



COMMISSION OF THE EUROPEAN COMMUNITIES

# STUDIES

**The Impact of Rising  
Prices on Taxation and  
Social Security  
Contributions in the  
European Community**

*'The Impact of Rising Prices on Taxation and Social Security Contributions in the European Community'* is concerned with the interaction of inflation and taxation during the period 1968-1974. It analyses the revenue consequences of a much increased rate of inflation that follow automatically from the different variants of the main systems of taxation and social security contributions found in the Community, and of the kinds of adjustments made by the governments as a result of these and other influences.

Five separate tax categories are analysed – personal income tax, corporate income tax, value added tax, the main excise duties, and social security contributions. Considered in turn for each of these are: the general principles that would *ex ante* determine the sensitivity of revenue to inflation; an overall impression of how governments have been reacting in the face of these effects; and what developments in tax structure and tax burden as a share of GNP appear to have been emerging as a result of these and other influences.

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**The Impact of Rising  
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## PART A : POLICY IMPLICATIONS

1. High rates of inflation distort seriously the structure and total amount of real tax revenues. This is the case in particular wherever the calculation of the taxes relies upon fixed money values, as opposed to systems of flat percentage ad valorem taxation which are relatively immune to such distortions, at least when the tax base is a broad one.

2. The distortions are complex in nature and not all in the same direction. The case of personal income tax is perhaps the most conspicuous, because the progressive nature of the tax results in high elasticity values in the response of revenues to increases in nominal incomes. However, there are other important taxes which, if unchanged, produce declining revenues in real terms, for example excise duties which are usually fixed money amounts per quantum, or social security contributions which usually incorporate a fixed ceiling or in some cases are simple fixed money amounts. Among other important taxes, corporation tax will tend to become distorted in favour of the revenue authority when the effects of depreciation practices employed in most member countries are considered in isolation though other factors have tended to cause a relative fall in the yield from this tax in some countries. Property tax revenues will tend to be eroded as the valuation of assets lags behind inflation.

3. It seems impossible to generalise in any simple way as to the overall revenue effects of high inflation rates upon unchanged tax systems. The necessary calculations entail the netting out of effects that, according to the tax, have different amplitudes and signs. The task of inter-country comparisons is further complicated by important differences in the relative importance of some of the main taxes vulnerable to distortion by inflation. This emphasizes the need for quantified models of the whole tax system of member countries, capable of calculating rapidly the effects of different macroeconomic forecasts, and of different hypothetical policy changes. A further conceptual complication is that the traditional distinction between discretionary and automatic tax changes has become less clear-cut in practice, since governments have for at least some revenue sources adopted policies for making annual adjustments that lie somewhere between the discretionary and automatic (social security contributions provide a good example).

4. The situation is even more difficult when it comes to analysing the income distribution consequences. For some taxes, like the personal income tax, the complexity of the form of the tax has resulted in a tendency for inflation to have an irregular impact on income profiles according to the level of earnings. There will be an increase in the taxation of incomes moving into a higher tax bracket, though taxation of very large incomes tends to be proportional. Some studies suggest that large families with low incomes and very high income families are disproportionately affected. For other taxes, the problems of estimating economic incidence are particularly serious - for reasons of poor statistics or controversial economic theory, or both. The non-transparency of these income distribution effects indicates the need for further research work on tax incidence.

5. In the absence of clear evidence to the contrary, it would seem plausible to suppose that the income distribution effects, of tax systems distorted by inflation,

will be harmful and undesirable. Such a priori reasoning would be based on the view that the complex tax structures of member countries at any given point in time represent a complex equilibrium of economic and political forces arrived at through successive approximation by long and arduous democratic processes. There is no reason in general to suppose that random disruption through the effects of a high rate of inflation will coincide with new developments which may be sought for tax policy, although they may from time to time be situations in which inflation can help achieve structural changes that are in themselves felt desirable. Specific exceptions apart, the above considerations may therefore constitute a preliminary, ceteribus paribus case in favour of rather regular adjustment to neutralise the effects of high rates of inflation.

6. While it is difficult to generalise for the whole tax system, more specific comments may be addressed to some of the most important taxes individually.

7. Personal income tax is often at the centre of the debate on whether, and if so how, to adjust for inflation. This is understandable in view of the more highly geared impact of inflation on revenues from this tax, and its importance in incomes policies and wage negotiations. Nonetheless, sight should not be lost of the fact that conclusions applicable to this tax may not be valid for the tax systems as a whole. For example, some of the revenue effects on an unadjusted personal income tax may be offset by the effects on some other taxes.

8. For personal income tax, Community member countries at present show a broad spectrum of policies of adaptation ranging between the extremes of on the one hand, as in the case of F.R. Germany, the practice of not making regular adjustments, to on the other hand, as in the case of Denmark, indexation of income tax brackets and allowances on the wage earnings index leaving only tax rates at the discretionary instrument in income tax policy. A middle position, as illustrated by the French case, consists of making a political commitment to adjust regularly where there is a significant inflation rate, while retaining discretionary powers to judge whether the economic circumstances make a full adjustment appropriate. Among other intermediate cases, that of the Netherlands is situated between those of France and Denmark; in this case there is an automatic indexation of between 80 to 100 per cent of the rise in the consumer price index, still leaving to government the power (which it exercised in 1974) to propose no adjustment. It will be readily appreciated from these examples that there are many other possible graduations in the degree of obligation whether or not to make a change, and over the extent of the change.

9. There are advantages and disadvantages in each type of policy. Of the extreme cases, it would seem that the policy of no regular adjustment corresponds to an ideal situation where the objective of price stability on very low rates of inflation is not out of reach. At much higher rates of inflation such a policy can, in recent European experience, increase the risk of reinforcing net-of-tax wage bargaining, of diminishing or distorting economic incentives, and of giving excessively fast revenue growth to the government. At the other extreme, rigid and full indexation has the demerit of reducing a government's freedom of action, and of extending the phenomenon of inflation-indexation, which when extensively applied throughout the economy can become a dangerous institution for facilitating acceleration of the inflationary spiral. Indexation of income tax systems on wage earnings will also result in the government foregoing a very large amount of nominal and real revenue growth which could lead to financial difficulties for the budget unless it is at the same time decided to cut public expenditure as a share of GNP, or to increase other taxes. Where there is a substantial degree of indexation it might give the impression that the government had given up the fight against the causes of inflation and was attempting to cure only the symptoms of inflation. Indexation systems also mean a

departure from the 'nominal value principle' which for some governments is an essential element in economic life.

10. There are also some specific circumstances in which it could be unfortunate fiscal and economic policy to make automatic adjustments to income tax as a result of increases in the general price level. Such circumstances may include price rises due to indirect tax increases, or deteriorations in the terms of trade. Some countries have succeeded technically in constructing consumer price indices that exclude indirect tax changes, but not so far terms of trade effects.

11. As regards corporate income tax, historical cost depreciation allowances and profits on inventory appreciation may, under inflationary conditions, result in an arbitrary increase in the tax burden unless remedial measures are taken (although the declining relative importance of this revenue source in some countries is an indicator that other more important influences on corporation tax revenue have been present, for example declining profitability. Means of avoiding the tax distortions arising from inflation exist. Examples are seen in the United Kingdom case where 100% first-year write-off of investment is now permitted for tax purposes, and inventory appreciation profits are not subject to corporation tax. In F.R. Germany profits resulting from stock appreciation are not subject to taxation because taxpayers are permitted to value their inventories at historic cost. Other techniques can include tax-free reserve systems, replacement cost depreciation, and various permissible inventory valuation practices. Replacement cost depreciation was applied in France for some years until 1959 when it was abolished as part of the stabilisation programme. There is a danger, however, that different degrees of government intervention in this field could, when combined with different inflation rates and tax bases, introduce further distortions in corporate taxation within the Community. Of course, any overall estimate of the effect of inflation should include its influence on corporate debt. It is clear, for example, that inflation tends to reduce the real value of debts incurred at fixed rates of interest.

12. As regards indirect taxes, the main problems arise in the case of excise duties since VAT is of all the major taxes least vulnerable to distortion by inflation (VAT revenues are in fact constantly, if invisibly, indexed on the price level of its tax base). Observed increases in VAT revenues in relation to nominal incomes or GNP tend to be relatively undynamic with elasticity values usually below unity, but this is for reasons, amongst others, related to trends in the structure of consumption, exports and the relative share of (tax-free) investment expenditure and not to inflation.

13. Excise duties are fixed money amounts per volume of produce (except in the case of tobacco where most member countries have ad valorem elements in their mixed excise taxes). It seems that this form of taxation has been tending to interact with high rates of inflation to depress the relative contribution of excise duties to total revenues. One might be tempted to argue a priori in favour of a broader extension of ad valorem duties to correct for this relatively poor revenue performance. The main economic argument against is that excises tend to be taxes with extremely high effective rates - not infrequently in the range of 100 to 300 per cent. A number of special factors have been advanced as the rationale for these very high rates (public health and relative inelasticity of demand with respect to price in the case of tobacco and alcohol, competition between means of transport for hydro-carbon oils, etc.). An ad valorem form of taxation at such rates would lead to large and erratic consumer price and revenue effects as a result of changes in pre-tax product prices. This could also have disruptive consequences on the structure of demand and thereby on the industries concerned. Problems of tax evasion may also be created in these circumstances. The general advantages of ad valorem taxation in the present context,

which are broadly valid for VAT, are inapplicable for excise duties - at least for those with very high rates. In the case of the VAT, being a broadly based tax with rates not exceeding 33 1/3 per cent, it can be argued that the price evolution of the tax base will tend to be a reasonably satisfactory basis for the evolution of revenue. Excises, with their narrower product base combined with the much more highly powered rates, present an unreliable base for automatic ad valorem revenue adjustments. Maintenance of real excise revenues may alternatively be assured by a firm policy of regular adjustment of the money rates in the light of general economic developments. Increases in excise duties in money terms aggravate the problem of inflation no more, of course, than where the VAT automatically multiplies the size of price rises that originate in terms of factor costs. On the other hand, other factors suggest the need for a policy of rather selective adjustment of excise duties; there is a need to take account of the problems in frontier regions where excises may differ substantially between countries as well as the more general tax harmonisation objectives of the Community.

14. Social security contributions have traditionally, in most member countries, been a form of taxation which, through their use of ceilings or flat money amount contributions, are vulnerable to real revenue erosion if regular adjustments are not made (although it should be noted that in F.R. Germany those contributions are not thought of as taxes). In fact social security contributions have in most member countries been the most dynamic source of government revenue in recent years; indeed they account for over three-quarters of the aggregate growth of taxation and social security contributions in the period under review. Moreover, it has often been an explicit objective of social security systems to ensure improvements in the real standard of certain benefits, for example to ensure that pensioners participate in the fruits of economic growth. This has only been made possible by the regular (usually annual) adjustment of ceilings and flat money amount rates, and less frequent increases in percentage rates. A reason why adjustments have been made more promptly in this sector than for some other revenue sources - like excises - is doubtless the fact that they are ear-marked to pay for social security benefits, which in turn are either indexed or regularly adjusted in the light of increases in consumer price or wage earnings. For these reasons there has been in recent years a noticeable trend in the Community towards increasing reliance on flat percentage rates (with or without ceilings), away from flat money amount contributions. These developments seem to be a rather natural consequence of the unfortunately inflationary environment, and do not appear to be particularly controversial, except perhaps that they erode some of the earlier 'insurance principles' of social security finance.

15. It may, in conclusion, be possible to formulate some general observations, although circumstances are too varied to justify absolute policy prescriptions, and in addition certain further constraints need to be constantly borne in mind. As regards these constraints, it is necessary that, whatever the desired policies (ceteribus paribus) for adjusting tax systems for inflation, fiscal policy decisions in any year be influenced by :

- the size and nature of the budget balance and government borrowing requirement indicated for short-term macroeconomic policy objectives;
- medium-term public expenditure objectives;
- changes in the balance between various taxes sought for reasons, for example, of social policy or the harmonisation of tax structures;
- and, where appropriate, Community tax harmonisation objectives.

16. Subject to these qualifications, the following remarks may be widely acceptable :

- From the point of view of the sound functioning of the economic system, it is in principle at least as desirable for the government to avoid the accumulation of large distortions in the tax system and in its net financial position as it is in other areas which are vulnerable to analogous distortions, for example in the price policies of public enterprises and in pay rates for public servants.
- Even where there has been a high rate of inflation, only some of the countries affected have adopted indexation. This reflects the widely held view that indexation techniques should be avoided as far as possible, on the grounds that their extensive use increases the danger of institutionalising the inflationary spiral; this view is, for example, strongly held in F.R. Germany. On the other hand in some member states, for example Denmark, it is felt that the indexation of the income tax system may help restrain inflationary wage bargaining behaviour.
- The distinction between "indexation" and "adjustment" may sometimes seem not to be a very real one in practice; on the other hand, there are serious questions of principle involved, and it is important to note that there is a significant range of gradations in the policy techniques available, with more of a choice than between just the polar cases of "complete indexation" and "no change".
- A danger inherent in strongly resisting adjustments under highly inflationary conditions is that this may in time produce an over-reaction in the political system particularly as regards personal income tax. This may lead, for example, to a rigid and generous system of adjustment. Indeed, the case for formal indexation techniques may become particularly strong after a period of rapid inflation and revenue growth from personal income tax creating acute political pressures that have to be met.
- From the point of view of fiscal stabilisation policy, the traditional view of the role of fiscal drag from income taxes has to be somewhat qualified. The automatic, contra-cyclical deflation of demand is still within limits a valid concept. In particular, fiscal drag clearly has its role to perform in situations of genuine excess demand inflation. The limits, however, have been seen in recent years' experience of stagflation and in the dubiousness of the concept of fine-tuning in the context of demand management policy and the control of inflation. Under conditions of stagflation, automatic fiscal drag will increase the difference between the evolution of real disposable incomes and nominal incomes, which may in some circumstances aggravate the inflationary climate rather than ease it.



PART B : A REVIEW OF THE EFFECTS OF INFLATION ON  
TAXATION IN THE COMMUNITY, 1968 - 1974

I. INTRODUCTION AND SUMMARY

(a) Introduction

This paper is concerned with the interaction of inflation and taxation in the Community. More precisely, it analyses the revenue consequences of a much increased rate of inflation that follow automatically from the different variants of the main systems of taxation and social security contributions found in the Community, and of the kinds of adjustments made by the governments as a result of these and other influences.

The first objective of the present paper has been to set out the main factual prerequisites of an ordered and informed analysis of the problem in the Community as a whole as regards all the main categories of revenue :

- personal income tax
- corporate income tax
- value added tax
- the main excise duties
- social security contributions

In the event, this analysis requires a very considerable mass of data, notably as regards personal income tax, excise duties and social security contributions, for which the picture is much less transparent or simple than for the value added tax or corporate income tax. Much of this data is attached in annex form.

The analysis has been principally confined to the years since 1968. To recall the background of accelerating inflation, the annual average rate of increase of the GDP deflator in the enlarged Community rose from 3.8 per cent in the period 1961 to 1968 to 6.8 per cent in 1968 to 1974. In 1974 the average rise was 10.9 per cent. Over the period as a whole F.R. Germany and Belgium tended to be the most stable countries. The severest cases of accelerating inflation have occurred in Ireland, Italy and the United Kingdom, where prices have recently been rising at annual rates around 20 per cent. The index of consumer prices shows a similar picture. (Detailed figures are given in Annex I).

(b) Summary

The following paragraphs set out, for each main category of revenue (a) the general principles that would ex ante determine the sensitivity of revenue to inflation, (b) an overall impression of how governments have been reacting in the face of those effects, and (c) what developments in tax structure and tax burden as a share of GNP appear to have been emerging as a result of these and other influences. (Parts II and III set out the detailed supporting material together with the Annex tables)

Personal income tax has, of all the major taxes, the highest automatic revenue elasticity with respect to inflation. As money incomes rise, tax-payers are moved upwards in progressive tax schedules and subjected to higher tax rates. In addition,

persons who previously were not taxed because their incomes were below the limits fixed by law become liable to taxation. As a result, elasticities of up to 2.0 are common for the response of unchanged personal income tax systems to the growth of incomes. This growth includes, of course, both real and nominal elements. The observed elasticity of revenue growth over a time-series, taking into account tax changes, is lower. (It may also be noted that in the long run, due to an increasing concentration of incomes at levels where the slope of the marginal tax curve tends to flatten out, the elasticity of revenue growth of unchanged tax systems will also tend to decline).

As regards the adaptation of personal income tax to the effects of inflation, the Community provides a complete spectrum of systems, varying from countries like Denmark, the Netherlands and Luxembourg, which have introduced extensive automatic indexation techniques, to F.R. Germany and Italy at the other extreme, where the tax was unchanged for many years. Other countries looked for a solution between both extremes. At the end of the period there were major reforms in F.R. Germany and Italy prompted by a variety of factors.

While personal income tax has generally been one of the most dynamic revenue sources, the considerable differences of degree between countries in this respect is not correlated in any simple way with the existence or otherwise for automatic adjustment provisions. This is because indexation is not an "all or nothing" business, and as is shown below, there are several ways of graduating adjustment systems in their automaticity and degree.

