Agencia Tributaria

TAX REVENUE ANNUAL REPORT

2022

TAX REVENUE IN 2022

Total Tax Revenue summed up to €255.5 billion in 2022, surging by 14.4% compared with the prior year.

The growth rate was alike the one recorded in 2021 (15.1%) but while in that year the contrast was done with collection from a period fully pandemic-afflicted, in 2022 the comparison is done with a year that, although not yet utterly 'normal', had scored a 5% increment on 2019 figures, previous to COVID outbreak.

Tax Revenue increase stemmed mainly from the growth in consumer spending, salaries, pensions and businesses' profit, with the additional support of annual returns' positive outcomes from direct taxes. Collection soar could have been even stronger but for the impact from legal and management changes (chiefly those deployed to bring down electricity prices), which detracted €7,200 million to collection, as well as for the faster refunds payment pace in the last part of the year. Without these two issues, tax revenue would have scaled up 3.2 points higher.

A portion of this tax bases high growth in 2022 (consumer spending, households' income and businesses' profit) had to do with prices hike, though this was not the leading cause. It is estimated that less than 5 percentage points out of the total increase were due to prices higher than their average evolution in the last five years, despite CPI (which is the usual reference, albeit not necessarily the most accurate, as far as collection is concerned) went up by 8.4% average in 2022. In this regard, it has to be taken into account that CPI only affects directly a part of VAT revenue that, after amending the effects from law changes and the faster refunds payment pace, more than doubled prices evolution. Moreover, electricity price increases, which were behind around one percentage point rise in CPI, were not passed onto tax revenue because of the VAT rate cut (to 10% in the first half of the year and to 5% in the second one). In other items related to income, increments use to become noticeable with some delay. Thus, rises in salaries and pensions were not linked to prices rises in 2022 but, mostly, to increases that took place earlier, in the prior year. Lastly, in other taxes that are calculated on volume (physical consumptions), as Fuel Excise Tax, the effect of prices evolution on the tax revenue was negative.

In a closer behold on revenue, Personal Income Tax lifted by 15.8% in 2022. Nearly half out of the overall tax revenue growth came from this item. The chief reasons for this performance were the earned income upsurge (salaries and pensions) and the related rise of the effective tax rate; the enhancing outcome scored in 2021 annual return, submitted at the end of June 2022; and the profit boost in personal businesses. Corporation Tax shot up by 20.8% as a result of the actually supportive profit evolution in both 2022 and 2021. Regarding the former, profit emerged in the strong increase of instalments (17.7%), while 2021 profit was behind the annual return total collection boost (41.7%, most of the revenue coming from 2021 annual return submitted in July 2022). VAT advanced by 13.9% in 2022. The pace would have accelerated to 16% if collection loss brought about by the measures passed affecting energy products' consumptions were added and up to 19.4% if the negative impact driven by the faster pace in refunds payments, seen in the last part of the year, were amended. Anyhow, growth rates were much higher than prices hike in the same period. Excise Taxes rose by 2.5% overall in 2022. It has to be recalled that these taxes, among the main items, were the only group that in 2021 had not achieved yet the level recorded in 2019. They did not get this goal in 2022 either, although if the comparison is done leaving apart Electricity Excise Tax, whose collection is a mere remnant because of the measures deployed to bring down electricity prices, excise taxes revenue would have recorded an alike level to that seen three years ago. The origin of such meagre outcome can be placed in Fuel Excise Tax performance.

The economic climate

The two key features in 2022 were the powerfully rising activity, particularly up to the last third of the year, and the hiking prices cycle all year long.

The best indicator in order to real-time tracking economic activity in a thoroughly way is that given by **daily sales data from VAT immediate information system (SII)**, released weekly in AEAT website. Economy in 2021 started following a dubious course, then followed a path of steady recovery in the central part of the year and showed a boost in the last leg, driven in part by the soaring inflation. The same high paces were recorded until September 2022, with the sole exception of March ending disruption due to hauliers strike. From this point on, the trend was a cooling-off one in both nominal and real terms.

The same profile was drown by the quarterly evolution of **large corporations and societal SMEs total sales**. This indicator is the broadest in the statistical outlook (more than 1.1 million companies). In this case, the strong growth in the first half of the year, which was partially due to the underperforming in the first quarter of 2021, still affected by restraints to activity and the aftermaths brought about by Filomena storm, went slowing down in the third and fourth quarters. Those limitations were mainly focused on sectors with a higher share of small businesses. Thus, as the situation went reversing and the paces lessening the gap between large corporations and SMEs was bridged.

