

# General government expenditure and revenue in the EU, 2006

## Statistics in focus

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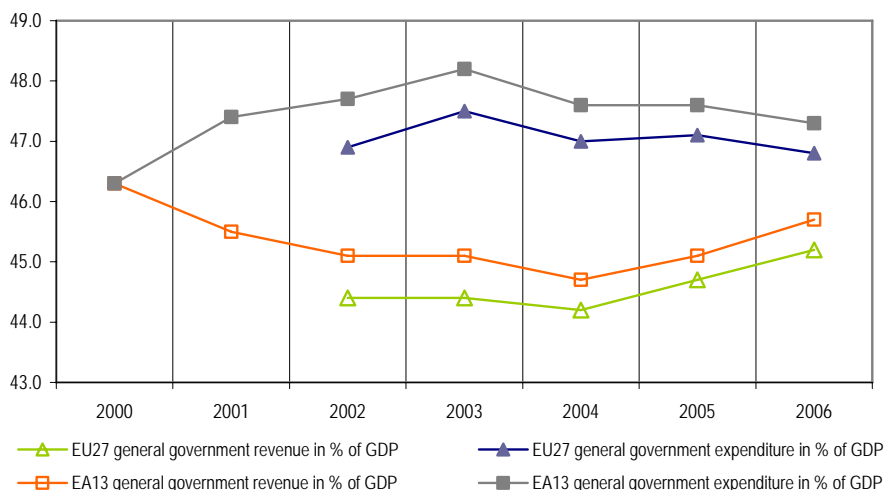


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### Highlights

- Total EU27 government expenditure represented 46.8% of GDP in 2006, the lowest ratio in five years; for the EA13 it amounted to 47.3%
- EU27 and EA13 government revenue-to-GDP ratio reached 45.2% and 45.7% respectively in 2006, the highest values in five years;
- EU27 and EA13 government net lending/ net borrowing was at 1.6% of GDP in 2006, the lowest since 2002;
- EU27 and EA13 government net saving in 2006 was positive for the first time since 2001;
- Ten out of the 27 Member States (six out of the 13 members of the euro area) reported net lending in 2006, the highest number since 2001.

Figure 1: Total government revenue and expenditure in % of GDP



Source: Eurostat, *Economy and finance, Government statistics*.

Government revenue, expenditure and deficit/surplus are concepts used to analyse fiscal policy. The Maastricht Treaty stipulates that Member States shall “regard their economic policies as a matter of common concern”, and Article 104 of the Treaty on European Union obliges Member States to avoid excessive government deficits, including the possibility of financial sanctions. The protocol on the Excessive Deficit Procedure, annexed to the Treaty, defines two criteria and reference values for compliance. These are a government deficit to Gross Domestic Product (GDP) ratio of 3 per cent, and a government debt to GDP ratio of 60 per cent.

In the framework of the ESA 95 transmission programme, European Union Member States have reported, in most cases, their half-finalized general government expenditure and revenue data for 2006<sup>1</sup>, as well as data on net lending/ net borrowing that underlie the definition of government deficit/surplus for the reporting of EU Member States under the Excessive Deficit Procedure (EDP).

<sup>1</sup> Commission Regulation (EC) No 1500/2000 implementing Council Regulation (EC) No 2223/96. Reporting of European System of Accounts (ESA 95) transmission table 2 by Member States to Eurostat is at t+3 and t+9 months. These data correspond to the end-September 2007 transmission.

## Government revenue and expenditure by country

### Sweden, Denmark and France have the largest government sector in the EU in relative terms

Table 1 shows the size of the general government sector in each country in terms of its revenue and expenditure. Relative to GDP, using a combined measure (adding together the revenue and expenditure of each country), Sweden has the largest government sector in the EU, followed by Denmark and France. The government sector is smallest in Lithuania, Romania, and Estonia. In general the twelve Member States that joined the EU after 2003 have a small government sector. Out of the 'old' Member States, Ireland has by far the smallest government sector. It should be noted that, for the main transactions taking place between entities classified within the government sector - property income (ESA code D.4) - mainly interest, other current transfers (D.7), capital transfers (D.9) - the data are consolidated. In other words, such transactions are excluded from the revenue and expenditure figures shown. However, for several countries<sup>2</sup> the data are overstated as a result of recording some of these transactions on a non-consolidated basis.

### EU government revenue-to-GDP ratio at its highest in five years

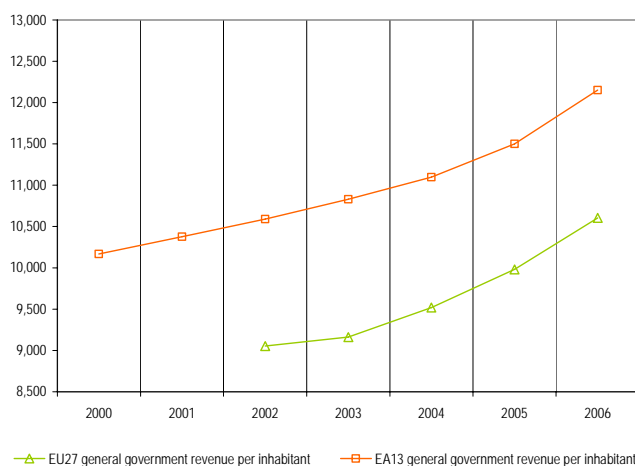
After remaining stable for a couple of years, the revenue to GDP ratio increased from 2004 on (see Figure 1). In 2006 EU27 government revenue represented 45% of GDP, the highest value in five years. The development for the euro area followed a similar trend (with a slightly sharper decrease between 2003 and 2004), but with revenue slightly higher. Across countries government revenue to GDP varied strongly (table 1). In 2006 government revenue to GDP was lowest in Romania (33%), Lithuania (33%), and Slovakia (34%). The largest shares were observed for Sweden (58%), Denmark (56%), and Finland (53%). The variance between Member States' revenue-to-GDP ratios has been considerably reduced since 2000.

### EU government expenditure-to-GDP ratio at its lowest in five years

In 2006 EU27 government expenditure represented 46.8% of GDP, the lowest value in five years (Figure 1). The highest ratio was reported in 2003 (47.5%). Lower expenditure growth than GDP growth brought the ratio slightly under its 2002 value in 2006. The euro area experienced a similar trend but expenditure-to-GDP was higher. This gap however was gradually reduced from 0.8% in 2002 to 0.5% in 2006. Comparing expenditure-to-GDP across countries reveals relatively large differences (Table 1). Five Member States recorded in 2006 a government expenditure exceeding 50% of their GDP: Sweden (56%), France (53%), Hungary (52%), Denmark (52%) and Italy (50%), while in four Member States the level of expenditure-to-GDP was equal to or

lower than 35%: Romania (35%), Ireland (34%), Lithuania (34%), Estonia (33%).

Figure 2: Total government revenue per inhabitant in euro, 2000 to 2006



Source: Eurostat, Economy and finance, Government statistics

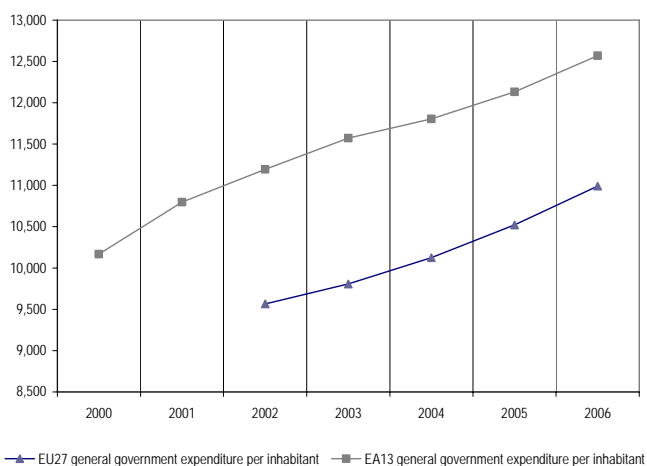
### EU government revenue and expenditure per inhabitant constantly increasing

As for revenue compared to GDP, EU government revenue per inhabitant has increased since 2002. In 2006, it amounted to almost 11 thousand euro. The trend for the euro area followed the same pattern, but with higher revenue per inhabitant.

Over the last seven years the government revenue per inhabitant exceeded 20,000 EUR in Luxembourg and Denmark, while it was less than 1,500 EUR in Romania and Bulgaria.

