

TAXES AND SOCIAL CONTRIBUTIONS IN THE EUROPEAN UNION - Initial results for 1994 -

This report presents initial statistical information on the level of taxes and social contributions up to 1994 in the member states of the European Union.

Detailed data broken down into individual taxes for the years up to 1993 are available in a separate publication¹⁾.

Increase in EU tax and social contribution ratio stopped in 1994

From 1990 to 1993, the receipts of the government sector from taxes and social contributions grew faster than the gross domestic product (GDP). In 1993, a peak value of 41.9% of GDP was reached for the years from 1980 onwards, the time period, which is here considered. This development appears to have stopped: While GDP was 4.8% higher in 1994 compared with the preceding year, the tax and social contribution ratio

fell from 41.9% (1993) to 41.7% (1994). The development in Italy is significant, reporting an absolute decline in receipts from taxes and social contributions for 1994 compared with the preceding year. A relative decline is also reported by Spain, Luxembourg, the Netherlands, Austria and Sweden.

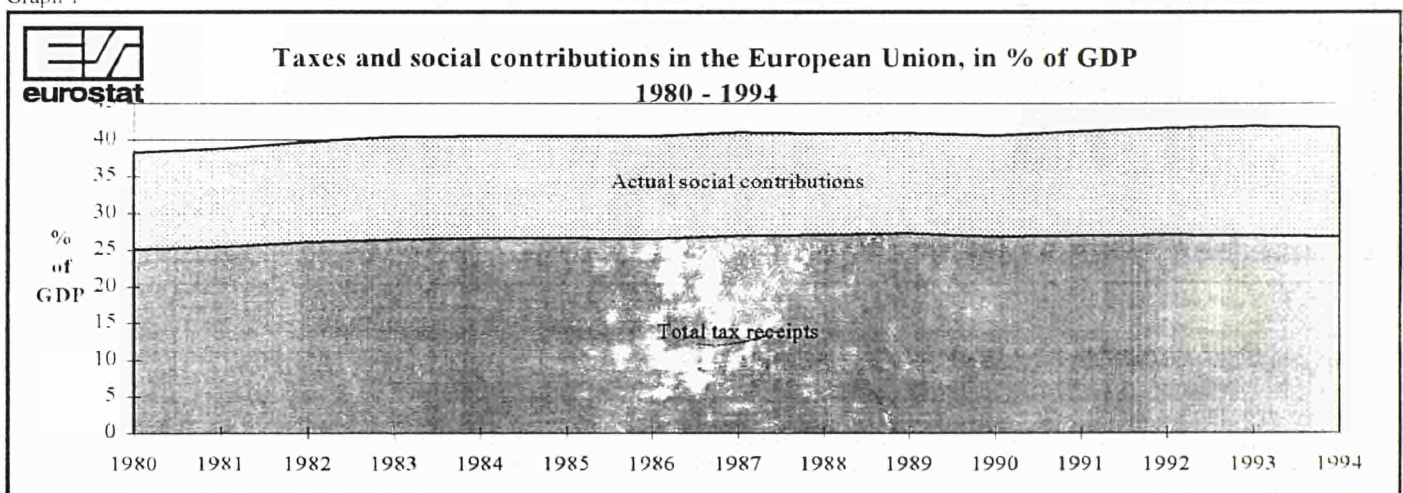
Slight reduction in the EU tax quota

The tax quota declined slightly from 27.1% in 1992 via 26.9% in 1993 to 26.8% of GDP in 1994.

This was caused by the decline in the ratio of taxes on income and wealth from 13.7% in 1992 to 13.0% in 1994 together with an increase in the ratio of VAT of 0.2% and of other taxes linked to production by 0.1%.

