



Agencia Tributaria

**TAX REVENUE.  
ANNUAL REPORT**

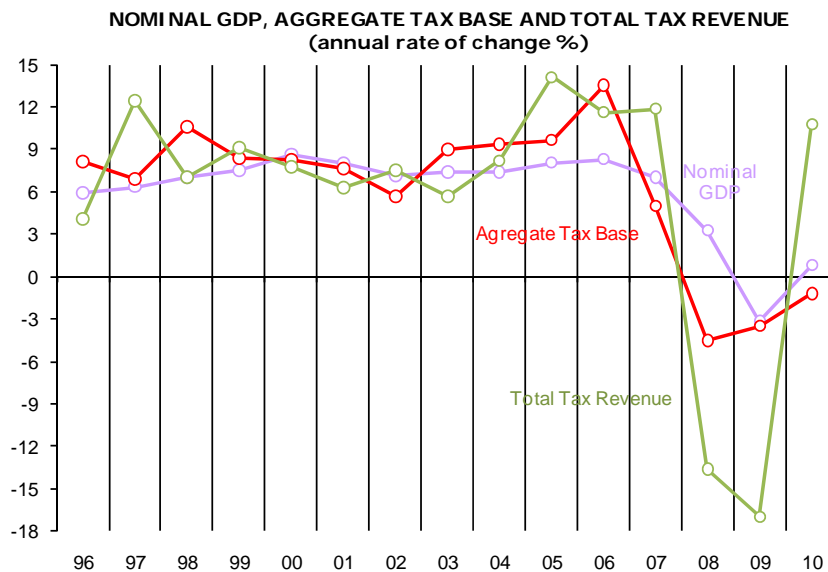
2010





## TAX REVENUE PERFORMANCE

**Total tax revenue has increased in 2010 by 10.8%**, amounting to € billion 159.53. The main factors behind this positive trend are threefold: 1) tax refunds (claimed in 2009 but made effective in 2010) have sharply decreased (as a consequence of tax management changes mainly implemented in VAT); 2) the impact of the fiscal consolidation policies that became effective in 2010 (Personal Income Tax, VAT, and some Excise taxes); and 3) after two years of significant falls, tax bases started to improve.



Broadly speaking, the Spanish economy can be characterized in 2010 by a slight recovery after the significant fall experienced in 2009 and a clear different performance between the first and the second half of the year. Real GDP fell by 0.1% (3.7% in 2009), while nominal domestic demand (which is closer linked to spending-related tax bases) grew by 0.9% (-6.5% in 2009). Yet, this positive trend was not homogenous over the year. While during the first half of 2010 the economy showed an upward trend, it slowed down in the second half. The reasons behind this different performance are: 1) the expansionary fiscal policies implemented in 2009 were still present in the first half of 2010, and 2) consumption plans were partially anticipated from the second to the first half of 2010, due to the VAT-rate increase which became effective on 1 July. On the contrary, the second half of the year faced both the negative side of this anticipation effect and the public spending cuts adopted in May as a consequence of new episodes of instability in financial markets.

The same different performance between the first and the second half of 2010 was also observed with respect to tax bases. The aggregate tax base of the main tax categories fell by 1.2% in 2010. Yet, while it increased by more than 4% in the first half (mainly due to a strong increase in final spending subject to VAT), it decreased in the second half, as a consequence of the end of the public support measures for the purchase of vehicles, of the consumption anticipation effect mentioned above, and of cuts in public-sector wages and investment.



With respect to income-related tax bases, household income experienced a progressive deterioration throughout the year, mainly due to public-sector wage cuts. On the other hand, the clear amelioration observed in companies' profits did not result in an increase of their tax bases, since a large share of profits were overseas and previous years' negative taxable income was largely deducted from 2010 positive bases. Regarding spending-related tax bases, final spending subject to VAT showed a positive trend but with wide oscillations throughout the year, due to the reasons stated above, while the stagnation of the economic activity and increases in their prices hindered the consumption of goods subject to excise taxes.

