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Taxation trends in the European Union

Main results

2008 edition

EUROPEAN COMMISSION

This booklet illustrates in a concise format the main findings from the 2008 edition of the report 'Taxation trends in the European Union' issued by the European Commission Directorate-General for Taxation and Customs Union and Eurostat, the Statistical Office of the European Communities. All tables and calculations are taken from this source. The report covers all EU Member States and Norway. The full text of the report can be purchased from the Publication Office of the European Communities or be downloaded free of charge from the websites of the Directorate-General for Taxation and Customs Union or Eurostat:

http://publications.europa.eu/index_en.htm

http://ec.europa.eu/taxtrends

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Readers interested in taxation may also find detailed information on the taxes currently in force in the Member States of the European Union in the 'Taxes in Europe' Database at the following url:

http://ec.europa.eu/tedb

Luxembourg: Office for Official Publications of the European Communities, 2008

ISBN 978-92-79-08930-5
Cat. No. KS-30-08-421-EN-N
(Cat. No. printed publication KS-30-08-421-EN-C)

Theme: Economy and finance
Collection: Statistical books

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GLOSSARY

BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxembourg
HU	Hungary
MT	Malta
NL	Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
NO	Norway (*not an EU Member State*)

EU	European Union
EU-15	European Union (15 Member States; membership 1.1.1995 – 30.4.2004)
EU-25	European Union (25 Member States; membership 1.5.2004 – 31.12.2006)
EU-27	European Union (27 Member States; membership as from 1.1.2007)
EA-15	Euro Area (15 member countries, membership as from 1.1.2008)

CIT	Corporate Income Tax
GDP	Gross Domestic Product
ITR	Implicit Tax Rate
PIT	Personal Income Tax Rate
SSC	Social Security Contributions
VAT	Value Added Tax

MAIN RESULT

The EU is a high tax area – on average

The European Union, taken as a whole, is a high-tax area. In 2006, the last year for which detailed data are available, the overall tax ratio, i.e. the sum of taxes and social security contributions in the 27 Member States (EU-27) amounted to 39.9 % of GDP (in the weighted average; see Table 1); this value is about 12 percentage points above those recorded in the United States and Japan. The EU tax-to-GDP ratio is high not only compared with these two countries but in general; amongst the major non-European OECD members, only New Zealand has a ratio that exceeds 35 per cent of GDP[1].

The high EU tax-to-GDP ratio is not a new phenomenon; it mostly dates back to a strong upward trend in the 1970s, and to a lesser extent also in the 1980s and early 1990s, which was closely linked to the growing share of the public sector in the economy in those years. In the later 1990s, first the Maastricht Treaty nominal convergence criteria and subsequently the Stability and Growth Pact encouraged the adoption of a series of fiscal consolidation measures. In a number of Member States, the consolidation process relied primarily on restricting or scaling back primary public expenditure, in others the focus was rather on increasing taxes (in some cases temporarily). At the end of that decade, a number of countries took advantage of buoyant tax revenues to reduce the tax burden, through cuts in the personal income tax and social contributions, but also in the corporate income tax.

The overall tax burden decreased perceptibly from 2000, but generally only for a couple of years. Efforts to reduce taxes permanently gradually lost steam; reductions in tax ratios, fairly aggressive in 2001, became less significant in subsequent years and mostly stopped altogether in 2005. Cyclical factors contributed to slow the decline in tax ratios after 2002; particularly from 2004 onwards, growth in the EU reaccelerated, boosting the revenue of pro-cyclical taxes; in addition, Member States strove to reduce their deficits, which probably led them to postpone tax cuts. Overall, one may conclude that, in the last decade, the upward trend in taxation has largely been stopped, but has been reversed in few countries only (see Graph 1).

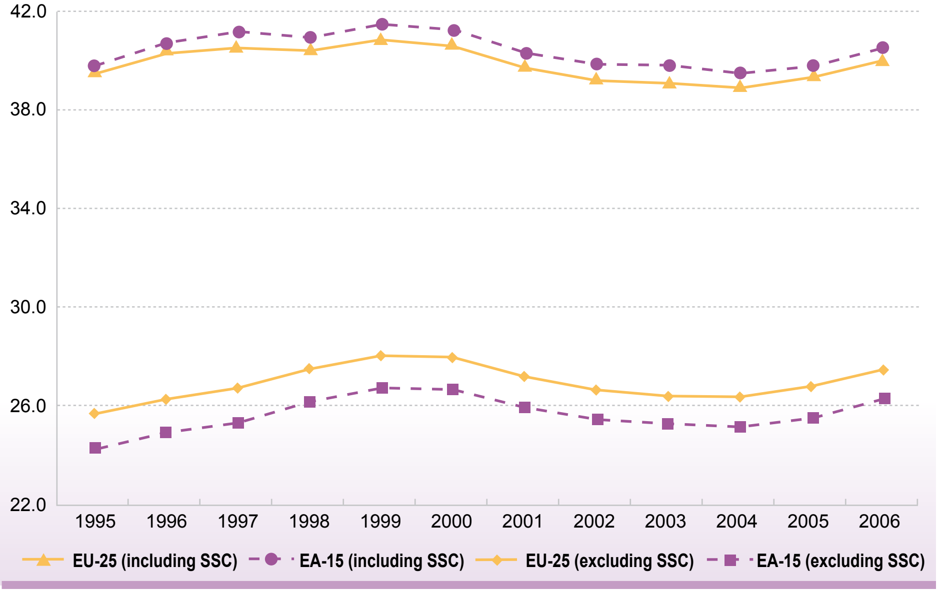
Table 1 Total tax revenue

as % of GDP

	including SSC 2005	including SSC 2006	including SSC Difference 2006-2005	excluding SSC 2005	excluding SSC 2006	excluding SSC Difference 2006-2005
BE	44.9	44.6	-0.3	31.2	31.0	-0.2
BG	34.1	34.4	0.3	23.8	25.6	1.8
CZ	37.1	36.2	-0.8	21.0	20.0	-0.9
DK	50.7	49.1	-1.6	49.6	48.1	-1.5
DE	38.7	39.3	0.5	22.4	23.3	0.9
EE	30.6	31.0	0.5	20.3	20.8	0.5
IE	30.8	32.6	1.7	26.1	27.7	1.6
EL	31.3	31.4	0.0	20.3	20.3	-0.0
ES	35.6	36.5	0.9	23.5	24.3	0.8
FR	43.8	44.2	0.4	27.5	27.8	0.3
IT	40.6	42.3	1.7	28.0	29.6	1.6
CY	35.5	36.6	1.1	27.3	28.7	1.5
LV	29.0	30.1	1.1	20.6	21.5	0.8
LT	28.8	29.7	1.0	20.5	21.2	0.7
LU	37.8	35.6	-2.2	27.2	25.7	-1.6
HU	37.4	37.2	-0.2	24.9	24.7	-0.2
MT	33.7	33.8	0.1	26.9	27.6	0.7
NL	37.9	39.5	1.6	24.8	25.3	0.4
AT	42.0	41.8	-0.3	27.5	27.4	-0.1
PL	32.8	33.8	1.0	20.5	21.6	1.2
PT	35.1	35.9	0.8	23.8	24.5	0.8
RO	27.9	28.6	0.7	18.2	18.8	0.6
SI	39.3	39.1	-0.2	24.8	24.8	-0.0
SK	31.5	29.3	-2.2	18.8	17.6	-1.2
FI	44.0	43.5	-0.5	32.0	31.4	-0.6
SE	49.5	48.9	-0.6	36.7	36.8	0.1
UK	36.6	37.4	0.7	29.8	30.6	0.8
NO	*43.5*	*44.0*	*0.5*	*34.6*	*35.3*	*0.6*
EU-27						
GDP-weighted average	39.3	39.9	0.6	26.7	27.3	0.6
arithmetic average	36.9	37.1	0.2	25.9	26.2	0.3
EA-15						
GDP-weighted average	39.8	40.5	0.7	25.5	26.2	0.7
arithmetic average	38.1	38.4	0.3	26.2	26.6	0.4
EU-25						
GDP-weighted average	39.4	40.0	0.6	26.8	27.4	0.6
arithmetic average	37.4	37.6	0.2	26.2	26.5	0.2

Graph 1 Total Tax Revenue

1995-2006, in % of GDP (GDP weighted averages)



The high general average by no means implies that every EU Member State displays a high tax ratio; on the contrary, ten Member States display ratios below the 35 % mark. On the whole, the differences in taxation levels across the Union are quite marked; the overall tax ratio (which includes social security contributions) ranges over more than twenty points of GDP, from 49.1 % in Denmark to merely 28.6 % in Romania, reflecting the significant differences within Member States in the role played by the State. As a general rule, tax-to-GDP ratios tend to be significantly higher in the 'old' EU-15 Member States (i.e. the 15 countries that joined the Union before 2004) than in the 12 new ones: the first nine positions in terms of overall tax ratio are indeed occupied by 'old' Member States. There are exceptions, however; for example, Greece's and Ireland's tax ratios are over seven points below the weighted EU-27 average. The euro area (EA-15) shows a slightly higher overall tax ratio than the EU-27 (40.5 % compared to 39.9 %, in the weighted average), which is not surprising given that it is mostly composed of old Member States.

