

11 May 2017

Tax Revenue Statistics

1995-2016

Tax burden decreases to 34.4% of GDP in 2016

In 2016, tax burden decreased to 34.4% of GDP (34.6% in the previous year), with a growth of nominal GDP (3.0%) higher than the increase in tax and social contributions revenue (2.5%). This increase in revenue was influenced by the positive performance of indirect taxes (4.5%) and social contributions (4.5%), while direct taxes revenue decreased (-1.9%).

Regarding direct taxes revenue, there was a decrease of 3.8% in individual income tax (IRS) and of 0.1% in corporate income tax (IRC).

Value added tax (VAT) revenue increased 2.5%, two percentage points below the change rate of indirect taxes. Among these taxes it should be highlighted the increases observed in revenues from tax on oil and energetic products (11.1%), from tax on motor vehicle sales (17.5%), from the excise duties on tobacco (9.3%) and from the real estate transfer tax collected by Local Government (15.3%). The revenue from real estate tax collected by Local Government declined for the first time since 2012(-0.8%).

Actual social contributions increased by 4.5% influenced by the increase in employment and by the restitution of wages of civil servants.

Excluding taxes received by the European Union Institutions, Portugal continued to register in 2016 a lower tax burden than the EU average (34.2% compared to 39.2% in the EU28).

In 2014, the VAT gap was estimated at 1,242 million Euros, corresponding to 7.8% of the VAT revenue of the year, diminishing 3.3 percentage points comparing with the amount estimated for the previous year (1,707 million Euros).

Statistics Portugal presents in this press release the tax revenue statistics for the year 2016, consistent with the base year 2011 of the Portuguese National Accounts, where figures for 1995 to 2014 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 2017 on the Excessive Deficit Procedure (EDP), released by end March.

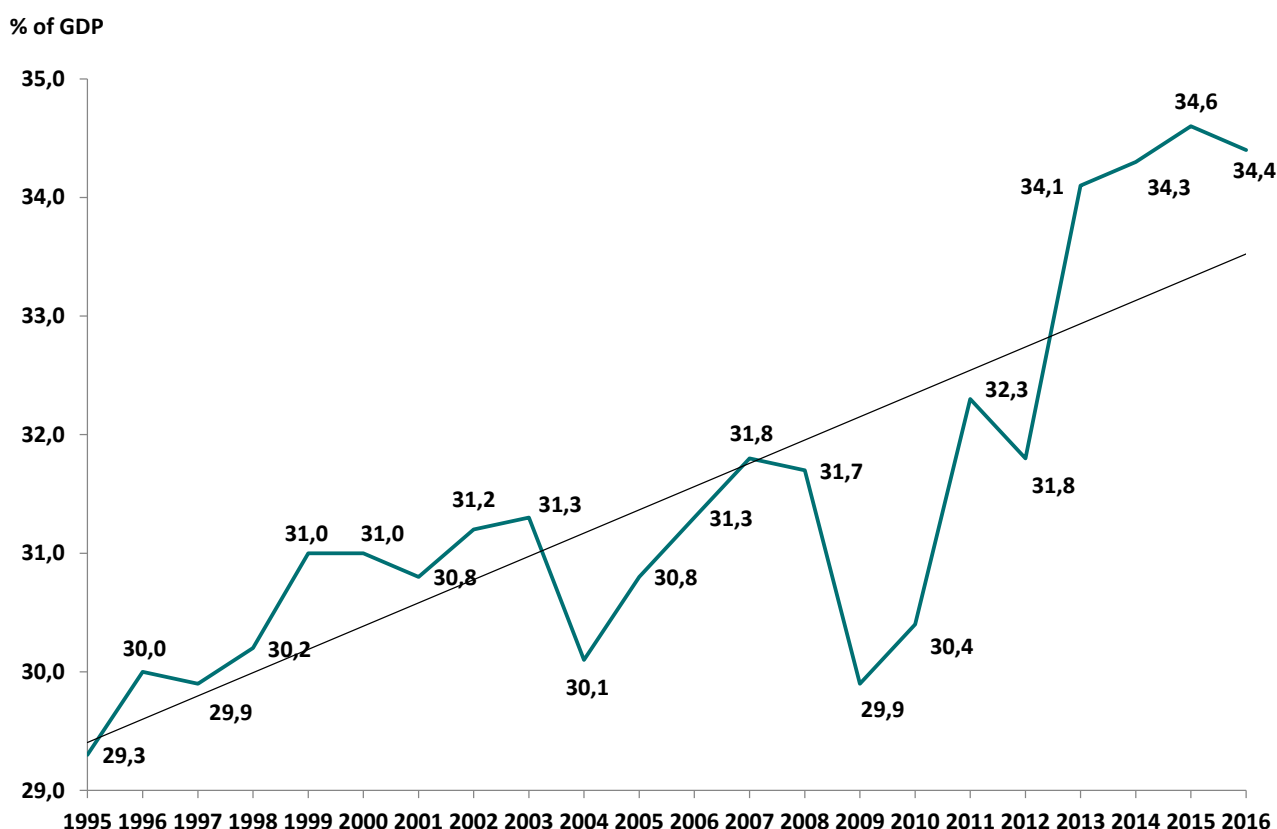
The terminology adopted, although assuming the conceptual framework of the European System of National and Regional Accounts (ESA2010), has reference to the one followed in the annual report of the European Commission "Taxation Trends in the European Union", in this way facilitating the analysis and 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 1995-2016.

