



Agencia Tributaria

**TAX REVENUE
ANNUAL REPORT**

2021



TAX REVENUE IN 2021

The year ended with a €223.4 billion total tax collection, 15.1% above 2020.

Such boost does not show an accurate outlook on 2021 revenue performance, given the sharp fall recorded in the previous year. The comparison to 2019 helps to obtain a better approach. In this sense, tax revenue was 5% higher than the figure accounted for two years ago, scoring positive outcomes in the main items (Personal Income Tax, Corporation Tax and VAT) with the sole exception of Excise Taxes. The chief cause for the increase of collection was the tax bases upswing, whose growth was 12.7% estimate for the time being, 4.2% when compared to 2019. Conversely, the wide array of measures deployed affecting tax revenue in different ways summed up not a significant net amount.

Personal Income Tax expanded by 7.5%. This pace is lesser than those seen in other taxes but it needs to be remarked that PIT grew up in 2020, contrasting with the general drops recorded in the rest of items. Such exception was possible thanks to the income from public sources (salaries from Public Administrations, pensions, transfers from furlough scheme and subsidies for self-employed), which acted as a buffer against the adverse circumstances. In fact, compared to 2019, this is the tax that most contributed to overall outcome.

Corporation Tax boosted by 67.9%, a pretty high rate indeed, as sharp was the plunge in 2020 (-33.2%). The pace is still good when compared to 2019 (12.2% higher).

VAT went up by 14.5%, balancing the fall scored in 2020 (-11.5%). Collection was 1.3% above 2019.

Among the main items, Excise Taxes showed the worst outcome in 2021. They grew up by 5% and, at the end of the year, they were still 7.7% below 2019 figure. Consumptions evolution was one of gradual bettering across the year, but not with strength enough to turn 2020 plunge around. The impact from the rate lowering in Electricity Excise Tax since mid-September has to be added.



The economic climate

The economic background in 2021 was mainly featured by two factors: the gradual bettering of economy and the prices hike, both particularly powerful in the second half of the year.

The year got off to a bad start amid the third wave of COVID infections and the aftermaths brought about by Filomena storm. After the first weeks, in which economic activity figures were still below those scored before pandemic outbreak, sales went recovering and, right from August on, they scaled definitely above 2019. The **daily data of domestic sales reported by companies belonging to VAT immediate information system (SII)**, which is the available indicator most directly linked to economy evolution, show how the sales were under 2019 and 2020 numbers until March while, after this month, a continued advance was seen until recording, at the end of the year, growth rates higher than 20% above 2020 and 4% compared with 2019 as a whole.

Both the sales in real terms as the prices, which sped up as the year went by, were behind the bettering of the daily sales nominal figures. From the very beginning of the year, a higher nominal than real growth was noticed and the gap went widening across the months. In the last quarter, prices went so far as to explain around fifteen points in average out of the sales total increase. Yet, once detracted the prices, sales in the last months of 2021 were already above 2019 levels.

Other sales' indicators taken out from fiscal data showed alike signals too. Thus, in the **total sales reported by large and small corporations**, which is the gauge worked out on the widest base, the sustained enhancing from the bottom reached after the lockdown in the second quarter of 2020 is clearly noticed. There are here two remarkable features: on the one hand a more solid progression in small-medium companies than in large corporations (due to the higher weight in the small businesses of those activities most hard hit by pandemic-linked restraints) and, on the other hand, the meaningful boost of sales at the end of the year, closing the last quarter with levels above 2019 outcome, so that annual sales reported in 2021 by large and small corporations in real terms were only 2.3% below 2019.

Real **GDP**, the benchmark aggregate most commonly used to follow economic background evolution, showed also these two main features seen in 2021, though with a lesser strength than that inferred from fiscal variables. GDP in real terms developed by 5.1% in the year, passing from a 0.5% backlash in the first quarter to a 2.4% average raise in the second half of the year. On its side, nominal GDP augmented by 7.4% in 2021, with a 0.8% dip in the first quarter and a 4.8% increase in the last one (4.5% in the second semester). Anyhow, figures



remained in both cases far away from those recorded in 2019: -6.2% and -3.2% each. Further still was the non-financial businesses' Gross Value Added, which is an aggregate more closely related to fiscal sales indicator. In this case, the year closed nearly 10% below 2019 and this is an actually different outcome from that seen in sales.

The other relevant indicator in order to follow the economic moment is the **employment**, although whatever the approach used is it will be strongly conditioned by furlough scheme effects. Employment evolution rates will be noticeably different depending on the sources and so will the outcomes and the conclusions followed from each of them. Thus, for instance, comparing to 2019, the number of persons insured under Social Security schemes began to grow up from June on and December's figure was already 2% above the same month that year. In annual terms, the average number of insured persons was in 2021 slightly higher than in 2019. Yet, this variable cannot avoid accurately the impact on the actual worked hours of Government furlough scheme (ERTEs). The number of worked hours according national accounts would be the most advisable indicator to follow the evolution of labour factor but its virtually steady performance since the second quarter of the year (just the period in which the economy bettering was more evident) and the significant sectoral changes that have taken place in the last years make difficult its final understanding. Full-time job equivalents indicator, which is a conversion of the hours on the base of the full-time average working day (in these years, not at all easy to define or estimate) is not beyond these issues either. National accounts employment annual figures in 2021 were below those recorded in 2019. In the case of full-time jobs equivalents, they were already above 2019 average in the last two quarters of the year.

