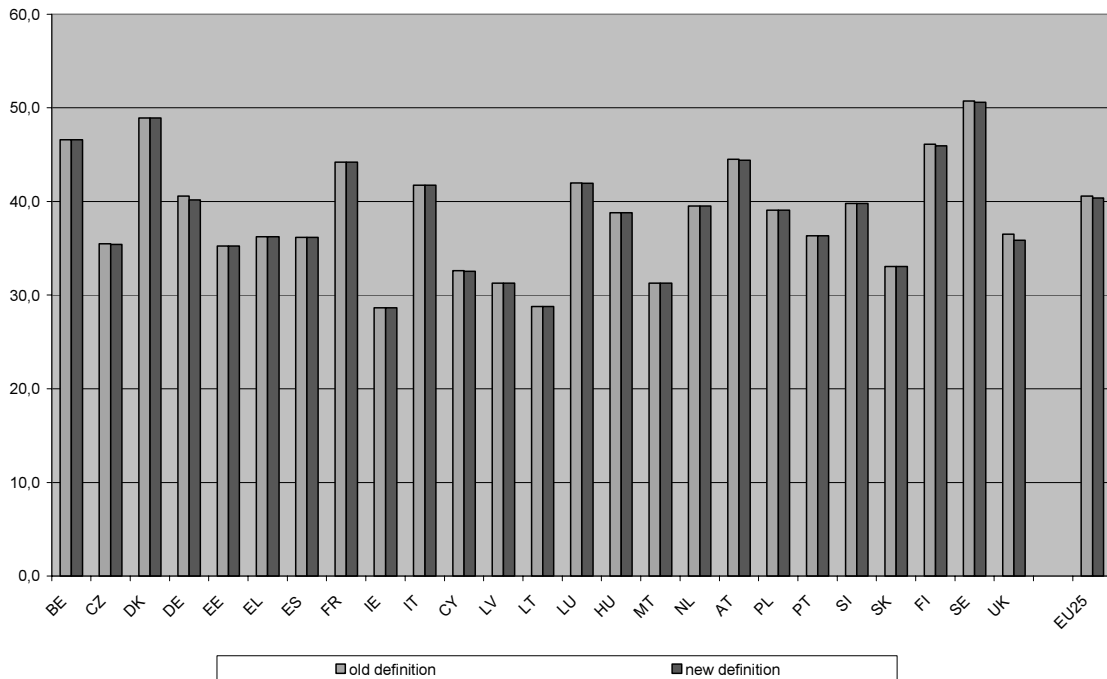
The circumstances in which voluntary social contributions are paid vary considerably, reflecting differences in legislation across Member States. The most frequent cases are the purchase of 'extra years' for pensions and the wish to complete a gap in the social contributions (*e.g.* for work abroad). It should be noted that the compulsory actual social contributions sometimes include contributions which are actually voluntary from a legal point of view, but which could in fact be considered

compulsory for most workers. In Denmark, for example, the unemployment insurance contributions are classified as compulsory reflecting the economic reality although they are legally voluntary.

Simply speaking, voluntary social contributions represent a specific form of household savings. An alternative for paying these contributions would be to buy shares of a private investment fund or to invest in government bonds. For this reason, these contributions should not be part of the overall tax burden consisting of compulsory levies imposed by the government that is analysed in this publication. The definition of social contributions is refined, encompassing now only actual compulsory social contributions (D61111, D61121, D61131) thus excluding voluntary social contributions. Imputed social contributions, as in the past, are excluded. The definition chosen for this publication corresponds to Indicator 2 of the four indicators of general government and European Union levies issued by Eurostat (Box 2).

As can be seen from Graph I-1.1 the impact on the average EU-25 total tax-to-GDP is rather limited, with a decrease of 0.2 percentage points in respect to the old definition. The yearly trend of this ratio is not affected by the revision in the period 1992-2002. Regarding specific Member States a noticeable effect can be found in the UK (-0.7 percentage points) and in Germany (-0.4 percentage points)<sup>3</sup>.

**Graph I-1.1 Total taxes-to-GDP: impact of the new definition**  
2002, in %



<sup>3</sup> Voluntary social contributions are currently not totally available for Spain, Sweden, the UK, Cyprus, Latvia and Slovakia

## Box 2 Different indicators on general government and European Union levies

The 4 indicators (from a narrower to a broader definition) of general government and European Union levies were defined by the Eurostat National Accounts Working Group in 2001:

- Taxes on production and imports (D.2)
- + Current taxes on income, wealth, etc (D.5)
- + Capital taxes (D.91)
- [ - Capital transfers from general government to relevant sectors representing taxes and social contributions assessed but unlikely to be collected (D.995) ]<sup>4</sup>
- + Compulsory actual social contributions payable to the social security funds sub-sector (S.1314)  
(D.61111 + D.61121 + D.61131, when payable to S.1314)

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**= INDICATOR 1 (*Total taxes and compulsory social security contributions*)**

- + Compulsory actual social contributions payable to the central government (S.1311), state government (S.1312), and local government (S.1313) sub-sectors as employers  
(D.61111 + D.61121 + D.61131, when payable to S.1311, S.1312 and S.1313)

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**= INDICATOR 2 (*Total taxes and compulsory actual social contributions payable to general government, including those for government as an employer*)**

- + Imputed social contributions (D.612) payable to general government as an employer

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**= INDICATOR 3 (*Total taxes and compulsory social contributions payable to general government, including those for government as an employer*)**

- + Voluntary actual social contributions payable to the general government sector (S.13)  
(D.61112 + D.61122 + D.61132)

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**= INDICATOR 4 (*Total taxes and social contributions payable to general government, including those for government as an employer*)**

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<sup>4</sup> In this publication the item D995 'capital transfers from general government to relevant sectors representing taxes and social contributions assessed but unlikely to be collected' is not deducted from total taxes because this publication focuses on the detail of different classification of taxes, and that item is available only at an aggregate level.

#### 1.4. Sensitivity analysis: the role of imputed social contributions

Employers' imputed social contributions (D612) represent the counterpart to unfunded social benefits paid directly by employers to their employees. The fact that certain social benefits are paid directly by employers and not through the medium of social security funds, in no way detracts from their character as social welfare benefits. According to the guidelines of national accounts the value of imputed social contribution should be based on actuarial considerations. The remuneration should therefore be imputed for employees equal in value to the social contributions that would be needed to secure the de facto entitlements to the social benefits they accumulate<sup>5</sup>.

In other words this is important for (mainly) governments which do not pay actual contributions for their employees but which directly provide to them a pension when they retire. In this case imputed social contributions represent the contribution the government should pay to a pension fund in order to provide a pension of an equivalent amount to the employees.

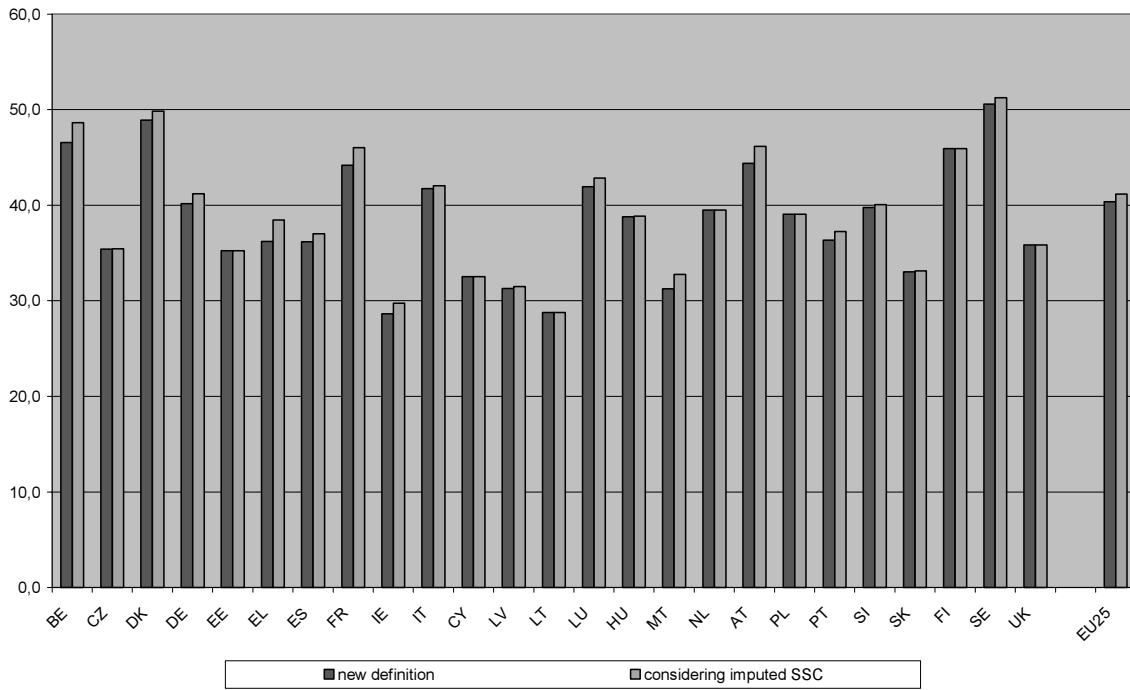
The inclusion or exclusion of imputed social contributions is rather controversial. On one hand including imputed social contributions in the definition of compulsory levies would correct the downward bias in the total taxes-to-GDP for Member States in which in the government does not make actual contributions for its employees. Another argument for including imputed social contributions is the greater comparability over time for countries whose governments stop paying actual social contributions to a social security fund and instead simply pay social benefits to their employees as their entitlement arises. By this change, the tax-to-GDP ratio decreases if imputed social contributions are omitted. On the other hand imputed social contributions are not based on actual transactions and the method of imputation can involve estimation errors. In Graph I-1.2 the impact of imputed social contributions on the total tax-to-GDP ratio is shown (which corresponds to indicator 3 in box 2). If they were included in the definition of total taxes the shift would not be negligible, with an increase of the ratio for the EU-25 average of almost 1 percentage point. The time trend of this indicator would not be affected in the period 1995-2002. Concerning single Member States the highest increases (around 2%) would be found in Greece, Belgium, Austria and France. In fact most of the other Member States would witness an increase of the ratio<sup>6</sup>.

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<sup>5</sup> European Commission (1996)

<sup>6</sup> Imputed social contributions are currently not available for the UK and Cyprus

**Graph I-1.2 Sensitivity analysis: role of imputed social contributions**  
2002, in %



## 2. TAX STRUCTURES AND RECENT DEVELOPMENTS IN THE ENLARGED UNION

### 2.1. Total tax burden

One of the greatest challenges for the European Union ever, is the accession of ten new Member States. For this publication the structures of the fiscal systems of the new Member States need to be investigated and compared with the ones of the old Member States. In the publication 'Structures', the overall tax burden is measured as the total amount of taxes and actual social contributions as a percentage of GDP<sup>1</sup>. The average tax-to-GDP ratio in the European Union rose from 40.6 percent in 1995 to around 42% in 1999 and 2000, which was some 12 and 15 percentage points of GDP above that recorded in the United States and Japan, respectively (Graph I-2.1)<sup>2</sup>. The 2002 figures indicate a decline in the average tax-to-GDP ratio to 40.5%. The tax-to-GDP ratios for the individual Member States and all years are given in annex A.

Most of the new Member States have lower tax-to-GDP ratios than the old Member States. In 2002 the GDP-weighted EU-15 average was 40.5% and the New Member States average was 37.3%, more than three points below. But by referring to the GDP-weighted averages the new diversity of tax systems in the enlarged Union is partly disguised. Taking the arithmetic (not weighted) averages, the total tax burden in relation to GDP of new Member States is 6.6 percentage points lower than the average level of the EU-15 countries.

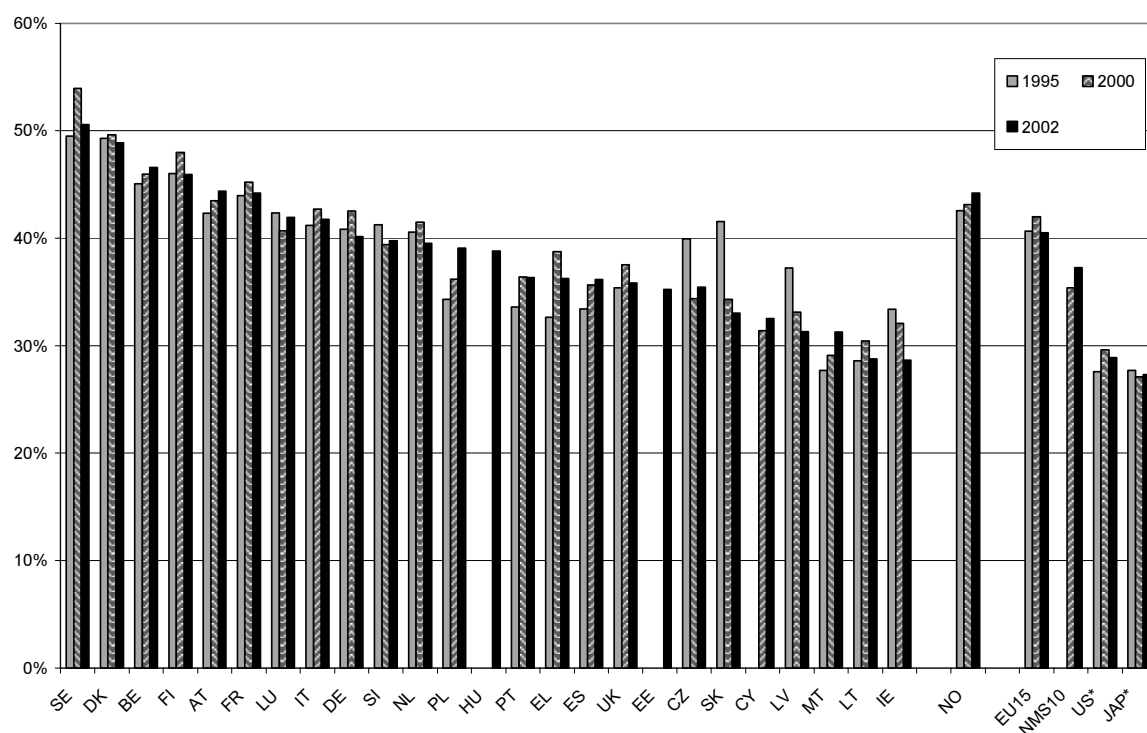
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<sup>1</sup> The tax-to-GDP ratio is an indicator that is widely used to measure the overall tax burden. However, this indicator has certain limitations as a comparative tax burden measure across Member States and over time. Among the factors which can affect the level and trend of the tax-to-GDP ratios are the extent to which Member States provide social or economic assistance via tax expenditures, rather than direct government spending, and whether or not social transfers are subject to taxes and social contributions. In many cases, taxes raised on social transfers are not so much real taxes, but rather a special way of calculating a certain net transfer, in order to achieve an equal treatment of taxable income sources and to avoid high marginal effects. Countries with a relatively high tax-to-GDP ratio generally also have higher taxes on social transfers than other countries. Adema (2000), for example, estimated that in 1995 taxes and social contributions on transfers exceeded 5 per cent of GDP in Denmark, Finland and Sweden and also in the Netherlands. They did not exceed 2 per cent of GDP in Germany and Belgium and were even lower in Ireland and the United Kingdom. It should furthermore be recognised that Member States' positions may vary according to the charges that are taken into account. This is especially important as regards the inclusion or exclusion of certain social contributions. It should, for example, be noted that, as a result of the transition from ESA79 to ESA95 classification of National Accounts, the level of recorded social contributions in the Netherlands has substantially declined. Some social arrangements provided by employers through labour contracts, for example, are not considered to belong to the Dutch government anymore. In the late 1980s and the early 1990s the Netherlands was still reported to consistently belong to the group of jurisdictions with the highest tax burden in the Union.

<sup>2</sup> The tax-to-GDP ratios in most of the countries of the European Union exceed those elsewhere in OECD countries. Outside Europe, only Australia, Canada and New Zealand have tax ratios above 30 per cent of GDP. See OECD (2003a).



**Graph I-2.1 Tax to GDP ratio in EU countries and the US and Japan**  
1995, 2000 and 2002, in % (ordered by 2002 level)



Source: Commission Services for the EU countries, and OECD (2003a) for the US and Japan.

\* The 2002 figures for the US and Japan were not yet available at the time of writing this publication, so the 2002 column refers to 2001 figures.

However, among the new Members there are substantial differences in the total tax burden. The picture is composed of a group of three countries (Slovenia 39.8%, Poland 39.1% and Hungary 38.8%) with a level close to the EU-15 average and another group consisting of the remaining new Member States with a level substantially lower than EU-15 average: from the Czech Republic (35.4%, i.e. 5 percentage points below EU-15) to Lithuania (28.8%, i.e. 12 percentage points below EU-15). Among EU-15 only Ireland has a total taxes-to-GDP ratio lower than the average of this second group of new Member States. Also among EU-15 there are sizeable differences regarding the total tax burden, in fact from the first (Sweden) to the last (Ireland) of the rank there is a difference of 22 percentage points. The highest tax ratio can be found in Sweden, Denmark, Belgium and Finland, whilst the lowest appears in Ireland, the UK, Spain, Greece and Portugal.

In the EU-15 the political pendulum of the second half of the 1990s has been in favour of reducing taxes in proportion to the size of the economy. However, this decrease is discernible in the average overall tax burden in the Union (EU-15, GDP weighted) only in recent years, with a reduction of 1.5 percentage points between 2000 and 2002. The rising trend since 1995 has been reversed in line with the economic downturn that has led to lower revenues for taxes sensitive to cyclical fluctuations.

Seen over the recent years (2000-2002) the majority of EU-15 Member States had finally substantial reduction in the tax-to-GDP ratio. In particular Ireland, Sweden, Greece, Germany, the Netherlands and Finland had a reduction of more than 2 percentage points; so the reduction was visible in both

high-level and low-level tax countries. Only in Luxemburg, Austria, Belgium and Spain did the ratio increase in that period (despite Austria witnessed a reduction in 2002).

However, seen over the entire period starting in 1995, the reductions of the last years do not seem to have offset completely the increases of previous years. Most Member States appear to have witnessed an increase in the tax-to-GDP ratio. An increase in the overall tax burden between the years 1995 and 2002 higher than 2 percentage points can be observed in Greece (3.6), Portugal (2.8), Spain (2.7) and Austria (2.1). The only Member State with a substantial reduction of the overall tax burden between 1995 and 2002 was Ireland (-4.8 percentage points); reductions can be seen also in the Netherlands, Germany, Denmark, Luxemburg and Finland although generally not by substantial amounts.

At the moment the full time series of tax revenue data for the period 1995 to 2002 is not available for all new Member States, so it is not easy to evaluate the development during recent years. From the data available so far, the picture appears mixed. For some countries there is a clear decreasing trend of the total tax burden. Slovakia witnessed the largest reduction of the tax ratio by about 10 percentage points in the period 1995-2002 and in the Czech Republic it decreased by 4.5 percentage points. In Latvia, after two years of increasing, from 1998 to 2002 the ratio decreased by 6 percentage points. For some countries the changes are not particularly huge considering the overall period: Slovenia witnessed a reduction in the period 1995-1997 and then the ratio stabilized with only slight fluctuations and in Lithuania there was an increase until 1999 and then the ratio went back to the level of 1995. On the other hand for some countries there is a clear increase. In Poland the ratio fluctuated during the period but witnessed two important shifts upwards, by 4.4 percentage points in 1996 and by 5 percentage points in 2001, which resulted over the entire period in a 4.8 percentage points increase. In Cyprus there was an increase by 3.3 percentage points in the period 1998-2002 and in Malta an increase is visible of about 3.6 percentage points in the entire period.

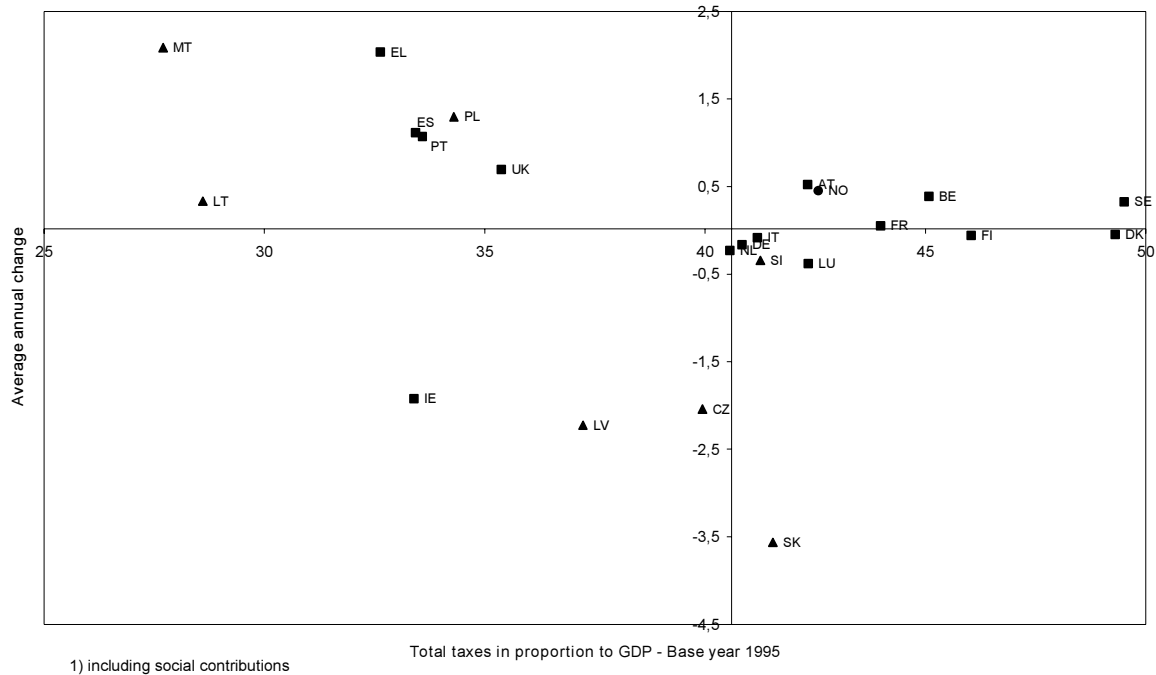
Graph I-2.2 displays the (estimated) average annual changes in the tax-to-GDP ratios between 1995 and 2002 in percentage points of GDP in comparison to the original levels in the base year 1995. The values of the x- and y-axis in this graph cross at the 1995 level and at the (estimated) average annual change in the EU-15 average tax-to-GDP ratio between 1995 and 2002, respectively (40.6%, 0% respectively). On the one hand, traditionally low-tax countries such as the United Kingdom, Spain, Portugal and Greece appear to have faced an increase in the overall tax burden since 1995, so they seem to be slightly moving towards a higher tax-to-GDP ratio, assuming that the estimated annual trend will last for a longer period. Those increases can partly be attributed to the fiscal consolidation process in the run-up to EMU.

Ireland, however, seems to be an exception; in fact it witnessed the relatively largest reduction in the overall tax burden while being a low-tax country (Ireland witnessed budgetary surpluses from 1997 to 2001). Relatively high-tax countries, on the other hand, seem to stabilize their position. Belgium and Sweden have faced a slight increase in the overall tax burden, whilst in Denmark and Finland the overall tax burden remained more or less stable between 1995 and 2002.

The data available so far for new Member States shows that some countries with a ratio considerably lower than the EU-15 average in 1995 are increasing it towards the EU-15 average (Malta, Poland and to a lesser extent Lithuania). On the other hand some countries which had in 1995 a ratio closer to the EU-15 average are rapidly reducing it (Slovakia, Latvia and the Czech Republic). Slovenia seems to be an exception with a stable ratio close to the EU-15 average. Regarding EU-15, overall

the figures suggest that the tax ratios of the individual Member States have not moved closer to the EU-15 average<sup>3</sup>. They are currently relatively high in Belgium, Denmark, Finland and Sweden, whereas they are relatively low in Greece, Spain, Ireland, Portugal and the United Kingdom.

**Graph I-2.2 Level in 1995 and change of tax-to-GDP ratio<sup>1)</sup> until 2002**  
in %



Source: Commission Services

The relatively high tax-to-GDP ratios that we generally observe today in EU-15 countries are to a large extent the result of the persistent and largely unbroken<sup>4</sup> upward trend in the tax burden in the 1970s, and to a lesser extent also in the 1980s and early 1990s<sup>5</sup>. This long-run increase in the overall tax burden was closely related to the growing share of the public sector in the economy in those years. Taxes and social contributions have been raised in order to finance increasing government spending and, in particular, labour taxes appear to have been steadily rising in order to finance social

<sup>3</sup> Alternative convergence indicators have increased between 1995 and 2002: the ratio of the standard deviation and mean increased from 14.2% to 14.5%; the standard deviation increased from 5.77 to 5.87; and the differences between the maximum and the minimum ratio increased from 16.1 percentage points to 22 percentage points. Cnossen (2001) reports convergence of the tax ratios over the period 1970-2000. In particular, in Greece, Portugal and Spain the rate of increase in the tax ratio greatly exceeded those of other Member States.

<sup>4</sup> Some marked decreases have occurred in single years, for example in 1994 as a result of the severe recession in 1993.

<sup>5</sup> European Commission (2000a) reports a long-run increase of 11 percentage points in the Euro area between 1970 and 1999, compared with a relatively small increase of 2.5% of GDP recorded in the United States. Similar differences are reported in OECD (2002d).

welfare commitments, especially as regards to pensions, health care, education and other social benefits. The rise in unemployment also acted as a main underlying pressure to increase taxes in most EU countries between 1970 and the early 1990s<sup>6</sup>.

Since the early 1990s, the Maastricht criteria of 1992 and later also the Stability and Growth Pact have created a framework in which Member States have implemented fiscal consolidation efforts. In a number of Member States the process of consolidation relied primarily on restricting and/or scaling back primary public expenditures (*e.g.* by cutting or postponing public investment) and/or even (temporarily) increasing taxes. Meeting the EMU criteria and in particular reducing the overall debt-to-GDP ratio has also ruled out any major tax cuts in the run-up to the EMU for some Member States.

Only in the late 1990s, a number of Member States appear to have taken advantage of buoyant tax revenues to reduce the tax burden, most notably through personal income tax and social contributions, but also through corporate income tax. However, the overall tax burden appears to have decreased only from 2000. One reason why the mentioned tax cuts did not show up immediately in the figures is that the economic upswing of the late 1990s may have lifted the measured overall tax burden, even while substantial cuts in statutory tax rates have been implemented. For example, strong economic growth may have moved taxpayers into higher nominal income tax brackets ('bracket creep') in some Member States, resulting in higher real tax payments. Also, during the expansionary phase between 1995 and 2000, more companies moved from a loss making to a profit making position, and with diminishing loss-carry over they paid more corporate income tax during recent years. The slowdown in EU-wide economic growth between 2001 and 2003 has arrested this trend and the tax reductions are finally visible in the figures between 2001 and 2002. However, especially in 2002, the effects of tax reductions have probably been amplified by diminishing revenues of taxes sensible to cyclical fluctuations due to the economic slowdown and similar mechanisms (in reverse) as described before.

Another reason why the tax cuts in the late nineties were not clearly reflected in the tax-to-GDP figures is that a number of Member States (partly) financed their tax rate cuts reducing allowable deductions against the taxable personal income, and/or by limiting special incentive schemes and tax allowances for depreciation of capital equipment in corporate income tax. In addition, a number of Member States have shifted the tax burden away from labour to other taxes, notably to indirect or 'green' taxes. It should furthermore be kept in mind that the tax revenue figures in National Accounts do not follow a real 'accrual principle'. According to the ESA95 guidelines, taxes and social contributions should normally be recorded when the underlying economic event/transaction takes place rather than when the actual tax payment is made. Personal- and corporate income taxes,

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<sup>6</sup> Differences in the tax burdens are also mostly related to the weight of the public sector in the economy. The amount of net social expenditure in the US, for example, is at less than 18% of GDP significantly lower than in most Member States (cf. Adema (2000)). European Commission (2000a) presents a number of causality tests. Between 1970 and 1999, almost 75% of the changes in the tax burden in EU Member States, the US and Japan appears to be related to changes in public expenditure. Also, more than 40% of the changes in the average effective tax rate on labour appear to be associated with changes in current spending and over 70% of the cross-country differences in the effective rate in labour correspond to differences in the ratio of current transfers to GDP.

for example, are typically levied on incomes accrued one year prior to most of the actual collection. However, ESA95 allows for considerable flexibility in interpreting accrual time of recording, depending on the type of taxes. Most statistical offices in fact use 'time adjusted' cash figures for a few months, which is permitted following amendment of ESA95. This is another reason why effects of the recent tax reforms are reflected in the figures with some delay.

With the EU-wide slowdown of economic growth that we observed up to the end of 2003, the next batch of tax revenue figures could still show the tax-to-GDP ratios declining. It should furthermore be kept in mind that the measures in the 1990s to restrict public spending may take time to show up in the tax ratios for some Member States. Of course, a number of Member States may still face increased overall tax burdens, while they continue the process of (fiscal) convergence in the European Union, and/or further develop their infrastructure and/or have to cope with higher costs of their social protection- and health care systems. It remains to be seen whether this results in any further upward pressure on taxes.

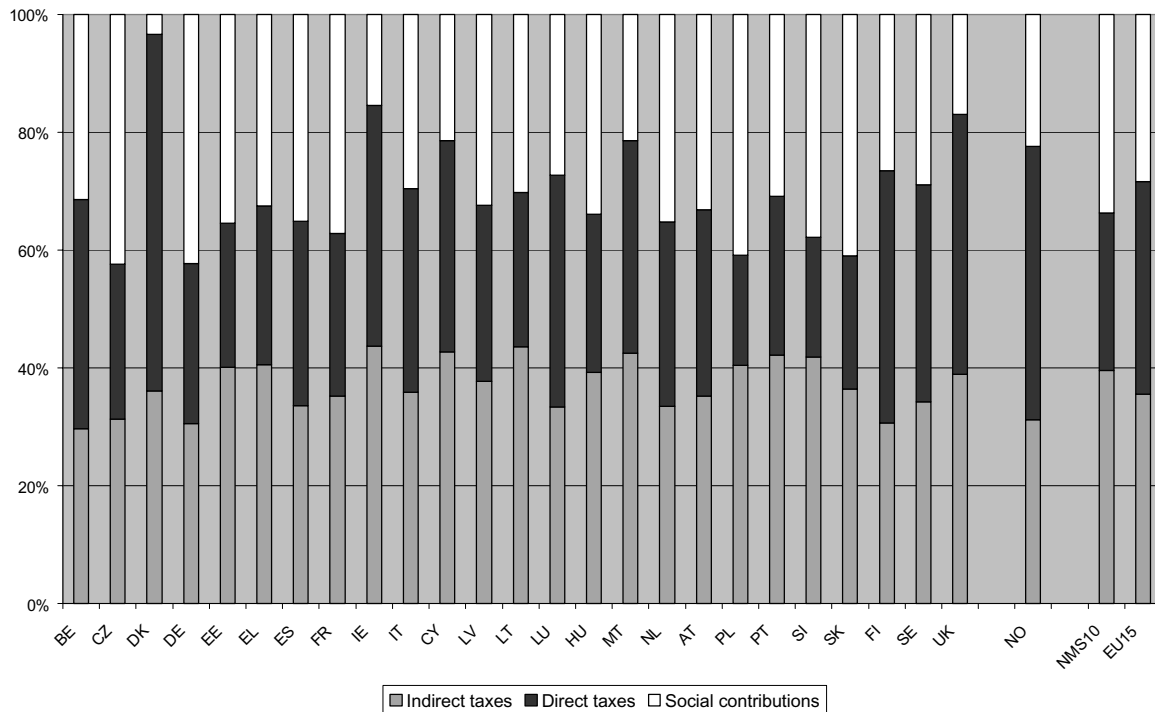
## 2.2. Tax structures

### 2.2.1. By type of taxes

The structure of the tax revenues by major type of taxes (*i.e.* direct taxes, indirect taxes and social contributions) is shown in Graph I-2.2.1.1. The EU-15 and EU new Member States' States averages in this graph represent arithmetic – rather than weighted – averages. Further information about the distribution of the overall tax burden among more detailed type of taxes (*e.g.* VAT, excise duties, personal and corporate income tax) can be found in part III, which describes the structures and developments in the individual Member States, and their relative positions.

**Graph I-2.2.1.1 The structure of tax revenues by major type of taxes**

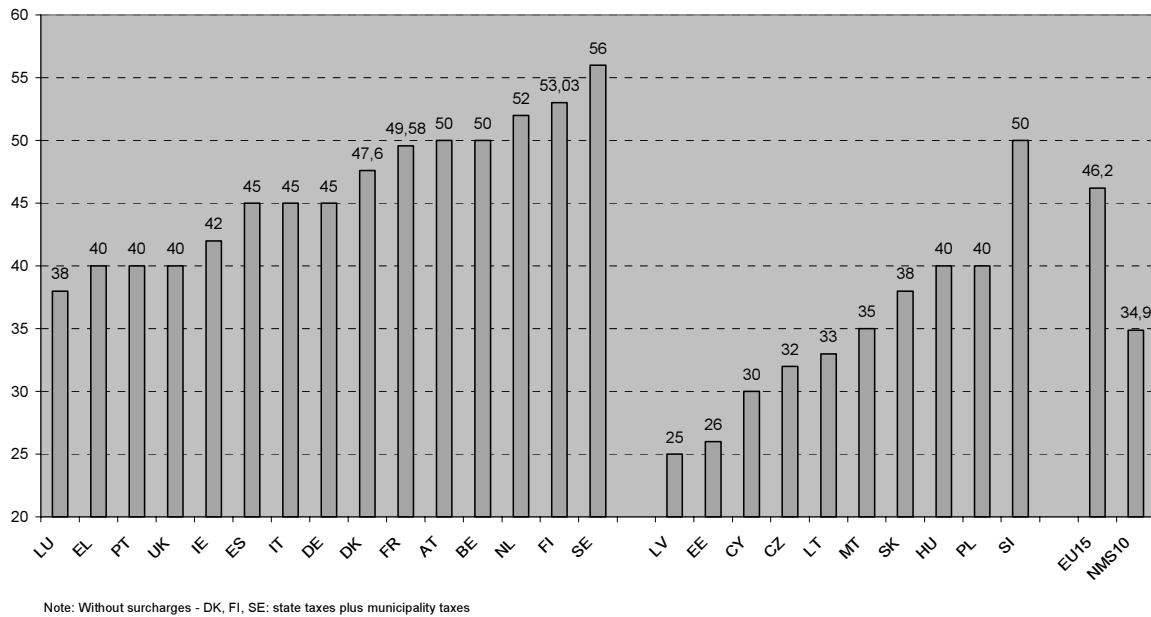
2002, in % of total tax burdens



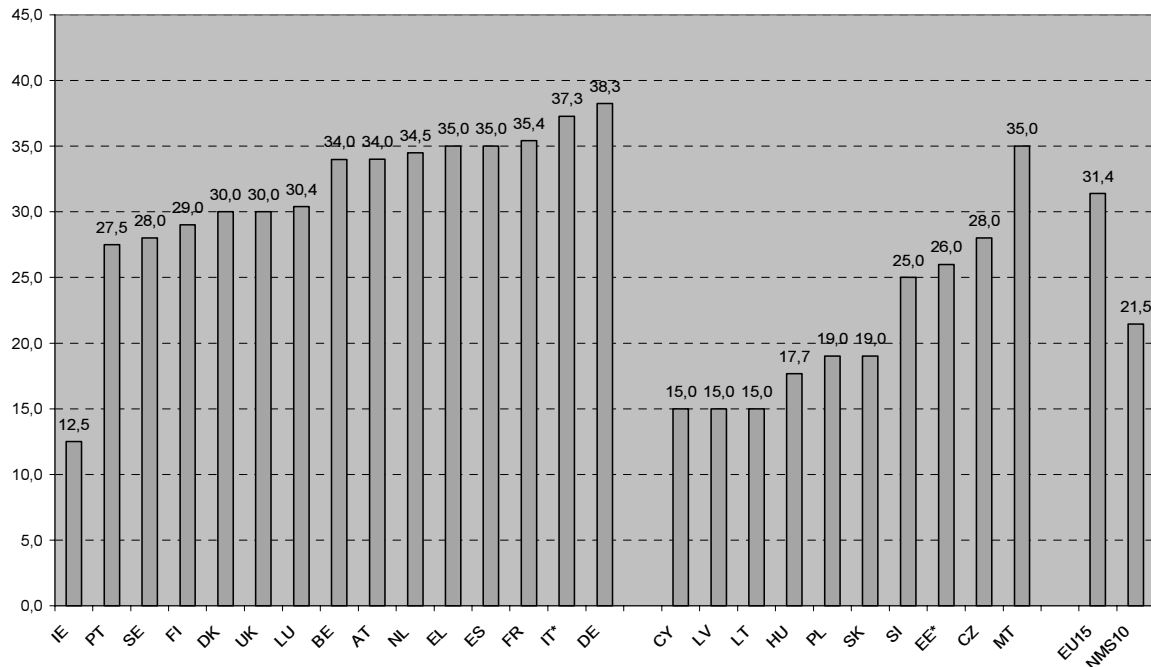
Source: Commission Services

Generally, the new Member States have a different structure compared to the EU-15 countries, in particular regarding a substantially lower share of direct taxes. In 2002 the difference between the EU-15 and the new Member States (arithmetic) averages was about 10 percentage points. With the exception of Malta, all the new Member States are below the EU-15 average (33.5%). The lowest share of direct taxes can be found in Poland (18.7%) and in Slovenia (20.2%). One of the reasons of this difference can be found in the generally lower tax rates applied in the new Member States regarding corporate tax and personal income tax (see the following graphs).

**Graph I-2.2.1.2 Top statutory personal income tax rate**  
2004 in %



**Graph I-2.2.1.3 Effective top statutory tax rate on corporate income**  
2004 in %



NOTE: Only the 'basic' (non targeted) top rate is presented here. Existing surcharges and averages of local taxes are included. The rate for Estonia refers only to distributed profits; as from 2000 the tax rate on retained earnings is zero. The rate for Italy includes 'IRAP' (rate 4.25%) a local tax levied on a tax base broader than corporate income.

The low share of direct taxes in the new Member States is counterbalanced by higher shares of social contributions (+6.9% respect to EU-15) and indirect taxes (+4.1%). Regarding social contribution the highest share can be found in the Czech Republic (42.4%) Slovakia (41%) and in Poland (40.9%) while EU-15 average is 31.9%. Lithuania, Malta and Slovenia have the highest share of indirect taxes.

Also among the EU-15 countries there are some noticeable differences evident from Graph I-2.2.1.1. The Nordic countries (*i.e.* Sweden, Denmark and Finland) have relatively high shares of direct taxes in total tax revenues, whereas some southern countries (in particular, Portugal and Greece) have relatively high shares of indirect taxes compared to the EU-15 (arithmetic) average. In Denmark and, to a lesser extent, also in the United Kingdom and Ireland the shares of social contributions to total tax revenues are relatively low compared to the EU-15 (arithmetic) average. In Denmark, most welfare spending is financed out of general taxation. The share of direct taxation to total tax revenues in Denmark is in fact the highest in the Union. Germany has the highest share of social contributions in the total tax revenues. Germany's share of direct tax revenues, on the other hand, is the lowest in the EU-15. France also has a relatively high share of social contributions and a corresponding relatively low share of direct tax revenues, compared to the EU-15 average.

Since the mid-1990s, a number of EU-15 Member States have implemented reforms to their tax systems. The reforms vary in coverage and depth, but they were often aimed at reducing the tax burden on labour, particularly at the low- to middle end of the pay scale (paragraph II-1.3), at achieving a general reduction in corporate income tax rates (whilst broadening the base) and at improving the functioning of capital markets. Reforms of indirect taxation are more diverse in nature. Increases in indirect taxation in several countries were driven by 'green' tax reforms, often as counterpart to the reduction in the taxation of labour<sup>1</sup>. Some Member States also implemented measures that resulted in increases in the shares of total taxes that accrue to state (regional) governments. The measures were sometimes part of a reform-package that was stretched out over several years. The remainder of this paragraph only touches upon some basic elements and highlights a few examples. Further details are given in part III, which describes the structures and the developments for the individual Member States.

Reforms of the personal income tax code mainly consist of lowering statutory rates (quite often relatively more at the low to the middle end of the income distribution), reducing the number of tax brackets and increasing the minimum level of tax-exempted income. Member States also increased a number of family allowances, in particular for the tax relief for families with children. Some Member States replaced (basic family) tax allowances by individual tax credits (also in order to increase second-earner' work incentives). A number of Member States have also introduced additional (earned) tax credits (or tax base allowances) that are exclusively earned on labour income. Most of these credits or allowances phase in for lower incomes and phase out for higher incomes. Some Member States also implemented reforms to the taxation of pensions.

Reforms of taxes on capital income were often aimed at improving capital markets. Another aim was to create incentives for risk, and venture and intangible capital. Some Member States have fundamentally changed the taxation of capital income or capital gains in personal income tax (and

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<sup>1</sup> This approach is generally referred to as the 'double dividend' approach. In this respect it must be noted that incentives to work may also be influenced by the level of indirect taxation.



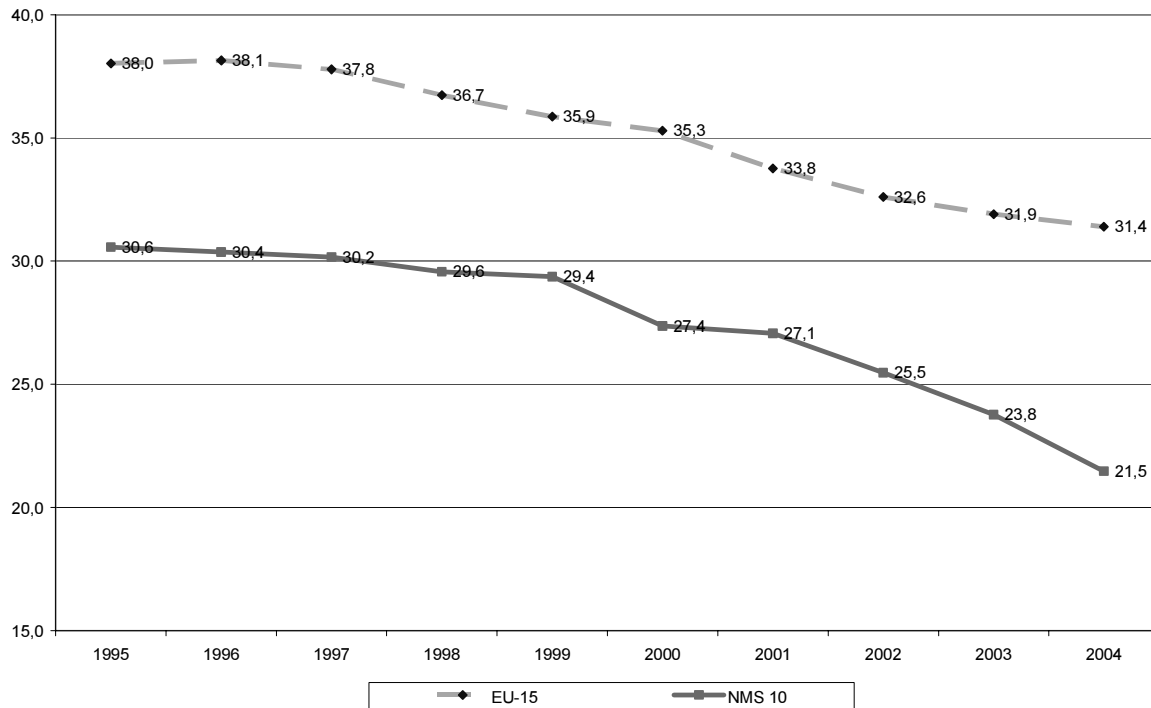
thereby effectively broadened the income tax base). Member States also implemented reductions in statutory corporate income tax rates, but at the same time lowered special incentive schemes, or tax allowances granted for the depreciation of capital equipment. Some EU countries have tried to reduce the relative cost of financing new investment via own capital by introducing tax breaks directly through the corporate income tax.

Reforms are more diverse in the area of indirect taxation. In the second half of the 1990s, a number of Member States have implemented comprehensive 'green' tax reforms (Sweden, Denmark, the Netherlands, Germany, Italy, Austria and the United Kingdom). Existing indirect taxes were increased and new environmentally related taxes were introduced, often to finance, at least partly, the reduction of taxes on labour income (the so-called 'double-dividend approach'). The Nordic countries were the forerunners in introducing green tax reforms. Most Member States apply reduced rates on labour intensive service sectors. Other Member States implemented increases in the standard VAT rate, while others implemented general VAT reductions or targeted reductions for certain products and/or sectors. Some Member States increased certain excise duties (*e.g.* on tobacco, diesel fuel or petrol), while others were being reduced.

Some Member States implemented general reductions in social contributions across the board. A number of Member States put forward targeted reductions of non-wage labour costs in respect of the low end of the pay scale, while others aim at creating new jobs for long-term unemployed, for training or for the shift from temporary to permanent labour contracts.

Most of the new Member States have tax legislations reasonably close to those in the EU-15. However, in some key aspects there are wide differences. The most significant differences are in the field of corporate taxation. The EU-15 (arithmetic) average of corporate tax rate in 2004 is 31.4%, while the average corporate tax rate of the ten new Member States (21.5%) is ten percentage points lower (see part II, section 5.1). In the most recent years there has been a strong tendency to reduce corporate tax rates in the new Member States. At the same time there is also a trend to reduce favourable special tax regimes. However, as already mentioned, also the old Member States have reduced their statutory corporate tax rates substantially since 1995 (see Graph I-2.2.1.4).

**Graph I-2.2.1.4 Development of effective top statutory tax rate on corporate income**  
1995 to 2004 in %

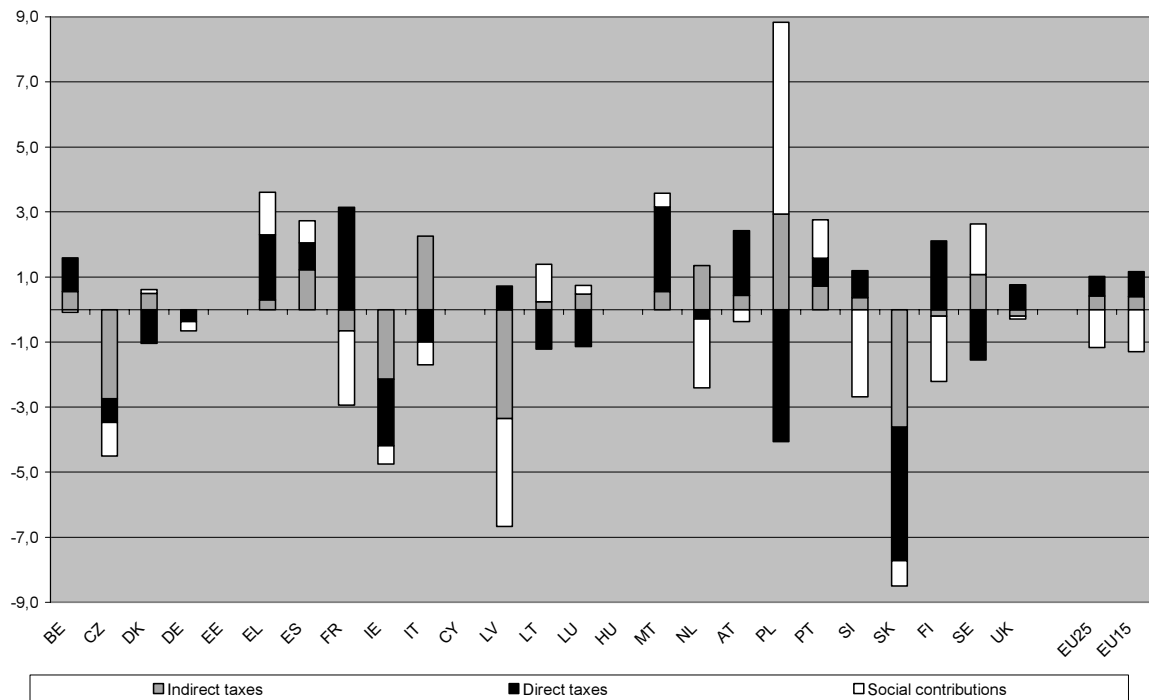


Estonia is the best example for this development, since it has abolished the classical corporation tax in 2000, although having already a low tax rate of 26% (since 1994). Since the beginning of 2000 it levies no corporate tax on retained profits. Only distributed profits are taxed. Reductions in the corporate tax rate after year 1995 can be seen in all the new Member States except Malta. Concerning the personal income tax, the tax systems of new Member States in general are more in line with the EU-15 standard despite the statutory top rate being often substantially lower than in the EU-15 (11.3 percentage points lower considering the arithmetic averages).

In Graph I-2.2.1.5 the change in overall tax burden has been broken down into changes of its three major components. As a result, the sum of the heights of each bar gives the change in the overall tax-to-GDP for all the countries. For the EU-15 average, it appears as if both direct taxes and indirect taxes have slightly increased (in proportion to GDP), and that this was partly offset by reductions in social contributions. These averages, of course, conceal some marked differences between the individual Member States. One trend that is in fact rather evident from Graph I-2.2.1.5 has been the increase in direct tax revenue for a number of Member States, despite the tax rate reductions that were implemented over the period. This can probably (partly) be attributed to the economic upswing during the late 1990s. In some countries the tax burden was shifted away from labour. Increases in measured indirect taxes are also quite often visible in the graph.

**Graph I-2.2.1.5 Evolution of major type of taxes**

1995-2002, differences in % points of GDP



Note: data for EE, CY, HU are not available for 1995.

Source: Commission Services

For Belgium, Greece, France, Austria, Finland, Sweden and the United Kingdom, an increase in revenues from direct taxes (in proportion to GDP) appears. In Belgium and Finland, the increases in direct tax revenues originated most notably from increases in corporate income tax revenues. In Belgium, a part of the increase in direct taxes results from an increase of the share of wages in GDP. Austria witnessed a particularly sharp increase in direct tax revenues in 2001. This increase is mostly related to base-broadening measures and significantly increasing tax pre-payments, in reaction to the introduction of interest charges on tax arrears from October 2001 onwards. In France, changes in personal income tax revenues appear to have been clearly dominant. However, it is important to note that the observed changes in the personal income tax revenues in France largely originated from increases in revenue from the generalised social contribution ('CSG'), and the contribution for the reduction of the debt of social security institutions ('CRDS'), which are both booked as taxes on individual and household income (TRD51A) in national accounts. The base of the 'CSG' was extended to capital income in 1998, and the 'CRDS' was introduced in 1996. At the aggregate level the increases in revenues from the social contributions have apparently offset to some extent the effects of the reductions in personal income tax and social contributions that were implemented in recent years.

Increases in revenues from indirect taxes were dominant in Spain and Italy (in proportion to GDP). In Italy, the 1997-98 tax reform eliminated the employer's compulsory health contributions, bringing the overall employer's social contribution rate down substantially. At the same time, however, a new regional tax on productive activities, commonly abbreviated as 'IRAP', based on the value of production net of depreciations was introduced (classified in ESA95 as an indirect 'other tax on

production'). Italy also witnessed a substantial decrease in revenues from corporate income tax reflecting the introduction of the 'dual' corporate income tax system in 1998. Italy then implemented a corporate tax reform at the end of 2003. In Spain, the revenues from corporate income tax have increased, despite the introduction of a reduced statutory tax rate for small- and medium sized companies. This increase was partly offset by decreases in personal income tax. Spain implemented reductions in personal income tax in the late 1990s.

Denmark witnessed a decrease in revenues from the personal income tax. This occurred as Denmark reduced its statutory personal income tax rates, most notably at the lower- to the middle end of the income scale. This decrease was offset by the increases in the revenues from mostly social contributions and also from corporate income tax.

Germany, the Netherlands, Luxembourg and Ireland have witnessed a decrease in the overall tax-to-GDP ratio, although apart from Ireland not by very large amounts. In Germany, the new tax on energy consumption implemented in 1999 has been used to lower social contributions to pension systems. Until 2000, Germany also saw an increase in the revenues from personal and corporate income tax in proportion to GDP. Due to its corporate income tax reform in 2001 corporate tax revenues dropped substantially and stabilized in 2002 at a very low level. In the Netherlands, the observed decreases in social contributions (and to a lesser extent also in personal income tax) were partly offset by increases in revenues mostly from VAT, but also from corporate income tax. The Netherlands has recently increased its standard VAT rate to finance (at least partly) the reductions in the combined tax rate of personal income tax and social contributions for households. In Luxembourg, reductions in revenues from direct taxes (Luxembourg reduced the rates of both the personal income tax and corporate income tax) were partly counterbalanced by increases in revenues from indirect taxes and social contributions. Ireland witnessed reductions in both direct and indirect tax revenues and also in social contributions. Ireland particularly implemented reductions to personal- and corporate income tax and social contributions in recent years. With the data available so far for the new Member States, it seems there are generally greater changes in the revenues by type of taxes than the EU-15, probably due to needed adjustment of the fiscal systems.

It is of course not possible to obtain a good picture of where exactly in the economy the tax burden falls by looking solely at classifications by major type of taxes. For example, direct taxes consist of income and property taxes paid by individuals and corporations. Hence the tax burden from direct taxes falls on both labour and capital, but also on social transfers received by non-employed people (*e.g.* social benefits and pensions). This also holds for the personal income tax itself. The evolution of the tax burden falling on the different economic functions (*i.e.* labour, capital and consumption) for the EU-15 countries is more closely examined in part II.

### 2.2.2. *By levels of government*

Graph I-2.2.2.1 displays a classification of aggregate tax revenue (including social contributions) by receiving level of government. In the new ESA95 framework of national accounts, taxes are usually classified according to four different units of government that may operate within a country and to the Institutions of the European Union. The combination of the different government levels operating within a Member State is called the general government, and may include:

1. Central (or federal or national) government, including all administrative departments and central agencies of the State whose competence extends normally over the whole economic territory, except for the administration of the social security funds;
2. State (or regional) government, when relevant within a Member State, which are separate institutional units exercising some of the functions of government at a level below that of central government and above that at local level, except for the administration of social security funds;
3. Local (or municipal) government, whose competence extends to only a local part of the economic territory, apart from local agencies or social security funds;
4. Social security funds, including all central, state and local institutional units whose principal activity is to provide social benefits.

It is important to recognise from the outset that the figures shown in Graph I-2.2.2.1 represent 'ultimately received' tax revenues. This means, for example, that the shares displayed under state and local governments do not only include 'own' taxes of government sub-sectors, but mostly also the relevant part of the tax revenue that is actually 'shared' between the different levels of the general government, even in cases where a government sub-sector has practically no power to vary the rate or the base of those particular taxes<sup>2</sup>. The figures displayed in Graph I-2.2.2.1 therefore convey relatively little information on the discretion provided to state and local authorities over their tax base and rates. It should furthermore be noted that the figures also exclude grants of all kinds between different levels of government. Also, the taxes received by the Institutions of the European Union do not only include taxes paid directly to the Institutions (*i.e.* the ECSC levy on mining and iron and steel producing enterprises paid by resident producer units), but also taxes collected by general governments on behalf of the European Union. The latter include, in particular, (i) receipts from the common agricultural policy, (ii) receipts from custom duties from trade with third countries and (iii) a share in receipts from VAT imposed within each Member State.

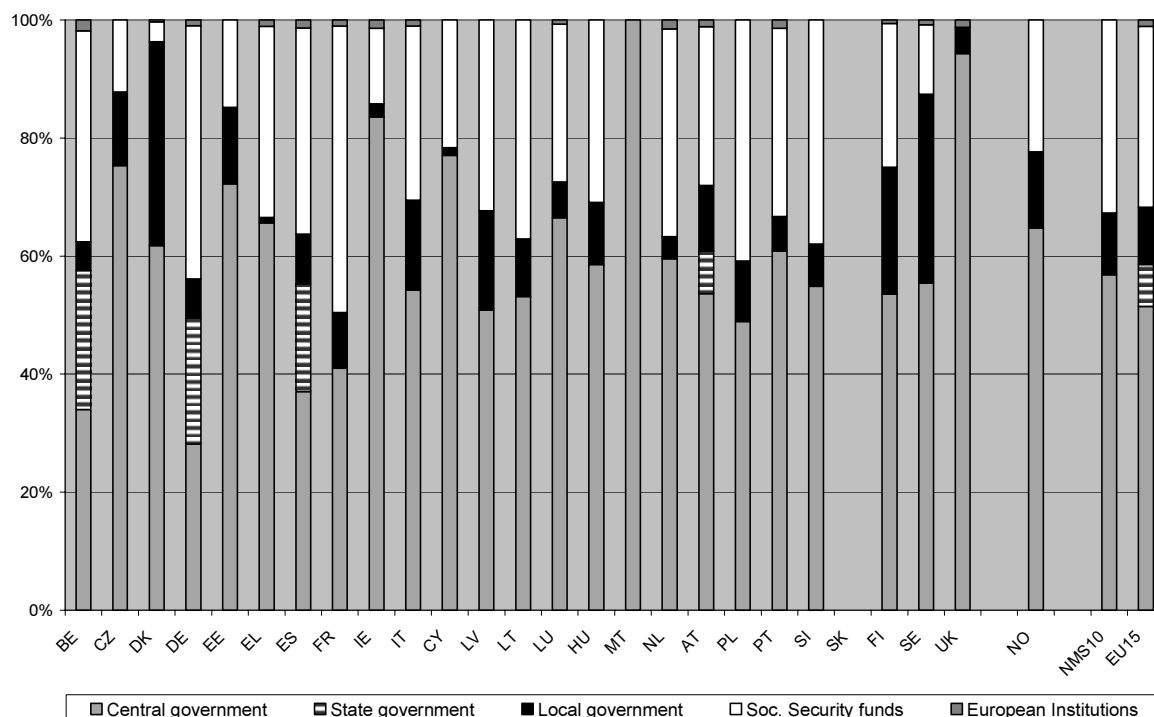
In 2002, in the EU-15 on average 52% of the 'ultimately received' aggregate tax revenue (including social contributions) is claimed by the central or federal government, roughly 30% accrues to the social security funds, 7% to the state government and almost 10% to local government sub-sectors. Around 1.1% of this tax revenue is paid to the Institutions of the European Union. There are however considerable differences from one Member State to another. For example, the share of the total tax revenues received by the government sub-sectors (regions and municipalities) varies from less than 1% in Greece to 34.5% in Denmark. Not only Denmark, but also Sweden (32%), Germany (28.3%), Belgium (27.7%), and Spain (26.7%) show relatively high shares of total taxes received by government sub-sectors. The share is around the EU average in Austria (18.2%) and Italy (15.2%). The share is noticeably small in Greece (0.9%), Ireland (2.3%), the Netherlands (3.7%) and the United Kingdom (4.4%). What also stands out, furthermore, is that the figures for France and Germany show a relatively high share of tax receipts from social security funds.

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<sup>2</sup> Additional information was used for the classification of taxes by ultimately receiving government sub-sectors for Belgium.

In the new Member States the state government level does not exist. Concerning local government taxation the figures vary between Malta, which does not apply local taxation, to Latvia with a share of 16.8%. Relatively high shares of local taxes can be seen also in Estonia (12.9%)<sup>3</sup>, Hungary (10.6%), Poland (10.2%) and Lithuania (9.8%). Concerning social security funds, high shares appear in Poland (40.9%)<sup>4</sup>, Slovenia (38%) and Lithuania (37.1%).

**Graph I-2.2.2.1 Classification of tax revenues by ultimately receiving level of government**  
2002, in % of total tax burdens



Source: Commission Services

Graph I-2.2.2.2 shows the shares of direct and indirect revenues of the general government that is apportioned to local (municipalities), state (regions) governments (social security funds are not included). The greatest shares of tax revenues from local governments in EU-15 are found Denmark (34.5%), in Sweden (32%) and Finland (21.4%). These shares are noticeably small in Greece (0.9%), Ireland (2.3%) and the United Kingdom (4.4%). Only four countries within the EU-15 have tax

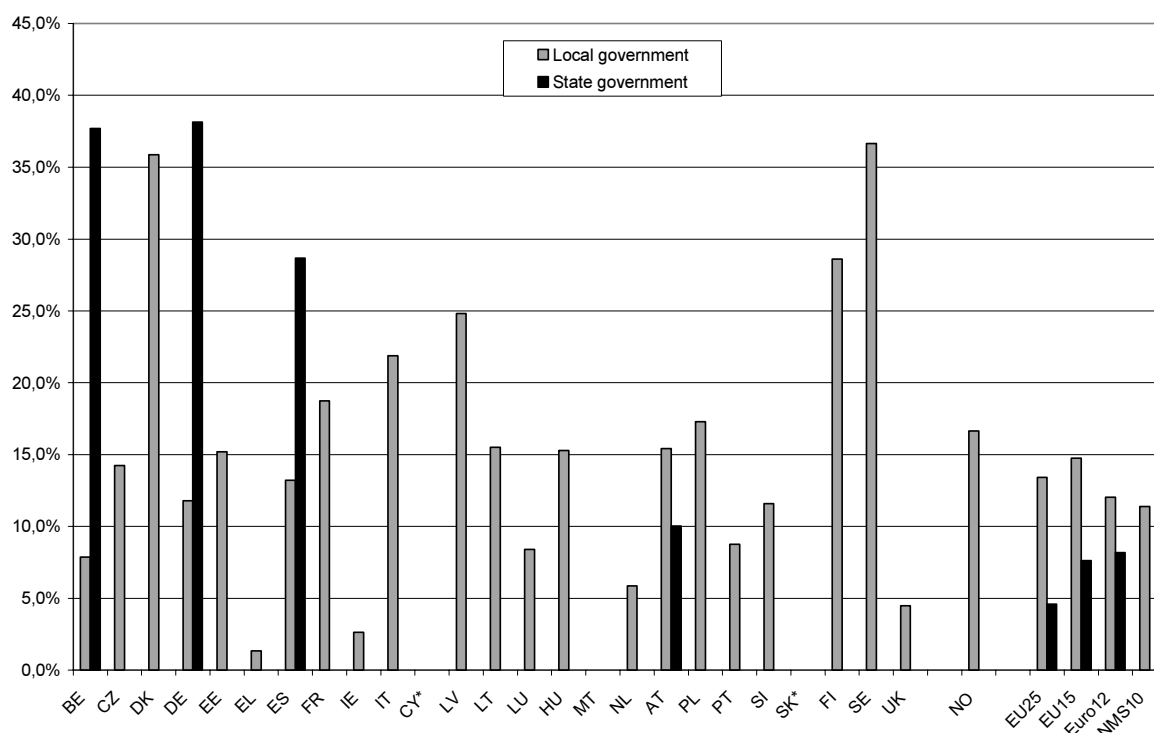
<sup>3</sup> In Estonia the relatively high share of local governments is mainly based on the transfer of revenues from national personal income tax. This tax is levied by the central government but more than a half of the PIT paid by resident persons is transferred directly to local budgets (11.4% of the taxable income before deductions). PIT payable on capital gains and pensions goes to the central budget.

<sup>4</sup> It should be noted that in Poland in the year 1999 it was a huge shift of revenues from personal income tax to social contributions.

revenues that are apportioned to the state governments (regions): Germany (21.6%), Belgium (23%),<sup>5</sup> Spain (18.3%) and Austria (7.2%).

**Graph I-2.2.2 Shares of aggregate tax revenue ultimately received by sub-central governments**

2002, in % of tax revenues of general government, social contributions not included



\* Not available

Source: Commission Services

Significant changes in the shares of tax revenues of state and local governments between 1995 and 2002 occurred in Spain and Italy. In Spain, an increase in the share of state tax revenue is firstly visible from 1997 onwards. This mainly reflects the introduction of the new five-year (1997-2001) arrangement for sharing tax revenues between the autonomous regions. In 2002 Spain witnessed a substantial increase of the share collected by state governments of more than 10 percent of total taxes, due to the new financing agreement between the central government and the autonomous regions. In Italy, an increase in the share of local tax revenues is visible from 1998 onwards. This can be attributed to the Italian reform that, among other important changes, introduced a new Regional

<sup>5</sup> It should be noted that the Institutional Reform Act of July 2001 granted further fiscal autonomy to the Regions in Belgium. The list of taxes devoted to the Regions in Belgium was enlarged, and the tax powers of Regions were increased. While corporate income tax and VAT remain the full prerogative of the Federal government, the Regions are now allowed to deviate from the personal income tax rates stated in the Federal tax code by a margin of +/- 3.25 as of 1 January 2002, and of +/- 6.75 as of 1 January 2004. The Regions may thus adjust the progression of the personal income tax. The Regions are not allowed to change the base of the personal income tax.

Tax on Productive Activities ('IRAP'), and decreased the dependence of the local governments on grants from the central government.

The figures displayed in Graph I-2.2.2.2 indicate substantial differences in the structures of the taxation systems across the Union. However, as argued above, they give relatively little insight in the degree of tax autonomy of sub-central levels of government as such. Generally speaking, the tax raising process within the general government involves (i) setting a tax base, (ii) defining statutory tax rates, (iii) collecting the tax and (iv) attributing its revenues. Two or more levels of government can be involved in one or several of these different stages. Several modalities exist. For example, an 'own' tax means that the central or sub-central government unit is responsible for all phases of the tax raising process (i) through (iv). A 'joint' tax means that the central government is responsible for (i) setting the base and (iii) collecting the tax, and jointly with the regions for (ii) setting the rates. Tax 'sharing' generally means that the central government is responsible for (i) setting the base, (ii) defining the tax rates and also for (iii) collecting the tax<sup>6</sup>. However, the sub-central governments are automatically and unconditionally entitled to a percentage of the tax revenue collected or arising in their territory. Other modalities may also exist. In practice, the organisation of the general governments – including the fiscal relations, the constitutional arrangements and the tax raising process – is quite complex, and varies considerably from one Member State to another. A recent OECD (1999) study has complemented tax revenue statistics by providing a typology of the 'taxing powers' of government sub-sectors, and by applying this typology to tax revenue statistics. The study shows important differences as regards to the tax autonomy of the Länder and the Regions within the group of Federal or quasi-Federal countries in the Union (*i.e.* Germany, Austria, Belgium and Spain). It also shows differences as regards the tax autonomy of local governments within the European Union.

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<sup>6</sup> Except in Germany, where the Länder also collect the tax.





## Part II Taxation according to economic functions

The tax-to-GDP ratio and the breakdown of tax revenues into standard categories such as direct taxes, indirect taxes and social contributions provide a first insight into cross-country differences in terms of tax burden and its distribution across different taxes. But this tells little on the economic dimension of taxation. A final tax incidence analysis would require computing the economic burden of a tax defined as the final impact on different categories of taxpayers<sup>1</sup>. The publication 'Structures' uses the national accounts framework which represents the economy with a distinction between consumption and production activities, remuneration of production factors and savings and investment decisions. It takes into account as production factors: labour, physical and financial capital as well as intangibles. A broad classification into three economic functions (i.e. consumption, labour and capital) has therefore been used for calculating average effective tax burden indicators, called implicit tax rates<sup>2</sup>. National accounts enable to derive the corresponding potentially taxable bases from sector accounts. This does not measure the final incidence of taxes, which can be shifted from one activity to another via behavioural effects.

Parallel to the classification of taxes to labour, capital and consumption the focus in chapter II.3 is put on analysing trends in environmental taxation. This classification is at a different layer, so that a specific tax on consumption or on capital stocks could as well be classified as environmental tax. Because the use of the environment is sometimes regarded as an additional production factor, environmental taxes are subsumed under the classification according to economic functions.

This part is sub-divided into a first methodological part on the classification of taxes on labour, capital and consumption and the compilation of implicit tax rates (section II.1), and sections II.2 to II.5 which actually review recent developments of the economic distribution of the tax burden and the development in environmental taxation.

### 1. METHODOLOGY FOR IMPLICIT RATES

#### 1.1. Classification of taxes according to economic functions

As mentioned above, the overall framework of national accounts justifies a classification of taxes according to three economic functions, consumption, capital and labour. Starting from the ESA95 classification of taxes described in part I, some general rules could be defined for the allocation of taxes to the three categories. A number of border cases and approximations had to be taken into account to arrive at a final classification of taxes. Most of these cases affect the division between capital and consumption. Tax data are not always recorded in sufficient detail to identify individual taxes and allocate them to the corresponding economic categories. In addition, national specific features required a special treatment. Comparisons of the implicit tax rates with other tax burden indicators provide some useful insight on specific properties of the implicit tax rates.

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<sup>1</sup> Fullerton, Metcalf (2002)

<sup>2</sup> The term 'implicit tax rates' is used in order to distinguish the backward looking approach from forward looking average effective tax rates calculated on the basis of the tax code.

### 1.1.1. *Taxes on consumption*

Taxes on consumption are defined as taxes levied on transactions between final consumers and producers and on the final consumption goods. In the new ESA classification (Box 3), these can be identified as the following categories:

- Value added type taxes (D211).
- Taxes and duties on imports excluding VAT (D212).
- Taxes on products except VAT and import duties (D214), which include excise duties. Those taxes paid by companies on products used for production have been excluded from the category of consumption taxes, whenever the level of detail enabled to identify them. This was done for instance for the car registration tax paid by companies. But national accounts tax revenues do not allow such a split for excises, which are paid for a substantial part by companies. Moreover, some categories have been allocated to capital such as the stamp taxes (D214B), when they could be identified as related to the stock exchange market or real estate investment. Taxes on financial and capital transactions (D214C) have also been recorded as capital taxes.
- Other taxes on production (D29). These are a typical border case since this category includes several taxes or professional licences paid by companies 'as a result of engaging in production': total wage bill and payroll taxes (D29C) have been classified as a tax on labour, taxes on land, building and other structures (D29A) have been classified as taxes on the stock of capital. But most of the other categories, such as taxes on pollution (D29F) have been considered as consumption taxes.
- Some taxes defined as current taxes (D5) in ESA95 such as poll taxes, expenditure taxes, or payments of households for licenses have been included under consumption since they are expenditures by households related to the access to specific goods and services.

A particular difficulty of the ESA95 is that the tax revenue classification is still relatively new. Not all Member States have used the ESA95 codification at the detailed level of individual taxes. The degree of decomposition provided by national statistical offices makes it sometimes difficult to identify sub-categories. Therefore while experience with ESA95 develops, the border cases mentioned above, which mainly affect the split between taxes on stock of capital and consumption will be reviewed.

#### **Box 3 Definition of taxes on consumption**

D211: Value added type taxes  
 D212: Taxes and duties on imports excluding VAT  
 D214: Taxes on products except VAT and import duties without:  
     - D214B: Stamp taxes  
     - D214C: Taxes on financial and capital transactions  
 D29: Other taxes on production without:  
     - D29A: Taxes on land, buildings or other structures  
     - D29C: Total wage bill and payroll taxes  
 D59B: Poll taxes  
 D59D: Payments by households for licences

1.1.2. *Taxes on labour*

The publication 'Structures' distinguishes between employed and non-employed labour (Box 4).

**Box 4 Definition of taxes on labour**

<u>Employed labour</u>	
From D51	Taxes on income:
D51A+D51C1	Taxes on individual or household income including holding gains (part raised on labour income)
D29C	Total wage bill and payroll taxes
From D611	Actual social contributions:
D61111	Compulsory employers' actual social contributions
D61121	Compulsory employees' social contributions
<u>Non-employed labour</u>	
From D51	Taxes on income:
D51A+D51C1	Taxes on individual or household income including holding gains (part raised on social transfers and pensions)
D61131	Compulsory social contributions by self- and non-employed persons (part paid by social transfer recipients)

*Taxes on employed labour income*

Taxes on employed labour comprise all taxes, directly linked to wages and mostly withheld at source, paid by employers and employees, including compulsory social contributions. They include compulsory actual employers' social contributions (D61111) and payroll taxes (D29C), compulsory social contributions paid by employees (D61121) and the part of personal income tax (D51A) that is related to earned income. The personal income tax is typically levied on different sources of income, labour income, but also social benefits, including pensions, dividend and interest income and self-employment income. The next section explains how taxpayers' data have been used to allocate the personal income tax revenue across different sources of income.

*Taxes on non-employed labour income*

The category labour - non-employed comprises all taxes and compulsory social contributions raised on transfer income of non-employed persons, where this could be separately identified. This transfer income includes social transfers that are paid by the state (*e.g.* unemployment-, invalidity- and health care benefits) and benefits from old-age pension schemes (both state and occupational pension schemes). Most of these benefits of non-employed persons are in some way or the other linked to employment; contributions for current unemployment- and State pension benefits are for example for the most part paid by the active labour force, while occupational pension schemes are mostly funded while being employed. The calculation of the implicit tax rate on labour is, however, limited to the category employed labour.

- In some Member States social transfer payments by the State are subject to personal income taxation. That way part of what is paid by the State is immediately refunded to the budget (but

not necessarily at the same level) in the form of taxes. In many cases, however (*e.g.* for social assistance), these taxes raised on social transfers are not so much real taxes but rather a special way of calculating a certain net transfer. Where such taxes could be identified they have been separated from other taxes and social contributions.

- Pension arrangements and their tax treatment vary considerably between, and in some cases within, Member States. Where there is up-front tax relief for contributions to funded pensions this often tends to be given as an exemption from tax on labour income and estimates are not easy to make. The tax revenue collected on pension benefit payments is usually easier to estimate, but there is a conceptual and practical issue over whether to regard it as capital income (because pensions can be privately funded), deferred labour income (because they are actually taxed in this way) or a social transfer payment (because they are classified as such in national accounts or because they are guaranteed by the state). For state (first pillar) pensions, the solution is to treat them in the same way as social transfer payments but for occupational (second-pillar) and private (third pillar) pensions the issue is more difficult, because they are generally privately funded and the benefits are not guaranteed by the state. In this report, the compromise solution classifies income tax on occupational pensions under the labour - non-employed category and does not include them in capital income. An important reason for doing this is that both state and occupational pension benefits are often treated as (deferred) labour income in the income tax, as they are directly linked to employment or the exercise of a profession. Another important argument is that occupational pension benefits are scored as (privately funded) social benefits in national accounts<sup>3</sup>. In the United Kingdom, however, occupational pensions and also private pensions are allocated to capital giving an upward bias to the ITR on capital compared to other Member States.
- Private (third pillar) pensions may be used as a supplement for state or occupational pensions. They have many of the characteristics of occupational pensions, although participation is often not directly related to employment or the exercise of a profession, and is arranged individually by contract directly with a product provider (*e.g.* a life insurance company). It could therefore be argued that the taxes raised on private pension benefits should be allocated to capital income. It should however be noted that the statistical identification of private pension benefits is often more complicated, and the amount of this type of income is so far not very significant in the majority of Member States (notable exceptions in this respect are Denmark, Belgium, the Netherlands and the United Kingdom)<sup>4</sup>.

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<sup>3</sup> In national accounts, social benefits are transfers to households, in cash or in kind, intended to relieve them from the financial burden of a number of risks or needs, made through collectively organised schemes, or outside such schemes by government units.

<sup>4</sup> Unfortunately, in some Member States the taxes raised on different type of pensions could not separately be identified from the income tax statistics. The treatment of taxes raised on pensions is a difficult area, both from a conceptual and practical point of view, which would benefit further work. This work will also need to take account of the review EUROSTAT is doing on how the different national schemes should be classified in the national accounts.

### *Taxes on income of the self-employed*

The question arose whether part of the self-employed income should be treated as a remuneration of labour and whether the related taxes should be included in taxes on labour. The best compromise between economic rationale and data availability was to consider self-employment income as income from capital: self-employed income is genuinely an entrepreneurial income and self-employed take the risk of incurring losses when exercising their activity. Personal income taxes as well as social contributions of self-employed are therefore, allocated to the capital income sub-category for self-employed. This assumption includes the part of self-employment income equivalent to the remuneration of self-employment own labour. For some Member States, this assumption does not reflect the situation of some self-employed, whose economic status or income do not significantly differ from those of wage earners. In Italy, for example, the Central Statistical Office (ISTAT) provides official estimates of the percentages of 'mixed income' that can be attributed to labour and capital; the results of this splitting are given in the description of developments in Italy in part III.

#### *1.1.3. Taxes on capital*

As mentioned above, capital is defined in a broad sense, including physical capital, intangibles and financial investment and savings. Corporations and households both pay taxes on capital. Capital taxes are therefore calculated for the whole private sector, allowing at some stage a split between the two groups of taxpayers. They include taxes on business income in a broad sense: not only taxes on profits but also taxes and levies that could be regarded as a prerequisite for earning profit, like the real estate tax or the motor vehicle tax paid by enterprises. Companies have to pay this kind of taxes out of their annual profits. In their empirical study Desai and Hines (2001) confirmed that these indirect taxes also influence investment decisions of American multinational firms. They also include taxes on capital stocks of households or their transaction (*e.g.* on real estate). As mentioned above, taxes on income from self-employment, including social contributions, are also part of that category. In the preceding edition of the 'Structures', a limited breakdown of capital taxes was introduced, with a distinction between taxes on capital and business income and taxes on capital stock:

- Taxes on *capital and business income* that economic agents earn or receive from domestic resources or from abroad. This includes taxes on income or profits of corporations, taxes on income and social contributions of the self-employed, plus personal income tax raised on capital income of households (rents, dividends and other property income). In practice this is mainly the personal income tax paid on dividend, interest and entrepreneurial activity (part of D51A+D51C1) and corporate income tax (D51B+D51C2) as well as capital gain taxes (D51C).
- Taxes on *capital stock* include wealth tax (D59A), capital taxes (D91) including inheritance tax (D91A), real estate tax (D29A) or taxes on the use of fixed assets (D29B), professional and business licences (D29E), and some taxes on products (from the category D214).

### Box 5 Definition of taxes on capital

*Capital and business income taxes:*

From D51-Taxes on income:

D51A+D51C1	Taxes on individual or household income including holding gains (part paid on capital and self-employed income)
D51B+D51C2	Taxes on the income or profits of corporations including holding gains
D51C3	Other taxes on holding gains
D51D	Taxes on winnings from lottery and gambling
D51E	Other taxes on income n.e.c.

From D611-Actual social contributions

D61131	Compulsory social contributions by self- and non-employed persons (part paid by self-employed)
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*Taxes on stocks (wealth)*

From D214-Taxes on products, except VAT and import taxes:

D214B	Stamp taxes
D214C	Taxes on financial and capital transactions
D214D	Car registration tax

From D29-Other taxes on production

D29A	Taxes on land, buildings or other structures
D29B	Taxes on the use of fixed assets
D29E	Business and professional licences
D29H	Other taxes on production n.e.c.

From D59-Other current taxes

D59A	Current taxes on capital
D59F	Other current taxes n.e.c.
D91	Capital taxes

The split of taxes into three economic functions leads inevitably to simplifications and rather hybrid categories. The exercise is currently complicated by the fact that the new harmonised classification of taxes in ESA95 is not always consistently applied across Member States. Annex B gives a detailed list of taxes for the three economic functions per country. The resulting time series are reported in part C of the country tables and in the summary tables in annex A.

As indicated before, a key methodological problem for classifying tax revenues across the economic functions is that some taxes relate to multiple sources of economic income. This holds most notably for the personal income tax. A method had to be developed to split the personal income tax revenue, using (mostly confidential and/or unpublished) data from national tax administrations. This method is outlined in the next paragraph. But also for other – from a quantitative point of view, less important – taxes, estimates from Member States have been used to distribute their revenue across the economic functions, whenever this was feasible. Only a few examples are highlighted here. The revenue from the French tax on accommodations (so-called 'Taxe d'habitation'), for example, has been distributed among the categories 'consumption' and '(stocks of) capital', using estimates from the national administration. Also, the revenue from the French generalised social contribution and the contribution for the reduction of the debt of social security institutions (commonly abbreviated as 'CSG' and 'CRDS', respectively) has been distributed over the categories 'labour' and 'capital

(income of households)'. Also local business taxes often relate to one or more sources of economic income. The revenue from the Italian Regional tax on Productive Activities ('IRAP'), for example, has been distributed among the categories 'labour' and 'capital (income of corporations)', using revenue data from the public administration. The German local business tax ('Gewerbesteuer'), on the other hand, was fully allocated to the category 'capital income (of corporations)', as the part on business capital stocks is not applied in recent year. The French local business tax ('Taxe professionnelle') has been fully allocated category 'Stocks (wealth) of capital', as it is mostly levied on buildings and real estate, and the French government is reforming the tax with phasing out the payroll component from the tax base.

## 1.2. Split of personal income tax

Apart from the aggregate data in National Accounts, additional data made available by Member States has been used to split recorded tax revenues into more detailed categories. This holds most notably for the recorded personal income tax, which is typically broad-based, and relates to multiple sources of income. A method had to be developed to split the personal income tax revenues according to economic functions. This section generally describes how Member States use tax return data to generate estimates of the split of the personal income tax. In practice, Member States have used a variety of methods to make the best estimates available to them. More details about the methods used in the Member States are given in annex D to this report.

The methods attribute personal income tax to four main taxable income sources:

- Income from employed labour
- Income from self-employed labour
- Income from capital
- Income in the form of social transfers and pension benefits received.

The resulting estimates of the personal income tax revenue that could be attributed to these taxable income sources are used in the numerators for the implicit tax rates on labour and capital (using relevant aggregate economic incomes as denominators) and in the breakdown of taxes across the economic functions (*i.e.* taxes on consumption, labour and capital, as a percentage of GDP).

Under an approach using only aggregate data, total personal income tax raised in respect of labour (capital) income is often estimated as the proportion of aggregate labour (capital) income in the aggregate taxpayer income. Another approach is to estimate a single average effective income tax rate on the basis of aggregate data. The total personal income tax revenue data is divided by the aggregate approximation of labour and capital income in the economy to get the overall effective personal income tax rate, which can subsequently be applied to the labour (capital) income in order to estimate the income tax raised in respect of labour (capital) income<sup>5</sup>. This ignores the fact that

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<sup>5</sup> This approach has been introduced by Mendoza, Razin and Tesar (1994) and was used in internal studies by the Economics and Financial Affairs Departments of both the European Commission and the OECD. See Martinez-Mongay (2000) and Carey and Rabesona (2002) for more details.



effective rates on personal income tax vary across different taxable income components and groups of taxpayers. Even where, say, labour and capital income are pooled together for tax purposes at the individual level, such an approach may be criticised where aggregate labour income is believed to be subject – on average across taxpayers – to a significantly different average effective tax burden than capital income<sup>6</sup>. Relying on micro-level data – that is, confidential tax data at the individual taxpayer level – Member States are able to generate more accurate estimates of personal income tax revenues raised on separate sources of income. Generally, capital income will tend to be concentrated at the right side of the Lorenz curve and therefore, be subject to higher marginal and average tax rates as compared to income from labour. On the other hand, special tax concessions may apply to income from capital, so that the average tax rate for capital income might not be significantly different from that for income from labour. For example, some Member States apply a so-called 'dual' income tax system, in which capital income is usually taxed at a relatively lower (fixed) rate as compared to other earned taxable income. Forcing the latter assumption (of special tax concessions) on the data would however be a shortcoming to the analysis. Also, most Member States tend to tax pension benefits or social benefits more favourably than earned income from labour, either by way of increased tax allowances or tax credits that are age-based, or by partial exemptions from the tax base. Using micro data sets that include separate reported figures at the taxpayer level for the items of income on which the personal income tax is raised, it is possible to account for such effects<sup>7</sup>. Some Member States use micro-simulation models relying on samples from the total taxpayer population to compute the estimates, while others employ exhaustive tax return data-sets (*e.g.* Belgium and Ireland).

Most Member States basically multiply individual income tax payments by proportions of the selected income sources in the total taxpayer's income (Belgium, Denmark, Germany, France, Netherlands, Ireland, Luxemburg, Finland and Sweden). The corresponding estimates obtained at the taxpayer level are consequently aggregated to obtain estimates of the personal income tax raised in respect of the selected sources of income. For example, the total amount of personal income tax raised in respect of labour income,  $PIT(labour)$  say, could be estimated as follows:

$$PIT(labour) = \sum_j (W_j / Y_j) * PIT_j = \sum_j w_j * PIT_j$$

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<sup>6</sup> See also OECD (2000, 2002b), Clark (2002) and De Haan, Sturm, and Volkerink (2002).

<sup>7</sup> In order to illustrate the degree of precision that can be reached with using micro data rather than aggregate tax return data, the Ministries of Finance and Taxation in the Netherlands, Finland, Denmark and Italy have performed additional calculations on the basis of only aggregate tax return data for some years. It actually appeared that the differences for the estimated amounts of income tax raised on income from employed labour were rather small. The reason is that employed labour income is by far the most dominant income source, which means that the overall effective income tax rate (measured on the aggregate taxable income and across all taxpayers) is strongly influenced by the average effective tax rate on labour income. The differences were however significant for the other selected income sources. If only aggregate tax return data would have been used, generally higher fractions would be computed for capital income and income in the form of social transfers and pensions, and generally lower fractions would be computed for income from self-employed labour.

where  $W_j$  measures the labour income of the  $j$ -th taxpayer in a sample of individuals ( $j=1,..,n$ ) and where  $PIT_j$  measures the personal income tax payment of the  $j$ -th taxpayer on his total taxable income  $Y_j$ . The above equation therefore measures the total personal income tax raised on labour income as a weighted average of each individual taxpayer's payment  $PIT$ , with the weights  $w_j = (W_j/Y_j)$  attached to these individual payments reflecting the distribution of total wages and salaries across taxpayers. Some Member States (Spain, Italy and Greece) instead use tax return data that is aggregated at the level of a number of income classes or income tax brackets ( $j=1,..,n$ ), but essentially make the same calculations. The latter approach is likely to capture broadly comparable effects of the differences in tax treatment and the distribution of income sources across different groups of taxpayers.

In most Member States the personal income tax system is comprehensive in the sense that all sub-categories of taxable income are pooled at the individual level, and the result is taxed at ascending statutory tax rates. However, some Member States apply a given statutory rate on a specific income category, as can occur under a 'dual income tax' system. In the Netherlands, Finland and Sweden, for example, capital income is currently taxed at a relatively lower statutory rate as compared to other earned income. In most cases, however, the tax receipts data are used to isolate the amount of tax collected on that particular income category. In the United Kingdom, the personal income tax law actually prioritises the order of different types of income. For example, labour income is treated as the bottom of the taxable income and dividend income is treated as the top slice of taxable income. Unlike the method used in other Member States, the United Kingdom calculations therefore does not assume that the individual taxpayer has the same average effective income tax rate over all income sources (see also above). Instead, income source specific income tax rates are multiplied by the selected income sources at the taxpayer-level.

Some Member States (Austria, Portugal) choose another approach and use tax receipts data from the wage (withholding) tax and (final) income tax statistics and apply a number of adjustments. Wage (withholding) tax is by its very nature designed to approximate the final income tax liability for wage earners as closely as possible, but in some cases there are certain adjustments for income tax assessments, because the wage tax withheld is not correct (*e.g.* because of different jobs or pensions during a single year). As this correction concerns only wage earners, in some cases the net amount of the correction is deducted from the total amount of recorded wage tax and, the amount of personal income tax is adjusted accordingly. Since wage tax can also be levied on social benefits (*e.g.* unemployment benefits, widower's benefits and invalidity benefits) or old-age pensions, the recorded wage tax is adjusted accordingly. The (adjusted) personal income tax is further split between income from self-employed businesses and capital income, either using aggregate proportions or information aggregated at the level of income classes (Austria). The latter approach is also likely to capture broadly comparable effects of the differences in tax treatment and the distribution of income sources across different groups of taxpayers as outlined above.

Box 6 presents a schematic overview of the methods used in the Member States.

**Box 6 Overview of methods to estimate the allocation of the personal income tax**

<b>Countries</b>	<b>Data</b>	<b>Basic method</b>
BE, DK, DE, FR, NL, IE, LU, FI, SE	Data-set of individual taxpayers	Personal income tax payments multiplied by fractions of net taxable income sources (as percentage of the total tax base) at the level of the individual taxpayer
UK <sup>8</sup>	Data-set of individual taxpayers	Income source specific income tax rates multiplied by net taxable income sources at the level of the individual taxpayer
ES, IT, EL	Income class data based on data-set of individual taxpayers	Personal income tax payments multiplied by fractions of net taxable income sources (as percentage of the total tax base) at the level of income classes/tax brackets
AT, PT	Tax receipts data from withholding- and income tax statistics	Approach using aggregate withholding tax and final assessment income tax data with certain adjustments.

Box 7 provides a broad overview of the definition of the main taxable income sources. It is only limited to one calendar year and is purely for illustrative purposes. A complete description would require year-specific definitions. Member States have identified the selected taxable income sources on the basis of the specific structure of their personal income tax system. It is quite clear that some degree of heterogeneity because of specific features of the tax legislation might occur between Member States.

- Income from employed labour is broadly defined to include wages and salaries, fringe benefits in kind, director's remuneration and foreign source earned income. A number of Member States also tax benefits from financial participation schemes as labour income, or the deemed income from the private use of company cars.
- Self-employment income includes income from unincorporated businesses such as profits from agriculture or forestry, profits from trade or business and/or the proceeds from independent professional services. Some Member States also choose to include taxable dividend distributions from self-employed businesses or closely held companies in this category.

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<sup>8</sup> It should be noted that total tax liability that results from the micro data, grossed up to the total taxpayer population for sampling, does not always exactly correspond to the macro tax receipts data, because some components of the income tax are not modelled, or because certain tax repayments are made. The United Kingdom Inland Revenue therefore makes adjustments to the estimates using macro tax receipts data.

- Capital income is broadly defined to include income from movable property (interest, dividends, royalties), immovable property (*e.g.* rents earned on letting a private dwelling) and taxable capital gains. In some Member States realised capital gains are tax exempt, or they are taxed outside the personal income tax system. Some Member States also tax the (deemed) rental value of private owner-occupied housing as capital income, in which case they may also grant tax base deductions for related interest payments.
- Social transfer and pension benefits are broadly defined to include all taxable benefits from social security schemes and State- and occupational old-age pensions. The taxes raised on these benefits have been allocated to the category labour non-employed in the tables, where they could be separately identified (see the previous paragraph for more explanations).

**Box 7 Broad definition of the selected income sources**

Income source	Type of taxable income components included
Employed labour	Wages and salaries Benefits in kind Directors' remuneration Foreign source earned income Other ( <i>e.g.</i> stock options, company car)
Self-employed labour	Income from unincorporated businesses Other ( <i>e.g.</i> dividend distributions from closely-held companies)
Capital	Income from movable property ( <i>e.g.</i> dividends, interest, <i>etc</i> ) Income from immovable property (rents, <i>etc</i> ) Realised capital gains Other ( <i>e.g.</i> rental value owner-occupied housing)
Transfers and pensions	Social benefits State pension benefits Occupational pension benefits

It should furthermore be noted that the income sources are as much as possible measured net of tax base deductions or allowances that are exclusively earned on these income sources (*e.g.* allowance for savings, expenses incurred in maintaining labour income). In some Member States, tax concessions or tax breaks earned on income from capital can be quite substantial, for example, with the result that the estimated fraction for personal income tax raised on capital income is rather low, and in some cases even negative (*e.g.* in the Netherlands and in Denmark). Some Member States also directly incorporate the revenue effects of income-specific tax credits (*e.g.* an additional tax credit that is earned exclusively on income from labour). Revenue effects of general tax base deductions and credits, on the other hand, are proportionately allocated across all income sources.

Splitting income tax between capital and labour is difficult both conceptually, and in practice, due to data problems and differences between tax systems in Member states. The main difficulties arise because certain income tax receipts, and certain tax breaks, are given at source, whilst others are collected within the individual taxpayer's tax return. This typically is the case with certain components of capital income: interest, dividends or pensions. There are further conceptual and practical issues with pensions and the self-employed to which there are no easy answers.

Member States used the best methods available to them to generate the estimates. All in all, it is believed that the described methods generally lead to careful estimates of the allocation of the personal income tax revenue across the four main taxable income sources. Sources of inconsistency may still arise, however, due to certain data set limitations. In some Member States, for example, tax return data are only available at income class level rather than at the taxpayer level. Also, in some Member States not all the taxable benefits from social security or old-age pension schemes could be separately identified from the tax return data. Some Member States could not incorporate the revenue effects of tax base deductions or tax credits that are specifically earned on the main income sources. Looking at the resulting estimates for the split of the personal income tax (see annex D for more details), there is indeed some heterogeneity between Member States that is most noticeable for the amount of personal income tax allocated to capital and social transfers and pensions. Inevitably this may have had some consequences for the accuracy and comparability of the estimates of the implicit tax rates on labour and capital. Sources of inconsistency may also arise in Member States where there is a joint assessment of the taxable income of the household (*e.g.* in France). For example, the principal earner of the household may earn labour income whereas the spouse is actually a social benefit recipient with a relatively lower income. In these cases, however, the same effective tax rate was applied to the taxpayers jointly assessed.

Some Member States were not able to provide a full time-series coverage for all calendar years. In these cases, a trend has been assumed using simple linear interpolations, or the fractions were assumed to remain constant. In reality changes in the fractions would reflect changes either in the distribution of income or in the tax parameters. Applying linear interpolation seems a valid method only in the absence of major tax reforms. Apart from certain simplifying assumptions and estimates of the share of personal income tax limited to specific years this new treatment of the personal income tax is a major improvement to the methodology of the publication 'Structures' introduced for the first time in edition 2003. Some tests proved that it mainly corrects the bias in the estimation of the tax burden on non-wage income sources using only aggregate data (in particular for social transfers and pensions and self-employment income).

### 1.3. Implicit tax rates

Tax revenue data in relation to GDP is a macro backward-looking tax burden indicator that is often used in the literature. Also in this publication, taxes that are raised on economic functions are shown as percentage of total GDP in the economy. But the level of GDP does not specifically relate to these economic functions, and considering only taxes in % of GDP is limited since it does not give any information on whether for instance, a high share of capital taxes comes from high tax rates or a large tax base in the economy. Therefore so-called 'implicit tax rates' (ITRs) are also presented.

They measure the actual or effective average tax burden directly or indirectly levied on different types of economic income or activities that could potentially be taxed by Member States. The implicit tax rates give some further insights but their economic interpretation is still not straightforward. In particular they do not measure the final incidence of taxes that can be shifted from one activity to another through various effects that could be analysed in a general equilibrium framework. National accounts provide a consistent framework to compare economic functions and to match income and tax revenue data. This is in fact the only framework, which enables to assess the relative tax burden generated by various taxes in a country. Most of the other calculations on effective tax rates only provide information on a given tax but do not allow comparisons of the tax burden implied by different taxes. Developments over time enable to identify shifts between the taxation of different economic functions *e.g.* from capital to labour.

One of the advantages of these indicators is the comparability due to the improved consistency and harmonised computation of ESA95 national accounts data. This can only be exploited by using the same denominator for all countries not accounting for country specific peculiarities in national tax legislation. For capital, an average tax rate is estimated by dividing all taxes on capital by a broad approximation of the total capital and business income both for households and corporations. For labour, an average tax rate is estimated by dividing direct and indirect taxes on labour paid by employers and employees by the total compensation of employees. The attractiveness of the approach lies in the fact that all elements of taxation are implicitly taken into account, such as the combined effects of statutory rates, tax deductions and tax credits. They include also the effects of the composition of income, or the distribution of companies. Further, effects of tax planning, as well as the tax relief available (*e.g.* tax bases which are exempted below a certain threshold, non-deductible interest expenses), are also taken implicitly into account. The advantage of the ITRs in capturing a wide set of influences on taxation is accompanied by difficulties in interpreting the trends when a complete and precise separation of the different forces of influence is not possible<sup>1</sup>. In addition, any timing differences that arise because of lags in tax payments and business cycle effects may give rise to significant volatility in these measures. It is therefore sometimes not straightforward to explain trends in these measures. But this does not mean they are meaningless: they are a reduced model of all variables influencing taxation, tax rates and bases.

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<sup>1</sup> OECD (2000); OECD (2002b).

1.3.1. *Implicit tax rate on consumption*

The implicit tax rate on consumption is defined as all consumption taxes divided by the final consumption expenditure of private households on the economic territory (domestic concept).

**Box 8 Definition of the implicit tax rate on consumption**

Ratio	Definition
Implicit tax rate on consumption (ESA95)	Taxes on consumption / (P31_S14dom)
<i>Numerator:</i> see Box 3	
<i>Denominator:</i> P31_S14dom: Final consumption expenditure of households on the economic territory (domestic concept).	

In the edition 2003 of this publication the denominator of the ITR on consumption was simplified: before, in addition to consumption of households on the economic territory, government consumption net of government salaries was included<sup>1</sup>. The computation of 'government consumption minus wages and salaries' was only a rough approximation of the intermediate consumption of the government<sup>2</sup>. Some of the 'consumption taxes' are levied on these government purchases.

The importance of intermediate government consumption for the implicit tax rate can be estimated for VAT. Table II-1.1 indicates the share of taxable intermediate consumption of the government and non profit-institutions in the total taxable VAT-base. For 2000 this lies between 4% and 19% in different Member States. But there are also other final demand components contributing to a similar extent to the VAT-base. From the viewpoint of VAT, which is only one part of consumption taxes included in the ITR, other corrections to the denominator would be justified. On the other hand there is a clear indication that private consumption of households is by far the most important component of the tax base. This is a good reason to keep an overall implicit tax rate on consumption simple and include only final domestic consumption of households in the denominator. The implication is an overestimation of the tax burden levied on private consumers.

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<sup>1</sup> In this respect, the previous edition followed the formula proposed by Mendoza, Razin and Tesar (1994).

<sup>2</sup> A solution would be to include directly national accounts figures of intermediate consumption of the government in the denominator, now available in ESA95.

**Table II-1.1 Share of different categories of internal demand in the total taxable VAT-base**  
2000 - in %

Member States	Final consumption of households	Intermediate consumption of private non-profit institutions and general government	Intermediate consumption of other sectors	Gross fixed capital formation of private non-profit institutions and general government	Gross fixed capital formation of other sectors	Others
Belgium	71	5	9	3	10	2
Denmark	59	12	13	3	13	0
Germany	61	9	11	3	16	0
Greece	67	7	0	6	19	0
Spain	73	5	6	4	9	2
France	64	8	11	5	12	1
Ireland	60	5	9	6	17	3
Italy	74	5	12	2	7	0
Luxembourg	64	4	19	6	7	0
Netherlands	63	6	12	17 <sup>(1)</sup>		2
Austria	72	8	6	12 <sup>(1)</sup>		2
Portugal	68	9	12	7	4	0
Finland	64	14	11	5	4	2
Sweden	60	19	12	4	5	0
United-Kingdom	68	9	15	2	6	1
<i>Mean</i>	<i>66</i>	<i>8</i>	<i>11</i>	<i>4</i>	<i>10</i>	<i>1</i>
<i>Coefficient of variation</i>	<i>7</i>	<i>47</i>	<i>41</i>	<i>58</i>	<i>48</i>	<i>104</i>
<i>Min/Max</i>	<i>60/74</i>	<i>4/19</i>	<i>0/19</i>	<i>0/7</i>	<i>4/19</i>	<i>0/3</i>

1) No split between GFCF of government and GFCF of other sectors is available in our database. Therefore, descriptive statistics are computed without Netherlands and Austria.

Source: Commission Services

This holds not only for VAT. Excises are another major category of 'consumer' taxes, which are also paid by companies. One could argue that companies would increase their prices, which would result in higher tax burdens on consumers at the end. This kind of thinking is normally subject to a secondary or final incidence analysis of the tax burden and not subject to the construction of effective tax rates since in general it disregards any shifting of taxes. To gain an accurate measurement of the tax burden for consumers it would be beneficial to split the revenues from the taxes and charges that are paid by consumers, the government and enterprises. This approach has already been achieved for taxes or duties on motor vehicles, where only payments by households are included in our tax ratio. Splitting taxes between households and companies for all excises and other 'consumer' taxes is not straightforward. For the time being, the inclusion of all taxes potentially levied on private consumption in the tax ratio leads to a simple and comparable indicator on the tax burden on consumers in different Member States, in spite of an overestimation bias. A way forward seems to be the split of ITR on consumption by type of taxes (VAT, excises, others). This might be an area for investigation in future editions.



### 1.3.2. *Implicit tax rate on labour*

The implicit tax rate on employed labour is defined as all direct and indirect taxes and employees' and employers' social contributions levied on employed labour income divided by the total compensation of employees working in the economic territory.

Here, direct taxes are defined as the revenue from personal income tax that can be allocated to labour income. Indirect taxes on labour income, currently applied in some Member States, are taxes such as payroll taxes paid by the employer. The compensation of employees is defined as total remuneration, in cash or in kind, payable by an employer to an employee in return for work done. It consists of gross wages (in cash or in kind) and thus also the amount paid as social insurance contributions and wage withholding tax. In addition, employers' contributions to social security (including imputed social contributions) as well as to private pensions and related schemes are included. Compensation of employees is thus a broad measure of the gross economic income from employment before any charges are withheld.

#### **Box 9 Definition of the implicit tax rate on labour**

Ratio	Definition
Implicit tax rate on employed labour (ESA95)	Direct taxes, indirect taxes and compulsory actual social contributions paid by employers and employees, on employed labour income/ (D1 + D29C)
<i>Numerator:</i> see Box 4 – Employed labour	
<i>Denominator:</i>	
D1	Compensation of employees
D29C	Wage bill and payroll taxes

The fundamental methodological problem in calculating the implicit tax rate on labour and capital is that the personal income tax is typically broad-based and relates to multiple sources of income (*i.e.* employed labour, self-employed labour, income from capital and income in the form of social benefits and pensions received). Part II 1.2 explains the calculations for estimating the part of the revenue from personal income tax that can be attributed to labour income and other income sources.

The resulting implicit tax rate on labour should be seen as a summary measure that approximates an average effective tax burden on labour income in the economy. It must be recognised that the tax ratio may hide important variation in effective tax rates across different household types or at different wage levels. In some countries, for example, the recent tax reforms may have clearly more pronounced effects on low-paid, low-qualified workers or families with children.

### 1.3.3. *Implicit tax rates on capital*

Of the various implicit tax rates, the ITRs on capital are by far the most complex and it is important that they are interpreted very carefully. As indicated below, the ITR on capital is broadly based and trends in it can therefore reflect a very wide range of factors. Two implicit tax rates on capital for the

whole private sector are computed, including companies and households. The implicit tax rate on capital and business income is defined as all taxes levied on income earned from the economic activities of private sector investment and saving (see Box 5 in paragraph 1.1) divided by a measure of potentially taxable capital income in the economy within national accounts. The broader implicit tax rate on capital includes also taxes that are related to stocks of wealth stemming from investments and savings in previous periods as well as taxes on transactions of these stocks<sup>3</sup>. In addition, in this edition a split of the ITR on capital and business income between households and corporations is presented for the first time.

The definition of the ITR denominators is fully exploiting the sector accounts of ESA95. It aims to approximate the world-wide capital income of its residents for domestic tax purposes. This does not mean that on the side of companies profits of foreign affiliates are consolidated within the (domestic) parent company. National accounts disregard the foreign ownership of subsidiaries located on the economic territory when the generation of profits is recorded. They are simply treated as domestic companies.<sup>4</sup> However, the base of the ITR does not measure the actual base of tax legislation, which drives tax revenues. So in practice it is not easy to link developments in the overall ITR on capital and business income to the various statutory tax rates and other policy changes.

Capital and business income according to national accounts is defined as profits and property income. Profits are defined as net operating surplus (B2n) of the private sector including corporations (and quasi-corporations), private households, and non-profit institutions and mixed income (B3n) of the self-employed. The net operating surplus of the government sector is excluded, because losses or profits of the government are not subject to taxation. The gross operating surplus of the private sector also includes the net operating surplus of financial institutions including interest based profits measured by the aggregate Financial Intermediation Service (FISIM) in national accounts<sup>5</sup>.

There is no simple way of approximating the tax base for property income (mainly interest and dividends) for the whole private sector. Compared to the 'Structures' based on ESA79 data, we switched from net interest payments of the government to a specifically defined balance of property

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<sup>3</sup> For these taxes the underlying tax base is not available in national accounts for the time being. ESA95 foresees an integrated reporting of balances of stocks and their variations, but up to now the data is not available for most of the Member States.

<sup>4</sup> The profits of foreign affiliates are recorded in the distribution of income as 'reinvested earnings on foreign direct investment' (D43) between the parent and subsidiary company. The flow D43 paid in national accounts means that subsidiaries in the host country have retained profits and this is attributed to the parents abroad in national accounts. The flow D43 received consists of retained profits of subsidiaries abroad attributed to the parents companies in the investigated country. Both flows can have a negative sign in the case of losses of the subsidiaries. The solution for the ITR tax base is not taking reinvested earnings on foreign direct investments into account. On the one hand the profit (or loss) of a parent earned abroad is not counted. On the other hand the retained profits (or losses) of foreign subsidiaries in the home country is not deducted from the ITR tax base.

<sup>5</sup> This aggregate nets off when the profit of the whole economy is considered. This is another reason for limiting the tax base to the private sector.

income of the private sector (received minus paid). The objective for the definition of this balance was to approximate the potentially taxable profit of a company and the taxable capital income of private households.