Overall tax ratios rose markedly in 2006

Compared to the previous year, in 2006 the overall tax ratio increased by a strong 0.6 percentage points in the weighted average. This is the second consecutive increase. The upturn of the last two years has not been strong enough to push the ratio back to its 1999 peak (in weighted average: 41.0 % of GDP); the level of taxation has, however, now surpassed its 1995 level. The 2006 increase is concentrated in the larger EU Member States: taking the five largest EU economies, the tax-to-GDP ratio went up by 0.8 percentage points of GDP. If one looks at the arithmetic average, where the size of GDP is disregarded, the increase in the ratio is much smaller, 0.2 points, as a number of smaller Member States have cut tax ratios.

The year 2006 was marked by an acceleration in the pace of economic growth: EU-27 growth amounted to 3.1 % versus 1.9 % in 2005, which is likely to have contributed to the recorded upturn in the tax-to-GDP ratio. Growth has been following broadly the same trend in the euro area as in the EU as a whole.

The 2006 increase in the tax ratio was quite broad: the tax ratio declined in 10 and increased in 17 countries. The strongest declines occurred in Luxembourg and Slovakia, whereas the biggest increases in the tax ratio were recorded in Ireland and Italy. The tax ratio increased perceptibly in each of the five largest EU economies, particularly in Italy where the increase amounted to 1.7 points of GDP. The euro area followed broadly the same trend as the EU as a whole.

In the long-term comparison (1995-2006) an interesting feature is that, with the exception of Slovakia, the Member States in which the tax ratio has changed most, both upward and downward, are generally those which started out from a low level of taxation (see Table A in the Annex); high-tax countries instead tend to display small changes from the 1995 level. Overall, slightly more countries have seen their tax ratio increase than decrease; moreover, few high-tax countries have managed to reduce the tax ratio, whereas the majority of countries that were low-average in 1995 have seen it increase.

As for the development of the tax ratio after 2006, preliminary statistical results for 2007 show that the EU-27 general government revenue as a percentage of GDP, a different but related measure, remained roughly unchanged in 2007; in 2008 and 2009, the latest EU Commission forecasts indicate a slight decline (respectively by 0.3 and 0.1 points of GDP).

Weight of direct taxation usually lower in the new Member States

Taxes are traditionally classified as direct or indirect; the first group, as a rule, allows greater redistribution as it is impractical to introduce progressivity in indirect taxes. Therefore, the recourse to direct taxes, which are more 'visible' to the electorate, tends to be greater in the countries where tax redistribution objectives are more pronounced; this usually results also in higher top personal income tax rates.

Generally, the new Member States have a different structure compared to the 'old' EU-15 countries; while most old Member States raise roughly equal shares of revenue from direct taxes, indirect taxes and social contributions, direct taxes often account for a substantially lower share of the total in the new Member States. The lowest direct tax shares are recorded in Bulgaria (merely 20.1 % of the total), Slovakia (20.4 %), and Romania (21.4 %). One of the reasons for this difference can be found in the generally lower tax rates applied in the new Member States on corporate and personal income; as for progressivity, some of the new Member States have substantially reduced its scope by adopting flat tax systems (one prominent example is Slovakia).

Also among the 'old' Member States (EU-15) there are some noticeable differences. The Nordic countries (Denmark, Sweden and Finland) as well as the UK and Ireland have relatively high shares of direct taxes in total tax revenues. In Denmark and, to a lesser extent, also in Ireland and the United Kingdom the proportion of social contributions to total tax revenues is low. In Denmark's case, this is due to the fact that most welfare spending is financed out of general taxation; this de facto requires high direct tax levels, and indeed the proportion of direct taxation to total tax revenues in Denmark is the highest in the Union. Germany's system represents in a sense the opposite of Denmark's; Germany shows the highest share of social contributions in the total tax revenues, while its direct tax revenue share is the lowest in the EU-15. A similar pattern is found in France.

Top personal income tax rates differ very substantially, ranging from 16 % to 59 %

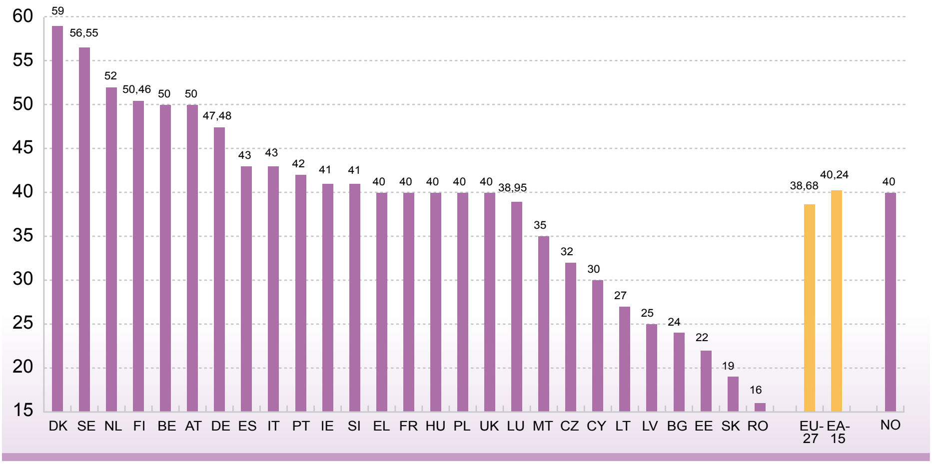
Although detailed data on revenues after 2006 are not available, the development of tax rates is known up to the present. Currently, the top personal income tax rate[2] amounts to 38.7 % on average in the EU-27, unchanged from 2006. The actual rate varies very substantially within the Union, ranging from a minimum of 16 % in Romania to a maximum of 59 % in Denmark (see

Graph 2). As a rule, the new Member States display lower top rates; indeed, only one of the old Member States, Luxembourg, would appear in a listing of the ten most moderate top PIT rates in the Union.

As might be expected, the highest rates are typical of Member States with the most elevated overall tax ratios, such as the Nordic countries, although the Netherlands show the third highest top personal income tax rate while being ranked 14th in terms of the tax ratio (excluding social security contributions). Not surprisingly, the lowest rates are found in Slovakia and Romania, where the tax ratio (excluding SSC) is respectively the lowest and the second lowest in the Union (see Table B in the Annex for the tax ratios excluding SSC).

Graph 2 Top statutory personal income tax rate

2007 income, in %



Note: Please refer to endnote 2 for details on the calculation of the rates.

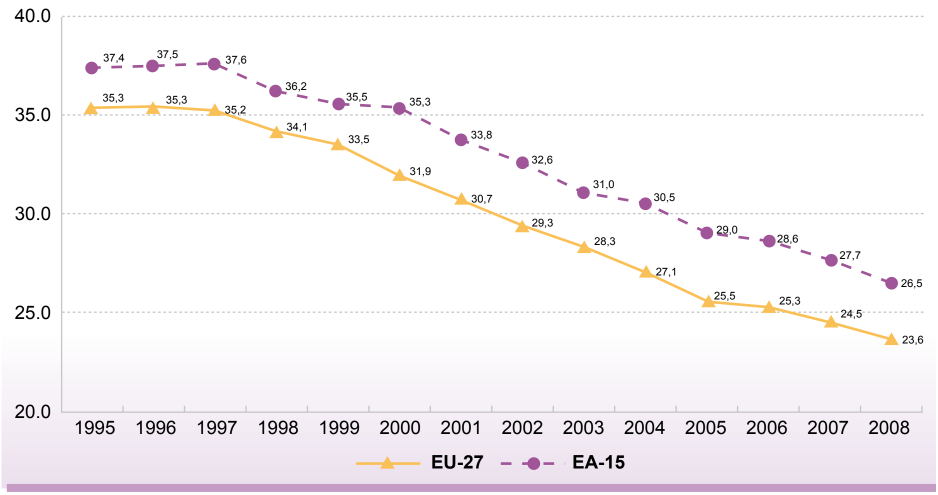
Corporate income tax rates continue their rapid decline throughout the EU

Since the second half of the 1990s, corporate income tax (CIT) rates in Europe have been cut forcefully (see Graph 3). This trend has continued in 2008, as shown by an 0.9 percentage point drop in the EU-27 average. The cut was even stronger in the euro area (1.2 points), whose rates nevertheless remain somewhat higher (at 26.5 %, the EA-15 average is almost three points above the average for the Union as a whole). Seven Member States countries cut the corporate tax rate in 2008, most prominently Germany (-8.9 points to 29.8 %) and Italy (-5.9 points to 31.4 %). No country increased the CIT rate (see Table C in the Annex).

Although the downward trend has been quite general, corporate tax rates still vary substantially within the Union (see Graph 4). The adjusted statutory tax rate on corporate income[3] varies between a minimum of 10 % (in Bulgaria and Cyprus) and a maximum of 35 % in Malta, although the gap between the maximum and the minimum has shrunk since 1995. As in the case of personal income tax, the lowest rates are typical of countries with low overall tax ratios; consequently, the new Member States tend to have low rates (with the notable exception of Malta, which is also the only Member State, together with Sweden, not having changed its CIT rate since 1995). The reverse is, however, not true: unlike in the case of the personal income tax, the two Member States with the highest tax burden, Denmark and Sweden, display corporate tax rates that are not much above the average. This is linked to the adoption by these countries of Dual Income Tax systems, which by nature tax capital income at a moderate rate.

