Agencia Tributaria

# TAX REVENUE ANNUAL REPORT

2023

# TAX REVENUE IN 2023

**Total tax revenue amounted to €271.9 billion in 2023, 6.4% above collection in 2022.**

This expansion was achieved after two years of powerful growth, 15.1% in 2021 and 14.4% in 2022. Yet it has to be borne in mind that both years showed unusual features, the first one because it was the year after the COVID lockdown and the second one because it is compared with a period in which a standard activity was not utterly recovered yet and in which the inflationary stress hit the roof.

The two drivers that led revenue evolution across the year were the tax bases increment, particularly households' income and corporate profit, as well as the impact from legal measures, chiefly those related to tax rates cut in Personal Income Tax and VAT. Aggregate Tax Base referred to the main items jumped by 7.6%, 10.6% those linked to income and 3.6% those other related to spending. Concerning the first of them, there were increases in every constituent (salaries, pensions, capital income…) although the highest one took place in the Corporation Tax base. Yet regarding spending the advance was much lower as the energy prices went dropping, fact that affected to the value of consumptions subject to Excise Taxes. Conversely, as far as VAT is concerned, the spending subject to the tax lifted by 7.1%.

Law and management changes had a negative impact on collection of €3,342 million estimate, which means that, without the measures deployed, tax revenue would have expanded by 7.8%, growth rate that is in tune with tax bases evolution. The mentioned impacts were more intense in some items, as Personal Income Tax and VAT. The loss was up to €3,841 million in the first of them and was mainly focused on two measures: the widening of the relief on earned income, which affected to the lowest salaries/pensions, and the measures passed by the Regional Governments within their PIT competence range and that were mostly targeted to counterbalance prices hike aftermaths, through the elevation of the family minimums, the partial deflation of the tax rates brackets and either the implementation of new allowances or the widening of those that were previously in force. The first one brought about a €1,726 million loss in payroll withholdings and relating the second one the impact on net income was 1,677 million estimate. Concerning VAT, the collection loss was €3,097 million estimate, €2,452 million out of the total due to tax rates lowering on energy, food staples, female sanitary products and contraceptives.

The breaking down of total tax revenue by components shows the outstanding differences between the 10.1% soar in the direct taxes (Personal Income Tax, Corporation Tax, Non-Residents Income Tax, environmental taxation and other less relevant items in the State collection) and the slight advance (1.7%) in the indirect taxes (including fees and other revenue).

As far as the four main items are concerned, Personal Income Tax jumped by 9.9%. Households' income estimate lifted by an alike pace (9%). The main factors behind were the hiring increase, the salaries and pensions rise and the effective tax rate increment involved. These factors, altogether, led through into the high pace achieved by payroll withholdings that, nonetheless, were constrained by the tax rate cut to the lowest incomes. Although their weights in the tax are lighter, there were also noteworthy growth rates in movable capital withholdings and personal businesses' payments on account.

Corporation Tax collection surged by 9%. Corporate profit soared above 15% in 2023, which sparked the instalments growth, the main constituent within CT revenue, by an alike pace. Part of the increase was brought about by the law change, in force since the beginning of 2023, according to which the tax base of a Group in 2023 was calculated as a sum of the positive tax bases plus half the negative bases of the corporations belonging to it. CT 2022 annual return recorded a noticeable progress too (higher than 12%). As in the instalments, a legal change was the driver behind revenue enhancement: the new minimum tax rate, 15%, passed with 2022 Budget and applied for the first time in 2022 annual return, submitted in 2023. Despite these two factors, the overall CT collection went up by only 9% as a result of the high amount of refunds paid in 2023, mostly coming from 2021 annual return.

As regards to indirect taxes, VAT expanded by 1.6%. Spending subject to tax enlarged by 7.1%. The difference lies in the impact from the different law and management changes passed (tax rates cut on energy and food staples, but also the new rules about deferments and the payment of extraordinary refunds). Adding the collection loss, VAT revenue pace would have been 5.3%, more in tune with spending evolution, particularly taking into account that tax rates slashing affects straightaway to gross receipts (which showed a flat reading, compared to 2022) but shakes with some delay the amount of refunds paid (-3.8%, while the refunds requested by taxpayers dropped by nearly 6%).

Excise Taxes collection lifted by 2.6% in 2023 due to the new Tax on Non-Reusable Plastic Packaging. Detracting the revenue from this item, Excises Taxes yield would have been slightly lower than in 2022 (€-58 million). The main constituent in this set of taxes, Fuel Tax, barely grew up in 2023 (0.6%). The high prices in gasolines and diesel-oils across the year as well as the economy flat lining pulled down this revenue evolution. Tobacco Excise Tax added 0.5%. 2023 was characterized by a significant prices rise, mostly carried over the previous year. Taxes on alcohols contracted in 2023 (-7.2%), particularly those beverages with highest alcoholic content. Revenue from Electricity Excise Tax remained being marginal due to the extension of the rate cut, passed in mid-September 2021, from 5.11% to 0.5%.