Taxable profits of companies consist of net operating profit and property income received (financial income) less certain deductible elements of property income paid. The property income deductible from the tax base includes interest (D41), property income attributed to insurance policy holders (D44) and rents on land (D45). Dividends (part of distributed income of corporations - D42) are part of the financial income but they cannot be deducted to calculate the taxable base in national tax legislation<sup>6</sup>. For private households, the taxable capital income consists almost completely of interest and dividend payments received and of property income attributed to policy holders received from insurance companies and pension funds.

The balance of D44 received minus paid usually nets off for the whole private sector. The definition takes into account the received property income from abroad and improves the measurement of profits from banks and insurance companies. However, for the ITR on capital several sources of bias compared to taxable profits remain:

- Since the calculation of depreciation of fixed capital in national accounts uses prices of the current period, it differs a lot from methods used in profits and loss accounts. Additionally, the calculation of consumption of fixed capital is not comparable across countries. This could lead to additional biases in measuring the effective tax burden on capital.
- Capital gains are not part of profits in national accounts because they are not related to the production process. This important part of taxable profits of (financial) companies is disregarded in calculating the denominator and leads to an overestimation of the ITR on capital and business income as far as capital gains are taxed. The same is true as regards the capital gains of private households, which are often taxed under the personal income tax. All this is likely to affect international comparability, as some countries have a greater share of financial company profits including gains.
- Central banks are part of the financial corporations sector in national accounts. The inclusion of their (non-taxable) profits in the denominator leads to an underestimation of the ITR on capital and business income.
- For taxable third-pillar private pension benefits, treated as income from capital in the split of the personal income tax (PIT), no corresponding income flow is recorded in national accounts. Ignoring these benefits in the potentially taxable capital and business income in the denominator leads to an overestimation of the ITR.
- In the Eurostat data of national accounts for the EU Member States, interest payments by private households and self-employed are not available separately. Taking the total net interest as part of the denominator accounts for tax deductible interest payments of self-employed but leads to an

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<sup>6</sup> The ITRs for the whole private sector avoids a double counting of dividends that are distributed by domestic companies out of their operating profits by deducting dividends paid to domestic private households or other domestic companies are from the capital ITR tax base. For more details on this issue see European Commission (2004b).

overestimation of the ITR on capital because interest payments for mortgage and consumer loans are not tax-deductible in most Member States.

- Unlike net operating surplus, taxable profits and tax revenues are reduced by losses carried forward, causing a cyclical mismatch with the base and cyclical fluctuation in the ITR, which sometimes makes the trend difficult to interpret. This may also distort international comparisons. In addition, the difference in the measurement of imputed rents on owner-occupied dwellings between national accounts and tax legislation is another source of bias.

**Box 10 Definition of the implicit tax rate on capital (income)**

Implicit tax rate on capital (income)	$\frac{\text{Capital (income) taxes/}}{B2n\_S11-12 + B2n\_S14-15 + B3n\_S14 + D41\_S11-12rec - D41\_S11-12pay + D44\_S11-12rec - D44\_S11-12pay + D45\_S11-12rec - D45\_S11-12pay + D42\_S11-12rec - D42\_S11-12pay + D42\_S13rec + D42\_S2rec + D41\_S14-15rec - D41\_S14-15pay + D45\_S14-15rec - D45\_S14-15pay + D42\_S14-15rec + D44\_S14-15rec}$
<i>Numerator:</i>	see Box 3 - taxes on capital
<i>Denominator:</i>	
B2n_S11-12	Net operating surplus of non-financial and financial corporations (incl. quasi-corporations)
B2n_S14-15	Imputed rents of private households and net operating surplus of non-profit institutions
B3n_S14	Net mixed income of self-employed
D41_S11-12rec	Interest received by non-financial and financial corporations
D41_S11-12pay	Interest paid by non-financial and financial corporations
D44_S11-12rec	Insurance property income attributed to policy holders received by non-financial and financial corporations
D44_S11-12pay	Insurance property income attributed to policy holders paid by non-financial and financial corporations
D45_S11-12rec	Rents on land received by non-financial and financial corporations
D45_S11-12pay	Rents on land paid by non-financial and financial corporations
D42_S11-12rec	Dividends received by non-financial and financial corporations
D42_S11-12pay	Dividends paid by non-financial and financial corporations
D42_S13rec	Dividends received by general government
D42_S2rec	Dividends received by rest of the world
D41_S14-S15rec	Interest received by households, self employed and non-profit organisations
D41_S14-S15pay	Interest paid by households, self employed and non-profit organisations
D45_S14-S15rec	Rents on land received by households, self employed and non-profit organisations
D45_S14-S15pay	Rents on land paid by households, self employed and non-profit organisations
D42_S14-15rec	Dividends received by private households, self-employed and non-profit organisations
D44_S14-15rec	Insurance property income attributed to policy holders received by private households, self-employed and non-profit organisations

The overall ITR on capital and business income for corporations and households is influenced through various channels. Therefore, developments of this indicator are sometimes difficult to explain. Although difficulties of interpretation stemming from the backward looking character of the data remain, the reading of separate ITRs for the corporations sector and household sector is easier: The numerator of the overall ITR can be split using the allocation of taxes to the category 'income

corporations', '(capital) income households' and 'income self-employed'<sup>7</sup>. In most countries, tax revenues raised on corporate income equal the aggregate D51B+D51C2 'Taxes on the income or profits of corporations including holding gains' (Box 11), although in some countries like Germany, Italy and Austria revenues from local or regional business taxes are added. In general, the other tax categories of the overall ITR numerator are allocated to the household sector (Box 12).

**Box 11 Definition of the implicit tax rate on corporate income**

Implicit Tax Rate on corporate income	Taxes on corporate income/ B2n_S11-12 + D41_S11-12rec - D41_S11-12pay + D45_S11-12rec - D45_S11-12pay + D42_S11-12rec - D42_S11-12pay + D42rec. by S13 + D42rec. by S2 + D42rec. by S14-15 + D44_S11-12rec – D44_S11-12pay
Numerator: D51B+D51C2      Taxes on the income or profits of corporations including holding gains	
Denominator: B2n_S11-12      Net operating surplus of non-financial and financial corporations (incl. quasi-corporations)	
D41_S11-12rec	Interest received by non-financial and financial corporations
D41_S11-12pay	Interest paid by non-financial and financial corporations
D45_S11-12rec	Rents on land received by non-financial and financial corporations
D45_S11-12pay	Rents on land paid by non-financial and financial corporations
D42_S11-12rec	Dividends received by non-financial and financial corporations
D42_S11-12pay	Dividends paid by non-financial and financial corporations
D42_S13rec	Dividends received by general government
D42_S2rec	Dividends received by rest of the world
D42_S14-15rec	Dividends received by households, self-employed and non-profit institutions
D44_S11-12rec	Insurance property income attributed to policy holders received by non-financial and financial corporations
D44_S11-12pay	Insurance property income attributed to policy holders paid by non-financial and financial corporations

When splitting the ITR on capital income for (non-financial and financial) corporations and households, the flows of property income between these two sectors are of particular importance. A clear split can be made for the national accounts categories interest payments (D41) and rents (D45).

In principle, dividends are part of the taxable financial income of a company. They are subject to double taxation because corporate taxes have been levied on the profit at the level of the distributing company. In order to limit or offset the double taxation at the level of the shareholder (corporation

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<sup>7</sup> Annex B shows for each Member State a detailed classification of taxes to the different categories.

or individual) Member States apply different taxation schemes. However, most countries do not offset fully the double taxation.<sup>8</sup> If the dividends received are part of the potentially taxable base, the ITR on corporate income will be lower in those countries which give greater relief for the double taxation of dividends compared to a country that fully applies the classical system.

**Box 12 Definition of the implicit tax rate on capital and business income of households**

Implicit Tax Rate on capital and business income of households (incl. self-employed)	Taxes on capital and business income of households/ B2n_S14-15 + B3n_S14 + D41_S14-15rec - D41_S14-15pay D45_S14-15rec - D45_S14-15pay D42_S14-15rec + D44_S14-15rec
<u>Numerator:</u>	
D51A+D51C2	Taxes on individual or household income including holding gains (part paid on capital and self-employed income)
D51C	Taxes on holding gains
D51D	Taxes on winnings from lottery and gambling
D51E	Other taxes on income n.e.c.
D61131	Compulsory social contributions by self- and non-employed persons (part paid by self-employed)
<u>Denominator:</u>	
B2n_S14-15	Imputed rents of private households and net operating surplus of non-profit institutions
B3n_S14	Net mixed income of self-employed
D41_S14-S15rec	Interest received by households, self employed and non-profit organisations
D41_S14-S15pay	Interest paid by households, self employed and non-profit organisations
D45_S14-S15rec	Rents on land received by households, self employed and non-profit organisations
D45_S14-S15pay	Rents on land paid by households, self employed and non-profit organisations
D42_S14-15rec	Dividends received by private households, self-employed and non-profit organisations
D44_S14-15rec	Insurance property income attributed to policy holders received by private households, self-employed and non-profit organisations

However, it would be too simple to count only the dividends received by financial and non-financial corporations. Because the net operating surplus out of which dividends are distributed are already part of the denominator the dividends would be partly counted twice. Dividends should not be counted that were distributed from a company belonging to the sector of financial or non-financial corporations. Only dividends received from abroad should be taken into account when constructing the ITR for all corporations.

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<sup>8</sup> For an overview of the schemes that apply for the individual shareholder see European Commission 2003b

Unfortunately the information of dividends distributed from the rest of the world to domestic corporations is not available in the Eurostat database of national accounts. For dividends (and nearly all other flows in national accounts), we only know what a specific sector receives from all other sectors and what it pays to all other sectors. But also with this information the dividends received by corporations from abroad can be approximated: From the total sum of dividends received by corporations (D42rec\_S11-12) we deduct the dividends distributed by domestic corporations (D42pay\_S11-S12) in order to avoid double counting. This deduction is too big. Only the dividends distributed to domestic corporations should be subtracted. Therefore, dividends received by the government (D42rec\_S13), the rest of the world (D42rec\_S2) and households (D42rec\_S14-15) are added to the denominator. This approximation is only fully correct under the assumption that the government and households do not receive dividends directly from abroad but through domestic banks and insurance companies. While this assumption seems reasonable for the government, for households it can be expected that they receive a certain part of dividends from abroad meaning that the dividends included in the denominator are overestimated.

Because of the double taxation of dividends at the company level and at the shareholder level these payments (or the underlying profits) need to be included in both indicators, for corporations and for households. With these definitions the implicit tax rates on capital and business income for households and on corporate income do not sum up to the overall implicit tax rate. For the overall implicit tax rate on business and capital income the dividend payments between the corporation and the household sector need to be consolidated.

But with the 'property income attributed to insurance policy holders (D44)' there exists another income flow for distributing profits from financial corporations to private households.<sup>9</sup> Insurance companies and pension funds collect contributions from their insurance policies or schemes, and after deducting their operating costs they invest them in the capital market or in other assets. From this (financial) investment they receive property income in the form of interest, dividends or rents as well as capital gains through trading stocks, bonds etc. This return on investment constitutes partly the profit of the insurance companies, partly it belongs to the insurance policy holder as laid down in the insurance contract. It is that part attributed to the policy holders (excluding capital gains)<sup>10</sup> that in national accounts is transferred via the D44 mainly to private households in the period when this property income accrued.

In principle, most EU-Member States provide a tax exemption of this income in the hands of the financial institution. Several methods are used. In some cases, the institution is tax-exempt (certain pension funds), in other cases income is exempt or neutralised in the profit-calculation by deducting an insurance technical reserve. However, some Member States levy a withholding/capital yield tax on this income which is not always neutralised on the level of the company.

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<sup>9</sup> For the private sector as a whole, including or excluding D44 (received minus paid) from the tax base has no major empirical impact on the ITR on capital income since the net D44 is close to 0 and represents nearly exclusively a flow from financial corporations to households.

<sup>10</sup> The capital gains are not recorded in the generation and distribution of income accounts. Some information can be found in the revaluation accounts. Up to now we have not tested whether these data could be used for our purposes.



The preliminary split of the ITR on capital income for corporations and households presented in the last edition of the Structures of the taxation systems did not take the flow D44 into account. This means that the return on investment was fully allocated to financial corporations. It was based on the fact that there is no actual flow of income in the period in which insurance companies earn income on behalf of policyholders. In national accounts, income received by insurance companies or pension funds by investing their technical reserves in financial assets or buildings is only 'attributed' to policy insurance holders. It is 're-collected' afterwards through imputed higher insurance contributions. Because these flows are purely imputed within national accounts, no taxes - at this stage - are raised on the level of the insurance policy holder.

However, it seems that the tax exemption of such earnings is the dominant regime for the taxation of pension funds and insurance companies in Europe. It means that D44 paid by financial corporations has to be deducted from the ITR tax base for corporate income. In the countries where capital yield taxes are levied on these earnings and the tax revenues are allocated to corporations, the ITR on corporations would be overestimated.

In turn, D44 is added to the ITR tax base for the capital income of the household sector. In most countries, private households are taxed on the benefits or distributions by pension funds or insurance companies when the payoff period starts. This can be an amount of capital or an annuity. For the definition of an ITR on capital income for households this means that we encounter a problem of periodicity. With the property income earned on behalf of the policy holder period by period, insurance companies build up reserves (liabilities) in order to pay the benefits in later periods. However, D44 could be regarded as proxy for the taxable part of pension benefits and insurance payoffs, which would not include the initial contributions or premiums.

The corporation sector in national accounts also comprises partly unincorporated enterprises, the so-called quasi-corporations. In many countries, these quasi-corporations also have to pay corporate income tax. However, there are some important exceptions. In Germany, a big part of all companies consists of partnerships (mainly 'Personengesellschaften') that are treated as quasi-corporations. Their production and profits etc. are recorded in the corporations sector in national accounts. Because they do not have an independent legal status, their owners are taxed under the PIT scheme. The related tax payments are recorded within the household sector in national accounts<sup>11</sup>. In the 'structures'-classification, they are reported within 'taxes on self-employed'. Actually, this means that tax revenues are booked in a different sector than the underlying business income. Ignoring this booking principle by calculating ITRs on capital income for corporations or households (including self-employed), using the sector information of national accounts without corrections would lead to biased ITRs. Similar problems like in Germany exist in Luxembourg, Austria, Finland and Portugal.

According to information from Statistics Finland, the bias in Finland's ITRs is of minor importance. For Austria and Portugal a correction of the ITR on corporations has been introduced. A fraction of PIT for owners of these quasi-corporations is not available. Therefore, the part of PIT from self-employed that includes the taxation of profits from partnerships is extracted from the ITR on households and allocated to the corporation sector. At the same time, the approximation of the tax base for self-employed is also assigned to the corporation sector, consisting of mixed income.

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<sup>11</sup> PIT revenues are also recorded in the government sector which receives the payments.

For Austria and Portugal the corrected ITR represents the tax burden on all companies including the self-employed. For Germany, where partnerships are an important part of companies, a similar correction could be calculated. However, the German authorities doubted whether this correction leads to results that are fully comparable with other countries.



## 2. DISTRIBUTION OF THE TAX BURDEN ACCORDING TO ECONOMIC FUNCTION

Part 1 examined the distribution of the overall tax burden by major type of taxes and the different levels of government that ultimately receive the tax revenue for the Member states of the enlarged Union. This part traces the evolution of and the reasons behind the changes in the tax burden falling on economic functions (*i.e.* labour, capital and consumption). The scope is limited to the old Member States before Enlargement (EU15) because the allocation of taxes by economic function including the split of the personal income tax revenues is not available until now for the new Member States and Norway. In addition this parts investigates the development of environmental tax revenues and presents a first step towards an indicator for the average effective tax burden on energy consumption.

Graph II-2.1 displays the breakdown of the overall tax burden by economic functions for the year 2002. Taxes levied on labour income (employed or non-employed), mostly withheld at source (*i.e.* personal income tax levied on wages and salaries income plus social contributions), clearly represent the most prominent source of tax revenue in most Member States. What is also evident, furthermore, is that labour taxes appear to be a major determinant behind the level of the overall tax burden; Member States with a relatively high tax-to-GDP ratio also tend to collect a relatively high amount of labour taxes, and conversely (measured in % of GDP). Labour taxes contribute around 50 per cent of total tax receipts in the Union as whole. Taxes on capital are generally less important. They account for approximately 20 per cent of the total tax receipts in the Union as a whole, while consumption taxes account for almost 30 per cent.

The share of labour taxes in the total tax receipts is significantly below the EU average in traditionally low-tax countries such as Ireland and the United Kingdom, and also in Greece, in Portugal and Luxembourg. The share of capital taxes is particularly large in Luxembourg, and it is noticeably small in Denmark, Germany and Sweden<sup>1</sup>. Differences in the shares of consumption taxes between Member States generally are lower than for the other two major economic categories. This can partly be explained by the harmonised VAT-system and by the introduction of minimum rates for important excise duties<sup>2</sup>. Tax receipts from consumption taxes do seem to be particularly important in Greece, Ireland, Portugal and the United Kingdom, where the share of labour taxes is low compared to other Member States.

Taxes raised on capital and business income for the whole private sector are generally more important than taxes on stocks (wealth) of capital, except in France, where the proportions to total capital taxes are broadly equal. The largest shares of taxes raised on stocks (wealth) of capital in total tax receipts are observed for France, Luxembourg and Portugal.

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<sup>1</sup> The revenues from capital taxes in Denmark were particularly small in the years 2000-2002, because in pension funds the non-realised capital gains are taxed. For this reason a capital loss due to a drop in the value of shares had a particularly strong influence on the capital income tax revenue in Denmark. A similar development happened in Sweden in 2001.

<sup>2</sup> However, despite VAT-harmonisation, there are still some differences in normal and reduced VAT rates and the excise duties and also environmental taxes reflected in marked deviations in the implicit tax rates on consumption across Member States.

The category 'labour non-employed' in Graph II-2.1 refers to personal income tax and/or social contributions that are raised on old age pension benefits and social benefits. Denmark, Germany, the Netherlands and also Finland and Sweden tend to raise a substantial amount of taxes on such benefits. In other Member States the amount of tax raised on such benefits is generally lower, or even negligible. However, since the statistical identification of these taxes is rather difficult mostly owing to a lack of specification in the original tax statistics<sup>3</sup>, such taxes could not be presented for all Member States<sup>4</sup>.

More details on the structures of the taxation systems by economic function in the individual Member States (and their relative positions) are given in the country annexes in part III of this publication.

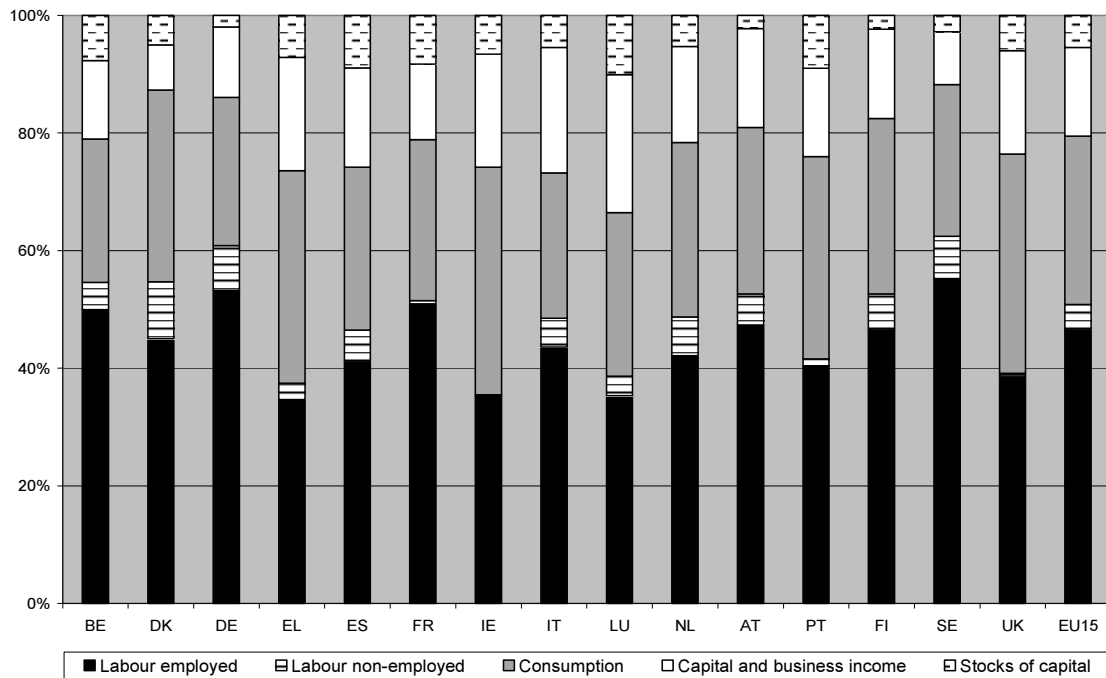
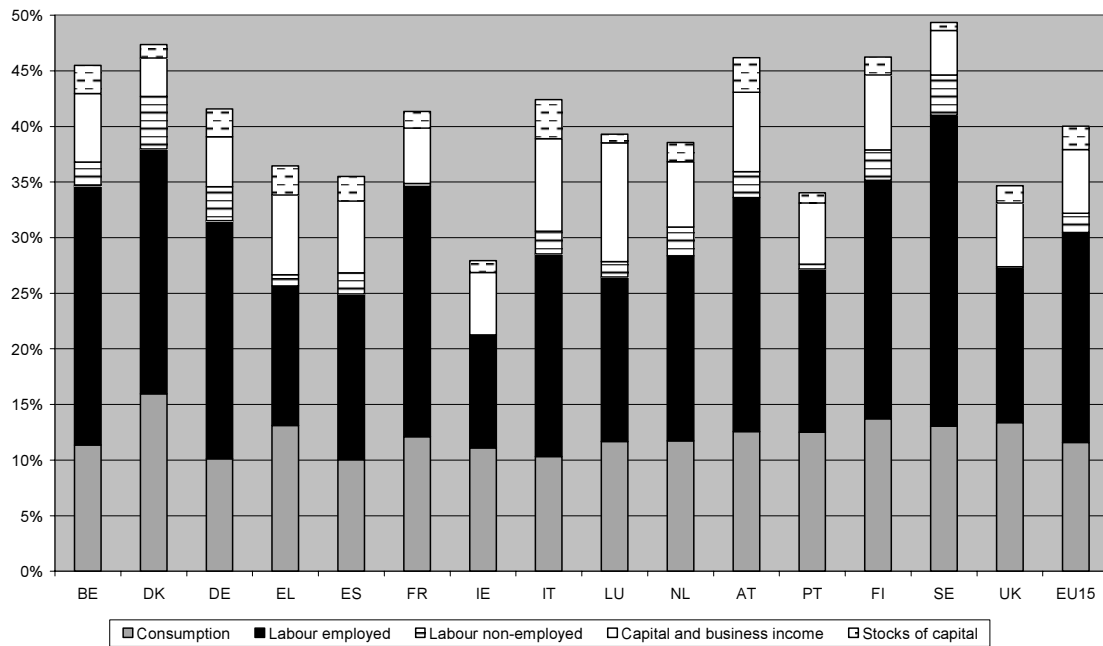
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<sup>3</sup> Like, for instance, for the UK, where taxes paid on pension benefits have been allocated to capital income.

<sup>4</sup> Most of the people that receive social security and/or pension benefits have paid either compulsory- or voluntary contributions to such schemes while being active in the labour market. Also, such benefits are often taxed as (deferred) labour income in the wage withholding tax or personal income tax.

**Graph II-2.1 Distribution of the total tax burden according to economic function**

- Taxes on labour (employed and non-employed), consumption and capital (capital and business income and stocks) in % of GDP, 2002
- Shares of tax revenues raised on labour (employed and non-employed), consumption and capital (capital and business income and stocks) in % of total taxation, 2002

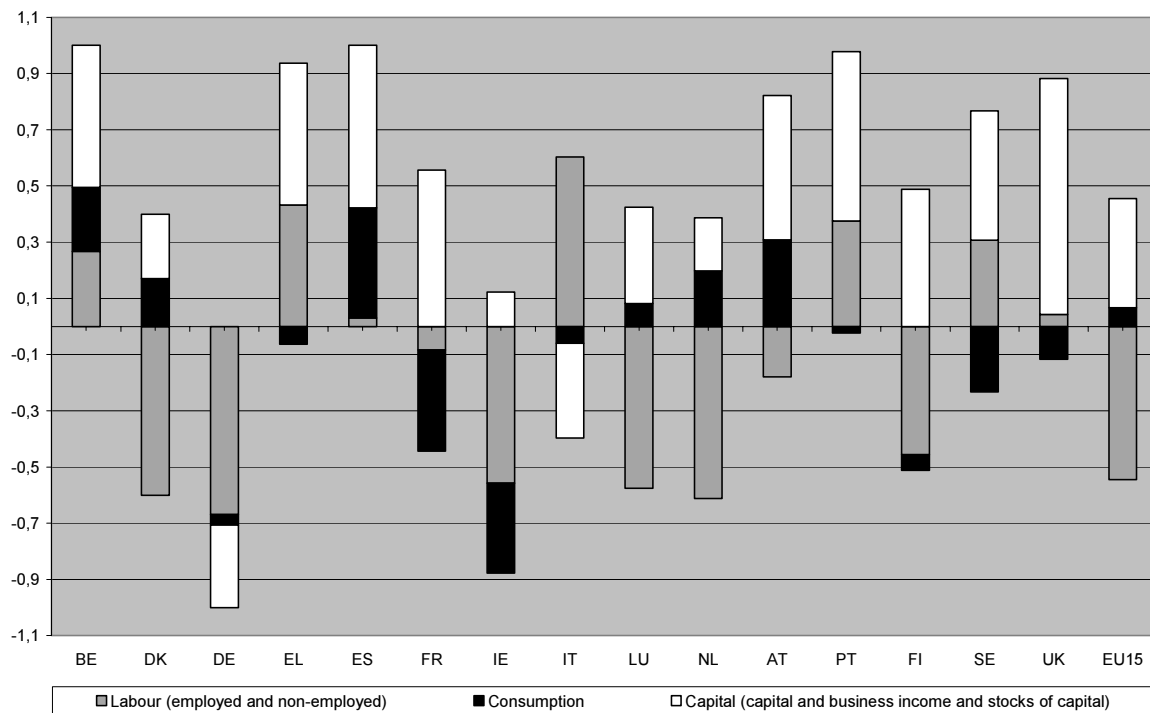


Source: Commission Services

The distribution of the overall tax burden according to economic function has undergone some important changes since the mid-1990s, and the pattern is rather mixed across Member States (see Graph II-2.2). The most striking feature of the past developments has been a – partly cyclical induced – increase in capital taxes as % of GDP until 2000, and a slight decline of labour taxes since the late 1990s. However, the latter developments are not always visible in Graph II-2.2. The stabilisation or decline in labour taxes often occurred after some initial increases in the second half of the 1990s. Also, a decline in measured capital taxation is already discernible in 2001 and 2002 in some Member States.

**Graph II-2.2 Contribution of taxes on labour, capital and consumption (in % of GDP) to the changes in the total tax-to-GDP ratio**

1995-2002, differences in % points of GDP

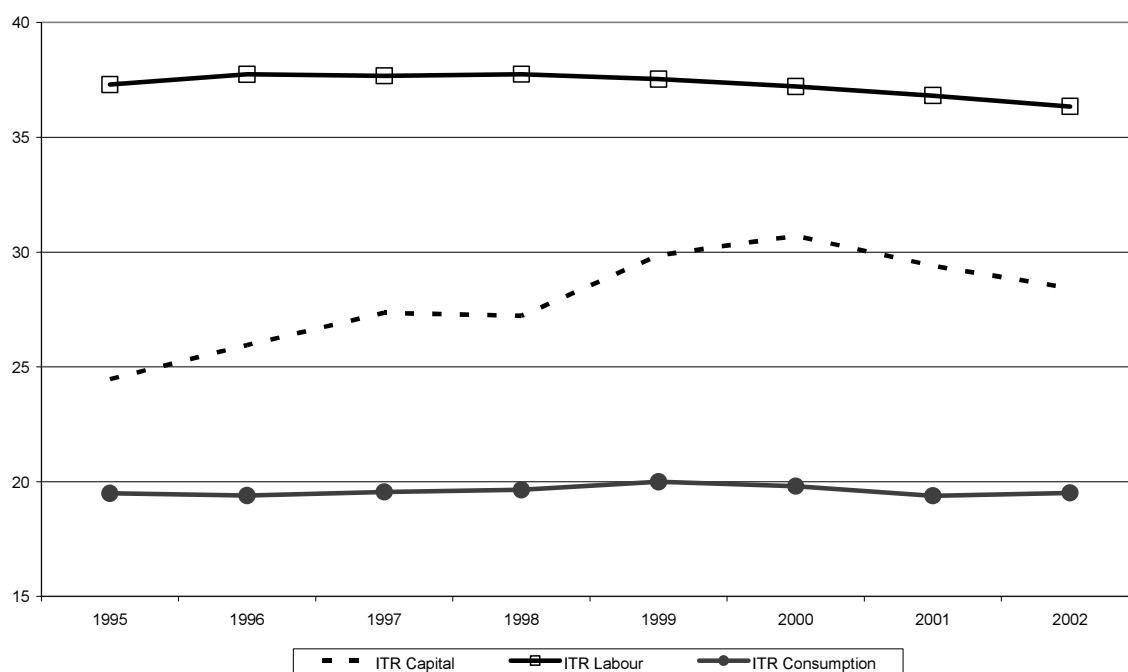


Source: Commission Services

Graph II-2.3 and Graph II-2.4 display the evolution of implicit tax rates (tax revenues expressed as % of the potential tax base computed from national accounts) between 1995 and 2002 in the Union and for the individual Member States, respectively. Previous publications by Commission Services on the 'Structures', based on ESA79 classification, all reported a substantial increase in the implicit tax rate on labour since the beginning of the early 1970s, while the implicit tax rate on consumption has on the whole remained broadly stable. The average effective tax rate on capital (as measured by the so-called implicit tax rate on other production factors) varied sometimes considerably from one year to another. The implicit tax rate on labour has always been higher than the average effective tax burden indicator for capital and consumption, and the difference has increased throughout the period under review<sup>5</sup>.

The implicit tax rates for the period 1995-2002 based on ESA95 data in Graph II-2.3 appear to show some signs of a reversal of this trend. The average tax burden on labour relative to the potential tax base – *i.e.* compensation of employees as computed from national accounts plus payroll taxes - tends to decline slightly from the late 1990s onwards for the first time. Another striking feature of the past developments appears to be the increasing tax burden on capital until the year 2000. The latter trend can partly be attributed to the business cycle. For similar reasons a decrease in the ITR on capital is visible starting 2001. The average implicit tax rate on labour remains with 36.3% in 2002 the highest. Capital is taxed at an overall implicit rate of about 28%, which is on average roughly 9 percentage points lower than the implicit tax rate on labour.

**Graph II-2.3 Development of implicit tax rates for the EU average**  
1995 - 2002, in %

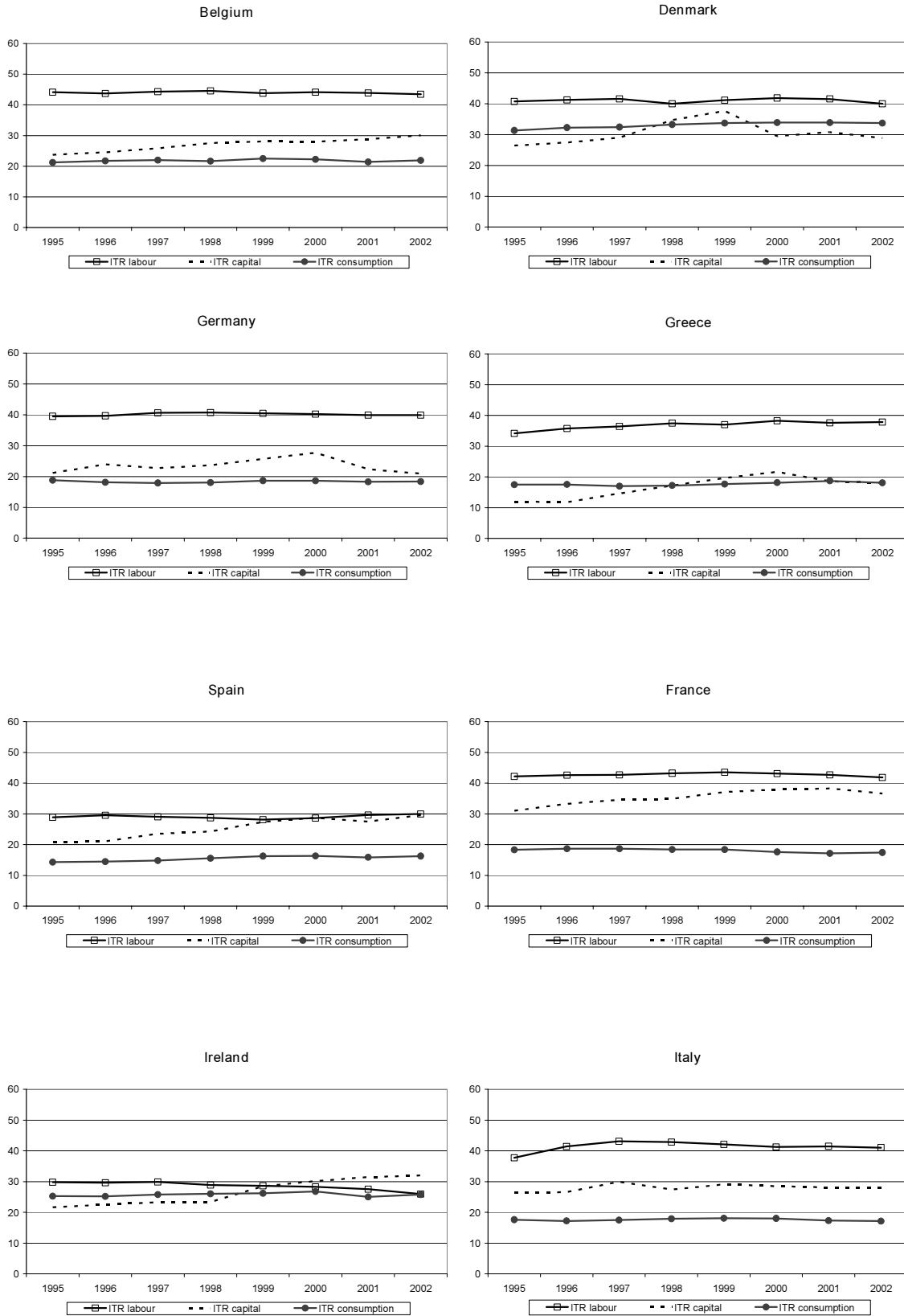


Source: Commission Services

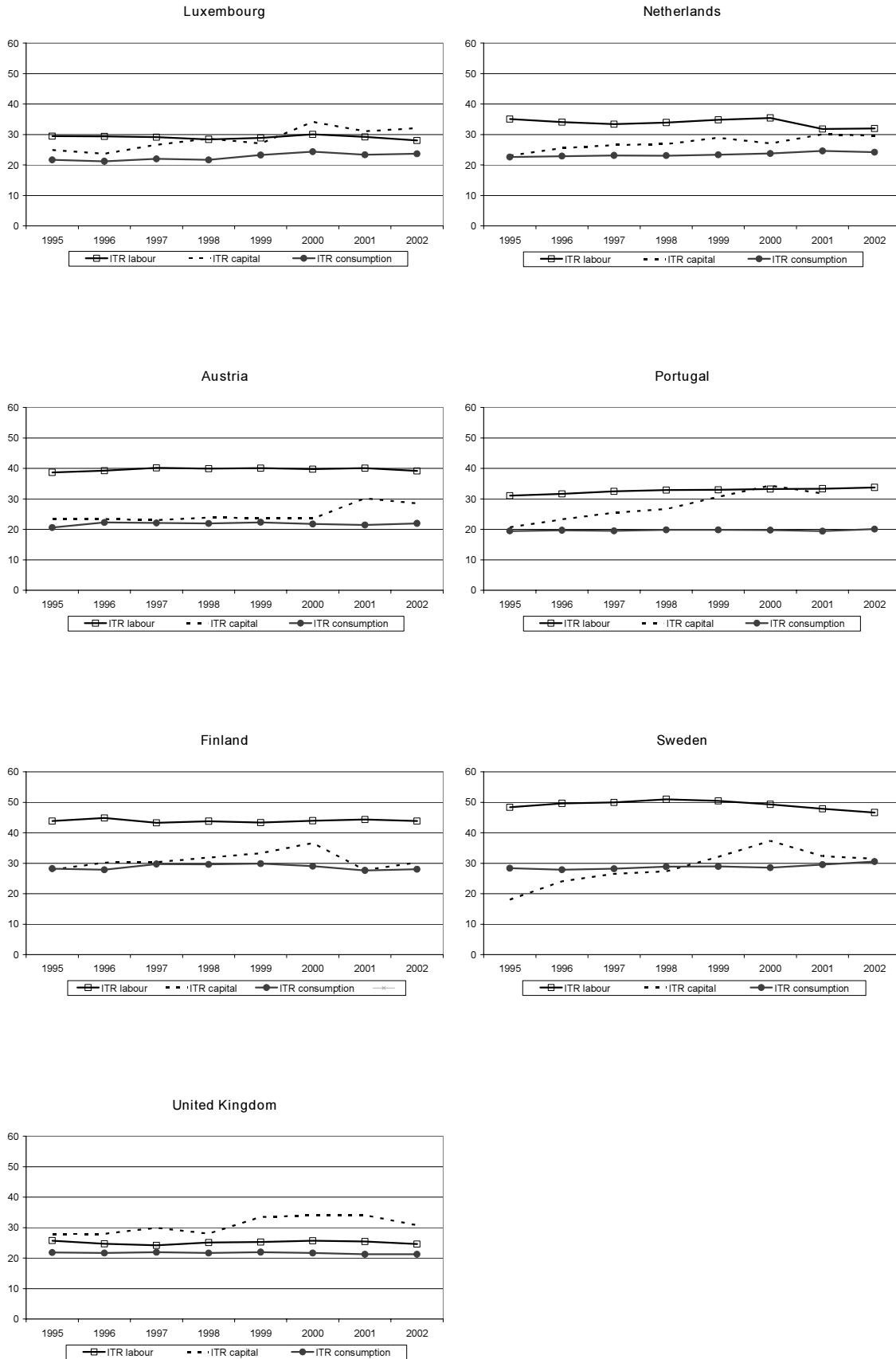
<sup>5</sup> European Commission (2000 a, b).



**Graph II-2.4 Development of implicit tax rates for the Member States**  
1995 - 2002, in %



2 Part II: Taxation according to economic functions 2



Source: Commission Services

### 3. TRENDS IN THE IMPLICIT TAX RATE ON LABOUR

#### 3.1. Stabilising/declining tax burden on labour in recent years

Previous publications by Commission services on the 'Structures of taxation systems in the European Union'<sup>1</sup>, based on ESA79 system of national accounts, reported a common increasing trend in the tax burden on labour income in the EU area since the beginning of the early 1970s (despite some decreases in single years). This general increase, which was quite marked in the 1970s and was still significant in the 1980s and the first half of the 1990s, was closely related to the increasing share of the public sector in the economy, in particular of social welfare spending driven by dependency ratios (especially for pensions, health care and other social benefits). The increase in the first half of the 1990s was associated with increases in social contributions related to the recession at the beginning of the decade. Moreover, increases in the tax burden were related to restrict budget deficits in the running up for the EMU.

Since the late 1990s, a number of EU-15 Member States implemented fiscal measures to lower the tax burden on labour income, in order to boost the demand for labour, and to foster work incentives<sup>2</sup>. Concerns about excessive labour costs prompted initiatives in some Member States to reduce non-wage labour costs (*i.e.* social contributions and other payroll taxes) across-the-board. Other Member States put forward targeted reductions of social contributions on behalf of low-paid and low-qualified workers. These cuts in social contributions have mostly been focused on relieving the fiscal pressure for employers, although some countries have also made substantial cuts to employee social contributions. Reforms of personal income tax codes often consist of lowering statutory tax rates, as well as raising the minimum level of tax exempted income and/or introducing specific tax base deductions and allowances or tax liability credits for workers with relatively low levels of earnings<sup>3</sup>.

It now appears that the general trend towards increasing the implicit tax rate on labour has mostly stabilised or reversed slightly since the mid-1990s for most Member States (Table II-3.1)<sup>4</sup>. Previous ESA79 data displayed a steady increase in the EU average implicit tax rate on labour (weighted by the total compensation of employees in the economy) from less than 30% in 1970 to almost 42% in 1997. New ESA95 data for the period 1995 to 2002, though not fully comparable, now indicate that the EU average implicit tax rate first continued to increase from 37.3% in 1995 to 37.7% in 1996, then stabilized until 1998 and finally started to slightly decrease reaching 36.3% in 2002<sup>5</sup>. However,

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<sup>1</sup> European Commission (2000 a, b).

<sup>2</sup> See also Carone and Salomäki (2001).

<sup>3</sup> See the country annexes for more details.

<sup>4</sup> A markedly slower annual rate of increase in the average effective tax rate on labour is reported for the 1990-2000 period in Carey and Rabesona (2002).

<sup>5</sup> Implicit tax rates computed on the basis of ESA79 data are generally higher than those on the basis of ESA95 data over the same period. This can partly be attributed to improved methods for estimating the allocation of personal income tax across different income sources.

the pattern of the changes is quite diverse across Member States. Notable reductions in the period 1995-2002 are visible in Ireland, the Netherlands, Sweden, Luxemburg and the United Kingdom, while in the period 1998-2002 the hugest reductions can be found in Sweden, Ireland, the Netherlands, Italy and France. In the other Member States the implicit tax rate more or less stabilised. In Spain, Portugal and Greece the implicit tax rate continued to increase. The generally more pronounced decrease in 2002 respect to previous years is probably linked also to the slowdown of the economy.

**Table II-3.1 Implicit tax rates on labour in the Union**

1995-2002, in %

	1995	1996	1997	1998	1999	2000	2001	2002	Diff. 95-02	Diff. 98-02
BE	44,1	43,7	44,3	44,6	43,8	44,2	43,9	43,5	-0,7	-1,1
DK	40,7	41,2	41,5	39,9	41,1	41,8	41,5	39,9	-0,8	0,0
DE	39,5	39,7	40,6	40,7	40,4	40,2	39,9	39,9	0,4	-0,8
EL	34,1	35,7	36,4	37,5	37,0	38,2	37,6	37,8	3,7	0,4
ES	28,9	29,5	29,0	28,7	28,1	28,6	29,6	30,0	1,1	1,2
FR	42,2	42,6	42,7	43,2	43,5	43,1	42,7	41,8	-0,3	-1,4
IE	29,8	29,7	29,9	28,9	28,6	28,3	27,5	25,9	-3,9	-2,9
IT	37,8	41,4	43,1	42,8	42,1	41,3	41,5	41,1	3,3	-1,8
LU	29,5	29,3	29,1	28,4	28,9	30,0	29,2	28,0	-1,5	-0,4
NL	35,1	34,1	33,4	33,9	34,8	35,4	31,8	31,9	-3,1	-2,0
AT	38,7	39,3	40,2	39,9	40,1	39,7	40,0	39,2	0,5	-0,7
PT	31,0	31,6	32,5	32,9	33,0	33,2	33,3	33,7	2,7	0,9
FI	43,9	44,8	43,3	43,8	43,4	44,0	44,4	43,9	0,0	0,1
SE	48,4	49,7	50,0	51,0	50,5	49,3	47,9	46,6	-1,7	-4,4
UK	25,7	24,7	24,2	25,1	25,3	25,7	25,4	24,6	-1,1	-0,5
EU15	37,3	37,7	37,7	37,7	37,5	37,2	36,8	36,3	-0,9	-1,4

Source: Commission Services

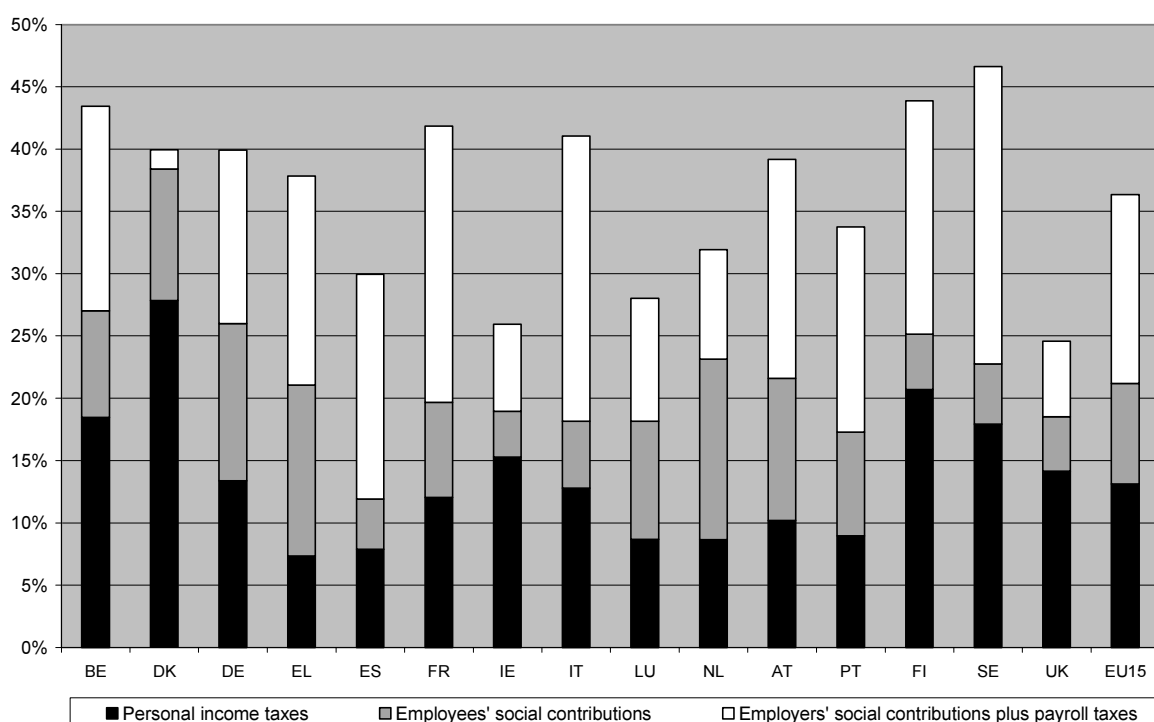
By the year 2002, labour income is estimated to be most heavily taxed in Sweden, despite having the greatest reduction between 1998 and 2002. Also Finland and Belgium have an implicit tax rates well above 40% of the wage bill. Ireland and the United Kingdom, on the other hand, stand out with implicit tax rates well below 30% (Graph II-3.1). For the majority of the countries in the Union, the implicit tax rate on labour largely reflects the important role played by wage-based contributions in financing the social security system<sup>6</sup>. On average, somewhat more than 60% of the overall implicit tax rate on labour consists of non-wage labour costs paid by both employees and employers<sup>7</sup>. Only

<sup>6</sup> It should be noted that the categories 'personal income tax' and 'social contributions' in the graph sometimes consist of multiple tax categories. In the 'Nordic' countries, for example, the recorded amount of personal income tax does not only consist of central government income tax, but also state income tax, or municipality income tax and sometimes also church tax. In France, the generalised social contribution ('CSG') and the contribution for the reduction of the debt of the social security institutions ('CRDS') are partially booked as income tax on labour income. In Austria, the tax on industry and trade and the contribution to chambers are also partially booked as income tax on labour income. In Italy, a new tax called 'IRAP' based on value added was introduced in 1998 at the same time when employers' social contributions were substantially reduced. A part of its revenue has been allocated to labour and employers' social contributions in particular (and also included in the denominator of the tax ratio).

<sup>7</sup> It is worth noting that the effective tax rate on labour in the US was estimated just 24% in 1999, with non-wage labour cost only 12% of the average gross wage. See European Commission (2000a).

in Denmark, Ireland and the United Kingdom do personal income taxes form a relatively large part of the total charges paid on labour income. In Denmark, the share of social contributions in government receipts is relatively low as most welfare spending is financed out of general taxation<sup>8</sup>. The relatively low tax burden on labour in Ireland and the United Kingdom can largely be explained by the relatively low shares of the social contributions in these countries. The overall average rate of personal income taxation (as percentage of total labour costs) seems for example not very different from high tax countries like Sweden, Finland and Belgium. The latter countries have relatively high rates of both personal income tax and social contributions (as percentage of total labour costs).

**Graph II-3.1 Decomposition of the implicit tax rate on labour**  
2002, in %



Source: Commission Services

The average implicit tax rate on labour (EU-15) still remains relatively high by international standards<sup>9</sup>. It should however be noted that the full effects of the recent fiscal reforms could be reflected in the data with a certain delay. Also, a number of Member States are implementing further fiscal measures to improve labour market performance, which will come into effect beyond the year 2002 (see country chapters for details).

<sup>8</sup> Large part of employees' social contribution in Denmark comes from a 8% contribution paid on the basis of employees gross earnings. This revenue in some publications is classified as a social security contribution and in others it is reported as a separate type of personal income tax.

<sup>9</sup> Carey and Rabesona (2002) estimated the EU average effective tax rate on labour reached some 37% in 1999, compared with 25% and 23% for the United States and Japan, respectively. Martinez-Mongay (2000) provides broadly similar differences between the EU and the United States and Japan.

### 3.2. A note on the properties of the implicit tax rate on labour

The implicit tax rate on labour is a macro backward-looking indicator that is mainly derived from aggregate data in national accounts. As such, the tax ratio should be seen as a summary measure that approximates an average effective tax burden on labour income in the economy. It must be recognised that the tax ratio may hide important variation in effective tax rates across different household types or at different wage levels<sup>10</sup>. The decomposition of total tax wedges, for example, may be quite different at relatively low or relatively high wage levels. Also, in some Member States the recent fiscal reforms may have had more pronounced effects on low-paid, low-qualified workers or on families with children. When interpreting the time-series comparisons, it should be borne in mind that the evolution refers to an *ex-post* trend without disentangling cyclical, structural and policy elements. This means that the observed changes may only partially reflect discretionary tax policy measures. In some Member States, for example, strong economic growth may have moved taxpayers into higher personal income tax brackets resulting in higher real tax payments ('bracket creep'), or taxpayers at the top of the pay scale may have witnessed relatively high increases in incomes, and such changes may have induced a cyclical swing in the implicit tax rate on labour that may to some extent offset the (*ex-ante*) expected fall driven by the tax reforms (aimed at reducing the tax burden at the bottom to the middle end of the distribution, say).

In addition, it should again be noted that the figures in the national accounts often do not follow a real accrual principle. According to the ESA95 rules for the national accounts, taxes should normally be recorded when the underlying economic event/transaction takes place rather than when the actual tax payment is made. Personal income tax, for example, is typically levied on incomes accrued one year prior to actual collection. However, ESA95 allows for considerable flexibility in interpreting accrual time of recording, depending on the type of taxes. Most statistical offices in fact use 'time adjusted' cash figures for a few months, which is permitted following amendment of ESA95. This means that the effects of tax reforms may be reflected in the figures with some delay, even when time shifted cash-figures are used.

The following box presents an overview of the main fiscal measures that seem to be (partially) reflected in the pattern of the changes in the implicit tax rates on labour (Graph II-2.4 displays the time trend of the implicit tax rates for the Member States). The country chapters in part III present some more details about the recent tax reforms in the Member States.

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<sup>10</sup> See also Clark (2002).

**Box 13 Overview of main fiscal measures affecting the ITR on labour**

	<b>Personal income tax</b>	<b>Social contributions</b>
BE	<ul style="list-style-type: none"> <li>Indexing of tax brackets abandoned</li> <li>Introduction of 'crisis tax' on top of all statutory rates plus 'solidarity levy' on personal income (1997). Reintroduction of automatic indexing of tax brackets (1999). Phasing out of additional 'crisis tax' (1997-2004).</li> <li>Personal income tax reform of which the main provisions are (a) the lowering the tax burden on earned income including the introduction and subsequent increase of refundable employment tax credit aimed at low paid workers (b) a neutral tax treatment of spouses and singles (c) more favourable treatment of dependent children (d) greening of the tax system (2000-2006).</li> </ul>	<ul style="list-style-type: none"> <li>Lowering of employers' contributions, especially in respect of the low-paid. The scope of the reductions in employers' social contributions was expanded to more social security schemes (1997-2001).</li> <li>Flat rate reductions in employers' contributions for young workers, low skilled workers and workers aged over 45.</li> </ul>
DK	<ul style="list-style-type: none"> <li>Reductions in rate low tax bracket (1996-1999). Increase in rate additional medium tax bracket (1997). Reductions of personal income tax, especially at the bottom- to the middle end (1999-2002).</li> </ul>	<ul style="list-style-type: none"> <li>Increase employees' social contribution rate (1997). Split of the social unemployment contribution into two contributions: one for unemployment insurance and the other is a voluntary contribution for an early retirement scheme. The combined social contribution rate is higher. Introduction of contribution employees for special pension savings scheme (1999).</li> </ul>
DE	<ul style="list-style-type: none"> <li>Across-the-board reductions of personal income tax (1999-2002).</li> <li>Gradual increase of basic tax-free allowance (1998-2004)</li> </ul>	<ul style="list-style-type: none"> <li>Increase in social contribution rates (1997).</li> <li>Reduction of social contributions to the pension system (1999-2002).</li> </ul>
EL	<ul style="list-style-type: none"> <li>Reduction of highest statutory personal income tax rate, indexing of tax brackets plus increase in standard tax allowances (2000-2002).</li> <li>Increase in income tax allowances (2000-2002)</li> </ul>	<ul style="list-style-type: none"> <li>Reductions of employers' and employees' pension contributions in respect of new staff and at the low end of the wage scale (2001-2002).</li> </ul>
ES	<ul style="list-style-type: none"> <li>Across the board reduction of personal income tax rates (1999).</li> <li>Increase in work income allowance for low wages (1999).</li> <li>Increase in basic personal allowances (1999).</li> </ul>	<ul style="list-style-type: none"> <li>Targeted reductions in social contributions (1997-2000).</li> <li>Reduction in unemployment contributions for employers and employees (2001).</li> </ul>

**Box 13 Continued**

FR <sup>1</sup>	<ul style="list-style-type: none"> <li>• Introduction of contribution for refunding of debt of social security institutions ('CRDS') with a broader base than the generalised social contribution ('CSG') (1996).</li> <li>• Gradual reduction of CSG and CRDS (2001-2003).</li> <li>• Reductions of personal income tax, especially at the bottom to the middle end (2001).</li> <li>• Gradual reduction in tax rates and modification of tax-free allowance system targeted especially to low-income earners (2001-2002).</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of employers' contributions in respect of low-paid workers in association with reduction working week (1997-2001).</li> <li>• Reduction of employees' sickness contributions (1998). Reduction of employees' and employers' unemployment contributions (2000-2001).</li> </ul>
IE	<ul style="list-style-type: none"> <li>• Personal income tax rates reductions, especially at the bottom- to the middle end (1997-2001).</li> <li>• Increases in basic tax allowances/credits (1997-2001).</li> <li>• Widening of the rate band (2000).</li> </ul>	<ul style="list-style-type: none"> <li>• Reductions in employers' and employees' PRSI levies (1997-2002).</li> <li>• Reduction in employers' contribution in respect of the low-paid (2001).</li> </ul>
IT <sup>2</sup>	<ul style="list-style-type: none"> <li>• Personal income tax rate of the second bracket down (2000).</li> <li>• Further reductions in tax rates of all the brackets, in particular the middle brackets (2001-2002).</li> <li>• Family allowance supplemented by and additional tax credit depending on the number of dependent children (2002).</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of employers' health care contribution rate. Introduction of new regional tax ('IRAP') based on the value of production net of depreciations (1998). Reductions of employers' social contributions in respect of new jobs and also at the low end of the pay scale (1997-2000).</li> </ul>
LU	<ul style="list-style-type: none"> <li>• Across-the-board reduction in personal income tax rates (1998). Across-the-board reduction in personal income tax rates (2001-2002).</li> <li>• Increase in the minimum level of taxable income (2001).</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in contribution for sickness insurance (2000).</li> </ul>



**Box 13 Continued**

NL	<ul style="list-style-type: none"> <li>• Across-the-board reduction in personal income tax (2001).</li> <li>• Introduction of a tax credit for all employees and self employed (2001-2002), in return, lump sum deductions for labour cost expenses and self-employed were abolished in 2001</li> </ul>	<ul style="list-style-type: none"> <li>• Contribution for disability insurance scheme shifted from the employee to the employer (1998).</li> <li>• Increases in employees' contribution rate for state pensions and medical expenses (1998-2000).</li> <li>• Reductions of wage tax and employers' social contributions in respect of the long-term unemployed, the low-paid and also for training (1996-2001).</li> <li>• Reductions in employees' contribution rate for unemployment insurance (2001).</li> </ul>
PT	<ul style="list-style-type: none"> <li>• General reduction in personal income tax rates (2001).</li> </ul>	<ul style="list-style-type: none"> <li>• Targeted reductions in employers' social contributions (2001).</li> </ul>
AT <sup>3</sup>	<ul style="list-style-type: none"> <li>• Increases in family allowances and children's tax credits (1998-2000).</li> <li>• Reduction of the tax schedule and increase in the general tax credit (2000).</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of employers' contribution rates for health insurance and pay insurance schemes for 'blue collar' workers (2001).</li> </ul>
FI	<ul style="list-style-type: none"> <li>• Reductions in central- and local income tax, especially at the bottom- to the middle end (1995-2002).</li> <li>• Abolition of the lowest income tax bracket in 2001 (in other words, increase in the tax exemption) plus subsequent increase in the tax exemption in 2002.</li> </ul>	<ul style="list-style-type: none"> <li>• Reductions in employees' and employers' contribution rates (1997-2002).</li> </ul>
SE	<ul style="list-style-type: none"> <li>• Reductions in central- and local income tax, especially at the bottom to the middle end (1999-2001).</li> <li>• Increase in threshold for State income tax (2000-2002) and increase in basic allowance (2001-2002)</li> </ul>	<ul style="list-style-type: none"> <li>• Increases in employees' contribution rates (1995-1998).</li> <li>• Reductions in employers' contribution rates (2000-2001).</li> </ul>
UK	<ul style="list-style-type: none"> <li>• Personal income tax reductions, especially at the bottom to the middle end (1999-2000).</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in starting point for paying national insurance contributions (NIC) for employers and employees. Reduction in employers' contribution rates to compensate for introduction of climate levy (1999-2001).</li> <li>• Increase of the NIC by 1% for both employers and employees (2002)</li> </ul>

### Box 13 Continued

<sup>(1)</sup> In France, the effects of the recent reductions of personal income tax were apparently partially offset at the aggregate level as a result of higher revenues from the generalised social contribution (CSG) and the contribution for the reduction of the debt of social security institutions (CRDS) since late 1990s; those contributions are currently being gradually reduced (2001-2003). France also witnessed sharp increases in tax receipts in the financial year 1999, notably from direct taxes.

<sup>(2)</sup> In Italy, the 1997-1998 tax reform eliminated employers' compulsory health care contributions, bringing the overall employer's social contribution rate down substantially. At the same time, however, a new tax for employers, called 'IRAP', based on the value of production net of depreciations was introduced. For reasons of comparability, a part of the revenue of this new tax has been allocated to labour income (and included in the denominator of the implicit tax rate) while it is not actually levied on wages and salaries as such.

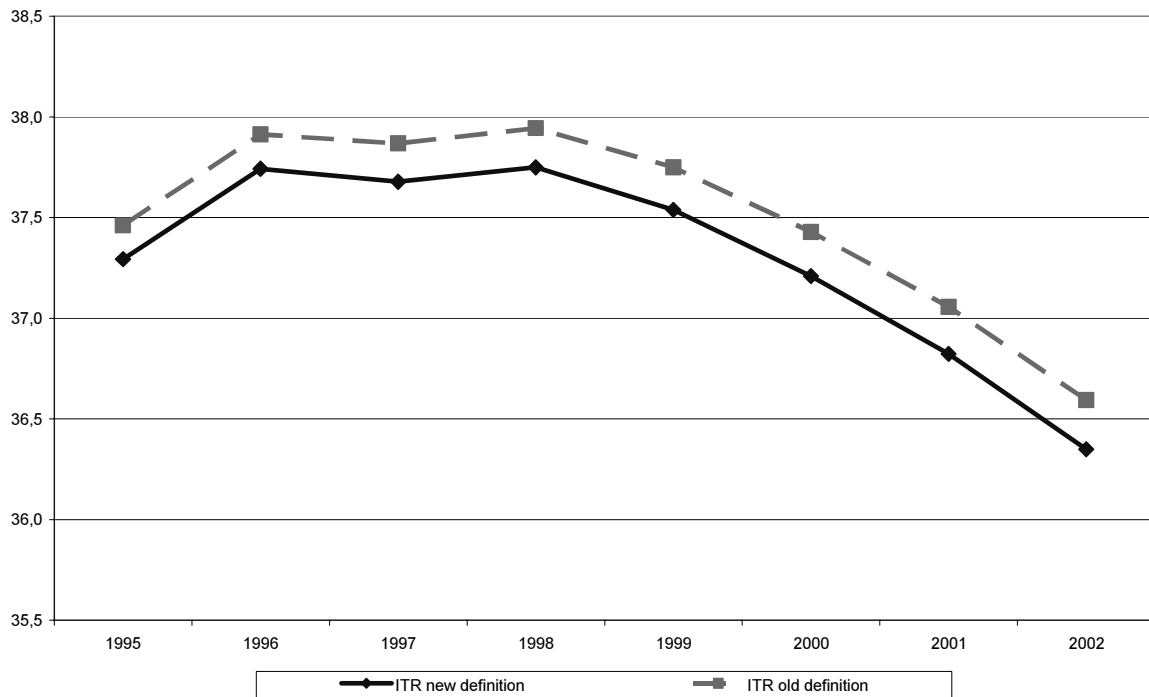
<sup>(3)</sup> In Austria, the effects of the recent reductions in personal income tax were apparently offset at the aggregate level as a result of sharp increases in direct tax revenues in 2001. These increases are related to base-broadening measures and significantly increasing tax pre-payments, in reaction to the introduction of interest charges on tax arrears from October 2001 onwards. Children tax credits do not effect implicit tax rate because they are not booked among taxes but among benefits.

*Source:* Commission Services

### 3.3. Impact of the new definition of total taxes on the ITR on labour

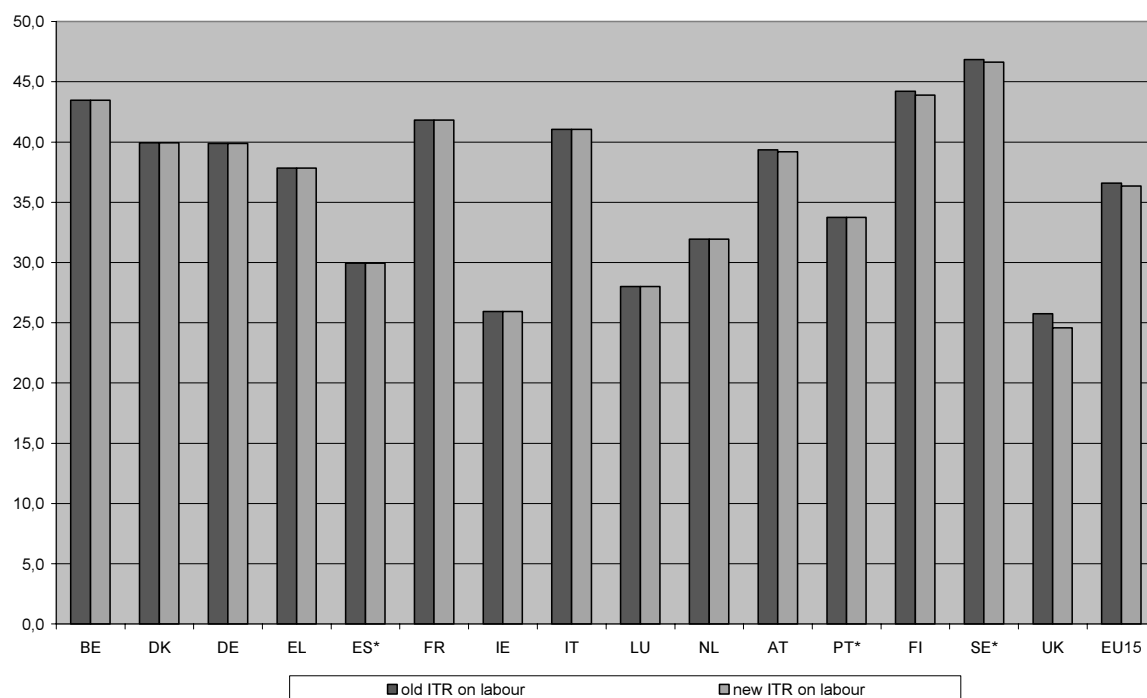
The numerator of the implicit tax rate on employed labour includes direct and indirect taxes and employees' and employers' actual social contribution levied on employed labour income; the denominator consists of the total compensation of employees working at the economic territory plus payroll taxes. Since in this edition of 'Structures' the definition of total taxes has been changed excluding voluntary social contributions, the ITR on labour has been revised too, because voluntary social contributions by employees and employers are not anymore part of the numerator. The denominator stays unchanged, encompassing all components of total compensation of employees (D1) plus payroll taxes (D29C). As can be seen from Graph II-3.2 the revision has an impact downwards of about 0.3 percentage points on the ITR on labour for the EU-15 average, not affecting the annual trend. Regarding specific Member States (Graph II-3.3) a reduction is effective only in the UK (-1.2% in 2002) and slight reductions can be seen in Austria, Finland and Sweden. Most Member States have no voluntary social contributions for employees and employers.

**Graph II-3.2 Comparison of the refined ITR on labour for the EU average**  
EU15 average, in %



**Graph II-3.3 Comparison of the refined ITR on labour for the Member States**

2002, in %



\* Voluntary social contributions are currently not available for ES and, limited to employers, for PT (2002) and SE.

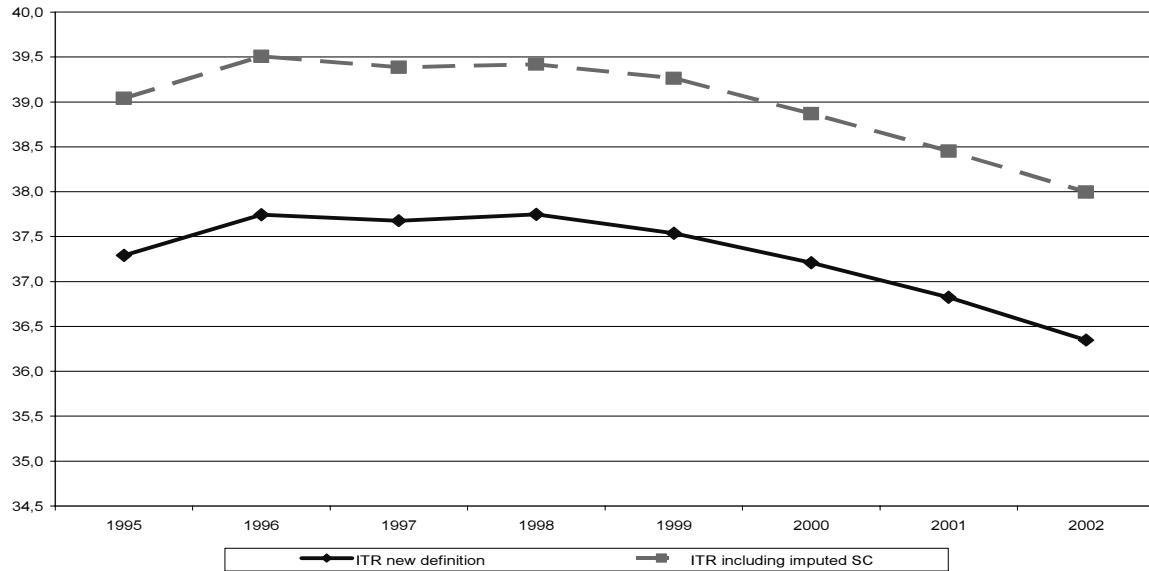
### 3.4. Sensitivity analysis: the role of imputed social contribution on ITR on labour

Employers' imputed social contributions (D612) represent the counterpart to unfunded social benefits paid directly by employers to their employees. Despite the fact that imputed social contributions are not part of total taxes in this publication, indeed their inclusion or exclusion in the definition of total taxes, and consequently among taxes on labour, is rather controversial (see part I paragraph 1.3). If imputed social contributions were part of the taxes on labour, the ITR on labour would be shifted upwards in several Member States. It should be noted that imputed social contributions are presently part of the denominator of the ITR since they are part of total compensation of employees (D1). Among the arguments in favour of considering imputed social contributions among taxes on labour there is the fact that the ITR on labour is a macro indicator that takes account of all the sectors of the economy. Imputed social contributions represent part of (non wage) labour cost for some public institutions which do not make actual contributions, so omitting them would mean omitting part of non wage labour costs of the economy.

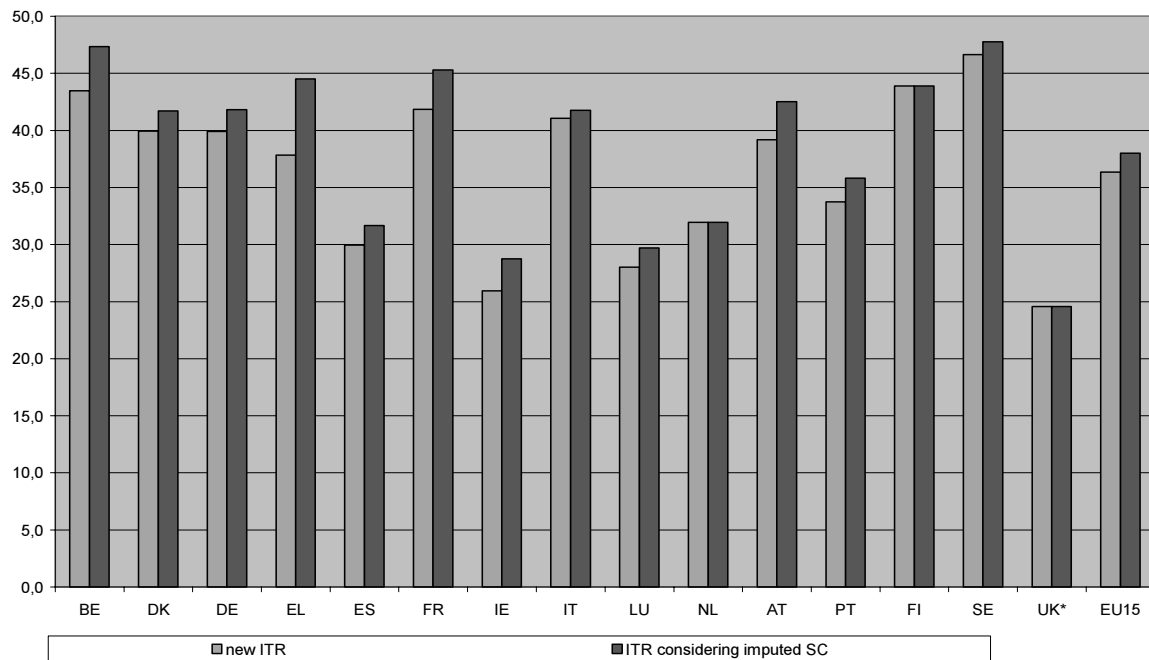
It can be seen from the graphs that the impact of including imputed social contribution in the numerator of the ITR on labour would be quite substantial. The ITR for the EU-15 average would be shifted upwards more than 1.5 percentage points with no impact on the annual trend. Regarding single Member States the highest changes would be found in Greece (+6.7%), Belgium (+3.8%),

France (+3.5%) and Austria (+3.3%), but all Member States would show a visible increase apart the Netherlands and Finland<sup>11</sup>.

**Graph II-3.4 Sensitivity analysis for imputed social contributions for the EU average**  
EU15 average, in %



**Graph II-3.5 Sensitivity analysis for imputed social contributions per Member State**  
2002, in %



\* Imputed social contributions are not available for the UK.

<sup>11</sup> Imputed social contributions are not available for the UK.

### 3.5. A comparison with tax wedges computed for example household types

Every year, the OECD releases *Taxing Wages*, a publication providing internationally comparable data of total tax wedges – between labour costs to the employer and the corresponding net take-home pay of the employee – for various example household types and different representative wage levels. It is assumed that the earned income derived from employment is equal to a given fraction of the average gross earnings of adult, full-time workers in the manufacturing sector. The tax wedges are calculated on the basis of the tax legislation, by expressing the sum of personal income tax, employee plus employer social contributions together with any payroll tax, as percentage of total labour costs. They have the theoretical possibility to disentangle discretionary tax policy measures as regards personal income tax and social contributions. However, because of the theoretical approach, this method does not relate to actual tax revenue, nor does it incorporate all the elements of the tax system that may be relevant, such as effects of special tax relief available on the tax base.

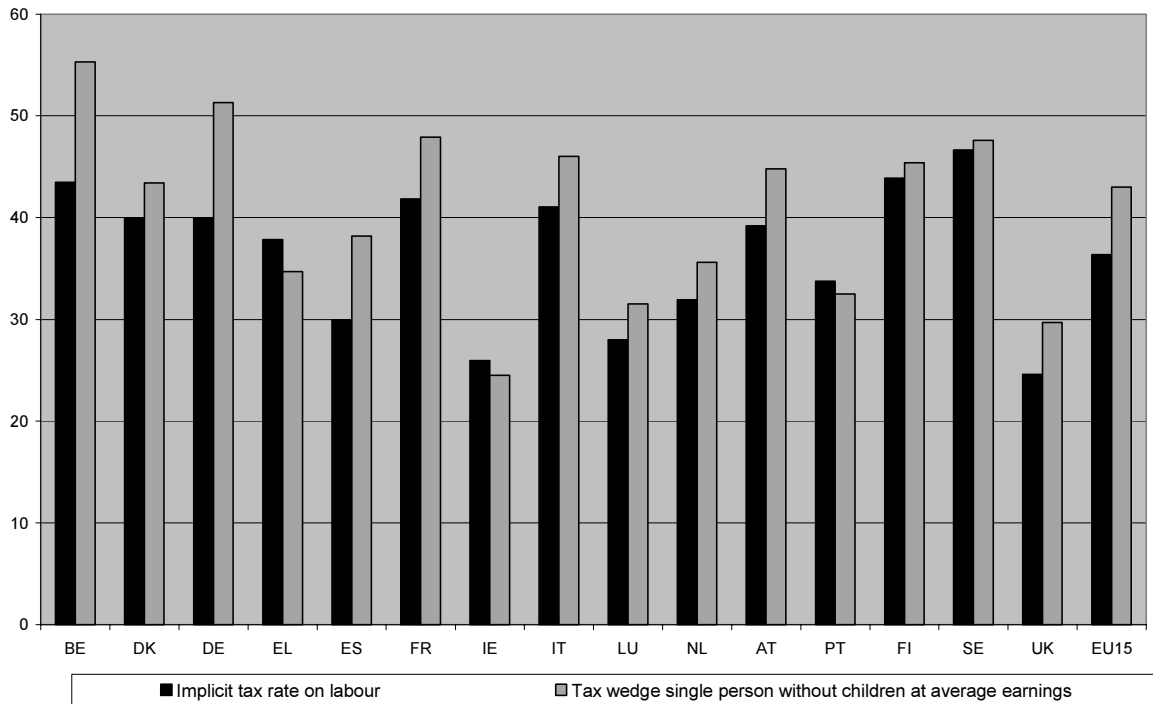
Pair-wise comparisons between the macro - backward looking implicit - tax rates on labour and the - micro example - tax wedge for a single average production worker at average earnings (without children) indicate that the tax wedges are significantly higher than the implicit tax rates of labour for some countries (Graph II-3.6). As a result, the ranking between the Member States may also be quite different. The differences are not specific to a single year. Nevertheless, the correlation between the macro and micro indicators is still moderately strong. Member States with a high tax wedge for an average production worker generally also have relatively high implicit tax rates on labour and the other way around. For example, Sweden and Belgium are consistently in the higher group regarding the taxation of labour, and Ireland and the United Kingdom are always in the lower range (Graph II-3.6).

A complete correlation cannot be expected, due to conceptual and statistical differences between the macro and the micro indicators. The gross wages and salaries from National Accounts which form the basis of the implicit tax rate on labour do not correspond to the particular wage level of an average full-time production worker in the manufacturing industry. The aggregate gross compensation of employees represents the sum of all gross wages paid in a given year, *i.e.* they include all workers, both full-time and part-time and across all economic sectors. Moreover, the denominator of the micro example tax wedge does in some cases not contain information of (employer provided) contributions to private pension and related schemes. Moreover, the macro implicit tax rate uses the *actual* tax revenues raised on total labour income in a certain year with accrual adjustments. The diversity of different household- and wage level situations will be reflected in these actual tax revenues.

Some of the observed differences between the macro and micro indicators can probably be explained by the fact that employees at the lower end of the pay scale are generally subject to relatively lower taxation or even no taxation at all. Such employees with a relatively low tax burden apparently have substantial weight in the calculation of the implicit tax rate on labour. Another explanation for the lower level of the Implicit tax rate on labour with respect to the micro indicator

is the fact that the former takes account of non-standard tax reliefs (*e.g.* medical expenses) which are not considered by the latter<sup>12</sup>.

**Graph II-3.6 Pair-wise comparisons between macro and micro indicators**  
2002, in %



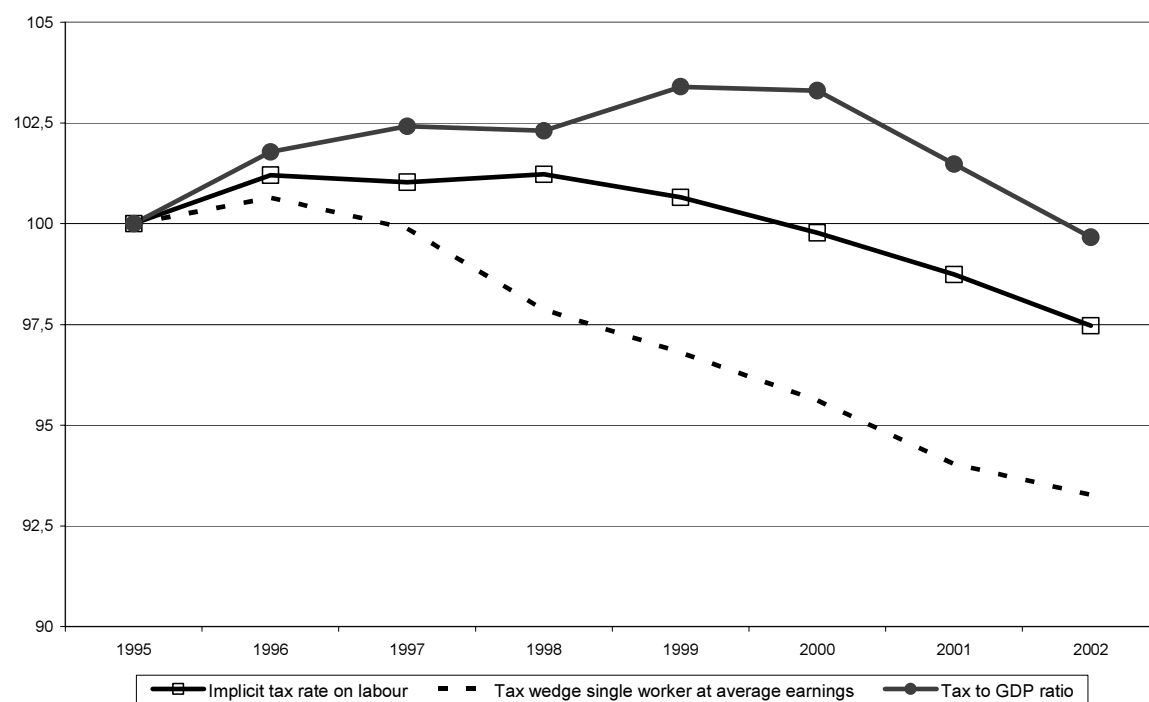
Source: Commission Services, using data from *Taxing Wages* (OECD (2003b)).

<sup>12</sup> It should be also noted that if imputed social contributions were included in the definition of taxes on labour (see paragraph 3.4), ITR on labour would be closer to the tax wedge in 9 countries out of 15 and in the EU-15 average. This is probably linked to the fact that omitting imputed contributions means omitting part of non-wage labour costs of some public institutions which do not make actual contributions. This could bias downwards the ITR on labour which is a macro indicator that should take account of all sectors of the economy. On the other hand the tax wedge is a micro indicator of a specific private sector, so it is not affected by imputed social contributions.

The following graph compares the time-trends between micro tax wedge indicators and two macro backward-looking tax ratios: the implicit tax rate on labour and the total tax-to-GDP ratio. The tax-to-GDP ratio is calculated by expressing all taxes as a share of GDP. For each year GDP-weighted averages are computed. Indices representing the trend of each variable have been plotted in Graph II-3.7 (with 1995=100). Over the period 1995-2002, the EU average tax burden on labour visibly starts to decline. This trend is evidenced by the development of both indicators. However, the reductions in the tax wedges for an average production worker are clearly more pronounced for most Member States, as the consequences of the recent tax reforms immediately show up in this indicator. The changes in the tax wedges appear to be particularly large in Ireland, Italy, Finland and, especially in 2002, the Netherlands (see also Table II-3.2)<sup>13</sup>. In year 2002 both the ITR and the tax wedge on labour for the average of EU-15 decreased less than the total tax-to-GDP ratio, because the ratio of taxes on business and capital income to GDP decreased more than the taxes on labour ratio, mainly due to the economic slowdown.

**Graph II-3.7 Time trend micro and macro indicators in the Union**

1995-2002, weighted averages, index 1995=100



Source: Commission Services, using data from *Taxing Wages* (OECD 2003b and previous editions).

The 2001-2002 edition of *Taxing Wages* (2003) presents above average reductions in the tax wedge for a single worker at average earnings between 2001 and 2002 for the Netherlands (-6.7 percentage points) Luxemburg (-2.4) and Ireland (-1.3).

<sup>13</sup> A complete comparison between micro and macro indicators in the Union will be soon published in the Taxation Papers series by the Commission, Directorate-General for Taxation and Customs Union.



**Table II-3.2 Tax wedges for a single example worker at average earnings**

1995-2002, in %

	1995	1996	1997	1998	1999	2000	2001	2002
BE	56,3	56,4	56,6	56,8	56,9	56,2	55,6	55,3
DK	45,2	44,8	45,1	43,7	44,5	44,4	43,6	43,4
DE	50,2	51,2	52,3	52,2	51,9	51,8	50,8	51,3
EL	35,6	35,8	35,8	36,1	35,7	36,0	35,7	34,7
ES	38,5	38,8	39,0	39,0	37,5	37,6	37,9	38,2
FR	49,1	49,7	48,7	47,6	48,1	48,2	48,3	47,9
IE	36,9	36,1	33,9	33,0	32,4	28,9	25,8	24,5
IT	50,3	50,8	51,5	47,5	47,2	46,7	46,1	46,0
LU	34,3	34,5	35,2	33,8	34,6	35,5	33,9	31,5
NL	44,8	43,8	43,6	43,5	44,3	45,1	42,3	35,6
AT	41,2	44,8	45,6	45,8	45,9	44,9	44,5	44,8
PT	33,7	33,8	33,9	33,8	33,4	33,5	32,5	32,5
FI	51,2	49,4	48,9	48,8	47,4	47,3	45,9	45,4
SE	49,3	50,2	50,7	50,7	50,5	49,5	48,5	47,6
UK	33,4	32,6	32,0	32,0	30,8	30,1	29,5	29,7
EU15	<b>46,1</b>	<b>46,4</b>	<b>46,1</b>	<b>45,1</b>	<b>44,6</b>	<b>44,1</b>	<b>43,4</b>	<b>43,0</b>

Source: Commission Services, using data from *Taxing Wages* (OECD 2003b and previous editions).

## 4. TRENDS IN ENVIRONMENTAL TAXES

### 4.1. Increasing importance of environmental tax revenues

In its 6<sup>th</sup> Environmental Action Programme, the European Community continues to argue for a broadening of the range of policy instruments beyond environmental legislation. This includes increased use of market-based instruments, such as environment taxes, aiming to internalise external environmental costs and thereby stimulate both producers and consumers towards limiting environmental pressure and towards responsible use of natural resources. In October 2003, after six years of negotiations in the Council, the Directive (2003/96/EC) for restructuring the Community framework for the taxation of energy products and electricity was adopted by the Council. The Directive extends the Community system of minimum rates to coal, natural gas and electricity, and increases the existing minimum rates from their 1992 level to some extent. By creating a common framework for the taxation of (nearly) all energy products in the Community the Directive aims primarily at improving the functioning of the internal market, but it also has the objective of ensuring greater respect for the environment, while at the same time combating unemployment through encouraging so called green tax reforms in Member States.

Such reforms gained increasing support during the 1990s. The basic idea is that an increase in environmental taxes is accompanied by a reduction in taxes on labour, thereby avoiding an increase in the overall tax burden and achieving the twin benefits of reducing environmental damage whilst increasing the demand for labour and employment through reduced labour costs. The reduced costs might also foster work incentives leading to an increased supply of labour. However, at the same time a reduction in real income through higher environmental taxes might outweigh the first effect. A number of Member States have started to introduce 'green tax reforms' over the last decade. This includes Denmark, Germany, Italy, the Netherlands, Austria, Sweden, Finland and the UK. Another country planning to introduce comparable measures in the near future is Portugal.

In 2002, revenues from environmental taxes in EU15 accounted for 6.5% of total revenues from taxes and social contributions and 2.7% of GDP. Compared to 1980, environmental tax revenues more than quadrupled in nominal terms and increased significantly also when measured as a share of total revenues from taxes and social contributions or as a share of GDP. The main increase took place between 1990 and 1994. This development was driven by the above-average increase of energy taxes, and has, from the mid-1990s onwards, been supported by increased growth of transport taxes.<sup>1</sup> However, since the year 2000 environmental tax revenues have slightly decreased in relation to GDP and as a share of total taxation.

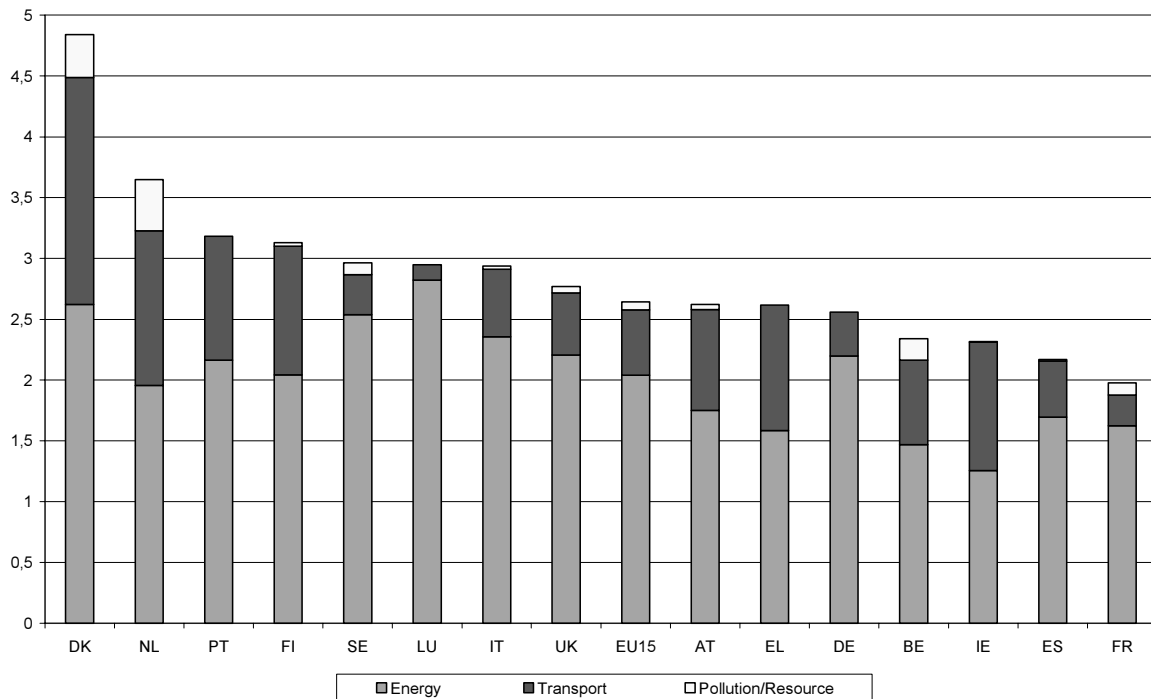
Environmental taxes can be divided into four broad categories. In the EU Energy taxes are by far the most significant, representing more than three quarters (77%) of environmental tax receipts and 5% of total taxes and social contributions. Transport taxes correspond to 20% of total environmental tax revenues and 1.3% of total taxes and social contributions of the European average. Other environmental taxes play a marginal role. Pollution taxes and resource taxes together make up less than 3% of total environmental taxes.

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<sup>1</sup> European Communities 2003

Graph II-4.1 shows the environmental tax-to-GDP ratio by Member State and their decomposition by type of environmental tax. The relative importance varies significantly across countries. With 4.8% in 2002, Denmark has by far the highest tax ratio followed by the Netherlands (3.6%), Portugal (3.2%) and Finland (3.1%). The lowest environmental tax revenues in relation to GDP are in France (2.0%), Spain (2.2%) and Ireland (2.3%). Like for the European average, in all countries energy taxes represent the most important part of environmental tax revenues. Only in Ireland do transport taxes account for nearly 50% of environmental taxes. The relatively high tax-to-GDP ratio for energy taxes in Luxembourg can probably be related to purchases of mineral oil products by non-residents, due to the low excise duty rates.

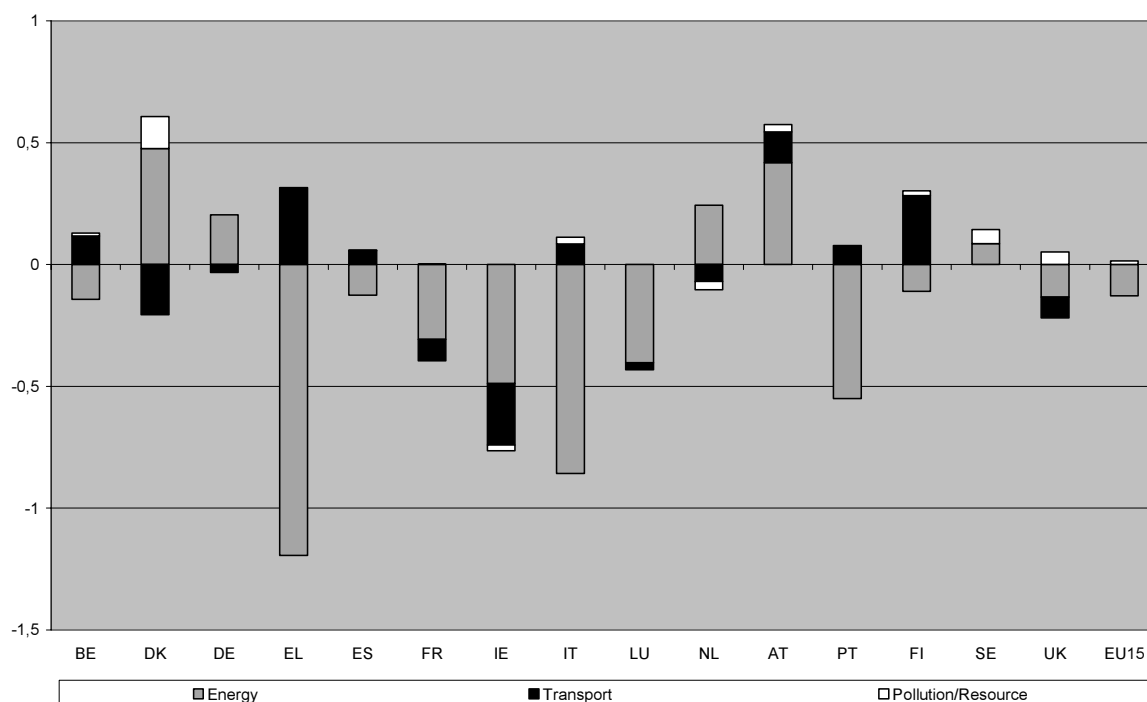
**Graph II-4.1 Decomposition of environmental tax revenues**  
2002, in % of GDP



In nine Member States environmental tax revenues in relation to GDP decreased in the period 1995 to 2002 (Graph II-4.2). Greece, Ireland and Italy witnessed the most prominent decrease, in Belgium and Spain the ratio to GDP remained constant while in Austria and Denmark the ratio increased. Most of the changes can be related to energy taxation.

**Graph II-4.2 Evolution of the structure of environmental taxes**

1995-2002, differences in %-points of GDP



#### 4.2. Classification and features of environmental taxes

Apart from the general goal of raising revenues for the government budget, environmental taxes are used as economic instruments that can also, under certain conditions, be used to foster environmentally oriented objectives and to correct market failures by trying to internalise negative externalities associated with environmental degradation. However, care should be taken to design such tax instruments properly in order not to introduce other inefficiencies (policy failures) into the economy. The use of tax instruments to internalise external costs can entail a trade-off between pure economic efficiency and the goal of having efficient and mutually compatible tax systems. It is therefore desirable to co-ordinate respective initiatives at the European level in order to avoid isolated national attempts to internalise external costs undermining the compatibility of European taxation systems.

The definition for an environmental tax that is commonly used by the European Commission, the OECD and the International Energy agency (IEA) refers to a tax 'whose tax base is a physical unit (or a proxy of it) of something that has a proven, specific negative impact on the environment' (European Commission 2001b). It was decided to include all taxes on energy and transport and to exclude value added type taxes in the definition. This means that the motivation for introducing the taxes – fiscal or environmental – is not decisive for the classification. Therefore the OECD uses the more precise term 'environmentally related taxes'. In this publication environmental taxes are divided in three groups.

Energy taxes include taxes on energy products used for both transport and stationary purposes. The most important energy products for transport purposes are petrol and diesel. Energy products for stationary use include fuel oils, natural gas, coal and electricity. The CO<sub>2</sub> taxes are included under

energy taxes rather than under pollution taxes. There are several reasons for this. First of all, it is often not possible to identify CO<sub>2</sub> taxes separately in tax statistics, because they are a component of energy taxes. In addition, the revenue from these taxes is often large compared to the revenue from the pollution taxes. This means that including CO<sub>2</sub> taxes with pollution taxes rather than energy taxes would distort international comparisons.

Transport taxes mainly include taxes related to the ownership and use of motor vehicles. Taxes on other transport equipment (*e.g.* planes), and related transport services (*e.g.*; duty on charter or schedule flights) are also included here, when they conform to the general definition of environmental taxes. The transport taxes may be 'one-off' taxes related to imports or sales of the equipment or recurrent taxes such as an annual road tax. The title 'transport taxes' might be somewhat misleading because the most important part, taxes on petrol, diesel and other transport fuels, are included under energy taxes.<sup>2</sup> In this respect 'taxes on vehicles' could be a more appropriate name for this tax category.

The last group of pollution/resource taxes includes taxes on measured or estimated emission to air and water, management of solid waste and noise. An exception is the CO<sub>2</sub>-taxes, which are included under energy taxes as discussed above. Taxes on resources pose some particular problems. There are differences in opinion on whether resource extraction is environmentally harmful in itself, although there is broad agreement that it can lead to environmental problems, such as pollution and soil erosion.

A high ratio of environmental tax revenue to total taxation as such is not a clear indication for a high priority of protecting the environment via taxation policy. Notably energy taxes in many cases were originally used purely as revenue raising instruments, without environmental motivation. Furthermore, the ratio depends on the general tax structure, influenced by direct taxes and social contributions. A high ratio is neither an indication for achieving environmental oriented policy goals. This even holds if the ratio remains high over several years or if it increases. Besides deliberate environmental policy, a reason for such a development could be a change towards production and consumption patterns that are resource intensive or lead to higher pollution while no changes for taxes are introduced. Similar arguments apply to the interpretation of the tax-to-GDP ratio. Even when taking into account the development of applied tax policy measures, it will not be possible to overcome all difficulties.

The dilemma lies in the principles of the environmental tax instruments themselves. If green taxes indeed act as an efficient incentive, they should reduce the use of the environmentally harmful goods and thereby erode the tax base. If taxes on more environmentally friendly products are reduced instead, the same objectives for protecting the environment could be reached, leading directly to lower tax revenues at the same time. All this could result in a falling tax-to-GDP ratio for environmental taxes. From the decreasing ratio in recent years it should not immediately be concluded that environmental policy has a less prominent role on the policy agenda.

The interpretation of an effective or implicit tax rate on environmental taxes should be easier because this indicator is not affected by the conflict between the revenue impact and the impact on

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<sup>2</sup> In a lot of countries tax revenues on mineral oils cannot be split according to the use of the fuel.

the economic behaviour of environmental taxes. Even when tax incentives work and the use of the environment and tax revenues diminish, a properly defined implicit tax rate would remain at a constant level. However, changes in tax policy are not the only reasons for an increasing aggregate ITR; structural changes in production and consumption patterns affecting the denominator are equally important.

However, decreasing environmental tax revenues in relation to GDP in recent years could be a sign for a new orientation in the use of policy instruments. The increasing use of road pricing systems that are accompanied by a reduction in car circulation taxes would be an example. Tax revenues are reduced. The revenues of the charges for using roads increase, but this does not translate into higher tax revenues because they are no taxes. The CO<sub>2</sub>-emission trading that will be of great importance in the coming years will probably also translate into less environmental tax revenues and a diminishing tax-to-GDP ratio. In these cases also an ITR would decrease, reflecting correctly a lower effective tax burden. Again, this should not be interpreted as a sign for a less ambitious environmental policy.

#### **4.3. An effective tax burden indicator for energy use**

Although it is specifically difficult to interpret the ratio of environmental tax revenues in relation to GDP or to total taxation, part of the problems belong to the general shortcomings of these kind of indicators. A solution to partly overcome these difficulties in other areas of taxation was to construct implicit tax rates that try to measure the average effective tax burden. To construct such a macroeconomic implicit tax rate for environmental taxes is a very difficult task. There is no easy macroeconomic indicator for a potentially taxable base, which could be related to tax revenues because of the diversity of environmental taxes and the involvement of both consumers and producers. However, for energy taxes, representing nearly 80% of environmental tax revenues in the EU-15, it seems to be possible to find an appropriate indicator for the potentially taxable base. Because the taxes are often levied on a quantity in physical units it could be reasonable and easier to look for an ITR denominator also expressed in physical units. However, for a macroeconomic indicator the problem of aggregation arises for the different energy products produced and consumed.

The data on final energy consumption per Member State, available from Eurostat, seems to be a good candidate for an aggregate indicator of the potentially taxable base in the Union. Final energy consumption is the energy consumed in the transport, industrial, commercial, agricultural, public and household sectors. It excludes deliveries to the energy transformation sector and to the energy industries themselves. The different energy products are aggregated on the basis of the net calorific value that measures the energy content for heating. This energy content could be expressed in units of tons of oil equivalent.

Table II-4.1 shows the ratio of the energy tax revenues to the final energy consumption in € per ton of oil equivalent. In 2001, Denmark has clearly the highest ratio, followed by the UK, Italy and Germany who also raised above the average energy tax revenues in relation to their final energy consumption. Belgium, Finland and Greece have the lowest ITR on energy in 2001. For interpreting this kind of ranking it is important to keep in mind that all kind of energy consumption is treated equally, regardless of their environmental impact. This means an energy unit of oil equivalent produced with hydroelectric power has the same weight as the same unit produced by burning brown coal. If tax rates are differentiated according to the environmental impact of different energy

uses a country with an environmental friendly structure of energy consumption would have a low ITR on energy.

**Table II-4.1 Energy tax revenues in relation to final energy consumption (ITR on energy)**  
Euros per tons of oil equivalent

	1995	1996	1997	1998	1999	2000	2001	2002 <sup>1)</sup>	Difference <sup>2)</sup> 1995 to 2001
BE	99	98	99	99	101	102	102	-	3
DK	201	214	219	249	285	302	322	-	121
DE	169	152	149	149	176	197	209	-	40
EL	158	162	157	139	133	119	119	-	-39
ES	128	134	129	138	144	129	126	-	-2
FR	162	161	163	164	170	166	151	-	-12
IE	115	121	138	141	146	145	128	-	14
IT	233	256	267	254	259	244	233	-	0
LU	142	139	143	152	159	165	164	-	23
NL	115	114	131	136	154	164	169	-	54
AT	118	129	141	133	142	147	152	-	35
PT	172	170	159	164	160	129	132	-	-40
FI	96	96	107	105	110	107	110	-	14
SE	138	169	167	173	176	181	183	-	44
UK	143	148	186	211	226	251	239	-	97
EU15	159	160	168	172	185	190	187	-	28

1) Data on final energy consumption is not available for 2002. - 2) in %-points

Source: Commission Services

In the years 1995 to 2001 the ITR on energy increases clearly in Denmark, Germany, Ireland, Luxembourg, the Netherlands, Austria, Sweden and the UK. With the exception of Ireland and Luxembourg these are the countries which implemented green tax reforms during these years. For Luxembourg the increase might be influenced by buoyant mineral oil tax revenues due to cars (or trucks) from abroad fuelling their tank when passing Luxembourg. Their energy consumption is not counted in the denominator of the ITR.

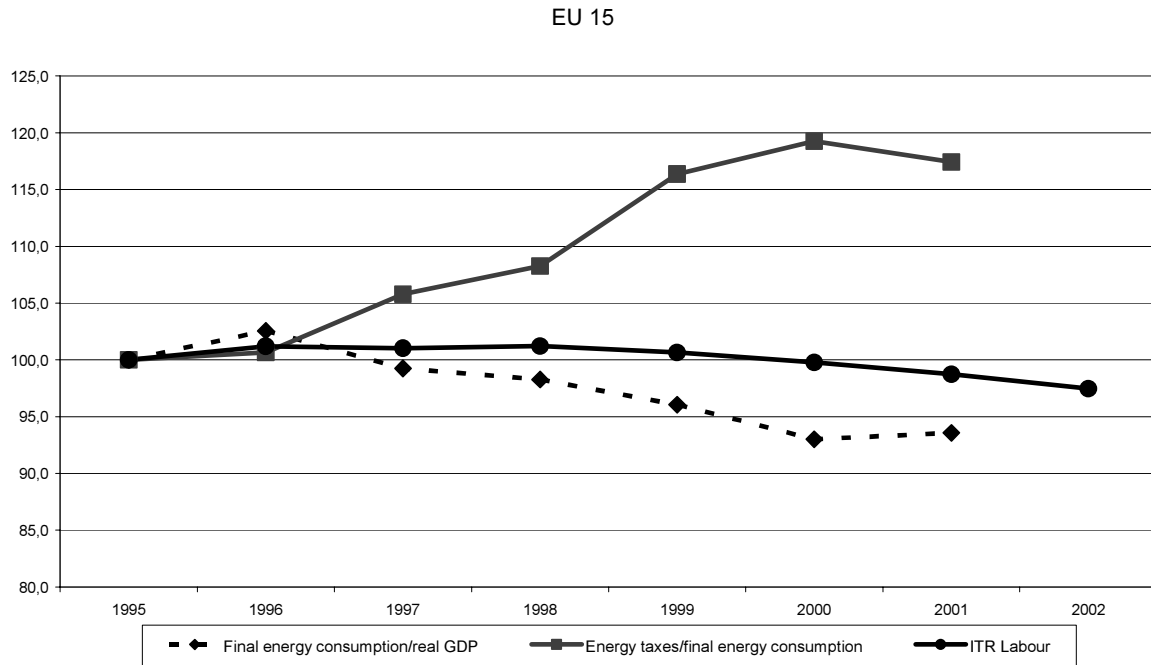
#### 4.4. Is the impact of green tax reforms visible?

Final energy consumption has grown over the years 1995 to 2001, but at a much lower rate than the economy overall. As can be seen in Graph II-4.3, presenting indices on the basis of 1995, there has been an increase in energy efficiency of approximately 7% since 1995, measured as the ratio of energy consumption to GDP in constant (1995) prices.<sup>3</sup> Despite the relative decline in the energy tax base, revenues from energy taxes have stayed nearly constant as a share of GDP (in current prices) between 1995 and 2001. The decline in the base seems therefore to have been more than offset by tax policy measures leading to an increase in the average effective tax burden, as indicated in the figure for the index of energy tax revenues divided by final energy consumption. The majority of Member States have consistently raised specific energy tax rates, thus partly offsetting the fall in

<sup>3</sup> For further data on energy efficiency in the EU15 see European Communities 2002.

world energy prices over the period for final consumers. This is indicated by the indices of the ITR on energy for the different Member States in Graph II-4.4.

