

## Taxation in the EU25

# Tax burden in 2003 ranged from 29% of GDP in Lithuania and Latvia to 51% in Sweden

Overall tax burden of 41.5% in the EU25

In 2003, the overall tax burden<sup>1</sup> (i.e. the total amount of taxes and social security contributions) in the **EU25**<sup>2</sup> stood at 41.5% of GDP, compared with 41.3% in 2002. After an increase from 42.4% in 1998 to 42.9% in 1999, the tax-to-GDP ratio declined steadily from 1999 to 2002. In all ten new Member States, the tax-to-GDP ratio was lower in 2003 than the **EU15** average (41.8%).

Among the Member States there were substantial differences in the total tax burden. In 2003 **Sweden** (51.4%) recorded the highest tax-to-GDP ratio, followed by **Denmark** (49.8%), **Belgium** (48.1%), **France** (45.7%) and **Finland** (45.1%). The lowest ratios were observed in **Lithuania** (28.7%), **Latvia** (29.1%), **Slovakia** (30.9%), **Ireland** (31.2%) and **Estonia** (33.4%).

In 2003 as compared with 2002, the tax burden rose in seventeen Member States, fell in seven and remained stable in **Germany**. The highest increases in the tax-to-GDP ratio were recorded in **Cyprus** (from 32.5% to 34.3%), **Ireland** (from 29.8% to 31.2%) and **Estonia** (from 32.4% to 33.4%). The largest reductions were observed in **Slovakia** (from 32.5% to 30.9%), **Greece** (from 39.8% to 38.6%), and **Finland** (from 46.1% to 45.1%).

These figures come from a publication<sup>3</sup> issued today by **Eurostat, the Statistical Office of the European Communities**. This report gives additional information on the evolution of the tax burden in the EU and the Member States between 1995 and 2003, and on the breakdown of tax revenue across Member States by main tax category.

### Variation in structure of taxation between Member States

Looking at the different types of taxes<sup>4</sup> reveals significant differences in the structure of taxation systems between the Member States. In 2003, **Poland** (19.7%), **Slovenia** (20.8%) and **Slovakia** (23.2%) recorded the lowest shares of direct taxes in the total tax burden, compared to the **EU25** average of 31.6%. On the other hand, **Denmark** (59.6%), the **United Kingdom** (42.0%) and **Finland** (41.0%) had the highest shares of direct taxes.

With regard to indirect taxes, **Cyprus** (49.4%), **Hungary** (42.3%) and **Portugal** (41.9%) recorded the highest shares compared to the **EU25** average of 33.8%, while **Belgium** (28.8%), **Germany** (29.7%) and the **Czech Republic** (31.4%) registered the lowest shares.

Regarding social contributions, the largest shares were observed in **Germany** (44.4%), the **Czech Republic** (41.6%) and **France** (40.2%) compared to the average of 34.5% for the **EU25**, whereas **Denmark** (5.4%), **Ireland** (19.1%) and the **United Kingdom** (21.0%) recorded the lowest shares of social security contributions. **Denmark's** social security system is, in fact, almost exclusively financed by general taxation.