Figure 3 shows that expenditure per inhabitant for EU general government has grown slightly slower than government revenue per inhabitant.

Figure 3: Total government expenditure per inhabitant in euro, 2000 to 2006



Source: Eurostat, Economy and finance, Government statistics.

<sup>2</sup> These countries are as follows: Slovenia (before 2002), Denmark, Sweden, Norway and Romania (before 2003).

Table 1: Government revenue and expenditure by country in percentage of GDP and per capita, from 2000 to 2006

	Revenue in % of GDP							Expenditure in % of GDP							Revenue per inhabitant, in euro							Expenditure per inhabitant, in euro						
	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006
EU27	:	:	44.4	44.4	44.2	44.7	45.2	:	:	46.9	47.5	47.0	47.1	46.8	:	:	9,054	9,161	9,520	9,980	10,605	:	:	9,566	9,806	10,126	10,522	10,992
EU25	45.8	45.1	44.5	44.5	44.2	44.8	45.3	45.5	46.5	47.0	47.6	47.1	47.2	47.0	9,208	9,411	9,588	9,700	10,070	10,538	11,182	9,158	9,700	10,132	10,384	10,714	11,114	11,592
EA13	46.3	45.5	45.1	45.1	44.7	45.1	45.7	46.3	47.4	47.7	48.2	47.6	47.6	47.3	10,168	10,378	10,590	10,829	11,098	11,500	12,152	10,168	10,798	11,193	11,571	11,805	12,132	12,569
EA12	46.3	45.5	45.1	45.1	44.7	45.1	45.7	46.3	47.4	47.7	48.2	47.6	47.6	47.3	10,204	10,413	10,624	10,863	11,131	11,533	12,187	10,202	10,833	11,229	11,607	11,841	12,168	12,606
BE	49.1	49.6	49.8	51.1	49.1	49.9	49.1	49.1	49.1	49.8	51.1	49.2	49.9	48.9	12,072	12,496	12,900	13,534	13,655	14,211	14,623	12,059	12,368	12,909	13,543	13,676	14,226	14,555
BG	:	:	39.6	40.3	42.0	41.6	40.3	:	:	39.7	40.3	39.7	39.6	37.1	:	:	839	917	1,075	1,179	1,317	:	:	841	917	1,017	1,123	1,211
CZ	38.1	38.7	39.5	40.7	42.2	41.3	40.7	41.8	44.5	46.3	47.3	45.1	44.9	43.6	2,281	2,617	3,101	3,230	3,649	4,051	4,518	2,503	3,004	3,632	3,754	3,903	4,397	4,843
DK	56.5	56.0	55.4	55.6	57.3	57.8	56.2	54.2	54.8	55.2	55.7	55.4	53.1	51.5	18,374	18,737	19,052	19,429	20,789	22,205	22,756	17,636	18,342	18,971	19,464	20,096	20,426	20,870
DE	46.4	44.7	44.4	44.5	43.3	43.5	43.8	45.1	47.6	48.1	48.5	47.1	46.9	45.4	11,650	11,482	11,548	11,657	11,614	11,848	12,350	11,320	12,206	12,498	12,715	12,626	12,764	12,803
EE	36.2	35.0	36.0	36.4	35.9	35.4	36.6	36.5	35.1	35.6	34.6	34.1	33.4	33.0	1,611	1,772	2,052	2,337	2,534	2,941	3,602	1,622	1,775	2,031	2,219	2,407	2,782	3,252
IE	36.3	34.3	33.2	33.8	35.2	35.4	37.1	31.5	33.3	33.6	33.4	33.9	34.2	34.2	9,987	10,398	11,014	11,820	12,886	13,785	15,246	8,682	10,100	11,139	11,676	12,386	13,316	14,041
EL	43.0	40.6	40.0	39.3	38.2	38.0	39.5	46.7	45.0	44.8	45.0	45.4	43.2	42.3	5,428	5,463	5,738	6,104	6,388	6,804	7,610	5,899	6,057	6,427	6,987	7,594	7,743	8,142
ES	38.1	38.0	38.4	38.2	38.5	39.4	40.4	39.1	38.6	38.9	38.4	38.9	38.5	38.6	5,967	6,348	6,780	7,115	7,590	8,256	8,992	6,123	6,458	6,864	7,157	7,660	8,054	8,585
FR	50.2	50.0	49.5	49.2	49.6	50.7	50.8	51.6	51.6	52.6	53.4	53.2	53.7	53.4	11,901	12,239	12,434	12,656	13,177	13,858	14,408	12,251	12,619	13,230	13,715	14,142	14,674	15,138
IT	45.3	44.9	44.4	44.8	44.2	44.0	45.6	46.2	48.0	47.4	48.3	47.7	48.3	50.1	9,479	9,843	10,055	10,380	10,566	10,677	11,435	9,660	10,523	10,738	11,201	11,413	11,733	12,558
CY	34.7	35.9	35.9	38.6	38.8	41.2	42.7	37.0	38.2	40.3	45.1	42.9	43.7	43.9	5,035	5,532	5,637	6,281	6,660	7,419	8,049	5,371	5,875	6,330	7,340	7,361	7,854	8,276
LV	34.6	32.5	33.4	33.2	34.7	35.2	37.0	37.3	34.6	35.6	34.8	35.8	35.6	37.2	1,238	1,286	1,414	1,423	1,679	1,993	2,613	1,337	1,368	1,511	1,493	1,728	2,013	2,633
LT	35.9	33.2	32.9	32.0	31.8	33.1	33.4	39.1	36.8	34.8	33.2	33.4	33.6	34.0	1,267	1,294	1,425	1,523	1,679	2,006	2,338	1,381	1,433	1,507	1,584	1,760	2,037	2,379
LU	43.6	44.2	43.6	42.4	41.3	41.7	39.7	37.6	38.1	41.5	41.9	42.5	41.8	39.0	21,855	22,616	23,459	24,130	24,761	26,897	28,421	18,860	19,494	22,330	23,849	25,472	26,967	27,927
HU	43.6	43.2	42.4	41.9	42.4	42.1	42.6	46.5	47.3	51.3	49.1	48.9	49.9	51.9	2,220	2,522	2,948	3,091	3,457	3,714	3,806	2,371	2,760	3,571	3,620	3,981	4,401	4,632
MT	34.8	36.6	37.7	37.9	41.0	42.0	41.6	41.0	43.1	43.2	47.8	45.8	45.1	44.1	3,769	4,007	4,274	4,208	4,576	4,929	5,148	4,437	4,710	4,893	5,301	5,120	5,290	5,462
NL	46.1	45.1	44.2	43.9	44.3	44.9	46.7	44.2	45.4	46.2	47.1	46.1	45.2	46.1	12,113	12,586	12,738	12,920	13,377	14,002	15,257	11,595	12,657	13,313	13,846	13,910	14,090	15,079
AT	49.8	50.7	50.0	49.3	48.9	48.2	47.8	51.4	50.8	50.7	51.1	50.2	49.9	49.3	13,073	13,615	13,662	13,738	14,136	14,372	14,893	13,502	13,643	13,851	14,231	14,513	14,868	15,357
PL	38.1	38.6	39.2	38.4	36.9	39.0	40.1	41.1	43.8	44.2	44.6	42.6	43.3	43.9	1,847	2,145	2,150	1,926	1,975	2,499	2,855	1,994	2,429	2,425	2,240	2,280	2,776	3,126
PT	40.2	40.1	41.4	42.5	43.1	41.7	42.5	43.1	44.4	44.3	45.5	46.5	47.7	46.4	4,803	5,037	5,404	5,647	5,919	5,877	6,225	5,158	5,580	5,782	6,039	6,384	6,737	6,795
RO	43.8	36.7	37.6	32.1	31.2	32.2	33.2	40.6	38.8	39.6	33.6	32.7	33.6	35.0	788	736	835	776	875	1,185	1,492	731	777	880	813	917	1,235	1,576
SI	43.6	44.1	44.6	44.4	44.2	44.5	44.1	47.4	48.2	47.1	47.1	46.5	46.0	45.3	4,634	4,969	5,395	5,635	5,921	6,285	6,682	5,035	5,422	5,696	5,980	6,223	6,491	6,864
SK	38.3	37.8	36.6	37.7	35.6	35.6	33.9	50.5	44.3	44.8	40.5	38.0	38.4	37.7	1,569	1,656	1,772	2,051	2,241	2,519	2,767	2,067	1,940	2,167	2,201	2,390	2,719	3,072
FI	55.2	52.7	52.9	52.4	52.3	53.0	52.5	48.3	47.7	48.8	50.0	50.2	50.5	48.8	14,119	14,212	14,636	14,668	15,237	15,888	16,670	12,349	12,872	13,502	14,010	14,632	15,126	15,490
SE	60.9	58.3	56.6	57.2	57.5	58.7	57.9	57.1	56.7	58.1	58.3	56.9	56.6	55.6	18,026	16,218	16,417	17,205	17,974	18,714	19,511	16,888	15,755	16,838	17,544	17,788	18,040	18,725
UK	41.2	41.5	39.9	39.5	40.0	41.2	41.9	39.8	40.7	41.8	42.9	43.3	44.5	44.6	11,005	11,332	11,279	10,729	11,656	12,336	13,229	10,632	11,121	11,818	11,627	12,637	13,324	14,076
IS	43.6	41.9	41.7	42.8	44.2	47.6	45.9	41.9	42.6	44.3	45.6	44.0	42.3	40.7	14,596	12,982	13,740	14,373	16,113	21,039	19,981	14,028	13,195	14,580	15,311	16,050	18,723	17,707
NO	57.7	57.4	56.3	55.5	56.6	57.4	58.7	42.3	44.1	47.1	48.2	45.4	42.2	40.7	23,447	24,299	25,297	24,198	25,661	30,127	33,665	17,197	18,664	21,156	21,016	20,609	22,142	23,360