The main driving force behind the increase in tax receipts in 2010 was the significant falls in 2009 PIT, VAT and CIT tax refunds claims that were made effective in 2010. This effect amounts to € 11,350 million, about 75% of the 2010 total tax revenue increase. On the other hand, it must be noted that revenue collected from tax fraud prosecution also experienced a significant increase. Finally, the impact of fiscal consolidation measures (€ 6,140 million) must also be highlighted. The increase of total tax receipts would fall to 6.5% had these measures not been implemented. In particular, the measures with the highest revenue impact were the partial elimination of the € 400 personal deduction (€ 3,890 million) and the rises in VAT and Fuel and Tobacco Taxes rates (€ 2,010 and 1,190, respectively)

However, tax receipts performance varied greatly across tax categories in 2010. VAT revenue grew by 46.2%, which is the highest increase since the VAT was introduced in Spain. Two main reasons are behind this sky-rocketing increase. On the one hand, a monthly VAT refund system was generalized in Spain in 2009, and, consequently, annual refunds fell significantly in 2010, and on the other hand, VAT rates were raised in 2010 (becoming effective on 1 July): from 16% to 18% in the standard rate and from 7% to 8% in the reduced rate. Personal Income Tax revenue recorded a 4.9% increase in 2010, a rise that can be credited to the partial elimination of the € 400 personal deduction and the rise to 19% in the capital revenue withholding rate. On the contrary, despite companies' profit recovery, Corporate Tax revenue showed dropped by 19.8%. Finally, excise taxes revenue grew by 2.4%, after two years of slight falls, which is largely attributable to Taxes on Fuel (0.6%), on Tobacco (4.1%), and on Electricity (7.3%). In this sense, it must be remarked that Fuel and Tobacco Tax rates were increased in June 2009, while tobacco and electricity prices grew in 2010 (consumption fell for the former and increased for the latter).

**TOTAL TAX REVENUE**  
€ million, except otherwise indicated

	2006	2007	2008	2009	2010	Rate of Change (%)				
						06	07	08	09	10
Personal Income Tax	62,813	72,614	71,341	63,857	66,977	14.8	15.6	-1.8	-10.5	4.9
Corporate Income Tax	37,208	44,823	27,301	20,188	16,198	14.5	20.5	-39.1	-26.1	-19.8
Non-Residents Income Tax	1,498	2,427	2,262	2,342	2,564	10.9	62.0	-6.8	3.5	9.5
Other	77	114	107	74	88	22.3	48.7	-6.5	-30.6	19.4
<b>DIRECT TAXES TOTAL</b>	<b>101,596</b>	<b>119,979</b>	<b>101,012</b>	<b>86,461</b>	<b>85,827</b>	<b>14.6</b>	<b>18.1</b>	<b>-15.8</b>	<b>-14.4</b>	<b>-0.7</b>
Value Added Tax	54,652	55,851	48,021	33,567	49,086	9.6	2.2	-14.0	-30.1	46.2
Excise taxes	18,602	19,786	19,570	19,349	19,806	3.2	6.4	-1.1	-1.1	2.4
+ Alcohol	1,214	1,242	1,208	1,097	1,107	4.6	2.3	-2.7	-9.1	0.9
+ Fuels	10,414	10,715	10,152	9,851	9,913	2.0	2.9	-5.3	-3.0	0.6
+ Tobacco	6,000	6,765	7,024	7,131	7,423	3.6	12.8	3.8	1.5	4.1
+ Electricity	973	1,065	1,187	1,271	1,363	13.9	9.5	11.4	7.0	7.3
Taxes on International Trade	1,595	1,720	1,566	1,319	1,522	9.4	7.8	-9.0	-15.8	15.4
Insurance Premium Tax	1,387	1,491	1,502	1,406	1,435	5.6	7.5	0.7	-6.4	2.1
Other	25	13	18	15	44	-38.4	-49.8	43.7	-18.1	199.0
<b>INDIRECT TAXES TOTAL</b>	<b>76,261</b>	<b>78,861</b>	<b>70,677</b>	<b>55,655</b>	<b>71,893</b>	<b>7.9</b>	<b>3.4</b>	<b>-10.4</b>	<b>-21.3</b>	<b>29.2</b>
<b>FEES AND OTHER REVENUES</b>	<b>1,523</b>	<b>1,836</b>	<b>1,765</b>	<b>1,907</b>	<b>1,816</b>	<b>11.3</b>	<b>20.6</b>	<b>-3.8</b>	<b>8.0</b>	<b>-4.8</b>
<b>TOTAL AMOUNT</b>	<b>179,380</b>	<b>200,676</b>	<b>173,453</b>	<b>144,023</b>	<b>159,536</b>	<b>11.6</b>	<b>11.9</b>	<b>-13.6</b>	<b>-17.0</b>	<b>10.8</b>