## **TABLE OF CONTENTS**

| Preface   | 3         |
|---|-----------|
| Executive summary   | 5         |
| List of tables  | 14        |
| List of tables in Annex A   | 15        |
| List of graphs  | 17        |
| Glossary  | 19        |
| Introduction  | 21        |
| PART I OVERVIEW OF TAXATION IN THE EU   |           |
| 1. Overall tax burden   | 25        |
| 2. Revenue structure by type of tax   | 31        |
| 3. Revenue structure by level of government   | 36        |
| PART II TAXATION ACCORDING TO ECONOMIC FUNCTIONS  |           |
| Introduction  | 43        |
| Distribution of the tax burden according to economic function                                 | 45        |
| 1.1. Coverage and data issues   | 47        |
| 1.2. Distribution of taxation by function   | 47        |
| 2. Trends in the implicit tax rate on Consumption   | 57        |
| 2.1. Tax burden on consumption increasing   | 59        |
| 2.2. Implicit tax rate on consumption in the EU-27: 2005 level                                | 61        |
| 2.3. VAT component of the ITR on consumption  | 63        |
| 2.4. Excise component of the ITR on consumption   | 66        |
| 3. Trends in the Implicit tax rate on labour  | 69        |
| 3.1. Up to late 1990s, very strong long-run increase in labour taxation                       | 71        |
| 3.2. Since beginning of this decade, slow decline from peaks                                  | 72        |
| 3.3. Diverse development across Member States   | 73        |
| 3.4. Implicit tax rate on labour in the EU-27: large differences in levels                    | 73        |
| 3.5. Decomposition of the implicit tax rate on labour - high impact of social security contri | butions74 |
| 3.6. A comparison with tax wedges computed for example household types                        | 76        |
| 4. Trends in the implicit tax rate on capital   | 89        |
| 4.1. Introduction   | 91        |
| 4.2. Implicit tax rates on capital: long-term trends  | 93        |
| 4.3. Implicit tax rates on capital: sharp differences in levels                               | 96        |
| 4.4. Driving forces behind changes of the ITR on capital                                      | 97        |
| 4.5. Splitting the ITR on capital income between corporations and households                  | 100       |
| 4.6. Decomposition of the ITR changes by numerator and denominator                            | 104       |
| 5. Trends in environmental taxes  | 107       |
| 5.1. Revenue development and structure  | 109       |
| 5.2. The implicit tax rate on energy; properties and trends                                   | 112       |
| 5.3. Have green tax reforms had any visible impact on the energy intensity of GDP?            | 115       |



## PART III DEVELOPMENTS IN THE MEMBER STATES

|    | Austria  | 118 |
|----|--|-----|
|    | Belgium  | 122 |
|    | Bulgaria   | 126 |
|    | Cyprus   | 130 |
|    | Czech Republic                                       | 134 |
|    | Denmark  | 138 |
|    | Estonia  | 142 |
|    | Finland  | 146 |
|    | France   | 150 |
|    | Germany  | 154 |
|    | Greece   | 158 |
|    | Hungary  | 162 |
|    | Ireland  | 166 |
|    | Italy  | 170 |
|    | Latvia   | 174 |
|    | Lithuania  | 178 |
|    | Luxembourg   | 182 |
|    | Malta  | 186 |
|    | Netherlands  | 190 |
|    | Poland   | 194 |
|    | Portugal   | 198 |
|    | Romania  | 202 |
|    | Slovakia   | 206 |
|    | Slovenia   | 210 |
|    | Spain  | 214 |
|    | Sweden   | 218 |
|    | United Kingdom                                       | 222 |
|    | Norway   | 226 |
| 31 | BLIOGRAPHY   | 231 |
| 1/ | NNEX A: TABLES                                       | 235 |
| 11 | NNEX B: LIST OF TAXES ACCORDING TO ECONOMIC FUNCTION | 315 |
|    | Austria  | 319 |
|    | Belgium  | 323 |
|    | Bulgaria   | 327 |
|    | Cyprus   | 329 |
|    | Czech Republic                                       | 333 |
|    | Denmark  | 335 |
|    | Estonia  | 339 |
|    | Finland  | 341 |
|    | France   | 343 |
|    | Germany  |     |
|    |  |     |



| Greece                                    | 000   |
|---|---|
| Hungary                                   | 355   |
| Ireland                                   | . 357   |
| Italy                                     | 359   |
| Latvia                                    | . 363   |
| Lithuania                                 | 365   |
| Luxembourg                                | . 367   |
| Malta                                     | . 371   |
| Netherlands                               | 373   |
| Poland                                    | 375   |
| Portugal                                  | . 377   |
| Romania                                   | . 379   |
| Slovakia                                  | 383   |
| Slovenia                                  | . 385   |
| Spain                                     | . 387   |
| Sweden                                    | . 389   |
| United Kingdom                            | . 393   |
| Norway                                    | 395   |
| INEX C: METHODOLOGY AND EXPLANATORY NOTES | 397   |
| Part A: Tax structure by tax type         | . 401   |
|   |   |
|   |   |
| Part D: Implicit tax rates                |   |
|   | Part A: Tax structure by tax type  Part B: Tax structure by level of government  Part C: Tax structure by economic function |