Source: Eurostat, Economy and finance, Government statistics.

## Government expenditure, main components

### Social transfers were the main expenditure component in 2006, accounting for 42% of EU total

Figure 4 and table 2 clearly show that the share of social transfers in total government expenditure is very significant in all countries. Typically these transfers cover social risks or needs such as sickness, disability, old age, and unemployment, and can be divided into two categories:

- 'social benefits other than social transfers in kind' (ESA 95 category D.62), accounting for one third of total spending and
- 'social transfers in kind related to expenditure on products supplied to households via market producers' (D.6311+D.63121+D.63131) with a share of almost 9% in EU27 government expenditure.

### The second largest expenditure item was compensation of employees, representing more than one fifth of EU total spending

After social transfers, 'compensation of employees' was the second largest expenditure item for the EU27 in 2006. This component represented over a fifth of total government expenditure in the EU for the period covered. 'Compensation of employees' (D.1), comprises wages and salaries and employers' social contributions (actual and imputed). The relative importance of this expenditure component varied across countries. It was highest in Cyprus (34% of total government expenditure) and Denmark (33%) and lowest in Germany (16%), the Czech Republic (18%), Austria (19%) and Luxembourg (19%).

### Intermediate consumption was the third most important category of EU government expenditure in 2006

'Intermediate consumption' (P.2) refers to the value of goods and services consumed as inputs in the production process, excluding fixed assets. This type of spending accounted for 14% of total government expenditure in the EU 27 and 11% in the EA13 in 2006. The difference between the EU27 and euro area aggregates in this respect is partly explained by the treatment of social transfers in kind in the figures of the UK. In fact, for Greece and Cyprus as well as for the UK, the category 'social transfers in kind related to expenditure on products supplied to households via market producers' does not appear because the amounts have been classified under 'intermediate consumption'. A breakdown of government expenditure by reporting EU Member State is shown in table 2.

### Government interest and investment spending over 5% each of total EU27 expenditure in 2006

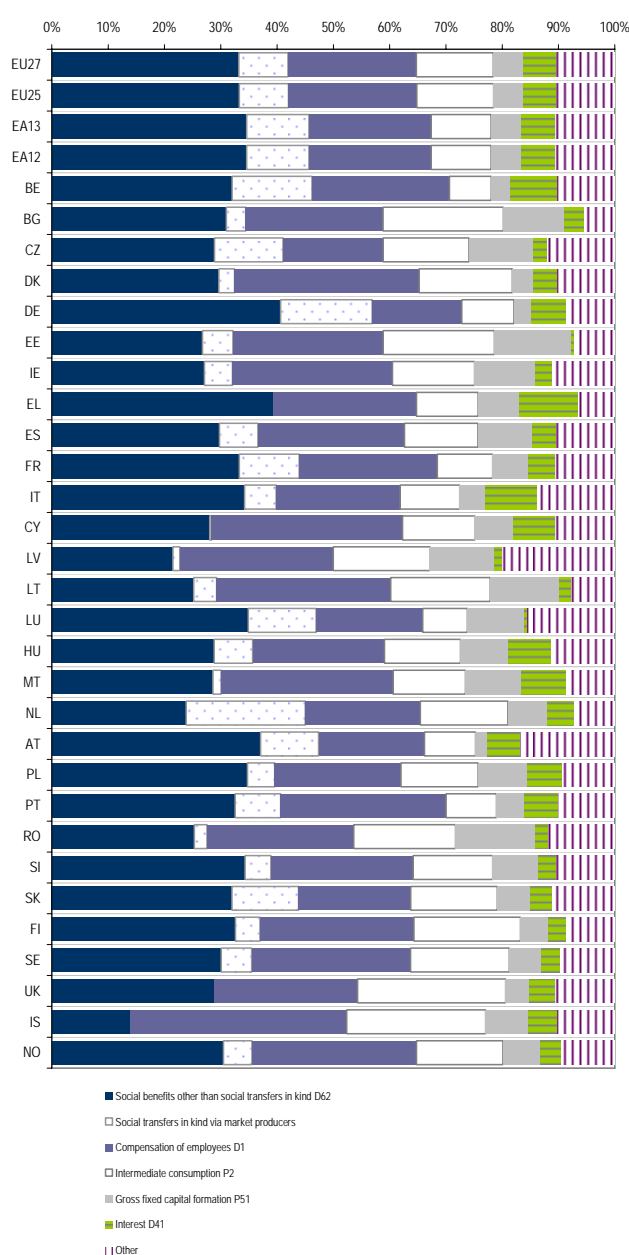
EU27 expenditure on interest in 2006 amounted to just under 6% of total government spending. For the euro area this share was higher at just over 6%. The Member States who spent the largest share of their total expenditure on interest in 2006 were Greece (10%), Italy (9%), Belgium (8%) and Malta (8%), whereas in the

Czech Republic, Romania, the Baltic States and Luxembourg this share lay around or below 2.5%.

Net acquisitions of fixed assets (but gross of consumption of fixed capital) in 2006 amounted to just over 5% of total expenditure in the EU27. The highest value was recorded in Romania, the Baltic States and the Czech Republic (above 11%), the lowest by Austria, Germany, Belgium and Denmark (below 4%).

The 'other' category of expenditure consists mainly of 'subsidies' (D.3), 'other current transfers' (D.7), and 'capital transfers' (D.9). It should be recalled that the data reported in categories D.4, D.7, and D.9 are consolidated.

Figure 4: Main expenditure components for 2006 as percentage of total expenditure



Source: Eurostat, Economy and finance, Government statistics.

Table 2: Government expenditure by main components and country in 2006, as percentage of total expenditure and in million euro

