

# News Release



Date: 19 October 2007  
No. : 165/2007  
Time of release: 11.00 hrs

**Theme:**  
**Economy and Finance**

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## Government Finance

### Tax Revenues 2006

*Total tax revenues during 2006 amounted to Lm734.2 million (€1,710.2 million), with a tax burden of 34.0 per cent.*

Total tax revenue during 2006 increased by Lm45.0 million or 6.5 per cent over the previous year, and amounted to Lm734.2 million. Tax revenue may be broadly classified under three headings: indirect taxes, direct taxes and social security contributions. Table 1 illustrates the revenue stream under these broad categories.

Indirect taxes, at Lm335.0 million, make up 45.6 per cent of total tax revenues. Indirect taxes are defined as taxes linked to production and imports. This tax category includes VAT, import duties, excises and other specific taxes on services, and on financial and capital transactions. Within this heading VAT is the most important component, followed by taxes on products (including excise duties). During the course of 2006, revenue from excise duties (mainly on cigarettes and petroleum) totaled Lm62.2 million, while VAT revenues amounted to Lm175.4 million.

During 2006, direct taxes made up 35.9 per cent of total tax revenue, one percentage point higher compared to the previous year. An increase of Lm30.7 million in income taxes was in part offset by a reduction of Lm5.9 million in 'other current taxes'. This decline was due to receipts under the 'investment registration scheme' applicable in 2005, but which were not repeated last year.

While actual cash receipts of social contributions recorded a year-on-year increase, when adjusted for accruals, this category of tax declined by Lm4.5 million during 2006.

The overall tax burden, defined as the total amount of taxes and actual social contributions expressed as a percentage of GDP, edged up to 34.0 per cent in 2006, from 33.9 per cent one year earlier ■

European statistics comparable to data in this News Release are available at:

[EUROSTAT Website/Homepage/Economy and finance/Data](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

- >Economy and finance
  - >Government statistics
    - >Annual government finance statistics
      - >Main national accounts tax aggregates

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Table 1. Structure of Tax Revenues

						Lm000's
	ESA Code	2002	2003	2004	2005	2006
Indirect Taxes		<b>249,881</b>	<b>243,012</b>	<b>285,433</b>	<b>308,994</b>	<b>335,016</b>
VAT type taxes	D211	127,930	116,994	139,826	161,262	175,409
Import Duties	D2121	10,644	11,514	7,877	6,754	6,977
Levies	D2122	8,705	6,576	1,695	0	0
Taxes on Products (incl. Excise duties)	D214	95,232	99,650	120,507	129,132	140,357
Other taxes on production	D29	7,370	8,277	15,528	11,846	12,273
Direct Taxes		<b>209,062</b>	<b>225,755</b>	<b>224,933</b>	<b>240,223</b>	<b>263,712</b>
Personal Income Tax	D51	112,531	118,290	131,615	132,386	147,287
Corporate Income Tax	D51	70,969	85,212	76,125	81,205	97,584
Other Income Tax	D51	1,914	1,573	2,057	2,096	1,468
Other Current Taxes	D59	21,360	18,000	11,117	17,022	11,083
Capital Taxes	D91	2,289	2,681	4,019	7,514	6,291
Social Contributions		<b>119,969</b>	<b>122,271</b>	<b>126,415</b>	<b>140,012</b>	<b>135,493</b>
Employers'	D61111	53,816	55,006	56,728	62,936	60,974
Employees'	D61121	53,770	54,933	56,687	62,777	60,806
Self- and non-employed	D61131	12,383	12,332	13,001	14,299	13,712
<b>Total Tax Revenues</b>		<b>578,913</b>	<b>591,037</b>	<b>636,782</b>	<b>689,230</b>	<b>734,221</b>