# The economic climate

A gradual waning was seen in the economy across 2023, at least until the last leg of the year, period in which turned out a slight bettering. Yet, the nominal variables kept on showing high paces. Domestic Demand was behind the growth, especially in the second half of the year, period in which exports started to show certain weakness. The inflationary process, one of the most remarkable features in 2022, cooled off noticeably as far as consumers and producers prices were concerned, though not in terms of value added. In tune with the economic activity, hiring pace slowed down too.

**Gross Domestic Product in volume terms** ended the year scoring a 2.5% rise, after gaining 4.1% year-to-year in the first quarter and slowing down to around 2% the rest of the year. Quarter-on quarter, growth pace kept stable around 0.5% from mid-2022 onwards. Only in the third quarter of 2023 there was a slight lessening (0.4%) that was balanced by the higher advance in the fourth quarter (0.6%). The fading of foreign demand support from the first quarter on explains to a good extent the strength loss in growth evolution.

Yet, the situation was quite different in nominal terms. A slowdown was also noticed in this case, but not in every variable linked to tax revenue evolution. Thus, **nominal GDP** increase was 8.6% in 2023, with paces close to 11% in the first part of the year and a gradual cooling off until ending the year scoring 7.1%. Domestic demand and domestic households' consumption expenditure, both particularly useful in order to follow tax revenue evolution, advanced a bit softer and around tax revenue pace (6% and 7.1% each). The compensation of employees, key variable in order to follow payroll withholdings evolution, scaled by 8.8% above the figures recorded in 2022.

As to the main fiscal indicators, a similar performance was noticed. **Daily sales data from VAT immediate information system (SII)**, released weekly in AEAT website, provide economic activity real-time monitoring. Sales in 2023 were higher than in 2022 up to the last days of April. Since that moment, they began to recede and only started to bounce back at the conclusion of the year. Behind this path, there were two issues afore mentioned: the end of 2022 prices hike episode and the weakness shown by exports. Sales in nominal terms dropped from April on (they are compared with the high rates scored the previous year), while sales deflated and amended from seasonal and calendar variations kept recording slight advances and grew up in the year as a whole.

Daily exports in 2023 were also below 2022 from April on but, in this case, the trend went worse in the following months. The same performance was seen in the exports data taken from the Customs. Imports profile went even poorer as they are more closely linked to energy prices. For this reason, despite the bad evolution in exports, the trade balance was slightly better, compared to 2022.

The broadest fiscal indicator within the statistical outlook, the **large corporations and societal SMEs total sales** (more than 1.1 million companies), drew the same slowing-down profile, representing thus the economic trend seen across the year. Despite the lessening across the year, there was a tiny upturn in the last months that remains unnoticed in quarter-to-quarter terms.

The lower stress in **prices** was detected in production and expenditure. In both producer and consumer prices the situation seen in 2022 turned around in 2023. If in 2022 inflation was harder hitting production, in 2023 manufacturing prices went even falling down while consumer prices kept on rising around 3.5% since March (this was the average yearly increment). Moreover, the non-energy component in inflation was also more lasting in consumer prices. Producer prices rise came already down below 2% from mid-year on yet, conversely, the downturn in consumer prices was slower and non-energy prices increased above 6% for most of the year.

This divergence between consumer and producer prices can help to understand the differences seen between these prices and the GDP deflator. This last surged by close to 6%, compared to some above 4% in 2022. It needs to be recalled that the deflator shows how value added prices perform, which is a different notion from consumer/producer prices variation. Its evolution in 2023 is consistent with the production-related costs cut, which were not utterly moved into final prices but to compensation of employees and business margin. Data from Businesses Margins Monitoring (OME, in Spanish), a project shared by the Bank of Spain, the Spanish Tax Agency and the Ministry of Economy (data available in Bank of Spain and AEAT websites), back this conclusion. Thus, the intense deceleration in sales came together with an even sharper purchases slowdown, so that the value added increased above 2022 readings.

As to **employment** evolution, the trend line was parallel to that seen in the economic activity, with higher paces in the first leg of the year and lower and steady from the second quarter on. This is particularly true for salaried people and for those indicators coming from registries (number of payees in payroll and persons insured under Social Security schemes). Conversely, the profile of the National Accounts most used indicator (employees at full-time job equivalents in non-financial business activities) was different, with an enhancing trend as the year went by (linked to the more negative profile shown in 2022).

# Tax Bases

**Main Tax Bases** went up by 7.6% in 2023, six percentage points below the pace achieved in 2022, which was a year with a marked strain from prices hike and in which the 'normal' activity was not completely recovered yet. As a result of the mentioned issues, the cooling-off was associated to the bases linked to spending (3.6% against 19.6% the prior year), while tax bases related to income were higher than the reading recorded a year before by more than a percentage point (10.6% compared to 9.5% in 2022).

