

14 May 2017

Tax Revenue Statistics 1995-2017

Tax burden increases to 34.7% of gdp in 2017

In 2017, tax burden increased to 34.7% of GDP (34.3% in the previous year). This increase in revenue was influenced by positive performance of all tax burden items. Direct taxes revenue increased 3.3%, while indirect taxes and social contributions revenue increased 6.1% and 6.0%, respectively.

Regarding direct taxes revenue, there was a very small decrease of 0.04% in individual income tax (IRS): However, revenue from corporate income tax (IRC) rose 10.2%.

Value added tax (VAT) revenue increased 6.4%. Regarding the remaining indirect taxes, it should be highlighted the increases observed in revenue from the real estate transfer tax collected by Local Government (31.6%), from tax on motor vehicle sales (12.7%), from the excise duties on tobacco (4.0%) and from tax on oil and energetic products (2.4%). The revenue from real estate tax collected by Local Government increased again (8.7%), due to a new surtax introduced in 2017.

Actual social contributions increased by 6.0% influenced by the increase in employment and, to a lesser extent, by the reversion of the reductions previously applied to the wages of civil servants.

Excluding taxes received by the European Union Institutions, Portugal continued to register in 2017 a lower tax burden than the EU average (34.6% compared to 39.3% in the EU28).

In 2015, the VAT gap was estimated at 1.06 billion euro, corresponding to 6.4% of the VAT revenue of the year, diminishing 1.4 percentage points comparing with the amount estimated for the previous year (1.24 billion euro).

Statistics Portugal presents in this press release the tax revenue statistics for the year 2017, consistent with the base year 2011 of the Portuguese National Accounts, where figures for 1995 to 2015 have the nature of final data. The publication of this press release is based on data from the General Government Accounts underlying the first notification of 2018 on the Excessive Deficit Procedure (EDP), released by end March.

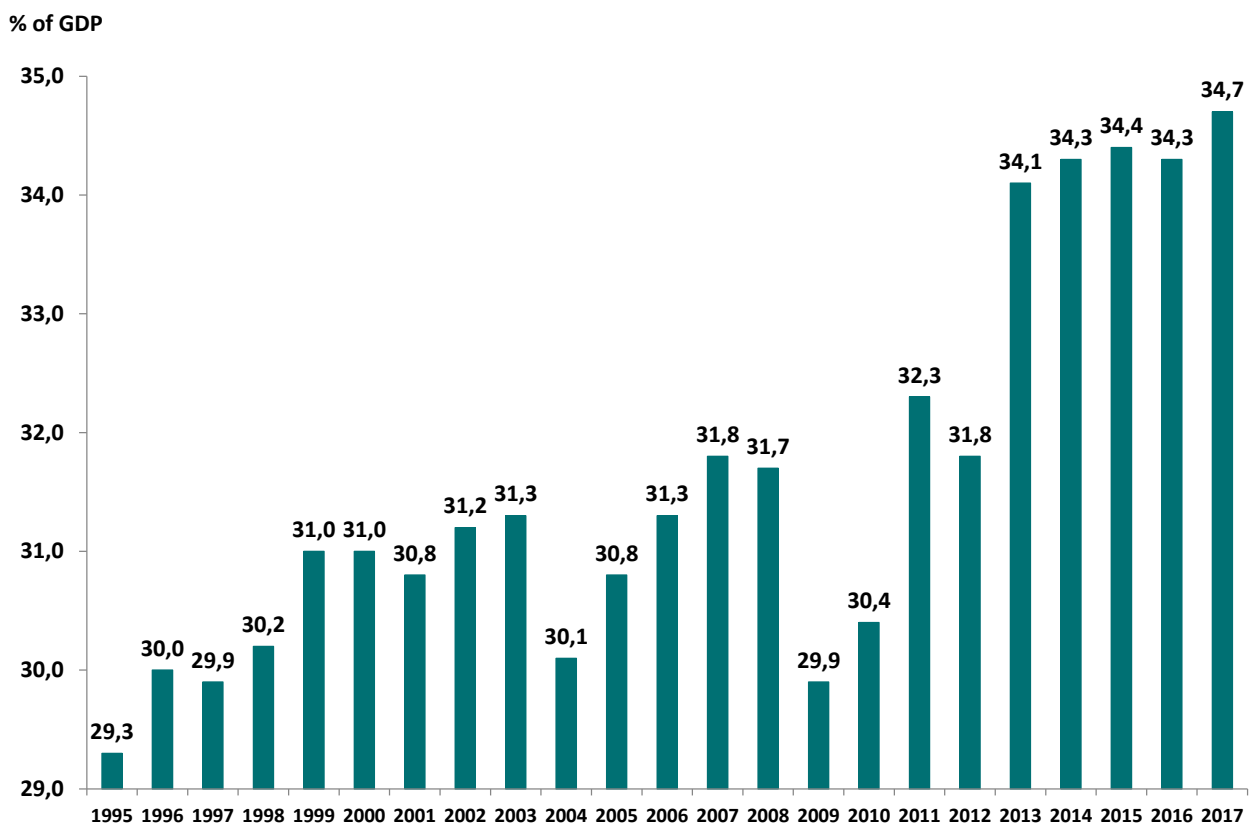
The terminology adopted, although assuming the conceptual framework of the European System of National and Regional Accounts (ESA2010), has reference to the one followed in the annual report of the European Commission "Taxation Trends in the European Union", in this way facilitating the analysis and comparison of the results.

