

## DG TAXUD

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Taxation trends in the European Union  
**EU27 tax ratio fell to 39.3% of GDP in 2008**  
 Steady decline in top corporate income tax rate since 2000

The overall tax-to-GDP ratio<sup>1</sup> in the **EU27**<sup>2</sup> was 39.3% in 2008, the first year of the economic and financial crisis, compared with 39.7% in 2007. The **EU27** tax ratio was 40.6% in 2000, fell to 38.9% in 2004 and then rose until 2007.

The overall tax ratio in the **euro area**<sup>2</sup> (EA16) fell to 39.7% in 2008 compared with 40.4% in 2007. Since 2000, taxes in the **euro area** have followed a similar trend to the **EU27**, although at a slightly higher level.

In comparison with the rest of the world, the **EU27** tax ratio remains generally high and more than one third above the levels recorded in the **USA** and **Japan**. However, the tax burden varies significantly between Member States, ranging in 2008 from less than 30% in **Romania** (28.0%), **Latvia** (28.9%), **Slovakia** (29.1%) and **Ireland** (29.3%), to almost 50% in **Denmark** (48.2%) and **Sweden** (47.1%).

Between 2000 and 2008, the largest falls in tax-to-GDP ratios were recorded in **Slovakia** (from 34.1% in 2000 to 29.1% in 2008), **Sweden** (from 51.8% to 47.1%) and **Finland** (from 47.2% to 43.1%), and the highest increases in **Cyprus** (from 30.0% to 39.2%) and **Malta** (from 28.2% to 34.5%).

This information comes from the 2010 edition of the publication **Taxation trends in the European Union**<sup>3</sup> issued by **Eurostat**, the **statistical office of the European Union** and the Commission's **Directorate-General for Taxation and Customs Union**. This publication compiles tax indicators in a harmonised framework based on the European System of Accounts (ESA 95), allowing accurate comparison of the tax systems and tax policies between EU Member States.

This year's edition of the report introduces data on cyclically-adjusted total tax revenues. Cyclical adjustment is a statistical technique that allows an assessment of to what extent the changes in the tax ratios are due to cyclical factors and to what extent they reflect permanent developments such as tax hikes or cuts. The cyclically-adjusted data indicate that the marked pickup in the tax ratio recorded in 2004-2007 was essentially due to the economic upswing in that period. The report also includes a full overview of the tax measures taken by Member States to counteract the effects of the crisis, with a quantification of their budgetary impact.

#### Highest implicit tax rates on labour in Italy, on consumption in Denmark and on capital in the United Kingdom

The largest source of tax revenue in the **EU27** is labour taxes, representing over 40% of total tax receipts, followed by consumption taxes at roughly one quarter and taxes on capital at just over one fifth.

The average implicit tax rate<sup>4</sup> on labour, a broad measure of the tax burden falling on work income, was almost unchanged in the **EU27** at 34.2% in 2008 compared with 34.3% in 2007, after having declined from 35.8% in 2000. Among the Member States, the implicit tax rate on labour ranged in 2008 from 20.2% in **Malta**, 24.5% in **Cyprus** and 24.6% in **Ireland** to 42.8% in **Italy**, 42.6% in **Belgium** and 42.4% in **Hungary**.

The average implicit tax rate on consumption in the **EU27**, which had risen between 2001 and 2007, dropped to 21.5% in 2008 from 22.2% in 2007. In 2008, implicit tax rates on consumption were lowest in **Spain** (14.1%), **Greece** (15.1%) and **Italy** (16.4%), and highest in **Denmark** (32.4%), **Sweden** (28.4%) and **Luxembourg** (27.1%).

In the **EU27**, the average implicit tax rate on capital for the Member States for which data are available was 26.1% in 2008 compared with 26.8% in 2007. The lowest implicit tax rates on capital were recorded in **Estonia** (10.7%), **Lithuania** (12.4%) and **Ireland** (15.7%), and the highest in the **United Kingdom** (45.9%), **Denmark** (43.1%) and **France** (38.8%).