The softer growth in the bases linked to spending was due, on the one hand, to the lesser impact from inflation, particularly in energy prices but, on the other hand, was also down to a milder advance in the spending subject to VAT.

The observed gap between tax bases evolution and the benchmark variable, the Domestic Demand, tended to be bridged in 2023, though the performance in the former kept going better than their own indicator. Part of the divergence can be explained considering that some constituents of the tax bases either are not a part of the macro indicator or their weight inside the aggregate is different, but even taking into account these factors the different evolution in the period studied is an outlier in the history of both series.

Aggregate tax base started the year with a pace that was two points higher than in the last quarter of 2022, upturn that can be explained by the favourable evolution of both income and spending subject to VAT. Yet in the second quarter tax bases growth decelerated, except the gross households' income that scored a 9.5% advance, compared to 7.8% in the first quarter. In the second half of the year, the aggregate tax base recovered a higher degree of strength, especially in the fourth quarter, thanks to the good performance in the Corporation Tax base, the bettering in the final spending subject to VAT and the softer fall in the value of consumptions subject to Excise Taxes, facts that counterbalanced the lesser thrust from the gross households' income.

**Gross households' income** lifted by 9% in 2023, overwhelming in more than one percentage point the pace scored the previous year. Naturally, as it is the main constituent, the main support to overall growth came from earned income, although the increment was higher in capital income and in the earnings from economic activities.

Earned income inched up by 7.2% in 2023, only four tenths below 2022, as a result of uneven evolutions in its components. Thus, the wage bill gained 7.6%, a remarkable advance when compared with the average growth in the period 2015-2019 (4.6%) but two points below 2022 reading, lessening that was focused on the private sector. The path followed by this variable was a decelerating one as a consequence of the gradual cooling-off in staff addition and of softer salaries rises in the second part of the year (passed from 5.5% in the first half to 4.5% in the second). This shape was more evident in the private sector, mainly in SMEs in which the jobs creation slowdown became marked. Wage bill in large corporations increased by 9.6% (11.1% in 2022) and it went up by 6.6% in SMEs, with more than five points below a year before (11.9%). In the year as a whole the private sector wage bill pace was higher than 8% (11.4% in the previous year). Also in the public salaries the growth was stronger in the first leg of the year but in this case the intensity loss had to do more with the way in which salaries were updated in 2022 and 2023 (in the former, the revision was wider and took place in November). The final outcome was a 5.6% increment in the public sector wage bill.

Contrariwise to wage bill performance, pensions bill gained more than one point and a half in 2023 above the pace scored in 2022 (9%). Public pensions increase was 9.4%, 11% from February on (January's growth rate was negative for the comparison with January 2022, month in which the last updating linked to the prices hike was worked out). Private sector pensions bill contracted again, although more softly than in the preceding years. The weight of these pensions inside the total bill has been shrinking in the last years so that they represented around 3.5% out of the whole in 2023.

Unemployment benefits, the last remarkable element inside this income, added 3.2% in 2023, after scoring sharp drops in the two years right after COVID crisis.

Households' capital income (movable capital yields, leases and capital gains) jumped close to 20%. Income from movable capital soared again around 30%. The novelty in 2023 was the contribution from bank accounts' interests. In 2022, the growth was due to the expansion of dividends and to the comparison with 2021, year in which the dividend payout showed the negative effects of COVID outbreak on 2020 corporate profit. Dividends scaled again in 2023 but not so strongly and the bank account interests came into scene to reinforce the capital income. The starting point was very near the ground (it was not the low of lows, because the rise began to be noticed in the last months of 2022) but the upsurge was actually significant, enough to lift these yields over the levels achieved in 2016.

In addition, the income from leases recorded in 2022 a rather high pace because of the comparison with 2021, year in which the recovery was not complete yet. The growth kept on being higher than 8% in 2023. As far as capital gains are concerned, they flew again above 17% thanks to the enhancing performance in the housing market and the stock exchange. This happened despite the mutual investment funds gains almost halved due to the rates rise and the competition from other financial investment products.

Lastly, income from personal businesses rose by 10%, compared to 8.2% in 2022. As in other variables connected to small/medium businesses, the profile was a decelerating one after starting with an outstanding performance linked to the good outcomes recorded in the previous year.

**Consolidated Corporation Tax Base** boosted by 19.5% estimate in 2023. It is remarkable that this pace was achieved after recording outstanding scores for two years in a row (36% in 2021, 18.7% in 2022). Corporate profit jumped above 10% in 2023. The profit reported by large corporations and Groups in the third instalment of the year, submitted in December, augmented by 15.4%, with stronger advance in the large corporations non-belonging to Groups (17%) than in these last (14.3%). The growth was especially high in the first months of the year, mainly in the Groups (in energy and finance sectors, more particularly), slowed down in the central part of the year, which additionally is compared with very good outcomes in the previous year, and upturned again in the last leg of 2023.

