



Taxation trends in the European Union

## **Recession drove EU27 overall tax revenue down to 38.4% of GDP in 2009**

Half of the Member States hiked the standard rate of VAT since 2008

The overall tax-to-GDP ratio<sup>1</sup> in the **EU27**<sup>2</sup> declined to 38.4% in 2009, compared with 39.3% in 2008. Data indicate that this decrease was essentially due to the 4.3% drop in GDP from 2008 to 2009, rather than to tax cuts. Compared to the beginning of the decade the **EU27** tax ratio declined by 2.1 points.

The overall tax ratio in the **euro area**<sup>2</sup> (EA17) fell to 39.1% in 2009 compared with 39.7% in 2008. 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 2009 from less than 30% in **Latvia** (26.6%), **Romania** (27.0%), **Ireland** (28.2%), **Slovakia** (28.8%), **Bulgaria** (28.9%) and **Lithuania** (29.3%) to more than 45% in **Denmark** (48.1%) and **Sweden** (46.9%).

Between 2000 and 2009, the largest falls in tax-to-GDP ratios were recorded in **Slovakia** (from 34.1% in 2000 to 28.8% in 2009), **Sweden** (from 51.5% to 46.9%), **Greece** (from 34.6% to 30.3%) and **Finland** (from 47.2% to 43.1%), and the highest increases in **Malta** (from 28.2% to 34.2%), **Cyprus** (from 30.0% to 35.1%) and **Estonia** (from 31.0% to 35.9%).

This information comes from the 2011 edition of the publication **Taxation trends in the European Union**<sup>3</sup> 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 for the first time includes data on average effective tax ratios for non-financial corporations. In addition, the report also contains a detailed analysis of the impact of the economic and financial crisis on the tax systems of all EU Member States.

## Standard VAT rate hiked by 1.3 points since the beginning of the economic crisis

One area where the onset of the economic and financial crisis has clearly had an impact was consumption taxation. Rising only slightly from 2000 to 2008, the average standard VAT rate<sup>4</sup> in the **EU27** has risen strongly from 19.4% in 2008, to reach 20.7% in 2011. The standard VAT rate in 2011 varied from 15.0% in **Cyprus** and **Luxembourg** to 25.0% in **Denmark, Hungary** and **Sweden**.

About half of the Member States have increased VAT rates between 2008 and 2011. The highest increases were registered in **Hungary** (from 20.0% to 25.0%), **Romania** (from 19.0% to 24.0%), **Greece** (from 19.0% to 23.0%) and **Latvia** (from 18.0% to 22.0%).

### Standard value added tax rate, %

	2000	2008	2009	2010	2011*	Difference 2008-2011
<b>EU27**</b>	<b>19.2</b>	<b>19.4</b>	<b>19.8</b>	<b>20.4</b>	<b>20.7</b>	<b>1.3</b>
<b>Belgium</b>	21.0	21.0	21.0	21.0	21.0	0.0
<b>Bulgaria</b>	20.0	20.0	20.0	20.0	20.0	0.0
<b>Czech Republic</b>	22.0	19.0	19.0	20.0	20.0	1.0
<b>Denmark</b>	25.0	25.0	25.0	25.0	25.0	0.0
<b>Germany</b>	16.0	19.0	19.0	19.0	19.0	0.0
<b>Estonia</b>	18.0	18.0	20.0	20.0	20.0	2.0
<b>Ireland</b>	21.0	21.0	21.5	21.0	21.0	0.0
<b>Greece</b>	18.0	19.0	19.0	23.0	23.0	4.0
<b>Spain</b>	16.0	16.0	16.0	18.0	18.0	2.0
<b>France</b>	19.6	19.6	19.6	19.6	19.6	0.0
<b>Italy</b>	20.0	20.0	20.0	20.0	20.0	0.0
<b>Cyprus</b>	10.0	15.0	15.0	15.0	15.0	0.0
<b>Latvia</b>	18.0	18.0	21.0	21.0	22.0	4.0
<b>Lithuania</b>	18.0	18.0	19.0	21.0	21.0	3.0
<b>Luxembourg</b>	15.0	15.0	15.0	15.0	15.0	0.0
<b>Hungary</b>	25.0	20.0	25.0	25.0	25.0	5.0
<b>Malta</b>	15.0	18.0	18.0	18.0	18.0	0.0
<b>Netherlands</b>	17.5	19.0	19.0	19.0	19.0	0.0
<b>Austria</b>	20.0	20.0	20.0	20.0	20.0	0.0
<b>Poland</b>	22.0	22.0	22.0	22.0	23.0	1.0
<b>Portugal</b>	17.0	20.0	20.0	21.0	23.0	3.0
<b>Romania</b>	19.0	19.0	19.0	24.0	24.0	5.0
<b>Slovenia</b>	19.0	20.0	20.0	20.0	20.0	0.0
<b>Slovakia</b>	23.0	19.0	19.0	19.0	20.0	1.0
<b>Finland</b>	22.0	22.0	22.0	23.0	23.0	1.0
<b>Sweden</b>	25.0	25.0	25.0	25.0	25.0	0.0
<b>United Kingdom</b>	17.5	17.5	15.0	17.5	20.0	2.5