## **LIST OF TABLES**

| TABLE II-2.1    | IMPLICIT TAX RATES ON CONSUMPTION IN THE UNION   | 61  |
|-----------------|--|-----|
| TABLE II-2.2    | VAT RATES IN THE MEMBER STATES   | 66  |
| TABLE II-3.1    | IMPLICIT TAX RATES ON LABOUR IN THE UNION  | 73  |
| TABLE II-3.2    | TAX WEDGES FOR A SINGLE EXAMPLE WORKER AT 2/3 OF AVERAGE EARNINGS                      | 78  |
| TABLE II-4.1    | ADJUSTED TOP STATUTORY TAX RATE ON CORPORATE INCOME                                    | 92  |
| TABLE II-4.2    | IMPLICIT TAX RATE ON CAPITAL   | 95  |
| TABLE II-4.3    | IMPLICIT TAX RATE ON CAPITAL AND BUSINESS INCOME IN THE EUROPEAN UNION                 | 99  |
| TABLE II-4.4    | ITR ON CORPORATE AND ON HOUSEHOLD CAPITAL INCOME                                       | 104 |
| TABLE II-5.1    | ENVIRONMENTAL TAX REVENUES   | 110 |
| TABLE II-5.2    | ENERGY TAX REVENUES IN RELATION TO FINAL ENERGY CONSUMPTION (NOMINAL ITR)              | 114 |
| TABLE II-5.3    | ENERGY TAX REVENUES IN RELATION TO FINAL ENERGY CONSUMPTION (REAL ITR)                 | 115 |
| TABLE ANNEX C.1 | SHARE OF DIFFERENT CATEGORIES OF INTERNAL DEMAND IN THE TOTAL TAXABLE VAT-BASE (EU-15) | 417 |
| TABLE ANNEX C.2 | ITALIAN METHOD   | 441 |
| TABLE ANNEX C.3 | ESTIMATES FOR THE SPLIT OF THE PERSONAL INCOME TAX                                     | 444 |
| TABLE ANNEX C.4 | ESTIMATES FOR THE SPLIT OF THE PERSONAL INCOME TAX                                     | 445 |
| TABLE ANNEX C.5 | ESTIMATES FOR THE SPLIT OF THE PERSONAL INCOME TAX                                     | 446 |
| TARLE ANNEX C.6 | ESTIMATES FOR THE SPLIT OF THE PERSONAL INCOME TAY                                     | 447 |