**Spending subject to VAT** grew up by 7.1% in 2023, nearly nine points below the pace scored a year before. The accounting approach to the final spending subject to the tax shows an alike performance (7.5%) but the deceleration is softer in this last case because the mentioned divergence between the bases and their accounting indicators in the period 2021-2022, which is an outlier in both series. Spending growth in 2022 was clearly affected by the inflationary cycle that started to run in mid-2021 and by the fact that in 2022 tourist expenditure was still in the way of recovering the pre-pandemic levels. Both factors help to explain a part of the cooling-off in 2023, though this is also evident, less intensely, in spending evolution in volume terms that passed from 7% in 2022 to 3.2% in 2023. Breaking down by components (households' consumption expenditure, households' expenditure in new housing and Public Administrations expenditure), all of them recorded lesser growth rates albeit households' spending was the one with the sharpest deceleration.

The **value of consumptions subject to Excise Taxes** contracted by 13.9% in 2023. The reason behind was the value fall in the two weightiest constituents, fuels and electricity, as a consequence of the strong prices dip after the high readings reached in the prior year. Moreover, the decline in consumptions has to be added. The value of consumptions of alcohol and intermediate products slightly receded despite the prices hike, which caused the fall of spending. Finally, the value of consumptions in beer and tobacco increased due to the increment in the prices before taxation of 13% and 10.6% each, while consumptions in real terms remained virtually the same in beer and shrank in tobacco.

# Effective tax rates

The **average effective tax rate** on income and expenditure was 15.4% in 2023, which meant a 1.4% increment compared to 2022. This is a preliminary estimate until 2023 data are completed with PIT and Corporation Tax annual returns, which will be mostly known between June and July. The evolution of the tax rate on income and spending was quite dissimilar. The average tax rate linked to incomes rose by 3.3% pushed up by tax rates increments on salaries and pensions as a consequence of the increase in the average incomes, and because of the average Corporation Tax rate rise, due partially to the legal changes. On its side, the average tax rate associated to spending fell down by 1.7% due to the VAT rates lowering on food staples.

PIT effective tax rate climbed by 2.8%, 1.3% without the annual return outcome. As mentioned before, this elevation was due to the average incomes advance in salaries and pensions linked to the updating triggered by the inflationary process that started at the end of 2021. It has to be taken into account that the tax rates cut on the lowest incomes has affected to the effective tax rate evolution. This effective tax rate would have been higher without the nominal tax rates slashing. Moreover, the higher weight of the incomes associated to unemployment benefits, which are taxed at very low rates, pushed also downwards its evolution.

The effective rate on Corporation Tax consolidated base expanded by 2.5%, if the effect from 2023 annual return estimate is taken into account. Without it, the effective tax rate would have fallen by 4.9%. In the case of the tax rate on profit, it went up by 10.8% estimate.

The VAT effective tax rate estimate reduced by 4.4% to 14.3%, the lowest level in the last eleven years, as a consequence of the law changes that have hit its evolution, mainly the tax rate cut on groceries, to which the supplementary rate lowering on natural gas, electricity, timber, briquettes and pellets and the VAT rates slashing on female sanitary products and contraceptives have to be added up. The overall impact summed up to €2,452 million estimate.

The average effective rate on Excise Taxes, worked out as the proportion of the accrued taxes on the value of consumptions, scaled by 15.8%. 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 amount of 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 finally determining consumptions value. Thus, in the cases of fuels and electricity, which showed prices drops in 2023, the effective average tax rate went up. As of the rest of the products subject to taxes, the effective tax rate diminished.

# Accrued Tax Revenue and Net Total Tax Revenue

**Accrued Taxes** enlarged by 8.7% in 2023, thanks to a 7.6% expansion in the tax bases and a 1.4% increment in the implicit average tax rate. The rise was 9.2% in the four main items. Without the PIT and Corporation Tax annual returns estimates, accrued taxes gained 7%.

Net Total Tax Revenue climbed not so steeply as the accrued revenue: 6.4%. The reason behind this discrepancy is related to the inclusion of the 2023 annual returns (to be entered in 2024) in the accrued taxes figure. These annual returns are expected to be more positive than those recorded in the previous fiscal year, cashed mostly in 2023.

As in the past years, it is necessary to take into account the **law and management changes** in order to follow more accurately tax revenue evolution. These changes detracted €3,342 million to collection in 2023 (cash terms). It means that without the measures deployed tax revenue would have inched up by 7.8%, pace alike to that recorded by the tax bases.