TAX BURDEN

Tax burden increased, in absolute terms, 2.5% in 2016, after the increase by 4.6% registered in 2015, reaching a value of 63.6 billion euro. However, in relative terms to GDP, tax burden fell 0.2%, comparing to previous year, corresponding to about 34.4% of GDP.

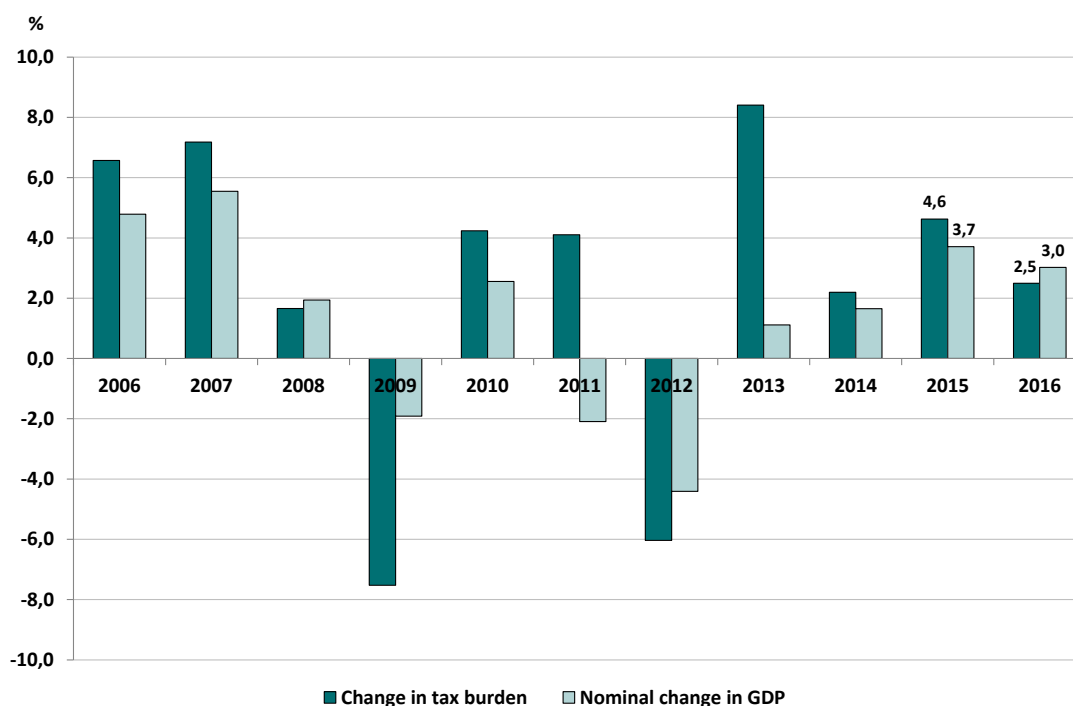
Graph 1 - Evolution of the tax burden between 1995 and 2016 (% of GDP)



