



8 April 2022  
TAX REVENUE STATISTICS  
1995-2021

## TAX BURDEN WAS 35.8% OF GDP IN 2021

In 2021, tax burden increased 7.1% in nominal terms, attaining 75.6 billion euros, corresponding to 35.8% of GDP (35.3% in the previous year). Portugal continued to register in 2020 a lower tax burden than the EU average (-5.2 percentage points).

Direct tax revenue increased by 2.2%, mainly reflecting the 5.7% increase in individual income tax (IRS) revenue. Social contributions rose 6.9%, benefiting from the growth of paid employment and from the increase of the minimum wage. On the other hand, revenue from corporate income tax (IRC) fell 6.6%.

Indirect taxes, with an increase of 10.6%, were the component that contributed the most to the upsurge of nominal revenue. Proceeds from value added tax increased by 13.4% (-10.6%, in 2020), standing out also, the rise in revenue from the tax on petroleum and energy products (+7.7%) and stamp tax (+10.4%). There were also increases from real estate transfer tax collected by Local Government (+37.1%) and from real estate tax collected by Local Government (+2,1%). Revenues from excise duties on tobacco and tax on motor vehicle sales fell 0.1% and 3.0%, respectively.

In 2019, the most recent year with detailed information for its compilation, the VAT gap was estimated at 450 million euro, corresponding to 2.3% of the VAT revenue of the year, an identical value to that observed in 2018.

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Statistics Portugal presents in this press release the tax revenue statistics for the year 2021, consistent with the base year 2016 of the Portuguese National Accounts, where figures for 1995 to 2019 have the nature of final data. The publication of this press release is based on data from the General Government Accounts underlying the first notification of 2022 on the Excessive Deficit Procedure (EDP), released by end March.

The terminology adopted, although assuming the conceptual framework of the European System of National and Regional Accounts (ESA2010), has reference to the one followed in the annual report of the European Commission "Taxation Trends in the European Union", in this way facilitating the analysis and comparison of the results.

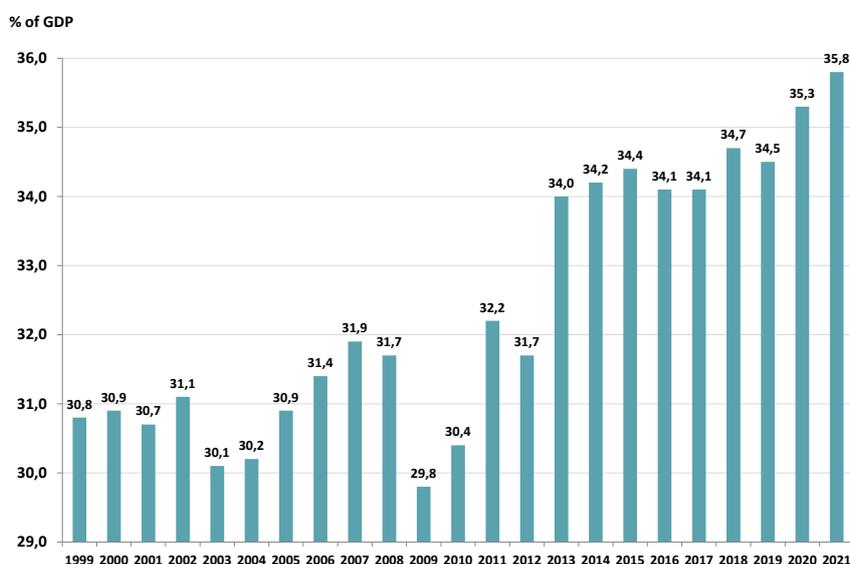
The tables presented in this press release include data for the period 2010 to 2021. The files available in annex include information for the period 1995 to 2021.



