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Taxation trends in the European Union

Further increase in VAT rates in 2012

Corporate and top personal income tax rates inch up after long decline

The average standard VAT rate[1] in the **EU27** has risen strongly since 2008. In 2012, the standard VAT rate varies from 15.0% in **Luxembourg** and 17.0% in **Cyprus** to 27.0% in **Hungary** and 25.0% in **Denmark** and **Sweden**.

The average top personal income tax rate[2] in the **EU27** has increased in 2012. The highest top rates on 2012 personal income are observed in **Sweden** (56.6%), **Denmark** (55.4%), **Belgium** (53.7%), the **Netherlands** and **Spain** (both 52.0%), **Austria** and the **United Kingdom** (both 50.0%), and the lowest in **Bulgaria** (10.0%), the **Czech Republic** and **Lithuania** (both 15.0%), **Romania** (16.0%) and **Slovakia** (19.0%).

Corporate tax rates in the **EU27** have risen slightly in 2012, ending a long declining trend. The highest statutory tax rates[3] on 2012 corporate income are recorded in **France** (36.1%), **Malta** (35.0%) and **Belgium** (34.0%), and the lowest in **Bulgaria** and **Cyprus** (both 10.0%) and **Ireland** (12.5%).

The overall tax-to-GDP ratio[4] in the **EU27**[5] stood at 38.4% in 2010, unchanged from the year before. After the marked drop in 2009, consolidation measures and a modest recovery of the economy led to a stabilisation of tax revenues in 2010. The overall tax ratio in the **euro area**[5] (EA17) fell slightly to 38.9% in 2010, compared with 39.0% in 2009.

This information comes from the 2012 edition of the publication **Taxation trends in the European Union**[6] 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.

The tax regime of property is attracting growing attention from policymakers. For this reason, this year's edition of the report for the first time includes an overview of property tax revenue in general with a special focus on recurrent taxes on immovable properties for the entire EU.

Top statutory income tax rates and standard VAT rates, %

	Tax on personal income			Tax on corporate income			VAT**		
	2000	**2011**	**2012*** **	**2000**	**2011**	**2012*** **	**2000**	**2011**	**2012*** **
EU27*	**44.8**	**37.5**	**38.1**	**31.9**	**23.4**	**23.5**	**19.2**	**20.7**	**21.0**
EA17*	**47.1**	**42.2**	**43.2**	**34.4**	**25.9**	**26.1**	**18.1**	**19.7**	**20.0**
Belgium	60.6	53.7	53.7	40.2	34.0	34.0	21.0	21.0	21.0
Bulgaria	40.0	10.0	10.0	32.5	10.0	10.0	20.0	20.0	20.0
Czech Republic	32.0	15.0	15.0	31.0	19.0	19.0	22.0	20.0	20.0
Denmark	62.9	55.4	55.4	32.0	25.0	25.0	25.0	25.0	25.0
Germany	53.8	47.5	47.5	51.6	29.8	29.8	16.0	19.0	19.0
Estonia	26.0	21.0	21.0	26.0	21.0	21.0	18.0	20.0	20.0
Ireland	44.0	41.0	41.0	24.0	12.5	12.5	21.0	21.0	23.0
Greece	45.0	49.0	49.0	40.0	30.0	30.0	18.0	23.0	23.0
Spain	48.0	45.0	52.0	35.0	30.0	30.0	16.0	18.0	18.0
France	59.0	46.7	46.8	37.8	34.4	36.1	19.6	19.6	19.6
Italy	45.9	45.6	47.3	41.3	31.4	31.4	20.0	20.0	21.0
Cyprus	40.0	30.0	38.5	29.0	10.0	10.0	10.0	15.0	17.0
Latvia	25.0	25.0	25.0	25.0	15.0	15.0	18.0	22.0	22.0
Lithuania	33.0	15.0	15.0	24.0	15.0	15.0	18.0	21.0	21.0
Luxembourg	47.2	42.1	42.1	37.5	28.8	28.8	15.0	15.0	15.0
Hungary	44.0	20.3	20.3	19.6	20.6	20.6	25.0	25.0	27.0
Malta	35.0	35.0	35.0	35.0	35.0	35.0	15.0	18.0	18.0
Netherlands	60.0	52.0	52.0	35.0	25.0	25.0	17.5	19.0	19.0
Austria	50.0	50.0	50.0	34.0	25.0	25.0	20.0	20.0	20.0
Poland	40.0	32.0	32.0	30.0	19.0	19.0	22.0	23.0	23.0
Portugal	40.0	50.0	49.0	35.2	29.0	31.5	17.0	23.0	23.0
Romania	40.0	16.0	16.0	25.0	16.0	16.0	19.0	24.0	24.0
Slovenia	50.0	41.0	41.0	25.0	20.0	20.0	19.0	20.0	20.0
Slovakia	42.0	19.0	19.0	29.0	19.0	19.0	23.0	20.0	20.0
Finland	54.0	49.2	49.0	29.0	26.0	24.5	22.0	23.0	23.0
Sweden	51.5	56.4	56.6	28.0	26.3	26.3	25.0	25.0	25.0
United Kingdom	40.0	50.0	50.0	30.0	26.0	24.0	17.5	20.0	20.0
Norway	47.5	40.0	40.0	28.0	28.0	28.0	:	:	:
Iceland	:	46.1	31.8	30.0	20.0	20.0	:	:	:

* Arithmetic average
** If two VAT rates were applicable during a year the one being in force for more than six months or introduced on 1 July is indicated in the table. Italy: VAT rate was increased in September 2011; Cyprus: VAT rate was increased in March 2012; Finland: VAT rate was increased on 1 July 2010.
*** The cut-off date for taking into account changes in tax rates was 30 April 2012.
: Data not available

Tax revenue in 2010 ranged from 27.1% of GDP in Lithuania to 47.6% in Denmark

In comparison with the rest of the world, the **EU27** tax ratio remains generally high. However, the tax burden varies significantly between Member States, ranging in 2010 from less than 30% in **Lithuania** (27.1%), **Romania** (27.2%), **Latvia** (27.3%), **Bulgaria** (27.4%), **Slovakia** (28.1%) and **Ireland** (28.2%), to more than 45% in **Denmark** (47.6%) and **Sweden** (45.8%).

Between 2009 and 2010, the largest falls in tax-to-GDP ratios were recorded in **Hungary** (from 40.1% to 37.7%), **Lithuania** (from 29.2% to 27.1%), **Bulgaria** (from 29.0% to 27.4%) and **Estonia** (from 35.7% to 34.2%), and the highest increases in **Spain** (from 30.7% to 31.9%), the **United Kingdom** (from 34.8% to 35.6%) and **Latvia** (from 26.7% to 27.3%).

Highest implicit tax rates on labour in Italy, on consumption in Denmark

The largest source of tax revenue in the **EU27** is labour taxes, representing nearly half of total tax receipts, followed by consumption taxes at roughly one third and taxes on capital at just under one fifth.

The average implicit tax rate[7] on labour was slightly up in the **EU27** in 2010 compared with 2009, ending the steady decline observed from 2000. Among the Member States, the implicit tax rate on labour ranged in 2010 from 21.7% in **Malta**, 23.4% in **Portugal**, 24.4% in **Bulgaria** and 25.7% in the **United Kingdom**, to 42.6% in **Italy**, 42.5% in **Belgium**, 41.0% in **France** and 40.5% in **Austria**.

The average implicit tax rate on consumption in the **EU27**, which had been on a downward trend since 2007, increased in 2010. In 2010, implicit tax rates on consumption were lowest in **Spain** (14.6%), **Greece** (15.8%), **Italy** (16.8%), **Latvia** (17.3%) and **Portugal** (17.4%), and highest in **Denmark** (31.5%), **Sweden** (28.1%), **Luxembourg** (27.3%), **Hungary** (27.2%) and the **Netherlands** (27.0%).

In the **EU27**, the average implicit tax rate on capital for the Member States for which data are available was down in 2010 compared with 2009. Implicit tax rates on capital ranged from 6.8% in **Lithuania** to 37.2% in **France**.