\* 2011 VAT rates refer to rates applicable in May 2011

\*\* Arithmetic average

## Highest top tax rate on personal income in Sweden, Belgium and the Netherlands

The average top personal income tax rate<sup>5</sup> in the **EU27** fell in 2011, largely due to a 20 percentage point drop in **Hungary**. The highest top rates on 2011 personal income are found in **Sweden** (56.4%), **Belgium** (53.7%), the **Netherlands** (52.0%), **Denmark** (51.5%), **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** continued their declining trend in 2011. The highest statutory tax rates<sup>6</sup> on 2011 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%).

### Top statutory income tax rates, %

	Tax on personal income				Tax on corporate income			
	2000	2010	2011	Difference 2000-2011	2000	2010	2011	Difference 2000-2011
<b>EU27*</b>	<b>44.7</b>	<b>37.6</b>	<b>37.1</b>	<b>-7.6</b>	<b>31.9</b>	<b>23.3</b>	<b>23.2</b>	<b>-8.7</b>
<b>EA17*</b>	<b>47.1</b>	<b>41.4</b>	<b>41.8</b>	<b>-5.3</b>	<b>34.4</b>	<b>25.6</b>	<b>25.5</b>	<b>-8.9</b>
<b>Belgium</b>	60.6	53.7	53.7	-6.9	40.2	34.0	34.0	-6.2
<b>Bulgaria</b>	40.0	10.0	10.0	-30.0	32.5	10.0	10.0	-22.5
<b>Czech Republic</b>	32.0	15.0	15.0	-17.0	31.0	19.0	19.0	-12.0
<b>Denmark</b>	59.7	51.5	51.5	-8.2	32.0	25.0	25.0	-7.0
<b>Germany</b>	53.8	47.5	47.5	-6.3	51.6	29.8	29.8	-21.8
<b>Estonia</b>	26.0	21.0	21.0	-5.0	26.0	21.0	21.0	-5.0
<b>Ireland</b>	44.0	41.0	41.0	-3.0	24.0	12.5	12.5	-11.5
<b>Greece</b>	45.0	45.0	45.0	0.0	40.0	24.0	23.0	-17.0
<b>Spain</b>	48.0	43.0	45.0	-3.0	35.0	30.0	30.0	-5.0
<b>France</b>	59.0	45.8	46.7	-12.3	37.8	34.4	34.4	-3.4
<b>Italy</b>	45.9	45.2	45.6	-0.3	41.3	31.4	31.4	-9.9
<b>Cyprus</b>	40.0	30.0	30.0	-10.0	29.0	10.0	10.0	-19.0
<b>Latvia</b>	25.0	26.0	25.0	0.0	25.0	15.0	15.0	-10.0
<b>Lithuania</b>	33.0	15.0	15.0	-18.0	24.0	15.0	15.0	-9.0
<b>Luxembourg</b>	47.2	39.0	42.1	-5.0	37.5	28.6	28.8	-8.7
<b>Hungary</b>	44.0	40.6	20.3	-23.7	19.6	20.6	20.6	1.0
<b>Malta</b>	35.0	35.0	35.0	0.0	35.0	35.0	35.0	0.0
<b>Netherlands</b>	60.0	52.0	52.0	-8.0	35.0	25.5	25.0	-10.0
<b>Austria</b>	50.0	50.0	50.0	0.0	34.0	25.0	25.0	-9.0
<b>Poland</b>	40.0	32.0	32.0	-8.0	30.0	19.0	19.0	-11.0
<b>Portugal</b>	40.0	45.9	46.5	6.5	35.2	29.0	29.0	-6.2
<b>Romania</b>	40.0	16.0	16.0	-24.0	25.0	16.0	16.0	-9.0
<b>Slovenia</b>	50.0	41.0	41.0	-9.0	25.0	20.0	20.0	-5.0
<b>Slovakia</b>	42.0	19.0	19.0	-23.0	29.0	19.0	19.0	-10.0
<b>Finland</b>	54.0	49.0	49.2	-4.8	29.0	26.0	26.0	-3.0
<b>Sweden</b>	51.5	56.4	56.4	4.9	28.0	26.3	26.3	-1.7
<b>United Kingdom</b>	40.0	50.0	50.0	10.0	30.0	28.0	27.0	-3.0
<b>Norway</b>	47.5	40.0	40.0	-7.5	28.0	28.0	28.0	0.0
<b>Iceland</b>	:	46.1	46.1	:	30.0	18.0	20.0	-10.0