Breaking down by items, the main impact came from the Personal Income Tax, with a €-3,841 million loss. Nearly the whole cost was focused on two measures. The first one was the widening of the tax relief for earned income, which brought about a €1,726 million loss in payroll withholdings. The effect was mainly noticed in SMEs and pensions, sectors with the lowest incomes that are the target recipients of the law change. Nonetheless, the influence was also detected in the large corporations, something that, in other similar situations, did not take place. The second one was down to the array of measures passed by the Regional Governments, within their competence range, chiefly in order to counterbalance inflation aftermaths. The features were quite different depending on the territories although, basically, they were referred to the upgrade of the personal and family minimums, the partial deflation of the tax fare and the deployment of some new allowances and/or the widening of the previously passed ones. Every year the Autonomous Communities use this competence but never before the impact was so sharp as it was in 2023. The net effect on total tax revenue was €1,677 million estimate.

The rest of the effects came from different sources. Those changes included in 2023 Budget (motherhood allowance and the measures intended to reduce the fiscal burden to personal businesses) brought about a €215 million loss, while those coming from previous acts (changes in the thresholds for payments into pension schemes and the deduction for housing refurbishment expenses related to energy efficiency) reduced tax revenue by €30 million. The one-off measures on incomes in farming objective assessment scheme, passed in the previous year, exerted their effects on 2022 annual return, submitted in 2023. Finally, the changes passed about deferments rules, trying to make them more easily available, meant a €33 million cash delay and some measures deployed in the previous years, still with effects in 2023, summed up €6 million.

Compared to collection, VAT was the item more affected by law changes. The impact was €3,097 million estimate, which means a 3.7% of the tax revenue cashed in 2022. Out of this figure, €2,452 million were linked to VAT rates slashing on energy, food staples, female sanitary products and contraceptives. The highest loss (€1,703 million), since January 1st, came from the rates cut on groceries (to 0% those products subject previously to the super-reduced rate 4%; from 10% to 5% in cooking oil and pasta). Regarding energy (electricity and natural gas), the €728 million loss is referred to the differential effect arising from the comparison with 2022. This situation takes place in all the measures assessed, though it is important to be aware of it, at this point, because the measures were already in force in the previous years. As to electricity, what is being calculated is the revenue loss linked to the validity of the 5% tax rate all along 2023 compared to 2022, in which this tax rate was only half the year in force (it was 10% in the other half). In the case of natural gas, the comparison is done between the tax rate cut in the whole 2023 with only a three-month period in 2022. The same can be said of the effects in Electricity Excise Tax and the Tax on the Value of Electric Energy Production. In these two taxes, the measures deployed in 2021 and 2022 were extended into 2023 under the same conditions and this is the reason why there is not any cost associated to the mentioned items. Other management changes meant a significant VAT revenue reduction in 2023: the new rules on deferments brought about a €285 million displacement to 2024 and some extraordinary refunds detracted €421 million from VAT revenue.

The impact was positive in the Corporation Tax (€2,645 million). Close to €1,000 million came from the different refunds figures in 2022 and 2023, nearly €2,300 million in 2022 (linked to court rulings and Deferred Tax Assets) and €1,300 million in 2023.

As to the law changes, the minimum 15% tax rate passed with 2022 Budget was applied for the first time, for Groups and corporations with turnover equal or higher than €20 million, in the 2022 annual return submitted in 2023. Moreover, being effective only in 2023, the Groups instalments base was worked out adding up the positive tax bases plus half the negative bases of the corporations belonging to the Group. The minimum tax rate brought about a €596 additional million to CT revenue while the new way of calculating the instalment provided €1,098 million more. In this last case, the effect on the base was much higher than that noticed in the instalments paid. The measure drove to an €11,500 million positive adjustment. Yet only €6,000 million out of the total led to a higher tax base and some above €3,800 million out of them became a higher collection. Such difference can be explained by the existence of three kinds of Groups: those that showed negative base even after the adjustment; those that paid according to the base but in which, without the adjustment, the base would have been negative; and those other that despite the adjustment kept on working out the minimum payment and, therefore, the amendment had not any effect on the instalment.

Among the rest of the measures, the introduction of two new items in 2023 is worth mentioning: the Tax on Non-Reusable Plastic Packaging (€591 million) and the Temporary Taxation on Big Fortunes (€623 million). Moreover, the Fee on the Use of Inland Waters for Electric Energy Production was recovered in 2023 (€81 million), after being not in force in 2022 as a court ruling declared invalid its configuration. In turn, the Non-Residents Income Tax extraordinary refunds (more than €450 million) exerted also a significant impact, although it was partially counterbalanced by other unusual accounting entries in 2022. Lastly, a small positive impact related to Tax on Financial Transactions and Digital Services Tax is included. It is resulting from the different dates in which the clearings with Basque Country and Navarre were accounted for: December 2022 included adjustments matching with two years, while in 2023 only one fiscal year was considered.

As to taxes by items, **accrued Personal Income Tax** raised by 12% in 2023 as a result of a 9% increase in the gross households' income and 2.8% in the effective tax rate. It is the third year running scoring around 12%, as a consequence of the positive tax base performance and of the average tax rate increment, related to income expansion and average pension enlargement.