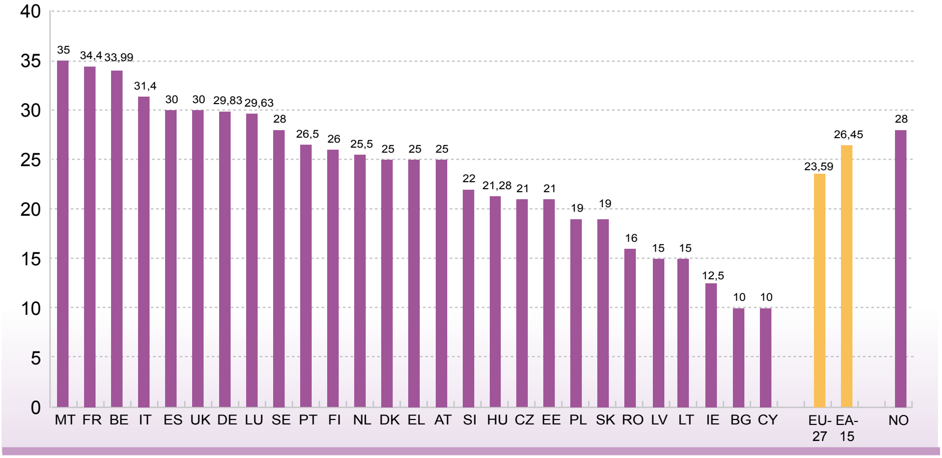
Graph 3 Development of adjusted top statutory tax rate on corporate income

1995-2008, in % (arithmetic averages)



Graph 4 Adjusted top statutory tax rate on corporate income

2008 income, in %



Note: Please refer to endnote 3 for details on the calculation of the rates.

Trend towards more funding to local and regional authorities continues, while social security receives a shrinking share of total revenue

In 2006 about 59 % of the 'ultimately received' aggregate tax revenue in the EU-27 (including social contributions) was claimed by the central or federal government, roughly 29 % accrued to the social security funds, and around 11 % to local government. Less than 1 % of tax revenue is paid to the institutions of the European Union. There are considerable differences in structure from one Member State to another; for instance, some Member States have (from a fiscal viewpoint) a State government level (Belgium, Germany, Spain and Austria). In the UK and Malta, the social security system is not separate from the central government level from an accounting viewpoint, whereas in Denmark most social security is financed through general taxation.

The share of sub-federal revenue (defined as municipalities plus the State level where it exists) varies from less than 1 % to over one third of the total. Denmark, Sweden, Spain, Germany and Belgium show high shares of total taxes received by the non-central authorities. At the other end, this share is just around 1 % in Greece and Cyprus, while in Malta local government does not directly receive any tax funds. As for the share of revenue accruing to social security funds, the highest values in the EU are reported by France and Germany. It should be stressed, however, that the amount of the ultimately received share of revenue is a very imperfect indicator of fiscal autonomy, as a given government level may be assigned revenue streams which it has little legal authority to increase or decrease.

In a number of EU Member States, decentralisation has been an important feature for several years now. Accordingly, data for 2006 show that the share of total tax revenue accruing to state and local government remains on an upward trend. In contrast, social security funds, possibly owing to pension reform, have received a shrinking portion of revenue. The trends for the central government level are less clear-cut. The trend towards a greater share of local or state (for federal countries) taxes is also quite clear in the comparison with the base year 1995, particularly in the larger EU Member States: in the weighted average, EU-25 local government tax revenue has risen by some 17 % to 4.1 % of GDP.

The 'tax mix' receives renewed policy attention

The tax mix, or distribution of revenue by type of tax, is a structural variable that generally evolves slowly. Nevertheless, it has been receiving renewed policy attention recently, as a result of worries that increased capital mobility and the accession to the EU of a group of low-tax countries might lead to even greater reliance on taxation of immobile factors (such as labour) than has been the case so far. Given that, owing to budgetary constraints, relatively few Member States have brought about a rapid decrease in the overall tax ratio, it is being argued that the only way to achieve quick reductions in the overall tax burden on labour is to shift the tax burden onto other bases, and in particular consumption. In fact, in the majority of countries, the tax burden on consumption has increased, although this has not generally been the case for the larger Member States. A tentative trend towards a lower tax burden on labour seemed to stop in 2006. As for capital taxation, the picture is not clear-cut; despite significantly lower CIT rates, the revenues from taxes on capital have been on the rise since 2003, both in terms of GDP and as a share of total taxation.

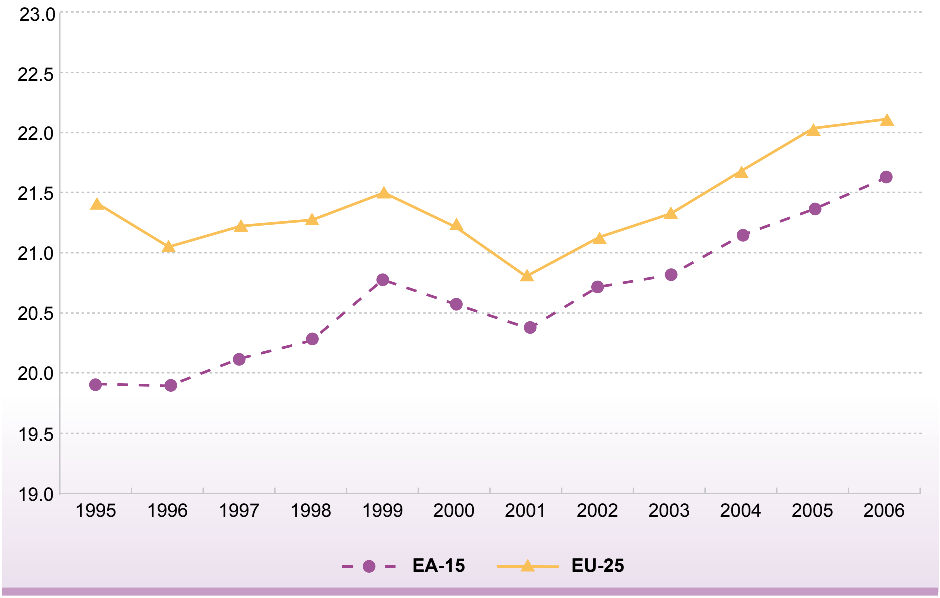
Consumption taxes: on the rise in most Member States

Data for the implicit tax rate (ITR) on consumption, our preferred measure of the effective tax burden[4], confirm that taxation of consumption has, in most EU countries, been on an uptrend since 2001. The EU-25 (see Graph 5) arithmetic average went up by some 1 ¼ percentage points since that year and by one tenth of a point in 2006. Until last year, this trend was more visible in the smaller Member States (see Table D in the Annex); several of these are new Member States, which in the last years have been increasing excise duties to conform to the EU minima. The data for 2006, however, show the trend to be at work also in three of the larger Member States. In this context it is worth remembering that Germany hiked the standard VAT rate by three points in 2007.

The upward trend is quite broad; compared to 1995 levels, only eleven countries have experienced declines. Since 2001 the trend has been even more general as only eight Member States have not experienced any pickup; moreover, the only sizeable decline in the ITR occurred in Greece (- 1.8 percentage points since 2001). Bulgaria and Cyprus show remarkable increases (five points or more) in their ITRs on consumption, which is in keeping with the general picture of the new Member States having experienced the greatest increase.

Graph 5 Implicit tax rate on consumption

1995-2006, in % (arithmetic averages)



A breakdown of the ITR on consumption into its constituent elements reveals that the role played by taxes other than VAT is usually quite important; taxes on energy (typically, excise duties on mineral oils) and on tobacco and alcohol make up almost one tenth of the revenue from consumption taxes. Owing largely to different consumption habits, revenue levels differ widely amongst Member States: for instance, Bulgaria raises from alcohol and tobacco excise duties almost five times as much revenue as the Netherlands.

The comparison between the standard VAT rate and the VAT component of the ITR on consumption also highlights the significant differences amongst Member States in the extent of exemptions (in the form of either base reductions or reduced rates) from VAT; in some Member States, their impact on the ITR is only equivalent to a couple of percentage points, but at the other extreme the impact reaches ten points.

Labour taxes: the decline since the turn of the century stopped in 2005

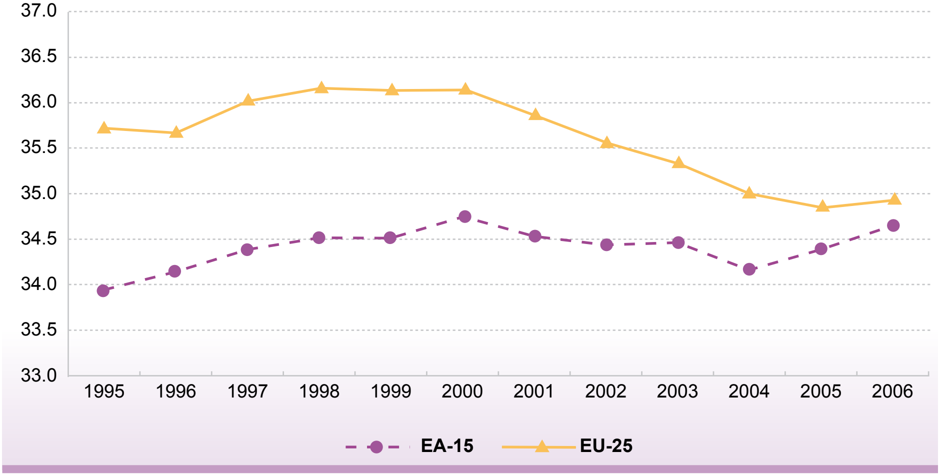
Despite a wide consensus on the desirability of lower taxes on labour, the level of the ITR on labour[5] confirms the widespread difficulty in achieving this aim. Although the tax burden on labour has fallen from the peak reached around the turn of the century, the downward trend essentially came to a halt in 2005. In 2006, the EU-25 average even picked up slightly in the arithmetic average (+0.1 percentage points; see Graph 6), and more strongly in the weighted average (+0.5 percentage points), as significant increases were recorded in some of the larger Member States. The Netherlands, Poland, Hungary, Spain and Germany recorded increases exceeding one percentage point.