\* Arithmetic average

: Data not available

## Highest implicit tax rates on labour in Italy, on consumption and capital 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<sup>7</sup> on labour, a broad measure of the average tax burden falling on work income, was down in the **EU27** at 32.9% of the potential tax base in 2009 compared with 33.8% in 2008, continuing the decline from 35.7% in 2000. Among the Member States, the implicit tax rate on labour ranged in 2009 from 20.2% in **Malta**, 23.1% in **Portugal**, 24.3% in **Romania** and 25.1% in the **United Kingdom**, to 42.6% in **Italy**, 41.5% in **Belgium**, 41.1% in **France** and 41.0% in **Hungary**.

The average implicit tax rate on consumption in the **EU27**, which had risen between 2001 and 2007, dropped to 20.9% in 2009 from 21.4% in 2008. In 2009, implicit tax rates on consumption were lowest in **Spain** (12.3%), **Greece** (14.0%), **Portugal** (16.2%) and **Italy** (16.3%), and highest in **Denmark** (31.5%), **Hungary** (28.2%), **Estonia** and **Sweden** (both 27.6%).

In the **EU27**, the average implicit tax rate on capital for the Member States for which data are available was 24.7% in 2009 compared with 25.2% in 2008. The lowest implicit tax rates on capital were recorded in **Latvia** (10.3%), **Lithuania** (10.9%) and **Estonia** (14.0%), and the highest in **Denmark** (43.8%), **Italy** (39.1%) and the **United Kingdom** (38.9%).