	Intermediate consumption (P2)		Compensation of employees (D1)		Interest (D41)		Social benefits other than social transfers in kind (D62)		Social transfers in kind via market producers (D6311, D63121, D63131)		Gross fixed capital formation (P51)		Other		Total
	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro
EU27	741,525	13.7	1,236,681	22.8	311,284	5.7	1,802,551	33.2	473,018	8.7	291,340	5.4	568,154	10.5	5,424,553
EU25	733,381	13.6	1,225,543	22.8	310,159	5.8	1,791,057	33.3	471,946	8.8	285,536	5.3	563,627	10.5	5,381,249
EA13	423,963	10.6	865,335	21.7	245,862	6.2	1,378,923	34.6	441,915	11.1	212,309	5.3	418,216	10.5	3,986,523
EA12	422,017	10.6	861,854	21.7	245,430	6.2	1,374,194	34.6	441,280	11.1	211,194	5.3	416,773	10.5	3,972,741
BE	11,428	7.4	37,481	24.4	12,569	8.2	49,188	32.0	21,750	14.2	5,324	3.5	15,783	10.3	153,522
BG	1,991	21.4	2,270	24.4	330	3.5	2,884	31.0	317	3.4	1,002	10.8	507	5.4	9,300
CZ	7,566	15.2	8,856	17.8	1,253	2.5	14,376	28.9	6,041	12.1	5,698	11.5	5,934	11.9	49,722
DK	18,788	16.6	37,218	32.8	4,857	4.3	33,658	29.7	3,163	2.8	4,225	3.7	11,563	10.2	113,472
DE	97,750	9.3	167,740	15.9	64,860	6.2	428,530	40.6	171,530	16.3	32,730	3.1	91,350	8.7	1,054,490
EE	863	19.7	1,168	26.7	21	0.5	1,170	26.8	237	5.4	599	13.7	315	7.2	4,372
IE	8,699	14.6	16,979	28.4	1,762	3.0	16,180	27.1	2,983	5.0	6,498	10.9	6,618	11.1	59,720
EL	9,886	10.9	23,149	25.6	9,437	10.4	35,483	39.2	0	0.0	6,654	7.4	5,897	6.5	90,506
ES	49,330	13.0	98,475	26.0	16,109	4.3	112,718	29.8	25,805	6.8	36,874	9.7	39,010	10.3	378,321
FR	94,049	9.8	234,715	24.5	46,385	4.8	318,470	33.3	101,654	10.6	60,105	6.3	101,301	10.6	956,679
IT	78,172	10.6	162,999	22.1	68,115	9.2	252,993	34.2	41,428	5.6	33,850	4.6	101,628	13.7	739,185
CY	818	12.8	2,164	33.9	478	7.5	1,788	28.0	20	0.3	438	6.9	669	10.5	6,375
LV	1,032	17.1	1,641	27.2	75	1.2	1,295	21.5	76	1.3	696	11.6	1,209	20.1	6,024
LT	1,427	17.7	2,498	30.9	178	2.2	2,037	25.2	326	4.0	987	12.2	621	7.7	8,075
LU	1,046	7.9	2,501	18.9	56	0.4	4,605	34.9	1,593	12.1	1,347	10.2	2,054	15.6	13,201
HU	6,278	13.5	10,935	23.4	3,554	7.6	13,446	28.8	3,199	6.9	3,954	8.5	5,289	11.3	46,655
MT	285	12.9	677	30.6	179	8.1	634	28.6	32	1.4	218	9.9	191	8.6	2,216
NL	38,235	15.5	50,404	20.5	11,871	4.8	58,833	23.9	52,111	21.1	17,402	7.1	17,554	7.1	246,410
AT	11,556	9.1	23,927	18.8	7,356	5.8	47,165	37.1	13,081	10.3	2,728	2.1	21,374	16.8	127,187
PL	16,314	13.7	26,712	22.4	7,363	6.2	41,412	34.7	5,794	4.9	10,477	8.8	11,115	9.3	119,186
PT	6,428	8.9	21,165	29.4	4,318	6.0	23,433	32.6	5,788	8.0	3,612	5.0	7,202	10.0	71,947
RO	6,153	18.1	8,868	26.1	796	2.3	8,610	25.3	754	2.2	4,802	14.1	4,020	11.8	34,004
SI	1,947	14.1	3,481	25.3	433	3.1	4,730	34.3	635	4.6	1,115	8.1	1,443	10.5	13,782
SK	2,546	15.4	3,299	19.9	651	3.9	5,295	32.0	1,963	11.9	975	5.9	1,830	11.1	16,559
FI	15,438	18.9	22,320	27.4	2,591	3.2	26,596	32.6	3,557	4.4	4,070	5.0	7,001	8.6	81,573
SE	29,787	17.5	47,991	28.2	5,802	3.4	51,183	30.1	9,182	5.4	9,616	5.7	16,481	9.7	170,041
UK	223,715	26.3	217,051	25.5	39,887	4.7	245,842	28.9	0	0.0	35,344	4.1	90,193	10.6	852,031
IS	1,329	24.7	2,071	38.4	279	5.2	752	14.0	:	:	408	7.6	549	10.2	5,389
NO	16,693	15.3	31,849	29.3	4,072	3.7	33,196	30.5	5,478	5.0	7,244	6.7	10,349	9.5	108,881

Source: Eurostat, Economy and finance, Government statistics.

## Government revenue, main components

### Taxes and social contributions accounted for over 90% of EU general government revenue in 2006

Compulsory levies in the form of taxes and social contributions accounted for over 90% of general government revenue in the EU in 2006. In figure 5, compulsory levies are split into the following ESA 95 categories: 'taxes on production and imports' (D.2), 'current taxes on income, wealth, etc.' (D.5), 'capital taxes' (D.91), and 'social contributions' (D.61).

### Social contributions represented 31% of EU government revenue in 2006

'Social contributions' cover actual and imputed amounts (see ESA 95 paragraphs 4.98 - 4.102 for an explanation of imputed social contributions) paid by employers and employees to social insurance schemes to make provision for social insurance benefits.

They accounted in 2006 for 31% of total government revenue in the EU27, followed by 'taxes on production and imports' (30%), and 'current taxes on income, wealth, etc.' (29%). The importance of 'social contributions' is even greater in the euro area (34% of total revenue), partly explained by Germany and France where, respectively, 39% and 36% of total government revenue is in this category. Again the relative importance of this revenue component varied across countries. In Malta, Cyprus and Ireland this share was below 20% and in Denmark, where most welfare spending is financed through taxes on income, social contributions represented only 3.4% of total revenue in 2006, which was the lowest share among the countries covered.

### Taxes on production and imports accounted for 30% of EU government revenue in 2006

'Taxes on production and imports' refer to value-added tax, import and excise duties, taxes on financial and capital transactions, on land and buildings, on payroll, and other taxes on products and production.

The highest share in total revenue was recorded by Bulgaria (48%) and Cyprus (42%), while the Czech Republic and Finland were the Member States who used this source of financing the least (under 27%).

### Taxes on income, wealth etc., accounted for 29% of EU government revenue in 2006

The category 'current taxes on income, wealth, etc.' comprises taxes on income and on holding gains of households and corporations, current taxes on capital, taxes on international transactions, and payments for licences. This source of revenues was used in 2006 to the greatest extent by Denmark (53%) and the United Kingdom (41%) and did not exceed 20% of total government financing in Bulgaria (16%), Slovakia (18%), Romania (19%), Poland (19%) and Estonia (20%).

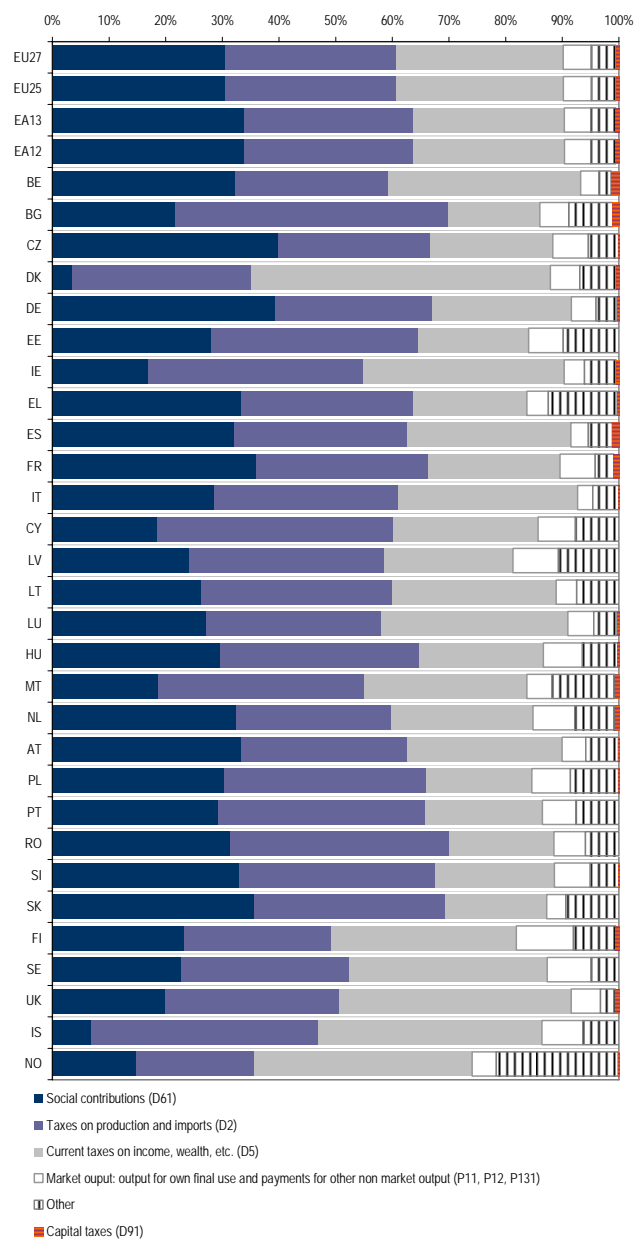
The term 'capital taxes' is used in ESA 95 in the restricted sense of taxes levied at irregular and infrequent intervals on the value of assets or net worth owned, or transferred in the form of legacies or gifts. The share of the revenues from capital taxes in the total revenues exceeded 1% in only three Member States: Belgium (1.4%), Spain (1.2%) and Bulgaria (1.1%), whereas for the whole EU27 it amounted to 0.5%. Estonia does not collect this type of tax revenues.

