

11 May 2020

Tax Revenue Statistics

1995-2019

Tax burden was 34.8% of GDP in 2019

In 2019, tax burden increased 4.0% in nominal terms, attaining 74 billion euros, corresponding to 34.8% of GDP (the same ratio in the previous year). Excluding taxes received by the European Union Institutions, Portugal continued to register in 2019 a lower tax burden than the EU average (34.7% compared to 39.4% in the EU28).

Social contributions were the category that contributed the most to the tax burden increase, with an annual change of 7.7%. Indirect taxes revenue increased 3.8%, while direct taxes revenue increased only 0.9%.

Regarding direct taxes revenue, there was an increase of 2.0% in individual income tax (IRS) while revenue from corporate income tax (IRC) fell by 2.9%.

Value added tax (VAT) revenue increased by 5.4%. Regarding the remaining indirect taxes, it should be highlighted the increase observed in revenue from the stamp tax (7.6%). More moderate growths were registered in revenue from real estate transfer tax collected by Local Government (3.0%), from tax on oil and energetic products (2.6%) and from real estate tax collected by Local Government (1.1%). Revenues from excise duties on tobacco and from tax on motor vehicle sales fell 6.0% and 5.3% respectively.

In 2017, the most recent year with detailed information for its compilation, the VAT gap was estimated at 481 million euro, corresponding to 2.8% of the VAT revenue of the year, diminishing 3.0 percentage points comparing with the amount estimated for the previous year (972 million euro).

Statistics Portugal presents in this press release the tax revenue statistics for the year 2019, consistent with the base year 2016 of the Portuguese National Accounts, where figures for 1995 to 2017 have the nature of final data. The publication of this press release is based on data from the General Government Accounts underlying the first notification of 2020 on the Excessive Deficit Procedure (EDP), released by end March.

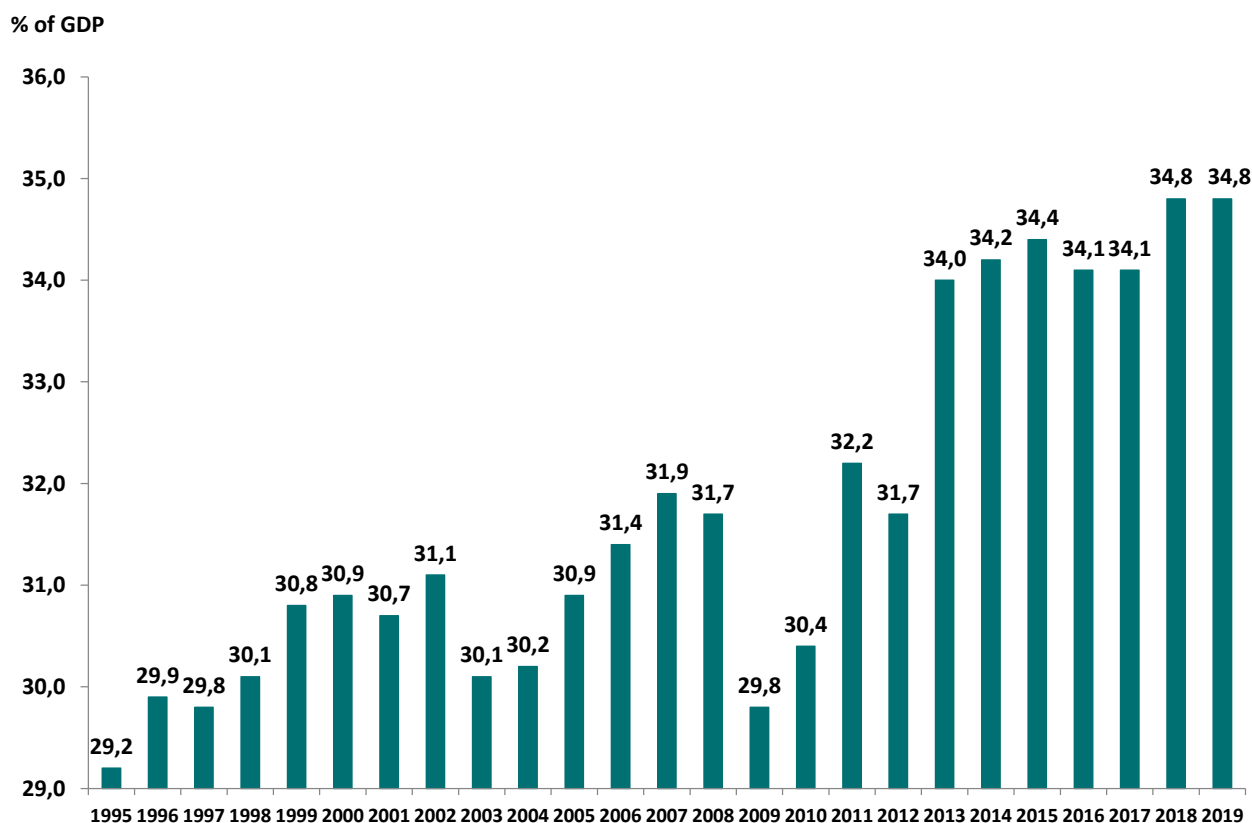
The terminology adopted, although assuming the conceptual framework of the European System of National and Regional Accounts (ESA2010), has reference to the one followed in the annual report of the European Commission "Taxation Trends in the European Union", in this way facilitating the analysis and comparison of the results.

