

TABLE OF CONTENTS

PREFACE	3
EXECUTIVE SUMMARY	5
TABLE OF CONTENTS.....	9
LIST OF BOXES.....	13
LIST OF TABLES.....	14
LIST OF TABLES IN ANNEXES.....	15
LIST OF GRAPHS	19
GLOSSARY	21
INTRODUCTION	23
PART I OVERVIEW OF TAXATION IN THE EU	25
1. TAX STRUCTURES AND RECENT DEVELOPMENTS IN THE ENLARGED UNION.....	25
1.1. TOTAL TAX BURDEN	25
1.2. TAX STRUCTURES	31
1.2.1. <i>By type of taxes</i>	31
1.2.2. <i>By levels of government</i>	37
PART II TAXATION ACCORDING TO ECONOMIC FUNCTIONS	41
1. DISTRIBUTION OF THE TAX BURDEN ACCORDING TO ECONOMIC FUNCTION.....	41
1.1. COVERAGE AND DATA ISSUES.....	41
1.2. DISTRIBUTION OF TAXATION BY FUNCTION	42
2. TRENDS IN THE IMPLICIT TAX RATE ON CONSUMPTION	53
3. TRENDS IN THE IMPLICIT TAX RATE ON LABOUR	57
3.1. IMPLICIT TAX RATE ON LABOUR IN THE EU-25: 2004 LEVEL	57
3.2. STABILISING OR EVEN DECREASING TAX BURDEN ON LABOUR IN RECENT YEARS	57
3.3. A COMPARISON WITH TAX WEDGES COMPUTED FOR EXAMPLE HOUSEHOLD TYPES.....	66
4. TRENDS IN ENVIRONMENTAL TAXES.....	70
4.1. DEVELOPMENT OF ENVIRONMENTAL TAX REVENUES	70
4.2. AN EFFECTIVE TAX BURDEN INDICATOR FOR ENERGY USE.....	72
4.3. HAVE GREEN TAX REFORMS HAD A VISIBLE IMPACT ON THE ENERGY INTENSITY OF GDP?	75
5. TRENDS IN THE IMPLICIT TAX RATE ON CAPITAL.....	81
5.1. PROPERTIES OF THE IMPLICIT TAX RATE ON CAPITAL.....	81
5.2. EU-WIDE TREND TOWARDS LOWER STATUTORY TAX RATES ON CAPITAL	82
5.3. IMPLICIT TAX RATES ON CAPITAL: LEVELS.....	84

5.4.	IMPLICIT TAX RATES ON CAPITAL: 1995-2004 TRENDS	86
5.5.	DRIVING FORCES BEHIND CHANGES OF THE ITR ON CAPITAL	87
5.6.	SPLITTING THE ITR ON CAPITAL INCOME BETWEEN CORPORATIONS AND HOUSEHOLDS	90
5.6.1.	<i>Cyclical factors affecting the development of capital ITR</i>	93
5.6.2.	<i>Structural factors affecting the development of capital ITR</i>	98
PART III	DEVELOPMENTS IN THE MEMBER STATES	101
AUSTRIA	102	
BELGIUM	106	
CYPRUS	110	
CZECH REPUBLIC	114	
DENMARK	118	
ESTONIA	122	
FINLAND	126	
FRANCE	130	
GERMANY	134	
GREECE	138	
HUNGARY	142	
IRELAND	146	
ITALY	150	
LATVIA	154	
LITHUANIA	158	
LUXEMBOURG	162	
MALTA	166	
NETHERLANDS	170	
POLAND	174	
PORUTGAL	178	
SLOVAKIA	182	
SLOVENIA	186	
SPAIN	190	

SWEDEN	194
UNITED KINGDOM	198
NORWAY	202
BIBLIOGRAPHY	207
ANNEXES	211
ANNEX A: TABLES	213
ANNEX B:	293
LISTS OF TAXES ACCORDING TO ECONOMIC FUNCTION	293
AUSTRIA	295
BELGIUM	299
CYPRUS	303
CZECH REPUBLIC	307
DENMARK	309
ESTONIA	313
FINLAND	315
FRANCE	317
GERMANY	325
GREECE	327
HUNGARY	329
IRELAND	331
ITALY	333
LATVIA	337
LITHUANIA	339
LUXEMBOURG	341
MALTA	345
NETHERLANDS	349
POLAND	351