The decelerating path was also reflected by **GDP**, the summary activity macro indicator most widely used in economic scenario analysis. It jumped by 5.5% in real terms in 2022, the same rate estimated for 2021. Following this indicator, the growth was concentrated in the second quarter, while the quarter-to-quarter pace was hovering zero in each of the other three-month periods. Opposite to 2021, still partially affected by pandemic aftermaths and the ensued recovery, in 2022 the regaining of foreign visitors triggered the external demand contribution to approach to domestic demand (one year before, almost the whole growth was stemming from this latter). GDP increase was 10% in nominal terms (7.9% in 2021) as a result of inflation stress. In turn, the slowdown seen in the last part of the year was not as sharp as it was in real GDP. The implicit price deflator went growing up as the year passed by. In this sense, it needs to be remarked that the deflator assesses the value added prices so that it may give different evolutions compared to those derived from manufacturing prices or consumer prices. In fact, as it can be deducted from these data, the prices hike would have consisted of an inflation brought about by intermediate consumption goods and only in the second half of the year the pressure on prices started to seep to earned income and businesses operating surplus and, therefore, to GDP deflator.

As to **employment** evolution, the trend was not far from that seen in economic activity. Three gauges are available in order to describe the jobs data outlook: the number of worked hours according national accounts, the number of employed persons, worked out also in national accounts, and persons insured under Social Security schemes. The last two were affected in 2020 and 2021 by the way in which Government furlough scheme files (ERTEs) were accounted for, hence the need to turn to the worked hours, which is the most advisable indicator to follow the evolution of labour factor actually used. This issue was not relevant in 2022 and therefore no matter if one gauge or another is applied. In either event, each of them points to a slowing down in the second half of the year, sharper in the case of the number of worked hours due to the outlier data in the first quarter. In the whole year, the number of actually worked hours rose by 4.1%, 5.2% in the first half and 3% in the second one. The number of employees advanced by 2.8% in 2022 (2.5% in 2021) with a 3.7% increase in the first semester and 1.9% in the second. Higher figures were recorded in the number of affiliates to Social Security, though in the same running direction: 3.9% at the end of the year, 4.7% average in the first six months and 3.1% in the second part of the year.

The indicators from non-financial economy (the number of payees in payroll reported by large corporations and small/medium companies, the employees according to national accounts at full-time job equivalents in non-financial business activities and the number of salaried persons insured under Social Security schemes in the private sector) reinforced this overview on labour market: a boost in employment figures in the first quarters and a following deceleration, more intense in the last months of the year.

Both producer prices (IPRI) and consumer prices (IPC) bring an accurate overview on **prices** evolution across 2022. Prices started to bounce back in the first part of 2021 and continued hiking all year long. The peaks were recorded in the first half of 2022 and then prices smoothed out the rest of the months, especially in the last leg of the year. Several issues deserve to be thereon remarked. Firstly, as stated in 2021 annual report, inflation was much higher at production than at consumption level. The profile was the same but the intensity very different in each. The second issue to consider is that although energy prices became a key constituent in overall prices hike this was not the whole story: prices of the rest of the products and services scaled up significantly too. In the third place, precisely the main feature in 2022 was that while energy prices began to slowdown in the second half of the year nonenergy prices kept on soaring.

Tax Bases

Main Tax Bases jumped by 13.1% in 2022, nearly the same as in 2021, although that year the comparison was made with 2020, which was burdened by pandemic aftermaths, while 2022 is contrasted with a year in which only the first months were affected by some restraints to activity.

As noted before, one of the main features in 2022 was the strong prices hike, which began in the last leg of the preceding year, yet this inflationary process was not the main reason behind tax bases growth. The key cause for such pace was the dynamic performance of income and spending.

For the third year in a row, tax bases performance was better than the most frequently used macroeconomic benchmark indicator (domestic demand plus employees' compensations) so that the consistency between both series, seen up to 2021, has declined. Since 2021, there is a noticeable gap between tax bases evolution and the benchmark indicator path (in fact, in 2021 the former had overcome by nearly 5% the pre-pandemic level whilst the latter was still below 2019 figure). As explained in different reports, some reasons help to figure out what is behind such divergence: there are some tax bases constituents that either are not part of the benchmark indicator (as pensions, for instance) or their weight in this aggregate is different from that within the tax bases (as the value of energy products' consumptions). Even with these qualifications, it needs to be pointed out that there also were in 2022 some deviations between bases and variables, that are usually very close to each other. Such is the case of the relationship between spending subject to VAT and domestic demand or between the wage bill derived from the taxes self-assessments and the amount of total employees compensations according national accounts. This issue of divergence between tax bases and other estimated variables supports the idea of building the analysis using the former, right to avoid the introduction of unknown elements that could make lose reliability to the cited study.