The remainder of government revenue shown in figure 5 is in the form of:

- government sales, composed of the following ESA 95 categories: 'market output, output for own final use and payments for other non-market output' (P.11+P.12+P.131), amounting in 2006 in the EU27 to 5% of total revenue; with the highest shares in Finland (10%), and Latvia (8%) and the lowest in Italy (2.7%) and Spain (3.1%).

- 'other' revenue, the main components of which are 'property income' (D.4), 'other current transfers' (D.7), and 'other capital transfers and investment grants' (D.92+D.99). The data for D.4, D.7 and D.9 are consolidated. These components amounted in 2006 to over 10% of total revenue in Greece (12%), Malta (11%) and Latvia (11%).

Figure 5: Main revenue components for 2006, as a percentage of total revenue



Source: Eurostat, Economy and finance, Government statistics.

Table 3: Government revenue by main components and country in 2006, as percentage of total revenue and in million euro

	Market output: output for own final use and payments for other non market output (P11, P12, P131)		Taxes on production and imports (D2)		Current taxes on income, wealth, etc. (D5)		Social contributions (D61)		Capital taxes (D91)		Other		Total
	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro	in %	in Million euro
EU27	258,464	4.9	1,580,340	30.2	1,539,688	29.4	1,598,928	30.6	28,341	0.5	227,802	4.4	5,233,562
EU25	256,159	4.9	1,563,013	30.1	1,532,116	29.5	1,586,627	30.6	28,233	0.5	225,106	4.3	5,191,254
EA13	179,639	4.7	1,147,363	29.8	1,028,202	26.7	1,307,085	33.9	22,307	0.6	169,434	4.4	3,854,029
EA12	178,792	4.7	1,142,727	29.8	1,025,365	26.7	1,302,667	33.9	22,302	0.6	168,761	4.4	3,840,613
BE	5,001	3.2	41,708	27.0	52,363	33.9	49,743	32.3	2,161	1.4	3,264	2.1	154,240
BG	516	5.1	4,873	48.2	1,625	16.1	2,203	21.8	108	1.1	789	7.8	10,114
CZ	2,920	6.3	12,400	26.7	10,049	21.7	18,517	39.9	33	0.1	2,468	5.3	46,387
DK	6,412	5.2	39,071	31.6	65,458	52.9	4,237	3.4	466	0.4	8,082	6.5	123,726
DE	44,380	4.4	280,430	27.6	250,040	24.6	401,080	39.4	3,760	0.4	37,540	3.7	1,017,230
EE	296	6.1	1,761	36.4	946	19.5	1,365	28.2	0	0.0	476	9.8	4,844
IE	2,330	3.6	24,607	37.9	23,034	35.5	10,924	16.8	336	0.5	3,614	5.6	64,845
EL	3,212	3.8	25,560	30.2	16,976	20.1	28,288	33.4	285	0.3	10,268	12.1	84,589
ES	12,167	3.1	121,273	30.6	114,417	28.9	127,076	32.1	4,692	1.2	16,655	4.2	396,280
FR	56,649	6.2	275,861	30.3	211,847	23.3	328,057	36.0	8,346	0.9	29,756	3.3	910,516
IT	18,160	2.7	218,250	32.4	213,664	31.7	192,038	28.5	222	0.0	30,784	4.6	673,118
CY	408	6.6	2,588	41.7	1,581	25.5	1,147	18.5	1	0.0	475	7.7	6,199
LV	481	8.0	2,054	34.4	1,361	22.8	1,445	24.2	0	0.0	639	10.7	5,980
LT	287	3.6	2,663	33.6	2,300	29.0	2,093	26.4	1	0.0	591	7.4	7,935
LU	615	4.6	4,158	30.9	4,416	32.9	3,648	27.2	48	0.4	550	4.1	13,435
HU	2,647	6.9	13,474	35.2	8,393	21.9	11,341	29.6	81	0.2	2,393	6.2	38,329
MT	93	4.4	759	36.3	600	28.7	390	18.7	15	0.7	232	11.1	2,088
NL	18,406	7.4	68,135	27.3	62,447	25.0	80,860	32.4	1,811	0.7	17,660	7.1	249,319
AT	5,181	4.2	36,022	29.2	33,764	27.4	41,161	33.4	132	0.1	7,079	5.7	123,339
PL	7,442	6.8	38,635	35.5	20,353	18.7	33,133	30.4	66	0.1	9,249	8.5	108,879
PT	3,868	5.9	23,995	36.4	13,662	20.7	19,360	29.4	4	0.0	5,023	7.6	65,912
RO	1,790	5.6	12,454	38.7	5,946	18.5	10,098	31.4	0	0.0	1,906	5.9	32,195
SI	847	6.3	4,636	34.6	2,836	21.1	4,418	32.9	6	0.0	673	5.0	13,416
SK	504	3.4	5,042	33.8	2,669	17.9	5,302	35.5	0	0.0	1,398	9.4	14,915
FI	8,823	10.1	22,728	25.9	28,736	32.7	20,431	23.3	505	0.6	6,568	7.5	87,791
SE	13,675	7.7	52,470	29.6	61,873	34.9	40,388	22.8	13	0.0	8,756	4.9	177,175
UK	41,355	5.2	244,733	30.6	328,334	41.0	160,185	20.0	5,250	0.7	20,913	2.6	800,770
IS	439	7.2	2,432	40.0	2,402	39.5	420	6.9	:	:	388	6.4	6,081
NO	6,658	4.2	32,751	20.9	60,190	38.4	23,322	14.9	256	0.2	33,737	21.5	156,914

Source: Eurostat, Economy and finance, Government statistics.

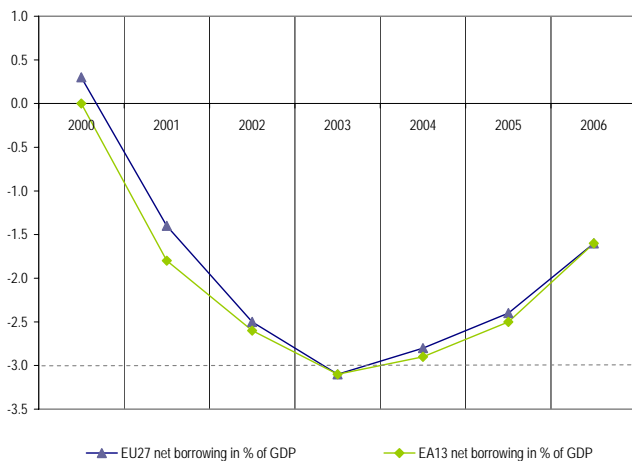
## Government deficit and net saving

### EU government net borrowing at 1.6 % of GDP in 2006, the lowest since 2001

As already mentioned, the difference between general government expenditure and revenue results in a surplus or deficit, known in the ESA 95 methodology as 'general government net lending /net borrowing' (ESA 95 category B.9). Net lending/net borrowing is seen as an important measure of government finances that shows the amount of resources remaining for purposes of lending or that need to be borrowed. It is used, for example, as the definition of government deficit/surplus for the reporting of EU Member States under the Excessive Deficit Procedure (EDP), allowing for a different accounting treatment of swaps and forward rate agreements. For the purpose of EDP reporting, net lending/net borrowing includes streams of interest payments resulting from swap and forward rate agreements. For many countries, however, this methodological difference has little or no impact on the data.

It can be seen in figure 6 that the net borrowing of the EU27 and euro area decreased in 2006 to 1.6% of GDP, from 3.1% in 2003. Turning to the country data in Table 4, it is clear that the variation is strong. In fact, ten out of the 27 Member States and 6 out of 13 members of euro area reported net lending rather than net borrowing. This is the highest number of countries reporting net lending since 2001.