#### Tax revenue and implicit tax rates by type of economic activity

	Tax revenue, % of GDP			Implicit tax rate* on:								
				Labour			Consumption			Capital		
	2000	2007	2008	2000	2007	2008	2000	2007	2008	2000	2007	2008
<b>EU27**</b>	40.6	39.7	39.3	35.8	34.3	34.2	20.9	22.2	21.5	25.1	26.8	26.1
<b>EA16**</b>	41.2	40.4	39.7	34.5	34.1	34.4	20.5	21.4	20.8	26.5	28.2	27.2
<b>Belgium</b>	45.0	43.9	44.3	43.6	42.4	42.6	21.8	22.1	21.2	29.6	31.8	32.7
<b>Bulgaria</b>	32.5	34.2	33.3	38.7	29.9	27.6	19.7	26.6	26.4	:	16.9	:
<b>Czech Republic</b>	33.8	37.2	36.1	40.7	41.4	39.5	19.4	22.1	21.1	20.9	22.3	21.5
<b>Denmark</b>	49.4	49.0	48.2	41.0	36.5	36.4	33.4	33.8	32.4	36.0	47.0	43.1

<b>Germany</b>	41.9	39.4	39.3	40.7	38.6	39.2	18.9	19.8	19.8	28.4	24.5	23.1
<b>Estonia</b>	31.0	32.3	32.2	37.8	34.0	33.7	19.5	23.8	20.9	6.0	9.2	10.7
<b>Ireland</b>	31.6	31.4	29.3	28.5	25.7	24.6	25.7	25.6	22.9	:	18.6	15.7
<b>Greece</b>	34.6	32.4	32.6	34.5	35.9	37.0	16.5	15.5	15.1	19.9	:	:
<b>Spain</b>	33.9	37.1	33.1	28.7	31.4	30.5	15.7	15.9	14.1	29.8	43.4	32.8
<b>France</b>	44.1	43.2	42.8	42.0	41.4	41.4	20.9	19.5	19.1	38.3	39.8	38.8
<b>Italy</b>	41.8	43.1	42.8	42.2	42.6	42.8	17.9	17.2	16.4	29.5	35.3	35.3
<b>Cyprus</b>	30.0	40.9	39.2	21.5	24.0	24.5	12.7	21.0	20.6	23.7	40.4	36.4
<b>Latvia</b>	29.5	30.5	28.9	36.7	31.1	28.2	18.7	19.6	17.5	11.2	14.5	16.3
<b>Lithuania</b>	30.1	29.7	30.3	41.2	33.1	33.0	18.0	17.9	17.5	7.2	11.3	12.4
<b>Luxembourg</b>	39.1	35.7	35.6	29.9	31.0	31.5	23.0	27.0	27.1	:	:	:
<b>Hungary</b>	39.0	39.8	40.4	41.4	41.0	42.4	27.5	27.1	26.9	17.1	18.7	19.2
<b>Malta</b>	28.2	34.6	34.5	20.6	19.9	20.2	15.9	20.3	20.0	:	:	:
<b>Netherlands</b>	39.9	38.9	39.1	34.5	34.2	35.4	23.8	26.8	26.7	20.8	15.9	17.2
<b>Austria</b>	43.2	42.2	42.8	40.1	41.0	41.3	22.1	21.6	22.1	27.7	26.3	27.3
<b>Poland</b>	32.6	34.8	34.3	33.6	34.0	32.8	17.8	21.4	21.0	20.5	23.4	22.5
<b>Portugal</b>	34.3	36.8	36.7	27.0	29.6	29.6	18.9	20.1	19.1	33.6	35.0	38.6
<b>Romania</b>	30.2	29.0	28.0	33.5	30.2	29.5	17.0	18.0	17.7	:	:	:
<b>Slovenia</b>	37.5	37.8	37.3	37.7	35.9	35.7	23.5	23.8	23.9	15.7	23.6	21.6
<b>Slovakia</b>	34.1	29.3	29.1	36.3	31.0	33.5	21.7	20.2	18.4	22.9	17.3	16.7
<b>Finland</b>	47.2	43.0	43.1	44.1	41.3	41.3	28.5	26.5	26.0	36.1	26.4	28.1
<b>Sweden</b>	51.8	48.3	47.1	46.0	42.5	42.1	26.3	27.8	28.4	43.2	32.9	27.9
<b>United Kingdom</b>	36.7	36.5	37.3	25.3	26.0	26.1	18.9	18.0	17.6	44.7	42.9	45.9
<b>Norway</b>	42.6	43.7	42.2	38.3	37.4	36.9	30.7	30.3	28.5	41.1	42.2	:
<b>Iceland</b>	37.1	40.7	36.7	:	:	:	27.1	29.1	26.2	:	:	:

\* Implicit tax rates (ITR) express aggregate tax revenues as a percentage of the potential tax base for each field (see footnote 4).

\*\* EU27 and EA16 overall tax ratios are calculated as GDP-weighted average of the Member States. For ITRs the aggregates are calculated as arithmetic averages of the Member States and adjusted for missing data.

: Data not available

#### Highest top tax rate on personal income in Sweden, Belgium and the Netherlands

The top personal income tax rate<sup>5</sup> in the **EU27** increased in 2010, largely due to a 10-percentage point hike in the **United Kingdom**. The highest top rates on 2010 personal income are found in **Sweden** (56.4%), **Belgium** (53.7%) and the **Netherlands** (52.0%), and the lowest in **Bulgaria** (10.0%), the **Czech Republic** and **Lithuania** (both 15.0%). Between 2000 and 2010, the largest decreases were registered in **Bulgaria** (from 40.0% in 2000 to 10.0% in 2010), **Romania** (from 40.0% to 16.0%) and **Slovakia** (from 42.0% to 19.0%), all of which moved to flat rate systems, and the highest increases in the **United Kingdom** (from 40.0% to 50.0%) and **Sweden** (from 51.5% to 56.4%).

Corporate tax rates in the **EU27** continued their declining trend in 2010. The highest statutory tax rates<sup>6</sup> on 2010 corporate income are recorded in **Malta** (35.0%), **France** (34.4%) and **Belgium** (34.0%), and the lowest in **Bulgaria** and **Cyprus** (both 10.0%) and **Ireland** (12.5%). Between 2000 and 2010, the largest decreases were registered in **Bulgaria** (from 32.5% to 10.0%), **Germany** (from 51.6% to 29.8%), **Cyprus** (from 29.0% to 10.0%) and **Greece** (from 40.0% to 24.0%).