Tax revenue and implicit tax rates by type of economic activity

	Tax revenue, % of GDP			Implicit tax rate* on:								
				Labour			Consumption			Capital		
	2000	2009	2010	2000	2009	2010	2000	2009	2010	2000	2009	2010
EU27**	**40.4**	**38.4**	**38.4**	**35.8**	**33.2**	**33.4**	**20.8**	**20.9**	**21.3**	**24.9**	**24.4**	**23.3**
EA17**	**40.9**	**39.0**	**38.9**	**34.5**	**33.5**	**34.0**	**20.3**	**20.5**	**20.7**	**25.0**	**24.8**	**23.7**
Belgium	45.1	43.4	43.9	43.6	41.9	42.5	21.8	20.8	21.4	29.5	29.5	29.5
Bulgaria	31.5	29.0	27.4	38.1	25.7	24.4	18.5	22.5	22.8	:	:	:
Czech Republic	33.8	33.6	33.8	41.2	37.6	39.0	18.8	21.0	21.1	18.7	18.0	16.7
Denmark	49.4	47.7	47.6	41.0	35.2	34.8	33.4	31.6	31.5	36.0	39.0	:
Germany	41.3	39.2	38.1	39.1	37.8	37.4	19.2	20.2	19.8	27.0	21.4	20.7
Estonia	31.0	35.7	34.2	37.8	35.1	37.0	19.5	26.2	25.6	5.8	14.0	9.1
Ireland	31.3	28.2	28.2	28.5	25.2	26.1	25.5	21.6	21.6	:	15.6	14.0
Greece	34.6	30.5p	31.0p	34.5	29.7p	31.3p	16.5	14.5p	15.8p	:	18.3p	16.5p
Spain	34.1	30.7	31.9	30.5	31.7	33.0	15.8	12.6	14.6	30.8	28.4	:
France	44.2	42.0	42.5	41.9	41.3	41.0	21.1	19.1	19.3	37.8	35.4	37.2
Italy	41.5	42.8	42.3	41.8	42.3	42.6	17.8	16.1	16.8	29.5	38.4	34.9
Cyprus	29.9	35.3	35.7	21.6	26.2	27.0	12.6	19.2	18.8	24.7	29.8	31.1
Latvia	29.7	26.7	27.3	36.7	29.1	32.5	18.7	17.1	17.3	11.5	9.8	7.4
Lithuania	29.9	29.2	27.1	41.2	32.6	31.7	18.0	16.5	18.2	7.1	11.0	6.8
Luxembourg	39.1	37.6	37.1	29.9	31.6	32.0	23.0	27.1	27.3	:	:	:
Hungary	39.8	40.1	37.7	41.4	40.8	39.4	27.2	27.4	27.2	18.5	20.7	17.5
Malta	27.9	34.3	33.3	21.8	20.8	21.7	15.6	19.3	18.9	:	:	:
Netherlands	39.9	38.3	38.8	35.0	35.9	36.9	23.8	26.2	27.0	20.0	14.4	12.5
Austria	43.0	42.6	42.0	40.1	40.3	40.5	22.2	21.8	21.4	27.2	25.6	24.1
Poland	32.6	31.8	31.8	33.6	30.9	30.1	17.8	19.0	20.2	20.5	20.2	20.5
Portugal	31.1	31.0	31.5	22.3	23.4	23.4	18.2	16.4	17.4	31.6	32.8	30.7
Romania	30.2	26.9	27.2	33.6	28.6	27.4	17.0	16.9	18.9	:	:	:
Slovenia	37.3	37.6	38.0	37.6	35.1	35.0	23.3	24.0	24.1	17.2	21.3	22.5
Slovakia	34.1	28.8	28.1	36.3	31.4	32.0	21.7	17.3	17.7	22.9	18.1	15.9
Finland	47.2	42.6	42.1	44.0	40.1	39.3	28.5	25.6	25.2	38.1	29.0	28.4
Sweden	51.5	46.7	45.8	46.8	39.3	39.0	26.3	27.7	28.1	42.7	32.3	34.9
United Kingdom	36.7	34.8	35.6	25.9	25.7	25.7	18.9	17.0	18.4	43.3	36.9	:
Norway	42.3	42.4	42.9	37.1	35.8	36.1	31.2	28.6	29.1	42.2	44.9	44.9
Iceland	37.1	33.8	35.0	:	:	:	27.1	24.2	24.8	:	:	:

* Implicit tax rates (ITR) express aggregate tax revenues as a percentage of the potential tax base for each field (see footnote 7).