In turn, the fiscal employment indicator, which is the number of payees in payroll reported by large corporations and small/medium companies through their withholdings' self-assessments, drew a shape across the year akin to that estimated by the National Accounting for the salaried persons at full-time job equivalents in non-financial business activities. This detail is relevant, as the different performances of public employment in the last two years have to be taken into account.

As regards to the second main feature of the year, the **prices** evolution, the strong bounce back seen early since the first months of 2021 has to be pointed out, especially comparing to the negative rates that built up the overall trend in 2020 as a result of the stoppage linked to lockdown carried out in much of the world. The upswing could be seen in the Producers Prices Index (IPRI, in Spanish) as much as in the Consumer Prices Index (IPC), though the strengths were different in each. In addition, the prices speeding up becomes steeper when monthly data are considered, instead taking the year as a whole. Yearly, IPC ended the year with a 3.1% hike (0.8% the underlying index, which does not include neither energy prices nor unprocessed



food prices). IPC went scoring below 2% average half a part of the year, even including an upward bias because electricity prices assessment is worked out on the basis of the regulated fare (in fact, the private consumption deflator in national accounts grew up by 1.9% in 2021).

Besides, it is advisable to underline two facts linked to the prices evolution. Firstly, most of the upshot has to do with the remarkable hike in energy prices from March on, though the previous downward trend had already changed since mid-2020. In the second place, even taking into account the prominence of electricity prices, the IPRI index performance without energy shows that the inflationary process had a more general presence. Industry prices had began to recover in the last months of 2020 the paces seen before pandemic and since the first months of 2021 showed neatly a hiking trend, though this last was not reflected on the consumer prices core until closely the end of the year (IPC without energy scaled above 2% only in December and the same can be stated regarding the underlying IPC). IPRI hike can be easily understood watching raw materials and food prices evolution in the world markets (see 'The Economist' index for the former and FAO data for the latter, scoring positive growths early since the central months of 2020). Taking a wider outlook, from a further viewpoint, it can be stated that the inflationary stress had began at the end of 2019, but it was held off by pandemic. Once 'return to normal' took place to some extent, prices stress came back faster to stage and did it strongly.

Lastly, although it is commented in different sections of the present report and discussed in more detail in the Briefing Note 1, it needs to be analysed the potential effect on revenue growth from the inflationary upsurge. The first consideration to be stated is that there was no neither direct nor immediate relationship between the prices hike and the tax collection increase, but in the particular case of the year 2021 there are additional reasons supporting the idea of a scarce influence of prices. The lack of connection between prices and tax revenue evolution has to do with the cash of receipts coming either from previous fiscal years (as in the case, among other, of the annual returns in direct taxes, the VAT annual refunds and the AEAT assessments) or from sources that are reflecting prices hike with delay (pensions updating related to 2021 prices deviation has been materialized in 2022, as the salaries increase did). The straightest link between prices and revenue can be seen in the indirect taxes, especially in VAT. Yet, as explained before, the consumer prices increment was not so high in annual terms (3.1%, including the upward bias coming from the way chose to assess electricity price) and it was focused on the second half of the year. Given that accrued taxes in November, December and the fourth quarter of 2021 were cashed in 2022 and taking into account that those periods were the most affected by inflation, the impact was reflected mainly in 2022, not in 2021. Additionally, the rate lowering for electricity consumption (in VAT and Electricity Excise Tax) brought about a revenue loss higher than the gain driven by prices hike.



Tax Bases

Main tax bases scaled by 12.7% in 2021, compared with 2019. This growth is bigger than the dip recorded in 2020 (-7.5%), so that at the end of the year tax bases were 4.2% higher than the figures accounted for in 2019. In the same way as in 2020, in which bases fall was softer than the macroeconomic benchmark indicator used (domestic demand plus employees' compensations), tax bases showed a better performance too in 2021 (4.2% and -2.5% each, both compared to 2019). As it happened by then, there are some reasons behind such divergence. The chief one in 2020 was related to public incomes, some of them (as those transfers linked to the furlough scheme and to the support to self-employed people) not directly reflected by the indicator. These incomes played in 2021 the opposite role but other bases in turn (businesses' profit or the value of the energy products' consumptions), also without any presence in the reference indicator or being less weighty on it, exerted a positive influence in overall tax bases evolution. Yet, even in the bases closest linked to the benchmark (spending subject to VAT, in the case of the domestic demand, and salaries, in the case of employees compensations) the differences became bigger in 2021. For instance, the wage bill worked out from taxes self-assessments, conceptually correspondent to salaries included in the employees compensations, was in 2021 3.1% above 2019, while wages and salaries included in national accounts were 0.8% below that year.