The effective burden of corporate income tax, looked at within the narrow context of depreciation and stock evaluation practices, will tend to increase with accelerating inflation, in as much as capital equipment can be written off against gross profits only on the basis of historical costs and not current replacement values, and the lower cost of acquiring stocks is charged to sales. As a result the yield of taxes of this kind will be greater than unity.

While corporate accounting practices are beginning to adapt to inflation biases, no systematic change has taken place in corporate income tax assessment practices, though there has been a certain amount of ad hoc activity of this kind in some member countries. The effect of this apparent inflation-tax bias leaves an impression on corporate tax trends as a share of total taxation or GNP in some countries only since a more important factor has been the variation (in most cases decline) of profits as a share of GNP. The ad hoc policies adopted by some governments may also be partly responsible where corporate tax shares have fallen.

Value-added taxes are levied at a fixed percentage of current prices so that the yield can be expected to rise in step with the price increase of the goods and services subject to the tax. (For this reason a review of the detailed changes in VAT rates and systems has not been considered relevant to this paper, and so is not pursued in Part II).

In the Community as a whole general turnover taxes marginally increased their share of total tax receipts and social security contributions from 15.0% in 1968 to 6.1% in 1974. The overall impression is one of stability of revenue with respect to GNP in countries with established VAT systems, and of substantial growth in several countries adopting VAT in the course of the last few years.

Excise duties are in most instances specific money amounts charged per unit of weight or volume on products like tobacco, alcohol, beer and hydro-carbon oils. Since the yield of taxes of this kind is clearly unaffected by inflation, the automatic revenue elasticity will be zero. No action has been taken to adapt the payment of taxes of this kind to inflation. While duty rates have often been increased through discretionary changes, the overall effect has been insufficient to prevent the share of all excise duties falling from 13.4% of total tax receipts and social security



contributions in the E.C. as a whole in 1968, to 9,2% in 1974 - the most substantial change in any single tax category. These trends have in some cases partly resulted from the introduction of VAT. They do nonetheless seem to be an instance of inflation and the form of tax appearing to interact to produce an important change in tax structure. A similar pattern can be observed in all member countries, though the fall was steepest in Denmark, Ireland, Italy and the United Kingdom. The countries in which excises dropped furthest in the tax structure were also those with the highest levels of excise duty taxation. This suggests that the high levels in these countries may have made it more difficult for them to adjust rates upwards in line with inflation, as a result of which some harmonisation of tax structures has taken place.

There are three basic methods of levying social security contributions in the countries of the Community : (i) charges levied simply as a percentage of income, (ii) charges levied in a similar way constrained by an income ceiling, and (iii) charges made on a flat rate money amount basis. In the first case a revenue elasticity with respect of inflation of around unity can be expected, in the second the elasticity will be less than unity, and in the third case it will be zero.

The automatic elasticity properties of social security contribution systems thus tend, while differing a lot, to have a range of elasticities averaging below unity - the reverse of personal income tax. As in the case of personal income tax, however, several countries have adopted more or less formal indexation techniques to offset the revenue elasticity effects of inflation. Their application, for social security contributions, seems to have been more widespread and stronger in degree in the attempt to offset unfavourable revenue effects, than was the case for personal income tax to offset in that case the favourable revenue effects.

The outcome has been broadly similar in that all countries, except Denmark, have experienced a rise in social security contributions as a share of GNP. Inflation does not seem, therefore, to have been a distorting influence. Discretionary and automatic changes have made up, and indeed exceeded, the erosion caused by inflation.

The foregoing developments have taken place against a background of a continuing rise in the total burden of taxation and social security contributions as a share of GNP. The Community average tax/GNP ratio thus defined, which rose from 30.1% in 1958 to 34.3% in 1968, increased further to 37.3% in 1974. Social Security contributions accounted for 2.3 percentage points of the rise during the latter period and tax revenues for 0.7 of one percentage point. The last few years, growth may understate the trend growth of public sector activity, since relatively large budget deficits in Italy and the United Kingdom had developed by the end of the period considered - which by definition are not reflected in the above revenue data. In 1975 the deepening recession accentuated these tendencies in the countries mentioned; in F.R. Germany, however, the personal income tax reform introduced in that year caused the percentage of total tax receipts in GDP to fall by 1.6 percentage points between 1974 and 1975.

## II. AUTOMATIC AND DISCRETIONARY CHANGES IN TAXES AND SOCIAL SECURITY CONTRIBUTIONS BETWEEN 1968 AND 1974

Although governments change their taxes for several kinds of reason, one of which may be to offset the effects of inflation, it is not always easy to identify these separately. It is, however, not the task of this paper to identify the motives for tax changes but rather to show the changes that have taken place, principally in those taxes likely to be most affected by inflation, and to record whether these changes were made automatically or by government discretion. Attention is concentrated upon personal income tax, corporate income tax, excise duties and social welfare contributions.

### (a) Personal income tax

The countries of the Community can be divided into four groups. The first contains Denmark, the Netherlands and Luxembourg, where some attempt has been made to offset the impact of inflation automatically. The second contains only France, where there has been systematic, continuous but still discretionary action to offset the effects of inflation. The third group contains the United Kingdom, Ireland and Belgium, where there is no provision for automatic change but where there has been a considerable amount of discretionary action which has had the effect of offsetting some part of the impact of inflation. And the fourth group contains F.R. Germany and Italy, where there is no provision for automatic alteration and where there has been little or no discretionary change, though the period ended with major reforms. In the F.R. Germany case, however, elimination of the cumulative effects of inflation was not the major motive for reform.

The basic data supporting the analysis in this section is set out in Annex II, Tables 1-9.

In Denmark, the Netherlands and Luxembourg some or all of the basic elements (tax rates, brackets and allowances) have been tied in some way to price or wage indices so that automatic changes can be made.

In Denmark an automatic adjustment system for the major part of personal income tax paid to the central government was established in 1970. While tax rates are fixed each year, personal allowances and tax brackets were, until 1975, adjusted each year according to changes in the cost of living index. The adjustments were made to reflect changes in prices from March to March in steps of 3 percentage points for each 4 points by which the cost of living index moves in relation to the figure for January 1969. There are also, however, a local authority personal income tax and a central government supplementary income tax. These are both only partly subject to automatic adjustment, since they are flat rate taxes levied upon taxable income. Although the personal allowances used to calculate tax liability move in line with the indexed allowances used for the main central government income tax, the tax rates are not progressive and so have no fixed money amount brackets. In fact, the tax rates have increased in recent years, which is partly why total Danish income tax revenues (which finance a large part of the social security system) have grown so fast.

In 1975 a major change occurred when the wage earnings index was adopted in place of the consumer price index for adjustment of income tax deductions and brackets. The correction factor is now 2.1 percentage points for each three points change in the index from the value of 141.9 (March 1974).

An automatic adjustment system has been in use in the Netherlands since 1972. The basic income tax table containing tax brackets and personal allowances is replaced each year by a new one. The new table is constructed by multiplying the figures in current use by a correction factor which reflects change in the price index for total private consumption (which is adjusted to remove the effects of changes in indirect taxes and subsidies directly related to the price of goods). The Minister of Finance is entitled to make a downward adjustment of up to 20% in the index linked correction factor used to adjust tax brackets and allowances. The Minister has used this power in every year since the automatic system was established. The only exception being 1974 when a special law caused allowances to be raised by only 5% together with a small downward revision of the first tax bracket.

In Luxembourg the automatic adjustment system, laid down in the Income Tax Law of 1967, provides that if, during the first six months of any year, the cost of living index shows a change of at least 5% over the same six months of the preceding year, the government shall propose revised income tax rates for the following year which reflect the change in the price level.

France has made the correction of its income tax for the effects of inflation a matter of regular and explicit fiscal policy, without introducing any legislated automaticity. In 1968 the Budget Act laid down that "if the price ... index rises by more than 5% from one year to another, the Government shall make proposals for adjusting income tax rates to this trend". In recent years the Minister of Finance has, in presenting the Budget, reaffirmed and strengthened the government's commitment to adjustments of this kind. As a result, tax brackets have been changed regularly. Between 1968 and 1974, for example, the level upon which the lowest rate of tax was levied has been more than doubled in a series of changes (corresponding alterations have been made in the other tax brackets). The rates and brackets for the supplementary income tax ('minoration dégressive' and 'majoration progressive') were similarly modified before their abolition in 1974.

In the United Kingdom and Ireland personal income tax has been subject to various degrees of discretionary change between 1968 and 1974. In the United Kingdom there is no automatic mechanism for changing the income tax system. Discretionary changes have been made from time to time, sometimes coinciding with expansionary demand management decisions. With the exception of some upward revisions of surtax thresholds between 1968 and 1972, there have been no substantial changes in tax rates and brackets but basic tax-free allowances have been altered. Between 1968 and 1974 personal allowances for single and married taxpayers were increased by almost 200% and similar allowances for children almost doubled in series of changes.

In Ireland the principal adjustments to the personal income tax structure during 1968 to 1974 were in personal allowances which, in the case of single and married persons, were increased by just over 100 per cent, while child allowances were increased by between 33 1/3 per cent and 50 per cent depending on the age of the child. A new unified tax schedule, applicable to both earned and investment income, was introduced in 1974. This provided some reduction in the tax burden. Although the government is committed to a regular review of personal income tax allowances, changes are discretionary.

In Belgium, the basic tax rates and brackets have not changed since 1968. Regular changes have, however, been made to the basic lump sum tax-free allowance, though these have been concentrated mainly upon the lower income groups. Some marginal changes have also been made in the limits for tax-exempted income and deductions for dependents. The basic tax-free lump sum deduction is calculated by reference to a scale ranging from 20% to 10% according to income. In 1968 incomes up to FB 92,500 were entitled to the maximum lump sum deduction of 20%, whilst incomes of more than FB 300,000 were entitled to the minimum deduction of 10%. The size of incomes eligible for these deductions has been increased regularly, but selectively and not very substantially. At the lower end of the scale the income eligible for a 20%

deduction has been increased from BF 92,500 in 1968 through a series of changes to BF 115,000 in 1974. At the other end of the scale, however, the income limit has remained unchanged, so that the maximum allowance of 10% with a ceiling of BF 60,000 on incomes over BF 300,000 operative in 1968 still applied in 1974.

In the remaining two countries, F.R. Germany and Italy, there has been much less discretionary change, indeed in F.R. Germany there was none at all between 1965 and 1974. At the beginning of 1975, however, a new tax system was introduced in the Federal Republic which modified tax rates and allowances to take into account, amongst other things the erosion of money incomes in recent years. For example, a married taxpayer, under 50 years old, with two children earning DM 24,000 per annum now pays only 5.05 per cent of his gross income in tax compared with 10.17 per cent under the regime in force prior to 1975.

The personal income tax system in Italy was completely reorganised in 1974, making it difficult to compare the pre- and post- reform situations. Before the reform, however, most of the rates, brackets and allowances remained unaltered for many years, although some changes occurred for example the allowances for low-income workers in 1970. The first change in the new system, which was in the direction of offsetting the impact of inflation, was made in mid-1974 when the government increased personal allowances.

In the Community as a whole, the changes described above were generally less than would have been required to offset completely the high revenue elasticity of personal income tax. Of course, real increases in incomes were considerable over the period considered, and no adjustment systems (except the most recent change in Denmark) have sought to eliminate revenue growth from rising real incomes. As a result personal income tax increased its share of total tax receipts and social security contributions in the Community as a whole (by 4.2 percentage points) and in all member countries (Table IV), while total tax and social security receipts increased their share of GDP by 3.0 percentage points. In one country practising indexation of personal income tax, Denmark, income taxes both increased their share in total taxation and in GDP by larger margins than all other member countries. This is not entirely surprising because the complete system of indexation has only in effect applied fully to one of the taxes on personal income, while the two other flat percentage taxes on income have had their rates increased. In the Netherlands and Luxembourg, income taxes maintained their relative place in a fast rising overall tax burden. In France the share of personal income tax remained roughly unchanged in the structure of taxation. In F.R. Germany the combination of unchanged income tax and the moderate rate of inflation resulted in a significant (6.0 percentage points) increase in personal income tax's share of a total tax burden, the latter increasing very substantially (by 3.3 percentage points) its GDP share. In Italy, however, personal income tax revenues showed less change as a share of GDP in spite of a faster rate of inflation and only minor adjustments to the tax system. In short, while it is not a simple matter to reconcile each country's income tax performance in relation to their specific tax adjustment policies, the overall pattern of growth of income tax revenues concords with what one would expect in times accelerating money incomes.

#### (b) Corporate income tax

Inflation can boost apparent corporate profits under the traditional historical cost accounting systems used in member countries. In the absence of offsetting factors (see below), this may in turn increase the yield of corporate income tax which is levied as a percentage of profit. The two principal areas of company accounts affected by inflation are those relating to depreciation charges and the cost of stocks.

Where historical costs are used to calculate depreciation charges, company profits can be over-stated during periods of inflation because the increased cost of replacing assets is not charged against profit. Tax authorities normally take the stated accounting profit calculated from historical costs as the basis for computing corporate tax liability. Taxation of corporate profit calculated in this way does not allow for the full replacement of assets and can therefore be regarded as a form of tax on capital. When the pace of inflation in member countries is different this can result in different levels of "capital taxation". The degree to which this is the case will depend upon the rate of inflation, countries with relatively high rates of inflation in effect putting their companies at a competitive disadvantage compared to countries with relatively low rates of inflation.

Under conventional accounting systems, stocks tend to be valued at the lower of their cost or market price. During periods of inflation costs charges to sales are generally less than their market value at the time of sale, so that appreciation in the value of the asset carried creates a so-called stock appreciation profit, or windfall gain. This is usually subject to corporate income tax.

While little systematic action has been taken to adapt corporate taxation to inflation in member countries in view of these kinds of problem, there have been discretionary changes in a number of countries which, though often introduced for other reasons, have had the effect of mitigating at least some of the effects of inflation. These may be grouped into those directed at increasing the value of tax depreciation allowances and those which seek to avoid taxing stock appreciation profits.

A number of countries permit accelerated depreciation (reduction of the time period over which the cost of an asset may be written off). In Ireland 100% first year write-off of qualifying assets was introduced in 1971. Similar provisions were introduced in the United Kingdom in 1974. These have contributed towards offsetting the effects of inflation since the value of the write-off against tax roughly equals the purchasing power used in acquiring the assets. France, the Netherlands and Italy all have provisions for accelerated depreciation or special depreciation allowances of one kind or another.

The exclusion of stock appreciation profits on taxable income can take place as part of a general revaluation of assets for tax purposes (as was the case, for example, in France in 1945-1958 and 1959; and F.R. Germany in 1949; and Italy in 1952), or as a specific measure. France, F.R. Germany and the United Kingdom have used the latter alternative. In France a tax-free reserve may be credited with the excess of closing stock values over the costs of the same volume of stocks valued at 110% of opening prices. F.R. Germany has a similar provision. In the United Kingdom companies can ignore the actual closing stock value for the purpose of calculating corporate tax and substitute a figure equal to the opening stock value plus 10% of trading profit. The situation in Ireland is similar except that the opening stock value may be increased by 20% of trading profit. In Belgium relief was granted in respect of non-speculative stocks held on 31.12.74, thus discharging tax liability on stock appreciation profits ranging from 2.5% to 3.5%.

The first in first out (FIFO) method of charging stocks to sales is widely used in the Community. An alternative method, however, last in first out (LIFO)(1), which substantially reduces the effect of price changes on profits, is used in the Netherlands, whilst Luxembourg allows some companies to use LIFO "if business conditions require it". In Italy, it may be used for "perishable goods".

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(1) This follows the principle of charging to sales first the cost of the most recently acquired goods. In this way the gap between the current replacement price and the historical cost of goods sold in an inflationary situation is narrowed and stock appreciation profits minimised.

General awareness of the fiscal and accounting problems posed by inflation is reflected, for example, in the setting up of a Committee on inflation accounting (the Sandilands Committee) in the United Kingdom, which reported in 1975, and more recently the Committee of Inquiry into Taxation and Inflation in the Netherlands.

In spite of the tendency, in the absence of corrective measures for inflation to impart a tax bias to the advantage of the revenue authority, it is noted that corporate income tax has in general been witnessing a relatively stable or even declining GNP share in some countries. This implies that the combination of profit trends and other fiscal variables have often been more important factors. It suggests too that the ad hoc measures of the kind described adopted by some governments may have been effective in offsetting at least some of the bias in favour of the revenue authority.

### (c) Excise duties

Excise duties are usually fixed money amounts per quantum of the taxed product. In the case of petrol, alcohol and beer, charges are commonly based upon one litre, hectolitre or gallon; for cigarettes, one pound of tobacco or packet of cigarettes may be used. No action has been taken in member countries to link the payment of taxes of this kind to inflation. In all countries, however, the duty levied on most of these products has been raised in a series of discretionary changes. Table I shows the percentage increase in the rate of duty charged on four products - standard petrol, alcohol, beer and cigarettes - between 1968 and 1974. In some cases these figures do not reveal the full extent of the tax changes because alterations in the method of taxing products of this kind were made during the period covered when VAT was introduced in most countries. For this reason some of the figures shown in Table I must be interpreted with care. In the United Kingdom, for example, value added tax was introduced in 1973 and a corresponding downward adjustment made in excise duties, which explains, in part at least, the cuts shown for that country.