PORUGAL	353
SLOVAKIA	355
SLOVENIA	357
SPAIN	359
SWEDEN	361
UNITED KINGDOM	365
NORWAY	367
ANNEX C: METHODOLOGY AND EXPLANATORY NOTES	369

LIST OF BOXES

BOX 1	OVERVIEW OF MAIN FISCAL MEASURES AFFECTING THE ITR ON LABOUR.....	61
BOX 2	CHANGES TO NATIONAL ACCOUNTS METHODOLOGY.....	370
BOX 3	INDICATORS ON GENERAL GOVERNMENT AND EUROPEAN UNION LEVIES	374
BOX 4	SCHEME OF ESA95 CLASSIFICATION OF TAXES AND SOCIAL CONTRIBUTIONS.....	375
BOX 5	DEFINITION OF TAXES ON CONSUMPTION.....	380
BOX 6	DEFINITION OF TAXES ON LABOUR	382
BOX 7	DEFINITION OF TAXES ON CAPITAL.....	383
BOX 8	DEFINITION OF TAXES ON THE INCOME OF CORPORATIONS.....	383
BOX 9	DEFINITION OF TAXES ON THE CAPITAL AND BUSINESS INCOME OF HOUSEHOLDS	384
BOX 10	CLASSIFICATION AND FEATURES OF ENVIRONMENTAL TAXES	385
BOX 11	DEFINITION OF THE IMPLICIT TAX RATE ON CONSUMPTION	387
BOX 12	DEFINITION OF THE IMPLICIT TAX RATE ON LABOUR.....	389
BOX 13	DEFINITION OF THE IMPLICIT TAX RATE ON CAPITAL (INCOME).....	392
BOX 14	DEFINITION OF THE IMPLICIT TAX RATE ON CORPORATE INCOME.....	393
BOX 15	DEFINITION OF THE IMPLICIT TAX RATE ON CAPITAL AND BUSINESS INCOME OF HOUSEHOLDS.....	394
BOX 16	BROAD DEFINITION OF THE SELECTED INCOME SOURCES	397
BOX 17	OVERVIEW OF METHODS TO ESTIMATE THE ALLOCATION OF THE PERSONAL INCOME TAX	400
BOX 18	MICRO VS. MACRO-DATA APPROACH.....	407

LIST OF TABLES

TABLE II-2.1	IMPLICIT TAX RATES ON CONSUMPTION IN THE UNION	55
TABLE II-3.1	IMPLICIT TAX RATES ON LABOUR IN THE UNION	58
TABLE II-3.2	TAX WEDGES FOR A SINGLE EXAMPLE WORKER AT 2/3 OF AVERAGE EARNINGS.....	67
TABLE II-4.1	ENERGY TAX REVENUES IN RELATION TO FINAL ENERGY CONSUMPTION (NOMINAL ITR ON ENERGY)	74
TABLE II-4.2	ENERGY TAX REVENUES IN RELATION TO FINAL ENERGY CONSUMPTION (REAL ITR ON ENERGY)	75
TABLE II-5.1	TOP STATUTORY TAX RATE ON CORPORATE INCOME	83
TABLE II-5.2	IMPLICIT TAX RATE ON CAPITAL IN THE EUROPEAN UNION	86
TABLE II-5.3	IMPLICIT TAX RATE ON CAPITAL AND BUSINESS INCOME IN THE EUROPEAN UNION	89
TABLE II-5.4	ELEMENTS OF THE DEVELOPMENT OF ITR ON CORPORATE INCOME	96
TABLE II-5.5	ELEMENTS OF THE DEVELOPMENT OF ITR ON CAPITAL INCOME OF HOUSEHOLDS	97

