

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 ratio¹ in the **EU27**² 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**² (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**³ 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 rate⁴ 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
EU27**	40.6	39.7	39.3	35.8	34.3	34.2	20.9	22.2	21.5	25.1	26.8	26.1
EA16**	41.2	40.4	39.7	34.5	34.1	34.4	20.5	21.4	20.8	26.5	28.2	27.2
Belgium	45.0	43.9	44.3	43.6	42.4	42.6	21.8	22.1	21.2	29.6	31.8	32.7
Bulgaria	32.5	34.2	33.3	38.7	29.9	27.6	19.7	26.6	26.4	:	16.9	:
Czech Republic	33.8	37.2	36.1	40.7	41.4	39.5	19.4	22.1	21.1	20.9	22.3	21.5
Denmark	49.4	49.0	48.2	41.0	36.5	36.4	33.4	33.8	32.4	36.0	47.0	43.1
Germany	41.9	39.4	39.3	40.7	38.6	39.2	18.9	19.8	19.8	28.4	24.5	23.1
Estonia	31.0	32.3	32.2	37.8	34.0	33.7	19.5	23.8	20.9	6.0	9.2	10.7
Ireland	31.6	31.4	29.3	28.5	25.7	24.6	25.7	25.6	22.9	:	18.6	15.7
Greece	34.6	32.4	32.6	34.5	35.9	37.0	16.5	15.5	15.1	19.9	:	:
Spain	33.9	37.1	33.1	28.7	31.4	30.5	15.7	15.9	14.1	29.8	43.4	32.8
France	44.1	43.2	42.8	42.0	41.4	41.4	20.9	19.5	19.1	38.3	39.8	38.8
Italy	41.8	43.1	42.8	42.2	42.6	42.8	17.9	17.2	16.4	29.5	35.3	35.3
Cyprus	30.0	40.9	39.2	21.5	24.0	24.5	12.7	21.0	20.6	23.7	40.4	36.4
Latvia	29.5	30.5	28.9	36.7	31.1	28.2	18.7	19.6	17.5	11.2	14.5	16.3
Lithuania	30.1	29.7	30.3	41.2	33.1	33.0	18.0	17.9	17.5	7.2	11.3	12.4
Luxembourg	39.1	35.7	35.6	29.9	31.0	31.5	23.0	27.0	27.1	:	:	:
Hungary	39.0	39.8	40.4	41.4	41.0	42.4	27.5	27.1	26.9	17.1	18.7	19.2
Malta	28.2	34.6	34.5	20.6	19.9	20.2	15.9	20.3	20.0	:	:	:
Netherlands	39.9	38.9	39.1	34.5	34.2	35.4	23.8	26.8	26.7	20.8	15.9	17.2
Austria	43.2	42.2	42.8	40.1	41.0	41.3	22.1	21.6	22.1	27.7	26.3	27.3
Poland	32.6	34.8	34.3	33.6	34.0	32.8	17.8	21.4	21.0	20.5	23.4	22.5
Portugal	34.3	36.8	36.7	27.0	29.6	29.6	18.9	20.1	19.1	33.6	35.0	38.6
Romania	30.2	29.0	28.0	33.5	30.2	29.5	17.0	18.0	17.7	:	:	:
Slovenia	37.5	37.8	37.3	37.7	35.9	35.7	23.5	23.8	23.9	15.7	23.6	21.6
Slovakia	34.1	29.3	29.1	36.3	31.0	33.5	21.7	20.2	18.4	22.9	17.3	16.7
Finland	47.2	43.0	43.1	44.1	41.3	41.3	28.5	26.5	26.0	36.1	26.4	28.1
Sweden	51.8	48.3	47.1	46.0	42.5	42.1	26.3	27.8	28.4	43.2	32.9	27.9
United Kingdom	36.7	36.5	37.3	25.3	26.0	26.1	18.9	18.0	17.6	44.7	42.9	45.9
Norway	42.6	43.7	42.2	38.3	37.4	36.9	30.7	30.3	28.5	41.1	42.2	:
Iceland	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 rate⁵ 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 rates⁶ 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
EU27*	44.7	37.1	37.5	-7.2	31.9	23.5	23.2	-8.7
EA16*	48.4	42.1	42.4	-6.0	34.9	25.9	25.7	-9.2
Belgium	60.6	53.7	53.7	-7.0	40.2	34.0	34.0	-6.2
Bulgaria	40.0	10.0	10.0	-30.0	32.5	10.0	10.0	-22.5
Czech Republic	32.0	15.0	15.0	-17.0	31.0	20.0	19.0	-12.0