#### Top statutory income tax rates, %

	Tax on personal income				Tax on corporate income			
	2000	2009	2010	Difference 2000-2010	2000	2009	2010	Difference 2000-2010
<b>EU27*</b>	<b>44.7</b>	<b>37.1</b>	<b>37.5</b>	<b>-7.2</b>	<b>31.9</b>	<b>23.5</b>	<b>23.2</b>	<b>-8.7</b>
<b>EA16*</b>	<b>48.4</b>	<b>42.1</b>	<b>42.4</b>	<b>-6.0</b>	<b>34.9</b>	<b>25.9</b>	<b>25.7</b>	<b>-9.2</b>
<b>Belgium</b>	60.6	53.7	53.7	-7.0	40.2	34.0	34.0	-6.2
<b>Bulgaria</b>	40.0	10.0	10.0	-30.0	32.5	10.0	10.0	-22.5
<b>Czech Republic</b>	32.0	15.0	15.0	-17.0	31.0	20.0	19.0	-12.0
<b>Denmark</b>	59.7	59.0	51.5	-8.2	32.0	25.0	25.0	-7.0
<b>Germany</b>	53.8	47.5	47.5	-6.3	51.6	29.8	29.8	-21.8
<b>Estonia</b>	26.0	21.0	21.0	-5.0	26.0	21.0	21.0	-5.0
<b>Ireland</b>	44.0	41.0	41.0	-3.0	24.0	12.5	12.5	-11.5
<b>Greece</b>	45.0	40.0	45.0	0.0	40.0	25.0	24.0	-16.0
<b>Spain</b>	48.0	43.0	43.0	-5.0	35.0	30.0	30.0	-5.0
<b>France</b>	59.0	45.8	45.8	-13.2	37.8	34.4	34.4	-3.4
<b>Italy</b>	45.9	45.2	45.2	-0.7	41.3	31.4	31.4	-9.9
<b>Cyprus</b>	40.0	30.0	30.0	-10.0	29.0	10.0	10.0	-19.0
<b>Latvia</b>	25.0	23.0	26.0	1.0	25.0	15.0	15.0	-10.0
<b>Lithuania</b>	33.0	15.0	15.0	-18.0	24.0	20.0	15.0	-9.0
<b>Luxembourg</b>	47.2	39.0	39.0	-8.2	37.5	28.6	28.6	-8.9
<b>Hungary</b>	44.0	40.0	40.6	-3.4	19.6	21.3	20.6	1.0
<b>Malta</b>	35.0	35.0	35.0	0.0	35.0	35.0	35.0	0.0
<b>Netherlands</b>	60.0	52.0	52.0	-8.0	35.0	25.5	25.5	-9.5
<b>Austria</b>	50.0	50.0	50.0	0.0	34.0	25.0	25.0	-9.0
<b>Poland</b>	40.0	32.0	32.0	-8.0	30.0	19.0	19.0	-11.0
<b>Portugal</b>	40.0	42.0	42.0	2.0	35.2	26.5	26.5	-8.7
<b>Romania</b>	40.0	16.0	16.0	-24.0	25.0	16.0	16.0	-9.0
<b>Slovenia</b>	50.0	41.0	41.0	-9.0	25.0	21.0	20.0	-5.0
<b>Slovakia</b>	42.0	19.0	19.0	-23.0	29.0	19.0	19.0	-10.0
<b>Finland</b>	54.0	49.1	48.6	-5.4	29.0	26.0	26.0	-3.0
<b>Sweden</b>	51.5	56.4	56.4	4.9	28.0	26.3	26.3	-1.7
<b>United Kingdom</b>	40.0	40.0	50.0	10.0	30.0	28.0	28.0	-2.0
<b>Norway</b>	47.5	40.0	40.0	-7.5	28.0	28.0	28.0	0.0
<b>Iceland</b>	:	:	46.1	:	30.0	15.0	18.0	-12.0

\* Arithmetic average

: Data not available

Standard rate of VAT ranged from 15% in Cyprus and Luxembourg to 25% in Denmark, Hungary and Sweden

In the **EU27**, the average standard VAT rate rose to 20.2% in 2010 from 19.8% in 2009. It was 19.2% in 2000. In 2010, the standard VAT rate varied from 15.0% in **Cyprus** and **Luxembourg** to 25.0% in **Denmark**, **Hungary** and **Sweden**.

Between 2000 and 2010, the VAT rate remained unchanged in 13 Member States, rose in 12 and fell only in **Slovakia** (from 23.0% in 2000 to 19.0% in 2010) and the **Czech Republic** (from 22.0% to 20.0%). The highest increases were registered in **Greece** (from 18.0% to 23.0%) and **Cyprus** (from 10.0% to 15.0%).

