



Taxation trends in the European Union

EU27 tax ratio at 39.8% of GDP in 2007

Steady decline in top personal and corporate income tax rates since 2000

The overall tax-to-GDP ratio¹ in the **EU27**² was 39.8% in 2007, a slight increase from 39.7% in 2006. The **EU27** tax ratio, which stood at 40.6% in 2000, fell to 38.9% by 2004 and then started to rise.

The overall tax ratio in the **euro area**² (EA16) was 40.4% in 2007, and also rose slightly from 40.3% in 2006. 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, exceeding those of the **USA** and **Japan** by some 12 percentage points. However, the tax burden varies significantly between Member States, ranging in 2007 from less than 30% in **Romania** and **Slovakia** (both 29.4%) and **Lithuania** (29.9%), to a little less than 50% in **Denmark** (48.7%) and **Sweden** (48.3%).

Since 2000, significant changes in tax-to-GDP ratios have taken place in several Member States. The largest falls were recorded in **Slovakia**, where the overall tax burden dropped from 34.1% in 2000 to 29.4% in 2007, and **Finland** (from 47.2% to 43.0%). The highest increases were observed in **Cyprus** (from 30.0% to 41.6%) and **Malta** (from 28.2% to 34.7%).

This information comes from the 2009 edition of the publication **Taxation trends in the European Union**³ issued by **Eurostat, the Statistical Office of the European Communities** 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 includes an overview of the tax measures adopted in the Member States to respond to the global economic and financial crisis.

Highest implicit tax rates on labour in Italy, on consumption in Denmark and on capital in Cyprus

Labour taxes remain the largest source of tax revenue, representing close to half of total tax receipts in the **EU27**. Taxes on capital accounted for approximately 23% of total tax receipts, and consumption taxes for 28%.

The average implicit tax rate⁴ on labour, a broad measure of the tax burden falling on work income, was unchanged in the **EU27** at 34.4% in 2007 compared with 2006, after having declined steadily from 35.9% in 2000. Among the Member States, the implicit tax rate on labour ranged in 2007 from 20.1% in **Malta**, 24.0% in **Cyprus** and 25.7% in **Ireland** to 44.0% in **Italy**, 43.1% in **Sweden** and 42.3% in **Belgium**.

Continuing an upward trend that started in 2002, the average implicit tax rate on consumption in the **EU27** increased marginally, from 22.0% in 2006 to 22.2% in 2007. Implicit tax rates on consumption were highest in 2007 in **Denmark** (33.7%), **Sweden** (27.8%) and **Hungary** (27.1%), and lowest in **Greece** (15.4%), **Spain** (15.9%) and **Italy** (17.1%).

In the **EU27**, the average implicit tax rate on capital for the Member States for which data are available was 28.7% in 2007. The highest implicit tax rates on capital were recorded in **Cyprus** (50.5%), **Denmark** (44.9%) and the **United Kingdom** (42.7%), and the lowest in **Estonia** (10.3%), **Lithuania** (12.1%) and **Latvia** (14.6%).