LIST OF TABLES IN ANNEXES

TABLE TOT_G:	TOTAL TAXES (INCL. SSC) AS % OF GDP	215
TABLE A.1_G:	INDIRECT TAXES AS % OF GDP: TOTAL	216
TABLE A.1_T:	INDIRECT TAXES AS % OF TOTAL TAXATION: TOTAL.....	217
TABLE A.1.1_G:	INDIRECT TAXES AS % OF GDP: VAT	218
TABLE A.1.1_T:	INDIRECT TAXES AS % OF TOTAL TAXATION: VAT.....	219
TABLE A.1.2_G:	INDIRECT TAXES AS % OF GDP: EXCISE DUTIES AND CONSUMPTION TAXES	220
TABLE A.1.2_T:	INDIRECT TAXES AS % OF TOTAL TAXATION: EXCISE DUTIES AND CONSUMPTION TAXES	221
TABLE A.1.3_G:	INDIRECT TAXES AS % OF GDP: OTHER TAXES ON PRODUCTS (INCL. IMPORT DUTIES)	222
TABLE A.1.3_T:	INDIRECT TAXES AS % OF TOTAL TAXATION: OTHER TAXES ON PRODUCTS (INCL. IMPORT DUTIES)	223
TABLE A.1.4_G:	INDIRECT TAXES AS % OF GDP: OTHER TAXES ON PRODUCTION	224
TABLE A.1.4_T:	INDIRECT TAXES AS % OF TOTAL TAXATION: OTHER TAXES ON PRODUCTION	225
TABLE A.2_G:	DIRECT TAXES AS % OF GDP: TOTAL.....	226
TABLE A.2_T:	DIRECT TAXES AS % OF TOTAL TAXATION: TOTAL	227
TABLE A.2.1_G:	DIRECT TAXES AS % OF GDP: PERSONAL INCOME TAXES.....	228
TABLE A.2.1_T:	DIRECT TAXES AS % OF TOTAL TAXATION: PERSONAL INCOME TAXES	229
TABLE A.2.2_G:	DIRECT TAXES AS % OF GDP: CORPORATE INCOME TAX	230
TABLE A.2.2_T:	DIRECT TAXES AS % OF TOTAL TAXATION: CORPORATE INCOME TAX	231
TABLE A.2.3_G:	DIRECT TAXES AS % OF GDP: OTHER	232
TABLE A.2.3_T:	DIRECT TAXES AS % OF TOTAL TAXATION: OTHER	233
TABLE A.3_G:	SOCIAL CONTRIBUTIONS AS % OF GDP: TOTAL	234
TABLE A.3_T:	SOCIAL CONTRIBUTIONS AS % OF TOTAL TAXATION: TOTAL.....	235
TABLE A.3.1_G:	SOCIAL CONTRIBUTIONS AS % OF GDP: EMPLOYERS.....	236

TABLE A.3.1_T:	SOCIAL CONTRIBUTIONS AS % OF TOTAL TAXATION: EMPLOYERS	237
TABLE A.3.2_G:	SOCIAL CONTRIBUTIONS AS % OF GDP: EMPLOYEES	238
TABLE A.3.2_T:	SOCIAL CONTRIBUTIONS AS % OF TOTAL TAXATION: EMPLOYEES	239
TABLE A.3.3_G:	SOCIAL CONTRIBUTIONS AS % OF GDP: SELF- AND NON-EMPLOYED.....	240
TABLE A.3.3_T:	SOCIAL CONTRIBUTIONS AS % OF TOTAL TAXATION: SELF- AND NON-EMPLOYED.....	241
TABLE B.1_G:	TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: CENTRAL GOVERNMENT	242
TABLE B.1_T:	TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: CENTRAL GOVERNMENT	243
TABLE B.2_G:	TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: STATE GOVERNMENT	244
TABLE B.2_T:	TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: STATE GOVERNMENT	245
TABLE B.3_G:	TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: LOCAL GOVERNMENT	246
TABLE B.3_T:	TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: LOCAL GOVERNMENT	247
TABLE B.4_G:	TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: SOCIAL SECURITY FUNDS.....	248
TABLE B.4_T:	TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: SOCIAL SECURITY FUNDS.....	249
TABLE B.5_G:	TAXES BY LEVEL OF GOVERNMENT AS % OF GDP: EC INSTITUTIONS	250
TABLE B.5_T:	TAXES BY LEVEL OF GOVERNMENT AS % OF TOTAL TAXATION: EC INSTITUTIONS	251
TABLE C.1_G:	TAXES ON CONSUMPTION AS % OF GDP: TOTAL	252
TABLE C.1_T:	TAXES ON CONSUMPTION AS % OF TOTAL TAXATION: TOTAL.....	253
TABLE C.2_G:	TAXES ON LABOUR AS % OF GDP: TOTAL.....	254
TABLE C.2_T:	TAXES ON LABOUR AS % OF TOTAL TAXATION: TOTAL	255
TABLE C.2.1_G:	TAXES ON LABOUR AS % OF GDP: EMPLOYED	256
TABLE C.2.1_T:	TAXES ON LABOUR AS % OF TOTAL TAXATION: EMPLOYED.....	257