Payroll withholdings gained 10.2% pushed up by the enhancing trend shown by the earnings (7.1%) and the higher average tax rate (2.8%). Accrued salaries, the weightiest component, advanced by 9.3% driven by the positive evolution of the wage bill (7.6%) and a moderate rise in the effective tax rate (1.6%, affected by the tax rates cut on the lowest incomes). Withholdings on private sector salaries jumped higher than those on public sector compensations, though the former drew a decelerating path, opposite to the one shown by the latter, in tune with tax bases evolution and given that the effective tax rate evolution was alike in both sectors. Tax rates slashing brought about a more evident effect in SMEs, reason why the slowdown was sharper in this kind of businesses. Withholdings on public pensions soared by 17.6% (close to 19% if January were left apart due to the comparison with January 2022, last month in which there was an updating related to prices hike), thanks to the rises in the pensions bill and the average tax rate (7.5% this last).

Withholdings on economic activities went up by 2.9% in 2023, losing seven percentage points when compared with the previous year (10%) because of the negative performance in farming sales and the softer advance in the gross income from professionals.

As long as payments on account are concerned, their increment was 8.1%, nearly two percentage points below business earnings. This was related to law changes, which included the new deduction of expenses difficult to justify in the direct assessment scheme and the new reduction on the net income for the objective assessment scheme.

Capital withholdings growth was high, 18.1%, although slightly below 2022 (18.8%). The main reason behind this performance was the strength in the augment of the withholdings on movable capital yields subject to taxation, which after two years in-a-row scoring high paces (29.7% in 2023 and 28.4% in 2022) touched levels not seen since 2013. The soar of withholdings on bank accounts' interests and the good performance of dividends' withholdings were outstanding. On its side, withholdings on leases, from premises mainly, went up by 6.3%, around four points below the pace recorded in 2022, while the withholdings on mutual investment funds' gains plunged by 39.1% hitting the bottom of the series (€231 million).

**Personal Income Tax total net revenue** lifted by 9.9%, almost six percentage points less than in 2022 (15.8%) and more than two points below the pace scored by the accrued tax. The key under this difference is the inclusion in the accrued tax of 2023 annual return, while in cash terms PIT revenue contains receipts and refunds from 2022 annual return (entered in 2023). Thus although the annual return positive outcome gained a 7%, due to the increase in 2022 of those incomes not utterly subject to withholdings or payments on account (income from rentals, business activities and capital gains), the amount of refunds paid scaled by 14.6%, overcoming by almost 1,700 million the amount refunded in the previous year and driving the net outcome to be €500 million below the prior one. The main cause behind this evolution was the tax rates cut in the share that is competence of the Regional Governments, as well as the increment in the family minimum and the deductions also in the part shared by the Autonomous Communities. These changes brought about a collection loss of €1,677 million. It needs to be kept in mind that withholdings are worked out using a general tariff and that any change in the variables on which Regional Governments exert their regulatory competence means either a lesser annual return positive outcome or a higher annual return negative outcome.

Payroll withholdings expanded by 11% in 2023, with a stronger advance in public sector withholdings (12.6%) than in private sector ones (10.3%). The driver for the former performance was the intense growth in withholdings on pensions, which soared by close to 19% from March on (in February the contrast was done with a month in 2022 in which the last updating pay was released). This outcome took place despite the tax rates cut on the lowest pensions. The tax rates slashing was also noticed in the SMEs, whose related revenue raised by 7.7% (it would have gone to 10.2% without the tax rates lowering). This effect was softer in the large corporations but was strong enough to reduce one percentage point out of the overall growth (11.7%). Lastly, the increment in the withholdings on public salaries was higher than 8%.

The second most outstanding support to PIT revenue was the capital withholdings figure that rocketed by 26.7% thanks to the good performance of dividends and to the recovery of the revenue from withholdings on bank accounts' interests, which were boosted by the rates hike.

The support from the personal businesses' payments on account was also positive: 7.6% in 2023. The increase would have been stronger, up to 10% (in tune with the businesses profit estimate), if the impact from the law changes were detracted.

Withholdings on leases progressed by 6.7% and showed a gradual cooling-off trend across the year. On its side, withholdings on mutual investment funds' gains sank by 44.7%, reducing the total amount to a level alike to that recorded between 2016 and 2020, after the good performance seen in 2021 (when the series hit the roof) and 2022.

Finally, it deserves to be commented that the amounts matching with Catholic Church share were €230 million less than in 2022, fact that came to favour total PIT revenue evolution. The reason behind was once again the alteration of the pattern used to work out the annual assessment of the share. Such assessment used to be carried out in January on the pendant balances related to the moment placed two years before yet the calculation matching with 2021, which should have been paid in January 2023, was paid in advance in December 2022.

