



Agencia Tributaria

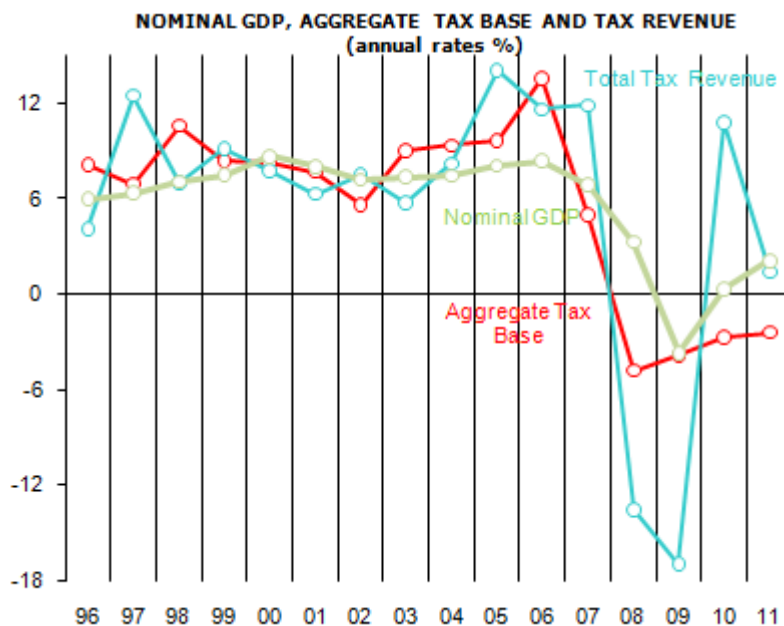
**TAX REVENUE
ANNUAL REPORT**

2011

TAX REVENUE PERFORMANCE

Total tax revenue amounted to €161.76 billion in 2011, an increase of 1.4% over the previous year.

As seen in the chart, 2011 **revenue growth was lower than the one scored in 2010 but higher than tax bases growth**. In the last four years, economic downturn has brought strong bases contraction. Tax revenue performance has drawn opposite shapes: sharp falls, deeper than bases decrease, in the first two years, followed by two years of growth. This was mainly due to expansionary fiscal policy measures applied in the first period (2008-2009) versus new fiscal consolidation policy put into action along the second one (2010-2011).



Aggregate tax base falls again in 2011 as a continuation of the three previous years' drops, though the fall pace has gradually softened. From 2007 on, bases performance was more negative than nominal GDP's, after bases differential growth had been meaningfully positive in 2002-2006. This noticeably pro-cyclical behavior of taxable bases can be explained by the evolution of some variables, as real estate and capital assets, which are subject to taxes but not included in GDP. In this way, the powerful rise and later fall of assets prices explains finally a revenue fluctuation much more marked than GDP's variations. Nevertheless, after implementing a firm consolidation fiscal policy in 2010-2011, tax revenue went back to growth rates not only positive but also higher than nominal GDP's.

New fiscal consolidation laws were passed in 2011 concerning tax revenue, but these measures didn't have such a deep impact as the one produced by the laws approved in 2010, and this is the reason of the lower growth of revenue in 2011. An additional cause is found in the temporary gaps between accrued revenue and cash revenue: although they produced again positive effects over 2011 receipts, the size of these differences was bigger in 2010.

In short, aggregate tax base fell by 2.4% in 2011 and new fiscal consolidation laws generated an increase of 1.7% on taxes effective average rate, so the accrued revenue drop lessened to 0.8%. Finally, mentioned divergences in accrued / cash receipts give a moderate revenue growth by 1.4% (mainly due to higher compliance control receipts and to laws passed in 2010, which affect cash revenue in 2011).