## TAX BURDEN

In 2021, tax burden returned to its upward trend, more than compensating the nominal decrease from previous year. In nominal terms, tax revenue reached the value of 75.6 billion euro, a new high for the analysed period. The increase in revenues was about 5 billion euro, regarding 2020, and 1.6 billion euro, regarding the pre-pandemic year of 2019,

Figure 1. Evolution of the tax burden between 1999 and 2021 (% of GDP)



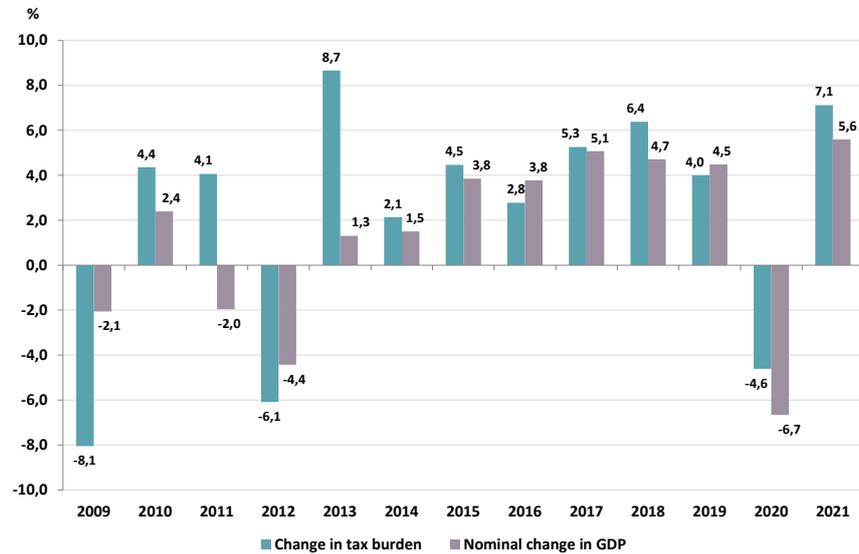
Source: Statistics Portugal, National Accounts

Since the variation of total tax revenues (+7.1%) was higher than the nominal change rate of GDP (+5.6%), tax burden increased to 35.8%<sup>1</sup> in 2021 (35.3%, in the previous year).

<sup>1</sup> Preliminary value.



Figure 2. Changes in tax burden and GDP between 2009 and 2021 (%)



Source: Statistics Portugal, National Accounts

The uprise of 5.03 billion euro in tax revenues is explained by increases in the collection of VAT, individual income tax (IRS) and actual social contributions which rose 2.3 billion euro, 806 million euro and 835 million euro, respectively. As for the income of corporate income tax (IRC), revenues decreased 345 million euros.

The behaviour of VAT revenue, in 2021, is mainly explained by the gradual return to normal activity. In fact, there was an expansion of private consumption by resident households, which rose 5.9% in nominal terms, and by non-residents households (tourism), which registered an increase of 28.9%, after the unprecedented decline of 57.6%, in 2020. However, it should be mentioned that consumption by non-residents households is still 40% below pre-pandemic levels.

Regarding the tax on oil and energetic products (ISP), revenues grew by 13.4% (+253 million euro), mainly reflecting the recovery of fuel consumption.

The revenue from real estate tax collected by Local Government (IMI) and from real estate transfer tax collected by Local Government (IMT) increased 2.1% and 37.1% respectively. The gain of revenue for these two taxes amounts to 385 million euro, reflecting an outstanding year in Portuguese real estate market.

It is also worth mentioning the decrease in revenue from tax on motor vehicle sales (ISV), which fell again (-3.0%), this time reflecting a decision from the Court of Justice of the European Union, which caused changes in the tax's calculation method, resulting in lower revenue from imported used vehicles, although registered vehicles in total increased slightly.

Regarding the behaviour of other indirect taxes, there was an increase of 63 million euro (change of 2.0%) due mainly to increased revenues from excise duties on alcoholic beverages and beverages with added sugar or other sweeteners.



Finally, actual social contributions rose 6.9%, in 2020. In addition to the gradual return to normal economic activity, complemented by employment growth and the rise of minimum wage (+4.7%), may also explain this trend. According to a report from the Ministry of Labour, in June 2021, roughly one quarter of Portuguese workers earned the minimum wage.