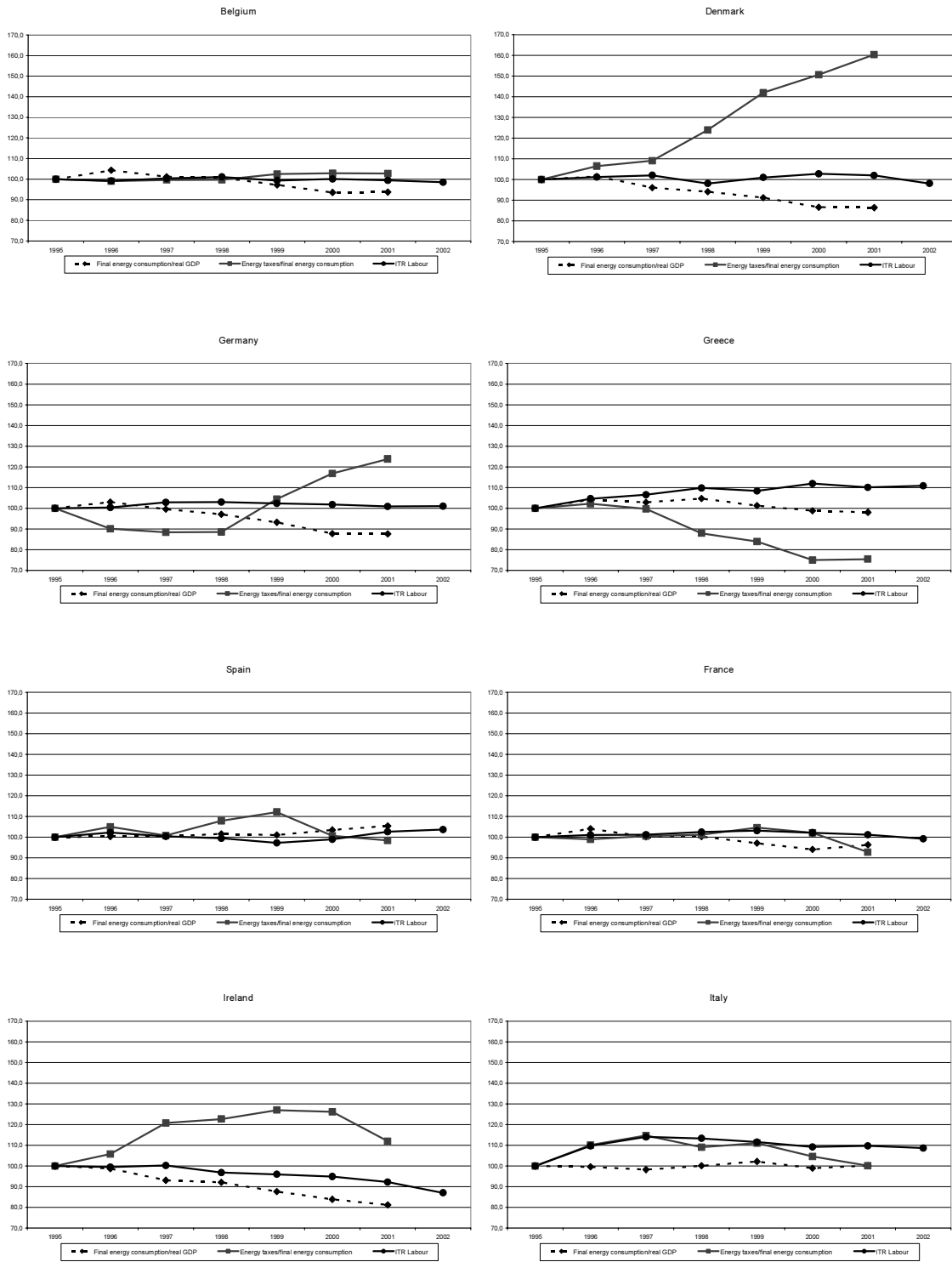
**Graph II-4.3 Evolution of energy efficiency, ITR on energy and on labour in the EU**  
Index 1995=100



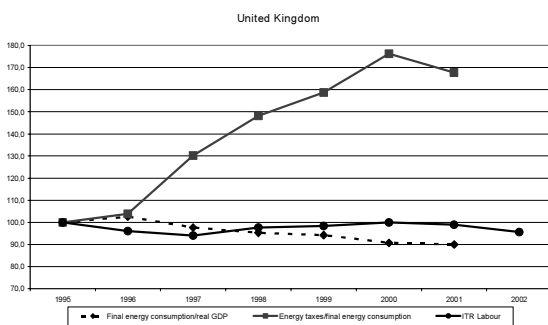
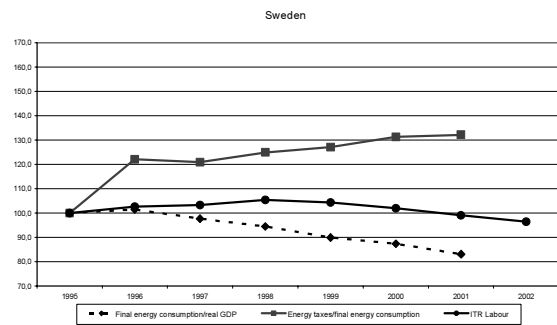
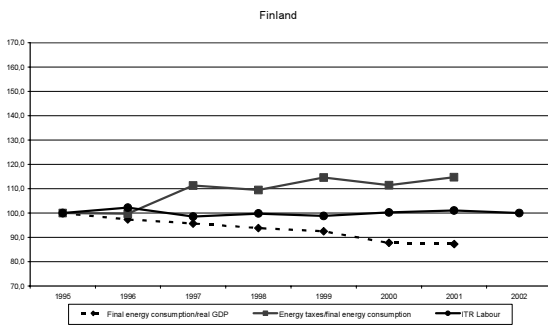
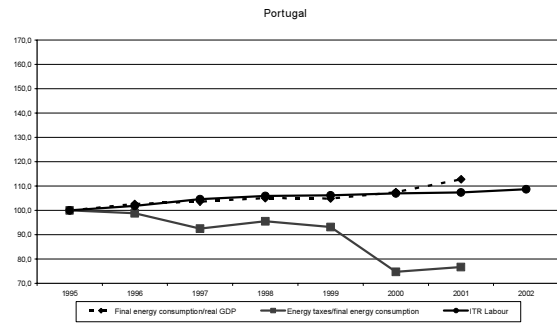
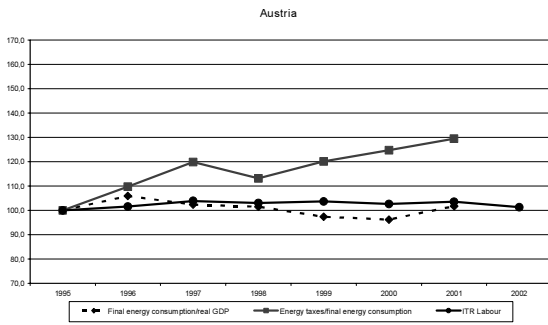
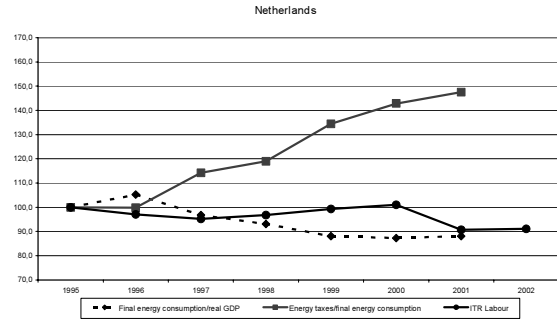
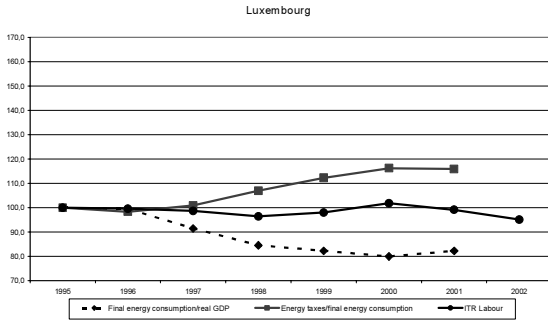
Graph II-4.3 also shows the development of the average effective tax burden on labour measured by the implicit tax rate (ITR) on labour. The tax burden on labour has been rising steadily since the early 1970s in most Member States, but since 1998 the ITR on labour for the EU decreased slightly. Since the late 1990s, a number of Member States have implemented fiscal measures to lower the tax burden on labour income, in order to boost demand for labour, and to foster work incentives. Tax revenue data alone are not enough to make a conclusive statement about causal relationships, but the indicators of average effective tax burden presented above for the EU15 show signs of a relative 'green tax shift' over the last years. Comprehensive green tax reforms are not limited to energy taxes but include also transport taxes and taxes on pollution/resources. However, it seems that increased energy taxes have helped to ease somewhat the tax burden on labour. This relative shift of the effective tax burden from labour to energy is also visible in Graph II-4.4 for Denmark, Germany, the Netherlands, Austria, Sweden and the United Kingdom, Member States which actually have implemented green tax reforms. However, a similar relative shift is also discernable in Ireland and - less pronounced - in Luxembourg and Finland.



Graph II-4.4 Evolution of energy efficiency, ITR on energy and on labour by Member State



② Part II: Taxation according to economic functions ②





## 5. TRENDS IN THE IMPLICIT TAX RATE ON CAPITAL

### 5.1. Increasing tax burden on capital until 2000

Although the increasing trend until 1998 in the tax burden on labour and the slight decrease in recent years appears to be an undisputed fact, empirical evidence on the tax burden on capital is more controversial. The implicit tax rate on other production factors as published in a previous edition of the publication 'Structures' based on national accounts ESA79 indicates for the 15 Member States of the European Union a slight decrease in the effective tax burden starting in 1981 until the mid eighties, followed by a period of stabilisation from the late eighties to the early nineties.

In the years after 1995 most Member States reduced the statutory tax rates on the taxation of corporate income, constituting a large part of capital taxation (Table II-5.1). Taking local taxes and surcharges into account the average general corporate tax rate in the EU-15 was reduced by almost 7 percentage points in the period 1995 to 2004. Often the reductions were justified in making reference to tax competition where governments try to increase the attractiveness for international investors that regard the taxation system as an important location factor. At the same time, a slightly higher decrease could be observed in the ten new Member States. Moreover, in 2004 on average the level of corporate tax rates is 10 percentage points less compared to the old Member States (EU-15).

For the EU-15 countries the backward looking implicit tax rate on corporate income does not show a similar development. On the contrary, between 1995 and 2000 a sharp increase in this indicator can be observed. This is also true for the overall implicit tax rate on capital for companies and households of Member States' economies<sup>1</sup>. Only in the years 2001 and 2002 in almost all countries a reduction in the ITR on capital is discernible, partly offsetting the increase in prior years.

Of the various implicit tax rates, the ITR on capital is the most complex and it is important that it is interpreted very carefully<sup>2</sup>. The ITR on capital is broadly based and its trends can therefore reflect a very wide range of factors, which can also be different for different Member States. However, four main transmission channels have been identified for the ITR on capital and business income, which seem to be relevant for most Member States. The country chapters in part III provide some further details for some Member States:

- Tax policy: Cuts in the nominal statutory tax rates on corporations were often at the same time accompanied by measures that broadened the taxable base (*e.g.* by reducing rates of capital depreciation allowances), at least to some extent offsetting the effects of the reductions in the statutory rate that most of the Member States have implemented in the period 1995 to 2003 (Table II-5.1).

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<sup>1</sup> A more pronounced increase could be observed for the overall indicator when using a more simplified denominator referring to the net operating surplus of the whole economy. Carey and Rabesona (2002) who used a similar (biased) denominator also reported increases in the implicit tax rate on capital.

<sup>2</sup> The construction of this indicator and its possible sources of bias in measuring the effective tax burden on capital are mentioned in paragraph II-1.3.3 and are explained in detail in European Commission 2004b.

**Table II-5.1 Effective top statutory tax rate on corporate income**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Difference 2004-1995
BE	40,2	40,2	40,2	40,2	40,2	40,2	40,2	40,2	34,0	34,0	-6,2
DK	34,0	34,0	34,0	34,0	32,0	32,0	30,0	30,0	30,0	30,0	-4,0
DE	56,8	56,7	56,7	56,0	51,6	51,6	38,3	38,3	39,6	38,3	-18,5
EL	40,0	40,0	40,0	40,0	40,0	40,0	37,5	35,0	35,0	35,0	-5,0
ES	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	0,0
FR	36,7	36,7	36,7	41,7	40,0	36,7	36,4	35,4	35,4	35,4	-1,2
IE	40,0	38,0	36,0	32,0	28,0	24,0	20,0	16,0	12,5	12,5	-27,5
IT <sup>1)</sup>	52,2	53,2	53,2	41,3	41,3	41,3	40,3	40,3	38,3	37,3	-15,0
LU	40,9	40,9	39,3	37,5	37,5	37,5	37,5	30,4	30,4	30,4	-10,5
NL	35,0	35,0	35,0	35,0	35,0	35,0	35,0	34,5	34,5	34,5	-0,5
AT	34,0	34,0	34,0	34,0	34,0	34,0	34,0	34,0	34,0	34,0	0,0
PT	39,6	39,6	39,6	37,4	37,4	35,2	35,2	33,0	33,0	27,5	-12,1
FI	25,0	28,0	28,0	28,0	28,0	29,0	29,0	29,0	29,0	29,0	4,0
SE	28,0	28,0	28,0	28,0	28,0	28,0	28,0	28,0	28,0	28,0	0,0
UK	33,0	33,0	31,0	31,0	30,0	30,0	30,0	30,0	30,0	30,0	-3,0
CZ	41,0	39,0	39,0	35,0	35,0	31,0	31,0	31,0	31,0	28,0	-13,0
EE <sup>2)</sup>	26,0	26,0	26,0	26,0	26,0	26,0	26,0	26,0	26,0	26,0	0,0
CY	25,0	25,0	25,0	25,0	25,0	29,0	28,0	28,0	15,0	15,0	-10,0
LV	25,0	25,0	25,0	25,0	25,0	25,0	25,0	22,0	19,0	15,0	-10,0
LT	29,0	29,0	29,0	29,0	29,0	24,0	24,0	15,0	15,0	15,0	-14,0
HU	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6	17,7	-2,0
MT	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	35,0	0,0
PL	40,0	40,0	38,0	36,0	34,0	30,0	28,0	28,0	27,0	19,0	-21,0
SI	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	25,0	0,0
SK	40,0	40,0	40,0	40,0	40,0	29,0	29,0	25,0	25,0	19,0	-21,0
Mean EU-15 (arithm.)	38,0	38,1	37,8	36,7	35,9	35,3	33,8	32,6	31,9	31,4	-6,6
Mean EU-NMS10 (arithm.)	30,6	30,4	30,2	29,6	29,4	27,4	27,1	25,5	23,8	21,5	-9,1

*Note:* Only the "basic" (non-targeted) top rate is presented here. Existing surcharges and averages of local taxes are included. Some countries also apply small profits rates or special rates, e.g., in case the investment is financed through issuing new equity, or alternative rates for different sectors. Such targeted tax rates can be substantially lower than the effective top rate. IRL, for example, applies a 10% rate to the manufacturing sector and certain internationally traded companies. The rates for 2004 are not final and may represent proposed rates.

1) As from 1998 the rates for Italy include IRAP (rate 4.25%) a local tax levied on a tax base broader than corporate income.

2) As from 2000 the rate for Estonia refers only to distributed profits; the tax rate on retained earnings is zero.

*Source:* Commission Services

- The business cycle: Theoretical reasoning as well as empirical evidence suggests that the ITR on capital income is sensitive to the business cycle, resulting in a rise in line with the economic expansion that lasted until 2000. For the same reason the decrease in recent years can be related to the economic slowdown.
- This expansionary phase in the late 1990s was accompanied by booming stock markets across-the-board. As a result, capital gains and the corresponding tax revenues have risen substantially. As the capital gains are not included the denominator of the ITR on capital, this development

clearly constitutes a source of overestimating the average effective tax burden on capital and business income, and partly explains the rise in the ITR for some Member States.

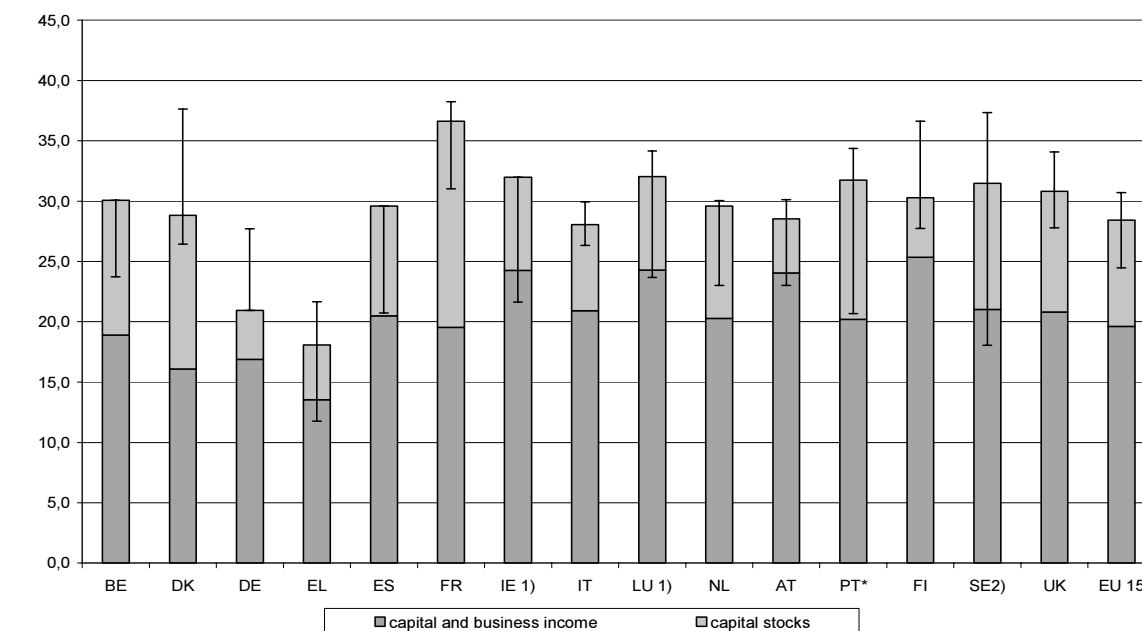
- Structural changes in the financing of companies: national accounts data shows that during 1995 to 2002, in most Member States a relative shift in financing with less interest and more dividend payments has taken place. This also happened against the background of dropping interest rates. Most tax systems in the EU are not neutral concerning financing and allow interest payments deductions to calculate the tax base. The relative shift towards more dividend distributions results in a higher average tax burden on companies' profits<sup>3</sup>.

## 5.2. Implicit tax rates on capital

The ITR on capital and business income measures the average effective tax burden on the economic activities of private sector investment and saving by dividing tax revenues on capital by a measure of potentially taxable capital and business income in the economy. The broader implicit tax rate on capital includes also taxes that are related to stocks of wealth stemming from savings and private sector investments in previous periods, as well as taxes on transactions of these stocks. This means, for instance, that not only taxes on profits are included but also taxes and levies that could be regarded as a prerequisite to earn the profit, like the real estate tax or the motor vehicle tax paid by enterprises. Companies have to pay this kind of taxes out of their annual profits. Because national accounts do not deliver an indicator for the tax base of taxes levied on capital stocks or their transactions a more narrowly defined ITR on capital and business income for the private sector is presented in addition.

**Graph II-5.1 Implicit tax rate on capital**

2002 in % and minimum and maximum level between 1995 and 2002



\*1995 - 2001. - 1) Denominator including D4net. - 2) Denominator including D43net  
Source: Commission Services

<sup>3</sup> European Commission (2001a).

Graph II-5.1 presents the overall ITR on capital by Member State and the decomposition in the ITR on capital and business income and the component related to capital stocks. In addition, it includes the maximum and minimum deviation of the overall ITR between 1995 and 2002. Looking at the level in 2002 all countries, besides Germany, Greece and France, are very close to the European average. For France the reason lies in the relatively heavy taxation of capital stocks. Taking the decomposition of the ITR into account, the deviation of the ITR between Member States is somewhat less pronounced when focussing on the ITR on capital and business income. It should however be kept in mind that these indicators reflect a mixture of the tax burden on households and companies.

With the exception of Italy in all countries relatively strong increases in the ITR on capital can be observed during the period 1995 to 2002. The most pronounced increases occurred in Ireland, Portugal and Sweden.<sup>4</sup>

### 5.3. Driving forces behind changes of the ITR on capital income

The ITR on capital is a complex aggregate indicator, for which it is not straightforward to explain trends. This section considers some of the driving factors that may have influenced it. Graph II-5.2 shows the development of the ITR on capital and the decomposition between capital income and the part related to capital stocks or their transactions. The columns represent the absolute difference in the ITR between 1995 and 2002 in percentage points<sup>5</sup>. With the exception of Germany the ITR on capital increased in all countries. In most countries this increase mainly reflects an increase in the implicit tax rates on capital income. In addition, in Belgium, Denmark, Greece, Portugal and Sweden, the increase of tax revenues in the category 'stocks (wealth) of capital' contribute significantly to this development. We focus below on the ITR on capital income and discuss the reasons behind the general increase in the implicit tax rate. It should be noted from the outset that this description sometimes hides the overall increase between 1995 and 2000 because a substantial drop of the ratio has taken place in 2001 and 2002 in some countries. In Germany this is related to the reduction of the corporate tax rate to a uniform rate of 25% and related special transformation

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<sup>4</sup> It should be noticed that for Luxembourg and Ireland only a more simplified definition of the denominator is available that includes the balance of all property income for the private sector. To apply the refined denominator a full set of sectoral data in national accounts is necessary that does not exist for the moment in these countries. The analysis of more detailed data for other Member States suggests that the increase in the ITR is overestimated when using this simplified denominator. Moreover, the UK figures are known to be biased upwards due to the inclusion of tax on second-pillar pension benefits that are allocated to the capital income category whilst the benefits could not be incorporated in the denominator of the ITR. Other factors which could affect/bias comparisons between Member States are described in part II-1.3.3. Their importance differs between Member States according - for instance - to a different share of financial companies making capital gains.

<sup>5</sup> The detailed sectoral data for the construction of the denominator is not available for Luxembourg and Ireland. For Portugal, 2001 is the last year for which a full set of sectoral accounts is available. A drop in the ITR in 2001 and 2002 that is visible in the majority of other countries could therefore not be reported.

provisions<sup>6</sup>. Also in Finland the ITR fell back to its initial level in 1995, although its rise has been very pronounced until 2000. In Austria only in 2001 the ratio rose substantially although before the increases have been relatively modest.<sup>7</sup>

**Graph II-5.2 Decomposition ITR on Capital**  
Difference 2002 to 1995 - in %-points

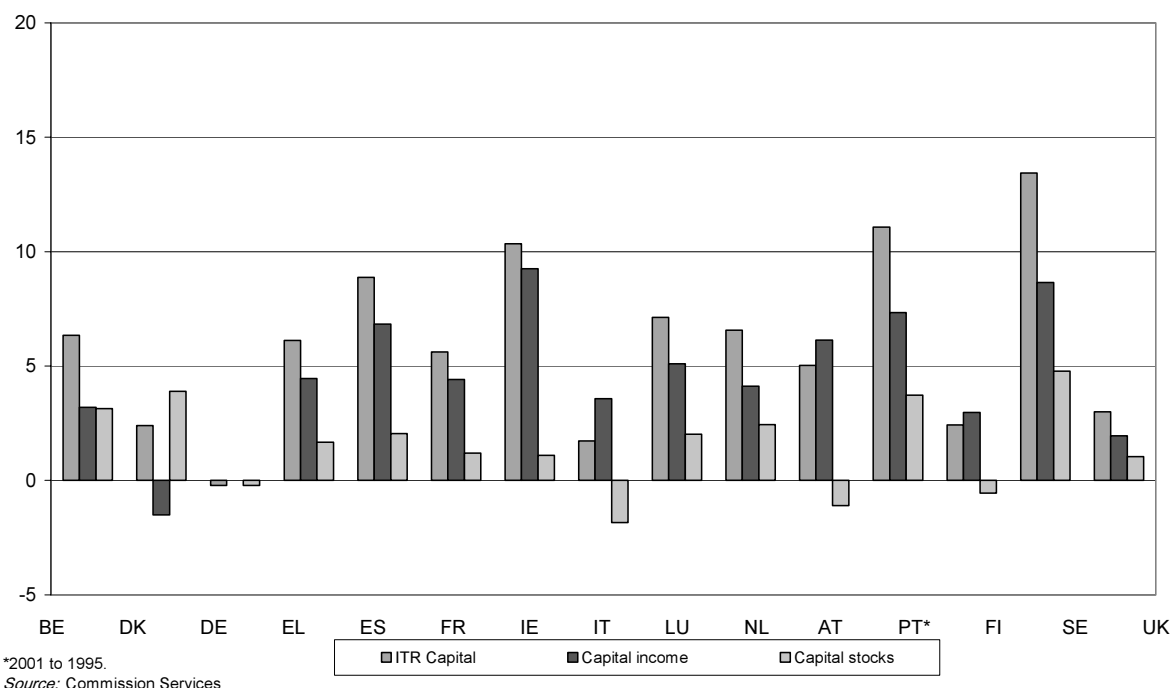


Table II-5.2 presents the ITR on capital income until 2002. In most countries continuous increases in these years are visible. In Italy, Luxembourg and Austria a fluctuating movement can be observed in this tax ratio. The figures for the latest years indicate that the peak was reached in 2000 or 2001 for all countries except for Belgium, Spain, Ireland and Luxembourg. Large changes in backward looking measures of the tax rate on capital are not unusual and are not specific to aggregate data. Tests on Belgium and Sweden<sup>8</sup> report annual changes of several percentage points for effective tax rates derived both from national accounts data or tax statistics using micro data for companies. The calculations presented here have similar features.

<sup>6</sup> In 2001 the revenues from corporation tax fell dramatically from about 26 million euro to 2 million euro. This can partly be explained by the special effect of changes in legislation related to the first reduction of the corporate tax rate for distributed profits. Until the end of 2001 corporations could claim the difference in taxation of retained profits - taxed with a rate of 45% in former years - and the new rate of 30% if they distributed these profits. Corporations massively applied these rules resulting in substantial refunds. At the same time, revenues from dividend tax and PIT increased due to the taxation of distributed profits at the individual level. However, tax revenues from corporate income did not level off in 2002.

<sup>7</sup> The increase in 2001 is related to base broadening measures and significantly increasing tax pre-payments, in reaction to the introduction of interest charges on tax arrears from October 2001 onwards.

<sup>8</sup> Valenduc (2001), Clarc (2002).



**Table II-5.2 Implicit tax rate on capital income in the Union**

1995 to 2002 - in %

	1995	1996	1997	1998	1999	2000	2001	2002	Diff. 02-95
BE	15,7	15,9	16,4	17,8	17,8	17,9	18,4	18,9	3,2
DK	17,6	19,0	20,3	24,2	27,3	17,7	18,3	16,1	-1,5
DE	16,9	19,5	18,9	19,7	21,9	23,5	18,2	16,9	0,0
EL	9,1	8,6	9,9	12,5	13,5	15,5	13,4	13,5	4,4
ES	13,7	14,1	16,2	16,3	18,7	19,7	18,6	20,5	6,8
FR	15,1	16,9	17,6	17,9	19,9	21,1	21,9	19,6	4,4
IE <sup>1)</sup>	15,0	15,9	16,9	17,1	21,0	22,6	23,5	24,3	9,3
IT	17,3	18,4	20,8	19,1	21,3	21,6	21,8	20,9	3,6
LU <sup>1)</sup>	19,2	18,0	20,1	21,3	18,9	23,3	22,0	24,3	5,1
NL	16,1	18,3	19,2	19,1	20,2	18,4	21,3	20,3	4,1
AT	17,9	19,5	19,0	19,7	19,5	19,3	25,7	24,1	6,1
PT*	12,9	15,1	16,9	17,0	19,3	22,5	20,2	-	7,3
FI	22,4	24,3	25,1	26,7	28,0	31,7	23,5	25,4	3,0
SE* <sup>2)</sup>	12,4	15,6	17,5	18,1	22,6	27,7	22,8	21,0	8,7
UK	18,8	19,7	21,7	20,4	23,7	23,6	24,0	20,8	2,0
<b>EU 15</b>	<b>16,3</b>	<b>17,9</b>	<b>19,0</b>	<b>19,0</b>	<b>21,1</b>	<b>21,9</b>	<b>20,9</b>	<b>19,6</b>	<b>3,3</b>

\* 2001 to 1995

1) Calculated with a simplified denominator due to lack of full sectoral accounts data

2) Denominator including net reinvested earnings on foreign direct investment

Source: Commission Services

#### 5.4. Splitting the ITR on capital income between corporations and households

The overall ITR on capital and business income for corporations and households is influenced through various channels. Therefore, developments of this indicator are sometimes difficult to explain. Although difficulties of interpretation stemming from the backward looking character of the data remain, the reading of separate ITRs for the corporations sector and household sector is easier: The numerator of the overall ITR can be split using the allocation of taxes to the category 'income corporations', '(capital) income households' and 'income self-employed'<sup>9</sup>. In most countries, tax revenues raised on corporate income equal the aggregate D51B+D51C 'Taxes on the income or profits of corporations including holding gains', although in some countries like Germany, Italy and Austria revenues from local or regional business taxes are added. In general, the other tax categories of the overall ITR numerator are allocated to the household sector.

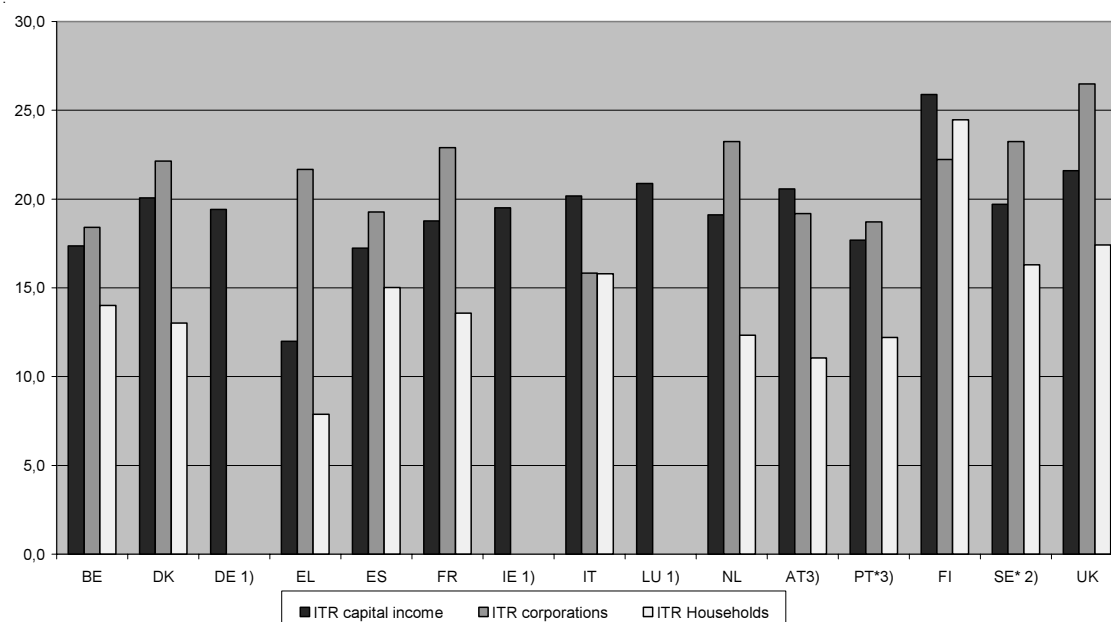
The denominator of the ITR on capital and business income for households includes mixed income of self-employed, net operating surplus of households, dividends and attributed insurance property income received and the difference between received and paid interest and rents. The denominator for corporations consists of their net operating surplus, the difference between received and paid

<sup>9</sup> Annex B shows for each Member State a detailed classification of taxes to the different categories.

interest and rents and a specific definition of dividends minus property income from insurance companies and pension funds attributed to policy holders<sup>10</sup>.

**Graph II-5.3 ITR on corporate income and on capital income of households<sup>4)</sup>**

Average 1995 to 2002 – in %



1) Split corporations - households not available. - 2) incl. net reinvested earnings from foreign direct investment. - 3) self-employed allocated to corporations. 4) including self-employed. - \* 1995 - 2001.

Source: Commission Services

Graph II-5.3 presents the average ITRs for the income of corporations and households. In order to try to smooth out the influence of loss-carry-forward and -backward provisions, the average ITR for 1995 to 2002 is presented. Estimates for Luxembourg and Ireland are currently not available. For Austria and Portugal the ITR on corporate income represents the tax burden on all companies including the self-employed. This correction is necessary because of the sectoral mismatch in the recording of unincorporated partnerships in national accounts. The profits of partnerships, treated as quasi-corporations in national accounts, are booked in the corporation sector while the corresponding tax payments are recorded in the sector of private households.<sup>11</sup> For Germany, where partnerships are an important part of companies, a similar correction could be calculated. However, the German authorities doubted whether this correction leads to results that are fully comparable with other countries.

The ITR on corporate income is generally lower than the statutory corporate tax rate. This can be explained by the fact that the ITR incorporates the effect of reduced rates (*e.g.* for certain assets, sectors or small profits), tax deductions applicable to determine taxable profits and the effects of tax

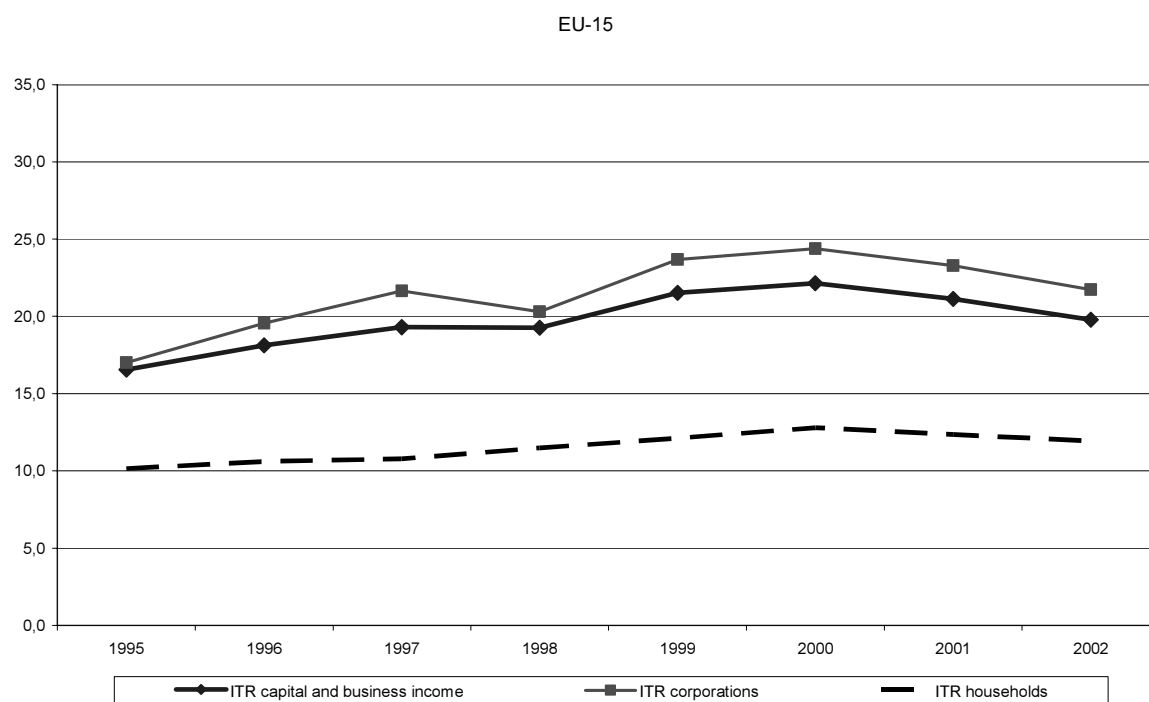
<sup>10</sup> Strictly speaking, it is the balance of attributed property income (D44) paid mainly to private households and received property income attributed to insurance policy holders because also corporations and quasi-corporations can be insurance policy holders too.

<sup>11</sup> The owners of the partnership are taxed under the personal income tax scheme.

planning by corporations in order to minimise their tax payments. It should furthermore be noted that financial corporations in national accounts include central banks and pension funds, and their profits which are included in the denominator of the ITR are not always subject to taxation. This is another element that explains the relatively low level of the ITRs. Making a comparison with an ITR using micro data from tax statistics, Valenduc (2001:13) finds that the ITR based on macro data tends to underestimate the effective taxation on company profits.

Graph II-5.4 shows the development of the overall ITR on capital and business income during the period 1995 to 2002 for the EU-15 together with the ITR on corporate income and the ITR on capital income of households including self-employed. During the first three years the increases are mainly related to the corporate sector while after 1997 also the ITR on capital income of households increased. A slight decrease in both indicators is discernible for 2001 and 2002.

**Graph II-5.4 Development of ITRs on capital income for corporations and households<sup>1)</sup>**  
In %



1) Including Self-employed

Source: Commission Services

The increase in the ITRs over this period does not fully reflect recent policies. It partly reflects previous steps towards a broadening of the capital tax base. Recently, most Member States have introduced (or envisage further) tax reforms aimed at reducing the taxation of entrepreneurial income and other capital income. These reforms seem to have influenced the decrease of tax revenues in recent years. However, it is likely that it is too early to see their full impact. This becomes in particular reasonable if one takes into account that a certain time lag between the change of legislation and the collection of the revenues by the government exists. This means that the figures in national accounts do not follow a real accrual principle. In fact ESA95 allows for considerable flexibility in interpreting accrual time of recording, depending on the type of taxes.

Most statistical offices in fact use 'time adjusted' cash figures for a few months, which is permitted following amendment of ESA95.

In addition, the figures could be affected by differences over time in methods in which national tax administrations determine final tax liabilities and actually collect the tax revenues. The cash based revenues consist of tax-prepayments that are determined on the basis of tax assessments of prior years. Separate calculations by the Ministry of Finance in the Netherlands using other (unpublished) accrual figures (in which the effect of such differences in collection methods has been eliminated) suggest a less pronounced increase in the ITR on capital income.

Another important explanation for this overall increase in the implicit tax rate lies in the general good condition of the European economy in that period and the position in the business cycle. The first year 1995 of the period under investigation was, in almost all countries, a year of recovery from the 1993 recession. The whole period until 2000 can be characterised as an upswing with a slower pace in 1998 due to the impact of the Asian crisis. At the same time the EU was preparing for the European Monetary Union and introducing the euro. Both cyclical as well as structural mechanisms influencing the development of the ITR have been identified.

#### 5.4.1. *Cyclical factors affecting the development of capital ITR*

The sensitivity to the business cycle is a general feature of backward-looking indicators that measure the average effective tax burden on economic activities. In principle, *ceteris paribus*, three different factors influence the ITR on capital income in an economic recovery:

- In countries with a progressive personal income tax, the ITR should rise in an upswing. If taxable income from capital and self-employment increases, the taxes raised on this income increase faster.
- Corporate tax schedules are generally not progressive and therefore the economic cycle should not affect the ITR via that channel of influence. However, some Member States do apply lower rates for small and medium sized enterprises. In an ongoing upswing some of these companies will exceed the tax legislative thresholds resulting in a higher tax burden.
- A cyclical effect on the ITR could be transmitted via the asymmetric influence of company losses. When relying on aggregate data from national accounts, corporate income tax revenues appearing in the numerator of the ITR are reduced by losses incurred in prior years, while the denominator is reduced by losses in current years. The numerator effect is caused by so-called loss 'carry forward' provisions in the tax legislation. The denominator effect results from the inclusion of loss-making firms, with current losses from loss-making firms offsetting profits of profitable firms in the aggregation. Losses are therefore incorporated in both the numerator and the denominator, but the losses are transmitted in the ITR asymmetrically in the sense that they refer to different periods. Now in the beginning of an economic upswing more firms will make profits. Initially this means that the ITR on capital would be reduced because the resulting increase in profits is immediately reflected (in the denominator) but not fully in the tax payments (in the numerator) due to losses that are carried forward. However, one could expect the latter effect diminishes over time, as loss-carry forward provisions are often restricted in time and more and more companies make profits as the upswing persists. This diminishing effect of loss

carry-over provisions should therefore lead to a gradual increase in the ITR on capital due to progressive increases in tax payments.

All in all, generally no clear direction of influence on the ITR during the whole business cycle could be expected from the outset. However, in a long lasting economic upturn these channels of influence will point most likely to an increase in the implicit tax rate on capital with a certain time lag. Under the assumption of a constant split of the personal income tax (prior to the year 1995)<sup>12</sup>, it was possible for Denmark, Italy, Finland and the United Kingdom to calculate longer, provisional time trends for the ITR using ESA95 data. Graph II-5.5 illustrates the sensitivity of the ITR to the business cycle, using the output gap calculated by the Commission Services as an indicator of the degree the GDP diverges from its potential value assuming a normal utilisation of production capacities<sup>13</sup>. To really see the relation between the economic cycle and the ITRs it would be necessary to assume no changes in tax policy. The ITRs reflect both changes in tax policy and the impact of the cycle. Denmark cut the corporate tax rate from 34% to 32% in 1999 and later to 30%. Finland increased the corporate tax rate in 1996 from 25% to 28% and later in 2000 to 29%. The UK decreased corporate taxes from 1998 on. Taking these tax policy changes into account, however, a pro-cyclical behaviour of the ITR in Denmark, Finland and the UK is visible.<sup>14</sup> In Italy there is a slight increase in line with the economic expansion, interrupted by the tax reform measures in 1998. All in all the graphs confirm (i) that the increase over the expansionary period 1995-2000 has indeed a cyclical component; (ii) that the suggested time-lag in the behaviour of the ITR is more or less visible.

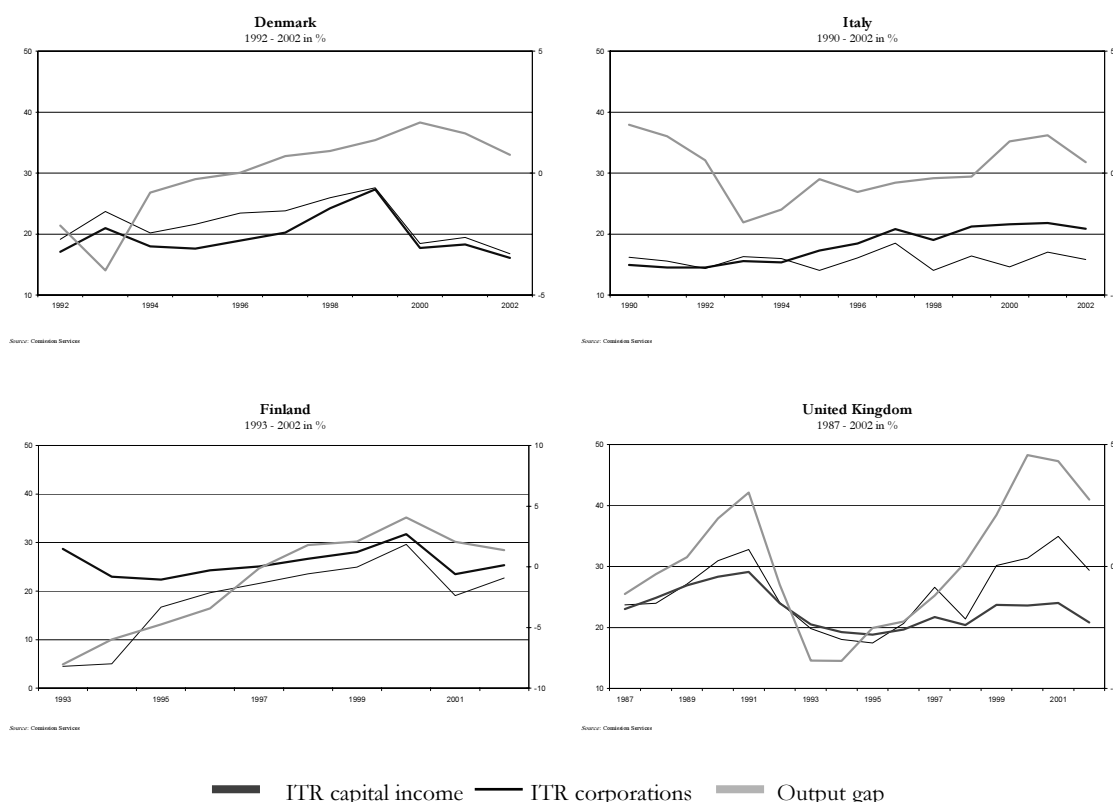
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<sup>12</sup> Generally this assumption is only reasonable in the absence of major tax reforms. The figures before 1995 should thus be considered as broad estimates only.

<sup>13</sup> The output gap is defined as difference between the estimated potential GDP and its actual value. The output gaps figures are calculated by the Commission's services as described in Denis, Mc. Morrow and Röger (2002). The estimation of the output gap in Germany is strongly influenced by the unification boom in the early nineties. Taking this exceptional period as a reference probably leads to an estimation of potential GDP that is not very sensitive to business cycle fluctuations in later years.

<sup>14</sup> The revenues from capital taxes in Denmark were particularly small in the years 2000-2002, because in pension funds the non-realised capital gains are taxed. For this reason a capital loss due to a drop in the value of shares had a particularly strong influence on the capital income tax revenue in Denmark.

**Graph II-5.5 ITR capital and output gap<sup>15</sup>**



Source: Commission Services

To further identify the most important driving factors underlying the increase in the capital income ITR, we decompose stepwise the changes in the tax base and the tax revenues by types of income and sectors. All the calculations rely on aggregates defined in % of GDP and the changes are absolute differences of these ratios between 1995 and 2002. These calculations show that complex mechanisms are at work.

Table II-5.3 show increasing shares of tax revenues on corporate income as percentage of GDP, except for Denmark. More detailed tax revenue data shows that this is more specifically the result of increases in revenue from corporate income tax. Germany witnessed a sharp reduction in corporate tax revenues in 2001, but in the years before these revenues increased remarkably. Table II-5.4 reports that the tax revenues on capital income of households and self-employed relative to GDP for most countries remained constant. Exceptions are Belgium, where the share decreased, and Sweden and the United Kingdom with an increasing tax revenue share. Detailed information from Swedish tax statistics point out that taxes raised on capital gains were very important.

<sup>15</sup> For the years prior to 1995, the ITR on capital and capital income have been created using ESA95 historical data and assuming a constant share of PIT on capital and self-employed income.

**Table II-5.3 Elements of the development of ITR on corporate income**

	ITR		Numerator		Denominator	
	2002 %	Diff. 02 to 95 %-points	2002	Diff. 02 to 95 %-points of GDP	2002	Diff. 02 to 95
BE	21,0	6,7	3,1	0,7	14,8	-2,1
DK	16,8	-4,8	2,9	-0,2	17,4	3,2
DE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EL	23,4	8,2	3,8	1,1	16,0	-1,3
ES	25,5	12,7	3,4	1,5	13,5	-1,6
FR	26,0	9,7	2,6	0,9	10,1	-0,7
IE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IT	15,8	1,8	3,2	0,3	20,4	-0,2
LU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NL	21,7	2,6	3,7	0,4	17,2	0,0
AT <sup>1)</sup>	23,0	7,0	6,1	1,4	26,5	1,3
PT <sup>*1)</sup>	20,6	5,7	4,5	1,3	21,7	1,5
FI	22,7	6,0	4,3	2,0	18,9	5,0
SE*	29,0	13,3	3,0	0,4	10,4	-6,6
UK	29,4	11,9	2,7	0,0	9,3	-6,2

\* 2001 to 1995

1) including self-employed

**Table II-5.4 Elements of the development of ITR on capital income of households**

	ITR		Numerator		Denominator	
	2002 %	Diff. 02 to 95 %-points	2002	Diff. 02 to 95 %-points of GDP	2002	Diff. 02 to 95
BE	14,4	-0,2	3,0	-0,5	21,1	-3,2
DK	11,1	2,3	0,5	-0,2	4,8	-3,4
DE <sup>1)</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EL	9,0	2,6	3,4	0,3	38,0	-10,2
ES	15,9	2,0	3,0	-0,2	19,0	-4,0
FR	12,8	0,3	2,4	0,1	18,4	0,0
IE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IT	16,4	2,6	5,1	0,0	31,0	-5,7
LU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NL	15,7	3,8	2,1	0,0	13,6	-4,0
AT <sup>1)</sup>	10,3	-3,7	1,0	-0,1	9,9	1,7
PT <sup>*1)</sup>	14,9	7,2	0,9	0,0	5,9	-5,7
FI	22,4	-2,1	2,5	-0,1	11,0	0,7
SE*	17,1	9,6	1,7	0,9	9,8	-0,7
UK	19,3	4,0	3,0	0,3	15,4	-2,2

\* 2001 to 1995

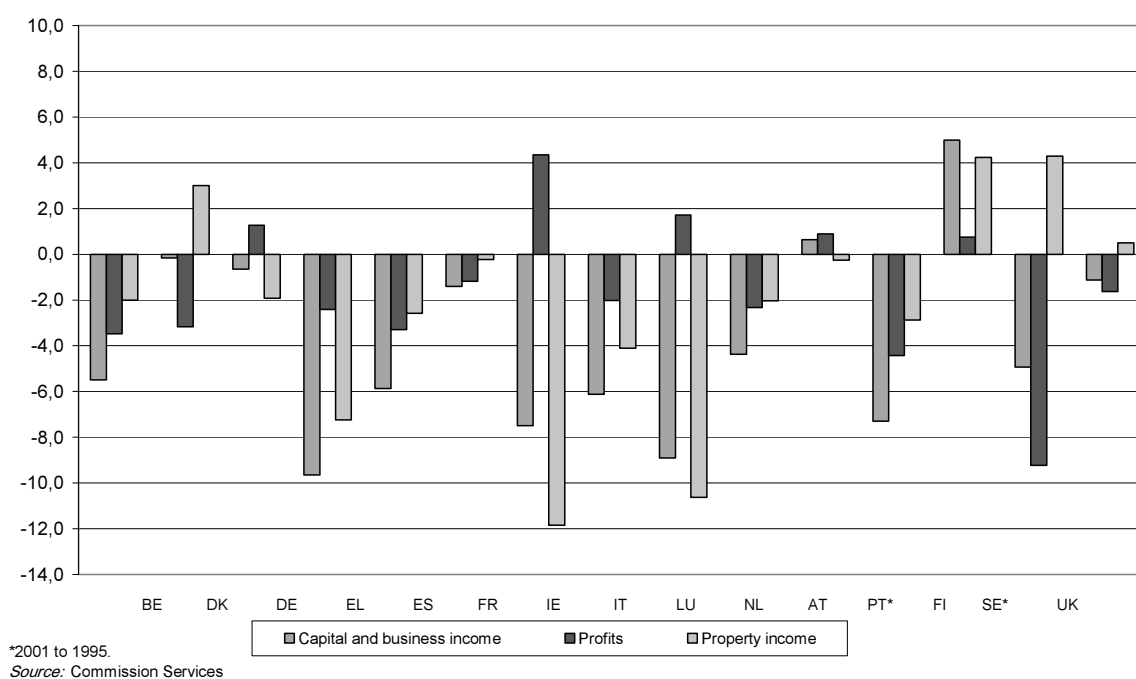
1) excluding self-employed

At the same time the potentially taxable base for corporations decreased as a share to GDP in seven countries. In the other countries the increase of the denominator lagged behind the increase of tax

revenues relative to the initial amount in 1995. The only exception is Denmark resulting in a decreasing ITR on corporate income. The potentially taxable base for households in most Member States decreased relative to GDP in this period. Only in Belgium, Austria and Finland the ITR on households decreased and was unchanged in Germany. This drop in the share of profits and capital income in percentage points of GDP in the majority of Member States is somewhat surprising in an (on average) expansionary phase like in the last years. This suggests that the upswing in the last decade exhibited some peculiar features compared to the 'standard' economic cycle.

Graph II-5.6 shows that the relative decrease in the tax base of the ITR on business and capital income corresponds mostly to a decrease of profits in proportion to GDP that is measured by the net operating surplus of the private sector, including self-employment income in Belgium, Denmark, Spain, France, Netherlands, Portugal Sweden and the United Kingdom. A relative decrease in property income (interest, dividends, and rents on land) appears to be the main driver in Germany, Greece, Ireland, Italy and Luxembourg. More detailed data on interest payments gives a common explanation linked to the reduction in government interest payments during the pre-EMU fiscal consolidation phase eased by lower interest rates<sup>16</sup>.

**Graph II-5.6 Composition of the denominator of ITR on capital and business income**  
Difference 2001 to 1995 - in %-points of GDP



More detailed data on the composition of generated profits also points to a genuine reduction in profits of market activities. The household sector's operating surplus, which mainly consists of

<sup>16</sup> Only in Luxembourg, where all net property income is included in the denominator, can the relative reduction in net property income be assigned to less property income received from the rest of the world.



imputed rents (where it can be calculated), is not responsible for the drop in the relative tax base<sup>17</sup>. This means that, in most countries, companies including self-employed businesses could not increase their profits in line with the overall economic growth while at the same time corporate tax revenues and tax revenues on the capital income of households increased faster in relative terms. This points to other effects that in addition to the impact of the business cycle might have led to the raising of ITRs on corporate and household income.

#### 5.4.2. *Structural factors affecting the development of capital ITR*

Beyond the effects of the business cycle, the changes in the ITRs might also reflect more structural changes, in particular in the composition of income. For example, in a period of booming stock markets during the years 1995 to 2000 it is likely that companies and households could increase their financial income through realising capital gains. This change in the composition of income is not reflected in national accounts and it is also not included in the tax base of the ITR. The additional tax revenues related to this kind of income have induced a rise in the ITRs on capital income overestimating the effective tax burden on capital income of the private sector. By the same reasoning, the subsequent downturn in stock markets would be an important element in explaining the reduction in the ITR on capital income in 2001.

In addition, different tax provisions for different sources of income seem to be another source explaining the increasing ITR on corporate income. Specific tax rates or special types of tax relief apply to different sources of income or expenditures. A common feature of corporate tax systems, for instance, is to favour debt finance relative to financing new investments by issuing new equity. For the ITR, dividend and interest payments are aggregated within the tax base. If financial markets induced a shift from interest to dividend payments, the taxable base would increase. In this case companies will pay more tax and hence capital tax revenues will rise since the deduction of interest expenditures for determining taxable profits is phased out. At the same time, however, the aggregate and consolidated tax base of the ITR will net off all flows of dividend distributions or interest payments between different companies (for instance between non-financial companies as borrower and banks or insurance companies as creditor) and private households. If a shift occurs from interest to dividend payments it will not show up in the denominators, and hence the capital ITR will remain constant. The overall result of the higher tax revenues would be an increase in the ITR reflecting a higher effective tax burden that is caused by the effects of the tax legislation<sup>18</sup>.

Detailed data for dividend and interest payments of corporations and households from national accounts (Table II-5.5) indicate significant shifts in corporate property income, in particular relative

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<sup>17</sup> Profits of households sector consists of self-employment mixed income and an operating surplus which accounts mainly for imputed rents of owner occupied houses. In most Member States these imputed rents are not taxed. Unfortunately they can only be separated for very few countries.

<sup>18</sup> However, the tendency for the ITR to increase can be offset to some extent by the fact that interest is often more highly taxed than dividends in the hands of personal investors. Only countries with classical tax systems tax interest as much as dividends at the personal level. Others have some form of relief for double taxation of dividends. So there could be more personal income tax on interest than on dividends, offsetting some of the effect mentioned.

shifts from interest to dividend payments<sup>19</sup>. This happened against the background of dropping interest rates. In relative terms this has resulted in lower interest tax deductions that pushed the capital ITR upward. This change is also reflected in households' property income with a similar shift of revenues from interest to dividends.

**Table II-5.5 Elements of the development on property income of corporations**

Difference 2002 to 1995 - in %-Points of GDP

	Net	Property Income					Dividends (D42) paid <sup>4)</sup>	
		Total	paid Interest (D41)	Other	Total	received Dividends (D42)		Interest (D41)
BE	0,8	-5,7	-5,7	0,0	-4,9	1,3	-6,2	1,9
DK	2,9	-1,4	-1,5	0,1	1,5	3,4	-1,9	3,4
DE <sup>1)</sup>	-0,4	3,3	3,0	0,4	2,9	1,2	1,8	2,9
EL	-0,5	-9,3	-9,3	0,0	-9,8	-2,0	-7,7	-2,1
ES	-0,1	-6,8	-6,8	0,0	-6,9	0,8	-7,6	0,4
FR	0,1	-4,1	-4,5	0,4	-3,9	0,6	-4,5	1,1
IE <sup>1)</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IT	1,2	-6,9	-7,1	0,1	-5,8	0,5	-6,3	0,7
LU <sup>1)</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
NL	1,4	-1,4	0,7	-2,1	0,0	1,2	-1,2	0,8
AT <sup>3)</sup>	0,3	-1,1	-1,2	0,1	-0,8	0,6	-1,4	2,8
PT <sup>3)</sup>	1,9	-5,8	-5,6	-0,2	-3,9	-0,1	-3,8	1,3
FI	3,0	-4,2	-4,5	0,3	-1,2	2,1	-3,3	3,7
SE* <sup>2)</sup>	2,8	-7,5	-7,3	-0,2	-4,7	3,2	-7,9	2,4
UK	1,5	-4,2	-3,8	-0,4	-2,7	0,9	-3,5	-0,2

\* 2001 to 1995

1) Split Corporations - Households not available. - 2) Denominator including D43net. - 3) including self-employed. - 4) To other sectors. Estimation assuming that RoW do not pay directly to households.

Source: Commission Services

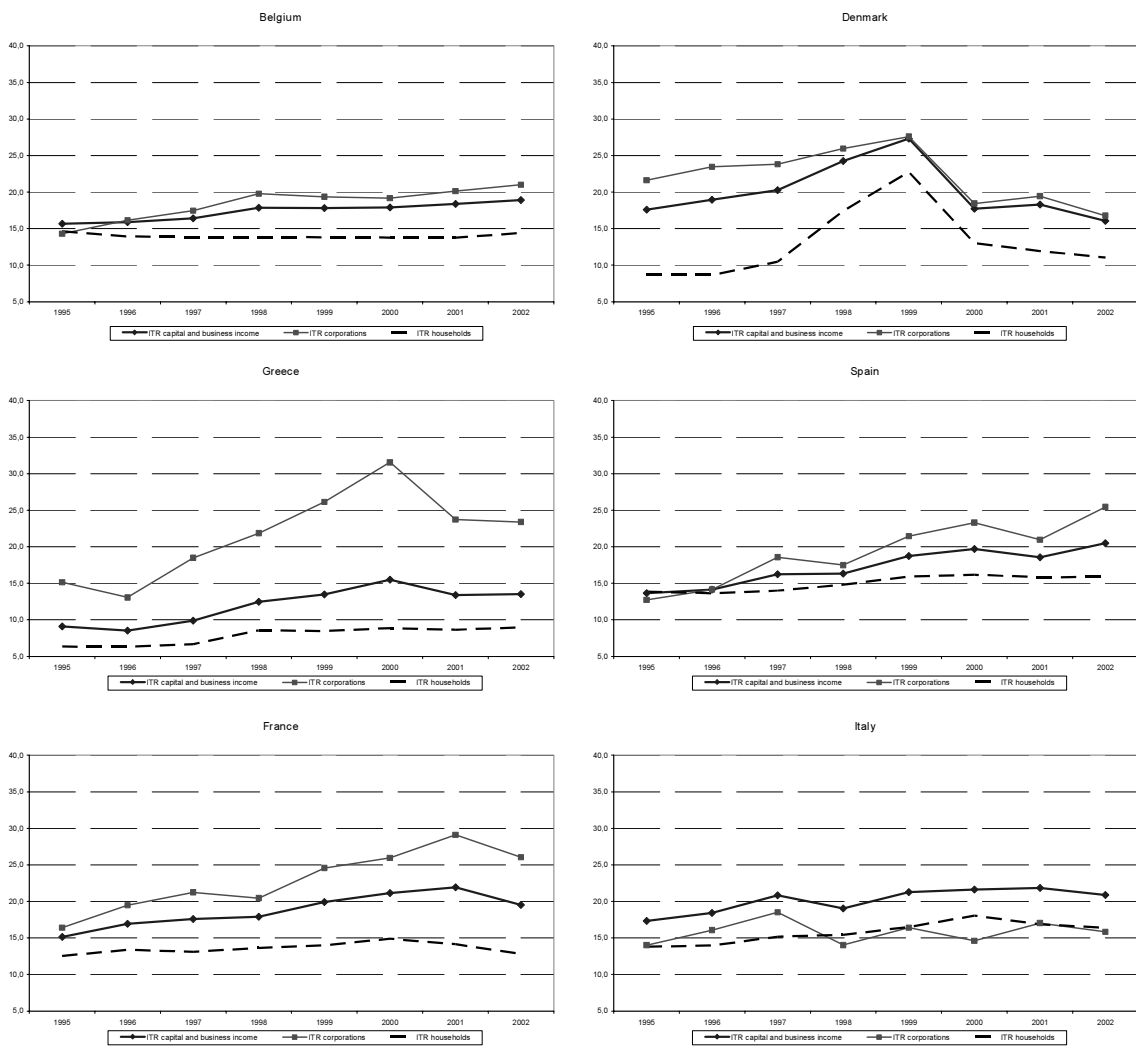
### 5.5. Will the recent decrease of the tax burden on capital continue?

The ITR on corporate income exhibits large increases within the expansionary phase lasting until 2000. Less pronounced increases are also discernable for the ITR on capital income of households in most countries. However, the response of taxes to the expansion during these five years has been partly atypical. This period was a period of fiscal consolidation and macroeconomic stabilisation. The reduction in the public debt, changes in savings and in financing private sector investments and higher capital gains in the time of booming stock markets, all these have resulted in significant shifts in the profit and income distribution. Overall this has led to increases in the ITRs on capital income which are likely larger than usually experienced during a long lasting upswing.

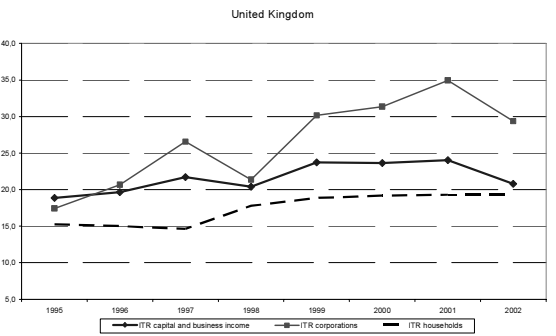
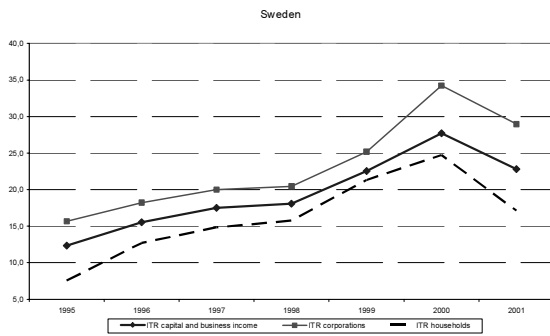
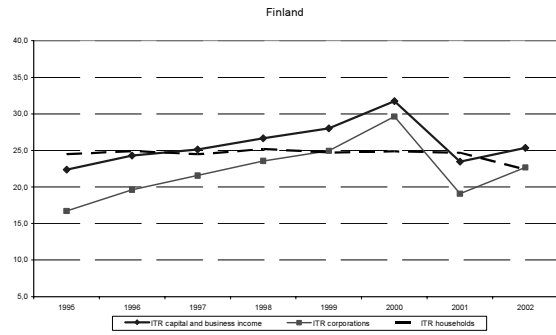
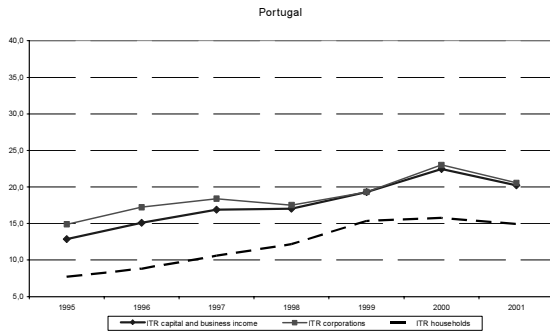
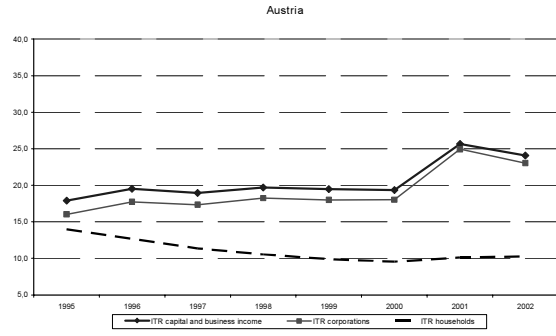
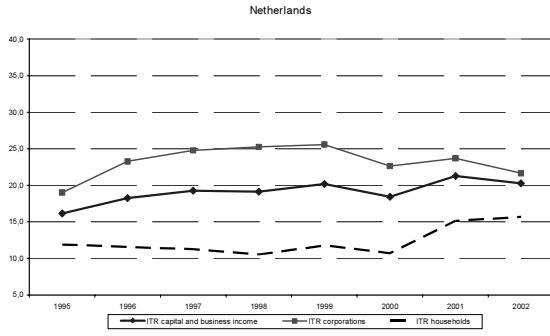
<sup>19</sup> The only exceptions is the Netherlands, where interest payments by corporations increased faster compared to dividend payments.

With longer ESA95 time series for sector accounts and the split of this indicator between households and corporations it will be possible to test the relevance of the identified factors in more detail. With the slowdown in stock market performance and in economic growth, a decline in the ITR on corporate income and - to a lesser extent - the ITR on capital income of households is already visible for some countries in 2001/2002. These cyclical elements are accompanied by the impact of recent tax policy measures for reducing the tax burden on corporations that show up in revenues data with a certain time lag. However, it is too early to judge which of the elements influencing the developments of the ITRs are of greater importance. An answer can be expected from an analysis of tax revenue and tax base data during the next upswing.

**Graph II-5.7 Development of ITRs on capital income for corporations and households by Member State**  
In %



② Part II: Taxation according to economic functions ②





## **Part III      Developments in the Member States**

Part III presents country data. It describes, for each Member State, the 1995-2002 trends in the overall tax burden and structures of taxes as well as tax policy changes in the period.

It includes a standard country table, which compiles the various indicators described in part I and II in the publication. Part A of the table presents the classification of taxes by types of taxes (indirect, direct and social contributions) in % of GDP. Part B presents the total of taxes in % of GDP broken down by levels of government. Part A and B are the only ones available for the new Member States up to now. Part C presents the economic classification of taxes in % of GDP (consumption, labour and capital). For these 3 parts of the country table, the sum of the categories add up to the total tax-to-GDP ratio reported in the line 'Total'. The next line gives the sub-category of environmental taxes. Part D presents the implicit tax rate on consumption, employed labour and capital (total and capital income). The explanatory notes on data sources and definitions are to be found in annex C. The full list of detailed taxes used for each country and the split of taxes between taxes on consumption, labour and capital is reproduced in Annex B. Annex D presents a description of the methods used in the Member States to allocate the revenue of the personal income across the different sources of income.



## 1. BELGIUM

### 1.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

Meeting the EMU criteria, in particular reducing significantly the debt-to-GDP ratio, was the main challenge for Belgium and has ruled out any major tax cut in the run-up to the EMU. After a rise in the beginning of the 1990s, the tax burden stabilised at 45-46% of GDP over the 1995-2002 period, setting Belgium largely above the Community average. In 2000, general government reached budgetary equilibrium. These recent developments offered Belgium some room for manoeuvre and in 1999 it initiated a far-reaching tax reform plan stretching over the period 2000-2006.

Over the period 1995-1999 there was no major reform in the tax system. The structure of the tax system remained therefore relatively stable. It is characterised by a relatively high weight of direct taxes, reflecting a heavy reliance on corporate and households income tax, and a relatively lower weight of indirect taxes.

#### *Features of the tax structure and tax policy in the 1995-99 period*

Roughly, two distinct periods can be identified. The period 1995-1999 is shaped by a package of measures introduced in 1993 to bring the fiscal deficit below the 3% of GDP threshold. The period 1999 up to now starts with the announcement of a fiscal stop, and introduced a multi-annual tax reform.

Taxation through the personal income tax increased during the 1995-99 period. The full and automatic indexing of personal income tax provisions was suspended: only zero-rate bands were indexed yearly (cumulative inflation between 1995 and 1999 was around 14.5%); a crisis tax of 3% levied on all statutory rates in the income tax code and a solidarity levy on personal income, including pensions were introduced.

For the same period, structural employer's social contributions rebates were introduced to encourage employers to take on more unemployed, youngsters and low-paid workers (MARIBEL). Originally the scope for these rebates was limited to specific schemes, but gradually additional schemes were launched over time.

Between 1995 and 1999 specific measures were taken in the field of business taxation in order to encourage business initiative: the time limit on recovery of business losses was dropped. These tax measures were counterbalanced by a broadening of the tax base, largely initiated in the first half of the nineties: thin capitalisation rules were strengthened, interest income was re-defined to close existing loopholes in legislation and stricter rules were applied for recovery of losses resulting from the take-over of a loss-making company.



Taxes & Social contributions in BELGIUM <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	13,3	13,7	13,9	13,9	14,1	14,0	13,7	13,8
VAT	6,8	6,9	6,9	6,9	7,2	7,3	7,0	7,2
Excise duties and consumption taxes	2,5	2,6	2,6	2,6	2,6	2,5	2,4	2,4
Other taxes on products (incl. import duties)	2,1	2,2	2,3	2,3	2,3	2,4	2,3	2,3
Other taxes on production	1,9	2,0	2,0	2,0	2,0	1,9	1,9	1,9
Direct taxes	17,1	17,0	17,4	18,1	17,5	17,8	18,1	18,1
Personal income	13,8	13,3	13,5	13,6	13,1	13,4	13,8	13,7
Corporate income	2,4	2,7	2,9	3,4	3,3	3,3	3,2	3,1
Other	0,9	1,0	1,0	1,0	1,1	1,1	1,1	1,3
Social Contributions	14,7	14,6	14,4	14,5	14,3	14,1	14,4	14,6
Employers'	8,9	8,8	8,8	8,8	8,8	8,5	8,7	8,8
Employees'	4,6	4,5	4,4	4,4	4,4	4,4	4,5	4,6
Self- and non-employed	1,3	1,3	1,3	1,3	1,2	1,2	1,2	1,3
<b>B. Structure according to level of government as % of GDP <sup>2)</sup></b>								
Central Government	14,6	15,1	16,1	16,7	16,1	16,8	15,9	15,5
State Government	10,2	10,4	10,6	10,8	10,9	10,5	11,2	10,7
Local Government	2,1	2,2	2,3	2,2	2,2	1,9	2,1	2,2
Social Sec. Funds	14,9	15,2	16,0	16,1	15,9	15,7	15,9	16,2
EC Institutions	1,0	1,0	1,0	1,0	0,9	1,0	1,0	0,8
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	10,8	11,2	11,2	11,1	11,4	11,3	11,0	11,3
Labour	25,0	24,8	24,9	25,0	24,6	24,7	25,3	25,4
Employed	23,0	22,6	22,7	22,8	22,6	22,6	23,2	23,3
Paid by employers	8,9	8,8	8,8	8,8	8,8	8,5	8,7	8,8
Paid by employees	14,1	13,8	14,0	14,0	13,8	14,1	14,5	14,5
Non-employed	2,1	2,1	2,2	2,2	2,1	2,1	2,1	2,1
Capital	9,2	9,4	9,6	10,3	10,0	10,0	9,9	9,9
Capital and business income	6,0	6,0	6,0	6,6	6,3	6,3	6,2	6,2
Income of corporations	2,4	2,7	2,9	3,4	3,3	3,3	3,2	3,1
Income of households	1,0	0,7	0,7	0,6	0,5	0,6	0,5	0,6
Income of self-employed (incl. sc)	2,6	2,6	2,4	2,5	2,5	2,5	2,5	2,6
Stocks (wealth) of capital	3,2	3,4	3,6	3,7	3,7	3,6	3,6	3,6
<b>Total</b>	<b>45,1</b>	<b>45,3</b>	<b>45,7</b>	<b>46,4</b>	<b>46,0</b>	<b>46,0</b>	<b>46,2</b>	<b>46,6</b>
Of which environmental taxes	2,4	2,6	2,6	2,5	2,6	2,4	2,4	2,3
Energy	1,6	1,7	1,7	1,6	1,6	1,5	1,5	1,5
Transport	0,6	0,7	0,7	0,7	0,7	0,7	0,7	0,7
Pollution/Ressources	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
<b>D. Implicit tax rates</b>								
Consumption	20,8	21,4	21,6	21,3	22,1	21,8	21,0	21,7
Labour employed	44,2	43,8	44,3	44,6	43,9	44,2	43,9	43,5
Capital	24,2	25,0	26,3	28,1	28,7	28,6	29,4	30,3
Capital and business income	15,8	16,0	16,5	17,9	18,0	18,1	18,6	19,1
Corporations	14,3	16,1	17,5	19,8	19,4	19,2	20,1	21,0
Households and self-employed	14,8	14,1	14,0	14,0	14,1	14,1	14,0	14,8

1) See annex B for classification of taxes and annex C for explanatory notes.

2) Additional information from the Belgian administration was used for this classification of taxes.

Source: Commission Services

As far as capital taxation is concerned, the relatively low capital taxation remained unaffected, except for a broadening of the definition of the interest concept in 1996. Taxing private capital gains is almost non-existent, short-term savings are taxed at a modest flat rate and pension savings enjoy an EET tax regime resulting in negative effective tax rates, as in many other EU countries. In 1995 the final withholding tax on dividends was lowered from 25% to 15% for new shares issues.

As regards indirect taxation, the VAT rate was regularly increased during the last two decades up to 21% in 1996. During the last decade, the medium-term rate of the excise duties increased in Belgium, primarily on tobaccos and fuels. Finally, environmental tax revenues in relation to GDP appear among the lowest ones in the Union.

*The Tax policy stance since 1999*

The tax policy stance changed in 1999. The full and automatic indexing of personal income tax provisions was re-established. The next step was the stepwise removal through a yearly reduction by 1% point of the crisis surcharge of 3% starting with the lowest incomes in 2000, followed by the intermediary incomes in 2001 and the high incomes in 2002. The crisis surcharge is fully removed since 2004.

In 2000, the budget line for employer's social contributions rebates was doubled from 1.5 billion euro to 3.5 billion euro per annum and the system was extended to include the social profit sector and older unemployed. In addition, VAT on certain services was reduced to 6%.

A major reform program for personal income tax was introduced in 2000 ending the continuous increase in the tax burden, especially on labour, over the last years. The program started to have some effect in 2000, with a major impact expected in 2003 and 2004 and results in radical change of the tax system in 2006. Personal income tax reform involved a substantial easing of the tax, amounting to some €3.33 billion, or 12% of the yield from the tax and approximately 1.3% of GDP. Implementation was staggered over four years. The main provisions involve four aspects, the first two of which constitute the bulk of the reform.

- Aspect I comprises four measures sharing the common goal of easing the tax burden on earned income: a refundable tax credit for low-wage earners; a rise in the rate of standard deduction for occupational expenses in the lowest bracket; the widening of the central tax brackets; and the abolition of the highest marginal tax rates (52.5 and 55%, as from 2002).
- Aspect II is lifestyle neutrality. The intended purpose is to treat single and married persons in a similar manner and to extend the tax treatment of spouses to lawful cohabitants.
- Aspect III of the reform involves a series of measures intended to provide higher allowances for dependent children.
- Aspect IV of the reform involves measures to promote taxation that is more ecological: this includes a €0.15 deduction for the first 25 km (now extended to 50 kms) of commuting to work by means other than an individual vehicle, and the introduction of a new tax expenditure for thermal insulation or rational use of energy.

A new favourable tax treatment of stock options for employees was introduced (tax on the price of the option, not on the resulting capital gain) in 1999. This scheme was slightly amended in 2002: employees now have the choice to opt for taxation when the stock options are received or to defer taxation when the stock options are exercised.

A reform in company taxation was introduced in December 2002. The main axes of the reform are:

- The statutory rate was reduced from 40.17% to 33.99%, crisis surcharge included.
- The reduced rate for SMEs (maximum taxable profits of € 322,300) was reduced from 28.84% to 24.72%, crisis surcharge included.
- All SMEs benefit from a tax-free reserve for new investments executed within 3 years and financed by retained earnings (50% of initial investment, limited to € 18,750 per annum)

The reform in company taxation should be budgetary neutral. A broadening of the tax base compensates cuts in tax rates and the budgetary cost of the tax-free reserve. The main provisions enacted to ensure a budgetary neutral tax reform are: less favourable depreciation rules, changes in the exemption system strengthening the upstream taxation requirement, non-deductibility of regional taxes.

Finally Belgium is a Federal State, divided into 3 regions and 3 communities, each having their own legislative powers that are on equal footing with laws on the Federal level. In 2001 a constitutional reform granted further fiscal autonomy to the regions. This resulted in several changes in registration duties and inheritance and estate taxes.

The new Supplementary Pensions Act, effective from income year 2004, introduces a number of important changes to the tax treatment of both collective and individual occupational pensions as well as in respect of supplementary allowances for work disability, and supplementary health and accident cover. The most important change is the more favourable treatment of pension benefits paid out in the form of periodic payments. Whereas before these annuities were taxed at progressive tax rates, the new Act introduces a notional period payment (assumed to be 3% of the net capital sum) at the rate of 15% (+ local income tax).

## **1.2. Trends in taxation of consumption, labour and capital**

Belgium imposes relatively heavy taxes on labour with an implicit tax rate of around 44%. The tax policy in the second half of the 1990s has hardly influenced these features. Throughout the whole period targeted employer's social contributions rebates were used as the instrument to reduce labour costs and compensate for the increase in the taxation of personal income. The reform initiated in 1999 has introduced a fiscal stop and paved the way for easing the tax burden on labour and more recently the implicit tax rate on labour fell again.

Contrary to labour, the taxation of capital and consumption in Belgium is very close to the EU average and the developments over the period are also quite in line with EU trends. The implicit tax rate on consumption has increased by around 1 percentage point between 1995 and 2000, reflecting mainly increases in excise duties on fuels and tobacco.

Taxation of capital has not been significantly changed over the period and the increase in the implicit tax rate reflects mainly changes in the tax base. In spite of wage moderation introduced in 1994, the profit share continued to decline in the second half of the 1990s, probably reflecting an increasing share of companies making losses. Moreover, with the fall in the service of the public debt, its share in GDP having fallen by 2.2 percentage points, private savings has been redirected to financial markets and dividends have increased and fully compensated the fall in interest payments. After Finland, Belgium is the country of the EU that has recorded the largest increase in dividend income received by the private sector over the period. These trends are reflected in an increase of the ITR on capital and business income by around 3 percentage points, to 19.1% in the year 2002. The broadening of the corporate income tax base and the reduction in the statutory rate applied to dividend income had opposite effects. The absence of taxation of capital gains explains why the changes in the financial income have not generated increases in the taxation of capital as large as other countries that have experienced similar structural shifts. The reduction of the statutory corporate tax rate in 2002 did not yet show up in the ITR.



## 2. CZECH REPUBLIC

### *Overall tax burden and features of the tax system*

With a total-tax-to-GDP ratio of about 35% in 2002, the Czech Republic has a total tax burden below the average of all new Member States and of the enlarged Union. Between 1995 and 2002 the tax burden has decreased by more than 4 percentage points.

In the Czech Republic taxes are divided between the central and the local level of government. With about 42% of total taxes, the share of social contributions is very high, similar to Germany and the Slovak Republic. Nearly three fourth have to be borne by employers. While the share of direct taxes is about 10 percentage point below the Unions average, the share of indirect taxes is in line with the European average. VAT and revenues from excises play the most prominent role.

Personal Income Tax is applied at the central government level. The revenues account only for about 4.8% of GDP, being one of the lowest ratios of all countries in 2002. Since 1993 the Czech Republic applies a progressive tax rate, initially with six brackets ranging from 15% to 47%. Over the years the top two brackets were abolished, now there are four brackets ranging from 15% to 32% (since 2000). These rates are applied to a comprehensive tax base including most of the income types: income from employment, self-employment, income from the lease of property, capital gains or other income. Capital gains are exempt if they are realized after a 6 months holding period.. Unrealised holding gains are not subject to taxation. Capital income (interest, dividends), it is subject to withholding tax with the rate at 15% (decreased from 25% in 2000). The main standard tax allowances for PIT are: the basic allowance available for all taxpayers (CZK 38,040), for dependent children (CZK 25,560 for each child), for unemployed spouse (CZK 21,720), and for students (CZK 11,400). These allowances were increased for the last time in 2001, with the exception of the child tax allowance increased in 2004.<sup>1</sup> The main changes envisaged for 2005 are the introduction of possibility of joint taxation of spouses and replacement of the tax allowance for children with a non-wastable tax credit.

With an above average tax-to-GDP ration of 4 percent in 2002 tax revenues from corporate income are quite important. The corporate tax rate, initially 45% in 1993, went gradually down to 28% in 2004. Further decreases are already approved (2005: 26%; 2006: 24%). The tax base for corporate tax includes income arising from all sources, including non-business income as well as business or trading income. Expenses incurred in earning taxable income, and in maintaining the assets used in the company's activities, are deductible.

In the Czech Republic taxpayers may elect to depreciate assets using the straight-line or the accelerated method. The method chosen does not affect the period of depreciation. The depreciation periods ranged initially from 4 to 50 years, they were gradually decreased, and in 2003 they ranged from 4 to 30 years. In 2004 for administrative buildings a depreciation period of 50 years was

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<sup>1</sup> Other non-standard tax allowances are: charitable donations allowance, allowance for mortgage interest payments related to the purchase or improvement of housing and allowance for private life and pension insurance premiums.

introduced. There is a investment allowance of 10% to 20% of the price of the investment. A company can carry the amount of trading losses forward for 5 years (up to 2003 7 years), but a carry back of trading losses is not allowed. Investment funds, mutual funds and pension funds are subject to the tax at a rate of 15%. The tax rate for investment and mutual funds was decreased to 5% in 2004. Dividends paid to corporations are subject to 15% withholding tax rate; this tax is only a prepayment of the final tax liability. So effectively, capital gains are included in taxable profit and taxed at the regular tax rate (28%). There was a tax credit for companies other than investment funds and mutual funds equal to 50% of the tax withheld by them on dividends paid to shareholders, however it was abolished in 2004.

The principles of the VAT are in line with the legislation of the European Union. From the 1<sup>st</sup> May 2004 on the standard VAT rate is 19%, it was decreased from 22%. A reduced rate of 5% is imposed on water, agricultural and food products, most of pharmaceutical products, social and health services, regular personal transportation and some other goods and services. The list of items subject to reduced rate was substantially reduced in two steps at 1 January 2004 and 1 May 2004. Like the majority of new Member States the Czech Republic has requested transitional periods for applying the standard rate on construction services for housing purposes and on heating. As a permanent derogation, the level of VAT turnover threshold is set at €35,000. This threshold was initially set at 750,000 CZK per quarter, then it was lowered to 2,000,000 CZK per year at 1 November 2003 and further to 1,000,000 CZK at 1 May 2004.

The system of Excise Duties is in conformity with the legislation of the European Union. The rates on mineral oils, tobacco and alcohol were increased in January 2004. The rate (in € per 1,000 litres) on unleaded petrol is 371.28 (EU-minimum: 359) and on diesel fuel 312.01 (EU-minimum: 302), applying exchange rates as of 1 October 2003. All other rates exceed the EU-minima but not by far. As a transitional measure the Czech Republic may apply lower excise duty rates on cigarettes and other tobacco products until the end of 2006. The minimum rate will be attained gradually in three steps. As a permanent derogation, there is also a lower excise rate for fruit growers' distillation for personal consumption.

**Taxes & Social contributions in Czech Republic <sup>1)</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	13,8	13,3	13,0	12,2	12,8	11,5	11,1	11,1
VAT	7,2	6,9	7,2	6,6	7,1	6,6	6,4	6,4
Excise duties and consumption taxes	4,3	4,1	3,8	3,8	4,0	3,3	3,3	3,3
Other taxes on products (incl. import duties)	1,4	1,4	1,2	1,2	1,0	1,0	0,8	0,8
Other taxes on production	0,9	0,9	0,8	0,7	0,7	0,6	0,5	0,5
Direct taxes	10,0	9,2	8,6	8,8	8,7	8,4	8,9	9,3
Personal income	5,0	5,2	5,3	5,1	4,8	4,6	4,6	4,8
Corporate income	4,9	3,9	3,2	3,5	3,7	3,5	4,1	4,4
Other	0,1	0,1	0,1	0,1	0,1	0,2	0,2	0,1
Social Contributions	16,1	16,2	16,2	15,5	15,8	14,5	14,4	15,0
Employers'	11,3	11,6	11,4	10,9	11,0	10,1	10,0	10,4
Employees'	3,9	3,8	4,0	3,9	3,9	3,6	3,6	3,7
Self- and non-employed	0,8	0,8	0,8	0,7	0,8	0,8	0,8	0,9
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	30,6	29,9	29,0	27,8	28,7	26,1	26,5	26,7
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	4,9	4,3	4,3	4,3	4,0	4,1	3,8	4,4
Social Sec. Funds	4,4	4,5	4,6	4,4	4,5	4,2	4,0	4,3
EC Institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>39,9</b>	<b>38,7</b>	<b>37,9</b>	<b>36,5</b>	<b>37,3</b>	<b>34,4</b>	<b>34,3</b>	<b>35,4</b>

1) 1995-1999 GDP data estimated by Commission Services. See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services





### 3. DENMARK

#### 3.1. Overall trend in taxation and tax policy

##### *Overall tax burden*

On a steady fiscal consolidation path since 1993, the government budget balance turned into surplus in 1997 (0.4% of GDP), facilitated by several years of strong economic growth. In 2002 the surplus was 1.7%<sup>1</sup>. This process of consolidation relied primarily on reductions in expenditure (especially unemployment transfers and interest expenditures), whilst tax revenue as percentage of GDP remained largely unchanged<sup>2</sup>. Under the impact of the multi-annual (1999-2002) tax reform package that started to phase in (the so-called 'Withsun package'), the overall tax burden increased by almost one percentage point to 51.5% of GDP in 1999. It dropped to around 49.6% in 2000 and to 48.9% in 2002 under the influence of the economic slowdown and the changes of the 'special pension contribution'. But even today, Denmark has a relatively high tax-to-GDP ratio, the second highest in the Union, after Sweden.

##### *Features of the tax structure and recent developments in tax policy*

The Danish tax structure stands out in a number of respects. Social contributions are the lowest in Europe as most welfare spending is financed out of general taxation, notably personal income taxation. But also indirect taxes in relation to GDP are the highest in the European Union. At about 4%-5% of GDP, Denmark has the highest share of environmental taxes in the Union, the majority being raised through energy and transport taxes. Denmark also stands out for raising a non-negligible amount of pollution and resource taxes. There are taxes on several polluting products, such as pesticides, retail containers, carrier bags batteries, as well as effluent charges and a duty on waste. Resource taxes are related to water consumption.

A tax reform package (the so-called 'Withsun-package') was adopted in June 1998. It introduced a series of changes in the Danish tax system gradually being phased in from 1999 to 2002. The package aims at shifting the tax burden, to some extent, from labour to environmental taxes in order to stimulate private saving and to encourage labour participation. The main elements of this reform are a lowering of statutory personal income tax rates, especially for low-incomes, and a rise of energy taxes (on petroleum products, electricity, gas and coal, and petrol duty). In addition, the interest relief and deductions for other kind of expenses (*e.g.* transport expenses) are being reduced and there are tax changes related primarily to pension savings with a view to making the tax system more neutral between different types of savings. Notably, the taxation of interest from pension savings was reorganised. In the early 1980s, a real interest rate tax with a variable tax rate was introduced in order to dampen the effect of high and very volatile inflation and interest rates. The variable rate has been replaced by a flat rate in view of the different economic climate. At the same time, the taxable base was made broader by abolishing some previous exemptions.

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<sup>1</sup> European Commission, 2004a.

<sup>2</sup> Ministry of Finance of Denmark, 2002.

Taxes & Social contributions in DENMARK <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	17,2	17,5	17,7	18,5	18,3	17,4	17,5	17,7
VAT	9,5	9,7	9,8	9,9	9,9	9,7	9,7	9,7
Excise duties and consumption taxes	3,7	3,9	3,8	4,1	4,2	4,1	4,2	4,1
Other taxes on products (incl. import duties)	2,3	2,3	2,5	2,7	2,5	2,0	1,8	2,0
Other taxes on production	1,6	1,5	1,6	1,8	1,8	1,6	1,8	1,8
Direct taxes	30,6	30,8	30,5	30,1	31,0	29,9	30,2	29,6
Personal income	26,6	26,6	26,2	25,8	26,1	26,1	26,3	26,0
Corporate income	2,0	2,3	2,6	2,8	3,0	2,4	3,1	2,9
Other	2,1	2,0	1,7	1,4	1,8	1,5	0,7	0,8
Social Contributions	1,5	1,6	1,6	1,6	2,1	2,3	2,2	1,7
Employers'	0,3	0,3	0,3	0,4	0,3	0,3	0,3	0,3
Employees'	1,2	1,2	1,2	1,2	1,8	2,0	1,9	1,3
Self- and non-employed								
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	32,1	32,6	32,4	32,4	33,0	30,9	30,7	30,2
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	15,5	15,5	15,6	15,9	16,1	16,2	16,8	16,9
Social Sec. Funds	1,5	1,6	1,6	1,6	2,1	2,3	2,2	1,7
EC Institutions	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	15,6	16,0	16,0	16,4	16,5	15,9	15,8	15,9
Labour	28,0	28,1	27,7	27,1	27,7	27,5	27,7	26,7
Employed	21,8	22,0	22,2	21,8	22,5	22,5	22,8	22,0
Paid by employers	0,8	0,8	0,9	1,0	0,9	0,8	0,9	0,8
Paid by employees	21,0	21,2	21,3	20,8	21,6	21,7	21,9	21,2
Non-employed	6,2	6,1	5,5	5,3	5,2	5,0	4,9	4,7
Capital	5,7	5,8	6,1	6,6	7,3	6,3	6,5	6,2
Capital and business income	3,8	4,0	4,2	4,6	5,3	3,8	3,8	3,5
Income of corporations	3,1	3,4	3,5	3,5	4,1	3,1	3,2	2,9
Income of households	-0,6	-0,6	-0,5	-0,2	-0,1	-0,4	-0,6	-0,7
Income of self-employed (incl. sc) <sup>2)</sup>	1,3	1,2	1,2	1,3	1,3	1,1	1,2	1,2
Stocks (wealth) of capital	1,9	1,8	1,8	2,0	2,0	2,5	2,6	2,7
<b>Total</b>	<b>49,3</b>	<b>49,9</b>	<b>49,8</b>	<b>50,1</b>	<b>51,5</b>	<b>49,6</b>	<b>49,9</b>	<b>48,9</b>
Of which environmental taxes	4,4	4,7	4,7	5,1	5,2	4,7	4,7	4,8
Energy	2,1	2,3	2,2	2,4	2,6	2,6	2,7	2,6
Transport	2,1	2,1	2,1	2,3	2,1	1,8	1,7	1,9
Pollution/Ressources	0,2	0,3	0,4	0,4	0,4	0,4	0,3	0,4
<b>D. Implicit tax rates</b>								
Consumption	31,3	32,2	32,4	33,2	33,7	33,9	33,8	33,7
Labour employed	40,7	41,2	41,5	39,9	41,1	41,8	41,5	39,9
Capital	26,4	27,4	29,0	34,7	37,6	29,4	30,8	28,8
Capital and business income	17,6	19,0	20,3	24,2	27,3	17,7	18,3	16,1
Corporations	21,6	23,5	23,8	25,9	27,6	18,4	19,4	16,8
Households and self-employed	8,8	8,7	10,5	17,4	22,7	13,0	11,9	11,1

1) See annex B for classification of taxes and annex C for explanatory notes.

2) Data for social contributions paid by self-employed and non-employed persons do not exist.

n.a.: not applicable

Sources: Commission Services

After parliamentary elections in 2001 the Conservative/Liberal government adopted the tax freeze policy, which means essentially that no tax rates are increased either in nominal or relative terms during the electoral period. This policy sets naturally tight limits also to the government's expenditure policy. In connection with the Budget for 2002, a change made to special pension contribution has been adopted. The special pension contribution consists of 1 per cent of the wage bill for all employees being paid into a special pension scheme where the benefits would be paid out as a lump sum. The change implies relating the size of the benefits paid out to the contributions made, thereby removing the redistributive element; as mentioned before this measure leads to a decrease of the 2002 revenues.

In the spring 2003 the government agreed with one of the opposition parties to implement a new tax package. The aim of the package is to decrease the level of labour taxation in Denmark, and hereby reduce the distortions of the labour market and improve incentives to work. The two main elements of the reform are the increase of the threshold of the medium tax bracket and the introduction of the earned tax credit of 2.5% of total income; both measures are expected to increase the labour supply. Despite it was originally planned to implement the tax reductions gradually from 2004 to 2007 in the spring 2004 it was decided to implement them fully already from 2004 in order to stimulate the economy.

### **3.2. Trends in taxation of consumption, labour and capital**

Taxes on consumption as a percentage of GDP are the highest in the Union, because of the single and high VAT rate of 25% and of high excise duties and environmental taxes mainly paid by households. Consequently, the implicit tax rate on consumption, of about 33% on average (95-02), is the highest amongst the Member States. It has risen during recent years, which can partially be explained by the increase in environmental taxes<sup>3</sup>.

Taxes on labour in relation to GDP are also among the highest in the EU. High taxes on non-employed labour (transfers) play an important role, however also taxes on employed labour in relation to GDP are relatively high compared to other members of the EU. The implicit tax rate on labour (which stands at a level of 39.9% in 2002) consists most notably of personal income tax. Employers' social contributions are negligible (as most welfare spending is financed out of general taxation). The implicit tax rate on labour has been rising steadily since the early 1970s, but a stabilisation is visible since the late 1990s. The slight reduction in recent years stemmed most notably from the reductions in personal income tax targeted at the lower end of the pay scale.

The overall implicit tax rate on capital is in line with the European average. However in 2000 and 2001, the implicit tax rate on capital and business income is one of the lowest in the Union. In the years before it has risen between 1995 and 1999 due to the higher profits of corporations and higher capital income taxes from households. The relatively sharp increase in the ITR on capital and business income in 1999 can be attributed to a legislative change in the corporate income tax system,

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<sup>3</sup> It is also partly related to the methodology. The ITR on consumption is defined as all indirect taxes divided by the final consumption of private households in the economic territory. But the relative size of the expenditure of private households to the total taxable VAT-base decreased from 62.4 % in 1996 to 59 % in 2001.

which led to exceptional high tax revenues in 1999. For this reason a drop occurs in the year 2000. In 2001 and 2002, the drop in the value of shares and the resulting capital loss in pension funds also contributed to this development<sup>4</sup>. Also the changes in taxation on the rental value of owner-occupied housing contributed to the drop in the ITR on capital income from 1999 to 2000. From 2000 onwards the rental value of owner-occupied housing is no longer part of the personal income tax system and for this reason it is not classified as a tax on capital income. Instead, the rental value of owner-occupied housing is now taxed in the property value tax, and it has therefore been classified as a tax on stocks (wealth) of capital.

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<sup>4</sup> From mid 1998 onwards non-realised capital losses and gains on shares in pension funds are taxed. From 1998 to 2000 they are taxed at a rate of 5 per cent, and from 2001 onwards they are taxed at a rate of 15 per cent

## 4. GERMANY

### 4.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

The total-tax-to-GDP ratio in Germany is above the European average. Due to the unification process in particular, the tax-to-GDP ratio rose significantly in the early 1990s. Most of this increase stemmed from increases in social contributions. In the second half of the 1990s, the tax-to-GDP ratio increased by almost 2 percentage points to 42.5% in the year 2000, mostly because of increased tax revenues from direct taxes. It fell back again from 2001 onwards, in particular as a result of reductions in personal income tax and corporate income tax due to the tax reform that was adopted in 2000. In 2002 the tax-to-GDP ratio was 40.2% and is supposed to decrease in 2003 and 2004.

#### *Features of the tax structures and tax policy in recent years*

Germany stands out with the highest share of social contributions in total tax receipts in the EU-15. The shares of direct taxes and indirect taxes are among the lowest in the Union. The relatively low share of indirect taxes can largely be explained by moderate rates on excise duties and also by relatively low other taxes on products and production. Raising tobacco tax in three stages (2004/2005) will go towards covering expenditure by the statutory health insurance for services not covered by the insurance. Although Germany has a standard VAT rate of only 16%, its revenues lie only slightly below the European average. The use of reduced VAT rates and exemptions is rather limited compared to other Member States. Environmental taxes in Germany are low compared to the Union's average, as indicated by the ratio of tax revenues to GDP. Due to the ecological tax reform this ratio increased slightly after 1999. The relatively low share of corporate income taxes is to a large extent the result of the high share of unincorporated companies that are taxed under personal income tax and comparatively generous depreciation rules.

Looking at the classification of taxes by receiving level of government, Germany furthermore stands out with relatively high tax revenues that are apportioned to state government (besides the previously indicated high share of tax receipts that goes to social security institutions). In Germany, the so-called 'Länder' have a substantial share in the revenue of VAT, the wage withholding tax, the personal income tax collected by assessment and the withholding tax on interest distributions. The 'Länder' are also entitled to revenues from other taxes, such as estate, inheritance and gift taxes, taxes on transfer of property and tax on motor vehicles.

The ecological tax reform entered into force on 1 April 1999. It was the most prominent change in indirect taxation in recent years apart from an increase in VAT from 15% to 16% in 1998. As a first step, a new tax on electricity was introduced and taxes on mineral oils and gas were increased. The additional revenues from the ecological tax reform are being used to decrease contributions to the old age pension system (i.e. non-wage labour costs) from 20.3% to 19.3% of gross wages at the end of 1998. The manufacturing industry and agriculture are only taxed at 60% of the standard rate. Manufacturing companies, which pay 60% more in energy taxes than they receive in the form of reduced social contributions, are refunded 40% of the energy taxes.

Taxes & Social contributions in GERMANY <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	12,3	12,2	12,2	12,3	12,8	12,7	12,5	12,3
VAT	6,7	6,6	6,6	6,7	7,0	6,9	6,7	6,5
Excise duties and consumption taxes	2,0	2,0	1,9	1,9	2,1	2,1	2,2	2,4
Other taxes on products (incl. import duties)	1,8	1,6	1,7	1,7	1,6	1,6	1,6	1,5
Other taxes on production	1,8	1,9	2,0	2,0	2,1	2,0	1,9	1,8
Direct taxes	11,2	11,6	11,3	11,6	12,0	12,7	11,2	10,9
Personal income	9,6	9,6	9,5	9,7	10,0	10,4	10,0	9,8
Corporate income	0,9	1,2	1,3	1,4	1,5	1,7	0,6	0,6
Other	0,8	0,8	0,6	0,6	0,5	0,6	0,6	0,6
Social Contributions	17,3	17,8	18,1	17,7	17,5	17,2	17,1	17,0
Employers'	7,7	7,7	7,8	7,7	7,6	7,6	7,5	7,5
Employees'	6,9	7,0	7,2	7,1	6,9	6,9	6,9	6,8
Self- and non-employed	2,7	3,0	3,1	3,0	2,9	2,7	2,7	2,8
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	11,3	11,0	10,9	11,1	11,8	12,1	11,4	11,4
State government	8,7	9,3	9,1	9,2	9,5	9,7	8,9	8,7
Local Government	2,6	2,7	2,7	2,9	3,0	3,0	2,8	2,7
Social Sec. Funds	17,7	18,3	18,5	18,2	17,9	17,6	17,5	17,4
EC Institutions	0,9	0,8	0,8	0,7	0,6	0,7	0,6	0,4
<b>Total</b>	<b>41,3</b>	<b>42,1</b>	<b>42,1</b>	<b>42,1</b>	<b>42,8</b>	<b>42,9</b>	<b>41,2</b>	<b>40,6</b>
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	10,2	9,9	9,8	9,8	10,3	10,3	10,2	10,1
Labour	24,9	25,2	25,3	25,0	24,8	24,8	24,5	24,4
Employed	21,9	21,8	21,9	21,8	21,6	21,8	21,6	21,4
Paid by employers	7,7	7,7	7,8	7,7	7,6	7,6	7,5	7,5
Paid by employees	14,2	14,0	14,1	14,1	14,0	14,2	14,0	13,9
Non-employed	3,0	3,4	3,4	3,3	3,2	3,0	3,0	3,1
Capital	5,8	6,6	6,5	6,8	7,2	7,4	6,0	5,6
Capital and business income	4,6	5,4	5,4	5,7	6,1	6,3	4,9	4,5
Income of corporations	2,1	2,5	2,6	2,7	2,9	3,0	1,8	1,7
Income of households	0,3	0,3	0,3	0,4	0,4	0,4	0,4	0,3
Income of self-employed (incl. sc)	2,2	2,5	2,5	2,6	2,8	2,9	2,7	2,5
Stocks (wealth) of capital	1,2	1,2	1,1	1,1	1,0	1,1	1,1	1,1
<b>Total</b>	<b>40,8</b>	<b>41,6</b>	<b>41,6</b>	<b>41,6</b>	<b>42,3</b>	<b>42,5</b>	<b>40,8</b>	<b>40,2</b>
Of which environmental taxes	2,4	2,3	2,2	2,2	2,3	2,4	2,6	2,6
Energy	2,0	1,9	1,8	1,8	2,0	2,1	2,2	2,2
Transport	0,4	0,4	0,4	0,4	0,4	0,3	0,4	0,4
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	18,8	18,1	17,9	18,0	18,7	18,6	18,3	18,3
Labour employed	39,5	39,7	40,6	40,7	40,4	40,2	39,9	39,9
Capital	21,2	23,9	22,7	23,6	25,7	27,7	22,4	20,9
Capital and business income	16,9	19,5	18,9	19,7	21,9	23,5	18,2	16,9

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services

On 1 April 1999 the income tax reform ('Steuerentlastungsgesetz 1999/2000/2002') entered into force. In July 2000 another comprehensive income tax reform was passed. The latest stage of this reform will come into effect in 2005. The highest personal income tax rate will be reduced from 53% (1998) to 42% (2005) and the lowest rate from 25.9% (1998) to 15% (2005). At the same time the tax-exempt income will be increased from about 6,322 euro in 1998 to 6,664 euro in 2005. As of 1<sup>st</sup> of January 2000 child benefit was increased to 138 euro for the first and second child and a new child care tax allowance of almost 1,550 euro was introduced for children up to the age of sixteen. As of 1<sup>st</sup> of January 2002 child benefit was again increased to 154 euro and child allowance had been enlarged to 3,648 euro (previously 3,564 euro).

In order to (partly) finance the tax reductions and transfer increases, a number of one-off measures have been introduced with the aim of broadening the base for capital income. In particular, a minimum taxation was introduced, by reducing the number of different kinds of income tax against which profits and losses can be offset, and the tax-free interest income from savings was halved (January 2000). In 2004 the Act to Encourage Tax Honesty offers a 'bridge into honest tax declarations' for a limited period of time. This will offer persons practising tax evasion the opportunity to feed their capital back into the economic cycle.

The corporation tax system was reformed in two major steps. As of January 2000, the corporate tax rate for non-distributed profits was reduced from 45% to 40%, and more importantly, as of January 2001 only a single tax rate of 25% on corporate income was introduced replacing the 40% rate for non-distributed profits and the 30% rate for distributed profits. For 2003 this rate was increased for one year to 26.5 to finance reconstructions in the aftermath of the disastrous floods. In order to finance the corporate income tax reductions, rates depreciation rates for machinery and buildings were reduced. At the same time, the full imputation system was replaced by a 'half-income system' in order to avoid double taxation of corporate profits by corporation tax and personal income tax of the shareholder. Only 50% of distributed profits are subject to the shareholder's individual income tax, there is no imputation of taxes paid by corporations. From 2002 onwards, corporate profits from the sale of shares of other corporations are tax-free if the shares have been held for at least one year. As already mentioned, the revenue derived from corporate business in Germany is relatively small, because a lot of companies have the legal form of business partnerships. The local tax on trade and industry ('Gewerbesteuer') from unincorporated businesses is credited against their income tax. As a result many unincorporated companies will effectively no longer bear an additional burden from taxes on trade and industry.

In 2001, revenues from corporation tax fell dramatically from about 26 million euro to 2 million euro. This can partially be explained by the special effect of changes in legislation related to the first reduction of the corporate tax rate for distributed profits. Until the end of 2001 corporations could claim the difference in taxation of retained profits - taxed with a rate of 45% in former years - and the new rate of 30% if they distributed these profits. Corporations massively applied these rules resulting in substantial refunds. At the same time, revenues from dividend tax and PIT increased due to the taxation of distributed profits at the individual level. The low share of tax revenues from corporations remained unchanged in 2002. Higher corporate tax revenues were compensated by lower revenues on dividend tax.