Tax bases evolution was conditioned by the comparison with the aftermaths from the events that took place all along 2020, which was a year hit by the lockdown and by restraints to activity and mobility in different ways. Thus, the year started with a lesser growth due to the new wave of COVID transmissions at the end of 2020 and at the beginning of 2021 and by Filomena storm effects. Then, the pace bounced back in the second quarter as a reaction to the deep plunge of economic activity in those months of 2020 under strict lockdown and settled down later, with paces above 13%, in the second half of the year.

In 2021, the growth in the bases related to income (8.4%) was softer than the one seen in the bases linked to spending (19.4%). This is reflecting again all that happened across 2020, a year in which spending was harder hit by pandemic, while income fall was counterbalanced significantly by the compensating role played by public pays: salaries and pensions as much as other benefits and remunerations, as those coming from the Government furlough scheme (ERTEs) and aids to self-employed. Anyways, 2021 income readings were 5.4% higher than in 2019, while spending figures were above 2019 only by 2.4% and due to the intense upsurge that took place in the second half of the year (the level in the first semester was still below the one scored in 2019), partially pushed up by the prices hike seen in the final part of 2021.



Gross households' income expanded by 5.9% in 2021 with an overall bettering in every constituent, logically more relevant in those which showed a worse performance in the prior year (private sector salaries, in SMEs mostly, capital income and businesses income). Conversely, public pays held off the drop in households' income in 2020 and remained steady in 2021, increasing by 5.5% when compared to 2019. Excepting the yields from movable capital and the income from leases of premises, every constituent figure was finally above 2019 data.

Earned income, the main component within households' income, went up by 4.3% in 2021. The difference between public and private sectors remained all over the year reflecting what happened in the previous year. Private sector salaries increased by 8.2% thanks, particularly, to the good outcomes achieved by small businesses (15.1%, -12.4% in 2020), which became more evident in the second half of the year. Regarding large corporations, the growth was 3.4%, compared to a 2.7% fall in 2020. Contrasting with 2019, wage bill was 0.7% above (0.6% in the large corporations, 0.8% in SMEs). On their side, public incomes (salaries, pensions and benefits) advanced only by 0.4%, low pace that can be explained by the comparison with 2020, year in which unemployment benefits (including here furlough scheme transfers) reached a high level. Regarding public salaries, they advanced by 5.1% (5.2% a year before), after settling in the last quarter a lessening trend once the impacts on the second half of 2020 from new hiring in health and education sectors as well as from salaries updating in State Security forces were finally over. Lastly, public pensions kept along the year paces around 3.5%. Close to two and a half points of this bettering was due to the average pension increase that took place because of the initial yearly revaluation and, as usual, on account of the entering in the system of new retirees with higher average pensions. The augment in the number of pensioners explains the rest of the outcome.

Households' capital income boosted by 12.6% estimate in 2021, after a 12% fall in 2020. Nevertheless, this advance was not strong enough to recover the levels achieved in 2019 (they are still 1% below). The evolution was rather uneven for the different assets. Movable capital yields ended the year with a 2.2% drop that was added to the 19.7% plunge in 2020, giving an overall fall of 21.5% on 2019 level. Conversely, income from leases kept on showing a high energy in the fourth quarter and expanded by 7.5% estimate in the year as a whole, which is a pace that is slightly above 2019's (+1%). Income from business-premises' leases went noticeably worse than the overall figure: this item went up by 5%, but it is still below the level recorded in 2019 (-10.1%). Capital gains were the kind of income scoring the best performance and boosted by 31% in 2021. It was outstanding the increment of the gains linked to mutual investment funds (80%, after the remarkable 12.3% in 2020).



Personal businesses' profit enlarged by 20.6% (-14.6% in 2020). It has to be recalled that many of these businesses are focused on activities hard hit by restraints to mobility linked to pandemic (catering, accommodation, leisure and other personal services) and, just because of this fact, a strong recovery was expectable in 2021, when such restrictions were eased. Anyhow, the final performance was better than predicted: despite the mentioned limitations were not completely relieved, the outcome was 3% above the level seen in 2019.

Corporation Tax consolidated base surged by 26.7% in 2021. It needs to be reminded again that it is being compared with figures strongly struck by pandemic in 2020, so that the comparison with 2019 is more suitable. When doing so, the increment is 4.7%. On its side, profit enhanced by 32% mainly as a response to the deep plunge in 2020, but also due to some extraordinary transactions (a merger operation in the first instalment and some assets sales in the second one). Contrasting with 2019, profit was still 6.8% below that year. Following the data taken from instalments, the augment in both profit and tax base was higher in Groups (even amending the mentioned outliers) than in large corporations non-belonging to Groups as well as in small corporations that work out the instalments on the current profit.

Spending subject to VAT raised intensely in 2021 and ended the year 19.3% above the level recorded in 2020 and 3% above the figure scored in 2019. In the last part of the year a significant prices hike took place and it drove to an increase in nominal spending, though most of the annual increment was due to real spending bettering. Breaking down the evolution by constituents, households' spending (the weightiest item and the most affected by pandemic restraints in 2020) scored the highest expansion: 21.8% in the year placing itself above 2019 reading (+1.2%). Housing expenditure went up by 16.4% in 2021, while investment and current expenditure from Public Administrations developed by 7.1% (in both cases growths were more than 11% above 2019 figures).