### Tax revenue and implicit tax rates by type of economic activity

	Tax revenue, % of GDP			Implicit tax rate* on:								
				Labour			Consumption			Capital		
	2000	2008	2009	2000	2008	2009	2000	2008	2009	2000	2008	2009
<b>EU27**</b>	<b>40.5</b>	<b>39.3</b>	<b>38.4</b>	<b>35.7</b>	<b>33.8</b>	<b>32.9</b>	<b>20.8</b>	<b>21.4</b>	<b>20.9</b>	<b>25.0</b>	<b>25.3</b>	<b>24.6</b>
<b>EA17**</b>	<b>41.1</b>	<b>39.7</b>	<b>39.1</b>	<b>34.5</b>	<b>34.0</b>	<b>33.5</b>	<b>20.4</b>	<b>20.7</b>	<b>20.4</b>	<b>25.1</b>	<b>25.2</b>	<b>24.7</b>
<b>Belgium</b>	45.2	44.4	43.5	43.6	42.5	41.5	21.8	21.2	20.9	29.6	32.6	30.9
<b>Bulgaria</b>	31.5	32.3	28.9	38.1	27.4	25.5	18.5	24.9	21.4	:	:	:
<b>Czech Republic</b>	33.8	35.5	34.5	40.7	39.2	36.4	19.4	21.1	21.6	20.9	19.8	19.3
<b>Denmark</b>	49.4	48.1	48.1	41.0	36.2	35.0	33.4	32.6	31.5	36.0	43.4	43.8
<b>Germany</b>	41.9	39.4	39.7	40.7	39.2	38.8	18.9	19.7	19.8	28.4	23.0	22.1
<b>Estonia</b>	31.0	32.1	35.9	37.8	33.7	35.0	19.5	21.1	27.6	6.0	10.5	14.0
<b>Ireland</b>	31.5	29.7	28.2	28.5	25.3	25.5	25.5	23.3	21.6	:	16.3	14.9
<b>Greece</b>	34.6	31.7	30.3	34.5	32.2	29.7	16.5	14.8	14.0	19.9	:	:
<b>Spain</b>	33.9	33.2	30.4	30.5	33.1	31.8	15.7	14.1	12.3	29.9	31.7	27.2
<b>France</b>	44.1	42.9	41.6	42.0	41.5	41.1	20.9	19.1	18.5	38.4	38.1	35.6
<b>Italy</b>	41.8	42.9	43.1	42.2	43.0	42.6	17.9	16.5	16.3	29.5	35.6	39.1
<b>Cyprus</b>	30.0	39.1	35.1	21.5	24.7	26.1	12.7	20.8	17.9	:	:	:
<b>Latvia</b>	29.5	29.1	26.6	36.6	28.5	28.7	18.7	17.4	16.9	11.2	17.0	10.3
<b>Lithuania</b>	30.1	30.2	29.3	41.2	32.7	33.1	17.9	17.6	16.5	7.2	12.7	10.9
<b>Luxembourg</b>	39.1	35.3	37.1	29.9	31.7	31.7	23.0	27.3	27.3	:	:	:
<b>Hungary</b>	39.0	40.0	39.5	41.4	42.1	41.0	27.5	26.6	28.2	17.1	18.6	18.8
<b>Malta</b>	28.2	33.9	34.2	20.6	19.6	20.2	15.9	19.3	19.5	:	:	:
<b>Netherlands</b>	39.9	39.1	38.2	34.5	36.2	35.5	23.8	26.9	26.2	20.7	16.6	15.4
<b>Austria</b>	43.2	42.6	42.7	40.1	41.3	40.3	22.1	21.6	21.7	27.7	26.5	27.0
<b>Poland</b>	32.6	34.3	31.8	33.5	32.6	30.7	17.8	21.1	19.0	20.5	22.8	20.5
<b>Portugal</b>	31.1	32.8	31.0	22.3	23.3	23.1	18.2	18.0	16.2	31.3	37.5	33.8
<b>Romania</b>	30.2	28.0	27.0	33.5	27.3	24.3	17.0	17.7	16.9	:	:	:
<b>Slovenia</b>	37.5	37.2	37.6	37.7	35.9	34.9	23.5	23.9	24.2	15.7	21.7	21.0
<b>Slovakia</b>	34.1	29.2	28.8	36.3	33.1	31.2	21.7	18.7	17.3	22.9	16.9	17.1
<b>Finland</b>	47.2	43.1	43.1	44.0	41.4	40.4	28.5	26.0	25.7	36.4	28.0	29.9
<b>Sweden</b>	51.5	46.5	46.9	46.8	41.2	39.4	26.3	27.8	27.6	42.8	26.2	33.5
<b>United Kingdom</b>	36.7	37.5	34.9	25.6	26.4	25.1	18.9	17.5	16.8	44.0	44.7	38.9
<b>Norway</b>	42.6	43.0	41.4	38.3	37.1	37.6	31.2	29.4	28.9	41.1	43.6	37.8
<b>Iceland</b>	37.1	36.7	33.7	:	:	:	27.1	26.2	24.3	:	:	:

\* 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.

: 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 26/2011, "**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 (EA17)**: Belgium, Germany, Estonia, 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 and News Release are based on data available on 1 February 2011. The publication 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://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/publications/other_publications)  
<http://ec.europa.eu/taxtrends>
4. **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.
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. **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.

Issued by:  
**Eurostat Press Office**

**Louise CORSELLI-NORDBLAD**  
Tel: +352-4301-33 444  
[eurostat-pressoffice@ec.europa.eu](mailto:eurostat-pressoffice@ec.europa.eu)

For further information:

**Laura WAHRIG**  
Tel: +352-4301-37 687  
[laura.wahrig@ec.europa.eu](mailto:laura.wahrig@ec.europa.eu)

**Marco FANTINI**  
Tel: +32-2-296-94 27  
[taxud-structures@ec.europa.eu](mailto:taxud-structures@ec.europa.eu)

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