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Taxation trends in the European Union

The overall tax-to-GDP ratio in the EU28 up to 39.4% of GDP in 2012

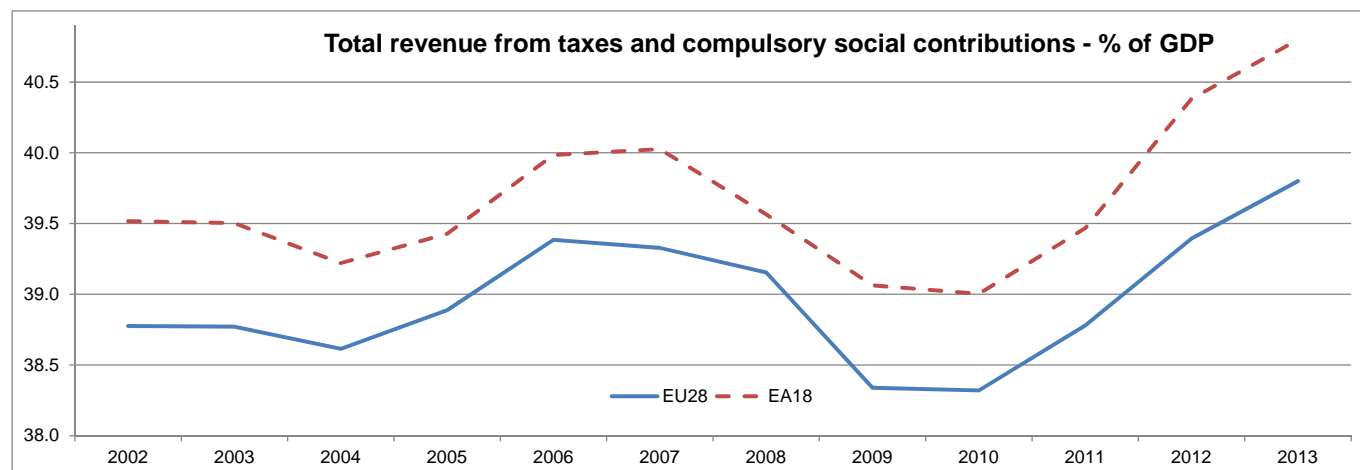
Labour taxes remain major source of tax revenue

The overall tax-to-GDP ratio¹, meaning the sum of taxes and compulsory social contributions in % of GDP, in the **EU28**² stood at 39.4% in 2012, up from 38.8% in 2011. The overall tax ratio in the **euro area**² (EA18) increased to 40.4% in 2012 from 39.5% in 2011. In 2013, Eurostat estimates show that tax revenues as a percentage of GDP are set to continue rising in both zones.

The tax burden varies significantly between Member States, ranging in 2012 from less than 30% of GDP in **Lithuania** (27.2%), **Bulgaria** and **Latvia** (both 27.9%), **Romania** and **Slovakia** (both 28.3%) and **Ireland** (28.7%), to more than 40% of GDP in **Denmark** (48.1%), **Belgium** (45.4%), **France** (45.0%), **Sweden** (44.2%), **Finland** (44.1%), **Italy** (44.0%) and **Austria** (43.1%).

Between 2011 and 2012, increases in tax-to-GDP ratios of more than 1 percentage point were recorded in **Hungary** (from 37.3% to 39.2%), **Italy** (from 42.4% to 44.0%), **Greece** (from 32.4% to 33.7%), **France** (from 43.7% to 45.0%), **Belgium** (from 44.2% to 45.4%) and **Luxembourg** (from 38.2% to 39.3%), while the largest falls in the ratio were registered in **Portugal** (from 33.2% to 32.4%), the **United Kingdom** (from 35.8% to 35.4%) and **Slovakia** (from 28.6% to 28.3%).

This information comes from the 2014 edition of the publication "**Taxation trends in the European Union**"³, issued by **Eurostat, the statistical office of the European Union** and the European 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 for an accurate comparison of the tax systems and tax policies between EU Member States.



2013: Eurostat estimate

Labour taxes the largest source of tax revenue in nearly all Member States

The largest source of tax revenue in the **EU28** is labour taxes, representing more than half of total tax receipts in 2012 (51.0%), followed by consumption taxes (28.5%) and taxes on capital (20.8%).

Labour taxes were the largest source of tax revenue in 2012 in twenty four Member States, and in thirteen Member States they accounted for more than half of total tax revenue. The highest shares of taxation from labour were observed in **Sweden** (58.6%), the **Netherlands** (57.5%), **Austria** (57.4%) and **Germany** (56.6%). Only in **Bulgaria** (32.9%), **Malta** (34.6%), **Cyprus** (37.1%) and the **United Kingdom** (38.9%) was the share below 40%.

