

11 May 2021

Tax Revenue Statistics

1995-2020

Tax burden was 34.8% of GDP in 2020

In 2020, tax burden decreased 4.7% in nominal terms, attaining 70.4 billion euros, corresponding to 34.8% of GDP (34.5% in the previous year). Portugal continued to register in 2020 a lower tax burden than the EU average (-3.8 percentage points).

Direct tax revenue decreased by 3.7%, mainly reflecting the 17.9% decrease in corporate income tax (IRC) revenue. On the other hand, revenue from individual income tax (IRS) grew 3.1%, reflecting, namely, measures to protect employment and wages in the pandemic context. For similar reasons, social contributions maintained a positive variation (1.2%).

Indirect taxes, with a decrease of 9%, were the component that contributed the most to the decline of nominal revenue. Proceeds from value added tax decreased by 10.6%, standing out also, among other indirect taxes, the drop in revenue from the tax on petroleum and energy products (-9.4%) and stamp tax (-4.1%). There were also decreases from real estate tax collected by Local Government (-1.7%) and from excise duties on tobacco (-0,6%). The most significant decrease (-39.8%) occurred in motor vehicle sales' revenue, which returned to 2014 levels.

In 2018, the most recent year with detailed information for its compilation, the VAT gap was estimated at 415 million euro, corresponding to 2.3% of the VAT revenue of the year, diminishing 0.6 percentage points comparing with the amount estimated for the previous year (481 million euro).

Statistics Portugal presents in this press release the tax revenue statistics for the year 2020, consistent with the base year 2016 of the Portuguese National Accounts, where figures for 1995 to 2018 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 2021 on the Excessive Deficit Procedure (EDP), released by end March.

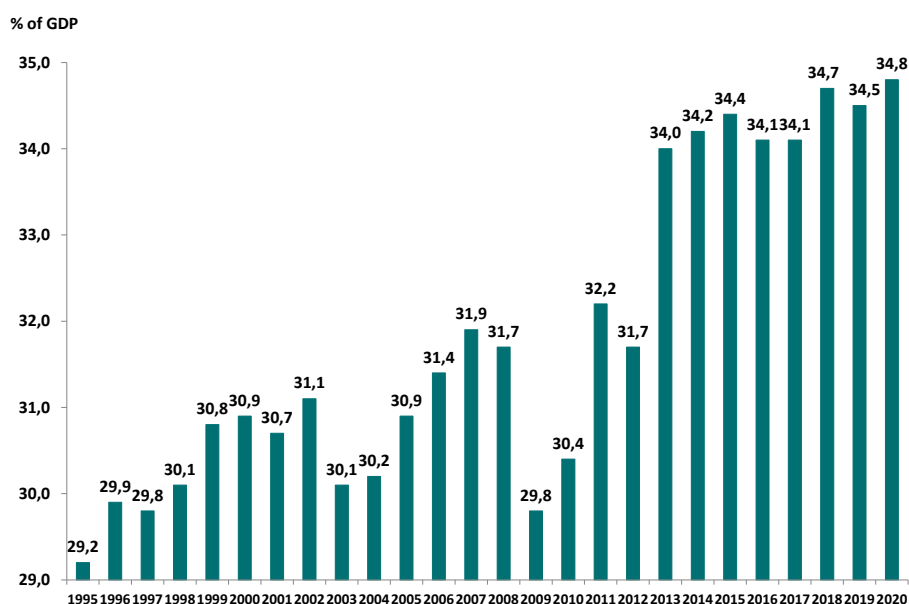
The terminology adopted, although assuming the conceptual framework of the European System of National and Regional Accounts (ESA2010), has reference to the one followed in the annual report of the European Commission "Taxation Trends in the European Union", in this way facilitating the analysis and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

The tables presented in this press release include data for the period 2010 to 2020. The files available in annex include information for the period 1995 to 2020.

TAX BURDEN

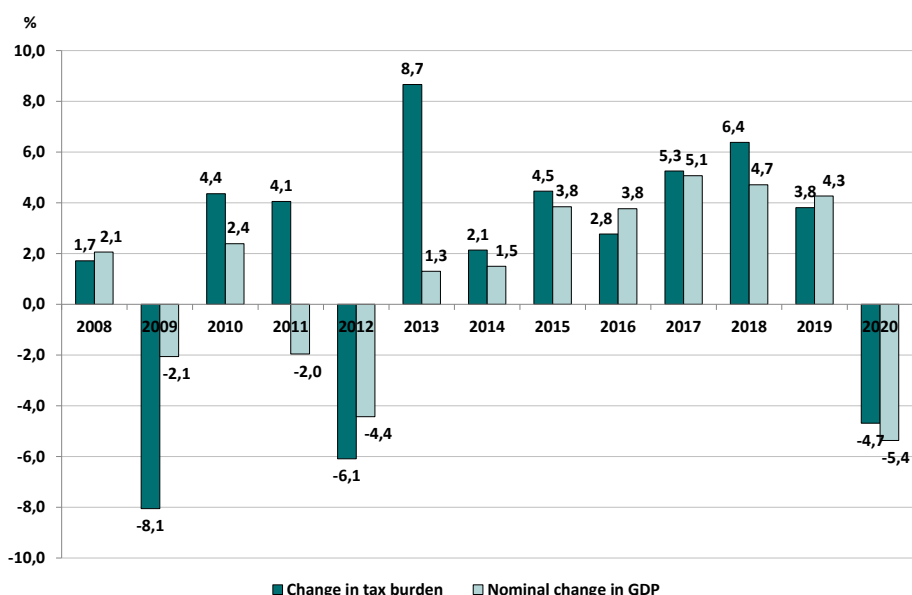
For the first time since 2012, tax burden decreased, in nominal terms, compared to the previous year (-4.7%), reflecting the negative impacts of the COVID-19 pandemic on economic activity and the economic policy measures implemented in that context. In 2020, General Government lost about 3.5 billion euro in tax revenues, reaching a value of 70.4 billion euro.