Figure 6: General government net lending/net borrowing as a percentage of GDP, 2000 to 2006



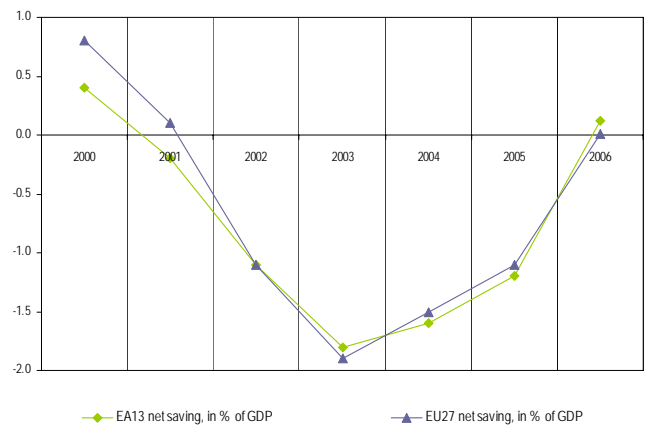
Source: Eurostat, *Economy and finance, Government statistics*.

### EU government net saving-to-GDP ratio positive for the first time since 2001

Figure 7 shows the concept of 'net saving' (ESA 95 category B.8n). This is defined as the (positive or negative) amount resulting from current transactions which establishes the link with accumulation. In the ESA 95 sequence of accounts, it is the balance of current transactions before taking into account capital transactions (capital transfers and net acquisitions of non-financial assets). When positive, net saving represents that part of disposable income that is not spent on consumption goods and services and must, therefore, be used to acquire non-financial or financial assets of one kind or another, including cash, or to repay liabilities. When negative, net saving measures the amount by which final consumption expenditure exceeds disposable income: the excess must be financed by disposing of assets or incurring new liabilities (SNA93 paragraph 10.30).

Table 4 shows, for each reporting country, its net saving and net lending/net borrowing position. Since 2003 negative net saving (or 'dissaving') has tended to decrease and in 2006 it fell to zero percent of GDP, from -1.1% in 2005, in the EU27. For the euro area the improvement seems to have been even more significant (from -1.2% in 2005 to 0.1% in 2006).

Figure 7: General government net saving as a percentage of GDP, 2000 to 2006



Source: Eurostat, *Economy and finance, Government statistics*.



Table 4: General government deficit (-) / surplus (+) and net saving, in percentage of GDP and Million of euro

	Net saving, million of euro							Net borrowing (-) or Net lending (+), million of euro							Net saving in % of GDP							Net borrowing (-) or Net lending (+) in % of GDP						
	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006	2000	2001	2002	2003	2004	2005	2006
EU27*	69,547	11,565	-108,941	-187,801	-163,573	-122,399	944	24,049	-131,897	-248,764	-313,991	-296,969	-266,630	-190,990	0.8	0.1	-1.1	-1.9	-1.5	-1.1	0.0	0.3	-1.4	-2.5	-3.1	-2.8	-2.4	-1.6
EU25*	67,063	11,220	-110,180	-187,423	-164,808	-124,260	-2,433	22,831	-131,000	-247,776	-313,206	-296,501	-265,970	-189,995	0.7	0.1	-1.1	-1.9	-1.6	-1.1	0.0	0.3	-1.4	-2.5	-3.1	-2.8	-2.4	-1.7
EA13*	29,239	-11,981	-79,416	-137,074	-121,827	-93,638	10,139	79	-129,671	-186,919	-231,554	-221,943	-199,652	-132,494	0.4	-0.2	-1.1	-1.8	-1.6	-1.2	0.1	0.0	-1.8	-2.6	-3.1	-2.9	-2.5	-1.6
EA12*	29,386	-11,745	-79,423	-137,168	-122,011	-93,904	9,753	877	-128,769	-186,317	-230,865	-221,341	-199,240	-132,128	0.4	-0.2	-1.1	-1.8	-1.6	-1.2	0.1	0.0	-1.8	-2.6	-3.1	-2.9	-2.5	-1.6
BE	2,445	1,808	677	-2,915	-985	361	1,393	133	1,318	-100	-87	-214	-153	718	1.0	0.7	0.3	-1.1	-0.3	0.1	0.4	0.1	0.5	0.0	0.0	-0.1	-0.1	0.2
BG	446	347	270	426	977	1,305	1,543	-66	30	-15	1	451	436	814	3.3	2.3	1.6	2.4	4.9	6.0	6.1	-0.5	0.2	-0.1	0.0	2.3	2.0	3.2
CZ	-1,572	-1,428	-2,088	-2,722	-482	-947	-1,136	-2,289	-3,964	-5,414	-5,339	-2,595	-3,542	-3,336	-2.6	-2.1	-2.6	-3.4	-0.5	-0.9	-1.0	-3.7	-5.7	-6.8	-6.6	-2.9	-3.5	-2.9
DK	3,373	1,711	-273	-1,014	2,831	8,892	9,720	3,939	2,115	434	-191	3,744	9,639	10,255	1.9	1.0	-0.1	-0.5	1.4	4.3	4.4	2.3	1.2	0.2	-0.1	1.9	4.6	4.7
DE	-1,750	-32,590	-53,140	-63,080	-64,610	-57,260	-20,820	27,090	-59,610	-78,340	-87,280	-83,560	-75,570	-37,260	-0.1	-1.5	-2.5	-2.9	-2.9	-2.6	-0.9	1.3	-2.8	-3.7	-4.0	-3.8	-3.4	-1.6
EE	119	185	318	390	316	446	775	-14	-4	29	159	171	215	472	1.9	2.7	4.1	4.5	3.3	4.0	5.9	-0.2	-0.1	0.4	1.8	1.8	1.9	3.6
IE	7,474	5,104	3,550	4,130	5,548	5,652	9,872	4,960	1,151	-490	577	2,030	1,948	5,126	7.1	4.4	2.7	3.0	3.7	3.5	5.7	4.7	1.0	-0.4	0.4	1.4	1.2	2.9
EL	-333	-252	-1,063	-2,014	-4,069	-2,287		-5,151	-6,502	-7,573	-9,726	-13,346	-10,403	-5,917	-0.2	-0.2	-0.7	-1.2	-2.2	-1.2		-3.7	-4.4	-4.8	-5.7	-7.2	-5.2	-2.8
ES	9,103	13,471	16,993	18,338	20,374	31,477	45,568	-6,283	-4,492	-3,476	-1,793	-2,985	8,752	17,959	-1.4	2.0	2.3	2.3	2.4	3.5	4.6	-1.0	-0.7	-0.5	-0.2	-0.4	1.0	1.8
FR	-2,976	-4,535	-32,696	-50,296	-43,035	-37,924	-24,944	-21,240	-23,285	-49,010	-65,684	-60,215	-51,262	-46,163	-0.2	-0.3	-2.1	-3.2	-2.6	-2.2	-1.4	-1.5	-1.6	-3.2	-4.1	-3.6	-3.0	-2.6
IT	-3,642	-10,342	-18,993	-34,294	-31,024	-35,005	-7,974	-10,288	-38,733	-39,009	-47,319	-49,255	-61,910	-66,067	-0.3	-0.8	-1.5	-2.6	-2.2	-2.5	-0.5	-0.9	-3.1	-3.0	-3.5	-3.5	-4.4	-4.5
CY	60	61	-161	-374	-160	-61	268	-233	-241	-492	-765	-519	-330	-175	0.6	0.6	-1.4	-3.2	-1.3	-0.5	1.8	-2.3	-2.2	-4.4	-6.5	-4.1	-2.4	-1.2
LV	-392	-303	-329	-277	-76	92	453	-235	-194	-225	-162	-114	-46	-44	-4.6	-3.2	-3.3	-2.8	-0.7	0.7	2.8	-2.8	-2.1	-2.3	-1.6	-1.0	-0.4	-0.3
LT	-60	-146	33	72	119	241	377	-398	-483	-282	-211	-279	-105	-140	-0.5	-1.1	0.2	0.4	0.7	1.2	1.6	-3.2	-3.6	-1.9	-1.3	-1.5	-0.5	-0.6
LU	1,988	1,818	1,518	1,136	745	1,189	1,542	1,313	1,379	504	127	-326	-33	234	9.0	8.1	6.3	4.4	2.7	4.0	4.6	6.0	6.1	2.1	0.5	-1.2	-0.1	0.7
HU	-784	-1,064	-2,786	-4,034	-4,338	-5,546	-6,395	-1,537	-2,429	-6,326	-5,357	-5,296	-6,926	-8,326	-1.5	-1.8	-3.9	-5.4	-5.3	-6.2	-7.1	-3.0	-4.1	-8.9	-7.2	-6.4	-7.8	-9.3
MT	-199	-199	-164	-203	-198	-191	-169	-261	-277	-245	-436	-219	-146	-128	-4.7	-4.6	-3.7	-4.6	-4.4	-4.0	-3.4	-6.2	-6.4	-5.5	-9.8	-4.9	-3.1	-2.5
NL	8,696	4,723	-3,150	-8,891	-5,611	1,439	5,128	8,244	-1,141	-9,278	-15,014	-8,679	-1,440	2,909	2.1	1.1	-0.7	-1.9	-1.1	0.3	1.0	2.0	-0.3	-2.0	-3.1	-1.8	-0.3	0.5
AT	233	4,407	2,943	766	2,444	1,238	1,528	-3,436	-219	-1,528	-4,003	-3,081	-4,090	-3,848	0.1	2.0	1.3	0.3	1.0	0.5	0.6	-1.6	-0.1	-0.7	-1.8	-1.3	-1.7	-1.5
PL	-4,062	-6,475	-6,067	-7,232	-7,536	-5,762	-3,608	-5,624	-10,880	-10,496	-12,008	-11,640	-10,568	-10,308	-2.2	-3.0	-2.9	-3.8	-3.7	-2.4	-1.3	-3.0	-5.1	-5.0	-6.3	-5.7	-4.3	-3.8
PT	-1,407	-2,956	-2,715	-4,257	-5,951	-7,347	-5,367	-3,627	-5,587	-3,913	-4,092	-4,876	-9,073	-6,035	-1.2	-2.3	-2.0	-3.1	-4.1	-4.9	-3.5	-3.0	-4.3	-2.9	-3.0	-3.4	-6.1	-3.9
RO	2,038	-2	969	-804	257	556	1,834	1,284	-927	-973	-786	-919	-1,096	-1,809	5.1	0.0	2.0	-1.5	0.4	0.7	1.9	3.2	-2.1	-2.0	-1.5	-1.5	-1.4	-1.9
SI	-146	-236	7	94	184	265	387	-798	-903	-602	-689	-602	-412	-366	-0.7	-1.1	0.0	0.4	0.7	0.9	1.3	-3.8	-4.0	-2.5	-2.7	-2.3	-1.5	-1.2
SK	-894	-1,209	-1,436	-980	-1,048	-727	-1,533	-2,693	-1,526	-2,123	-805	-803	-1,079	-1,644	-4.0	-5.1	-5.5	-3.4	-3.1	-1.9	-3.5	-12.2	-6.5	-8.2	-2.8	-2.4	-2.8	-3.7
FI	9,554	7,599	6,653	4,209	4,162	4,565	6,360	9,162	6,953	5,896	3,429	3,166	3,994	6,218	7.2	5.4	4.6	2.9	2.7	2.9	3.8	6.9	5.0	4.1	2.3	2.1	2.5	3.7
SE	11,349	5,581	-1,583	-1,051	3,465	8,513	10,265	10,101	4,116	-3,758	-3,029	1,676	6,084	7,134	4.3	2.3	-0.6	-0.4	1.2	3.0	3.4	3.8	1.7	-1.5	-1.1	0.6	2.1	2.3
UK	30,885	26,486	-16,229	-32,924	-35,874	-35,570	-21,589	21,996	12,437	-31,959	-53,509	-58,686	-59,515	-51,261	2.0	1.6	-1.0	-2.0	-2.1	-2.0	-1.1	1.4	0.8	-1.9	-3.3	-3.4	-3.3	-2.7
IS	435	253	23	-19	320	951	949	160	-61	-242	-272	19	685	692	4.6	2.9	0.2	-0.2	3.0	7.3	7.2	1.7	-0.7	-2.6	-2.8	0.2	5.2	5.2
NO	30,540	27,076	20,732	16,808	25,225	38,936	50,578	28,069	25,430	18,796	14,523	23,195	36,908	48,033	16.7	14.2	10.2	8.4	12.1	16.1	18.9	15.4	13.3	9.2	7.3	11.1	15.2	18.0