#### 4.2. Trends in the taxation of consumption, labour and capital

As a consequence of the rather low indirect taxes, consumption taxes as percentage of GDP are among the lowest in the European Union. With constant statutory tax rates the ratio tends to slightly decrease over time. The increase observed for 1999, which slightly outbalanced the former reduction, can be explained by a higher VAT-rate and also by higher energy taxes. The same development is reflected in the implicit tax rate on consumption. The level of this tax burden indicator is in line with the European average, indicating that in Germany sectors other than private households bear these taxes to a comparatively greater extent.

The high share of social contributions<sup>1</sup> in Germany accounts for two thirds of the taxation on employed labour; the remaining third consists of personal income taxes on wages. The implicit tax rate on labour is above the European average. It has been increasing until 1998 when it reached its top level of 40.7%, and levels off in the years thereafter due to the ecological tax reform that stabilised the social contributions to the pension system. The implicit tax rate on labour decreased substantially in 2001 as a result of the income tax reform. In 2002 it remained constant.

The amount of tax derived from capital (as a % of GDP) is one of the lowest in Europe. A low level of capital taxes on stocks and their transaction like succession and gift taxes or wealth taxes (abandoned in 1997) is an important reason. Taxes on capital and business income are more or less in line with the European average. This holds also for the implicit tax rates on capital and on capital and business income respectively, whose rates increased remarkably from 1995 to 2000. During this period companies in Germany were able to improve their profitability as indicated by an increasing profit share. At the same time revenues from taxes on capital income rose more. As already mentioned, a broadening of the tax base might be the most relevant explanation in addition to the diminishing loss carry-overs during that upswing. In 2001 the effects of the tax reform as well as the economic downturn resulted in a substantial fall in the ITR on capital. In 2002 the ITR on capital and business income reached its initial level of 1995.

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<sup>1</sup> Social contributions are shared almost equally between employers and employees. The only exception is for insurance against accidents at work that is paid entirely by the employer.

## 5. ESTONIA

### *Overall tax burden and features of the tax system*

Estonia has a ratio of total taxes on GDP of 35.2%, which is around 5% less than the EU15 average and 2% less than the EU new Member States average. Indirect taxes (40.1%) are an important share of total taxes. 12.9% of total taxes are collected by local government, a share which is higher than both the EU-15 average and the EU new Member States average. This high share is mainly due to the fact that more than an half of PIT paid by resident natural person is transferred directly to local budgets (from year 2004 11.4% of the taxable income before deductions).

Since 1994 Estonia has a single personal income tax rate at the level of 26% (in accordance with the former corporate tax rate). This is a level clearly below EU-15 and EU new Member States average. It is applied at central government level. There is a standard relief (basic allowance) that has constantly increased since 1994, it is at a level of EEK 16,800 in 2004 and will be of EEK 20,400 in 2005 and 24,000 starting from 2006. Since 1998 contributions to the voluntary private pension schemes are deductible up to 15% of the taxable income. In 2001 additional exemptions have been introduced for families with three or more children.

In 1994 a minimum amount of tax payable by self-employed people was set up and in 1999 the same measure was introduced for employers; for both categories the minimum tax base was set up at the level of the minimum wage stated by the national government. In 2001 the minimum amount was strongly reduced.

Estonia has reformed the classical corporation tax in 2000 with an already low tax rate of 26% (since 1994). Since 01.01.2000 it levies no corporate tax on retained profits. Resident companies and permanent establishments of non-resident companies registered with the Estonian authorities are subject to tax only on their distributed profits. They are subject to tax at a rate of 26% on distributed profits, including transactions that are considered as hidden profit distributions (*e.g.* fringe benefits, gifts and payments not related to the business of the payer). A 26% rate applies to income derived by non-resident companies without a permanent establishment in Estonia. Estonian Commercial Code stipulates that dividends can be paid out from profit after all losses from previous years are covered and there is still net profit available, therefore there is no need for special tax rules for carry forward of losses.

Capital gains derived by resident companies and permanent establishments of non-resident companies registered with the Estonian authorities are taxed as business profits (*i.e.* exempt from tax until a distribution is made). Non-residents without a permanent establishment in Estonia do not pay income tax on capital gains derived from Estonian sources.

In Estonia, a withholding tax at a rate of 26% is imposed on dividends paid to non-resident companies owning less than 20% of the capital of the payer. Withholding tax is also charged on dividends paid to legal persons that are residents in a low-tax jurisdiction. Other dividends are exempt. Interest is exempt from withholding tax, except if the amount paid exceeds the amount payable on similar debt in the market conditions. In such cases a 26% withholding tax is imposed.

The personal income tax rate and the corporate tax rate on distributed profits will both be reduced from 26% to 24% in 2005, from 24% to 22% on 2006 and from 22% to 20% in 2007.

The VAT regime has been brought in line with the 6<sup>th</sup> Directive in the last years. The new VAT Law (in force from 1 May 2004) is fully in line with the directive. The standard rate is stable since 1995 at a level of 18%, so 1.3 percentage points below EU-15 average of 19.3%. A 5% reduced rate is applied to some medical supplies and equipment with effect from 01.09.2001 and also exists on the supply of heat to domestic and some charitable users. Estonia has requested transitional measures, namely for a reduced VAT rate on heating and the level of VAT turnover threshold for SMEs.

In the case of excise duties the rates on diesel fuel and petrol have been risen significantly from 1 May 2004; the Excise duties (*in euros per 1000 liters*) on unleaded petrol is 287,5 (EU-minimum: 359) and on diesel fuel 245,3 (EU-minimum: 302). Estonia has a transitional period to achieve the minimum rates up to year 2010. The excises on cigarettes are – as in most new Member States – clearly below EU level (Estonia: 28.50 euro/1000 cigarettes, EU: 60 euro/1000 cigarettes). Via a transitional measure (until 2010) Estonia applies a lower excise duty rates on cigarettes than the EU-minimum.

#### Taxes & Social contributions in Estonia <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes								14,1
VAT								9,6
Excise duties and consumption taxes								
Other taxes on products (incl. import duties)								
Other taxes on production								0,7
Direct taxes								8,6
Personal income								7,2
Corporate income								1,3
Other								0,0
Social Contributions								12,5
Employers'								12,0
Employees'								0,3
Self- and non-employed								0,2
<b>B. Structure according to level of government as % of GDP</b>								
Central Government								25,5
State Government								n.a.
Local Government								4,6
Social Sec. Funds								5,2
EC Institutions								n.a.
<b>Total</b>								<b>35,2</b>

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services

## 6. GREECE

### 6.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

Greece has made significant progress in correcting fiscal imbalances during the last decade. Having peaked at 16% of GDP in 1990, the government deficit fell to 1.9% in the year 2000 and to 1.2% in 2002. For the year 1999, the stance of fiscal policy was especially tightened in an effort to contain inflationary pressures stemming from the exchange rate adjustment of the drachma entering the Exchange Rate Mechanism in March 1999. The improvement of the budgetary position was mostly the result of increased budget revenues<sup>1</sup>. The total tax-to-GDP ratio increased to around 38.8% in the financial year 2000. The ratio declined in 2001 and 2002. Despite the increases in the second half of the nineties, the total tax-to-GDP ratio in Greece remained among the lowest in the Union.

#### *Features of the tax structure and recent developments in tax policy*

Like other Member States with a relatively low overall tax burden, Greece relies relatively heavily on indirect taxes as a means of collecting revenue. The share of indirect taxes in total tax revenue amounts to around 40% in 2002, while the shares of direct taxes and social contributions amount to around 27% and 32%, respectively. Most of the increases in tax revenue in recent years seem to have originated from increases in direct taxes, as a result of the successive changes in the tax system and of successfully combating tax evasion.

Greece stands out, with its shipping lines owning a large share of the world's merchant tonnage (together with Japan). This importance is evident in Greece's special tax regimes. Resident and non-resident companies owning Greek-flagged ships are subject to tonnage tax. This tonnage tax is a substitute for the corporate income tax as regards profits arising from the operation of ships. The tax liability depends on the age and gross tonnage of each vessel.

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<sup>1</sup> European Commission (2002a)

Taxes & Social contributions in GREECE <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	14,4	14,8	14,9	15,1	15,8	15,8	15,4	14,7
VAT	6,9	7,0	7,2	7,5	7,9	8,1	8,3	7,9
Excise duties and consumption taxes	4,7	4,8	4,2	4,0	3,7	3,5	3,5	3,3
Other taxes on products (incl. import duties)	2,2	2,3	2,9	3,0	3,5	3,7	3,0	3,1
Other taxes on production	0,6	0,7	0,6	0,6	0,7	0,6	0,5	0,4
Direct taxes	7,8	7,4	8,2	9,8	10,2	11,2	9,9	9,8
Personal income	4,1	4,1	4,5	5,5	5,7	5,6	5,0	5,0
Corporate income	2,6	2,3	2,6	3,1	3,5	4,6	3,8	3,8
Other	1,1	1,0	1,1	1,2	0,9	0,9	1,1	1,0
Social Contributions	10,5	10,8	11,1	11,5	11,4	11,8	11,7	11,8
Employers'	4,8	5,0	5,2	5,3	5,2	5,5	5,5	5,6
Employees'	4,3	4,4	4,5	4,5	4,5	4,6	4,6	4,6
Self- and non-employed	1,4	1,4	1,5	1,7	1,7	1,7	1,6	1,7
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	21,2	21,2	22,5	24,4	25,2	26,2	24,4	23,8
State government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3
Social Sec. Funds	10,3	10,6	10,7	11,0	11,1	11,6	11,6	11,7
EC Institutions	0,8	0,8	0,7	0,7	0,7	0,6	0,6	0,4
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	13,4	13,5	13,0	13,1	13,2	13,3	13,6	13,1
Labour	11,8	12,2	12,8	13,5	13,6	13,9	13,6	13,6
Employed	11,0	11,4	11,9	12,5	12,6	12,9	12,6	12,6
Paid by employers	4,8	5,0	5,2	5,3	5,2	5,5	5,5	5,6
Paid by employees	6,2	6,4	6,7	7,1	7,4	7,4	7,1	7,0
Non-employed	0,8	0,8	0,9	1,0	1,1	1,0	1,0	1,0
Capital	7,5	7,3	8,4	9,8	10,5	11,6	9,9	9,6
Capital and business income	5,7	5,3	5,7	7,1	7,2	8,3	7,1	7,2
Income of corporations	2,6	2,3	2,6	3,1	3,5	4,6	3,8	3,8
Income of households	0,8	0,8	0,8	1,1	0,9	0,9	0,8	0,8
Income of self-employed (incl. sc)	2,3	2,2	2,3	2,8	2,8	2,8	2,6	2,6
Stocks (wealth) of capital	1,8	2,0	2,7	2,7	3,3	3,3	2,7	2,4
<b>Total</b>	<b>32,6</b>	<b>33,0</b>	<b>34,2</b>	<b>36,3</b>	<b>37,3</b>	<b>38,8</b>	<b>37,0</b>	<b>36,2</b>
Of which environmental taxes	3,5	3,5	3,4	3,2	3,1	2,6	2,9	2,6
Energy	2,8	2,8	2,5	2,3	2,0	1,8	1,7	1,6
Transport	0,7	0,7	0,9	0,9	1,0	0,8	1,1	1,0
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	17,5	17,5	17,0	17,2	17,7	18,1	18,7	18,1
Labour employed	34,1	35,7	36,4	37,5	37,0	38,2	37,6	37,8
Capital	12,0	11,8	14,6	17,2	19,7	21,7	18,6	18,1
Capital and business income	9,1	8,6	9,9	12,5	13,5	15,5	13,4	13,5
Corporations	15,1	13,1	18,5	21,9	26,1	31,5	23,7	23,4
Households and self-employed	6,4	6,3	6,7	8,6	8,5	8,9	8,7	9,0

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

A reduction of the highest statutory personal income tax rate was implemented, from 45% to 42.5% (for income earned in 2001) and to 40% (for income earned in 2002). Also, the level of tax-exempt income was raised, and the income tax brackets were indexed to the consumer price index, every two years starting from 2001 onwards. The 2001 Budget furthermore implemented an exemption from National Insurance Contributions for low-paid earners. In addition, tax relief was increased for the elderly and disabled persons, and also for families with children. From year 2003 previous tax deductions were transformed to tax credits.

The statutory tax rate for non-listed companies has been reduced from 40% to 37.5% in 2001 and to 35% in 2002, in order to reduce disparities between listed and unlisted companies. In addition, the tax relief for venture capital was introduced and the tax on stock exchange was reduced in 2001. From year 2004 it is introduced a tax incentive for large investment which will provide for a 10-year freeze on the 25% corporate income tax rate for entities and investment projects if the investment is at least EUR 30 million.

As regards social contributions, the firm's taxable income was reduced by 50% of the pension contributions paid for newly employed persons. Also, a reduction was implemented for employers' pension contributions for low-paid workers. Those earning the minimum wage were also exempted from paying employees' social contributions.

## **6.2. Trends in taxation of consumption, labour and capital**

Looking at the economic classification of taxes for Greece, taxes on consumption and on labour have the same importance for raising revenues. The implicit tax rate on labour is slightly above the EU15 average and the implicit tax rate on consumption is slightly below the EU15 average.

The implicit tax rate on labour consists mostly of social contributions, of which employers pay a slightly higher share. It shows an increase up to 1998 and has fluctuations in the following years. The recent reductions in the personal income tax show up in a slight decline of the personal income tax revenues from 2001. These reductions were targeted, and are probably therefore not fully reflected in the most recent implicit tax rate figures. In addition, personal income tax brackets were only indexed to the consumer price index from 2001 onwards.

The relatively low contribution of taxes on capital to total tax revenue is also reflected in the overall tax burden on capital in the Greek economy, the implicit tax rate on capital, at 16.8% in 2002, being the lowest in the Union. The implicit tax rate on capital increased substantially in years 1995-2000 but then declined again in 2001 and 2002.



## 7. SPAIN

### 7.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

Substantial fiscal consolidation has been achieved since the mid-1990s, with a budget deficit declining from 6.6% of GDP in 1995 to 0.9% in 2000. Despite weakening growth, these positive results continued reaching a deficit of 0.1% of GDP in 2001 and 2002. The balanced budget was reached due to the expenditure restraints and increased VAT receipts and social contributions, whilst direct taxes remained constant in percentage of GDP. Only in 2002 we can notice an increase of direct taxes, in particular of corporate taxes. The overall tax burden increased slightly between 1995 and 2002, but remained the second lowest in the EU15, after Ireland.

#### *Features of the tax structure and tax policy in recent years*

The shares of indirect taxes, direct taxes and social contributions in the total tax burden are not substantially different, the amount of direct taxes as percentage of GDP being however somewhat lower. The shares of indirect taxes, direct taxes and to a lesser extent social contributions are all below the Union's average.

Indirect taxes in percentage of GDP are among the lowest of in EU. This can partly be attributed to the standard VAT rate, which is one of the lowest in the Union and to the fact that Spain applies two reduced rates. But this also stems from excise duties and other taxes on production that are also low by EU standards. It is also reflected by one of the lowest shares of environmental taxes to GDP, together with countries like Austria, Germany and France.

The low taxation in Spain is particularly visible in direct taxes. Over recent years, the Spanish government implemented two important tax reforms, in 1995 for the corporate income tax and in 1999 for the personal income tax; the latter reform was then followed by a second part at the beginning of 2003. The reforms were aimed at simplification and increasing the neutrality of the tax system, enhancing incentives for work, for saving, risk-taking and investment. In addition, the revenue-raising powers of the regions were recently strengthened.

The corporate tax reform was aimed at increasing tax neutrality between different sources of income and at reducing compliance costs. A correction was made as regards the international double taxation of dividends and capital gains applied to corporations owning 5% (previously 25%) of the capital of foreign companies. Also in 1997, a low statutory tax rate (30%) was introduced for small and medium sized companies and the period for carrying forward losses has been raised subsequently up to fifteen years at present time. With the aim of providing permanent incentives for carrying on certain activities, the number of tax credits has been substantially raised, particularly to stimulate R&D activities and foster technological innovation in Spanish companies. Since 2002, in case of reinvestment, companies may deduct from their tax liability 17 percent of capital gains included in their taxable income. From 2003 onwards, this percentage has been increased to 20 per cent.



Taxes & Social contributions in SPAIN <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	10,9	10,9	11,2	11,8	12,3	12,3	12,0	12,1
VAT	5,3	5,5	5,6	5,7	6,2	6,3	6,1	6,1
Excise duties and consumption taxes	2,6	2,6	2,6	2,9	2,8	2,7	2,6	2,7
Other taxes on products (incl. import duties)	1,7	1,6	1,7	1,8	1,9	2,0	2,0	2,0
Other taxes on production	1,3	1,3	1,3	1,4	1,3	1,3	1,3	1,3
Direct taxes	10,5	10,6	10,8	10,5	10,6	10,9	10,8	11,3
Personal income	7,9	7,9	7,3	7,2	6,8	6,8	7,0	7,1
Corporate income	1,9	2,1	2,8	2,6	3,0	3,2	3,0	3,4
Other	0,7	0,7	0,7	0,8	0,8	0,8	0,8	0,8
Social Contributions	12,0	12,2	12,2	12,1	12,2	12,4	12,7	12,7
Employers'	8,3	8,5	8,5	8,4	8,5	8,7	8,9	9,0
Employees'	1,9	2,0	1,9	2,0	1,9	2,0	2,0	2,0
Self- and non-employed	1,8	1,7	1,8	1,7	1,8	1,8	1,7	1,7
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	16,3	16,5	16,0	16,0	16,4	16,7	16,5	13,4
State government	1,6	1,6	2,4	2,6	2,7	2,7	2,7	6,6
Local Government	2,9	2,9	3,0	3,2	3,2	3,2	3,1	3,0
Social Sec. Funds	11,9	12,1	12,1	12,0	12,1	12,3	12,6	12,6
EC Institutions	0,8	0,7	0,7	0,7	0,7	0,6	0,6	0,5
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	9,0	9,1	9,3	9,8	10,3	10,3	9,9	10,0
Labour	16,7	16,9	16,5	16,3	15,9	16,2	16,7	16,8
Employed	14,4	14,7	14,4	14,3	14,1	14,4	14,8	14,9
Paid by employers	8,3	8,5	8,5	8,4	8,5	8,7	8,9	9,0
Paid by employees	6,1	6,2	5,9	5,9	5,6	5,7	5,9	5,9
Non-employed	2,3	2,2	2,0	1,9	1,8	1,8	1,9	1,9
Capital	7,8	7,8	8,4	8,4	9,0	9,2	8,9	9,3
Capital and business income	5,1	5,2	5,8	5,7	6,2	6,3	6,0	6,5
Income of corporations	1,9	2,1	2,8	2,6	3,0	3,2	3,0	3,4
Income of households	0,8	0,8	0,7	0,8	0,8	0,9	0,8	0,8
Income of self-employed (incl. sc)	2,3	2,3	2,4	2,3	2,3	2,2	2,2	2,2
Stocks (wealth) of capital	2,6	2,6	2,6	2,8	2,8	2,9	2,9	2,9
<b>Total</b>	<b>33,4</b>	<b>33,8</b>	<b>34,2</b>	<b>34,5</b>	<b>35,1</b>	<b>35,6</b>	<b>35,5</b>	<b>36,2</b>
Of which environmental taxes	2,2	2,2	2,2	2,3	2,4	2,1	2,1	2,2
Energy	1,8	1,8	1,8	1,9	1,9	1,7	1,6	1,7
Transport	0,4	0,4	0,4	0,4	0,5	0,4	0,4	0,5
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	14,3	14,5	14,8	15,6	16,3	16,3	15,9	16,3
Labour employed	28,9	29,5	29,0	28,7	28,1	28,6	29,6	30,0
Capital	20,7	21,1	23,5	24,3	27,4	28,7	27,5	29,6
Capital and business income	13,7	14,1	16,2	16,3	18,7	19,7	18,6	20,5
Corporations	12,7	14,1	18,6	17,5	21,4	23,3	21,0	25,5
Households and self-employed	13,9	13,7	14,0	14,8	15,9	16,2	15,8	15,9

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services

The personal income tax system was simplified in the two reforms of 1999 and 2003. The number of tax brackets was reduced to six and then to five, the maximum rate changed from 56% to 48% and then to 45% and the minimum rate from 20% to 18% and then to 15%. Also, in 1999, different kinds of tax relief were replaced by personal and family tax allowances that depend on the characteristics of the tax unit, such as the number of dependants, their age and income. In addition, withholding tax payments were redesigned to take into account individuals' characteristics, and the threshold for filing an income tax return was raised. The mortgage interest payments deduction in the tax base was removed and a new personal residence tax credit has been introduced to help those taxpayers who invest in their own residence. In 2003, taxation of accrued gains in investment funds has been abolished.

Spain stands out with a quasi-federal system with three levels of Government: central, regional and local government. There are seventeen autonomous regions. The new financing system of the autonomous communities of 1997-2001 has been extended to the 2002-2006 period. A clear increase in regional taxes as a percentage of GDP (or, state in the table) is visible from 1997 onwards, reaching around 2.7% of GDP in the year 2001, but the full effect of the new financing system which has involved further decentralization of taxes and spending is visible in 2002 with 6.6% of GDP meaning a share of 18.2% of the total revenues for the regions.

From 2002 onwards, the main features of the new financing agreement between the Central government and the autonomous regions are (*cf.* European Commission (2002a)):

- Regional governments receive a significantly larger percentage of the total tax revenue (33% of personal income tax; 35% of VAT; 40% of excise duties on hydrocarbons, tobacco, beer and alcohol; 100% of excise duties on electricity and car registration). Indirect tax revenues are transferred according to a territorial consumption index;
- By type of taxes, statutory personal income tax rates can be modified, provided the structure retains progression and the number of tax brackets remains that set by the Central Government. Taxes on wealth, inheritance and gift tax, registration duties and fees on lotteries and gambling are totally assigned to territorial governments with almost complete jurisdictional powers. The car registration tax can be only partially modified. Shares of VAT, excise duties and other consumption taxes are assigned to territorial governments but without jurisdictional powers;
- For the base year each region receives sufficient resources to cover estimated expenditure. If the estimated expenditure exceeds potential revenues, the regional government receives a compensatory transfer from the Central government. The fund is to be increased annually with the Governments' retained tax revenues (revenues excluding those transferred to regions).
- In addition, guarantees have been established to avoid sharp disparities between regions' resources.

## **7.2. Trends in taxation of consumption, labour and capital**

The ratio of consumption taxes in proportion to GDP is the lowest in the EU15 in 2002. Despite the observed increasing trend throughout the 1995-2002 period (2.0% of average annual growth), the implicit tax rate on consumption remains also one of the lowest in the Union in 2002.

The ratio of taxes on employed labour income as percentage of GDP is situated at 14.9% in 2002, some 4 percentage points below the EU average (19%). Spain shows an average implicit tax rate on labour of 29.1% throughout the 1995-2002 period that is, just like in Ireland, among the lowest in the Union. The lowest implicit tax rate on labour was recorded in 1999 (28.1%), as a consequence of the personal income tax reform which took place that year. Subsequent increases in the implicit tax rate on labour, as shown from 2000 to 2002, should be attributed by a noticeable increase in wages and salaries subject to tax as a result of a strong job creation process observed in the Spanish economy in the last few years.

The taxation of capital appears to be in line with the EU average. Like in other EU countries the ratio capital taxes in proportion to GDP has increased substantially during recent years, particularly since the year 1999. The implicit tax rate on capital shows a similar trend and this trend can actually be attributed to increasing tax revenues raised on capital income of corporations, whereas capital taxes raised on households or the self-employed show no differences throughout this period.

Throughout the period the figures for Spain show an increase of taxes levied on capital of 1.4 percentage points of GDP. Consumption taxes also show a positive difference of 1 percentage point of GDP, whereas labour taxes are broadly stable during the period.

## 8. FRANCE

### 8.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

In the mid-1990s, the overall public deficit reached the 3% limit laid down in the Maastricht Treaty. Against this background, the priority of fiscal policy in France in the second half of the nineties has been to respect the budgetary framework for EMU. As a result, the French government had to temporarily increase the fiscal pressure on firms and households in 1997 and 1998. Public finances improved in 1999, with the deficit falling from 2.7% of GDP in 1998 to 1.6% of GDP. The evolution was largely due to buoyant tax receipts. From 1999 onwards, fiscal policy has pursued a complementary objective, which is to lower the tax burden. Exceptional increases in tax receipts in 1999, however, have meant that the overall tax burden increased to 45.7% of GDP, in spite of earlier government pledges. The budgets for 2000 and 2001 also contained tax cuts worth 0.4% GDP. Together with less buoyant tax receipts in 2002 due to the economic slowdown, this resulted in a decrease of the overall tax burden. The tax-to-GDP ratio is still largely above the Community average.

#### *Features of the tax structure and tax policy in recent years*

The share of indirect taxes in total tax revenue is above the Union's average, while the share of direct taxes is clearly below average, although it has increased since 1995. Social contributions constitute an important share of total tax revenue in France. Employers pay by far the largest share. A significant reduction of social contributions as a percentage of GDP becomes visible in the year 1998, because of cuts in employees' social contributions for sickness insurance.

France has one of the lowest shares of environmental taxes compared to GDP, together with Spain, Belgium, Austria and Germany. The share of the local government is relatively high compared to other countries in the Union. It consists mainly of the local business tax, patent levies, real estate and housing taxes. Nevertheless, the share of central government is overvalued in so far as central government in fact takes care of a large part of the local tax relief.

In the 1995-1999 period of fiscal consolidation, tax policy has been geared towards increasing tax revenues, without increasing further the tax burden on labour. This has been achieved through gradual adjustments to the existing tax system. Apart from an increase of the VAT standard rate from 18.6% to 20.6% in 1995, a major feature over the period 1995-2000 period were regular increases in rates and broadening of bases of corporate and personal income taxation. A generalised social security contribution (CSG) was instituted in the year 1991 in order to remedy financing problems of social security institutions. Similarly, a contribution for the refunding of the debt of social security institutions (CRDS) was introduced in 1996, with a lower rate but a broader contribution base. Furthermore, a social levy of 2% was instituted, levied on the inheritance incomes and investment earnings of natural persons fiscally domiciled in France. In addition, in 1996 the threshold for the taxation of capital gains on sales of shares has been suppressed, taxation of the exercise of stock options has been introduced and the relief for investment income has been reduced.

Taxes & Social contributions in FRANCE <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	16,2	16,8	16,7	16,6	16,5	16,1	15,6	15,6
VAT	7,5	7,8	7,8	7,7	7,7	7,5	7,3	7,2
Excise duties and consumption taxes	2,8	2,8	2,7	2,7	2,7	2,7	2,5	2,5
Other taxes on products (incl. import duties)	1,9	1,9	1,9	2,0	1,9	1,9	1,9	1,9
Other taxes on production	4,1	4,2	4,2	4,2	4,2	4,0	3,9	3,9
Direct taxes	9,0	9,4	10,1	12,2	12,7	12,8	13,0	12,2
Personal income	5,3	5,6	6,0	8,1	8,3	8,5	8,3	8,0
Corporate income	1,8	2,0	2,3	2,3	2,7	2,8	3,1	2,6
Other	1,9	1,8	1,8	1,7	1,7	1,5	1,6	1,5
Social Contributions	18,7	18,9	18,4	16,3	16,5	16,3	16,3	16,5
Employers'	11,5	11,4	11,4	11,3	11,4	11,2	11,2	11,3
Employees'	5,8	5,9	5,5	4,0	4,0	4,1	4,1	4,1
Self- and non-employed	1,4	1,5	1,4	1,0	1,0	1,0	1,1	1,1
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	18,5	19,3	19,5	19,4	19,8	19,1	18,8	18,1
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	4,6	4,8	4,7	4,7	4,7	4,3	4,2	4,2
Social Sec. Funds	20,1	20,3	20,3	20,4	20,6	21,1	21,4	21,4
EC Institutions	0,8	0,7	0,7	0,6	0,6	0,6	0,6	0,5
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	12,7	13,1	12,9	12,7	12,6	12,0	11,8	12,1
Labour	22,9	23,2	23,1	23,0	23,3	23,1	23,1	22,8
Employed	22,4	22,7	22,7	22,7	23,0	22,9	22,8	22,5
Paid by employers	12,7	12,6	12,6	12,4	12,5	12,3	12,3	11,9
Paid by employees	9,8	10,1	10,1	10,4	10,5	10,5	10,6	10,6
Non-employed <sup>2)</sup>	0,5	0,4	0,5	0,3	0,3	0,3	0,3	0,2
Capital	8,3	8,8	9,1	9,4	9,8	10,1	10,1	9,3
Capital and business income	4,1	4,5	4,6	4,8	5,3	5,6	5,8	5,0
Income of corporations	1,8	2,0	2,3	2,3	2,7	2,8	3,1	2,6
Income of households	0,4	0,5	0,5	0,8	0,8	0,8	0,8	0,9
Income of self-employed (incl. sc)	1,9	2,0	1,9	1,8	1,8	1,9	1,9	1,5
Stocks (wealth) of capital	4,3	4,3	4,5	4,6	4,5	4,5	4,3	4,4
<b>Total</b>	<b>44,0</b>	<b>45,0</b>	<b>45,2</b>	<b>45,1</b>	<b>45,7</b>	<b>45,2</b>	<b>45,0</b>	<b>44,2</b>
Of which environmental taxes	2,4	2,4	2,3	2,3	2,4	2,1	2,0	2,0
Energy	1,9	2,0	1,9	1,9	1,9	1,8	1,6	1,6
Transport	0,3	0,4	0,3	0,3	0,4	0,3	0,3	0,3
Pollution/Ressources	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1
<b>D. Implicit tax rates</b>								
Consumption	18,3	18,7	18,7	18,4	18,4	17,6	17,2	17,4
Labour employed	42,2	42,6	42,7	43,2	43,5	43,1	42,7	41,8
Capital	31,0	33,3	34,6	34,9	37,1	37,9	38,2	36,6
Capital and business income	15,1	16,9	17,6	17,9	19,9	21,1	21,9	19,6
Corporations	16,4	19,5	21,2	20,5	24,6	25,9	29,1	26,0
Households and self-employed	12,5	13,4	13,1	13,6	14,0	14,9	14,1	12,8

1) See annex B for classification of taxes and annex C for explanatory notes.

2) Only social contributions. Estimates for income tax raised on social transfers and pensions not available.

n.a.: not applicable

Source: Commission Services

As for corporate taxation, a temporary surtax of 10% on corporate profits was introduced in 1995 and raised to 25% in 1997. Restrictions were imposed on the imputation credit attached to French dividends (*Avoir fiscal*), with finally a reduction of this credit in 1999. The application of the reduced rate of 19% on capital gains has also been limited. In addition, in order to finance the accompanying measures for employers to reduce the working week to 35 hours, a special social contribution on profits (CSB), applicable to large enterprises, was introduced on the corporate tax base.

In recent years (notably from 1999 onwards), fiscal policy has been aimed at lowering the tax burden. In August 2000, the French government announced a multi-annual tax-cutting programme distributed over the period 2001-2003. Most of the reductions have accrued to households.

The standard VAT rate has been reduced by one percentage point (from 20.6% to 19.6%) and targeted cuts for certain sectors have been introduced. In contrast, duties on diesel fuel were increased in order to bring those more in line with those on other fuels. In autumn 2000, a measure aimed at limiting the scale of the increase in fuel prices was incorporated in the Finance Act.

Fiscal policy has made lower taxes on labour income a priority objective. The various measures as regards the taxation of labour are part of the multi-annual tax-cutting programme (2001-2003), and are mostly targeted on low-paid and low-qualified workers. The main tax cutting measures for labour consist in:

- Reduction of statutory personal income tax rates. On the whole, in 2003 the rates were scheduled to be reduced by –3.5 points for the lowest four brackets and by –1.5 for the highest brackets.
- Reduction in social contributions, notably for the low-paid workers, and as support measures for the scheme to switchover to the 35-hour working week, through cuts in employers' social contributions.
- Creation of a reimbursable tax credit, the *Prime pour l'emploi*, to encourage low-paid and skilled workers to resume active employment.
- Reform of the local business tax (*Taxe professionnelle*) with the gradual phasing out of the wages component from the tax base.

In the late 1990s, the increases in corporate taxes were reversed with the gradual phasing out of the 15% surtax on corporate profits introduced in 1997. The cuts in corporate taxes deepened with the lifting, in three stages, of the 10% surtax introduced in 1995. It was decreased to 6% in 2001 and 3% in 2002. Part of these reductions in corporate taxation is funded, in part, by a broadening of the tax base (reduction of depreciation allowance, modification of the system for correcting double taxation of dividends distributed between firms).

## 8.2. Trends in taxation of consumption, labour and capital

The taxation of consumption is on the whole stable. Although consumption taxes in relation to GDP are above the EU average, the effective rate of around 17%-18% is slightly below the community average reflecting the high share of consumers demand in GDP. Reductions in the ITR are visible for 2000 and 2001, notably because of reductions in the VAT rates. Tax burden on labour

income has risen steadily since the early 1970s, but seems now to have stabilised since the late 1990s. In National Accounts, both the CSG, CRDS as well as the social levy of 2% are booked as taxes on personal income, and the revenue has been split in the table between taxes on employed labour and taxes on capital income. These charges have been the main drivers of the increase in the implicit tax rate on labour in the second half of the 1990s. They have apparently offset the effects of reductions in social contributions at the aggregate level. However, starting 2000, together with reductions in personal income taxes, they do show up in the declining ITR. By 2002, the implicit tax rate on labour is still well above the Community average.

The taxation of capital in percentage of GDP is relatively high in France. The implicit tax rate on capital is the highest in the Union. But this is not related to a heavy taxation of capital and business income. The taxation of households' capital income is even low by European standards. However, the French system relies on a number of other taxes on capital, such as the real estate tax, the housing tax, the wealth tax and the local business tax. Most of them are classified under taxes on capital stock (-wealth) which altogether represent almost 4.5% of GDP against about 2.5% in the EU-15. Focusing on the taxation of capital and business income, the increasing trend in the implicit tax rate lies above the European average reflecting mainly an increasing taxation of corporation in that period. However, in 2002 a remarkably drop in the ITR on capital income is visible reflecting both the economic slowdown and the new priorities of the French tax policy to increase the competitiveness of the tax system by reducing corporate taxes.

## 9. IRELAND

### 9.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

The Irish economy has been performing very well since the mid-1990s and has come through the recent international downturn better than most other economies. Having recorded uninterrupted budgetary surpluses from 1997 to 2001, there was a small deficit in 2002, mainly due to cyclical developments. There was a return to surplus in 2003 and although the projections for 2004 to 2006 are for deficits, it should be noted that if infrastructural investment were halved to the EU average, the General Government Balance for 2004 would be in surplus. Ireland continues to maintain the lowest overall tax to GDP ratio in the EU, having witnessed significant reductions in both direct and indirect taxation and also social contributions in recent years. The total tax-to-GDP ratio in the years 2001 and 2002 decreased by 3.5 percentage points, following the Government's tax-cutting package and also less buoyant tax revenue growth than expected. The scope for reductions has been more limited in 2003 and 2004 and domestic forecasts project about a one percentage point increase in the total tax to GDP ratio over 2002.

#### *Features of the tax structure and recent developments in tax policy*

The structure of the Irish tax system stands out with a relatively high weight of indirect taxes reflecting a heavy reliance on VAT and excise duties. The share of social contributions in total government receipts is on the other hand remarkably low compared to the Union's average.

As promised to the electorate in 1997, the Irish government has shown a clear resolve to lower the tax pressure for households and enterprises, notably by reductions in personal income tax and corporate income tax, but also social contributions (notably for employees).

During its term in office, the government clearly aimed at rewarding work, especially for those on relatively lower pay. As a result of seven consecutive Budgets, almost 416,000 income earners have been removed from the personal income tax net by increasing basic tax allowances including the so-called PAYE allowance (since April 2000, personal allowances are available only in the form of a credit against the individual's tax liability). Also, both statutory personal income tax rates –Ireland has only two statutory rates– have been reduced substantially (from 27% in 1996 to 20% in 2001 and from 48% to 42%, respectively), along with employees' social contributions and levies. The rates for employees' Pay-Related-Social-Insurance ('PRSI') contributions were reduced and the entrance earnings threshold for paying PRSI was raised several times, granting PRSI exemption to a greater number of individuals on lower incomes. Also, since 1997, the income tax exemption limits for people aged 65 or more were increased in seven Budgets by 135%.



## Taxes & Social contributions in IRELAND <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	14,7	14,6	14,2	14,0	13,8	13,9	12,8	12,5
VAT	7,1	7,2	7,2	7,2	7,1	7,4	7,1	7,1
Excise duties and consumption taxes	4,9	4,9	4,6	4,5	4,4	4,3	3,6	3,5
Other taxes on products (incl. import duties)	1,6	1,5	1,6	1,5	1,6	1,6	1,5	1,3
Other taxes on production	1,0	1,0	0,8	0,7	0,7	0,6	0,6	0,6
Direct taxes	13,7	14,2	14,2	13,9	13,9	13,7	13,1	11,7
Personal income	10,3	10,4	10,2	9,8	9,0	8,7	8,3	7,1
Corporate income	2,8	3,1	3,2	3,4	3,8	3,8	3,6	3,7
Other	0,6	0,7	0,8	0,8	1,0	1,3	1,2	0,8
Social Contributions	5,0	4,6	4,4	4,2	4,3	4,4	4,5	4,4
Employers'	2,9	2,7	2,6	2,6	2,6	2,7	2,8	2,7
Employees'	1,9	1,8	1,5	1,4	1,5	1,6	1,6	1,4
Self- and non-employed	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,3
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	27,1	27,8	27,6	27,0	27,1	27,2	25,4	23,9
State government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	0,9	0,8	0,8	0,7	0,7	0,6	0,6	0,6
Social Sec. Funds	4,2	3,9	3,7	3,5	3,5	3,6	3,7	3,7
EC Institutions	1,2	0,9	0,8	0,9	0,7	0,7	0,7	0,4
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	13,1	13,0	12,7	12,5	12,2	12,3	11,2	11,1
Labour	13,7	13,3	12,8	12,2	11,8	11,6	11,4	10,2
Employed	13,5	13,2	12,7	12,1	11,7	11,5	11,3	10,1
Paid by employers	2,9	2,7	2,6	2,6	2,6	2,7	2,8	2,7
Paid by employees	10,6	10,5	10,1	9,5	9,1	8,8	8,5	7,4
Non-employed	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1
Capital	6,6	7,1	7,2	7,5	8,1	8,1	7,8	7,4
Capital and business income	4,6	5,0	5,2	5,5	5,9	6,1	5,9	5,6
Income of corporations	2,8	3,1	3,2	3,4	3,8	3,8	3,6	3,7
Income of households	0,5	0,6	0,7	0,8	0,9	1,2	1,2	0,8
Income of self-employed (incl. sc)	1,3	1,3	1,3	1,3	1,2	1,1	1,1	1,1
Stocks (wealth) of capital	2,0	2,1	2,0	2,0	2,1	2,1	2,0	1,8
<b>Total</b>	<b>33,4</b>	<b>33,5</b>	<b>32,8</b>	<b>32,1</b>	<b>32,1</b>	<b>32,1</b>	<b>30,5</b>	<b>28,6</b>
Of which environmental taxes	3,1	3,1	3,0	3,0	3,0	2,9	2,4	2,3
Energy	1,7	1,7	1,7	1,7	1,6	1,5	1,2	1,3
Transport	1,3	1,4	1,3	1,3	1,4	1,5	1,2	1,1
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	25,2	25,2	25,8	26,0	26,2	26,8	25,0	25,8
Labour employed	29,8	29,7	29,9	28,9	28,6	28,3	27,5	25,9
Capital	22,9	24,7	24,6	23,8	29,8	31,3	29,3	n.a.
Capital and business income	15,9	17,5	17,8	17,4	21,9	23,4	21,8	n.a.

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

The Government is working towards progressively widening the standard rate band and placing it on a per person basis with a view to achieving a position where 80% of income earners pay tax no more than the standard rate. The objective is that ultimately each person will have his or her own non-transferable standard rate band<sup>1</sup>. The measure also has the effect of encouraging labour force participation.

Corporation taxes play an important role in Ireland's total governments revenue (around 10.8%) compared to the EU15 average (6.1%). The recent increase in corporation taxes as a percentage of GDP can largely be attributed to the rapid economic growth in Ireland in recent years, which has apparently offset the effects of the recent reductions in the statutory rates. After negotiations with the EU Commission regarding the phasing out of a 10% rate, the standard rate for corporation tax for trading companies was reduced in phases from 40% in 1995 to 12.5% from 1 January 2003. Also in 1995, a new lower corporation rate of 30% was introduced for small and medium sized enterprises, which was subsequently reduced to 12½% in 2001. A special 10% rate applies to manufacturing companies and qualifying income of International Financial Services Centre and Shannon companies<sup>2</sup>.

Also in the area of business taxation, there have been several reductions in the highest and the lowest rate for employers' PRSI. The entrance earnings threshold for paying the higher rate of employers' PRSI was also raised regularly. From 2001 onwards, however, employers must pay PRSI contributions on the full salaries of the employees due to the abolition of the ceiling.

In 2001, the government reduced the VAT rate to 20% and then rose it again to 21% in 2002. Also in 2001 the probate tax –payable to capital taxes office on the entire net value of the deceased's estate– has been abolished and excise duties on auto diesel were reduced whilst in 2002 excises duties on petrol were increased.

## 9.2. Trends in taxation of consumption, labour and capital

Taxes on consumption represent more than 38% of total taxation in Ireland, which is the highest value in the European Union. The implicit tax rate on consumption reached around 25.8%, which is around 6 percentage points higher than the Union's average.

Taxes on employed labour, on the other hand, are particularly low in Ireland compared to the Union's average. The relatively low tax burden on employed labour can largely be attributed to the relatively low level of social contributions. Like in many EU countries the implicit tax rate on labour

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<sup>1</sup> The system prior to 2000 was that the standard rate band was fully transferable between spouses. However, this resulted in single people on less than the average industrial wage paying tax at the higher rate and, in the case of two-earner married couples on an average income, the second earner paying tax at the higher rate on all his or her income.

<sup>2</sup> This special 10% rate will expire between 2003 and 2010 (depending on the type of company in question and when it received approval for the 10% rate) and will be replaced by the then standard corporate income rate of 12½%. The 2002 Budget furthermore announced that, over the next five years, the government will move to a situation in which their main corporation tax payments will be made on a current year basis (like in the other OECD countries such as the United States), instead of the existing system under which all corporation tax is paid well after the end of the financial accounting year.

has steadily increased from 1970 onwards until the late 1980s. It remained rather stable during the first half of the 1990s. Significant reductions are visible since the late 1990s, as a result of the successive cuts in personal income tax and social contributions. Ireland has in fact recorded the largest fall in the implicit tax rate on labour during recent years.

The overall implicit tax rate on capital is below the Union's average. Like in other EU countries it has however increased substantially during recent years, notably reflecting an increase in the implicit tax rate on capital and business income. This trend can partly be attributed to increasing tax revenues raised on income from corporations and, to a lesser extent, also from households. Apparently the strong economic growth during recent years has offset the effects of the recent reductions in corporate income tax rates since the mid-1990s. Ireland witnessed an increasing share of profits in proportion to the size of the economy, which was mirrored by a decreasing share for the compensation of employees, but saw a significant reduction of the relative share for property income. In Ireland - due to lacking sector account data - only a simplified measure for the property income of the private sector can be used. This leads likely to an overestimation of the effective tax burden on business and capital income. Like in other countries in the Union, the decreasing share for property income can probably be linked to a reduction in interest payments to households, as the Irish government saw uninterrupted budgetary surpluses during years 1995-2001. Recent reforms and slower economic growth resulted in a lower implicit tax rate on capital in 2001 and probably also in the years ahead.

## 10. ITALY

### 10.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

The total tax-to-GDP ratio increased rapidly since the early 1990s. It approached a level of 44.7% in 1997, decreased to around 43% in 1998 then continued to decrease slightly up to 41.8% in 2002. The upswing in the tax burden since the early 1990s can largely be attributed to budgetary consolidation efforts. Meeting the EMU criteria and in particular reducing the total debt-to-GDP ratio was an important challenge for Italy. Until 1997, the structure of the tax revenues in Italy remained virtually unchanged. In the year 1998, however, an important tax reform was implemented. Significant reductions in employer's social contributions and corporate income taxes were partly compensated by an increase in indirect taxes (in particular other taxes on production, by the introduction of the regional tax on productive activities, commonly abbreviated as 'IRAP'). With the new centre-right government other tax reforms followed, and they are still in progress.

#### *Features of the tax structure and tax policy in recent years*

The present structure of the tax revenues in Italy is mainly characterised by a relatively high share of direct taxes, in particular personal income taxes. In 1998 a major tax reform was implemented. A major aim of the tax reform was a simplification of the tax procedures and a rationalisation of local taxation systems. Another goal of the tax package was to enhance the neutrality of the tax system and to stimulate investment. As a result of the tax reform, indirect taxes replaced social contributions as the second source of government revenues, while the revenues from corporate income taxes were substantially reduced.

The 1998 tax reform introduced changes with respect to capital taxation in the personal income tax. The tax base was effectively broadened: all categories of capital income were taxed, whereas previously only interest, defined as non-speculative gain from investment, was subject to taxation. A final withholding tax of 12.5% or 27% was levied depending on the duration and type of the investment. In addition, a special new regime on Italian Investment Funds was adopted, introducing a substitute levy of 12.5% on realised annual capital gain even if not cashed in.

As to company taxation, the rules were changed to substantially ease the tax burden on incorporated businesses. A two-tier system was introduced with the intent of reducing the relative cost of financing new investment via own capital – the dual income tax, or DIT model. Besides the standard corporate rate of 37%, a reduced rate of 19% is applied on the portion of income that is deemed to be derived from the increase in equity capital of the company (qualifying increases are contributions in cash or retained profits).

Taxes & Social contributions in ITALY <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	12,7	12,5	12,9	15,9	15,6	15,5	15,0	15,0
VAT	5,7	5,5	5,8	6,2	6,2	6,6	6,4	6,4
Excise duties and consumption taxes	3,3	3,2	3,1	3,0	3,0	2,7	2,5	2,4
Other taxes on products (incl. import duties)	2,6	2,6	2,7	2,9	3,0	2,7	2,5	2,6
Other taxes on production	1,2	1,2	1,4	3,8	3,4	3,4	3,6	3,6
Direct taxes	15,4	15,7	16,9	14,9	15,3	14,8	15,2	14,4
Personal income	10,8	11,0	11,4	11,4	11,4	10,8	11,1	10,8
Corporate income	3,4	3,8	4,2	2,5	2,8	2,4	3,0	2,6
Other	1,3	0,9	1,3	1,0	1,1	1,6	1,1	1,0
Social Contributions	13,0	14,6	14,9	12,5	12,4	12,4	12,3	12,3
Employers'	8,7	10,2	10,6	8,7	8,6	8,6	8,6	8,6
Employees'	2,5	2,6	2,7	2,5	2,4	2,3	2,4	2,4
Self- and non-employed	1,9	1,8	1,7	1,3	1,4	1,4	1,4	1,4
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	24,6	24,0	25,8	24,5	25,0	23,7	23,3	22,6
State government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	3,2	3,5	3,5	5,8	5,4	6,2	6,4	6,3
Social Sec. Funds	12,7	14,6	14,9	12,5	12,4	12,4	12,3	12,3
EC Institutions	0,7	0,6	0,5	0,6	0,5	0,5	0,5	0,4
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	10,5	10,1	10,4	10,7	11,0	11,0	10,5	10,3
Labour	18,6	20,2	21,1	21,0	20,5	20,1	20,4	20,2
Employed	16,7	18,2	19,1	18,8	18,4	18,0	18,3	18,2
Paid by employers	8,8	10,3	11,0	10,6	10,1	10,1	10,2	10,1
Paid by employees	7,9	7,9	8,1	8,1	8,4	8,0	8,1	8,1
Non-employed	1,9	2,0	2,1	2,2	2,1	2,0	2,1	2,0
Capital	12,1	12,4	13,2	11,5	11,7	11,6	11,7	11,2
Capital and business income	8,0	8,6	9,2	8,0	8,6	8,8	9,1	8,3
Income of corporations	2,9	3,4	3,8	2,9	3,3	3,0	3,6	3,2
Income of households	1,8	2,0	2,1	1,7	1,7	2,2	1,9	1,6
Income of self-employed (incl. sc.)	3,2	3,2	3,3	3,4	3,6	3,6	3,5	3,5
Stocks (wealth) of capital	4,1	3,8	4,0	3,5	3,2	2,8	2,6	2,9
<b>Total</b>	<b>41,2</b>	<b>42,8</b>	<b>44,7</b>	<b>43,2</b>	<b>43,3</b>	<b>42,7</b>	<b>42,5</b>	<b>41,7</b>
Of which environmental taxes	3,7	3,6	3,5	3,4	3,6	3,2	3,1	2,9
Energy	3,2	3,1	3,0	2,9	2,9	2,6	2,5	2,4
Transport	0,5	0,4	0,5	0,5	0,6	0,6	0,6	0,6
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	17,6	17,2	17,5	17,9	18,1	18,0	17,3	17,1
Labour employed	37,8	41,4	43,1	42,8	42,1	41,3	41,5	41,1
Capital	26,3	26,6	29,9	27,4	29,1	28,5	28,1	28,1
Capital and business income	17,3	18,4	20,8	19,1	21,3	21,6	21,8	20,9
Corporations	14,0	16,1	18,5	14,0	16,4	14,6	17,0	15,8
Households and self-employed	13,8	14,0	15,2	15,4	16,5	18,1	16,9	16,4

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

The 1998 tax reform also abolished the employer's compulsory health contributions, bringing the overall employer's social contribution rate down. At the same time, however, a new regional tax on productive activities based on value of production net of depreciation (called 'IRAP') was introduced.

The level of tax revenues attributed to local governments has become quite substantial in Italy. The new regional tax on productive activities ('IRAP') and the municipal tax on immovable property ('ICI') represent the major contribution to budgets of local governments. From 2000 onwards, revenues from VAT are the main transfers from central to local government.

In the year 2000 a new tax reform was adopted with the aim of reducing the tax burden on both labour and incorporated businesses over the period 2001-2003. In 2001 the first tax bracket in the personal income tax was reduced and the deductions for interest paid on loans for the purchase of principal residence, lease charges and medical charges were increased for employed persons, the minimum income earners and the self-employed. The standard corporate tax rate has been reduced from 37% in 2000 to 36% in 2001. A special regime was also introduced for new entrepreneurial activities and self-employed people, and a tax credit was granted to encourage employers to hire new employees.

In the year 2001 after the elections the new centre-right government has introduced measures to boost the economy. Tax incentives for firm investment were introduced (both for fixed capital and workers training). Fiscal measures to transform undeclared work into regular were introduced too. A 'tax shield' for undeclared funds held abroad was set up with the aim of re-attracting capital to Italy. The inheritance and gift tax was abolished. In 2002 dependent children tax credits were increased.

In the budget for 2003 the first step of a major reform of personal income tax (IRPEF) was introduced together with other measures. Five income brackets were set with rates ranging from 23% to 45%. A new mechanism of deductions that decrease as taxable income increases has been introduced; in calculating these deductions a 'no tax area' is taken into account whose amount is different for different types of income (employed income, income from self-employment and pensions). In order to ensure a smooth transition to the new rules for taxing personal income, taxpayers are allowed to opt for the most favourable between the 'ante-reform' system and the new one. The statutory corporate rate was reduced to 34%.

The completion of the reform of the personal income tax and the introduction of a new corporate income tax have been preceded by a tax amnesty aimed at allowing taxpayers to regularize their positions with respect to the tax administration. At the end of the year 2003 the IRPEG, together with the DIT incentives, has been abolished. As from 1 January 2004 a new corporate income tax, IRES, has been introduced with a statutory tax rate set at 33%.

The 2004 reform of corporate taxation provides for a general system of capital gains exemption with no deductibility of the corresponding capital losses. Furthermore, the imputation method previously used to eliminate dividend double taxation has been replaced with the exemption method (dividends are exempted up to 95% for taxpayers subject to IRES and up to 60% for taxpayers subject to IRPEF). Group consolidation for tax purpose has been introduced, both at the domestic level and worldwide, on condition that the parent company controls at least 50% of the subsidiary. At domestic level the option for tax consolidation is bilateral and can be exercised by some or all the companies belonging to the group; the consolidated tax base is given by the algebraic sum of the

taxable incomes of the consolidated companies regardless of the percentage of shareholding held by the parent company. The minimum period for tax consolidation is 3 years and the option can be renewed for a period of the same length. The option for worldwide consolidation can be exercised only by the parent company of the highest level and requires consolidation of all companies belonging to the group. The option cannot be exercised if one of the subsidiaries is resident in a tax haven or benefits from a privileged tax regime. The consolidated tax base is given by the algebraic sum of the percentage of taxable income of each consolidated company corresponding to the shareholding held by the parent company. The minimum period for tax consolidation is 5 years and the option can be renewed for a period of 3 years. In addition, corporations participated by other corporations (each with a shareholding of at least 10% and not higher than 50%) and limited liability companies with no more than 10 shareholders that are natural persons can impute *pro-quota* their taxable income to the shareholders (the company is 'transparent' for tax purposes). Finally, the tax benefits for debt financing are limited with the introduction of 'thin capitalization' rules.

Taxpayers not subject to IRES that are either self-employed or derive their income from a business activity and whose taxable income does not exceed 5 millions euro can enter into an advance ruling (validity: 3 years) with the tax administration regarding the amount of their taxable income.

## **10.2. Trends in taxation of consumption, labour and capital**

The implicit tax rate on consumption increased to around 18% in 1998. The increase can largely be explained by an increase in VAT. The intermediate VAT rate of 16% was abolished and replaced by a standard rate of 20%.

Italy imposes a relatively high tax burden on labour income. The main measure towards a reduction of tax burden on labour was taken in the year 1998 when the employer's social contributions were substantially reduced. At the same time, however, the new regional tax on productive activities based on value added was introduced. Part of the tax revenue from this new tax has in fact been allocated to labour income in the table; the other part has been allocated to the capital income of households (including self-employed). Seen over the entire period 1995-2002, the implicit tax rate on labour income remained rather stable.

The implicit tax rate on capital increased only slightly, whereas in other Member States a sharp increase has been registered. An increase in the implicit tax rate on capital is still visible between 1995 and 1997, but the 1998 tax reform resulted in a significant reduction in the tax burden on capital income (for both households and corporations) and also on the stocks (wealth) of capital. The self-employed paid substantially less social contributions as a result of the 1998 tax reform. Italy also experienced relative decreases in the overall tax base in proportion to GDP, which corresponds mostly to a decrease in the share of property income and, to a lesser extent, a decreasing share of profits from the private sector. Shifts from interest payments to dividend payments against the background of decreasing interest rates have taken place. The latter development has however resulted in slight increase in the measured tax burden on capital income, offsetting the reductions in corporate income tax that were implemented in 1998. The reduction in the measured tax burden on stocks (wealth) of capital can also be attributed to the substantial reduction of revenue from the firm's net wealth tax.

## A different treatment of self-employed

In the analysis presented so far taxes and social contributions paid by self-employed are allocated to the capital and business income category<sup>1</sup>. As mentioned in Part II, Italy proposed to split tax revenues from income of self-employed in 80% and 20%, because most of the self-employed in Italy are more comparable to dependent employed workers. The 80% are related to labour and the 20% are linked to capital income of self-employed. The mixed income of self-employed should be split accordingly. Social contributions of self-employed are attributed to labour in the Italian method. The following table shows the results of this different treatment of self-employed that change most ratios of table C and D:

Method Italy:	1995	1996	1997	1998	1999	2000	2001	2002
<b>C. Structure according to economic function as % of GDP</b>								
Labour	21,5	23,1	24,1	23,9	23,6	23,2	23,5	23,3
Employed	16,7	18,2	19,1	18,8	18,4	18,0	18,3	18,2
Paid by employers	8,8	10,3	11,0	10,6	10,1	10,1	10,2	10,1
Paid by employees	7,9	7,9	8,1	8,1	8,4	8,0	8,1	8,1
Self-employed (80% incl. scc)	2,9	2,9	2,9	2,9	3,1	3,1	3,1	3,1
Non-employed	1,9	2,0	2,1	2,2	2,1	2,0	2,1	2,0
Capital	9,2	9,5	10,3	8,6	8,6	8,5	8,6	8,1
Capital and business income	5,0	5,7	6,3	5,1	5,5	5,7	6,0	5,3
Income of corporations	2,9	3,4	3,8	2,9	3,3	3,0	3,6	3,2
Income of households	1,8	2,0	2,1	1,7	1,7	2,2	1,9	1,6
Income of self-employed (20%)	0,3	0,3	0,3	0,4	0,4	0,4	0,4	0,4
Stocks (wealth) of capital	4,1	3,8	4,0	3,5	3,2	2,8	2,6	2,9
<b>D. Implicit tax rates</b>								
Labour employed	36,5	39,3	40,9	41,2	41,0	40,4	40,4	40,2
Capital	26,3	26,8	31,1	27,2	28,8	27,8	27,5	27,3
Capital and business income	14,5	16,1	19,0	16,1	18,3	18,6	19,2	17,7
Corporations	14,0	16,1	18,5	14,0	16,4	14,6	17,0	15,8
Households and self-employed	8,3	8,9	10,1	9,6	10,1	12,2	10,7	9,7

<sup>1</sup> Except the income and taxes of 'continuous and co-ordinated collaborations' that are allocated to the labour category. The income of these self-employed workers is treated, for tax purposes, as income of employed workers.





## 11. CYPRUS

### *Overall tax burden and features of the tax system*

Total tax burden in Cyprus is relatively low with a tax to GDP ratio of 32.5% in 2002, about 5% lower than the EU new Member States average. The ratio has increased between 1998 and 2001 by 3.5% then decreased by 0.2% in 2002. The tax structure is characterised by a high share of indirect taxes (42.7% of total taxes) and a low share of social contributions. The revenues from direct taxes are overall in line with the EU-15 average but with a low share of personal income tax and a high share of corporate tax (15.4% of total taxes) which is almost three times of the EU-15 average. In Cyprus there are no State governments and the share of taxes collected by local government is negligible (1.3% in 2002, in decline since 1998),

Concerning the Personal Income Tax Cyprus is in line with the EU-standard. Cyprus had since 1991 three brackets for the PIT-rate (20%/30%/40%), however it reduced the rates in 2003 to 20%/25%/30%. There is a standard relief (basic allowance) from 5,000 CYP pounds.

About corporate tax, Cyprus has lowered its rate from 20 - 25% (stable from 1991) to 10% from 01.01.2003. For the years 2003 and 2004 there is an additional corporate tax of 5% for chargeable income exceeding £ 1 m. It is now the country with the lowest statutory tax rate within the EU-25 (besides Estonia, which has no tax on retained profits). With the reduction of the tax rate lots of tax incentives have been abolished in Cyprus. Special regimes apply, however, to the shipping sector. A company can carry forward trading losses for a maximum of 5 years, but a carry back is not allowed. With the tax reform announced by the government in Cyprus, the five-year limit on the carry forward of losses would be abolished and losses would be available for setoff against future profits without any time limit. Inventories can be valued according to the FIFO (first input, first output) method. Inventories may be valued at the lower of cost or net realisable value.

Capital gains are taxed with 20%. The capital gain is the difference between the sales proceeds and the original cost, adjusted to take into account increases in the cost of living index. Offshore companies are exempt from capital gains tax, except on property situated in Cyprus.

In Cyprus, withholding tax at a rate of 20% is imposed on dividends. The withholding tax is not imposed on dividends paid to non-resident foreign corporations. On interest there is a 25% withholding tax for non residents while the rate for residents is 0%. A reduced rate of 20% is applied on interest income up to 40,000 pounds.

The principles of the VAT are in line with EU-law. The current VAT rate is 15% (the standard rate was 10% until the second half of 2002, and was increased to 13% on 1.7.2002 and to 15% in January 2003). Reduced rates from 5 – 0% are applied, too. Cyprus has requested transitional measures, namely for the VAT turnover threshold for SMEs, a zero VAT rate on foodstuffs, and pharmaceuticals, reduced VAT rate on restaurants and a VAT exemption for building land.

The Excise duties on unleaded petrol and on diesel fuel will be gradually aligned with the EU minimum.

Taxes & Social contributions in Cyprus <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes				11,7	11,2	13,0	13,7	13,9
VAT				5,2	5,0	6,1	6,4	7,5
Excise duties and consumption taxes				1,5	1,5	1,6	1,7	2,0
Other taxes on products (incl. import duties)				2,9	3,0	4,2	3,8	3,4
Other taxes on production				2,0	1,8	1,1	1,8	1,1
Direct taxes				10,3	11,3	11,5	11,8	11,6
Personal income				4,8	5,2	4,8	5,0	4,9
Corporate income				3,8	4,5	4,6	5,0	5,0
Other				1,7	1,6	2,1	1,9	1,7
Social Contributions				7,2	7,0	6,8	7,2	7,0
Employers'				-	-	-	-	-
Employees'				-	-	-	-	-
Self- and non-employed				-	-	-	-	-
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	21,4	22,0	24,0	25,0	25,1			
State Government	n.a.	n.a.	n.a.	n.a.	n.a.			
Local Government	0,5	0,5	0,4	0,5	0,4			
Social Sec. Funds	7,3	7,0	6,9	7,2	7,0			
EC Institutions	n.a.	n.a.	n.a.	n.a.	n.a.			
<b>Total</b>	<b>29,2</b>	<b>29,5</b>	<b>31,4</b>	<b>32,7</b>	<b>32,5</b>			

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services

## 12. LATVIA

### *Overall tax burden and features of the tax system*

The ratio of the total sum of the tax revenues to GDP in Latvia was 31.3% in 2002, i.e. by about 9% lower than the EU-15 average and by about 6% lower than the EU new Member States' average. During the period of 1995 to 2002, the above ratio has decreased from 37.2% to 31.3%. Indirect taxes are the most important source of the state revenue, the share of which in the total sum of taxes was 37.7% in 2002. This figure is higher than the EU-15 average but lower than the average of the new Member States.

Latvian current tax policy is mainly based on the laws, which were introduced as a result of the tax reform of 1995. In order to promote the development of the national economy, the current tax policy has to promote the shift of the tax burden from the entrepreneurship to the business. There are only central government taxes in Latvia, i.e., local governments do not have rights to impose their own taxes, but they ultimately receive 16.8% of the total tax revenue, that is substantially more than in the EU25 on the average.

As it was mentioned before, during the period of 1995 to 2002, the tax revenues as a share of the GDP decreased from 37.2% to 31.3%. The amount of the tax revenues and the growth tendencies are influenced by both the realized tax policy reform and the development of the economy. When analysing changes in the level of taxes as a share of GDP by years, it can be noticed that the first sharp decline was observed in 1996, which was caused by the national banking crisis in 1995. The decrease of the tax revenues as a share of GDP in 1999 and 2000 was mainly caused by the negative influence of the Russian financial crisis of 1998 on the Latvian economic development. The second factor that affected the tax revenues was the change in the tax legislation, which since 1995 had been aimed to decrease the tax burden to the entrepreneurship.

The main changes in the tax rates were as follows:

- Reduction of the rate of social insurance contributions in 1997, 2000, 2001 and 2003 overall from 38% to 33.09%;
- Reduction of the corporate income tax rate from 25% to 22% in 2002 and to 15% as from 2004;
- Enforcement of the common rate of the property tax by decreasing the maximum rate of the tax rate applicable to the buildings and constructions from 4% to 1.5% in 2000.

Concerning the personal income tax in Latvia since 1995 there is a flat rate at the level of 25%, a level clearly below EU-15 and accession countries average. The non-taxable minimum of the personal income tax is very low in Latvia: 21 lats, and it has not been revised since 1997. Personal income tax is collected by the central government authorities. 71,6% of the collected sum of the tax is afterwards transferred to the budgets of the respective local governments. General deductions are allowed only in a very limited scope.

Latvia has reduced its corporate income tax rate from 25% in 2001 to 22% in 2002 and to 19% in 2003. The government has already decided in favour of a further reduction of the tax rate to 15% in 2004. It has to be mentioned that a considerable amount of tax incentives for investors exist in Latvia, such as special economic zones, free ports, specially supportable regions, investment credits

and a tonnage tax. Companies are entitled to carry forward the amount of losses for 5 years. There are special economic zones, where losses may be carried forward for 10 years.

The income of the resident companies (with some exemptions) and of non-resident companies operating through a permanent establishment in Latvia is taxed at a rate of 15%. Domestic dividends paid to a resident share-holder are tax free. However, if the distributing company is entitled to tax benefits of one of the economic zones or free ports, the dividends are taxable for the recipient. Dividends paid by a resident company to a non-resident share-holder are subject to a 10% withholding tax. Interests received by resident individuals are taxable except the interests paid out by the credit institutions approved by the Bank of Latvia. Interests paid out to a non-resident related party are subject to a final withholding tax of 10% (if paid by a bank). Otherwise, interests paid to non-residents are not subject to the withholding tax.

The principles of the VAT legislation in Latvia are in line with EU requirements. The standard rate has remained invariable (at a level of 18%) since 1995. All goods and services, which were VAT exempted in Latvia till the end of 2002 (i.e. some medicines, medical supplies, baby-care products) and books, hotel services, water supply, are subject to a 9% reduced rate as from January 2003. Starting from 1 January 2004, the reduced VAT rate has been changed from 9% to 5%. Latvia has requested transitional measures in the field of value added taxation, namely for a level of VAT turnover threshold for SMEs, a VAT exemption for international passenger transport and royalties. Besides, Latvia has requested a transition period until 1 January 2005 in order to continue the application of the VAT exemption as concerns heating supplied to private persons as well as a transition period until 1 May 2005 in order to continue the special VAT application procedure on transactions of timber.

In order to harmonize the excise tax rates for petroleum products, amendments to the Law on Excise Tax have been made in March 2004. The amendments ensure compliance of the above excise rates with the rates established by the Council Directive 2003/96/EC by a progressive alignment.

The excise rates for cigarettes are well below the respective rates in the EU (in Latvia: 9.75 euro/1000 cigarettes, in the EU: 60 euro/1000 cigarettes). According to the Accession Treaty, Latvia has obtained a transitional period until 2010 to reach the EU minimum excise rates for cigarettes: the rates will gradually increase every year until 2010.

Taxes & Social contributions in Latvia <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	15,2	13,9	14,2	15,2	14,3	13,1	12,7	11,8
VAT	10,3	9,2	8,9	8,9	8,9	8,3	7,6	7,7
Excise duties and consumption taxes	2,4	2,9	3,5	4,6	3,4	3,6	3,6	3,2
Other taxes on products (incl. import duties)	0,9	0,8	0,8	0,8	0,7	0,5	0,5	0,5
Other taxes on production	1,5	0,9	1,0	1,0	1,2	0,8	1,0	0,4
Direct taxes	8,6	8,4	9,6	10,2	9,7	9,0	9,0	9,4
Personal income	6,0	5,7	6,0	6,3	6,4	6,0	5,8	6,1
Corporate income	2,0	2,0	2,4	2,5	2,2	1,9	2,1	2,1
Other	0,6	0,7	1,2	1,3	1,0	1,1	1,1	1,1
Social Contributions	13,4	12,1	11,8	11,9	11,6	11,0	10,1	10,1
Employers'	13,1	11,1	8,9	9,1	8,8	8,3	7,4	7,5
Employees'	0,4	1,0	2,9	2,8	2,8	2,6	2,7	2,6
Self- and non-employed	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	17,0	15,2	18,0	19,4	18,2	16,9	16,5	15,9
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	6,8	7,0	5,8	6,0	5,8	5,3	5,1	5,3
Social Sec. Funds	13,4	12,1	11,8	11,9	11,6	11,0	10,1	10,1
EC Institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>37,2</b>	<b>34,3</b>	<b>35,6</b>	<b>37,3</b>	<b>35,6</b>	<b>33,1</b>	<b>31,8</b>	<b>31,3</b>

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services



### 13. LITHUANIA

In 2002, with a ratio of 29.3%, Lithuania is the country with the lowest total tax burden in EU25. It relies heavily on tax revenues generated from indirect taxes with a share of more than 40% of total taxes. The share of VAT and excise duties clearly lies above the Union's average. Social contributions and direct taxes account for about 30% of total taxation each. Corporate taxes are very low in relation to GDP in 2002; the ratio is similar to that of Germany.

During 1995-1999, the top statutory corporate income tax rate was 29 %. In 2000, this rate was reduced to 24 %. With the new corporate tax law that came into force on 1 January 2002, the profit tax rate was reduced from 24% to 15%. Some items of income of a foreign entity derived in Lithuania not through the permanent establishment are subject to 10%; dividends and other distributed profits - 15% of the withholding tax. In addition, a participation exemption may be applied. The new law does not provide special tax incentives, only existing beneficiaries will continue to benefit for a limited period. New transfer pricing rules drafted in along the lines of the OECD transfer pricing guidelines will be applicable from 2004.

The new personal income tax law came into force on 1 January 2003. Only two different tax rates are applied. The 15% tax rate is levied on income from distributed profits, interest, income from sporting, artistic activities, royalties, income from rent or sale or any other form of transfer of property, pensions paid out from Lithuanian pension funds, life insurance payments. Other items of income are subject to a tax rate of 33%.

The basic tax allowance was increased by 16 per cent (from EUR 72.40 in 2002 to EUR 83.99 in 2003). A new additional tax allowance, which equals 10% of the basic allowance, was introduced for parents raising one or two children under 18 years for each child. Persons with 3 and more children are in addition entitled to a child benefit of EUR 124.54 per month and the basic tax allowance is increased by EUR 13.32 for the fourth and each subsequent child. This was the first step of reforming the Lithuanian tax system towards supporting working parents. Deductible expenses incurred by a resident of Lithuania during the tax period include: 1) life insurance and pension contributions 2) interest paid on loans for the construction or acquisition of housing 3) payments for studies. The total amount of deducted expenses shall not exceed 25% of the total taxable income.

The income derived from the activities conducted under a business certificate (type of unincorporated small business) is subject to income tax of the fixed amount set by municipalities.

The new law on the taxation of inherited property entered into force on 1 January 2003. The tax rates of 5% or 10% depend on the taxable value of inherited property (threshold 144.81 thousand euro). No tax shall be applied if the taxable value of inherited property is up to EUR 2.90 thousand or property inherited by the children, parents, foster parents, foster children, grandparents, grandchildren, brothers, sisters or to the remaining spouse. Municipal councils are entitled to reduce the tax or to exempt from it thereof, as revenue from this tax accrue to their budgets.

The revised Law on Value Added Tax which entered into force on 1 July 2002 was prepared in accordance with the requirements set forth in EC directives and on the basis of EU experience. The standard rate of VAT in Lithuania is 18%. In addition, the reduced rates of VAT of 5% and 9% are applied. The reduced rate of VAT of 5% is applied to passenger transport services, books,



newspapers and magazines, except for those publicising eroticism and violence, pharmaceuticals and medicinal products, hotel accommodation and other special accommodation services, chilled meat and edible offal, frozen and deep frozen meat of poultry, agricultural services supplied by agricultural entities and live, fresh and frozen fish. The 9% rate of VAT is applicable to heat energy supplied to residents for the heating of residential premises, supplies of services relating to construction, renovation, insulation and design of residential houses, engineering network building and territorial management, which are financed with state and municipal budget resources as well as with soft credits granted by the state and resources of state special funds. The Law on Value Added Tax will be fully harmonised with EC directives from 1 May 2004.

The new version of the law on excise duty entered into force on 1 July 2002. According to this Law, excise duty shall be levied only on 3 groups of products: (1) ethyl alcohol and alcoholic beverages, (2) fuels and (3) manufactured tobacco. The excises duty rates for alcoholic beverages increase with the degree of alcohol. Excise duty on alcoholic beverages is harmonised with Directive 92/84/EEC, except mead brandies on which the excise rate will be increased from 1 May 2004. Rates of excise duty on mineral oils will be gradually aligned to minimum rates of duty established in Directive 92/82/EEC. On 1 January 2002 the excise duty rate on petrol was lower by 5.4%, the rate of excise duty on gas oil and kerosene used as propellant was lower by 39.2% than the minimum excise duty rates established in Directive 92/82/EEC.

With a view to protecting consumers from a steep increase in the excise duty rate along with an increase in the price of cigarettes Lithuania has negotiated a transitional period until 31 December 2009 in order to implement all the requirements for the excise duty levied on cigarettes laid down in Council Directive 92/79/EEC. Rates of excise duty on cigars and cigarillos, fine cut smoking tobacco and other smoking tobaccos will be in line with the minimum rates of excise duty established in the EU acquis from 1 May 2004.

The state social insurance system was created in 1991-1995. The system is administrated by the State Social Insurance Fund Board that has its own budget, separate from the State budget. Since the beginning of 2000, the mandatory state social insurance contribution rate increased from 31% to 34%. At present, the employer contributes 31% (previously 30%) of the employees' gross wages to the State Social Insurance Fund (SSIF), while the employee contributes 3% (previously 1%).

Taxes & Social contributions in Lithuania <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	12,3	11,9	14,6	14,0	13,8	12,5	12,2	12,5
VAT	7,7	7,1	8,5	8,1	8,0	7,5	7,3	7,4
Excise duties and consumption taxes	1,9	2,0	2,3	3,7	3,8	3,3	3,4	3,4
Other taxes on products (incl. import duties)	1,2	1,2	1,3	1,6	1,4	1,2	1,0	1,1
Other taxes on production	1,4	1,5	2,5	0,6	0,6	0,6	0,6	0,6
Direct taxes	8,8	8,3	6,5	9,1	9,2	8,5	7,9	7,5
Personal income	7,5	7,0	4,9	7,7	8,3	7,7	7,3	6,9
Corporate income	1,3	1,2	1,6	1,3	0,8	0,7	0,5	0,6
Other	0,0	0,0	0,0	0,1	0,1	0,1	0,0	0,0
Social Contributions	7,5	8,0	8,6	9,1	9,3	9,4	9,0	8,7
Employers'	7,3	7,7	8,3	8,7	8,9	8,5	8,1	7,8
Employees'	0,2	0,2	0,3	0,3	0,3	0,8	0,8	0,8
Self- and non-employed	0,1	0,1	0,1	0,1	0,1	0,1	0,2	0,1
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	13,0	12,5	15,3	14,8	14,1	12,7	12,2	15,3
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	5,9	5,6	3,5	6,0	6,6	6,1	5,8	2,8
Social Sec. Funds	9,7	10,0	11,0	11,4	11,7	11,7	11,1	10,7
EC Institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>28,6</b>	<b>28,1</b>	<b>29,8</b>	<b>32,2</b>	<b>32,4</b>	<b>30,4</b>	<b>29,1</b>	<b>28,8</b>

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services



## 14. LUXEMBOURG

### 14.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

With an overall tax burden between 41 and 42% of GDP, Luxembourg is close to the EU average. The tax burden has been slightly declining over the 1995-1998 period, in particular as a result of the stepwise tax reduction reforms, afterwards it has been stable for two years and finally it increased in 2002, due mainly to corporate income tax, which partly reflected the lagged impact of strong earnings in the previous years. However, by its size, location and economic structure, the Luxembourg economy has a large external sector. It is therefore necessary to be very cautious when comparing the figures for Luxembourg with the data for the other Member States, especially when relating total revenue from taxation with gross domestic income.

#### *Features of the tax structure and tax policy in recent years*

Compared to most Member States, Luxembourg relies relatively heavily on direct taxes for raising tax revenues. Direct tax revenues have however slightly decreased in recent years (in % of GDP), as Luxembourg implemented reductions in the rates of both the personal income tax and the corporate income tax. Year 2002 was an exception, witnessing an increase of the revenues from corporate tax related to high profit increases in previous years, since in Luxembourg the final tax assessment can take up to five years. Indirect taxes in percentage of GDP and of total taxes are close to the EU average. In this respect, low excise and VAT nominal rates are partly compensated by the earnings of cross-border trade.

The relatively large weight of direct taxes is mainly related to the corporate income tax: it represents 7.7% of GDP on average over the 1995-2002 period against 2.6% for the EU15. However, relatively low (by European standards) statutory rates of personal income tax result in a share of personal income tax in GDP below the EU average.

Several tax reforms were undertaken in the 1990s. Most of these reforms aimed at reducing the tax burden on individuals and businesses, as well as encouraging investment in Luxembourg. A tax relief was implemented in 1998: the corporate income tax rate (IRC) was lowered to 30% (after the reform, the 'all-in' statutory corporate tax rate (including surcharges) amounted to 37.45%), while at the same time the wealth tax could be attributed to this tax under condition of reinvestment. This measure was taken mainly to safeguard the competitive position of resident companies in the international market. Until 1997, the municipal business tax was composed of two parts: a tax on corporate profits and a tax on capital. The municipal business tax on capital was abolished in 1997. However, there continues to exist a municipal business tax, but it is now mainly assessed on the basis of corporate profits. Also in 1998, several measures were taken to reduce the burden of taxation in the personal income tax.

Taxes & Social contributions in LUXEMBOURG <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	13,5	13,4	13,6	13,5	14,2	14,7	14,0	14,0
VAT	5,9	5,9	5,8	5,8	5,9	6,0	6,1	6,3
Excise duties and consumption taxes	4,6	4,5	4,6	4,4	4,8	4,7	4,3	4,7
Other taxes on products (incl. import duties)	1,4	1,3	1,4	1,5	1,5	1,6	1,4	1,2
Other taxes on production	1,6	1,7	1,7	1,8	2,1	2,4	2,3	1,9
Direct taxes	17,6	18,0	17,5	16,5	15,9	15,6	15,7	16,5
Personal income	9,2	9,2	8,6	7,7	7,6	7,4	7,2	6,8
Corporate income	7,5	7,7	7,9	7,8	7,1	7,2	7,5	8,6
Other	0,9	1,1	1,0	1,0	1,1	1,0	0,9	1,1
Social Contributions	11,2	10,9	10,4	10,2	10,3	10,4	11,1	11,5
Employers'	5,2	5,1	4,8	4,7	4,6	4,7	5,0	5,2
Employees'	4,5	4,4	4,2	4,2	4,4	4,6	4,8	5,0
Self- and non-employed	1,5	1,4	1,4	1,3	1,3	1,2	1,2	1,2
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	27,6	28,1	28,0	27,1	27,5	27,6	27,2	27,9
State government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	2,7	2,8	2,5	2,5	2,3	2,3	2,3	2,6
Social Sec. Funds	11,0	10,7	10,2	10,0	10,1	10,2	10,8	11,2
EC Institutions	1,0	0,8	0,8	0,6	0,6	0,6	0,4	0,3
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	11,4	11,2	11,2	10,9	11,3	11,3	11,0	11,7
Labour	17,7	17,5	16,6	15,5	15,6	15,7	16,2	16,2
Employed	15,8	15,6	14,7	13,9	14,0	14,3	14,8	14,8
Paid by employers	5,2	5,1	4,8	4,7	4,6	4,7	5,0	5,2
Paid by employees	10,6	10,4	9,9	9,2	9,5	9,6	9,8	9,6
Non-employed	2,0	1,9	1,9	1,5	1,6	1,5	1,4	1,4
Capital	13,2	13,7	13,7	13,8	13,5	13,6	13,6	14,1
Capital and business income	10,1	10,4	10,3	10,2	9,4	9,3	9,6	10,7
Income of corporations	7,5	7,7	7,9	7,8	7,1	7,2	7,5	8,6
Income of households	0,9	1,0	0,9	0,9	0,9	0,7	0,7	0,8
Income of self-employed (incl. sc)	1,7	1,7	1,6	1,5	1,4	1,3	1,4	1,3
Stocks (wealth) of capital	3,0	3,3	3,4	3,5	4,1	4,3	4,0	3,4
<b>Total</b>	<b>42,3</b>	<b>42,4</b>	<b>41,5</b>	<b>40,2</b>	<b>40,4</b>	<b>40,7</b>	<b>40,7</b>	<b>41,9</b>
Of which environmental taxes	3,4	3,3	3,1	3,0	3,0	2,9	2,9	2,9
Energy	3,2	3,2	3,0	2,9	2,8	2,7	2,8	2,8
Transport	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	21,7	21,2	22,0	21,6	23,2	24,4	23,3	23,7
Labour employed	29,5	29,3	29,1	28,4	28,9	30,0	29,2	28,0
Capital	24,9	23,7	26,6	28,6	27,0	34,2	31,1	32,0
Capital and business income	19,2	18,0	20,1	21,3	18,9	23,3	22,0	24,3

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

The reform program 2001-2002 introduced budgetary measures that were not compensated by alternative taxes on other factors or green taxes. It consolidated the trend of a decreasing tax burden. The reform reduced personal income taxes across the board by an increase of the exemption threshold, a reduction of the top rate in two stages (from 46% to 42% in 2001 and to 38% in 2002) and a modification in the structure of the brackets. In 2001 the contribution of 6% paid by the electricity sector was replaced by a tax on electricity consumption. In 2002 there was a strong reduction of the statutory corporate tax rate, from 30% to 22%, but the effect of that measure is not visible in the data yet.

#### **14.2. Trends in taxation of consumption, labour and capital**

The specific features of Luxembourg's tax system and economy results in a close to average weight of consumption taxes, relatively low labour taxes and relatively high capital taxes. Measured in percentage of GDP or of total taxation, taxes on capital income are even the highest of the EU and taxes on capital stocks are also well above the Union average.

Consumption taxes (in % of GDP) are close to the EU average, although the implicit tax rate is substantially higher. As mentioned above, relatively low nominal rates are partly compensated by the earnings on cross-border trade. The implicit tax rate on consumption is biased upward because it includes taxes that are not exclusively collected on household consumption. This might be particularly true for a small country like Luxembourg, which collect a significant part of consumption taxes from excises, including fuel taxes.

The relatively low level of labour taxation is a result of both the taxation of personal income and the level of social contributions. The implicit tax rate on labour is close to 9 percentage points below the EU average, and it declined in 2001 and 2002 also reflecting the personal income tax reforms.

In Luxembourg taxes on capital represent on average around 30% of total taxes against roughly 20.6% in the EU. This is nearly entirely related to the large proceeds of the corporate income tax, which are the largest in the EU in % of GDP (or in % of total taxes). The implicit tax rate (ITR) on capital is relatively high. However, due to data availability in national accounts, the tax base had to be simplified and does not include the correction for dividends paid abroad and earnings on foreign direct investment. These are significant in a small open economy like Luxembourg with a large financial industry. This omission pushes the ITR on capital upwards compared to other Member States.



## 15. HUNGARY

### *Overall tax burden and features of the tax system*

With a total-tax-to-GDP ratio of about 39%, Hungary's overall tax burden is the highest of all new Member States close to the average of EU15. Between 1999 and 2002 the tax burden has increased by 4 percentage points.

Like in most of the new Member States revenues from indirect taxes are very important, its share account for above 40% of total taxes. The share of direct taxes is about 6 percentage point below the Unions average whereas social contributions lie slightly above the European average, most of them levied on employers. Tax revenues are divided between the central and the local government level.

Personal income tax is applied at central government level. Since 1992 Hungary applies a progressive tax rate with 3 brackets. The first rate is 20% and the maximum rate is 40% since 2001 (before 44%). There is no standard relief (basic allowance). In Hungary deductions are applied as tax credits: The most important personal tax credits (expressed as a percentage of the applicable amount but often limited to a maximum amount) are an employment credit (18% of wage income), employee's contributions to state and voluntary pension (25% of the contribution), employee's contributions to mutual insurance funds (30% of the contribution), increase of investments in certain qualifying securities (20%), charitable contributions to foundations (30%) and a housing credit (40% of mortgage loan payments). In addition there exists a family tax credit, depending on the number of children.

The EU average of corporate tax rates is 29.8%, while the average corporate tax rate of the ten new Member States (20.2%) is almost ten percentage points lower. In the last years there has been a strong tendency to reduce corporate tax rates in new Member States. In this context Hungary has a leading position in so far as it has a single corporate tax rate of 18% already since 1995. It has to be mentioned that a considerable amount of tax incentives for investors in Hungary has been repealed from 01.01.2003, but a new tax credit regime for the promotion of development came into force.

A company can carry the amount of trading losses forward, but a carry back of trading losses is not allowed. The number of years over which trading losses can be carried forward is 5 years. Losses incurred during the first four years of a company's existence may be carried forward indefinitely. Capital gains derived by Hungarian companies are included in taxable income and taxed at 18%, and capital gains derived by foreign companies without a permanent establishment in Hungary are exempt from Hungarian tax.

A 20% withholding tax is imposed on 30% of the dividends from resident companies paid to individuals. The remaining 70% is taxed at a rate of 35%. Foreign source dividends are taxed at a rate of 20%. A 20% final withholding tax is imposed on dividends paid to foreign companies. Dividends paid to Hungarian companies are not subject to withholding tax, unless they are paid in cash or remitted to a non-Hungarian bank account. Interest income is generally tax exempt.

The principles of the VAT are in line with EU-law. Since 1992 the standard VAT rate is 25%. The Hungarian reduced rate of 12% is applied to basic foods, medicines and medical supplies, coal,



mineral fuels, electrical energy and most services. A zero rate is applied to text books used in public education and specified medicines and medical materials. As the majority of candidate countries Hungary has requested transitional measures in the field of Value Added Taxation, namely for a reduced VAT rate on heating and on restaurants.

In the case of excise duties, the fuel rates will be in some cases gradually aligned to the EU minimum. The excises on cigarettes are – as in most new Member States – clearly below EU level (Hungary: 13.99 euro/1000 cigarettes (in 2001 for cigarettes shorter than 9 mm), EU: 60 euro/1000 cigarettes). A reduced excise rate for small-scale distilleries exists until end-2007.

### Taxes & Social contributions in HUNGARY <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes							15,7	15,2
VAT							8,3	8,0
Excise duties and consumption taxes							3,7	3,6
Other taxes on products (incl. import duties)							3,4	3,3
Other taxes on production							0,4	0,3
Direct taxes							10,5	10,4
Personal income							7,8	7,7
Corporate income							2,4	2,4
Other							0,3	0,3
Social Contributions							13,2	13,1
Employers'							10,4	10,3
Employees'							2,1	2,3
Self- and non-employed							0,6	0,6
<b>B. Structure according to level of government as % of GDP</b>								
Central Government							23,2	22,7
State Government							n.a.	n.a.
Local Government							4,1	4,1
Social Sec. Funds							12,1	12,0
EC Institutions							n.a.	n.a.
<b>Total</b>							<b>39,4</b>	<b>38,8</b>

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services

## 16. MALTA

### *Overall tax burden and features of the tax system*

With a total-tax-to-GDP ratio of about 31% in 2002, Malta is one of the countries with the lowest overall tax burden of all new Member States and of the enlarged Union. Between 1999 and 2002 the tax burden has increased by 4 percentage points.

Malta stands out for having no sub-central level of government who collects taxes. It relies heavily on revenues from indirect taxes, its share account for above 40% of total taxes. The share of direct taxes is in line with the European average whereas social contributions are about 10 percentage point below the Unions average, close to the share of the UK. The Maltese tax system has its origin in the former British system.

Personal Income Tax is applied at the central government level. Malta applies a progressive tax rate with 5 brackets. The first rate is 15% and the maximum rate is 35%. The basic relief for a single person is Lm 3,100. Other deduction or allowances do not exist in Malta.

There is no separate system for corporation tax, and a company is subject to income tax in much the same way as an individual. The current corporate tax rate is 35%. This is the highest corporate tax rate amongst candidate countries. A full imputation system is used. Under this system a dividend paid by a company resident in Malta carry a tax credit equivalent to the tax paid by the company on its profits out of which the dividends are distributed. This system applies to both, resident and non resident shareholders.

Taxable income is calculated in the following way: Income arising from all sources, including non-business income as well as business or trading income, is normally included in the base. Taxable income is computed according to sound commercial accounting practice, and is generally based on the profits shown in the company accounts. Expenses incurred in earning taxable income, and in maintaining the assets used in the company's activities, are deductible. A company can carry the amount of trading losses forward, but a carry back of trading losses is not allowed. The number of years over which trading losses can be carried forward is unlimited.

Taxable capital gains are added to taxable income and are subject to income tax at the regular corporate income tax rate of 35%. A provisional tax of 7% of the sales price must be paid by a seller that derives taxable capital gains. A reduction in this rate can be authorised if the seller establishes that the capital gain is less than 20% of the sales price. The seller may credit the provisional tax against corporate income tax.

Dividends paid to non-residents are not subject to withholding tax regardless of whether they are paid out of taxed or untaxed profits. Dividends received from foreign companies are included in taxable income. Malta operates a full imputation system. Under this system, the tax paid by the company is imputed as a credit to the shareholder receiving the dividends. In Malta the withholding rate on certain interest paid to residents is 15%, while for non residents it is 0%.

The principles of the VAT are in line with EU-law. The current VAT rate is 15%. There is a reduced rate of 5% and a 0-rate. In contrary to other candidate countries Malta has requested no transitional

measures in the field of Value Added Taxation. The Excise duty on unleaded petrol and on diesel fuel will be gradually aligned to EU minimum by 1/1/2010.

Taxes & Social contributions in Malta <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	12,7	12,0	12,5	11,9	12,4	12,9	13,3	13,3
VAT	6,3	6,1	6,1	4,9	5,4	6,2	6,5	6,5
Excise duties and consumption taxes	1,9	1,8	2,4	3,0	2,8	2,6	2,8	2,7
Other taxes on products (incl. import duties)	4,3	3,8	3,7	3,7	3,9	3,8	3,6	3,6
Other taxes on production	0,3	0,3	0,3	0,3	0,3	0,3	0,4	0,4
Direct taxes	8,7	7,8	8,6	8,2	8,9	9,7	10,2	11,3
Personal income	5,2	4,7	5,1	4,9	5,3	5,8	6,1	6,4
Corporate income	2,8	2,5	2,8	2,6	2,8	3,1	3,3	4,1
Other	0,7	0,6	0,7	0,8	0,8	0,7	0,8	0,9
Social Contributions	6,3	6,4	6,8	6,1	6,1	6,5	6,8	6,7
Employers'	3,1	3,1	3,3	3,0	2,9	2,8	3,1	3,0
Employees'	2,6	2,6	2,8	2,5	2,6	2,8	3,1	3,0
Self- and non-employed	0,6	0,7	0,8	0,6	0,7	0,8	0,7	0,7
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	27,7	26,2	27,9	26,2	27,4	29,1	30,4	31,3
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Social Sec. Funds	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EC Institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>27,7</b>	<b>26,2</b>	<b>27,9</b>	<b>26,2</b>	<b>27,4</b>	<b>29,1</b>	<b>30,4</b>	<b>31,3</b>

1) For 1995 to 1998 GDP data estimated by the Commission Services. See annex B for details.  
Source: Commission Services

## 17. NETHERLANDS

### 17.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

Considerable fiscal consolidation has been achieved in the Netherlands in the late-1990s with the government deficit falling from 4.2% of GDP in 1995 to 0.8% in 1998. In accordance with budgetary rules (so-called 'Zalm-norm'), all public spending has been subject to strict spending limits, and extra spending could not be financed out of additional tax revenue. The process of consolidation continued in 1999 when a general government surplus of 0.7% was recorded, which then reached 2.2% in 2000. This outcome was largely due to fast economic growth, which also resulted in an increase in the overall tax burden to 41.7% in 1999. However, the economic picture has deteriorated quite rapidly since the year 2001. Due to several economic and budgetary comedowns a general government deficit of 1.9% of GDP was recorded in the year 2002. In 2003 the deficit breached the threshold of the EU growth- and stability pact.

Important reforms were undertaken on the revenue side in recent years: a major fiscal reform has been decided in the 1998 coalition government and was implemented on 1 January 2001 reducing both personal income tax and social contributions and increasing energy taxes. The reform in 2001 thus implied a shift from direct to indirect taxation and also an across-the-board decrease in the overall tax burden. In addition, due to the economic slowdown starting in 2001, significant shortfalls occurred in tax revenues. The level of the overall tax burden declined to 39.5% in 2002. It is currently below the Community average<sup>1</sup>.

#### *Features of the tax structure and tax policy in recent years*

Indirect taxes, direct taxes and social contributions, each account for about one third of total tax revenues. In the last decade a shift occurred from direct to indirect taxation, which makes the tax revenue less sensitive to the business cycle. The weight of personal income tax has decreased since the second half of the nineties because of gradual erosion of the aggregate tax base and a reduction in the statutory income tax rates. In recent years this trend was reversed due to the Tax Reform 2001. The Tax reform caused a shift from social security contributions to taxes. Most allowances were replaced by tax credits. These credits are applicable to personal income tax and social security contributions as well. The increased share of the social contributions in the credit compared to the former allowances is the main reason for the reversed trend. In addition to that, a transfer of funds from the government to the social security funds has been introduced.

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<sup>1</sup> In the late 1980s and the early 1990s the Netherlands was still reported to consistently belong to the group of jurisdictions with the highest tax burden in the Union. It must be recognised that country positions may vary according to the charges that are taken into account. This is especially important as regards the inclusion or the exclusion of social contributions. It should be noted that, as a result of the transition from ESA79 to ESA95 classification of national accounts, the level of recorded social contributions has substantially declined. Some social arrangements provided through labour contracts, for example, are not considered to belong to the government anymore.

Taxes & Social contributions in THE NETHERLANDS <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	11,9	12,2	12,5	12,5	13,1	13,0	13,5	13,2
VAT	6,6	6,8	6,9	6,9	7,2	7,2	7,6	7,5
Excise duties and consumption taxes	2,8	2,7	2,8	2,8	2,9	2,7	2,6	2,6
Other taxes on products (incl. import duties)	1,4	1,6	1,8	1,8	2,0	2,1	2,2	2,0
Other taxes on production	1,1	1,1	1,0	1,0	1,1	1,1	1,1	1,1
Direct taxes	12,7	13,2	12,7	12,5	12,5	12,4	12,2	12,4
Personal income	7,8	7,3	6,5	6,2	6,2	6,3	6,5	7,2
Corporate income	3,3	4,1	4,6	4,5	4,6	4,4	4,4	3,7
Other	1,6	1,8	1,7	1,7	1,7	1,7	1,4	1,5
Social Contributions	16,0	15,5	15,5	15,3	16,0	16,0	14,3	13,9
Employers'	2,0	1,9	1,8	4,6	4,6	4,6	4,5	4,6
Employees'	10,5	10,0	10,2	7,7	8,1	8,0	6,8	6,5
Self- and non-employed	3,6	3,5	3,4	3,0	3,3	3,4	3,0	2,9
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	22,1	22,9	22,7	22,6	23,3	23,1	23,5	23,5
State government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	1,3	1,4	1,4	1,4	1,4	1,4	1,4	1,5
Social Sec. Funds	16,0	15,5	15,5	15,3	16,0	16,0	14,3	13,9
EC Institutions	1,1	1,0	1,0	1,0	0,9	0,9	0,8	0,6
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	10,8	11,1	11,2	11,2	11,4	11,5	11,9	11,7
Labour	22,1	21,1	20,5	20,2	21,0	21,1	18,9	19,2
Employed	17,8	17,2	16,8	17,2	17,9	18,1	16,3	16,7
Paid by employers	2,0	1,9	1,8	4,6	4,6	4,6	4,5	4,6
Paid by employees	15,9	15,3	15,0	12,6	13,3	13,5	11,8	12,1
Non-employed	4,3	3,9	3,7	3,0	3,1	3,0	2,6	2,6
Capital	7,7	8,6	9,1	8,9	9,3	8,8	9,3	8,5
Capital and business income	5,4	6,1	6,6	6,4	6,5	6,0	6,5	5,9
Income of corporations	3,3	4,1	4,6	4,5	4,6	4,4	4,4	3,7
Income of households	-0,5	-0,5	-0,5	-0,4	-0,4	-0,8	0,5	0,4
Income of self-employed (incl. sc)	2,6	2,5	2,5	2,2	2,3	2,4	1,6	1,7
Stocks (wealth) of capital	2,3	2,4	2,5	2,6	2,8	2,8	2,7	2,7
<b>Total</b>	<b>40,6</b>	<b>40,8</b>	<b>40,7</b>	<b>40,3</b>	<b>41,7</b>	<b>41,5</b>	<b>40,0</b>	<b>39,5</b>
Of which environmental taxes	3,5	3,7	3,7	3,8	3,9	3,9	3,8	3,6
Energy	1,7	1,8	1,9	1,9	2,0	2,0	2,0	2,0
Transport	1,3	1,5	1,3	1,4	1,5	1,4	1,4	1,3
Pollution/Ressources	0,5	0,4	0,4	0,4	0,4	0,4	0,4	0,4
<b>D. Implicit tax rates</b>								
Consumption	22,6	22,9	23,1	23,1	23,3	23,7	24,6	24,2
Labour employed	35,1	34,1	33,4	33,9	34,8	35,4	31,8	31,9
Capital	23,0	25,5	26,5	26,8	28,9	27,1	30,1	29,6
Capital and business income	16,1	18,3	19,2	19,1	20,2	18,4	21,3	20,3
Corporations	19,0	23,3	24,8	25,3	25,6	22,6	23,7	21,7
Households and self-employed	11,9	11,6	11,3	10,5	11,8	10,7	15,1	15,7

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

The increased ratio of taxes on corporations between 1995 and 2000 to the level of GDP reflects the relatively improved position of companies. In 2002 mainly due to the economic downturn this share dropped remarkably. The relatively higher ratio for indirect taxes largely reflects the increase in the VAT rate, a change of the consumption patterns in favour of the standard VAT rate, and the increase in revenues from other taxes on products, notably energy levies, real estate transfer tax and taxes on passenger cars and motorcycles (BPM).

Contrary to a number of Member States, wage withholding tax and social contributions are not only levied on wages and salaries and pension benefits, but also on social benefits.

After Denmark, the Netherlands has the highest shares of environmental taxes as percentage of GDP in the Union. The Netherlands has significant transport taxes and is one of the few countries in the Union with a non-negligible contribution of pollution taxes, originating from tax on pollution of surface waters and sewerage charges.

After the tax reform in 1990 ('Oort operation') that, among other important changes, harmonised the tax base for personal income tax and social contributions, and shifted two major social contributions from the employer to the employee, few tax legislative changes in the second half of the 1990s would qualify as fundamental reform. Of course, the rates and tax base deductions of the major taxes were regularly adapted, reflecting also budgetary positions and effects of general economic performance on the public budget. Also, new environmental taxes were introduced, as well as a number of tax expenditures, such as wage costs reductions for employers aimed at hiring and training low-paid and low-qualified workers and long-term unemployed and fiscal facilities for saving through labour contracts.

A major reform of the tax system was implemented as of 1 January 2001, leading to an across-the-board tax reduction for households of as much as 0.6% GDP (*ex ante* estimate). It was mostly notably financed out of economic growth, by reducing allowable deductions against taxable income (notably for contributions to private pension schemes through life-insurance companies, for interest payments on consumer loans and real labour costs for the employee) and an increase in indirect taxes. Its main features are:

- Rise in indirect taxes: standard VAT rate was raised from 17.5% to 19% and existing environmental levies were increased.
- Substantial - across-the-board - reduction in statutory personal income tax rates and social contributions. The employed person's tax base allowance was replaced by a non-refundable earned income tax credit for employees and self-employed persons in order to raise the net after-tax income from labour and to raise incentives to search for work. The tax credit is not withdrawn and remains flat as income increases above the minimum wage level. Also, basic personal tax allowances were transformed into individual tax liability credits, also in order to increase job incentives for non-working partners.
- Reform of the taxation of wealth and capital income: both the wealth tax and personal income taxation of interest, dividends and other distributions were replaced by a single tax on imputed income from wealth. A 4% yield imputed on all assets is now taxed at a flat rate of 30%, which basically implies a 1.2% tax rate on the total wealth.

- A reduced corporate income tax rate of 30% against 35% for the standard rate was introduced and applies to companies with low levels of profits. In 2002 this low rate was further reduced to 29% and the standard rate to 34.5%.

In the 2002 tax plan, policy was furthermore largely aimed at stimulating labour supply (rather than labour demand), at combating the so-called 'poverty trap', and at creating disincentives for early-retirement through increases of the non-refundable tax credit for (older) employees and (older) self-employed persons (see also below). Also, the government (gradually) abolished a number of tax expenditures that proved to be inefficient and to prevent 'free-rider behaviour'.

In addition to labour participation, research and development is a key element for economic growth. Regarding the stimulation of research and development in the Netherlands the WBSO should be mentioned. This is a fiscal measure to reduce the wage tax for employers, and therefore the total wage costs, if their employees are working in R&D-projects. The WBSO budget has been further intensified in 2003.

## **17.2. Trends in taxation of consumption, labour and capital**

The implicit tax rate on consumption showed an increasing trend between 1995 and 2000 (almost 2 percentage points), partly as a result of increases in revenues from VAT and environmental taxes. In 2002 a slight decrease is visible.

Mainly as a consequence of the increases in social contributions, the tax burden on labour grew steadily since the early 1970s. Since the mid-1990s, however, concerns about excessive labour costs and tax wedges have prompted a number of initiatives primarily directed towards reductions in marginal tax rates and the wedge between wage costs and take-home pay. The implicit tax rate on labour went down gradually; a significant reduction is visible in 2001 as a result of the personal income tax reform reducing substantially employees' social contributions. Since then it remained constant. Most of the tax incentives with respect to labour were focused on a reduction of the wage costs for the employer in order to increase the labour demand. The policy nowadays is more aimed at the stimulation of labour participation. The non-wastable tax credit for employees and self-employed was increased to make it more profitable to get a job. Furthermore, a non-wastable tax credit for elderly employees and elderly self-employed was introduced in 2002 to stimulate people to keep on working instead of retiring early. Similar measures have been introduced - and shortly afterwards enlarged - to compensate employees with children for their extra costs.

The implicit tax rate on capital increased significantly. This increase stems from business cycle effects, and higher revenues from taxes paid by corporations in particular. Other important elements are related to increases in revenues from the dividend tax, personal income tax raised on capital income, motor vehicle tax, tax on passenger cars and motorcycles (BPM), and real estate (transfer) tax. It should furthermore be noted that national account figures do not follow a real accrual principle. Most statistical offices in fact use time-shifted cash figures, which is allowed by the ESA95. These cash figures depend on tax prepayments that are based on past tax assessments. It is believed that the increase in ITR on capital income in the Netherlands is actually affected by differences over time in the way the tax administration determines the final tax liabilities, and actually collects the tax revenues. As for dividends, the Netherlands is the country that has recorded the largest increase in net dividend payments from abroad in the second half of the 1990s.

## 18. AUSTRIA

### 18.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

In Austria, the overall tax burden (including social contributions) is around 4 percentage points of GDP higher than the EU average, which places it in the same group as Finland, Belgium and France. Government finances improved strongly in the run-up to EMU, with general government deficit of 5% of GDP in 1995 falling to 2.3% in 1999. In 2001 a small budgetary surplus could be achieved. This development is reflected by an increase in the overall tax-to-GDP ratio between 1995 and 1997, mainly an impact of tax measures broadening the taxable base. By 1998 and 1999 it was stable at a level of about 44.3% and it decreased in 2000 to 43.5%. It increased again to 45.3% in 2001. Austria witnessed a rather sharp increase in direct tax revenues in that year. This increase is mainly due to the increase of pre-payments, and the introduction of interest charges on tax arrears from October 2001 onwards.

#### *Features of the tax structure and tax policy in recent years*

The tax structure in Austria is more or less in line with the European average. Taxes on employed labour and also social contributions are above the average (measured in % of GDP). In 1994, a main tax reform took effect with restructuring and abolition of taxes on businesses and wealth while increasing the corporate income tax rate to 34% (previously 30%), and simplification to the (final) withholding tax on dividends and interest to a uniform rate of 22%. With the aim of improving revenues in order to prepare for EMU, in 1995-1996 mineral oil tax was increased and an energy tax on electricity and natural gas was introduced. At the same time depreciation deductions and loss-carry over possibilities for companies have been reduced and the withholding tax on dividends and interests was increased to 25%.