Lastly, the **value of the consumptions subject to Excise Taxes**, expanded by 19.9% in 2021. This increment has not been strong enough to recover the levels recorded in 2019 (except in Electricity Excise Tax), after the slump faced in 2020 as a result of both the negative performance of consumptions and the prices drop, this latter especially sharp in fuels and electricity. The recovery in the value of consumptions across 2021 is precisely understood through the enhancing trend of those two constituents. Thus, excepting tobacco, both consumptions and prices went higher in 2021, being outstanding the boost seen in the average prices of gasolines, diesel-oil and electricity from mid-year on. This evolution did not only counterbalanced the previous dip but also pushed up the growth to achieving peaks (since 2014 in petrol, highest ever in electricity). Yet, it has to be recalled that prices hike did not result in higher tax revenue either because the tax is calculated on physical consumptions (prices hike



do not increase collection but it shrinks it, as it happens with fuels) or due to the rate lowering passed in order to alleviate the impact of the high prices (in the case of electricity).



Effective tax rates

The **average effective tax rate** on income and expenditure was 15.3% estimate in 2021, 1.8% above the one recorded in 2020. The number is provisional until yearly data are completed with PIT and Corporation Tax 2020 annual returns, which will be mostly known between June and July. Taking the available info, it can be stated that the effective tax rate kept on showing the upward trend seen before 2020. It touched the peak achieved in 2014, the year previous to the last relevant reform in direct taxation. It needs to be reminded that the growing tendency is the result of the continuous increase of the effective rate on households' income. In 2021, this drift was even enhanced by the rise of the effective tax rate on Corporation Tax base. Conversely to 2020, in 2021 there were law changes affecting tax rates, although their significance in the effective tax rates movements was quite low. Some of the mentioned changes were the higher PIT rates on both general and savings bases for the highest incomes, the new limit to the exemption on the foreign income in Corporation Tax, the higher VAT rate for sugary drinks and the rates lowering for households consumption of electric energy in VAT and Electricity Excise Tax. Other effects, linked to the changes in the composition of the bases in 2020 (higher unemployment benefits and lower spending in services taxed with the reduced VAT rate can be cited as examples) were weightier.

In the Personal Income Tax, the effective rate increased to 13.2%, 3.2% more than in 2020, year in which the rate remained nearly unchanged, compared to that recorded in 2019. The rise stemmed chiefly from three elements. Firstly, the law changes: rates elevation for the highest income in the general base and in the savings base (2 points in the state fare from €300.000 on, in the first case, and 3 points from €200.000 on, in the second one) and the new limits for the reliefs linked to pensions schemes. Afterwards, the rise in the effective tax rate on pensions (due mainly to the usual sliding effect from lower to higher average pensions caused by the entering in the system of retirees with upper pensions). Finally, the less prominence of unemployment benefits, taxed with average rates close to zero, which had been pulling down the effective tax rate in 2020. The rising trend was partially counterbalanced by the higher weight of SMEs salaries in households' income across the year (exerting a downward pressure on the effective tax rate), just the opposite of what had happened in 2020.

The effective rate on Corporation Tax consolidated base was 21.4% estimate, 4% above 2020. If it is worked out on profit, the outcome is a nearly unchanged rate, comparing to the previous year (9.15% in 2021 and 9.17% in 2020). The variation was mostly due to the different growth in bases and rates estimated for the different sets of corporations (clustered by size). The only significant legal change (the new limit to the exemption on foreign income, included in art. 21



CT Law) caused a tax rate growth in the corporations affected, though the overall relevance was not noteworthy enough.

The VAT effective tax rate was 15.3% estimate, 0.1% below 2020 and nearly the same as the last six years average. There were significant law changes in 2021, but they did not exert a noticeable influence on the aggregate effective tax rate. These changes were the tax rate augment from 10% to 21% for sugary drinks, passed with Budget 2021, and the tax rate lowering from 21% to 10% for households' electricity consumption, basically, in force since the end of June. These changes were added to the measures passed in 2020 (RDLs 15, 34 & 35) related to VAT zero rate for COVID products/vaccines and super reduced rate for surgery masks. Additionally, the spending taxed with low rates went recovering (accommodation and catering, hard hit by restraints to activity in 2020 due to pandemic) and in the second half of the year there was a prices hike in products taxed at the standard VAT rate (as fuels are).

The average effective rate on Excise Taxes, worked out as the proportion of the accrued taxes on the value of consumptions, contracted by 10.6%, touching the bottom since 2014. As noted in every AEAT report, this average tax rate is included with the only purpose of completing the analysis on bases, rates and tax revenue, but it is not actually the rate applied (tax base is the physical consumptions in several excise taxes and only in Tobacco and Electricity excise taxes the value is relevant). Moreover, if there are not significant law changes, the effective tax rate moves opposite to energy products prices, which are determining consumptions value. In 2019 and 2020 those prices dropped and it drove to a higher average effective tax rate, while they boosted in 2021 pushing down noticeably the effective rate in this case.