## **LIST OF TABLES IN ANNEX A**

| TABLE TOT_G:     | TOTAL TAXES (INCL. SSC) AS % OF GDP  | 237 |
|------------------|--|-----|
| TABLE A.1_G:     | INDIRECT TAXES AS % OF GDP: TOTAL  | 238 |
| TABLE A.1_T:     | INDIRECT TAXES AS % OF TOTAL TAXATION: TOTAL   | 239 |
| TABLE A.1.1_G:   | INDIRECT TAXES AS % OF GDP: VAT  | 240 |
| TABLE A.1.1_T:   | INDIRECT TAXES AS % OF TOTAL TAXATION: VAT   | 241 |
| TABLE A.1.2_G:   | INDIRECT TAXES AS % OF GDP: EXCISE DUTIES AND CONSUMPTION TAXES                      | 242 |
| TABLE A.1.2_T:   | INDIRECT TAXES AS % OF TOTAL TAXATION: EXCISE DUTIES AND CONSUMPTION TAXES .         | 243 |
| TABLE A.1.3_G:   | INDIRECT TAXES AS % OF GDP: OTHER TAXES ON PRODUCTS (INCL. IMPORT DUTIES)            | 244 |
| TABLE A.1.3_T:   | INDIRECT TAXES AS % OF TOTAL TAXATION: OTHER TAXES ON PRODUCTS (INCL. IMPORT DUTIES) | 245 |
| TABLE A.1.4_G:   | INDIRECT TAXES AS % OF GDP: OTHER TAXES ON PRODUCTION                                | 246 |
| TABLE A.1.4_T:   | INDIRECT TAXES AS % OF TOTAL TAXATION: OTHER TAXES ON PRODUCTION                     | 247 |
| TABLE A.2_G:     | DIRECT TAXES AS % OF GDP: TOTAL  | 248 |
| TABLE A.2_T:     | DIRECT TAXES AS % OF TOTAL TAXATION: TOTAL   | 249 |
| TABLE A.2.1_G:   | DIRECT TAXES AS % OF GDP: PERSONAL INCOME TAXES                                      | 250 |
| TABLE A.2.1_T:   | DIRECT TAXES AS % OF TOTAL TAXATION: PERSONAL INCOME TAXES                           | 251 |
| TABLE A.2.2_G:   | DIRECT TAXES AS % OF GDP: CORPORATE INCOME TAX                                       | 252 |
| TABLE A.2.2_T:   | DIRECT TAXES AS % OF TOTAL TAXATION: CORPORATE INCOME TAX                            | 253 |
| TABLE A.2.3_G:   | DIRECT TAXES AS % OF GDP: OTHER  | 254 |
| TABLE A.2.3_T:   | DIRECT TAXES AS % OF TOTAL TAXATION: OTHER   | 255 |
| TABLE A.3_G:     | SOCIAL CONTRIBUTIONS AS % OF GDP: TOTAL  | 256 |
| TABLE A.3_T:     | SOCIAL CONTRIBUTIONS AS % OF TOTAL TAXATION: TOTAL                                   | 257 |
| TABLE A.3.1_G:   | SOCIAL CONTRIBUTIONS AS % OF GDP: EMPLOYERS  | 258 |
| TABLE A.3.1_T:   | SOCIAL CONTRIBUTIONS AS % OF TOTAL TAXATION: EMPLOYERS                               | 259 |
| TABLE A.3.2_G:   | SOCIAL CONTRIBUTIONS AS % OF GDP: EMPLOYEES  | 260 |
| TABLE A.3.2_T:   | SOCIAL CONTRIBUTIONS AS % OF TOTAL TAXATION: EMPLOYEES                               | 261 |
| TABLE A.3.3_G:   | SOCIAL CONTRIBUTIONS AS % OF GDP: SELF- AND NON-EMPLOYED                             | 262 |
| TABLE A.3.3_T:   | SOCIAL CONTRIBUTIONS AS % OF TOTAL TAXATION: SELF- AND NON-EMPLOYED                  | 263 |
| TABLE B.1_G:     | TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: CENTRAL GOVERNMENT                         | 264 |
| TABLE B.1_T:     | TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: CENTRAL GOVERNMENT .            | 265 |
| TABLE B.2_G:     | TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: STATE GOVERNMENT                           | 266 |
| TABLE B.2_T:     | TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: STATE GOVERNMENT                | 267 |
| TABLE B.3_G:     | TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: LOCAL GOVERNMENT                           | 268 |
| TABLE B.3_T:     | TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: LOCAL GOVERNMENT                | 269 |
| TABLE B.4_G:     | TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: SOCIAL SECURITY FUNDS                      | 270 |
| TABLE B.4_T:     | TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: SOCIAL SECURITY FUNDS           | 271 |
| TABLE B.5_G:     | TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: EC INSTITUTIONS                            | 272 |
| TABLE B.5_T:     | TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: EC INSTITUTIONS                 | 273 |
| TABLE C.1_G:     | TAXES ON CONSUMPTION AS % OF GDP: TOTAL  | 274 |
| TABLE C.1_T:     | TAXES ON CONSUMPTION AS % OF TOTAL TAXATION: TOTAL                                   | 275 |
| TABLE C.2_G:     | TAXES ON LABOUR AS % OF GDP: TOTAL   | 276 |
| TABLE C.2_T:     | TAXES ON LABOUR AS % OF TOTAL TAXATION: TOTAL  | 277 |
| TABLE C.2.1_G:   | TAXES ON LABOUR AS % OF GDP: EMPLOYED  | 278 |
| TABLE C.2.1_T:   | TAXES ON LABOUR AS % OF TOTAL TAXATION: EMPLOYED                                     | 279 |
| TABLE C.2.1.1_G: | TAXES ON LABOUR AS % OF GDP: EMPLOYED PAID BY EMPLOYERS                              | 280 |
| TABLE C.2.1.1_T: | TAXES ON LABOUR AS % OF TOTAL TAXATION: EMPLOYED PAID BY EMPLOYERS                   | 281 |
| TABLE C.2.1.2 G: | TAXES ON LABOUR AS % OF GDP: EMPLOYED PAID BY EMPLOYEES                              | 282 |