The tables presented in this press release include data for the period 2006 to 2019. The files available in annex include information for the period 1995 to 2019.

TAX BURDEN

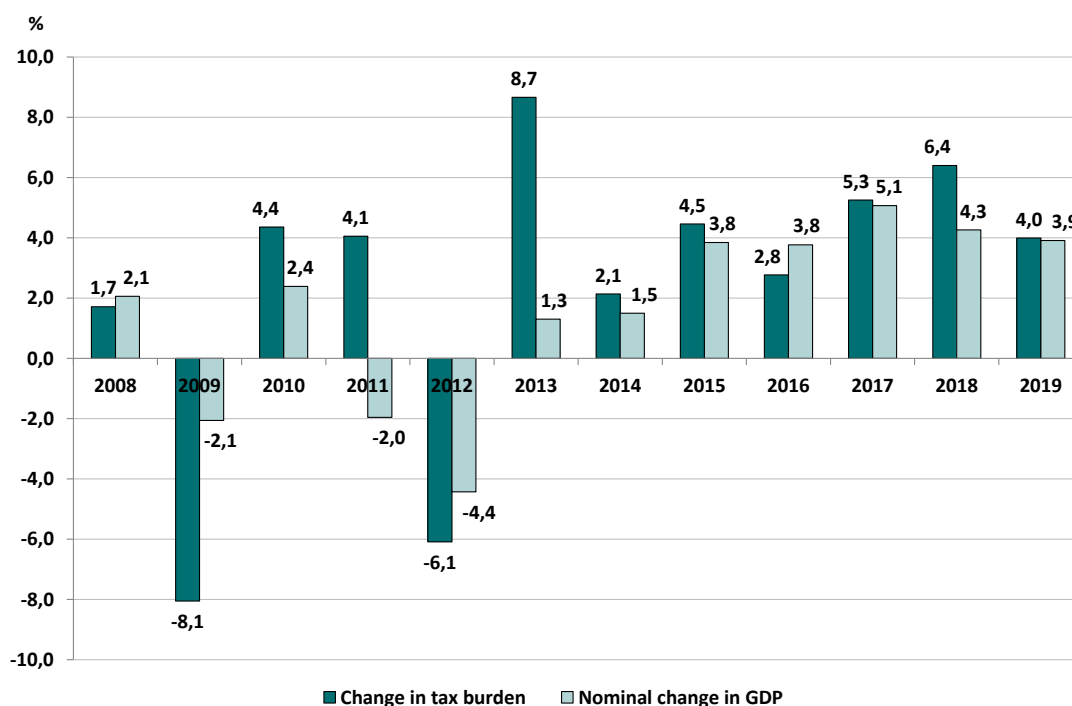
Tax burden increased, in nominal terms, 4.0% in 2019, after the increase by 6.4% registered in 2018, reaching a value of 74 billion euro (2.8 billion euro more than 2018).

Graph 1 - Evolution of the tax burden between 1995 and 2019 (% of GDP)



The increase in total revenue from taxes and actual social contributions was very close to the nominal change rate of GDP (3.9%). Consequently, in percentage of GDP, tax burden remained the same in 2018 and 2019, reaching 34.8% of GDP.