Accrued Tax Revenue and Net Total Tax Revenue

Accrued Taxes boosted by 14.9% in 2021. The four main groups of taxes grew up slightly less (14.7%). The difference is small because though the total amount includes the Insurance Premium Tax (tax rates were higher in 2021) and the new taxes (Tax on Financial Transactions and Digital Services Tax) it also comprises the environmental taxes, which dipped steeply due to the temporary removal of the Tax on the Value of Electric Energy Production. In both cases, the figure was above 2019 (5.1% the total and 5.2% the main taxes) and alike the 15.1% rate recorded by total tax revenue growth. At an aggregate level, the passing from accrued taxes to cash revenue was not significant at all.

In this sense, conversely to what happened in 2020, **law and management changes** detracted revenue but not in a relevant way. In cash terms, the loss was €501 million estimate, barely 3 tenths on the total growth rate.

The varied law changes affecting tax revenue had different natures. The measures can be clustered into four sections: the set related to the measures implemented in 2020 in order to fight, in different ways, against COVID aftermaths; a second block comprising the law changes passed with 2021 Budget; a third set linked to the measures intended to ease the impact of electricity prices hike; and the last group referred to extraordinary receipts and refunds.

Before examining the figures, it needs to be stated that they are calculated for cash purposes. This is relevant because some of the measures have a different impact on accrued taxes than on cash collection just because of the gap existing between the moment in which the tax liability is generated and the actual moment of cashing it. A clear example for this was the Tax on the Value of Electric Energy Production, temporary removed in two quarters of accrued receipts but only affecting one quarter in cash terms. VAT rate lowering for electric energy was other instance: it was in force for some more than six months but only four of them were affected in cash terms. Such gap becomes more evident in those measures that mostly exert their effects in the annual return of the taxes (as the elevation of rates for the highest incomes in PIT and the new limit to the exemption on foreign income in Corporation Tax). Additionally, it has to be borne in mind that the point of view used in assessing the impacts is one of trying to amend all those elements that could be distorting revenue growth rates and for this reason not only the measures put into operation across 2021 are included, but also those from 2020 that could alter the comparison 2021/2020. This way of considering the impacts on collection performance affects mainly to groups first and fourth.

The measures with strongest impact were those intended to lower electricity final price. Overall, the reduction of revenue brought about by these actions was €1,605 million estimate. The first



group of them was passed at the end of June and comprised the VAT rate lowering (from 21% to 10%) for contracts with installed electric power below 10 KW (households' consumption, basically) as well as the removal of the third quarter of the Tax on the Value of Electric Energy Production. Together, they meant a revenue loss of €1,269 million estimate (€509 million in VAT for the period June-October and €760 million more for the third quarter of the Tax on the Value of Electric Energy Production). Later on, this set of measures was widened by adding the rate lowering (from 5.11% to 0.5%) in the Electricity Excise Tax and by extending the removal of the Tax on the Value of Electric Energy Production to the fourth quarter of the year (without impact on 2021 collection, as such quarter will be collected in February 2022). The impact of Electricity Excise Tax rate lowering was €336 million, estimated for the consumptions stretching from September 15th to November 30th, which is the period included in 2021 receipts.

By order of amount, the second group of impacts is that of the measures passed with 2021 Budget, which meant a €1,462 million revenue increase. It can be broken down into three sets. The first one has to do with tax rates elevations and includes three actions: the increase of the rate on PIT general tax base, focused on the highest incomes (impact of €131 million estimate in withholdings that will be rounded out in June 2022 when the annual return is submitted); the taxation on sugary drinks with the standard VAT rate (€314 million in the first ten months in force); and the two points rise (from 6% to 8%) in the Insurance Primes Tax (€476 million in January-November period).

Among the measures passed with Budget, the second set is made up of two new items: the Tax on Financial Transactions and the Digital Services Tax. Both came into force once the year was already running but taxpayers were bound to assess the tax liability from January 1st. The impact on revenue was €462 million (296 from January to November, in the first case, and 166 for the first three quarters, in the second one).

In the third place, included in 2021 Budget too, is the limit of 95% in the CT exemption for the income coming from profit-sharings or from their sale, for companies whose turnover is higher than €40 million. This measure was applied in 2021 CT instalments and meant a €79 million extra collection. The impact was small because most of the affected corporations worked out the instalment using the minimum payment rule, so that the assessment was done on profit instead on the tax base, which is the figure actually changed by the new measure. In fact, the emerging base was €1,650 million estimate but less than 15% of the total number of companies involved calculated the instalments on the tax base. The overall effect will be seen when the annual return is submitted, in July of the current year.



The impacts exerted by the extraordinary receipts and refunds subtracted €824 million to collection. This is a very assorted group that includes refunds actually paid in 2021 (€473 million from VAT regional single minutes and €94 million from Court rulings referred to the Non-Residents Income Tax), as well as the differential impact brought about by either some measures from the past (motherhood allowances and those interests derived from the Court ruling declaring unconstitutional the RDL 2/2016 about CT instalments) or receipts from AEAT assessments in Corporation Tax across 2020.