**Accrued Corporation Tax** flew by 22.5% in 2023, 13.7% without the annual return outcome. Instalments evolution, since they are the main component within the tax, explains this result. They soared by 15.2% (14.6% in the Groups, 17.8% in large corporation not forming Groups and 12.3% the small/medium corporations) and grew up strongly for the third year running. They were boosted in part by the regulatory change that affected to the calculation of the tax base in the consolidated Groups.

**CT Total Net Tax Revenue** lifted by 9% thanks to the support from the instalments and 2022 annual return positive outcome. The former advanced by 15.2%, in tune with the profit reported by large corporations and Groups through instalments. On its side, annual return receipts raised by 12.1%. The cash from 2022 annual return went up by 11.3% led by corporate profit performance in 2022, without the Collective Investment Undertakings (IIC in Spanish) for their peculiar evolution linked to their activity and because of their meagre contribution to total revenue, given that they are taxed at a 1% rate. The effect from the new minimum 15% rate applicable to Groups and corporations with turnover higher than €20 million has to be added (it was a measure passed with 2022 Budget and hence applied for the first time in 2022 fiscal year, whose annual return is submitted in 2023).

Lastly, it is necessary to remark the relevance of the refunds paid in 2023 (not only from the annual return self-assessments but also from AEAT assessments), whose figure exceeded by 21% the high one recorded in 2022. Two were the reasons for this fact: on the one hand, the high number of refunds requested by taxpayers from fiscal year 2021, mostly paid in 2023, and on the other hand the higher payment pace achieved in 2022 campaign.

**Accrued VAT** in the period advanced by 2.4% in 2023, pace that was noticeably lower than that scored by the final spending subject to VAT (7.1%) due to the VAT rates slashing on food staples, electric energy and natural gas. Accrued VAT recorded an alike growth rate.

Accrued Gross VAT ended the year with a null increase, after commencing the year with the gradual deceleration that started in 2022 and despite the slight recovery seen in the last quarter of 2023. Large corporations gross VAT contracted by 3.3% while it gained 7.3% in the SMEs. The difference lies in the way in which tax rates cut were deployed (they affected firstly to the large corporations but the impact was later abridged as the SMEs reduced their input VAT) and in the profile of the different sizes of businesses (large companies are weightier in the energy sector).

From other viewpoint, it may be useful to explain that the accrued gross VAT with positive outcome receded by 1.4% and, at the same time, the accruals linked to deferments, acknowledgment of debt requesting some offset with refunds or communicating the inability to pay amounted to more than €1,700 million due to the changes passed in the deferments rules.

Also in the requests for refund, a different performance between the monthly refunds (large corporations and exporters, mainly), which dropped by 9.3%, and the annual refunds (SMEs), which jumped by 10.1%, was observed. Overall, the total amount of requested refunds contracted by 5.7%.

In cash terms, gross receipts remained steady in 2023 too, although the slowdown in collection from self-assessments was sharper than in accrued terms, chiefly in SMEs, fact that finds an explanation in the own VAT assessment system. Conversely, collection related to deferments gained 11.9%, pushed by the augment in the deferments requested by taxpayers and the later payment in the same fiscal year. The cash deferred by these changes that will be moved to 2024 is €285 million estimate.

On their side, the refunds paid to taxpayers fell down by 3.8%, data that is in contrast with the 6% dip for refunds requested by taxpayers. The discrepancy can be partially explained because the tax rates cut has an immediate impact on gross VAT but delayed on the amount of refunds paid.

**Accrued Excise Taxes** went up by 3% in 2023, up to €20,896 million. Fuel Excise Tax advanced 0.1%, despite the aggregate consumptions fall (-1.2%), due to the effective tax rate rise linked to the increase in the consumptions of products taxed at higher tax rates. Thus, consumptions of gasolines and bioethanol raised by 5.9% boosted by prices drop, while consumptions in the rest of the products contracted, particularly the subsidised diesel-oil (-10%) including heating oil, whose evolution is affected by the weather. Accrued Tobacco Excise Tax expanded by 0.7% with a poorer performance in cigarettes (0.3%) than in the other products (4.1%). Such performance was down to the augment in the average price before taxation and despite the consumption dip in every product. Accrued Electricity Excise Tax shrank by 20.1% because of the lessening trend in consumption (-3.3%) and the meaningful decline in the price before taxes (-18.4%) against a backdrop of tax rates cut extension all along 2023. Excise Tax on Alcohol and Derivative Beverages fell down by 5.1% in 2023 in tune with consumptions drop, affected by the rise in the prices before taxation (7%). Something alike happened in the Beer Excise Tax, which recorded similar levels to 2022. Coal Excise Tax returned to its decreasing trend (€33 million, -36.6%) and remained being negligible within overall Excise Taxes collection. The Excise Tax on non-reusable Plastic Packaging, which entered in force in 2023, provided €663 million to collection.