Graph 2 – Changes in tax burden and GDP between 2008 and 2019 (%)



The growth of tax burden is explained by increases in the collection of actual social contributions and VAT by around 1.47 billion euro and 963 million euro, respectively. Regarding individual income tax (IRS), revenue rose by 268 million euro while revenue from the corporate income tax (IRC) fell by around 187 million euro.

Concerning VAT, which increased 5.4% in 2019, its behaviour is mainly associated to the increase in private consumption, both from resident and non-resident households (tourism). Regarding the tax on oil and energetic products (ISP), the increased revenue is explained by the behaviour of consumption of fuels, mainly gasoline, since tax rates were only slightly updated downwards.

The revenue from real estate tax collected by Local Government (IMI) and from real estate transfer tax collected by Local Government (IMT) increased again 1.1% and 3.0% respectively, but only by a fraction, comparing to previous year (7.0% and 11.6%, respectively).

It is also worth mentioning the decrease in revenue from excise duties on tobacco and from tax on motor vehicle sales (ISV). Together, they cut tax revenue by 136 million euro. The ISV's revenue drop was the first registered since 2013.

Regarding the behaviour of other indirect taxes, there was an increase of 113 million euro (change of 3.6%) due to higher revenues from carbon trading rights.

Finally, actual social contributions rose 7.7% due to the growth of wages (change of 4.5%), which were influenced by an increase in employment and in the wage per worker (the total number of paid employees, in national accounts standards, rose 0.8%). Measures taken to deal with tax fraud were also important for this behaviour.

Table 1 - Tax burden and its components between 2006 and 2019

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018P	2019P
Million Euro	Tax burden	52 232,8	55 892,0	56 852,1	52 274,6	54 554,7	56 767,1	53 309,3	57 927,4	59 167,8	61 806,2	63 520,2	66 859,1	71 139,3	73 983,7
	Direct taxes	13 890,4	16 073,2	16 642,6	15 144,2	15 186,9	16 596,7	15 263,8	19 269,1	18 799,7	19 279,9	18 802,6	19 418,7	20 686,1	20 870,2
	Indirect taxes	24 848,6	25 507,8	25 207,3	22 112,1	23 895,3	24 487,7	23 413,5	23 509,1	24 781,7	26 331,6	27 790,5	29 471,7	31 312,0	32 501,5
	Social contributions	13 493,7	14 310,9	15 002,2	15 018,3	15 472,5	15 682,7	14 632,1	15 149,2	15 586,4	16 194,7	16 927,1	17 968,7	19 141,2	20 612,0
Annual rate of change (%)	Tax burden	6,5	7,0	1,7	-8,1	4,4	4,1	-6,1	8,7	2,1	4,5	2,8	5,3	6,4	4,0
	Direct taxes	8,6	15,7	3,5	-9,0	0,3	9,3	-8,0	26,2	-2,4	2,6	-2,5	3,3	6,5	0,9
	Indirect taxes	6,9	2,7	-1,2	-12,3	8,1	2,5	-4,4	0,4	5,4	6,3	5,5	6,0	6,2	3,8
	Social contributions	3,5	6,1	4,8	0,1	3,0	1,4	-6,7	3,5	2,9	3,9	4,5	6,2	6,5	7,7
Percentage to total	Direct taxes	26,6	28,8	29,3	29,0	27,8	29,2	28,6	33,3	31,8	31,2	29,6	29,0	29,1	28,2
	Indirect taxes	47,6	45,6	44,3	42,3	43,8	43,1	43,9	40,6	41,9	42,6	43,8	44,1	44,0	43,9
	Social contributions	25,8	25,6	26,4	28,7	28,4	27,6	27,4	26,2	26,3	26,2	26,6	26,9	26,9	27,9

Comparing the Portuguese situation with the rest of the European Union (UE28), Portugal continued to present a tax burden (34.7%) lower than the average, which stood at 39.4%. It should be mentioned that for this comparison, taxes collected by European Union Institutions are not included, determining a tax burden of 34.7% of GDP (34.8% if those taxes were included).

In 2019, Portugal is in the middle of the table, with a higher tax burden than Spain (34.6%), but a lower one than Greece (38.5%) and Italy (42.2%).

Graph 2 - Tax burden in the EU28 countries, in 2019