TABLE C.2.1.1_G: TAXES ON LABOUR AS % OF GDP: EMPLOYED PAID BY EMPLOYERS	258
TABLE C.2.1.1_T: TAXES ON LABOUR AS % OF TOTAL TAXATION: EMPLOYED PAID BY EMPLOYERS	259
TABLE C.2.1.2_G: TAXES ON LABOUR AS % OF GDP: EMPLOYED PAID BY EMPLOYEES.....	260
TABLE C.2.1.2_T: TAXES ON LABOUR AS % OF TOTAL TAXATION: EMPLOYED PAID BY EMPLOYEES.....	261
TABLE C.2.2_G: TAXES ON LABOUR AS % OF GDP: NON-EMPLOYED	262
TABLE C.2.2_T: TAXES ON LABOUR AS % OF TOTAL TAXATION: NON-EMPLOYED.....	263
TABLE C.3_G: TAXES ON CAPITAL AS % OF GDP: TOTAL	264
TABLE C.3_T: TAXES ON CAPITAL AS % OF TOTAL TAXATION: TOTAL.....	265
TABLE C.3.1_G: TAXES ON CAPITAL AS % OF GDP: CAPITAL AND BUSINESS INCOME	266
TABLE C.3.1_T: TAXES ON CAPITAL AS % OF TOTAL TAXATION: CAPITAL AND BUSINESS INCOME	267
TABLE C.3.1.1_G: TAXES ON CAPITAL AS % OF GDP: INCOME OF CORPORATIONS	268
TABLE C.3.1.1_T: TAXES ON CAPITAL AS % OF TOTAL TAXATION: INCOME OF CORPORATIONS	269
TABLE C.3.1.2_G: TAXES ON CAPITAL AS % OF GDP: INCOME OF HOUSEHOLDS	270
TABLE C.3.1.2_T: TAXES ON CAPITAL AS % OF TOTAL TAXATION: INCOME OF HOUSEHOLDS	271
TABLE C.3.1.3_G: TAXES ON CAPITAL AS % OF GDP: INCOME OF SELF-EMPLOYED	272
TABLE C.3.1.3_T: TAXES ON CAPITAL AS % OF TOTAL TAXATION: INCOME OF SELF-EMPLOYED	273
TABLE C.3.2_G: TAXES ON CAPITAL AS % OF GDP: STOCKS (WEALTH) OF CAPITAL.....	274
TABLE C.3.2_T: TAXES ON CAPITAL AS % OF TOTAL TAXATION: STOCKS (WEALTH) OF CAPITAL.....	275
TABLE C.4_G: ENVIRONMENTAL TAXES AS % OF GDP: TOTAL	276
TABLE C.4_T: ENVIRONMENTAL TAXES AS % OF TOTAL TAXATION: TOTAL.....	277

TABLE C.4.1_G:	ENVIRONMENTAL TAXES AS % OF GDP: ENERGY	278
TABLE C.4.1_T:	ENVIRONMENTAL TAXES AS % OF TOTAL TAXATION: ENERGY.....	279
TABLE C.4.2_G:	ENVIRONMENTAL TAXES AS % OF GDP: TRANSPORT	280
TABLE C.4.2_T:	ENVIRONMENTAL TAXES AS % OF TOTAL TAXATION: TRANSPORT.....	281
TABLE C.4.3_G:	ENVIRONMENTAL TAXES AS % OF GDP: POLLUTION/RESOURCES	282
TABLE C.4.3_T:	ENVIRONMENTAL TAXES AS % OF TOTAL TAXATION: POLLUTION/RESOURCES	283
TABLE D.1:	IMPLICIT TAX RATES IN %: CONSUMPTION	284
TABLE D.2:	IMPLICIT TAX RATES IN %: LABOUR	285
TABLE D.3:	IMPLICIT TAX RATES IN %: CAPITAL	286
TABLE D.3.1:	IMPLICIT TAX RATES IN %: CAPITAL AND BUSINESS INCOME	287
TABLE D.3.1.1:	IMPLICIT TAX RATES: CORPORATE INCOME	288
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	290
TABLE D.5:	IMPLICIT TAX RATES, DEFLATED: ENERGY	291
TABLE E.1-4:	ESTIMATES FOR THE SPLIT OF THE PERSONAL INCOME TAX	414