Although all member countries raised the duty on standard petrol at various times during the period covered, the most substantial increases came at the end of the period when many governments responded to the oil crisis by raising rates and so prices in an attempt to discourage consumption. Only in Italy, however, have the changes exceeded the inflation for the period (compare the last columns of Table I and Annex I). In Ireland and Belgium the changes were roughly in line with the respective inflation indices. In the remaining countries, Denmark, F.R. Germany, France, the Netherlands, Luxembourg and the United Kingdom, the rate of tax increase lagged behind the inflation index. Taken together the changes in duty on standard petrol in member countries slipped behind inflation, even with the relatively substantial increases made towards the end of the period in response to the oil crisis.

In most countries less substantial, but nevertheless important, changes were made in the rate of duty on alcohol. Only in France, however, were the changes in line with the inflation index. In the other countries the changes lagged behind the relevant inflation indices, indeed in Belgium and Luxembourg duty rates remained unchanged between 1968 and 1974. The cut in the United Kingdom rate reflects the VAT reform already mentioned. Overall, excise duty charged on alcohol appears to have slipped badly behind inflation.

Turning to beer, the changes were sometimes more substantial, though the situation varied considerably from country to country. In Belgium the rate of duty was raised by an amount substantially in excess of the increase in the inflation index. In France an excise duty on beer was introduced in 1968 and by the end of 1974 this had risen by a further 58%. In the remaining countries increases lagged behind inflation, especially in F.R. Germany and Italy, where the rates appear to have remained unchanged during the period under consideration. The cut in the United Kingdom again

TABLE I  
MAIN EXCISE DUTIES 1968-74

		1968	1970	1972	1974	Per cent change 1968-74
<u>Standard petrol</u>						
Denmark	Øre per litre	71	77	82.17	86.88	+ 22
F.R. Germany	DM per hectolitre	35	35	39	44	+ 26
France	FF per hectolitre	54.49	59.83	59.83	68.69	+ 26
Ireland	£ per gallon	0.1954	0.2075	0.2075	0.3405	+ 74
Italy	Lire per 100 kg	11,990	15,889	15,482	23,070	+ 92
Netherlands	Fl per hectolitre	34	37.08	41.34	46.0	+ 35
Belgium	FB per hectolitre	535	535	535	770	+ 44
Luxembourg	FL per hectolitre	490	490	490	535	+ 9
United Kingdom	£ per gallon	0.196	0.225	0.225	0.225(j)	+ 16
<u>Alcohol</u>						
Denmark	Kr per litre	29.25(a)	81.30	81.30	108.60	+ 34 (b)
F.R. Germany	DM per hectolitre	1,200	1,200	1,500	1,500	+ 25
France (c)	FF per hectolitre	1,750	2,000	2,300	2,650	+ 51
Ireland	£ per proof gallon	11.77	13.986	15.385	17.507	+ 49
Italy (d)	Lire per hectolitre	120,000	120,000	150,000	150,000	+ 25
Netherlands	Fl per hectolitre	1,400	1,700	1,700	1,593	+ 14
Belgium (e)	FB per hectolitre	9,000	9,000	9,000	9,000	0
Luxembourg (e)	Fl per hectolitre	9,000	9,000	9,000	9,000	0
United Kingdom (f)	£ per proof gallon	17,137	18.850	18.850	17.01	- 0.7
<u>Beer</u>						
Denmark	Kr per hectolitre	215.35	215.35	215.35	266.70	+ 24
F.R. Germany	DM per hectolitre	15	15	15	15	0
France	FF per hectolitre	0	4.33	6.84	6.84	+ 58 (i)
Ireland	£ per barrel at 1055°	21.045	27.187	29.167	30.919	+ 47
Italy	Lire per hectolitre	5,000	5,000	5,000	5,000	0
Netherlands	Fl per hectolitre	4.30	4.75	4.75	4.76	+ 11
Belgium	FB per hectolitre	185	185	264.2	361.3	+ 95
Luxembourg	Fl per hectolitre	185	185	178.1	262.6	+ 42
United Kingdom (f)	£ per barrel at 1030°	9.433	10.375	10.375	9.36	- 0.8
<u>Cigarettes</u>						
Denmark	Øre per cigarette	27.37	27.39	27.46	35.08	+ 28
F.R. Germany	Rate per packet as percentage of retail price (g)	58%	58%	62%	61.5%	+ 3.5 percentage points
France	" " (g) (h)	74%	70%	71%	75%	+ 1 "
Ireland	£ per pound of tobacco	3.981	4.416	4.416	4.935	+ 24
Italy	Rate per packet as percentage of retail price (g) (h)	80%	80%	80%	75%	- 5 percentage points
Netherlands	" " (g)	68%	59%	55%	68%	0 "
Belgium	" " (g)	63%	65%	61%	67%	+ 4 "
Luxembourg	" " (g)	61%	61%	53%	61%	0 "
United Kingdom (f)	£ per pound of tobacco	4.585	5.041	5.041	5.671	+ 23.7

(a) plus 58.5% of price including tax

(b) from 1970 to 1974 only

(c) 'droit de consommation'

(d) includes 'impôt de fabrication' and 'droit d'état'

(e) 'droit d'accise' only

(f) VAT charged in addition to excise duty : excises reduced to take account of this after 1972

(g) basis rate plus ad valorem element (average rate)

(h) state monopoly

(i) from 1970-1974 only

(j) subject to an additional 10% VAT until November 1974 and to 25% VAT after that date.

reflects the introduction of VAT in 1973.

Cigarettes are taxed on a somewhat different basis in most countries. Unlike the first three products, which are taxed on a simple quantum basis, the tax on cigarettes has both a specific and an ad valorem element in all member states other than the United Kingdom and Ireland. In France, Italy, the Netherlands, Belgium and Luxembourg the specific element is negligible, and the tax is 95% ad valorem, charged on the retail price. In F.R. Germany and Denmark, the specific element (fixed charge per cigarette) accounts for 75% of the excise, the remainder being charged ad valorem on the retail price. Obviously, the yield of the predominantly ad valorem taxes on cigarettes rises almost in step with the price of the product. This, of course, avoids the need to increase the tax rate to offset the effects of inflation. Even in F.R. Germany and Denmark, the significant ad valorem element compensates for inflation to some extent. The smaller changes shown in Table I reflect these effects (1). In the United Kingdom and Ireland, the tax is charged per pound of raw tobacco. When VAT was introduced in the United Kingdom in 1973, a cut was made in the excise duty, which explains the reduction shown in Table I.

In F.R. Germany and Belgium the rate of duty (including the ad valorem element and expressed as a percentage of the retail price) advanced by 3.5. and 4 percentage points respectively, thus exceeding the rate of price inflation (1). In France, where there is a state monopoly of tobacco products, the Netherlands and Luxembourg, the tax (expressed in a similar way) remained more or less unchanged so that the yield remained roughly in step with inflation (1) but the changes in Ireland, Denmark and Italy, where there is also a state monopoly of tobacco products, failed to keep up with inflation. In the United Kingdom the cut once again reflects the VAT reform already mentioned. In general the situation seems to have been a very mixed one with some countries moving their duty rates ahead of inflation, some remaining more or less in step with it, and others lagging behind.

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(1) For simplicity it is here implied that the price of cigarettes, excluding excise duty, rose at a rate similar to the general price level. This assumption has not been verified.



TABLE I a

Excise duties : Summary of trends in nominal revenue in relation to the evolution of the general price level in 1968 to 1974

	Standard petrol	Alcohol	Beer	Cigarettes	Percent change of total excises as share of total tax (1)
Denmark	↓	↓	↓	↓	- 8.6
F.R. Germany	↓	↓	↓	UP	- 3.2
France	↓	=	UP	=	- 1.7
Ireland	=	↓	↓	↓	-11.4
Italy	UP	↓	↓	↓	- 6.8
Netherlands	↓	↓	↓	=	- 1.9
Belgium	=	↓	UP	UP	- 2.2
Luxembourg	↓	↓	↓	=	- 2.3
United Kingdom	↓	↓	↓	↓	- 5.5

Note. The symbols for each excise are determined by comparing the rates of increase in revenue shown in the last column of Table I with the price increases shown in the last column of Annex I.

↓ revenue yield increased significantly less than the general price level

= revenue yield increased about as fast as the general price level

UP revenue yield increased significantly faster than the general price level

(1) source and definitions : Table IV.

In the Community as a whole the share of excise duties taken together (including taxes on the consumption of goods) fell from 13.4% of total tax receipts and social security contributions in 1968 to 9.2% in 1974; the most substantial change in any single tax category (Tables IV and V). Much of this can probably be attributed to the effects of inflation. The fall was steepest in Ireland, Denmark, Italy and the United Kingdom where all, or at least three of the four major excises described above, failed to keep up with inflation (see Table I a. for a summary of the trends in the revenue yields of different excise duties in relation to the evolution of general price levels). In F.R. Germany the drop was close to the E.C. average. There three of the four major excises lagged behind inflation but the important cigarette tax moved ahead of it. The fall was least severe in Belgium, the Netherlands, France and Luxembourg. In Belgium only one of the major taxes lagged behind, another remained equal and two moves ahead of inflation. In the Netherlands although two of the four duties failed to keep pace with inflation, the other two kept more or less in step. In France one of the excises moved ahead, two remained abreast and only one lagged behind inflation. In Luxembourg three of the major excise categories lagged behind but the tax on cigarettes kept abreast of inflation.

Countries where excises dropped furthest in the tax structure appear also to have been those with the highest levels of excise duty taxation (as a percentage of total tax and social security contributions) at the end of the period. In Ireland, the United Kingdom, Denmark and Italy the drops between 1968 and 1973 were respectively 11.4, 5.5, 8.6 and 6.8 percentage points (compared with an E.C. average of 4.2 percentage points). In these countries excises respectively accounted for 25.3, 13.6, 12.0 and 12.6% of total tax receipts and social security contributions in 1974 compared with an E.C. average of 9.2 (Table V). This suggests that the high levels in these four countries may have made it more difficult for them to adjust rates upwards in line with inflation. As a result, inflation may have induced some harmonisation of member countries' tax structures.

#### (d) Social security contributions

There are three main types of social security contribution systems in operation in the Community. In Italy most contributions are based upon a percentage of income unconstrained by ceilings. In F.R. Germany, France, the Netherlands, Belgium and Luxembourg most contributions are based upon a percentage of income up to an earnings ceiling. The system in the United Kingdom has been changed into one similar to these five countries. In Denmark and Ireland the system is basically a flat rate money per capita one, though an income related component incorporating a rate and ceiling was introduced in Ireland in 1974.

The various elements in the contribution systems of member countries and the changes that occurred during the period between 1968 and 1974 are summarised in Table II and detailed in Annex III, Tables 1-9.

Not surprisingly, least change occurred in Italy where income ceilings have not been widely used. There contribution rates are altered by discretion, but most remained unchanged during the period under consideration, indeed some fell. The only ceiling (on contributions to family allowances) appears to have been changed in a similar way before it was abolished.

A greater degree of change took place in F.R. Germany, France, the Netherlands and Belgium, where income ceilings are widely used. In F.R. Germany a series of discretionary changes in both rates and ceilings took place between 1968 and 1974. Annual alterations to the ceilings, however, were linked to the evolution of a wage index during the previous three years. In France too a series of discretionary changes were made in both rates and ceilings. Ceilings were adjusted annually with reference to the average growth of incomes and prices.

In Luxembourg discretionary increases were made to the contribution rates of the two major funds, though the levies for family allowances and industrial injuries were cut. The ceilings on contributions to the sickness and maternity benefit funds were adjusted automatically to changes in the consumer price index. Discretionary changes were made in the ceilings on contributions to the invalidity and old age survivors pension funds.

In Belgium and in the Netherlands a number of discretionary changes were made in contribution rates, but the regular upward revision of ceilings was automatic. In Belgium the latter are linked to the consumer price index (indeed some have been linked in this way since 1959) and in the Netherlands to a wage index.

In the United Kingdom contributions in 1968 were made up of flat rate fixed money amounts and income related components, both of which were important sources of revenue. Thereafter the flat rate element diminished whilst the income related element increased in importance. A number of discretionary changes have been made in the flat rate component. During the second half of the period, however, these changes were in a downward direction when greater emphasis was laid upon the income related element. A considerable number of discretionary changes also took place in this latter component, upon which the entire system has been since 1975. The income related ceiling incorporated in this component seems to have been fixed with reference to the average wage.

In Ireland contributions were made exclusively on a flat rate money amount basis until 1974 when an income related component was added. Between 1968 and 1974 a series of discretionary changes were made to the flat rate levy which increased by more than 200%.

Regular discretionary changes have been made to the flat rate money amount contributions upon which the system in Denmark is based. While these were substantial, ranging from more than 60% to over 100% between 1968 and 1974, a growing proportion of social security expenditure has been met out of general taxation.

While the inflation elasticity characteristics of the three sorts of contribution system are fundamentally different, the outcome has been roughly similar. In most countries, the only exceptions being Luxembourg and Denmark, social security contributions have increased their share in total revenues. The increase was greatest in Italy, which may be explained in part by the form of contribution and the accelerating inflation. Otherwise, however, the form of contribution does not appear to have combined with inflation as a distorting influence on revenue structure - in spite of the most important differences in elasticity characteristics. On the whole, discretionary changes have made up what automaticity did not provide to maintain and improve social security benefits.

TABLE II

## SUMMARY OF CHARACTERISTICS OF SOCIAL SECURITY REGIMES SENSITIVE TO INFLATION

	CONTRIBUTIONS		BENEFITS
	SYSTEM	ADAPTATIONS	
Denmark	Flat rate money amount	Periodic discretionary increases	In general, automatic adaptation to price levels.
F.R. Germany	Percentage levies and ceilings	Periodic discretionary increases in most rates. Regular changes in ceilings (usually annually) made with reference to a wage earnings index.	Automatic index linked changes for majority of benefits (some since 1954). Other benefits subject to discretionary changes.
France	Percentage levies and ceilings	Periodic discretionary increases in most rates. Regular discretionary changes in ceilings (usually annually) made with reference to average growth of incomes and prices.	In general, automatic annual updating taking into account the development of wage levels (e.g. for contributory pensions) : some benefits updated by legal instrument.
Ireland	Flat rate money amount prior to 1974. Flat rate money amount and percentage levies with ceilings from 1974.	Periodic discretionary increases	Discretionary, usually through annual changes in social security act.
Italy	Percentage levies without ceilings	Rates, mostly unchanged or reduced between 1968 and 1974, are changed by discretion	Automatic increases in some benefits (e.g. since 1971 some pensions have been linked to cost-of-living index). Discretionary increases in other benefits (e.g. unemployment and family allowances).
Netherlands	Percentage levies and ceilings	Periodic discretionary increases in rates. Automatic changes in ceilings linked to wage index.	Automatic adjustment system : benefits linked to wage index and changed twice a year : provision for more frequent changes in exceptional circumstances.
Belgium	Percentage levies and ceilings	Periodic discretionary increases in most rates. Automatic changes in ceilings linked to consumer price index, in some cases since 1959.	In general, automatic updating based on index of consumer prices and adaptation to economic development by means of a coefficient of increase.
Luxembourg	Percentage levies and ceilings	Periodic discretionary changes in rates. Ceilings automatically adjusted to changes in the consumer price index.	Automatic adjustment linked to the consumer price index plus periodic discretionary changes linked mainly to a wage index.
United Kingdom	Flat rate money amount and percentage levy with ceilings prior to 1974. From 1975 percentage levies and ceilings uprated each year roughly in line with earnings	Periodic discretionary increases in most rates and ceilings. The latter appears to have been fixed with reference to the average wage (flat rate money amount contributions fell between 1968 and 1974 as contribution system was transformed)	Statutory annual review (possibly more frequent in exceptional circumstances) in the light of earnings and price changes.

Source : Comparative Tables on Social Security Systems in Member States of the European Communities and DG V.

### III. TAX RATIOS AND STRUCTURES

#### (a) Tax ratios

During the period from 1968 to 1974 the ratio of total tax receipts and social welfare contributions to GDP in the Community as a whole continued the significant rise of the preceding decade. Between 1958 and 1968 the ratio grew from 30.1% to 34.3%, an annual average growth rate of .4 of one percentage point. This may be compared with an advance from 34.3% to 37.3% during the later period from 1968 to 1974, an annual growth rate of .5 of one percentage point (Table III). Denmark and Luxembourg are exceptional for their very large increases of 9.5 and 9.1 per cent of GDP respectively. The Netherlands, F.R. Germany, Belgium and Ireland showed increases in the ratio in the range of 4 to 7 per cent of GDP. In the United Kingdom the advance was only, 1.7% whilst in France and Italy the rates were relatively stable. In both the United Kingdom and Italy, however, there were considerably larger deficits at the end of the period so that public sector activity was greater than indicated by the ratios (see again below).

The ratio of social welfare contributions to GDP in the Community as a whole rose from 9.8% in 1968 to 12.1 in 1974, continuing the substantial growth of the preceding years (from 7.7% in 1958). An increase took place in all member countries except Denmark, where the ratio declined by 1.3 percentage points. The role played by contributions of this kind is, however, exceptionally small in Denmark. In F.R. Germany and the Netherlands the rise was above the Community average.