Source: Eurostat, Economy and finance, Government statistics.  
For Greek net saving (B8N) estimated values have been used for the EU/ EA aggregates.

## Link between saving and net lending/net borrowing

Net lending/net borrowing (B.9) reflects the changes to net worth (the total value of the assets owned minus the total value of its liabilities) due to saving, capital transfers and acquisition less disposal of non-financial assets net of consumption of fixed capital. It is described by the following equation:

**Net lending/ net borrowing (B.9) =**

- + Net saving (B.8n)
- + Capital transfers (D.9), receivable
- Capital transfers (D.9), payable
- Gross capital formation (P.5)
- + Consumption of fixed capital (K.1)
- Acquisition less disposals of non-financial non-produced assets (K.2)

This relationship is illustrated in Table 5 for the EU members plus Iceland and Norway.

Table 5: Transition from general government net saving to net lending/net borrowing in % of GDP in 2006

	Net saving (B8N)	Capital transfers receivable (D9)	Capital transfers payable (D9)	Gross capital formation (P5)	Gross fixed capital formation (P51)	Consumption of fixed capital (K1)	Acquisitions (K2)	Net lending (+) / net borrowing (-) (B9)
EU27*	0.0	0.5	1.4	2.5	2.5	1.8	0.0	-1.6
EU25*	0.0	0.5	1.4	2.5	2.5	1.8	0.0	-1.7
EA13*	0.1	0.5	1.6	2.5	2.5	1.7	0.0	-1.6
EA12*	0.1	0.5	1.6	2.5	2.5	1.7	0.0	-1.6
BE	0.4	0.7	1.0	1.7	1.7	1.6	-0.1	0.2
BG	6.1	-0.3	0.4	4.0	4.0	1.4	-0.4	3.2
CZ	-1.0	0.6	1.8	5.0	5.0	4.3	0.0	-2.9
DK	4.4	0.7	0.4	1.9	1.9	1.8	-0.1	4.7
DE	-0.9	0.4	1.3	1.4	1.4	1.6	-0.1	-1.6
EE	5.9	0.8	0.4	4.6	4.5	1.4	-0.6	3.6
IE	5.7	1.2	1.1	3.7	3.7	0.9	0.0	2.9
EL	:	2.8	1.2	3.1	3.1	:	0.1	-2.8
ES	4.6	0.6	1.4	3.8	3.8	1.7	0.0	1.8
FR	-1.4	0.5	0.7	3.4	3.4	2.5	0.1	-2.6
IT	-0.5	0.3	3.7	2.3	2.3	1.8	0.0	-4.5
CY	1.8	0.1	0.8	3.0	3.0	0.7	0.0	-1.2
LV	2.8	1.1	2.4	4.7	4.3	2.9	0.0	-0.3
LT	1.6	1.0	0.5	4.2	4.2	1.3	-0.2	-0.6
LU	4.6	0.2	1.4	4.0	4.0	1.7	0.4	0.7
HU	-7.1	0.9	1.9	4.4	4.4	3.1	-0.1	-9.3
MT	-3.4	3.3	0.7	4.4	4.3	2.2	-0.5	-2.5
NL	1.0	0.4	0.5	3.3	3.3	2.5	-0.4	0.5
AT	0.6	0.2	2.7	1.0	1.1	1.2	-0.1	-1.5
PL	-1.3	0.3	0.8	3.9	3.9	2.0	:	-3.8
PT	-3.5	1.1	1.0	2.3	2.3	1.8	0.0	-3.9
RO	1.9	0.1	1.1	5.0	4.9	2.3	:	-1.9
SI	1.3	0.2	0.8	3.7	3.7	1.6	-0.2	-1.2
SK	-3.5	0.0	1.1	2.0	2.2	2.7	-0.1	-3.7
FI	3.8	0.4	0.3	2.4	2.4	2.1	-0.2	3.7
SE	3.4	0.1	0.4	3.1	3.1	2.3	-0.1	2.3
UK	-1.1	0.4	1.1	1.9	1.9	1.0	-0.1	-2.7
IS	7.2	0.1	0.7	3.1	3.1	1.8	:	5.2
NO	18.9	0.1	0.2	2.7	2.7	1.7	-0.1	18.0

Source: Eurostat, *Economy and finance, Government statistics*.  
\* EU/EA aggregates for K2 exclude PL and RO. Estimated values of EL B8N and K1 used for needs of calculation of EA/EU aggregates.