## Tax burden and structure of taxes

	Total taxes			Indirect taxes		Direct taxes		Social security contributions	
	as % of GDP			as % of total tax burden					
	1995	2002	2003	2000	2003	2000	2003	2000	2003
EU25	:	41.3	41.5	33.4	33.8	33.4	31.6	33.2	34.5
EU15	42.0	41.6	41.8	33.3	33.4	33.7	32.2	33.0	34.4
Euro-zone	42.5	42.1	42.2	32.5	32.8	30.4	29.0	37.1	38.2
BE	47.1	48.7	48.1	29.2	28.8	37.3	36.5	33.5	34.6
CZ	36.2	35.5	36.2	33.4	31.4	24.4	27.0	42.2	41.6
DK	50.1	49.7	49.8	34.5	34.9	59.2	59.6	6.3	5.4
DE	42.3	41.7	41.7	28.9	29.7	28.7	25.9	42.4	44.4
EE	37.9	32.4	33.4	39.6	39.3	25.1	26.1	35.3	34.5
EL	34.7	39.8	38.6	38.6	37.2	27.4	23.3	34.0	39.5
ES	34.3	36.3	36.5	33.7	33.7	29.9	29.6	36.4	36.7
FR	45.4	45.6	45.7	34.3	34.1	27.2	25.8	38.5	40.2
IE	35.2	29.8	31.2	41.7	41.4	41.1	39.5	17.1	19.1
IT	42.9	42.4	43.2	36.0	34.2	34.4	35.3	29.5	30.5
CY	:	32.5	34.3	41.4	49.4	36.9	29.4	21.7	21.2
LV	33.7	28.9	29.1	38.7	39.4	27.5	29.1	33.8	31.5
LT	28.6	28.6	28.7	41.1	41.5	28.0	28.2	30.9	30.3
LU	43.6	42.1	42.3	35.4	32.9	37.6	37.7	26.9	29.4
HU	43.6	38.9	39.2	41.3	42.3	25.2	25.0	33.5	32.7
MT	31.3	34.3	34.2	42.8	40.8	31.3	35.5	25.9	23.8
NL	40.5	39.4	39.3	31.3	33.8	30.1	29.3	38.6	36.9
AT	43.6	45.4	44.8	33.7	33.7	29.2	29.9	37.1	36.4
PL	39.4	35.5	35.8	40.9	41.8	20.4	19.7	38.7	38.5
PT	34.5	37.4	38.1	40.4	41.9	28.1	24.6	31.6	33.5
SI	41.1	39.7	40.3	41.9	41.6	19.5	20.8	38.6	37.6
SK	40.6	32.5	30.9	37.8	36.9	22.1	23.2	40.1	39.8
FI	46.7	46.1	45.1	29.3	31.9	45.1	41.0	25.6	27.1
SE	50.2	51.0	51.4	31.0	34.0	41.4	36.4	27.7	29.6
UK	36.7	37.0	37.1	37.0	36.9	43.7	42.0	19.4	21.0

: Data not available

1. The tax-to-GDP ratio measures the **overall tax burden** as the total amount of taxes and social security contributions as a percentage of GDP. This indicator is widely used to measure the overall tax burden but includes the taxes that are raised on social transfers. Because social transfer recipients often receive directly a net payment, they do not feel the burden of paying taxes.
2. **EU25**: Belgium (BE), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Greece (EL), Spain (ES), France (FR), Ireland (IE), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK).
3. **Eurostat**, Statistics in Focus, Economy and Finance, 3/2005, "**Tax revenue in EU Member States: Trend, level and structure 1995-2003**". The publication is available free of charge in PDF format on the Eurostat website.
4. **Tax revenues** received by the General Government are defined as taxes on production and imports, current taxes on income and wealth, capital taxes and actual and imputed social contributions. The different **types of taxes** comprise:  
*Indirect taxes*, linked to production and imports. They include compulsory levies on producer units, value added tax, import duties, excises and other specific taxes on services (transport, insurances), on financial and capital transaction and other taxes on production.  
*Direct taxes*, on income and wealth, include personal and corporate income taxes as well as capital taxes.  
*Social contributions* comprise employers' and employees' actual and imputed social contributions, self-employed and non-employed social contributions.

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Eurostat Press Office

Philippe BAUTIER  
BECH Building  
L-2920 Luxembourg

Tel: +352-4301-33 444  
Fax: +352-4301-35 349  
[eurostat-pressoffice@cec.eu.int](mailto:eurostat-pressoffice@cec.eu.int)

For further information:

Lena FREJ-OHLSSON  
Tel: +352-4301-35 161  
Fax: +352-4301-32 929  
[lena.frej-ohlsson@cec.eu.int](mailto:lena.frej-ohlsson@cec.eu.int)

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