



STATISTICS IN FOCUS

Economy and finance

1997 □ 35

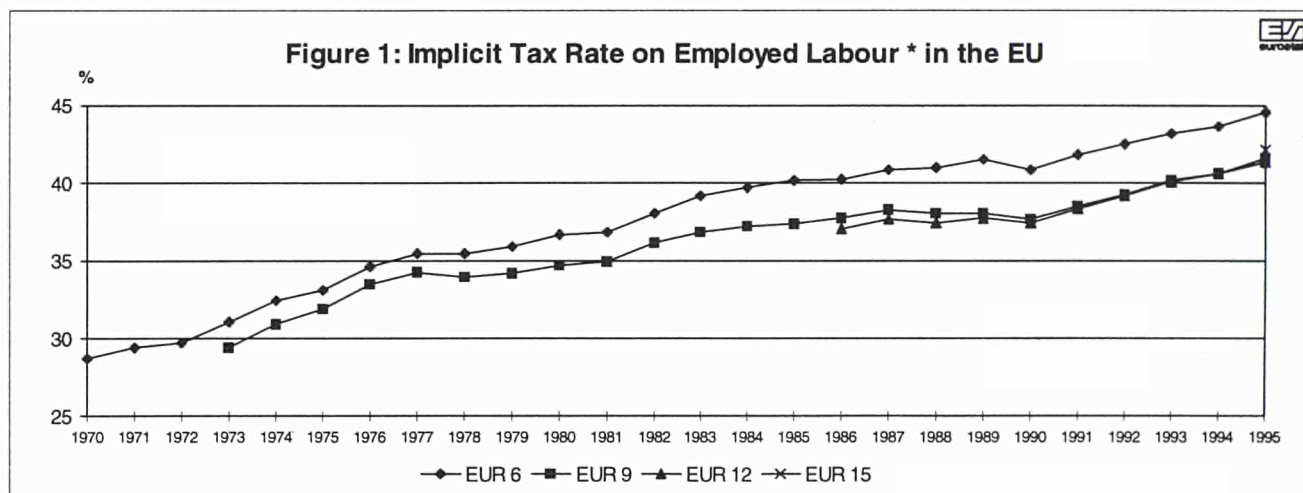
ISSN 1024-4298

Labour Taxation in the European Union 1970 - 1995

In order to quantify the levels and the evolution of labour taxation in the EU, a study entitled "Structures of the Taxation Systems in the European Union"¹ has been written by the Commission's Directorate General XXI (Customs and Indirect Taxation) based on figures provided by Eurostat. In addition, the study contains many more aspects such as taxation at various levels of government, taxes on corporate income, taxes on consumption or environmental taxes. This 'Statistics in Focus' does not elaborate taxes to the same detail (see last page for a summary).

Labour taxation steadily rising ...

The share of taxation on employed, self- and non-employed labour (see Box 1) shows a steady increase over the last 25 years. Taxes on employed labour increased from 14.5% in the EU of 6 Members (EUR6) in 1970 to 21.4% of GDP in 1995 for today's 15 Member States (EUR15) (Table 1). The respective figures for self- and non-employed labour remained rather stable between 1970 and 1995 at 2.5% of GDP.



*Taxes on employed labour divided by compensation of employees (see text for explanation).

¹The full study will be available soon, priced ECU 10 (catalogue no. CA-07-97-458-EN-C), from the national sales points (for addresses see last page).


Manuscript completed on = 1.10.1997

For further information please contact: T. Peters / T. Jaegers
Eurostat, L-2920 Luxembourg, tel. (00352) 4301-32068 / (0032) 229-91587

Price (excl. VAT) in Luxembourg: Subscription 'Statistics in focus' of all themes: ECU 310
Subscription 'Statistics in focus' of Theme 2 'Economy and Finance': ECU 85
Single copy: ECU 6