In 2006, reductions exceeding one percentage point in the ITR on labour are found only in three Member States: Bulgaria, Slovakia and Belgium (see Table E in the Annex). Seven of the twelve countries reducing their ITRs were new Member States. The new Member States do not always display low ITRs on labour: in three of them the ratio lies above the EU-27 average. The lowest overall ITRs on labour are found in Malta and Cyprus; this might perhaps be linked to their historical ties to Britain, given that the UK, as well as Ireland, displays a markedly low ITR on labour. Overall, despite the presence of a number of low-taxing Member States, taxation on labour can be said to be much higher in the EU than in the other major industrialised economies.

In most Member States, social contributions account for a greater share of labour taxes than the personal income tax. On average, in 2006 about two thirds of the overall ITR on labour consisted of non-wage labour costs paid by both 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 in government receipts is very low as most welfare spending is financed by general taxation.

Graph 6 Implicit tax rate on labour

1995-2006, in % (arithmetic averages)



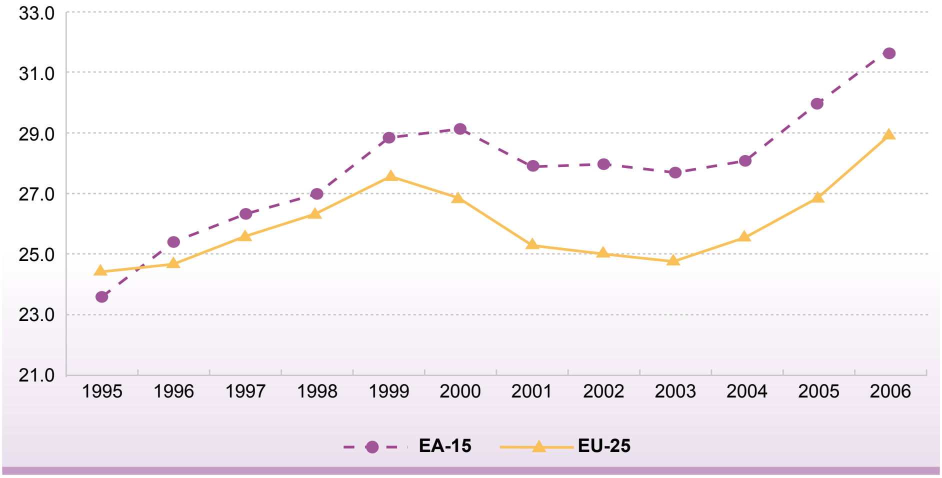
Capital taxation: base broadening and cyclical factors have so far offset the impact on revenue from the cuts in corporate tax rates

Despite the sizeable cuts in rates, revenues from the corporate income tax, the most important tax on capital income, have been growing since 2003; a similar rebound is visible also in other related indicators such as revenue from taxes on capital and business income taxes. Also in a longer time frame, i.e. the comparison with 1995, the ITR on capital[6] does not show, particularly in the euro area, a decline, as would be expected given the cuts in the corporate tax rates (see Graph 7). Particularly in the domain of corporate taxation, however, revenue data reflect the effect of the cuts only with a lag.

The timing of the pickup in revenue suggests that cyclical effects, to which the ITR on capital is much more susceptible than the ITRs on consumption and labour, are playing an important role. The ITR on capital reached a peak between 1999 and 2000 and then started falling, in line with the business cycle. Also, the fact that in the last three years covered by the series, the majority of the countries have registered increases highlights the importance of cyclical effects: these years, 2006 in particular, coincide with a rebound in economic growth. Nevertheless, the extent by which the ITR has been diverging from the statutory rates suggests that the measures

Graph 7 Implicit tax rate on capital

1995-2006, in % (arithmetic averages)



to broaden the corporate tax base, which have very frequently accompanied the rate cuts, have been playing an important role in sustaining the ITRs; the measures taken at EU level to limit harmful tax competition may also have resulted in less erosion of the base for capital taxes. Eventually, however, cyclical effects will fade out (as they depend largely on the existence of carry-over provisions for losses incurred in previous years and on capital gains), and base broadening has its limits. Another possibility is that, stimulated by the steep fall in corporate tax rates, growing incorporatisation is deceptively boosting revenues at the expense of the personal income tax.

The absolute levels of the ITRs on capital differ widely within the EU (see Table F in the Annex), ranging from 42.5 % in Ireland to a mere 8.4 % in Estonia, despite some narrowing, over the years, in the gap between the highest and the lowest corporate tax rates. A breakdown of the ITR on capital helps to explain this phenomenon: in most cases, the ITRs on capital and business income cluster around 20 %; the variation in the tax burden on capital derives largely from wide differences in the taxation of capital stocks/wealth, which provides very limited revenue in the Member States that impose the least tax, but raises a significant amount of funds in several others. In five Member States, taxation of capital stocks/wealth in 2006 yielded at least 3.3 % of GDP, i.e. as much as the average revenue from the corporate income tax. In France, taxation of capital stocks/wealth yields over 60 % more than the corporate income tax itself.

Environmental taxes declining in the EU-15 but increasing in the newly acceded Member States

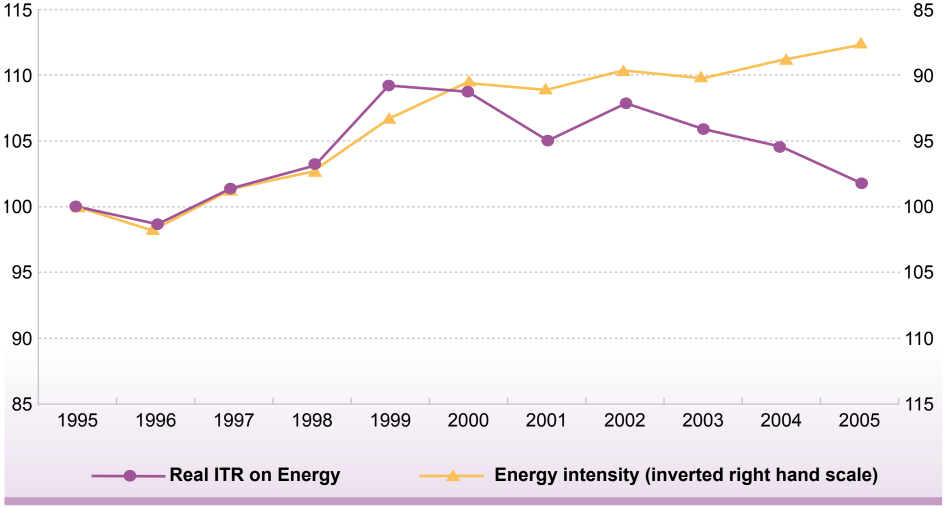
The development of environmental taxes is at the centre of a number of different societal trends; on the one hand, an ongoing policy focus on environmental protection, which may grow stronger as Europe grows more affluent and as attention turns to the threat from global warming; on the other, a greater reliance on policy instruments other than taxes, such as emissions trading, and growing political pressure to accommodate the strong increases in the oil price recorded in the last few years by reducing taxation of energy, which contributes some three quarters of revenues from environmental taxes.

Currently, roughly one euro out of every fifteen in revenue derives from environmental taxes. Data, however, show that while environmental tax revenues have increased considerably, particularly in the 1990-1994 period (not covered by this report), since 1999 they have been on the decline, especially in the euro area. This trend continued in 2006. In the 12 new Member States, which originally levied low environmental taxes, revenues from such taxes have been steadily rising, so that by now there is practically no difference vis-à-vis the EU-15 in this respect; this has, however, not been sufficient to offset the decline in the EU-15.

Equal tax revenue does not mean equal tax rates. Countries with higher energy intensity may display the same revenue although tax rates are lower. This is, indeed, what happens in the domain of energy taxation. The implicit tax rate on energy[7] shows that wide differences persist with regard to the tax revenue raised per unit of energy consumed (the highest taxing country raises over five times more revenue per unit of energy than the Member State imposing the least tax), and confirms that in the euro area taxation per unit of energy, particularly once adjusted for inflation, has been declining (see Graph 8 and Tables G and H in the Annex).

Graph 8 Evolution of energy efficiency and ITR on energy in the EU-25

Index 1995=100, all series GDP-weighted



Concluding remarks

Taxation has, and will retain, a central place in economic policy. This report sheds some light on current EU trends. As usual, however, investigation, by answering some questions, opens new ones.