Denmark	59.7	59.0	51.5	-8.2	32.0	25.0	25.0	-7.0
Germany	53.8	47.5	47.5	-6.3	51.6	29.8	29.8	-21.8
Estonia	26.0	21.0	21.0	-5.0	26.0	21.0	21.0	-5.0
Ireland	44.0	41.0	41.0	-3.0	24.0	12.5	12.5	-11.5
Greece	45.0	40.0	45.0	0.0	40.0	25.0	24.0	-16.0
Spain	48.0	43.0	43.0	-5.0	35.0	30.0	30.0	-5.0
France	59.0	45.8	45.8	-13.2	37.8	34.4	34.4	-3.4
Italy	45.9	45.2	45.2	-0.7	41.3	31.4	31.4	-9.9
Cyprus	40.0	30.0	30.0	-10.0	29.0	10.0	10.0	-19.0
Latvia	25.0	23.0	26.0	1.0	25.0	15.0	15.0	-10.0
Lithuania	33.0	15.0	15.0	-18.0	24.0	20.0	15.0	-9.0
Luxembourg	47.2	39.0	39.0	-8.2	37.5	28.6	28.6	-8.9
Hungary	44.0	40.0	40.6	-3.4	19.6	21.3	20.6	1.0
Malta	35.0	35.0	35.0	0.0	35.0	35.0	35.0	0.0
Netherlands	60.0	52.0	52.0	-8.0	35.0	25.5	25.5	-9.5
Austria	50.0	50.0	50.0	0.0	34.0	25.0	25.0	-9.0
Poland	40.0	32.0	32.0	-8.0	30.0	19.0	19.0	-11.0
Portugal	40.0	42.0	42.0	2.0	35.2	26.5	26.5	-8.7
Romania	40.0	16.0	16.0	-24.0	25.0	16.0	16.0	-9.0
Slovenia	50.0	41.0	41.0	-9.0	25.0	21.0	20.0	-5.0
Slovakia	42.0	19.0	19.0	-23.0	29.0	19.0	19.0	-10.0
Finland	54.0	49.1	48.6	-5.4	29.0	26.0	26.0	-3.0
Sweden	51.5	56.4	56.4	4.9	28.0	26.3	26.3	-1.7
United Kingdom	40.0	40.0	50.0	10.0	30.0	28.0	28.0	-2.0
Norway	47.5	40.0	40.0	-7.5	28.0	28.0	28.0	0.0
Iceland	:	:	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 rate⁷ 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
EU27*	19.2	19.8	20.2	1.0
Belgium	21.0	21.0	21.0	0.0
Bulgaria	20.0	20.0	20.0	0.0
Czech Republic	22.0	19.0	20.0	-2.0
Denmark	25.0	25.0	25.0	0.0
Germany	16.0	19.0	19.0	3.0
Estonia	18.0	20.0	20.0	2.0
Ireland	21.0	21.5	21.0	0.0
Greece	18.0	19.0	23.0	5.0
Spain	16.0	16.0	18.0	2.0
France	19.6	19.6	19.6	0.0
Italy	20.0	20.0	20.0	0.0
Cyprus	10.0	15.0	15.0	5.0
Latvia	18.0	21.0	21.0	3.0
Lithuania	18.0	19.0	21.0	3.0
Luxembourg	15.0	15.0	15.0	0.0
Hungary	25.0	25.0	25.0	0.0
Malta	15.0	18.0	18.0	3.0
Netherlands	17.5	19.0	19.0	1.5
Austria	20.0	20.0	20.0	0.0
Poland	22.0	22.0	22.0	0.0
Portugal	17.0	20.0	20.0	3.0
Romania	19.0	19.0	19.0	0.0
Slovenia	19.0	20.0	20.0	1.0
Slovakia	23.0	19.0	19.0	-4.0
Finland	22.0	22.0	23.0	1.0
Sweden	25.0	25.0	25.0	0.0
United Kingdom	17.5	15.0	17.5	0.0

* Arithmetic average

1. 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.
2. **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.
3. **"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://ec.europa.eu/taxtrends>
4. **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.
5. The **top personal income tax rate** refers to the tax rate for the highest income bracket adding surcharges of general application.
6. 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.
7. 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.

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