An examination of the ratios of total tax receipts (1) to GDP in member countries during the same period presents a much more heterogeneous picture. In Denmark the ratio grew strongly by 10.8 percentage points, and in Luxembourg it grew by 7.1 percentage points. Moderate growth of 2.6%, 2.5%, 2.1% and 1.9% points respectively were recorded in Ireland, Belgium, the Netherlands and F.R. Germany. In France and Italy the declines of 0.9 and 1.3 per cent of GDP were more than matched by the increase in the ratio of social welfare contributions to GDP resulting in an overall picture of relative stability. In the United Kingdom the ratio declines marginally by 0.1 of one percentage point. In Italy and the United Kingdom the changes in the tax ratios have to be seen alongside increasing budget deficits. In Italy the central budget deficit in 1968 equalled 2.9% of GDP but by 1974 this had grown to 8.0. If tax revenue had been sufficiently buoyant to have constrained the budget deficit in 1974 to the same percentage of GDP as in 1968 (and assuming no change in recorded public expenditure), the ratio of tax receipts to GDP would have been 23.5 compared with an actual of 18.4% : the actual decline of 1.3 percentage points between 1968 and 1974 would have been turned into an increase of 3.8 percentage points. The ratio of total tax receipts and social welfare contributions to GDP would have been 36.7 compared with an actual of 31.6% : the small actual increase of 0.4 of one percentage point over the period covered would have been changed to 5.5%. The budget deficit in the United Kingdom stood at 1.8% of GDP in 1968 but by 1974 this had risen to 5.0%. If tax revenue in the latter year had been sufficient to maintain the budget deficit at its 1968 level (again expressed as a percentage of GDP), the ratio of tax receipts to GDP would have been 33.1% compared with an actual of 29.9% : the actual decline of 0.1 of one percentage point between 1968 and 1974 would have been changed to an increase of 3.1 percentage points. The ratio of total tax receipts and social welfare contributions to GDP would have been 39.9% compared with an actual of 36.7% : the small actual increase over the period of 1.7 percentage points would have been increased to 4.9 percentage points. A substitution of these hypothetical ratios for

(1) i.e. excluding social security contributions

TABLE III

## TAX RATIOS : TAX RECEIPTS AND SOCIAL SECURITY CONTRIBUTIONS AS A PERCENTAGE OF GDP

Percentage of GDP

	1968	1969	1970	1971	1972	1974	Change 1968-74 : percentage points
<u>Total tax receipts</u>							
Denmark	33.1	32.5	35.9	39.8	40.7	43.9	+ 10.8
F.R. Germany	23.3	24.7	23.4	23.9	23.9	25.2	+ 1.9
France	23.1	23.5	22.7	22.0	22.1	22.2	- 0.9
Ireland (a)	26.9	27.5	28.9	29.9	29.0	29.5	+ 2.6
Italy	19.7	19.4	18.4	18.6	18.6	18.4	- 1.3
Netherlands	25.8	25.5	25.9	26.9	27.7	27.9	+ 2.1
Belgium	24.5	24.9	25.0	25.4	25.5	27.0	+ 2.5
Luxembourg	21.8	21.7	22.3	24.9	25.6	28.9	+ 7.1
United Kingdom	30.0	32.0	32.6	30.8	29.1	29.9	- 0.1
E.C.	24.5	25.3	24.8	24.7	24.4	25.2	+ 0.7
<u>Social welfare contributions</u>							
Denmark	1.9	1.6	1.6	1.7	1.8	0.6	- 1.3
F.R. Germany	10.0	10.3	10.8	11.1	11.7	12.8	+ 2.8
France	12.8	13.1	13.1	13.4	13.5	14.1	+ 1.3
Ireland (a)	2.3	2.4	2.6	2.8	2.9	3.9	+ 1.6
Italy	11.5	10.9	11.6	12.1	12.1	13.1	+ 1.6
Netherlands	13.7	14.2	14.6	15.4	15.5	18.3	+ 4.6
Belgium	10.1	10.2	10.9	11.3	11.7	12.4	+ 2.3
Luxembourg	9.5	9.3	9.6	10.5	10.7	11.5	+ 2.0
United Kingdom	5.0	5.4	5.7	5.6	5.9	6.8	+ 1.8
E.C.	9.8	10.0	10.4	10.6	11.0	12.1	+ 2.3
<u>Total tax receipts and social welfare contributions</u>							
Denmark	35.0	34.1	37.5	41.5	42.6	44.5	+ 9.5
F.R. Germany	33.3	35.1	34.2	35.1	35.5	38.1	+ 4.8
France	35.8	36.6	35.8	35.4	35.6	36.4	+ 0.6
Ireland (a)	29.2	29.9	31.4	32.7	31.9	33.4	+ 4.2
Italy	31.2	30.3	30.0	30.7	30.7	31.6	+ 0.4
Netherlands	39.5	39.8	40.5	42.3	43.2	46.2	+ 6.7
Belgium	34.6	35.1	35.9	36.8	37.3	39.3	+ 4.7
Luxembourg	31.3	31.0	31.9	35.4	36.3	40.4	+ 9.1
United Kingdom	35.0	37.4	38.3	36.4	33.0	36.7	+ 1.7
E.C.	34.3	35.4	35.2	35.3	35.4	37.3	+ 3.0

(a) Receipts for fiscal years 1968/9, 1970/1, 1972/3, 1973/4 and 1974/5

Source : Eurostat Tax Statistics 1968-1973 and 1975

Italy and the United Kingdom for the actual ratios in 1974 shown in Table III would have increased the ratio of total tax receipts and social welfare contributions in the Community as a whole to 38.5%. When this is compared with the actual of 34.3% for 1968, the annual average growth rate for the period of 1968 to 1974 would have been .7 of one percentage point of Community GDP, compared with .4 of one percentage point recorded during the earlier period from 1958 to 1968.

#### (b) Tax structure

Between the same two dates a number of changes took place in the tax structure (which may be expressed either as the percentage of individual tax receipts and social welfare contributions in total revenues, or in terms of GDP share) of the Community as a whole. While several of these changes have already been remarked upon, the following paragraphs provide a general summary of the evolution of tax structure. The details of the changes for individual taxes are shown in Tables IV, V, VI and VII, and in Annexes IV and V, Tables 1 to 9.

Taxes linked to production and imports (i.e. indirect taxes including VAT and excises) fell from 14.5% of Community GDP in 1968 to 13.0% in 1974 - a fall of 1.5 percentage points.

As already noted above, excise duties made the greatest contribution to this decline. The share of revenue from this source fell by 4.2 percentage points from 13.4% in 1968 to 9.2% in 1974. A similar pattern can be observed in individual member countries, though the extent of the change varied from country to country.

Apart from the fall in the share of the residual category (in Table V, N° I, 7 : other taxes linked to production and imports), taxes on land and buildings recorded the next most important decline of 1.0 percentage point in the Community as a whole. This may be worthy of note since it probably affects the financial relationship between different levels of government. Generally speaking, tax revenue of this kind accounts for a considerable proportion of the independent revenue of municipalities, many of which are slow to revise the land and other values upon which these taxes are based.

The decline in the share of Import duties and agricultural levies by .8 of one percentage point is largely accounted for by cuts in tariffs on foreign trade, the more rapid growth of intra-Community transactions, and the low level of agricultural levies (due to high world food prices) at the end of the period.

The remaining taxes in Category I in the Tables IV to VII - stamps, registrations and similar duties and taxes on services - remained roughly constant percentage of Community GDP between 1968 and 1974.

In the Community as a whole, general turnover taxes increased their share in GDP by .9 of one percentage point. This appears to reflect a combination of the elasticity characteristics of taxes of this kind and the replacement of various other indirect taxes by VAT and some changes in VAT rates at different times during the period from 1968.

As already noted above, the share accounted for by current taxes on income (personal and corporate) and wealth increased from 9.7% of Community GDP in 1968 to 11.9% in 1974. A similar pattern can be observed in all member countries. Most of this can be accounted for by an increase in personal income tax.

The share accounted for by social welfare contributions, as already commented upon above, rose 2.3 points in GDP share, or by 3.9 percentage points from 28.6% of all tax receipts and social welfare contributions in 1968 to 32.5% in 1974. A similar pattern can be observed in all member countries except Denmark and Luxembourg.

TABLE IV

## CHANGES IN THE STRUCTURE OF TAX RECEIPTS AND SOCIAL WELFARE CONTRIBUTIONS BETWEEN 1968 AND 1974

Total tax receipts and social welfare contributions in both 1968 and 1974 = 100 : Changes between these years expressed as percentage points

	Denmark	F.R. Germany	France	Ireland	Italy	Netherlands	Belgium	Luxembourg <sup>(d)</sup>	United Kingdom	EEC
<u>I. Taxes linked to production and imports (1 to 7)</u>	- 8.3	- 6.6	- 6.5	- 6.5	- 4.3	- 5.1	- 9.5	- 2.1	- 7.2	- 7.6
1. General turnover taxes	+ 1.9	- 0.6	+ 1.0	+ 9.6	+ 2.6	- 0.1	- 3.5	+ 0.3	+ 2.7	+ 1.1
2. Import duties and agricultural levies	- 0.7	- 0.9	- 0.3	- 0.9	- 1.3	- 2.4	- 2.0	- 0.3	+ 0.3	- 0.3
3. Excise duties and taxes on the consumption of goods	- 8.6	- 3.2	- 1.7	- 11.4	- 6.3	- 1.9	- 2.2	- 0.7	- 5.5	- 4.2
4. Taxes on services	- 0.1	- 0.2	- 0.3	0	- 1.5	- 0.1	- 0.1	+ 0.1	+ 0.2	- 0.3
5. Taxes on land and buildings	- 0.5	- 0.5	- 1.2	- 2.4	(a)	- 0.2	(a)	- 0.5	- 0.3	- 1.0
6. Stamps, registration and similar duties	- 0.2	- 0.2	- 0.1	0	- 0.4	- 0.2	- 0.7	+ 0.1	- 0.2	- 0.3
7. Other taxes linked to production and imports	- 0.5	- 1.1	- 4.0	- 0.3	- 0.1	- 0.2	- 1.0	- 1.0	- 4.2	- 2.0
<u>II. Current taxes on income and wealth</u>	+ 12.6	+ 3.1	+ 3.4	+ 3.3	- 0.5	- 0.4	+ 7.9	+ 3.8	+ 4.2	+ 3.7
1. Personal income tax <sup>(b)</sup>	+ 10.0	+ 6.0	+ 0.3	+ 4.5	+ 4.2	+ 0.9	+ 6.0	+ 2.2	+ 2.3	+ 4.2
2. Corporate income tax <sup>(c)</sup>	- 0.3	- 1.9	+ 3.5	- 0.8	- 1.7	- 0.5	+ 1.8	+ 2.3	+ 1.2	+ 0.3
3. Other	+ 2.9	- 1.1	- 0.3	- 0.3	- 3.0	0	0	- 0.7	+ 0.7	- 0.7
<u>III. Capital taxes</u>	- 0.1	- 0.1	- 0.1	- 0.4	+ 0.3	- 0.1	- 0.5	0	- 1.2	+ 0.1
<u>IV. Total tax receipts (I + II + III)</u>	+ 4.1	- 3.7	- 3.2	- 3.6	- 5.0	- 4.9	- 2.1	+ 1.8	+ 4.2	+ 3.9
<u>V. Social welfare contributions</u>	- 4.1	+ 3.7	+ 3.2	+ 3.6	+ 5.0	+ 4.9	+ 2.1	- 1.8	- 4.2	- 3.9
<u>VI. Total tax receipts and social welfare contributions (IV + V)</u>	0	0	0	0	0	0	0	0	0	0

(a) Classed as current taxes on income and wealth.

(b) The Eurostat reference numbers for the taxes included in this category are - DK 01 and 04; D 01 and 02; F 01; IRL 01 and 02; I 01, 02 and 03; N 1, 2, 3, 4 and 5; B 01; L 01, 02, 03, 04 and 05; UK 01 and 02. This includes some corporate income tax for Ireland.(c) The Eurostat reference numbers for the taxes included in this category are - DK 05; D 05; F 07; IRL 03; I 11, 12, 13 and 14; N 6; B 02; L 06; UK 03 and 04. This excludes some corporate income tax for Ireland.

(d) 1970 - 1974 only.

Source : Eurostat Tax Statistics 1968 - 1974



TABLE V

## THE STRUCTURE OF TAX RECEIPTS AND SOCIAL WELFARE CONTRIBUTIONS IN 1974

Percentage of total tax and social welfare contributions in 1973

	Denmark	F.R. Germany	France	Ireland	Italy	Netherlands	Belgium	Luxembourg	United Kingdom	EEC
<u>I. Taxes linked to production and imports (1 to 7)</u>	36.2	32.4	40.2	55.8	36.4	25.2	30.2	28.0	36.8	34.9
1. General turnover taxes	17.1	13.8	24.8	16.1	16.8	14.0	18.2	10.7	8.6	16.1
2. Import duties and agricultural levies	1.0	0.9	0.7	2.6	1.3	1.5	1.3	0.8	1.9	1.1
3. Excise duties and taxes on the consumption of goods	12.0	8.4	6.6	25.3	12.6	6.2	6.4	6.2	13.6	9.2
4. Taxes on services	0.1	0.9	1.0	0.7	1.7	0	0.7	0.4	0.8	0.9
5. Taxes on land and buildings	3.9	0.9	0.3	8.4	(a)	0.2	(a)	0.6	10.1	2.2
6. Stamps, registration and similar duties	1.4	0.5	1.6	1.4	3.8	0.9	2.0	3.9	0.6	1.3
7. Other taxes linked to production and imports	0.7	6.9	5.2	1.4	1.6	2.4	1.7	5.4	1.3	4.2
<u>II. Current taxes on income and wealth</u>	62.2	33.7	20.4	30.9	20.9	34.8	37.7	43.2	43.4	31.9
1. Personal income tax (b)	53.0	27.6	9.8	26.6	15.3	27.1	29.2	26.4	31.4	23.7
2. Corporate income tax (c)	2.6	2.9	7.9	2.7	1.6	6.6	7.8	15.6	9.6	5.5
3. Other	6.6	3.2	2.7	1.6	4.0	1.1	0.7	1.2	2.4	2.8
<u>III. Capital taxes</u>	0.4	0.2	0.6	1.7	1.0	0.5	0.7	0.4	1.3	0.6
<u>IV. Total tax receipts (I + II + III)</u>	98.7	66.3	61.2	88.4	58.3	60.4	68.6	71.6	81.5	67.5
<u>V. Social welfare contributions</u>	1.3	33.7	38.8	11.7	41.7	39.6	31.4	28.4	18.5	32.5
<u>VI. Total tax receipts and social welfare contributions (IV + V)</u>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(a) Classed as current taxes on income and wealth.

(b) The Eurostat reference numbers for the taxes included in this category are - DK 01 and 04; D 01 and 02; F 01; IRL 01 and 02; I 01, 02 and 03; N 1 2, 3, 4 and 5; B 01; L 01, 02, 03, 04, and 05; UK 01 and 02. This includes some corporate income tax for Ireland.

(c) The Eurostat reference numbers for the taxes included in this category are - DK 05; D 05; F 07; IRL 03; I 11, 12, 13 and 14; N 6; B 02; L 06; UK 03 and 04. This excludes some corporate income tax for Ireland.

Source : Eurostat Tax Statistics 1968 - 1974

TABLE VI

## CHANGES IN TAX RECEIPTS AND SOCIAL WELFARE CONTRIBUTIONS AS A PERCENTAGE OF GDP BETWEEN 1968 AND 1974

Percentage points of GDP

	Denmark	F.R. Germany	France	Ireland	Italy	Netherlands	Belgium	Luxembourg <sup>(d)</sup>	United Kingdom	EEC
<b>I. <u>Taxes linked to production and imports (1 to 7)</u></b>	+ 0.5	- 0.7	- 2.1	+ 0.5	- 1.3	- 0.4	- 1.8	+ 1.7	- 1.9	- 1.5
1. General turnover taxes	+ 2.3	+ 0.6	+ 0.6	+ 3.2	+ 1.5	+ 0.9	- 0.4	+ 1.0	+ 1.0	+ 0.9
2. Import duties and agricultural levies	- 0.2	- 0.2	- 0.2	- 0.1	- 0.4	- 0.9	- 0.5	- 0.1	+ 0.1	- 0.2
3. Excise duties and taxes on the consumption of goods	- 1.9	- 0.7	- 0.5	- 2.2	- 2.1	- 0.4	- 0.5	+ 0.3	- 1.7	- 1.2
4. Taxes on services	0	- 0.1	- 0.1	0	- 0.5	0	0	+ 0.1	+ 0.1	- 0.1
5. Taxes on land and buildings	+ 0.1	- 0.1	- 0.4	- 0.4	(a)	- 0.1	(a)	- 0.1	+ 0.1	- 0.3
6. Stamps, registration and similar duties	+ 0.2	0	0	+ 0.1	- 0.1	0	- 0.1	+ 0.4	- 0.1	0
7. Other taxes linked to production and imports	- 0.1	- 0.1	- 1.4	0	0	+ 0.1	- 0.2	+ 0.2	- 1.4	- 0.5
<b>II. <u>Current taxes on income and wealth</u></b>	+ 10.3	+ 2.6	+ 1.3	+ 2.3	- 0.1	+ 2.5	+ 2.4	+ 4.8	+ 2.2	+ 2.2
1. Personal income tax <sup>(b)</sup>	+ 8.5	+ 3.3	+ 0.2	+ 2.5	+ 1.3	+ 2.2	+ 3.5	+ 3.0	+ 1.3	+ 1.5
2. Corporate income tax <sup>(c)</sup>	+ 0.2	- 0.5	+ 1.3	- 0.1	- 0.5	+ 0.3	+ 1.1	+ 2.0	+ 0.6	+ 0.3
3. Other	+ 1.6	- 0.2	- 0.2	- 0.1	- 0.9	0	- 2.2	- 0.2	+ 0.3	+ 0.4
<b>III. <u>Capital taxes</u></b>	+ 0.1	0	0	- 0.1	+ 0.1	0	- 0.1	+ 0.1	- 0.4	0
<b>IV. <u>Total tax receipts (I + II + III)</u></b>	+ 10.8	+ 1.9	- 0.8	+ 2.6	- 1.3	+ 2.1	+ 0.5	+ 6.6	- 0.1	+ 0.7
<b>V. <u>Social welfare contributions</u></b>	- 1.3	+ 2.8	+ 1.3	+ 1.6	+ 1.6	+ 4.6	+ 2.3	+ 1.9	+ 1.8	+ 2.3
<b>VI. <u>Total tax receipts and social welfare contributions (IV + V)</u></b>	+ 9.5	+ 4.8	+ 0.6	+ 4.2	+ 0.4	+ 6.7	+ 2.7	+ 8.5	+ 1.7	+ 3.0

(a) Classed as current taxes on income and wealth.

