

Tax revenue is typically the major source of government revenue. In national accounts, taxes are defined as compulsory, unrequited payments levied by general government - or in a few cases by the EU institutions. Tax revenue includes taxes on production and imports, current taxes on income, wealth, etc., capital taxes and social contributions.

Overview and definition

Total tax revenue is an aggregate comprising:

- **taxes on production and imports**, such as [value added tax \(VAT\)](#), import duties, excise duties and consumption taxes, stamp taxes, payroll taxes, taxes on pollution, and others;
- **current taxes on income, wealth, etc.**, such as corporate and personal income taxes, taxes on holding gains, payments by households for licences to own or use cars, hunt or fish, current taxes on capital that are paid periodically, and others;
- **capital taxes**, such as inheritance taxes, death duties and taxes on gifts and capital levies that are occasional or exceptional;
- **actual social contributions** paid on a compulsory or voluntary basis by employers or [employees](#) or the [self-](#) or non-employed to insure against social risks (sickness, invalidity, disability, old age, survivors, family and maternity);
- **imputed (or implicit) social contributions** payable under unfunded social insurance schemes (in which employers pay social benefits to their employees, ex-employees or their dependants out of their own resources without creating special reserve for the purpose).
- households' social contribution supplements less social insurance scheme service charges.

The calculation of total tax revenue must be reduced by the amount of **taxes and social contributions assessed as unlikely to be collected**.

Taxes may be classified as indirect taxes, such as taxes on production and imports, and direct taxes, such as taxes on income and wealth and capital gains tax, according to the [European system of national and regional accounts](#).

Time of recording

According to ESA2010, taxes and social contributions should be recorded on an accrual basis. ESA2010 details the rules to be followed on the [time of recording](#) and the amounts to be recorded. Two methods can be used:

- 'time-adjusted' cash – the cash is attributed when the activity took place to generate the tax liability or when the amount of taxes was determined in the case of some income taxes. This adjustment may be based on the average time difference between the activity and cash receipt;
- a method based on declarations and assessments. In this case, an adjustment needs to be made for amounts assessed or declared but unlikely to be collected. These amounts have to be eliminated from government revenue, either by using a tax-specific coefficient based on past experience and future expectations or by recording a capital transfer for the same adjustment (ESA2010 code D.995) to the relevant sectors.

ESA2010 classifications and codes

D.2: TAXES ON PRODUCTION AND IMPORTS

- D.21: Taxes on products
- D.211: Value added type taxes (VAT)
- D.212: Taxes and duties on imports excluding VAT
- D.214: Taxes on products, except VAT and import taxes
- D.29: Other taxes on production
- D.5: CURRENT TAXES ON INCOME, WEALTH, ETC.
- D.51: Taxes on income
- D.59: Other current taxes
- D.91: Capital Taxes
- D.61: NET SOCIAL CONTRIBUTIONS
- D.611: Employers' social contributions
- D.612: Imputed social contributions
- D.613: Households' social contributions
- D.614: Households' social contribution supplements
- D.61SC Social insurance scheme service charges
- D.995: Capital transfers from general government to relevant sectors representing taxes and social contributions assessed but unlikely to be collected;

TOTAL (D.2_D.5_D.91_D.61_M_D.995): total receipts from taxes and social contributions (including imputed social contributions) after deduction of amounts assessed but unlikely to be collected.

Tax revenue by economic function

An alternative classification of taxes may be made according to their economic function. Since this split does not correspond fully with the national accounts (ESA 2010 and SNA 08) breakdown of taxes, it is undertaken specifically for each Member State of the [European Union \(EU\)](#) annually. The results are published in a report entitled 'Taxation trends in the European Union. Data for the EU Member States and Norway'.

Breakdown of taxes by economic function (based on the sources mentioned above) is as follows:

- **taxes on consumption** , i.e. levied on transactions between final consumers and producers and on the final consumption goods, such as VAT, taxes and duties on imports excluding VAT, stamp taxes, taxes on financial and capital transactions, taxes on international transactions, on pollution, under-compensation of VAT, poll and expenditure taxes, payments by households for licences;
- **taxes on labour** – on employed labour, i.e. taxes directly linked to wages and mostly withheld at source, paid by employees and employers, including compulsory social contributions and on non-employed labour income, i.e. all taxes and compulsory social contributions raised on transfer income of non-employed people, where these could be identified (e.g. unemployment and healthcare benefits);
- **taxes on capital** – defined as taxes on capital and business income that economic agents earn or receive from domestic resources or from abroad (e.g. corporate income tax, tax on income and social contributions of the self-employed, taxes on holding gains) and taxes on capital stock that include the wealth tax (paid periodically on the ownership and use of land or buildings by owners, and current taxes on net wealth and on other assets, such as jewellery and other external signs of wealth), capital taxes, real estate tax, taxes on use of fixed assets, professional and business licences and some taxes on products.

Implicit tax rates measure the actual or effective tax burden levied on different types of economic income or activities that could potentially be taxed. They are computed as the ratio of total tax revenues of the specific economic category (consumption, labour and capital) to a proxy of the potential tax base defined using the production and income accounts of national accounts.

Statistical data

- [Government finance statistics](#)
- [Tax revenue statistics](#)