Following recommendations from the committee on the income tax reform set up in 1997, the Austrian Parliament adopted in June 1999 the year-2000 Tax Reform, which took effect as from the beginning of 2000. In Austria - like in Germany - a substantial part of enterprises are unincorporated (business partnerships) and their partners are individually taxed under the personal income tax (PIT). Therefore, the changes in the tax reform on PIT have affected both individuals and enterprises. The marginal tax rates for all income tax brackets were reduced by one point, except for the highest income bracket. Furthermore, the tax reform introduced a system of variable tax credits. The general credit was 887 euro per year and was increased or reduced depending on the taxpayer's personal circumstances, phasing-out in the case of higher incomes. All professional training expenses have been made deductible and an education allowance was introduced. These measures have eased the burden on the taxpayer in particular for the low-income earner



Taxes & Social contributions in AUSTRIA <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	15,2	15,4	15,8	15,6	15,8	15,4	15,3	15,6
VAT	7,8	8,3	8,4	8,2	8,5	8,1	8,1	8,3
Excise duties and consumption taxes	2,6	2,9	3,0	2,9	2,9	2,8	2,8	2,8
Other taxes on products (incl. import duties)	1,3	1,2	1,3	1,3	1,3	1,3	1,2	1,3
Other taxes on production	3,5	3,0	3,2	3,2	3,1	3,2	3,2	3,2
Direct taxes	12,0	13,2	13,5	13,7	13,4	13,3	15,1	14,0
Personal income	9,5	10,0	10,6	10,6	10,6	10,2	10,9	10,1
Corporate income	1,7	2,2	2,2	2,3	2,0	2,2	3,3	3,1
Other	0,9	1,0	0,8	0,8	0,8	0,9	1,0	0,9
Social Contributions	15,1	15,1	15,2	15,0	15,1	14,8	14,8	14,7
Employers'	7,4	7,4	7,4	7,3	7,3	7,1	7,1	7,0
Employees'	6,4	6,4	6,3	6,1	6,2	6,1	6,1	6,0
Self- and non-employed	1,3	1,3	1,4	1,7	1,7	1,6	1,7	1,7
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	20,5	21,6	22,6	22,8	22,7	22,4	24,1	23,7
State Government	3,4	3,7	3,4	3,4	3,4	3,3	3,3	3,2
Local Government	5,1	5,3	5,3	5,2	5,2	5,1	5,2	4,9
Social Sec. Funds	12,3	12,3	12,3	12,2	12,2	12,0	12,0	11,9
EC Institutions	1,0	0,9	1,0	0,8	0,8	0,7	0,7	0,5
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	11,6	12,7	12,7	12,5	12,7	12,4	12,3	12,6
Labour	23,9	24,0	24,5	24,2	24,5	23,9	24,0	23,4
Employed	22,0	21,8	22,2	21,9	22,1	21,6	21,6	21,0
Paid by employers	10,1	10,0	10,0	9,8	9,8	9,6	9,6	9,5
Paid by employees	11,8	11,8	12,2	12,1	12,2	11,9	12,0	11,5
Non-employed	2,0	2,1	2,3	2,3	2,4	2,3	2,4	2,3
Capital	6,8	7,1	7,4	7,6	7,1	7,2	9,0	8,5
Capital and business income	5,2	5,9	6,1	6,3	5,8	6,0	7,6	7,1
Income of corporations	1,6	2,1	2,1	2,2	1,9	2,1	3,2	3,0
Income of households	1,1	1,2	1,2	1,1	1,1	1,0	1,1	1,0
Income of self-employed (incl. sc)	2,5	2,6	2,7	2,9	2,9	2,8	3,3	3,1
Stocks (wealth) of capital	1,6	1,2	1,3	1,3	1,3	1,3	1,3	1,3
<b>Total</b>	<b>42,3</b>	<b>43,7</b>	<b>44,5</b>	<b>44,3</b>	<b>44,3</b>	<b>43,5</b>	<b>45,3</b>	<b>44,4</b>
Of which environmental taxes	2,0	2,3	2,4	2,3	2,3	2,4	2,6	2,6
Energy	1,3	1,6	1,7	1,6	1,6	1,6	1,7	1,8
Transport	0,7	0,7	0,7	0,7	0,7	0,8	0,9	0,8
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	20,6	22,2	22,1	21,9	22,3	21,7	21,5	22,0
Labour employed	38,7	39,3	40,2	39,9	40,1	39,7	40,0	39,2
Capital	23,5	23,4	23,0	23,9	23,7	23,6	30,1	28,5
Capital and business income	17,9	19,5	19,0	19,7	19,5	19,3	25,7	24,1
Companies	16,0	17,8	17,3	18,3	18,0	18,0	24,9	23,0
Households	14,0	12,7	11,4	10,6	9,9	9,6	10,1	10,3

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services

As regards the taxation of enterprises, the 2001 Budget law package contains several new provisions. The 2001 Budget law limited the deduction of loss carry-overs to 75% of taxable profit but introduced an indefinite loss carry-forward period, which was previously 7 years. To reduce the relative advantage of debt finance and to stimulate companies' capitalisation, the deductibility of notional interest payments on an increase in equity as operating expense was introduced. The government sets annually the applicable interest rate. The remaining profit is taxed with the corporate tax rate of 34%, whereas that part of profits equal to the imputed interest payments is taxed at 25%. A tax allowance of € 363,000 was introduced for inheritance (gift) tax in the case of enterprise transfers. Moreover, the invention allowance, in particular for research and development, was increased and a training allowance of 9% of the training expenses for employees was introduced.

Additional measures to promote growth and the capital market were introduced. There is a new tax subsidy of 10% for the increase of investment in machinery and equipment in 2002 compared to the average investment in the last three years. A general wider R&D allowance of 10% for expenditures according to the Frascati manual was introduced in 2002 with an option to apply for a tax credit of 3%. The rate was increased for 2003 to 15% (2004: 25%) and the optional bonus to 5% (2004: 8%). For stimulating growth, an accelerated depreciation of 7% for buildings constructed in 2002 was introduced. The training allowance was widened to include expenditures for internal training courses. For the education allowance the rate was increased to 20% for 2002. In addition an education bonus of 6% was introduced. The apprentice allowance of € 1,460 was transformed into an annual tax subsidy of € 1,000.

One important measure with a great impact on the budget 2002 was the introduction of child care benefits for all as of 1<sup>st</sup> of January 2002. It amounts to 436 euro per month. Before housewives and students were exempted.

A new pension savings model has been set up: Like for the previous model there is a tax benefit of about 10% for contributions up to around € 1,800, but at least 40% of the capital has to be invested in (Austrian) shares. A withdrawal is only possible after ten years. In this case half of the subsidies have to be repaid and the withdrawn capital is taxed at 6%. If the capital is transformed in a pension after retirement, this pension is tax-free. In addition, a pension reform law modifying future public pension benefit schemes was adopted on the 11. June 2003.

As a first step of the more comprehensive tax reform 2004/2005 the zero-rate zone was increased to € 10,000 from the 1.1.2004, exempting a gross income of employees up to € 14,500 from taxation. For partnerships and other unincorporated enterprises a lower taxation of retained earnings was introduced: for up to € 100,000 of retained profits only the half of the average taxable rate would be applied. To partly finance these measures the mineral oil tax and duty on natural gas were increased and a new duty on coal has been introduced. On 1.1.2004 a new system of electronic road pricing for trucks was introduced. At the same time the vehicle tax for lorries was lowered and the road transport duty was abolished.

## **18.2. Trends in taxation of consumption, labour and capital**

More than a third of Austria's taxes are indirect taxes, the most important of which is VAT. Revenues from excise duties are rather low. Despite the rather low share of excise duties revenues from consumption taxes are slightly above the EU average when measured as a percentage of GDP. The implicit tax rate on consumption of 22% lies roughly three percentage points above the average.

Taxes on employed labour represented 21% of GDP in 2002, which represents almost one half of the total tax burden. As in most EU countries, taxes on employed labour consist mainly of social contributions. Almost 30% of the taxes on employed labour are accounted for by the personal income tax on labour income that is levied in the form of a withholding tax on wages and salaries. There are also important indirect labour taxes, especially a contribution by employers to the fund for equalization of family burdens and a payroll tax. The Austrian implicit tax rate on labour lies 3 percentage points above the European average. Between 1995 and 1997 the rate increased steadily and stabilised in the years after at a level around 40%. In 2002 it decreased slightly.

The share of taxes on capital in GDP is low compared to the European average. This is also true for the implicit tax rate on capital. This is mainly influenced by a comparatively low taxation of capital stocks and their transaction. The implicit tax rate on capital and business income is slightly above the average in the Union. Taxes raised on corporate income in relation the GDP are very low because of the big share of unincorporated companies in Austria. The ITR on capital and business income rose in 1996 due to the tax measures that broadened the taxable base. In the following years it remained at a level of roughly 20%. An increased profitability of companies was offset by a relative decline in property income.

The implicit tax rate on capital and business income increased again to almost 26% in 2001. The latter increase can largely be attributed to the sharp increase in direct tax revenues between 2000 and 2001 (as mentioned above), due to increased prepayments and in reaction to the introduction of interest payments on tax arrears from October 2001 onwards. In 2002, the ITR decreased to 24%.

## 19. POLAND

### *Overall tax burden and features of the tax system*

Poland is in line with the EU15 average concerning the ratio total taxes on GDP with a value of 39.1% which is the second highest among the new Member States and only 1.5 percentage points lower than EU15 average. The ratio increased in 1996 then decreased slightly up to 2000; in 2001 it had a peak due in particular to an increase of social contributions which are presently an important share of total taxes (40.9% in 2002). Indirect taxes count on an important share too whilst direct taxes were in 2002 at the lowest level in all EU25 with a percentage of 18.7% of total taxes. The main reason for the low level of direct taxes is a substantial shift from personal income tax to social contributions occurred in 1999. Local governments collect 10.2% of total taxes, a value in line with the EU15 average.

Personal Income Tax is applied at central government level. Poland applies a progressive tax rate with 3 brackets. The first rate is 19% and the maximum rate is 40%. A limited number of deductions and credits are allowed. A tax credit is available for certain expenses incurred by a taxpayer to renovate a private residence, contributions to scientific, charitable, educational, religious or cultural institutions, and expenses incurred to pay interest on a mortgage are deductible from income within certain limits. Small personal deductions or allowances may be taken in calculating income tax. The amount free from taxation in 2002 has been established as 2,727.16 PLN

The current corporate tax rate is 24%. The corporate tax rate in Poland has been reduced in the last few years from 34% in 1999 to 30% in 2000, 28% in 2001 and 27% in 2003 and the Government announced further reductions. Although there is a clear tendency in the Polish tax policy to lower corporate tax rates, the actual rate is still 6.8 percentage points above new Member States average. According to a study of Jacobs and Spengel<sup>1</sup> Poland has the second highest forward looking effective average tax rate on domestic investment of the new Member States (13.11% in Lithuania; 24.73% in Poland, 32.81% in Malta and 37.17% in Germany). Losses from one source of profits may offset income from other sources in the same fiscal year. Effective from 1 January 1999, losses incurred in fiscal years beginning after 31 December 1998 may be carried forward for five consecutive years to offset profits derived in those years from all sources. Up to 50% of the original loss may offset profits in any of the five fiscal years. If a loss is incurred in a fiscal year beginning in 1998, it may be carried forward three consecutive years. Loss carry-back is not allowed.

In Poland, capital gains are included in taxable profit and taxed at the regular tax rate although some companies are taxed at reduced tax rates. A 15% withholding tax is imposed on dividends for both resident and non-resident and for both corporations and individuals. A 20% rate applies to interest for both resident and non-resident and for both corporations and individuals.

The principles of the VAT are in line with EU-law. The current VAT rate is 22%. A reduced rate of 7% applies to processed food articles, children's articles, supply of internet connections and press publications from January 2001. A reduced rate of 3% is levied on the sale of non-processed

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<sup>1</sup> cfr. Jacobs, Spengel et al. (2003)

agricultural products and of 0% on unprocessed food. Poland has requested transitional measures in the field of Value Added Taxation, namely for the level of the VAT turnover threshold for SMEs, a reduced VAT rate on restaurants and a zero rate on books.

In the case of excise duties on fuel the rates will be gradually aligned to the EU minimum. The excises on cigarettes are clearly below EU level (Poland: 24.99 euro/1000 cigarettes, EU: 60 euro/1000 cigarettes). As a transitional measures Poland may apply lower excise duty rates on cigarettes.

### Taxes & Social contributions in POLAND<sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	12,9	15,1	14,3	14,0	14,5	14,6	16,0	15,8
VAT	5,4	6,8	7,3	7,3	7,5	8,0	8,9	8,6
Excise duties and consumption taxes	3,0	3,7	3,3	3,4	4,1	3,8	4,3	4,4
Other taxes on products (incl. import duties)	2,7	2,7	1,9	1,5	0,9	0,9	0,8	0,6
Other taxes on production	1,7	1,9	1,8	1,8	2,0	1,9	2,0	2,2
Direct taxes	11,4	11,6	11,5	10,9	7,6	7,6	8,1	7,3
Personal income	7,3	8,1	7,7	7,7	4,7	4,6	5,0	4,6
Corporate income <sup>2)</sup>	2,9	2,9	3,1	2,8	2,5	2,4	2,0	1,9
Other	1,2	0,6	0,7	0,4	0,4	0,6	1,1	0,8
Social Contributions	10,1	12,0	12,1	12,0	14,8	14,0	17,1	16,0
Employers'	9,8	11,5	11,7	11,6	6,2	6,2	7,5	6,9
Employees'	0,0	0,0	0,0	0,0	8,4	6,2	7,6	7,0
Self- and non-employed	0,3	0,5	0,4	0,4	0,3	1,6	2,0	2,1
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	20,9	22,9	21,6	20,0	18,0	18,6	20,2	19,1
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	3,4	3,7	4,3	4,6	4,1	3,6	3,9	4,0
Social Sec. Funds	10,1	12,0	12,1	12,0	14,8	14,0	17,1	16,0
EC Institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>34,3</b>	<b>38,7</b>	<b>37,9</b>	<b>37,0</b>	<b>37,0</b>	<b>36,2</b>	<b>41,2</b>	<b>39,1</b>

1) See annex B for classification of taxes and annex C for explanatory notes.

2) Including holding gains

Source: Commission Services

## 20. PORTUGAL

### 20.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

Fiscal consolidation has been under way in Portugal for some years, with the government budget deficit falling from 4.6% of GDP in 1995 to 2.2% in 1999. The consolidation resulted most notably in an increase in the tax-to-GDP ratio, together with an accumulated fall in interest payments, which both have offset the rapid rise in current primary expenditure between the years 1995 and 1999. Tax revenue was stronger than foreseen due to a growth pattern in favour of domestic demand and, in particular, private consumption<sup>1</sup>. In 2000 and 2001, however, the downward trend in the government budget deficit has been reversed, and it has increased to 2.8% in 2000 and 4.2% in 2001. One of the causes of this reversed pattern in the year 2001 was a significant shortfall of tax revenues, partly due to the economic slowdown, but also as a result of the tax reform in 2001. To correct this trend during year 2002 the government decided to raise the standard VAT rate from 17% to 19% and to implement a tax amnesty on direct taxes and social contributions, with the result of an increase in the tax revenues in 2002 (despite the current unfavourable cyclical conditions) and a reduction of the budget deficit to 2.7% in 2002. Despite the increase in recent years, the total tax-to-GDP ratio still remains among the lowest in the Union.

#### *Features of the tax structure and tax policy in recent years*

Portugal relies relatively heavily on indirect taxation for collecting budget revenue. By the year 2002 the share of indirect taxes amounts to roughly 42%, whereas the shares of direct taxes and social contributions both amount to around 27% and 31%, respectively. These shares have been relatively stable during recent years. Portugal collects a quite substantial level of environmental taxes (around 3.4% on average between 1995 and 2002), notably in the form of energy taxes, but it also raises a non-negligible amount of transport taxes.

Average tax rates were kept largely unchanged in 1998 and 1999, although a number of measures were adopted to reinforce the fight against tax evasion and fraud. Given a fiscal consolidation strategy that relied primarily on an increase in the revenue to GDP ratio<sup>2</sup>, there has been little room to implement any ambitious tax reforms during recent years. The major aim of the implemented measures during the last term of Parliament (1999-2002) was to increase fairness and improve business competitiveness. These objectives were pursued by broadening the taxable base, and improving the efficiency of tax administration, with the adoption of further measures to combat tax evasion and fraud, which should secure tax revenue in order to make further reductions of the corporate tax possible. In fact, corporate tax rate was reduced from 30% to 25% in 2004.

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<sup>1</sup> European Commission (2000a, 2002b)

<sup>2</sup> European Commission (2000a)

Taxes & Social contributions in PORTUGAL <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	14,6	14,7	14,5	15,0	15,4	15,1	14,7	15,3
VAT	7,5	7,8	7,7	8,0	8,2	8,4	8,2	8,2
Excise duties and consumption taxes	3,9	3,8	3,6	3,7	3,5	3,0	3,0	3,3
Other taxes on products (incl. import duties)	2,7	2,6	2,6	2,8	3,2	3,0	2,8	3,1
Other taxes on production	0,5	0,5	0,6	0,6	0,6	0,7	0,7	0,7
Direct taxes	8,9	9,6	9,7	9,4	9,9	10,5	9,9	9,8
Personal income	5,9	6,1	5,8	5,7	5,7	6,0	6,0	5,8
Corporate income	2,5	2,9	3,3	3,3	3,8	4,1	3,6	3,7
Other	0,6	0,6	0,5	0,4	0,3	0,4	0,4	0,3
Social Contributions	10,1	10,2	10,5	10,5	10,6	10,9	11,0	11,2
Employers'	6,3	6,5	6,7	6,8	6,8	7,0	7,0	7,2
Employees'	3,3	3,1	3,2	3,2	3,3	3,4	3,5	3,6
Self- and non-employed	0,5	0,6	0,6	0,5	0,5	0,5	0,4	0,5
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	20,5	21,3	21,2	21,4	22,2	22,4	21,7	22,1
State government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	1,7	1,8	1,8	1,9	2,2	2,2	2,1	2,1
Social Sec. Funds	10,4	10,6	10,9	10,9	11,0	11,2	11,4	11,6
EC Institutions	1,0	0,7	0,7	0,7	0,6	0,6	0,5	0,5
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	12,6	12,7	12,4	12,6	12,6	12,4	12,2	12,5
Labour	14,0	14,2	14,3	14,2	14,4	14,8	15,0	15,1
Employed	13,7	13,8	13,9	13,8	14,0	14,4	14,6	14,7
Paid by employers	6,4	6,6	6,8	6,8	6,8	7,0	7,0	7,2
Paid by employees	7,2	7,2	7,1	7,0	7,1	7,4	7,6	7,5
Non-employed	0,4	0,4	0,4	0,4	0,4	0,4	0,5	0,4
Capital	7,0	7,5	8,0	8,1	9,0	9,1	8,4	8,7
Capital and business income	4,3	4,9	5,3	5,2	5,6	6,0	5,4	5,5
Income of corporations	2,5	2,9	3,3	3,3	3,8	4,1	3,6	3,7
Income of households	0,9	0,9	0,9	0,8	0,8	0,9	0,9	0,9
Income of self-employed (incl. sc)	1,0	1,1	1,1	1,0	1,0	1,0	0,9	0,9
Stocks (wealth) of capital	2,6	2,6	2,7	2,9	3,3	3,2	3,1	3,2
<b>Total</b>	<b>33,6</b>	<b>34,4</b>	<b>34,7</b>	<b>34,9</b>	<b>36,0</b>	<b>36,4</b>	<b>35,6</b>	<b>36,3</b>
Of which environmental taxes	3,7	3,7	3,5	3,6	3,6	3,1	3,1	3,2
Energy	2,7	2,7	2,5	2,5	2,4	1,9	1,9	2,2
Transport	0,9	1,0	1,0	1,1	1,2	1,2	1,2	1,0
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	19,5	19,7	19,5	19,8	19,8	19,7	19,4	20,1
Labour employed	31,0	31,6	32,5	32,9	33,0	33,2	33,3	33,7
Capital	20,7	23,2	25,5	26,6	30,7	34,4	31,7	n.a.
Capital and business income	12,9	15,1	16,9	17,0	19,3	22,5	20,2	n.a.
Companies	14,9	17,2	18,4	17,5	19,3	23,0	20,6	n.a.
Households	7,7	8,8	10,6	12,2	15,4	15,8	14,9	n.a.

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

Deductible allowances in personal income tax were converted into tax credits in 1999. In 2001 statutory personal income tax rates were generally reduced. Also, tax credits for savings, housing, health and education expenses were made more favourable. The rates of social contributions for the self-employed and the employed were harmonised. In addition, exemptions or reductions of employers' social contributions for recruiting young people, long-term unemployed or people with disability were implemented.

## **20.2. Trends in taxation of consumption, labour and capital**

Indirect taxes in Portugal are important due to a high share of VAT and taxes on products. The implicit tax rate on consumption increased in 2002 reaching 20.1% which is still below the EU average. The implicit tax rates on labour and capital are also below the Union's average.

The implicit tax rate on labour continued to increase slightly during recent years, whereas in most other Member States a decline or at least a stabilisation in the increasing trend can be observed. The recent reductions in personal income tax and social contributions were often targeted, or may not be fully reflected in the latest figures due to economic growth. The implicit tax rate on labour still remains below the Union's average.

The implicit tax rate on capital and business income is slightly below the European Union's average. Tax revenues of corporations are relatively high whereas taxes on business income from self-employed are less important. Although the statutory corporate tax rate was reduced with 4 percentage points in the period 1995-2001, corporation tax revenues have increased. However, during the period of fiscal consolidation and preparation to EMU, Portugal experienced a sharp reduction in interest rates. This resulted in a significant reduction in interest payments by corporations, as proved by detailed capital income data. As a result, deductions for interest have been more limited than before. Moreover, it should be kept in mind that the indicator of ITR tends to overestimate increases in the tax burden in periods of large capital gains (capital gains could not be included in the base/denominator of the tax ratio).





## 21. SLOVENIA

### *Overall tax burden and features of the tax system*

In Slovenia the total taxes on GDP were at 39.8% in 2002, in line with the EU-15 average (40.5%), and among the new Member States it has the highest value of this indicator. During the period 1995-2002 some fluctuation of the ratio can be seen with an overall slight decline. As the most of new Member States anyway it has a huge share of indirect taxes (41.9% of total taxes); social contribution plays an important role too with a share of 37.9% while direct taxes are 2.3% below the EU new Member States average. Between 1995 and 2002 is visible a substantial increase of corporate income, even if its share is still under EU15 average, and a reduction of employers' social contribution, especially in years 1996 and 1997. Local governments collect 7.2% of total taxes.

The personal income tax in Slovenia has a progressive PIT rate with 6 brackets from 17% - 50%. The rates have been unchanged since 1995. In Slovenia deductions for certain general expenses (acquisition of long term securities, residential buildings, medical aid etc.) are possible up to 3% of the aggregate annual income. The income is further reduced by a basic allowance equivalent to 11% of the average annual salary in Slovenia.

The current corporate tax rate is 25%. A reduced rate of 10% applies for companies operating in a special economic zone. Slovenia reduced the corporate tax rate only once, from 30% in 1993 to 25% in 1994. Since then the rate has remained unchanged and is 4.8 percentage points above new Member States average. However, it has to be mentioned, that Slovenia applies special investment incentives and has got two special economic zones with preferential tax treatment. A company can carry the amount of losses calculated in the tax return forward, but a carry back of losses is not allowed. The number of years over which losses calculated in the tax return can be carried forward is 5 years. Depreciation may not exceed the level arrived at using straight-line depreciation method and the set annual depreciation rates. The valuation of inventory is solely based on accounting rules; there are no deviation tax provisions. Inventories can be valued according to the FIFO- (first in, first out), LIFO- or weighted average cost-method.

Capital gains are included in taxable profit and taxed at the regular tax rate (25%). Dividends paid to individuals are subject to a 25% withholding tax. Dividends paid out of untaxed profits by Slovenian companies to other Slovenian companies are also subject to the withholding tax of 25%. Dividends received by Slovenian companies from the taxed profits of other Slovenian companies are exempt from tax. A 15% withholding tax is imposed on dividends paid to non-residents. There is, in principle, no withholding tax on interest payments.

VAT was introduced on 1<sup>st</sup> July 1999 replacing the previous General Sales Tax. The principles of the VAT are in line with EU-law. The current VAT rate is 20%. It has been increased from 19% as of January 2002. The reduced rate was increased to 8.5% (from 8%). Slovenia has requested transitional measures in the field of Value Added Taxation, namely for the level of VAT turnover threshold for SMEs and a reduced VAT rates on restaurants and construction works.

In the case of excise duties the fuel rates are above the EU minimum. The excises on cigarettes are clearly below EU level (Slovenia: 39.46 euro/1000 cigarettes, EU: 60 euro/1000 cigarettes) and will be gradually aligned.

Taxes & Social contributions in Slovenia <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	16,3	16,5	16,2	16,8	17,4	16,5	16,3	16,7
VAT					5,0	9,1	8,7	9,0
Excise duties and consumption taxes					1,9	3,2	3,5	3,6
Other taxes on products (incl. import duties)					8,4	1,7	1,4	1,4
Other taxes on production	0,5	1,0	1,7	2,0	2,1	2,5	2,7	2,7
Direct taxes	7,2	7,5	7,7	7,8	7,7	8,0	8,0	8,0
Personal income	6,1	6,2	6,1	5,9	5,8	5,8	5,9	5,9
Corporate income	0,6	0,8	1,0	1,0	1,1	1,2	1,2	1,4
Other	0,6	0,6	0,6	0,9	0,8	1,0	0,8	0,8
Social Contributions	17,7	16,0	15,1	15,0	14,8	15,0	15,2	15,1
Employers'	8,5	6,8	5,8	5,8	5,7	5,8	5,8	5,8
Employees'	8,5	8,2	8,2	8,1	8,1	8,2	8,1	8,0
Self- and non-employed	0,8	0,9	1,0	1,2	1,0	1,0	1,4	1,3
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	21,3	21,6	21,4	22,1	22,4	21,5	21,3	21,8
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	2,6	2,6	2,6	2,6	2,8	2,8	2,9	2,9
Social Sec. Funds	17,4	15,8	14,9	14,9	14,7	15,1	15,2	15,1
EC Institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>41,3</b>	<b>40,0</b>	<b>38,9</b>	<b>39,6</b>	<b>40,0</b>	<b>39,4</b>	<b>39,4</b>	<b>39,8</b>

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services

## 22. SLOVAKIA

### *Overall tax burden and features of the tax system*

In 2002 Slovakia is one of the countries with the lowest total tax burden together with Lithuania, Latvia and Malta. It witnessed a substantial and steady decrease of the tax to GDP ratio from 41.5% in 1995 to 31.3%.

This reduction stems equally from direct and indirect taxes. The relation of social contributions to GDP remained at a level of 14% until 2001. In 2002 it dropped by 2 percentage points still representing 39% of total tax revenues, clearly above the community average.

In the period 1995 to 2002 main changes have been done in the field of personal income taxation. In 2001 the number of tax brackets was reduced from 7 to 5. The top rate has been reduced from 42% in 1995 to 38% in 2003, the rates in the first tax bracket from 15% to 10%. Between 1993 and 2002 most tax allowances have been doubled. Since 2001 special tax rates and tax allowances for the entrepreneurs engaged in agriculture, forestry and water industry has been introduced.

In addition, a specific type of taxation for small and medium enterprises has been established, with a special tax rate (from 2% - 2.75% of gross revenues) and special tax allowances. Self-employed persons may decide to be taxed by this system if their aggregate income in the previous year was lower than SKK 2,000,000. In order to stimulate investment of self-employed a taxation with the maximum rate of 25% (the same rate as for companies) has been set up in the case of investment of this income into tangible or intangible assets.

The decrease of direct tax revenues in relation to GDP is mainly related to the corporate income tax: The statutory corporate tax rate in the Slovak Republic was reduced from 40% in 1999 to 29% in 2000 and to 25% in 2002. In 2002 maximum limits for the depreciation purposes of tangible assets (especially cars) were increased. The most significant changes in depreciation came into force from January 1, 2003. These changes shortened the time period for depreciation of tangible and intangible assets and should lead to decrease of tax base and tax burden of entrepreneurs and companies. In addition, a tax credit scheme for investors has been introduced.

The value-added tax was introduced within the reform of the taxation system as of January 1, 1993, and along with the excise duties replaced the previously applied turnover tax and import tax. The amendments of VAT focused mainly on attaining harmonisation of the value-added tax system in the Slovak Republic with the EU legislation, in particular to include some goods and services into the respective tax rate according to the Sixth Council Directive (some foods and beverages). In addition changes were made to comply with the regulation of tax application on financial and insurance services, the taxation of international non-regular bus transport of persons, the regulation of place of taxable transactions for the delivery of services and, the taxation upon initiating bankruptcy proceedings on the taxpayer.

All five acts on excise duties (applied to selected goods, i.e. wine, beer, tobacco and tobacco products, ethyl alcohol and mineral fuels and lubricants) were drafted in 1993 on the basis of the respective EU directives. The Slovak Republic took the commitments approved also in the

negotiation position gradually to align Slovak legislation to EU legislation in the field of excise duties.

End of 2003 a radical tax reform has been set up. Its ultimate goal is to transform the Slovak tax system in the most competitive one in the entire EU and OECD area. The government paid serious attention to ensuring that the tax reform has not a negative impact on its fiscal position. In order to ensure a fiscally neutral outcome in the first year after the reform, the government produced and commissioned five independent estimates of its fiscal impact.

In the area of direct income taxation, the tax reform is centred on the implementation of the flat-rate tax. In accordance with the principle of taxing all incomes of individuals and corporations equally, only one linear percentage rate of 19% will be applied as of January 1, 2004. This should increase labour productivity both in the short and long term, as it encourages higher work effort at any given point in time, as well more investment in human capital.

Effective January 1, 2004, the corporate tax rate is being reduced to 19% (before 25%). At the same time, the new tax system follows the principle of taxing the investment and capital gains income only once as it is transferred from the corporate to the personal level. Thus, dividend taxation has been cancelled and investment income will be taxed only once, at the level of corporate profits.

The Income Tax Act also radically simplifies the taxation of both individual and corporate income. In order to achieve the highest possible degree of tax transparency and to minimize economic distortions, the new tax law eliminates virtually all exceptions, exemptions and special regimes.

The immediate result of the introduction of relatively low flat-rate direct tax would be a lower absolute amount of collected direct taxes. The lost revenue is therefore being compensated by increased indirect tax revenues generated by higher indirect tax rates introduced as a part of the reform. In 2003 Slovakia had a standard value added tax (VAT) rate of 20% and a reduced rate of 14%. As a part of the reform, the reduced VAT is being cancelled entirely and a unified 19% rate is being introduced for all goods as of January 1, 2004.

The tax reform increases the rates of excise duties on mineral oils, tobacco and tobacco products, and beer. The increased excise taxes on tobacco products have harmonized the Slovak tax law with EU regulations earlier than was expected in Slovakia's accession treaty with the European Union. With the new act on excise taxes on spirits stricter conditions apply for spirit producers and tax warehouses, which should prevent tax evasion and increase tax collection.

In addition, real estate transfer tax, gift tax and inheritance tax are also being cancelled as a part of the tax reform. With the elimination of the gift tax, gifts will no longer be recognized as tax-deductible expenditures. Real estate transfer tax will be eliminated as of January 1, 2005. The aim of the new Act on Real Estate Tax is to create a legal basis for a transparent taxation of real estate based on the principle of market valuation.

**Taxes & Social contributions in Slovakia <sup>1)</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	15,6	15,5	14,4	13,4	13,1	13,0	11,8	12,0
VAT	9,5	8,7	8,0	7,6	7,6	7,7	7,5	7,7
Excise duties and consumption taxes	3,2	3,5	3,2	3,2	3,0	2,9	2,8	
Other taxes on products (incl. import duties)	1,7	1,7	2,2	1,7	1,7	1,7	0,7	
Other taxes on production	1,2	1,6	1,0	0,8	0,8	0,7	0,7	0,6
Direct taxes	11,6	10,5	10,1	10,1	9,1	7,6	7,4	7,5
Personal income	3,6	4,1	4,4	4,5	4,4	3,5	3,5	
Corporate income	6,1	4,2	3,7	3,4	3,1	2,8	2,7	
Other	2,0	2,3	2,0	2,1	1,6	1,3	1,2	
Social Contributions	14,3	14,3	13,6	14,8	13,8	13,7	13,7	13,5
Employers'	12,0	10,3	9,7	11,0	10,0	9,8	9,7	9,6
Employees'	1,7	3,2	3,0	3,2	3,1	3,2	3,3	3,2
Self- and non-employed	0,6	0,8	0,8	0,7	0,7	0,7	0,7	0,7
<b>B. Structure according to level of government as % of GDP</b>								
Central Government								
State Government								
Local Government								
Social Sec. Funds								
EC Institutions								
<b>Total</b>	<b>41,5</b>	<b>40,3</b>	<b>38,0</b>	<b>38,3</b>	<b>35,9</b>	<b>34,3</b>	<b>32,9</b>	<b>33,0</b>

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services



## 23. FINLAND

### 23.1. Overall tax burden

In the mid-1990's, the Finnish economy had nearly recovered from the deep economic recession that hit the country at the beginning of the decade. Between 1994 and 2000 the Finnish economy grew at an average annual rate of 4.6%. Total tax revenues grew accordingly, due to the increasing economic activity and the public financial deficit turned to a surplus for the first time in 1998, reaching 6.9% of GDP in 2000. The overall tax burden in Finland is among the highest in the Union. Between 1995 and 2000 the tax-to-GDP-ratio oscillated around 47-48%, despite measures that were taken to ease the level of direct taxation, in particular the taxation of labour income. A significant reduction in the tax-to-GDP ratio became visible in 2001 and 2002.

#### *Specific features of the tax system and recent developments in tax policy*

Finland - like other Nordic countries - stands out with a relatively high ratio of direct taxes to total taxes. In particular this translates into a relatively heavy tax burden on labour income.

Since 1993 the taxation of personal income is based on a dual system. Personal income is divided into two separate components, earned income and capital income, which are taxed according to different rates and principles. The central government taxation of earned income is progressive. Municipal taxes are proportional to income, but because of several deductions the average rate is lower for low-income earners. In 2003 the average municipal tax rate was 18.03%. Social contributions are also levied according to a proportional rate.

In the electoral period 1999 – 2003 the target of the government policy was to reduce the tax burden of labour by € 1680 – 1849 millions (about 2% of GDP). The measures consisted mainly of the decreases of marginal tax rates in state taxation across all income brackets, the rise in the minimum limit for taxable income in state taxation and the rise of work-related deductions in municipal taxation<sup>1</sup>. The latter measure was targeted to middle and low-income earners. The reductions of labour taxation were to be financed partly by the increases in capital income and corporate taxation. In 2000 the government increased the tax rate on capital and corporate income from 28% to 29%, the impact of which was about 0.1% out of GDP. The government target was achieved and surpassed by the end of the electoral period. . The average tax rate on earned income was lowered by 4 percentage points on low and medium annual income. Also the present government has continued the policy of gradual easing the tax burden on labour income through annual tax cuts..

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<sup>1</sup> The size of the measures taken in the years 1999-2003 is (*ex ante*) estimated to be 2% of GDP.



Taxes & Social contributions in FINLAND<sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	14,3	14,4	14,9	14,6	14,8	14,2	13,8	14,1
VAT	8,0	8,1	8,5	8,3	8,4	8,4	8,2	8,4
Excise duties and consumption taxes	4,0	3,9	4,0	3,8	3,8	3,4	3,4	3,5
Other taxes on products (incl. import duties)	2,1	2,2	2,2	2,3	2,3	2,2	2,0	2,0
Other taxes on production	0,1	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Direct taxes	17,6	19,2	18,7	19,2	19,1	21,7	19,8	19,7
Personal income	14,3	15,5	14,3	13,9	13,8	14,7	14,5	14,3
Corporate income	2,3	2,8	3,5	4,3	4,4	6,0	4,3	4,3
Other	0,9	1,0	0,9	0,9	1,0	1,0	1,0	1,1
Social Contributions	14,2	13,7	12,9	12,6	12,9	12,1	12,4	12,2
Employers'	9,9	9,7	9,2	9,2	9,4	8,9	9,2	9,2
Employees'	2,7	2,6	2,4	2,3	2,4	2,2	2,2	2,2
Self- and non-employed	1,6	1,4	1,3	1,1	1,0	1,0	0,9	0,9
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	22,0	23,2	23,9	24,1	24,2	25,9	23,9	24,6
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	10,2	10,8	10,1	10,1	10,2	10,4	10,2	9,9
Social Sec. Funds	13,1	12,7	11,9	11,6	11,9	11,1	11,4	11,2
EC Institutions	0,7	0,7	0,6	0,6	0,6	0,5	0,5	0,3
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	13,9	14,0	14,5	14,1	14,4	13,8	13,3	13,7
Labour	26,1	26,7	24,7	24,2	24,1	24,0	24,4	24,2
Employed	21,9	22,6	21,1	21,1	21,2	21,1	21,7	21,4
Paid by employers	9,9	9,7	9,2	9,2	9,4	8,9	9,2	9,2
Paid by employees	12,0	12,9	11,9	11,8	11,7	12,2	12,4	12,3
Non-employed	4,2	4,1	3,6	3,2	3,0	3,0	2,8	2,7
Capital	6,0	6,6	7,3	8,0	8,3	10,2	8,3	8,0
Capital and business income	4,8	5,3	6,0	6,7	7,0	8,8	7,0	6,7
Income of corporations	2,3	2,8	3,5	4,3	4,4	6,0	4,3	4,3
Income of households	0,6	0,7	0,8	0,8	1,0	1,2	1,1	0,8
Income of self-employed (incl. sc)	1,9	1,7	1,8	1,6	1,6	1,6	1,6	1,6
Stocks (wealth) of capital	1,2	1,3	1,3	1,3	1,3	1,4	1,3	1,3
<b>Total</b>	<b>46,0</b>	<b>47,3</b>	<b>46,5</b>	<b>46,4</b>	<b>46,8</b>	<b>48,0</b>	<b>46,0</b>	<b>45,9</b>
Of which environmental taxes	2,9	3,1	3,3	3,3	3,5	3,2	3,0	3,1
Energy	2,2	2,1	2,3	2,2	2,3	2,0	2,0	2,0
Transport	0,8	1,0	1,0	1,1	1,2	1,1	1,0	1,1
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>D. Implicit tax rates</b>								
Consumption	28,2	27,8	29,7	29,6	29,8	29,0	27,6	28,0
Labour employed	43,9	44,8	43,3	43,8	43,4	44,0	44,4	43,9
Capital	27,9	30,2	30,4	31,8	33,3	36,6	27,8	30,3
Capital and business income	22,4	24,3	25,1	26,7	28,0	31,7	23,5	25,4
Corporations	16,7	19,6	21,6	23,6	25,0	29,6	19,1	22,7
Households and self-employed	24,5	24,9	24,5	25,2	24,7	24,9	24,7	22,4

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

Personal income taxation of capital income is based on a uniform flat rate, which is 29% in 2004. The tax base is relatively broad and includes dividends, interest income, rental income, capital gains, a share of entrepreneurial income and sales income on forest property. Certain interest payments are deductible, including interest payments on owner-occupied housing and certain other expenses. If these expenses exceed the taxable capital income, the deficit can be deducted from taxes paid on earned income up to a limit.

Finland applies a so-called imputation system in corporate taxation in order to avoid the double taxation of dividends. In 2003 the government agreed to abolish this system and to introduce a partial double taxation of dividends. The main reason for this is the incompatibility of the imputation system with the free movement of capital in the Internal Market - in so far as the imputation credit is accorded only to resident shareholders. The abolishing of the imputation system is carried out as part of the corporate and capital tax reform that the government agreed on in 2003. The reform will enter into force in 2005.

The ratio of corporate income tax revenues to GDP is relatively high compared to the other Member States. This high ratio is related to a relatively broad taxable base but can also partly be explained by the improved profitability of companies. Although the statutory corporate tax rate of 29% is one of the lowest in the Union of 15 Member States, the tax reform of 2005 will reduce the corporate income tax rate by 3 percentage points to 26% and the capital income tax rate by 1 percentage point to 28%. The main motivation of the reform is to ensure the competitiveness of the Finnish tax system, in particular in view of the EU enlargement to the new Member States in which the level of corporate taxation is much lower than in the existing Member States.

The reform will also change the taxation of voluntary pension insurance savings. The Finnish system is an EET-system, in which the insurance contributions and the yield on savings are tax exempt, but the pensions, when paid out, are treated as earned income in taxation. In the new system pension will be taxed as capital income, and correspondingly also the share of the insurance contributions deductible in taxation is determined by the capital income tax rate. The aim of incorporating the pension insurance saving into the capital income tax system is to create a more level playing field between different forms of long-term saving.

Another particular feature of the Finnish tax system is the relatively high level of certain excise duties. The level of the excise on alcoholic drinks exceeds the EU minimum rates and most other EU countries significantly. As from the 1 March 2004 the excise duty on alcohol, however, is reduced by 33% on the average. The motivation is purely an attempt to prevent the tax base from eroding, as Finland has to give up its transitory import restrictions the 1 January 2004, and because the neighbouring EU country, Estonia, has a much lower level of alcohol taxation. Also the registration tax on passenger cars has been high by European standards. The level of the tax was reduced, however, on average by 15% for new cars and motorbikes in 2003, when the new law on car taxation came into force. After 2003 the tax on petrol cars is 28% of the taxable value of the car minus 650€ and for diesel cars also 28% of taxable value minus 450€.

Environmentally related taxes (incl. energy, transport and resource taxes) constituted around 6.8% of total tax revenues in 2002, which is slightly above the EU average. The tax base of energy taxation is rather broad and covers certain energy products that are not taxed in many Member States (coal, peat). The tax rates are relatively high by EU standards, in particular on industrial energy uses. In

2003 the taxes on fossil fuels and electricity were increased on average by 5.2%, for the first time since 1998.

### **23.2. Trends in the taxation of consumption labour and capital**

The relatively high overall tax burden in Finland is also reflected in relatively high tax burdens on the different economic functions. The average implicit tax rate on consumption of 28.7% (average over the period 1995-2002) is among the highest in the Union, notably due to high excise duties and VAT<sup>2</sup>.

Labour income is also taxed relatively heavily. Only in Sweden the implicit tax rate on labour is currently higher. Tax policy measures have been implemented in order to reduce the tax burden on labour income notably through reductions in central government and local income tax (partly aimed at the bottom- to the middle end of the pay scale; see also above), and also through reductions in social contributions. However, the implicit tax rate on labour oscillated around 44% over the 1995-2002 period.

The ITR on capital and business income is among the highest in the Union. This can partly be explained by the fact that the taxable base is relatively broad (see also above). However, it should also be noted that the ITR on capital and business income is biased upwards, due to the fact that capital gains are not included in the actual base/denominator of the tax ratio. An increase in the statutory corporate tax rate of 4 percentage points between 1995 and 2001, the reduction of the maximum annual depreciation rate of machinery and equipment to 25% in 1999 and the generally improved profitability of companies during the strong economic upswing can explain the sharp rise over this period. Other important factors are the shift from interest to dividend payments. This trend is particularly pronounced in Finland, although the upward bias in the ITR related to capital gains - particularly strong in 2000 - has also played a role. The significant drop in the ITR in 2001 can probably also be related to the economic downturn and capital losses due to falling stock prices. In 2002 the ITR stabilised at a level of 25.4%.

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<sup>2</sup> However, because Finland adapted the VAT system in 1994 with transitional arrangements lasting until 1996 the VAT-tax revenues were lower in 1995 and 1996 than they would have been without these transitional arrangements. Consequently the share of consumption taxes as percentage of GDP and the ITR on consumption are not fully comparable to the later years 1997-2002.

## 24. SWEDEN

### 24.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

Sweden experienced a severe recession in the beginning of the 1990's. GDP growth was negative for three consecutive years 1991-1993. This negative GDP growth was accompanied with a sizeable governmental deficit, which peaked at 11.9% in 1993. A major fiscal consolidation process took place in the following years, turning it into a surplus of 1.9% in 1998 (peak 2001: 4.5%). This fiscal consolidation process is a result of both tax increases and reductions of expenditure, in combination with a period of positive GDP growth. The overall tax-to-GDP ratio increased from around 49% in 1995 to 54% in 2000, with some visible reductions in the years 2001 and 2002. Sweden still has the highest tax-to-GDP ratio in the European Union.

#### *Features of the tax structure and recent developments in tax policy*

The Swedish tax system relies relatively heavily on direct taxation, in particular personal income taxation, for raising tax revenues. Direct taxes account for around 40% of the Swedish tax revenue, while indirect taxes and social contributions both account for roughly 30% of the tax revenue. This tax mix has remained rather stable during the period of 1995-2001. In 2002, together with the economic slowdown, the share of direct taxes decreased.

The major tax reform in 1991 transformed the tax system into a so-called 'dual' income tax system. It combines a high progressive taxation of labour income, with a lower general rate on capital income. The local government levies a flat rate of around 30% (depending on municipality and county) on earned income (i.e. labour income and income from unincorporated business). A low uniform state tax (SEK 200) is levied on all incomes (in effect removed from 2004). For incomes above 291 800 SEK (in 2004) there is a tax bracket with a tax rate of 20% and the top rate for labour income above SEK 441 300 is 25%. This leads to a total marginal tax rate of 56% for income above SEK 441 300. For capital income, there is a flat tax rate of 30%. Generally, the 1991 reform resulted in a shift from direct to indirect taxes, in combination with a broadening of the tax bases. For example, the VAT base was broadened to include services and energy consumption, and the carbon-dioxide tax was introduced.

As a result of the recession and the budget deficit, which was worsened by the fact that the reform was under-financed, several measures have been taken since the reform with the objective to increase tax revenue. Only in the latest years, starting in 1999 or 2000, reductions in tax rates can be observed.

Taxes & Social contributions in SWEDEN <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	16,3	16,7	17,0	17,7	18,9	16,9	17,0	17,3
VAT	9,3	8,7	8,8	9,0	9,0	8,9	9,0	9,2
Excise duties and consumption taxes	3,5	3,8	3,6	3,6	3,4	3,2	3,2	3,3
Other taxes on products (incl. import duties)	0,9	0,7	0,7	0,7	0,7	0,7	0,7	0,7
Other taxes on production	2,6	3,5	3,9	4,5	5,7	4,2	4,0	4,2
Direct taxes	20,2	21,1	21,6	21,5	22,3	22,6	20,4	18,6
Personal income	16,7	17,6	17,8	17,8	18,2	17,7	16,4	15,2
Corporate income	2,7	2,6	2,9	2,7	3,1	3,8	3,0	2,6
Other	0,8	0,9	0,9	1,0	1,0	1,1	1,0	0,8
Social Contributions	13,1	14,1	13,9	13,9	12,6	14,4	14,8	14,6
Employers'	11,2	11,7	11,2	10,8	9,5	11,2	11,6	11,5
Employees'	1,6	2,1	2,5	2,9	2,9	2,9	2,9	2,9
Self- and non-employed	0,3	0,3	0,3	0,2	0,2	0,3	0,3	0,3
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	29,8	30,9	31,6	32,3	33,3	32,3	29,8	28,0
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	14,5	15,7	15,5	15,5	15,5	15,3	15,9	16,2
Social Sec. Funds	4,5	4,7	4,7	4,7	4,5	5,8	6,0	5,9
EC Institutions	0,7	0,6	0,7	0,6	0,5	0,5	0,5	0,4
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	13,5	13,1	13,1	13,2	13,1	12,7	12,9	13,0
Labour	31,0	32,7	32,7	33,5	33,3	32,7	32,7	31,6
Employed	26,3	28,2	28,4	29,2	29,2	28,9	29,0	28,0
Paid by employers	12,8	13,7	13,4	13,7	13,8	14,0	14,4	14,3
Paid by employees	13,6	14,5	15,0	15,6	15,4	14,8	14,6	13,6
Non-employed	4,6	4,5	4,3	4,2	4,1	3,8	3,7	3,6
Capital	5,0	6,1	6,7	6,5	7,4	8,6	6,6	6,0
Capital and business income	3,4	3,9	4,4	4,3	5,2	6,4	4,7	4,0
Income of corporations	2,7	2,6	2,9	2,7	3,1	3,8	3,0	2,6
Income of households	0,1	0,6	0,8	0,9	1,3	1,8	0,9	0,7
Income of self-employed (incl. sc)	0,7	0,8	0,7	0,7	0,7	0,8	0,8	0,7
Stocks (wealth) of capital	1,6	2,1	2,3	2,2	2,2	2,2	1,9	2,0
<b>Total</b>	<b>49,5</b>	<b>51,9</b>	<b>52,5</b>	<b>53,1</b>	<b>53,8</b>	<b>53,9</b>	<b>52,2</b>	<b>50,6</b>
Of which environmental taxes	2,8	3,2	3,0	3,0	2,9	2,8	2,9	3,0
Energy	2,5	2,7	2,6	2,7	2,5	2,4	2,5	2,5
Transport	0,3	0,4	0,3	0,3	0,3	0,3	0,3	0,3
Pollution/Ressources	0,0	0,1	0,0	0,0	0,0	0,1	0,1	0,1
<b>D. Implicit tax rates</b>								
Consumption	28,4	27,9	28,2	28,9	28,9	28,6	29,5	30,6
Labour employed	48,4	49,7	50,0	51,0	50,5	49,3	47,9	46,6
Capital	18,0	24,0	26,5	27,3	32,1	37,3	32,3	31,5
Capital and business income	12,4	15,6	17,5	18,1	22,6	27,7	22,8	21,0
Corporations	15,7	18,2	20,0	20,5	25,2	34,2	29,0	n.a.
Households and self-employed	7,6	12,7	14,8	15,8	21,3	24,7	17,1	n.a.

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

In 1995, the statutory state income tax of 20% was increased to 25% for a period of 3 years. This increase became permanent in 1999, but for incomes at a higher threshold. As a result, there are currently three tax brackets in the income tax, as opposed to two directly after the reform. The employer's social contributions were also reduced in 1993, but have since then been raised to some extent. The employee's general pension contributions were introduced in 1993 and have then gradually been phased in and increased until 1998, and are now a part of the new pension system.

During last years, the major changes in taxation policy relate to reductions of the income tax, mainly through the compensation for the employee's general pension contribution, and the strategy for a green tax reform. Continuous downward adjustments have also been made in the real estate and wealth tax in response to increases in property prices.

In 2000, the first step was taken to compensate employees for the introduction of their pension contribution. Technically, this was made through the introduction of a tax credit. At the same time the allowance for the contribution was removed. The credit was to be phased in over four years but each step is conditioned on the state of government finances. As of 2002, the credit amounts to 75% of the contribution. In addition to this credit, the threshold for the state income tax has also been increased with the objective to reduce the number of income earners that pay this tax.

A strategy for a green tax reform amounting to a tax swap of SEK 30 billion over 10 years started in 2001. In total it corresponds to almost 1.4% of GDP (2001). During the first three years around SEK 8 billion have been swapped. The tax increases have mainly affected the energy taxes for households and the service sector, while the reductions have been allocated to the income tax and the employer's social contributions. Total environmental taxes amounted to around 3% of GDP in 2002.

The policy of the green tax shift continues in 2004 with higher taxes on energy use and lower taxes on labour. Thus, the uniform state income tax on labour income will be removed in 2004, i.e. a reduction of the SEK 200 per year on all incomes. In addition the general salary tax component of the employer's social contributions is reduced for employers and self-employed. The abolition of the capital gains tax (and deductions for capital losses) on business related holdings, are combined with changes to the controlled foreign company (cfc) rules.

## **24.2. Trends in taxation of consumption, labour and capital**

The ratio of consumption taxes in proportion to GDP is well above the Union's average. With one of the highest statutory VAT-rates and also above average rates for excise duties, Sweden clearly belongs to the group of countries with relatively high consumption taxes, together with Denmark and Finland. The implicit tax rate on consumption increased from around 28% to almost 31% during the 1995-2002 period, which was some 11 percentage points above the Union's average.

The ratio of taxes on labour in proportion to GDP is the highest in the Union. The ratio for employed labour showed an upward trend until 1998 mainly as a consequence of different fiscal measures to increase tax revenue. The implicit tax rate on (employed) labour shows a similar trend with its peak at 51% in 1998. Since then, the implicit tax rate has started to come down slowly. In 2002, the observed rate of 46.6% is well below its initial level in 1995 (48.4%). This mirrors the different policy decisions taken during the 1995-2002 period. Initially, different measures increased the income tax and the social contributions, while in the last couple of years, some of these

measured have started to be rolled back. The green tax shift also contributes to a reduced tax burden on labour.

The implicit tax rate on capital has increased substantially. At the beginning of the period, Sweden still had a relatively low level of the implicit tax rate on capital, while towards the end of the period 1995-2000 the level was above the Union's average. The major part of this increase relates to the measured overall tax burden of capital and business income. Tax revenues in percentage of GDP from both corporations and households increased. As regards to the denominator of the implicit tax rate (that is computed using national accounts data), it should be noted that corporations have witnessed diminishing profits in relation to GDP due to increases in labour costs and higher indirect taxes that they could not fully shift into higher prices during that period (see chapter II-4). The relative shift from interest to dividend payments resulting in smaller deductions for the taxable base could also partly explain the increasing tax burden on capital and business income between 1995 and 2000<sup>1</sup>.

The increased capital tax burden for households can partly be explained by the taxation of increased capital gains due to the booming stock markets<sup>2</sup>. Another explanation lies in deductible net interest payments that have diminished substantially due to dropping interest rates. This development can be related to incentives in response to the tax reform, in combination with periods with a relatively high real interest rate.

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<sup>1</sup> Calculations by the Swedish Ministry of Finance for a comparable average effective tax rate using comprehensive micro data (FRIDA database of the Ministry of Finance in Sweden) also show an increasing trend until 1998, although the actual taxable base in relation to GDP increased slightly until 2000. In 2000 this alternative indicator starts to decline. Taking the time-lag and the asymmetric influence of losses from national accounts into account, it is likely that a similar pattern would have been visible in the years after 2000 for the implicit tax rate on capital.

<sup>2</sup> It is not possible within national accounts to account for the capital gains part of taxable income. For this reason the increase in capital tax burden for Sweden is overestimated in that period.

## 25. UNITED KINGDOM

### 25.1. Overall trend in taxation and tax policy

#### *Overall tax burden*

Since the early 1990s, action was taken to consolidate the public finances in the United Kingdom in the form of both direct and indirect tax increases and tight restraint on government expenditure. The public finances in the United Kingdom reached a surplus in the years 1998 to 2001. This has notably resulted from better-than-expected economic growth and buoyant tax revenues. Up to 2000 the total tax-to-GDP ratio has shown a steadily increasing trend (notably due to increases in direct tax revenue, in particular from corporate income tax). In recent years the total tax burden declined due to the economic slowdown and various stimulatory tax measures. Over the whole period the tax-to-GDP ratio remained among the lowest in the Union.

#### *Features of the tax structure and recent developments in tax policy*

The present structure of the tax revenues in the United Kingdom is mainly characterised by a relatively high weight of direct taxes, which largely reflects a rather heavy reliance on personal income tax. The share of social contributions is on the other hand among the lowest in the Union. The United Kingdom also stands out with the highest share of central government's tax revenues in total tax receipts of EU15.

Since the May 1997 election, the Labour government has announced and implemented a number of reforms to the structure of the tax system in the United Kingdom. They relate most notably to the personal income tax code, National Insurance Contributions (NICs) and also indirect taxes.

During recent years, fiscal policy has clearly focused on 'making work pay'. This is meant to increase the attractiveness of work by improving the financial incentives to work. There were several measures that the government has introduced on the personal income tax structure and also in the area of National Insurance Contributions.

In 1998, the Working Family Tax Credit in personal income tax was announced to replace the Family Credit from October 1999 onwards, while the 1999 budget brought the introduction of the 10% rate (previously a 20% rate applied on a wider band) and a lower, 22%, basic (middle) rate, and the replacement of the married couple's allowance with the children's tax credit (the married couple's allowance was already restricted as of April 1999 and the government abolished the allowance from April 2000). The Working Family Tax Credit is available to families with children in which at least one of the partners works at least 16 hours a week. It is composed of a basic credit for each child, a credit for those working more than 30 hours a week and a childcare cost tax credit. The credit effectively increases the minimum exempted income when working and guarantees and increases minimum take-home income for a family with someone in full-time work. It is assessed on net income and withdrawn at a 55% rate for relatively higher family incomes. The children's tax credit is available to families with one or more children, and will be tapered away for families where there is a higher-rate taxpayer.



Taxes & Social contributions in UNITED KINGDOM <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	14,1	13,9	14,0	13,9	14,3	14,3	14,0	13,9
VAT	6,7	6,7	6,8	6,6	6,9	6,8	6,8	6,9
Excise duties and consumption taxes	2,1	2,2	2,3	2,4	2,5	2,4	2,2	2,1
Other taxes on products (incl. import duties)	3,1	3,0	3,0	3,0	3,1	3,3	3,0	3,0
Other taxes on production	2,1	2,0	1,9	1,8	1,8	1,8	1,9	1,9
Direct taxes	15,1	15,0	15,3	16,5	16,4	16,9	17,0	15,8
Personal income	10,3	9,6	9,3	10,3	10,5	10,9	11,0	10,5
Corporate income	2,7	3,1	3,8	3,8	3,4	3,4	3,3	2,7
Other	2,1	2,2	2,2	2,4	2,6	2,6	2,8	2,6
Social Contributions	6,2	6,1	6,2	6,2	6,2	6,3	6,3	6,1
Employers'	3,4	3,3	3,4	3,3	3,4	3,6	3,6	3,4
Employees'	2,6	2,5	2,7	2,6	2,6	2,6	2,5	2,4
Self- and non-employed	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	33,1	32,8	33,5	34,5	34,9	35,4	35,2	33,8
State government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	1,3	1,3	1,3	1,4	1,4	1,5	1,5	1,6
Social Sec. Funds	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EC Institutions	1,0	0,9	0,7	0,7	0,7	0,7	0,6	0,5
<b>C. Structure according to economic function as % of GDP</b>								
Consumption	13,4	13,4	13,6	13,5	13,7	13,6	13,4	13,4
Labour	14,0	13,3	13,1	13,8	14,0	14,6	14,6	14,0
Employed	13,8	13,1	12,9	13,6	13,9	14,4	14,4	13,8
Paid by employers	3,4	3,3	3,4	3,3	3,4	3,6	3,6	3,4
Paid by employees	10,5	9,8	9,6	10,3	10,4	10,8	10,9	10,4
Non-employed	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2
Capital	7,9	8,2	8,9	9,4	9,2	9,4	9,3	8,5
Capital and business income	5,4	5,8	6,4	6,8	6,5	6,5	6,6	5,7
Income of corporations	2,7	3,1	3,8	3,8	3,4	3,4	3,3	2,7
Income of households	1,2	1,3	1,2	1,6	1,7	1,7	1,7	1,4
Income of self-employed (incl. sc)	1,5	1,4	1,4	1,4	1,4	1,5	1,6	1,6
Stocks (wealth) of capital	2,6	2,4	2,4	2,5	2,7	2,9	2,7	2,7
<b>Total</b>	<b>35,4</b>	<b>35,0</b>	<b>35,6</b>	<b>36,6</b>	<b>36,9</b>	<b>37,5</b>	<b>37,3</b>	<b>35,8</b>
Of which environmental taxes	2,9	3,0	3,0	3,1	3,2	3,1	2,8	2,8
Energy	2,3	2,4	2,3	2,5	2,5	2,4	2,3	2,2
Transport	0,6	0,6	0,6	0,6	0,6	0,6	0,5	0,5
Pollution/Ressources	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1
<b>D. Implicit tax rates</b>								
Consumption	21,8	21,7	21,9	21,6	22,0	21,7	21,3	21,3
Labour employed	25,7	24,7	24,2	25,1	25,3	25,7	25,4	24,6
Capital	27,8	28,0	29,9	28,0	33,5	34,0	34,1	30,8
Capital and business income	18,8	19,7	21,7	20,4	23,7	23,6	24,0	20,8
Corporations	17,4	20,7	26,6	21,4	30,2	31,4	34,9	29,4
Households and self-employed	15,3	15,0	14,6	17,8	18,9	19,2	19,3	19,3

1) See annex B for classification of taxes and annex C for explanatory notes.

n.a.: not applicable

Source: Commission Services

In Budget 2002, details of two new tax credits, the Working Tax Credit (WTC) and the Child Tax Credit (CTC), were published. These were due to replace the existing tax credits in April 2003 and designed to bring together the support available into a single tax credit system. Access to WTC was also extended to families without children aged over 25 years on low incomes and entitlement based on gross income, with a 37% taper for those on relatively higher incomes. Support of at least £545 per year is available to all families with children on incomes up to £50,000, with much more support available for families on lower incomes. Above the £50,000 threshold support is tapered at a rate of 6.67%. This new system was expected to provide £16bn of support to families on low and medium incomes – a 20% increase on the support previously available.

The purpose of all this, in conjunction with other policies, is to reduce the poverty trap and to make work pay for low-earning families, particularly families with children, supporting the UK government's commitment to eradicate child poverty. This policy development does not show up for statistical reasons.

The government has raised the starting point for paying NICs to the level of the personal income tax personal allowance, both for employers and employees. Entry- 'fees' and 'steps' have also been abolished for both employers and employees, which previously resulted in high marginal effects. On the employer's side, the reforms have also been aimed at simplification of the NIC system, and thus a reduction of administrative burdens, by moving it more in line with income tax payments. To compensate for the introduction of the climate change levy (see below), the November 1999 Pre-Budget Report furthermore announced reductions of employers' NICs. The government has also introduced changes in self-employed NICs, based on similar principles to those applied to employee and employer NICs. Against this background of a simplified NIC system, an across the board increase of 1% in all types of NICs was announced in 2002, effective from April 2003.

The 1998 Budget increased charges on free fuel for private motoring provided by companies to employees with company cars. The government also raised personal income tax allowances as part of a programme under the heading 'fairness for pensioners'. Mortgage interest tax relief has been limited and was finally abolished in 2000.

The corporation tax regime has also been changed in recent years. The statutory rate was reduced from 33% in 1997 to 30% in 1999. The same is valid for the small company rate for firms with profits below £300,000, which at present is 19%, down from 24% in 1997. Since 2000, there is also an additional rate initially at 10%, reduced to 0% in 2002, for firms with profits below £10,000. Changes have also been made to capital depreciation allowances, and the advance corporation tax on dividends was abolished in 1999.

As regards indirect taxes, the government cut VAT on fuel and power from 8 per cent to 5 per cent in 1997 (until 1994 it was zero rated). Insurance premium tax, after being introduced at 2.5 per cent in 1994, rose to 4 per cent in 1997. The government has also introduced numerous changes to excise duties. Important reforms have been implemented on both tobacco and fuel, with the so-called 'tax escalator' playing an important part. This has also led to revenue increases. Tax differentials between leaded and unleaded petrol have been increased and new differentials introduced between ultra-low sulphur and standard petrol and diesel. A landfill tax was introduced in 1996 and a new climate change levy on companies for the use of gas, coal and electricity came into effect in April 2001. The receipts are recycled through a 0.4 percentage cut in employer's NICs. Total environmental taxes amounted to 2.8% of GDP in 2002.

The Pension Credit, announced in the budget 2002-2003, has been introduced in October 2003. It ensures that pensioners, in particular the ones with lower incomes, who have saved for their pension benefit from their savings. Age-related personal allowances has been raised to ensure that no pensioner aged 65 or over will pay tax on income of less than £127 a week.

The efforts to promote entrepreneurship continue. The budget 2003/2004 contains a package of reforms for new and growing business with emphasis on SMEs. It also includes measures to simplify and modernise the tax system in different ways. Some measures are the extension, to March 2004, of the full capital allowance for investment in information and technology, and through new definitions and a reduced threshold, the improved and extended R&D tax credit. Measures are also undertaken to simplify taxation of property, capital gains tax and employee share schemes.

## 25.2. Trends in taxation of consumption, labour and capital

The implicit tax rate on consumption has remained rather stable around the Union's average. The implicit tax rate on labour is the lowest in the Union. It has remained remarkably stable since the early 1970s, while in most other EU countries a pronounced upward trend has been registered until the late 1990s. The present relatively low average tax burden on labour can largely be attributed to the relatively low level of social contributions. In 2002 the ITR on labour decreased by about one percentage point.

The overall tax burden on capital, on the other hand, is above the EU average. A decline was visible in the first half of the 1990s, which was strongly influenced by the relative decline on the taxes on real estate. Both taxes on corporations and taxes on real estate (*i.e.* national domestic rates on business properties and council tax paid by owner-occupiers and tenants on the value of their dwelling) contribute to the present relatively high tax burden on capital.

Like in other Member States an increase in the implicit tax rate on capital is visible since the mid-1990s. This increase not only reflects an increase of the implicit tax rate on capital and business income. The increase of tax revenues in the category 'Stocks (wealth) of capital' also contribute to the increase in the overall implicit tax rate on capital.

The increase in the implicit tax rate on capital and business income can partly be attributed to pro-cyclical behaviour of the implicit tax rate; economic growth has to some extent offset the effects of the reductions in statutory rates. A slight relative decrease in the denominator of the implicit tax rate also contributed to the increasing trend. This relative decrease corresponds mostly to a decreasing share of the net operating surplus of the private sector (without a reduction in corresponding tax revenues), that is mirrored by a rising share for the compensation of employees. In 2002, together with the economic slowdown, a remarkable reduction in the ITR on capital is visible.

It should also be kept in mind that both the ITR on capital and capital income are upward biased upwards (compared to other European Union countries) because the base ITR does not capture the full extent of taxable profits of financial companies, particularly capital gains. A further reason is that the UK figures allocate all tax on occupational (second pillar) and private pension benefits (third pillar) to capital income whilst for most other Member States the second pillar is allocated to transfer income and the non-employed.

## 26. NORWAY

### 26.1. Overall tax burden and features of the tax system

Norway experienced an increase in the total tax to GDP ratio from 42.7% in 1997 to 44.2% in 2002. Total tax revenues in Norway are influenced by tax income from petroleum related activities. Tax and non-tax revenues from the petroleum sector has hovered around 8% of GDP over the 1990s. Adjusted for an estimated resource rent from the petroleum sector, total accrued taxes in per cent of GDP would be somewhat lower, but still slightly above the EU-average. Approximately 65% of the taxes are paid to the central government in 2002. The Norwegian tax system is characterised by a relatively high share of direct taxes counting in 2002 46.4% of total taxes, which is almost 13 percentage points above the EU-15 average. Revenues from PIT are in line with EU-15 whilst higher shares are visible in the corporate tax revenues (10.6% of total taxes) and in other direct taxes revenues (11%). About direct taxes it can be noticed a relatively high share of the VAT (20% of total taxes) whilst excise duties represent 3.8% of the total tax revenue which is clearly below the EU-15 average. Taxes levied on the petroleum activity represent about 15.2% of the total tax revenue in 2002.

The tax reform of 1992 featured a dual income tax system, with a progressive taxation of labour income and a low and flat statutory corporate and capital tax rate at 28%. A full imputation system that eliminates double taxation of dividends was implemented, and also the so called RISK-system for avoiding double taxation of capital gains. A split-model was implemented to avoid income shifting due to the relatively high difference in top marginal tax rate on labour income and capital income. The tax rates were reduced, the tax bases were broadened and emphasis was given to tax neutrality among investments.

Direct taxes from personal income relative to GDP have been relatively stable during the 1990s until today. Norway has however experienced an increase in direct taxes from the corporate sector. From 1995 to 2002 the tax to GDP ratio increased from 3.2% to 4.7%, with a peak in 2000 at 5.2%. This rate was stable at about 2% from 1977 to 1991. According to national data the return on capital increased sharply after the tax reform, and rose from 13.3% on average in the years 1970 to 1991, to 18.8% on average from 1992 to 2001 (exclusive of hydro electric power supply). Some of this is clearly due to general business cycles, but some of it can also be explained by a better allocation of capital, due to a more investment neutral tax system.

A special tax regime for the shipping industry was adopted in 1996 in an effort to respond to similar moves by other seafaring nations. In particular, shipping companies are exempt from the corporate income tax on retained profits, thereby effectively postponing the tax payment until the profits are distributed. This measure partly restored a facility that existed before the 1992 reform, but that was abolished *inter alia* to remove a strong incentive for investors on the mainland to reduce their tax liability by investing in a shipping company. These incentives has thus been reintroduced to some extent, but in the current set-up investors are not allowed to deduct expenses or losses stemming from shipping companies against taxable profits in other sectors.

Before 1997 the tax system for hydro electric power plants was mainly independent of the profitability in the plants. The tax system for hydro electric power plants was subject to a reform in 1997, based on the principles laid down in the tax reform from 1992, i.e. a broader tax base and lower tax rates and an emphasis on investment neutrality. In addition a resource rent tax was introduced that levied about NOK 1.1 billion in 2002.

The tax rules for upstream petroleum activities are based on the ordinary Norwegian corporation tax system, with some special deviations and features, and the addition of a Special Petroleum Tax (SPT) of 50%. Both the

corporation tax and the SPT are based on the net profits which the petroleum companies derive from the relevant petroleum activities. The petroleum tax system was evaluated by the Petroleum Tax Commission in 2000. The Commission suggested several amendments to the tax system and in Ot. prp. nr. 86 (2001-2002) the Government presented its proposals to the Storting (Parliament). The Storting approved most of the proposals from the Government. The main changes in the petroleum tax system were that deficits now can be carried forward increased by interests and that the method for distributing net financial costs between the on-shore and off-shore tax districts now is based on tax written down values instead of net income.

Regionally differentiated payroll taxes are used as an important vehicle for maintaining settlements in remote areas in Norway. The (ordinary) payroll taxes are levied on the companies wage bill according to a regionally differentiated rate depending on the permanent residence of the employees. The rates vary between 0 and 14.1%. In 1998 the EFTA Court ruled that Norway should discontinue the rate differentiation in its present form as it was in conflict with the EEA regulations. From 1 January 2004 the system was changed. However, due to exceptional circumstances in northern part of the country, the Standing Committee of the EFTA States granted that the zero rate in this zone is in accordance with EEA agreement. The existing rates are also continued for fishery and agriculture in other tax zones. For other sectors the existing rates will be continued within the *de minimise* threshold in the EEA state aid rules.

As mentioned VAT revenues stand out as a high share of total tax revenues. There was a reform of the VAT-system in 2001. The general VAT was increased from 23% to 24% and the VAT-system was expanded to include services. The VAT on food was reduced to 12%. Municipal activity is generally outside the VAT system and thus can not recover VAT on inputs. This may distort the municipal authorities' incentives when choosing between 'in house' production of services and services from private service providers. In January 2002 an expert committee was appointed to consider solutions that should make the VAT system neutral in this respect. A new system based on the committee's recommendations, with a municipal compensation scheme for all VAT, was introduced from 1<sup>st</sup> January 2004.

The progressivity of the personal tax scheme in Norway has increased, especially from 2000 when a special earned income allowance and an extra step in the surtax was introduced. In 1998 the extra payroll tax for high salaries increased from 10 to 12.5%. The top marginal tax rate on labour income (including payroll taxes) has increased substantially since the tax reform in 1992, and created a wider gap between the top marginal tax rate on labour income and capital income.

In 2001 a dividend tax of 11% was implemented. The dividend tax was criticised for harming stock investments and for distorting capital allocation by causing lock-in effects. The dividend tax was not meant to be permanent, and the intention was to replace it in connection with a planned tax reform. However, the dividend tax was abolished in 2002 by the new government. The dividend tax caused large variations in dividends, with high dividends right before the implementation and after the abolishment of the dividend tax, and very low dividends in 2001.

The wide gap between the marginal tax rate on labour income and capital income, combined with mitigations of the split model, have created tensions in the tax system and extensive income shifting. Based on the report of the Skauge committee in 2003, the Government has proposed to introduce a personal tax on dividends and gains and reduce the top marginal tax rate on labour income. Equalizing the marginal tax rates on labour income and income from shares, will make it possible to abolish the split model.

Taxes & Social contributions in NORWAY 1)

	1995	1996	1997	1998	1999	2000	2001	2002
	ESA95							
<b>A. Structure of revenues as % of GDP</b>								
Indirect taxes	16,5	16,4	16,2	16,5	15,9	14,0	14,1	13,8
VAT	9,9	9,8	9,7	10,2	9,9	8,7	9,0	8,8
Excise duties and consumption taxes	2,2	2,0	2,1	1,9	1,9	1,7	1,7	1,7
Other taxes on products (incl. import duties)	3,8	3,9	3,7	3,6	3,4	2,9	2,7	2,7
Other taxes on production	0,7	0,7	0,7	0,7	0,7	0,6	0,6	0,6
Direct taxes	16,2	17,0	16,9	15,9	16,9	20,2	20,3	20,5
Personal income	10,8	10,7	11,0	11,8	11,4	10,3	10,5	10,9
Corporate income	3,2	3,5	3,5	2,7	3,5	5,2	4,9	4,7
Other	2,2	2,7	2,4	1,4	2,0	4,7	4,9	4,9
Social Contributions	9,9	9,6	9,6	10,3	10,2	9,0	9,3	9,9
Employers'	5,9	5,7	5,7	6,2	6,1	5,4	5,6	5,9
Employees'	4,0	3,9	3,9	4,2	4,1	3,6	3,7	4,0
Self- and non-employed	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>B. Structure according to level of government as % of GDP</b>								
Central Government	24,5	25,5	25,3	25,2	25,5	27,7	27,4	28,7
State Government	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Local Government	8,2	7,9	7,9	7,2	7,4	6,5	7,1	5,7
Social Sec. Funds	9,9	9,6	9,6	10,3	10,2	9,0	9,3	9,9
EC Institutions	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total</b>	<b>42,6</b>	<b>43,0</b>	<b>42,7</b>	<b>42,7</b>	<b>43,0</b>	<b>43,1</b>	<b>43,7</b>	<b>44,2</b>

1) See annex B for classification of taxes and annex C for explanatory notes.

Source: Commission Services



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<sup>1</sup> As modified – notably – by Regulation 2516/2000 of the European Parliament and Council of 7 November 2000. A consolidated version of the Council Regulation (EC) is available on-line on the Eur-Lex web-site on: [http://europa.eu.int/eur-lex/en/consleg/main/1996/en1996/en1996R2223\\_index.html](http://europa.eu.int/eur-lex/en/consleg/main/1996/en1996/en1996R2223_index.html).



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## **ANNEXES**



## ANNEX A: TABLES



Table Tot\_G: Total Taxes (incl. SC) as % of GDP

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	45,1	45,3	45,7	46,4	46,0	46,0	46,2	46,6	45,9	0,4	1,5
CZ	39,9	38,7	37,9	36,5	37,3	34,4	34,3	35,4	36,8	-2,0	-4,5
DK	49,3	49,9	49,8	50,1	51,5	49,6	49,9	48,9	49,9	0,0	-0,4
DE	40,8	41,6	41,6	41,6	42,3	42,5	40,8	40,2	41,4	-0,2	-0,7
EE	-	-	-	-	-	-	-	35,2	35,2		
EL	32,6	33,0	34,2	36,3	37,3	38,8	37,0	36,2	35,7	2,0	3,6
ES	33,4	33,8	34,2	34,5	35,1	35,6	35,5	36,2	34,8	1,1	2,7
FR	44,0	45,0	45,2	45,1	45,7	45,2	45,0	44,2	44,9	0,1	0,2
IE	33,4	33,5	32,8	32,1	32,1	32,1	30,5	28,6	31,9	-1,9	-4,8
IT	41,2	42,8	44,7	43,2	43,3	42,7	42,5	41,7	42,8	-0,1	0,6
CY	-	-	-	29,2	29,5	31,4	32,7	32,5	31,1		
LV	37,2	34,3	35,6	37,3	35,6	33,1	31,8	31,3	34,5	-2,2	-5,9
LT	28,6	28,1	29,8	32,2	32,4	30,4	29,1	28,8	29,9	0,3	0,2
LU	42,3	42,4	41,5	40,2	40,4	40,7	40,7	41,9	41,3	-0,4	-0,4
HU	-	-	-	-	-	-	39,4	38,8	39,1		
MT	27,7	26,2	27,9	26,2	27,4	29,1	30,4	31,3	28,3	2,1	3,6
NL	40,6	40,8	40,7	40,3	41,7	41,5	40,0	39,5	40,6	-0,2	-1,1
AT	42,3	43,7	44,5	44,3	44,3	43,5	45,3	44,4	44,1	0,5	2,1
PL	34,3	38,7	37,9	37,0	37,0	36,2	41,2	39,1	37,7	1,3	4,8
PT	33,6	34,4	34,7	34,9	36,0	36,4	35,6	36,3	35,2	1,1	2,8
SI	41,3	40,0	38,9	39,6	40,0	39,4	39,4	39,8	39,8	-0,3	-1,5
SK	41,5	40,3	38,0	38,3	35,9	34,3	32,9	33,0	36,8	-3,6	-8,5
FI	46,0	47,3	46,5	46,4	46,8	48,0	46,0	45,9	46,6	-0,1	-0,1
SE	49,5	51,9	52,5	53,1	53,8	53,9	52,2	50,6	52,2	0,3	1,1
UK	35,4	35,0	35,6	36,6	36,9	37,5	37,3	35,8	36,3	0,7	0,5
NO	42,6	43,0	42,7	42,7	43,0	43,1	43,7	44,2	43,1	0,5	1,6
EU25	40,5	41,3	41,5	41,4	41,8	41,7	41,1	40,4	41,2	0,0	-0,2
EU15	40,6	41,4	41,6	41,6	42,0	42,0	41,2	40,5	41,4	0,0	-0,1
Euro12	41,0	41,8	42,2	42,0	42,4	42,4	41,5	41,0	41,8	0,0	0,1
NMS10	36,5	38,3	37,5	36,6	36,6	35,4	38,3	37,3	37,1	0,0	0,8
EU25 (arithmetic average)	39,1	39,4	39,6	39,2	39,5	39,2	39,0	38,5	39,2	-0,2	-0,6
EU15 (arithmetic average)	40,6	41,4	41,6	41,7	42,2	42,3	41,6	41,1	41,6	0,2	0,5
Euro12 (arithmetic average)	39,6	40,3	40,5	40,5	40,9	41,1	40,4	40,2	40,4	0,2	0,5
NMS10 (arithmetic average)	35,8	35,2	35,1	34,6	34,4	33,5	34,6	34,5	34,7	-0,6	-1,3
Ratio st.dev. and mean in % <sup>3)</sup>	15,0	16,0	15,3	15,7	15,8	15,6	15,4	14,9			-0,1
Difference max. and min. <sup>3)</sup>	21,8	25,7	24,5	26,9	26,4	24,9	23,1	22,0			0,1

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services



**Table A.1\_G: Indirect Taxes as % of GDP: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	13,3	13,7	13,9	13,9	14,1	14,0	13,7	13,8	13,8	0,4	0,6
CZ	13,8	13,3	13,0	12,2	12,8	11,5	11,1	11,1	12,4	-3,3	-2,7
DK	17,2	17,5	17,7	18,5	18,3	17,4	17,5	17,7	17,7	0,2	0,5
DE	12,3	12,2	12,2	12,3	12,8	12,7	12,5	12,3	12,4	0,3	0,0
EE	-	-	-	-	-	-	-	14,1	14,1		
EL	14,4	14,8	14,9	15,1	15,8	15,8	15,4	14,7	15,1	0,7	0,3
ES	10,9	10,9	11,2	11,8	12,3	12,3	12,0	12,1	11,7	1,8	1,2
FR	16,2	16,8	16,7	16,6	16,5	16,1	15,6	15,6	16,3	-0,9	-0,7
IE	14,7	14,6	14,2	14,0	13,8	13,9	12,8	12,5	13,8	-2,2	-2,1
IT	12,7	12,5	12,9	15,9	15,6	15,5	15,0	15,0	14,4	3,1	2,3
CY	-	-	-	11,7	11,2	13,0	13,7	13,9	12,7		
LV	15,2	13,9	14,2	15,2	14,3	13,1	12,7	11,8	13,8	-3,0	-3,4
LT	12,3	11,9	14,6	14,0	13,8	12,5	12,2	12,5	13,0	-0,2	0,2
LU	13,5	13,4	13,6	13,5	14,2	14,7	14,0	14,0	13,9	0,9	0,5
HU	-	-	-	-	-	-	15,7	15,2	15,4		
MT	12,7	12,0	12,5	11,9	12,4	12,9	13,3	13,3	12,6	1,2	0,6
NL	11,9	12,2	12,5	12,5	13,1	13,0	13,5	13,2	12,7	1,7	1,4
AT	15,2	15,4	15,8	15,6	15,8	15,4	15,3	15,6	15,5	0,1	0,4
PL	12,9	15,1	14,3	14,0	14,5	14,6	16,0	15,8	14,7	2,2	2,9
PT	14,6	14,7	14,5	15,0	15,4	15,1	14,7	15,3	14,9	0,6	0,7
SI	16,3	16,5	16,2	16,8	17,4	16,5	16,3	16,7	16,6	0,2	0,4
SK	15,6	15,5	14,4	13,4	13,1	13,0	11,8	12,0	13,6	-4,2	-3,6
FI	14,3	14,4	14,9	14,6	14,8	14,2	13,8	14,1	14,4	-0,5	-0,2
SE	16,3	16,7	17,0	17,7	18,9	16,9	17,0	17,3	17,2	0,7	1,1
UK	14,1	13,9	14,0	13,9	14,3	14,3	14,0	13,9	14,1	0,0	-0,2
NO	16,5	16,4	16,2	16,5	15,9	14,0	14,1	13,8	15,4	-3,0	-2,7
EU25	13,6	13,7	13,8	14,3	14,6	14,3	14,1	14,0	14,1	0,6	0,4
EU15	13,6	13,7	13,8	14,3	14,6	14,4	14,1	14,0	14,1	0,6	0,4
Euro12	13,4	13,4	13,6	14,2	14,4	14,2	13,9	13,8	13,9	0,7	0,5
NMS10	13,6	14,7	14,2	13,7	14,1	13,8	14,7	14,4	14,1	0,5	0,9
EU25 (arithmetic average)	14,1	14,2	14,3	14,3	14,6	14,3	14,1	14,1	14,3	0,0	0,0
EU15 (arithmetic average)	14,1	14,2	14,4	14,7	15,1	14,8	14,5	14,5	14,5	0,4	0,4
Euro12 (arithmetic average)	13,7	13,8	13,9	14,2	14,5	14,4	14,0	14,0	14,1	0,5	0,4
NMS10 (arithmetic average)	14,1	14,0	14,2	13,6	13,7	13,4	13,6	13,6	13,8	-0,6	-0,5
Ratio st.dev. and mean in % <sup>3)</sup>	12,1	13,1	11,8	13,3	13,3	11,1	12,2	12,5			0,4
Difference max. and min. <sup>3)</sup>	6,2	6,5	6,5	6,8	7,7	5,9	6,4	6,5			0,3

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.1\_T: Indirect Taxes as % of Total Taxation: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	29,5	30,2	30,3	29,9	30,7	30,6	29,6	29,7	30,1	0,0	0,3
CZ	34,7	34,5	34,5	33,4	34,4	33,5	32,3	31,3	33,6	-1,3	-3,3
DK	34,8	35,0	35,6	36,8	35,6	35,1	35,0	36,1	35,5	0,2	1,3
DE	30,1	29,3	29,3	29,4	30,3	29,9	30,6	30,5	29,9	0,5	0,4
EE	-	-	-	-	-	-	-	40,1	40,1		
EL	44,1	44,8	43,6	41,4	42,3	40,9	41,6	40,5	42,4	-1,3	-3,6
ES	32,6	32,4	32,7	34,2	35,1	34,6	33,8	33,6	33,6	0,7	0,9
FR	36,8	37,2	37,0	36,9	36,2	35,5	34,7	35,2	36,2	-1,0	-1,6
IE	43,9	43,7	43,4	43,5	43,1	43,4	42,0	43,7	43,3	-0,3	-0,2
IT	30,9	29,1	28,9	36,7	36,0	36,3	35,3	35,9	33,7	3,2	5,0
CY	-	-	-	39,9	38,1	41,5	41,9	42,7	40,8		
LV	40,7	40,3	39,9	40,9	40,2	39,6	39,9	37,7	39,9	-0,7	-3,0
LT	43,0	42,2	49,2	43,5	42,7	41,2	42,1	43,5	43,4	-0,6	0,6
LU	31,9	31,6	32,7	33,5	35,2	36,1	34,4	33,4	33,6	1,3	1,4
HU	-	-	-	-	-	-	39,8	39,2	39,5		
MT	46,0	45,7	44,8	45,2	45,3	44,5	43,9	42,5	44,7	-0,9	-3,5
NL	29,3	29,9	30,7	31,1	31,5	31,4	33,7	33,5	31,4	1,9	4,2
AT	35,9	35,3	35,5	35,2	35,6	35,3	33,9	35,2	35,2	-0,4	-0,7
PL	37,5	39,0	37,8	37,9	39,3	40,3	38,9	40,4	38,9	0,9	2,9
PT	43,5	42,7	41,8	43,0	43,0	41,4	41,2	42,1	42,3	-0,5	-1,3
SI	39,5	41,3	41,6	42,3	43,5	41,8	41,3	41,9	41,7	0,5	2,4
SK	37,7	38,5	37,7	35,0	36,3	37,9	35,8	36,4	36,9	-0,6	-1,3
FI	31,0	30,4	32,1	31,5	31,6	29,5	30,0	30,6	30,8	-0,5	-0,4
SE	32,8	32,2	32,4	33,4	35,2	31,4	32,6	34,3	33,0	0,4	1,4
UK	39,9	39,8	39,4	38,1	38,7	38,1	37,4	38,9	38,8	-0,7	-1,1
NO	38,8	38,1	37,9	38,6	37,1	32,4	32,3	31,2	35,8	-3,4	-7,6
EU25	33,6	33,2	33,4	34,5	34,8	34,4	34,3	34,8	34,1	0,6	1,2
EU15	33,5	33,1	33,2	34,4	34,7	34,2	34,1	34,6	34,0	0,6	1,1
Euro12	31,3	30,9	30,9	32,5	32,6	32,3	32,2	32,5	31,9	0,7	1,1
NMS10	37,2	38,2	37,8	37,5	38,6	39,1	38,2	38,7	38,2	0,5	1,5

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

Table A.1.1\_G: Indirect Taxes as % of GDP: VAT

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	6,8	6,9	6,9	6,9	7,2	7,3	7,0	7,2	7,0	0,8	0,4
CZ	7,2	6,9	7,2	6,6	7,1	6,6	6,4	6,4	6,8	-1,6	-0,8
DK	9,5	9,7	9,8	9,9	9,9	9,7	9,7	9,7	9,7	0,1	0,2
DE	6,7	6,6	6,6	6,7	7,0	6,9	6,7	6,5	6,7	0,1	-0,2
EE	-	-	-	-	-	-	-	9,6	9,6		
EL	6,9	7,0	7,2	7,5	7,9	8,1	8,3	7,9	7,6	2,7	1,0
ES	5,3	5,5	5,6	5,7	6,2	6,3	6,1	6,1	5,9	2,3	0,8
FR	7,5	7,8	7,8	7,7	7,7	7,5	7,3	7,2	7,6	-0,9	-0,3
IE	7,1	7,2	7,2	7,2	7,1	7,4	7,1	7,1	7,2	0,0	0,0
IT	5,7	5,5	5,8	6,2	6,2	6,6	6,4	6,4	6,1	2,3	0,7
CY	-	-	-	5,2	5,0	6,1	6,4	7,5	6,0		
LV	10,3	9,2	8,9	8,9	8,9	8,3	7,6	7,7	8,7	-3,8	-2,6
LT	7,7	7,1	8,5	8,1	8,0	7,5	7,3	7,4	7,7	-0,7	-0,3
LU	5,9	5,9	5,8	5,8	5,9	6,0	6,1	6,3	5,9	0,8	0,3
HU	-	-	-	-	-	-	8,3	8,0	8,1		
MT	6,3	6,1	6,1	4,9	5,4	6,2	6,5	6,5	6,0	0,9	0,2
NL	6,6	6,8	6,9	6,9	7,2	7,2	7,6	7,5	7,1	2,0	1,0
AT	7,8	8,3	8,4	8,2	8,5	8,1	8,1	8,3	8,2	0,4	0,5
PL	5,4	6,8	7,3	7,3	7,5	8,0	8,9	8,6	7,5	5,9	3,2
PT	7,5	7,8	7,7	8,0	8,2	8,4	8,2	8,2	8,0	1,4	0,7
SI	-	-	-	-	5,0	9,1	8,7	9,0	7,9		
SK	9,5	8,7	8,0	7,6	7,6	7,7	7,5	7,7	8,1	-2,8	-1,9
FI	8,0	8,1	8,5	8,3	8,4	8,4	8,2	8,4	8,3	0,4	0,4
SE	9,3	8,7	8,8	9,0	9,0	8,9	9,0	9,2	9,0	0,2	-0,1
UK	6,7	6,7	6,8	6,6	6,9	6,8	6,8	6,9	6,8	0,4	0,2
NO	9,9	9,8	9,7	10,2	9,9	8,7	9,0	8,8	9,5	-1,8	-1,0
EU25	6,8	6,9	6,9	7,0	7,1	7,2	7,1	7,0	7,0	0,6	0,2
EU15	6,8	6,8	6,9	7,0	7,1	7,1	7,0	7,0	7,0	0,5	0,2
Euro12	6,7	6,7	6,8	6,9	7,1	7,1	6,9	6,8	6,9	0,6	0,2
NMS10	6,3	7,0	7,4	7,1	7,2	7,7	8,2	8,0	7,4	3,0	1,7
EU25 (arithmetic average)	7,3	7,3	7,4	7,2	7,3	7,5	7,5	7,7	7,4	0,6	0,3
EU15 (arithmetic average)	7,2	7,2	7,3	7,4	7,6	7,6	7,5	7,5	7,4	0,8	0,4
Euro12 (arithmetic average)	6,8	6,9	7,0	7,1	7,3	7,4	7,3	7,3	7,1	1,0	0,4
NMS10 (arithmetic average)	7,8	7,5	7,7	6,9	6,8	7,4	7,5	7,8	7,4	0,0	0,1
Ratio st.dev. and mean in % <sup>3)</sup>	20,5	17,1	16,6	17,9	17,9	14,1	14,3	14,9			-5,6
Difference max. and min. <sup>3)</sup>	5,0	4,3	4,2	4,9	4,9	3,7	3,6	3,6			-1,4

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.1.1\_T: Indirect Taxes as % of Total Taxation: VAT**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	15,1	15,3	15,2	14,8	15,7	15,9	15,2	15,4	15,3	0,4	0,3
CZ	18,1	17,9	18,9	18,0	19,2	19,2	18,7	18,2	18,5	0,4	0,1
DK	19,3	19,5	19,7	19,7	19,1	19,5	19,4	19,9	19,5	0,2	0,6
DE	16,3	15,9	15,8	16,1	16,5	16,2	16,5	16,2	16,2	0,3	-0,2
EE	-	-	-	-	-	-	-	27,1	27,1		
EL	21,1	21,2	21,1	20,5	21,2	20,8	22,5	21,9	21,3	0,6	0,8
ES	15,9	16,1	16,3	16,6	17,7	17,7	17,2	16,9	16,8	1,2	1,0
FR	17,0	17,4	17,3	17,1	16,9	16,5	16,2	16,3	16,8	-1,0	-0,7
IE	21,3	21,6	22,0	22,4	22,3	23,2	23,2	24,8	22,6	1,9	3,6
IT	13,8	12,8	12,9	14,3	14,3	15,5	15,0	15,2	14,2	2,4	1,4
CY	-	-	-	17,9	16,9	19,3	19,6	22,9	19,3		
LV	27,8	26,8	25,0	23,8	25,1	24,9	23,8	24,7	25,2	-1,6	-3,1
LT	27,0	25,1	28,5	25,3	24,7	24,7	25,0	25,6	25,7	-1,0	-1,4
LU	14,0	13,9	13,9	14,3	14,5	14,7	14,9	14,9	14,4	1,2	0,9
HU	-	-	-	-	-	-	21,0	20,6	20,8		
MT	22,8	23,1	21,8	18,8	19,7	21,4	21,5	20,8	21,2	-1,2	-1,9
NL	16,2	16,6	16,9	17,1	17,3	17,3	18,9	19,1	17,4	2,3	2,9
AT	18,4	18,9	18,8	18,6	19,1	18,7	17,9	18,7	18,6	-0,2	0,3
PL	15,8	17,5	19,3	19,7	20,2	22,1	21,6	22,0	19,8	4,6	6,2
PT	22,4	22,5	22,2	22,8	22,7	23,2	22,9	22,7	22,7	0,4	0,3
SI	-	-	-	-	12,5	23,0	22,0	22,6	20,0		
SK	23,0	21,6	21,1	20,0	21,1	22,5	22,9	23,3	21,9	0,7	0,3
FI	17,4	17,1	18,4	18,0	18,0	17,4	17,8	18,2	17,8	0,4	0,8
SE	18,7	16,7	16,9	16,9	16,8	16,5	17,3	18,1	17,2	-0,2	-0,6
UK	19,0	19,2	19,2	18,1	18,6	18,2	18,4	19,3	18,8	-0,3	0,3
NO	23,2	22,7	22,8	23,8	23,1	20,2	20,7	20,0	22,1	-2,3	-3,2
EU25	16,8	16,6	16,7	16,8	17,1	17,1	17,2	17,4	17,0	0,6	0,6
EU15	16,7	16,6	16,6	16,7	17,0	17,0	17,0	17,2	16,9	0,5	0,5
Euro12	15,6	15,5	15,4	15,8	16,0	16,1	16,0	16,0	15,8	0,6	0,4
NMS10	17,6	18,4	19,8	19,6	19,7	21,7	21,3	21,5	19,9	2,9	3,9

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table A.1.2\_G: Indirect Taxes as % of GDP: Excise duties and consumption taxes**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,5	2,6	2,6	2,6	2,6	2,5	2,4	2,4	2,5	-1,1	-0,1
CZ	4,3	4,1	3,8	3,8	4,0	3,3	3,3	3,3	3,7	-3,9	-1,0
DK	3,7	3,9	3,8	4,1	4,2	4,1	4,2	4,1	4,0	1,5	0,4
DE	2,0	2,0	1,9	1,9	2,1	2,1	2,2	2,4	2,1	2,6	0,4
EE	-	-	-	-	-	-	-	-	-	-	-
EL	4,7	4,8	4,2	4,0	3,7	3,5	3,5	3,3	3,9	-5,6	-1,4
ES	2,6	2,6	2,6	2,9	2,8	2,7	2,6	2,7	2,7	0,6	0,2
FR	2,8	2,8	2,7	2,7	2,7	2,7	2,5	2,5	2,7	-1,6	-0,3
IE	4,9	4,9	4,6	4,5	4,4	4,3	3,6	3,5	4,3	-5,1	-1,5
IT	3,3	3,2	3,1	3,0	3,0	2,7	2,5	2,4	2,9	-4,3	-0,9
CY	-	-	-	1,5	1,5	1,6	1,7	2,0	1,7	-	-
LV	2,4	2,9	3,5	4,6	3,4	3,6	3,6	3,2	3,4	3,4	0,8
LT	1,9	2,0	2,3	3,7	3,8	3,3	3,4	3,4	3,0	9,2	1,5
LU	4,6	4,5	4,6	4,4	4,8	4,7	4,3	4,7	4,6	-0,1	0,1
HU	-	-	-	-	-	-	3,7	3,6	3,6	-	-
MT	1,9	1,8	2,4	3,0	2,8	2,6	2,8	2,7	-	5,6	0,8
NL	2,8	2,7	2,8	2,8	2,9	2,7	2,6	2,6	2,7	-1,1	-0,3
AT	2,6	2,9	3,0	2,9	2,9	2,8	2,8	2,8	2,8	0,2	0,2
PL	3,0	3,7	3,3	3,4	4,1	3,8	4,3	4,4	3,8	4,8	1,4
PT	3,9	3,8	3,6	3,7	3,5	3,0	3,0	3,3	3,5	-3,5	-0,6
SI	-	-	-	-	1,9	3,2	3,5	3,6	3,1	-	-
SK	3,2	3,5	3,2	3,2	3,0	2,9	2,8	-	3,1	-	-
FI	4,0	3,9	4,0	3,8	3,8	3,4	3,4	3,5	3,7	-2,6	-0,6
SE	3,5	3,8	3,6	3,6	3,4	3,2	3,2	3,3	3,5	-1,9	-0,2
UK	2,1	2,2	2,3	2,4	2,5	2,4	2,2	2,1	2,3	0,2	0,0
NO	2,2	2,0	2,1	1,9	1,9	1,7	1,7	1,7	1,9	-3,8	-0,5
EU25	2,7	2,7	2,7	2,7	2,7	2,6	2,6	2,6	2,7	-0,5	-0,1
EU15	2,6	2,7	2,6	2,6	2,7	2,6	2,5	2,5	2,6	-0,7	-0,1
Euro12	2,7	2,7	2,6	2,6	2,7	2,6	2,5	2,6	2,6	-0,7	-0,1
NMS10	3,3	3,7	3,4	3,5	3,7	3,5	3,8	3,9	3,6	1,7	0,6
EU25 (arithmetic average)	3,2	3,3	3,2	3,3	3,2	3,1	3,1	3,1	3,2	-0,7	-0,1
EU15 (arithmetic average)	3,3	3,4	3,3	3,3	3,3	3,1	3,0	3,0	3,2	-1,7	-0,3
Euro12 (arithmetic average)	3,4	3,4	3,3	3,3	3,3	3,1	3,0	3,0	3,2	-2,1	-0,4
NMS10 (arithmetic average)	2,8	3,0	3,1	3,3	3,1	3,0	3,2	3,3	3,1	1,6	0,5
Ratio st.dev. and mean in % <sup>3)</sup>	36,1	34,2	29,3	30,9	30,7	27,2	27,4	27,5	-	-	-8,6
Difference max. and min. <sup>3)</sup>	3,1	3,1	2,7	3,1	3,3	3,1	2,6	2,7	-	-	-0,4

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.1.2\_T: Indirect Taxes as % of Total Taxation: Excise duties and consumption taxes**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	5,6	5,8	5,7	5,6	5,6	5,4	5,1	5,2	5,5	-1,5	-0,3
CZ	10,8	10,6	10,1	10,4	10,6	9,7	9,6	9,3	10,1	-1,9	-1,4
DK	7,5	7,8	7,7	8,2	8,3	8,3	8,3	8,4	8,1	1,6	0,8
DE	5,0	4,9	4,6	4,5	5,1	5,0	5,4	6,0	5,1	2,7	1,1
EE	-	-	-	-	-	-	-	-	-	-	-
EL	14,4	14,4	12,2	10,9	10,0	8,9	9,4	9,1	11,2	-7,6	-5,3
ES	7,7	7,8	7,7	8,3	8,0	7,7	7,3	7,5	7,7	-0,6	-0,1
FR	6,4	6,2	6,1	6,1	5,9	5,9	5,6	5,7	6,0	-1,7	-0,7
IE	14,8	14,6	14,2	14,0	13,6	13,3	11,8	12,2	13,6	-3,1	-2,6
IT	7,9	7,4	7,0	6,8	7,0	6,3	6,0	5,8	6,8	-4,2	-2,2
CY	-	-	-	5,0	4,9	5,2	5,2	6,1	5,3	-	-
LV	6,4	8,5	9,9	12,3	9,6	10,7	11,5	10,2	9,9	5,6	3,7
LT	6,6	7,3	7,8	11,4	11,7	10,7	11,6	11,9	9,9	8,8	5,2
LU	10,9	10,6	11,2	11,0	11,8	11,5	10,5	11,2	11,1	0,3	0,2
HU	-	-	-	-	-	-	9,3	9,3	9,3	-	-
MT	6,9	7,0	8,7	11,3	10,2	8,8	9,1	8,7	8,8	3,5	1,8
NL	7,0	6,6	6,8	7,0	6,9	6,5	6,5	6,5	6,7	-0,9	-0,5
AT	6,2	6,6	6,7	6,5	6,5	6,4	6,1	6,4	6,4	-0,3	0,2
PL	8,8	9,6	8,7	9,3	11,2	10,5	10,3	11,3	10,0	3,5	2,5
PT	11,5	11,1	10,4	10,5	9,7	8,2	8,5	9,0	9,9	-4,5	-2,5
SI	-	-	-	-	4,8	8,1	9,0	9,1	7,7	-	-
SK	7,7	8,7	8,5	8,3	8,2	8,5	8,5	-	8,3	-	-
FI	8,8	8,3	8,6	8,2	8,2	7,2	7,5	7,6	8,0	-2,5	-1,2
SE	7,1	7,3	6,8	6,7	6,4	6,0	6,2	6,5	6,6	-2,2	-0,6
UK	6,0	6,3	6,4	6,7	6,7	6,5	5,9	5,9	6,3	-0,5	-0,1
NO	5,1	4,8	4,8	4,6	4,4	4,0	3,9	3,8	4,4	-4,2	-1,3
EU25	6,6	6,5	6,4	6,4	6,5	6,3	6,3	6,4	6,4	-0,4	-0,1
EU15	6,5	6,4	6,3	6,3	6,4	6,2	6,1	6,3	6,3	-0,7	-0,2
Euro12	6,3	6,1	6,0	6,0	6,1	5,9	5,8	6,1	6,0	-0,6	-0,2
NMS10	9,1	9,7	9,0	9,5	10,2	9,9	9,9	10,3	9,7	1,6	1,2

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table A.1.3\_G: Indirect Taxes as % of GDP: Other taxes on products (incl. import duties)**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,1	2,2	2,3	2,3	2,3	2,4	2,3	2,3	2,3	1,2	0,2
CZ	1,4	1,4	1,2	1,2	1,0	1,0	0,8	0,8	1,1	-8,9	-0,6
DK	2,3	2,3	2,5	2,7	2,5	2,0	1,8	2,0	2,3	-3,5	-0,3
DE	1,8	1,6	1,7	1,7	1,6	1,6	1,6	1,5	1,7	-1,2	-0,2
EE	-	-	-	-	-	-	-	-	-	-	-
EL	2,2	2,3	2,9	3,0	3,5	3,7	3,0	3,1	3,0	5,6	0,9
ES	1,7	1,6	1,7	1,8	1,9	2,0	2,0	2,0	1,8	3,8	0,4
FR	1,9	1,9	1,9	2,0	1,9	1,9	1,9	1,9	1,9	0,0	0,0
IE	1,6	1,5	1,6	1,5	1,6	1,6	1,5	1,3	1,5	-2,1	-0,4
IT	2,6	2,6	2,7	2,9	3,0	2,7	2,5	2,6	2,7	-0,1	0,0
CY	-	-	-	2,9	3,0	4,2	3,8	3,4	3,5	-	-
LV	0,9	0,8	0,8	0,8	0,7	0,5	0,5	0,5	0,7	-10,4	-0,4
LT	1,2	1,2	1,3	1,6	1,4	1,2	1,0	1,1	1,3	-2,7	-0,1
LU	1,4	1,3	1,4	1,5	1,5	1,6	1,4	1,2	1,4	-0,7	-0,2
HU	-	-	-	-	-	-	3,4	3,3	3,3	-	-
MT	4,3	3,8	3,7	3,7	3,9	3,8	3,6	3,6	3,8	-1,5	-0,6
NL	1,4	1,6	1,8	1,8	2,0	2,1	2,2	2,0	1,9	5,5	0,6
AT	1,3	1,2	1,3	1,3	1,3	1,3	1,2	1,3	1,3	-0,3	0,0
PL	2,7	2,7	1,9	1,5	0,9	0,9	0,8	0,6	1,5	-22,9	-2,1
PT	2,7	2,6	2,6	2,8	3,2	3,0	2,8	3,1	2,8	2,3	0,4
SI	-	-	-	-	8,4	1,7	1,4	1,4	3,2	-	-
SK	1,7	1,7	2,2	1,7	1,7	1,7	0,7	-	1,6	-	-
FI	2,1	2,2	2,2	2,3	2,3	2,2	2,0	2,0	2,1	-0,8	-0,1
SE	0,9	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	-2,6	-0,2
UK	3,1	3,0	3,0	3,0	3,1	3,3	3,0	3,0	3,1	-0,1	-0,2
NO	3,8	3,9	3,7	3,6	3,4	2,9	2,7	2,7	3,3	-5,8	-1,1
EU25	2,1	2,0	2,1	2,2	2,2	2,2	2,1	2,1	2,1	0,4	0,0
EU15	2,1	2,0	2,1	2,2	2,2	2,2	2,1	2,1	2,1	0,8	0,1
Euro12	1,9	1,9	2,0	2,0	2,1	2,0	2,0	2,0	2,0	0,6	0,1
NMS10	2,3	2,3	1,7	1,5	1,7	1,2	1,3	1,3	1,6	-9,5	-1,0
EU25 (arithmetic average)	2,0	1,9	2,0	2,0	2,3	2,0	1,9	1,9	2,0	0,2	0,0
EU15 (arithmetic average)	1,9	1,9	2,0	2,1	2,2	2,1	2,0	2,0	2,0	0,8	0,1
Euro12 (arithmetic average)	1,9	1,9	2,0	2,1	2,2	2,2	2,0	2,0	2,0	1,4	0,1
NMS10 (arithmetic average)	2,1	2,0	1,9	1,9	2,6	1,9	1,8	1,8	2,0	-1,1	-0,2
Ratio st.dev. and mean in % <sup>3)</sup>	38,8	37,5	35,9	36,5	72,2	45,1	45,9	45,3			6,5
Difference max. and min. <sup>3)</sup>	3,4	3,1	3,1	2,9	7,7	3,7	3,4	3,1			-0,2