Graph 1 - Evolution of the tax burden between 1995 and 2020 (% of GDP)



Since the nominal change rate of GDP was noticeably negative (-5.4%), exceeding the negative variation of tax burden, this indicator increased from 34.5% in 2019 to 34.8% in 2020.

Graph 2 – Changes in tax burden and GDP between 2008 and 2020 (%)



The decline of 3.5 billion euro in tax revenues is explained by decreases in the collection of VAT and corporate income tax (IRC) which fell 2 billion euro and 1.1 billion euro, respectively. As for the income of individual income tax (IRS), revenues increased 419 million euros, as well as the revenue from actual social contributions, which rose 237 million euros.

The behaviour of VAT revenue, in 2020, is mainly explained by the lockdown measures adopted by Government to mitigate the effects of the pandemic SARS-CoV-2 virus. In fact, there was a contraction of private consumption by resident households, which fell 5.3% in nominal terms, and by non-residents households (tourism), which registered an unprecedented decline of 57.6%.

Regarding the tax on oil and energetic products (ISP), revenues decreased by 9.4% (-343.8 billion euro). The consumption of fuels fell significantly due to lockdown measures and telecommuting, which severely limited travels.

The revenue from real estate tax collected by Local Government (IMI) and from real estate transfer tax collected by Local Government (IMT) decreased 1.7% and 6.1% respectively. The loss of revenue for these two taxes amounts to 90.6 million euro.

It is also worth mentioning the decrease in revenue from tax on motor vehicle sales (ISV), which fell 39.8%. The lockdown affected the sales of vehicles and tax revenue declined by 296 million euro.

Regarding the behaviour of other indirect taxes, there was a decrease of 70.5 million euro (change of 2.2%) due to the loss of revenues from excise duties on alcoholic beverages and beverages with added sugar or other sweeteners.

Finally, actual social contributions rose 1.2%, in 2020. However, it should be noted that, in national accounts, this revenue includes an amount of 508.7 million euro regarding a tax exemption measure, implemented by the government in the context of economic measures to mitigate the effects of the pandemic, where central administration replaced taxpayers in the payment of their contributions, which resulted in no losses to the social security sector. In return, a subsidy was registered from general government to enterprises.

Table 1 - Tax burden and its components between 2010 and 2020

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019Po	2020Pe
Million Euro	Tax burden	54 554,7	56 767,1	53 309,3	57 927,4	59 167,8	61 806,2	63 520,2	66 859,1	71 127,5	73 837,9	70 377,0
	Direct taxes	15 186,9	16 596,7	15 263,8	19 269,1	18 799,7	19 279,9	18 802,6	19 418,7	20 684,0	20 854,9	20 086,9
	Indirect taxes	23 895,3	24 487,7	23 413,5	23 509,1	24 781,7	26 331,6	27 790,5	29 471,7	31 298,3	32 418,6	29 488,7
	Social contributions	15 472,5	15 682,7	14 632,1	15 149,2	15 586,4	16 194,7	16 927,1	17 968,7	19 145,2	20 564,4	20 801,4
Annual rate of change (%)	Tax burden	4,4	4,1	-6,1	8,7	2,1	4,5	2,8	5,3	6,4	3,8	-4,7
	Direct taxes	0,3	9,3	-8,0	26,2	-2,4	2,6	-2,5	3,3	6,5	0,8	-3,7
	Indirect taxes	8,1	2,5	-4,4	0,4	5,4	6,3	5,5	6,0	6,2	3,6	-9,0
	Social contributions	3,0	1,4	-6,7	3,5	2,9	3,9	4,5	6,2	6,5	7,4	1,2
Percentage to total	Direct taxes	27,8	29,2	28,6	33,3	31,8	31,2	29,6	29,0	29,1	28,2	28,5
	Indirect taxes	43,8	43,1	43,9	40,6	41,9	42,6	43,8	44,1	44,0	43,9	41,9
	Social contributions	28,4	27,6	27,4	26,2	26,3	26,2	26,6	26,9	26,9	27,9	29,6

Comparing the Portuguese situation with the rest of the European Union (EU27, since United Kingdom no longer belongs to EU), Portugal continued to present a tax burden (34.6%) lower than the average, which stood at 40.4%. 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 (34.8% if those taxes were included).

In 2020, Portugal is one of the countries with the lowest tax burden, lower than Spain (36.6%), Greece (38.6%) and Italy (42.8%).

Graph 2 - Tax burden in the EU27 countries, in 2020