Table 2. Structure of Tax Burden

						per cent
	ESA Code	2002	2003	2004	2005	2006
Indirect Taxes		<b>13.6</b>	<b>12.9</b>	<b>14.9</b>	<b>15.2</b>	<b>15.5</b>
VAT type taxes	D211	7.0	6.2	7.3	7.9	8.1
Import Duties	D2121	0.6	0.6	0.4	0.3	0.3
Levies	D2122	0.5	0.3	0.1	0.0	0.0
Taxes on Products (incl. Excise duties)	D214	5.2	5.3	6.3	6.3	6.5
Other taxes on production	D29	0.4	0.4	0.8	0.6	0.6
Direct Taxes		<b>11.4</b>	<b>12.0</b>	<b>11.7</b>	<b>11.8</b>	<b>12.2</b>
Personal Income Tax	D51	6.1	6.3	6.9	6.5	6.8
Corporate Income Tax	D51	3.9	4.5	4.0	4.0	4.5
Other Income Tax	D51	0.1	0.1	0.1	0.1	0.1
Other Current Taxes	D59	1.2	1.0	0.6	0.8	0.5
Capital Taxes	D91	0.1	0.1	0.2	0.4	0.3
Social Contributions		<b>6.5</b>	<b>6.5</b>	<b>6.6</b>	<b>6.9</b>	<b>6.3</b>
Employers'	D61111	2.9	2.9	3.0	3.1	2.8
Employees'	D61121	2.9	2.9	3.0	3.1	2.8
Self- and non-employed	D61131	0.7	0.7	0.7	0.7	0.6
<b>Total Tax Burden</b>		<b>31.5</b>	<b>31.4</b>	<b>33.2</b>	<b>33.9</b>	<b>34.0</b>

\* Tax Burden is the amount of taxes and compulsory actual social contributions as a percentage of GDP

Table 3. Structure of Tax Revenues

	ESA Code	per cent				
		2002	2003	2004	2005	2006
Indirect Taxes		<b>43.2</b>	<b>41.1</b>	<b>44.8</b>	<b>44.8</b>	<b>45.6</b>
VAT type taxes	D211	22.1	19.8	22.0	23.4	23.9
Import Duties	D2121	1.8	1.9	1.2	1.0	1.0
Levies	D2122	1.5	1.1	0.3	0.0	0.0
Taxes on Products (incl. Excise duties)	D214	16.5	16.9	18.9	18.7	19.1
Other taxes on production	D29	1.3	1.4	2.4	1.7	1.7
Direct Taxes		<b>36.1</b>	<b>38.2</b>	<b>35.3</b>	<b>34.9</b>	<b>35.9</b>
Personal Income Tax	D51	19.4	20.0	20.7	19.2	20.1
Corporate Income Tax	D51	12.3	14.4	12.0	11.8	13.3
Other Income Tax	D51	0.3	0.3	0.3	0.3	0.2
Other Current Taxes	D59	3.7	3.0	1.7	2.5	1.5
Capital Taxes	D91	0.4	0.5	0.6	1.1	0.9
Social Contributions		<b>20.7</b>	<b>20.7</b>	<b>19.9</b>	<b>20.3</b>	<b>18.5</b>
Employers'	D61111	9.3	9.3	8.9	9.1	8.3
Employees'	D61121	9.3	9.3	8.9	9.1	8.3
Self- and non-employed	D61131	2.1	2.1	2.0	2.1	1.9
<b>Total Tax Revenues</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## Methodological Notes

The assessment and monitoring of the structures of the taxation systems and the various tax reforms in the European Union call for a reliable, coherent and up-to-date system of tax indicators representing the structures of the various tax systems applicable in the European Union. The data contained in this news release has been drawn up in line with the ESA 95 methodologies, and for ease of reference this glossary provides the necessary definitions. Some definitions cover taxes which are not applicable locally.

**Taxes on Production and Imports** (includes VAT and excise duties) (D.2) - Consist of compulsory, unrequited payments, in cash or in kind which are levied by general government, or by the Institutions of the European Union, in respect of the production and importation of goods and services, the employment of labour, the ownership or use of the land, building or other assets used in production. These taxes are payable irrespective of whether profits are made.

