



Agencia Tributaria

TAX REVENUE ANNUAL REPORT

2016



TAX REVENUE PERFORMANCE

When compared to 2015, **Total Tax Revenue managed by Spanish Tax Agency increased 2.3% to €186 billion in 2016.**

The increase was supported by a favorable evolution of consumption and employment, the two basic economic variables on which collection depends. However, the positive impact of Economy evolution was partially offset by the negative effect of laws changes (€2.3 billion estimate) and by the difference between accrued and cash revenue, which lowered about 1.7 points the total growth.

GDP in real values rose by 3.2%, the same rate than in 2015 and again with an employment-intensive pattern of economic growth. Expansion pace stability was the result of a greater contribution from the external side of Economy together with a slight slowdown in Domestic Demand. Prices hiked very softly, because of a new reduction of energy prices. **Nominal Domestic Demand**, the national accounting macro-magnitude most related to tax bases, raised by 3.1%, half a point less than the previous year, due to a small decrease both in its real component and in prices.

In 2016, **Aggregate Tax Base**, comprising the main taxes, grew by 4.3%, almost two points more than in the preceding year. A significant part of this increase is related to the upward impact on Corporate Tax base of the new rules included in RDL 3/2016. Thus, in order to better approximate the impact of economic activity and prices on total collection, it is advisable to remove Corporate Tax base from the aggregate base. Doing so, total base growth in 2015 and 2016 would have been, in that order, 3.4 and 2.5%. It meant a positive growth for the third year in a row, after six years scoring drops in the previous period of deep economic crisis. The deceleration of 2016 is the result of several issues, among which it is worth mentioning the fall of capital gains and prices evolution.

In 2016, as in the prior year, law changes had a negative impact on revenue (€2.3 billion estimate). The whole impact amounted to €-10.1 billion in 2015-2016, after five years in which those effects had helped to uphold the collection figures. The direct taxes reform was the main part of the impact. The reform resulted in a revenue lowering of €6.5 billion in 2016, which must be added to €6 billion in 2015. Other legal changes (RDL 2/2016), in this case with a clear upshot on 2016 collection, were those that boosted Corporate Tax installments, whose effect amounted to €3 billion estimate.

The **effective rate** on income and expenditure hardly changed (+ 0.3%), as a reflect of an stable fiscal year in which changes in tax rates were much lower than in previous years. With regard to the reform of direct taxes carried out in 2015 and 2016, the change in PIT rate took place mainly in 2015, and in 2016 the most noticeable phase was the second one of tax rate reduction process (general rate fell from 28 to 25%). VAT and Excise Taxes legal rates did not change significantly. Only those on Alcohol and Tobacco were modified, but the increase came into force in December, barely affecting average rates for the year as a whole.



The stability of effective rates led to **accrued revenue** of main taxes to grow by 4.5%, a similar pace than their bases increase. The remaining taxes reduced their collection by 6.3%, so the total accrued revenue expanded to a lesser extent (4%). The lag between accrued and cash measures negatively affected the total growth of revenue. The main explanation lies on the combination of fiscal reform and time lags between accrual and cash, since the first cash receipts of the year (added also to annual returns) came from incomes to which rates or standard rate bands of the previous year were applied. Thus, **total tax revenue** grew by 2.3%, with a 1.1% increase in direct taxes, a 4.1% increase in indirect taxes and a 9% drop in fees and other revenue.