(b) The Eurostat reference numbers for the taxes included in this category are - DK 01 and 04; D 01 and 02; F 01; IRL 01 and 02; I 01, 02 and 03; N 1, 2, 3, 4 and 5; B 01; L 01, 02, 03, 04 and 05; UK 01 and 02. This includes some corporate income tax for Ireland.

(c) The Eurostat reference numbers for the taxes included in this category are - DK 05; D 05; F 07; I 11, 12, 13 and 14; N 6; B 02; L 06; UK 03 and 04. This excludes some corporate income tax for Ireland.

(d) 1970 - 1974 only

Source: Eurostat Tax Statistics 1968 - 1974, and Eurostat National Account Aggregates 1960 - 1974.

TABLE VII

## TAX RECEIPTS AND SOCIAL WELFARE CONTRIBUTIONS AS A PERCENTAGE OF GIP IN 1974

Per cent of GDP

	Denmark	F.R. Germany	France	Ireland	Italy	Netherlands	Belgium	Luxembourg	United Kingdom	EEC
<b>I. <u>Taxes linked to production and imports (1 to 7)</u></b>	16.1	12.3	14.6	18.7	11.5	11.6	11.9	11.3	13.5	13.0
1. General turnover taxes	7.6	5.3	9.1	5.4	5.3	6.5	7.1	4.3	3.1	6.0
2. Import duties and agricultural levies	0.4	0.4	0.2	0.9	0.4	0.7	0.6	0.3	0.7	0.4
3. Excise duties and taxes on the consumption of goods	5.3	3.2	2.4	8.5	3.9	2.8	2.5	2.5	5.0	3.4
4. Taxes on services	0.1	0.3	0.4	0.2	0.5	0	0.3	0.2	0.3	0.3
5. Taxes on land and buildings	1.7	0.4	0.1	2.8	(a)	0.1	(a)	0.3	3.7	0.9
6. Stamps, registration and similar duties	0.6	0.2	0.6	0.5	1.2	0.4	0.8	1.6	0.2	0.5
7. Other taxes linked to production and imports	0.3	2.6	1.9	0.5	0.5	0.1	0.7	2.2	0.5	1.6
<b>II. <u>Current taxes on income and wealth</u></b>	27.6	12.8	7.4	10.3	6.6	16.0	14.8	17.4	15.9	11.9
1. Personal income tax <sup>(b)</sup>	23.5	10.5	3.6	8.9	4.8	12.5	11.5	10.7	11.5	8.2
2. Corporate income tax <sup>(c)</sup>	1.2	1.1	2.9	0.9	0.5	3.1	3.1	6.3	3.5	2.1
3. Other	2.9	1.2	0.9	0.5	1.3	0.4	0.2	0.4	0.9	1.6
<b>III. <u>Capital taxes</u></b>	0.2	0.1	0.2	0.5	0.3	0.2	0.3	0.2	0.5	0.2
<b>IV. <u>Total tax receipts (I + II + III)</u></b>	43.9	25.2	22.2	29.5	18.4	27.9	27.0	28.9	29.9	25.2
<b>V. <u>Social welfare contributions</u></b>	0.6	12.8	14.1	3.9	13.1	18.3	12.4	11.5	6.8	12.1
<b>VI. <u>Total tax receipts and social welfare contributions (IV + V)</u></b>	44.5	38.1	36.4	33.4	31.6	46.2	39.3	40.4	36.7	37.3

(a) Classified as current taxes on income and wealth.

(b) The Eurostat reference numbers for the taxes included in this category are - DK 01 and 04; D 01 and 02; F 01; IRL 01 and 02; I 01, 02 and 03; N 1, 2, 4, and 5; B 01; L 01, 02, 03, 04 and 05; UK 01 and 02. This includes some corporate income tax for Ireland.

(c) The Eurostat reference numbers for the taxes included in this category are - DK 05; D 05; F 07; IRL 03; I 11, 12, 13 and 14; B 02; L 06; UK 03 and 04. This excludes some corporate income tax for Ireland.

Source : Eurostat Tax Statistics 1968 - 1974, and Eurostat National Account Aggregates 1960 - 1974.



## **Annexes**



ANNEX I

Increase in the GDP price deflator and consumer prices 1960 - 1974

		1961-68 average	1968	1969	1970	1971	1972	1973	1974	1968-74 average	index 1968 = 100
Denmark	GDP price deflator	5.9	6.2	5.3	7.7	5.8	8.3	10.6	11.4	7.5	170.0
	Consumer prices	6.9	8.7	4.4	5.6	6.0	6.9	9.3	15.0	8.0	170.1
F.R. Germany	GDP price deflator	3.1	2.1	3.8	7.1	7.6	5.7	6.0	6.7	5.6	146.0
	Consumer prices	2.5	1.8	2.6	3.8	5.1	5.6	6.5	7.0	5.1	137.6
France	GDP price deflator	4.0	4.8	7.0	5.5	5.6	6.2	7.4	11.1	6.8	158.3
	Consumer prices	3.6	4.6	6.4	5.5	5.6	5.9	7.3	13.7	6.9	160.2
Ireland	GDP price deflator	4.0	4.2	9.0	9.0	10.1	13.2	14.0	7.7	9.6	189.4
	Consumer prices	4.1	4.7	7.4	8.3	8.9	9.6	11.3	17.0	10.1	189.3
Italy	GDP price deflator	4.4	1.5	4.2	6.8	7.2	6.1	10.1	16.6	7.5	164.9
	Consumer prices	4.2	1.4	2.6	4.9	4.9	5.6	10.4	19.4	7.5	159.4
Netherlands	GDP price deflator	5.7 <sup>(a)</sup>	3.9	6.1	5.4	8.4	8.9	8.0	8.9	7.1	161.3
	Consumer prices	4.1	3.7	7.5	4.4	7.6	7.8	8.0	9.6	7.4	159.8
Belgium	GDP price deflator	3.2	2.7	4.0	4.6	5.3	5.4	7.1	12.7	6.0	149.7
	Consumer prices	2.9	2.7	3.8	3.9	4.4	5.4	7.0	12.7	6.1	147.0
Luxembourg	GDP price deflator	2.5	4.2	7.9	12.9	1.0	6.4	10.5	11.5	7.8	181.2
	Consumer prices	2.5	2.6	2.3	4.6	4.7	5.2	6.1	9.6	4.9	140.6
United Kingdom	GDP price deflator	3.7	4.4	5.5	7.3	9.0	8.1	8.0	12.7	7.9	169.5
	Consumer prices	3.5	4.7	5.5	6.4	9.4	6.8	9.2	16.0	8.3	173.9
EEC	GDP price deflator	3.8	3.3	5.1	6.6	7.2	6.6	7.7	10.9	6.8	158.0
	Consumer prices	3.5	3.3	4.4	5.0	6.2	6.0	8.1	12.7	6.8	155.3

(a) 1964 - 1968 only.

Source : Eurostat National Account Aggregates 1960 - 1974 : OECD Main Economic Indicators.

ANNEX II

TABLE 1 : DENMARK

Personal income tax rates, brackets and allowances, 1968 - 1974

(A) CENTRAL GOVERNMENT PERSONAL INCOME TAX									
Tax rates and brackets						Personal allowances (1)			
						Single	Married couple	Expenses	
1968	Tax bracket D.Kr.	0 - 17,000	17 - 30,000	30 - 70,000	Over 70,000	D.Kr.	5,000	10,000	800 ( or 20%)
	Tax rate per cent	18.00	30.00	40.00	45.00				
1970	Tax bracket D.Kr.	0 - 17,000	17 - 30,000	30 - 70,000	Over 70,000	D.Kr.	5,000	10,000	1,500 (or 20%)
	Tax rate per cent	17.10	28.50	38.00	42.75				
1972	Tax bracket D.Kr.	0 - 18,500	18.5 - 32,600	32.6 - 76,200	Over 76,200	D.Kr.	5,400	10,800	1,500 (or 20%)
	Tax rate per cent	16.38	27.30	36.40	40.95				
1974	Tax bracket D.Kr.	0 - 20,900	20.9 - 36,900	36.9 - 86,200	Over 86,200	D.Kr.	6,100	12,200	2,000 (or 20%)
	Tax rate per cent	16.38	27.30	36.40	40.95				

  

(B) CENTRAL GOVERNMENT FLAT RATE SUPPLEMENTARY PERSONAL INCOME TAXES				
	Per cent of taxable income			Total
	General pension contribution	Special pension contribution	Cash benefit contribution	
1968	3.0	-	-	3.0
1970	3.0	-	-	3.0
1972	3.0	1.0	-	4.0
1974	1.0	2.0	1.0	4.0

  

(C) LOCAL AUTHORITY FLAT RATE PERSONAL INCOME TAX	
	Per cent of taxable income <sup>(2)</sup>
1968	..
1970	15.6 <sup>(3)</sup>
1972	18.6
1974	18.8

(1) Whichever is lower, except where higher expenses can be proved

(2) Personal allowances are similar to and move in roughly the same way as those used for central government income tax.

(3) The rate of tax varies from authority to authority : the percentage shown are average rates.

.. = Not available.

Source : Danish Fiscal Department (Division of Economics and Statistics).



ANNEX II

TABLE 2 : F.R. GERMANY

Personal income tax rates, brackets and allowances, 1968 - 1974

Basic tax rates and brackets Tax brackets in DM				Allowances			Some examples of tax rates on <sup>(a)</sup> different levels of income : income level											
	Per cent tax	1,680 to 8,009	8,010 to 110,039	over 110,040	1st child	2nd child	3rd and subsequent child	Per cent tax	DM 12,000	DM 14,400	DM 18,000	DM 24,000	DM 30,000	DM 36,000	DM 48,000	DM 60,000	DM 80,000	DM 100,000
		1968		19	19.1 - 51.9	53	DM 1,200		1,680	1,800		1.67	3.93	6.24	10.17	11.99	13.83	18.03
1970		"	"	"	"	"	"		"	"	"	"	"	"	"	"	"	"
1972		"	"	"	"	"	"		"	"	"	"	"	"	"	"	"	"
1974		"	"	"	"	"	"		"	"	"	"	"	"	"	"	"	"
1975		3,001 to 16,018	16,019 to 130,019	over 130,020	Abolished and replaced by direct payments to parents or guardians				0	0	.72	5.05	7.87	10.08	14.59	18.21	23.52	27.68

(a) Married tax-payer, under 50 years old, with 2 children: excl. temporary supplements (i.e. Ergänzungsabgabe and Stabilitätsabgabe).

Source : BMF Finanznachrichten 26/7/74

ANNEX II

TABLE 3 : FRANCE

Personal income tax rates, brackets and allowances, 1968 - 1974

I. BASIC RATES AND BRACKETS (a)

II. SUPPLEMENTARY RATES AND BRACKETS

(Minoration dégressive and majoration progressive)(a)

Tax per cent	Income in year stated				Percentage adjustment to gross tax liability	Gross income tax liability in year stated			
	1968	1970	1972	1974		1968	1970	1972	1974 (c)
3	-	-	3,100 FF	-	- 15	1,000 FF	1,000 FF	1,000 FF	
5	2,500 FF	2,700 FF	-	5,200 FF	- 12	1,500	1,500	1,500	
10	-	-	-	6,250	- 10	2,000	2,000	2,000	
13	-	-	5,400	-	- 8	2,500	2,500	2,500	
15	4,500	4,800	-	9,900	- 6	3,000	3,000	3,000	
18	-	-	8,950	-	- 4	3,500	3,500	3,500	
20	7,600	8,100	-	14,900	- 2	5,000	5,000	5,000	
23	-	-	13,250	-	0	6,000 (d)	7,000	15,000	
25	11,250	12,000	-	-	+ 1	-	-	20,000	
30	-	-	-	22,000	+ 2	7,000	8,000	over 20,000	
33	-	-	21,050	-	+ 3	-	9,000		
35	18,000	19,100	-	-	+ 4	8,000	10,000		
40	-	-	-	46,325	+ 5	-	10,500		
43	-	-	42,100	-	+ 6	9,000	12,000		
45	36,000	38,200	-	-	+ 7	-	14,000		
50	-	-	-	92,125	+ 7.5	-	over 14,000		
53	-	-	84,200	-	+ 8	10,000			
55	72,000	76,400	-	-	+ 10	10,500			
60	-	-	-	over 92,125	+ 12	12,000			
63	-	-	over 84,200	-	+ 14	14,000			
65	over 72,000	over 76,400	-	-	+ 15	over 14,000			

- = Not applicable

(a) = General system

(b) = Income below 2,500 subject to no tax; income between 2,500 and 4,499 subject to 5 per cent tax and so on

(c) = Abolished

(d) = Gross income tax liability of FF 6,000 subject to no alteration; of FF 5,000 subject to reduction of 2 per cent; liability of FF 7,000 subject to addition of 2 per cent and so on.

Source : Statistiques & Etudes Financières

ANNEX 11

TABLE 4 : IRELAND

Personal income tax rates, brackets and allowances, 1968 - 1974

	Standard rate per cent	Surtax or unified tax system (a) rates and brackets rates, per cent								Personal Allowances			
		15	26	30	35	45	50	65	80	Single taxpayer	Married taxpayer	Child under 11 year old	Child between 11 and 16 years old
1968 (b)	35.00 (c)	£ 4,501	-	6,501	-	over 8,500				£ 234	394	135	150
1970	35.00	£ 4,501	-	6,501	-	over 8,500				£ 249	424	135	150
1972	35.00	£ 4,501	-	6,501	-	over 8,500				£ 299	494	155	170
1974 (b)			up to 1,550		4,350	-	6,350	8,350	over 8,350	£ 500	800	200	200

Rates of income tax payable (e) on earnings of

	£ 1,000	£ 2,000	£ 3,000	£ 4,000	£ 5,000	£ 6,000
	%	%	%	%	%	%
1968	3.0	14.6	21.4	24.8	26.9	30.3
1974	Nil	10.4	16.4	21.0	23.8	26.8

(a) Surtax until 1973 and unified tax system from 1974 (prior to 1974 brackets for surtax reduced by £ 2,000 where income is 'unearned').

(b) From April.

(c) Effective rates, depending on earned income, from 26.25% to 35%.

(d) New uniform rating schedule, without distinction between 'earned' and 'unearned' incomes, introduced in April 1974.

(e) By married person with two children under 11 years (the differentiation in child allowance according to the age of the child was abolished in 1974).

ANNEX II

TABLE 5 : ITALY

Personal income tax rates, brackets and allowances, 1968 - 1974

	Income																			
	Up to 2 m Lire	2-3 m Lire	3-4 m Lire	4-5 m Lire	5-6 m Lire	6-7 m Lire	7-8 m Lire	8-9 m Lire	9-10 m Lire	10-12 m Lire	12-14 m Lire	14-16 m Lire	16-18 m Lire	18-20 m Lire	20-25 m Lire	25-30 m Lire	30-40 m Lire	40-50 m Lire	50-60 m Lire	
1974 January per cent tax	10	13	16	19	22	25	27	29	31	37	38	39	40	41	43	45	47	54	56	
1974 December per cent tax	10	13	16	19	22	25	27	29	31	37	38	39	40	41	43	45	47	54	56	
1974 January per cent tax	contd.						60-80 m Lire	80-100 m. Lire	100-125 m. Lire	125-150 m. Lire	150-175 m. Lire	175-200 m. Lire	200-250 m. Lire	250-300 m. Lire	300-350 m. Lire	350-400 m. Lire	400-450 m. Lire	450-500 m. Lire	Over 500 m. Lire	
							58	60	62	64	66	68	70	72	74	76	78	80	82	
1974 December per cent tax	contd.						58	60	62	64	66	68	70	72	74	76	78	80	82	
Personal allowances for														Additional allowance for incomes less than 40 m. Lire						
	Tax-payers	Wife	Expenses	1st child	2nd child	3rd child	4th child	5th child	6th child	7th child	8th child	Over 8 children								
1974 January Lire	36,000	36,000	12,000	7,000	8,000	10,000	20,000	30,000	35,000	50,000	100,000	120,000	0							
1974 December Lire	36,000	36,000	12,000	7,000	8,000	10,000	20,000	30,000	35,000	50,000	100,000	120,000	36,000							

Examples of personal income tax payable at four different income levels (a)

	Income			
	2 m Lire	5 m Lire	8 m Lire	10 m Lire
1974 January per cent tax	9.225	13.011	17.227	20.719
1974 December per cent tax	9.045	12.874	17.105	19.608

(a) For married man with 4 children, wife not working and all income from employment.