Given that the EU is, in general, one of the most highly taxed areas in the world, the most important issue probably relates to the strength of the increase in tax ratios in 2006 and the fact that it involved a clear majority of EU countries. Is this increase deliberate and does it foreshadow a further medium-term increase in the overall tax ratio? The sheer size of the increase, as well as its coincidence with a strong cyclical rebound, might well indicate that part of the increase was unintended. The year 2006 was also marked by a reduction in general government deficits; although this is a welcome development, does the increase in the tax ratios imply that, in Europe, the preferred route to deficit reduction inexorably entails adjustment on the revenue side, structural considerations notwithstanding? The observation that, although with several exceptions, many of the Member States that cut tax ratios drastically during the 1990s have experienced a slightly increasing trend in the last few years, also adds to this point, although the latest European Commission forecasts point to a modest reduction in general government revenues in 2008.

One interesting observation contained in the report is that the Member States with the highest tax ratios tend to show less short-term change in tax ratios than the others, as if high taxes somehow introduced elements of rigidity or, in other words, are self-perpetuating. Many tax-cutting programmes have been announced over the last ten years, but their results were often modest. This has highlighted the issue of whether economic growth could be stimulated by raising the same or a similar amount of revenue but in different forms. A reflection is ongoing on the potential benefits of offsetting cuts in direct taxes by raising consumption taxes; the data indeed show a trend, in most countries, towards a higher tax burden on consumption in recent years. It is, however, difficult to evaluate to what extent this process is intentional or the by-product of other factors, such as mere political expediency or, in the new Member States, the adaptation of excise duties to EU minima. In any case, the 2007 three-point VAT hike in Germany, traditionally a low-VAT country, is likely to imply that, at least in the weighted average, consumption tax revenues will continue to increase. Will this over time make it possible to lower labour taxes?

While increases in general allowances or in tax credits have benefited particularly low income earners, at the top end of the income distribution EU tax systems are apparently becoming less progressive. Although top PIT rates are not declining in as clear-cut a way as the corporate income tax rates, the effect of the latter trend may be just as strong, or even stronger, given that corporations are typically primarily owned by higher-income individuals. In some Member States, the trend towards less progressivity at the top end has been made clear by the adoption of flat rate systems. At the same time, the growing divergence between very moderate corporate tax rates and top PIT rates means that for high-income individuals, the incentives to create corporations for the purpose of channelling their income through them are growing. This opens the question of how much divergence between the CIT rate and the top PIT rate can be accommodated without creating excessive distortions.

Finally, the evidence from our survey of environmental taxation deserves careful reflection. Despite the added urgency in the public debate, the taxman's efforts towards reducing energy consumption seem to be letting up, at least in the EU-15. This may be justified by greater efforts made elsewhere, for example in emissions trading, and by the fact that energy prices at the source have grown considerably; but it is nevertheless at odds with the perceptions of the general public as well as with oft-stated policy objectives. Finally, the wide divergence of taxation per unit of energy raises the question of the optimal degree of differentiation between EU Member States that participate in the same Internal Market but have unequal industrial structures and climate conditions.

Endnotes

[1] See OECD (2007), Revenue Statistics, 2007 edition.

[2] The top statutory personal income tax rate reflects the tax rate for the highest income bracket. For Denmark, Finland and Sweden the municipal income tax is also included. For Germany the value includes the solidarity surcharge, in the case of Hungary, the solidarity tax.

[3] Taxation of corporate income is not only conducted through the CIT, but, in some Member States, also through surcharges or even additional taxes levied on tax bases that are similar but often not identical to the CIT. In order to take these features into account, the simple CIT rate has been adjusted for comparison purposes: notably, if several rates exist, only the 'basic' (non-targeted) top rate is presented; existing surcharges and averages of local taxes are added to the standard rate. Adjustments have been carried out for Germany, Estonia, France, Italy, Lithuania and Portugal. For details see the full text of the report.

[4] Implicit tax rates in general measure the effective average tax burden on different types of economic income or activities, i.e. on labour, consumption and capital, as the ratio between revenue from the tax type under consideration and its (maximum possible) base. For instance, the ITR on consumption is the ratio between the revenue from all consumption taxes and the final consumption expenditure of households.

[5] The ITR on labour is calculated as the ratio of taxes and social security contributions on employed labour income to total compensation of employees.

[6] The ITR on capital is the ratio between taxes on capital and aggregate capital and savings income. Specifically, it includes taxes levied on the income earned from savings and investments by households and corporations, and taxes related to stocks of capital stemming from savings and investment in previous periods. The denominator of the capital ITR is an approximation of world-wide capital and business income of residents for domestic tax purposes.

[7] The real ITR on energy is calculated as the ratio between total energy tax revenues and final energy consumption, deflated with the cumulative % change in the final demand deflator.

Annex

Table A Total tax revenue (including social security contributions)

1995-2006, in % of GDP

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BE	43.8	44.4	44.9	45.5	45.5	45.2	45.2	45.3	44.9	45.0	44.9	44.6
BG	-	-	-	-	-	32.6	31.4	30.0	32.6	33.9	34.1	34.4
CZ	36.2	34.7	35.0	33.3	34.0	33.8	34.0	34.8	35.7	37.4	37.1	36.2
DK	48.8	49.2	48.9	49.3	50.1	49.4	48.4	47.8	48.0	49.0	50.7	49.1
DE	39.8	40.7	40.7	40.9	41.7	41.9	40.0	39.5	39.6	38.8	38.7	39.3
EE	37.8	35.1	35.2	34.7	33.9	31.3	30.5	31.1	30.9	30.9	30.6	31.0
IE	33.1	33.1	32.4	31.7	31.8	31.7	29.8	28.5	29.0	30.4	30.8	32.6
EL	29.1	29.4	30.6	32.5	33.3	34.6	33.0	33.4	32.3	31.3	31.3	31.4
ES	32.7	33.1	33.2	33.0	33.6	33.9	33.5	33.9	33.9	34.5	35.6	36.5
FR	42.7	43.9	44.1	44.0	44.9	44.1	43.8	43.1	42.9	43.2	43.8	44.2
IT	40.1	41.8	43.7	42.5	42.5	41.8	41.5	40.9	41.3	40.6	40.6	42.3
CY	26.7	26.4	25.8	27.7	28.0	30.0	30.9	31.2	33.0	33.4	35.5	36.6
LV	33.2	30.8	32.1	33.7	32.0	29.5	28.5	28.2	28.5	28.5	29.0	30.1
LT	28.5	27.9	31.0	32.0	31.8	30.2	28.7	28.4	28.2	28.3	28.8	29.7
LU	37.1	37.6	39.3	39.4	38.3	39.1	39.8	39.3	38.3	37.3	37.8	35.6
HU	41.6	40.6	39.0	39.0	39.1	38.5	38.3	37.9	37.6	37.6	37.4	37.2
MT	26.8	25.4	27.5	25.6	27.3	28.2	30.4	31.5	31.4	33.1	33.7	33.8
NL	40.2	40.2	39.7	39.4	40.4	39.9	38.3	37.7	37.4	37.5	37.9	39.5
AT	41.3	42.6	44.0	44.0	43.7	42.8	44.7	43.7	43.1	42.8	42.0	41.8
PL	37.1	37.2	36.5	35.4	34.9	32.6	32.2	32.7	32.2	31.5	32.8	33.8
PT	31.9	32.8	32.9	33.1	34.1	34.3	33.9	34.7	34.8	34.1	35.1	35.9
RO	-	-	-	-	-	-	27.8	28.1	27.7	27.4	27.9	28.6
SI	40.2	39.1	38.0	38.8	39.2	38.0	38.2	38.6	38.8	38.9	39.3	39.1
SK	40.2	39.4	37.2	36.6	35.3	34.0	33.0	33.1	33.1	31.6	31.5	29.3
FI	45.7	47.0	46.3	46.1	45.8	47.2	44.6	44.6	44.0	43.4	44.0	43.5
SE	47.9	50.3	50.8	51.5	51.8	51.8	49.9	47.9	48.3	48.7	49.5	48.9
UK	35.1	35.0	35.5	36.5	36.9	37.4	37.1	35.6	35.3	35.7	36.6	37.4
NO	*42.0*	*42.4*	*42.2*	*42.0*	*42.3*	*42.6*	*42.9*	*43.1*	*42.3*	*43.3*	*43.5*	*44.0*
EU-27												
GDP-weighted average	39.6	40.3	40.5	40.5	41.0	40.7	39.8	39.2	39.1	39.0	39.3	39.9
arithmetic average	37.5	37.5	37.8	37.8	38.0	37.4	36.6	36.4	36.4	36.5	36.9	37.1
EA-15												
GDP-weighted average	39.8	40.7	41.1	41.0	41.5	41.2	40.3	39.9	39.8	39.5	39.8	40.5
arithmetic average	36.7	37.2	37.5	37.6	38.0	38.2	37.8	37.7	37.7	37.6	38.1	38.4
EU-25												
GDP-weighted average	39.6	40.3	40.5	40.5	41.0	40.7	39.9	39.2	39.2	39.0	39.4	40.0
arithmetic average	37.5	37.5	37.8	37.8	38.0	37.6	37.1	36.9	36.9	36.9	37.4	37.6

Table B Total tax revenue (excluding social security contributions)