**Excise Taxes total net revenue** reached €20,757 million, 2.6% above 2022. The pace was softer than in the accrued excise taxes figure, inter alia, because the cash amounted is only reflecting 11-month in accrual terms of the Tax on Plastic Packaging. If this tax were left apart, both accrued taxes and cash would have receded by 0.3%.

Tax revenue from items other than the main ones summed up €11,929 million in 2023, 8.6% above 2022 level. Out of the €946 million total gain in 2023, €623 million came from the new **Temporary Taxation on Big Fortunes**. If this support were detracted, the increase in the rest of tax revenue would have been 2.9% only.

**Non-Residents Income Tax** inched up by 8.9%, outstripping the €3,000 million figure for the first time. The tax collection was enhanced by the dynamic performance of capital income, which is behind the good outcomes seen in withholdings and payments on account. These last receipts soared by 19.9% in gross terms albeit the extraordinary refunds paid reduced the net revenue pace to 11.8%. The refunds effect was also noticed in the collection from the annual return, which plunged deeper than 40% in spite of the 10.4% enlargement recorded by the gross receipts.

**Environmental Taxes** provided a positive contribution to overall collection too, though it is marginal compared with the level they showed before the temporary withdrawal of the Tax on the Value of Electric Energy Production, since mid-2021, in order to tackle energy prices hike. The growth was focused on the Tax on the Production of Nuclear Fuel Waste, although it was in this way because of the comparison with 2022, year in which there were extraordinary refunds. The same reason, but with opposite sign (extraordinary receipts in 2022), was behind the drop in the rest of tax revenue from Chapter I in the Budget (primarily, the Tax on Capital Transfers with limited tax liability or from Ceuta and Melilla and the Inheritance and Gift Tax).

In the Chapter II, collection from **Insurance Premium Tax** scaled by 4.6%. Conversely, the **Taxes on Foreign Trade** declined by 5.6% after skyrocketing the previous year (42.9%), triggered by prices hike. The **Tax on Financial Transactions** remained steady while the **Digital Services Tax** provided €25 million more than in the prior year.

**Chapter III** collection dropped by 0.2% in 2023, with uneven evolutions in its components. Thus, revenue from Fees gained 13.9% because of the recovery of the Fee on the Use of Inland Waters for Electric Energy Production, which was not in force in 2022 due to a Court ruling declaring invalid its previous configuration. The rest advanced by 2.4% thanks to the consular fees. Contrariwise, the Levy on the Use of the Public Radio Spectrum Domain held a negative performance. As to the rest of receipts from Chapter III, they contracted by nearly 9% with poor outcomes in the main constituents (enforced collection surcharge, interests and tax penalties).

## Total tax revenue and its comparison with budget

In 2023 as a whole there was a positive deviation between total tax revenue and Budget that amounted to €9,154 million estimate, as a result of an extra €8,085 million collection in the gross receipts and a volume of refunds paid that was €1,069 million under the figure expected.

With the aim of accurately valuing this positive deviation it has to be considered that by the time Budget was presented to Parliament neither the dragging on of the measures related to electric energy and natural gas nor the tax rates slashing for food staples were passed yet. These measures brought about an around €2,400 million loss. In turn, no collection from the Temporary Taxation on Big Fortunes was included either, because this new item was not approved yet.

In the Personal Income Tax, €7,158 million entered over the figure budgeted, 6.3% more. The reason behind was the better than expected hiring/average salaries performance, compared to the levels forecasted in the macro scenario contained in the previous Budget (it was predicted a 3.9% growth in the compensation of employees for 2023 and it finally scaled by 8.8%).

Corporation Tax collected €6,541 million more, close to 23% above the amount budgeted. Corporate profit became better than expected, both the outcome in 2023 (which triggered higher instalments) and the one from 2022 (which bettered the expectations by the time national accounts were worked out about the annual return outcome).

VAT collection at the end of 2023 was €2,184 million below the figure reflected in the Budget. Yet if the impact from the dragging on of the measures deployed to hold off prices of electricity and gas as well as the tax rates cut on food staples were amended, collection would have gone up to reach a figure slightly higher than that forecasted.

Excise Taxes outcome went worse than estimated in Budget. It was €1,987 million below the amount expected. The two causes behind were the dragging on of the tax rate slashing in Electricity Excise Tax (€1,177 million less) and the meagre increase scored by Fuel Tax (€1,072 million under the forecast).

About the rest of tax revenue, three items stood out: the negative deviation in the environmental taxes (€-1,164 million) as the suspension of the Tax on the Value of Electric Energy Production was kept in 2023, within the set of measures related to the Electric System;

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the positive drift in the rest of revenue from Chapter I due to the irruption of the new Temporary Taxation on Big Fortunes (it provided €623 million); and the positive deviation in the Non-Residents Income Tax (€537 million) linked to the good performance of withholdings and payments on account.