Catalogue number: CA-NJ-97-035-EN-C

Table 1: Taxes on employed labour* in the EU


	<i>In % of GDP</i>													
	1970	1975	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	15.6	21.2	22.5	24.4	24.1	24.1	23.2	22.4	22.9	23.3	23.7	23.9	24.0	23.9
DK	18.7	20.2	21.3	23.8	23.1	24.1	24.4	24.4	24.1	24.5	24.8	25.2	25.4	25.1
D	15.8	19.8	21.3	22.1	21.9	22.4	22.0	22.0	20.9	22.5	23.2	23.1	23.3	24.0
EL	:	:	:	:	:	:	:	11.9	12.1	12.5	12.3	13.5	14.4	14.4
E			14.8	14.8	14.3	15.1	15.1	15.7	16.5	17.2	17.9	18.3	18.0	16.9
F	15.1	17.5	20.8	22.2	21.7	22.0	21.5	21.6	21.9	22.5	22.8	23.2	22.9	23.0
IRL	8.3	11.6	13.8	16.2	16.0	16.5	16.7	14.5	14.5	14.9	14.9	15.2	14.9	13.6
I	9.8	13.5	15.2	16.9	16.9	16.8	17.2	17.7	18.0	18.2	18.6	19.3	18.2	18.1
L	12.8	20.0	21.4	18.1	17.8	17.9	16.9	16.4	17.2	17.0	16.9	16.9	16.4	16.4
NL	18.9	25.1	26.7	26.5	26.3	27.6	27.5	26.0	25.7	27.7	27.7	27.9	26.2	25.2
A	:	:	20.8	21.7	22.0	21.7	21.9	20.4	20.9	21.5	22.4	23.2	23.4	24.2
P	:	:	:	9.8	11.1	11.1	11.6	13.7	14.6	15.7	17.3	17.4	17.4	17.4
FIN	:	:	21.3	23.7	24.7	23.0	25.0	24.8	26.6	27.8	27.6	26.9	28.9	27.7
S	:	:	33.2	31.5	32.9	34.3	34.5	35.7	35.8	33.5	32.7	30.8	30.8	32.0
U K	12.8	17.4	16.2	14.5	14.7	14.5	14.2	13.7	14.0	14.3	14.1	14.1	14.3	14.7
EUR 6	14.5	18.4	20.4	21.3	21.1	21.3	21.1	21.1	20.8	21.8	22.3	22.7	22.4	22.7
EUR 9		18.2	19.6	20.0	20.0	20.2	19.8	19.7	19.6	20.5	20.9	21.3	21.0	21.4
EUR 12					19.3	19.5	19.2	19.2	19.2	20.0	20.5	20.9	20.7	20.9
EUR 15														21.4

*Taxes on employed labour mainly contain social contributions, but also part of the income tax and other taxes related to employment.

A similar picture appears if a different denominator is chosen. The ratio of taxes on employed labour expressed as a percentage of the 'compensation employees' also increased from 28.7% in 1970 for

EUR6 to 42.1 for EUR15 in 1995 (Figure 1 and Table 2). This share has been called 'implicit tax rate on employed labour'.