Tax bases started the year growing at high paces, hovered 16% in the first half, and then showing a slowdown that was particularly sharp in the last quarter, in the tax bases linked to spending chiefly. This shape was drawn by the influence of three factors: the upshot effect triggered in the first part of the year by the comparison with months, in 2021, still affected by restraints; the economic activity evolution, which got lesser in the last quarter; and the prices hike, which went cooling off from the end of the summer.

Tax bases linked to income ended the year with a 10% increase (9.6% in 2021), while in the bases related to spending the boost reached a 17.7% (18.7% a year before). The higher rise in the bases associated to spending was partly due to the fact that they were the most directly struck by pandemic aftermaths, effects that dragged on up to the first part of 2021, which drove to higher expansions in both spending subject to VAT and consumptions subject to Excise Taxes in the first quarter of 2022. In addition there was an upward effect on their value brought about by the higher prices.

Gross households' income went up by 8.1% in 2022, two percentage points above the prior year, with higher paces in every constituent excepting unemployment benefits and capital gains (in 2021 they achieved figures that were only below the records high scored in 2006 and 2007). The growth was particularly strong in the private income, around 11% for the second year running, while the public income showed a softer advance as a result of the unemployment benefits dip. The evolution of the rest of public incomes was positive, with a robust increment in pensions while the public wages kept a pace close to 5%.

The main component of households' income, the earned income, picked up by 7% in 2022 (4.2% in 2021). Both salaries and pensions showed higher paces than in the preceding year, while unemployment benefits dropped because of the lower number of jobless people as well as of the average benefit decrease.

The evolution of private and public salaries was uneven across the year. Thus, private sector salaries climbed by 10.5% (8.7% in 2021). These incomes started the year scoring high increments, hovering 12.6% in the first semester thanks to the good performance in hiring and partly because the comparison was made with periods in 2021 still affected by restrictions to activity. In the second part of the year, the rise went slowly dampening at the same pace jobs creation was cooling-off (the variation rate in the last quarter was only 7.6%). On its side, in the public sector the wage bill enlarged by 4.7%, pace alike to that recorded in the previous year, although with different causes behind: while in 2021 the main reason was the hiring pace increase, in 2022 the driver was the average compensation rise, chiefly after the additional pay for officials intended to compensate the higher cost of living.

Regarding public pensions, after the upshot linked to the January's extra pay implemented to alleviate 2021 prices deviation they held paces around 6.8% all across the year (7.9% annual). The average pension lifted by 6.6% because of the cited compensation pay, the pensions rise for 2022 and the upward effect driven by the entering into the system of new retirees with higher pensions.

Households' capital income enhanced by 12.3% estimate in 2022, the same as in 2021 and overcoming already the pre-pandemic levels, although with very different performances in their constituents. Incomes from movable capital soared close to 27%, after shrinking by 2.5% in 2021, thanks to dividends increase. Despite this evolution, this set of capital income has not achieved yet the level previous to COVID outbreak. Income from real estate leases, which is the main constituent of capital income since 2015, jumped by 14% (3.8% in 2021). The recovery in this income was especially intense in 2022, being noticed in both premises leases (subject to withholdings) and housing leases.

Capital gains advanced by 1.9% on the very high level achieved in 2021 (34.9%). A part of the deceleration had to do with the performance of the mutual investment funds' gains, which sank by 20.6% after the rocketing rates recorded in the last leg of 2021.

Profit from personal businesses backed also the good performance seen in households' income by expanding nearly 17% in 2022. This was a very high pace, even more if the extraordinary outcome recorded in 2021, which far exceeded pre-pandemic level, is taken into account (31%). As commented for private salaries, this income grew up at higher paces in the first half of the year as such sector is mainly focused on activities that were hard hit by pandemic restrictions, which were extended up to mid-2021. When this comparison effect was over, added to economy slowdown, the advance was milder in the last part of the year.

Consolidated Corporation Tax Base boosted by 20.8% estimate in 2022, recording outstanding scores for two years in a row (35.5% in 2021, though in this case the comparison is made with the year hardest struck by pandemic). Profit enlarged at a lively pace too (17%, 36% in 2021). These increments were remarkable, even more as they are compared with a year in which there were some extraordinary operations (a merger in banking sector and the assets sale by a big company). Regarding instalments, those from consolidated Groups climbed by 14.9%, rocketing close to 60% in those that worked out the instalments following the minimum payment rule. In large corporations non-belonging to groups the instalments increased by 19%.

Spending subject to VAT scored a 14.2% increment in 2022. As in other items, the momentum was more robust in the first half of the year (20.5%) pushed up by the comparison with a 2021 period partially burdened by some restraints to activity and by a prices hike more marked than in the last part of 2022. The cooling-off was especially intense in the last quarter, with a 4.4%. If inflation were detracted, spending rise would be 5.5% in the year. Breaking down by components, households' spending recorded the strongest increment, 15.9%, after being the item on which COVID aftermaths impacted most powerfully. Despite the bettering, it did not achieved again the weight that it used to have on spending subject to VAT. Housing expenditure inched up strongly too (12.5%) and current/capital expenses from Public

Administrations, which was the only item that grew up in 2020 thanks to the disbursements intended to alleviate pandemic effects, increased by 4.6% in 2022, compared to 7.3% the previous year.