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.1.3\_T: Indirect Taxes as % of Total Taxation: Other taxes on products (incl. import duties)**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	4,6	4,8	5,0	5,1	5,1	5,1	5,0	4,9	5,0	0,9	0,3
CZ	3,6	3,7	3,2	3,2	2,7	2,9	2,4	2,3	3,0	-6,8	-1,3
DK	4,7	4,7	4,9	5,4	4,8	4,0	3,7	4,1	4,5	-3,4	-0,6
DE	4,3	3,9	4,1	4,0	3,8	3,9	4,0	3,8	4,0	-1,0	-0,5
EE	-	-	-	-	-	-	-	-	-	-	-
EL	6,7	6,9	8,6	8,4	9,3	9,5	8,2	8,4	8,2	3,5	1,7
ES	5,1	4,7	4,9	5,3	5,5	5,6	5,7	5,7	5,3	2,7	0,6
FR	4,3	4,2	4,3	4,4	4,3	4,2	4,2	4,3	4,3	-0,1	0,0
IE	4,9	4,6	4,8	4,8	5,0	4,9	5,0	4,5	4,8	-0,2	-0,4
IT	6,3	6,1	6,0	6,7	6,9	6,4	5,9	6,2	6,3	0,0	-0,1
CY	-	-	-	10,1	10,2	13,3	11,7	10,4	11,1	-	-
LV	2,5	2,5	2,3	2,1	2,0	1,6	1,5	1,6	2,0	-8,2	-0,9
LT	4,4	4,3	4,4	5,0	4,3	3,9	3,4	3,9	4,2	-3,0	-0,5
LU	3,3	3,2	3,4	3,6	3,7	3,9	3,4	2,8	3,4	-0,4	-0,5
HU	-	-	-	-	-	-	8,5	8,4	8,5	-	-
MT	15,4	14,7	13,4	13,9	14,3	13,1	12,0	11,6	13,5	-3,6	-3,7
NL	3,4	4,0	4,5	4,5	4,8	5,0	5,5	5,1	4,6	5,7	1,7
AT	3,0	2,8	2,9	2,9	2,8	2,9	2,7	2,8	2,9	-0,8	-0,2
PL	7,9	7,1	4,9	4,0	2,5	2,4	2,0	1,6	4,1	-24,1	-6,3
PT	7,9	7,5	7,5	8,0	8,8	8,2	7,9	8,5	8,0	1,2	0,5
SI	-	-	-	-	21,0	4,4	3,6	3,5	8,1	-	-
SK	4,2	4,2	5,7	4,5	4,8	4,8	2,2	-	4,4	-	-
FI	4,5	4,5	4,7	4,9	4,9	4,5	4,3	4,4	4,6	-0,8	-0,2
SE	1,8	1,4	1,3	1,3	1,3	1,3	1,3	1,3	1,4	-2,9	-0,4
UK	8,9	8,5	8,5	8,2	8,4	8,7	8,2	8,3	8,5	-0,8	-0,6
NO	8,9	9,0	8,6	8,4	8,0	6,8	6,2	6,1	7,7	-6,3	-2,8
EU25	5,1	4,9	5,1	5,2	5,3	5,2	5,1	5,1	5,1	0,5	0,1
EU15	5,1	4,9	5,1	5,2	5,3	5,3	5,2	5,2	5,2	0,8	0,2
Euro12	4,5	4,3	4,5	4,7	4,7	4,6	4,6	4,6	4,6	0,6	0,1
NMS10	6,3	5,9	4,6	4,1	4,5	3,2	3,4	3,3	4,4	-9,8	-3,0

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services



**Table A.1.4\_G: Indirect Taxes as % of GDP: Other taxes on production**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	1,9	2,0	2,0	2,0	2,0	1,9	1,9	1,9	2,0	-0,1	0,0
CZ	0,9	0,9	0,8	0,7	0,7	0,6	0,5	0,5	0,7	-8,1	-0,3
DK	1,6	1,5	1,6	1,8	1,8	1,6	1,8	1,8	1,7	2,0	0,2
DE	1,8	1,9	2,0	2,0	2,1	2,0	1,9	1,8	1,9	-0,3	0,0
EE	-	-	-	-	-	-	-	0,7	0,7		
EL	0,6	0,7	0,6	0,6	0,7	0,6	0,5	0,4	0,6	-4,7	-0,2
ES	1,3	1,3	1,3	1,4	1,3	1,3	1,3	1,3	1,3	-0,5	-0,1
FR	4,1	4,2	4,2	4,2	4,2	4,0	3,9	3,9	4,1	-0,9	-0,1
IE	1,0	1,0	0,8	0,7	0,7	0,6	0,6	0,6	0,8	-7,3	-0,4
IT	1,2	1,2	1,4	3,8	3,4	3,4	3,6	3,6	2,7	18,9	2,4
CY	-	-	-	2,0	1,8	1,1	1,8	1,1	1,6		
LV	1,5	0,9	1,0	1,0	1,2	0,8	1,0	0,4	1,0	-10,8	-1,1
LT	1,4	1,5	2,5	0,6	0,6	0,6	0,6	0,6	1,1	-17,6	-0,8
LU	1,6	1,7	1,7	1,8	2,1	2,4	2,3	1,9	1,9	4,7	0,3
HU	-	-	-	-	-	-	0,4	0,3	0,4		
MT	0,3	0,3	0,3	0,3	0,3	0,3	0,4	0,4	0,3	6,6	0,1
NL	1,1	1,1	1,0	1,0	1,1	1,1	1,1	1,1	1,1	0,5	0,0
AT	3,5	3,0	3,2	3,2	3,1	3,2	3,2	3,2	3,2	-0,4	-0,3
PL	1,7	1,9	1,8	1,8	2,0	1,9	2,0	2,2	1,9	2,5	0,4
PT	0,5	0,5	0,6	0,6	0,6	0,7	0,7	0,7	0,6	4,1	0,2
SI	0,5	1,0	1,7	2,0	2,1	2,5	2,7	2,7	1,9	20,4	2,1
SK	1,2	1,6	1,0	0,8	0,8	0,7	0,7	0,6	0,9	-10,8	-0,5
FI	0,1	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	4,3	0,1
SE	2,6	3,5	3,9	4,5	5,7	4,2	4,0	4,2	4,1	5,4	1,6
UK	2,1	2,0	1,9	1,8	1,8	1,8	1,9	1,9	1,9	-1,3	-0,2
NO	0,7	0,7	0,7	0,7	0,7	0,6	0,6	0,6	0,7	-2,8	-0,1
EU25	2,1	2,1	2,2	2,5	2,5	2,4	2,3	2,3	2,3	1,7	0,2
EU15	2,1	2,2	2,2	2,5	2,5	2,4	2,4	2,4	2,3	1,9	0,3
Euro12	2,1	2,2	2,2	2,6	2,6	2,5	2,5	2,4	2,4	2,4	0,3
NMS10	1,4	1,5	1,5	1,5	1,6	1,5	1,4	1,4	1,5	-0,3	0,0
EU25 (arithmetic average)	1,5	1,5	1,6	1,7	1,8	1,6	1,6	1,5	1,6	0,7	0,1
EU15 (arithmetic average)	1,7	1,7	1,8	2,0	2,1	1,9	1,9	1,9	1,9	2,2	0,2
Euro12 (arithmetic average)	1,6	1,6	1,6	1,8	1,8	1,8	1,8	1,7	1,7	2,0	0,2
NMS10 (arithmetic average)	1,1	1,1	1,3	1,2	1,2	1,1	1,1	1,0	1,1	-1,8	-0,1
Ratio st.dev. and mean in % <sup>3)</sup>	45,4	46,2	49,3	48,0	53,1	48,8	49,1	50,5			5,1
Difference max. and min. <sup>3)</sup>	3,9	4,0	4,0	4,2	5,5	4,0	3,8	4,0			0,1

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.1.4\_T: Indirect Taxes as % of Total Taxation: Other taxes on production**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	4,2	4,3	4,5	4,3	4,3	4,1	4,2	4,2	4,3	-0,5	0,0
CZ	2,2	2,2	2,2	1,9	1,9	1,8	1,5	1,5	1,9	-6,1	-0,7
DK	3,2	3,1	3,3	3,5	3,4	3,3	3,6	3,7	3,4	2,1	0,5
DE	4,5	4,7	4,8	4,8	4,9	4,7	4,6	4,5	4,7	-0,2	0,0
EE	-	-	-	-	-	-	-	2,0	2,0		
EL	1,9	2,3	1,7	1,6	1,8	1,6	1,4	1,2	1,7	-6,8	-0,7
ES	4,0	3,8	3,8	3,9	3,8	3,6	3,6	3,5	3,8	-1,6	-0,5
FR	9,2	9,4	9,3	9,3	9,1	8,9	8,7	8,9	9,1	-0,9	-0,3
IE	2,9	2,9	2,5	2,3	2,2	2,0	2,1	2,2	2,4	-5,4	-0,8
IT	2,9	2,8	3,1	8,9	7,9	8,1	8,4	8,7	6,3	18,9	5,8
CY	-	-	-	6,9	6,0	3,6	5,4	3,3	5,0		
LV	4,0	2,6	2,8	2,7	3,5	2,4	3,1	1,3	2,8	-8,6	-2,7
LT	5,0	5,5	8,4	1,8	2,0	1,9	2,1	2,2	3,6	-17,9	-2,8
LU	3,7	3,9	4,2	4,6	5,2	5,9	5,6	4,4	4,7	5,0	0,8
HU	-	-	-	-	-	-	0,9	0,9	0,9		
MT	1,0	1,0	0,9	1,2	1,2	1,1	1,2	1,3	1,1	4,6	0,4
NL	2,7	2,7	2,5	2,5	2,6	2,6	2,8	2,8	2,6	0,7	0,1
AT	8,3	7,0	7,2	7,2	7,1	7,3	7,1	7,3	7,3	-0,9	-1,0
PL	5,1	4,9	4,9	5,0	5,3	5,3	4,9	5,6	5,1	1,2	0,5
PT	1,6	1,6	1,7	1,7	1,7	1,8	1,9	1,9	1,7	3,0	0,3
SI	1,3	2,6	4,4	5,0	5,2	6,2	6,8	6,7	4,8	20,7	5,4
SK	2,8	3,9	2,5	2,2	2,1	2,1	2,2	1,9	2,5	-7,2	-0,9
FI	0,3	0,4	0,4	0,5	0,5	0,4	0,5	0,5	0,4	4,4	0,2
SE	5,2	6,7	7,4	8,4	10,7	7,7	7,7	8,3	7,8	5,1	3,1
UK	6,0	5,6	5,3	5,0	4,9	4,8	5,0	5,4	5,2	-2,0	-0,6
NO	1,6	1,7	1,7	1,7	1,6	1,3	1,4	1,4	1,6	-3,3	-0,3
EU25	5,2	5,2	5,2	6,0	5,9	5,7	5,7	5,8	5,6	1,8	0,6
EU15	5,2	5,2	5,2	6,1	6,0	5,7	5,8	5,9	5,6	1,9	0,7
Euro12	5,0	5,0	5,0	6,1	5,8	5,7	5,7	5,8	5,5	2,5	0,8
NMS10	3,8	3,9	4,1	4,0	4,2	4,2	3,7	3,7	4,0	-0,3	0,0

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table A.2\_G: Direct Taxes as % of GDP: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	17,1	17,0	17,4	18,1	17,5	17,8	18,1	18,1	17,6	0,9	1,0
CZ	10,0	9,2	8,6	8,8	8,7	8,4	8,9	9,3	9,0	-1,0	-0,7
DK	30,6	30,8	30,5	30,1	31,0	29,9	30,2	29,6	30,3	-0,4	-1,0
DE	11,2	11,6	11,3	11,6	12,0	12,7	11,2	10,9	11,6	0,0	-0,3
EE	-	-	-	-	-	-	-	8,6	8,6		
EL	7,8	7,4	8,2	9,8	10,2	11,2	9,9	9,8	9,3	4,8	2,0
ES	10,5	10,6	10,8	10,5	10,6	10,9	10,8	11,3	10,8	0,8	0,8
FR	9,0	9,4	10,1	12,2	12,7	12,8	13,0	12,2	11,4	5,3	3,1
IE	13,7	14,2	14,2	13,9	13,9	13,7	13,1	11,7	13,6	-2,0	-2,1
IT	15,4	15,7	16,9	14,9	15,3	14,8	15,2	14,4	15,3	-1,2	-1,0
CY	-	-	-	10,3	11,3	11,5	11,8	11,6	11,3		
LV	8,6	8,4	9,6	10,2	9,7	9,0	9,0	9,4	9,2	0,8	0,7
LT	8,8	8,3	6,5	9,1	9,2	8,5	7,9	7,5	8,2	-0,6	-1,2
LU	17,6	18,0	17,5	16,5	15,9	15,6	15,7	16,5	16,7	-1,9	-1,1
HU	-	-	-	-	-	-	10,5	10,4	10,5		
MT	8,7	7,8	8,6	8,2	8,9	9,7	10,2	11,3	9,2	4,3	2,6
NL	12,7	13,2	12,7	12,5	12,5	12,4	12,2	12,4	12,6	-0,7	-0,3
AT	12,0	13,2	13,5	13,7	13,4	13,3	15,1	14,0	13,5	2,0	2,0
PL	11,4	11,6	11,5	10,9	7,6	7,6	8,1	7,3	9,5	-7,7	-4,1
PT	8,9	9,6	9,7	9,4	9,9	10,5	9,9	9,8	9,7	1,3	0,9
SI	7,2	7,5	7,7	7,8	7,7	8,0	8,0	8,0	7,7	1,4	0,8
SK	11,6	10,5	10,1	10,1	9,1	7,6	7,4	7,5	9,2	-6,9	-4,1
FI	17,6	19,2	18,7	19,2	19,1	21,7	19,8	19,7	19,4	1,6	2,1
SE	20,2	21,1	21,6	21,5	22,3	22,6	20,4	18,6	21,0	-0,7	-1,6
UK	15,1	15,0	15,3	16,5	16,4	16,9	17,0	15,8	16,0	1,5	0,8
NO	16,2	17,0	16,9	15,9	16,9	20,2	20,3	20,5	18,0	3,8	4,3
EU25	12,7	13,1	13,5	13,8	14,0	14,3	13,9	13,3	13,6	1,0	0,6
EU15	12,8	13,2	13,6	13,9	14,2	14,5	14,2	13,6	13,8	1,2	0,8
Euro12	11,7	12,2	12,5	12,7	13,0	13,3	12,9	12,5	12,6	1,1	0,7
NMS10	10,6	10,4	10,2	10,1	8,2	8,0	8,6	8,4	9,3	-4,2	-2,2
EU25 (arithmetic average)	13,0	13,2	13,2	13,3	13,3	13,4	13,1	12,6	13,1	-0,2	-0,4
EU15 (arithmetic average)	14,6	15,1	15,2	15,4	15,5	15,8	15,5	15,0	15,3	0,5	0,4
Euro12 (arithmetic average)	12,8	13,3	13,4	13,5	13,6	14,0	13,7	13,4	13,5	0,7	0,6
NMS10 (arithmetic average)	9,5	9,0	8,9	9,4	9,0	8,8	9,1	9,1	9,1	-0,4	-0,4
Ratio st.dev. and mean in % <sup>3)</sup>	41,9	42,5	41,2	37,4	38,3	37,9	37,2	36,9			-5,0
Difference max. and min. <sup>3)</sup>	23,4	23,4	24,0	22,3	23,3	22,3	22,8	22,3			-1,1

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.2\_T: Direct Taxes as % of Total Taxation: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	37,9	37,6	38,1	38,9	38,1	38,7	39,2	38,8	38,4	0,5	1,0
CZ	25,1	23,8	22,7	24,0	23,2	24,4	25,8	26,2	24,4	1,1	1,1
DK	62,1	61,8	61,3	60,1	60,2	60,3	60,5	60,5	60,8	-0,4	-1,6
DE	27,5	27,9	27,2	28,0	28,4	29,8	27,6	27,1	27,9	0,2	-0,4
EE	-	-	-	-	-	-	-	24,4	24,4		
EL	23,8	22,5	23,9	27,0	27,2	28,8	26,7	26,9	25,8	2,7	3,1
ES	31,3	31,4	31,6	30,6	30,2	30,5	30,4	31,3	30,9	-0,4	-0,1
FR	20,6	20,9	22,3	27,0	27,8	28,4	29,0	27,6	25,4	5,3	7,0
IE	41,1	42,5	43,3	43,4	43,4	42,7	43,1	40,8	42,5	0,0	-0,3
IT	37,4	36,7	37,7	34,5	35,3	34,7	35,7	34,5	35,8	-1,1	-2,9
CY	-	-	-	35,3	38,2	36,7	36,2	35,8	36,4		
LV	23,2	24,5	26,9	27,2	27,1	27,2	28,2	29,9	26,8	3,0	6,7
LT	30,7	29,4	21,9	28,3	28,6	27,9	27,1	26,2	27,5	-0,9	-4,4
LU	41,6	42,5	42,2	41,1	39,2	38,3	38,5	39,3	40,3	-1,5	-2,3
HU	-	-	-	-	-	-	26,7	26,9	26,8		
MT	31,4	29,7	30,7	31,4	32,4	33,3	33,7	36,1	32,3	2,2	4,7
NL	31,2	32,3	31,3	30,9	30,0	30,0	30,6	31,3	30,9	-0,5	0,1
AT	28,4	30,1	30,4	30,8	30,3	30,6	33,4	31,6	30,7	1,5	3,2
PL	33,2	29,9	30,3	29,5	20,6	21,0	19,6	18,7	25,4	-9,0	-14,4
PT	26,6	27,8	27,9	27,0	27,5	28,8	27,9	26,9	27,6	0,3	0,3
SI	17,5	18,8	19,7	19,7	19,3	20,2	20,2	20,2	19,5	1,7	2,7
SK	27,9	26,1	26,6	26,2	25,3	22,1	22,6	22,6	24,9	-3,3	-5,3
FI	38,2	40,7	40,2	41,3	40,9	45,3	43,0	42,9	41,6	1,7	4,7
SE	40,8	40,7	41,2	40,5	41,5	41,9	39,1	36,8	40,3	-1,0	-3,9
UK	42,6	42,8	43,0	45,1	44,5	45,0	45,6	44,2	44,1	0,8	1,6
NO	37,9	39,5	39,5	37,2	39,3	46,8	46,5	46,4	41,6	3,3	8,4
EU25	31,5	31,8	32,5	33,4	33,5	34,3	33,9	33,1	33,0	1,0	1,6
EU15	31,5	31,9	32,6	33,6	33,8	34,6	34,4	33,5	33,3	1,2	2,0
Euro12	27,0	27,6	28,0	28,7	29,1	29,7	29,4	28,8	28,5	1,1	1,7
NMS10	29,1	27,2	27,3	27,5	22,2	22,5	22,5	22,5	25,1	-4,2	-6,6

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

Table A.2.1\_G: Direct Taxes as % of GDP: Personal income taxes

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	13,8	13,3	13,5	13,6	13,1	13,4	13,8	13,7	13,5	0,1	-0,1
CZ	5,0	5,2	5,3	5,1	4,8	4,6	4,6	4,8	4,9	-1,8	-0,2
DK	26,6	26,6	26,2	25,8	26,1	26,1	26,3	26,0	26,2	-0,3	-0,6
DE	9,6	9,6	9,5	9,7	10,0	10,4	10,0	9,8	9,8	0,8	0,2
EE	-	-	-	-	-	-	-	7,2	7,2		
EL	4,1	4,1	4,5	5,5	5,7	5,6	5,0	5,0	4,9	3,7	0,9
ES	7,9	7,9	7,3	7,2	6,8	6,8	7,0	7,1	7,3	-1,8	-0,8
FR	5,3	5,6	6,0	8,1	8,3	8,5	8,3	8,0	7,3	7,0	2,7
IE	10,3	10,4	10,2	9,8	9,0	8,7	8,3	7,1	9,2	-5,1	-3,2
IT	10,8	11,0	11,4	11,4	11,4	10,8	11,1	10,8	11,1	-0,1	0,0
CY	-	-	-	4,8	5,2	4,8	5,0	4,9	4,9		
LV	6,0	5,7	6,0	6,3	6,4	6,0	5,8	6,1	6,0	0,2	0,1
LT	7,5	7,0	4,9	7,7	8,3	7,7	7,3	6,9	7,2	1,3	-0,6
LU	9,2	9,2	8,6	7,7	7,6	7,4	7,2	6,8	8,0	-4,5	-2,4
HU	-	-	-	-	-	-	-	7,8	7,8		
MT	5,2	4,7	5,1	4,9	5,3	5,8	6,1	6,4	5,4	3,8	1,1
NL	7,8	7,3	6,5	6,2	6,2	6,3	6,5	7,2	6,7	-1,5	-0,6
AT	9,5	10,0	10,6	10,6	10,6	10,2	10,9	10,1	10,3	0,9	0,6
PL	7,3	8,1	7,7	7,7	4,7	4,6	5,0	4,6	6,2	-9,2	-2,7
PT	5,9	6,1	5,8	5,7	5,7	6,0	6,0	5,8	5,9	-0,1	-0,1
SI	6,1	6,2	6,1	5,9	5,8	5,8	5,9	5,9	6,0	-0,7	-0,2
SK	3,6	4,1	4,4	4,5	4,4	3,5	3,5	-	4,0		
FI	14,3	15,5	14,3	13,9	13,8	14,7	14,5	14,3	14,4	-0,3	0,0
SE	16,7	17,6	17,8	17,8	18,2	17,7	16,4	15,2	17,2	-1,1	-1,5
UK	10,3	9,6	9,3	10,3	10,5	10,9	11,0	10,5	10,3	1,5	0,2
NO	10,8	10,7	11,0	11,8	11,4	10,3	10,5	10,9	10,9	-0,3	0,2
EU25	9,4	9,5	9,4	10,0	10,0	10,1	10,0	9,7	9,8	0,8	0,3
EU15	9,5	9,6	9,5	10,1	10,2	10,3	10,2	9,9	9,9	1,0	0,4
Euro12	8,7	8,8	8,8	9,3	9,4	9,5	9,4	9,2	9,1	1,1	0,5
NMS10	6,4	6,8	6,7	6,7	5,0	5,1	5,7	5,4	6,0	-3,7	-0,9
EU25 (arithmetic average)	9,2	9,3	9,1	9,1	9,1	9,0	8,9	8,8	9,1	-0,7	-0,4
EU15 (arithmetic average)	10,8	10,9	10,8	10,9	10,9	10,9	10,8	10,5	10,8	-0,2	-0,3
Euro12 (arithmetic average)	9,0	9,2	9,0	9,1	9,0	9,1	9,1	8,8	9,0	-0,3	-0,2
NMS10 (arithmetic average)	5,8	5,9	5,7	5,9	5,6	5,3	5,7	6,1	5,7	-0,1	0,3
Ratio st.dev. and mean in % <sup>3)</sup>	54,3	54,8	54,5	49,4	49,8	50,0	49,0	47,7			-6,5
Difference max. and min. <sup>3)</sup>	23,0	22,5	21,8	21,4	21,7	22,6	22,8	21,3			-1,7

1) Estimated annual average growth rate in % - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.2.1\_T: Direct Taxes as % of Total Taxation: Personal income taxes**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	30,6	29,4	29,6	29,2	28,6	29,2	29,9	29,5	29,5	-0,3	-1,1
CZ	12,6	13,4	14,1	14,1	13,0	13,5	13,3	13,5	13,4	0,3	0,9
DK	53,9	53,3	52,6	51,6	50,7	52,5	52,8	53,1	52,6	-0,2	-0,8
DE	23,4	23,1	22,7	23,2	23,7	24,4	24,6	24,3	23,7	1,0	0,9
EE	-	-	-	-	-	-	-	20,5	20,5		
EL	12,5	12,4	13,2	15,1	15,4	14,4	13,6	13,8	13,8	1,7	1,3
ES	23,5	23,3	21,5	20,9	19,4	19,2	19,8	19,6	20,9	-2,9	-3,9
FR	12,1	12,4	13,2	18,0	18,2	18,7	18,5	18,1	16,2	7,0	6,0
IE	31,0	31,0	31,2	30,4	28,2	27,0	27,2	24,9	28,9	-3,2	-6,1
IT	26,1	25,7	25,4	26,4	26,4	25,2	26,1	25,9	25,9	0,0	-0,2
CY	-	-	-	16,5	17,6	15,3	15,2	15,1	15,9		
LV	16,0	16,7	16,8	16,8	18,1	18,0	18,1	19,4	17,5	2,4	3,4
LT	26,1	25,0	16,5	24,0	25,8	25,4	25,1	24,0	24,0	0,9	-2,1
LU	21,7	21,8	20,7	19,1	18,9	18,2	17,7	16,3	19,3	-4,1	-5,4
HU	-	-	-	-	-	-	19,8	19,9	19,9		
MT	18,8	17,8	18,4	18,5	19,3	20,0	20,3	20,3	19,2	1,7	1,5
NL	19,2	17,9	15,9	15,5	14,9	15,2	16,1	18,1	16,6	-1,3	-1,0
AT	22,4	22,8	23,7	23,8	24,0	23,4	24,0	22,7	23,4	0,4	0,3
PL	21,3	20,9	20,3	20,8	12,8	12,6	12,1	11,8	16,6	-10,5	-9,5
PT	17,5	17,7	16,8	16,3	16,0	16,5	16,8	15,9	16,7	-1,1	-1,5
SI	14,7	15,5	15,8	14,9	14,6	14,8	15,0	14,8	15,0	-0,4	0,1
SK	8,6	10,1	11,6	11,7	12,2	10,1	10,7	-	10,7		
FI	31,1	32,7	30,8	30,0	29,4	30,6	31,5	31,2	30,9	-0,2	0,1
SE	33,7	33,8	33,9	33,6	33,8	32,8	31,5	30,1	32,9	-1,5	-3,6
UK	29,1	27,5	26,0	28,1	28,4	29,0	29,4	29,3	28,4	0,8	0,1
NO	25,3	25,0	25,7	27,6	26,6	24,0	24,1	24,7	25,4	-0,7	-0,6
EU25	23,2	23,0	22,7	24,0	23,9	24,2	24,3	24,1	23,7	0,9	0,9
EU15	23,4	23,1	22,9	24,2	24,2	24,5	24,8	24,5	23,9	1,0	1,1
Euro12	19,9	19,9	19,7	21,0	21,0	21,1	21,4	21,1	20,6	1,2	1,2
NMS10	17,4	17,9	17,7	18,3	13,6	13,5	14,0	14,4	15,8	-4,4	-3,0

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

Table A.2.2\_G: Direct Taxes as % of GDP: Corporate income tax

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,4	2,7	2,9	3,4	3,3	3,3	3,2	3,1	3,0	3,4	0,7
CZ	4,9	3,9	3,2	3,5	3,7	3,5	4,1	4,4	3,9	-0,2	-0,5
DK	2,0	2,3	2,6	2,8	3,0	2,4	3,1	2,9	2,6	4,8	0,9
DE	0,9	1,2	1,3	1,4	1,5	1,7	0,6	0,6	1,1	-6,8	-0,3
EE	-	-	-	-	-	-	-	1,3	1,3		
EL	2,6	2,3	2,6	3,1	3,5	4,6	3,8	3,8	3,3	8,3	1,1
ES	1,9	2,1	2,8	2,6	3,0	3,2	3,0	3,4	2,7	7,8	1,5
FR	1,8	2,0	2,3	2,3	2,7	2,8	3,1	2,6	2,5	6,9	0,9
IE	2,8	3,1	3,2	3,4	3,8	3,8	3,6	3,7	3,4	4,0	0,9
IT	3,4	3,8	4,2	2,5	2,8	2,4	3,0	2,6	3,1	-5,4	-0,8
CY	-	-	-	3,8	4,5	4,6	5,0	5,0	4,6		
LV	2,0	2,0	2,4	2,5	2,2	1,9	2,1	2,1	2,2	-0,4	0,1
LT	1,3	1,2	1,6	1,3	0,8	0,7	0,5	0,6	1,0	-14,6	-0,7
LU	7,5	7,7	7,9	7,8	7,1	7,2	7,5	8,6	7,7	0,6	1,1
HU	-	-	-	-	-	-	2,4	2,4	2,4		
MT	2,8	2,5	2,8	2,6	2,8	3,1	3,3	4,1	3,0	5,3	1,3
NL	3,3	4,1	4,6	4,5	4,6	4,4	4,4	3,7	4,2	1,3	0,4
AT	1,7	2,2	2,2	2,3	2,0	2,2	3,3	3,1	2,4	7,3	1,4
PL	2,9	2,9	3,1	2,8	2,5	2,4	2,0	1,9	2,5	-6,5	-0,9
PT	2,5	2,9	3,3	3,3	3,8	4,1	3,6	3,7	3,4	5,5	1,2
SI	0,6	0,8	1,0	1,0	1,1	1,2	1,2	1,4	1,0	11,3	0,8
SK	6,1	4,2	3,7	3,4	3,1	2,8	2,7	-	3,7		
FI	2,3	2,8	3,5	4,3	4,4	6,0	4,3	4,3	4,0	9,6	2,0
SE	2,7	2,6	2,9	2,7	3,1	3,8	3,0	2,6	2,9	1,7	-0,1
UK	2,7	3,1	3,8	3,8	3,4	3,4	3,3	2,7	3,3	-0,2	0,0
NO	3,2	3,5	3,5	2,7	3,5	5,2	4,9	4,7	3,9	6,8	1,5
EU25	2,1	2,4	2,8	2,6	2,7	2,8	2,6	2,4	2,6	1,9	0,3
EU15	2,0	2,4	2,8	2,6	2,7	2,8	2,6	2,4	2,6	2,1	0,4
Euro12	1,9	2,3	2,6	2,3	2,6	2,7	2,5	2,3	2,4	2,4	0,4
NMS10	3,4	3,0	2,9	2,8	2,6	2,6	2,4	2,5	2,8	-4,3	-0,9
EU25 (arithmetic average)	2,8	2,8	3,1	3,1	3,2	3,3	3,2	3,1	3,1	1,9	0,3
EU15 (arithmetic average)	2,7	3,0	3,3	3,4	3,5	3,7	3,5	3,4	3,3	3,4	0,7
Euro12 (arithmetic average)	2,8	3,1	3,4	3,4	3,5	3,8	3,6	3,6	3,4	3,7	0,8
NMS10 (arithmetic average)	2,9	2,5	2,5	2,6	2,6	2,5	2,6	2,6	2,6	-0,8	-0,3
Ratio st.dev. and mean in % <sup>3)</sup>	78,5	59,2	50,2	52,4	47,9	52,1	54,3	68,3			-10,2
Difference max. and min. <sup>3)</sup>	6,9	6,9	6,9	6,9	6,3	6,5	7,0	8,0			1,1

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.2.2\_T: Direct Taxes as % of Total Taxation: Corporate income tax**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	5,4	6,0	6,3	7,4	7,1	7,1	6,9	6,7	6,6	3,0	1,3
CZ	12,4	10,2	8,4	9,6	9,9	10,3	12,0	12,4	10,7	1,8	0,1
DK	4,0	4,6	5,2	5,6	5,9	4,8	6,3	5,8	5,3	4,8	1,9
DE	2,2	2,9	3,1	3,3	3,6	4,0	1,4	1,5	2,7	-6,7	-0,8
EE	-	-	-	-	-	-	-	3,8	3,8		
EL	8,0	6,8	7,5	8,6	9,4	12,0	10,2	10,4	9,1	6,3	2,3
ES	5,8	6,1	8,1	7,5	8,5	9,0	8,4	9,5	7,9	6,7	3,8
FR	4,0	4,5	5,0	5,1	5,9	6,3	6,9	5,9	5,5	6,8	1,9
IE	8,3	9,3	9,8	10,5	12,0	11,8	11,9	13,0	10,8	6,0	4,7
IT	8,3	8,9	9,3	5,7	6,5	5,7	7,1	6,3	7,2	-5,3	-2,0
CY	-	-	-	12,9	15,3	14,7	15,3	15,4	14,7		
LV	5,5	5,9	6,8	6,8	6,3	5,9	6,5	6,9	6,3	1,8	1,4
LT	4,4	4,3	5,3	4,1	2,6	2,2	1,8	2,1	3,3	-14,9	-2,4
LU	17,7	18,2	19,1	19,5	17,5	17,7	18,4	20,5	18,6	0,9	2,8
HU	-	-	-	-	-	-	6,0	6,1	-		
MT	10,1	9,5	9,9	9,9	10,3	10,7	10,9	13,1	10,5	3,3	3,0
NL	8,1	10,1	11,3	11,3	10,9	10,7	10,9	9,4	10,3	1,5	1,3
AT	4,0	5,0	5,0	5,3	4,5	5,1	7,3	6,9	5,4	6,8	3,0
PL	8,4	7,5	8,1	7,6	6,6	6,6	4,8	4,9	6,8	-7,8	-3,4
PT	7,4	8,4	9,6	9,5	10,7	11,3	10,0	10,3	9,7	4,4	2,9
SI	1,3	1,9	2,5	2,4	2,7	3,0	3,1	3,4	2,5	11,6	2,1
SK	14,6	10,4	9,7	9,0	8,7	8,3	8,3	-	-		
FI	5,0	6,0	7,5	9,3	9,4	12,5	9,4	9,3	8,6	9,6	4,3
SE	5,4	5,0	5,5	5,0	5,8	7,1	5,8	5,1	5,6	1,4	-0,3
UK	7,6	8,9	10,8	10,4	9,1	9,0	8,8	7,6	9,0	-0,9	0,0
NO	7,5	8,1	8,3	6,4	8,1	11,9	11,3	10,6	9,0	6,4	3,0
EU25	5,1	5,8	6,7	6,3	6,5	6,8	6,4	6,0	6,2	1,9	0,8
EU15	5,0	5,8	6,7	6,3	6,5	6,8	6,4	5,9	6,2	2,1	0,9
Euro12	4,4	5,2	5,8	5,3	5,8	6,1	5,7	5,4	5,4	2,4	0,9
NMS10	9,2	7,8	7,8	7,7	7,2	7,2	6,3	6,6	7,5	-4,5	-2,7

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services



Table A.2.3\_G: Direct Taxes as % of GDP: Other

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	0,9	1,0	1,0	1,0	1,1	1,1	1,1	1,3	1,1	4,4	0,4
CZ	0,1	0,1	0,1	0,1	0,1	0,2	0,2	0,1	0,1	11,7	0,1
DK	2,1	2,0	1,7	1,4	1,8	1,5	0,7	0,8	1,5	-14,6	-1,3
DE	0,8	0,8	0,6	0,6	0,5	0,6	0,6	0,6	0,6	-4,5	-0,2
EE	-	-	-	-	-	-	-	0,0	0,0		
EL	1,1	1,0	1,1	1,2	0,9	0,9	1,1	1,0	1,0	-1,2	-0,1
ES	0,7	0,7	0,7	0,8	0,8	0,8	0,8	0,8	0,7	1,9	0,1
FR	1,9	1,8	1,8	1,7	1,7	1,5	1,6	1,5	1,7	-3,4	-0,4
IE	0,6	0,7	0,8	0,8	1,0	1,3	1,2	0,8	0,9	7,6	0,2
IT	1,3	0,9	1,3	1,0	1,1	1,6	1,1	1,0	1,2	0,1	-0,3
CY	-	-	-	1,7	1,6	2,1	1,9	1,7	1,8		
LV	0,6	0,7	1,2	1,3	1,0	1,1	1,1	1,1	1,0	7,5	0,5
LT	0,0	0,0	0,0	0,1	0,1	0,1	0,0	0,0	0,1	3,7	0,0
LU	0,9	1,1	1,0	1,0	1,1	1,0	0,9	1,1	1,0	0,0	0,1
HU	-	-	-	-	-	-	0,3	0,3	0,3		
MT	0,7	0,6	0,7	0,8	0,8	0,7	0,8	0,9	0,7	3,7	0,2
NL	1,6	1,8	1,7	1,7	1,7	1,7	1,4	1,5	1,6	-1,9	-0,1
AT	0,9	1,0	0,8	0,8	0,8	0,9	1,0	0,9	0,9	0,5	0,0
PL	1,2	0,6	0,7	0,4	0,4	0,6	1,1	0,8	0,7	-0,4	-0,4
PT	0,6	0,6	0,5	0,4	0,3	0,4	0,4	0,3	0,4	-10,5	-0,3
SI	0,6	0,6	0,6	0,9	0,8	1,0	0,8	0,8	0,8	6,5	0,2
SK	2,0	2,3	2,0	2,1	1,6	1,3	1,2	-	1,8		
FI	0,9	1,0	0,9	0,9	1,0	1,0	1,0	1,1	1,0	1,9	0,1
SE	0,8	0,9	0,9	1,0	1,0	1,1	1,0	0,8	1,0	0,7	0,0
UK	2,1	2,2	2,2	2,4	2,6	2,6	2,8	2,6	2,4	4,0	0,6
NO	2,2	2,7	2,4	1,4	2,0	4,7	4,9	4,9	3,1	13,1	2,7
EU25	1,3	1,2	1,3	1,3	1,3	1,4	1,3	1,2	1,3	0,4	0,0
EU15	1,3	1,3	1,3	1,3	1,3	1,4	1,3	1,3	1,3	0,6	0,0
Euro12	1,1	1,1	1,1	1,0	1,0	1,1	1,0	1,0	1,1	-1,7	-0,2
NMS10	0,9	0,6	0,7	0,6	0,5	0,7	0,8	0,6	0,7	-1,8	-0,3
EU25 (arithmetic average)	1,0	1,0	1,0	1,1	1,0	1,1	1,0	0,9	1,0	-0,7	-0,1
EU15 (arithmetic average)	1,1	1,2	1,1	1,1	1,2	1,2	1,1	1,1	1,1	-0,6	-0,1
Euro12 (arithmetic average)	1,0	1,0	1,0	1,0	1,0	1,1	1,0	1,0	1,0	-0,2	0,0
NMS10 (arithmetic average)	0,7	0,7	0,8	0,9	0,8	0,9	0,8	0,6	0,8	0,4	-0,1
Ratio st.dev. and mean in % <sup>3)</sup>	46,2	48,9	45,2	46,5	46,1	41,9	42,3	45,5			-0,7
Difference max. and min. <sup>3)</sup>	2,0	2,2	2,2	2,3	2,5	2,6	2,7	2,6			0,5

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

Table A.2.3\_T: Direct Taxes as % of Total Taxation: Other

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	1,9	2,1	2,2	2,3	2,4	2,4	2,4	2,7	2,3	4,0	0,8
CZ	0,2	0,2	0,2	0,3	0,3	0,6	0,5	0,3	0,3	13,7	0,2
DK	4,2	3,9	3,5	2,8	3,6	2,9	1,5	1,5	3,0	-14,6	-2,7
DE	1,8	1,9	1,4	1,5	1,1	1,4	1,5	1,4	1,5	-4,3	-0,5
EE	-	-	-	-	-	-	-	0,1	0,1		
EL	3,3	3,2	3,2	3,3	2,4	2,4	2,9	2,8	2,9	-3,3	-0,5
ES	2,0	2,1	2,1	2,2	2,2	2,3	2,2	2,1	2,2	0,8	0,0
FR	4,4	4,0	4,1	3,8	3,8	3,4	3,5	3,5	3,8	-3,4	-0,9
IE	1,9	2,2	2,3	2,5	3,2	3,9	4,0	3,0	2,9	9,6	1,1
IT	3,0	2,1	2,9	2,4	2,4	3,8	2,6	2,4	2,7	0,2	-0,7
CY	-	-	-	5,9	5,4	6,7	5,7	5,3	5,8		
LV	1,7	1,9	3,3	3,6	2,8	3,4	3,5	3,7	3,0	9,7	1,9
LT	0,1	0,1	0,1	0,2	0,2	0,2	0,1	0,2	0,2	3,4	0,0
LU	2,2	2,6	2,5	2,5	2,8	2,3	2,3	2,5	2,5	0,3	0,3
HU	-	-	-	-	-	-	0,9	0,9	0,9		
MT	2,4	2,4	2,4	2,9	2,8	2,6	2,6	2,7	2,6	1,6	0,3
NL	4,0	4,3	4,1	4,2	4,2	4,1	3,5	3,7	4,0	-1,7	-0,2
AT	2,1	2,3	1,7	1,8	1,9	2,1	2,1	2,0	2,0	-0,1	-0,1
PL	3,5	1,5	2,0	1,2	1,2	1,8	2,7	2,0	2,0	-1,7	-1,5
PT	1,7	1,6	1,5	1,2	0,9	1,0	1,1	0,7	1,2	-11,6	-1,0
SI	1,4	1,4	1,4	2,3	2,0	2,5	2,1	2,0	1,9	6,9	0,6
SK	4,7	5,6	5,3	5,5	4,4	3,7	3,7	-	4,7		
FI	2,0	2,0	1,9	1,9	2,1	2,2	2,2	2,3	2,1	2,0	0,3
SE	1,7	1,8	1,8	1,9	1,9	2,0	1,9	1,7	1,8	0,4	0,0
UK	5,8	6,3	6,2	6,6	7,0	7,0	7,4	7,3	6,7	3,3	1,5
NO	5,1	6,4	5,6	3,2	4,6	10,8	11,1	11,0	7,2	12,6	6,0
EU25	3,1	3,0	3,0	3,0	3,0	3,3	3,2	3,1	3,1	0,4	-0,1
EU15	3,1	3,1	3,1	3,1	3,1	3,3	3,2	3,1	3,1	0,6	0,0
Euro12	2,7	2,5	2,5	2,4	2,3	2,5	2,4	2,3	2,5	-1,9	-0,4
NMS10	2,4	1,5	1,8	1,5	1,4	1,8	2,1	1,5	1,8	-2,0	-0,9

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table A.3\_G: Social contributions as % of GDP: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	14,7	14,6	14,4	14,5	14,3	14,1	14,4	14,6	14,5	-0,2	-0,1
CZ	16,1	16,2	16,2	15,5	15,8	14,5	14,4	15,0	15,5	-1,6	-1,0
DK	1,5	1,6	1,6	1,6	2,1	2,3	2,2	1,7	1,8	4,5	0,1
DE	17,3	17,8	18,1	17,7	17,5	17,2	17,1	17,0	17,5	-0,6	-0,3
EE	-	-	-	-	-	-	-	12,5	12,5		
EL	10,5	10,8	11,1	11,5	11,4	11,8	11,7	11,8	11,3	1,7	1,3
ES	12,0	12,2	12,2	12,1	12,2	12,4	12,7	12,7	12,3	0,7	0,7
FR	18,7	18,9	18,4	16,3	16,5	16,3	16,3	16,5	17,2	-2,3	-2,3
IE	5,0	4,6	4,4	4,2	4,3	4,4	4,5	4,4	4,5	-1,0	-0,6
IT	13,0	14,6	14,9	12,5	12,4	12,4	12,3	12,3	13,1	-2,2	-0,7
CY	-	-	-	7,2	7,0	6,8	7,2	7,0	7,0		
LV	13,4	12,1	11,8	11,9	11,6	11,0	10,1	10,1	11,5	-3,7	-3,3
LT	7,5	8,0	8,6	9,1	9,3	9,4	9,0	8,7	8,7	2,2	1,1
LU	11,2	10,9	10,4	10,2	10,3	10,4	11,1	11,5	10,8	0,3	0,3
HU	-	-	-	-	-	-	13,2	13,1	13,2		
MT	6,3	6,4	6,8	6,1	6,1	6,5	6,8	6,7	6,5	0,7	0,4
NL	16,0	15,5	15,5	15,3	16,0	16,0	14,3	13,9	15,3	-1,5	-2,1
AT	15,1	15,1	15,2	15,0	15,1	14,8	14,8	14,7	15,0	-0,4	-0,4
PL	10,1	12,0	12,1	12,0	14,8	14,0	17,1	16,0	13,5	6,7	5,9
PT	10,1	10,2	10,5	10,5	10,6	10,9	11,0	11,2	10,6	1,5	1,2
SI	17,7	16,0	15,1	15,0	14,8	15,0	15,2	15,1	15,5	-1,7	-2,7
SK	14,3	14,3	13,6	14,8	13,8	13,7	13,7	13,5	14,0	-0,8	-0,8
FI	14,2	13,7	12,9	12,6	12,9	12,1	12,4	12,2	12,9	-2,0	-2,0
SE	13,1	14,1	13,9	13,9	12,6	14,4	14,8	14,6	13,9	1,2	1,6
UK	6,2	6,1	6,2	6,2	6,2	6,3	6,3	6,1	6,2	0,2	-0,1
NO	9,9	9,6	9,6	10,3	10,2	9,0	9,3	9,9	9,7	-0,5	0,0
EU25	14,1	14,4	14,2	13,3	13,3	13,1	13,1	13,0	13,6	-1,6	-1,2
EU15	14,2	14,5	14,2	13,3	13,2	13,1	13,0	12,9	13,5	-1,7	-1,3
Euro12	15,9	16,2	16,2	15,1	15,1	14,9	14,8	14,7	15,4	-1,5	-1,1
NMS10	12,3	13,2	13,1	12,8	14,3	13,6	15,1	14,5	13,6	2,4	2,2
EU25 (arithmetic average)	12,0	12,1	12,0	11,6	11,6	11,6	11,8	11,7	11,8	-0,5	-0,3
EU15 (arithmetic average)	11,9	12,0	12,0	11,6	11,6	11,7	11,7	11,7	11,8	-0,4	-0,2
Euro12 (arithmetic average)	13,2	13,2	13,2	12,7	12,8	12,7	12,7	12,7	12,9	-0,6	-0,4
NMS10 (arithmetic average)	12,2	12,1	12,0	11,5	11,7	11,4	11,8	11,8	11,8	-0,6	-0,4
Ratio st.dev. and mean in % <sup>3)</sup>	31,7	30,7	30,5	31,3	31,2	30,5	30,7	30,6			-1,1
Difference max. and min. <sup>3)</sup>	17,2	17,3	16,8	16,2	15,3	14,9	14,9	15,3			-1,9

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.3\_T: Social contributions as % of Total Taxation: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	32,7	32,2	31,5	31,2	31,2	30,7	31,2	31,4	31,5	-0,6	-1,2
CZ	40,2	41,7	42,8	42,5	42,4	42,1	41,9	42,4	42,0	0,4	2,2
DK	3,1	3,1	3,1	3,1	4,2	4,6	4,4	3,4	3,6	4,5	0,3
DE	42,4	42,8	43,5	42,6	41,4	40,4	41,9	42,3	42,1	-0,4	0,0
EE	-	-	-	-	-	-	-	35,5	35,5		
EL	32,1	32,8	32,5	31,6	30,5	30,3	31,7	32,5	31,8	-0,4	0,4
ES	36,0	36,2	35,6	35,2	34,8	34,9	35,7	35,2	35,5	-0,4	-0,8
FR	42,6	41,9	40,7	36,1	36,0	36,1	36,3	37,2	38,4	-2,4	-5,4
IE	15,0	13,9	13,3	13,0	13,5	13,9	14,9	15,5	14,1	0,9	0,5
IT	31,6	34,2	33,4	28,8	28,6	28,9	28,9	29,5	30,5	-2,1	-2,1
CY	-	-	-	24,8	23,7	21,8	21,9	21,5	22,7		
LV	36,1	35,2	33,2	31,9	32,7	33,2	31,9	32,4	33,3	-1,5	-3,7
LT	26,4	28,4	28,9	28,3	28,7	30,9	30,9	30,2	29,1	1,9	3,8
LU	26,5	25,8	25,1	25,4	25,5	25,6	27,1	27,3	26,0	0,6	0,9
HU	-	-	-	-	-	-	33,5	33,9	33,7		
MT	22,6	24,6	24,4	23,4	22,3	22,3	22,4	21,4	22,9	-1,4	-1,2
NL	39,5	37,9	38,0	38,0	38,5	38,6	35,7	35,2	37,7	-1,2	-4,3
AT	35,6	34,6	34,1	33,9	34,1	34,1	32,7	33,2	34,0	-0,9	-2,5
PL	29,4	31,0	31,9	32,6	40,1	38,7	41,5	40,9	35,7	5,4	11,5
PT	29,9	29,5	30,3	30,0	29,5	29,8	30,9	30,9	30,1	0,5	1,0
SI	43,0	39,9	38,7	38,0	37,1	38,0	38,5	37,9	38,9	-1,4	-5,1
SK	34,5	35,4	35,7	38,8	38,4	40,0	41,6	41,0	38,2	2,8	6,5
FI	30,8	28,9	27,6	27,3	27,5	25,2	26,9	26,5	27,6	-2,0	-4,3
SE	26,4	27,2	26,5	26,2	23,4	26,7	28,3	28,9	26,7	0,9	2,5
UK	17,5	17,4	17,6	16,8	16,8	16,9	17,0	16,9	17,1	-0,5	-0,5
NO	23,2	22,4	22,6	24,2	23,6	20,9	21,2	22,4	22,6	-0,9	-0,8
EU25	34,9	35,0	34,2	32,1	31,7	31,4	31,8	32,1	32,9	-1,6	-2,8
EU15	34,9	35,0	34,1	32,0	31,5	31,1	31,5	31,9	32,8	-1,7	-3,1
Euro12	37,3	37,4	37,0	34,7	34,2	33,9	34,3	34,6	35,4	-1,5	-2,7
NMS10	33,7	34,5	34,9	35,0	39,2	38,4	39,3	38,8	36,7	2,4	5,1

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table A.3.1\_G: Social contributions as % of GDP: Employers**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	8,9	8,8	8,8	8,8	8,8	8,5	8,7	8,8	8,7	-0,2	-0,1
CZ	11,3	11,6	11,4	10,9	11,0	10,1	10,0	10,4	10,9	-2,0	-0,9
DK	0,3	0,3	0,3	0,4	0,3	0,3	0,3	0,3	0,3	0,7	0,0
DE	7,7	7,7	7,8	7,7	7,6	7,6	7,5	7,5	7,6	-0,6	-0,2
EE	-	-	-	-	-	-	-	12,0	12,0		
EL	4,8	5,0	5,2	5,3	5,2	5,5	5,5	5,6	5,3	2,0	0,8
ES	8,3	8,5	8,5	8,4	8,5	8,7	8,9	9,0	8,6	1,0	0,6
FR	11,5	11,4	11,4	11,3	11,4	11,2	11,2	11,3	11,3	-0,4	-0,3
IE	2,9	2,7	2,6	2,6	2,6	2,7	2,8	2,7	2,7	-0,1	-0,2
IT	8,7	10,2	10,6	8,7	8,6	8,6	8,6	8,6	9,1	-1,9	-0,1
CY	-	-	-	-	-	-	-	-	-		
LV	13,1	11,1	8,9	9,1	8,8	8,3	7,4	7,5	9,3	-7,3	-5,6
LT	7,3	7,7	8,3	8,7	8,9	8,5	8,1	7,8	8,1	1,0	0,6
LU	5,2	5,1	4,8	4,7	4,6	4,7	5,0	5,2	4,9	-0,3	0,0
HU	-	-	-	-	-	-	10,4	10,3	10,4		
MT	3,1	3,1	3,3	3,0	2,9	2,8	3,1	3,0	3,0	-1,0	-0,1
NL	2,0	1,9	1,8	4,6	4,6	4,6	4,5	4,6	3,6	15,5	2,6
AT	7,4	7,4	7,4	7,3	7,3	7,1	7,1	7,0	7,3	-0,9	-0,4
PL	9,8	11,5	11,7	11,6	6,2	6,2	7,5	6,9	8,9	-8,4	-2,9
PT	6,3	6,5	6,7	6,8	6,8	7,0	7,0	7,2	6,8	1,7	0,9
SI	8,5	6,8	5,8	5,8	5,7	5,8	5,8	5,8	6,2	-4,2	-2,7
SK	12,0	10,3	9,7	11,0	10,0	9,8	9,7	9,6	10,3	-2,2	-2,3
FI	9,9	9,7	9,2	9,2	9,4	8,9	9,2	9,2	9,3	-1,0	-0,8
SE	11,2	11,7	11,2	10,8	9,5	11,2	11,6	11,5	11,1	0,0	0,3
UK	3,4	3,3	3,4	3,3	3,4	3,6	3,6	3,4	3,4	0,8	0,1
NO	5,9	5,7	5,7	6,2	6,1	5,4	5,6	5,9	5,8	-0,3	0,1
EU25	7,7	7,9	7,9	7,6	7,5	7,4	7,5	7,4	7,6	-0,9	-0,2
EU15	7,6	7,9	7,8	7,5	7,5	7,4	7,4	7,4	7,6	-0,7	-0,2
Euro12	8,4	8,7	8,7	8,5	8,4	8,4	8,4	8,4	8,5	-0,3	0,0
NMS10	10,1	10,9	10,8	10,7	7,5	7,3	8,4	8,3	9,2	-5,0	-1,8
EU25 (arithmetic average)	7,4	7,4	7,2	7,3	6,9	6,9	7,1	7,3	7,2	-0,6	-0,1
EU15 (arithmetic average)	6,6	6,7	6,6	6,7	6,6	6,7	6,8	6,8	6,7	0,3	0,2
Euro12 (arithmetic average)	7,0	7,1	7,1	7,1	7,1	7,1	7,2	7,2	7,1	0,4	0,2
NMS10 (arithmetic average)	9,3	8,9	8,4	8,6	7,6	7,4	7,8	8,2	8,3	-2,5	-1,1
Ratio st.dev. and mean in % <sup>3)</sup>	46,7	44,6	43,7	42,3	39,6	39,0	39,1	40,9			-5,8
Difference max. and min. <sup>3)</sup>	12,8	11,4	11,3	11,3	11,0	10,9	11,3	11,7			-1,1

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.3.1\_T: Social contributions as % of Total Taxation: Employers**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	19,7	19,4	19,1	19,0	19,0	18,5	18,8	18,9	19,1	-0,6	-0,8
CZ	28,4	30,1	30,0	29,9	29,6	29,4	29,3	29,5	29,5	0,1	1,1
DK	0,6	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,1
DE	18,8	18,6	18,8	18,5	18,1	17,8	18,5	18,5	18,5	-0,4	-0,3
EE	-	-	-	-	-	-	-	34,1	34,1		
EL	14,6	15,2	15,1	14,6	13,9	14,1	14,9	15,4	14,7	0,0	0,7
ES	24,9	25,2	24,9	24,4	24,1	24,3	25,2	24,8	24,7	-0,1	-0,1
FR	26,2	25,4	25,3	25,0	24,9	24,8	24,9	25,5	25,3	-0,4	-0,8
IE	8,7	8,0	7,9	8,1	8,1	8,4	9,3	9,5	8,5	1,9	0,8
IT	21,0	24,0	23,7	20,2	19,9	20,1	20,2	20,6	21,2	-1,8	-0,5
CY	-	-	-	-	-	-	-	-	-		
LV	35,1	32,2	25,0	24,3	24,8	25,2	23,4	24,0	26,7	-5,0	-11,1
LT	25,4	27,3	27,7	27,1	27,4	27,9	27,7	27,2	27,2	0,7	1,8
LU	12,3	12,1	11,6	11,8	11,3	11,5	12,2	12,4	11,9	0,1	0,2
HU	-	-	-	-	-	-	26,5	26,6	26,5		
MT	11,1	12,0	11,9	11,4	10,4	9,8	10,1	9,6	10,8	-3,1	-1,5
NL	4,8	4,8	4,4	11,4	11,0	11,2	11,3	11,6	8,8	15,7	6,8
AT	17,5	17,0	16,7	16,4	16,4	16,4	15,6	15,8	16,5	-1,4	-1,7
PL	28,4	29,8	30,8	31,4	16,8	17,1	18,3	17,7	23,8	-9,7	-10,8
PT	18,8	18,7	19,3	19,4	19,0	19,2	19,7	19,7	19,2	0,7	0,9
SI	20,5	17,0	15,0	14,5	14,3	14,7	14,6	14,5	15,7	-3,9	-6,0
SK	28,8	25,5	25,6	28,7	27,9	28,7	29,6	29,2	28,0	1,3	0,3
FI	21,6	20,5	19,7	19,9	20,2	18,5	20,0	19,9	20,0	-1,0	-1,7
SE	22,5	22,6	21,3	20,3	17,6	20,9	22,2	22,7	21,3	-0,3	0,1
UK	9,5	9,6	9,4	9,1	9,3	9,5	9,6	9,5	9,4	0,1	0,0
NO	13,8	13,3	13,4	14,5	14,2	12,5	12,8	13,4	13,5	-0,8	-0,4
EU25	19,0	19,3	18,9	18,4	17,8	17,8	18,2	18,4	18,5	-0,8	-0,5
EU15	18,7	19,0	18,6	18,1	17,7	17,7	18,0	18,3	18,3	-0,7	-0,5
Euro12	19,6	19,9	19,9	19,4	19,1	19,0	19,4	19,6	19,5	-0,3	0,1
NMS10	27,7	28,4	28,7	29,1	20,4	20,5	21,7	22,1	24,8	-5,1	-5,5

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

Table A.3.2\_G: Social contributions as % of GDP: Employees

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	4,6	4,5	4,4	4,4	4,4	4,4	4,5	4,6	4,5	0,1	0,0
CZ	3,9	3,8	4,0	3,9	3,9	3,6	3,6	3,7	3,8	-1,1	-0,2
DK	1,2	1,2	1,2	1,2	1,8	2,0	1,9	1,3	1,5	5,3	0,1
DE	6,9	7,0	7,2	7,1	6,9	6,9	6,9	6,8	7,0	-0,5	-0,2
EE	-	-	-	-	-	-	-	0,3	0,3	-	-
EL	4,3	4,4	4,5	4,5	4,5	4,6	4,6	4,6	4,5	0,8	0,3
ES	1,9	2,0	1,9	2,0	1,9	2,0	2,0	2,0	2,0	0,5	0,1
FR	5,8	5,9	5,5	4,0	4,0	4,1	4,1	4,1	4,7	-6,3	-1,7
IE	1,9	1,8	1,5	1,4	1,5	1,6	1,6	1,4	1,6	-2,9	-0,4
IT	2,5	2,6	2,7	2,5	2,4	2,3	2,4	2,4	2,5	-1,5	-0,1
CY	-	-	-	-	-	-	-	-	-	-	-
LV	0,4	1,0	2,9	2,8	2,8	2,6	2,7	2,6	2,2	22,2	2,2
LT	0,2	0,2	0,3	0,3	0,3	0,8	0,8	0,8	0,5	20,4	0,5
LU	4,5	4,4	4,2	4,2	4,4	4,6	4,8	5,0	4,5	1,8	0,5
HU	-	-	-	-	-	-	2,1	2,3	2,2	-	-
MT	2,6	2,6	2,8	2,5	2,6	2,8	3,1	3,0	2,7	2,4	0,4
NL	10,5	10,0	10,2	7,7	8,1	8,0	6,8	6,5	8,5	-7,1	-4,0
AT	6,4	6,4	6,3	6,1	6,2	6,1	6,1	6,0	6,2	-1,0	-0,4
PL	-	-	-	-	8,4	6,2	7,6	7,0	7,3	-	-
PT	3,3	3,1	3,2	3,2	3,3	3,4	3,5	3,6	3,3	1,7	0,3
SI	8,5	8,2	8,2	8,1	8,1	8,2	8,1	8,0	8,2	-0,6	-0,5
SK	1,7	3,2	3,0	3,2	3,1	3,2	3,3	3,2	3,0	5,4	1,5
FI	2,7	2,6	2,4	2,3	2,4	2,2	2,2	2,2	2,4	-2,9	-0,5
SE	1,6	2,1	2,5	2,9	2,9	2,9	2,9	2,9	2,6	7,3	1,3
UK	2,6	2,5	2,7	2,6	2,6	2,6	2,5	2,4	2,6	-0,5	-0,1
NO	4,0	3,9	3,9	4,2	4,1	3,6	3,7	4,0	3,9	-0,7	0,0
EU25	4,8	4,7	4,6	4,2	4,3	4,2	4,2	4,1	4,4	-2,3	-0,7
EU15	4,9	4,8	4,7	4,3	4,2	4,2	4,1	4,0	4,4	-3,0	-0,8
Euro12	5,4	5,4	5,3	4,8	4,7	4,7	4,6	4,5	4,9	-3,0	-0,9
NMS10	3,9	4,0	4,1	4,0	6,6	5,3	5,5	5,1	4,8	5,5	1,2
EU25 (arithmetic average)	3,7	3,8	3,9	3,7	3,9	3,9	3,8	3,6	3,8	-0,1	-0,1
EU15 (arithmetic average)	4,0	4,0	4,0	3,7	3,8	3,8	3,8	3,7	3,9	-1,2	-0,3
Euro12 (arithmetic average)	4,6	4,6	4,5	4,1	4,2	4,2	4,1	4,1	4,3	-1,8	-0,5
NMS10 (arithmetic average)	2,9	3,2	3,5	3,5	4,2	3,9	3,9	3,4	3,6	3,3	0,5
Ratio st.dev. and mean in % <sup>3)</sup>	54,6	51,8	51,7	49,1	53,6	49,3	49,4	51,2	-	-	-3,4
Difference max. and min. <sup>3)</sup>	10,2	9,7	10,0	7,8	8,1	7,4	7,3	7,6	-	-	-2,6

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.3.2\_T: Social contributions as % of Total Taxation: Employees**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	10,1	9,9	9,6	9,5	9,5	9,6	9,8	9,9	9,7	-0,3	-0,2
CZ	9,8	9,7	10,7	10,6	10,6	10,5	10,4	10,5	10,3	0,9	0,7
DK	2,5	2,5	2,4	2,4	3,5	3,9	3,8	2,7	3,0	5,4	0,2
DE	16,9	16,9	17,2	16,9	16,4	16,2	16,8	16,8	16,8	-0,3	-0,1
EE	-	-	-	-	-	-	-	-	-	-	-
EL	13,2	13,3	13,2	12,3	12,1	11,9	12,3	12,6	12,6	-1,2	-0,6
ES	5,8	5,9	5,6	5,8	5,5	5,6	5,7	5,6	5,7	-0,6	-0,2
FR	13,2	13,2	12,2	8,8	8,8	9,0	9,0	9,3	10,4	-6,3	-4,0
IE	5,6	5,3	4,7	4,3	4,7	4,9	5,1	5,0	4,9	-1,0	-0,6
IT	6,1	6,1	6,0	5,7	5,5	5,5	5,6	5,7	5,8	-1,4	-0,4
CY	-	-	-	-	-	-	-	-	-	-	-
LV	0,9	2,9	8,0	7,5	7,9	8,0	8,4	8,3	6,5	24,4	7,3
LT	0,8	0,9	0,9	0,9	0,9	2,7	2,7	2,6	1,6	20,0	1,8
LU	10,6	10,3	10,2	10,4	11,0	11,2	11,9	11,9	11,0	2,2	1,3
HU	-	-	-	-	-	-	5,4	5,8	5,6	-	-
MT	9,3	10,0	9,9	9,5	9,4	9,8	10,1	9,6	9,7	0,3	0,3
NL	25,8	24,5	25,2	19,1	19,4	19,2	17,0	16,4	20,8	-6,9	-9,4
AT	15,1	14,6	14,2	13,8	13,9	13,9	13,4	13,6	14,1	-1,5	-1,6
PL	-	-	-	-	22,6	17,3	18,4	17,8	19,0	-	-
PT	9,8	9,1	9,3	9,1	9,1	9,3	10,0	10,0	9,4	0,7	0,2
SI	20,5	20,6	21,0	20,5	20,2	20,8	20,4	20,0	20,5	-0,3	-0,5
SK	4,2	8,0	8,0	8,3	8,7	9,3	10,0	9,7	8,3	9,0	5,6
FI	5,8	5,5	5,2	5,0	5,1	4,7	4,9	4,7	5,1	-2,9	-1,1
SE	3,3	4,0	4,7	5,4	5,4	5,3	5,6	5,7	4,9	7,0	2,4
UK	7,3	7,2	7,5	7,2	7,0	6,8	6,8	6,8	7,1	-1,2	-0,5
NO	9,4	9,1	9,1	9,7	9,4	8,4	8,5	9,0	9,1	-1,2	-0,5
EU25	12,0	11,6	11,4	10,3	10,3	10,1	10,2	10,1	10,7	-2,6	-1,8
EU15	12,0	11,7	11,4	10,3	10,1	10,0	10,0	10,0	10,7	-2,9	-2,0
Euro12	12,9	12,5	12,2	10,9	10,7	10,6	10,6	10,6	11,4	-3,1	-2,2
NMS10	10,0	10,6	11,1	11,0	17,9	14,9	14,4	13,6	12,9	6,0	3,6

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services



**Table A.3.3\_G: Social contributions as % of GDP: Self- and non-employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	1,3	1,3	1,3	1,3	1,2	1,2	1,2	1,3	1,3	-1,1	-0,1
CZ	0,8	0,8	0,8	0,7	0,8	0,8	0,8	0,9	0,8	0,3	0,0
DK	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	#VALUE!	0,0
DE	2,7	3,0	3,1	3,0	2,9	2,7	2,7	2,8	2,9	-0,9	0,1
EE	-	-	-	-	-	-	-	0,2	0,2		
EL	1,4	1,4	1,5	1,7	1,7	1,7	1,6	1,7	1,6	2,9	0,3
ES	1,8	1,7	1,8	1,7	1,8	1,8	1,7	1,7	1,8	-0,2	0,0
FR	1,4	1,5	1,4	1,0	1,0	1,0	1,1	1,1	1,2	-4,7	-0,3
IE	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,3	0,2	0,3	0,1
IT	1,9	1,8	1,7	1,3	1,4	1,4	1,4	1,4	1,5	-4,7	-0,5
CY	-	-	-	-	-	-	-	-	-		
LV	-	-	-	-	-	-	-	-	-		
LT	0,1	0,1	0,1	0,1	0,1	0,1	0,2	0,1	0,1	12,7	0,1
LU	1,5	1,4	1,4	1,3	1,3	1,2	1,2	1,2	1,3	-2,9	-0,3
HU	-	-	-	-	-	-	0,6	0,6	0,6		
MT	0,6	0,7	0,8	0,6	0,7	0,8	0,7	0,7	0,7	1,1	0,1
NL	3,6	3,5	3,4	3,0	3,3	3,4	3,0	2,9	3,3	-2,9	-0,7
AT	1,3	1,3	1,4	1,7	1,7	1,6	1,7	1,7	1,5	4,1	0,4
PL	0,3	0,5	0,4	0,4	0,3	1,6	2,0	2,1	0,9	28,4	1,8
PT	0,5	0,6	0,6	0,5	0,5	0,5	0,4	0,5	0,5	-2,3	0,0
SI	0,8	0,9	1,0	1,2	1,0	1,0	1,4	1,3	1,1	6,2	0,5
SK	0,6	0,8	0,8	0,7	0,7	0,7	0,7	0,7	0,7	-0,3	0,1
FI	1,6	1,4	1,3	1,1	1,0	1,0	0,9	0,9	1,1	-8,4	-0,7
SE	0,3	0,3	0,3	0,2	0,2	0,3	0,3	0,3	0,3	-0,3	0,0
UK	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	-1,2	0,0
NO	-	-	-	-	-	-	-	-	-		
EU25	1,7	1,7	1,7	1,5	1,5	1,5	1,4	1,5	1,6	-2,9	-0,2
EU15	1,7	1,8	1,7	1,5	1,5	1,5	1,4	1,5	1,6	-3,2	-0,3
Euro12	2,0	2,1	2,1	1,9	1,9	1,9	1,8	1,8	2,0	-2,5	-0,2
NMS10	0,5	0,6	0,6	0,6	0,5	1,2	1,4	1,4	0,8	16,1	0,9
EU25 (arithmetic average)	1,1	1,1	1,1	1,0	1,1	1,1	1,1	1,1	1,1	-0,4	0,0
EU15 (arithmetic average)	1,3	1,3	1,3	1,2	1,2	1,2	1,2	1,2	1,2	-1,7	-0,1
Euro12 (arithmetic average)	1,6	1,6	1,6	1,5	1,5	1,5	1,4	1,4	1,5	-1,7	-0,1
NMS10 (arithmetic average)	0,5	0,6	0,6	0,6	0,6	0,8	0,9	0,8	0,7	6,4	0,3
Ratio st.dev. and mean in % <sup>3)</sup>	53,1	51,0	52,3	55,0	57,8	58,2	55,8	55,7			2,6
Difference max. and min. <sup>3)</sup>	3,6	3,5	3,4	3,0	3,3	3,4	3,0	2,9			-0,7

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table A.3.3\_T: Social contributions as % of Total Taxation: Self- and non-employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,9	2,9	2,8	2,7	2,7	2,6	2,6	2,7	2,7	-1,5	-0,2
CZ	2,1	2,0	2,1	2,0	2,1	2,2	2,2	2,5	2,2	2,4	0,4
DK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
DE	6,6	7,3	7,5	7,2	6,8	6,4	6,6	7,0	6,9	-0,8	0,4
EE	-	-	-	-	-	-	-	0,4	0,4		
EL	4,3	4,2	4,3	4,7	4,5	4,3	4,5	4,6	4,4	0,8	0,3
ES	5,3	5,1	5,1	5,0	5,2	5,0	4,8	4,8	5,0	-1,3	-0,5
FR	3,1	3,3	3,2	2,3	2,3	2,3	2,4	2,5	2,7	-4,8	-0,6
IE	0,6	0,6	0,7	0,7	0,7	0,6	0,5	1,0	0,7	2,2	0,3
IT	4,5	4,2	3,8	2,9	3,2	3,4	3,2	3,3	3,5	-4,6	-1,3
CY	-	-	-	-	-	-	-	-	-		
LV	-	-	-	-	-	-	-	-	-		
LT	0,2	0,2	0,3	0,2	0,4	0,4	0,5	0,4	0,3	12,4	0,2
LU	3,6	3,4	3,3	3,1	3,3	2,9	3,0	3,0	3,2	-2,6	-0,6
HU	-	-	-	-	-	-	1,6	1,5	1,5		
MT	2,3	2,6	2,7	2,5	2,4	2,7	2,3	2,2	2,5	-1,0	0,0
NL	8,8	8,6	8,5	7,4	8,0	8,2	7,4	7,2	8,0	-2,6	-1,6
AT	3,0	3,0	3,2	3,7	3,7	3,7	3,7	3,8	3,5	3,6	0,8
PL	0,9	1,2	1,1	1,2	0,7	4,3	4,9	5,4	2,5	27,1	4,5
PT	1,4	1,6	1,7	1,5	1,4	1,3	1,2	1,2	1,4	-3,4	-0,1
SI	1,9	2,3	2,7	2,9	2,6	2,5	3,4	3,3	2,7	6,5	1,4
SK	1,5	1,9	2,1	1,8	1,8	2,0	2,0	2,1	1,9	3,2	0,6
FI	3,4	2,9	2,7	2,3	2,2	2,0	2,0	1,9	2,4	-8,3	-1,5
SE	0,6	0,6	0,5	0,5	0,4	0,5	0,5	0,6	0,5	-0,7	0,0
UK	0,6	0,7	0,6	0,5	0,5	0,6	0,6	0,6	0,6	-1,9	0,0
NO	-	-	-	-	-	-	-	-	-		
EU25	4,1	4,2	4,1	3,6	3,6	3,5	3,5	3,6	3,8	-2,9	-0,5
EU15	4,3	4,4	4,2	3,8	3,7	3,6	3,6	3,7	3,9	-3,2	-0,6
Euro12	4,9	5,0	4,9	4,4	4,4	4,3	4,2	4,3	4,6	-2,5	-0,5
NMS10	1,4	1,5	1,5	1,5	1,2	3,5	3,6	3,7	2,2	16,1	2,3

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table B.1\_G: Taxes by level of government as % of GDP: Central Government**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	14,6	15,1	16,1	16,7	16,1	16,8	15,9	15,5	15,8	0,9	0,8
CZ	30,6	29,9	29,0	27,8	28,7	26,1	26,5	26,7	28,2	-2,2	-4,0
DK	32,1	32,6	32,4	32,4	33,0	30,9	30,7	30,2	31,8	-1,0	-1,9
DE	11,3	11,0	10,9	11,1	11,8	12,1	11,4	11,4	11,4	0,7	0,1
EE	-	-	-	-	-	-	-	25,5	25,5		
EL	21,2	21,2	22,5	24,4	25,2	26,2	24,4	23,8	23,6	2,4	2,5
ES	16,3	16,5	16,0	16,0	16,4	16,7	16,5	13,4	16,0	-1,4	-2,9
FR	18,5	19,3	19,5	19,4	19,8	19,1	18,8	18,1	19,1	-0,3	-0,4
IE	27,1	27,8	27,6	27,0	27,1	27,2	25,4	23,9	26,7	-1,6	-3,2
IT	24,6	24,0	25,8	24,5	25,0	23,7	23,3	22,6	24,2	-1,2	-2,0
CY	-	-	-	21,4	22,0	24,0	25,0	25,1	23,5		
LV	17,0	15,2	18,0	19,4	18,2	16,9	16,5	15,9	17,1	-0,4	-1,1
LT	13,0	12,5	15,3	14,8	14,1	12,7	12,2	15,3	13,7	0,5	2,3
LU	27,6	28,1	28,0	27,1	27,5	27,6	27,2	27,9	27,6	-0,1	0,3
HU	-	-	-	-	-	-	23,2	22,7	23,0		
MT	27,7	26,2	27,9	26,2	27,4	29,1	30,4	31,3	28,3	2,1	3,6
NL	22,1	22,9	22,7	22,6	23,3	23,1	23,5	23,5	23,0	0,8	1,4
AT	20,5	21,6	22,6	22,8	22,7	22,4	24,1	23,7	22,5	1,8	3,2
PL	20,9	22,9	21,6	20,0	18,0	18,6	20,2	19,1	20,1	-2,2	-1,8
PT	20,5	21,3	21,2	21,4	22,2	22,4	21,7	22,1	21,6	1,0	1,7
SI	21,3	21,6	21,4	22,1	22,4	21,5	21,3	21,8	21,7	0,1	0,5
SK	-	-	-	-	-	-	-	-	-		
FI	22,0	23,2	23,9	24,1	24,2	25,9	23,9	24,6	24,0	1,4	2,6
SE	29,8	30,9	31,6	32,3	33,3	32,3	29,8	28,0	31,0	-0,6	-1,8
UK	33,1	32,8	33,5	34,5	34,9	35,4	35,2	33,8	34,1	0,8	0,7
NO	24,5	25,5	25,3	25,2	25,5	27,7	27,4	28,7	26,2	2,1	4,1
EU25	20,0	20,4	21,2	21,4	21,9	22,0	21,6	20,9	21,2	0,9	0,9
EU15	19,9	20,3	21,2	21,3	22,0	22,1	21,6	20,9	21,2	0,9	0,9
Euro12	17,1	17,5	18,0	17,9	18,4	18,3	17,9	17,3	17,8	0,3	0,2
NMS10	23,3	24,2	23,1	21,7	20,6	20,3	21,7	21,4	22,0	-1,9	-1,8
EU25 (arithmetic average)	22,5	22,7	23,2	23,1	23,3	23,2	22,9	22,7	23,0	0,2	0,3
EU15 (arithmetic average)	22,8	23,2	23,6	23,7	24,2	24,1	23,5	22,8	23,5	0,2	0,1
Euro12 (arithmetic average)	20,5	21,0	21,4	21,4	21,8	21,9	21,3	20,9	21,3	0,3	0,3
NMS10 (arithmetic average)	21,7	21,4	22,2	21,7	21,5	21,2	21,9	22,6	21,8	0,3	0,8
Ratio st.dev. and mean in % <sup>3)</sup>	31,3	31,2	28,6	27,4	28,1	27,7	27,3	27,3			-4,0
Difference max. and min. <sup>3)</sup>	21,7	21,7	22,6	23,4	23,0	23,3	23,8	22,4			0,7

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table B.1\_T: Taxes by level of government as % of Total Taxation: Central Government**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	32,5	33,2	35,1	36,0	35,0	36,6	34,5	33,2	34,5	0,5	0,7
CZ	76,7	77,3	76,5	76,3	77,0	75,8	77,2	75,3	76,5	-0,2	-1,4
DK	65,1	65,3	65,1	64,7	64,1	62,3	61,5	61,8	63,7	-1,0	-3,3
DE	27,8	26,5	26,3	26,7	28,0	28,3	28,0	28,4	27,5	0,8	0,6
EE	-	-	-	-	-	-	-	72,2	72,2		
EL	65,1	64,4	65,8	67,0	67,6	67,6	66,0	65,6	66,1	0,3	0,5
ES	48,8	48,8	46,7	46,4	46,8	47,0	46,4	37,0	46,0	-2,6	-11,7
FR	42,0	42,8	43,0	42,9	43,4	42,3	41,8	41,0	42,4	-0,4	-1,0
IE	81,3	83,0	84,1	84,2	84,7	84,8	83,5	83,5	83,6	0,3	2,2
IT	59,8	56,2	57,6	56,6	57,8	55,5	54,9	54,2	56,6	-1,1	-5,6
CY	-	-	-	73,3	74,7	76,6	76,4	77,0	75,6		
LV	45,6	44,3	50,6	52,0	51,1	50,9	52,0	50,9	49,7	1,9	5,2
LT	45,4	44,5	51,2	45,9	43,5	41,6	42,1	53,2	45,9	0,2	7,8
LU	65,2	66,3	67,5	67,5	68,0	67,9	66,8	66,5	67,0	0,2	1,3
HU	-	-	-	-	-	-	59,0	58,6	58,8		
MT	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	0,0	0,0
NL	54,5	56,2	55,9	56,1	56,0	55,8	58,6	59,6	56,6	1,0	5,1
AT	48,5	49,3	50,7	51,3	51,3	51,5	53,2	53,3	51,1	1,3	4,9
PL	60,8	59,3	56,9	53,9	48,8	51,3	48,9	48,9	53,6	-3,5	-11,9
PT	61,0	61,9	61,2	61,4	61,7	61,5	60,9	60,9	61,3	-0,1	-0,1
SI	51,6	53,9	55,0	55,9	56,0	54,4	54,1	54,8	54,5	0,5	3,2
SK	-	-	-	-	-	-	-	-	-		
FI	47,8	49,0	51,3	51,9	51,7	54,1	51,9	53,5	51,4	1,5	5,8
SE	60,2	59,5	60,3	60,7	61,8	59,9	57,1	55,4	59,4	-0,9	-4,8
UK	93,5	93,7	94,2	94,2	94,4	94,3	94,4	94,3	94,1	0,1	0,9
NO	57,6	59,4	59,2	59,1	59,3	64,3	62,7	64,9	60,8	1,6	7,2
EU25	49,4	49,4	51,2	51,6	52,4	52,7	52,5	51,7	51,4	0,9	2,3
EU15	49,0	49,0	50,9	51,3	52,3	52,6	52,4	51,5	51,1	0,9	2,5
Euro12	40,5	40,5	41,1	41,1	42,0	41,6	41,7	40,9	41,2	0,3	0,4
NMS10	64,5	63,4	61,5	59,3	56,2	57,2	55,9	57,1	59,4	-2,1	-7,5

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table B.2\_G: Taxes by level of government as % of GDP: State Government**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	10,2	10,4	10,6	10,8	10,9	10,5	11,2	10,7	10,7	0,8	0,5
CZ	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
DK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
DE	8,7	9,3	9,1	9,2	9,5	9,7	8,9	8,7	9,1	0,1	0,0
EE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
ES	1,6	1,6	2,4	2,6	2,7	2,7	2,7	6,6	2,9	15,7	5,0
FR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
IE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
IT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
HU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
MT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
AT	3,4	3,7	3,4	3,4	3,4	3,3	3,3	3,2	3,4	-1,2	-0,3
PL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
PT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
SI	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
SK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
FI	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
SE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
UK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NO	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU15	3,0	3,0	2,9	2,9	2,9	2,9	2,7	2,9	2,9	-1,1	-0,1
Euro12	3,0	3,0	2,9	2,9	2,9	2,9	2,7	2,9	2,9	-1,1	-0,1
NMS10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU25 (arithmetic average)	6,0	6,2	6,4	6,5	6,6	6,5	6,5	7,3			
EU15 (arithmetic average)	6,0	6,2	6,4	6,5	6,6	6,5	6,5	7,3	6,5	2,1	1,3
Euro12 (arithmetic average)	6,0	6,2	6,4	6,5	6,6	6,5	6,5	7,3	6,5	2,1	1,3
NMS10 (arithmetic average)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Ratio st.dev. and mean in % <sup>3)</sup>	137,4	141,1	141,7	142,3	142,2	142,4	155,3	111,4			-26,1
Difference max. and min. <sup>3)</sup>	8,6	8,8	8,2	8,2	8,2	7,7	8,5	7,5			-1,1

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table B.2\_T: Taxes by level of government as % of Total Taxation: State Government**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	22,6	22,9	23,2	23,3	23,7	22,8	24,2	23,0	23,2	0,4	0,3
CZ	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
DK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
DE	21,2	22,2	21,8	22,1	22,5	22,7	21,9	21,6	22,0	0,2	0,4
EE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
ES	4,7	4,6	7,1	7,6	7,7	7,7	7,6	18,3	8,2	14,6	13,6
FR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
IE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
IT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
HU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
MT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
AT	8,1	8,4	7,5	7,6	7,6	7,6	7,4	7,2	7,7	-1,8	-1,0
PL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
PT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
SI	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
SK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
FI	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
SE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
UK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NO	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU15	7,4	7,3	6,9	7,0	7,0	6,8	6,5	7,1	7,0	-1,1	-0,3
Euro12	7,4	7,3	6,9	7,0	7,0	6,8	6,5	7,1	7,0	-1,1	-0,3
NMS10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table B.3\_G: Taxes by level of government as % of GDP: Local Government**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,1	2,2	2,3	2,2	2,2	1,9	2,1	2,2	2,2	-0,2	0,1
CZ	4,9	4,3	4,3	4,3	4,0	4,1	3,8	4,4	4,3	-1,8	-0,5
DK	15,5	15,5	15,6	15,9	16,1	16,2	16,8	16,9	16,1	1,4	1,4
DE	2,6	2,7	2,7	2,9	3,0	3,0	2,8	2,7	2,8	0,8	0,1
EE	-	-	-	-	-	-	-	4,6	4,6		
EL	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,3	0,2	0,0
ES	2,9	2,9	3,0	3,2	3,2	3,2	3,1	3,0	3,1	1,1	0,1
FR	4,6	4,8	4,7	4,7	4,7	4,3	4,2	4,2	4,5	-1,8	-0,4
IE	0,9	0,8	0,8	0,7	0,7	0,6	0,6	0,6	0,7	-5,0	-0,2
IT	3,2	3,5	3,5	5,8	5,4	6,2	6,4	6,3	5,0	11,2	3,1
CY	-	-	-	0,5	0,5	0,4	0,5	0,4	0,5		
LV	6,8	7,0	5,8	6,0	5,8	5,3	5,1	5,3	5,9	-4,4	-1,5
LT	5,9	5,6	3,5	6,0	6,6	6,1	5,8	2,8	5,3	-3,9	-3,1
LU	2,7	2,8	2,5	2,5	2,3	2,3	2,3	2,6	2,5	-2,0	-0,1
HU	-	-	-	-	-	-	4,1	4,1	4,1		
MT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NL	1,3	1,4	1,4	1,4	1,4	1,4	1,4	1,5	1,4	1,1	0,2
AT	5,1	5,3	5,3	5,2	5,2	5,1	5,2	4,9	5,2	-0,6	-0,2
PL	3,4	3,7	4,3	4,6	4,1	3,6	3,9	4,0	3,9	1,1	0,6
PT	1,7	1,8	1,8	1,9	2,2	2,2	2,1	2,1	2,0	3,3	0,4
SI	2,6	2,6	2,6	2,6	2,8	2,8	2,9	2,9	2,7	1,7	0,2
SK	-	-	-	-	-	-	-	-	-		
FI	10,2	10,8	10,1	10,1	10,2	10,4	10,2	9,9	10,2	-0,6	-0,4
SE	14,5	15,7	15,5	15,5	15,5	15,3	15,9	16,2	15,5	0,9	1,7
UK	1,3	1,3	1,3	1,4	1,4	1,5	1,5	1,6	1,4	3,0	0,3
NO	8,2	7,9	7,9	7,2	7,4	6,5	7,1	5,7	7,2	-4,4	-2,5
EU25	3,6	3,7	3,7	4,0	4,0	4,0	4,0	3,9	3,9	1,5	0,4
EU15	3,5	3,7	3,7	4,0	4,0	4,0	4,0	3,9	3,9	1,6	0,4
Euro12	3,2	3,4	3,4	3,8	3,8	3,8	3,8	3,7	3,6	2,3	0,5
NMS10	3,8	3,9	4,1	4,3	4,0	3,7	3,9	3,9	4,0	-0,3	0,1
EU25 (arithmetic average)	4,6	4,8	4,6	4,7	4,6	4,6	4,6	4,5	4,6	-0,4	-0,1
EU15 (arithmetic average)	4,6	4,8	4,7	4,9	4,9	4,9	5,0	5,0	4,9	1,1	0,4
Euro12 (arithmetic average)	3,1	3,3	3,2	3,4	3,4	3,4	3,4	3,4	3,3	1,0	0,2
NMS10 (arithmetic average)	4,7	4,7	4,1	4,0	4,0	3,7	3,7	3,6	4,1	-4,0	-1,2
Ratio st.dev. and mean in % <sup>3)</sup>	119,6	118,7	118,2	108,8	110,5	109,8	111,5	110,3			-9,4
Difference max. and min. <sup>3)</sup>	15,2	15,4	15,3	15,6	15,8	15,9	16,5	16,6			1,4

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table B.3\_T: Taxes by level of government as % of Total Taxation: Local Government**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	4,7	4,8	5,0	4,7	4,8	4,2	4,7	4,8	4,7	-0,6	0,1
CZ	12,3	11,1	11,3	11,8	10,8	12,0	11,1	12,5	11,6	0,3	0,2
DK	31,4	31,1	31,3	31,8	31,3	32,7	33,7	34,5	32,2	1,4	3,2
DE	6,4	6,5	6,6	7,0	7,1	7,0	6,8	6,7	6,8	0,9	0,3
EE	-	-	-	-	-	-	-	12,9	12,9		
EL	0,9	1,0	1,0	0,9	0,8	0,8	0,9	0,9	0,9	-1,8	0,0
ES	8,7	8,5	8,8	9,2	9,2	9,0	8,8	8,4	8,8	0,0	-0,2
FR	10,4	10,6	10,4	10,4	10,2	9,6	9,3	9,5	10,0	-1,9	-1,0
IE	2,6	2,5	2,4	2,2	2,1	2,0	2,1	2,3	2,3	-3,1	-0,4
IT	7,8	8,2	7,9	13,3	12,5	14,4	14,9	15,2	11,8	11,2	7,4
CY	-	-	-	1,8	1,6	1,4	1,5	1,3	1,5		
LV	18,3	20,5	16,2	16,1	16,2	15,9	16,1	16,8	17,0	-2,2	-1,5
LT	20,6	19,8	11,9	18,8	20,3	20,1	19,8	9,8	17,6	-4,3	-10,9
LU	6,4	6,6	6,1	6,2	5,7	5,7	5,7	6,1	6,1	-1,6	-0,3
HU	-	-	-	-	-	-	10,3	10,6	10,5		
MT	-	-	-	-	-	-	-	-	-		
NL	3,2	3,4	3,5	3,5	3,4	3,4	3,6	3,7	3,5	1,4	0,5
AT	12,0	12,1	11,9	11,8	11,7	11,7	11,5	11,0	11,7	-1,1	-1,0
PL	9,8	9,6	11,2	12,3	11,1	10,0	9,6	10,2	10,5	-0,2	0,4
PT	5,2	5,2	5,2	5,6	6,0	6,0	5,8	5,8	5,6	2,2	0,6
SI	6,3	6,6	6,7	6,6	7,1	7,2	7,3	7,2	6,9	2,0	0,9
SK	-	-	-	-	-	-	-	-	-		
FI	22,3	22,8	21,7	21,8	21,7	21,6	22,1	21,4	21,9	-0,5	-0,8
SE	29,3	30,2	29,5	29,2	28,8	28,4	30,4	32,0	29,7	0,6	2,7
UK	3,7	3,8	3,8	3,8	3,9	3,9	4,1	4,4	3,9	2,3	0,8
NO	19,4	18,4	18,5	16,9	17,2	15,1	16,2	12,9	16,8	-4,8	-6,4
EU25	8,8	9,0	8,8	9,7	9,5	9,6	9,6	9,8	9,3	1,5	1,0
EU15	8,7	9,0	8,8	9,6	9,5	9,5	9,6	9,7	9,3	1,6	1,0
Euro12	7,7	7,9	7,8	8,9	8,7	8,9	8,9	8,9	8,4	2,4	1,2
NMS10	10,6	10,2	11,0	11,9	11,0	10,5	10,0	10,5	10,7	-0,4	-0,1

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services



**Table B.4\_G: Taxes by level of government as % of GDP: Social security funds**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	14,9	15,2	16,0	16,1	15,9	15,7	15,9	16,2	15,7	0,9	1,3
CZ	4,4	4,5	4,6	4,4	4,5	4,2	4,0	4,3	4,4	-1,1	-0,1
DK	1,5	1,6	1,6	1,6	2,1	2,3	2,2	1,7	1,8	4,5	0,1
DE	17,7	18,3	18,5	18,2	17,9	17,6	17,5	17,4	17,9	-0,7	-0,3
EE	-	-	-	-	-	-	-	5,2	5,2		
EL	10,3	10,6	10,7	11,0	11,1	11,6	11,6	11,7	11,1	2,0	1,5
ES	11,9	12,1	12,1	12,0	12,1	12,3	12,6	12,6	12,2	0,8	0,7
FR	20,1	20,3	20,3	20,4	20,6	21,1	21,4	21,4	20,7	1,0	1,3
IE	4,2	3,9	3,7	3,5	3,5	3,6	3,7	3,7	3,7	-1,5	-0,5
IT	12,7	14,6	14,9	12,5	12,4	12,4	12,3	12,3	13,0	-1,9	-0,3
CY	-	-	-	7,3	7,0	6,9	7,2	7,0	7,1		
LV	13,4	12,1	11,8	11,9	11,6	11,0	10,1	10,1			
LT	9,7	10,0	11,0	11,4	11,7	11,7	11,1	10,7	10,9	1,6	0,9
LU	11,0	10,7	10,2	10,0	10,1	10,2	10,8	11,2	10,5	0,1	0,1
HU	-	-	-	-	-	-	12,1	12,0	12,0		
MT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NL	16,0	15,5	15,5	15,3	16,0	16,0	14,3	13,9	15,3	-1,5	-2,1
AT	12,3	12,3	12,3	12,2	12,2	12,0	12,0	11,9	12,2	-0,5	-0,4
PL	10,1	12,0	12,1	12,0	14,8	14,0	17,1	16,0	13,5	6,7	5,9
PT	10,4	10,6	10,9	10,9	11,0	11,2	11,4	11,6	11,0	1,4	1,2
SI	17,4	15,8	14,9	14,9	14,7	15,1	15,2	15,1	15,4	-1,4	-2,3
SK	-	-	-	-	-	-	-	-	-		
FI	13,1	12,7	11,9	11,6	11,9	11,1	11,4	11,2	11,9	-2,1	-1,9
SE	4,5	4,7	4,7	4,7	4,5	5,8	6,0	5,9	5,1	4,5	1,4
UK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NO	9,9	9,6	9,6	10,3	10,2	9,0	9,3	9,9	9,7	-0,5	0,0
EU25	13,2	13,5	13,2	12,7	12,7	12,5	12,5	12,4	12,8	-1,2	-0,8
EU15	13,4	13,7	13,3	12,8	12,7	12,5	12,5	12,4	12,9	-1,4	-0,9
Euro12	16,1	16,6	16,7	16,1	16,0	16,0	15,9	15,8	16,2	-0,5	-0,3
NMS10	8,8	9,9	10,1	10,0	11,8	11,2	13,0	12,0	10,8	4,7	3,2
EU25 (arithmetic average)	11,4	11,4	11,5	11,1	11,3	11,3	11,4	11,1	11,3	-0,3	-0,3
EU15 (arithmetic average)	11,5	11,6	11,7	11,4	11,5	11,6	11,6	11,6	11,6	0,1	0,1
Euro12 (arithmetic average)	12,9	13,1	13,1	12,8	12,9	12,9	12,9	12,9	12,9	-0,1	0,0
NMS10 (arithmetic average)	11,0	10,9	10,9	10,3	10,7	10,5	11,0	10,1	10,7	-0,8	-0,9
Ratio st.dev. and mean in % <sup>3)</sup>	37,3	36,2	37,4	38,1	38,7	38,7	38,5	39,1			1,8
Difference max. and min. <sup>3)</sup>	18,6	18,7	18,8	18,8	18,5	18,8	19,2	19,8			1,2

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table B.4\_T: Taxes by level of government as % of Total Taxation: Social security funds**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	33,0	33,6	34,9	34,6	34,5	34,2	34,5	34,8	34,3	0,5	1,8
CZ	11,0	11,6	12,2	11,9	12,2	12,2	11,7	12,2	11,9	0,9	1,2
DK	3,1	3,1	3,1	3,1	4,2	4,6	4,4	3,4	3,6	4,5	0,3
DE	43,4	44,0	44,6	43,6	42,4	41,3	42,9	43,3	43,2	-0,5	-0,1
EE	-	-	-	-	-	-	-	14,8	14,8		
EL	31,4	32,2	31,2	30,2	29,8	29,9	31,5	32,4	31,1	0,0	1,0
ES	35,6	35,8	35,3	34,9	34,4	34,6	35,4	34,9	35,1	-0,3	-0,7
FR	45,7	45,0	45,0	45,3	45,2	46,7	47,5	48,5	46,1	0,9	2,8
IE	12,6	11,7	11,2	10,9	11,0	11,2	12,2	12,8	11,7	0,4	0,2
IT	30,8	34,2	33,4	28,8	28,6	28,9	28,9	29,5	30,4	-1,9	-1,3
CY	-	-	-	24,9	23,7	21,9	22,1	21,7	22,9		
LV	36,1	35,2	33,2	31,9	32,7	33,2	31,9	32,4	33,3	-1,5	-3,7
LT	34,0	35,7	36,9	35,4	36,1	38,3	38,1	37,1	36,4	1,3	3,1
LU	26,1	25,3	24,6	24,8	24,9	25,0	26,4	26,7	25,5	0,5	0,6
HU	-	-	-	-	-	-	30,7	30,9	30,8		
MT	-	-	-	-	-	-	-	-	-		
NL	39,5	37,9	38,0	38,0	38,5	38,6	35,7	35,2	37,7	-1,2	-4,3
AT	29,1	28,1	27,7	27,5	27,7	27,6	26,4	26,8	27,6	-1,1	-2,3
PL	29,4	31,0	31,9	32,6	40,1	38,7	41,5	40,9	35,7	5,4	11,5
PT	31,0	30,8	31,4	31,1	30,5	30,8	31,9	31,9	31,2	0,3	0,9
SI	42,1	39,5	38,3	37,6	36,8	38,4	38,6	38,0	38,6	-1,0	-4,1
SK	-	-	-	-	-	-	-	-	-		
FI	28,4	26,8	25,6	25,1	25,4	23,2	24,8	24,4	25,4	-2,1	-4,1
SE	9,1	9,0	8,9	8,9	8,3	10,7	11,6	11,8	9,8	4,2	2,6
UK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NO	23,2	22,4	22,6	24,2	23,6	20,9	21,2	22,4	22,6	-0,9	-0,8
EU25	32,7	32,9	31,9	30,7	30,3	29,9	30,4	30,8	31,2	-1,2	-1,9
EU15	32,9	33,0	32,0	30,7	30,2	29,8	30,3	30,7	31,2	-1,4	-2,2
Euro12	38,0	38,3	38,0	36,8	36,4	36,4	36,9	37,2	37,2	-0,6	-0,8
NMS10	25,2	26,7	27,8	28,5	33,3	32,8	34,5	32,8	30,2	4,5	7,7

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table B.5\_G: Taxes by level of government as % of GDP: EC Institutions**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	1,0	1,0	1,0	1,0	0,9	1,0	1,0	0,8	1,0	-2,0	-0,2
CZ	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
DK	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	-4,0	-0,1
DE	0,9	0,8	0,8	0,7	0,6	0,7	0,6	0,4	0,7	-9,9	-0,5
EE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EL	0,8	0,8	0,7	0,7	0,7	0,6	0,6	0,4	0,7	-8,0	-0,5
ES	0,8	0,7	0,7	0,7	0,7	0,6	0,6	0,5	0,7	-4,7	-0,3
FR	0,8	0,7	0,7	0,6	0,6	0,6	0,6	0,5	0,6	-6,2	-0,4
IE	1,2	0,9	0,8	0,9	0,7	0,7	0,7	0,4	0,8	-11,7	-0,8
IT	0,7	0,6	0,5	0,6	0,5	0,5	0,5	0,4	0,5	-4,6	-0,2
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LU	1,0	0,8	0,8	0,6	0,6	0,6	0,4	0,3	0,6	-13,9	-0,7
HU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
MT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NL	1,1	1,0	1,0	1,0	0,9	0,9	0,8	0,6	0,9	-7,2	-0,5
AT	1,0	0,9	1,0	0,8	0,8	0,7	0,7	0,5	0,8	-7,9	-0,5
PL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
PT	1,0	0,7	0,7	0,7	0,6	0,6	0,5	0,5	0,7	-8,0	-0,4
SI	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
SK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
FI	0,7	0,7	0,6	0,6	0,6	0,5	0,5	0,3	0,6	-9,9	-0,4
SE	0,7	0,6	0,7	0,6	0,5	0,5	0,5	0,4	0,6	-6,6	-0,3
UK	1,0	0,9	0,7	0,7	0,7	0,7	0,6	0,5	0,7	-9,8	-0,6
NO	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU15	0,9	0,8	0,7	0,7	0,6	0,6	0,6	0,5	0,7	-7,5	-0,4
Euro12	0,9	0,8	0,7	0,7	0,6	0,6	0,6	0,5	0,7	-7,1	-0,4
NMS10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU25 (arithmetic average)	0,9	0,8	0,7	0,7	0,6	0,6	0,6	0,4			
EU15 (arithmetic average)	0,9	0,8	0,7	0,7	0,6	0,6	0,6	0,4	0,7	-7,6	-0,4
Euro12 (arithmetic average)	0,9	0,8	0,8	0,7	0,7	0,7	0,6	0,5	0,7	-7,6	-0,4
NMS10 (arithmetic average)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Ratio st.dev. and mean in % <sup>3)</sup>	27,1	25,5	28,0	28,0	28,3	27,2	29,9	33,8			6,7
Difference max. and min. <sup>3)</sup>	0,9	0,8	0,8	0,8	0,7	0,8	0,8	0,7			-0,2

1) Estimated annual average growth rate in %. - 2) in %-points of GDP - 3) for EU15

See explanatory notes in Annex C

Source: Commission Services

**Table B.5\_T: Taxes by level of government as % of Total Taxation: EC Institutions**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,3	2,1	2,2	2,2	2,0	2,1	2,1	1,8	2,1	-2,4	-0,5
CZ	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
DK	0,5	0,4	0,5	0,4	0,4	0,4	0,4	0,3	0,4	-4,0	-0,1
DE	2,3	2,0	1,9	1,6	1,4	1,5	1,4	1,0	1,6	-9,7	-1,3
EE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EL	2,6	2,4	2,0	1,9	1,8	1,7	1,7	1,1	1,9	-10,0	-1,5
ES	2,2	2,2	2,1	1,9	1,9	1,8	1,8	1,4	1,9	-5,8	-0,9
FR	1,9	1,5	1,5	1,4	1,3	1,4	1,3	1,1	1,4	-6,2	-0,8
IE	3,5	2,8	2,3	2,7	2,2	2,1	2,2	1,4	2,4	-9,8	-2,1
IT	1,6	1,5	1,1	1,3	1,1	1,2	1,3	1,0	1,3	-4,5	-0,6
CY	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
LU	2,3	1,8	1,8	1,5	1,4	1,4	1,1	0,8	1,5	-13,5	-1,6
HU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
MT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NL	2,8	2,5	2,6	2,4	2,2	2,2	2,1	1,5	2,3	-6,9	-1,3
AT	2,3	2,1	2,1	1,7	1,7	1,7	1,6	1,1	1,8	-8,4	-1,2
PL	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
PT	2,9	2,1	2,1	2,0	1,7	1,7	1,4	1,4	1,9	-9,1	-1,4
SI	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
SK	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
FI	1,6	1,4	1,4	1,2	1,2	1,1	1,1	0,6	1,2	-9,9	-0,9
SE	1,4	1,2	1,3	1,2	1,0	1,0	0,9	0,8	1,1	-6,9	-0,5
UK	2,9	2,6	2,0	2,0	1,8	1,8	1,5	1,3	2,0	-10,5	-1,6
NO	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EU15	2,1	1,9	1,7	1,6	1,5	1,5	1,4	1,1	1,6	-7,5	-1,0
Euro12	2,0	1,8	1,6	1,5	1,4	1,4	1,4	1,0	1,5	-7,4	-1,0
NMS10	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.1\_G: Taxes on Consumption as % of GDP: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	11,0	11,4	11,4	11,3	11,6	11,5	11,2	11,4	11,3	0,2	0,3
DK	15,6	16,0	16,0	16,4	16,5	15,9	15,8	15,9	16,0	0,1	0,4
DE	10,2	9,9	9,8	9,8	10,3	10,3	10,2	10,1	10,1	0,4	0,0
EL	13,4	13,5	13,0	13,1	13,2	13,3	13,6	13,1	13,3	-0,1	-0,3
ES	9,0	9,1	9,3	9,8	10,3	10,3	9,9	10,0	9,7	1,9	1,1
FR	12,7	13,1	12,9	12,7	12,6	12,0	11,8	12,1	12,5	-1,3	-0,6
IE	13,1	13,0	12,7	12,5	12,2	12,3	11,2	11,1	12,3	-2,4	-2,0
IT	10,5	10,1	10,4	10,7	11,0	11,0	10,5	10,3	10,6	0,3	-0,2
LU	11,4	11,2	11,2	10,9	11,3	11,3	11,0	11,7	11,3	0,1	0,2
NL	10,8	11,1	11,2	11,2	11,4	11,5	11,9	11,7	11,3	1,2	0,9
AT	11,6	12,7	12,7	12,5	12,7	12,4	12,3	12,6	12,4	0,5	1,0
PT	12,6	12,7	12,4	12,6	12,6	12,4	12,2	12,5	12,5	-0,3	-0,1
FI	13,9	14,0	14,5	14,1	14,4	13,8	13,3	13,7	14,0	-0,6	-0,2
SE	13,5	13,1	13,1	13,2	13,1	12,7	12,9	13,0	13,1	-0,5	-0,5
UK	13,4	13,4	13,6	13,5	13,7	13,6	13,4	13,4	13,5	0,0	-0,1
EU15	11,5	11,5	11,6	11,6	11,9	11,8	11,6	11,6	11,6	0,2	0,1
Euro12	14,0	14,1	14,7	14,8	15,2	15,3	15,0	15,0	14,7	1,1	1,0
EU15 (arithmetic average)	12,2	12,3	12,3	12,3	12,5	12,3	12,1	12,2	12,3	-0,1	0,0
Euro12 (arithmetic average)	11,7	11,8	11,8	11,8	12,0	11,9	11,6	11,7	11,8	-0,1	0,0
Ratio st.dev. and mean in %	15,2	15,7	15,4	15,0	13,8	12,4	13,4	13,5			-1,6
Difference max. and min.	6,6	6,9	6,7	6,7	6,2	5,6	5,9	5,9			-0,7

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.1\_T: Taxes on Consumption as % of Total Taxation: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	24,4	25,1	24,9	24,3	25,2	25,1	24,2	24,4	24,7	-0,2	-0,1
DK	31,6	32,0	32,1	32,8	32,0	32,0	31,6	32,6	32,1	0,1	1,0
DE	24,9	23,7	23,5	23,6	24,3	24,2	25,1	25,2	24,3	0,6	0,3
EL	41,0	41,0	38,0	36,1	35,4	34,3	36,6	36,2	37,3	-2,1	-4,8
ES	26,8	26,9	27,2	28,4	29,2	28,8	27,9	27,7	27,8	0,7	0,9
FR	28,9	29,1	28,6	28,2	27,6	26,6	26,2	27,4	27,8	-1,4	-1,6
IE	39,2	38,9	38,8	38,8	38,1	38,5	36,9	38,7	38,5	-0,5	-0,5
IT	25,5	23,7	23,3	24,9	25,4	25,8	24,6	24,7	24,7	0,4	-0,7
LU	27,0	26,5	27,0	27,2	28,1	27,9	27,0	27,8	27,3	0,5	0,8
NL	26,6	27,2	27,5	27,7	27,4	27,7	29,6	29,7	27,9	1,4	3,0
AT	27,3	28,9	28,5	28,2	28,7	28,5	27,2	28,3	28,2	-0,1	1,0
PT	37,4	36,8	35,7	36,1	35,1	34,2	34,2	34,4	35,5	-1,3	-3,0
FI	30,3	29,6	31,2	30,5	30,8	28,8	29,0	29,8	30,0	-0,5	-0,4
SE	27,3	25,3	24,9	24,9	24,4	23,5	24,6	25,8	25,1	-0,9	-1,5
UK	38,0	38,4	38,2	36,8	37,2	36,2	35,9	37,3	37,2	-0,7	-0,7
EU15	28,2	27,8	27,8	28,0	28,3	28,0	28,0	28,6	28,1	0,2	0,3
Euro12	25,8	25,2	25,0	25,3	25,6	25,4	25,4	25,8	25,4	0,1	0,0