Table 2: Implicit Tax Rate on Employed Labour* in the EU

	<i>In %</i>													
	1970	1975	1980	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
B	31.3	36.6	37.8	43.8	43.5	44.4	43.9	43.7	43.8	43.4	44.1	44.8	45.5	45.7
DK	34.7	35.6	37.5	44.2	43.3	43.3	43.8	44.3	43.8	44.8	45.5	46.9	48.6	47.6
D	29.6	34.4	36.4	39.5	39.3	39.8	39.7	40.2	38.5	39.9	40.9	41.1	42.6	44.1
EL	:	:	:	:	:	:	:	34.1	34.1	38.2	39.1	43.9	45.9	45.9
E	:	:	28.8	32.3	31.8	33.6	33.3	34.5	35.5	36.6	38.4	39.1	39.9	38.0
F	30.5	32.1	37.2	40.4	40.6	41.6	41.4	42.2	42.2	43.1	43.5	43.9	44.1	44.4
IRL	16.1	20.6	23.4	30.2	30.6	32.1	34.1	31.0	30.7	30.8	30.8	31.4	31.4	30.1
I	21.6	26.5	31.9	36.6	37.5	37.7	38.9	39.9	39.9	40.1	41.0	43.6	42.6	44.0
L	27.5	31.5	33.4	32.5	32.4	31.4	30.8	30.3	30.4	29.0	29.0	29.7	29.6	29.6
NL	34.2	42.1	45.4	50.9	49.7	50.8	51.2	49.9	49.7	53.0	52.3	52.5	51.0	48.8
A	:	:	37.9	40.6	40.8	40.1	40.9	38.3	39.3	39.9	41.2	42.4	43.3	44.5
P	:	:	:	21.4	25.2	25.4	26.8	31.6	32.5	33.2	36.0	36.7	36.7	36.7
FIN	:	:	39.3	42.9	44.5	41.6	45.9	45.6	47.6	47.2	48.0	50.4	55.9	53.7
S	:	:	50.9	52.7	54.9	57.2	57.4	58.2	57.2	54.2	53.3	51.3	52.5	56.2
U K	21.7	26.7	27.2	26.2	26.6	26.5	26.0	24.8	24.5	24.7	24.6	25.2	26.1	27.0
EUR 6	28.7	33.1	36.7	40.2	40.3	40.9	41.0	41.5	40.9	41.8	42.5	43.2	43.7	44.5
EUR 12					37.1	37.7	37.4	37.7	37.4	38.3	39.2	40.0	40.6	41.4
EUR 15														42.1


*Taxes on employed labour divided by compensation of employees.

Also a third indicator (% of total tax receipts) suggests a growing share of labour taxation (Table 3). In 1970, the six founding Members financed 43.2% of their taxes through labour taxation, twenty-five years later the EUR15 figure lies at 51.4%.

... in all countries

All nine Member States providing data for 1970 and 1980 have higher implicit tax rates on labour in the latter year. The comparison of the evolution in the last ten years (1985-1995) shows that the values decreased in three Member States: in Ireland, the share went down from 30.2 to 30.1%, in Luxembourg from 32.5 to 29.6%, and in the Netherlands from 50.9 to 48.8. During the same period, the steepest increases were recorded in Germany (from 39.5 to 44.1%), Spain (32.3 to 38%), Italy (36.6 to 44%), Portugal (21.4 to 36.7% 1993) and Finland (42.9 to 53.7%).

Table 3: Taxes on employed labour in the EU

<i>in % of total tax receipts</i>				
	1970	1980	1990	1995
B	43.3	50.8	51.3	51.2
DK	46.2	46.8	49.4	48.9
D	44.2	51.3	52.9	56.2
EL	:	:	41.6	45.1
E	:	57.4	46.5	48.8
F	42.9	50.0	50.0	51.8
IRL	26.6	40.3	41.0	39.5
I	38.0	49.7	46.4	44.3
L	41.3	46.1	39.8	37.4
NL	50.6	58.1	57.1	55.5
A	:	49.6	49.8	55.2
P	:	:	42.2	46.9
FIN	:	57.8	58.7	59.5
S	:	67.6	64.1	62.8
U K	34.6	45.0	39.3	42.0
EUR 6	43.2	51.2	50.7	52.5
EUR 12			48.5	50.7
EUR 15				51.4

The share of taxes on employed labour in total taxation is relatively high in Germany, the Netherlands and Austria (around 55%) and the highest in Finland (59.5%) and Sweden (62.8%). Labour taxation below 40% of total taxation is found in Luxembourg and Ireland.


The highest value for the implicit tax rate on labour in 1995 were the Nordic countries Sweden (56.2%) and Finland (53.7%). The ratio is below 40% in Spain (38%), Ireland (30.1%), Luxembourg (29.6%) and Portugal (1993: 36.7%) (Table 2). With 27%, it is lowest in the United Kingdom. In the other countries, the shares of taxation on employed labour in the compensation of employees ranges between 40% and 50%.

Consumption taxes rather stable

Apart from taxation of labour, the above-mentioned study also provides implicit tax rates on two other

categories: 'consumption' (share of taxes on consumption in final national consumption) and 'other factors of production' (share of taxes on other factors of production in the net operating surplus). Table 4 reproduces some results of the study. The implicit tax rate on consumption decreased from 15.2 in the 1970 EU of six Members to 14.3% in 1995 with 15 Member States. The 'Other factors' had a higher implicit tax rate, increasing from 27.7 to 34.7%.