The most important of the various categories of government income discussed here, remains the

Graph 1



1) Eurostat: Taxes and social contributions 1982-1993, Brussels Luxembourg 1995

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For further information please contact: M. G. TOSSTORFF
Eurostat, L-2920 Luxembourg, tel. 4301-33755 Fax: 4301-34150

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Table 1

Taxes and social contributions in the Member States of the European Union, in % of GDP															
EU eurostat	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
B	44.8	45.4	47.0	46.9	48.0	48.1	47.4	47.8	46.4	44.8	45.0	45.0	45.1	45.7	47.2
DK	45.6	45.5	44.6	46.5	47.7	49.1	50.9	51.6	51.6	50.7	48.7	48.9	49.3	49.8	51.2
D ¹	41.6	41.4	41.5	41.0	41.3	41.6	40.9	41.1	40.8	41.3	39.5	41.2	41.9	42.3	42.6
GR	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
E	25.8	26.8	26.7	28.7	29.1	30.0	30.9	33.1	33.3	35.2	35.1	35.3	37.1	36.0	35.8
F	41.7	41.9	42.8	43.6	44.6	44.5	44.0	44.5	43.8	43.7	43.7	44.0	43.7	43.8	44.2
IRL	34.4	35.5	37.1	38.6	39.5	38.6	38.1	38.3	39.4	36.1	36.0	36.5	36.9	36.9	37.6
I	30.5	31.5	34.0	35.8	34.9	34.7	35.3	36.0	36.6	38.2	38.8	39.8	42.0	43.2	40.7
L ²	46.0	46.4	46.6	50.8	48.8	46.9	44.3	44.9	43.7	41.8	42.3	41.9	42.0	44.8	44.7
NL	45.6	45.1	45.4	46.6	44.9	45.5	45.9	48.2	48.4	45.5	45.1	47.6	47.6	49.0	47.5
A	41.9	42.9	41.9	41.6	42.8	43.6	43.2	42.7	42.3	41.3	41.6	42.2	43.3	44.1	43.1
P	25.9	27.4	28.8	30.5	30.3	29.6	31.2	30.2	32.1	32.6	33.2	34.0	:	:	:
FIN	:	:	:	:	:	:	:	:	43.3	43.4	45.4	46.8	46.9	45.9	47.1
S	49.1	50.0	49.2	50.4	50.2	50.0	51.8	54.6	54.6	56.3	55.8	52.8	51.2	50.6	50.4
UK	36.1	38.2	38.7	38.4	38.4	38.2	37.9	37.5	37.4	36.8	35.8	36.1	34.2	33.5	33.8
○	38.7	39.2	39.8	40.4	40.5	40.6	40.5	41.0	40.9	41.0	40.5	41.2	41.6	41.9	41.7

different types of taxes on income and wealth. Their share of overall tax receipts since 1980 varies between 48.6% in 1994 and 50.6% in 1992 around an average of 48.0%

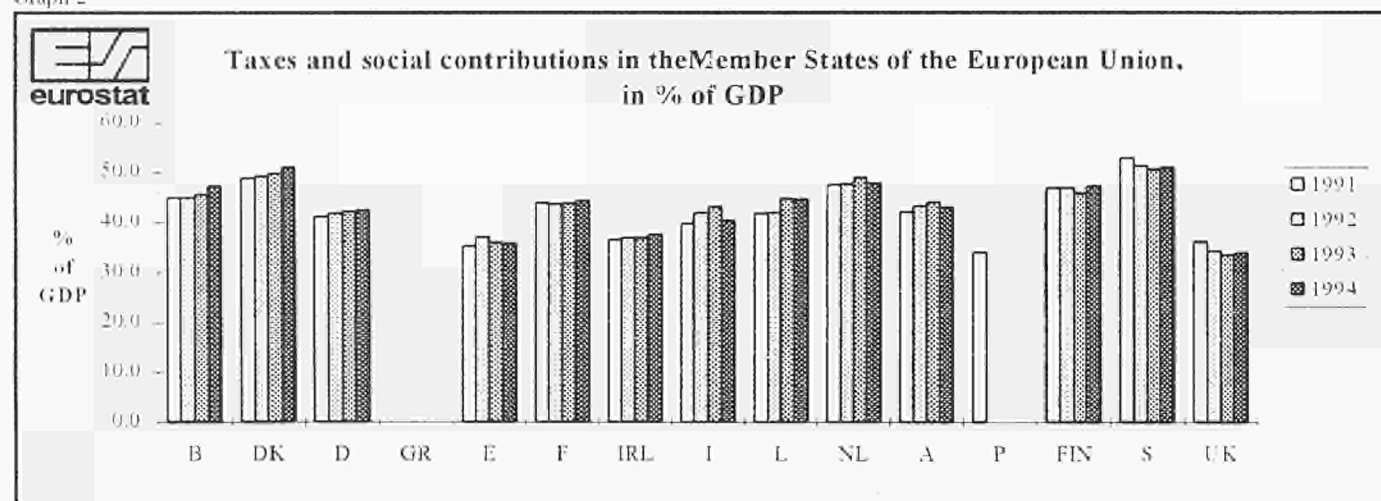
Individual developments of the tax ratio in the Member States