Relating to the **value of consumptions subject to Excise Taxes**, it rocketed by 39.5% in 2022. There was a general improving in the value of consumptions, which overcame already the levels accounted for in 2019, particularly in fuels and electricity (46.8% and 46% each). In fact, regarding beer, fuels and electricity, consumptions values scored the record highs. Such outcomes can be explained by the greater consumption levels (except in electricity) and by the prices hike, particularly intense in gasolines, diesel-oil and electricity. The mean prices have reached in all cases the highest levels of the entire series. Both elements explain why the higher consumptions value have materialized in higher revenue from these taxes, except for Electricity Excise Tax, as a consequence of the extansion of the tax rate slashing.

Effective tax rates

The **average effective tax rate** on income and expenditure was 15.3% in 2022, the same as in 2021. This is a preliminary estimate until 2022 data are completed with PIT and Corporation Tax 2021 annual returns, which will be mostly known between June and July. Taking the available info, the effective tax rate kept steady but with noticeably differing evolutions in income and spending. The average tax rate on income rose by 4.3% due to the increment of the tax rate on salaries and pensions linked to the growth recorded by their average incomes and, one more year, because of the weight loss, within households' income, of unemployment benefits with tax rates close to zero. On its side, the average tax rate associated to expenditure receded by 5.5% for the VAT tax rate cut on electricity and gas consumptions, the tax rate slashing in the Electricity Excise Tax (from 5.11% to 0.5%) and the strong prices hike in fuels and electricity that was behind the powerful increase in their consumptions value.

In the Personal Income Tax, the effective rate advanced to 14.1%, 4.6% above 2021. The rise was linked to the expansion of the average incomes in salaries and pensions, boosted in turn by the updating derived from the inflationary pressure outbreak in the end of the preceding year, and in the case of pensions because of the entering into the system of new retirees with higher average pension. Moreover, the prominence loss of unemployment benefits continued. These incomes have average rates hovering zero, fact that pushes up the total effective tax rate.

The effective rate on Corporation Tax consolidated base remained virtually unchanged (+0.2%), so that in 2022 it is already the same than that seen in 2017. Regarding the tax rate on profit, it rose by 3.5% estimate. Yet in 2022 it still was below the rates recorded before 2018.

The VAT effective tax rate estimate remained almost unvarying (-0.3%), despite the several legislative changes that affected it: VAT rate lowering on electricity (from 21% to 10% up to June and then from 10% to 5%, since July); VAT rate cut from 21% to 5% on natural gas, timber and pellets; extension of the lower tax rate on surgical masks and zero rate on healthcare supply to combat COVID-19, vaccines and PCR tests; and finally the tax rate rise on sugary drinks. The overall impact from these measures summed up to €1,380 million.

The average effective rate on Excise Taxes, worked out as the proportion of the accrued taxes on the value of consumptions, contracted by 27.2%, reaching the record low. 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 no 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 and 2022, pushing down noticeably the effective rate.

Accrued Tax Revenue and Net Total Tax Revenue

Accrued Taxes inched up by 13.1% in 2022, 13.2% in the four main items. Given the stability in the average effective tax rate, the growth was solely due to tax bases increase. The tiny difference between the mentioned two aggregates can be explained because the positive outcomes in items as Non-Residents Income Tax, Tax on the Foreign Trade and Insurance Premium Tax was counterbalanced by the deep fall of revenue from environmental taxation, due to the temporary removal of the Tax on the Value of Electric Energy Production.

Net total tax revenue enlarged further more than the accrued tax revenue, by 14.4%. The chief explanation for this difference is that in the first months of 2022 was cashed the accrued revenue matching with the last part of 2021, which performed better, generally speaking, than the revenue accrued in the last leg of 2022, collected in the first months of 2023.

The influence of **law and management changes** was remarkable in 2022. They detracted €7,200 million to cash collection. Without them, total tax revenue would have gone up an additional 3.2%.

Law changes affecting tax revenue had different natures. The measures can be clustered into four sections: the set related to the measures intended to ease the impact of electricity prices hike; a second block referred to extraordinary receipts and refunds; a third set linked to the law changes passed with 2021 Budget, still affecting 2022; an the last group comprising the measures implemented in 2020 in order to fight, in different ways, against COVID aftermaths and other law changes.