Lastly, it has to be mentioned the group of the measures linked to pandemic, put in force in 2020, which affected in different ways to the comparison 2021/2020. Overall they summed up €466 million. The most remarkable were those intended to ease businesses' liquidity, which were in force in 2020 and in the first quarter of 2021, though in this case with a significantly lower impact. They consisted, basically, of making easier the compliance by deferring the tax liability. They reduced revenue in 2020 (for the debts not paid before the end of the year) and therefore they had a positive influence in 2021. In the second place was the set of measures passed in order to give support to SMEs. It was done in different ways (change of scheme, deletion of days under state of alert when assessing modules, general tax relief widening from 5% to 20/35% in the objective assessment scheme). These measures had a negative impact on receipts from VAT simplified scheme and from PIT payments on account, throughout 2020 and in the first payment of 2021, although the strongest impact was noticed when 2020 annual return was submitted, in June 2021, as the new general relief was applied in it for the first time (€-195 million, including the residual impact of the deletion of days under state of alert). A third set to be reminded, within this last group of measures, is that of tax rates lowering for products linked to COVID (masks, vaccines, PCR tests...). The impact was lower in this case as it is calculated in differential terms on the prior year, in which some of those measures were already in force.

By taxes, **Accrued Personal Income Tax** enlarged by 9.2% in 2021. Comparing to 2019, the increment was 9%. As seen before, tax base explains nearly 6 points of the increase, while the rest is linked to the higher average tax rate.

Withholdings on payroll and other income from economic activities advanced by 7.1% (6.7% if only payroll withholdings are considered). Wage bill increase was softer (mainly referred to salaries, pensions and unemployment benefits, including transfers from furlough scheme): 4.3%. The rest of the growth was driven by the effective tax rate rise, as a result of pensions withholdings rate increment (as seen before, a sliding effect towards higher average pensions due to the new retirees entering in the system is behind it), as well as of the lesser relevance of unemployment benefits (whose amount was exceptionally high in 2020), with tax rate close to



zero. Regarding salaries, withholdings were higher in the private sector (7.1%, 4.4% compared to 2019) despite tax rate reduction driven by wage bill recovery in SMEs, sector in which the average tax rate is lower. Public withholdings enlarged by 5.8% in 2021, two percentage points less than in 2020 and a similar wage bill increase (5.1% in 2021, 5.2% in 2020). Withholdings on pensions ramped up by 7.2%, below 2020 (8.8%). The lessening seen in this constituent within total withholdings is the result of the uneven performance shown by private pensions in 2019 and 2020 (deep plunge in the first of them and exceptional growth in the second one). Considering only public pensions, the advance is wider than in 2020 (7.2%, compared to 6.4% the previous year), due mostly to pensions' bill enlargement. As far as capital withholdings are concerned, they raised by 7.4% but remained still under the level achieved in 2019, even under that scored in 2018 too. Given that there were no tax rates changes, withholdings on dividends and interests evolution is the same as the income itself: 2.2% drop in 2021 that has to be added to the 20.5% dip in 2020. Comparing to 2019, these withholdings are still 22.3% below the figure recorded that year. On its side, withholdings on leases --of businesses' premises largely-- went up by 5% but this growth was not enough to recover pre-pandemic levels (they were 10.1% below 2019). Conversely, withholdings on mutual investment funds' gains boosted again and they did it with an unexpected strength (80%, 12.3% in 2020). Since these withholdings began to be applied only in four years were scored higher levels (1999, 2000, 2007 and 2008). Finally, payments on account boosted by 25.6%, pace that is directly conditioned by the contrast with 2020, year affected by the array of measures passed in order to alleviate pandemic aftermaths in businesses included in objective assessment scheme. Nonetheless, when comparing to 2019, payments on account are still 10% higher than the figure scored that year and this provides an accurate outlook on how intense the SMEs' recovery was, particularly in the last leg of the year.

Personal Income Tax total cash revenue expanded by 7.5% (€94,546 million). This pace is lesser than those seen in other taxes but it needs to be remarked that PIT grew up in 2020, contrasting with the general drops recorded in the rest of items. Such exception was possible thanks to the income from public sources (salaries from Public Administrations, pensions, transfers from furlough scheme and subsidies for self-employed), which acted as a buffer against the adverse circumstances. In fact, compared to 2019, this is the tax that most contributed to overall outcome. Payroll withholdings, its main constituent, rose by 6.1%. Growth rate was alike in both public (salaries and pensions) and private (large corporations and SMEs) sectors, 6.8% and 7% each. Yet in the public sector the pace was similar to the one scored in the previous year, while in the private sector there was a recovery, after the fall seen in 2020, that meant, additionally, a surpass over 2019 revenue in almost 5%, being outstanding the boost in small businesses (14.7%, 5.4% above 2019). In this same sense, payments on account from personal businesses were remarkable too (17.4%, 5.7% more than in 2019).



Regarding capital withholdings, those from investment funds gains showed an extraordinary performance (86.2%, more than twice the amount of 2019). Conversely, both withholdings on leases and on movable capital yields kept on far below the figures recorded in 2019. Lastly, the annual return contributed also to the overall growth thanks to the lower amount of refunds paid, as they were mainly linked to 2020 income assessment.