1995-2006, in % of GDP

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BE	29.5	30.1	30.7	31.3	31.3	31.3	31.0	30.9	30.6	31.0	31.2	31.0
BG	-	-	-	-	-	21.6	21.4	20.5	22.0	23.4	23.8	25.6
CZ	21.8	20.5	20.4	19.3	20.0	19.6	19.8	19.9	20.7	21.4	21.0	20.0
DK	47.7	48.1	47.9	48.3	48.5	47.6	46.7	46.6	46.8	47.8	49.6	48.1
DE	22.9	23.3	23.0	23.5	24.5	25.0	23.3	22.8	22.8	22.2	22.4	23.3
EE	24.7	23.2	23.8	23.2	21.8	20.3	19.7	20.1	20.2	20.4	20.3	20.8
IE	28.1	28.5	28.1	27.6	27.5	27.2	25.2	24.1	24.6	25.7	26.1	27.7
EL	19.8	19.8	20.6	22.2	23.1	24.1	22.5	21.9	20.5	20.1	20.3	20.3
ES	20.9	21.1	21.2	21.1	21.7	21.9	21.3	21.8	21.7	22.3	23.5	24.3
FR	24.2	25.3	26.0	27.9	28.6	28.0	27.7	27.0	26.5	27.0	27.5	27.8
IT	27.4	27.6	29.2	30.3	30.3	29.7	29.5	28.8	29.0	28.3	28.0	29.6
CY	20.2	19.5	18.8	20.8	21.4	23.4	24.1	24.5	26.0	25.7	27.3	28.7
LV	21.2	20.0	21.4	23.0	21.3	19.6	19.3	18.9	19.6	19.8	20.6	21.5
LT	21.1	20.0	22.5	22.9	22.6	20.8	19.7	19.8	19.7	19.9	20.5	21.2
LU	27.3	27.7	29.3	29.2	28.2	29.1	28.8	28.4	27.5	26.6	27.2	25.7
HU	26.7	26.5	24.7	24.9	25.9	25.7	25.4	25.1	25.1	25.3	24.9	24.7
MT	20.6	19.1	20.7	19.4	21.2	21.8	23.4	25.0	24.9	26.6	26.9	27.6
NL	24.3	25.0	24.6	24.5	24.8	24.5	24.7	24.5	23.6	23.6	24.8	25.3
AT	26.5	27.8	29.0	29.1	28.8	28.2	30.1	29.2	28.6	28.3	27.5	27.4
PL	25.8	25.6	24.7	23.7	21.2	19.6	18.8	19.8	19.4	19.1	20.5	21.6
PT	22.3	23.1	23.0	23.2	24.0	24.0	23.4	23.9	23.8	23.0	23.8	24.5
RO	-	-	-	-	-	-	17.5	17.3	18.2	18.1	18.2	18.8
SI	22.9	23.7	23.4	24.1	24.7	23.5	23.5	24.1	24.3	24.4	24.8	24.8
SK	25.2	23.4	22.2	21.7	21.2	19.8	18.7	18.5	19.3	18.6	18.8	17.6
FI	31.6	33.4	33.5	33.5	33.2	35.3	32.6	32.7	32.2	31.8	32.0	31.4
SE	35.6	37.1	37.8	38.5	40.3	38.5	36.1	34.5	35.2	35.9	36.7	36.8
UK	29.0	28.9	29.3	30.3	30.6	31.1	30.9	29.6	28.9	29.0	29.8	30.6
NO	*32.2*	*32.8*	*32.6*	*31.8*	*32.2*	*33.7*	*33.6*	*33.2*	*32.5*	*33.9*	*34.6*	*35.3*
EU-27												
GDP-weighted average	25.7	26.2	26.7	27.5	28.0	27.9	27.1	26.6	26.3	26.3	26.7	27.3
arithmetic average	25.9	25.9	26.2	26.5	26.7	26.2	25.4	25.2	25.3	25.4	25.9	26.2
EA-15												
GDP-weighted average	24.3	24.9	25.4	26.2	26.7	26.7	25.9	25.5	25.3	25.2	25.5	26.2
arithmetic average	24.6	25.0	25.4	25.8	26.2	26.5	26.1	26.0	25.8	25.8	26.2	26.6
EU-25												
GDP-weighted average	25.7	26.2	26.7	27.5	28.0	28.0	27.2	26.6	26.4	26.3	26.8	27.4
arithmetic average	25.9	25.9	26.2	26.5	26.7	26.4	25.9	25.7	25.7	25.8	26.2	26.5

Table C Adjusted top statutory tax rate on corporate income

1995-2008, in %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Difference 2008-1995
BE	40.2	40.2	40.2	40.2	40.2	40.2	40.2	40.2	34.0	34.0	34.0	34.0	34.0	34.0	-6.2
BG	40.0	40.0	40.2	37.0	34.3	32.5	28.0	23.5	23.5	20.0	15.0	15.0	10.0	10.0	-30.0
CZ	41.0	39.0	39.0	35.0	35.0	31.0	31.0	31.0	31.0	28.0	26.0	24.0	24.0	21.0	-20.0
DK	34.0	34.0	34.0	34.0	32.0	32.0	30.0	30.0	30.0	30.0	28.0	28.0	25.0	25.0	-9.0
DE	56.8	56.7	56.7	56.0	51.6	51.6	38.3	38.3	39.6	38.3	38.7	38.7	38.7	29.8	-27.0
EE	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	24.0	23.0	22.0	21.0	-5.0
IE	40.0	38.0	36.0	32.0	28.0	24.0	20.0	16.0	12.5	12.5	12.5	12.5	12.5	12.5	-27.5
EL	40.0	40.0	40.0	40.0	40.0	40.0	37.5	35.0	35.0	35.0	32.0	29.0	25.0	25.0	-15.0
ES	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	32.5	30.0	-5.0
FR	36.7	36.7	41.7	41.7	40.0	37.8	36.4	35.4	35.4	35.4	35.0	34.4	34.4	34.4	-2.2
IT	52.2	53.2	53.2	41.3	41.3	41.3	40.3	40.3	38.3	37.3	37.3	37.3	37.3	31.4	-20.8
CY	25.0	25.0	25.0	25.0	25.0	29.0	28.0	28.0	15.0	15.0	10.0	10.0	10.0	10.0	-15.0
LV	25.0	25.0	25.0	25.0	25.0	25.0	25.0	22.0	19.0	15.0	15.0	15.0	15.0	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	15.0	19.0	18.0	15.0	-14.0
LU	40.9	40.9	39.3	37.5	37.5	37.5	37.5	30.4	30.4	30.4	30.4	29.6	29.6	29.6	-11.3
HU	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	19.6	17.6	17.5	17.5	21.3	21.3	1.6
MT	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	35.0	0.0
NL	35.0	35.0	35.0	35.0	35.0	35.0	35.0	34.5	34.5	34.5	31.5	29.6	25.5	25.5	-9.5
AT	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	25.0	25.0	25.0	25.0	-9.0
PL	40.0	40.0	38.0	36.0	34.0	30.0	28.0	28.0	27.0	19.0	19.0	19.0	19.0	19.0	-21.0
PT	39.6	39.6	39.6	37.4	37.4	35.2	35.2	33.0	33.0	27.5	27.5	27.5	26.5	26.5	-13.1
RO	38.0	38.0	38.0	38.0	38.0	25.0	25.0	25.0	25.0	25.0	16.0	16.0	16.0	16.0	-22.0
SI	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	23.0	22.0	-3.0
SK	40.0	40.0	40.0	40.0	40.0	29.0	29.0	25.0	25.0	19.0	19.0	19.0	19.0	19.0	-21.0
FI	25.0	28.0	28.0	28.0	28.0	29.0	29.0	29.0	29.0	29.0	26.0	26.0	26.0	26.0	1.0
SE	28.0	28.0	28.0	28.0	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	30.0	30.0	30.0	30.0	-3.0
EU-27	35.3	35.3	35.2	34.1	33.5	31.9	30.7	29.3	28.3	27.1	25.5	25.3	24.5	23.6	-11.7
EU-25	35.0	35.0	34.9	33.9	33.3	32.2	31.1	29.7	28.7	27.4	26.3	26.0	25.5	24.4	-10.6
EA-15	37.4	37.5	37.6	36.2	35.5	35.3	33.8	32.6	31.0	30.5	29.0	28.6	27.7	26.5	-10.9
Non-EU countries															
OECD-6	38.1	38.1	38.1	38.0	37.0	35.6	34.8	33.5	33.2	32.8	32.4	32.4	32.4	32.5	-5.6
AU	36.0	36.0	36.0	36.0	36.0	36.0	34.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	-6.0
CA	44.6	44.6	44.6	44.6	44.6	44.6	42.1	38.6	36.6	36.1	36.1	36.1	36.1	34.6	-10.0
CH	28.5	28.5	28.5	27.5	25.1	24.9	24.7	24.4	24.1	24.1	21.3	21.3	21.3	21.3	-7.2
JP	51.6	51.6	51.6	51.6	48.0	40.9	40.9	40.9	40.9	39.5	39.5	39.5	39.5	42.0	-9.6
NO	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	28.0	0.0
US	40.0	40.0	40.0	40.0	40.0	39.3	39.3	39.3	39.3	39.3	39.3	39.3	39.3	39.0	-1.0
BRIC							37.4	31.7	31.9	31.7	31.9	31.2	31.2	29.2	-
BR			25.0	25.0	33.0	37.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	-
RU							43.0	24.0	24.0	24.0	24.0	24.0	24.0	24.0	-
IN			35.0	35.0	35.0	38.5	39.6	35.7	36.8	35.9	36.6	33.7	34.0	34.0	-
CN			33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	25.0	-

Note: Please refer to endnote 3 for details on the calculation of the rates.