Taxes on production and imports consist of:

- a) *taxes on products (D.21)* - are taxes that are payable per unit of some good or service produced or transacted. The tax may be a specific amount of money per unit of quantity of a good or service, or it may be calculated *ad valorem* as a specified percentage of the price per unit or value of the goods and services produced or transacted.
  - (1) *value-added-type taxes (VAT) (D.211)* - is a tax on goods or services collected in stages by enterprises and which is ultimately charged in full to the final purchasers.
  - (2) *taxes and duties on imports; except VAT (D.212)* - comprise compulsory payments levied by general government or the Institutions of the European Union on imported goods, excluding VAT, in order to admit them to free circulation on the economic territory, and on services provided to resident units by non-resident units.
  - (3) *taxes on products, except VAT and import taxes (D.214)* - consist of taxes on goods and services that become payable as a result of the production, export, sale, transfer, leasing or delivery of those goods or services, or as a result of their use for own consumption or own or own capital formation. Within the local context this refers to excise duties.
- b) *other taxes on production (D.29)* - consist of all taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold (mainly operating licences).

**Current Taxes on Income and Wealth** (D.5) - covers all compulsory, unrequited payments, in cash or in kind, levied periodically by general government and by the rest of the world on the income and wealth of institutional units, and some periodic taxes which are assessed neither on the income nor the wealth.

Current taxes on income, wealth, etc, are divided into:

- a) *taxes on income (D.51)* - consist of taxes on incomes, profits and capital gains. They are assessed on the actual or presumed incomes of individuals, households, corporations or non-profit institutions. They include taxes assessed on holdings of property, land or real estate when these holdings are used as a basis for estimating the income of their owners.
- b) *other current taxes (D.59)* - include: Current taxes on capital that are payable periodically on the ownership or use of land or buildings by owners, and current taxes on net wealth and on other assets except taxes mentioned in D.29 and D.59; Poll taxes, levied per adult or per household, independently of income or wealth; Expenditure taxes, payable on the total expenditures of persons or households; Payments by households for licences to own or use vehicles, boats or aircraft, or for licences to hunt, shoot or fish, etc.; Taxes on international transactions (travel abroad, foreign remittances, foreign investments, etc), except those payable by producers and import duties paid by households.

**Taxes on Capital** (D.91) are mainly made up of inheritance taxes and taxes on gifts *inter vivos* .

**Direct taxes** consist of current taxes on income and wealth plus capital taxes and other current taxes. The income taxes are made up of both personal as well as corporate taxes.

**Social Security Contributions** (D.61) - include:

- a) *employers' actual social contributions (D.6111)* - Are paid by employers (both private and Government) to social security funds, insurances enterprises or autonomous as well as non autonomous pension funds administering social insurance schemes to secure social benefits for their employees.
- b) *employees' social contributions (D.6112)*- Are payable by employees to social security, private funded and unfunded schemes.
- c) *social contributions by self-employed and non-employed persons (D.6113)* - Are payable for their own benefit by persons who are not employees - namely self-employed persons (employers or own-account workers) or non-employed persons.

In Malta there are no Social Security Funds, the scheme is operated by central government. The figures presented in these tables are net of the State Contribution (in terms of the Social Security Act, 1987)

The tax-to-GDP ratio measures the **overall tax burden** as the total amount of taxes and compulsory actual social security contributions as a percentage of GDP. GDP figures for 2004-2006 are provisional, as published in News Release 145/2007 on 7 September.

Time of Recording:

The data in this release is based on the Revenue Reports generated by the Treasury. These are then adjusted by the estimated realistic balances as provided by the revenue collecting departments.

Revision Policy:

The data in this news release may be revised if and when enhanced accruals data for the reference years becomes available.