Accrued Corporation Tax soared by 31.8% in 2021. The increment was triggered by instalments boost (50.4%), which, as stated before, took place thanks to the enhancing performance of the bases and the higher weight of the minimum payment rule, that is worked out on profit instead of on the tax base. The most powerful growth was seen in consolidated Groups' instalments (minimum payment becomes more relevant in them), which almost doubled those from 2020 (81.5%, after subtracting extraordinary receipts). Instalments from large corporations non-belonging to Groups grew up by 22.3%, while those from small corporations raised by 9.6% with a logical divergence between those that calculate the instalment on the current profit (39.4%) and those working out the payment on the last annual return (0.7%).

Corporation Tax cash revenue heightened by 67.9% (€26,627 million), a pretty high rate indeed, as sharp was the plunge in 2020 (-33.2%), driven both by the same cause. Most of the fall in 2020 (-27.1%) was due to the instalments, which sank because of the activity stoppage triggered by lockdowns. In 2021, when economy took the recovery path, most of the growth was connected to instalments spike (53.7%). Nevertheless, the figure is still good when compared to 2019 (3.1% after subtracting some extraordinary transactions). Other explanatory factor for both the drop in 2020 and the increase in 2021 is the amount of refunds paid. The level was very high in 2020 because so it was the amount of refunds claimed by taxpayers in 2018, but this was an ephemeral issue so that the level of rebates claimed in 2019 and paid along 2021 was much lower (€2,900 million less).

Accrued VAT advanced by 19.2% in 2021 (+3% over 2019), thanks to the encouraging performance of spending subject to tax (all together, the different law and management changes had not influence enough to alter the effective tax rate). Gross VAT recovery sped in the last quarter of the year, spurred by the bettering of the economy and by the prices hike. The year ended with a 17.8% augment, overcoming by 5% 2019 levels. The improving was more evident in quarterly self-assessments (18.6%) since they include the sectors most afflicted by restraints to activity. On its side, refunds claimed by taxpayers increased by 14.4% (13.7% in the annual VAT and 17% in the monthly VAT), because of exports upturn (20.6% above 2020 and 7.6% compared to 2019) and inputs' prices hike, especially energy prices, in the last part of the year.



VAT cash revenue went up by 14.5% (€72,498 million), balancing the fall scored in 2020 (-11.5%). Collection was 1.3% above 2019. The augment could have been higher but for the law changes which detracted nearly €600 million overall (among them, the rate lowering in households' electricity consumption, in force since the last days of June, which subtracted more than €500 million to total collection). Spending recovery steered to an 11.9% rise in gross VAT (1.4% above two years before), with an especially enhancing performance of SMEs, as it happened in PIT (16.4%, 2.3% on 2019). Anyways, cash figures are lower than accrued VAT numbers because a part of 2021 receipts (those from the last leg of the year, which was the period with highest growths) were collected in 2022.

Accrued Excise Taxes expanded by 7.1% in 2021 and are still far away from 2019 levels (-7.1%). Fuel Excise Tax rose by 13.6%, nearly two points above consumptions' pace due to tax rate increment driven by the wider use of products taxed with higher rates. In 2020, the opposite took place: subsidized fuel-oil consumption, with lower tax rates, increased slightly while consumptions of gasolines and diesel-oil for vehicles fell down. Despite the bettering shown in the fourth quarter, the accrued tax scored an overall figure that is still below 2019 (-5.8%), with a more positive performance in gasolines than in diesel oil for vehicles. The beginning of the year was still adverse due to the remaining restraints to mobility, but as these went easing the strong prices hike burdened the tax recovery. Accrued Tobacco Excise Tax fell down by 0.8% (-0.8% the cigarettes and -0.5% the rest of the products). The drop was linked to average prices descent (though the main brands lifted their prices at the end of the year), while consumptions held steady (0.4% the whole amount; 0.2% the cigarettes boxes and 0.7% the rest of the products). The fall on 2019 figures was 5% estimate. Electricity Excise Tax receded by 20% due entirely to the drastic tax rate lowering (from 5.11% to 0.5%) in force since mid-September, given that both consumptions and, mainly, prices went hiking in 2021, pushing up the taxable base to a 20.1% increase. Alcohol Excise Tax climbed up by 33.2%, in line with consumptions progress and as a response to the low levels seen in 2020. Thus far, the figures recorded in 2019 have not been reached yet (-4.8%), reflecting the weak position faced across 2021 in accommodation and catering sectors. Something alike happened to Beer Excise Tax, whose increment was 8.7% estimate (2.2% below 2019). Coal Tax, which became residual, dropped by 9.4%.

Among the main items, Excise Taxes showed the worst outcome in 2021. They grew up by 5% (€19,729 million) and at the end of the year they were still 7.7% below 2019 figure. Its pace was lower than that of the accrued tax due, as mentioned in VAT paragraph, to the shift of the last 2021 accruals to 2022 cash collection. This is especially relevant in Fuel Excise Tax (11.3%, more than two points below the accrued tax) and in alcohol taxes (7% in cash versus 24.7% of



the accrual). On the other hand, the effect is the opposite in Electricity Excise Tax (-12.2% and -20% each) because of the rate lowering in the final part of the year.