Figure 3. Tax burden and its components between 2010 and 2021

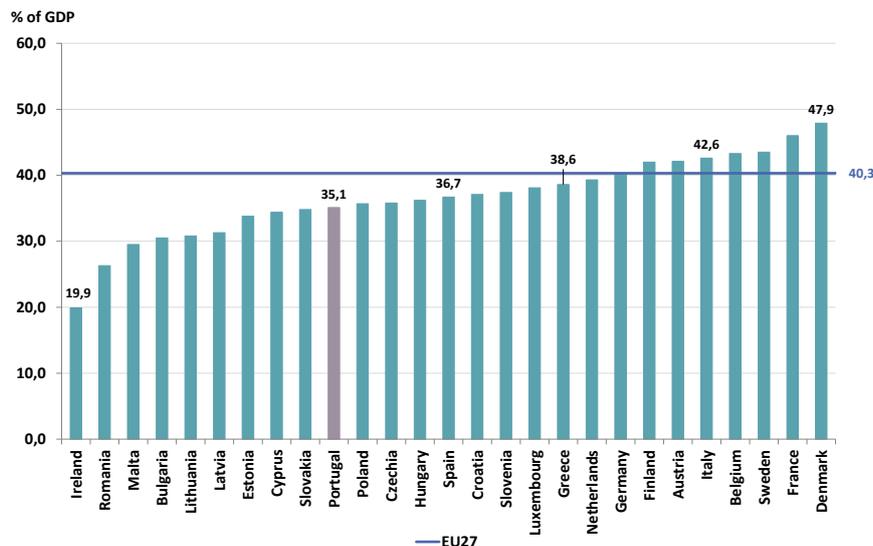
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Million Euro</b>												
Tax burden	54 554,7	56 767,1	53 309,3	57 927,4	59 167,8	61 806,2	63 520,2	66 859,1	71 127,5	73 975,0	70 561,8	75 587,9
Direct taxes	15 186,9	16 596,7	15 263,8	19 269,1	18 799,7	19 279,9	18 802,6	19 418,7	20 684,0	20 889,9	20 116,0	20 554,8
Indirect taxes	23 895,3	24 487,7	23 413,5	23 509,1	24 781,7	26 331,6	27 790,5	29 471,7	31 298,3	32 468,8	29 516,2	32 654,5
Social contributions	15 472,5	15 682,7	14 632,1	15 149,2	15 586,4	16 194,7	16 927,1	17 968,7	19 145,2	20 616,3	20 929,6	22 378,6
<b>Annual rate of change (%)</b>												
Tax burden	4,4	4,1	-6,1	8,7	2,1	4,5	2,8	5,3	6,4	4,0	-4,6	7,1
Direct taxes	0,3	9,3	-8,0	26,2	-2,4	2,6	-2,5	3,3	6,5	1,0	-3,7	2,2
Indirect taxes	8,1	2,5	-4,4	0,4	5,4	6,3	5,5	6,0	6,2	3,7	-9,1	10,6
Social contributions	3,0	1,4	-6,7	3,5	2,9	3,9	4,5	6,2	6,5	7,7	1,5	6,9
<b>Percentage to total</b>												
Direct taxes	27,8	29,2	28,6	33,3	31,8	31,2	29,6	29,0	29,1	28,2	28,5	27,2
Indirect taxes	43,8	43,1	43,9	40,6	41,9	42,6	43,8	44,1	44,0	43,9	41,8	43,2
Social contributions	28,4	27,6	27,4	26,2	26,3	26,2	26,6	26,9	26,9	27,9	29,7	29,6

Source: Statistics Portugal, National Accounts

Comparing the Portuguese situation with the rest of the European Union (EU27), Portugal continued to present a tax burden (35.1%) lower than the average, which stood at 40.3%. It should be mentioned that for this comparison, taxes collected by European Union Institutions are not included, determining a tax burden of 35.1% of GDP (35.3% if those taxes were included).

In 2020, Portugal is one of the countries with the lowest tax burden, lower than Spain (36.7%), Greece (38.6%) and Italy (42.6%).

Figure 4. Tax burden in the EU27 countries, in 2020



Source: Statistics Portugal, National Accounts; EUROSTAT