The reduction in the tax quota between 1992 and 1994

for the EU was brought about by a reduction in the tax quota in Spain and in the Netherlands of 1.3, in Italy and in Austria of 1.1%, in Finland (0.6%), in the United Kingdom (0.4%), in Sweden (0.3%) and in Germany (0.1%).

Contrary to this, tax burden rose in Belgium by 2.3%, in Luxembourg by 2.0% and in Denmark by 1.8%. There were also slight increases of the tax ratio in

Graph 2



1) From 1991 onwards, data for Germany include the former German Democratic Republic

2) In Luxembourg, a major revision of the national accounts took place, which leads to a new calculation for the GDP. These new estimates are significantly higher than previously published figures (former estimate for 1992: 8.2 Mrd. ECU, revised estimate 9.8 Mrd ECU). As the data on taxes and social contributions have not been affected by this revision, the new calculation for GDP gives a reasonable decrease in the estimate for the taxes and social contributions quota.

It should be noted, that the European System of Integrated Economic Accounts treats a large part of the economic activities of the banking sector -the so called imputed production of bank services- as intermediate consumption of the other domestic sectors. Therefore, these activities are not taken into account when the GDP is calculated.

Given the importance of the exports of the Luxembourgish banking sector, a different treatment of these services resulted in a significant increase in the Luxembourgish GDP (ca. 12%) and consequently in a reduction of the tax quota.

Table 2

Taxes in the Member States of the European Union, in % of GDP																
eurostat	Taxes on income and wealth				VAT				Other taxes linked to production and imports				Total			
	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994
B	17.0	16.9	17.0	18.3	7.1	7.0	6.9	7.2	5.1	5.2	5.5	5.8	29.2	29.1	29.4	31.4
DK	29.9	30.3	30.6	31.4	8.9	9.9	9.8	10.0	8.5	7.5	7.7	8.1	47.4	47.7	48.1	49.5
D	11.7	12.0	11.6	11.2	6.4	6.5	6.9	7.1	6.1	6.2	6.0	6.2	24.2	24.6	24.5	24.5
GR	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
E	12.2	12.7	12.2	11.7	5.6	6.1	5.4	5.7	5.2	5.2	5.1	5.3	23.0	24.0	22.7	22.7
F	10.0	9.7	9.7	10.1	7.6	7.4	7.3	7.4	7.1	7.1	7.4	7.6	24.7	24.2	24.3	25.0
IRL	14.8	15.1	15.9	16.1	7.1	7.3	7.0	7.4	8.9	8.7	8.2	8.5	30.8	31.0	31.0	31.9
I	14.8	16.8	16.9	15.2	6.1	5.8	5.7	5.6	5.8	6.1	7.0	6.8	26.7	28.7	29.6	27.6
L	14.2	13.1	15.0	14.8	6.1	6.4	6.7	6.6	9.9	10.3	10.6	10.5	30.2	29.8	32.2	31.8
NL	17.2	16.2	17.2	14.6	7.2	7.2	7.0	7.0	5.2	5.6	6.1	6.2	29.6	29.0	30.3	27.7
A	12.5	13.0	13.1	11.5	8.7	8.4	8.6	8.7	7.2	7.6	7.4	7.7	28.4	29.0	29.2	27.9
P	9.4	10.2	9.2	:	6.3	:	:	:	8.2	:	:	:	23.9	:	:	:
FIN	18.7	18.0	16.3	17.8	8.7	8.4	8.2	8.0	6.5	6.6	6.8	6.5	33.9	33.0	31.2	32.4
S	20.0	20.6	21.2	21.6	8.8	8.0	8.5	:	9.0	8.4	7.2	:	37.8	36.9	36.8	36.6
UK	14.2	13.1	12.3	12.8	6.8	7.0	7.0	7.1	8.4	7.5	7.6	7.3	29.4	27.6	26.9	27.2
Ø	13.5	13.7	13.4	13.0	6.9	6.8	6.9	7.0	6.7	6.6	6.7	6.7	27.0	27.1	26.9	26.8