ANNEX II

TABLE 6 : NETHERLANDS

Personal income tax rates, brackets and allowances, 1968 - 1974

		Basic Income Tax <sup>(a)</sup> payable on incomes of -								
		6,000	7,200	8,400	9,600	10,800	12,000	18,000	24,000	36,000
		0	2.03	3.64	5.00	6.20	7.36	11.59	16.57	25.46
1969										
1973 <sup>(b)</sup>	per cent tax	25	31	39	49	58	63	66	69	71
		up to DFL 10,624	10,624 to 17,264	17,265 to 25,232	25,233 to 37,184	37,185 to 51,792	51,793 to 69,056	69,057 to 90,304	90,305 to 132,800	over 132,800
1974	per cent tax	25	31	39	49	58	63	66	69	71
		up to DFL 10,292	10,293 to 16,932	16,933 to 24,900	24,901 to 36,852	36,853 to 51,460	51,461 to 68,724	68,725 to 89,972	89,973 to 132,468	over 132,469
Allowances										
		Single tax-payer up to 35 years old	Single tax-payer over 35 years old	Married man without children	Married man and single tax-payer with - <sup>(c)</sup>					
					1 child	2 children	3 or 4 children	5 or 6 children	7 or more children	
		1969	1973	} No separate allowances of this kind prior to 1974						
1974 <sup>(c)</sup>	Fl.	4,045 <sup>(d)</sup>	5,439	6,972	7,574	8,093	8,611	8,956	9,290	

(a) White table rates.

(b) New tax system introduced in 1973.

(c) For employees entitled to tax free child benefits for all their children.

(d) Until July 1974.

## ANNEX II

TABLE 7 : BELGIUM

Personal income tax rates, brackets and allowances, 1968 - 1974

## BASIC TAX RATES AND BRACKETS

	Tax rates, per cent								
	30	35	37.5	40	42.5	47.5	52.5	57.5	60
1968	210,000	315,000	415,000	500,000	750,000	1,000,000	2,000,000	3,000,000	over 4,000,000
1970	"	"	"	"	"	"	"	"	"
1972	"	"	"	"	"	"	"	"	"
1974	"	"	"	"	"	"	"	"	"

## BASIC LUMP SUM ALLOWANCE

			Percentage of gross income				
			20	17	16	15	10
			1968	From	up to	-	-
<u>Income</u>	To	FB	92,500	-	-	300,000	and above
Minimum lump sum	sum	FB	7,500	-	-	18,500	45,000
Maximum lump sum	sum	FB	18,500			45,000	60,000
1970			"	-	-	"	"
1972	From		up to	107,501	150,001	200,001	300,001
<u>Income</u>	To	FB	107,500	150,000	200,000	300,000	and above
Minimum lump sum	sum	FB	10,000	21,500	25,500	32,000	45,000
Maximum lump sum	sum	FB	21,500	25,500	32,000	45,000	60,000
1974	From		up to	115,001	160,001	214,001	300,001
<u>Income</u>	To	FB	115,000	160,000	214,000	300,000	and above
Minimum lump sum	sum	FB	10,000	23,000	27,200	34,200	45,000
Maximum lump sum	sum	FB	23,000	27,200	34,200	45,000	60,000

## LIMITS FOR TAX EXEMPTED MINIMUM INCOME

		Number of dependents										
		0	1	2	3	4	5	6	7	8	9	10
1968	FB	35,000	40,000	45,000	50,000	74,000	113,000	152,000	191,000	230,000	269,000	303,000
1970		"	"	"	"	"	"	"	"	"	"	"
1972		"	"	"	"	"	"	"	"	"	"	"
1974		"	"	"	"	75,000	115,000	155,000	195,000	235,000	275,000	315,000
		Maximum limits of deductions for dependents										
1968						21,255	40,150	63,040	89,910	109,325	120,325	130,825
1970						"	"	"	"	"	"	"
1972						"	"	"	"	"	"	"
1974						21,435	40,850	64,540	92,430	113,575	124,825	136,075

(a) on income from professional activities (including business income, wages, salaries and pensions)

- = not applicable

## ANNEX II

TABLE 3 : LUXEMBOURG

## Personal income tax rates, brackets and allowances, 1968 - 1974

	Examples of personal income tax rates: (a)					Lump sum deductions and child allowances							
	per cent tax on annual income of -					Child allowances for (b)							
	LF 180,000	LF 240,000	LF 360,000	LF 480,000	LF 600,000	Lump sum deduction	1 child	2 children	3 children	4 children	5 children	6 children	each additional child
1968	"	"	"	"	"	LF 6,000	LF 12,725	24,440	35,252	45,173	54,480	63,461	8,751
1970	4.82	7.62	11.71	17.20	22.09	LF 6,000	LF 13,452	25,840	37,238	47,707	57,636	67,125	9,540
1972	3.87	6.66	10.69	15.39	20.06	LF 9,000	LF 14,640	28,092	40,567	52,046	62,784	73,164	10,108
1974	2.13	5.04	9.17	12.78	17.16	LF 9,000	LF 16,322	31,372	45,204	58,032	70,020	81,561	11,364

(a) For married tax-payer with two children.

(b) For incomes of LF 600,000 (1968), LF 632,400 (1970), LF 690,000 (1972) and LF 766,300 (1974).

Source : Memorial

## ANNEX II

TABLE 9 : UNITED KINGDOM

Personal income tax rates, brackets and allowances, 1968 - 1974

	Standard rate per cent	Surtax threshold £	Surtax or unified tax system rates and (b) brackets rates, per cent																		
			10	12.5	17.5	22.5	27.5	32.5	37.5	38	42.5	43	47.5	48	50	53	58	63	68	73	83
1968 <sup>(a)</sup>	41.25 (32.08) (c)	2,000	£ 2,001	2,501	3,001	4,001	5,001	6,001	8,001	-	10,001	-	12,001	-	over 15,000						
1970	41.25 (32.08)	2,500	-	2,501	3,001	4,001	5,001	6,001	8,001	-	10,001	-	12,001	-	over 15,000						
1972	38.75 (30.14)	3,000	-	-	3,001	4,001	5,001	6,001	8,001	-	10,001	-	12,001	-	over 15,000						
1974 <sup>(d)</sup>	33.00 (e)	-	-	-	-	-	-	-	-	4,501	-	5,000	-	6,000		7,000	8,000	10,000	12,000	15,000	20,000 and over
Personal Allowances																					
	Single tax-payer	Married tax-payer	Child under 11 years old	Child 11-16 years old	Child over 16 years old receiving full-time education or training																
1968	£ 220	340	115	140	165																
1970	£ 325	465	115	140	165																
1972	£ 460	600	155	180	205																
1974	£ 625	865	240	275	305																

(a) From April.

(b) Surtax until 1972 and unified tax system from 1973.

(c) Effective rates on earned income subject to earned income allowance of 2/9 of gross income.

(d) Unified tax system introduced in 1973.

(e) On earned income up to £ 4,500.

Source : Reports of the Commissioners of H.M. Inland Revenue.



ANNEX III

TABLE I : DENMARK

Social Security contributions, 1968 - 1974

	Sickness and maternity	Invalidity	Industrial injuries and occupational diseases insurance	Family allowance	Unemployment
1968	D.Kr 262 per annum (A) + D.Kr 0.135 per hour of work	D.Kr 14.25 per annum (B) D.Kr 21.60 per month (C)	(D)	None	Employees annual contribution varies between approximately D.Kr 28 and 81 according to size of daily benefit. + Employers annual contribution of D.Kr 45 per employee (E).
1970	D.Kr 320 per annum + D.Kr 0.165 per hour of work	D.Kr 21.00 per annum D.Kr 21.60 per month		None	Employees annual contribution - as in 1968 + Employers annual contribution of D.Kr 90 per employee.
1972	D.Kr 450 per annum + D.Kr 0.285 per hour of work	D.Kr 31.00 per annum D.Kr 21.60 per month		None	Employees annual contribution equal to 2.25 times the rate of daily payment made by the fund. + Employers annual contribution of D.Kr 90 per employee
1974	Abolished in April 1973 and replaced by new supplementary income tax (see Annex II, Table I).	D. Kr 31.00 per annum D.Kr 36.00 per month		None	- As for 1972 -
<u>Percentage change</u>	71.8 (F)	117.5			100 (G)
1968-1974	111.1	66.7			

(A) Average

(B) Invalidity, until 1/4/68

(C) Old age/survivors pensions

(D) Variable insurance premium (according to risk) paid by employers to private insurance companies

(E) A somewhat lower rate is paid for the first two employees

(F) 1968 - 1972

(G) Employers' contributions only

Source : Comparative tables of social security systems in member states of the European Communities + Danish Ministry of Social Security.

ANNEX III

TABLE 2 : F.R. GERMANY

Social security contributions, 1968 - 1974

	Sickness and maternity		Invalidity and old age/survivors' pensions		Industrial injuries and occupational diseases insurance		Family allowance		Unemployment	
	Rate % <sup>(a)</sup>	Ceiling	Rate %	Ceiling	Rate % <sup>(b)</sup>	Ceiling	Rate %	Ceiling	Rate %	Ceiling
1968	10%	DM 10,800	15%	DM 19,200		DM 36,000	None	None	1.3%	DM 15,600
1970	8%	DM 14,400	17%	DM 21,600		DM 36,000	None	None	1.3%	DM 21,600
1972	8%	DM 18,900	17%	DM 25,200		DM 36,000 or more	None	None	1.7%	DM 25,200
1974	9%	DM 22,500	18%	DM 30,000		DM 36,000 or more	None	None	1.7%	DM 30,000
<u>Percentage change</u> <u>1968 - 1974</u>	- 10.0	108.3	20.0	56.3	-	-	-	-	30.8	92.3

(a) Average : the rate varies according to the regulations of the fund concerned.

(b) Collective rates according to degree of risks in the various occupational branches. Contribution fixed by trade co-operative association and calculated on the basis of total gross earnings.

Source : Comparative tables of social security systems in member states of the European Communities.

ANNEX III

TABLE 3 : FRANCE

Social security contributions, 1968 - 1974

	Sickness and maternity		Invalidity and old age/survivors' pensions		Industrial injuries and occupational diseases insurance		Family allowance		Unemployment	
	(a)(b) Rate %	Ceiling	Rate %	Ceiling	Rate % <sup>(c)</sup>	Ceiling	Rate %	Ceiling	Rate %	Ceiling
1968	15.00	14,400 FF	8.50	14,400 FF		14,400 FF	11.50	14,400 FF	.35	61,800 FF
1970	15.75	18,000 FF	8.75	18,000 FF		18,000 FF	10.50	18,000 FF	.40	75,600 FF
1972	15.95	21,960 FF	8.75	21,960 FF		21,900 FF	10.50	21,960 FF	.40	90,120 FF
1974	15.95	27,840 FF	10.25	27,840 FF		27,840 FF	9.00	27,840 FF	.80	111,360 FF
<u>Percentage change</u>										
<u>1968 - 1974</u>	6.3	93.3	20.6	93.3	-	93	- 21.7	93.3	128.6	80.2

(a) Of this contribution 3% is calculated without taking ceiling into account.

(b) Sickness: A further contribution of 3% is levied on car insurance premiums.

(c) Collective, individual or mixed rates according to number employed in the concern and degree of risk. Contributions assessed on total of gross earnings, with ceilings shown in adjacent column.

Source : Comparative tables of social security systems in member states of European Communities.

ANNEX III

TABLE 4 : IRELAND

Social security contributions, 1968 - 1974

	Sickness and maternity	Invalidity and old age/survivors' pensions	Industrial injuries and occupational diseases insurance	Family allowance	Unemployment
	Contributions cover all social security benefits				
		Flat rate component	Income related component		
1968		£ 1.00 (a)	None		
1970		£ 1.41	None		
1972		£ 2.46 (b)	None		
1974		£ 3.26	3% up to £ 2,500 per annum (c)		
<u>Percentage change</u> <u>1968 - 1974</u>		226			

(a) Ordinary rate for men.

(b) From 1972 including £ 0.15 additional contribution for health.

(c) From 6 April 1974.

Source : Comparative tables of social security systems in member states of the European Communities.  
Department of Social Welfare, Dublin.

ANNEX III

TABLE 5 : ITALY

Social security contributions, 1968 - 1974

	Sickness and maternity		Invalidity and old age/survivors' pensions		Industrial injuries and occupational diseases insurance		Family allowance		Unemployment	
	Rate %	Ceiling	Rate %	Ceiling	Rate %	Ceiling	Rate %	Ceiling	Rate %	Ceiling
1968	14.61	None	20.80	None	3.9 & 20% <sup>(a)</sup>	None	17.5	750,000 Lit	2.30 <sup>(b)</sup>	None
1970	14.61	None	20.80	None	3.9 & 20%	None	17.5	750,000 Lit	2.30	None
1972	14.61	None	19.00	None	3.9 & 20%	None	15.0	1,200,000 Lit	2.30	None
1974	14.61	None	20.25	None	3.9 & 20%	None	7.5	None	2.30	None
<u>Percentage change</u>										
<u>1968 - 1974</u>	0	-	- 2.6	-	0	-	- 57.1	60.0 <sup>(c)</sup>	0	-

(a) Average rate : individual rates, based on degree of risk in the various occupational branches, are calculated on total earnings. Also an additional contribution equal to 20% of social security contributions.

(b) Excluding 0.2% in industry for supplementary earnings with ceiling as for family allowances.

(c) Between 1968 and 1972.

Source : Comparative tables of social security systems in member states of the European Communities.

ANNEX III

TABLE 6 : NETHERLANDS

Social security contributions, 1968 - 1974

	Sickness and maternity (a)		Invalidity and old age: survivors' pensions (a)		Industrial injuries and occupational diseases insurance (b)		Family allowance (c)		Unemployment (a)	
	Rate %	Ceiling	Rate %	Ceiling	Rate %	Ceiling	Rate %	Ceiling	Rate % <sup>(d)</sup>	Ceiling
	1968	13.8	20,020 F1	15.6	15,350 F1			5.4	15,350 F1	1.0
1970	15.05	23,140 F1	16.7	17,450 F1			5.45	17,450 F1	1.0	23,140 F1
1972	16.8	28,080 F1	17.3	21,150 F1			5.1	21,150 F1	1.0	30,680 F1
1974	19.65	36,400 F1	19.0	26,750 F1			5.7	26,750 F1	1.1	36,400 F1
<u>Percentage change</u> <u>1968 - 1974</u>	42.4	81.8	21.8	74.3	-	-	5.6	74.3	10.0	82.0

(a) Premiums paid partly by employers.

(b) Covered by invalidity contributions.

(c) Premiums paid entirely by employers.

(d) Average rate.

Source : Comparative tables of social security systems in member states of the European Communities and Ministry of Finance, The Hague.

## ANNEX III

TABLE 7 : BELGIUM

Social security contributions, 1968 - 1974

	<u>Sickness and maternity</u>				<u>Old age pensions</u>		<u>Occupational diseases</u>		<u>Family allowance</u>		<u>Unemployment</u>	
	Benefits in kind		Benefits in cash		Rate %	Ceiling	Insurance		Rate %	Ceiling	Rate %	Ceiling
	Rate %	Ceiling	Rate %	Ceiling			Rate %	Ceiling				
1968	5.75	161,700 BF	2.80 <sup>(a)</sup>	117,600 BF	12.50	None	.25	117,600 BF	10.75	161,700 BF	2.80	161,700 BF
1970	5.75	204,600 BF	2.90	151,275 BF	13.25 <sup>(c)</sup>	None	.75	174,900 BF	10.50	174,900 BF	2.40	174,900 BF
1972	5.75	317,500 BF	3.00	192,075 BF	14.00	None	.75	192,075 BF	10.50	192,075 BF	2.90	192,075 BF
1974	5.75	374,175 BF	3.00 <sup>(b)</sup>	265,500 BF	14.00	None	.75	265,500 BF	10.50	226,350 BF	2.90	226,350 BF
<u>Percentage change</u>												
1968 - 1974	0	134.4	7.14	125.76	12.00	-	200	125.76	- 2.33	39.98	3.57	39.98

(a) Until 30/9/68

(b) Until 30/9/74

(c) Until 30/6/70

Source : Belgian Ministry of Finance

## ANNEX III

TABLE 8 : LUXEMBOURG

Social security contributions, 1968 - 1974

	Sickness and maternity (a)		Invalidity and old age/survivors' pensions (b)		Industrial injuries and occupational diseases insurance (c)		Family allowance (d)		Unemployment (e)	
	Rate % (b)	Ceiling	Rate %	Ceiling	Rate %	Ceiling	Rate %	Ceiling	Rate %	Ceiling
1968	3.9	172,450 LF	12	183,200 LF	4.55	None	2.30	None		
1970	3.9	200,000 LF	14	340,400 LF	3.79	None	1.95	None		
1972	3.9	221,110 LF	14	393,000 LF	3.90	None	1.80	None		
1974	4.0	341,480 LF	14	486,800 LF	3.75	None	1.45	None		
<u>Percentage change</u> <u>1968 - 1974</u>	2.6	198.0	16.7	123.9	-22.0	-	-37.0	-		

(a) Figures shown are for private employees only. In addition there are four other classes of contributors: for example rate and ceiling for industrial staff are as follows - 1968, 6%, 171,550 LF; 1970, 6%, 219,000 LF; 1972, 6% 292,000 LF; 1974, 8% 431,490 LF.