Tax revenue and implicit tax rates by type of economic activity

	Tax revenue, % of GDP			Implicit tax rate* on:								
				Labour			Consumption			Capital		
	2000	2006	2007	2000	2006	2007	2000	2006	2007	2000	2006	2007
EU27**	40.6	39.7	39.8	35.9	34.4	34.4	20.9	22.0	22.2	25.5	25.7	28.7
EA16**	41.2	40.3	40.4	34.6	34.2	34.3	20.5	21.4	21.5	27.3	26.9	29.8
BE	45.2	44.5	44.0	43.9	42.7	42.3	21.8	22.3	22.0	29.3	32.0	31.1
BG	32.5	33.2	34.2	38.7	30.6	29.9	19.7	25.5	25.4	:	:	:
CZ	33.8	36.7	36.9	40.7	41.1	41.4	19.4	21.1	21.4	20.9	25.9	25.6
DK	49.4	49.6	48.7	41.0	37.1	37.0	33.4	34.0	33.7	36.0	44.8	44.9
DE	41.9	39.2	39.5	40.7	39.0	39.0	18.9	18.3	19.8	28.9	23.9	24.4
EE	31.3	31.3	33.1	37.8	33.9	33.8	19.8	23.4	24.4	6.0	8.3	10.3
IE	31.6	32.1	31.2	28.5	25.4	25.7	25.9	26.5	25.6	:	21.1	18.5
EL	34.6	31.3	32.1	34.5	35.1	35.5	16.5	15.2	15.4	19.9	15.9	:
ES	33.9	36.5	37.1	28.7	30.8	31.6	15.7	16.4	15.9	29.7	40.9	42.4
FR	44.1	43.9	43.3	42.1	41.9	41.3	20.9	19.9	19.5	38.1	40.8	40.7
IT	41.8	42.1	43.3	43.7	42.5	44.0	17.9	17.4	17.1	29.6	34.2	36.2
CY	30.0	36.5	41.6	21.5	24.1	24.0	12.7	20.4	21.4	23.8	30.6	50.5
LV	29.5	30.4	30.5	36.7	33.1	31.0	18.7	20.1	19.6	11.2	11.0	14.6
LT	30.1	29.4	29.9	41.2	33.6	32.3	18.0	16.7	17.9	7.2	11.6	12.1
LU	39.1	35.8	36.7	29.9	30.7	31.2	23.1	26.3	26.9	:	:	:
HU	38.5	37.2	39.8	41.4	38.8	41.2	27.5	25.8	27.1	15.9	16.3	:
MT	28.2	33.7	34.7	20.6	21.3	20.1	15.9	19.9	20.3	:	:	:
NL	39.9	39.1	38.9	34.5	34.6	34.3	23.7	26.5	26.8	20.8	17.2	16.4
AT	43.2	41.7	42.1	40.1	40.8	41.0	22.1	21.2	21.6	27.3	24.4	26.1
PL	32.6	33.8	34.8	33.6	34.2	35.0	17.8	20.2	21.4	20.5	22.8	:
PT	34.3	35.9	36.8	27.0	28.6	30.0	19.2	21.0	20.3	32.7	30.8	34.0
RO	30.4	28.6	29.4	32.2	30.4	30.1	16.8	17.7	18.1	:	:	:
SI	37.5	38.4	38.2	37.7	37.4	36.9	23.5	23.8	24.1	15.7	22.0	23.1
SK	34.1	29.4	29.4	36.3	30.5	30.9	21.7	20.2	20.6	22.9	18.2	17.5
FI	47.2	43.5	43.0	44.1	41.6	41.4	28.6	27.2	26.5	36.0	24.0	26.7
SE	51.8	49.0	48.3	47.2	44.5	43.1	26.3	27.4	27.8	43.4	29.1	35.9
UK	36.7	36.9	36.3	25.3	25.8	26.1	19.4	18.6	18.4	44.7	44.4	42.7
NO	42.6	44.0	43.6	:	37.9	37.8	:	29.9	30.3	:	43.2	41.8

* 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 for which the respective annual data are available.

: Data not available

Highest top tax rate on personal income in Denmark, on corporate income in Malta

The top personal income tax rate⁵ differs substantially within the EU. The highest top rates on 2008 personal income are found in **Denmark** (59.0%), **Sweden** (56.4%) and **Belgium** (53.7%), and the lowest in **Bulgaria** (10.0%), the **Czech Republic** (15.0%) and **Romania** (16.0%). Since 2000, top personal income tax rates have fallen or remained unchanged in all Member States, except **Sweden** (from 51.5% in 2000 to 56.4% in 2008) and **Portugal** (from 40.0% to 42.0%). The largest decreases were registered in **Bulgaria** (from 40.0% to 10.0%), **Romania** (from 40.0% to 16.0%) and **Slovakia** (from 42.0% to 19.0%), all of which moved to flat rate systems.

The highest statutory tax rates⁶ on 2009 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%). Since 2000, top corporate income tax rates have fallen or remained unchanged in all Member States, except **Hungary** (from 19.6% in 2000 to 21.3% in 2009). The largest decreases were registered in **Bulgaria** (from 32.5% to 10.0%), **Germany** (from 51.6% to 29.8%) and **Cyprus** (from 29.0% to 10.0%).