Table D Implicit tax rates on consumption in the European Union

1995-2006, in %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BE	20.6	21.3	21.6	21.4	22.5	21.8	21.0	21.4	21.3	22.0	22.2	22.4
BG	-	-	-	-	-	19.7	18.9	18.7	20.7	23.2	24.4	25.9
CZ	22.1	21.2	19.4	18.6	19.7	19.4	18.9	19.3	19.6	21.8	22.2	21.2
DK	30.5	31.6	31.9	32.7	33.7	33.4	33.5	33.7	33.3	33.3	33.6	34.0
DE	18.8	18.3	18.1	18.3	19.0	18.9	18.5	18.5	18.6	18.1	18.0	18.2
EE	20.8	19.1	20.3	18.1	17.8	19.8	19.9	20.0	19.9	20.3	22.8	23.6
IE	24.8	24.7	25.3	25.4	25.7	26.1	24.1	25.0	24.9	25.9	26.5	26.9
EL	17.6	17.7	17.8	18.1	18.7	19.0	19.5	18.8	17.9	17.6	17.0	17.6
ES	14.2	14.4	14.6	15.3	15.9	15.7	15.2	15.4	15.8	16.0	16.3	16.4
FR	21.5	22.1	22.2	22.0	22.1	20.9	20.3	20.3	20.0	20.1	20.1	20.0
IT	17.4	17.1	17.3	17.8	18.0	17.9	17.3	17.1	16.6	16.8	16.8	17.2
CY	12.6	12.3	11.3	11.5	11.3	12.7	14.3	15.4	18.9	20.0	20.0	20.4
LV	19.3	17.9	18.8	21.1	19.5	18.7	17.5	17.4	18.6	18.5	20.2	20.0
LT	17.7	16.4	20.4	20.7	19.2	17.8	17.4	17.8	17.0	16.0	16.5	16.7
LU	21.1	20.8	21.6	21.6	22.4	23.1	22.7	22.8	23.6	25.1	25.5	25.1
HU	30.8	29.5	27.2	27.6	27.9	27.5	25.6	25.4	26.0	27.6	26.4	25.8
MT	14.8	14.0	14.8	13.8	14.8	15.9	16.5	18.1	16.5	17.3	19.1	19.8
NL	23.2	23.3	23.8	23.4	23.9	23.7	24.4	23.8	24.2	24.9	25.3	26.9
AT	20.3	20.7	21.7	21.8	22.2	21.3	21.4	21.9	21.5	21.5	21.2	20.9
PL	21.3	21.2	20.1	19.1	19.7	17.8	17.2	17.9	18.3	18.5	19.6	20.2
PT	19.1	19.5	19.3	19.9	20.0	19.2	19.3	19.9	19.8	19.7	20.6	21.1
RO	-	-	-	-	-	-	-	16.6	17.6	16.5	18.0	17.7
SI	25.2	24.7	23.4	24.9	25.8	24.0	23.5	24.6	24.7	24.5	24.2	24.2
SK	26.0	24.2	23.2	22.6	21.0	21.3	18.5	19.1	21.0	21.5	22.2	20.2
FI	27.6	27.4	29.3	29.1	29.4	28.6	27.6	27.7	28.1	27.7	27.6	27.3
SE	27.9	27.2	26.9	27.4	27.2	26.5	26.9	27.4	27.5	27.6	28.1	28.1
UK	20.0	19.9	19.9	19.7	19.9	19.4	19.0	18.9	19.2	19.1	18.7	18.5
NO	*30.9*	*31.0*	*31.8*	*31.5*	*31.3*	*31.1*	*30.6*	*29.7*	*28.5*	*28.9*	*29.7*	*31.1*
EU-27												
GDP-weighted average	20.0	20.0	20.0	20.1	20.5	20.1	19.7	19.7	19.7	19.7	19.7	19.9
arithmetic average	21.4	21.1	21.2	21.3	21.5	21.2	20.7	20.8	21.2	21.5	22.0	22.1
EA-15												
GDP-weighted average	19.4	19.3	19.4	19.6	20.1	19.7	19.2	19.3	19.1	19.2	19.2	19.4
arithmetic average	19.9	19.9	20.1	20.3	20.8	20.6	20.4	20.7	20.8	21.2	21.4	21.6
EU-25												
GDP-weighted average	20.0	20.0	20.0	20.1	20.5	20.1	19.7	19.7	19.7	19.7	19.7	19.9
arithmetic average	21.4	21.1	21.2	21.3	21.5	21.2	20.8	21.1	21.3	21.7	22.0	22.1

Table E Implicit tax rates on labour in the European Union

1995-2006, in %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BE	43.8	43.4	43.9	44.3	43.6	43.9	43.6	43.7	43.5	44.1	43.9	42.8
BG	-	-	-	-	-	38.8	34.4	33.0	35.5	36.3	34.7	30.9
CZ	40.5	39.5	40.3	40.7	40.5	40.7	40.3	41.2	41.4	41.8	41.7	41.0
DK	40.2	40.2	40.7	38.9	40.2	41.0	40.8	38.8	38.1	37.4	37.5	37.0
DE	39.4	39.6	40.6	40.6	40.4	40.7	40.5	40.4	40.3	39.1	38.6	39.6
EE	39.2	39.1	38.5	39.8	39.5	37.8	37.3	37.8	36.9	36.1	34.1	33.9
IE	29.7	29.3	29.5	28.6	28.7	28.5	27.4	25.9	24.7	25.7	25.1	25.1
EL	34.1	35.7	36.4	37.5	37.0	38.2	37.7	40.0	41.2	38.0	37.8	38.1
ES	29.0	29.5	28.7	28.6	28.3	28.7	29.5	29.8	30.0	29.9	30.6	31.6
FR	41.2	41.5	41.8	42.3	42.6	42.1	41.7	41.2	41.5	41.1	41.7	42.1
IT	37.8	41.5	43.2	44.6	43.8	43.4	43.5	43.3	43.3	42.8	42.8	43.0
CY	23.1	22.3	22.4	23.4	22.6	22.3	23.6	23.0	23.4	22.8	24.5	24.2
LV	39.2	34.6	36.1	37.2	36.9	36.7	36.5	37.8	36.6	36.7	33.2	33.5
LT	34.5	35.0	38.4	38.3	38.7	41.2	40.3	38.1	36.9	36.0	34.9	34.1
LU	29.3	29.6	29.3	28.8	29.6	29.9	29.5	28.3	28.8	29.2	30.0	29.6
HU	42.6	43.1	43.7	42.9	42.7	41.8	41.0	40.6	38.8	37.7	37.8	39.0
MT	19.0	17.8	19.9	18.1	19.1	20.6	21.3	20.8	20.3	21.3	21.9	21.5
NL	34.4	33.3	32.5	32.9	33.6	34.3	30.3	30.4	30.8	30.4	30.5	33.5
AT	38.7	39.5	40.8	40.5	40.6	40.2	40.7	40.8	40.9	41.1	41.0	41.2
PL	36.8	36.3	35.9	35.6	35.8	33.6	33.2	32.4	32.7	32.7	33.1	34.4
PT	26.4	26.5	26.4	26.2	26.5	27.0	27.4	27.6	27.8	27.9	28.4	28.5
RO	-	-	-	-	-	-	-	31.2	30.1	29.2	29.1	-
SI	38.9	37.1	37.3	37.7	38.4	37.7	37.5	37.7	37.8	37.5	37.5	37.6
SK	38.5	39.4	38.3	38.0	37.4	36.3	37.1	37.0	36.3	34.3	32.9	30.3
FI	44.3	45.3	43.6	43.8	43.4	44.1	44.1	43.8	42.5	41.6	41.5	41.5
SE	46.8	48.0	48.4	49.4	48.5	47.2	46.3	44.8	44.7	44.7	44.7	44.5
UK	25.7	24.8	24.4	25.0	25.1	25.3	25.0	24.1	24.3	24.8	25.3	25.5
NO	*37.4*	*38.2*	*38.5*	*38.5*	*38.3*	*38.3*	*38.4*	*38.7*	*39.0*	*39.2*	*38.5*	*38.0*
EU-27												
GDP-weighted average	36.9	37.4	37.4	37.7	37.4	37.2	36.9	36.5	36.6	36.1	36.2	36.7
arithmetic average	35.7	35.7	36.0	36.2	36.1	36.2	35.8	35.3	35.1	34.8	34.6	34.8
EA-15												
GDP-weighted average	38.2	38.9	39.5	39.8	39.6	39.6	39.2	39.0	39.0	38.4	38.4	39.0
arithmetic average	33.9	34.1	34.4	34.5	34.5	34.8	34.6	34.4	34.4	34.2	34.4	34.7
EU-25												
GDP-weighted average	36.9	37.4	37.4	37.7	37.4	37.2	36.9	36.5	36.6	36.2	36.2	36.7
arithmetic average	35.7	35.7	36.0	36.2	36.1	36.1	35.9	35.6	35.3	35.0	34.8	34.9