Before examining the figures, it needs to be stated that they are calculated for cash purposes and with the aim of amending all those elements that could exert any influence on growth rates. 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 VAT rate cut on natural gas from 21% to 5%, which entered into force in October 2022 but only affected collection in December. Such gap becomes more evident in those measures that mostly exert their impacts on the annual return of the taxes (as the rates rise for the highest incomes in PIT, affecting 2021 annual return submitted in 2022, and the new limit to the exemption on foreign income in Corporation Tax). As to the influence in the growth rates, it is necessary to take into account not only the measures that started to be in force in 2022 but also those from previous years that may alter the comparison with 2022.

As it happened in 2021, the most impacting measures in 2022 were those intended to smooth out energy prices (electricity and gas). All together, they meant a €6,636 collection loss. As explained previously, this is the differential effect with regard to 2021. If 2021 and 2022 impacts were added in order to obtain the complete collection loss by each natural year, the outcome would be €8,241 million (this figure does not represent the whole impact in 2021 and 2022 because in some case twelve months have not yet passed since the measure was implemented). The greatest loss came from the removal of the Tax on the Value of Electric Energy Production (€3,399 million). The tax was already suspended in 2021, firstly in the third quarter and then in the fourth one, though it was only noticed in 2021 revenue through the third quarter, cashed in November (the fourth quarter should have been collected in 2022, if the tax would have continued to be in force). In 2022, the tax removal was running all year long. In the second place was the rate cut (from 5.11% to 0.5%) in the Electricity Excise Tax, bringing about a €1,705 million loss. This measure was passed at mid-September in 2021 so that the strongest impact on revenue was seen in 2022. On its side, VAT rate slashing, largely applying to households' electricity consumption, had a €1,313 million negative impact on collection. Initially, the rate lowering was from 21% to 10% but, from mid-2022 on, the tax rate became 5%. The impact includes, therefore, the additional period in which the measure was in force in 2022, compared with 2021, as well as the new tax rate cut. Lastly, tax revenue was also affected in December by the change in the VAT tax rate on natural gas consumption from 21% to 5% (pellets, briquettes and timber consumptions are also included in this rate reduction but their weight is actually marginal). The novelty with regard to Electricity Tax is that the cut is applied not only to households' consumptions but also to the rest of the sales. This means that the initial impact on revenue is higher, though it will be offset later on. The net impact of the measure will only be accurately assessed when the traders entitled to deduct the VAT paid to purveyors submit their self-assessments (it has to be taken into account that the tax rate cut only benefits those taxpayers who bare ultimately the tax burden, more precisely the final consumers and those exempted sectors not entitled to deduct the VAT paid in their purchases).

Extraordinary receipts and refunds detracted €1,702 million to collection. Most of them were focused on Corporation Tax (€-2,202 million). They were refunds derived either from Court rulings (€1,300 million) or from DTA. This figure was partially counterbalanced by the positive impact recorded in VAT, albeit they were mostly virtual receipts balancing the extraordinary refunds paid in 2021.

In 2022, the measures passed with 2021 Budget still exerted a positive impact on tax revenue (€1,133 million). This effect took place because of two different causes. Firstly, the displacement to the first months of 2022 of revenue accrued at the end of 2021 (tax rates rise on payroll withholdings, €13 million, sugary drinks and insurance premiums, €75 and €46 each, as well as the entering into force of new taxes, -€23 million in this case for the clearings with Basque Country and Navarre worked out in December 2022). Secondly, there were measures that either became visible or were liable to be completely assessed only in 2021 annual returns (on the one hand, tax rate rise for high incomes, €326 million, and the new thresholds for payments into the pension schemes, €352 million, as far as Personal Income Tax is concerned and, on the other hand, in the Corporation Tax the alteration in the exemption on incomes from abroad, €333 million, and the tax rate rise for Real Estate Investment Trusts –SOCIMI in Spanish- €11 million). The net impact was around €100 million for the former while the positive effect of the set of measures related to the annual returns was above €1,000 million.

The rest of the measures infold a diverse set of effects, though their overall impact was not big. On the one hand, all the COVID-related measures (€168 million) need to be cited. The largest were the effects from temporary measures, with opposite sign to the one that they had when they were implemented (it is the case of Modules reduction and the recovery in the first months of 2021 of a part of the tax liabilities either deferred or adjourned across 2020). On the other hand, three measures remaining have to be mentioned. They are those related to premises leases and housing refurbishment in the Personal Income Tax (in force since October 2022 and therefore with a reduced impact, €-7 million), to the removal of the Fee on the Inland Waters Use due to a High Court ruling (€-177 million) and, finally, the outstanding increase of revenue coming from the Tax on Fluorinated Greenhouse Gases (€+21 million) as a result of the law change passed in September 2022.