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.2\_G: Taxes on Labour as % of GDP: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	25,0	24,7	24,9	25,0	24,6	24,7	25,3	25,4	25,0	0,2	0,4
DK	28,0	28,1	27,7	27,1	27,7	27,5	27,7	26,7	27,6	-0,5	-1,2
DE	24,9	25,2	25,3	25,0	24,8	24,8	24,5	24,4	24,9	-0,4	-0,4
EL	11,8	12,2	12,8	13,5	13,6	13,9	13,6	13,6	13,1	2,1	1,8
ES	16,7	16,9	16,5	16,3	15,9	16,2	16,7	16,8	16,5	-0,1	0,1
FR	22,9	23,2	23,1	23,0	23,3	23,1	23,1	22,8	23,1	-0,1	-0,1
IE	13,7	13,3	12,8	12,2	11,8	11,6	11,4	10,2	12,1	-3,8	-3,5
IT	18,6	20,2	21,1	21,0	20,5	20,1	20,4	20,2	20,3	0,6	1,7
LU	17,7	17,5	16,6	15,5	15,6	15,7	16,2	16,2	16,4	-1,4	-1,5
NL	22,1	21,1	20,5	20,2	21,0	21,1	18,9	19,2	20,5	-1,7	-2,9
AT	23,9	24,0	24,5	24,2	24,5	23,9	24,0	23,4	24,1	-0,3	-0,6
PT	14,0	14,2	14,3	14,2	14,4	14,8	15,0	15,1	14,5	1,1	1,1
FI	26,1	26,7	24,7	24,2	24,1	24,0	24,4	24,2	24,8	-1,3	-1,9
SE	31,0	32,7	32,7	33,5	33,3	32,7	32,7	31,6	32,5	0,2	0,6
UK	14,0	13,3	13,1	13,8	14,0	14,6	14,6	14,0	13,9	1,0	0,0
EU15	21,4	21,6	21,3	21,2	21,1	21,0	20,9	20,6	21,2	-0,6	-0,8
Euro12	26,2	26,5	27,0	27,0	27,1	27,4	27,1	26,7	26,9	0,3	0,5
EU15 (arithmetic average)	20,7	20,9	20,7	20,6	20,6	20,6	20,6	20,3	20,7	-0,3	-0,4
Euro12 (arithmetic average)	19,8	19,9	19,8	19,5	19,5	19,5	19,5	19,3	19,6	-0,4	-0,5
Ratio st.dev. and mean in %	27,6	28,7	28,7	29,1	29,3	28,3	28,8	28,6			1,1
Difference max. and min.	19,2	20,5	19,9	21,2	21,5	21,1	21,3	21,4			2,2

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.2\_T: Taxes on Labour as % of Total Taxation: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	55,5	54,6	54,4	53,9	53,6	53,7	54,9	54,6	54,4	-0,2	-0,9
DK	56,8	56,3	55,7	54,0	53,8	55,4	55,5	54,7	55,3	-0,4	-2,1
DE	61,0	60,5	60,9	60,1	58,7	58,3	60,2	60,9	60,1	-0,2	-0,1
EL	36,1	37,0	37,4	37,1	36,5	35,8	36,7	37,4	36,8	0,1	1,3
ES	50,0	50,1	48,2	47,2	45,2	45,4	47,1	46,5	47,4	-1,2	-3,6
FR	52,1	51,4	51,2	51,0	50,9	51,1	51,4	51,5	51,3	-0,1	-0,6
IE	40,9	39,8	39,2	38,0	36,8	36,1	37,3	35,5	38,0	-1,9	-5,4
IT	45,1	47,2	47,3	48,5	47,5	47,0	47,9	48,5	47,4	0,6	3,4
LU	41,9	41,3	39,9	38,5	38,6	38,7	39,8	38,6	39,7	-1,0	-3,2
NL	54,5	51,8	50,3	50,1	50,4	51,0	47,2	48,7	50,5	-1,4	-5,8
AT	56,6	54,8	55,0	54,7	55,3	54,9	53,1	52,6	54,6	-0,8	-3,9
PT	41,8	41,3	41,3	40,7	40,0	40,8	42,2	41,6	41,2	0,0	-0,2
FI	56,7	56,5	53,0	52,2	51,5	50,1	53,1	52,6	53,2	-1,2	-4,0
SE	62,5	63,1	62,3	63,0	62,0	60,6	62,6	62,4	62,3	-0,2	-0,1
UK	39,6	38,0	36,8	37,7	38,0	38,8	39,2	39,1	38,4	0,3	-0,4
EU15	52,7	52,2	51,3	51,0	50,3	50,0	50,7	50,9	51,1	-0,6	-1,9
Euro12	51,6	51,3	50,9	50,6	49,8	49,5	50,1	50,3	50,5	-0,5	-1,3

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.2.1\_G: Taxes on Labour as % of GDP: Employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	23,0	22,6	22,7	22,8	22,6	22,6	23,2	23,3	22,8	0,2	0,3
DK	21,8	22,0	22,2	21,8	22,5	22,5	22,8	22,0	22,2	0,4	0,2
DE	21,9	21,8	21,9	21,8	21,6	21,8	21,6	21,4	21,7	-0,3	-0,5
EL	11,0	11,4	11,9	12,5	12,6	12,9	12,6	12,6	12,2	2,0	1,6
ES	14,4	14,7	14,4	14,3	14,1	14,4	14,8	14,9	14,5	0,3	0,5
FR	22,4	22,7	22,7	22,7	23,0	22,9	22,8	22,5	22,7	0,1	0,1
IE	13,5	13,2	12,7	12,1	11,7	11,5	11,3	10,1	12,0	-3,7	-3,4
IT	16,7	18,2	19,1	18,8	18,4	18,0	18,3	18,2	18,2	0,5	1,5
LU	15,8	15,6	14,7	13,9	14,0	14,3	14,8	14,8	14,7	-0,9	-0,9
NL	17,8	17,2	16,8	17,2	17,9	18,1	16,3	16,7	17,3	-0,6	-1,2
AT	22,0	21,8	22,2	21,9	22,1	21,6	21,6	21,0	21,8	-0,5	-0,9
PT	13,7	13,8	13,9	13,8	14,0	14,4	14,6	14,7	14,1	1,1	1,0
FI	21,9	22,6	21,1	21,1	21,2	21,1	21,7	21,4	21,5	-0,4	-0,5
SE	26,3	28,2	28,4	29,2	29,2	28,9	29,0	28,0	28,4	0,7	1,6
UK	13,8	13,1	12,9	13,6	13,9	14,4	14,4	13,8	13,8	1,0	0,0
EU15	19,4	19,5	19,3	19,3	19,3	19,3	19,2	18,9	19,3	-0,3	-0,5
Euro12	23,7	24,0	24,5	24,6	24,8	25,1	24,9	24,5	24,5	0,6	0,8
EU15 (arithmetic average)	18,4	18,6	18,5	18,5	18,6	18,6	18,6	18,4	18,6	0,0	0,0
Euro12 (arithmetic average)	17,8	18,0	17,8	17,7	17,8	17,8	17,8	17,6	17,8	-0,2	-0,2
Ratio st.dev. and mean in %	23,7	25,1	25,6	26,1	26,3	25,4	26,0	25,9			2,2
Difference max. and min.	15,3	16,8	16,4	17,2	17,5	17,4	17,7	17,9			2,5

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.2.1\_T: Taxes on Labour as % of Total Taxation: Employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	50,9	49,9	49,7	49,2	49,1	49,2	50,2	50,0	49,8	-0,2	-0,9
DK	44,2	44,1	44,6	43,5	43,8	45,4	45,7	45,0	44,5	0,4	0,8
DE	53,5	52,3	52,7	52,2	51,2	51,2	52,9	53,2	52,4	-0,1	-0,3
EL	33,7	34,6	34,8	34,3	33,7	33,2	34,0	34,7	34,1	-0,1	0,9
ES	43,1	43,5	42,2	41,6	40,0	40,3	41,8	41,2	41,7	-0,8	-1,9
FR	51,0	50,4	50,1	50,4	50,4	50,5	50,8	50,9	50,6	0,1	-0,1
IE	40,4	39,3	38,7	37,6	36,5	35,8	37,1	35,2	37,6	-1,8	-5,2
IT	40,5	42,6	42,6	43,4	42,6	42,3	43,0	43,6	42,6	0,6	3,1
LU	37,2	36,8	35,4	34,7	34,7	35,1	36,2	35,3	35,7	-0,6	-1,9
NL	44,0	42,2	41,3	42,7	43,0	43,7	40,8	42,1	42,5	-0,3	-1,8
AT	51,9	50,0	49,9	49,4	49,9	49,6	47,7	47,4	49,5	-1,1	-4,5
PT	40,7	40,2	40,1	39,5	38,9	39,6	40,9	40,4	40,0	0,0	-0,3
FI	47,6	47,8	45,4	45,4	45,2	43,9	47,1	46,7	46,1	-0,4	-1,0
SE	53,2	54,3	54,0	55,0	54,3	53,5	55,5	55,3	54,4	0,4	2,1
UK	39,1	37,6	36,4	37,2	37,6	38,3	38,7	38,6	37,9	0,3	-0,5
EU15	47,7	47,1	46,4	46,5	45,9	45,9	46,5	46,6	46,6	-0,3	-1,1
Euro12	46,6	46,1	45,8	45,8	45,2	45,1	45,7	45,9	45,8	-0,3	-0,7

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.2.1.1\_G: Taxes on Labour as % of GDP: Employed paid by employers**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	8,9	8,8	8,8	8,8	8,8	8,5	8,7	8,8	8,7	-0,2	-0,1
DK	0,8	0,8	0,9	1,0	0,9	0,8	0,9	0,8	0,9	0,9	0,1
DE	7,7	7,7	7,8	7,7	7,6	7,6	7,5	7,5	7,6	-0,6	-0,2
EL	4,8	5,0	5,2	5,3	5,2	5,5	5,5	5,6	5,3	2,0	0,8
ES	8,3	8,5	8,5	8,4	8,5	8,7	8,9	9,0	8,6	1,0	0,6
FR	12,7	12,6	12,6	12,4	12,5	12,3	12,3	11,9	12,4	-0,7	-0,7
IE	2,9	2,7	2,6	2,6	2,6	2,7	2,8	2,7	2,7	-0,1	-0,2
IT	8,8	10,3	11,0	10,6	10,1	10,1	10,2	10,1	10,1	0,7	1,4
LU	5,2	5,1	4,8	4,7	4,6	4,7	5,0	5,2	4,9	-0,3	0,0
NL	2,0	1,9	1,8	4,6	4,6	4,6	4,5	4,6	3,6	15,5	2,6
AT	10,1	10,0	10,0	9,8	9,8	9,6	9,6	9,5	9,8	-0,9	-0,6
PT	6,4	6,6	6,8	6,8	6,8	7,0	7,0	7,2	6,8	1,4	0,7
FI	9,9	9,7	9,2	9,2	9,4	8,9	9,2	9,2	9,3	-1,0	-0,8
SE	12,8	13,7	13,4	13,7	13,8	14,0	14,4	14,3	13,7	1,4	1,6
UK	3,4	3,3	3,4	3,3	3,4	3,6	3,6	3,4	3,4	0,8	0,1
EU15	8,0	8,2	8,2	8,1	8,0	8,0	8,0	7,9	8,1	-0,4	-0,1
Euro12	9,7	10,1	10,3	10,4	10,3	10,4	10,3	10,2	10,2	0,6	0,5
EU15 (arithmetic average)	7,0	7,1	7,1	7,3	7,2	7,2	7,3	7,3	7,2	0,6	0,3
Euro12 (arithmetic average)	7,3	7,4	7,4	7,6	7,5	7,5	7,6	7,6	7,5	0,5	0,3
Ratio st.dev. and mean in %	46,9	47,5	47,8	44,9	45,7	45,5	45,9	46,1			-0,8
Difference max. and min.	12,0	12,9	12,5	12,7	12,9	13,2	13,5	13,5			1,5

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.2.1.1\_T: Taxes on Labour as % of Total Taxation: Employed paid by employers**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	19,7	19,4	19,1	19,0	19,0	18,5	18,8	18,9	19,1	-0,6	-0,8
DK	1,6	1,6	1,8	2,0	1,8	1,6	1,8	1,7	1,7	0,9	0,1
DE	18,8	18,6	18,8	18,5	18,1	17,8	18,5	18,5	18,5	-0,4	-0,3
EL	14,6	15,2	15,1	14,6	13,9	14,1	14,9	15,4	14,7	0,0	0,7
ES	24,9	25,2	24,9	24,4	24,1	24,3	25,2	24,8	24,7	-0,1	-0,1
FR	28,8	28,0	27,9	27,4	27,3	27,2	27,3	27,0	27,6	-0,8	-1,8
IE	8,7	8,0	7,9	8,1	8,1	8,4	9,3	9,5	8,5	1,9	0,8
IT	21,3	24,1	24,5	24,6	23,3	23,6	23,9	24,3	23,7	0,8	3,0
LU	12,3	12,1	11,6	11,8	11,3	11,5	12,2	12,4	11,9	0,1	0,2
NL	4,8	4,8	4,4	11,4	11,0	11,2	11,3	11,6	8,8	15,7	6,8
AT	24,0	22,9	22,5	22,1	22,2	22,2	21,2	21,5	22,3	-1,4	-2,5
PT	19,2	19,1	19,6	19,6	19,0	19,2	19,7	19,7	19,4	0,3	0,6
FI	21,6	20,5	19,7	19,9	20,2	18,5	20,0	19,9	20,0	-1,0	-1,7
SE	25,8	26,4	25,5	25,8	25,7	26,0	27,5	28,3	26,4	1,1	2,5
UK	9,5	9,6	9,4	9,1	9,3	9,5	9,6	9,5	9,4	0,1	0,0
EU15	19,6	19,8	19,6	19,5	19,1	19,0	19,4	19,5	19,4	-0,3	-0,2
Euro12	20,5	20,7	20,8	20,9	20,5	20,4	20,8	20,9	20,7	0,1	0,4

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services



**Table C.2.1.2\_G: Taxes on Labour as % of GDP: Employed paid by employees**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	14,1	13,8	14,0	14,0	13,8	14,1	14,5	14,5	14,1	0,5	0,4
DK	21,0	21,2	21,3	20,8	21,6	21,7	21,9	21,2	21,3	0,4	0,2
DE	14,2	14,0	14,1	14,1	14,0	14,2	14,0	13,9	14,1	-0,1	-0,2
EL	6,2	6,4	6,7	7,1	7,4	7,4	7,1	7,0	6,9	1,9	0,8
ES	6,1	6,2	5,9	5,9	5,6	5,7	5,9	5,9	5,9	-0,7	-0,2
FR	9,8	10,1	10,1	10,4	10,5	10,5	10,6	10,6	10,3	1,1	0,8
IE	10,6	10,5	10,1	9,5	9,1	8,8	8,5	7,4	9,3	-4,9	-3,2
IT	7,9	7,9	8,1	8,1	8,4	8,0	8,1	8,1	8,1	0,3	0,2
LU	10,6	10,4	9,9	9,2	9,5	9,6	9,8	9,6	9,8	-1,3	-1,0
NL	15,9	15,3	15,0	12,6	13,3	13,5	11,8	12,1	13,7	-4,1	-3,8
AT	11,8	11,8	12,2	12,1	12,2	11,9	12,0	11,5	12,0	-0,2	-0,3
PT	7,2	7,2	7,1	7,0	7,1	7,4	7,6	7,5	7,3	0,8	0,3
FI	12,0	12,9	11,9	11,8	11,7	12,2	12,4	12,3	12,2	0,0	0,3
SE	13,6	14,5	15,0	15,6	15,4	14,8	14,6	13,6	14,6	0,0	0,1
UK	10,5	9,8	9,6	10,3	10,4	10,8	10,9	10,4	10,3	1,0	0,0
EU15	11,4	11,3	11,2	11,2	11,3	11,3	11,2	11,0	11,3	-0,3	-0,4
Euro12	13,9	13,9	14,2	14,3	14,5	14,7	14,5	14,3	14,3	0,6	0,3
EU15 (arithmetic average)	11,4	11,5	11,4	11,2	11,3	11,4	11,3	11,0	11,4	-0,4	-0,4
Euro12 (arithmetic average)	10,5	10,6	10,4	10,1	10,2	10,3	10,2	10,0	10,3	-0,7	-0,5
Ratio st.dev. and mean in %	34,9	35,5	36,3	34,6	35,6	35,6	35,8	35,4			0,5
Difference max. and min.	14,9	15,0	15,4	14,9	16,0	16,0	16,0	15,2			0,3

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.2.1.2\_T: Taxes on Labour as % of Total Taxation: Employed paid by employees**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	31,3	30,5	30,5	30,1	30,0	30,7	31,4	31,1	30,7	0,1	-0,2
DK	42,6	42,5	42,8	41,5	42,0	43,8	43,9	43,3	42,8	0,4	0,7
DE	34,7	33,7	33,9	33,7	33,1	33,4	34,4	34,7	34,0	0,1	0,0
EL	19,1	19,3	19,7	19,6	19,8	19,0	19,1	19,3	19,4	-0,1	0,2
ES	18,2	18,3	17,3	17,2	15,9	16,0	16,6	16,4	17,0	-1,8	-1,8
FR	22,2	22,5	22,2	23,0	23,1	23,3	23,5	24,0	23,0	1,1	1,7
IE	31,8	31,4	30,8	29,6	28,4	27,4	27,8	25,7	29,1	-2,9	-6,0
IT	19,2	18,5	18,1	18,8	19,3	18,7	19,1	19,3	18,9	0,4	0,1
LU	24,9	24,6	23,8	22,9	23,4	23,6	24,0	22,9	23,8	-0,9	-2,1
NL	39,1	37,4	36,9	31,3	32,0	32,5	29,5	30,5	33,7	-3,9	-8,6
AT	27,9	27,1	27,5	27,3	27,7	27,4	26,5	25,9	27,2	-0,8	-2,0
PT	21,5	21,0	20,5	20,0	19,9	20,4	21,3	20,7	20,7	-0,3	-0,8
FI	26,0	27,3	25,7	25,5	25,0	25,4	27,0	26,7	26,1	0,1	0,7
SE	27,4	28,0	28,6	29,3	28,6	27,5	28,0	27,0	28,0	-0,3	-0,4
UK	29,6	28,0	26,9	28,1	28,3	28,8	29,1	29,1	28,5	0,4	-0,5
EU15	28,1	27,3	26,8	26,9	26,8	26,9	27,2	27,2	27,2	-0,3	-0,9
Euro12	26,1	25,4	25,0	24,9	24,8	24,7	24,9	25,0	25,1	-0,5	-1,1

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.2.2\_G: Taxes on Labour as % of GDP: Non-employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,1	2,1	2,2	2,2	2,1	2,1	2,1	2,1	2,1	0,1	0,1
DK	6,2	6,1	5,5	5,3	5,2	5,0	4,9	4,7	5,4	-4,0	-1,5
DE	3,0	3,4	3,4	3,3	3,2	3,0	3,0	3,1	3,2	-1,2	0,0
EL	0,8	0,8	0,9	1,0	1,1	1,0	1,0	1,0	1,0	4,1	0,2
ES	2,3	2,2	2,0	1,9	1,8	1,8	1,9	1,9	2,0	-3,1	-0,4
FR	0,5	0,4	0,5	0,3	0,3	0,3	0,3	0,2	0,3	-10,8	-0,2
IE	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	-12,9	-0,1
IT	1,9	2,0	2,1	2,2	2,1	2,0	2,1	2,0	2,1	0,7	0,1
LU	2,0	1,9	1,9	1,5	1,6	1,5	1,4	1,4	1,6	-5,4	-0,6
NL	4,3	3,9	3,7	3,0	3,1	3,0	2,6	2,6	3,3	-7,3	-1,7
AT	2,0	2,1	2,3	2,3	2,4	2,3	2,4	2,3	2,3	2,3	0,4
PT	0,4	0,4	0,4	0,4	0,4	0,4	0,5	0,4	0,4	2,4	0,1
FI	4,2	4,1	3,6	3,2	3,0	3,0	2,8	2,7	3,3	-6,6	-1,4
SE	4,6	4,5	4,3	4,2	4,1	3,8	3,7	3,6	4,1	-3,6	-1,0
UK	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	1,5	0,0
EU15	2,0	2,1	2,0	1,9	1,8	1,7	1,7	1,7	1,9	-3,3	-0,3
Euro12	2,5	2,6	2,6	2,4	2,3	2,3	2,2	2,2	2,4	-2,4	-0,3
EU15 (arithmetic average)	2,3	2,3	2,2	2,1	2,0	2,0	1,9	1,9	2,1	-3,0	-0,4
Euro12 (arithmetic average)	2,0	2,0	1,9	1,8	1,8	1,7	1,7	1,7	1,8	-2,7	-0,3
Ratio st.dev. and mean in %	90,2	85,4	81,0	81,6	82,4	82,8	81,5	79,7			-10,4
Difference max. and min.	6,0	5,9	5,4	5,2	5,1	4,9	4,8	4,7			-1,4

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.2.2\_T: Taxes on Labour as % of Total Taxation: Non-employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	4,6	4,7	4,8	4,7	4,5	4,5	4,7	4,6	4,6	-0,3	0,0
DK	12,6	12,2	11,1	10,5	10,0	10,0	9,8	9,7	10,7	-3,9	-2,9
DE	7,4	8,2	8,2	7,8	7,5	7,1	7,3	7,6	7,6	-1,1	0,2
EL	2,4	2,5	2,6	2,8	2,9	2,7	2,7	2,8	2,7	2,1	0,4
ES	6,9	6,6	6,0	5,5	5,2	5,1	5,3	5,2	5,7	-4,2	-1,6
FR	1,1	1,0	1,1	0,6	0,6	0,6	0,6	0,6	0,7	-10,8	-0,5
IE	0,5	0,5	0,4	0,4	0,3	0,3	0,3	0,2	0,4	-10,9	-0,2
IT	4,7	4,6	4,7	5,1	4,8	4,8	4,9	4,9	4,8	0,8	0,3
LU	4,7	4,5	4,5	3,8	3,9	3,6	3,5	3,3	4,0	-5,0	-1,3
NL	10,5	9,6	9,0	7,4	7,4	7,3	6,4	6,6	8,0	-7,1	-4,0
AT	4,7	4,9	5,1	5,3	5,5	5,3	5,4	5,3	5,2	1,8	0,6
PT	1,1	1,2	1,1	1,1	1,2	1,2	1,3	1,2	1,2	1,3	0,1
FI	9,0	8,8	7,7	6,8	6,3	6,2	6,0	6,0	7,1	-6,5	-3,1
SE	9,4	8,7	8,2	7,9	7,7	7,1	7,2	7,2	7,9	-4,0	-2,2
UK	0,5	0,5	0,4	0,5	0,5	0,5	0,5	0,5	0,5	0,8	0,0
EU15	5,0	5,1	4,9	4,5	4,4	4,1	4,1	4,2	4,5	-3,3	-0,8
Euro12	5,0	5,2	5,1	4,8	4,6	4,4	4,4	4,5	4,7	-2,5	-0,6

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.3\_G: Taxes on Capital as % of GDP: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	9,0	9,2	9,5	10,1	9,8	9,8	9,7	9,8	9,6	1,0	0,8
DK	5,7	5,8	6,1	6,6	7,3	6,3	6,5	6,2	6,3	1,5	0,5
DE	5,8	6,6	6,5	6,8	7,2	7,4	6,0	5,6	6,5	-0,3	-0,2
EL	7,5	7,3	8,4	9,8	10,5	11,6	9,9	9,6	9,3	5,1	2,1
ES	7,8	7,8	8,4	8,4	9,0	9,2	8,9	9,3	8,6	2,7	1,6
FR	8,3	8,8	9,1	9,4	9,8	10,1	10,1	9,3	9,4	2,2	1,0
IE	6,6	7,1	7,2	7,5	8,1	8,1	7,8	7,4	7,5	2,0	0,8
IT	12,1	12,4	13,2	11,5	11,7	11,6	11,7	11,2	11,9	-1,5	-0,9
LU	13,2	13,7	13,7	13,8	13,5	13,6	13,6	14,1	13,6	0,5	0,9
NL	7,7	8,6	9,1	8,9	9,3	8,8	9,3	8,5	8,8	1,3	0,9
AT	6,8	7,1	7,4	7,6	7,1	7,2	9,0	8,5	7,6	3,1	1,6
PT	7,0	7,5	8,0	8,1	9,0	9,1	8,4	8,7	8,2	3,1	1,7
FI	6,0	6,6	7,3	8,0	8,3	10,2	8,3	8,0	7,8	5,0	2,0
SE	5,0	6,1	6,7	6,5	7,4	8,6	6,6	6,0	6,6	3,0	0,9
UK	7,9	8,2	8,9	9,4	9,2	9,4	9,3	8,5	8,8	1,4	0,5
EU15	7,7	8,3	8,7	8,7	9,0	9,2	8,8	8,3	8,6	1,2	0,6
Euro12	9,4	10,2	11,0	11,1	11,5	12,0	11,4	10,8	11,0	2,1	1,4
EU15 (arithmetic average)	7,8	8,2	8,6	8,8	9,1	9,4	9,0	8,7	8,7	1,9	0,9
Euro12 (arithmetic average)	8,1	8,6	9,0	9,2	9,4	9,7	9,4	9,2	9,1	1,9	1,0
Ratio st.dev. and mean in %	29,2	26,7	25,4	22,5	19,9	20,4	22,3	25,6			-3,7
Difference max. and min.	8,1	7,8	7,6	7,3	6,4	7,3	7,6	8,5			0,3

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.3\_T: Taxes on Capital as % of Total Taxation: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	20,0	20,3	20,7	21,8	21,3	21,2	20,9	21,0	20,9	0,6	1,0
DK	11,6	11,7	12,2	13,2	14,2	12,6	12,9	12,7	12,6	1,6	1,1
DE	14,2	15,8	15,6	16,3	16,9	17,5	14,7	13,9	15,6	-0,1	-0,3
EL	22,9	22,0	24,6	26,9	28,1	29,8	26,6	26,4	25,9	3,1	3,5
ES	23,2	23,0	24,7	24,5	25,6	25,8	25,0	25,8	24,7	1,6	2,6
FR	19,0	19,5	20,2	20,8	21,4	22,3	22,4	21,1	20,8	2,1	2,2
IE	19,8	21,3	22,0	23,2	25,1	25,4	25,8	25,8	23,6	3,9	6,0
IT	29,4	29,1	29,5	26,7	27,2	27,2	27,4	26,8	27,9	-1,4	-2,6
LU	31,1	32,2	33,0	34,3	33,3	33,4	33,3	33,6	33,0	0,8	2,5
NL	18,9	21,0	22,3	22,2	22,2	21,3	23,1	21,6	21,6	1,6	2,8
AT	16,1	16,2	16,5	17,1	16,0	16,7	19,8	19,1	17,2	2,5	3,0
PT	20,8	21,9	23,0	23,2	24,9	25,1	23,6	24,0	23,3	2,0	3,2
FI	13,1	13,9	15,7	17,3	17,7	21,2	17,9	17,5	16,8	5,1	4,5
SE	10,2	11,7	12,8	12,2	13,7	15,9	12,7	11,8	12,6	2,7	1,6
UK	22,5	23,5	25,0	25,6	24,8	25,0	24,9	23,6	24,4	0,7	1,1
EU15	19,0	20,1	20,9	21,0	21,4	22,0	21,3	20,6	20,8	1,2	1,5
Euro12	18,3	19,4	20,0	19,9	20,5	21,0	20,3	19,7	19,9	1,1	1,4

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.1\_G: Taxes on Capital as % of GDP: Capital and business income**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	6,0	6,0	6,0	6,6	6,2	6,2	6,2	6,1	6,2	0,5	0,2
DK	3,8	4,0	4,2	4,6	5,3	3,8	3,8	3,5	4,1	-1,4	-0,4
DE	4,6	5,4	5,4	5,7	6,1	6,3	4,9	4,5	5,4	-0,1	-0,1
EL	5,7	5,3	5,7	7,1	7,2	8,3	7,1	7,2	6,7	5,1	1,5
ES	5,1	5,2	5,8	5,7	6,2	6,3	6,0	6,5	5,8	3,2	1,3
FR	4,1	4,5	4,6	4,8	5,3	5,6	5,8	5,0	5,0	4,0	0,9
IE	4,6	5,0	5,2	5,5	5,9	6,1	5,9	5,6	5,5	3,2	1,0
IT	8,0	8,6	9,2	8,0	8,6	8,8	9,1	8,3	8,6	0,6	0,4
LU	10,1	10,4	10,3	10,2	9,4	9,3	9,6	10,7	10,0	-0,5	0,5
NL	5,4	6,1	6,6	6,4	6,5	6,0	6,5	5,9	6,2	0,8	0,5
AT	5,2	5,9	6,1	6,3	5,8	6,0	7,6	7,1	6,2	4,0	1,9
PT	4,3	4,9	5,3	5,2	5,6	6,0	5,4	5,5	5,3	3,0	1,1
FI	4,8	5,3	6,0	6,7	7,0	8,8	7,0	6,7	6,5	5,8	1,9
SE	3,4	3,9	4,4	4,3	5,2	6,4	4,7	4,0	4,5	3,8	0,5
UK	5,4	5,8	6,4	6,8	6,5	6,5	6,6	5,7	6,2	1,2	0,3
EU15	5,2	5,7	6,1	6,1	6,4	6,6	6,2	5,7	6,0	1,8	0,6
Euro12	6,3	7,0	7,7	7,8	8,2	8,6	8,1	7,4	7,7	2,7	1,1
EU15 (arithmetic average)	5,4	5,8	6,1	6,2	6,4	6,7	6,4	6,1	6,1	2,1	0,8
Euro12 (arithmetic average)	5,7	6,0	6,4	6,5	6,6	7,0	6,7	6,6	6,4	2,3	0,9
Ratio st.dev. and mean in %	33,0	29,7	27,4	24,6	18,8	22,4	24,8	31,1			-1,8
Difference max. and min.	6,7	6,5	6,1	6,0	4,2	5,5	5,7	7,2			0,5

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.1\_T: Taxes on Capital as % of Total Taxation: Capital and business income**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	13,2	13,2	13,1	14,1	13,5	13,6	13,3	13,2	13,4	0,1	0,0
DK	7,7	8,1	8,5	9,2	10,3	7,6	7,7	7,1	8,3	-1,3	-0,7
DE	11,3	12,9	12,9	13,6	14,4	14,9	11,9	11,2	12,9	0,1	-0,1
EL	17,4	16,0	16,7	19,5	19,3	21,3	19,3	19,8	18,7	3,0	2,3
ES	15,3	15,5	17,0	16,5	17,5	17,7	16,9	17,9	16,8	2,0	2,6
FR	9,3	9,9	10,3	10,7	11,5	12,4	12,8	11,3	11,0	3,9	2,0
IE	13,8	15,0	15,9	17,0	18,5	19,0	19,2	19,6	17,2	5,1	5,8
IT	19,3	20,2	20,5	18,5	19,8	20,6	21,3	19,9	20,0	0,7	0,6
LU	23,9	24,5	24,9	25,5	23,3	22,8	23,5	25,4	24,2	-0,2	1,5
NL	13,2	15,0	16,1	15,8	15,5	14,5	16,4	14,8	15,2	1,1	1,6
AT	12,3	13,5	13,6	14,1	13,1	13,7	16,8	16,1	14,2	3,5	3,8
PT	12,9	14,2	15,3	14,8	15,7	16,4	15,0	15,1	14,9	1,9	2,2
FI	10,5	11,2	13,0	14,5	14,9	18,3	15,2	14,7	14,0	5,9	4,2
SE	7,0	7,6	8,4	8,0	9,6	11,8	9,0	7,9	8,7	3,4	0,9
UK	15,2	16,6	18,1	18,6	17,6	17,4	17,6	15,9	17,1	0,5	0,7
EU15	12,7	13,8	14,5	14,6	15,2	15,7	15,1	14,2	14,5	1,8	1,5
Euro12	12,1	13,3	13,9	13,8	14,6	15,2	14,6	13,7	13,9	1,9	1,6

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.1.1\_G: Taxes on Capital as % of GDP: Income of corporations**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,4	2,7	2,9	3,4	3,3	3,3	3,2	3,1	3,0	3,4	0,7
DK	3,1	3,4	3,5	3,5	4,1	3,1	3,2	2,9	3,4	-1,1	-0,2
DE	2,1	2,5	2,6	2,7	2,9	3,0	1,8	1,7	2,4	-3,2	-0,4
EL	2,6	2,3	2,6	3,1	3,5	4,6	3,8	3,8	3,3	8,3	1,1
ES	1,9	2,1	2,8	2,6	3,0	3,2	3,0	3,4	2,7	7,8	1,5
FR	1,8	2,0	2,3	2,3	2,7	2,8	3,1	2,6	2,5	6,9	0,9
IE	2,8	3,1	3,2	3,4	3,8	3,8	3,6	3,7	3,4	4,0	0,9
IT	2,9	3,4	3,8	2,9	3,3	3,0	3,6	3,2	3,3	0,6	0,3
LU	7,5	7,7	7,9	7,8	7,1	7,2	7,5	8,6	7,7	0,6	1,1
NL	3,3	4,1	4,6	4,5	4,6	4,4	4,4	3,7	4,2	1,3	0,4
AT	1,6	2,1	2,1	2,2	1,9	2,1	3,2	3,0	2,3	7,6	1,4
PT	2,5	2,9	3,3	3,3	3,8	4,1	3,6	3,7	3,4	5,5	1,2
FI	2,3	2,8	3,5	4,3	4,4	6,0	4,3	4,3	4,0	9,6	2,0
SE	2,7	2,6	2,9	2,7	3,1	3,8	3,0	2,6	2,9	1,7	-0,1
UK	2,7	3,1	3,8	3,8	3,4	3,4	3,3	2,7	3,3	-0,2	0,0
EU15	2,3	2,7	3,1	3,0	3,2	3,2	3,0	2,7	2,9	2,3	0,4
Euro12	2,8	3,3	3,9	3,8	4,1	4,2	3,9	3,6	3,7	3,2	0,7
EU15 (arithmetic average)	2,8	3,1	3,5	3,5	3,7	3,9	3,6	3,5	3,4	3,3	0,7
Euro12 (arithmetic average)	2,8	3,1	3,5	3,6	3,7	4,0	3,8	3,7	3,5	4,0	0,9
Ratio st.dev. and mean in %	59,1	51,6	45,4	45,5	37,0	40,2	40,9	56,0			-3,2
Difference max. and min.	5,9	5,7	5,8	5,6	5,2	5,1	5,7	6,9			1,0

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.1.1\_T: Taxes on Capital as % of Total Taxation: Income of corporations**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	5,4	6,0	6,3	7,4	7,1	7,1	6,9	6,7	6,6	3,0	1,3
DK	6,3	6,8	7,1	7,1	7,9	6,2	6,4	6,0	6,7	-1,0	-0,3
DE	5,2	5,9	6,3	6,5	6,8	7,1	4,3	4,2	5,8	-3,0	-0,9
EL	8,0	6,8	7,5	8,6	9,4	12,0	10,2	10,4	9,1	6,3	2,3
ES	5,8	6,1	8,1	7,5	8,5	9,0	8,4	9,5	7,9	6,7	3,8
FR	4,0	4,5	5,0	5,1	5,9	6,3	6,9	5,9	5,5	6,8	1,9
IE	8,3	9,3	9,8	10,5	12,0	11,8	11,9	13,0	10,8	6,0	4,7
IT	7,0	7,9	8,5	6,7	7,6	7,0	8,5	7,8	7,6	0,7	0,7
LU	17,7	18,2	19,1	19,5	17,5	17,7	18,4	20,5	18,6	0,9	2,8
NL	8,1	10,1	11,3	11,3	10,9	10,7	10,9	9,4	10,3	1,5	1,3
AT	3,8	4,8	4,8	5,1	4,3	4,9	7,1	6,8	5,2	7,1	3,0
PT	7,4	8,4	9,6	9,5	10,7	11,3	10,0	10,3	9,7	4,4	2,9
FI	5,0	6,0	7,5	9,3	9,4	12,5	9,4	9,3	8,6	9,6	4,3
SE	5,4	5,0	5,5	5,0	5,8	7,1	5,8	5,1	5,6	1,4	-0,3
UK	7,6	8,9	10,8	10,4	9,1	9,0	8,8	7,6	9,0	-0,9	0,0
EU15	5,7	6,5	7,4	7,2	7,5	7,7	7,3	6,8	7,0	2,3	1,0
Euro12	5,2	6,0	6,7	6,5	7,0	7,3	6,8	6,4	6,5	2,8	1,2

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.1.2\_G: Taxes on Capital as % of GDP: Income of households**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	1,0	0,7	0,7	0,6	0,4	0,5	0,5	0,5	0,6	-9,4	-0,5
DK	-0,6	-0,6	-0,5	-0,2	-0,1	-0,4	-0,6	-0,7	-0,5		-0,1
DE	0,3	0,3	0,3	0,4	0,4	0,4	0,4	0,3	0,3	2,3	0,0
EL	0,8	0,8	0,8	1,1	0,9	0,9	0,8	0,8	0,9	0,4	0,1
ES	0,8	0,8	0,7	0,8	0,8	0,9	0,8	0,8	0,8	0,5	0,0
FR	0,4	0,5	0,5	0,8	0,8	0,8	0,8	0,9	0,7	10,6	0,4
IE	0,5	0,6	0,7	0,8	0,9	1,2	1,2	0,8	0,8	10,6	0,3
IT	1,8	2,0	2,1	1,7	1,7	2,2	1,9	1,6	1,9	-1,5	-0,3
LU	0,9	1,0	0,9	0,9	0,9	0,7	0,7	0,8	0,8	-4,6	-0,2
NL	-0,5	-0,5	-0,5	-0,4	-0,4	-0,8	0,5	0,4	-0,3		0,9
AT	1,1	1,2	1,2	1,1	1,1	1,0	1,1	1,0	1,1	-2,3	-0,1
PT	0,9	0,9	0,9	0,8	0,8	0,9	0,9	0,9	0,9	-0,1	0,0
FI	0,6	0,7	0,8	0,8	1,0	1,2	1,1	0,8	0,9	6,2	0,2
SE	0,1	0,6	0,8	0,9	1,3	1,8	0,9	0,7	0,9	20,6	0,6
UK	1,2	1,3	1,2	1,6	1,7	1,7	1,7	1,4	1,5	4,1	0,2
EU15	0,7	0,8	0,8	0,9	0,9	1,0	1,0	0,9	0,9	4,4	0,2
Euro12	0,8	0,9	1,0	1,1	1,2	1,3	1,3	1,1	1,1	5,3	0,3
EU15 (arithmetic average)	0,6	0,7	0,7	0,8	0,8	0,9	0,8	0,7	0,8	3,1	0,1
Euro12 (arithmetic average)	0,7	0,8	0,8	0,8	0,8	0,8	0,9	0,8	0,8	1,9	0,1
Ratio st.dev. and mean in %	92,1	84,6	79,3	64,5	62,9	76,7	58,9	59,2			-32,9
Difference max. and min.	2,4	2,6	2,6	2,2	2,2	3,1	2,5	2,2			-0,2

1) Estimated annual average growth rate in %. - 2) in %-points of GDP. - 3) including self-employed

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.1.2\_T: Taxes on Capital as % of Total Taxation: Income of households**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,2	1,5	1,5	1,2	1,0	1,1	1,1	1,0	1,3	-9,8	-1,2
DK	-1,2	-1,2	-0,9	-0,4	-0,2	-0,9	-1,2	-1,4	-0,9		-0,2
DE	0,7	0,8	0,7	0,9	0,9	1,0	0,9	0,8	0,8	2,5	0,1
EL	2,3	2,4	2,5	3,1	2,4	2,2	2,1	2,2	2,4	-1,7	-0,1
ES	2,5	2,4	2,1	2,2	2,4	2,4	2,3	2,3	2,3	-0,6	-0,2
FR	1,0	1,0	1,1	1,7	1,7	1,9	1,7	1,9	1,5	10,5	1,0
IE	1,5	1,7	2,0	2,4	2,7	3,6	3,8	2,9	2,6	12,6	1,4
IT	4,5	4,8	4,7	4,0	4,0	5,3	4,4	3,8	4,4	-1,4	-0,7
LU	2,2	2,4	2,1	2,2	2,2	1,8	1,7	1,8	2,1	-4,3	-0,4
NL	-1,1	-1,2	-1,2	-1,0	-1,0	-2,0	1,4	1,0	-0,7		2,1
AT	2,7	2,8	2,7	2,6	2,4	2,4	2,4	2,3	2,5	-2,8	-0,4
PT	2,6	2,6	2,5	2,4	2,4	2,4	2,5	2,3	2,5	-1,1	-0,2
FI	1,4	1,5	1,7	1,7	2,1	2,5	2,3	1,8	1,9	6,3	0,4
SE	0,2	1,1	1,5	1,6	2,4	3,3	1,7	1,4	1,7	20,3	1,1
UK	3,5	3,6	3,5	4,3	4,6	4,4	4,5	4,0	4,1	3,4	0,5
EU15	1,7	1,8	1,9	2,1	2,2	2,4	2,4	2,1	2,1	4,4	0,5
Euro12	1,5	1,7	1,7	1,7	1,8	2,0	2,0	1,9	1,8	3,6	0,4

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.1.3\_G: Taxes on Capital as % of GDP: Income of self-employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,6	2,6	2,4	2,5	2,5	2,5	2,5	2,6	2,5	-0,2	0,0
DK	1,3	1,2	1,2	1,3	1,3	1,1	1,2	1,2	1,2	-0,7	-0,1
DE	2,2	2,5	2,5	2,6	2,8	2,9	2,7	2,5	2,6	2,1	0,3
EL	2,3	2,2	2,3	2,8	2,8	2,8	2,6	2,6	2,6	2,5	0,3
ES	2,3	2,3	2,4	2,3	2,3	2,2	2,2	2,2	2,3	-1,1	-0,2
FR	1,9	2,0	1,9	1,8	1,8	1,9	1,9	1,5	1,8	-2,0	-0,4
IE	1,3	1,3	1,3	1,3	1,2	1,1	1,1	1,1	1,2	-3,7	-0,3
IT	3,2	3,2	3,3	3,4	3,6	3,6	3,5	3,5	3,4	1,7	0,3
LU	0,9	1,0	0,9	0,9	0,9	0,7	0,7	0,8	0,8	-4,6	-0,2
NL	2,6	2,5	2,5	2,2	2,3	2,4	1,6	1,7	2,2	-5,8	-0,8
AT	2,5	2,6	2,7	2,9	2,9	2,8	3,3	3,1	2,8	3,5	0,7
PT	1,0	1,1	1,1	1,0	1,0	1,0	0,9	0,9	1,0	-2,3	-0,1
FI	1,9	1,7	1,8	1,6	1,6	1,6	1,6	1,6	1,7	-2,0	-0,2
SE	0,7	0,8	0,7	0,7	0,7	0,8	0,8	0,7	0,7	1,1	0,1
UK	1,5	1,4	1,4	1,4	1,4	1,5	1,6	1,6	1,5	1,5	0,1
EU15	2,1	2,2	2,2	2,2	2,3	2,3	2,3	2,1	2,2	0,2	0,0
Euro12	2,6	2,8	2,8	2,8	2,9	3,0	2,9	2,8	2,8	1,2	0,1
EU15 (arithmetic average)	1,9	1,9	1,9	1,9	1,9	1,9	1,9	1,8	1,9	-0,1	0,0
Euro12 (arithmetic average)	2,1	2,1	2,1	2,1	2,1	2,1	2,1	2,0	2,1	-0,2	-0,1
Ratio st.dev. and mean in %	34,3	32,7	34,7	37,1	37,7	38,2	39,8	41,1			6,8
Difference max. and min.	2,6	2,5	2,5	2,6	2,8	2,8	2,8	2,8			0,2

1) Estimated annual average growth rate in %. - 2) in %-points of GDP, - 3) including Income of households

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.1.3\_T: Taxes on Capital as % of Total Taxation: Income of self-employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	5,7	5,6	5,4	5,5	5,4	5,4	5,4	5,5	5,5	-0,5	-0,2
DK	2,6	2,5	2,3	2,5	2,6	2,3	2,5	2,5	2,5	-0,7	-0,2
DE	5,5	6,1	5,9	6,2	6,7	6,8	6,7	6,2	6,3	2,3	0,8
EL	7,1	6,8	6,7	7,8	7,4	7,2	7,0	7,2	7,1	0,5	0,1
ES	7,0	6,9	6,9	6,7	6,6	6,3	6,2	6,1	6,6	-2,2	-0,9
FR	4,3	4,4	4,2	3,9	3,9	4,3	4,2	3,4	4,1	-2,1	-0,9
IE	4,0	4,0	4,1	4,1	3,8	3,6	3,6	3,7	3,9	-1,8	-0,3
IT	7,8	7,5	7,3	7,8	8,2	8,4	8,3	8,4	8,0	1,8	0,6
LU	2,2	2,4	2,1	2,2	2,2	1,8	1,7	1,8	2,1	-4,3	-0,4
NL	6,3	6,2	6,0	5,5	5,6	5,9	4,0	4,4	5,5	-5,6	-1,9
AT	5,8	5,9	6,1	6,5	6,4	6,4	7,3	7,0	6,4	2,9	1,2
PT	2,9	3,2	3,1	2,9	2,7	2,7	2,6	2,5	2,8	-3,4	-0,5
FI	4,1	3,7	3,8	3,5	3,4	3,4	3,5	3,5	3,6	-1,9	-0,5
SE	1,3	1,4	1,4	1,4	1,3	1,5	1,5	1,4	1,4	0,7	0,1
UK	4,1	4,0	3,9	3,9	3,8	3,9	4,2	4,3	4,0	0,8	0,2
EU15	5,3	5,4	5,2	5,3	5,4	5,5	5,5	5,2	5,4	0,2	0,0
Euro12	5,4	5,7	5,5	5,6	5,8	5,9	5,8	5,5	5,6	0,5	0,0

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.2\_G: Taxes on Capital as % of GDP: Stocks (wealth) of capital**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	3,1	3,3	3,5	3,6	3,6	3,5	3,5	3,6	3,4	1,9	0,6
DK	1,9	1,8	1,8	2,0	2,0	2,5	2,6	2,7	2,2	6,4	0,8
DE	1,2	1,2	1,1	1,1	1,0	1,1	1,1	1,1	1,1	-1,2	-0,1
EL	1,8	2,0	2,7	2,7	3,3	3,3	2,7	2,4	2,6	5,3	0,6
ES	2,6	2,6	2,6	2,8	2,8	2,9	2,9	2,9	2,8	1,8	0,2
FR	4,3	4,3	4,5	4,6	4,5	4,5	4,3	4,4	4,4	0,1	0,1
IE	2,0	2,1	2,0	2,0	2,1	2,1	2,0	1,8	2,0	-1,2	-0,2
IT	4,1	3,8	4,0	3,5	3,2	2,8	2,6	2,9	3,4	-6,8	-1,3
LU	3,0	3,3	3,4	3,5	4,1	4,3	4,0	3,4	3,6	3,2	0,4
NL	2,3	2,4	2,5	2,6	2,8	2,8	2,7	2,7	2,6	2,5	0,4
AT	1,6	1,2	1,3	1,3	1,3	1,3	1,3	1,3	1,3	-0,9	-0,3
PT	2,6	2,6	2,7	2,9	3,3	3,2	3,1	3,2	3,0	3,3	0,6
FI	1,2	1,3	1,3	1,3	1,3	1,4	1,3	1,3	1,3	1,1	0,1
SE	1,6	2,1	2,3	2,2	2,2	2,2	1,9	2,0	2,1	1,2	0,4
UK	2,6	2,4	2,4	2,5	2,7	2,9	2,7	2,7	2,6	1,9	0,2
EU15	2,6	2,6	2,7	2,7	2,6	2,6	2,6	2,6	2,6	-0,1	0,0
Euro12	3,2	3,2	3,4	3,4	3,4	3,4	3,3	3,4	3,3	0,8	0,2
EU15 (arithmetic average)	2,4	2,4	2,5	2,6	2,7	2,7	2,6	2,6	2,6	1,2	0,2
Euro12 (arithmetic average)	2,5	2,5	2,6	2,7	2,8	2,8	2,6	2,6	2,6	0,8	0,1
Ratio st.dev. and mean in %	36,6	35,8	37,2	36,3	39,0	37,9	36,7	35,8			-0,8
Difference max. and min.	3,1	3,1	3,4	3,4	3,5	3,3	3,2	3,3			0,2

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.3.2\_T: Taxes on Capital as % of Total Taxation: Stocks (wealth) of capital**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	6,8	7,2	7,5	7,7	7,8	7,6	7,6	7,8	7,5	1,6	1,0
DK	3,9	3,6	3,7	4,0	3,9	5,0	5,3	5,6	4,4	6,4	1,7
DE	2,9	3,0	2,7	2,7	2,5	2,6	2,8	2,7	2,7	-1,1	-0,2
EL	5,5	6,0	7,9	7,4	8,8	8,5	7,4	6,6	7,3	3,2	1,1
ES	7,9	7,6	7,6	8,0	8,1	8,1	8,1	7,9	7,9	0,7	0,0
FR	9,7	9,6	9,9	10,1	9,9	9,9	9,6	9,9	9,8	0,1	0,1
IE	6,1	6,2	6,1	6,2	6,6	6,4	6,5	6,2	6,3	0,8	0,2
IT	10,0	8,9	9,0	8,1	7,3	6,6	6,1	6,8	7,9	-6,7	-3,2
LU	7,2	7,7	8,1	8,8	10,0	10,6	9,7	8,1	8,8	3,6	1,0
NL	5,6	6,0	6,1	6,4	6,7	6,8	6,8	6,8	6,4	2,8	1,2
AT	3,8	2,7	2,9	3,0	2,8	3,0	2,9	3,0	3,0	-1,5	-0,8
PT	7,9	7,7	7,7	8,3	9,2	8,7	8,6	8,9	8,4	2,2	1,0
FI	2,6	2,7	2,7	2,8	2,8	2,8	2,8	2,9	2,8	1,1	0,3
SE	3,2	4,1	4,3	4,1	4,1	4,1	3,7	3,9	3,9	0,9	0,7
UK	7,2	7,0	6,9	6,9	7,2	7,6	7,3	7,7	7,2	1,2	0,4
EU15	6,3	6,3	6,4	6,4	6,3	6,3	6,2	6,4	6,3	-0,1	0,0
Euro12	6,1	6,0	6,2	6,1	5,9	5,8	5,8	5,9	6,0	-0,8	-0,2

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services



**Table C.4\_G: Environmental taxes as % of GDP: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	2,4	2,6	2,6	2,5	2,6	2,4	2,4	2,3	2,5	-0,9	0,0
DK	4,4	4,7	4,7	5,1	5,2	4,7	4,7	4,8	4,8	0,8	0,4
DE	2,4	2,3	2,2	2,2	2,3	2,4	2,6	2,6	2,4	1,8	0,2
EL	3,5	3,5	3,4	3,2	3,1	2,6	2,9	2,6	3,1	-4,6	-0,9
ES	2,2	2,2	2,2	2,3	2,4	2,1	2,1	2,2	2,2	-0,7	-0,1
FR	2,4	2,4	2,3	2,3	2,4	2,1	2,0	2,0	2,2	-3,0	-0,4
IE	3,1	3,1	3,0	3,0	3,0	2,9	2,4	2,3	2,9	-4,2	-0,8
IT	3,7	3,6	3,5	3,4	3,6	3,2	3,1	2,9	3,4	-3,0	-0,7
LU	3,4	3,3	3,1	3,0	3,0	2,9	2,9	2,9	3,1	-2,3	-0,4
NL	3,5	3,7	3,7	3,8	3,9	3,9	3,8	3,6	3,7	0,6	0,1
AT	2,0	2,3	2,4	2,3	2,3	2,4	2,6	2,6	2,4	3,0	0,6
PT	3,7	3,7	3,5	3,6	3,6	3,1	3,1	3,2	3,4	-2,7	-0,5
FI	2,9	3,1	3,3	3,3	3,5	3,2	3,0	3,1	3,2	0,3	0,2
SE	2,8	3,2	3,0	3,0	2,9	2,8	2,9	3,0	2,9	-0,5	0,1
UK	2,9	3,0	3,0	3,1	3,2	3,1	2,8	2,8	3,0	-0,6	-0,2
EU15	2,8	2,8	2,8	2,8	2,9	2,7	2,7	2,6	2,8	-0,6	-0,1
Euro12	3,4	3,4	3,5	3,5	3,7	3,6	3,5	3,4	3,5	0,4	0,1
EU15 (arithmetic average)	3,0	3,1	3,1	3,1	3,1	2,9	2,9	2,9	3,0	-1,1	-0,2
Euro12 (arithmetic average)	2,9	3,0	2,9	2,9	3,0	2,8	2,7	2,7	2,9	-1,4	-0,2
Ratio st.dev. and mean in %	24,4	24,6	24,6	27,3	26,9	25,2	25,4	26,3			1,9
Difference max. and min.	2,4	2,4	2,5	3,0	2,9	2,6	2,7	2,9			0,5

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.4\_T: Environmental taxes as % of Total Taxation: Total**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	5,2	5,7	5,7	5,5	5,5	5,2	5,1	5,0	5,4	-1,3	-0,2
DK	9,0	9,4	9,4	10,2	10,0	9,6	9,4	9,9	9,6	0,9	0,9
DE	5,8	5,4	5,3	5,2	5,5	5,7	6,3	6,4	5,7	1,9	0,5
EL	10,7	10,5	10,1	8,9	8,2	6,8	7,7	7,2	8,8	-6,6	-3,5
ES	6,7	6,6	6,3	6,7	6,7	6,0	5,8	6,0	6,4	-1,9	-0,7
FR	5,4	5,4	5,2	5,1	5,2	4,7	4,4	4,5	5,0	-3,1	-0,9
IE	9,2	9,4	9,3	9,4	9,4	9,1	7,8	8,1	9,0	-2,3	-1,1
IT	8,9	8,3	7,9	7,9	8,2	7,6	7,3	7,0	7,9	-2,9	-1,9
LU	8,0	7,8	7,6	7,5	7,3	7,0	7,1	7,0	7,4	-1,9	-1,0
NL	8,7	9,2	9,1	9,3	9,4	9,4	9,4	9,2	9,2	0,9	0,6
AT	4,8	5,2	5,3	5,2	5,2	5,6	5,8	5,9	5,4	2,5	1,1
PT	10,9	10,7	10,0	10,4	10,0	8,4	8,7	8,8	9,7	-3,7	-2,1
FI	6,4	6,6	7,2	7,2	7,4	6,6	6,6	6,8	6,9	0,3	0,4
SE	5,7	6,1	5,7	5,7	5,4	5,2	5,5	5,9	5,6	-0,8	0,2
UK	8,3	8,5	8,4	8,6	8,6	8,2	7,6	7,7	8,2	-1,3	-0,6
EU15	6,8	6,7	6,6	6,7	6,8	6,5	6,5	6,5	6,6	-0,6	-0,3
Euro12	6,3	6,2	6,0	6,0	6,2	5,9	6,0	6,0	6,1	-0,7	-0,3

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.4.1\_G: Environmental taxes as % of GDP: Energy**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	1,6	1,7	1,7	1,6	1,6	1,5	1,5	1,5	1,6	-1,9	-0,1
DK	2,1	2,3	2,2	2,4	2,6	2,6	2,7	2,6	2,4	3,3	0,5
DE	2,0	1,9	1,8	1,8	2,0	2,1	2,2	2,2	2,0	2,3	0,2
EL	2,8	2,8	2,5	2,3	2,0	1,8	1,7	1,6	2,2	-8,9	-1,2
ES	1,8	1,8	1,8	1,9	1,9	1,7	1,6	1,7	1,8	-1,6	-0,1
FR	1,9	2,0	1,9	1,9	1,9	1,8	1,6	1,6	1,8	-2,9	-0,3
IE	1,7	1,7	1,7	1,7	1,6	1,5	1,2	1,3	1,5	-5,6	-0,5
IT	3,2	3,1	3,0	2,9	2,9	2,6	2,5	2,4	2,8	-4,4	-0,9
LU	3,2	3,2	3,0	2,9	2,8	2,7	2,8	2,8	2,9	-2,2	-0,4
NL	1,7	1,8	1,9	1,9	2,0	2,0	2,0	2,0	1,9	1,9	0,2
AT	1,3	1,6	1,7	1,6	1,6	1,6	1,7	1,8	1,6	2,6	0,4
PT	2,7	2,7	2,5	2,5	2,4	1,9	1,9	2,2	2,3	-4,8	-0,6
FI	2,2	2,1	2,3	2,2	2,3	2,0	2,0	2,0	2,1	-1,3	-0,1
SE	2,5	2,7	2,6	2,7	2,5	2,4	2,5	2,5	2,6	-0,7	0,1
UK	2,3	2,4	2,3	2,5	2,5	2,4	2,3	2,2	2,4	-0,6	-0,1
EU15	2,2	2,2	2,1	2,1	2,2	2,1	2,1	2,0	2,1	-0,8	-0,1
Euro12	2,6	2,7	2,7	2,7	2,8	2,8	2,7	2,6	2,7	0,1	0,0
EU15 (arithmetic average)	2,2	2,2	2,2	2,2	2,2	2,0	2,0	2,0	2,2	-1,7	-0,2
Euro12 (arithmetic average)	2,2	2,2	2,2	2,1	2,1	1,9	1,9	1,9	2,1	-2,4	-0,3
Ratio st.dev. and mean in %	26,4	24,4	21,7	21,0	20,4	20,1	22,3	22,3			-4,1
Difference max. and min.	1,9	1,6	1,4	1,3	1,4	1,3	1,6	1,6			-0,3

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.4.1\_T: Environmental taxes as % of Total Taxation: Energy**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	3,6	3,7	3,6	3,5	3,5	3,3	3,2	3,2	3,4	-2,2	-0,4
DK	4,4	4,6	4,4	4,8	5,1	5,2	5,3	5,4	4,9	3,3	1,0
DE	4,9	4,5	4,3	4,2	4,6	4,9	5,3	5,5	4,8	2,5	0,6
EL	8,5	8,4	7,4	6,4	5,5	4,6	4,7	4,4	6,2	-10,9	-4,1
ES	5,4	5,4	5,2	5,5	5,4	4,7	4,5	4,7	5,1	-2,7	-0,8
FR	4,4	4,3	4,2	4,2	4,1	3,9	3,6	3,7	4,1	-2,9	-0,7
IE	5,2	5,2	5,2	5,2	5,0	4,6	3,9	4,4	4,8	-3,6	-0,8
IT	7,8	7,2	6,8	6,7	6,8	6,2	5,8	5,6	6,6	-4,3	-2,2
LU	7,6	7,4	7,2	7,1	7,0	6,7	6,8	6,7	7,1	-1,8	-0,9
NL	4,2	4,4	4,7	4,7	4,8	4,9	5,0	4,9	4,7	2,1	0,7
AT	3,1	3,6	3,8	3,5	3,6	3,7	3,8	3,9	3,6	2,1	0,8
PT	8,1	7,8	7,1	7,2	6,6	5,2	5,4	6,0	6,7	-5,9	-2,1
FI	4,7	4,5	5,0	4,7	4,8	4,2	4,4	4,4	4,6	-1,2	-0,2
SE	5,0	5,3	5,0	5,0	4,7	4,5	4,7	5,0	4,9	-1,0	0,1
UK	6,6	6,8	6,6	6,7	6,7	6,5	6,1	6,2	6,5	-1,2	-0,5
EU15	5,3	5,2	5,1	5,1	5,2	5,0	5,0	5,0	5,1	-0,8	-0,3
Euro12	5,0	4,9	4,8	4,7	4,8	4,6	4,6	4,7	4,8	-1,1	-0,4

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.4.2\_G: Environmental taxes as % of GDP: Transport**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	0,6	0,7	0,7	0,7	0,7	0,7	0,7	0,7	0,7	1,3	0,1
DK	2,1	2,1	2,1	2,3	2,1	1,8	1,7	1,9	2,0	-2,8	-0,2
DE	0,4	0,4	0,4	0,4	0,4	0,3	0,4	0,4	0,4	-1,0	0,0
EL	0,7	0,7	0,9	0,9	1,0	0,8	1,1	1,0	0,9	6,0	0,3
ES	0,4	0,4	0,4	0,4	0,5	0,4	0,4	0,5	0,4	2,4	0,1
FR	0,3	0,4	0,3	0,3	0,4	0,3	0,3	0,3	0,3	-4,9	-0,1
IE	1,3	1,4	1,3	1,3	1,4	1,5	1,2	1,1	1,3	-2,4	-0,3
IT	0,5	0,4	0,5	0,5	0,6	0,6	0,6	0,6	0,5	4,0	0,1
LU	0,2	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	-3,5	0,0
NL	1,3	1,5	1,3	1,4	1,5	1,4	1,4	1,3	1,4	-0,6	-0,1
AT	0,7	0,7	0,7	0,7	0,7	0,8	0,9	0,8	0,7	3,2	0,1
PT	0,9	1,0	1,0	1,1	1,2	1,2	1,2	1,0	1,1	2,1	0,1
FI	0,8	1,0	1,0	1,1	1,2	1,1	1,0	1,1	1,0	3,4	0,3
SE	0,3	0,4	0,3	0,3	0,3	0,3	0,3	0,3	0,3	-1,3	0,0
UK	0,6	0,6	0,6	0,6	0,6	0,6	0,5	0,5	0,6	-2,4	-0,1
EU15	0,5	0,5	0,5	0,6	0,6	0,6	0,5	0,5	0,6	0,1	0,0
Euro12	0,7	0,7	0,7	0,7	0,8	0,7	0,7	0,7	0,7	1,0	0,0
EU15 (arithmetic average)	0,7	0,8	0,8	0,8	0,9	0,8	0,8	0,8	0,8	0,3	0,0
Euro12 (arithmetic average)	0,7	0,7	0,7	0,8	0,8	0,8	0,8	0,7	0,7	1,3	0,0
Ratio st.dev. and mean in %	93,3	96,3	96,3	98,3	92,7	90,8	83,6	86,2			-7,1
Difference max. and min.	1,9	1,9	2,0	2,1	2,0	1,7	1,6	1,7			-0,2

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.4.2\_T: Environmental taxes as % of Total Taxation: Transport**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	1,3	1,5	1,5	1,4	1,6	1,4	1,5	1,5	1,5	1,0	0,2
DK	4,2	4,2	4,3	4,6	4,2	3,7	3,4	3,8	4,0	-2,8	-0,4
DE	1,0	0,9	0,9	1,0	0,8	0,8	1,0	0,9	0,9	-0,8	-0,1
EL	2,2	2,0	2,6	2,6	2,8	2,2	3,0	2,8	2,5	4,0	0,7
ES	1,2	1,2	1,1	1,2	1,3	1,3	1,2	1,3	1,2	1,3	0,1
FR	0,8	0,8	0,7	0,7	0,8	0,6	0,6	0,6	0,7	-5,0	-0,2
IE	3,9	4,1	4,0	4,1	4,4	4,5	3,8	3,7	4,1	-0,5	-0,2
IT	1,1	1,0	1,0	1,1	1,3	1,3	1,4	1,3	1,2	4,0	0,2
LU	0,4	0,4	0,3	0,3	0,3	0,3	0,3	0,3	0,3	-3,1	-0,1
NL	3,3	3,7	3,2	3,5	3,6	3,5	3,4	3,2	3,4	-0,3	-0,1
AT	1,7	1,6	1,5	1,6	1,6	1,8	1,9	1,9	1,7	2,7	0,2
PT	2,8	3,0	2,9	3,2	3,4	3,2	3,3	2,8	3,1	1,0	0,0
FI	1,7	2,0	2,1	2,3	2,5	2,3	2,2	2,3	2,2	3,4	0,6
SE	0,7	0,7	0,7	0,6	0,6	0,6	0,6	0,6	0,6	-1,6	0,0
UK	1,7	1,7	1,7	1,7	1,7	1,6	1,3	1,4	1,6	-3,1	-0,3
EU15	1,3	1,3	1,3	1,4	1,4	1,3	1,3	1,3	1,3	0,1	0,0
Euro12	1,2	1,2	1,1	1,2	1,2	1,2	1,2	1,2	1,2	1,0	0,0

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services

**Table C.4.3\_G: Environmental taxes as % of GDP: Pollution/Resources**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	-1,2	0,0
DK	0,2	0,3	0,4	0,4	0,4	0,4	0,3	0,4	0,3	5,0	0,1
DE	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0
EL	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0
ES	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	5,9	0,0
FR	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	-0,8	0,0
IE	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-19,5	0,0
IT	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0
LU	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0
NL	0,5	0,4	0,4	0,4	0,4	0,4	0,4	0,4	0,4	-1,1	0,0
AT	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	20,7	0,0
PT	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0
FI	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	13,7	0,0
SE	0,0	0,1	0,0	0,0	0,0	0,1	0,1	0,1	0,1	12,4	0,1
UK	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,1	0,0		0,1
EU15	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	2,8	0,0
Euro12	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	3,7	0,0
EU15 (arithmetic average)	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	2,4	0,0
Euro12 (arithmetic average)	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	-0,1	0,0
Ratio st.dev. and mean in %	243,2	224,4	207,6	219,3	211,2	195,8	198,6	196,8			-46,4
Difference max. and min.	0,5	0,4	0,4	0,4	0,4	0,4	0,4	0,4			0,0

1) Estimated annual average growth rate in %. - 2) in %-points of GDP

See explanatory notes in Annex C

Source: Commission Services

**Table C.4.3\_T: Environmental taxes as % of Total Taxation: Pollution/Resources**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	0,4	0,5	0,5	0,5	0,5	0,4	0,4	0,4	0,5	-1,6	0,0
DK	0,4	0,6	0,7	0,8	0,8	0,7	0,7	0,7	0,7	5,0	0,3
DE	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		
EL	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		
ES	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	4,7	0,0
FR	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	0,2	-0,8	0,0
IE	0,1	0,1	0,1	0,0	0,0	0,0	0,0	0,0	0,1	-17,6	-0,1
IT	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1		0,1
LU	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		
NL	1,1	1,1	1,1	1,1	1,0	1,0	1,0	1,1	1,1	-0,9	-0,1
AT	0,0	0,0	0,0	0,1	0,1	0,1	0,1	0,1	0,1	20,2	0,1
PT	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		
FI	0,0	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,1	13,7	0,0
SE	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,2	0,1	12,0	0,1
UK	0,0	0,0	0,1	0,1	0,1	0,1	0,1	0,1	0,1		0,1
EU15	0,1	0,1	0,2	0,2	0,2	0,2	0,2	0,2	0,2	2,8	0,0
Euro12	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,9	0,0

1) Estimated annual average growth rate in %. - 2) in %-points of Total Taxation

See explanatory notes in Annex C

Source: Commission Services



**Table D.1: Implicit tax rates in %: Consumption**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	21,2	21,7	22,0	21,7	22,5	22,2	21,4	21,9	21,8	0,3	0,7
DK	31,3	32,2	32,4	33,2	33,7	33,9	33,8	33,7	33,0	1,1	2,4
DE	18,8	18,1	17,9	18,0	18,7	18,6	18,3	18,3	18,3	0,0	-0,5
EL	17,5	17,5	17,0	17,2	17,7	18,1	18,7	18,1	17,7	0,9	0,6
ES	14,3	14,5	14,8	15,6	16,3	16,3	15,9	16,3	15,5	2,0	2,0
FR	18,3	18,7	18,7	18,4	18,4	17,6	17,2	17,4	18,1	-1,1	-0,8
IE	25,2	25,2	25,8	26,0	26,2	26,8	25,0	25,8	25,7	0,3	0,5
IT	17,6	17,2	17,5	17,9	18,1	18,0	17,3	17,1	17,6	-0,1	-0,5
LU	21,7	21,2	22,0	21,6	23,2	24,4	23,3	23,7	22,6	1,7	2,0
NL	22,6	22,9	23,1	23,1	23,3	23,7	24,6	24,2	23,4	1,1	1,6
AT	20,6	22,2	22,1	21,9	22,3	21,7	21,5	22,0	21,8	0,3	1,4
PT	19,5	19,7	19,5	19,8	19,8	19,7	19,4	20,1	19,7	0,2	0,6
FI	28,2	27,8	29,7	29,6	29,8	29,0	27,6	28,0	28,7	-0,2	-0,2
SE	28,4	27,9	28,2	28,9	28,9	28,6	29,5	30,6	28,9	1,0	2,2
UK	21,8	21,7	21,9	21,6	22,0	21,7	21,3	21,3	21,7	-0,3	-0,5
EU (Base weighted)	19,5	19,4	19,6	19,6	20,0	19,8	19,4	19,5	19,6	0,1	0,0
Euro12 (Base weighted)	18,6	18,5	18,5	18,6	19,0	18,8	18,4	18,5	18,6	0,0	-0,1
EU (arithmetic average)	21,8	21,9	22,2	22,3	22,7	22,7	22,3	22,6	22,3	0,5	0,8
Euro12 (arithmetic average)	20,5	20,6	20,8	20,9	21,4	21,4	20,8	21,1	20,9	0,4	0,6
Ratio st.dev. and mean in %	24,1	24,5	25,7	25,9	25,2	25,5	26,2	26,5			2,4
Difference max. and min.	17,0	17,8	17,6	17,7	17,4	17,5	18,0	17,4			0,4

1) Estimated annual average growth rate in %. - 2) in %-points

See explanatory notes in Annex C

Source: Commission Services

**Table D.2: Implicit tax rates in %: Labour**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	44,1	43,7	44,3	44,6	43,8	44,2	43,9	43,5	44,0	-0,1	-0,7
DK	40,7	41,2	41,5	39,9	41,1	41,8	41,5	39,9	41,0	-0,1	-0,8
DE	39,5	39,7	40,6	40,7	40,4	40,2	39,9	39,9	40,1	0,1	0,4
EL	34,1	35,7	36,4	37,5	37,0	38,2	37,6	37,8	36,8	1,3	3,7
ES	28,9	29,5	29,0	28,7	28,1	28,6	29,6	30,0	29,1	0,2	1,1
FR	42,2	42,6	42,7	43,2	43,5	43,1	42,7	41,8	42,7	0,0	-0,3
IE	29,8	29,7	29,9	28,9	28,6	28,3	27,5	25,9	28,6	-1,8	-3,9
IT	37,8	41,4	43,1	42,8	42,1	41,3	41,5	41,1	41,4	0,5	3,3
LU	29,5	29,3	29,1	28,4	28,9	30,0	29,2	28,0	29,1	-0,3	-1,5
NL	35,1	34,1	33,4	33,9	34,8	35,4	31,8	31,9	33,8	-0,9	-3,1
AT	38,7	39,3	40,2	39,9	40,1	39,7	40,0	39,2	39,6	0,2	0,5
PT	31,0	31,6	32,5	32,9	33,0	33,2	33,3	33,7	32,7	1,1	2,7
FI	43,9	44,8	43,3	43,8	43,4	44,0	44,4	43,9	43,9	0,0	0,0
SE	48,4	49,7	50,0	51,0	50,5	49,3	47,9	46,6	49,2	-0,6	-1,7
UK	25,7	24,7	24,2	25,1	25,3	25,7	25,4	24,6	25,1	0,0	-1,1
EU (Base weighted)	37,3	37,7	37,7	37,7	37,5	37,2	36,8	36,3	37,3	-0,4	-0,9
Euro12 (Base weighted)	38,7	39,4	39,9	40,0	39,8	39,6	39,2	38,9	39,4	0,0	0,1
EU (arithmetic average)	36,6	37,1	37,3	37,4	37,4	37,5	37,1	36,5	37,1	0,0	-0,1
Euro12 (arithmetic average)	36,2	36,8	37,0	37,1	37,0	37,2	36,8	36,4	36,8	0,1	0,2
Ratio st.dev. and mean in %	17,9	18,8	19,4	19,7	19,5	18,8	19,1	19,2			1,3
Difference max. and min.	22,6	24,9	25,8	25,9	25,2	23,6	22,5	22,1			-0,6

1) Estimated annual average growth rate in %. - 2) in %-points

See explanatory notes in Annex C

Source: Commission Services

**Table D.3: Implicit tax rates in %: Capital**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	23,7	24,5	25,8	27,6	28,1	28,0	28,8	30,1	27,1	3,2	6,3
DK	26,4	27,4	29,0	34,7	37,6	29,4	30,8	28,8	30,5	1,6	2,4
DE	21,2	23,9	22,7	23,6	25,7	27,7	22,4	20,9	23,5	0,3	-0,2
EL	12,0	11,8	14,6	17,2	19,7	21,7	18,6	18,1	16,7	7,7	6,1
ES	20,7	21,1	23,5	24,3	27,4	28,7	27,5	29,6	25,4	5,4	8,9
FR	31,0	33,3	34,6	34,9	37,1	37,9	38,2	36,6	35,5	2,6	5,6
IE	21,6	22,5	23,3	23,3	28,5	30,2	31,4	32,0	26,6	6,4	10,3
IT	26,3	26,6	29,9	27,4	29,1	28,5	28,1	28,1	28,0	0,8	1,7
LU	24,9	23,7	26,6	28,6	27,0	34,2	31,1	32,0	28,5	4,5	7,1
NL	23,0	25,5	26,5	26,8	28,9	27,1	30,1	29,6	27,2	3,2	6,6
AT	23,5	23,4	23,0	23,9	23,7	23,6	30,1	28,5	25,0	3,2	5,0
PT*	20,7	23,2	25,5	26,6	30,7	34,4	31,7	-	27,5	8,0	11,1
FI	27,9	30,2	30,4	31,8	33,3	36,6	27,8	30,3	31,0	0,9	2,4
SE	18,0	24,0	26,5	27,3	32,1	37,3	32,3	31,5	28,6	7,8	13,4
UK	27,8	28,0	29,9	28,0	33,5	34,0	34,1	30,8	30,8	2,7	3,0
EU (Base weighted)	24,5	26,0	27,3	27,2	29,9	30,7	29,4	28,4	27,9	2,5	4,0
Euro12 (Base weighted)	24,1	25,7	26,9	26,9	29,0	29,8	28,4	27,8	27,3	2,2	3,7
EU (arithmetic average)	23,3	24,6	26,1	27,1	29,5	30,6	29,5	29,1	27,5	3,6	5,8
Euro12 (arithmetic average)	23,0	24,1	25,5	26,3	28,3	29,9	28,8	28,7	26,8	3,5	5,7
Ratio st.dev. and mean in %	18,9	18,3	16,8	16,6	16,1	16,1	15,7	16,2			-2,7
Difference max. and min.	19,1	21,5	20,0	17,7	18,0	16,3	19,7	18,6			-0,5

1) Estimated annual average growth rate in %. - 2) in %-points

See explanatory notes in Annex C

Source: Commission Services

\* 1995-2001.

**Table D.3.1: Implicit tax rates in %: Capital and business income**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	15,7	15,9	16,4	17,8	17,8	17,9	18,4	18,9	17,4	2,7	3,2
DK	17,6	19,0	20,3	24,2	27,3	17,7	18,3	16,1	20,1	-1,3	-1,5
DE	16,9	19,5	18,9	19,7	21,9	23,5	18,2	16,9	19,4	0,5	0,0
EL	9,1	8,6	9,9	12,5	13,5	15,5	13,4	13,5	12,0	7,7	4,4
ES	13,7	14,1	16,2	16,3	18,7	19,7	18,6	20,5	17,2	5,9	6,8
FR	15,1	16,9	17,6	17,9	19,9	21,1	21,9	19,6	18,8	4,4	4,4
IE	15,0	15,9	16,9	17,1	21,0	22,6	23,5	24,3	19,5	7,6	9,3
IT	17,3	18,4	20,8	19,1	21,3	21,6	21,8	20,9	20,2	2,8	3,6
LU	19,2	18,0	20,1	21,3	18,9	23,3	22,0	24,3	20,9	3,5	5,1
NL	16,1	18,3	19,2	19,1	20,2	18,4	21,3	20,3	19,1	2,7	4,1
AT	17,9	19,5	19,0	19,7	19,5	19,3	25,7	24,1	20,6	4,1	6,1
PT *	12,9	15,1	16,9	17,0	19,3	22,5	20,2	-	17,7	8,2	7,3
FI	22,4	24,3	25,1	26,7	28,0	31,7	23,5	25,4	25,9	1,7	3,0
SE	12,4	15,6	17,5	18,1	22,6	27,7	22,8	21,0	19,7	8,6	8,7
UK	18,8	19,7	21,7	20,4	23,7	23,6	24,0	20,8	21,6	2,5	2,0
EU (Base weighted)	16,3	17,9	19,0	19,0	21,1	21,9	20,9	19,6	19,5	3,1	3,3
Euro12 (Base weighted)	16,0	17,6	18,5	18,6	20,5	21,4	20,3	19,4	19,1	3,0	3,4
EU (arithmetic average)	16,0	17,2	18,4	19,1	20,9	23,3	22,4	20,5	19,7	4,54	4,5
Euro12 (arithmetic average)	15,9	17,0	18,1	18,7	20,0	21,4	20,7	20,8	19,1	4,05	4,8
Ratio st.dev. and mean in %	19,8	19,4	17,6	17,5	17,1	18,8	14,9	17,3			-2,5
Difference max. and min.	13,3	15,8	15,2	14,2	14,5	16,3	12,3	11,8			-1,5

1) Estimated annual average growth rate in %. - 2) in %-points

See explanatory notes in Annex C

Source: Commission Services

\* 1995-2001.

**Table D.3.1.1: Implicit tax rates: Corporate income**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	14,3	16,1	17,5	19,8	19,4	19,2	20,1	21,0	18,4	4,8	6,7
DK	21,6	23,5	23,8	25,9	27,6	18,4	19,4	16,8	22,1	-4,1	-4,8
DE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EL	15,1	13,1	18,5	21,9	26,1	31,5	23,7	23,4	21,7	9,3	8,2
ES	12,7	14,1	18,6	17,5	21,4	23,3	21,0	25,5	19,3	9,2	12,7
FR	16,4	19,5	21,2	20,5	24,6	25,9	29,1	26,0	22,9	7,2	9,7
IE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
IT	14,0	16,1	18,5	14,0	16,4	14,6	17,0	15,8	15,8	0,7	1,8
LU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NL	19,0	23,3	24,8	25,3	25,6	22,6	23,7	21,7	23,2	0,9	2,6
AT <sup>3)</sup>	16,0	17,8	17,3	18,3	18,0	18,0	24,9	23,0	19,2	5,2	7,0
PT * <sup>3)</sup>	14,9	17,2	18,4	17,5	19,3	23,0	20,6	-	18,7	5,7	5,7
FI	16,7	19,6	21,6	23,6	25,0	29,6	19,1	22,7	22,2	3,6	6,0
SE *	15,7	18,2	20,0	20,5	25,2	34,2	29,0	-	23,2	11,9	13,3
UK	17,4	20,7	26,6	21,4	30,2	31,4	34,9	29,4	26,5	8,5	11,9
EU (Base weighted)	15,8	18,2	21,2	19,2	22,6	22,9	24,0	22,4	20,8	5,0	6,6
Euro12 (Base weighted)	15,2	17,5	19,7	18,2	20,6	20,7	21,8	21,2	19,4	4,4	6,0
EU (arithmetic average)	12,9	14,6	16,5	16,4	18,6	20,9	20,2	16,1	17,0	4,74	3,2
Euro12 (arithmetic average)	11,6	13,1	14,7	14,9	16,3	17,3	16,6	16,3	15,1	4,95	4,7
Ratio st.dev. and mean in %	15,1	17,8	14,5	17,8	18,7	27,3	21,7	18,2			3,1
Difference max. and min.	8,9	10,4	9,2	11,9	13,7	19,6	17,9	13,5			4,7

1) Estimated annual average growth rate in %. - 2) in %-points. - 3) including self-employed

See explanatory notes in Annex C

Source: Commission Services

\* 1995-2001.

**Table D.3.1.2: Implicit tax rates: Capital and business income of households and self-employed**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2002	Change <sup>1)</sup> 1995-2002	Difference <sup>2)</sup> 1995 to 2002
BE	14,6	13,9	13,9	13,9	13,8	13,8	13,8	14,4	14,0	-0,2	-0,2
DK	8,8	8,7	10,5	17,4	22,7	13,0	11,9	11,1	13,0	4,9	2,3
DE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
EL	6,4	6,3	6,7	8,6	8,5	8,9	8,7	9,0	7,9	5,8	2,6
ES	13,9	13,7	14,0	14,8	15,9	16,2	15,8	15,9	15,0	2,6	2,0
FR	12,5	13,4	13,1	13,6	14,0	14,9	14,1	12,8	13,6	1,0	0,3
IE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
IT	13,8	14,0	15,2	15,4	16,5	18,1	16,9	16,4	15,8	3,3	2,6
LU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
NL	11,9	11,6	11,3	10,5	11,8	10,7	15,1	15,7	12,3	3,9	3,8
AT <sup>3)</sup>	14,0	12,7	11,4	10,6	9,9	9,6	10,1	10,3	11,1	-4,6	-3,7
PT * <sup>3)</sup>	7,7	8,8	10,6	12,2	15,4	15,8	14,9	-	12,2	12,6	7,2
FI	24,5	24,9	24,5	25,2	24,7	24,9	24,7	22,4	24,5	-0,8	-2,1
SE *	7,6	12,7	14,8	15,8	21,3	24,7	17,1	-	16,3	14,8	9,6
UK	15,3	15,0	14,6	17,8	18,9	19,2	19,3	19,3	17,4	4,5	4,0
EU (Base weighted)	13,2	13,5	13,9	14,8	15,8	16,6	16,1	15,6	14,9	3,1	2,4
Euro12 (Base weighted)	13,1	13,3	13,7	14,1	14,8	15,7	15,3	14,7	14,3	2,4	1,7
EU (arithmetic average)	10,1	10,4	10,7	11,7	12,9	13,5	13,0	10,5	11,6	2,68	0,5
Euro12 (arithmetic average)	9,9	9,9	10,0	10,4	10,9	11,1	11,2	10,6	10,5	1,65	0,7
Ratio st.dev. and mean in %	36,8	34,0	30,8	29,4	31,9	31,7	26,2	26,5			-10,3
Difference max. and min.	18,1	18,6	17,8	16,6	16,2	16,0	16,0	13,4			-4,7

1) Estimated annual average growth rate in %. - 2) in %-points. - 3) excluding self-employed

See explanatory notes in Annex C

Source: Commission Services

\* 1995-2001.



**Table D.4: Implicit tax rates: Energy<sup>1)</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002	Average 1995-2001	Change <sup>2)</sup> 1995-2001	Difference <sup>3)</sup> 1995 to 2001
BE	98,9	97,9	98,5	98,6	101,3	101,7	101,6	-	99,8	0,7	2,7
DK	200,8	213,9	219,2	248,9	285,0	302,5	322,1	-	256,0	8,5	121,2
DE	168,6	151,9	149,0	149,4	176,1	196,9	208,9	-	171,5	4,7	40,2
EL	158,0	161,6	157,5	138,9	132,5	118,5	119,2	-	140,9	-5,8	-38,8
ES	128,0	134,4	129,1	138,2	143,6	128,9	126,0	-	132,6	-0,1	-2,0
FR	162,4	160,7	163,3	164,4	169,9	165,8	150,7	-	162,5	-0,4	-11,8
IE	114,6	121,1	138,4	140,6	145,5	144,6	128,3	-	133,3	2,7	13,7
IT	233,0	256,5	267,3	254,1	258,7	243,6	233,3	-	249,5	-0,5	0,3
LU	141,7	139,3	142,9	151,5	159,1	164,7	164,3	-	151,9	3,2	22,6
NL	114,5	114,3	130,8	136,3	154,0	163,6	168,9	-	140,3	7,3	54,4
AT	117,8	129,2	141,1	133,3	141,5	146,8	152,5	-	137,5	3,7	34,7
PT	172,1	170,1	159,1	164,4	160,3	128,5	131,9	-	155,2	-4,8	-40,1
FI	96,1	95,8	106,9	105,1	110,0	107,0	110,2	-	104,4	2,4	14,1
SE	138,2	168,6	167,1	172,6	175,6	181,3	182,6	-	169,4	3,7	44,5
UK	142,5	148,0	185,6	211,2	226,3	251,3	239,2	-	200,6	10,0	96,6
EU (Base weighted)	159,1	160,2	168,3	172,3	185,2	189,8	186,9	-	174,5	3,3	27,7
Euro12 (Base weighted)	162,6	161,1	163,9	163,0	175,4	175,7	174,1	-	168,0	1,6	11,5
EU (arithmetic average)	145,8	150,9	157,1	160,5	169,3	169,7	169,3	-	160,4	2,7	23,5
Euro12 (arithmetic average)	142,1	144,4	148,7	147,9	154,4	150,9	149,6	-	148,3	1,0	7,5
Ratio st.dev. and mean in %	23,8	26,4	25,2	26,5	27,6	30,3	32,1	-			8,3
Difference max. and min.	136,9	160,6	168,8	155,5	183,7	200,7	220,5	-			83,5

1) Energy taxes in Euro per tons of oil equivalent (TOE) 2) Estimated annual average growth rate in %. - 3) in %-points

See explanatory notes in Annex C

Source: Commission Services

**ANNEX B:**

**LISTS OF TAXES ACCORDING TO ECONOMIC FUNCTION**



## 1. BELGIUM

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

D2	Taxes on Production and Imports
D21	Taxes on Products
D211	Value added type taxes (VAT)
D212	Taxes and duties on imports except VAT
D2121	Import duties
D212100	Import duties (incl. ECSC)
D2122	Taxes on imports exc. VAT and import duties
D2122A	Levies on imported agricultural products
D2122B	Monetary compensation amounts on imports
D2122C	Excise duties
D2122C01	Excise duties on mineral oils
D2122C02	Excise duties on petroleum gas and other liquefied hydrocarbon gases and on benzoles
D2122C03	Excise duties on Tobacco
D2122C04	Excise duties on Brandy (eaux-de-vie)
D2122C05	Consumption duties on alcohol and brandy (Taxe de consommation sur les alcools et eaux-de-vie)
D2122C06	Excise duties on fermented sparkling beverages
D2122C07	Excise duties on fermented beverages of fruit
D2122C08	Excise duties on Beer
D2122C09	Excise duties on drinking water and lemonade
D2122C10	Excise duties on sugar and refined syrup (sirops de raffinage)
D2122C11	Excise duties on coffee
D2122C12	Excise duties on intermediate products
D2122C13	Inspection charge on domestic fuel
D2122C20	Ecotaxes
D2122D	General sales taxes
D2122D01	Taxes with equivalent effect to stamp duty (Taxes assimilées au timbre)
D2122E	Taxes on specific services
D2122F	Profits of import monopolies
D214	Taxes on products, except VAT and import taxes
D214A	Excise duties and consumption taxes
D214A01	Excise duties on mineral oils
D214A02	Excise duties on petroleum gas and other liquefied hydrocarbon gases and on benzoles
D214A03	Excise duties on Tobacco
D214A04	Excise duties on Brandy (eaux-de-vie)
D214A05	Consumption duties on alcohol and brandy (Taxe de consommation sur les alcools et eaux-de-vie)
D214A06	Excise duties on fermented sparkling beverages
D214A07	Excise duties on fermented beverages of fruit
D214A08	Excise duties on Beer
D214A09	Excise duties on drinking water and lemonade
D214A10	Excise duties on sugar and refined syrup (sirops de raffinage)
D214A11	Excise duties on coffee
D214A12	Excise duties on intermediate products
D214A13	Contribution to the control on domestic fuel
D214A30	Energy contribution (Cotisation sur l'énergie)
D214A31	Taxes on water (Taxes sur les eaux (VG, RW et R B-C))
D214A40	Sugar contribution
D214A41	Coresponsability tax on milk (Taxe de coresponsabilité sur le lait)
D214A42	Coresponsability tax on cereals (Taxe de coresponsabilité sur les céréales)
D214A43	Coresponsability tax on meat of sheep (Taxe de coresponsabilité sur la viande de mouton)
D214A44	Fine for exceeding milk quota (Pénalisation dépassement du quota laitier)
D214A45	Obligatory contributions on animal producers and Animal Products (Cotisations obligatoires des producteurs d'animaux et de produits animaux (SANITEL))
D214A50	ECSC levy (Prélèvement CECA)
D214A20	Ecotaxes
D214E	Taxes on entertainment
D214F	Taxes on lotteries, gambling and betting
D214F01	Taxes on gambling and betting
D214G	Taxes on insurance premiums
D214G01	Taxes on insurance contracts
D214G03	Supplementary amount on car insurance premiums (Supplément au montant des primes d'assurance automobile)
D214G04	Supplementary amount on fire insurance premiums (Supplément au montant des primes d'assurance incendie)
D214G05	Supplementary amount on hospitalization insurance premiums (Supplément au montant des primes d'assurance hospitalisation)
D214G06	Revenues for the Belgian Red Cross (Recettes au profit de la Croix-Rouge de Belgique)
D214H	Other taxes on specific services
D214I	General sales or turnover taxes
D214I01	Taxes with equivalent effect to stamp duty (Taxes assimilées au timbre)
D214J	Profits of fiscal monopolies
D214J01	Profits of State Lottery (Bénéfices de la loterie nationale)
D214K	Export duties and monetary comp.amounts exports

D29D	Taxes on international transactions
D29E	Business and professional licenses
D29F	Taxes on pollution
D29F01	Taxes on industrial waste (Taxes sur les déchets industriels (VG))
D29F02	Taxes on liquid manure (Taxe sur le lisier (VG))
D29G	Under-compensation of VAT (flat rate system)
D59B	Pollution taxes
	Taxes on domestic waste (Taxe sur les déchets ménagers (RW))
	Regional flat-rate tax (Taxe régionale forfaitaire (R B-C))
D59C	Expenditure taxes
D59D	Payments by households for licenses
	Circulation taxes paid by households
	Taxes with equivalent effect to excise duties paid by households (Taxe assimilée au droit d'accise payée par les ménages)
D59E	Taxes on international transactions
D59F	Other current taxes n.e.c.
	Other taxes
Labour	
Employer	
D61111	Compulsory employers' actual social contributions
Employee	
D51A	Taxes on individual or household income
	% of advance payment (Précompte professionnel (PP))
	% of advance payment (Versements anticipés (PP))
	% of income tax based on assessment (Rôles)
	% of other taxes on income (autres impôts sur le revenu)
	Special contribution to social security (Cotisation spéciale de sécurité sociale)
	Contribution on high income (Cotisation sur les hauts revenus)
D51E	Other taxes on income
	Non-residents tax (Impôts des non-résidents (PP))
D214G	In taxes on insurance premiums:
	Supplementary amount on accidents at work insurance premiums (Supplément au montant des primes d'assurance accidents de travail)
D61121	Compulsory employees' actual social contributions
Non-employed	
D51A	In taxes on individual or household income
	% of advance payment (Précompte professionnel (PP))
	% of advance payment (Versements anticipés (PP))
	% of income tax based on assessment (Rôles)
	% of other taxes on income (autres impôts sur le revenu)
D61131	Compulsory social contributions of non-employed (unemployed and foreigners)
Capital	
Business and capital income	
Income corporations	
D51B	Taxes on Corporate income
	Advance levy on income derived from securities (Précompte mobilier)
	Advance payment (Versements anticipés)
	Taxes on non-resident companies (Impôts de non-résidents soc)
	Assessed income tax
	Other taxes on income (Autres impôts sur le revenu)
Income households	
D51A	Taxes on individual or household income
	Annual tax on profit sharing (Taxe annuelle sur les participations bénéficiaires)
	% of advance payment (Précompte professionnel (PP))
	% of advance payment (Versements anticipés (PP))
	% of income tax based on assessment (Rôles)
	% of other taxes on income (autres impôts sur le revenu)
	Advance levy on income derived from securities (Précompte mobilier (PP))
D51E	In other taxes on income n.e.c.
	Other taxes on income (Autres impôts sur le revenu)
Income self-employed	
D51A	Taxes on individual or household income
	% of advance payment (Précompte professionnel (PP))
	% of advance payment (Versements anticipés (PP))
	% of income tax based on assessment (Rôles)
	% of other taxes on income (autres impôts sur le revenu)
D61131	Compulsory social contributions of self-employed

Stocks (wealth) of capital

D214B	Stamp taxes
D214C	Taxes on financial and capital transactions
D214C01	Registration duties (Droits d'enregistrement)
D214C02	Mortgage duty (Droits d'hypothèque)
D214C03	Court duties (Droits de greffe)
D214C04	Tax on stock exchange (Taxe sur les opérations de bourse et de reports)
D214D	Car registration tax (Taxe d'immatriculation)
D214D01	Car registration tax
D214D02	Tax on the entry into service (Taxe de mise en circulation)
D214L	Other taxes on "nda" products (Autres impôts sur les produits nda)
D214L01	Tax on bills (Taxe d'affichage)
D214L02	Contribution on the turnover of the pharmaceutical industry (Cotisation sur le chiffre d'affaire de l'industrie pharmaceutique)
D214L03	Levy on certain pharmaceutical products (Redevance sur certains produits pharmaceutiques)
D29A	Taxes on land, buildings and other structures
D29A01	Tax on real estate (Précompte immobilier (PP))
D29A02	Tax on real estate (Précompte immobilier (Soc))
D29A03	Opening tax on drinking establishments
D29A04	Business licence tax
D29A05	Regional tax (R B-C)
D29B	Taxes on the use of fixed assets
D29B01	Circulation taxes paid by companies (Taxe de circulation payée par les entreprises)
D29B02	Gaming machine licence duty
D29B03	The Eurosticker (Eurovignette)
D29B04	Taxes with equivalent effect to excise duties paid by companies (Taxe assimilée au droit d'accise payée par les entreprises)
D29C01	Taxes on co-ordination centres (Taxe sur les centres de coordination)
D29H	Other taxes on the production of n.e.c. (Autres impôts à la production nda)
D29H01	Annual tax on securities listed on the stock exchange (Taxe annuelle sur les titres cotés en bourse)
D29H02	Tax on deliveries of bearer securities (Taxe sur les livraisons de titres au porteur)
D29H03	Annuity on patents (Annuité de brevets)
D29H04	Monopoly tax (Rente de monopole (Belgacom))
D29H05	Monopoly tax (Rente de monopole (Loterie nationale))
D29H06	Unique contribution for companies (Cotisation unique des sociétés)
D29H07	Reimbursement clinical biology
D29H08	Exceptional contribution for electricity producers (Cotisation exceptionnelle des producteurs d'électricité)
D29H09	Unique contribution from the Petroleum sector (Cotisation unique à charge du secteur pétrolier)
D29H10	Other taxes on production
D.91	Capital taxes
D91A	Taxes on capital transfers
	Taxes on gifts inter-vivos (Droits sur les donations)
D91B	Capital levies
	Succession duties (Droits de succession)
	Taxes on long-term savings (Taxe sur l'épargne à long terme)
D91C	Other capital taxes
D59A	Current taxes on capital
	Taxes on immovable property (Taxes sur le patrimoine (terrains et bâtiments))
	Taxes on non-profit making associations (Taxe sur les associations sans but lucratif)
	Annual tax on collective investment organisations (Taxe annuelle sur les organismes de placement collectif)
	Private transfers to the funds for accidents at work (Transfert au Fonds des accidents de travail en provenance des caisses privées d'assurance contre les accidents de travail)

2. Environmental split

Energy	D.2122 C	Excise duties
		Excise duties on mineral oils
	D.214 A	Excise duties and consumption taxes
		Excise duties on mineral oils Contribution on energy (Cotisation sur l'énergie) Inspection fee on heating oil for domestic use
	D.29 H to S1313	Local energy taxes (35% of Autres impôts à la production n. d. a.)
Transport	D.214 D	Car registration taxes
		Tax on the entry into service (Taxe de mise en circulation)
	D.29 B	Taxes on the use of fixed assets
		Circulation taxes paid by companies Taxes treated as excise duties paid by companies (Taxe assimilée au droit d'accise payée par les entreprises) The Eurosticker (Eurovignette)
	D.59 D	Payments by households for licenses
		Circulation taxes paid by households Taxes with equivalent effect to excise duties paid by households (Taxe assimilée au droit d'accise payée par les ménages)
Pollution	D.214 A	Excise duties and consumption taxes
		Tax on water consumption Ecotaxes
	D.29 F	Taxes on pollution
		Taxes on industrial waste (Taxes sur les déchets industriels (VG)) Taxes on liquid manure (Taxe sur le lisier (VG)) Taxes on water (Taxes sur les eaux (RF, RW et R B-C))
	D.59 B	Poll taxes
		Tax on household waste (RW)
	D.29 H to S1313	Local pollution taxes (2,5 % of Other taxes on the production of n.e.c.)

## 2. DENMARK

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

Motor vehicle weight duty from households  
 VAT  
 Labour market contributions  
     Concerning imports  
     Concerning value added  
 Customs duties  
 Import and export duties on agricultural produce  
 Duty on petrol  
 Motor vehicle registration duty  
 Aircraft registration duty, etc.  
 Cigarette and tobacco duty  
 Duty on cigars, cheroots and cigarillos  
 Income from sale of revenue labels  
 Sales duties on chocolate and sugar confectionery, etc.  
 Raw material duty on chocolate and sugar confectionery, etc.  
 Special tax on chocolate and sugar confectionery, etc.  
 Sugar storing duty  
 Duty on ice-cream  
 Duty on coffee, etc.  
 Duty on mineral water  
 Duty on beer  
 Duty on wine  
 Duty on spirits  
 Duty on grammophone records  
 Duty on electric bulbs and fuses, etc.  
 Duty on perfumery and toilet articles  
 Duty paid to European Coal and Steel Community  
 Income from sale of number plates  
 Duty on building certificates  
 Duty on the production of sugar  
 Duty on tea  
 Duty on electricity  
 Duty on certain oil products  
 Duty on certain retail containers  
 Milk co-responsibility levy  
 Duty on gas  
 Duty on extraction and import of raw materials  
 Duty on disposable tableware  
 Duty on insecticides, herbicides, etc.  
 Duty on coal, etc.  
 Large yachts registration duty  
 Duty on waste  
 Duty on CFC  
 Duty on CO<sub>2</sub>  
 Duty on cigarette paper  
 Duty on piped water  
 Duty on carrier bags made of paper or plast, etc.  
 Duty on nickel/cadmium batteries  
 Duty on tires  
 Duty on sulphur  
 Duty on chlorinated solvents  
 Duty on natural gas  
 Effluent charges  
 Duty on nitrogen  
 Duty on special growth stimulants  
 Duty on PVC film  
 Duty on PVC and phthalates  
 Gambling tax on racing  
 Sales tax on football pools  
 Duty on motor vehicle third-party liability insurance  
 Duty on insurance on pleasure boats  
 Duty on charter flights  
 Duty on casinos  
 Passenger duty  
 Duty on the Danish State Lottery  
 Duty on oil pipeline  
 Other duties on goods and services  
 Other production taxes, total



Labour

Employed

Employers

- Social contributions from employers
  - Labour market supplementary pension scheme contributions from employers in private sector
  - Labour market supplementary pension scheme contributions from employers in government sector
  - Labour market supplementary pension scheme contributions from government social protection schemes
  - Contributions to employees' wage guarantee fund
- Labour market contributions
  - Contributions to scheme for refunding trainee cost
  - Contributions to scheme for refunding trainee cost
  - Labour market contributions from employers
  - General work environment duty
- Duty on wage and salary costs

Employees

- Social contributions from employees, etc.
  - Unemployment insurance contributions
  - Labour market supplementary pension scheme contributions
  - Special pension-scheme savings
  - Early retirement contributions
  - Flexible benefit contributions
- Labour market contributions
  - From employees, etc.
  - % of Central government income tax
  - % of County income tax
  - % of Municipality income tax
  - % of Church tax
  - % of Special income tax
    - % of To central government
    - % of To municipalities

Non-employed

- % of Central government income tax
- % of County income tax
- % of Municipality income tax
- % of Church tax
- % of Special income tax
  - % of To central government
  - % of To municipalities
- Taxes on pension schemes with lump sum disbursements
  - To central government
  - To municipalities

Capital

Business and capital income

Income corporations

- Corporation tax
  - To central government
  - To municipalities
- Municipality income tax from public (state) enterprises
- Corporation tax on hydrocarbon manufacturing
  - To central government
  - To municipalities
- Tax on funds and associations
  - To central government
  - To municipalities
- Tax on yields of certain pension scheme assets
  - From insurance companies, private pensionsfonds etc.