In 2006, in most Member States capital transfers paid by general government to other sectors of the economy (households, corporations) exceeded those received and have reduced net lending or increased net borrowing. Only in Denmark, Estonia, Ireland, Greece, Lithuania, Malta, Portugal and Finland were net capital transfers (receivables less payables) positive.

A significant impact on the transition from net saving to net lending/ net borrowing came also from transactions of acquisitions less disposals of non-financial assets net of consumption of fixed capital (in Estonia, Ireland, Lithuania and Luxembourg the impact amounted to over 2.5 % of GDP). Germany, Austria and Slovakia were the only Member States where recorded consumption of fixed capital was higher than acquisitions less disposals of non-financial assets in 2006.

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

This box gives some background explanation on general government expenditure and revenue. More exhaustive information and data can be found on [Eurostat's homepage](#) in the section dedicated to [Government finance statistics](#).

### GOVERNMENT REVENUE AND EXPENDITURE, DATA TRANSMISSION

Government revenue and expenditure are concepts used to analyse fiscal policy. They appear often in international comparisons. The initial ESA 95 manual did not define government revenue or expenditure. However, a Commission Regulation<sup>3</sup> extended the ESA 95 in relation to these concepts, ensuring that a common definition is used in the EU. In the Regulation, revenue and expenditure are defined with reference to ESA 95 categories and thus follow the principles laid down in the ESA 95 for the delimitation of general government, as well as the principles for the valuation and time of recording of transactions.

### MAASTRICHT DEBT AND DEFICIT

The application of the Protocol on the excessive deficit procedure are made operational by [Council Regulation \(EC\) No 3605/93](#), as amended by [Council Regulation \(EC\) No 475/2000](#) and by [Commission Regulation \(EC\) No 351/2002](#). The protocol on the Excessive Deficit Procedure, annexed to the treaty, defines two criteria and reference values for compliance. These are a government deficit to Gross Domestic Product (GDP) ratio of 3 per cent, and a government debt to GDP ratio of 60 per cent.

### GOVERNMENT REVENUE, EXPENDITURE AND ITS LINK TO DEFICIT/SURPLUS

Government revenue and expenditure are concepts used to analyse fiscal policy. Total revenue and total expenditure are defined in ways such that the ESA 95 government deficit (ESA 95 B.9, net lending (+)/net borrowing (-)) is equal to the difference between them. Note that a deficit is shown as a negative number, and a surplus as a positive number.

### ESA 95

Fiscal data are compiled in accordance with national accounts rules, as laid down in the European System of Accounts (ESA 1995) adopted in the form of a Council and Parliament Regulation (EC) of 25 June 1996, [No 2223/96](#). The full text of [ESA95](#) is available on the Eurostat internet site. The compilation of General government revenue and expenditure data complies with ESA95 rules, especially concerning the sector classification of institutional units, the consolidation rules, the classification of financial transactions and of financial assets and liabilities, and the time of recording but not valuation rules.

### GENERAL GOVERNMENT

According to ESA95, paragraph 2.68 "the sector general government (S.13) includes all institutional units which are other non-market producers [institutional units whose sales do not cover more than the 50% of the production costs, see ESA95 paragraph 3.26] whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors and/or all institutional units principally engaged in the redistribution of national income and wealth".

General government is divided into four sub-sectors: central government (S.1311), local government (S.1313), social security funds (S.1314), and when applicable state government (S.1312).

### Definitions

P.2, Intermediate consumption: the purchase of goods and services by government;

D.1, Compensation of employees: the wages of government employees plus non-wage costs such as social contributions;

D.41, Interest: (consolidated, so excludes payments within the general government sector), excludes settlements under swaps and FRAs, as these are treated as financial transactions in the ESA 95;

D.62, Social payments: cover social benefits and pensions paid in money

D.6311, D.63121, D.63131, Social transfers in kind cover expenditure on products supplied to households via market producers;

P.51, Gross fixed capital formation consists of acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realized by the productive activity of producer or institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year;

P.11, P.12, P.131, Market output, output for own final use and payments for other non-market output. It includes market output (P.11), output for own final use (P.12) and payments for the other non-market output (P. 131);

D.2, Taxes on production and imports consist of compulsory, unrequited payments, in cash or in kind which are levied by general government, or by the institutions of the European Union, in respect of the production and importation of goods and services, the employment

of labour, the ownership or use of land, buildings or other assets used in production. These taxes are payable whether or not profits are made;

D.5, Current taxes on income, wealth, etc., cover all compulsory, unrequited payments, in cash or in kind, levied periodically by general government and by the rest of the world on the income and wealth of institutional units, and some periodic taxes which are assessed neither on the income nor the wealth;

D.61, Actual social contributions includes 'employers' actual social contributions' (D.611), 'employees' social contributions' (D.6112) and 'social contributions by self-employed and non-employed persons' (D.6113);

D.91, Capital taxes consist of taxes levied at irregular and very infrequent intervals on the values of the assets or net worth owned by institutional units or on the values of assets transferred between institutional units as a result of legacies, gifts *inter vivos* or other transfers;

D.9, Capital transfers are different from current transfers by the fact that they involve the acquisition or disposal of an asset, or assets, by at least one of the parties to the transaction. Whether made in cash or in kind, they should result in a commensurate change in the financial, or non-financial, assets shown in the balance sheets of one or both parties to the transaction;

P.5, Gross capital formation consists of: (a) gross fixed capital formation (P.51); (b) changes in inventories (P.52); (c) acquisitions less disposals of valuables (P.53);

K.1, Consumption of fixed capital represents the amount of fixed assets used up, during the period under consideration, as a result of normal wear and tear and foreseeable obsolescence, including a provision for losses of fixed assets as a result of accidental damage which can be insured against;

K.2 Acquisitions less disposals of non-financial non-produced assets: Non-financial non-produced assets consist of land and other tangible non-produced assets that may be used in the production of goods and services, and intangible non-produced assets.

### CONSOLIDATION

Revenue and expenditure figures on general government statistics and each of its sub-sectors are reported consolidated (plus a separate reporting for non-consolidated general government). Consolidation is a method of presenting statistics for a grouping of units, such as institutional sectors or sub-sectors, as if it constituted a single unit. Consolidation thus involves a special kind of cancelling out of flows and stocks: eliminating those transactions or debtor/creditor relationships that occur between two transactors belonging to the same grouping. ESA 95 recommends compiling both consolidated and non-consolidated financial accounts. For macro-financial analysis, the focus is on consolidated figures.

### ABBREVIATIONS

Euro area 13: BE (Belgium), DE (Germany), IE (Ireland), EL (Greece), ES (Spain), FR (France), IT (Italy), LU (Luxembourg), NL (the Netherlands), AT (Austria), PT (Portugal), SI (Slovenia) and FI (Finland).

EU or EU-27 (European Union of 27 Member States): Euro area countries plus BG (Bulgaria), CZ (Czech Republic), DK (Denmark), EE (Estonia), CY (Cyprus), LV (Latvia), LT (Lithuania), HU (Hungary), MT (Malta), PL (Poland), RO (Romania), SK (Slovakia), SE (Sweden), and UK (United Kingdom).

### PREVIOUS RELEASES

- Statistics in focus 19/2006, Economy and finance, General government expenditure and revenue in the EU: 2005 data, KS-NJ-06-019-EN-N;
- Statistics in focus 24/2005, Economy and finance, General government expenditure and revenue in the EU in 2004, KS-NJ-05-024-EN-N;
- Statistics in focus 41/2004, Economy and finance, General government expenditure and revenue in the EU in 2003, KS-NJ-04-041-EN-N.

### MORE DATA

Data used in this report is Eurostat data, collected from the Member States. More data can be found on Eurostat's homepage under the theme [Economy and finance](#).

<sup>3</sup> Commission Regulation (EC) No 1500/2000.

## ***Further information:***

Data: [EUROSTAT Website/Home page/Economy and finance//Data](#)

 **Economy and finance**

 **Government statistics**

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