Relating the tax burden with the nominal rate of change of GDP at market prices, in 2016, the tax revenue recorded a lower change rate compared with nominal GDP, attaining 2.5% and 3.0% respectively.

The year 2012 was the last year in which the nominal change in GDP was higher than the change in tax burden.

Graph 2 – Changes in tax burden and GDP between 2006 and 2016 (%)



Between 2015 and 2016, the tax burden increased, in absolute terms, 1.5 billion euro.

This behaviour is explained by increases in the collection of VAT and tax on oil and energetic products (ISP), by around 385 million euro and 340 million euro respectively, and actual social contributions, by around 735 million euro. In the VAT case, its behaviour is possibly associated to the increase in private consumption. Regarding the ISP, there was a significant increase in the tax rates. In the case of actual social contributions, the higher revenue reflects the increase in employment and also the positive impact on contributions due to the restitution of wages of civil servants, which were temporarily reduced in the previous years.

Regarding the individual income tax (IRS), there was a decrease in revenue of 500 million euro, explained by the implementation of the IRS reform in 2015, notably with the adoption of the family quotient, which increased significantly the amount of reimbursements (tax expenditure). In 2016, the reduction of revenue from capital earnings continued, due to historically low interest rates.

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 315.9 million euro.

On the other side, real estate tax collected by Local Government (IMI) revenues fell for the first time since 2012. This was due to an increase of revaluations of dwellings, which caused a decrease in the tax base. The diminishing revenues can also be explained by the decrease in tax rates because, since 2015, a tax benefit (lower tax rate) was implemented to households with children.

Table 1 - Tax burden and its components between 2006 and 2016

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015P	2016P
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	62.032,7	63.580,3
	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	19.438,5	19.073,9
	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	26.392,5	27.568,5
	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	16.201,7	16.938,0
Annual rate of change (%)	Tax burden	6,6	7,2	1,7	-7,5	4,2	4,1	-6,0	8,4	2,2	4,6	2,5
	Direct taxes	9,0	16,0	3,4	-9,1	1,0	9,2	-7,8	26,1	-2,1	2,3	-1,9
	Indirect taxes	7,0	2,8	-1,3	-11,1	7,2	2,6	-4,4	-0,1	5,3	6,8	4,5
	Social contributions	3,5	6,1	4,9	0,2	3,1	1,4	-6,7	3,5	2,9	4,0	4,5
Percentage to total	Direct taxes	26,6	28,8	29,3	28,8	28,0	29,3	28,8	33,5	32,1	31,3	30,0
	Indirect taxes	47,5	45,6	44,3	42,6	43,8	43,2	43,9	40,4	41,7	42,5	43,4
	Social contributions	25,8	25,6	26,4	28,6	28,3	27,5	27,3	26,1	26,3	26,1	26,6

Comparing the Portuguese situation with the rest of the European Union (UE28), Portugal continued to present a tax burden (34.2%) lower than the average, which stood at 39.2%. It should be mentioned that for this comparison, taxes collected by European Union Institutions are not included, determining a tax burden of 34.2% of GDP (34.4% if those taxes are included).

In 2016, Portugal is in the middle of the table, with a higher tax burden than Spain (33.8%), but a lower one than Greece (38.5%) and Italy (42.8%).

Graph 2 - Tax burden in the EU28 countries, in 2016