| TABLE C.2.1.2_T: | TAXES ON LABOUR AS % OF TOTAL TAXATION: EMPLOYED PAID BY EMPLOYEES              | 283 |
|------------------|---|-----|
| TABLE C.2.2_G:   | TAXES ON LABOUR AS % OF GDP: NON-EMPLOYED                                       | 284 |
| TABLE C.2.2_T:   | TAXES ON LABOUR AS % OF TOTAL TAXATION: NON-EMPLOYED                            | 285 |
| TABLE C.3_G:     | TAXES ON CAPITAL AS % OF GDP: TOTAL   | 286 |
| TABLE C.3_T:     | TAXES ON CAPITAL AS % OF TOTAL TAXATION: TOTAL                                  | 287 |
| TABLE C.3.1_G:   | TAXES ON CAPITAL AS % OF GDP: CAPITAL AND BUSINESS INCOME                       | 288 |
| TABLE C.3.1_T:   | TAXES ON CAPITAL AS % OF TOTAL TAXATION: CAPITAL AND BUSINESS INCOME            | 289 |
| TABLE C.3.1.1_G: | TAXES ON CAPITAL AS % OF GDP: INCOME OF CORPORATIONS                            | 290 |
| TABLE C.3.1.1_T: | TAXES ON CAPITAL AS % OF TOTAL TAXATION: INCOME OF CORPORATIONS                 | 291 |
| TABLE C.3.1.2_G: | TAXES ON CAPITAL AS % OF GDP: INCOME OF HOUSEHOLDS                              | 292 |
| TABLE C.3.1.2_T: | TAXES ON CAPITAL AS % OF TOTAL TAXATION: INCOME OF HOUSEHOLDS                   | 293 |
| TABLE C.3.1.3_G: | TAXES ON CAPITAL AS % OF GDP: INCOME OF SELF-EMPLOYED                           | 294 |
| TABLE C.3.1.3_T: | TAXES ON CAPITAL AS % OF TOTAL TAXATION: INCOME OF SELF-EMPLOYED                | 295 |
| TABLE C.3.2_G:   | TAXES ON CAPITAL AS % OF GDP: STOCKS (WEALTH) OF CAPITAL                        | 296 |
| TABLE C.3.2_T:   | TAXES ON CAPITAL AS % OF TOTAL TAXATION: STOCKS (WEALTH) OF CAPITAL             | 297 |
| TABLE C.4_G:     | ENVIRONMENTAL TAXES AS % OF GDP: TOTAL  | 298 |
| TABLE C.4_T:     | ENVIRONMENTAL TAXES AS % OF TOTAL TAXATION: TOTAL                               | 299 |
| TABLE C.4.1_G:   | ENVIRONMENTAL TAXES AS % OF GDP: ENERGY   | 300 |
| TABLE C.4.1_T:   | ENVIRONMENTAL TAXES AS % OF TOTAL TAXATION: ENERGY                              | 301 |
| TABLE C.4.2_G:   | ENVIRONMENTAL TAXES AS % OF GDP: TRANSPORT                                      | 302 |
| TABLE C.4.2_T:   | ENVIRONMENTAL TAXES AS % OF TOTAL TAXATION: TRANSPORT                           | 303 |
| TABLE C.4.3_G:   | ENVIRONMENTAL TAXES AS % OF GDP: POLLUTION/RESOURCES                            | 304 |
| TABLE C.4.3_T:   | ENVIRONMENTAL TAXES AS % OF TOTAL TAXATION: POLLUTION/RESOURCES                 | 305 |
| TABLE D.1:       | IMPLICIT TAX RATES IN %: CONSUMPTION  | 306 |
| TABLE D.2:       | IMPLICIT TAX RATES IN %: LABOUR   | 307 |
| TABLE D.3:I      | MPLICIT TAX RATES IN %: CAPITAL   | 308 |
| TABLE D.3.1:I    | MPLICIT TAX RATES IN %: CAPITAL AND BUSINESS INCOME                             | 309 |
| TABLE D.3.1.1:   | IMPLICIT TAX RATES: CORPORATE INCOME  | 310 |
| TABLE D.3.1.2:   | IMPLICIT TAX RATES: CAPITAL AND BUSINESS INCOME OF HOUSEHOLDS AND SELF-EMPLOYED | 289 |
| TABLE D.4:       | IMPLICIT TAX RATES: ENERGY  | 311 |
| TABLE D.5:       | IMPLICIT TAX RATES, DEFLATED: ENERGY  | 312 |