Top statutory income tax rates, %

	Tax on personal income				Tax on corporate income			
	2000	2007	2008	Difference 2000-2008	2000	2008	2009	Difference 2000-2009
EU27*	44.7	39.1	37.8	-6.9	31.9	23.6	23.5	-8.4
EA16*	48.4	42.1	42.1	-6.3	34.9	26.0	25.9	-9.0
BE	60.6	53.7	53.7	-6.9	40.2	34.0	34.0	-6.2
BG	40.0	24.0	10.0	-30.0	32.5	10.0	10.0	-22.5
CZ	32.0	32.0	15.0	-17.0	31.0	21.0	20.0	-11.0
DK	59.7	59.0	59.0	-0.7	32.0	25.0	25.0	-7.0
DE	53.8	47.5	47.5	-6.3	51.6	29.8	29.8	-21.8
EE	26.0	22.0	21.0	-5.0	26.0	21.0	21.0	-5.0
IE	44.0	41.0	41.0	-3.0	24.0	12.5	12.5	-11.5
EL	45.0	40.0	40.0	-5.0	40.0	25.0	25.0	-15.0
ES	48.0	43.0	43.0	-5.0	35.0	30.0	30.0	-5.0
FR	59.0	45.8	45.8	-13.2	37.8	34.4	34.4	-3.3
IT	45.9	44.9	44.9	-1.0	41.3	31.4	31.4	-9.9
CY	40.0	30.0	30.0	-10.0	29.0	10.0	10.0	-19.0
LV	25.0	25.0	25.0	0.0	25.0	15.0	15.0	-10.0
LT	33.0	27.0	24.0	-9.0	24.0	15.0	20.0	-4.0
LU	47.2	39.0	39.0	-8.2	37.5	29.6	28.6	-8.9
HU	44.0	40.0	40.0	-4.0	19.6	21.3	21.3	1.6
MT	35.0	35.0	35.0	0.0	35.0	35.0	35.0	0.0
NL	60.0	52.0	52.0	-8.0	35.0	25.5	25.5	-9.5
AT	50.0	50.0	50.0	0.0	34.0	25.0	25.0	-9.0
PL	40.0	40.0	40.0	0.0	30.0	19.0	19.0	-11.0
PT	40.0	42.0	42.0	2.0	35.2	26.5	26.5	-8.7
RO	40.0	16.0	16.0	-24.0	25.0	16.0	16.0	-9.0
SI	50.0	41.0	41.0	-9.0	25.0	22.0	21.0	-4.0
SK	42.0	19.0	19.0	-23.0	29.0	19.0	19.0	-10.0
FI	54.0	50.5	50.1	-4.0	29.0	26.0	26.0	-3.0
SE	51.5	56.6	56.4	4.9	28.0	28.0	26.3	-1.7
UK	40.0	40.0	40.0	0.0	30.0	30.0	28.0	-2.0
NO	47.5	40.0	40.0	-7.5	28.0	28.0	28.0	0.0

* Arithmetic average

Energy taxes represented 1.8% of GDP in the EU27 in 2007

Energy taxes include taxes on energy products such as mineral oils, gas and electricity for both transport and stationary purposes. They are by far the most important environmental taxes, representing around three quarters of environmental tax receipts in the EU. In the **EU27**, energy taxes amounted to 1.8% of GDP in 2007, and ranged from 1.2% of GDP in **Greece** and **Ireland** to 3.0% in **Bulgaria**.

From this year onwards, the publication will include data on transport fuel taxes separately from other energy taxes. Taxes on transport fuels are the most important part of energy taxes, and represented more than 80% of energy taxes in the **EU27** in 2007. The highest transport fuel taxes as a percentage of total energy taxation were found in **Latvia** (100%), **Lithuania** and **Luxembourg** (both 98%), and the lowest in **Denmark** (52%), **Sweden** (56%) and the **Netherlands** (68%).

Energy and transport fuel taxes, 2007

	Energy taxes		Transport fuel taxes	
	% of GDP	% of total taxation	% of GDP	% of energy taxes
EU27*	1.8	4.5	1.4	81
EA16*	1.7	4.2	1.4	80
Belgium	1.3	3.0	1.2	88
Bulgaria	3.0	8.9	:	:
Czech Republic	2.3	6.3	2.2	94
Denmark	2.3	4.6	1.2	52
Germany	1.9	4.7	1.4	78
Estonia	1.9	5.7	1.8	96
Ireland	1.2	3.8	1.1	94
Greece	1.2	3.7	1.1	92
Spain	1.4	3.8	1.2	86
France	1.4	3.3	1.3	87
Italy	2.1	4.8	1.5	75
Cyprus	1.8	4.3	1.4	79
Latvia	1.7	5.6	1.7	100
Lithuania	1.6	5.4	1.6	98
Luxembourg	2.4	6.7	2.4	98
Hungary	2.1	5.2	1.9	93
Malta	1.8	5.2	1.7	95
Netherlands	1.8	4.7	1.2	68
Austria	1.6	3.9	1.3	78
Poland	2.4	6.9	1.9	81
Portugal	2.0	5.6	1.9	94
Romania	1.7	5.8	:	:
Slovenia	2.3	6.1	2.2	92
Slovakia	1.8	6.2	1.8	96
Finland	1.7	3.9	1.3	77
Sweden	2.2	4.6	1.2	56
United Kingdom	1.8	5.0	1.7	94
Norway	1.3	2.9	0.8	61

* GDP-weighted average of the Member States for which the respective annual data are available.

: Data not available

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, 43/2009, "Tax revenue in the EU", which includes voluntary and imputed social contributions. The difference between the two measures amounts to around 1.1 percentage points for the EU and euro area aggregates.
2. **EU27**: Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK). **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**", EUR 30 (excl. VAT), only available in English. This publication is based on data available on 9 February 2009. 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.

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