Table 4: Implicit Tax Rates in the EU

<i>in %</i>			
	Consumption ¹	Labour ²	Other Factors ³
1970	15.2	28.7	27.7
1975	13.0	31.9	38.9
1980	13.5	34.7	42.8
1981	13.2	34.9	45.5
1982	13.3	36.1	45.6
1983	13.6	36.8	44.1
1984	13.7	37.2	42.5
1985	13.6	37.3	42.3
1986	13.7	37.1	37.7
1987	13.8	37.7	38.0
1988	13.9	37.4	37.7
1989	13.8	37.7	38.3
1990	13.8	37.4	36.9
1991	13.8	38.3	37.0
1992	13.7	39.2	37.7
1993	13.7	40.0	37.9
1994	14.1	40.6	35.2
1995	14.3	42.1	34.7

¹ Share of taxes on consumption in final national consumption

² Taxes on employed labour divided by compensation of employees

³ Share of taxes on other factors of production in the net operating surplus

The concept of Labour Taxation

Taxes on **labour** ("non-wage labour costs") are those taxes and social contributions which in one way or another discriminate against the use of the labour factor in the official ("white") area of the economy. A distinction is made between employed and self-employed labour. The first category mainly comprises employers' and employees' social security contributions and wages taxes. The latter mainly comprise the social contributions paid by self- and non-employed persons and income taxes. The point of view from which this definition is derived is that of resource allocation in general. Taxes on labour in our definition consist of not only social security contributions paid by the employer and taxes such as the wage sum tax, but also those taxes which make it less attractive for an employed person to work more, or which make it less attractive for an unemployed person and potential employee to enter into a regular work contract instead of claiming various social benefits or selling his labour to the black economy. The concept of taxes on labour as used here is thus comparatively broad.

The Structure of Taxation according to Economic Function - an overview

During the last 25 years the taxation of *consumption* (private and public) in the European countries was fairly stable. The ratio of taxes on consumption (mainly VAT and excise duties) to GDP remained steady at around 10 or 11%. As a consequence of the general increase in taxation this stability of the GDP share meant a decline in the relative importance of consumption taxes. Their share in overall taxation fell from 33.1% in 1970 to 26.9% in 1995. This decline occurred in the years 1970 to 1977; thereafter the share remained stable. The reasons behind this development were the increase in taxation on labour (see below) but also a decrease in the implicit tax rate on consumption from around 15% in 1970 to around 13% in the mid-eighties.

In 1995 taxes and compulsory social contributions on *employed labour* accounted for more than half (51.4%) of total taxation and for more than a fifth (21.4%) of GDP. In 1970 the shares had been only 43.2% and 14.5% respectively. During the 1970s the GDP shares rose significantly in Belgium and the Netherlands. In the 1980s the increases were generally smaller. Larger rises occurred in Finland, Denmark and Italy. In some countries there were even decreases. Since 1990 a sharp increase has been witnessed in Germany, while in Sweden - which has the highest level of labour taxation - the share of these taxes in GDP decreased by 4.6 percentage points.

In most countries the main component of labour taxation and also the main driving force behind the increases are social contributions (see above). The relative importance of other taxes on labour - wage taxes, personal income taxes, payroll taxes, etc. - remained fairly stable in many countries, especially over the last fifteen years. Although the trend in taxation of employed labour is less smooth than the trend in taxes on consumption, the general

increase in labour taxation (quite marked in the 1970s and still significant in the 1980s) is a feature that is shared by almost all EU taxation systems.

The share of taxes and social contributions on *self-employed labour* has remained more or less stable in the Member States of the EU since 1970. In 1995 it was 2.3% of GDP, as it was in 1970. In the original six Member States of the Community the figure increased, but this was on average offset by low taxes and contributions on self-employed labour in other Member States. The importance of the taxes on self- and non-employed labour as a percentage of total taxation has significantly decreased since 1970 (from 7.0% to 5.5% in 1995). In particular this holds true for the Netherlands (see above) and Germany.