By taxes, the accrued **Personal Income Tax** jumped by 13% in 2022, as a result of the 8.1% increase in the tax bases and the 4.6% advance in the average tax rate. This growth rate is the highest recorded since 2006 and it is neccessary to bare in mind that it was achieved after the 11.9% increase scored in 2021, year in which the pre-pandemic level was clearly outstripped.

Payroll withholdings enlarged by 12.4%. This positive performance was backed by incomes expansion (7.3%) and the effective tax rate rise (4.7%). The weight of these factors was not the same in every case. Regarding salaries, the 9% increment in the wage bill explains mostly the withholdings advance (up to 11.6%). Private sector payroll withholding recorded again a better performance (13.6%) with high paces in both large corporations and SMEs. Public salaries lifted not so strongly (7%) because of the softer push from the wage bill. Effective tax rate rise explains around three points out of the total increment in the private sector salaries and two points in the case of the public salaries. In public pensions, the rate rise was above 9%. This support, together with the increase in income, caused withholdings to grow by 17% across the year.

Relating to personal businesses, both payments on account as well as withholdings on receipts from economic activities increased at a lively pace for the second year in a row (17.7% and 10.9% each) thanks to the positive evolution of incomes.

Capital withholdings soared by 17.6% in 2022. The augment was particularly intense in those on interests and dividends (27.2%) though it was not enough to reach the level achieved in 2019. Withholdings on leases, mainly from premises, picked up by 11.5%, more than doubling the previous year's pace and after recording the same level seen in 2019. Withholdings on mutual investment funds gains, sank by 20.6%, after the rocketing increases seen in the previous years.

Personal Income Tax total revenue boosted by 15.8%, more than twice the rate scored a year earlier. The factors that triggered this pace were the increase in the earned income (salaries and pensions) and in the effective tax rate, the enhancing performance of 2021 annual return, submitted in June 2022, and the personal businesses' profit boost. Precisely, revenue provided by the good outcome in the annual return is behind a part of the three percentage points of difference between accrued revenue and total net collection. Additionally, it needs to be reminded that in 2022 were cashed part of the revenue accrued in the last quarter of 2021, which went better than the revenue accrued in the last leg of 2022, accounted for in 2023.

Payroll withholdings enhanced by 12.6% (6.1% in 2021). The advance in the private sector was stronger than in the public sector (12.9% and 11.7% each). Regarding the former, SMEs recorded a more dynamic performance with a 17.3% soar (10.7% in the large corporations). As to public withholdings, revenue from salaries rised by more than 6%, while that from pensions shot up by 18.3%.

Payments on account from personal businesses rocketed too, by 21.7%, overcoming 2021 collection by €716 million. This was an outstanding pace, taking into account that they scored a higher than 17% growth rate in 2021.

Receipts from 2021 annual return added to total collection €3,300 million more than in the previous year. Two were the reasons behind this outcome: the law changes (tax rates rise on savings base and new thresholds for payments into pension schemes, which brought about together €691 million coming mainly from taxpayers with positive tax liability) as well as a higher increment in the incomes not subject to withholdings and placed in the highest base bands.

Movable capital withholdings advanced by 9.5%, far under the accrued withholdings due to the lower revenue from dividends accrued in December 2021, cashed in January 2022. The growth recorded in the last two years has not been enough to offset the loss brought about by pandemic, so that the level achieved in 2019 has not been outstripped yet. Conversely, withholdings on leases have overcome the pre-pandemic figure, after scoring an 11.3% rise in 2022. On their side, withholdings on mutual investment funds gains contracted by 10.8%, after the intense progress seen in the previous year.

Accrued **Corporation Tax** soared by 21%, in tune with the estimated tax base performance. The increment in the accrued tax is above €5,300 million, from which nearly €4,350 million came from instalments, the main constituent in the tax collection. Instalments jumped by 17.3% thanks to the tax bases performance and to the higher support from those instalments that are worked out on profit (minimum payment rule). The increase would scale to 24.4% if the extraordinary receipts collected in 2021 were detracted.

In cash terms, Corporation Tax went up by 20.8% in tune with profit and bases in 2021 and 2022. The two most enhancing items backing the whole collection were the instalments (17.7%) and the annual return receipts (41.7%). In this last case, most of revenue came from 2021 self-assessments, which shot up by more than 45% due to the profit expansion in 2021 (36%). A part of this outstanding outcome has to do with the poor performance seen in 2020 but the rates scored in 2022 are also better than those seen before COVID outbreak. Receipts progression was partially counterbalanced by the strong increment in the amount of refunds paid (26.6%).