The tables presented in this press release are for the period 2006-2016, but the files available in annex include information for the period 1995-2017.

TAX BURDEN

Tax burden increased, in absolute terms, 5.3% in 2017, after the increase by 2.8% registered in 2016, reaching a value of 67 billion euro (3.34 billion euro more than 2016). The increase in total revenue from taxes and actual social contributions exceeded the nominal change rate of GDP (4.1%). Consequently, in relative terms to GDP, tax burden increased 0.4%, reaching 34.7% of GDP, the highest value since 1995.

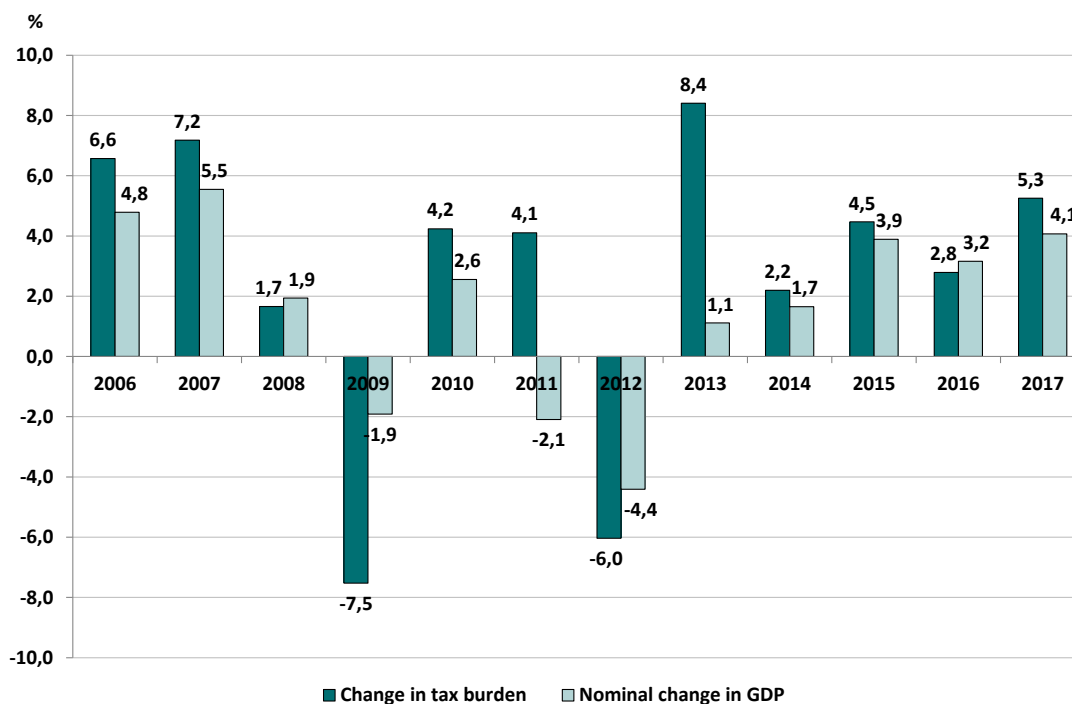
Graph 1 - Evolution of the tax burden between 1995 and 2017 (% of GDP)



The growth of tax burden is explained by increases in the collection of VAT and corporate income tax (IRC), by around 1 billion euros and 550 million euros, respectively, and actual social contributions, by around 1 billion euros.

