



The tax effort made by everyone was worth it

Montoro stresses that the budget revenue target for 2012 has been met

- The Minister of Finance and Public Administration emphasises that the approved fiscal consolidation measures have meant that those who have a greater ability to pay have paid more
- The three largest tax revenue sources saw an increase in 2012 . The rise in Corporation tax was greater than the increases in Income Tax and VAT revenue
- For Income Tax, 80% of the supplementary levies have been provided by the 20% of taxpayers with highest earnings
- The instalments paid by large companies and consolidated groups rose by 53% while those from SMEs fell 6.1%

29 January 2013.- The Minister of Finance and Public Administrations, Cristóbal Montoro, confirmed at a press conference today that the Government has met its budget revenue target for 2012 despite the economic crisis. He emphasised the fairness of this tax effort, as it has been large companies and the highest earning taxpayers who have contributed most to the increase in revenue which is essential to fund public services and reduce the deficit.

Total non-financial revenues, as yet with provisional data, came to €215,517 million, compared to €211,089 million envisaged in the State Budget, which represents a 2.1% increase.

Tax revenues reached €168,567 million. This is an increase of 4.2% (€6,807 million) over the previous year. It has been achieved in an

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adverse scenario of an economic downturn, with nominal GDP shrinking by 1.2%.

Montoro said that the fiscal consolidation measures adopted throughout the year by the Government have had an impact on revenue, bringing in an additional €11,237 million. In the absence of these measures, net income would not only have failed to increase but would have seen a drop of 2.7%, in line with the fall in domestic demand. Of the total result (€11,237 million), the most significant part (€4,607 million), corresponded to corporation tax.

RISING INCOME

Revenue showed a marked increase over the year, due to the concentration of regulatory effects as of October (corporation tax, VAT and special tax returns) and the moderation in the pace of refunds requested. Collection from the three largest tax revenue sources (income tax, VAT and corporation tax) rose in 2012.

The finance minister said that the fiscal consolidation measures adopted have secured and deepened the principle of tax fairness and through which the whole of society has contributed to the effort to end the crisis and those who have a greater ability to pay have paid more. In this regard, he stressed that the increase in corporation tax revenue has been greater than the sum of the increase in revenue from income tax and VAT together, so that "the tax burden is distributed more equitably".

INSTALMENTS FROM COMPANIES

Thus, corporation tax revenues rose dramatically in 2012 by €4,824 million, to stand at €21,435 million, i.e. a 29% increase. This occurred despite a scenario of falling corporate profits, mainly due to the regulatory changes implemented. This has enabled the downward trend in revenues to be broken, broadening the tax base and requiring an additional effort from the largest companies. Thus, instalments paid by large companies and consolidated groups rose by 52.6%, while the instalments from SMEs fell 6.1%.

Among the tax measures adopted for corporation tax, highlights include the limitation on the deduction of financial costs and goodwill and the

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elimination of freedom of amortisation, plus changes in instalment payment.

INCOME TAX GROWS MODERATELY

Personal income tax revenue grew moderately last year, by €815 million, to €70,619 million, up 1.2% from €69,803 million the year before. This growth has been produced exclusively due to the fiscal consolidation measures (€3,525 million), mainly because of the supplementary levy that took effect at the start of the year. Without these measures, income would have decreased by 3.9%, a drop similar to that estimated for the gross income of households.

The minister emphasised that income tax has managed to return to levels recorded at the start of the crisis, respecting the progressive nature of the tax. 80% of the cost of the supplementary levy introduced in this tax have been paid by the highest earning 20% of taxpayers with a taxable income exceeding €30,000 euros per year.

VAT AVOIDS A FALL

VAT revenue grew in 2012 by 2.4% (€1,162 million) to €50,464 million. The two factors behind this growth include the impact of higher rates in September (estimated at €2,441 million) and a reduction in refunds. Both factors explain the trend in collection throughout the year, with a very negative first part where revenues fell to rates close to 10%.

Regarding excise duties and special taxes, collection fell by 4.1% to €18,209 million, representing a similar percentage to 2011. The greatest loss was recorded in the tax on hydrocarbons, with a fall of 7.5%.

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