LIST OF GRAPHS

GRAPH I-1	TAX TO GDP RATIO IN EU COUNTRIES, THE US, JAPAN, AND NORWAY	26
GRAPH I-2	LEVEL IN 1995 AND CHANGE OF TAX-TO-GDP RATIO ¹⁾ UNTIL 2004.....	28
GRAPH I-3	STRUCTURE OF TAX REVENUES BY MAJOR TYPE OF TAXES	31
GRAPH I-4	TOP STATUTORY PERSONAL INCOME TAX RATE	32
GRAPH I-5	ADJUSTED TOP STATUTORY TAX RATE ON CORPORATE INCOME	32
GRAPH I-6	DEVELOPMENT OF ADJUSTED TOP STATUTORY TAX RATE ON CORPORATE INCOME	35
GRAPH I-7	EVOLUTION BY MAJOR TYPE OF TAXES	36
GRAPH I-8	CLASSIFICATION OF TAX REVENUES BY ULTIMATELY RECEIVING LEVEL OF GOVERNMENT	39
GRAPH I-9	SHARES OF AGGREGATE TAX REVENUE ULTIMATELY RECEIVED BY SUB- CENTRAL GOVERNMENTS.....	39
GRAPH II-1.1	DISTRIBUTION OF THE TOTAL TAX BURDEN ACCORDING TO ECONOMIC FUNCTION	44
GRAPH II-1.2	RELATIVE CONTRIBUTION OF TAXES ON LABOUR, CAPITAL AND CONSUMPTION (IN % OF GDP) TO THE CHANGE IN THE TOTAL TAX-TO-GDP RATIO, BY COUNTRY	45
GRAPH II-1.3	DEVELOPMENT OF IMPLICIT TAX RATES FOR THE EU AVERAGE.....	46
GRAPH II-1.4	DEVELOPMENT OF IMPLICIT TAX RATES FOR THE MEMBER STATES	47
GRAPH II-2.1	TREND DEVELOPMENTS IN THE OLD AND NEW MEMBER STATES.....	53
GRAPH II-2.2	IMPLICIT TAX RATES ON CONSUMPTION IN THE EUROPEAN UNION.....	55
GRAPH II-3.1	DECOMPOSITION OF THE IMPLICIT TAX RATE ON LABOUR.....	59
GRAPH II-3.2	PAIR-WISE COMPARISONS BETWEEN MACRO AND MICRO INDICATORS	68
GRAPH II-3.3	TIME TREND MICRO AND MACRO INDICATORS IN THE UNION	69
GRAPH II-4.1	ENVIRONMENTAL TAX REVENUES BY MEMBER STATE AND TYPE OF TAX.....	71
GRAPH II-4.2	EVOLUTION OF THE STRUCTURE OF ENVIRONMENTAL TAXES.....	72
GRAPH II-4.3	EVOLUTION OF ENERGY EFFICIENCY, ITR ON ENERGY AND ON LABOUR IN THE EU-25.....	76

GRAPH II-4.4 EVOLUTION OF ENERGY EFFICIENCY, ITR ON ENERGY AND ON LABOUR BY MEMBER STATE.....	76
GRAPH II-5.1 IMPLICIT TAX RATE ON CAPITAL.....	85
GRAPH II-5.2 DECOMPOSITION OF THE ITR ON CAPITAL.....	88
GRAPH II-5.3 ITR ON CORPORATE INCOME AND ON CAPITAL INCOME OF HOUSEHOLDS	92
GRAPH II-5.4 DEVELOPMENT OF ITRS ON CAPITAL INCOME FOR CORPORATIONS AND HOUSEHOLDS	92
GRAPH II-5.5 ITR CAPITAL AND OUTPUT GAP.....	95
GRAPH II-5.6 COMPOSITION OF THE DENOMINATOR OF ITR ON CAPITAL AND BUSINESS INCOME	98