(b) Figures shown are for private employees only. In addition there are three other classes of contributors : for example rates and ceilings for independants are as follows - 1968, 2-4%, 27,681 LF; 1970, 2-4%, 29,337 LF; 1972, 2-4%, 32,588 LF; 1974, 2-4%, 37,605 LF.

(c) Figures shown are for the steel industry. In addition there are two other classes of contributors: for example agricultural employees (in vinyards) paid the following flat rates - 1968, 556.3 LF per hectacre; 1970, 619.2 LF per hectacre; 1972, 760.3 LF per hectacre; 1974, 1,098.0 LF per hectacre.

(d) Paid by employers.

(e) Benefits financed out of general taxation : 75% central government and 25% local government.

Source : Inspection Générale des Finances, Luxembourg.



## ANNEX III

TABLE 9 : UNITED KINGDOM

## Social security contributions, 1963 - 1974

	Sickness and maternity	Invalidity and old age/survivors' pensions	Industrial injuries and occupational diseases insurance	Unemployment	
	Contributions cover all national insurance social security benefits (a)				
	Under the graduated contributions scheme		'Contracted out' of the graduated contributions scheme		
	Flat rate Component (b)	Income related Component	Flat rate Component (b)	Income related Component	
1968	£ 2.91 (c)	4.75% on £ 9-18 per week + 0.5% on £ 18-30 per week	£ 3.15	0.5% on £ 9-30 per week	
1970	£ 4.23	4.75% on £ 9-18 per week + 3.25% on £ 18-30 per week	£ 4.47	0.5% on £ 9-18 per week + 3.25% on £ 18-30 per week	
1972	£ 3.03	4.75% on £ 9-18 per week + 4.35% on £ 18-42 per week	£ 3.27	0.5% on £ 9-18 per week + 4.35% on £ 18-42 per week	
1974 (d)	£ 2.47	5.5% on £ 9-62 per week	£ 2.71	1.25% on £ 9-18 per week + 5.5% on £ 18-62 per week	

(a) Other benefits, e.g. family allowances and supplementary benefits, are financed out of general taxation.

(b) For men.

(c) From 6 May until 1 September 1968.

(d) From 5 August 1974.

Source : Comparative tables of social security systems in member states of the European Communities. Annual abstract of statistics for the UK.

## ANNEX IV

TABLE 1 : DENMARK

Structure of tax receipts and social welfare contributions, 1968 - 1974

	Percentages				Change in share between 1968 and 1974 : percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	44.5	44.4	39.1	36.2	-8.3
1. General turnover taxes	15.2	18.3	16.3	17.1	+1.9
2. Import duties and agricultural levies	1.7	1.6	2.9	1.0	-0.7
3. Excise duties and taxes on consumption of goods	20.6	17.7	14.0	12.0	-8.6
4. Taxes on services	0.2	0.2	0.1	0.1	-0.1
5. Taxes on land and buildings	4.4	4.5	3.8	3.9	-0.5
6. Stamps, registration and similar duties	1.2	1.0	1.1	1.4	+0.2
7. Other taxes linked to production and imports	1.2	1.1	0.9	0.7	-0.5
II. <u>Current taxes on income and wealth</u>	49.6	50.9	56.2	62.2	+12.6
1. Personal income tax <sup>(1)</sup>	43.0	41.7	48.1	53.0	+10.0
2. Corporate tax <sup>(2)</sup>	2.9	2.7	2.3	2.6	-0.3
3. Other	3.7	6.5	5.8	6.6	+2.9
III. <u>Capital taxes</u>	0.5	0.4	0.4	0.4	-0.1
IV. <u>Total tax receipts (I + II + III)</u>	94.6	95.6	95.7	98.7	+4.1
V. <u>Social welfare contributions</u>	5.4	4.4	4.3	1.3	-4.1
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	100	100	100	100	

(1) Categories - DK 01 + 04

(2) " - DK 05

Source : Eurostat Tax Statistics 1974 &amp; 1975.

ANNEX IV

TABLE 2 : F.R. GERMANY

Structure of tax receipts and social welfare contributions, 1968 - 1974

	Percentages				Change in share between 1968 and 1974 : percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	39.0	37.4	36.6	32.4	- 6.6
1. General turnover taxes	14.4	16.3	16.0	13.8	- 0.6
2. Import duties and agricultural levies	1.8	1.6	1.2	0.9	- 0.9
3. Excise duties and taxes on the consumption of goods	11.6	10.0	9.7	8.4	- 3.2
4. Taxes on services	1.1	1.1	1.0	0.9	- 0.2
5. Taxes on land and buildings	1.4	1.2	1.0	0.9	- 0.5
6. Stamps, registration and similar duties	0.7	0.7	0.7	0.5	- 0.2
7. Other taxes linked to production and imports	8.0	6.5	7.0	6.9	- 1.1
II. <u>Current taxes on income and wealth</u>	30.6	30.7	30.4	33.7	+ 3.1
1. Personal income tax <sup>(1)</sup>	21.6	22.8	24.1	27.6	+ 6.0
2. Corporate tax (2)	4.8	3.9	2.7	2.9	- 1.9
3. Other	4.3	4.0	3.6	3.2	- 1.1
III. <u>Capital taxes</u>	.3	.4	0.2	0.2	- 0.1
IV. <u>Total tax receipts (I + II + III)</u>	70.0	68.4	67.1	66.3	- 3.7
V. <u>Social welfare contributions</u>	30.0	31.6	32.9	33.7	+ 3.7
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	100	100	100	100	

(1) Categories - D 01 + 02

(2) " - D 05

Source : Eurostat Tax Statistics 1974 & 1975

## ANNEX IV

TABLE 3 : FRANCE

Structure of tax receipts and social welfare contributions, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	46.7	44.4	43.6	40.2	- 6.5
1. General turnover taxes	23.8	25.5	26.0	24.8	+ 1.0
2. Import duties and agricultural levies	1.0	0.9	0.7	0.7	- 0.3
3. Excise duties and taxes on the consumption of goods	8.3	8.0	7.6	6.6	- 1.7
4. Taxes on services	1.3	1.3	1.2	1.0	- 0.3
5. Taxes on land and buildings	1.5	1.5	1.1	0.3	- 1.2
6. Stamps, registration and similar duties	1.7	1.6	1.8	1.6	- 0.1
7. Other taxes linked to production and imports	9.2	5.6	5.2	5.2	- 4.0
II. <u>Current taxes on income and wealth</u>	17.0	18.3	18.1	20.4	+ 3.4
1. Personal income tax <sup>(1)</sup>	9.5	9.1	9.5	9.8	+ 0.3
2. Corporate tax (2)	4.4	6.3	5.9	7.9	+ 3.5
3. Other	3.0	2.9	2.7	2.7	- 0.3
III. <u>Capital taxes</u>	0.7	0.7	0.5	0.6	- 0.1
IV. <u>Total tax receipts (I + II + III)</u>	64.4	63.4	62.2	61.2	- 3.2
V. <u>Social welfare contributions</u>	35.6	36.6	37.8	38.8	+ 3.2
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	100	100	100	100	

(1) Categories - F 01

(2) " - F 07

Source : Eurostat Tax Statistics 1974 et 1975

## ANNEX IV

TABLE 4 : IRELAND

Structure of tax receipts and social welfare contributions <sup>(a)</sup>, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	62.3	61.8	59.6	55.8	- 6.5
1. General turnover taxes	7.5	13.0	14.5	16.1	+ 8.6
2. Import duties and agricultural levies	3.5	2.9	2.8	2.6	- 0.9
3. Excise duties and taxes on the consumption of goods	36.7	32.6	28.3	25.3	-11.4
4. Taxes on services	0.7	0.7	0.6	0.7	0.0
5. Taxes on land and buildings	10.8	10.1	10.4	8.4	- 2.4
6. Stamps, registration and similar duties	1.4	1.1	1.7	1.4	0.0
7. Other taxes linked to production and imports	1.7	1.5	1.4	1.4	- 0.3
II. <u>Current taxes on income and wealth</u>	27.6	28.7	29.5	30.9	+ 3.3
1. Personal income tax(1)	22.1	22.9	24.9	26.6	+ 4.5
2. Corporate tax (2)	3.5	4.0	3.0	2.7	- 0.8
3 Other	1.9	1.8	1.6	1.6	- 0.3
III. <u>Capital taxes</u>	2.1	1.2	1.9	1.7	- 0.4
IV. <u>Total tax receipts (I + II + III)</u>	92.0	91.8	91.0	88.4	- 3.6
V. <u>Social welfare contributions</u>	8.0	8.2	9.0	11.7	+ 3.6
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	100	100	100	100	

(a) Receipts during fiscal years 1968/9, 1970/1, 1972/3, 1973/4 and 1974/5

(1) Categories - IRL 01 + 02 (includes some corporate income tax)

(2) " - IRL 03 (excludes some corporate income tax)

Source : Eurostat Tax Statistics 1974 &amp; 1975.

ANNEX IV

TABLE 5 : ITALY

Structure of tax receipts and social welfare contributions, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
<u>I. Taxes linked to production and imports (1 to 7)</u>	41.2	40.7	37.4	36.4	- 4.8
1. General turnover taxes	14.2	13.5	11.0	16.8	+ 2.6
2. Import duties and agricultural levies	2.6	2.4	1.7	1.3	- 1.3
3. Excise duties and taxes on the consumption of goods	19.4	18.8	18.2	12.6	- 6.8
4. Taxes on services	3.2	2.8	2.5	1.7	- 1.5
5. Taxes on land and buildings	(a)	(a)	(a)	(a)	
6. Stamps, registration and similar duties	4.2	4.3	4.6	3.8	- 0.4
7. Other taxes linked to production and imports	1.7	1.6	1.4	1.6	- 0.1
<u>II. Current taxes on income and wealth</u>	21.4	20.0	22.5	20.9	- 0.5
1. Personal income tax(1)	11.1	10.5	11.8	15.3	+ 4.2
2. Corporate tax (2)	3.3	3.0	3.0	1.6	- 1.7
3. Other	7.0	6.5	7.7	4.0	- 3.0
<u>III. Capital taxes</u>	0.7	0.6	0.6	1.0	+ 0.3
<u>IV. Total tax receipts (I + II + III)</u>	63.3	61.3	60.3	58.3	- 5.0
<u>V. Social welfare contributions</u>	36.7	38.7	39.3	41.7	+ 5.0
<u>VI. Total tax receipts and social welfare contributions (IV + V)</u>	100	100	100	100	

(a) Classed as current taxes on income and wealth

(1) Categories - I 00, 01, 02 + 03

(2) " - I 11, 12, 13 + 14

Source : Eurostat Tax Statistics 1974 & 1975

ANNEX IV

TABLE 6 : NETHERLANDS

Structure of tax receipts and social welfare contributions, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	30.3	29.3	28.4	25.2	- 5.1
1. General turnover taxes	14.1	14.3	15.5	14.0	- 0.1
2. Import duties and agricultural levies	3.9	3.1	2.1	1.5	- 2.4
3. Excise duties and taxes on the consumption of goods	8.1	8.1	7.2	6.2	- 1.9
4. Taxes on services	0.1	0.1	0.1	0.0	- 0.1
5. Taxes on land and buildings	0.4	0.3	0.3	0.2	- 0.2
6. Stamps, registration and similar duties	1.1	0.9	0.9	0.9	- 0.2
7. Other taxes linked to production and imports	2.6	2.4	2.4	2.4	- 0.2
II. <u>Current taxes on income and wealth</u>	34.4	34.0	35.2	34.8	+ 0.4
1. Personal income tax(1)	26.2	26.2	27.6	27.1	+ 0.9
2. Corporate tax(2)	7.1	6.6	6.6	6.6	- 0.5
3. Other	1.1	1.2	1.0	1.1	0.0
III. <u>Capital taxes</u>	0.6	0.6	0.5	0.5	- 0.1
IV. <u>Total tax receipts (I + II + III)</u>	65.3	63.9	64.1	60.4	- 4.9
V. <u>Social welfare contributions</u>	34.7	36.1	35.9	39.6	+ 4.9
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	100	100	100	100	

(1) Categories - N 01, 02, 03, 04 + 05

(2) " - N 06

Source : Eurostat Tax Statistics 1974

**ANNEX IV**  
**TABLE 7 : BELGIUM**

Structure of tax receipts and social welfare contributions, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
<b>I. <u>Taxes linked to production and imports (1 to 7)</u></b>	39.7	36.9	33.2	30.2	- 9.5
1. General turnover taxes	21.7	20.7	18.5	18.2	- 3.5
2. Import duties and agricultural levies	3.3	3.0	2.2	1.3	- 2.0
3. Excise duties and taxes on the consumption of goods	8.6	8.0	7.8	6.4	- 2.2
4. Taxes on services	0.8	0.8	0.7	0.7	- 0.1
5. Taxes on land and buildings	(a)	(a)	(a)	(a)	
6. Stamps, registration and similar duties	2.7	2.2	2.0	2.0	- 0.7
7. Other taxes linked to production and imports	2.7	2.3	1.9	1.7	- 1.0
<b>II. <u>Current taxes on income and wealth</u></b>	29.8	31.8	34.4	37.7	+ 7.9
1. Personal income tax(1)	23.2	24.4	26.6	29.2	+ 6.0
2. Corporate tax (2)	5.9	6.8	7.2	7.8	+ 1.8
3. Other	0.7	0.6	0.6	.7	0.0
<b>III. <u>Capital taxes</u></b>	1.2	1.0	0.9	0.7	- 0.5
<b>IV. <u>Total tax receipts (I + II + III)</u></b>	70.7	69.7	68.5	68.6	- 2.1
<b>V. <u>Social welfare contributions</u></b>	29.3	30.3	31.5	31.4	+ 2.1
<b>VI. <u>Total tax receipts and social welfare contributions (IV + V)</u></b>	100	100	100	100	

(a) Classed as current taxes on income and wealth

(1) Categories - B 01 (less B 01.5)

(2) Categories - B 02

Source : Eurostat Tax Statistics 1974 and 1975



## ANNEX IV

TABLE 8 : LUXEMBOURG

Structure of tax receipts and social welfare contributions, 1968 - 1974

	Percentages			Change in share between 1970 and 1974: percentage points
	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	30.1	33.2	28.0	- 2.1
1. General turnover taxes	10.4	12.5	10.7	+ 0.3
2. Import duties and agricultural levies	1.1	1.0	0.8	- 0.3
3. Excise duties and taxes on the consumption of goods	6.9	8.1	6.2	- 0.7
4. Taxes on services	0.3	0.5	0.4	+ 0.1
5. Taxes on land and buildings	1.1	0.9	0.6	- 0.5
6. Stamps, registration and similar duties	3.8	4.3	3.9	+ 0.1
7. Other taxes linked to production and imports	6.4	5.9	5.4	- 1.0
II. <u>Current taxes on income and wealth</u>	39.4	37.0	43.2	+ 3.8
1. Personal income tax(1)	24.2	26.5	26.4	+ 2.2
2. Corporate tax (2)	13.3	8.7	15.6	+ 2.3
3. Other	1.9	1.8	1.2	- 0.7
III. <u>Capital taxes</u>	0.4	0.5	0.4	0
IV. <u>Total tax receipts (I+II+III)</u>	69.8	70.6	71.6	+ 1.8
V. <u>Social welfare contributions</u>	30.2	29.4	28.4	- 1.8
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	100	100	100	