In 2021, revenue from items other than the main ones totalled 9,985 million, 23.4% more than in 2020. The increase made possible to recover the loss scored in the previous year, although both 2021 and 2019 data were conditioned by law changes, in the first case slightly moving it upward and in the second almost 900 million downward. In 2021 legal measures that affected this revenue were three: the temporary removal in the third and fourth quarters of the Tax on the Value of Electric Energy Production (€-760 million for the third quarter alone; the fourth quarter should have been collected in 2022); the rate increase (from 6% to 8%) in the Insurance Premium Tax (€476 million), and the collection from two new taxes (the Tax on Financial Transactions and the Digital Services Tax, which contributed with €296 million and €166 million, each of them). Summing up all together, this set of measures added €178 million, 2.2 percentage points of the increase scored in this group of taxes.

Analysing by items, all of them recorded growths, contrasted to 2020, but in comparison with 2019 the situation was not so positive. This is the case of the **Non-Residents Income Tax**, whose revenue in 2021 increased by 20.9%, but remained 22.9% below the 2019 figure. The unfavourable evolution of income from movable capital determined chiefly the progress of this tax. Seen this evolution, both **Insurance Premium Tax** and **Foreign Trade Taxes** have gained relevance within the group of these other taxes. The former was favoured by the rate rise, which drove to a 33% collection increase, 2.2% if the impact of the legal change is subtracted. This growth would be, compared to the performances scored before 2020, relatively low. As regards Foreign Trade Taxes, their revenue expanded by 17.6% but were still 1.5% below 2019, although slightly above the average level recorded between 2017 and 2019.

The other set with a relevant weight in this group of taxes is that of **environmental taxes** which includes Chapter I environmental taxation and the Tax on Fluorinated Greenhouse Effect Gases. Environmental taxation decreased by 3% due, above all, to the temporary removal of the Tax on the Value of Electric Energy Production in the second half of the year (although in 2021 it only affected the third quarter cash). The drop in this tax for the year as a whole was not large (-3.4%) because it started from a low level (€1,146 million when revenue is usually around €1,500 million) due to the drop in 2020 of the price in the wholesale market, quite the opposite to 2021 when prices soared (hence the impact of the removal in a single quarter is estimated at €760 million). The Tax on Fluorinated Gases also receded, by 2.8%, and this is the fourth year in a row in which revenue did so. Except for the year in which it entered in force, which was not complete, the 2021 figure is the lowest in the historical series.



Chapter III increased by 16.7% in 2021, by 15.2% the fees and by 17.7% the other revenue. The final collection was below 2019, but that year the yield was particularly high due to an unusually high figure in the Canon for the Use of Inland Waters in the Production of Electricity. The 2021 figure is thus aligned with 2017 and 2018. The same is seen in the fees, adding in this case that some of them did not recover yet a level that could be considered normal (Fee for Issuance of ID Cards and Passports and the Consular fees).



Total tax revenue and its comparison with budget

In 2021, there was a €1,277 million surplus collected over the budget forecast. This budgetary drift was driven by the better performance than expected in every main item with the exception of Excise Taxes. The higher tax revenue figure was even more remarkable as far as it happened in what it was a challenging backdrop for three reasons. Firstly, the forecast was done under the assumption of a higher spending than that finally recorded (budget forecast for Final National Spending was higher than the figure currently estimated). Secondly, there were less revenue than expected linked to law changes (some of the measures passed did not enter into force). Finally some measures were implemented in order to hold back electric energy price hike (rate lowering in VAT and Electricity Excise Tax and, additionally, the temporary removal of the Tax on the Value of Electric Energy Production in a quarter) and they were not initially included in budget draft.

The drift in Personal Income Tax was positive, €350 million (0.4%). The bettering was mainly focused in both payroll withholdings and withholdings on investment funds gains. A part of these positive differences was counterbalanced by the lesser collection from annual return and from withholdings on leases and capital yields.

Corporation Tax revenue was much higher than the figure budgeted and it accounted to €4,907 million (22.6% on forecast). The good performance of instalments, helped by two unusual transactions in large corporations, as well as the surprise related to investment funds' gains were behind the higher collection.

There were €279 million more in VAT over budget forecast (0.4%). The drift was positive despite the unexpected rate lowering for electric energy, which affected adversely to collection in the last months of the year.

Excise Taxes collected €2,080 million less than the figure forecasted in budget (-9.5%). A weaker consumptions performance than the one included in the macroeconomic scenario used for drafting 2021 budget was behind this drift, to which the rate rise in Electricity Excise Tax has to be added (passed in September 2021).

The most negative deviation was located in the other indirect taxes (€-2,666 million, group in which the new items were included, those that entered into force and those that did not. The former were the Tax on Financial Transactions and the Digital Services Tax, which collected €1,356 million below the forecasted figure (some considerations about are done in the Briefing



Notes 3 & 4). The latter are the Tax on Non-Reusable Plastics and the Waste Tax, which did not finally entered into force, though they were included the budget draft with a €1,341 million collection.