Income households

- % of Central government income tax
- % of County income tax
- % of Municipality income tax
- % of Church tax
- % of Special income tax
  - % of To central government
  - % of To municipalities
- Tax on income of deceased persons
- Tax on yields of certain pension scheme assets
  - From households

Income self-employed

- % of Central government income tax
- % of County income tax
- % of Municipality income tax
- % of Church tax
- % of Special income tax
  - % of To central government

Stocks (wealth) of capital

- Duty on released rent increases to central government and municipalities
- Duty on releases from fund for employers' index-regulated pay increases to central government and municipalities
  - To central government
  - To counties
- Taxes on real property
  - To central government
  - To counties
  - To municipalities
- Compulsory fines, etc.
- Motor vehicle weight duty from producers
- Property release duty
  - To central government
  - To municipalities
- Taxes on specific transactions
  - Stamp duties
  - Land development duty
  - Duties to the register of companies and associations
  - Duty on transfers of shares
- Tax on imputed income from owner-occupied dwelling (the so-called 'property value tax')
  - To counties
  - To municipalities
- Tax on wealth
  - Wealth tax on persons
  - Wealth tax on deceased person's estate
- Estate duty and gift tax
  - Inheritance duty
- Duties in connection with control and supervision, etc.
  - Duty on credit cards
  - Duties paid to the working environment fund
- Duties in connection with licences, authorizations, etc.
  - Pharmacy fees, etc.
  - Fees to Danish Cultural Foundation
  - Fees submitted for operation of training ship »Danmark«

2. Environmental split

- |           |  |
|-----------|--|
| Energy    | <ul style="list-style-type: none"> <li>Duty on petrol</li> <li>Duty on electricity</li> <li>Duty on certain oil products</li> <li>Duty on gas</li> <li>Duty on coal, etc.</li> <li>Duty on CO<sub>2</sub></li> <li>Duty on natural gas</li> </ul>  |
| Transport | <ul style="list-style-type: none"> <li>Motor vehicle weight duty</li> <li>Motor vehicle registration duty</li> <li>Aircraft registration duty, etc.</li> <li>Income from sale of number plates</li> <li>Large yachts registration duty</li> <li>Duty on tires</li> <li>Duty on motor vehicle third-party liability insurance</li> <li>Duty on insurance on pleasure boats</li> <li>Duty on charter flights</li> <li>Passenger duty</li> </ul>  |
| Pollution | <ul style="list-style-type: none"> <li>Duty on electric bulbs and fuses, etc.</li> <li>Duty on certain retail containers</li> <li>Duty on disposable tableware</li> <li>Duty on insecticides, herbicides, etc.</li> <li>Duty on waste</li> <li>Duty on CFC</li> <li>Duty on carrier bags made of paper or plast, etc.</li> <li>Duty on nickel/cadmium batteries</li> <li>Duty on sulphur</li> <li>Duty on chlorinated solvents</li> <li>Effluent charges</li> <li>Duty on nitrogen</li> <li>Duty on special growth stimulants</li> <li>Duty on PVC film</li> <li>Duty on PVC and phthalates</li> </ul> |
| Resource  | <ul style="list-style-type: none"> <li>Duty on extraction and import of raw materials</li> <li>Duty on piped water</li> </ul>  |



### 3. GERMANY

#### 1. Structure According to Economic Function as a % of GDP

##### Consumption

D2	TAXES ON PRODUCTION AND IMPORTS
D21	Taxes on products (Gütersteuern)
D211	Value added type taxes (Mehrwertsteuern)
D212	Taxes and duties on imports excluding VAT (Importangaben)
D2121	Import duties (Zölle)
	Customs on agricultural products (Abschöpfungs-u. Währungsausgleichsbeträge)
	Import duties (Importsteuern)
D2122	Taxes on imports, excluding VAT and import duties
D214	Taxes on products, except VAT and import taxes (sonstige Güternsteuern)
	Excise duties and consumption taxes (Verbrauchssteuern)
	Duties on electricity (Stromsteuer)
	Duties on mineral oil (Mineralölsteuer)
	Duties on tobacco (Tabaksteuer)
	Duties on wine (Branntweinabgaben)
	Duties on coffee (Kaffeesteuer)
	Duties on sparkling wines (Schaumweinsteuer)
	Duties on beer (Biersteuer)
	Other excise duties (sonstige Verbrauchssteuern)
	Betting and gambling tax (Rennwett-Lotteriesteuer)
	Insurance tax (Versicherungssteuer)
	Fire insurance tax (Feuerschutzsteuer)
	(Produktionsabgaben für Zucker)
	Coal tax (Kohlepfennig)
D29	Other taxes on production (sonstige Produktionsabgaben)
	Undercompensation VAT (Unterkompensation Umsatzsteuer)
D59	Other current taxes (sonstige direkte Steuern und Abgaben)
	Other current taxes (Steuer im Zusammenhang mit dem privaten Verbrauch)
	Tax on Motor Vehicles for private Households (KFZ-steuern von privaten Haushalten)
	Other community taxes (sonstige Gemeindesteuern der Stadtstaaten)
	Taxes on dogs (Hundesteuer)
	Hunting and Fishing tax (Jagd- und Fischereisteuer)
	Administrative charges for private households (Verwaltungsgebühren von privaten Haushalten)

##### Labour

###### Employed

###### Employers

D61111 Compulsory employers' actual social contributions

###### Employees

TRD51A Taxes on individual or household income (Einkommensteuer von privaten Haushalten)  
% of assessed income tax (Veranlagte Einkommensteuer) and wage tax (Lohnsteuer)

D61121 Compulsory employees' social contributions

###### Non-employed

TRD51A % of Taxes on individual or household income (Einkommensteuer von privaten Haushalten)  
% of assessed income tax (Veranlagte Einkommensteuer)  
% of wage tax (Lohnsteuer)  
% of other income tax, incl. capital yields tax and interest income deduction for households (Kapitalertragssteuer und Zinsabschlag)

D61131 % of compulsory social contributions by self- and non-employed persons

##### Capital

###### Business and capital income

###### Income corporations

D29 Other taxes on production  
Tax on industry and trade (Gewerbesteuer)

D51B Taxes on the income or profits of corporations (Einkommensteuer von Kapitalgesellschaften)  
Corporation tax (Körperschaftsteuer)  
Other income tax, incl. capital yields tax and interest income deductions (Kapitalertragssteuer und Zinsabschlag)

###### Income households

TRD51A % of Taxes on individual or household income (Einkommensteuer von privaten Haushalten)  
% of assessed income tax (Veranlagte Einkommensteuer)  
% of wage tax (Lohnsteuer)  
% of other income tax, incl. capital yields tax and interest income deduction for households (Kapitalertragssteuer und Zinsabschlag)

Income taxes from rest of the world (Einkommensteuer von der übrigen Welt)

###### Income self-employed

TRD51A % of Taxes on individual or household income (Einkommensteuer von privaten Haushalten)  
% of assessed income tax (Veranlagte Einkommensteuer)  
% of wage tax (Lohnsteuer)  
% of other income tax, incl. capital yields tax and interest income deduction for households (Kapitalertragssteuer und Zinsabschlag)

D61131 % of compulsory social contributions by self- and non-employed persons

Stocks (wealth) of capital

		Real estate transfer tax (Grunderwerbsteuer)
		Tax to support sales of products in the field of fishing and agriculture (Absatzfondsgesetz)
		Other community taxes (übrige Gemeindesteuern)
		Tax on overproduction of milk and corn paid by Farmers (Milch-u. Getreidemitverantwortungsabgaben)
		Tax on real estate (Grundsteuer A und B)
		Tax on motor vehicles paid by enterprises (Kfz-Steuer von Unternehmen)
		Administrative charges for enterprises (Verwaltungsgebühren von Unternehmen)
		Quasi tax receipts (steuerähnliche Einnahmen)
		Other taxes on production (übrige Produktionsabgaben)
		Wealth tax for private households (Vermögensteuer von privaten Haushalten)
		Wealth tax for corporations (Vermögensteuer von Kapitalgesellschaften)
D91		Capital taxes (Vermögenswirksame Steuern)
		Succession and gift tax (Erbschaftsteuer)

2. Environmental split

Environmental

	Energy		Excise duties and consumption taxes (Verbrauchssteuern)
			Duties on electricity (Stromsteuer)
			Duties on mineral oil (Mineralölsteuer)
			Coal tax (Kohlepfennig)
	Transport	TRD59	Other current taxes (sonstige direkte Steuern und Abgaben)
			Tax on Motor Vehicles for private Households (KFZ-steuern von privaten Haushalten)
		TRD29B	Tax on motor vehicles paid by enterprises (Kfz-Steuer von Unternehmen)

## 4. GREECE

### 1. Structure According to Economic Function as a % of GDP

Consumption		
	D211	Value added type taxes
	D212	Taxes and duties on imports excluding VAT Import duties
	D2122	Taxes on imports, excluding VAT and import duties
	D2122A	Levies on imported agricultural products
	D2122B	Monetary compensatory amounts on imports
	D2122C	Excise duties
	D2122D	General sales taxes
	D2122E	Taxes on specific services
	D2122F	Profits of import monopolies
	D214A	Excise duties and consumption taxes Excise duties on cars Excise duties on oil products (benzin, petroleum etc) Excise duties on tobacco products Taxes on beer Taxes on alcoholic drinks Taxes on other products
	D214E	Taxes on entertainment Amusement taxes
	D214F	Taxes on lotteries, gambling and betting Taxes on lotteries Taxes on gambling and betting Duty on casino
	D214G	Taxes on insurance premiums Taxes on insurance premiums
	D214H	Other taxes on specific services Taxes on advertising Taxes on hotels, restaurants, etc
	D214I	General sales or turnover taxes Wholesale sale taxes Other general sales taxes
	D214J	Profits of fiscal monopolies
	D214K	Export duties and monetary comp. amounts on exports
	D29B	Taxes on the use of fixed assets Taxes on the use of dogs, streets, lighting
	D29D	Taxes on international transactions
	D29F	Taxes on pollution
	D29G	Under-compensation of VAT (flat rate system)
	D59B	Poll taxes
	D59C	Expenditure taxes
	D59D	Payments by households for licences
	D59E	Taxes on international transactions
	D59F	Other current taxes n.e.c.
Labour		
Employers	D61111	Compulsory employers' actual social contributions
Employees	D61121	Compulsory employees' social contributions
	D51A	% of Taxes on individual or household income % of Income taxes on individuals % of Taxes on interest and other taxes on individuals
Non-employed	D61131	% of Compulsory social contributions by self- and non-employed persons
	D51A	% of Taxes on individual or household income % of Income taxes on individuals % of Taxes on interest and other taxes on individuals
Capital		
Business and capital income		
Income corporations		
	D51B	Tax on income or profits of corporations Income taxes on corporations Taxes on shipowners Various corporations taxes
Income households		
	D51A	% of Taxes on individual or household income % of Income taxes on individuals % of Taxes on interest and other taxes on individuals
	D51C	Taxes on holding gains
	D51D	Taxes on winnings from lottery or gambling
	D51E	Other taxes on income n.e.c. Tax penalties and fines Various

Income Self-employed	
D61131	% of Compulsory social contributions by self- and non-employed persons
D51A	% of Taxes on individual or household income
	% of Income taxes on individuals
	% of Taxes on interest and other taxes on individuals

Stocks (wealth) of capital	
D214B	Stamp taxes
	Stamp taxes on products
	Stamp taxes on legal documents
D214C	Taxes on financial and capital transactions
	Taxes on the sale of non-financial assets
	Taxes on the sale of financial assets
D214D	Car registration taxes
D29A	Taxes on land, buildings or other structures
D29E	Business and professional licenses
	Professional licences
	Vehicle licences for businesses
	Various
D29H	Other taxes on production n.e.c.
	Taxes on capital accumulation
	Various
D59A	Current taxes on capital
	Taxes on household buildings
D91A	Taxes on capital transfers
D91B	Capital levies
D91C	Other capital taxes

2. Environmental split

Energy	Excise duties on oil products (gas, petroleum, etc.)
Transport	Excise duties on cars
	Car registration taxes
	Vehicle licences for businesses
	Car registration licenses

## 5. SPAIN

### 1. Structure according to economic function as % of GDP

Consumption	
D211	Value added type taxes
D2121	Import duties
	Import duties
	Canary island duties on nationally produced goods
	Duties on nationally produced goods from Ceuta and Melilla
	Other duties
D2122A	Levies on imported agricultural products
	Agricultural levies
	Other levies
D2122B	Monetary compensatory amounts on imports
D2122C	Excise duties
	Special levies on imported goods
D214A	Excise duties and consumption taxes
	Excise duties on hydrocarbon oil
	Excise duties on electricity
	Excise duties on alcoholic drinks
	Excise duties on tobacco
	Canary island duties on nationally produced goods
	Duties on nationally produced goods from Ceuta and Melilla
	Other excise duties
D214E	Taxes on entertainment
D214F	Taxes on lotteries, gambling and betting
	Tax on betting
D214G	Taxes on insurance premiums
	Levy on insurance premiums
D59D	Payments by households for licences
	Levy on vehicles
	Parafiscal taxes
D59F	Other current taxes n.e.c.
Labour	
Employers	
D61111	Compulsory employers' actual social contributions
Employees	
D51	Taxes on income
D51A	% of Taxes on individual or household income
D61121	Compulsory employees' social contributions
Non-employed	
D51	Taxes on income
D51A	% of Taxes on individual or household income
D61131	% of Compulsory social contributions by self- and non-employed persons
Capital	
Business and capital income	
Income corporations	
D51B	Taxes on the income or profits of corporations
	General tax on corporations
Income households	
D51	Taxes on income
D51A	% of Taxes on individual or household income
D51E	Other taxes on income n.e.c.
Income self-employed	
D51	Taxes on income
D51A	% of Taxes on individual or household income
D61131	% of Compulsory social contributions by self- and non-employed persons
Stocks (wealth) of capital	
D214	Taxes on products, except VAT and import taxes
D214B	Stamp taxes
	Levy on patrimonial transmission and AJD (stamp assets)
D214C	Taxes on financial and capital transactions
	Levy on patrimonial transmission and AJD (direct management)
D214D	Car registration taxes
	Levy on specific transport means
D214L	Other taxes on products n.e.c.
	Levy on constructions and plants
	CECA Tax
	Tax on sugar and monoglucose
	Tax to low the share of milk production
	Other taxes
D29	Other taxes on production
D29A	Taxes on land, buildings or other structures
	Levy on immovable property



D29B	Taxes on the use of fixed assets
	Levy on vehicles
D29E	Business and professional licences
	Levy on economic activities
	Parafiscal taxes
	Telephone fee
	Urbanistic licences
D59	Other current taxes
D59A	Current taxes on capital
	Levy on wealth
D91	Capital Taxes
D91A	Taxes on capital transfers
	General inheritance tax
D91B	Capital levies
	Levy on the value increasing of land
	Special contributions

## 6. FRANCE

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

D59	% of Tax on housing
D59	Motor vehicle duty paid by households
D21	Value Added Tax on products
D212	Import duties
D214	Levies on agricultural production
D212	Other taxes on imports
D214	Inland duty on petroleum products
D214	Special duty on tobacco and matches
D214	Excise duties on beers and mineral waters
D214	Duty on sugar
D214	Duty on cereals and sugar beet
D214	Tax on oils intended for human consumption
D214/211/292	Tax on forestry products
D212/214	State health tax on meat
D214	Metered water consumption charge
D214	Other duties on goods
D214	Special tax on insurance contracts
D214	Surcharge on insurance contracts accruing to the agricultural disaster
D214	Surcharge on insurance contracts accruing to the compensation funds for building insurance
D214	Surcharge on insurance contracts accruing to the motor guarantee fund
D214secu	Tax on motor vehicle insurance
D214	Municipal entertainments tax
D214	Surcharge on the price of cinema seats
D214	Levy on betting
D214	Levy on the loterie nationale and loto
D214	Casino gaming tax
D214	Funeral taxes
D214	Mining duties
D214	Tax accruing to the navigation office
D214	Hallmark duties on gold and silver
D214	Other taxes on services
D214	Duty on manufactured tobaccos
D214	Consumption and production duties on spirits

#### Labour

##### Employed

##### Employers

D51	Receipts of solidarity fund
D291	Tax charged by the Syndicat des transports
D291	Employers participation in financing continuous vocational training
D291	Apprenticeship tax
D61111	Compulsory employers' actual social contributions
TRD51A	% of Personal income tax (cf. Direction de la Prevision)
TRD51A	% of CRDS (cf. Direction de la Prevision)
TRD51A	% of CSG (cf. Direction de la Prevision)
D291	Flat rate contribution from earnings
D61121	Compulsory employees' social contributions

##### Non-employed

D61131	% of compulsory social contributions by self- and non-employed persons
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#### Capital

##### Business and capital income

##### Income corporations

D51B	Exceptional tax on oil companies
D51B	Corporation tax
D51B	Advance payments by companies on distributed profits
D51B	Profit taxes deducted at source from non-commercial profits
D51B	Withholding tax on profits derived from building construction
D51B	Special levy on credit establishments
D51B	Special levy on credit institutions and insurance firms

Income households	
D51A	Withholding tax on income from investments
D51A	% of Personal income tax (cf. Direction de la Prevision)
D51A	Social levies of 2%
D51A	% of CRDS (cf. Direction de la Prevision)
D51A	% of CSG (cf. Direction de la Prevision)
D51A	Tax deducted in application of the rules for multiple sources of earnings
Income self-employed	
D51A	% of Personal income tax (cf. Direction de la Prevision)
D61131	% of compulsory social contributions by self- and non-employed persons
Stocks (wealth) of capital	
D214	Flat rate duty on precious metals
D214	Tax on the notional rental value of dwellings
D214	Tax on the notional rental value of commercial property
D214	Tax on stock exchange turnover
D214	Registration duties
D214	Lease registration
D214	Local equipment tax
D214	Tax on preparation of medicines
D214	Electricity meter charge
D291	Tax charged for the housing fund
D291/D292	Other taxes linked to production
D292	Motor vehicle duty paid by enterprises
D292	Motor vehicle duty paid by enterprises on private motor cars
D292	Tax on licenced premises
D292	Special tax on certain road vehicles
D292	Abattoir fee
D292	Tax accruing to the chambers of trade
D292	Employers' wage-based contribution (1%) to the social housing fund
D292/D214	Levy for Agences Financieres de Bassin
D59	Levy on saving banks
D59	Wealth tax
D59	Levy charged on commission by the Credit Foncier
D292	Property tax on developed property
D59/D292	Property tax on land without buildings
D59/D292	Dues payable to chambers of agriculture
D59/D292	Stamp duties
D59/D292	Current taxes on income and wealth paid by public admin.
D292	Local business tax
D59	% of Tax on accomodation (cf. Direction de la Prevision)
D91	Duties on capital gifts
D91	Exceptional levy on insurance enterprises and repatriation of capital
D91	Other taxes on capital
D91	Solidarity social contributions of companies (CSS)

## 2. Environmental split

Energy	Inland duty on petroleum products Electricity meter charge
Transport	Motor vehicle duty paid by households Motor vehicle duty paid by enterprises on private motor cars Tax on motor vehicle insurance Motor vehicle duty paid by enterprises Vehicle registration certificate Special tax on certain road vehicles Surcharge on insurance contracts accruing to the motor guarantee fund (includes 3.4.4.)
Pollution	Levy for Agences Financières de Bassin
Resources	Metered water consumption charge Mining duties

## 7. IRELAND

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

TRD59D	Payments by households for licences Motor vehicle duties paid by households
TRD214E	Taxes on entertainment Entertainment licenses
TRD214F	Taxes on lotteries, gambling and betting Sweepstake duties Betting taxes
TRD214G	Taxes on insurance premiums Taxes on insurance policies
TRD211	Value added type taxes Value added taxes
TRD2121	Import duties Customs duties
TRD2122A	Levies on imported agricultural products Levies on agricultural products
TRD214A	Excise duties and consumption taxes Duties on mineral hydrocarbon light oil Duties on other sorts of oil Duties on tobacco Duties on spirits Duties on wine Duties on beer Duties on cider and perry Duties on motor vehicle parts and access

#### Labour

##### Employed

Employers	
D61111	Employers' compulsory actual social contributions
Employees	
D51A	% of Taxes on individual or household income
D61121	Employees' compulsory social contributions

##### Non-employed

D51A	% of Taxes on individual or household income
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#### Capital

##### Business and capital income

###### Income corporations

D51B	Tax on income or profits of corporations
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###### Income households

D51A	% of Taxes on individual or household income
D51C	Capital gains tax
D51E	Other taxes on income Levies under sect. 93/94 finance act, 1986 Fees under petroleum and mineral development acts Estate duties

###### Income self-employed

D51A	% of Taxes on individual or household income
D61131	% of Compulsory social contributions by self-and non-employed persons

##### Stocks (wealth) of capital

D214B	Stamp taxes Stamp duties Fee stamps
D214C	Taxes on financial and capital transactions Bank levy
D214D	Car registration taxes Motor vehicle duties paid by enterprises
D214H	Other taxes on specific services
D214H	Broadcasting licence fees
D29A	Taxes on land, buildings or other structures Rates Residential property tax
D29E	Business and professional licenses
D91	Capital taxes
D91A	Capital acquisition tax
TRD29H	Other taxes on production n.e.c. Other taxes linked to production

2. Environmental taxes as % of GDP

Energy	Excise duty on mineral hydrocarbon oil Excise duty on other sorts of oil
Transport	Motor vehicles duties paid by producers Motor vehicles duties paid by households Excise duty on motor vehicle parts and access
Pollution/ ressources	Fees under the petroleul and mineral development acts

## 8. ITALY

### 1. Structure according to economic function as % of GDP

Consumption	
D211	VAT total to S13
D211	VAT to EC
D2121	Import duties to EC
D2122C	In-bond surcharge on mineral oils
D2122C	In-bond surcharge on liquefied petroleum gases and other surcharges of which environmental (data on LPG from A. Del Santo, ISTAT)
D2122C	Excise duty on coffee
D2122C	Excise duty on cocoa
D2122C	Excise duty on bananas
D2122C	Other taxes on imports
D2122C	Excise duties to EC
D214A	Excise duty on mineral oils
D214A	Excise duty on liquefied petroleum gases
D214A	Excise duty on methane
D214A	Excise duty on beer
D214A	Excise duty on sugars
D214A	Excise duty on electricity
D214A	Local surcharge on electricity duty
D214A	Excise duty on sound and video recording and playing equipment
D214A	Special duty on table waters
D214A	Surcharges accruing to National Rice Administration
D214A	Water consumption tax
D214A	Excise duties to EC
D214B	Excise duty on tobacco
D214B	Excise duty on spirits
D214B	Receipts from sale of denaturing agents and government seals
D214E	Entertainment tax
D214E	Casino takings, special duties, etc.
D214F	Tax on lotto, lotteries and betting
D214F	Single tax on games of skill and betting-levied indirectly on production
D214F	Tax on Totip game and horse races bets
D214F	Tax on Totocalcio game
D214G	Provincial tax on motor vehicle insurances
D214J	Excise duty on products of Monopoli di Stato
D214L	Special duties similar indirect tax on products
D29H	Tourist and temporary residence tax
D29H	Other taxes on production
D29H	Surcharges accruing to provincial tourist offices
D59D	Driving licence and passport tax
D59D	Motor vehicle duty paid by household
D59F	Tax on dogs
Labour	
Employers	
D29C	Contribution to GESCAL - employers' contribution
D29H	% of regional tax on productive activities (IRAP)
D91B	Withholding tax on the severance pay
D61111	Employers' compulsory actual social contributions
Employees	
D51A	% of Personal income tax
D51A	Contributions to GESCAL - employees' contribution
TRD59F	% of Substitute tax on income derived from the appreciation of severance indemnity funds
D61121	Employees' compulsory actual social contributions
Non-employed	
D61131	% of Compulsory social contributions by self-employed and non-employed persons
D51A	% of Personal income tax
Capital	
Business and capital income	
Income corporations	
D29H	% of Regional tax on productive activities (IRAP)
D51B	Withholding tax on income from deposits paid by firms
D51B	Corporation tax
D51B	Local income tax paid by firms
D51B	Withholding tax on company dividends paid by firms
D51B	New tax on imputed income derived from the appreciation of corporate assets

Income households

D51A	% of Personal income tax
D51A	Withholding tax on income from deposits paid by households
D51A	Local income tax paid by households
D51A	Tax on income from investments
D51A	10% Surcharge on income
D51A	Withholding tax on company dividends paid by households
D51C	Capital gains tax on shares
D51C	Tax on investment funds
D51D	Tax on games of skill and betting-levied on current income and assets

Income self-employed

D29H	% of Regional tax on productive activities (IRAP)
D51A	% of Personal income tax
D61131	% of Compulsory social contributions by self-employed and non-employed persons

Stocks (wealth) of capital

D214A	Regional special tax on dumping
D214B	Stamp duties
D214B	Registration tax
D214B	Duty in lieu of registration and stamp duties (excl. Insurance tax)
D214B	Mortgage taxes and land registry duties
D214B	Public motor vehicle register tax
D214B	Surcharges accruing on cadastral acts
D214H	Municipal tax on advertising
D214H	Municipal tax on building licences
D214L	Municipal surcharges accruing on slaughters
D29A	Municipal real estate tax (ICI) - Part on buildings
D29B	Motor vehicle duty paid by firms
D29E	Surcharge accruing to chambers of commerce
D29E	Duty on official franchises
D29E	Refunds of taxes on production and imports
D29F	SO <sub>2</sub> and NO <sub>x</sub> pollution tax
D29H	Other special duties on production
D29H	Telecommunication licences tax
D29H	Surcharges accruing on notarial acts
D51A	Municipal tax on industry, crafts and professions
D51A	Municipal capital gains tax on buildings paid by households
D51B	Company franchise and liabilities tax
D51B	Tax on net wealth of enterprises
D51B	Municipal capital gains tax on buildings paid by firms
D51E	Surcharges on state and local taxes
D59A	Municipal real estate tax (ICI) - Part on building plots
D59F	% of Substitute tax on income derived from the appreciation of severance indemnity funds
D91A	Inheritance and gift duty
D91A	Estate duty
D91B	Tax on imputed income derived from the appreciation of corporate assets
D91B	Special tax fo Europe
D91B	Extraordinary property tax on the value of buildings (ISI)
D91B	Extraordinary tax on the value of deposits, current accounts and deposit certificates
D91B	Substitute tax on assets of enterprises
D91B	Extraordinary tax to which owners of certain luxury goods are liable (Decree-Law No 384 of 19/9/92)
D91C	Recover of paid taxes in delay
D91C	Penalties and settlements - direct taxes
D91C	Penalties and settlements -indirect taxes
D91C	Tax shield (on incomes from abroad)

2. Environmental split

Environmental

Energy	TRD214A	Excise duty on mineral oils
	TRD2122C	In-bond surcharge on mineral oils
	TRD214A	Excise duty on liquefied petroleum gases
	TRD2122C	In-bond surcharge on liquefied petroleum gases and other surcharges
	TRD214A	Excise duty on methane
	TRD214A	Excise duty on electricity
Transport	TRD214A	Local surcharge on electricity duty
	TRD59D	Motor vehicle duty paid by household
	TRD29B	Motor vehicle duty paid by firms
	TRD214B	Public motor vehicle register tax
Pollution	TRD214G	Provincial tax on motor vehicle insurances
	TRD29F	SO <sub>2</sub> and NO <sub>x</sub> pollution tax
Resources	TRD214A	Regional special tax on landfill dumping
	TRD214A	Water consumption tax

## 9. LUXEMBOURG

### 1. Structure according to economic function as % of GDP

#### Consumption

D211	Value added type taxes (VAT)
D212	Taxes and duties on imports except. VAT
D214A	Excise duties and consumption taxes
D214C	Taxes on financial and capital transactions
D214C01	Consumption tax (part on the national production)
D214C02	Excises on domestic beer (Droits d'accises sur les bières indigènes)
D214C03	Excises on tobacco (part on national production)
D214E	Taxes on entertainment
D214F	Taxes on lotteries, gambling and betting
D214F01	Levies on gambling in casinos (Central state part) (Prélèvements sur les jeux de casino (partie Etat central))
D214F02	Levies on gambling in casinos (Communes part) (Prélèvements sur les jeux de casino (partie communes))
D214F03	Taxes on lotto
D214F04	Taxes and levies on betting on sporting events
D214G	Taxes on insurance premiums
D214H	Other taxes on specific services
D214H04	Taxes on construction in Central sectors (Taxe due pour la construction dans les secteurs centraux)
D214H06	Tourist tax
D214H07	Taxes on cabarets
D214L	Other taxes on products n.e.c.
D214L01	Additional taxes on electricity
D214L02	Taxes on distribution of electricity
D214L03	Taxes on production of electricity
D59F	Other current taxes n.e.c.
D59F04	Taxes on dogs
D59F05	Taxes on motor vehicles for household expenses (Taxe sur véhicules automoteurs à charge des ménages)

#### Labour

##### Employers

D29C	Total wage bill and payroll taxes
D61111	Compulsory employers' actual social contributions

##### Employees

D51A	Taxes on individual or household income
D51A01	% of Withholding tax on wages and salaries
D51A03	% of Taxes on individual income calculated by assessment
D51A04	% of Solidarity surcharge on personal income tax
D61121	Compulsory employees' actual social contributions

##### Non-employed

D51A	Taxes on individual or household income
D51A01	% of Withholding tax on wages and salaries
D51A03	% of Taxes on individual income calculated by assessment
D51A04	% of Solidarity surcharge on personal income tax
D61131	% of Compulsory social contributions by self- and non-employed persons

#### Capital

##### Business and capital income

###### Income corporations

D51B	Taxes on the income or profits of corporations
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###### Income households

D51A	Taxes on individual or household income
D51A03	% of Taxes on individual income calculated by assessment
D51A04	% of Solidarity surcharge on personal income tax
D51A05	Withholding tax on income from capital
D51A06	Tax on company directors' fees (Impôt sur les tantièmes)

###### Income self-employed

D51A	Taxes on individual or household income
D51A03	% of Taxes on individual income calculated by assessment
D51A04	% of Solidarity surcharge on personal income tax
D61131	% of Compulsory social contributions by self- and non-employed persons



Stocks (wealth) of capital

D214C	Taxes on financial and capital transactions
D214C04	Additional taxes on transfer of property (Surtaxe sur les mutations immobilières)
D214C05	Car Registration taxes
D214C06	Mortgage taxes
D214C07	Wage related mortgage taxes
D29A	Taxes on land, buildings and other structures
D29A01	Tax on land and buildings (Impôt foncier)
D29A02	Commuter tax (Taxe sur les résidences secondaires)
D29B	Taxes on the use of fixed assets
D29B01	Taxes on motor vehicles paid by companies
D29B02	Tax on the registration of Ships (Taxe d'immatriculation des navires)
D29H	Other taxes on production n.e.c.
D29H01	Business registration tax by companies (Registre aux firmes)
D29H02	ECSC levy (Prélèvement CECA)
D29H03	Annual tax on securities (Taxe d'abonnement sur les titres de société)
D29H04	VAT reclassified as other production taxes (TVA reclassée en autres impôts sur la production)
D51A	Taxes on individual or household income
D51A02	Income taxes on non-resident income
D59A	Current taxes on capital
D59A01	Wealth tax (Impôt sur la fortune)
D59A02	Tax on land and buildings (Impôt foncier)
D59F	Other current taxes n.e.c.
D59F01	Stamp duty
D59F02	Tax receipts from foreign affair administrartions Recettes concernant les départements des affaires étrangères
D59F03	Chancellery stamps (Timbres de chancellerie)
D91A	Taxes on capital transfers
D91A01	Inheritance tax

2. Environmental split

Energy	D2122C01	Consumption tax on imported alcohol
	D2122C02	Independent excise duties on certain mineral oils
	D2122C03	Excise duties on mineral oils
	D2122C04	Additional tax withheld on fuels
	D2122C05	Charges on domestic fuels
	D2122C06	Excise duties on liquified gas
	D2122C07	Excise duties on gas
	D214L01	Additional tax on electricity
	D214L02	Tax on the distribution of electricity
	D214L03	Tax on the production of electricity
Transport	D214H08	Tax on transports
	D29B01	Motor vehicle tax paid by producers
	D59F05	Motor vehicle tax paid by households

## 10. NETHERLANDS

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

D21	Taxes on production and imports
D211	Value added tax (VAT) o.w. transfer of VAT to the EU
D212	Import duties to the EU EU levies on food products
D214	Taxes on products
D214A	Excise duties Motor spirits Other mineral oils Tobacco Alcohol Other excise duties Tax on non-alcoholic beverages etc. Energy levies
D214F	Tax on lotteries and gambling
D214G	Insurance premium tax
D59	Current taxes on income and wealth Motor vehicle tax (paid by households) Environmental taxes Sewerage charges Levies on water pollution Polder-board levies
D29	Other taxes on production
D29F	Environmental taxes
D29F	Sewerage charges
D29F	Levies on water pollution
D29F	Polder-board levies
D29F	Other environmental taxes

#### Labour

##### Employers

D61111 Compulsory employers' actual social contributions

##### Employees

D61121 Compulsory employees' social contributions  
D51A % of Wage tax, income- and wealth tax and social contributions

##### Non-employed

D51A % of Wage tax, income- and wealth tax and social contributions  
D61131 % of compulsory social contributions by self- and non-employed persons

#### Capital

##### Business and capital income

###### Income corporations

D51B Tax on income or profits of corporations

###### Income households

D51A % of Wage tax, income- and wealth tax and social contributions  
D51C Dividend tax  
D51D Tax on lotteries and gambling

###### Income self-employed

D51A % of Wage tax, income- and wealth tax and social contributions  
D61131 % of compulsory social contributions by self- and non-employed persons

##### Stocks (wealth) of capital

D29A Real estate tax (paid by enterprises and households)  
D29B Motor vehicle tax (paid by enterprises incl. Eurovignet)  
Taxes on passenger cars and motor vehicles (BPM)\*  
Real estate transfer tax  
Other taxes on wealth  
Other taxes on production  
D91 Capital taxes (incl. Inheritance taxes)  
D214B Tax on capital (stock exchange turnover)

\* BPM tax is paid by both consumers and enterprises. It was assumed that 50% is paid by enterprises (assigned to capital) and the other 50% by households (assigned to consumption).

2. Environmental taxes

Energy	Excise duties on gas Excise duties on other mineral oils Energy levies
Transport	Motor vehicle tax paid by enterprises Motor vehicle tax paid by households Taxes on passenger cars and motorcycles
Pollution/resources	Sewerage charges producers Sewerage charges households Levies on water pollution producers Levies on water pollution households Other environmental taxes

## 11. AUSTRIA

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

##### VAT and turnover

TRD211	Value added type taxes
	Value added tax
	Under-compensation of VAT (flat rate system)

##### Excise duties

TRD2121	Import duties
	Other import duties
	Customs duties
TRD2122A	Levies on imported agricultural products
	Import equalization duties
TRD2122C	Excise duties
	Import duties not collected on the national border
TRD2122E	Contribution to promote foreign trade
TRD214A	Excise duties and consumption taxes
	Duty on starch products
	Duty promotion milk distribution
	Contribution to the Agricultural Fund
	Duty on spirit
	Tax on beer
	Tax on energy
	Beverage tax
	Tax on mineral oils
	Duty on vehicles based on fuel consumption
	Tax on sparkling wine
	Special duty on alcoholic drinks
	Special tax on mineral oils
	Other receipts - Market Organisation Act
	Tax on tobacco
	Tax on wine
	Levy on sugar
	- Duty on vehicles based on fuel consumption
	+ Duty on vehicles based on fuel consumption*share households

##### Others

TRD29H	In other taxes on production n.e.c.:
	Hunting and fishing duties
TRD59F	In other current taxes n.e.c.:
	Dog tax
	Tax on radio and TV-licences
	Motor vehicles tax 1, paid by households
	Contribution for the promotion of arts
	Motor vehicles tax 2, paid by households
	Contribution to the Road Safety Fund, paid by households
TRD214E	Taxes on entertainment
TRD214F	Taxes on lotteries, gambling and betting
TRD214G	Taxes on insurance premiums
TRD214H	Other taxes on specific services:
TRD214J	Profits of fiscal monopolies
TRD214L	Other taxes on products n.e.c.
TRD29G	Under-compensation of VAT (flat rate system)

#### Labour

##### Employers

TRD51E	In other taxes on income n.e.c.:
	Promotion residential buildings* 0,5
TRD51A	In taxes on individual or household income:
	Contribution to chambers * 0,21
TRD51B	Taxes on the income or profits of corporations
	Contribution to chambers * 0,21
TRD29C	In total wage bill and payroll taxes
	Employers contribution of family burdens
	Tax on sum of wages
	Tax on employment (Vienna underground)
TRD61111	Compulsory employers' actual social contributions

Employees	
TRD51E	In other taxes on income n.e.c.: Promotion residential buildings* 0,5
TRD51A	In taxes on individual or household income: Contribution to chambers * 0,27
TRD51B	In taxes on the income or profits of corporations: Contribution to chambers * 0,27
TRD51A	In taxes on individual or household income: Wage tax
TRD61121	- taxes on pensions (transfers) calculated by the ministry of finance LSt + Compulsory employees' social contributions - taxes on pensions (transfers) calculated by the ministry of finance SV
Non-employed	
TRD59F	In other current taxes n.e.c.: Contributions to students' association
TRD61131	% of compulsory social contributions by self- and non-employed persons
Capital	
Business and capital income	
Income Corporations	
TRD51B	In taxes on the income or profits of corporations: Corporation tax Tax on industry and trade Tax on capital yields Tax on interest Contribution to chambers * 0,48
Income households	
TRD51A	In taxes on individual or household income: % of Income tax Tax on capital yields Tax on interest
TRD51B	In taxes on the income or profits of corporations: Directors tax
Income self-employed	
TRD51A	In taxes on individual or household income: % of Income tax Contribution to chambers * 0,48 Tax on industry and trade
TRD61131	% of compulsory social contributions by self- and non-employed persons
Stocks (wealth) of capital	
TRD214B	Stamp taxes
TRD214C	In taxes on financial and capital transactions: Land transfer tax Capital transfer tax
TRD29A	Taxes on land, buildings or other structures
TRD29C	In total wage bill and payroll taxes Disabled persons, equalization levy
TRD29H	In other taxes on production n.e.c.: Administration duties Certain users fee Fines related to tax offences, taxes on production and imports Other taxes, taxes on production n.e.c. Accrual adjustment, taxes on production and imports Other fees, taxes on production n.e.c. Landtax A (farm land) Embossment fee
TRD51E	other taxes on income n.e.c.
TRD59A	current taxes on capital
TRD59F	In other current taxes n.e.c.: Fines related to tax offences, taxes on income, wealth etc. Accrual adjustment, taxes on income, wealth etc.
TRD91	Capital Taxes

2. Environmental split  
Environmental

Energy	TRD214A	Tax on energy Tax on mineral oils Special tax on mineral oils
Transport	TRD214A	Duty on vehicles based on fuel consumption
	TRD214H	Duty for airways security
	TRD29H	Motor vehicles tax 1, paid by enterprises Motor vehicles tax 2, paid by enterprises Road transport duty
	TRD59F	Motor vehicles tax 1, paid by households Motor vehicles tax 2, paid by households
Pollution	TRD214H	Levy on dangerous waste



## 12. PORTUGAL

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

D2	Taxes on production and imports
D21	Taxes on products
D211	Value added type taxes
	VAT on products
D212	Taxes and duties on imports excluding VAT
D2121	Import duties
	Import levies
	Import surtax
D2122	Taxes on imports, excluding VAT and import duties
D2122A	Levies on imported agricultural products
	Agricultural levies
	Production levy on sugar and isoglucose
D2122B	Monetary compensatory amounts on imports
D2122C	Excise duties
	Excise duties on tobacco
	Excise duties on alcohol
	Excise duties on alcoholic beverages
	Excise duties on beer
	Tax on imported alcoholic beverages
D2122D	General sales taxes
D2122E	Taxes on specific services
D2122F	Profits of import monopolies
D214	Taxes on products, except VAT and import taxes
D214A	Excise duties and consumption taxes
	Excise duties on tobacco
	Excise duties on alcohol
	Excise duties on alcoholic beverages
	Excise duties on beer
	Tax on petroleum products
D214C	Taxes on financial and capital transactions
D214E	Taxes on entertainment
	Duty on consumption in places of entertainment
D214F	Taxes on lotteries, gambling and betting
	Gambling tax
D214G	Taxes on insurance premiums
	Tax on accidents and life insurance premiums
	Tax on fire insurance premiums
	Tax on crop insurance premiums
D214H	Other taxes on specific services
	Tax on energy services
	Safety tax - civil aviation
	License on television activities
	Tax on gambling inspections and checks
D214I	General sales or turnover taxes
	Tax on liqueur wine sales
	Tax on embroidery, tapestry and craftwork sales
D214J	Profits of fiscal monopolies
	Profits of fiscal monopolies - public lotto and football betting game
D214K	Export duties and monetary comp. amounts on exports
D29	Other taxes on production
D29C	Total wage bill and payroll taxes
	Local tax on transportation
D29D	Taxes on international transactions
D29F	Taxes on pollution
D29G	Under-compensation of VAT (flat rate system)
D5	Current taxes on income and wealth
D59	Other current taxes
D59A	Current taxes on capital
D59B	Poll taxes
D59C	Expenditure taxes
D59D	Payments by households for licences
	Tax on the use, carrying and possession of weapons
	Hunting licenses
	Other payments by households for miscellaneous licences
D59E	Taxes on international transactions
D59F	Other current taxes n.e.c.
	Fees received by the CGT (General Courts Treasury)
	Stamp duty on interests
	Road taxes - compensation
	Tax on vehicles
	Other miscellaneous taxes



Labour

Employed

Employers

D51E	Other taxes on income n.e.c. Stamp duty on wages and salaries
D6111	Employers' actual social contributions
D61111	Compulsory employers' actual social contributions

Employees

D51A	% of Taxes on individual or household income % of Individual income tax
D6112	Employees' social contributions
D61121	Compulsory employees' social contributions

Non-employed

D51A	% of Taxes on individual or household income % of Individual income tax
D6113	% of Social contributions by self- and non-employed persons
D61131	% of Compulsory social contributions by self- and non-employed persons

Capital

Business and capital income

Income corporations

D51B	Taxes on the income or profits of corporations Corporate income tax Local tax
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Income households

D51A	% of Taxes on individual or household income % of Individual income tax
D51C	Taxes on holding gains
D51D	Taxes on winnings from lottery or gambling

Income self-employed

D51A	% of Taxes on individual or household income % of Individual income tax
D6113	% of Social contributions by self- and non-employed persons
D61131	% of Compulsory social contributions by self- and non-employed persons

Stocks (wealth) of capital

D29A	Taxes on land, buildings of other structures Real estate tax
D29B	Taxes on the use of fixed assets Road taxes – traffic Road taxes – haulage Tax on vehicles
D29E	Business and professional licences Duties on public entertainments Tax on the distribution and showing of films Duties levied by IVM (Madeira Wine Institute) Taxes collected by Azores Cultural Action Fund Tax on fishery General services and licenses granted to firms Other miscellaneous business and professional licences
D29H	Other taxes on products n.e.c. Fees received by the CGT (General Courts Treasury) Licenses and taxes collected by civil authorities Other miscellaneous taxes
D214B	Stamp taxes Fiscal stamps Stamp duty on bank transactions Stamp duty on insurance premiums Stamp duty on entertainment services Stamp duty on leasing of buildings Stamp duty on debt related operations Stamp duty on registration and mortgages Stamp duty on commercial transactions Stamp duty - miscellaneous
D214D	Car registration taxes Taxes on motor vehicle sales
D214L	Other taxes on products n.e.c. Duties levied by IROMA (Agricultural Markets Regulation and Guidance Inst.) Fire Service tax Tax on the value of public contracts Real estate transfer tax

D91	Capital Taxes
D91A	Taxes on capital transfers
D91B	Capital levies
	Inheritance and gift tax
D91C	Other capital taxes n.e.c.

2. Environmental split

Energy	TRD214A	Excise duties and consumption taxes
		Tax on petroleum products
Transport	TRD214D	Car registration taxes
		Tax on motor vehicle sales
	TRD29B	Taxes on the use of fixed assets
		Road taxes - traffic
		Road taxes - haulage
		Tax on vehicles
	TRD59F	Other current taxes n.e.c.
		Tax on vehicles



## 13. FINLAND

### 1. Structure According to Economic Function as a % of GDP

Consumption	
D211	VAT / Turnover tax
D2121	Customs duties
D2121	Other taxes
D2121	Repayments
D2121	Levies on agricultural goods_S13
D2121	Levies on agricultural goods_S212
D2122	Equalization tax
D2122	Import levies to Price Stabilisation Fund
D214A	Excise duty on tobacco
D214A	Excise duty on confectionery
D214A	Excise duty on beer
D214A	Excise duty on alcoholic beverages
D214A	Excise duty on non-alcoholic beverages
D214A	Excise duty on certain food products
D214A	Excise duty on liquid fuels
D214A	Excise duty on margarine
D214A	Excise duty on sugar
D214A	Excise duty on electricity
D214A	Excise duty on fertilizers
D214A	Excise on oil based concentrated feed
D214A	Excise duty on fertilizers
D214A	Excise on feeding stuffs
D214A	Excise duty on albumen
D214A	Levies for price reduction on butter
D214A	Marketing levy on agricultural products
D214A	Marketing levy on agricultural products
D214A	Equalization fee on agricultural products
D214A	Milk quota levy
D214A	Oil waste levy
D214A	Plant-breeding levy
D214A	Penalties for late payments of taxes
D214A	Repayments
D214A	Price difference compensations
D214A	Stock-building levies on liquid fuels
D214A	Oil damage levy
D214E	Tax on motion pictures
D214F	Tax on lottery prizes
D214F	Net revenue on betting
D214F	Net revenue on betting
D214F	Net revenue on betting
D214F	Tax on lottery prizes_S1313
D214G	Tax on fire insurance
D214G	Tax on insurance premiums
D214H	Telecommunication tax
D214I	Pharmacy levy
D214I	Pharmacy levy_S1313
D214I	Excise duty on motor cars
D214J	Excess profits from spirits monopoly
D29F	Tax on waste
D59D	Hunting and fishing licenses
D59D	Tax on dogs (S1313)
D59E	Tax on charter flights
Labour	
Employed	
Employers	
D29C	Seamens welfare and rescue levy
D6111	Employers' actual social contributions
D61111	Compulsory employers' actual social contributions
Employees	
D51A	Taxes on individual or household income
D51A	% of Taxes on individual or household income_S1311
D51A	% of Taxes on individual or household income_S1313
D6112	Employees' social contributions
D61121	Compulsory employees' social contributions
Non-employed	
D51A	Taxes on individual or household income
D51A	% of Taxes on individual or household income_S1311
D51A	% of Taxes on individual or household income_S1313
D6113	Social contributions by self- and non-employed persons
D61131	% of Compulsory social contributions by self- and non-employed persons

Capital

Business and capital income

Income corporations

D51B Taxes on the income or profits of corporations  
 D51B Taxes on the income or profits of corporations\_S1311  
 D51B Taxes on the income or profits of corporations\_S1313

Income households

D51A Taxes on individual or household income  
 D51A % of Taxes on individual or household income\_S1311  
 D51A % of Taxes on individual or household income\_S1313  
 D51D Taxes on winnings from lottery or gambling  
 D51D Taxes on winnings from lottery or gambling\_S1311  
 D51D Taxes on winnings from lottery or gambling\_S1313  
 D51A Duty on interests  
 D51E Penalties for late payments of taxes

Income self-employed

D51A Taxes on individual or household income  
 D51A % of Taxes on individual or household income\_S1311  
 D51A % of Taxes on individual or household income\_S1313  
 D6113 Social contributions by self- and non-employed persons  
 D61131 % of Compulsory social contributions by self- and non-employed persons

Stocks (wealth) of capital

D214B Stamp duties  
 D214C Transfer tax  
 D214C Credit tax  
 D214L Other taxes\_S1311  
 D214L Local import duties (town dues)\_S1313  
 D29B Tax on motor vehicles paid by enterprises  
 D29B User charge on passenger vehicles paid by enterprises  
 D29B Penalties for late payments of taxes  
 D59A Wealth tax  
 D59A Tax on real estate (S1313)  
 D91A Inheritance and gift tax\_S1311  
 D91A Inheritance and gift tax\_S1313

2. Environmental split

Energy TRD214A Excise duty on electricity  
 TRD214A Excise duty on liquid fuels  
 TRD214A Stock-building levies on liquid fuels

Transport TRD29B Tax on motor vehicles paid by enterprises  
 TRD29B User charge on passenger vehicles paid by enterprises  
 TRD214I Excise duty on motor cars  
 TRD59D Tax on motor vehicles paid by households  
 TRD59D User charge on passenger vehicles paid by households  
 TRD59E Tax on charter flights

Pollution/ ressources

TRD214A Excise duty on fertilizers  
 TRD214A Oil damage levy  
 TRD214A Oil waste levy  
 TRD29F Tax on waste

## 14. SWEDEN

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

D21	In Taxes on products
D211	Value added type taxes (VAT)
D2121	Import duties
D2122	In Taxes on imports excluding VAT and import duties
D2122A	Levies on imported agricultural products
D2122B	Monetary compensatory amounts on imports
D2122C	Excise duties
D2122D	General sales taxes
D2122E	Taxes on specific services
D2122F	Profits of import monopolies
D214A	In Excise duties and consumption taxes
D214A1	Taxes on fuels
D214111	Energy tax on fuels
D214112	Carbon dioxide tax on fuels
D214113	Energy tax on petrols
D214114	Carbon dioxide tax on petrols
D214115	Tax on sulphur fuel
D214116	Tax on diesel oil
D214A2	In Taxes on electric power
D214121	Energy tax on electricity
D214122	Taxes on water power
D214123	Special tax on electric power from nuclear station
D214124	Tax on nuclear fuel
D214A3	In Taxes on natural gravels
D2141906	Taxes on natural gravels
D214A4	In Other excise duties and consumption taxes
D214131	Tax on spirits
D214132	Tax on wine
D214133	Tax on beer
D21414	Tobacco tax
D2141907	Various excise duties
D214F	In Taxes on lotteries, gambling and betting
D21441	Tax on gambling
D21444	Tax on good gambling
D214H	Other taxes on specific services
D21451	Tax on advertising
D214I	General sales or turnover taxes
D21462	Turnover tax for central testings
D214J	Profits of fiscal monopolies
D21471	Profits of fiscal monopol, alcoholic beverages
D21472	Surplus from gambling
D21473	Surplus from pools
D21474	Surplus from lotteries
D59D	Payments by households for licences
D592	Tax on motor vehicles paid by households
D29F	Taxes on pollution
D2951	Environmental protection fee
D2952	Environmental tax on internal air traffic

#### Labour

##### Employed

##### Employers

D29C	In Total wage bill and payroll taxes
D2931	General payroll tax
D2932	Part of pension fee to state budget
D2933	Tax on salaried employees life insurance
D2934	Special payroll tax
D2935	Tax for occupational safety
D61111	Compulsory employers' actual social contributions
D6111101	Retirement Pension contribution, social security sector
D6111102	Pension contribution, National Debt Office
D6111103	Retirement pension contribution, the old system
D6111104	Sick insurance contribution
D6111105	Part-time pension contribution
D6111106	Industrial injuries, contributions
D6111107	Labour market, employment, contributions
D6111108	Survivors pension, contribution
D6111109	Parental insurance contributions
D6111110	Wages guarantee, contributions
D6111111	Sailors pensions, contributions
D6111119	Miscellaneous, contributions

Employees

D51A	% of taxes on individual or household income
D519	% of income tax households
D61121	Compulsory employees' social contributions
D611211	General health insurance
D611212	General pension contribution

Non-employed

D51A	% of taxes on individual or household income
D519	% of income tax households
D61131	% of compulsory social contributions by self- and non-employed persons
D6113101	% of pension contributions to social security sector
D6113102	% of pension, National Debt Office
D6113103	% of pension, old system
D6113104	% of sick insurance contribution
D6113105	% of part time pension
D6113106	% of industrial injuries
D6113107	% of unemployment
D6113108	% of survivors pension, contribution
D6113109	% of parental insurance contributions

Capital

Capital and business income

Income corporations

D51B	Taxes on income or profits of corporations
D519	Income tax enterprises

Income households

D51A	% of taxes on individual or household income
D519	% of income tax households
D51C	Taxes on holding gains
D511	Capital yields tax
D51D	Taxes on winnings from lottery or gambling
D512	Tax on winnings on lotteries or gambling

Income self-employed

D51A	% of taxes on individual or household income
D519	% of income tax households
D61131	% of compulsory social contributions by self- and non-employed persons
D6113101	% of pension contributions to social security sector
D6113102	% of pension, National Debt Office
D6113103	% of pension, old system
D6113104	% of sick insurance contribution
D6113105	% of part time pension
D6113106	% of industrial injuries
D6113107	% of unemployment
D6113108	% of survivors pension, contribution
D6113109	% of parental insurance contributions

Stocks (wealth) of capital

D29A	Taxes on land, buildings and other structures
D2911	Tax on real-estate
D29B	Taxes on the use of fixed assets
D2921	Tax on motor vehicles paid by enterprises
D2923	Special tax on nuclear power stations
D91	Capital taxes
D91	Succession and gift tax
D59A	Current taxes on capital
D591	Wealth tax from households
D591	Wealth tax from enterprises
D29E	Business and professional licences
D2941	Tax on roulette
D2942	Fee to a check-up committee for radio and TV
D2943	Licenses for lottery
D2944	Licenses for local radio stations
D2945	Fee for lorries
D29H	Other taxes on production n.e.c.
D2991	Concession fee for telecasting
D2992	Guarantee-fee for deposits in banks
D2993	Fee for telecommunication
D2994	Fee to the vehicle scrap fond
D2995	Fee to the battery fund
D214C	Taxes on financial and capital transactions
D2142	Stamp taxes
D214D	Car registration taxes
D2143	Sales tax on motor vehicles
D214L	Other taxes on products n.e.c.
D21493	Tax on radiostations at close quarters
D21494	Tax on means of control
D21495	Tax on fertilizers
D21496	Tax on chemicals
D21497	Tax on waste

2. Environmental split

Energy	D214A1	Taxes on fuels
	D214111	Energy tax on fuels
	D214112	Carbon dioxide tax on fuels
	D214113	Energy tax on petrols
	D214114	Carbon dioxide tax on petrols
	D214116	Tax on diesel oil
	D214A2	Taxes on electric power
	D214121	Energy tax on electricity
	D214122	Taxes on water power
	D214123	Special tax on electric power from nuclear station
	D214124	Tax on nuclear fuel
	D29B	Taxes on the use of fixed assets
	D2923	Special tax on nuclear power stations
	Transport	D214D
		Sales tax on motor vehicles
D29B		Taxes on the use of fixed assets
		Tax on motor vehicles paid by enterprises
D29H		Other taxes on production n.e.c.
	Fee to the vehicle scrap fond	
	D59D	Payments by households for licences
		Tax on motor vehicles paid by households
Pollution	D214A	Taxes on fuels
	D214115	Tax on sulphur fuel
	D214L	Other taxes on products n.e.c.
	D21497	Tax on waste
	D214A4	2% of 'Other excise duties and consumption taxes'
		Estimate of tax on fertiliser
	D29F	Taxes on pollution
	D2951	Environmental protection fee
	D2952	Environmental tax on internal air traffic
D29H	Other taxes on production n.e.c.	
D2995	Fee to the battery fund	
Resources	D214A	Taxes on natural gravels





## 15. UNITED KINGDOM

### 1. Structure According to Economic Function as a % of GDP

#### Consumption

D211	Value added type taxes
D214A	Excise duties and consumption taxes
D214A	Customs duty on beer
D214A	Customs duty on wines, cider, perry & spirits
D214A	Customs duty on tobacco
D214A	Customs duty on hydrocarbon oils
D212	Taxes and duties on imports exc VAT
D2121	Import duties
D214F	Taxes on lotteries, gaming and betting (Camelot payments)
D214G	Taxes on insurance premiums
D214I	General sales or turnover taxes
D214I	Car tax
D214I	Purchase tax
D214I	Betting, gaming and lottery
D214I	Airpassenger duty
D214I	Landfill tax
D214I	Other
D214I	Fossil fuel levy
D214I	Gas levy
D214I	Levies on exports (3rdcountry)
D59B	Community charge
D59D	Payments by households for licences
D59D	Motor vehicle duty paid by households
D59D	Licences

#### Labour

##### Employed

##### Employers

D29C	Selective employment tax
D61111	Compulsory employers' actual social contributions
	National insurance surcharge

##### Employees

D51A	% of Taxes on individual or household income
D61121	Compulsory employees' actual social contributions

##### Non-employed

D51A	% of Taxes on individual or household income
D61131	% of compulsory social contributions by self and non-employed

#### Capital

##### Business and capital income

##### Income corporations

D51B	Taxes on the income or profits of corporations
D51B-1	Corporation tax
D51B-2	Petroleum revenue tax
D51B-3	Windfall tax

##### Income households

D51A	% of Taxes on individual or household income
D51C	Taxes on holding gains

##### Income self-employed

D51A	% of Taxes on individual or household income
D61131	% of compulsory social contributions by self and non-employed

##### Stocks (wealth) of capital

D214B	Stamp duties
D214L	Sugar levy
D214L	European Coal and Steel Community
D29A	National non-domestic rates
D29A	Old style rates paid to local government
D29A	Old style rates paid to central government
D29B	Motor vehicle duties paid by businesses
D29E	IBA levy
D29E	ITC franchise payments
D29E	Regulator fees
D29E	Consumer and credit act fees
D91A	Inheritance tax
D91A	Other capital transfers
D91B	Development land tax and others
D214	Hydro benefit
D29	London regional transport levy
D29	Levies paid to CG levy funded bodies

2. Environmental split

Energy	TRD214A-4	Excise duty on hydrocarbon oils
	TRD214I-7	Fossil fuel levy
	TRD214I-8	Gas levy
	TRD29F	Climate change levy
Transport	TRD214I-1	Car tax
	TRD214I-4	Air passenger duty
	TRD29B	Motor vehicle duties paid by producers
	TRD59D-1	Motor vehicle duties paid by households
Pollution	TRD214I-5	Landfill tax

## ANNEX C: EXPLANATORY NOTES

### Explanatory notes for the data presented in part III and Annex A

#### Part A: Evolution and structure as % of GDP

Data sources: Data are national accounts data and extracted from the NewCronos database of EUROSTAT. However, for a number of Member States we used additional more detailed tax data submitted to EUROSTAT. All 1995-2002 data is historical, except for Portugal where the ESA95 tax categories for 2002 are available for total taxes and major categories only. Estimates at the detailed level have been computed using the growth rate of the corresponding aggregate tax category.

Definition of the aggregates:

The aggregates have been defined on the basis of the ESA95 classification of taxes presented in box 1 of this publication.

Indirect taxes are defined as the sum of the following ESA95 tax categories:

- VAT: Value added type taxes (D211).
- Excise duties and consumption taxes: Excise and consumption taxes (D214A) + Excise duties (D2122C).
- Other taxes on products (incl. import duties): Taxes and duties on imports excluding VAT (D212), excluding excise duties (D2122C), Taxes on products, except VAT and import duties (D214), excluding excise duties (D214A).
- Other taxes on production (D29).

Direct taxes are defined as the sum of the following ESA categories:

- Personal income tax: Taxes on individual or households income including holding gains (D51A+D51C1).
- Corporate income tax: Taxes on the income or profits of corporations including holding gains (D51B+D51C2).
- Other income and capital taxes: other taxes on income corresponding to taxes on holding gains (D51C), taxes on winnings from lottery or gambling (D51D) and other taxes on income n.e.c. (D51E); taxes on capital defined as other current taxes (D59) and capital taxes (D91).

Social contributions include:

- Compulsory Employers' actual social contributions (D61111).
- Compulsory employees' social contributions (D61121).
- Compulsory social contributions by self- and non-employed persons (D61131).

Indirect taxes, direct taxes and social contributions add up to the total of taxes received by the general government, reported below in part C. Total taxes are defined as: taxes on production and imports (D2), current taxes on income and wealth (D5), capital taxes (D91), actual compulsory social contributions (D61111+ D61121+ D61131).

**Part B: Splitting by level of government as % of GDP**

Data sources: same as in part A

Definitions of the aggregates: total taxes received by the general government (institutional sector S13 in ESA95) are broken down as taxes received by:

- Central government (S1311)
- State (region) government for federal states(S1312)
- Local government (S1313)
- Social security funds (S1314)
- the EC institutions (S212)

The taxes that are reported under these headings represent 'ultimately received' tax revenues. This means, for example, that not only the 'own' taxes are included, but mostly also the part of the tax revenue that is automatically and unconditionally 'shared' between the government sub-sectors, even if these government sub-sectors have no power to vary the rate or the base of those particular taxes. Additional information was used for the classification of taxes for Belgium. Indirect taxes, direct taxes and social contributions add up to the total of taxes received by the general government, reported below part C. Total taxes are defined as: taxes on production and imports (D2), current taxes on income and wealth (D5), capital taxes (D91), compulsory actual social contributions (D61111+ D61121+ D61131).

**Part C: Structure according to the economic function as % of GDP**

Data sources: same as part A with additional data:

- Detailed tax data per country as listed in annex B.
- A split of the personal income tax according to four sources of taxable income (labour, capital, self-employment income, and social transfers and pensions) according to a country specific methodology using data sets of individual tax payers (BE, DK, DE, FR, IE, LU, NL, FI, SE and UK) or income class data based on data-set of individual taxpayers (EL, ES, IT) or tax receipts from withholding and income tax statistics with certain corrections (AT, PT)<sup>1</sup>. Some Member States were not able to provide a full time-series coverage for all calendar years. In these cases a trend has been assumed using simple linear interpolations or the fractions were assumed to remain constant. Annual data were provided for BE (1995-2002), DK(1995-2002), DE (1995-2002), EL (1995-2002), ES (1995-2001), FR (1999-2002), IE (1995-2000), LU (1996-2002), AT (1995-2002), FI (1995-2002), SE (1995-2002), UK (1995-2002). Point estimates for some years were provided for IT (1995, 1998, 1999, 2000), NL (1995, 1997, 2000, 2001), PT (1999). When not provided by the Member State, the 2002 split has been considered equal to that of 2001.
- Compulsory social contributions of self-employed and non-employed (D61131) needed to be split between non-employed (considered as part of labour) and self-employed considered as part of capital. The split is not available in the NewCronos database from EUROSTAT, although some national sources of national accounts make it available. The split has been computed by applying to D61131 the share of non-employed and self-employed as reported by the Member

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<sup>1</sup> The methodology is described in more detail in annex D to this report.

States as part of the social protection data in NewCronos, the so-called ESSPROS module of Eurostat<sup>2</sup>. The data were available until 2001. The stability of the shares of self-employed and non-employed shares allowed keeping these constant for year 2002, equal to their 2001 value in the computations. For Belgium more detailed national accounts data on the separate contribution of self-employed, and non-employed have been used instead.

Because of the additional data needed to split some of the tax data, the data for 2002 have to be considered as provisional in all Member States.

Definition of the taxes by categories

Taxes on consumption:

D211: Value added type taxes
D212: Taxes and duties on imports excluding VAT
D214: Taxes on products except VAT and import duties without:
- D214B: Stamp taxes
- D214C: Taxes on financial and capital transactions
D29: Other taxes on production without:
- D29A: Taxes on land, buildings or other structures
- D29C: Total wage bill and payroll taxes
D59B: Poll taxes
D59D: Payments by households for licences

Taxes on labour

<u>Employed labour</u>	
From D51	Taxes on income:
D51A+D51C1	Taxes on individual or household income including holding gains (part raised on labour income)
D29C	Total wage bill and payroll taxes
From D611	Actual social contributions:
D61111	Compulsory employers' actual social contributions
D61121	Compulsory employees' social contributions
<u>Non-employed labour</u>	
From D51	Taxes on income:
D51A+D51C1	Taxes on individual or household income including holding gains (part raised on social transfers and pensions)
D61131	Compulsory social contributions by self- and non-employed persons (part paid by social transfer recipients)

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<sup>2</sup> Eurostat (1996)

Taxes on capital

*Capital and business income taxes:*

From D51-Taxes on income:

D51A+D51C1	Taxes on individual or household income including holding gains (part paid on capital and self-employed income)
D51B+D51C2	Taxes on the income or profits of corporations including holding gains
D51C3	Other taxes on holding gains
D51D	Taxes on winnings from lottery and gambling
D51E	Other taxes on income n.e.c.

From D611-Actual social contributions

D61131	Compulsory social contributions by self- and non-employed persons (part paid by self-employed)
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*Taxes on stocks (wealth)*

From D214-Taxes on products, except VAT and import taxes:

D214B	Stamp taxes
D214C	Taxes on financial and capital transactions
D214D	Car registration tax

From D29-Other taxes on production

D29A	Taxes on land, buildings or other structures
D29B	Taxes on the use of fixed assets
D29E	Business and professional licenses
D29H	Other taxes on production n.e.c.

From D59-Other current taxes

D59A	Current taxes on capital
D59F	Other current taxes on capital n.e.c.
D91	Capital taxes

Taxes on corporate income:

D51B+D51C2	Taxes on the income or profits of corporations including holding gains
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Taxes on capital and business income of households:

From D51-Taxes on income:

D51A+D51C1	Taxes on individual or household income including holding gains (part paid on capital and self-employed income)
D51C3	Other taxes on holding gains
D51D	Taxes on winnings from lottery and gambling
D51E	Other taxes on income n.e.c.

From D611-Actual social contributions

D61131	Compulsory social contributions by self- and non-employed persons (part paid by self-employed)
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Taxes on consumption, labour and capital add up to the total of taxes received by the general government, reported below in part C.

**Total and environmental taxes as % of GDP:**

- Total taxes correspond to the total taxes received by the General Government. They include: taxes on production and imports (D2), Current taxes on income and wealth (D5), capital taxes (D91), compulsory actual social contributions (D61111+ D61121+ D61131).
- Environmental taxes include energy taxes, transport taxes (including registration and circulation car taxes), and pollution taxes. This is a sub-category of indirect taxes or consumption taxes. The taxes included for each Member State are listed in annex B<sup>3</sup>.

**Part D: Implicit tax rates**

Data sources: Data are national accounts data and extracted from the NewCronos database of EUROSTAT. For taxes, same as part C. The definition of the implicit tax rate on capital and capital income also includes data from the production and income accounts by different sectors of national accounts. The data have been extracted from the NewCronos database on the 5<sup>th</sup> of May 2004. In Portugal and Sweden, data for the full accounts of institutional sectors stops in 2001. For Sweden the missing 2002 items could be estimated. Moreover Ireland and Luxembourg have derogations to the ESA95 regulation to provide simplified income and distribution accounts.

The implicit tax rates are defined for each economic function. They are computed as the ratio of total tax revenues of the category (consumption, labour, and capital) to a proxy of the potential tax base defined using the production and income accounts of the national accounts.

Consumption:

Ratio	Definition
Implicit tax rate on consumption (ESA95)	Taxes on consumption / (P31_S14dom)
<i>Numerator:</i> see box taxes on consumption	
<i>Denominator:</i> P31_S14dom: Final consumption expenditure of households on the economic territory (domestic concept).	

Since companies or parts of the government on intermediate consumption also pay some of the taxes, such as VAT and excises, the implicit tax rate on consumption is overestimated.

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<sup>3</sup> The methodology is described in European Commission (2001b).



Labour:

Ratio	Definition
Implicit tax rate on employed labour (ESA95)	Direct taxes, indirect taxes and social contributions paid by employers and employees, on employed labour income/ (D1 + D29C)
<i>Numerator:</i> see box taxes on employed labour	
<i>Denominator:</i>	
D1	Compensation of employees
D29C	Wage bill and payroll taxes

The implicit tax rate of labour is calculated for employed labour only (excluding the tax burden falling on social transfers, including pensions).

Capital:

Implicit tax rate on capital (income)	Capital (income) taxes/ $B2n\_S11-12 + B2n\_S14-15 + B3n\_S14 +$ $D41\_S11-12rec - D41\_S11-12pay + D44\_S11-12rec - D44\_S11-12pay +$ $D45\_S11-12rec - D45\_S11-12pay +$ $D42\_S11-12rec - D42\_S11-12pay + D42\_S13rec + D42\_S2rec +$ $D41\_S14-15rec - D41\_S14-15pay + D45\_S14-15rec - D45\_S14-15pay +$ $D42\_S14-15rec + D44\_S14-15rec$
<i>Numerator:</i>	see box taxes on capital
<i>Denominator:</i>	
B2n_S11-12	Net operating surplus of non-financial and financial corporations (incl. quasi-corporations)
B2n_S14-15	Imputed rents of private households and net operating surplus of non-profit institutions
B3n_S14	Net mixed income of self-employed
D41_S11-12rec	Interest received by non-financial and financial corporations
D41_S11-12pay	Interest paid by non-financial and financial corporations
D44_S11-12rec	Insurance property income attributed to policy holders received by non-financial and financial corporations
D44_S11-12pay	Insurance property income attributed to policy holders paid by non-financial and financial corporations
D45_S11-12rec	Rents on land received by non-financial and financial corporations
D45_S11-12pay	Rents on land paid by non-financial and financial corporations
D42_S11-12rec	Dividends received by non-financial and financial corporations
D42_S11-12pay	Dividends paid by non-financial and financial corporations
D42_S13rec	Dividends received by general government
D42_S2rec	Dividends received by rest of the world
D41_S14-S15rec	Interest received by households, self employed and non-profit organisations
D41_S14-S15pay	Interest paid by households, self employed and non-profit organisations
D45_S14-S15rec	Rents on land received by households, self employed and non-profit organisations
D45_S14-S15pay	Rents on land paid by households, self employed and non-profit organisations
D42_S14-15rec	Dividends received by private households, self-employed and non-profit organisations
D44_S14-15rec	Insurance property income attributed to policy holders received by private households, self-employed and non-profit organisations

Corporate income:

Implicit Tax Rate on corporate income	Taxes on corporate income/ B2n_S11-12 + D41_S11-12rec - D41_S11-S12pay + D45_S11-12rec - D45_S11-12pay + D42_S11-12rec - D42_S11-12pay + D42rec. by S13 + D42rec. by S2 + D42rec. by S14-15 + D44_S11-12rec – D44_S11-12pay
<u>Numerator:</u>	see box taxes on corporate income
<u>Denominator:</u>	
B2n_S11-12	Net operating surplus of non-financial and financial corporations (incl. quasi-corporations)
D41_S11-12rec	Interest received by non-financial and financial corporations
D41_S11-12pay	Interest paid by non-financial and financial corporations
D45_S11-12rec	Rents on land received by non-financial and financial corporations
D45_S11-12pay	Rents on land paid by non-financial and financial corporations
D42_S11-12rec	Dividends received by non-financial and financial corporations
D42_S11-12pay	Dividends paid by non-financial and financial corporations
D42_S13rec	Dividends received by general government
D42_S2rec	Dividends received by rest of the world
D42_S14-15rec	Dividends received by households, self-employed and non-profit institutions
D44_S11-12rec	Insurance property income attributed to policy holders received by non-financial and financial corporations
D44_S11-12pay	Insurance property income attributed to policy holders paid by non-financial and financial corporations

The implicit tax rate is calculated for total capital taxes and for the sub-category of taxes on capital income<sup>4</sup>. Both indicators have the same denominator. The denominator corresponds to total profit and property income from both corporations and households. For taxes on capital income, the denominator does not correspond to the actual tax base. It is in some ways narrower (omitting capital gains) and in other ways broader (excluding some deductions from the tax base). For capital taxes on stocks and wealth, it does not take into account any asset or wealth on which the tax is levied. In addition, two sub-implicit tax rates for corporate income and for capital and business income of households are computed. The two indicators do not add up to the ITR on capital and business income.

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<sup>4</sup> The methodology is described in: European Commission, Directorate-General for Taxation and Customs Union (2004b)

Capital and business income of households

Implicit Tax Rate on capital and business income of households (incl. self-employed)	Taxes on capital and business income of households/ B2n_S14-15 + B3n_S14 + D41_S14-15rec - D41_S14-15pay D45_S14-15rec - D45_S14-15pay D42_S14-15rec + D44_S14-15rec
<i>Numerator:</i>	see box taxes on capital and business income of households
<i>Denominator:</i>	
B2n_S14-15	Imputed rents of private households and net operating surplus of non-profit institutions
B3n_S14	Net mixed income of self-employed
D41_S14-S15rec	Interest received by households, self employed and non-profit organisations
D41_S14-S15pay	Interest paid by households, self employed and non-profit organisations
D45_S14-S15rec	Rents on land received by households, self employed and non-profit organisations
D45_S14-S15pay	Rents on land paid by households, self employed and non-profit organisations
D42_S14-15rec	Dividends received by private households, self-employed and non-profit organisations
D44_S14-15rec	Insurance property income attributed to policy holders received by private households, self-employed and non-profit organisations

European Averages: The averages for the European Union (EU15 and EU25) and the EMU (Euro12) are calculated by weighting the available ratios with the nominal GDP of the respective countries. Only for the implicit tax rates are the appropriate denominators of the ratios used to calculate the averages. In addition for all indicators in relation to GDP and the implicit tax rates arithmetic averages for the European Union (EU15 and EU25) and EMU are calculated.



## ANNEX D: METHODS USED IN THE MEMBER STATES TO SPLIT THE REVENUE OF PERSONAL INCOME TAX

This annex provides more insight into the methods employed by ministries of finance and taxation in the individual Member States to allocate the recorded personal income tax revenue between four main types of taxable personal income. These income types are broadly defined as:

- *Income from employed labour*, including wages and salaries, fringe benefits in kind, director's remuneration, financial participation schemes (*e.g.* stock options), deemed income from private uses of company cars and foreign source earned income;
- *Income from self-employed labour*, or income from unincorporated businesses such as profits from agriculture or forestry, profits from trade or business and proceeds from independent professional services;
- *Income from capital*, including income from movable property (*e.g.* interest, dividend distributions, royalties), immovable property (*e.g.* rents earned on letting a private dwelling), periodic transfers and private pensions and taxable capital gains for some Member States;
- *Social transfer and pension income*, including taxable social benefits (*e.g.* unemployment, health care and social assistance benefits) and benefits from both State and occupational pension schemes.

After introducing the background for estimating the allocation of the personal income tax revenue, the next section presents a brief description of the methods employed in the Member States. These methods are classified under four main general approaches: (1) approach using comprehensive micro (taxpayer-level) data-sets; (2) approach using both micro-and aggregate tax receipt data; (3) approach using tax return data aggregated at the level of income classes or tax brackets and (4) approach using aggregate withholding tax- and final assessment income tax data with a number of adjustments. The final paragraph presents the resulting estimates and comments on some noticeable differences.

### *Background*

A main concern associated with average effective (implicit) tax rate analysis is the manner in which estimates are derived for the aggregate amount of personal income tax revenue raised from different types of income included in a given country's personal income tax base. Under an approach using only aggregate data from national accounts, for example, total personal income tax raised in respect of labour (or capital or other forms of personal taxable income, for example social transfer- or pension income) is often estimated as the proportion of aggregate labour (or capital) income in the aggregate taxpayer personal income. This approach implicitly assumes that labour and capital income (or other forms of taxable income) is subject to one (common) average effective tax rate<sup>1</sup>. This assumption is generally unrealistic, and could be expected to lead to imprecise estimates of notional

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<sup>1</sup> This approach has been introduced by Mendoza, Razin and Tesar (1994) and was used in internal studies by Economics and Financial Affairs departments of both the European Commission and the OECD. See Martinez-Mongay (2000) and Carey and Rabesona (2002) for more details.

tax revenues raised in respect of different taxable income types and therefore imprecise estimates of average effective tax rates by economic income source<sup>2</sup>.

Actually splitting the revenue of personal income tax on the basis of detailed tax receipt/return data is complicated both conceptually, and in practice, due to certain data set limitations and differences between taxation systems in Member States. The main difficulties arise because certain income tax receipts, and certain tax breaks, are taxed or granted at source, whilst others are collected from the wage packet or within the individual taxpayer's final tax return. There are further conceptual and practical problems with the treatment of pensions, for example, to which there are no straightforward answers. In the 2000 edition of the publication 'Structures of the Taxation Systems in the European Union'<sup>3</sup>, personal income tax raised in respect of labour income was often estimated from the wage withholding tax (whenever available in the national accounts), while the final personal income tax often served as a proxy for personal income tax raised in respect of other taxable personal income. Some Member States indicated the percentage of tax revenue that could be attributed to labour or other forms of taxable personal income. These fractions were mostly kept constant. In a number of cases the implicit tax rate has clearly proven to over-estimate the average effective tax burden on labour income, as for example the wage withholding tax is also levied on social transfer and pension income for which no corrections were made. Given the importance of the personal income tax in total tax revenue, these shortcomings have called for more detailed work as covered in this annex.

As outlined in the main text of this publication, it is believed that the new (refined) methods employed in the Member States generally lead to significantly improved estimates of the split of the personal income tax. However, sources of heterogeneity between Member States may still arise, due to data set limitations and certain conceptual problems. A number of Member States were able to provide annual estimates, whilst in some cases only point estimates for some years (for 1995, 1997 and 2000, for example) could be made with linear interpolations for the intervening years or constant fractions for future years.

Member States have used the best methods available to them. Although the Member States do not apply the same method, the different approaches can usefully be classified into four main headings.

*(A) Approach using comprehensive micro (taxpayer-level) data sets*

Examples by the Ministries of Finance and/or Taxation in the Netherlands, Finland, Denmark and Italy illustrate how micro (taxpayer-level) rather than aggregate data can permit more direct measurement of tax revenue raised from labour, self-employed businesses, capital and social transfers and pensions (see also Box 1). Nine out of the fifteen Member States have access to comprehensive micro data sets to carry out the estimates (Belgium, Denmark, France, Germany, Luxembourg, the Netherlands, Ireland, Finland, Sweden). The majority of these Member States use micro simulation models relying on samples from the entire taxpayer population, while others use exhaustive tax return data sets (Belgium and Ireland). In the majority of the cases, Member States basically multiply individual income tax payments by proportions of the selected income types in the

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<sup>2</sup> See also OECD (2000, 2002b) and De Haan, Sturm and Volkerink (2002).

<sup>3</sup> See European Commission (2000b).

total taxpayer's income. The corresponding estimates obtained at the taxpayer's level are consequently aggregated to obtain estimates of the personal income tax raised in respect of the selected income types. For example, the amount of income tax raised on labour income,  $PIT(Labour)$  say, could be estimated as follows:

$$PIT(labour) = \sum_j (W_j / Y_j) * PIT_j = \sum_j w_j * PIT_j$$

where  $W_j$  measures the labour income of the j-th taxpayer in a sample of individuals ( $j=1,..,n$ ) and where  $PIT_j$  measures the personal income tax payment of the j-th taxpayer on his total taxable income  $Y_j$ . The above equation therefore measures the total personal income tax raised on labour income as a weighted average of each individual taxpayer's payment  $PIT$ , with the weights  $w_j = (W_j/Y_j)$  attached to these individual payments reflecting the distribution of total wages and salaries across taxpayers. It assumes that all income types are subject to an average effective tax rate at the level of the individual taxpayer.

In most Member States the personal income tax system is comprehensive in the sense that all sub-categories of taxable personal income are pooled at the individual level, and the result is taxed at ascending statutory rates. However, some Member States apply a given statutory rate to a specific income category, as can occur under a dual income tax system. In the Netherlands, Finland and Sweden, for example, capital income is taxed at a fixed (relatively lower) rate as compared to other earned income. In most cases, however, there is no actual split of the tax revenue, but the tax receipts data are used to isolate the amount of tax collected on that particular income type.

The income types are also as much as possible measured after the effect of tax base deductions that are exclusively earned on the income types (*e.g.* tax base deduction for labour costs, or mortgage interest payments). Some Member States also directly incorporate the revenue effects of tax credits that are exclusively earned on these income types (*e.g.* earned income tax credit).

As stated before, there are some noticeable differences in the methods across Member States, which are highlighted below. References to the years for which the estimates were made are indicated between brackets.

- *Belgium (1995-2002; all years)*: The split of the personal income tax was estimated by the Ministry of Finance using detailed revenue statistics from the national tax administration based on individual tax returns. The data set covers any assessed income, and is exhaustive. In fact, the national tax administration already splits and allocates the aggregate personal income tax revenue raised on the so-called 'global income' to the different income sources on a case-by-case basis, in order to derive entitlements of individual taxpayers to certain tax credits that are related to specific income sources. For example, the tax credits for pensions, sickness or unemployment are limited to the income tax that relates proportionally to the corresponding net income. This allocation of the tax revenue raised on the 'global income' is calculated by multiplying individual tax payments by proportions of the income types in the total taxpayer's 'global income', as outlined above. The income types are measured net of tax base deductions that are exclusively earned on these income types. Subsequently, the estimated fractions of the aggregate personal tax revenue that is raised on the selected income types depend on a proportional division of the personal income tax that is due on the 'global income' and the income tax due on 'distinct income' sources that are taxed separately. The resulting fractions are consequently applied to the



sum of revenues from advance payments on earnings, advance payments of tax on self-employed persons and the amount of the final income tax assessment. The revenue from withholding tax on income from movable capital and real estate tax is not included in the above calculations; they are directly assigned to the capital income.

- *Denmark (1995-2002; all years)*: The split of the personal income tax was estimated by the Ministry of Taxation using a micro-simulation model that is based on a sample of micro (taxpayer-level) data. The model incorporates the information of withholdings/prepayments and final income tax returns. The model is updated annually, and used in planning the national tax policies and estimating policy alterations on tax revenues and on the income tax liabilities of taxpayers on different income levels. The model also covers other legislative areas, such as unemployment benefits, housing subsidies, social assistance and so on. The method basically multiplies individual tax payments by proportions of the income types in the total taxpayer's income, as outlined above. The income types are measured net of tax base deductions that are exclusively earned on these income types. By including net interest payments in the tax base of capital, for example, the ministry of taxation has taken into account the way the tax relief for mortgage interest payments and other interest payments on loans reduces the tax base of capital. This explains why the estimated part of capital income is lower than zero. For this edition the method has been revised to take into account that from 2001 onwards negative capital income can only be deducted in the municipal income tax and that from 1998 to 2001 the after tax value of the deduction for negative capital income was gradually eroded. As regards the employed labour income, it should be recognised that in 1995 and 1999 wage income was taxed as follows. On the one hand the tax base for the municipal income tax and the lower limit central government tax was wage income less transport expenses and unemployment insurance contributions. On the other hand the tax base for the so called mean limit and upper limit income tax was the part of the wage income - without any reduction for expenses - that exceeded a certain amount. If one reduces the tax base with deductible 'wage expenses', then the part of the mean limit and an upper limit income tax that is attributed to wage income is too small. Whereas if it is not taken into account the part of the municipal income tax and lower limit central government tax that is attributed to wage income is too big. The Ministry of Taxation has chosen the latter approach as it is believed that the bias will be the smallest in this case. The method in this edition treated differently the so-called share income (which is taxed separately) allocating it directly to the part on capital income.
- *Germany (1995-2002; all years)*: The split of the personal income tax was estimated by the Federal Ministry of Finance using a micro simulation model. This model is based on a representative sample of micro (taxpayer-level) tax return data that is used for tax forecasting purposes and pre-assessing the consequences of changes in income tax legislation. In addition, the model allows the assessment of the solidarity tax, child benefits, the church tax and social contributions. The sample was drawn from a data set constructed by the Federal statistical office. The simulation model incorporates the information on withholdings/prepayments and final income tax returns (in Germany, nearly every private household liable to income tax must file an income tax return, employees only paying wage withholding tax are also included in the sample). The calculations do not take into account child benefits and tax-free cash grants for acquiring or constructing new occupational dwellings, which are credited against the income tax liability. These transfers are deemed as separate transfers in the context of social policy programmes. Basically, personal income tax payments were multiplied by the selected income

sources at the micro level, as outlined above. The income sources are measured net of tax base deductions that are exclusively earned on these income sources. Germany employs a comprehensive income tax base. There are no income-specific rates such as lower flat rates on income from capital investment as in countries with dual income tax systems, nor does Germany grant lower tax rates or tax credits on low wages. However, the tax base may be washed out by income specific allowances (such as the saving allowance), tax incentives or arrangements in computing income, but these effects are captured within the calculations, because the average effective tax rate is multiplied by the net taxable income sources.

- *France (1999-2002; all years)*: The split of the personal income tax was estimated by the Ministry of Finance using a micro-simulation model that is based on a sample with micro (taxpayer-level) data. The method basically multiplies individual tax payments by proportions of the income types in the total taxpayer's income, as outlined above. The income types are measured net of tax base deductions that are exclusively earned on these income types. In addition, corrections were made for the revenue effects of tax credits that are exclusively earned on the selected income types (e.g. the reimbursable tax credit, the '*prime pour l'emploi*', to encourage low-paid and low-skilled workers to resume active employment). It is worth noting that France employs a joint assessment of the taxable income in the household. For example, the principal earner in the household may earn labour income whereas the spouse receives social benefits, but the total amount of personal income is jointly assessed. In the calculations for the split of the personal income tax, however, in this case the same effective tax rate has been applied to the partners jointly assessed. No estimates are available for the amount of personal income tax raised in respect of social transfers and pension benefits.
- *Luxembourg (1996-2000; all years)*: The split of the personal income tax was estimated by the National Statistical Office using detailed revenue statistics from the national tax administration (ACD) based on exhaustive household tax returns (in Luxembourg PIT is based on family taxation) and on withholding revenues on employed labour and transfers. For the part on tax returns, the method basically multiplies individual tax payments by proportions of the income types in the total taxpayer's income, as outlined above. Then the withholding revenues were considered, because it is not mandatory to compile tax return if there is only employed labour or pension income. Since the distinction between withheld amounts raised on labour employed and pension income is not available, data from the social security organizations were used. When only the total amount withheld was available from a social security organization, the average rate of contribution was used as a proxy.
- *The Netherlands (1995, 1997, 2000 and 2001; point estimates)*: The split of the personal income tax was estimated by the Ministry of Finance using a micro-simulation model that is based on a sample with micro (taxpayer-level) data. The information is collected by Statistics Netherlands. The model is not updated annually, but annual projections are made for future years for planning the national tax policies and estimating policy alterations on tax revenues. It covers the combined tax burden of wage withholding tax, personal income tax, social contributions and wealth tax. The method basically multiplies individual tax payments by proportions of the income types in the total taxpayer's income, as outlined above. In the Netherlands, the lowest two income tax rates consist of personal income tax and social contributions; the highest two rates consist solely of personal income tax. The split has therefore been computed for both personal income tax and social contributions (which are in principle levied on all taxable

personal income types). The income types are measured net of tax base deductions that are exclusively earned on these income types. A special provision applies to the capital income of owner-occupied property. This is taxed at a notional rental value, which represents the balance of revenue and expenses connected with the use of the dwelling, and is assessed using statutory tables. As normal expenses are included in the notional rental value, no expenses other than mortgage interest and ground rent may be deducted. The deduction for mortgage interest payments explains why the estimated part of capital income is lower than zero for some years. A major tax reform was implemented in January 2001. Among a number of other important changes, this reform replaced the wealth tax and personal income taxation of interest, dividend and other capital income by a single tax on the imputed income from wealth. A 4% yield imputed on all assets is now taxed at a flat rate of 30%, which basically implies a 1.2% tax rate on the total wealth. The tax reform also replaced the basic employed person's tax base allowance by a non-refundable tax credit for all employees and self-employed persons. Both measures are reflected in the estimates for 2001.

- *Ireland (1995-2000; all years)*: The split of the personal income tax was estimated by the Inland Revenue using an exhaustive data-set with micro (taxpayer-level) tax-return data. The data set covers all taxpayers for which a return was received. The method basically multiplies individual tax payments by proportions of the income types in the total taxpayer's income, as outlined above. However, because there are some taxable personal income components that are taxed at a flat rate only, there is no actual split of tax revenues raised on these particular income components. The tax raised on such components is directly calculated from the tax return data. At this stage, the income types are not yet measured net of tax base deductions that are exclusively earned on these income types. This could be done in future updates of the split of the personal income tax.
- *Finland (1995-2002; all years)*: The split of the personal income tax was estimated by the Ministry of Finance using a micro-simulation model that is based on a sample of micro (taxpayer-level) data. The information is collected by Statistics Finland. The model is updated annually, and used in planning the national tax policies and estimating policy alterations on tax revenues and on the income tax liabilities of taxpayers on different income levels. The method basically multiplies individual tax payments by proportions of the income types in the total taxpayer's income, as outlined above. However, because of the dual income tax system, there is no actual split of tax revenues raised on capital income. The tax raised on capital income is directly calculated from the tax return data. The income types are measured net of tax base deductions that are exclusively earned on these income types. The statistical information on dividend income in the model contains both dividend income of the self-employed that is treated as the capital part of the income, and the dividend income from investors, that is not income from self-employed labour but capital income from for example owning shares in a listed company. The statistical information is split into dividend income from self-employment and dividend income from saving and investments using an estimate. From year 2002 the method of splitting dividend income between dividends from listed companies and the dividends of the self-employed owners has been improved. Mortgage interest payments are not deducted from the capital income, since no rental value taxation of income from home-ownership is applied.
- *Sweden (1995-2002; all years)*: The split of the personal income tax was estimated by the Ministry of Finance using micro-simulation models that are mainly based on administrative sample data.

The models are updated annually, and mainly used in planning the national tax policies and estimating policy alterations on tax revenues and on the income tax liabilities of taxpayers on different income levels. The method basically multiplies individual tax payments by proportions of the income types in the total taxpayer's income, as outlined above. However, because of the dual income tax system, there is no actual split of tax revenues raised on capital income. The tax raised on capital income is directly calculated from the tax return data. The income types are measured net of tax base deductions that are exclusively earned on these income types. An alternative way to describe the method is to say that the individual specific average effective income tax rate is calculated to split the personal income tax across different taxable income sources. Note, however, that these average effective tax rates are computed while incorporating the revenue effects of tax credits that are exclusively earned on the selected income sources. The revenue effects of general tax credits for all taxpayers are proportionally allocated across all selected income sources.

**Box 14 Micro vs. Macro-data approach<sup>4</sup>**

To illustrate the properties of the **micro-data approach**, consider an economy with only two taxpayers ( $j=1,2$ ). One can model taxpayer 1's personal income tax liability as follows:

$$PIT_1 = t(W_1 - DW_1 + O_1 - DO_1 - A_1) - C_1 - CW_1 - CO_1$$

where  $t(\cdot)$  denotes a progressive tax rate function,  $W$  measures gross income from labour,  $O$  measures 'other' gross taxable income,  $DW$  measures deductible expenses incurred in earnings and maintaining labour income,  $DO$  measures deductible expenses incurred in earnings and maintaining 'other' taxable income,  $A$  measures a personal basic tax-base allowance (depending on tax filing status),  $C$  measures a basic tax credit (may also depend on tax filing status),  $CW$  measures a tax credit earned on labour income and  $CO$  measures a tax credit earned on 'other' taxable income. The portion of taxpayer 1's income tax linked to labour income can be estimated as:

$$PIT(labour)_1 = \tau_1 \cdot (W_1 - DW_1)$$

with the amount raised on 'other' taxable income given by:

$$PIT(other)_1 = \tau_1 \cdot (O_1 - DO_1)$$

where  $\tau$  measures the taxpayer's 1 average effective tax rate on the aggregate of labour and 'other' taxable income:

$$\tau_1 = \frac{PIT_1}{(W_1 - DW_1 + O_1 - DO_1)}$$

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<sup>4</sup> See also Clark (2002).

- This effective income tax rate, which is an increasing function of the progressive tax rate schedule,  $t(\cdot)$ , and a decreasing function of the tax base allowances, deductions and tax liability credits, reflects taxpayer 1's position. In fact, the average effective tax rate for taxpayer 1 will differ from that of taxpayer 2 to the extent that:
- Taxpayer 1 and taxpayer 2 have the same amount of aggregate taxable income, but different amounts of labour and 'other' taxable income, and the tax system treats these two types of income differently, for example, by way of special tax credits earned on labour income or 'other' taxable income;
- Taxpayer 1 and taxpayer 2 have different levels of total taxable income, and the personal income tax is progressive.
- In contrast to the micro-data approach, when relying on macro data, the notional personal income tax allocation and the measurement of the effective tax rate must rely on a single average effective tax rate estimate only, computed both across all income sources and all taxpayers. By applying this single effective tax rate to estimate the notional amount of taxes raised on the different income sources, one would omit important taxpayer- and tax treatment variation that are implicitly caught in the micro data.
- In order to illustrate the degree of precision that can be reached with using micro rather than macro data, the Netherlands, Finland, Denmark and Italy have made additional calculations on the basis of only aggregate tax return data for some years. It appears that the differences for the estimated amounts of personal income tax raised on labour income were rather small. The reason is that labour income is by far the most important taxable personal income source, which means that the overall effective income tax rate (measured on the basis of the aggregate taxable income across all taxpayers) is strongly influenced by the average effective tax rate on labour income. The differences are however significant for the other taxable personal income types. If only aggregate data would be used, generally higher fractions would be computed for capital income and social transfer and pension income, and generally lower fractions would be computed for income from unincorporated businesses.

*(B) Approach using both micro- and aggregate tax receipts data*

The method employed in the United Kingdom is based on combining micro and aggregate tax record data. Also, unlike the methods outlined above, the method does not assume that the individual taxpayer has the same average effective income tax rate over all income sources. Instead, income source specific tax rates are multiplied by the selected income sources at the taxpayer level.

- *United Kingdom (1995-2002; all years)*: The split of the personal income tax was estimated by the Inland Revenue using a micro simulation model and aggregate tax receipt data. The micro simulation model incorporates the information of withholding taxes (PAYE), self-assessment tax returns and claims by non-taxpayers for overpaid tax deducted at sources. The method does not assume that the individual taxpayer has the same average income tax rate over all selected income sources. Instead, income-source specific tax rates are computed, because the personal income tax law prioritises the order of different types of income. For example, labour income is at the bottom of the taxable income and dividend income is treated as the top-slice of the taxable income. The total tax liability that results from the micro simulation model, grossed up to the total taxpayer population for sampling, does not exactly correspond to the total recorded tax receipts from macro tax receipt data, due to differences in definition and sampling error. The main differences between the micro and macro tax receipt data occur because some components

(i.e., company income tax and unallocated tax receipts) are not modelled. Also, there are various repayments of personal income tax which are made directly at source and are not captured in the model data, including payments to pension funds, charities, special savings schemes, life insurance relief, mortgage interest relief at source, working family tax credits and vocational training relief. These elements of the macro tax receipt data have also been allocated across the selected income types, whenever this was possible.

*(C) Approach using tax-return data aggregated at the level of income classes or tax brackets*

In some Member States tax return data is used that is aggregated at the level of a number of income classes or tax brackets. Basically, the recorded personal income tax payments are multiplied by the selected income types over the sum of the taxable personal income sources at the level of income classes or tax brackets. This approach thus implicitly assumes that a (common) average effective tax rate applies to all selected income types at the level of the income class. The corresponding estimates are consequently aggregated to obtain the estimate of the split of the personal income tax. Calculations by Italy have shown that differences from using either macro tax return data or micro data aggregated by income classes turn out to be significant for the taxable personal income types that are less important from a quantitative point of view. Although the method cannot provide the degree of accuracy of micro (taxpayer-level) data, it is believed that is likely to capture the effects of progression of the personal income tax system and the distribution of income sources across different groups of taxpayers.

- *Italy (1995, 1998, 1999 and 2000; point estimates):* The split of the personal income tax was estimated by the Ministry of Finance using a micro data set containing IRPEF tax return data for all taxpayers. Instead of computing an average tax rate for each individual taxpayer, the information was allocated to thirty-five classes of gross income. Basically, the recorded personal income tax payments were multiplied by the selected net taxable income sources over the sum of the net taxable income sources at the income class level. The income types are measured net of tax base deductions that are exclusively earned on these income types. In addition, corrections were made for the revenue effects of tax credits that are exclusively earned on the selected income types. In addition to the recorded IRPEF tax revenues, IRPEF payments received by the treasury on denominations other than IRPEF were incorporated in the calculations. These include tax on dividend distributions and dividend withholdings, which were directly allocated to the capital income category.
- *Spain (1995-2001; all years):* The split of the personal income tax was estimated by the Ministry of Finance using tax return data aggregated in 46 income classes or intervals of the taxable base. For each individual taxpayer, the final income tax liability of the annual declaration can be obtained as the function of the taxable personal income types, certain tax allowances in the taxable base, a double tax schedule, their allotment between the regular taxable base and the irregular one (for incomes or capital gains realised in more than one year) and a series of tax credits to the tax liability. Following this structure and certain procedures specified for the assignment of deductions to certain income sources, it is supposed that the tax liability corresponding to the regular part of the taxable base is distributed among the income types in a proportional way to the weight of each one in the total amount of the declared income, as outlined above. The personal income tax reform of 1999 has changed the structure of the tax system. The method has been adapted to take account of the most important changes. The

fraction of the personal income tax raised in respect of social transfers and pension benefits could not be estimated by using the personal income tax statistics. The Ministry of Finance used statistics from the National Accounts for this purpose. In this edition of the publication, with respect to the previous, some revision in the national accounts figures are been considered in the calculations. It is however believed that using national accounts figures leads to an overestimation of the fraction of personal income tax that can be attributed to social transfers and pension benefits. The social transfers in national accounts also include some social transfers which are not taxed. Furthermore, the amount of some social transfers is probably situated below the income tax threshold, and therefore, may not be included in the personal income tax returns. A much more detailed (technical) description of the method employed by the Ministry of Finance is available upon request.

- *Greece (1995-2002; all years)*: The split of the personal income tax was estimated by the Ministry of Finance in cooperation with the National Statistical Service and Prof. Geogakopoulos from the Athens University of Economics. The calculations were based on data from personal income tax returns, which were grouped by category of income and tax bracket. Basically, the method multiplies tax payments by proportions of the income types in the total taxpayer's income, as outlined above, but aggregated at the level of income classes. The income types are measured as net taxable personal incomes. In order to split between income from employed labour and transfers data from the General Secretariat of Information Systems were used. The final percentages are comprehensive of tax on savings, which is included in category D51A in addition to tax revenue from personal income tax; the total amount of this category constitutes tax on capital and, given that this tax is not calculated on the total income of households, it was added to income tax from capital in the calculations.

*(D) Approach using aggregate withholding tax and final assessment income tax data with certain adjustments*

In some Member States the estimates of the split of the personal income tax were computed on the basis of aggregates statistics of withholding tax and the final personal income tax by assessment.

- *Austria (1995-2002; all years)*: The split of the personal income tax was estimated by the Ministry of Finance using statistical information from the wage withholding tax and the final income tax by assessment. Taxes raised on income from employed labour are withheld by the employer at source, and the wage tax system is designed to approximate the final personal income tax as closely as possible, but in some cases certain repayments have to be made by the tax administration. This can for example occur if the taxpayer receives income from several jobs or pensions during one year, or if there are different payments per month or deductions for special expenses etc. As these repayments concern only wage taxpayers, the total net amount of the repayments was deducted from the total recorded wage tax, and the recorded income tax was adjusted accordingly. Also, the income from employment includes income in the form of social transfers and pension benefits received. The recorded revenue of the wage tax was also corrected for the relevant amount to arrive at the fraction of income tax levied on labour income. The revenue of the personal income tax by assessment largely reflects entrepreneurial income and income from capital. The (corrected) recorded revenue from the personal income was split between the two sources, using tax-return data aggregated at the level of a number of income classes as outlined above.

- Portugal (1999; point estimate)*: The split of the personal income tax was estimated by the Ministry of Finance using information from personal income tax returns except for the amount of tax raised on capital income, which was estimated using information of both withholding taxes and personal income tax returns. The estimates are based on three data-sets: (1) aggregate net taxable incomes by category of income type; (2) aggregate net taxable incomes and tax liabilities by category of income or groups of categories, depending on the type of tax returns. Some households only earn income from one category of income, and so the tax liability is directly imputable to that category but other households simultaneously earn income from more than one category (*e.g.* income from labour and income from self-employed labour); (3) aggregate data from withholding tax returns relating to incomes subject to a final withholding tax, which, in general, are not reported in tax returns (*e.g.* interest on bank deposits or dividends). The split of the personal income tax was estimated according to the following procedure. As the first step, the tax liability of households with one source of taxable personal income was directly allocated. As the second step, from the aggregates of the net taxable incomes by category of income the net taxable incomes of households with one source of income were subtracted. Third, the aggregate tax liability of households which earn more than income was split. This split was made in proportion to the aggregate net taxable incomes for each category that resulted from the second step. In this step it was thus assumed that all categories of income are subject to a common average effective tax rate. Finally, the revenue from the final withholding tax was added to the relevant categories. It should be noted that this assumes that none of the incomes subject to a final withholding tax is reported in the tax return and so could cause the problem of double counting. However, in practice, it is believed that this problem is not important. In fact, although the taxpayer could choose to report this income, it would generally be taxed at a higher rate.

*Estimates of the split of the personal income tax*

The following tables present the resulting estimates for the split of the personal income tax. Looking at the estimates, there are some noticeable differences, in particular for the income tax allocated to capital and social transfer and pensions benefits. By including net interest payments in the tax base of capital, for example, some Member States (*e.g.* Denmark and the Netherlands) have taken into account the way the tax relief for mortgage interest payments and other interest payments on loans effectively reduces the tax base of capital. This explains why the estimated fraction for personal income tax raised on capital income is sometimes relatively low (or even negative) for a number of Member States. In some Member States such deductions are less significant or non-existent, while others were unable to take the revenue effects of such specific tax base deductions yet into account. Also, some Member States were unable to estimate the amount of personal income tax on (taxable) social transfers, while others could not distinguish (between different types of) pension benefits. Inevitably this may have had some consequences for the implicit tax rates on labour and capital. The estimates for the amount of personal income tax allocated to capital income and social transfers and pensions would benefit from future work. What is furthermore noteworthy from the table is the fact that the personal income tax revenue allocated to (employed) labour income appears to be relatively low in Greece Spain and Italy.



**Table E: Estimates for the split of the personal income tax**  
1995-2002, in % of total revenue of personal income tax

**Personal income tax revenue allocated to employed labour income <sup>1)</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002
BE	0,749	0,741	0,747	0,740	0,744	0,750	0,752	0,747
DK	0,724	0,728	0,738	0,725	0,728	0,755	0,758	0,762
DE	0,757	0,729	0,734	0,724	0,704	0,705	0,715	0,735
EL	0,473	0,484	0,497	0,484	0,498	0,495	0,494	0,487
ES	0,527	0,535	0,544	0,545	0,536	0,541	0,551	<i>0,551</i>
FR	<i>0,740</i>	<i>0,740</i>	<i>0,740</i>	<i>0,740</i>	0,740	0,720	0,740	0,730
IE	0,843	0,842	0,840	0,830	0,842	0,833	<i>0,833</i>	<i>0,833</i>
IT	0,589	<i>0,578</i>	<i>0,567</i>	0,556	0,564	0,555	<i>0,555</i>	<i>0,555</i>
LU	<i>0,695</i>	0,687	0,696	0,711	0,728	0,728	<i>0,728</i>	<i>0,728</i>
NL	0,655	<i>0,651</i>	0,647	<i>0,659</i>	<i>0,670</i>	0,682	0,678	<i>0,678</i>
AT	0,621	0,612	0,619	0,620	0,625	0,628	0,590	0,586
PT	<i>0,672</i>	<i>0,672</i>	<i>0,672</i>	<i>0,672</i>	0,672	<i>0,672</i>	<i>0,672</i>	<i>0,672</i>
FI	0,661	0,676	0,673	0,686	0,683	0,679	0,712	0,715
SE	0,715	0,709	0,706	0,711	0,688	0,676	0,711	0,706
UK	0,764	0,755	0,747	0,743	0,751	0,760	0,760	0,761

Source: Commission services on the basis of estimates by Member States.

<sup>1)</sup> The numbers printed in **bold** are the actual estimates; the numbers printed in *italics* represent either linear interpolations or fractions that were assumed to remain constant.

**Personal income tax revenue allocated to income of the self-employed <sup>1)</sup>**

	1995	1996	1997	1998	1999	2000	2001	2002
BE	0,127	0,130	0,122	0,129	0,132	0,129	0,126	0,130
DK	0,057	0,056	0,054	0,061	0,063	0,055	0,060	0,060
DE	0,190	0,221	0,214	0,224	0,242	0,238	0,233	0,214
EL	0,279	0,265	0,245	0,259	0,238	0,245	0,242	0,248
ES	0,152	0,144	0,148	0,145	0,146	0,134	0,130	<i>0,130</i>
FR	<i>0,180</i>	<i>0,180</i>	<i>0,180</i>	<i>0,180</i>	0,180	0,200	0,195	0,190
IE	0,109	0,108	0,109	0,112	0,111	0,111	<i>0,111</i>	<i>0,111</i>
IT	0,162	<i>0,169</i>	<i>0,175</i>	0,182	0,186	0,188	<i>0,188</i>	<i>0,188</i>
LU	<i>0,121</i>	0,116	0,133	0,125	0,126	0,126	<i>0,126</i>	<i>0,126</i>
NL	0,185	<i>0,196</i>	0,207	<i>0,216</i>	<i>0,225</i>	0,234	0,162	<i>0,162</i>
AT	0,184	0,187	0,181	0,181	0,171	0,171	0,210	0,210
PT	<i>0,098</i>	<i>0,098</i>	<i>0,098</i>	<i>0,098</i>	0,098	<i>0,098</i>	<i>0,098</i>	<i>0,098</i>
FI	0,082	0,074	0,079	0,075	0,074	0,074	0,075	0,079
SE	0,023	0,026	0,027	0,027	0,028	0,029	0,030	0,029
UK	0,121	0,122	0,126	0,120	0,116	0,118	0,126	0,129

Source: Commission services on the basis of estimates by Member States.

<sup>1)</sup> The numbers printed in **bold** are the actual estimates; the numbers printed in *italics* represent either linear interpolations or fractions that were assumed to remain constant.

Personal income tax revenue allocated to capital income <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
BE	-0,016	-0,016	-0,017	-0,016	-0,017	-0,016	-0,018	-0,017
DK	-0,034	-0,037	-0,031	-0,018	-0,014	-0,028	-0,033	-0,036
DE	0,019	0,023	0,023	0,025	0,026	0,029	0,025	0,022
EL	0,114	0,115	0,117	0,120	0,124	0,121	0,121	0,123
ES	0,108	0,105	0,097	0,107	0,123	0,125	0,116	<i>0,116</i>
FR	<i>0,080</i>	<i>0,080</i>	<i>0,080</i>	<i>0,080</i>	0,080	0,080	0,065	0,080
IE	0,033	0,035	0,038	0,045	0,038	0,046	<i>0,046</i>	<i>0,046</i>
IT	0,048	<i>0,049</i>	<i>0,049</i>	0,050	0,057	0,059	<i>0,059</i>	<i>0,059</i>
LU	<i>0,057</i>	0,061	0,055	0,051	0,038	0,038	<i>0,038</i>	<i>0,038</i>
NL	-0,008	<i>-0,008</i>	-0,008	<i>-0,028</i>	<i>-0,048</i>	-0,068	0,042	<i>0,042</i>
AT	0,024	0,025	0,024	0,024	0,021	0,019	0,023	0,023
PT	<i>0,147</i>	<i>0,147</i>	<i>0,147</i>	<i>0,147</i>	0,147	<i>0,147</i>	<i>0,147</i>	<i>0,147</i>
FI	0,024	0,029	0,041	0,047	0,063	0,075	0,060	0,042
SE	-0,015	0,010	0,025	0,026	0,056	0,078	0,032	0,026
UK	0,100	0,107	0,112	0,121	0,117	0,108	0,099	0,094

Source: Commission services on the basis of estimates by Member States.

<sup>1)</sup> The numbers printed in **bold** are the actual estimates; the numbers printed in *italics* represent either linear interpolations or fractions that were assumed to remain constant.

Personal income tax revenue allocated to social transfers and pensions <sup>1)</sup>

	1995	1996	1997	1998	1999	2000	2001	2002
BE	0,140	0,145	0,147	0,147	0,141	0,138	0,140	0,139
DK	0,253	0,253	0,239	0,232	0,223	0,218	0,215	0,213
DE	0,033	0,027	0,029	0,027	0,028	0,028	0,027	0,029
EL	0,133	0,137	0,140	0,137	0,140	0,140	0,143	0,142
ES	0,213	0,216	0,211	0,203	0,195	0,199	0,202	<i>0,202</i>
FR	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IE	0,015	0,015	0,013	0,012	0,010	0,010	<i>0,010</i>	<i>0,010</i>
IT	0,201	<i>0,205</i>	<i>0,208</i>	0,212	0,194	0,198	<i>0,198</i>	<i>0,198</i>
LU	<i>0,127</i>	0,136	0,116	0,114	0,107	0,107	<i>0,107</i>	<i>0,107</i>
NL	0,168	<i>0,161</i>	0,154	<i>0,153</i>	<i>0,152</i>	0,151	0,118	<i>0,118</i>
AT	0,170	0,177	0,177	0,176	0,183	0,182	0,177	0,181
PT	<i>0,056</i>	<i>0,056</i>	<i>0,056</i>	<i>0,056</i>	0,056	<i>0,056</i>	<i>0,056</i>	<i>0,056</i>
FI	0,233	0,221	0,207	0,192	0,181	0,172	0,167	0,168
SE	0,278	0,258	0,243	0,236	0,228	0,217	0,227	0,238
UK	0,015	0,016	0,015	0,016	0,015	0,015	0,015	0,017

Source: Commission services on the basis of estimates by Member States.

<sup>1)</sup> The numbers printed in **bold** are the actual estimates; the numbers printed in *italics* represent either linear interpolations or fractions that were assumed to remain constant.



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