Ireland (0.9%) and in France (0.8%).

Increase in social contributions in the EU

The ratio of social contributions grew steadily from 13.7% in 1989 via 14.2% in 1991 to 15% of GDP in 1994. This increase is due to an increase in employees' social contributions from 4.3% (1989) via 4.5% (1991) to 5.3% of GDP in 1994. Also, at the same time, the social contributions by self-employed and non-employed persons grew from 1.4% (1989) via 1.5% (1991) to 1.8% in 1994.

There becomes an obvious tendency in social contributions to reduce the share of employers' contributions at the cost of an increase in the employees' portion. The percentage of employers'

social contributions in overall social contributions stood at 60.5% in 1980, compared with 53.6% in 1994. The employees' share rose during the same period from 30.1% to 35.2%.

Varying relative importance of social contributions

Since 1989, the social contributions portion of overall receipts from taxes and social contributions has continuously risen from 33.4% to 35.9% in 1994. (In the discussions on an employment creating reform of tax systems in the EU, social contributions play an important part, as they directly increase the cost of labour.)

A comparison of Graphs 2 and 4 highlights the varying importance of social contributions in the fiscal systems

Graph 3

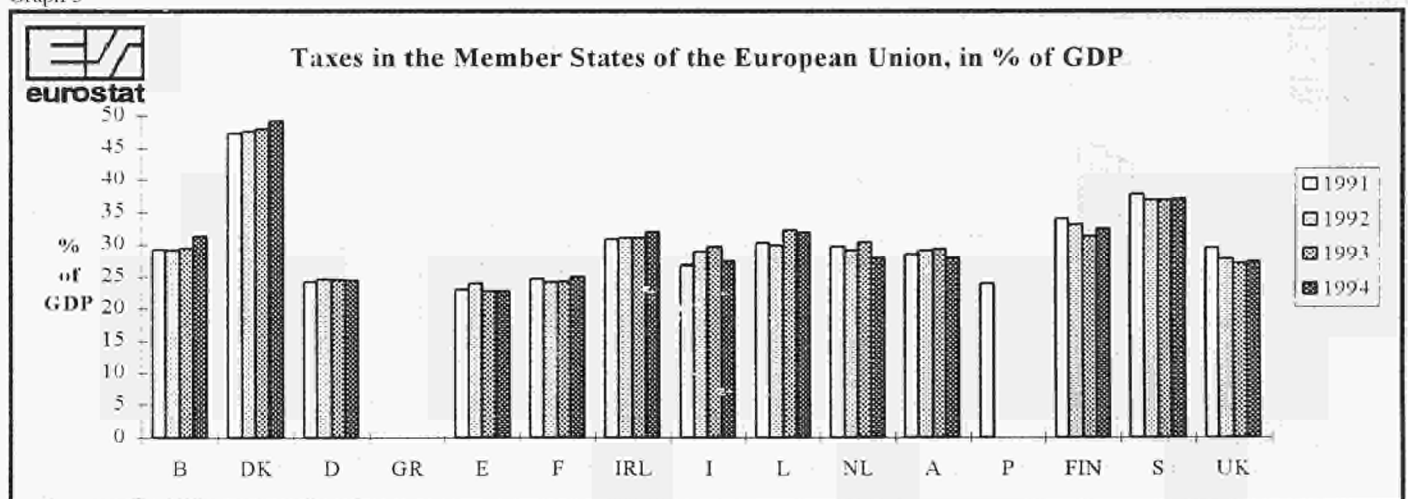


Table 3

Social contributions in the Member States of the European Union, in % of GDP																
eurostat	Employers'				Employees'				Others				Total			
	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994	1991	1992	1993	1994
B	9.9	9.8	9.8	9.4	4.9	5.0	5.3	5.2	1.1	1.2	1.2	1.2	15.9	16.0	16.3	15.9
DK	0.3	0.3	0.3	0.4	1.2	1.2	1.3	1.3	0.0	0.0	0.0	0.0	1.5	1.6	1.7	1.7
D	7.8	7.9	8.0	8.1	6.7	6.9	7.0	7.1	2.4	2.5	2.9	3.0	17.0	17.3	17.9	18.2