(1) Categories - L 01, 02, 03, 04 + 05

(2) " - L 06

Source : Eurostat Tax Statistics 1975

## ANNEX IV

TABLE 9 : UNITED KINGDOM

Structure of tax receipts and social welfare contributions, 1963 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7).</u>	44.0	42.0	41.3	36.8	- 7.2
1. General turnover taxes	5.9	6.4	6.3	8.6	+ 2.7
2. Import duties and agricultural levies	1.6	1.4	1.7	1.9	+ 0.3
3. Excise duties and taxes on the consumption of goods	19.1	17.7	17.1	13.6	- 5.5
4. Taxes on services	0.6	0.6	0.8	0.8	+ 0.2
5. Taxes on land and buildings	10.4	9.3	11.2	10.1	+ 0.3
6. Stamps, registration and similar duties	0.8	0.6	1.0	0.6	- 0.1
7. Other taxes linked to production and imports	5.5	5.6	3.3	1.3	- 4.2
II. <u>Current taxes on income and wealth</u>	39.2	41.1	39.6	43.4	+ 4.2
1. Personal income tax(1)	29.1	30.0	29.7	31.4	+ 2.3
2. Corporate tax	8.4	8.4	6.6	9.6	+ 1.2
3. Other	1.7	2.7	2.3	2.4	+ 0.7
III. <u>Capital taxes</u>	2.5	2.0	2.2	1.3	- 1.2
IV. <u>Total tax receipts (I + II + III)</u>	85.7	85.0	83.1	81.5	- 4.2
V. <u>Social welfare contributions</u>	14.4	15.0	16.9	18.5	+ 4.2
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	100	100	100	100	

(1) Categories - UK 01 + 02

(2) " - UK 04

Source : Eurostat Tax Statistics 1974 &amp; 1975

## ANNEX V

TABLE 1 : DENMARK

Tax receipts and social welfare contributions on a percentage of GDP, 1968 - 1974

	Percentages of GDP				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	15.6	16.6	16.7	16.1	+ 0.5
1. General turnover taxes	5.3	6.9	6.9	7.6	+ 2.3
2. Import duties and agricultural levies	.6	0.6	1.2	0.4	- 0.2
3. Excise duties and taxes on the consumption of goods	7.2	6.6	6.0	5.3	- 1.9
4. Taxes on services	0.1	0.1	0	0.1	0.0
5. Taxes on land and buildings	1.6	1.7	1.6	1.7	+ 0.1
6. Stamps, registration and similar duties	0.4	0.4	0.5	0.6	+ 0.2
7. Other taxes linked to production and imports	0.4	0.4	0.4	0.3	- 0.1
II. <u>Current taxes on income and wealth</u>	17.3	19.1	23.9	27.6	+ 10.3
1. Personal income tax(1)	15.0	15.7	20.5	23.5	+ 8.5
2. Corporation tax (2)	1.0	1.0	0.9	1.2	+ .2
3. Other	1.3	2.4	2.5	2.9	+ 1.6
III. <u>Capital taxes</u>	0.1	0.1	0.2	0.2	+ 0.1
IV. <u>Total tax receipts (I + II + III)</u>	33.1	35.8	40.8	43.9	+ 10.8
V. <u>Social welfare contributions</u>	1.9	1.9	2.0	0.6	- 1.3
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	35.0	37.7	42.8	44.5	+ 9.5

Source : Eurostat Tax Statistics 1974 and 1975 and Eurostat National Account Aggregates 1960 - 74.

(1) Categories - DK 01 + 04

(2) - DK 05

## ANNEX V

TABLE 2 : F.R. GERMANY

Tax receipts and social welfare contributions as a percentage of GDP, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	13.0	12.8	13.0	12.3	- 0.7
1. General turnover taxes	4.7	4.9	5.7	5.3	+ 0.6
2. Import duties and agricultural levies	0.6	0.6	0.4	0.7	- 0.2
3. Excise duties and taxes on the consumption of goods	3.9	4.0	3.4	3.2	- 0.7
4. Taxes on services	0.4	0.4	0.4	0.3	- 0.1
5. Taxes on land and buildings	0.5	0.5	0.4	0.4	- 0.1
6. Stamps, registration and similar duties	0.2	0.2	0.2	0.2	0.0
7. Other taxes linked to production and imports	2.7	2.7	2.5	2.6	- 0.1
II. <u>Current taxes on income and wealth</u>	10.2	10.5	10.8	12.8	+ 2.6
1. Personal income tax(1)	7.2	7.8	8.6	10.5	+ 3.3
2. Corporation tax (2)	1.6	1.3	0.9	1.1	- 0.5
3. Other	1.4	1.4	1.3	1.2	- 0.2
III. <u>Capital taxes</u>	0.1	0.1	0.1	0.1	0.0
IV. <u>Total tax receipts (I + II + III)</u>	23.3	23.4	23.9	25.2	+ 1.9
V. <u>Social welfare contributions</u>	10.0	10.8	11.7	12.8	+ 2.8
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	33.3	34.2	35.6	38.1	+ 4.8

Sources : Eurostat Tax Statistics 1974 and 1975 and Eurostat National Account Aggregates 1960 - 1974

(1) Categories - D 01 + 02

(2) - D 05

ANNEX V

TABLE 3 : FRANCE

Tax receipts and social welfare contributions as a percentage of GDP, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports(1 to 7)</u>	16.7	15.9	15.6	14.6	- 2.1
1. General turnover taxes	8.5	9.1	9.3	9.1	+ 0.6
2. Import duties and agricultural levies	0.4	0.3	0.2	0.2	- 0.2
3. Excise duties and taxes on the consumption of goods	2.9	2.9	2.7	2.4	- 0.5
4. Taxes on services	0.5	0.5	0.4	0.4	- 0.1
5. Taxes on land and buildings	0.5	0.5	0.4	0.1	- 0.4
6. Stamps, registration and similar duties	0.6	0.6	0.6	0.6	0.0
7. Other taxes linked to production and imports	3.3	2.0	1.9	1.9	- 1.4
II. <u>Current taxes on income and wealth</u>	6.1	6.6	6.4	7.4	+ 1.3
1. Personal income tax(1)	3.4	3.3	3.4	3.6	+ 0.2
2. Corporation tax (2)	1.6	2.2	2.1	2.9	+ 1.3
3. Other	1.1	1.1	0.9	0.9	- 0.2
III. <u>Capital taxes</u>	0.2	0.2	0.2	0.2	0.0
IV. <u>Total tax receipts (I +II+III)</u>	23.0	22.7	22.2	22.2	- 0.8
V. <u>Social welfare contributions</u>	12.8	13.1	13.4	14.1	+ 1.3
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	35.8	35.8	35.6	36.4	+ 0.6

Source : Eurostat Tax Statistics 1974 and 1975 and Eurostat National Aggregates 1960 - 1974

(1) Categories - F 01  
 (2) - F 07

ANNEX V

TABLE 4 : IRELAND

Tax receipts and social welfare contributions as a percentage of GDP, 1968 - 1974

	Percentages				Change in share between 1968 and 1974 percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	18.2	19.5	19.1	18.7	+ 0.5
1. General turnover taxes	2.2	4.1	4.6	3.4	+ 3.2
2. Import duties and agricultural levies	1.0	0.9	0.9	0.9	- 0.1
3. Excise duties and taxes on the consumption of goods	10.7	10.3	9.1	8.5	- 2.2
4. Taxes on services	0.2	0.2	0.2	0.2	0.0
5. Taxes on land and buildings	3.2	3.2	3.3	2.8	- 0.4
6. Stamps, registrations and similar duties	0.4	0.3	0.5	0.3	+ 0.1
7. Other taxes linked to production and imports	0.5	0.5	0.4	0.5	0.0
II. <u>Current taxes on income and wealth</u>	8.0	9.0	9.4	10.3	+ 2.3
1. Personal income tax(1)	6.4	7.2	7.9	8.9	+ 2.5
2. Corporation tax (2)	1.0	1.2	1.0	0.9	- .1
3. Other	0.6	0.6	0.5	0.5	- .1
III. <u>Capital taxes</u>	0.6	0.4	0.6	0.5	- 0.1
IV. <u>Total tax receipts (I + II + III)</u>	26.9	28.9	29.1	29.5	+ 2.6
V. <u>Social welfare contributions</u>	2.3	2.6	2.9	3.9	+ 1.6
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	29.2	31.5	32.0	33.4	+ 4.2

Source : Eurostat Tax Statistics 1974 and 1975 and Eurostat National Account Aggregates 1960-1974

- (1) Categories-IRL 01 + 02 (includes some corporate income tax)  
 (2) -IRL 03 (excludes some corporate income tax)

ANNEX V

TABLE 5 : ITALY

Tax receipts and social welfare contributions as a percentage of GDP, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7) (b)</u>	12.8	12.2	11.6	11.5	- 1.3
1. General turnover taxes	3.8	4.0	3.4	5.3	+ 1.5
2. Import duties and agricultural levies	0.8	0.7	0.5	0.4	- 0.4
3. Excise duties and taxes on the consumption of goods	6.0	5.6	5.6	3.9	- 2.1
4. Taxes on services	1.0	0.8	0.8	0.5	- 0.5
5. Taxes on land and buildings	(a)	(a)	(a)	(a)	-
6. Stamps registration and similar duties	1.3	1.3	1.4	1.2	- 0.1
7. Other taxes linked to production and imports	0.5	0.5	0.4	0.5	0.0
II. <u>Current taxes on income and wealth</u>	6.7	6.0	6.9	6.6	- 0.1
1. Personal income tax(1)	3.5	3.2	3.6	4.8	+ 1.3
2. Corporation tax (2)	1.0	0.9	0.9	0.5	- 0.5
3. Other	2.2	1.9	2.4	1.3	- 0.9
III. <u>Capital taxes</u>	0.2	0.2	0.2	0.3	+ 0.1
IV. <u>Total tax receipts (I + II + III)</u>	19.7	18.4	18.7	18.4	- 1.3
V. <u>Social welfare contributions</u>	11.5	11.6	12.2	13.1	+ 1.6
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	31.2	30.0	30.0	31.6	+ 0.4

Source : Eurostat Tax Statistics 1974 and 1975 and Eurostat National Account Aggregates 1960-1974.

(a) Classed as current taxes on income and wealth.

(b) The individual items of category I 1-7 do not add to the total. The discrepancy is due to tax refunds which cannot be broken down. The amounts in question are as follows : -

1968 - 337,426 Mio Lit  
1970 - 459,028 " "

1972 - 406,079 Mio Lit  
1973 - 373.302 Mio Lit

(1) Categories - I 01, 02 +03

(2) - I 11, 12,13 + 14

## ANNEX V

TABLE 6 : NETHERLANDS

Tax receipts and social welfare contributions as a percentage of GDP, 1968 - 1974

	Percentages				Change in share between 1968 and 1974 Percentage points
	1968	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	12.0	11.9	12.2	11.6	- 0.4
1. General turnover taxes	5.6	5.8	6.7	6.5	+ 0.9
2. Import duties and agricultural levies	1.6	1.3	0.9	0.7	- 0.9
3. Excise duties and taxes on the consumption of goods	3.2	3.3	3.1	2.8	- 0.4
4. Taxes on services	-	-	-	-	0.0
5. Taxes on land and buildings	0.2	0.1	0.1	0.1	- 0.1
6. Stamps, registration and similar duties	0.4	0.4	0.4	0.4	0.0
7. Other taxes linked to production and imports	1.0	1.0	1.0	1.1	+ 0.1
II. <u>Current taxes on income and wealth</u>	13.5	12.3	15.2	16.0	+ 2.5
1. Personal income tax(1)	10.3	9.5	11.9	12.5	+ 2.2
2. Corporation tax(2)	2.8	2.4	2.8	3.1	+ 0.3
3. Other	0.4	0.4	0.5	0.4	0.0
III. <u>Capital taxes</u>	0.2	0.2	0.2	0.2	0.0
IV. <u>Total tax receipts (I + II + III)</u>	25.8	25.9	27.6	27.9	+ 2.1
V. <u>Social welfare contributions</u>	13.7	14.6	15.5	18.3	+ 4.6
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	39.5	40.5	43.1	46.2	+ 6.7

Source : Eurostat Tax Statistics 1974 and 1975 and Eurostat National Account Aggregates 1960-1974

- = < 0.1

(1) Categories - N 01, 02, 03, 04 + 05  
(2) - N 06



## ANNEX V

TABLE 7 : BELGIUM

Tax receipts and social welfare contributions as a percentage of GDP, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
<u>I. Taxes linked to production and imports (1 to 7)</u>	13.7	13.2	12.3	11.9	- 1.8
1. General turnover taxes	7.5	7.4	6.9	7.1	- 0.4
2. Import duties and agricultural levies	1.1	1.1	0.8	0.6	- 0.5
3. Excise duties and taxes on the consumption of goods	3.0	2.8	2.9	2.5	- 0.5
4. Taxes on services	0.3	0.3	0.3	0.3	0.0
5. Taxes on land and buildings	(a)	(a)	(a)	(a)	(a)
6. Stamps, registration and similar duties	0.9	0.8	0.7	0.8	- 0.1
7. Other taxes linked to production and imports	0.9	0.8	0.7	0.7	- 0.2
<u>II. Current taxes on income and wealth</u>	12.4	11.3	12.8	14.8	+ 2.4
1. Personal income tax(1)	8.0	8.7	9.9	11.5	+ 3.5
2. Corporation tax(2)	2.0	2.4	2.7	3.1	+ 1.1
3. Other	2.4	0.2	0.2	0.2	- 2.2
<u>III. Capital taxes</u>	0.4	0.4	0.3	0.3	- 0.1
<u>IV. Total tax receipts (I + II + III)</u>	26.5	24.9	25.4	27.0	+ 0.5
<u>V. Social welfare contributions</u>	10.1	10.9	11.7	12.4	+ 2.3
<u>VI. Social tax receipts and social welfare contributions (IV + V)</u>	36.6	35.8	37.1	39.3	+ 2.7

Source : Eurostat Tax Statistics 1974 and 1975 and Eurostat Account Aggregates 1960-1974

(a) Classed as current taxes on income and wealth.

(1) Categories - B 01 (less B 01.5)

(2) - B 02

ANNEX V

TABLE 8 : LUXEMBOURG

Tax receipts and social welfare contributions as a percentage of GDP, 1969 - 1974

	Percentages			Change in share between 1970 and 1974: percentage points
	1970	1972	1974	
I. <u>Taxes linked to production and imports (1 to 7)</u>	9.6	12.1	11.3	+ 1.7
1. General turnover taxes	3.3	4.5	4.3	+ 1.0
2. Import duties and agricultural levies	0.4	0.4	0.3	- 0.1
3. Excise duties and taxes on the consumption of goods	2.2	2.9	2.5	+ 0.3
4. Taxes on services	0.1	0.1	0.2	+ 0.1
5. Taxes on land and buildings	0.4	0.3	0.3	- 0.1
6. Stamps, registration and similar duties	1.2	1.6	1.6	+ 0.4
7. Other taxes linked to production and imports	2.0	2.1	2.2	+ 0.2
II. <u>Current taxes on income and wealth</u>	12.6	13.4	17.4	+ 4.8
1. Personal income tax (1)	7.7	9.6	10.7	+ 3.0
2. Corporation tax (2)	4.3	3.2	6.3	+ 2.0
3. Other	0.6	0.6	0.4	- 0.2
III. <u>Capital taxes</u>	0.1	0.2	0.2	+ 0.1
IV. <u>Total tax receipts (I + II + III)</u>	22.3	25.6	28.9	+ 6.6
V. <u>Social welfare contributions</u>	9.6	10.7	11.5	+ 1.9
VI. <u>Total tax receipts and social welfare contributions (IV + V)</u>	31.9	36.3	40.4	+ 8.5

Source : Eurostat Tax Statistics 1975 and Eurostat National Account Aggregates 1960-1974

(1) Categories - L 01, 02, 03, 04 + 05

(2) - L 06

## ANNEX V

TABLE 9 : UNITED KINGDOM

Tax receipts and social welfare contributions as a percentage of GDP, 1968 - 1974

	Percentages				Change in share between 1968 and 1974: percentage points
	1968	1970	1972	1974	
<u>I. Taxes linked to production and imports (1 to 7)</u>	15.4	16.1	14.5	13.5	- 1.9
1. General turnover taxes	2.1	2.5	2.2	3.1	+ 1.0
2. Import duties and agricultural levies	0.6	0.5	0.6	0.7	+ 0.1
3. Excise duties and taxes on the consumption of goods	6.7	6.8	6.0	5.0	- 1.7
4. Taxes on services	0.2	0.3	0.3	0.3	+ 0.1
5. Taxes on land and buildings	3.6	3.6	3.9	3.7	+ 0.1
6. Stamps, registration and similar duties	0.3	0.3	0.4	0.2	- 0.1
7. Other taxes linked to production and imports	1.9	2.2	1.2	0.5	- 1.4
<u>II. Current taxes on income and wealth</u>	13.7	15.8	13.9	15.9	+ 2.2
1. Personal income tax(1)	10.2	11.5	10.8	11.5	+ 1.3
2. Corporation tax(2)	2.9	3.3	2.3	3.5	+ 0.6
3. Other	0.6	1.0	0.8	0.9	+ .3
<u>III. Capital taxes</u>	0.9	0.8	0.8	0.5	- 0.4
<u>IV. Total tax receipts (I + II + III)</u>	30.0	32.6	29.1	29.9	- 0.1
<u>V. Social welfare contributions</u>	5.0	5.7	5.9	6.8	+ 1.8
<u>VI. Total tax receipts and social welfare contributions (IV + V)</u>	35.0	38.3	35.0	36.7	+ 1.7

Source : Eurostat Tax Statistics 1974 and 1975 and Eurostat National Account Aggregates 1960 - 1974

(1) Categories - UK 01 + 02

(2) - UK 04



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