Consumption taxes were the largest source of tax revenue in 2012 in four Member States: **Bulgaria**, **Croatia**, **Malta** and **Romania**. The highest shares of taxation from consumption were recorded in **Bulgaria** (53.3%), **Croatia** (49.1%) and **Romania** (45.1%), and the lowest in **Belgium** (23.7%), **France** and **Italy** (both 24.7%).

Taxes on capital accounted for the smallest share of tax revenue in all Member States in 2012. Shares of more than 25% were registered in **Luxembourg** (27.5%), the **United Kingdom** (27.4%), **Malta** (26.6%) and **Cyprus** (26.1%), and of less than 10% in **Estonia** (7.1%) and **Slovenia** (9.8%).

Tax revenue

	Tax revenue, % of GDP			Tax revenue by type of tax base as a % of total tax revenue*:								
				Labour			Consumption			Capital		
	2002	2011	2012	2002	2011	2012	2002	2011	2012	2002	2011	2012
EU28**	38.8	38.8	39.4	50.8	50.9	51.0	28.8	28.9	28.5	20.7	20.4	20.8
EA18**	39.5	39.5	40.4	53.0	53.3	53.3	27.4	27.3	26.8	19.8	19.8	20.2
Belgium	45.2	44.2	45.4	54.9	54.6	53.9	24.2	24.1	23.7	20.6	20.8	22.0
Bulgaria	28.5	27.3	27.9	41.8	33.8	32.9	41.6	51.9	53.3	16.6	14.3	13.8
Czech Republic	34.6	34.6	35.0	52.9	51.9	51.7	27.9	32.9	33.4	19.3	15.2	14.9
Denmark	47.9	47.7	48.1	54.5	51.3	51.0	33.0	31.5	31.0	12.8	17.6	18.4
Germany	38.9	38.5	39.1	60.7	56.0	56.6	26.8	28.2	27.6	12.5	15.8	15.9
Estonia	31.0	32.3	32.5	54.5	52.1	51.0	38.4	41.3	41.9	7.1	6.6	7.1
Ireland	28.3	28.2	28.7	35.3	43.0	42.7	38.8	34.8	34.8	26.0	22.2	22.5
Greece	33.7	32.4	33.7	38.3	36.5	41.9	36.7	38.6	36.3	25.0	25.0	21.8
Spain	34.1	31.8	32.5	48.1	55.0	53.0	27.7	26.8	26.5	25.7	20.9	22.9
France	43.3	43.7	45.0	51.5	52.3	52.3	26.2	25.2	24.7	22.9	23.2	23.6
Croatia	37.9	35.3	35.7	38.9	41.4	40.7	50.5	47.3	49.1	10.7	11.3	10.3
Italy	40.5	42.4	44.0	49.9	52.0	51.1	26.1	25.3	24.7	23.9	22.7	24.2
Cyprus	30.9	35.3	35.3	32.5	35.7	37.1	38.5	36.2	36.8	29.0	28.1	26.1
Latvia	28.6	27.6	27.9	51.7	50.0	49.0	36.7	38.3	38.4	11.6	11.7	12.6
Lithuania	29.1	27.4	27.2	50.8	46.4	46.5	40.1	41.1	39.8	9.7	12.7	13.9
Luxembourg	39.3	38.2	39.3	38.5	44.2	44.3	27.3	27.8	28.1	34.2	28.0	27.5
Hungary	38.0	37.3	39.2	50.3	47.3	46.4	37.0	39.1	40.0	12.6	13.6	13.5
Malta	30.0	33.0	33.6	36.9	33.5	34.6	39.3	40.2	38.8	23.8	26.3	26.6
Netherlands	37.7	38.6	39.0	49.7	56.3	57.5	30.2	28.8	28.3	20.1	14.9	14.2
Austria	43.6	42.2	43.1	55.2	56.7	57.4	28.5	27.9	27.6	16.5	15.6	15.2
Poland	32.7	32.3	32.5	41.1	38.4	40.4	36.3	39.1	36.3	23.7	22.9	23.7
Portugal	31.4	33.2	32.4	37.7	41.7	41.4	38.1	36.6	37.4	24.2	21.6	21.1
Romania	28.1	28.4	28.3	43.9	39.3	40.0	38.9	44.2	45.1	17.2	16.4	15.0
Slovenia	37.8	37.2	37.6	54.3	52.2	52.5	36.1	37.3	37.9	9.7	10.6	9.8
Slovakia	33.0	28.6	28.3	45.8	44.1	45.4	32.7	36.2	33.4	21.4	19.7	21.2
Finland	44.7	43.7	44.1	52.2	52.3	53.2	29.9	32.3	32.4	17.9	15.4	14.3
Sweden	47.5	44.4	44.2	62.5	57.5	58.6	26.7	28.9	28.4	10.8	13.7	13.0
United Kingdom	34.8	35.8	35.4	38.6	39.1	38.9	33.0	33.2	33.8	28.4	27.7	27.4
Iceland	35.2	35.9	36.8	:	:	:	37.6	34.6	35.0	:	:	:
Norway	43.1	42.7	42.2	43.2	40.7	41.5	29.7	25.8	25.7	27.1	33.5	32.8

* Shares may be more than 100% for Member States, where a recording of amounts assessed but not collected is chosen to approximate accrual. Please refer additionally to methodological notes in Annex B of the Taxation trends publication.