TOTAL TAX REVENUE
€ Million

	2012	2013	2014	2015	2016	growth rates (%)				
						12	13	14	15	16
Personal Income Tax	70 619	69 951	72 662	72 346	72 416	1,0	-0,9	3,9	-0,4	0,1
Corporations Income Tax	21 435	19 945	18 713	20 649	21 678	7,5	-7,0	-6,2	10,3	5,0
Non-Residents Income Tax	1 708	1 416	1 420	1 639	1 960	20,6	-17,1	0,2	15,5	19,6
Environmental taxes		1 570	1 625	1 864	1 574			3,5	14,7	-15,5
Other Revenue	1 319	167	195	256	197			16,9	31,3	-22,9
DIRECT TAXES TOTAL	95 081	93 050	94 614	96 753	97 827	83,1	-2,1	1,7	2,3	1,1
Value Added Tax	50 464	51 931	56 174	60 305	62 845	-2,8	2,9	8,2	7,4	4,2
Excise Taxes	18 209	19 073	19 104	19 147	19 866	-4,5	4,7	0,2	0,2	3,8
+ Alcohol, beer and other	1 028	991	1 054	1 070	1 087	1,9	-3,6	6,4	1,6	1,5
+ Fuels	8 595	9 933	9 724	9 783	10 556	-13,5	15,6	-2,1	0,6	7,9
+ Tobacco	7 064	6 539	6 661	6 580	6 677	8,0	-7,4	1,9	-1,2	1,5
+ Electricity	1 507	1 445	1 383	1 385	1 290	4,3	-4,1	-4,3	0,2	-6,8
+ Coal	0	147	264	308	235					
Custom Duties	1 429	1 311	1 526	1 757	1 856	9,0	-8,3	16,4	15,1	5,7
Insurance Primes Tax	1 378	1 325	1 317	1 355	1 376	4,0	-3,8	-0,6	2,9	1,6
Other revenue	113	86	113	164	178					
INDIRECT TAXES TOTAL	71 594	73 725	78 233	82 726	86 122	-2,9	3,0	6,1	5,7	4,1
FEES AND OTHER REVENUE	1 892	2 073	2 140	2 529	2 300	-8,7	9,5	3,2	18,2	-9,0
TOTAL TAX REVENUE	168 567	168 847	174 987	182 009	186 249	-0,2	0,2	3,6	4,0	2,3

Personal Income Tax total revenue reached almost the same figure than in 2015 (+ 0.1%). Stability was the result of the concurrent action of different forces. Households' income advanced by 2.5% mainly because of the increase of employment. The effective rate hardly changed (+ 0.2%), so the accrued tax grew by 2.8%. However, when obtaining cash revenue, the negative impact of 2015 standard rates band reduction had its effect on the annual return, collected mostly in 2016. In addition, there was a decrease of receipts from previous years.

Corporation Tax revenue scaled by 5%. Its evolution was conditioned by the different legal changes passed throughout the year. Overall, the impact of these changes was €1 billion estimate, so it could be said that, without new laws, revenue would have remained the same.

VAT yield rose by 4.2%. This increment can be explained by the tax base increase, which stems from the evolution of households' spending, although it was also driven by the change in the management of import VAT in 2015.



Excise taxes revenue increased by 3.8%. The main item, Fuel Tax, scored a 7.9% boost. The two causes that explain this growth were the lower Health extra charge refunds and, on the other hand, the augment of consumptions (although it was softer than in the previous year). There were also increases in Alcohol and Beer taxes (1.2 and 2.3%), due to the growth of consumptions too, as well as in Tobacco excise tax (1.5%), linked in this case to the exits from tax depots prior to legal rates rise of December (until that time the collection pace was steady). In contrast, there were decreases in Coal excise tax (-23.8%, due to the substitution of coal by other ways of electricity generation) and Electricity tax revenue (-6.8% according to falling prices).

Wealth Tax rose by 19.6%. The Environmental Taxes created in 2013 (Tax on the Value of Electric Power Production and taxes on Production and Storage of Spent Nuclear Fuel) collected in 2016 €1,6 billion, with a decrease of 15.5 % focused in the Tax on the Value of Electric Power Production, as a consequence of prices fall in the production market.

The yield of Custom Duties (which are revenue of European Union Administration) increased by 5.7% and Insurance Premiums Tax by 1.6%. Finally, concerning Fees and Other Income, revenue was reduced by 9% compared to the previous year. The sharpest drop took place in the Canon for the Use of Inland Waters in the generation of electricity, since in 2015 there were extraordinary receipts (accrued revenue from two fiscal years was collected in 2015).