As a result of the evolutions followed by the final spending subject to **VAT** and the average effective tax rate, accrued VAT enlarged by 13.8% in 2022. The enhancing performance of spending was behind gross VAT development, which scaled by 16.9%, carrying out thus two years with strong paces (17.7% in 2021). The slowing-down path followed across the year has also affected the accrued gross VAT final evolution, although in different ways depending of the kind of VAT trader. Monthly VAT kept on showing high growth rates. They went rising in the first semester (25% average), contracted slightly in the third quarter and dropped deeply in the fourth quarter. On their side, quarterly self-assessments showed from the first quarter growth rates lower than those scored in 2021 and sharpened the deceleration trend in the last leg of 2022.

VAT total revenue picked up by 13.9% and added €82,595 millions to total tax collection. The boost would have been stronger but for the law and management changes deployed, which brought about a €775 million loss. Gross VAT climbed by 20.4%, with a higher pace in the large corporations than in SMEs. In every item figures were higher than accrued revenue because 2022 cash collection does not include receipts accrued in the last part of the year, which had a worse performance than those from the last quarter of 2021, entered in cash in 2022. The higher receipts linked to deferments contributed to gross VAT growth too.

Likewise, the amount of refunds claimed by taxpayers scaled by 25.5% in 2022, after growing up by 14.4% in 2021. Out of the €6,951 extra million requested, more than €6,600 million stemmed from monthly self-assessments, usually more closely related to exports, albeit in 2022 refunds increment was also driven by prices/costs hike. In 2022, the amount of refunds paid to taxpayers rocketed by 36.7%, with high rates in both yearly and monthly refunds, whose payment pace accelerated in the last part of the year.

Accrued **Excise Taxes** summed up €20,334 million, which meant a 1.5% rise, still below the figures recorded in 2019 (-5.7%), although here it has to be mentioned the drastic tax rate cut in the Electricity Excise Tax (from 5.11% to 0.5%), in force since September 2021. Fuel Excise Tax went up by 3.1%, doubling the consumptions pace (1.5%) due to the increment in the effective tax rate driven by the higher consumptions of products taxed at higher rates. Certainly so it was: gasolines and diesel-oil consumptions incremented by 10% and 1.3% each. Subsidized diesel-oil dropped by 6.4%. Despite the bettering, the accrued tax kept on being below the level achieved in 2019, excepting the revenue from gasolines. While overall consumption continues to recover, it has been slowed by the prices hike. Accrued Tobacco Excise Tax inched up by 8.2% (8.3% in cigarettes and 7.7% in the rest of the products), overcoming already the figure reached in 2019. This advance is explained by the higher level of consumptions (6% the total, 7.2% the cigarette packets and 2.9% the rest) as much as by the rise in the average price before taxation (4.6% the total, 2.7% the cigarette packets and 11.7% the rest). Electricity Excise Tax sank by 76.4% as a consequence of the cited tax rate slashing. Despite consumption fall (-2%), the taxable base soared by 60.2% boosted by the prices hike (52.9% before taxation). Excise Tax on Alcohol and Derivative Beverages scaled by 17.8%, in tune with consumptions advance. It not only overcame 2019 levels but also scored the highest accrued revenue figure since 2007. Alike performance was seen in Beer Excise Tax, which increased by 6.3% estimate. Coal Excise Tax, which had become irrelevant, shot up by 65.8% due to the recovery in the use of this raw material amid the uncertainty about energy sources and against a high prices background.

Excise Taxes total revenue added up €20,224 million, 2.5% above 2021 numbers but still €1,156 million below 2019 (-5.4%). The growth is higher than in the accrued revenue due to a base effect, given that collection in 2021 includes the last accruals of 2020, harder hit by pandemic. This is particularly relevant in the Alcohol Excise Tax (34.5%, almost doubling the growth rate of the accrued tax: 17.8%).

Collection linked to other revenue different from that coming from the main items summed up €10,983 million, 10% above 2021. It needs to be remarked that such augment is biased by the temporary removal of the Tax on the Value of Electric Energy Production, in force since the third quarter of 2021, which detracted €3,399 million to collection. The average yield coming from this tax in the years previous to its removal hovered €1,600 million, but the prices rocketing in the wholesale market explains the high amount of the estimated effect. Detracting the figure linked to this measure, the collection associated to this set of items would have scaled by 44%.

Though a lesser extent, there were other factors affecting the comparison of this group of taxes. Among other, it has to be mentioned the demise of the collection from the Fee on the Use of Inland Waters to Produce Electric Energy (as a result of a High Court ruling that compelled to reimburse the amount collected up to 2021). Opposite was the effect of the measures passed with 2021 Budget, as that related to Insurance Premium Tax, whose rate rise dragged the impact on revenue until January 2022. It is also the case of the new taxes (Tax on Financial Transactions and Tax on Digital Services), which had a complete year collection in 2022, conversely to 2021. Additionally, relating to these two new items, in 2022 were paid the amounts due to Basque Country, making the State total tax revenue lower in this sense.