#### Standard value added tax rate, %

	2000	2009	2010	Difference 2000-2010
<b>EU27*</b>	<b>19.2</b>	<b>19.8</b>	<b>20.2</b>	<b>1.0</b>
<b>Belgium</b>	21.0	21.0	21.0	0.0
<b>Bulgaria</b>	20.0	20.0	20.0	0.0
<b>Czech Republic</b>	22.0	19.0	20.0	-2.0
<b>Denmark</b>	25.0	25.0	25.0	0.0
<b>Germany</b>	16.0	19.0	19.0	3.0
<b>Estonia</b>	18.0	20.0	20.0	2.0
<b>Ireland</b>	21.0	21.5	21.0	0.0
<b>Greece</b>	18.0	19.0	23.0	5.0
<b>Spain</b>	16.0	16.0	18.0	2.0
<b>France</b>	19.6	19.6	19.6	0.0
<b>Italy</b>	20.0	20.0	20.0	0.0
<b>Cyprus</b>	10.0	15.0	15.0	5.0
<b>Latvia</b>	18.0	21.0	21.0	3.0
<b>Lithuania</b>	18.0	19.0	21.0	3.0
<b>Luxembourg</b>	15.0	15.0	15.0	0.0
<b>Hungary</b>	25.0	25.0	25.0	0.0
<b>Malta</b>	15.0	18.0	18.0	3.0
<b>Netherlands</b>	17.5	19.0	19.0	1.5
<b>Austria</b>	20.0	20.0	20.0	0.0
<b>Poland</b>	22.0	22.0	22.0	0.0
<b>Portugal</b>	17.0	20.0	20.0	3.0
<b>Romania</b>	19.0	19.0	19.0	0.0
<b>Slovenia</b>	19.0	20.0	20.0	1.0
<b>Slovakia</b>	23.0	19.0	19.0	-4.0
<b>Finland</b>	22.0	22.0	23.0	1.0
<b>Sweden</b>	25.0	25.0	25.0	0.0
<b>United Kingdom</b>	17.5	15.0	17.5	0.0

\* Arithmetic average

- The overall tax-to-GDP ratio measures the **tax burden** as the total amount of taxes and compulsory actual social security contributions as a percentage of GDP. This definition differs slightly from the one used in the Statistics in Focus, Economy and Finance, 23/2010, "Tax revenue in the EU", which includes voluntary and imputed social contributions.
- EU27**: Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom.

**Euro area (EA16):** Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

- "**Taxation trends in the European Union**", only available in English. This publication is based on data available on 28 June 2010. It can be purchased from authorised sales agents or downloaded free of charge in PDF format from the Eurostat or the DG TAXUD websites:

[http://epp.eurostat.ec.europa.eu/portal/page/portal/government\\_finance\\_statistics/publications/other\\_publications](http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/publications/other_publications)

<http://ec.europa.eu/taxtrends>

- **Implicit tax rates (ITR)** measure the average tax burden on different types of economic income or activities, i.e. on labour, consumption and capital. ITR express aggregate tax revenues as a percentage of the potential tax base for each field.

The *ITR on labour* is the ratio between taxes and social contributions paid on earned income and the cost of labour. The numerator includes all direct and indirect taxes and social contributions levied on employed labour income, while the denominator amounts to the total compensation of employees working in the economic territory increased by taxes on wage bills and the payroll. It is calculated for employed labour only (so excluding the tax burden falling on social transfers, including pensions). The average may conceal important variations in the tax burden across the income distribution.

The *ITR on consumption* is the ratio between the revenue from consumption taxes and the final consumption expenditure of households on the economic territory.

The *ITR on capital* includes, in the numerator, the 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 a proxy of the world-wide capital and business income of Member States' residents for domestic tax purposes. Trends in the capital ITR reflect a wide range of factors and should be interpreted with caution.

All ITRs for the EU and the euro area are calculated as arithmetic averages.

- The **top personal income tax rate** refers to the tax rate for the highest income bracket adding surcharges of general application.
- The **adjusted statutory tax rate on corporate income** takes into account corporate income tax (CIT) and, if they exist, surcharges, local taxes, or even additional taxes levied on tax bases that are similar but often not identical to the CIT.
- The Value Added Tax, or VAT, is a general, broadly based consumption tax assessed on the value added to goods and services. The standard VAT rate is the rate to which a majority of goods and services are subject, while the Member States may apply reduced VAT rates to goods and services enumerated in a restricted list.