The taxation of *energy* has only slightly increased since 1970. Until the mid-1980s the energy tax/GDP share remained quite stable at around 1.8%, whereas the share in total taxation decreased by one percentage point to 4.5%. Since then a moderate but steady increase can be observed. In 1995 the share of energy taxation as percentage of GDP had again reached 2.2% of GDP and 5.2% of total taxation. Countries with comparatively high energy taxes are Italy, Luxembourg, Portugal and Sweden, whereas energy taxation is below the EU average in Belgium, Austria and the Netherlands. The most important energy taxes are excise duties on mineral oils.

The fiscal importance of *environmental taxes* is rather low in most Member States of the EU. Their share in total taxation lies between 1.5% and 2%. Moreover, there have been no significant changes in the trend of these taxes over recent years. Only in the Netherlands and Denmark are environmental taxes on a larger scale, in both cases as a result of comparatively high taxes on the use of cars (vehicle registration duties, taxes on vehicles, etc.).

Eurostat Data Shops

BELGIQUE/BELGIË

Eurostat Data Shop Brussels
Tel.: +32-2-299 66 66
Fax: +32-2-295 01 25
E-mail:
Piera.Calcinaghi@eurostat.cec.be

ESPAÑA

INE
Data Shop Eurostat
Tel.: +34-1-583 91 67
Fax: +34-1-583 46 99
E-mail: datashop@mundiprensa.es

ITALIA — Roma

ISTAT
Centro di Informazione Statistica —
Sede di Roma
Data Shop Eurostat
Tel.: +39-6-46 73 31 05/02
Fax: +39-6-46 73 31 07/01
E-mail: dipdiff@istat.it

ITALIA — Milano

ISTAT
Centro di Informazione Statistica —
Sede di Milano
Data Shop Eurostat
Tel.: +39-2-65 95 133/134
Fax: +39-2-65 30 75

UNITED KINGDOM

ONS Sales Office
Eurostat Data Shop (European Desk)
Office for national statistics
Tel.: +44-171-533 5676
Fax: +44-171-533 5689
E-mail: gloria.ryan@ons.gov.uk

DANMARK

Danmark Statistik
Bibliotek og Information
Eurostat Data Shop
Tel.: +45 39 17 30 30
Fax: +45 39 17 30 03
E-mail: bib@dst.dk

FRANCE

INSEE Info Service
Data Shop Eurostat
Tel.: +33-1-53 17 88 44
Fax: +33-1-53 17 88 22

LUXEMBOURG

Eurostat Data Shop Luxembourg
Tel.: +352-43 35 22 51
Fax: +352-43 35 22 221/245
E-mail: agnesn@eurostat.datashop.lu

USA

Haver analytics
Eurostat Data Shop
Tel.: +1-212-986 9300
Fax: +1-212-986 5857
E-mail: eurodata@haver.com

Eurostat homepage: <http://europa.eu.int/eurostat.html>

Sales offices (EUR-OP)

BELGIQUE/BELGIË — DANMARK — DEUTSCHLAND — GREECE/ELLADA — FRANCE — IRELAND —
ITALIA — GRAND-DUCHÉ DE LUXEMBOURG — NEDERLAND — OSTERREICH — PORTUGAL —
SUOMI /FINLAND — SVERIGE — UNITED KINGDOM — ICELAND — NORWAY — SWITZERLAND —
ČESKÁ REPUBLIKA — CYPRUS — MAGYARORSZÁG — MALTA — POLSKA — TÜRKIYE — BĂLGARIA —
HRVATSKA — ROMÂNIA — SLOVAKIA — SLOVENIA — ISRAEL — RUSSIA — AUSTRALIA — CANADA —
EGYPT — JAPAN — SOUTH AFRICA — UNITED STATES OF AMERICA — MÉXICO — KOREAN REPUBLIC

A worldwide list of our sales agents is available from the
Office for Official Publications of the European Communities
2 rue Mercier — L-2985 Luxembourg
tel. +352-2929-1 — fax. +352-2929 42658
Internet address:
http://eur-op.eu.int/_en/general/s-ad.htm