Non-Residents Income Tax soared by 61.7%. It needs to be recalled that in this item the pre-pandemic levels were not still recovered due mostly to the poor performance of capital income. Conversely, in 2022 these incomes have regained the strength that they showed previously and this, together with the better outcome of the annual return, allowed reaching a record high in revenue, close to €3,000 million. Also in this group, the **Taxes on Foreign Trade** play a relevant role. The revenue from these taxes was higher, by €840 million, the figure achieved in 2021 (42.9% higher), because of the prices hike. The **Insurance Premium Tax** went up by 9.6%, driven by tax rate rise passed with 2021 Budget, whose impact was noticed up to January 2022, adding some more than two percentage points to its growth rate (€46 million).

As to **environmental taxes**, as noted before, collection was marginal in 2022 because of the removal all year long of the Tax on the Value of Electric Energy Production, in the framework of the measures deployed in order to hold off electricity prices. Collection from this set of taxes was also burdened by the extraordinary refunds paid from the Tax on Nuclear Wasted Material. Lastly it is worth mentioning the growth rate recorded by the Tax on Greenhouse Effect Fluorinated Gases as a result of the law change that entered into force in September 2022.

The new taxes passed the last year, the Tax on Financial Transactions and the Tax on Digital Services collected together €474 million, 2.6% above the prior year. The evolution in the former was affected by the lesser volumen of stock markets operations, which show a declining trend previous to the passing of the tax. Moreover, the tax is only applied to corporations shares whose capital volume is higher than 1,000 million, so that the lower level of market cap in the corporations drove to a minor collection. To this factor the clearings with Basque Country related to both 2022 and 2021 have to be added.

Revenue from **Chapter III** contracted by 6.4%. The main cause of the drop was the revenue loss from the Fee on the Use of Inland Waters to Produce Electric Energy. Revenue from other fees increased by 16.7%, driven mainly by the positive evolution of the canon for the occupation and use of the public domain, the ID card and passport issuance fee and the consular fees. As for the rest of Chapter III, the higher revenue from criminal offenses were not enough to offset the loss linked to the lower collection from default interests.

Finally, it should be noted that the collection associated with other revenue from Chapter I doubled in 2022 as a consequence, to a large extent, of the existence of extraordinary receipts.

Total tax revenue and its comparison with budget

Collection in 2022 was much higher than forecasted, even though the electricity price-related measures were extended for the first six months of the year after 2022 country's Budget was presented and were extended again and even widened (with the additional VAT rate cut) later the same year. Total tax revenue overcame the figure included in Budget by €23,111 million. The higher drifts were seen in the Personal Income Tax (around €9,353 million for the favourable performance in salaries/pensions and the annual return), Corporation Tax (€7,699 million for the bigger profit and the higher amount of receipts from 2021 annual return) and VAT (€6,944 million for the positive evolution in spending and the prices hike).

Personal Income Tax recorded higher than expected revenue by €9,353 million, 9.3% out of the budgeted collection. The main source of the deviation was found in payroll withholdings. The better performance of hiring and average compensation with respect to what was expected in the macro scenario of the 2022 Budget largely explain the higher revenue (in 2021, an increase of 3.8% in employees compensation was forecasted for 2022, and the year closed with an increase of 6.5%). The other source of positive deviation was the outcome of the annual return, both due to higher revenue and the lower amount of refunds paid.

In the Corporation Tax, the collection was €7,699 million above that included in 2022 Budget, 31.5% higher than expected. The deviation, which was focused on installments, was due to a forecast for 2021, the basis for 2022 projection, which assumed lower revenue than that finally recorded.

In VAT, the final collection was 6,944 million above what was foreseen in the 2022 Budget (9.2% more than budgeted). The main reason for this deviation was the assumption on price growth in the macroeconomic scenario projected last year, which assumed lower price increases than those that took place finally.

In Excise Taxes, conversely, the deviation was negative: the collection was lower than budgeted by 1,620 million (7.4% below forecast). The main cause for this gap was the extension to 2022 as a whole of the rate cut in the Electricity Tax, a measure that was initially passed in mid-September 2021 and was foreseen for three and a half months. Therefore, it was to exert an expected impact of only one month on cash receipts in 2022. To this must be added the negative effect of fuel prices on revenue from Fuel Tax.

As for the rest of collection, three concepts stood out: the Tax on Foreign Trade with a deviation of €878 million due to the higher than expected increase in import prices; the underestimation in the other revenue from Chapter II, €608 million due to the delay in the entering into force of the Tax on Single-Use Plastic Packaging; and the negative deviation of €256 million in Fees and other revenue as a consequence of the sentence that left without effect the Fee on the Use of Inland Waters to Produce Electric Energy.