GR	4.3	4.4	:	:	3.9	4.3	:	:	:	:	:	:	:	:	:	:
E	8.8	9.3	9.2	9.0	2.0	2.0	2.2	2.2	1.6	1.7	1.9	1.9	12.4	13.1	13.3	13.0
F	11.9	12.0	12.0	11.8	5.7	5.9	6.0	5.9	1.6	1.6	1.6	1.5	19.3	19.4	19.5	19.3
IRL	3.3	3.3	3.3	3.2	2.2	2.3	2.4	2.2	0.2	0.2	0.2	0.3	5.7	5.9	5.9	5.7
I	9.2	9.2	9.1	8.8	2.6	2.7	2.8	2.8	1.3	1.4	1.7	1.6	13.1	13.3	13.6	13.2
L	5.8	6.0	6.2	6.1	4.5	4.6	4.8	5.1	1.5	1.5	1.6	1.7	11.7	12.2	12.6	12.8
NL	3.8	3.7	3.7	3.2	10.9	11.4	11.5	12.8	3.3	3.5	3.5	3.8	18.0	18.6	18.7	19.8
A	6.8	7.0	7.3	7.3	5.9	6.2	6.4	6.7	1.1	1.2	1.2	1.2	13.8	14.4	14.9	15.2
P	6.4	:	:	:	3.5	:	:	:	0.3	:	:	:	10.2	10.3	10.4	:
FIN	10.7	10.3	10.3	10.0	2.2	3.5	4.3	4.7	0.0	0.0	0.0	0.0	13.0	13.8	14.7	14.7
S	14.6	13.8	13.0	12.6	0.0	0.0	0.4	:	0.5	0.5	0.4	:	15.1	14.3	13.8	13.8
UK	3.7	3.6	3.6	3.5	2.8	2.8	2.7	2.9	0.2	0.2	0.2	0.2	6.7	6.6	6.6	6.6
○	8.1	8.2	8.2	8.0	4.5	4.7	5.0	5.3	1.5	1.6	1.8	1.8	14.2	14.5	14.9	15.0

of Member States. One extreme is represented by Denmark, where the social welfare system is almost completely financed by taxes. Sweden is also a special case where up to 1992 employees' had no social contributions to pay.

Excluding Denmark, the social contributions' portion of overall receipts from taxes and social contributions, which themselves represent about 94% of the total government receipts, range in 1994 between 15.1% in Ireland and 43.5% in France.

Methodological notes

The numbers published here are based on data of the statistical offices of the Member States.

The data were derived according to the European System of integrated economic accounts (ESA).

The averages given for the EU are calculated on the basis of the available figures.

The data on taxes also include the part of taxes collected by the national governments on behalf of the European institutions (Customs duties, agricultural levies, EC-part of VAT etc.).

Graph 4