** EU28 and EA18 aggregates are calculated as GDP-weighted averages of the Member States.

: Data not available

Lowest implicit tax rates on labour in Malta and on consumption in Spain

The average implicit tax rate⁴ on labour in the **EU28** rose from 35.8% in 2011 to 36.1% in 2012. Among the Member States, the implicit tax rate on labour in 2012 ranged from 23.3% in **Malta**, 24.5% in **Bulgaria**, 25.2% in the **United Kingdom** and 25.4% in **Portugal**, to 40.1% in **Finland**, 41.5% in **Austria** and 42.8% in **Belgium** and **Italy**.

The average implicit tax rate on consumption in the **EU28** was stable at 19.9% in both 2011 and 2012. Implicit tax rates on consumption were lowest in 2012 in **Spain** (14.0%), **Greece** (16.2%) and **Slovakia** (16.7%), and highest in **Denmark** (30.9%), **Croatia** (29.1%) and **Luxembourg** (28.9%).

Implicit tax rates*

	Labour			Consumption		
	2002	2011	2012	2002	2011	2012
EU28**	35.5	35.8	36.1	19.7	19.9	19.9
EA18**	37.8	37.7	38.5	19.4	19.3	19.3
Belgium	43.3	42.9	42.8	21.4	21.0	21.1
Bulgaria	33.4	24.2	24.5	16.6	21.1	21.5
Czech Republic	41.3	39.0	38.8	18.4	21.8	22.5
Denmark	38.8	34.3	34.4	33.7	31.4	30.9
Germany	38.7	37.3	37.8	18.9	20.0	19.8
Estonia	37.8	35.7	35.0	19.9	25.8	26.0
Ireland	26.0	28.2	28.7	24.4	21.4	21.9
Greece	34.0	30.9	38.0	16.1	16.3	16.2
Spain	32.1	32.9	33.5	15.5	14.1	14.0
France	38.7	38.8	39.5	20.5	19.7	19.8
Croatia	29.5	29.7	29.2	30.1	27.9	29.1
Italy	41.9	42.3	42.8	17.8	17.4	17.7
Cyprus	22.3	26.8	28.8	15.0	17.6	17.6
Latvia	37.8	33.3	33.0	17.0	17.2	17.4
Lithuania	38.1	31.5	31.9	17.9	18.2	17.4
Luxembourg	28.4	32.5	32.9	22.6	28.0	28.9
Hungary	41.2	38.2	39.8	25.0	26.8	28.1
Malta	22.4	22.5	23.3	16.3	18.9	18.7
Netherlands	31.5	37.5	38.5	23.3	24.8	24.5
Austria	40.8	40.8	41.5	22.5	21.2	21.3
Poland	32.4	32.0	33.9	17.9	20.8	19.3
Portugal	22.8	25.4	25.4	18.8	18.2	18.1
Romania	31.2	33.0	30.4	16.2	20.3	20.9
Slovenia	37.7	35.3	35.6	23.7	22.9	23.4
Slovakia	36.7	31.6	32.3	18.7	18.3	16.7
Finland	43.8	39.5	40.1	27.7	26.4	26.4
Sweden	43.8	38.9	38.6	27.0	27.3	26.5
United Kingdom	24.4	25.8	25.2	18.4	19.3	19.0
Iceland	:	:	:	25.8	24.8	24.5
Norway	37.5	36.4	36.4	29.7	29.2	29.4

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

** EU28 and EA18 aggregates are calculated as GDP-weighted averages of the Member States.

: Data not available

1. The overall tax-to-GDP ratio measures the tax burden as the total amount of taxes and compulsory actual social contributions as a percentage of GDP. This definition differs slightly from the one used in Statistics in Focus 4/2014, which includes voluntary and imputed social contributions.
2. **EU28:** Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the United Kingdom.
Euro area (EA18): Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.
3. "**Taxation trends in the European Union**", only available in English. This publication and News Release are mostly based on data available on 11 March 2014. The publication can be purchased from authorised sales agents or downloaded free of charge in PDF format from the Eurostat and Directorate-General for Taxation and Customs Union 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 the total wage bill and payroll taxes. It is calculated for employed labour only. The *ITR on consumption* is the ratio between the revenue from consumption taxes and the final consumption expenditure of households on the economic territory.

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