The softer annual fall of taxable bases in 2011 shouldn't hide their sharper drop at the end of the year. This was the trend of real **GDP**, which **improved by 0.4%, after the 0.3% fall in 2009**, thanks to the economy performance in the first two quarters of the year, while **it fell by 0.5% in the last quarter**. Nominal Domestic Demand, a macroeconomic variable linked more accurately to the taxable bases related to spending, grew by a scarce 0.3% (alike to the previous year rate), but it reflected also a clear worsening at the end of the year. The bases evolution shape along the year was determined by the distortion caused by VAT rates rise in July 2010. Eliminating this impact, the underlying outline shows a steady fall of the bases in the first half of the year, which becomes sharper in the last months as sales, employment and public spending worsens.

As seen before, tax revenue growth can be explained by **fiscal consolidation laws**, whose **contribution to 2011 receipts amounted to €7.85 billion**. Without this thrust, revenue would have fallen in line with bases evolution. The most of this additional cash comes from the delayed effect of laws approved in 2010, (the rise in VAT rates and the partial removal of the € 400 personal deduction). Other laws affecting accrued bases in 2011 must be highlighted: PIT rates rise for income higher than €0.12 billion, birth deduction removal, CIT installments rate rise for largest corporations, and Tobacco excise tax rise.

As observed in total tax revenue, single taxes growth can be mainly explained by fiscal consolidation laws. Only **PIT** could have had a slight increase without the new measures, as they explain only 3.6% out of 4.2% total growth. Capital income recovery and the higher income related to pensions were the stimulus to make households gross incomes grows, even with employment and wages shrinking. After three years decreasing, **CIT** grew by 2.5% because of installments rate rise, though the bases kept on falling deeply.

VAT revenue increased slightly (0.4%) due to 2010 rates rise, despite VAT base shrinking again because of the fall of spending linked to goods and services consumption, together with public spending cuts and the collapse in construction. Finally, **Excise taxes** revenue decreased by 4.2%, standing out the fuel excise tax fall (6.3%). Tobacco excise didn't grow either, because the positive impact of "tax" rise was offset by a sharp sales drop.

TOTAL TAX REVENUE
€ Millions

	2007	2008	2009	2010	2011	(%)				
						07	08	09	10	11
Personal Income Tax	72,614	71,341	63,857	66,977	69,803	15.6	-1.8	-10.5	4.9	4.2
Corporations Income Tax	44,823	27,301	20,188	16,198	16,611	20.5	-39.1	-26.1	-19.8	2.5
Non-Residents Income Tax	2,427	2,262	2,342	2,564	2,040	62.0	-6.8	3.5	9.5	-20.4
Other Revenue	114	107	74	88	118	48.7	-6.5	-30.6	19.4	33.4
DIRECT TAXES TOTAL	119,979	101,012	86,461	85,827	88,572	18.1	-15.8	-14.4	-0.7	3.2
Value Added Tax	55,851	48,021	33,567	49,086	49,302	2.2	-14.0	-30.1	46.2	0.4
Excise Taxes	19,786	19,570	19,349	19,806	18,983	6.4	-1.1	-1.1	2.4	-4.2
+ Alcohol	1,242	1,208	1,097	1,107	1,068	2.3	-2.7	-9.2	0.9	-3.5
+ Fuels	10,715	10,152	9,851	9,913	9,289	2.9	-5.3	-3.0	0.6	-6.3
+ Tobacco	6,765	7,024	7,131	7,423	7,253	12.8	3.8	1.5	4.1	-2.3
+ Electricity	1,065	1,187	1,271	1,363	1,372	9.5	11.4	7.0	7.3	0.7
Custom Duties	1,720	1,566	1,319	1,522	1,531	7.8	-9.0	-15.8	15.4	0.6
Insurance Primes Tax	1,491	1,502	1,406	1,435	1,419	7.5	0.7	-6.4	2.1	-1.1
Other revenue	13	18	15	44	15	-49.8	43.7	-18.1	199.0	-67.0
INDIRECT TAXES TOTAL	78,861	70,677	55,655	71,893	71,250	3.4	-10.4	-21.3	29.2	-0.9
FEES AND OTHER REVENUE	1,836	1,765	1,907	1,816	1,938	20.6	-3.8	8.0	-4.8	6.7
TOTAL TAX REVENUE	200,676	173,453	144,023	159,536	161,760	11.9	-13.6	-17.0	10.8	1.4