** EU27 and EA17 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. For the ITR on capital, EU27 aggregate excludes Bulgaria and Romania.

p provisional data

: Data not available

Revenue from property taxes highest in United Kingdom, France and Belgium

Amongst the Member States, revenue from property taxes[8] varied widely in 2010, ranging from 0.4% of GDP in the **Czech Republic**, **Estonia** and **Slovakia** to 4.2% in the **United Kingdom**, 3.4% in **France** and 3.1% in **Belgium**. The highest revenues from recurrent taxes[8] as a proportion of GDP were recorded in the **United Kingdom** (3.4%), **France** (2.3%) and **Denmark** (1.4%), and from transaction taxes[8] in **Belgium** (1.8%), **Italy** (1.3%) and **Spain** (1.2%).

Property tax revenue

	Property tax revenue, % of GDP			% GDP in 2010 from:		Revenue, million €
	2000	2009	2010	Recurrent taxes	Transaction taxes	
Belgium	2.8	3.0	3.1	1.3	1.8	11 037
Bulgaria	0.2	0.5	0.5	0.3	0.2	187
Czech Republic	0.5	0.4	0.4	0.2	0.2	662
Denmark	1.6	1.9	1.9	1.4	0.5	4 523
Germany	0.9	0.9	0.8	0.5	0.4	21 010
Estonia	0.4	0.3	0.4	0.4	0.0	51
Ireland	1.7	1.6	1.6	0.9	0.7	2 471
Greece	2.0	1.3p	0.9p	0.3p	0.6p	1 998p
Spain	2.2	2.1	2.1	1.0	1.2	22 571
France	2.9	3.3	3.4	2.3	1.1	66 501
Italy	1.9	2.2	1.9	0.6	1.3	28 902
Cyprus	1.5	0.9	1.0	0.6	0.3	167
Latvia	0.9	0.7	0.9	0.8	0.1	154
Lithuania	0.7	0.5	0.5	0.4	0.2	147
Luxembourg	1.9	1.1	1.1	0.1	1.0	435
Hungary	0.7	0.8	1.1	0.3	0.8	1 105
Malta	0.8	1.1	1.1	0.0	1.1	66
Netherlands	2.0	1.3	1.3	0.5	0.8	7 569
Austria	0.6	0.5	0.5	0.2	0.3	1 488
Poland	1.1	1.2	1.2	1.2	0.0	4 194
Portugal	1.2	1.2	1.2	0.6	0.6	2 096
Romania	0.7	0.8	0.9	0.7	0.2	1 038
Slovenia	0.6	0.6	0.6	0.5	0.1	219
Slovakia	0.6	0.4	0.4	0.4	0.0	277
Finland	1.1	1.1	1.2	0.6	0.5	2 087
Sweden	1.7	1.1	1.1	0.8	0.3	3 656
United Kingdom	4.2	4.3	4.2	3.4	0.8	71 854

p provisional data
: Data not available

1. **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.
2. The **top personal income tax rate** refers to the tax rate for the highest income bracket adding surcharges of general application.
3. 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.
4. 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 2/2012, "**Tax revenue in the EU**", which includes voluntary and imputed social contributions, and uses GDP-weighted averages for the calculation of EU and euro area aggregates as opposed to arithmetic averages, which are predominantly used in the Taxation trends report.
5. **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 (EA17): Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.
6. "**Taxation trends in the European Union**", only available in English. This publication and News Release are based on data available on 16 January 2012. The publication can be purchased from authorised sales agents or downloaded free of charge in PDF format from the Eurostat or DG TAXUD websites:
   http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/publications/other_publications
   http://ec.europa.eu/taxtrends
7. **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.
8. **Property taxes** include different types of levies. One important distinction is between **recurrent taxes on immovable property**, which typically take the form of annual payments due by the owner, whose amount is linked to some measure of the value of the property, measured at a point in time and periodically revalued using an index; and **transaction taxes** that are typically charged on the occasion of the sale or transfer of the property (these include not only immovable property but also net wealth and other non-financial and financial assets).

Issued by:
Eurostat Press Office

Tim ALLEN
Tel: +352-4301-33 444
eurostat-pressoffice@ec.europa.eu

For further information:

Laura WAHRIG
Tel: +352-4301-37 687
estat-esa95-gov@ec.europa.eu

Mayya HRISTOVA
Tel: +32-2-295-69 98
taxud-structures@ec.europa.eu