Regarding the individual income tax (IRS), there was practically no change in revenue (-5 million euro). Revenue increased due to positive effects in employment and, to a lesser extent, from the reversion of the reductions previously applied to the wages of civil servants. These upturns were offset by the elimination of the surtax, a higher amount of reimbursements (tax expenditure) and the reduction, for the fourth year in a row, of revenue from capital earnings, due to historically low interest rates.

Graph 2 – Changes in tax burden and GDP between 2006 and 2017 (%)



Concerning the VAT, which increased 6.4% in 2017, its behaviour is mainly associated to the increase in private consumption, both from resident households and non-resident (tourism). Regarding the tax on oil and energetic products (ISP), the increased revenue is explained by higher tax rates, since the consumption of most fuels decreased, with the exception of diesel.

The revenue from real estate tax collected by Local Government increased again (8.7%), due to a new surtax introduced in 2017. Without this surtax, revenue from this tax would fall 0.1%.

It is also worth mentioning the increase in the excise duties on tobacco, in tax on motor vehicle sales (ISV) and in real estate transfer tax collected by Local Government (IMT) revenues. Together, they brought up the tax revenue in 348.4 million euro.

Finally, in 2017, the excise duties on alcoholic beverages revenue's increased by 83 million euro, due to a new excise duty on beverages with added sugar or other sweeteners which brought about 70 million euro in revenues.

Table 1 - Tax burden and its components between 2006 and 2017

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016P	2017P
Million Euro	Tax burden	52.088,0	55.829,0	56.756,1	52.483,8	54.707,5	56.952,7	53.516,0	58.015,4	59.288,9	61.938,1	63.667,6	67.011,8
	Direct taxes	13.875,8	16.095,0	16.649,6	15.140,5	15.296,2	16.703,1	15.399,3	19.412,8	19.003,5	19.529,2	19.081,5	19.714,6
	Indirect taxes	24.761,5	25.459,9	25.136,9	22.345,0	23.954,8	24.579,1	23.495,2	23.463,5	24.709,5	26.226,7	27.656,9	29.345,0
	Social contributions	13.450,7	14.274,1	14.969,6	14.998,3	15.456,6	15.670,5	14.621,4	15.139,0	15.576,0	16.182,2	16.929,2	17.952,2
Annual rate of change (%)	Tax burden	6,6	7,2	1,7	-7,5	4,2	4,1	-6,0	8,4	2,2	4,5	2,8	5,3
	Direct taxes	9,0	16,0	3,4	-9,1	1,0	9,2	-7,8	26,1	-2,1	2,8	-2,3	3,3
	Indirect taxes	7,0	2,8	-1,3	-11,1	7,2	2,6	-4,4	-0,1	5,3	6,1	5,5	6,1
	Social contributions	3,5	6,1	4,9	0,2	3,1	1,4	-6,7	3,5	2,9	3,9	4,6	6,0
Percentage to total	Direct taxes	26,6	28,8	29,3	28,8	28,0	29,3	28,8	33,5	32,1	31,5	30,0	29,4
	Indirect taxes	47,5	45,6	44,3	42,6	43,8	43,2	43,9	40,4	41,7	42,3	43,4	43,8
	Social contributions	25,8	25,6	26,4	28,6	28,3	27,5	27,3	26,1	26,3	26,1	26,6	26,8

Comparing the Portuguese situation with the rest of the European Union (UE28), Portugal continued to present a tax burden (34.6%) lower than the average, which stood at 39.3%. It should be mentioned that for this comparison, taxes collected by European Union Institutions are not included, determining a tax burden of 34.6% of GDP (34.7% if those taxes are included).

In 2017, Portugal is in the middle of the table, with a higher tax burden than Spain (33.9%), but a lower one than Greece (39.2%) and Italy (42.2%).

Graph 2 - Tax burden in the EU28 countries, in 2017