Table F Implicit tax rates on capital in the European Union

1995-2006, in %

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
BE	25.3	26.7	27.9	30.0	31.0	29.3	29.4	30.7	31.7	32.7	32.1	32.3
BG	-	-	-	-	-	11.4	13.2	-	-	-	-	-
CZ	26.4	22.3	24.0	20.3	21.3	20.9	22.3	23.8	24.8	28.1	25.5	24.9
DK	29.9	30.9	31.7	38.7	38.6	36.0	30.8	30.7	36.7	45.5	47.7	40.9
DE	22.4	25.6	24.5	25.8	29.1	29.2	22.7	21.2	21.4	21.6	22.9	23.4
EE	25.6	16.0	18.4	18.2	15.8	6.6	5.4	6.9	8.2	8.6	7.9	8.4
IE	25.7	27.1	26.0	25.6	31.9	32.2	33.2	32.3	36.0	38.3	37.5	42.5
EL	11.8	11.6	13.5	16.0	18.2	20.3	17.4	17.3	15.9	15.5	-	-
ES	20.2	20.6	23.2	23.9	26.8	29.8	28.3	30.0	30.3	32.7	36.0	38.7
FR	31.5	34.7	35.3	35.2	37.7	37.5	37.9	36.6	35.6	38.5	40.0	41.5
IT	27.6	28.2	31.7	29.2	30.9	29.9	29.4	29.5	31.9	30.3	30.4	34.4
CY	-	-	-	-	-	26.2	24.3	25.2	24.4	26.2	31.0	36.6
LV	-	15.7	17.6	22.2	19.1	11.2	11.5	9.3	8.0	7.8	9.6	-
LT	15.1	15.4	15.6	16.2	15.5	10.6	8.1	7.5	9.2	10.8	11.5	14.1
LU	-	-	-	-	-	-	-	-	-	-	-	-
HU	-	-	-	-	-	-	-	-	-	-	-	-
MT	-	-	-	-	-	-	-	-	-	-	-	-
NL	21.2	23.2	22.2	22.6	23.0	20.5	23.0	25.2	22.3	22.2	20.7	20.0
AT	25.6	28.0	28.4	28.8	27.0	26.0	33.0	27.9	25.6	25.3	23.2	23.4
PL	20.9	21.3	21.7	20.4	21.8	20.6	20.8	22.8	21.0	18.5	22.2	-
PT	20.5	23.0	26.0	26.8	29.6	32.7	30.6	32.2	31.6	27.9	28.1	-
RO	-	-	-	-	-	-	-	-	-	-	-	-
SI	-	-	-	-	-	-	-	-	-	-	-	-
SK	35.3	33.3	28.4	28.0	26.4	23.0	21.8	22.3	22.2	21.5	19.1	18.1
FI	28.5	30.9	31.5	32.6	32.2	36.4	25.7	27.4	25.8	26.3	27.5	24.6
SE	19.7	26.6	29.4	29.8	35.6	42.8	33.7	29.5	-	-	-	-
UK	31.4	31.8	33.9	35.6	38.8	41.0	42.0	37.1	32.9	34.0	36.8	39.7
NO	-	-	-	-	-	-	-	-	-	-	-	-
EU-27												
GDP-weighted average	25.8	27.8	28.9	29.5	31.9	32.5	30.7	29.5	28.9	29.8	31.4	33.3
arithmetic average	24.4	24.6	25.5	26.3	27.5	26.1	24.7	25.0	24.8	25.6	26.8	29.0
EA-15												
GDP-weighted average	25.1	27.3	28.1	28.3	30.6	30.6	28.5	28.1	28.3	28.9	30.3	31.9
arithmetic average	23.7	25.4	26.4	27.0	28.9	29.2	27.9	28.0	27.7	28.1	30.0	31.7
EU-25												
GDP-weighted average	25.8	27.8	28.9	29.5	31.9	32.5	30.7	29.5	28.9	29.8	31.4	33.3
arithmetic average	24.4	24.6	25.5	26.3	27.5	26.8	25.3	25.0	24.8	25.6	26.8	29.0

Table G Nominal implicit tax rate on energy (energy tax revenues in relation to final energy consumption)

1995-2006, Euro per ton of oil equivalent

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
BE	96	95	95	96	97	98	98	102	102	115	123
BG	-	-	-	-	-	36	46	37	50	65	62
CZ	41	41	42	46	57	59	70	75	73	81	97
DK	201	214	218	249	285	301	317	326	326	324	318
DE	169	152	149	150	177	193	200	212	225	218	213
EE	7	12	19	30	31	32	44	46	52	63	77
IE	112	121	139	140	145	141	124	146	148	168	166
EL	158	162	157	139	133	118	118	111	111	116	116
ES	128	135	129	139	144	138	135	142	142	141	141
FR	169	167	169	171	177	173	162	178	172	178	176
IT	237	261	272	260	264	248	240	238	244	233	234
CY	27	27	27	30	32	43	61	65	126	146	156
LV	10	18	27	44	41	48	43	48	53	62	73
LT	12	16	25	39	54	58	65	76	80	78	82
LU	141	139	143	152	159	165	165	170	174	186	195
HU	59	53	62	77	79	80	82	93	96	99	104
MT	52	61	73	128	140	144	178	137	121	121	119
NL	114	113	130	135	153	162	168	171	175	185	204
AT	124	118	137	130	136	142	147	152	154	165	159
PL	21	26	28	38	48	59	67	78	72	76	97
PT	163	163	152	158	152	112	134	158	168	156	168
RO	-	-	-	-	-	-	-	37	46	55	61
SI	-	-	-	-	-	118	136	144	142	146	145
SK	-	-	32	32	32	41	37	44	59	70	77
FI	97	96	107	105	110	109	113	114	113	113	116
SE	138	169	168	173	178	182	184	196	204	209	211
UK	143	149	187	212	226	250	239	246	224	235	233
EU-27											
GDP-weighted average	159	160	168	172	185	189	187	194	193	194	193
arithmetic average	105	109	111	119	127	125	129	131	135	140	145
EA-15											
GDP-weighted average	166	165	169	168	179	179	178	186	190	188	191
arithmetic average	119	120	125	128	134	131	136	139	144	149	151
EU-25											
GDP-weighted average	159	160	168	172	185	190	187	195	194	195	194
arithmetic average	105	109	111	119	127	128	133	138	142	147	151

Table H Real implicit tax rate on energy (energy tax revenues in relation to final energy consumption)

1995-2006, Euro per ton of oil equivalent, deflated with cumulative % change in final demand deflator from the first year in the series

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
BE	96	94	91	92	93	88	86	90	90	98	101
BG	-	-	-	-	-	36	45	36	47	58	53
CZ	41	38	36	38	45	46	53	58	57	61	73
DK	201	210	210	239	271	276	283	289	288	281	267
DE	169	151	147	148	175	188	194	203	215	207	201
EE	7	10	14	21	21	21	28	28	32	37	44
IE	112	120	135	130	129	119	100	115	118	132	127
EL	158	151	139	117	109	90	88	81	79	80	77
ES	128	131	122	130	132	120	114	116	113	109	104
FR	169	165	165	166	173	165	153	166	159	162	156
IT	237	251	255	240	239	215	202	194	195	181	175
CY	27	27	25	28	29	38	52	54	102	115	120
LV	10	16	22	35	32	35	31	34	35	38	41
LT	12	14	20	31	44	46	52	62	66	64	63
LU	141	133	135	142	144	138	141	145	149	152	149
HU	59	44	44	48	46	42	41	45	45	46	48
MT	52	60	70	122	132	123	155	116	103	103	97
NL	114	112	125	130	146	148	150	150	152	159	172
AT	124	116	135	127	132	136	138	142	142	150	142
PL	21	22	21	25	31	35	38	43	40	40	50
PT	163	159	144	146	137	97	112	130	136	123	129
RO	-	-	-	-	-	-	-	37	38	40	41
SI	-	-	-	-	-	118	126	126	119	119	115
SK	-	-	32	31	31	35	30	34	45	50	56
FI	97	96	105	101	107	102	104	105	104	104	105
SE	138	169	166	170	174	174	171	180	186	190	188
UK	143	145	181	204	215	233	219	222	197	202	195
EU-27											
GDP-weighted average	159	157	158	160	170	169	163	166	163	161	157
arithmetic average	105	106	106	111	116	110	112	111	113	115	114
EA-15											
GDP-weighted average	166	163	164	162	171	166	162	166	168	164	162
arithmetic average	128	126	128	130	134	126	128	129	132	133	131
EU-25											
GDP-weighted average	159	157	162	164	174	173	167	172	169	167	162
arithmetic average	105	106	106	111	116	113	114	117	119	120	120

European Commission

Taxation trends in the European Union – Main results

Luxembourg: Office for Official Publications of the European Communities

2008 — 30 pp. — 14.8 x 21.0 cm

ISBN 978-92-79-08930-5

KS-30-08-421-EN-N

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This booklet analyses these and other questions. It illustrates in a concise and readable format the main results of the 2008 edition of the report 'Taxation Trends in the European Union'. The situation in each of the Member States of the European Union and Norway is compared and put in perspective. A statistical annex contains the main data by country and for the EU as a whole.

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Publications Office
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ISBN 978-92-79-08930-5
9 789279 089305